



# DAILY INFORMATION BULLETIN

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WEDNESDAY, FEBRUARY 27, 1985

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WEDNESDAY, FEBRUARY 27, 1985

- 1 -

SIR JOHN AIMS FOR BALANCED BUDGET  
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THE FINANCIAL SECRETARY, THE HON SIR JOHN BREMIDGE, TOLD THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY) THAT HE HOPED TO PRESENT A BALANCED BUDGET IN FEBRUARY NEXT YEAR (1986-87).

+IN 1982-83 THE DEFICIT WAS \$3.5 BILLION (AND WE WERE FORTUNATE THAT IT WAS NOT GREATER). IN 1983-84 IT WAS \$3 BILLION,+ SAID SIR JOHN.

+FOR THIS FINANCIAL YEAR 1984-85 IT WILL BE ABOUT \$1.8 BILLION - CONSERVATIVELY EXCLUDING THE SUCCESSFUL \$1 BILLION BOND ISSUE. IF MY VARIOUS PROPOSALS ARE ACCEPTED BY THIS COUNCIL, THE PLANNED DEFICIT FOR 1985-86 SHOULD BE ABOUT \$1 BILLION. IT COULD BE LESS.

+ONLY A FOOL WOULD MAKE PROMISES, BUT I HOPE TO PRESENT TO THIS COUNCIL IN FEBRUARY 1986 A BALANCED BUDGET FOR 1986-87. THIS IS MY PRESENT INTENTION.+

SIR JOHN FORECAST INFLATION OF ABOUT 5.5 PER CENT FOR 1985 AS COMPARED WITH 8.1 PER CENT FOR 1984. REAL GDP GROWTH IN 1984 WAS A REMARKABLE 9.6 PER CENT WHILE THERE HAD BEEN EFFECTIVE FULL EMPLOYMENT. HE FORECAST A GROWTH IN GDP OF ABOUT SEVEN PER CENT IN 1985. HIS BUDGET PROPOSALS WHICH DO NOT INCLUDE INCREASES IN DIRECT TAXATION WOULD RAISE REVENUE BY \$1.35 BILLION BUT CUTS IN PERSONAL TAXES FOR THE MORE DESERVING WILL COST \$150 MILLION NEXT YEAR AND \$210 MILLION IN A FULL YEAR.

+THE NET ADDITIONAL REVENUE TO BE RAISED WILL THUS BE \$1.2 BILLION. THE COMPARABLE FIGURE LAST YEAR IN MONEY TERMS WAS \$1.5 BILLION. IN THE PREVIOUS YEAR IT WAS \$3 BILLION. THE TREND IS CLEAR,+ SAID SIR JOHN.

REVIEWING RECENT EXPERIENCE, HE SAID THAT THE LAST YEAR WITH A BUDGET SURPLUS WAS 1981-82. IN THAT YEAR LAND SALES REVENUE WAS \$8.9 BILLION - ITSELF \$1.8 BILLION LESS THAN IN THE PREVIOUS YEAR. ONLY FOUR YEARS LATER IN 1985-86 LAND SALES REVENUE IS UNLIKELY TO EXCEED \$1.7 BILLION, WHICH MAY ESTABLISH A TREND FOR FUTURE YEARS.

WORLD RECESSION AND THE UNCERTAINTY OVER HONG KONG'S FUTURE MEANT THAT IT WAS NOT SURPRISING THAT SINCE 1981-82 MAJOR BUDGETARY ADJUSTMENT HAS BEEN NECESSARY. +THE GOVERNMENT HAS REMAINED STEADILY AND VISIBLY ON COURSE TOWARDS A RETURN TO BALANCED BUDGETS WITHOUT RESORT TO STOP AND GO TACTICS. WE HAVE ALSO MAINTAINED AND EVEN STRENGTHENED MAJOR PROGRAMMES,+ HE SAID.

THE LINKING OF THE HONG KONG DOLLAR TO THE US DOLLAR HAS RESULTED IN A STABLE CURRENCY WITH BUILT-IN CONTROL OF THE MONEY SUPPLY. THERE HAS BEEN A RAPID DROP FROM 12.4 PER CENT TO 4.6 PER CENT IN CONSUMER PRICE INFLATION.

/+THIS IS .....

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+THIS IS A MOST BENEFICIAL OUTCOME AND ONE OF GREAT IMPORTANCE FOR COMMUNITY WELL-BEING. PEOPLE NO LONGER FEAR ALARMING ANNUAL INCREASES IN THE COST OF LIVING, PARTICULARLY AS REAL WAGES ARE AGAIN RISING. THEY CAN ABSORB THE SLIGHTLY INFLATIONARY IMPACT OF FURTHER SELECTIVE INDIRECT TAXATION. MOREOVER, LARGE ANNUAL INFLATION-BASED PAY INCREASES ARE UNNECESSARY,+ SAID SIR JOHN.

THE GOVERNMENT REMAINED COMMITTED TO THE SUPPORT OF A FREE MARKET ECONOMY, HE SAID.

+TO PROVISION OF THE INFRASTRUCTURE WITHIN WHICH ENTERPRISE CAN FLOURISH WITHOUT UNNECESSARY GOVERNMENT REGULATION; TO THE CARE OF THOSE WHO CANNOT CARE FOR THEMSELVES; AND TO LOW OVERALL TAXATION. HONG KONG IS NOT A TAX HAVEN, BUT WE KNOW NOT LEAST FROM THE EXPERIENCE OF OTHERS THAT MODERATION IN TAXATION IS AN ESSENTIAL SPUR TO INDIVIDUAL EFFORT. TAX AVOIDANCE IS NOT.+

SIR JOHN SAID HIS REVENUE PROPOSALS RELATED TO INDIRECT TAXATION DESIGNED TO FALL ON LUXURIES AND NOT ON ESSENTIALS.

AS AN EXAMPLE OF THE ALTERNATIVES, HE SAID AN ADDITIONAL ONE PERCENTAGE POINT TO THE PRESENT STANDARD TAX RATE OF 17 PER CENT WOULD YIELD \$165 MILLION IN THE FIRST YEAR AND \$290 MILLION IN A FULL YEAR. ONE PERCENTAGE POINT ON THE PRESENT CORPORATE RATE OF 18.5 PER CENT WOULD YIELD \$200 MILLION AND \$430 MILLION RESPECTIVELY.

+IF MEMBERS IN THE FORTHCOMING DEBATE SEEK A LOWER DEFICIT OR GREATER TAX CONCESSIONS OR NEW PROGRAMMES, THE SIMPLE MATHEMATICS OF ALTERNATIVE DIRECT TAXATION INCREASES SHOULD AT LEAST BE KNOWN,+ HE SAID.

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#### SEVEN PER CENT GDP GROWTH FORECAST \* \* \* \*

DEFICIT FINANCE IS A PROFLIGATE'S REFUGE, THE FINANCIAL SECRETARY, THE HON SIR JOHN BREMRIDGE, SAID AS HE WOUND UP HIS BUDGET SPEECH WITH A REVIEW OF ECONOMIC PROSPECTS FOR 1985 WHICH INCLUDED A FORECAST GROWTH RATE OF THE GROSS DOMESTIC PRODUCT OF SEVEN PER CENT.

HE SAID THAT THE ECONOMY SHOULD BENEFIT FROM EXPECTED GROWTH IN THE WORLD ECONOMY BUT THE TERRITORY REMAINED ALWAYS VULNERABLE TO EXTERNAL EVENTS. THE U.S. ECONOMY WAS EXPECTED TO EXPAND LESS RAPIDLY WITH A 3.5 PER CENT GROWTH RATE ASSUMED FOR 1985 AS COMPARED WITH THE 6.8 PER CENT RECORDED FOR 1984. THUS SOME SLOWING DOWN IN THE GROWTH RATE OF DOMESTIC EXPORTS TO THE UNITED STATES WAS LIKELY THIS YEAR.

+PROTECTIONISM EVERYWHERE IS A CONSTANT THREAT+, SAID SIR JOHN CITING THE DIFFICULTIES WITH THE CHANGE IN U.S. COUNTRY-OF-ORIGIN RULES LAST YEAR.

/CHINA WAS .....

CHINA WAS NOW HONG KONG'S SECOND LARGEST DOMESTIC EXPORT MARKET, THOUGH STILL WELL BEHIND THE U.S. HE PREDICTED THAT ALL ASPECTS OF HK-CHINA TRADE WOULD CONTINUE TO GROW RAPIDLY BUT THAT EXPORTS TO EUROPE WERE LARGELY DEPENDENT ON ECONOMIC PERFORMANCES THERE AND ON THE MAINTAINING OF THE COMPETITIVENESS OF HONG KONG PRODUCTS. THE STRENGTH OF THE U.S. DOLLAR, TO WHICH THE HK DOLLAR WAS LINKED, AND AN INFLATION RATE IN THE TERRITORY HIGHER THAN THE UNITED KINGDOM OR WEST GERMANY MEANT THAT HONG KONG PRODUCTS BECAME RELATIVELY MORE EXPENSIVE.

+TAKING THE ABOVE FACTORS INTO CONSIDERATION, THE FORECAST OF THE GROWTH RATE OF DOMESTIC EXPORTS IN 1985 IS 11 PER CENT IN REAL TERMS, RATHER LESS THAN THE 17 PER CENT ACHIEVED IN 1984+, SAID THE FINANCIAL SECRETARY. +THIS, COMBINED WITH A FORECAST GROWTH RATE OF RE-EXPORTS OF 30 PER CENT, GIVES A GROWTH FORECAST FOR TOTAL EXPORTS OF 18 PER CENT, COMPARED WITH 22 PER CENT IN 1984. IF ACHIEVED, THIS WILL STILL BE VERY SATISFACTORY.+

+REFLECTING THE REAL INCREASE IN EARNINGS AND INCOMES IN 1984, PRIVATE CONSUMPTION EXPENDITURE IS FORECAST TO SHOW AN INCREASED BUT STILL MODERATE GROWTH RATE OF SEVEN PER CENT IN 1985.

+GOVERNMENT CONSUMPTION EXPENDITURE IS FORECAST TO INCREASE BY FIVE PER CENT, COMPARED WITH THREE PER CENT IN 1984.

+PRIVATE INVESTMENT EXPENDITURE IS PARTICULARLY DIFFICULT TO ESTIMATE. THE JOINT DECLARATION ON THE FUTURE OF HONG KONG HAS, HOWEVER, REMOVED THE UNCERTAINTY THAT HUNG OVER THE ECONOMY IN THE LAST COUPLE OF YEARS. PRIVATE INVESTMENT IN PLANT AND MACHINERY IS FORECAST TO INCREASE BY 16 PER CENT IN 1985.+ A FOOTNOTE EXPLAINED THAT ALTHOUGH THE FORECAST GROWTH RATE FOR 1985 WAS LESS THAN THAT RECORDED IN 1984, AT 26 PER CENT, MUCH OF THE GROWTH THAT OCCURRED IN 1984 REPRESENTED THE RECOVERY OF THE BACKLOG FROM 1982 AND 1983.

+PRIVATE INVESTMENT IN BUILDING AND CONSTRUCTION IS EXPECTED TO INCREASE BY TWO PER CENT, COMPARED WITH A DECLINE OF 9.5 PER CENT IN 1984. LARGELY DUE TO A REDUCTION IN MTRC CAPITAL EXPENDITURE, PUBLIC SECTOR EXPENDITURE ON BUILDING AND CONSTRUCTION IS, HOWEVER, FORECAST TO DECLINE BY EIGHT PER CENT, COMPARED WITH A DECLINE OF FOUR PER CENT IN 1984.

+THESE FORECASTS, WHEN COMBINED WITH THE FORECASTS OF SOME OTHER, SMALLER, COMPONENTS, GIVE A FORECAST GROWTH RATE FOR GROSS DOMESTIC FIXED CAPITAL FORMATION FOR 1985 OF FIVE PER CENT REPRESENTING A SIGNIFICANT IMPROVEMENT COMPARED WITH THE INCREASE OF UNDER ONE PER CENT THAT WAS RECORDED IN 1984.

+THE FORECAST GROWTH RATE OF IMPORTS ASSOCIATED WITH THESE FORECASTS OF FINAL DEMAND IS 18 PER CENT, COMPARED WITH 15 PER CENT RECORDED FOR 1984. NET EXPORTS OF SERVICES ARE FORECAST TO INCREASE BY 15 PER CENT, COMPARED WITH 21 PER CENT IN 1984.

+THESE FORECASTS FOR THE INDIVIDUAL COMPONENTS OF EXPENDITURE, WHEN COMBINED, GIVE A FORECAST GROWTH RATE OF THE GROSS DOMESTIC PRODUCT OF SEVEN PER CENT.

+IF THEY ARE BORNE OUT, ECONOMIC GROWTH IN 1985 WILL CONTINUE TO BE EXPORT-LED, BUT WITH AN INCREASING CONTRIBUTION FROM DOMESTIC DEMAND. THE GROWTH RATE OF TOTAL FINAL DEMAND (EXCLUDING RE-EXPORTS), AT 8.5 PER CENT, IS EXPECTED TO EXCEED THAT OF THE GDP, AT SEVEN PER CENT, BUT NOT SUFFICIENTLY TO GENERATE SIGNIFICANT INTERNAL INFLATIONARY PRESSURES.

+UNDER THE LINKED EXCHANGE RATE SYSTEM, INFLATION IN HONG KONG IS EXPECTED TO CONTINUE TO FALL IN 1985 TO A LEVEL CLOSER TO THAT IN THE UNITED STATES. THE AVERAGE RATE OF INFLATION IN 1985 IS THUS EXPECTED TO BE ABOUT 5.5 PER CENT, SIGNIFICANTLY LESS THAN THE 8.1 PER CENT IN 1984. THE FORECAST RATE OF INCREASE IN THE GDP DEFLATOR IS RATHER HIGHER THAN THAT FOR THE CPI AT ABOUT SEVEN PER CENT.

+THE FORECAST GROWTH RATE OF THE GDP IN 1985 IN MONEY TERMS IS THEREFORE 15 PER CENT, IMPLYING A CURRENT PRICE GDP OF \$286 BILLION. AT CURRENT PRICES, PER CAPITA GDP IN 1985 SHOULD THUS BE OVER \$52 000, OR ABOUT US\$6 700.

+THERE IS REASON TO TRUST THE INNATE WIT AND INTELLIGENCE OF OUR CITIZENS. THE MAJORITY CAN SEE THAT OVER A CYCLE OF YEARS A BALANCED BUDGET FOR HONG KONG IS AS ESSENTIAL AS IT IS IN THEIR OWN HOUSEHOLDS. THIS IS BEING ACHIEVED BY CONTINUAL DOWNWARD PRESSURE BY THE ADMINISTRATION ON PUBLIC SECTOR EXPENDITURE AND BY CONTINUAL UPWARD PRESSURE ON REVENUE.

+THERE ARE NOW MANY, AND THERE WILL BE MANY MORE, DECENT MINDED PEOPLE WHO ADVOCATE INCREASED GOVERNMENT SPENDING IN SECTORS IN WHICH THEY HAVE A SPECIAL INTEREST. IT IS, HOWEVER, A FACT OF LIFE THAT LITERALLY NO LIMIT CAN BE PUT ON EXPENDITURE REPRESENTING VARIOUS SOCIAL ASPIRATIONS UNLESS TIGHT CONTROLS ARE MAINTAINED ON THE TAXPAYERS' MONEY AND ON THE LEVYING OF NEW TAXES. FURTHER INCREASES IN DIRECT TAXATION IN PARTICULAR ARE AT LEAST UNDESIRABLE.

+WISE SPENDING THERE MUST BE- AND INDEED MORE AS THE COMMUNITY GETS RICHER. BUT EVERY NEW PROPOSITION MUST BE SUBJECT TO TEST BY TWO SIMPLE QUESTIONS. WHAT ARE THE PRIORITIES? WHERE IS THE MONEY COMING FROM? DEFICIT FINANCE IS A PROFLIGATE'S REFUGE - PARTICULARLY IN THE LIGHT OF HONG KONG'S EXPOSURE TO EXTERNAL SHOCKS. I CONCLUDE THEREFORE BY QUOTING DICKENS, WHOSE WORDS WILL, I BELIEVE, STRIKE A GENERAL NOTE OF APPROVAL IN HONG KONG: ANNUAL INCOME TWENTY POUNDS, ANNUAL EXPENDITURE NINETEEN NINETEEN SIX, RESULT HAPPINESS. ANNUAL INCOME TWENTY POUNDS, ANNUAL EXPENDITURE TWENTY POUNDS OUGHT AND SIX, RESULT MISERY.+

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SECOND YEAR OF EXPORT-LED GROWTH  
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IN 1984 THE HONG KONG ECONOMY EXPERIENCED THE SECOND CONSECUTIVE YEAR OF EXPORT-LED GROWTH DUE TO STRONG EXPANSION IN THE UNITED STATES AND IMPROVEMENTS ELSEWHERE, SIR JOHN BREMRIDGE TOLD THE LEGISLATIVE COUNCIL TODAY.

+EXPORTS TO CHINA EXPANDED RAPIDLY, AS ITS NEW ECONOMIC POLICY HAS ENHANCED BILATERAL TRADING OPPORTUNITIES, + SAID SIR JOHN. HE POINTED OUT THAT IN REAL TERMS OUR DOMESTIC EXPORTS INCREASED OVERALL BY ABOUT 17 PER CENT, RE-EXPORTS BY ABOUT 30 PER CENT AND IMPORTS BY ABOUT 15 PER CENT. AT UNDER ONE PER CENT THE VISIBLE TRADE GAP WAS THE SMALLEST FOR MORE THAN 25 YEARS - EQUIVALENT TO LESS THAN TWO DAYS' IMPORTS.

+THE GENERAL INCREASE IN ECONOMIC ACTIVITY AND THE RETURN OF CONFIDENCE HELPED TO STIMULATE A RECOVERY IN PRIVATE INVESTMENT IN PLANT AND MACHINERY THROUGHOUT THE YEAR, + SAID SIR JOHN.

MOST OF THE GROWTH OF 26 PER CENT REFLECTED A CATCHING UP ON TWO VERY POOR YEARS. HOWEVER, PRIVATE EXPENDITURE ON BUILDING AND CONSTRUCTION FELL BY 9.5 PER CENT IN REAL TERMS.

REFERRING TO THE PROPERTY MARKET, SIR JOHN SAID THAT APART FROM A HIGH TAKE-UP OF FINISHED PROPERTY, THE MARKET REMAINED SOFT, THOUGH THERE WERE SIGNS OF IMPROVEMENT TOWARDS THE END OF THE YEAR. PRIVATE CONSUMPTION EXPENDITURE GREW BY FIVE PER CENT IN REAL TERMS.

SIR JOHN SAID THAT PUBLIC SECTOR EXPENDITURE OVERALL DECLINED BY TWO PER CENT IN REAL TERMS, WHILE OVERALL THE GDP GREW BY 9.6 PER CENT IN REAL TERMS REPRESENTING A SIGNIFICANT IMPROVEMENT ON THE PREVIOUS YEAR'S 5.1 PER CENT.

REFLECTING THE CONTINUED RAPID EXPANSION IN EXPORTS AND THE RESULTING ACCELERATED GROWTH RATE OF THE ECONOMY, SIR JOHN SAID BOTH THE UNEMPLOYMENT RATE AND UNDEREMPLOYMENT RATE STAYED AT LOW LEVELS AND EARNINGS IN MOST SECTORS INCREASED IN REAL TERMS. IN THE FOURTH QUARTER THE SEASONALLY ADJUSTED UNEMPLOYMENT RATE STOOD AT 3.8 PER CENT AND THE UNDEREMPLOYMENT RATE AT 0.8 PER CENT, REPRESENTING CLOSE TO FULL EMPLOYMENT. SIR JOHN ADDED THAT OUTPUT PER EMPLOYED PERSON ROSE BY 6.7 PER CENT.

HE SAID 1984 WAS THE YEAR IN WHICH THE HONG KONG ECONOMY VERY LARGELY GOT BACK ON TRACK.

+ECONOMIC GROWTH INCREASED, INFLATION FELL, UNEMPLOYMENT WAS LOW, CONFIDENCE RETURNED AND INVESTMENT BEGAN TO RECOVER. ALL IN ALL A WELCOME CONTRAST TO THE GLOOM OF 1982, WHICH STILL PERSISTED INTO MUCH OF 1983, + HE SAID.

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NEW REVENUE MEASURES 'CLEARLY INEVITABLE'  
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WITH AN OSTENSIBLE DEFICIT OF \$2.2 BILLION, NEW REVENUE MEASURES WERE +CLEARLY INEVITABLE+, THE FINANCIAL SECRETARY SAID TODAY.

REVENUE ESTIMATES FOR 1985-86 AS PRINTED ANTICIPATE TOTAL COLLECTIONS OF \$36.2 BILLION, MADE UP OF \$33.7 BILLION IN RECURRENT REVENUE AND \$2.5 BILLION IN CAPITAL REVENUE- RECURRENT EXPENDITURE IS ESTIMATED AT \$29 685 MILLION AND CAPITAL EXPENDITURE AT \$8 677 MILLION, TOTALLING \$38 362 MILLION.

+RECURRENT REVENUE AT \$33.7 BILLION IS ESTIMATED TO INCREASE BY \$3.4 BILLION OR 11.3 PER CENT OVER THE REVISED ESTIMATE FOR 1984-85,+ SAID SIR JOHN.

IN ADDITION, EARNINGS AND PROFITS TAXES ARE EXPECTED TO YIELD \$14.8 BILLION (AN INCREASE OF MORE THAN 14 PER CENT ON 1984-85) REFLECTING THE FULL YEAR IMPACT OF THE INCREASES IN TAX RATES INTRODUCED IN LAST YEAR'S BUDGET, AIDED BY AN IMPROVING ECONOMY, SIR JOHN SAID.

HE SAID INDIRECT TAXES WERE ESTIMATED TO GROW BY 15 PER CENT TO A TOTAL OF \$9.7 BILLION DUE MAINLY TO HIGHER YIELDS FROM BETTING TAXES AND STAMP DUTY. FROM ALL OTHER RECURRENT REVENUE, SIR JOHN ANTICIPATED A YIELD OF \$9.2 BILLION, AN INCREASE OF ONLY FOUR PER CENT.

CAPITAL REVENUE FOR 1985-86 IS ESTIMATED AT \$2.5 BILLION, SAID SIR JOHN.

HE NOTED THAT THE MAJOR ELEMENT WAS STILL LAND REVENUE, ADDING THAT THIS MIGHT HAVE TO BE DIFFERENTLY ACCOUNTED FOR IN THE NEAR FUTURE IN ORDER TO SATISFY REQUIREMENTS OF ANNEX III TO THE JOINT DECLARATION.

+LAND REVENUE IS ALWAYS DIFFICULT TO ESTIMATE AND IS RENDERED MORE SO IN 1985-86 BY THE NEED TO ESTIMATE THAT PORTION OF THE REVENUE WHICH HAS TO BE ASCRIBED TO THE FUTURE SAR GOVERNMENT,+ SAID SIR JOHN.

+I ESTIMATE THAT GROSS LAND REVENUE IN 1985-86 WILL BE \$2 BILLION, OF WHICH ABOUT \$300 MILLION WILL BE SET ASIDE FOR THE FUTURE SAR GOVERNMENT LEAVING NET LAND REVENUE OF \$1.7 BILLION.+

SIR JOHN SAID THIS GROSS ESTIMATE OF \$2 BILLION COMPARED WITH A REVISED ESTIMATE OF \$4.2 BILLION IN 1984-85 AND ACTUAL REVENUE OF \$2.3 BILLION IN 1983-84.

+AS I WARNED BEFORE, THE LAND REVENUE IN 1984-85 WAS CONSIDERABLY DISTORTED BY THE FINAL INSTALMENT OF \$1.9 BILLION IN RESPECT OF EXCHANGE SQUARE,+ HE SAID.

/HE ADDED .....

HE ADDED THAT THERE WAS ALSO A NUMBER OF FAIRLY LARGE PRIVATE TREATY GRANTS TO THE MTRC. A CONTINUING FACTOR DEPRESSING THE 1985-86 ESTIMATE BY ABOUT \$700 MILLION IS THE EXTENT TO WHICH LETTERS 'B' ARE BEING USED FOR LAND PURCHASES, SIR JOHN NOTED.

+THE LAND SALES PROGRAMME FOR 1985-86 CONSISTS OF 34 HECTARES. IN ADDITION THERE IS A RESERVE LIST OF SITES, TOTALLING 46 HECTARES, WHICH WILL ONLY BE PUT ON SALE IF A DEVELOPER INDICATES A FIRM INTEREST,+ SAID SIR JOHN.

HE ADDED THAT HE EXPECTS, AFTER SHARING, NET REVENUE OF \$415 MILLION FROM AUCTION AND TENDER, \$780 MILLION FROM PRIVATE TREATY GRANTS AND \$80 MILLION FROM MODIFICATIONS AND REGRANTS.

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PROPOSALS TO YIELD \$1.2 BILLION NET  
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BUDGET PROPOSALS CONCERNING DUTIABLE COMMODITIES AND TRANSPORT LICENCE FEES WERE THE SUBJECT OF REVENUE PROTECTION ORDERS SIGNED BY THE GOVERNOR THIS MORNING, THE FINANCIAL SECRETARY, SIR JOHN BREMRIDGE, SAID.

SIR JOHN WAS SPEAKING ABOUT THE IMPLEMENTATION OF THE PROPOSALS.

HE SAID THAT PROPOSALS FOR INCREASES IN BUSINESS REGISTRATION FEES, BETTING DUTY AND AIR PASSENGER DEPARTURE TAX WOULD BE THE SUBJECT OF RESOLUTIONS TO BE MOVED IN THE LEGISLATIVE COUNCIL ON MARCH 28 AND, SUBJECT TO APPROVAL, WOULD TAKE EFFECT FROM APRIL 1.

SIR JOHN SAID HIS OTHER REVENUE PROPOSALS WOULD BE PUT TO THE GOVERNOR IN COUNCIL FOR THE NECESSARY AUTHORISATIONS. IN DUE COURSE A BILL WOULD BE INTRODUCED INTO THE COUNCIL TO GIVE EFFECT TO THE PROPOSALS FOR CONCESSIONS ON PERSONAL TAXES.

SIR JOHN SAID THESE PROPOSALS WERE DESIGNED TO YIELD ABOUT \$1.2 BILLION IN NET ADDITIONAL REVENUE FOR 1985-86.

HE SAID THE ESTIMATE OF TOTAL REVENUE FOR THE GENERAL REVENUE ACCOUNT THUS BECAME \$37.4 BILLION AND THE DEFICIT FOR THE YEAR WAS ESTIMATED AT \$1 BILLION.

/FOLLOWING ARE .....

FOLLOWING ARE DETAILS OF THE ADDITIONAL REVENUE YIELDS:

<u>BUDGET PROPOSALS</u>	<u>ADDITIONAL REVENUE</u> (\$MN)
BETTING DUTY	120
AIR PASSENGER DEPARTURE TAX	90
BUSINESS REGISTRATION TAX	55
UTILITY AND GENERAL FEES AND CHARGES	415
DUTIABLE COMMODITIES	
- HYDROCARBON OILS	110
- INTOXICATING LIQUOR	140
- TOBACCO	110
- COSMETICS	100
- NON-ALCOHOLIC DRINKS	210
	<hr style="width: 100%; border: 0.5px solid black;"/>
	1 350
LESS COST OF TAX CONCESSIONS	150
	<hr style="width: 100%; border: 0.5px solid black;"/>
NET YIELD	1 200

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RATIONALE EXPLAINED

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THE INTENTION IS TO FINANCE THE OSTENSIBLE DEFICIT OF \$2.2 BILLION BY DRAWING \$1 BILLION FROM FREE FISCAL RESERVES AND BY FINDING THE BALANCE FROM INCREASED REVENUE, SIR JOHN BREMRIDGE SAID.

SIR JOHN WENT ON: +I NEED NOW TO EXPLAIN THE RATIONALE UNDERLYING THE VARIOUS MEASURES WHICH I SHALL PROPOSE IN ORDER TO RAISE THE NECESSARY NET \$1.2 BILLION. NO TAXPAYER LIKES ADDITIONAL TAX BURDENS, UNLESS THEY ARE PLACED ON OTHERS WHILE HE DERIVES THE BENEFIT. I BELIEVE, HOWEVER, THAT THERE IS GENERAL SUPPORT FOR A STEADY RETURN TO BALANCED BUDGETS. WE ARE THEREFORE DISCUSSING MEANS NOT ENDS.+

/FIRSTLY, SIR .....

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FIRSTLY, SIR JOHN SAID, IT WAS IMPORTANT THAT THE COMMUNITY AS A WHOLE UNDERSTOOD THAT EQUITY AND EFFICIENCY WERE GUIDING PRINCIPLES. BUDGETS WERE NOT JUST A STRING OF FIGURES.

SECONDLY, MANUFACTURERS, EXPORTERS, TRADERS, BANKERS, THE WORK FORCE -- INDEED ALL WHO CREATED WEALTH FOR HONG KONG -- MUST NOT BE DISCOURAGED.

THIRDLY, AND CONSEQUENTLY, AS DIRECT TAXES WERE RAISED ONLY A YEAR AGO IT WAS IMPRUDENT TO CONSIDER ANOTHER INCREASE NOW. IT SEEMED TO HIM TO BE MORE IMPORTANT YET AGAIN TO ACKNOWLEDGE THAT ENTERPRISE AND HARD WORK WERE STIMULATED BY LOW DIRECT TAXATION AND BY CONFIDENCE THAT IT WOULD REMAIN LOW.

FOURTHLY, IT WAS CLEAR THAT HONG KONG WAS NOT ALONE IN RECOGNISING THE TREND TOWARDS, THOUGH NOT OF COURSE TOTAL DEDICATION TO, INDIRECT TAXATION. THIS OFFERED A PERSUASIVE ALTERNATIVE TO INCREASED DIRECT TAXATION.

FIFTHLY, TAXATION OF NON-ESSENTIALS FITTED IN WITH THIS TREND, THOUGH SUBJECTIVITY WAS OBVIOUSLY A PROBLEM. THERE WERE ALSO PRAGMATIC ISSUES TO BE CONSIDERED.

SIR JOHN ADDED: +THIS IS NEITHER THE PLACE NOR THE TIME FOR A CONTENTIOUS, PHILOSOPHICAL DISCOURSE ON TAXATION. I ASK MEMBERS ONLY TO BELIEVE THAT THE ADMINISTRATION HAS SOUGHT A REASONED AND BALANCED APPROACH TO THE BUDGETARY DEFICIT THAT CONFRONTS US. OBVIOUSLY THERE WILL BE SCOPE FOR DEBATE. BUT I TRUST AT LEAST THAT OUR MOTIVATION IS PATENT.+

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NO NET DEBT, SAYS SIR JOHN

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THE HONG KONG GOVERNMENT HAS NO NET DEBT, SAID SIR JOHN.

+INDEED, FOLLOWING THE DEDUCTION OF THE 1984-85 DEFICIT FROM THE GENERAL REVENUE BALANCE, OUR FISCAL RESERVES WILL BE \$15.3 BILLION,+ HE SAID.

+MOST IS LENT TO THE EXCHANGE FUND AGAINST INTEREST BEARING DEBT CERTIFICATES. BECAUSE OF OUR LIABILITIES THESE RESERVES CANNOT BE CONSIDERED AS FULLY AND FREELY AVAILABLE FOR USE.

+APART FROM THE LIABILITY ARISING FROM THE BOND ISSUE, THERE ARE ALSO CONTINGENT AND OTHER LIABILITIES. THE EXTENT OF COVER FOR THESE CONTINGENT LIABILITIES IS OBVIOUSLY DEBATABLE, BUT WE HAVE PRUDENTLY WORKED ON A GEARING OF ONE TO THREE.

/+OUR KNOWN .....

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+OUR KNOWN CONTINGENT LIABILITIES SHOULD BE \$26.2 BILLION BY 1989 - TAKING OUR USUAL FOUR YEAR VIEW. ON THAT BASIS, THEREFORE, WE NEED TO RESERVE OF THE ORDER OF \$8.7 BILLION, WHICH MEANS \$6.6 BILLION IN 'FREE' RESERVES AS AT APRIL 1985.

+IT IS ARGUABLE THAT THERE IS A CONSIDERABLE DEGREE OF OVER PROVISION, FOR INSTANCE IN THE CASE OF GUARANTEES FOR HOME OWNERSHIP SCHEME MORTGAGES AND PARTICULARLY GOLD COINS.

+THE PRINCIPLES WILL BE RECONSIDERED BEFORE THE NEXT BUDGET,+ SAID SIR JOHN.

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'SPENDING LOWER THAN EXPECTED'

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REVENUE RECEIVED ON THE GENERAL REVENUE ACCOUNT FOR 1984-85 WAS CLOSE TO TARGET BUT EXPENDITURE WAS LOWER THAN EXPECTED, SAID THE FINANCIAL SECRETARY.

THE 1984-85 BUDGET ENVISAGED A DEFICIT OF \$2.1 BILLION, SAID SIR JOHN, BUT THE ACTUAL OUTCOME FOR THE YEAR WOULD PRODUCE A DEFICIT OF ABOUT \$1.8 BILLION. THE BOND ISSUE MEANT THAT THE ACTUAL SHORTFALL IS ABOUT \$1 BILLION LESS - +BUT WE MUST NOT BE MISLED BY THIS.+

ON RECURRENT ACCOUNT, REVENUE IN 1984-85 IS EXPECTED TO BE MARGINALLY LOWER THAN THE ORIGINAL ESTIMATE BY ABOUT \$200 MILLION (\$30 464 MILLION ESTIMATED, \$30 262 MILLION REVISED). THE REVISED ESTIMATE OF RECURRENT EXPENDITURE IS EXPECTED TO BE \$674 MILLION LOWER THAN THE ORIGINAL ESTIMATE (\$26 933 MILLION ESTIMATED, \$26 259 MILLION REVISED).

+THIS IS THE THIRD YEAR RUNNING IN WHICH RECURRENT EXPENDITURE HAS BEEN HELD DOWN BELOW BUDGET, REFLECTING TIGHT FINANCIAL CONTROL, AND I THANK ALL VOTE CONTROLLERS FOR THEIR EFFORTS,+ SAID SIR JOHN.

ON CAPITAL ACCOUNT, REVENUE WAS EXPECTED TO BE SLIGHTLY LOWER THAN THE ORIGINAL ESTIMATE (\$4 730 MILLION ESTIMATED, \$4 666 MILLION REVISED) AND EXPENDITURE WAS EXPECTED TO BE ABOUT THE SAME \$10 400 MILLION ESTIMATED, \$10 426 MILLION REVISED).

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GENERAL REVENUE EXPENDITURE HELD TO \$29.4 BILLION  
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AFTER MUCH HARD BARGAINING, JUST OVER \$29.4 BILLION HAS BEEN PROVIDED FOR GENERAL REVENUE ACCOUNT EXPENDITURE FOR 1985-86, SAID SIR JOHN, EXCLUDING ADDITIONAL COMMITMENTS AND TRANSFERS TO FUNDS SUCH AS THE CAPITAL WORKS RESERVE FUND.

THE ORIGINAL LIMIT SET IN NOVEMBER LAST YEAR WAS \$29.8 BILLION, HE SAID, REPRESENTING AN INCREASE OF NO MORE THAN ABOUT 7.7 PER CENT ON THE CURRENT YEAR'S OUTTURN.

+AS REAL GROWTH IN THE EDUCATION, MEDICAL AND SOCIAL WELFARE SECTORS HAD TO BE INCLUDED, AND AS ADDITIONAL RESOURCES HAD TO BE PROVIDED FOR THE DISCIPLINED SERVICES, THIS MEANT VIRTUALLY NO PROSPECT OF GROWTH FOR THE MAJORITY OF DEPARTMENTS. INDEED IN SOME CASES THERE HAD TO BE REDUCTIONS.+

+IN THE EVENT AFTER MUCH HARD BARGAINING THE PRINTED DRAFT ESTIMATES THAT EMERGED PROVIDE JUST OVER \$29.4 BILLION, (\$28 BILLION RECURRENT EXPENDITURE, PLUS \$1.4 BILLION CAPITAL EXPENDITURE), AN INCREASE OF 6.3 PER CENT. THIS AND SOME LATER PERCENTAGE COMPARISONS WITH EXPENDITURE IN 1984-85 DO NOT INCLUDE THE EFFECTS OF ANY CIVIL SERVICE SALARY INCREASE THAT MAY BE AGREED FOR 1985-86.+

+THERE MUST BE ADDED A CONTINGENCY ALLOWANCE OF \$1.8 BILLION FOR ALL ADDITIONAL COMMITMENTS PLUS \$7.2 BILLION FOR TRANSFERS TO FUNDS,+ SAID SIR JOHN.

THE TOTAL IS THUS \$38.4 BILLION, MADE UP OF \$28 BILLION IN CURRENT EXPENDITURE, \$1.4 BILLION IN CAPITAL EXPENDITURE, \$1.8 BILLION IN ADDITIONAL COMMITMENTS AND \$7.2 BILLION IN TRANSFERS TO FUNDS.

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FURTHER DEFICIT REDUCTION SEEN  
\* \* \* \*

IT SHOULD BE POSSIBLE TO FURTHER REDUCE THE DEFICIT FOR THE COMING FINANCIAL YEAR BEFORE SEEKING A BALANCED BUDGET IN 1986-87, THE FINANCIAL SECRETARY, THE HON SIR JOHN BREMRIDGE, SAID TODAY (WEDNESDAY).

PRESENTING HIS BUDGET PROPOSALS IN THE LEGISLATIVE COUNCIL, SIR JOHN SAID THAT THE STRATEGY OF +A CALM, STEADY BUT ABOVE ALL PLANNED APPROACH TOWARDS REDUCING THE DEFICIT+ WOULD CONTINUE.

+THERE CAN BE GROWING CONFIDENCE THAT THE DESIRED RESULTS ARE MATERIALISING. CLOSE MONITORING OF OUR PERFORMANCE WITH THE HELP OF A FINANCIAL MODEL COUPLED WITH THE LATEST INFORMATION AVAILABLE INDICATES THAT WE REMAIN ON COURSE,+ SIR JOHN SAID.

/DESPITE THE .....

DESPITE THE DRAMATIC FALL IN LAND REVENUE, SIR JOHN SAID WHAT HAD LARGELY MADE THIS POSSIBLE HAD BEEN FIRM RESTRAINT ON THE GROWTH OF PUBLIC SECTOR EXPENDITURE.

+WE HAVE AGAIN IN 1984-85 SUCCESSFULLY HELD ITS GROWTH RATE WELL BELOW THE RATE OF GROWTH IN GDP. THIS CREATES THE NECESSARY BREATHING SPACE WHILST WE AWAIT THE WORKING THROUGH OF ECONOMIC GROWTH TO OUR RECURRENT REVENUE,+ HE SAID.

THE FINANCIAL SECRETARY PROPOSED TOTAL PUBLIC SECTOR EXPENDITURE ON CONSOLIDATED ACCOUNT OF \$45.6 BILLION FOR THE COMING FINANCIAL YEAR.

THE DOWNWARD MOVEMENT IN THE RELATIVE SIZE OF THE PUBLIC SECTOR WOULD BE FROM 19.1 PER CENT IN 1982-83 TO 18.6 PER CENT IN 1983-84 TO THE REVISED ESTIMATE OF 16.4 PER CENT FOR 1984-85 AND TO AN ESTIMATED 16 PER CENT IN 1985-86.

+THIS IS A CONSIDERABLE FALL ON A GDP OF \$286 BILLION,+ HE SAID.

+IT IS FAR BETTER THAN I INDICATED IN THE LAST BUDGET SPEECH,+ HE ADDED.

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NO NEED FOR BOND ISSUE  
\* \* \*

FROM A STRICTLY BUDGETARY POINT OF VIEW THERE IS AT PRESENT NO REASON TO AGAIN CONTEMPLATE A GOVERNMENT BOND ISSUE, THE FINANCIAL SECRETARY, THE HON SIR JOHN BREMRIDGE, SAID TODAY.

NEVERTHELESS, SHOULD ANY PARTICULAR SPECIFIC CAPITAL REQUIREMENT ARISE, HE WOULD BE PREPARED TO CONSIDER BORROWING BY MEANS OF AN APPROPRIATE BOND ISSUE, SIR JOHN SAID.

+IF FOR EXAMPLE IT PROVES NECESSARY TO INCREASE THE EQUITY OF THE MTR, A GOVERNMENT BOND ISSUE MIGHT BE PART OF AN OVERALL PACKAGE,+ HE SAID.

THE FINANCIAL SECRETARY NOTED THAT IN APRIL LAST YEAR THE GOVERNMENT SOLD BONDS WITH A FACE VALUE OF \$1 BILLION BY PUBLIC TENDER. THE EFFECT OF THIS WAS TO AVOID AN EQUIVALENT REDUCTION IN THE FISCAL RESERVES. IT WAS A MEASURE DESIGNED TO FIT THE YEAR'S BUDGETARY STRATEGY.

HE ADDED: +THE FACT THAT THE GOVERNMENT CAN BORROW LARGE SUMS OF MONEY MUST BE SET AGAINST THE COSTS INVOLVED, THE POSSIBILITY THAT REPAYMENT MAY FALL DUE AT A TIME WHEN EXTERNAL PROBLEMS ARE AFFECTING OUR EXPORTS AND THUS OUR GDP AND GOVERNMENT REVENUE, THE NEED TO RESTRAIN PUBLIC SECTOR EXPENDITURE, AND THUS THE GENERAL DEBILITY CREATED BY UNNECESSARY BUT EASY BORROWING.+

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WEDNESDAY, FEBRUARY 27, 1985

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FUEL DUTY RISE KEPT TO 10 PER CENT

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THE DUTY ON MOTOR SPIRIT HAS BEEN INCREASED FROM \$2 TO \$2.20 A LITRE AND ON DIESEL OIL FOR ROAD VEHICLES FROM \$1 TO \$1.10 A LITRE.

ANNOUNCING THIS SIR JOHN SAID THAT THESE INCREASES OF 10 PER CENT ARE AGAIN MUCH LESS THAN REQUIRED TO MAINTAIN THE REVENUE YIELD IN REAL TERMS IN THE LIGHT OF INFLATION SINCE 1983. FALLING INTERNATIONAL OIL PRICES COULD LESSEN THE BURDEN.

IN A NOTE IT WAS POINTED OUT THAT THE DUTY ON MOTOR SPIRIT WAS INCREASED BY 70 CENTS A LITRE, FROM 50 CENTS A LITRE, TO \$1.20 IN MAY 1982 FOR TRANSPORT POLICY REASONS. IN THE 1983 BUDGET IT WAS INCREASED AGAIN BY A FURTHER 80 CENTS TO \$2. THE DUTY RATE ON DIESEL OIL FOR ROAD VEHICLES WAS NOT ALTERED IN MAY 1982 AND IN THE 1983 BUDGET IT WAS INCREASED FROM 35 CENTS TO \$1 A LITRE - WITH THE 65 CENTS INCREASE BEING REFUNDED TO THE FRANCHISED BUS COMPANIES.

SIR JOHN SAID HE DID NOT INTEND TO REVISE THE CURRENT REFUND TO THE BUS COMPANIES AS THE INCREASED DUTY WOULD COST THEM ABOUT \$11.1 MILLION IN A FULL YEAR WHICH WOULD HAVE THE EFFECT OF INCREASING COSTS BY AN AVERAGE OF ABOUT ONE HALF OF ONE CENT PER PASSENGER. THERE SHOULD BE, THEREFORE, LITTLE OR NO EFFECT ON FARES.

THE INCREASES IN MOTOR SPIRIT AND DIESEL OIL FOR ROAD VEHICLES DUTIES BECAME EFFECTIVE FROM THIS AFTERNOON (WEDNESDAY) AND THE ESTIMATED ADDITIONAL YIELD IN 1985-86 WILL BE ABOUT \$110 MILLION.

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DUTY PAYABLE IMMEDIATELY

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DUTIES ON COSMETICS AND NON-ALCOHOLIC BEVERAGES CAME INTO EFFECT AT 2.30 PM TODAY (WEDNESDAY).

THE DUTY ON COSMETICS IS 25 PER CENT OF THEIR VALUE, CALCULATED ON THE BASIS OF THE CIF PRICE IN THE CASE OF IMPORTS AND THE WHOLESALE PRICE IN THE CASE OF LOCAL PRODUCTS. THE DUTY ON NON-ALCOHOLIC BEVERAGES IS \$60 PER HECTOLITRE.

TRADERS ARE REQUIRED TO REPORT TO THE CUSTOMS AND EXCISE DEPARTMENT AS SOON AS POSSIBLE ON ALL COSMETICS AND NON-ALCOHOLIC BEVERAGES IMPORTED INTO HONG KONG OR MANUFACTURED AFTER 2.30 PM TODAY (WEDNESDAY).

UNDER A REVENUE PROTECTION ORDER, AMENDMENTS HAVE BEEN INTRODUCED TO THE DUTIABLE COMMODITIES ORDINANCE, MAKING BOTH COSMETICS AND NON-ALCOHOLIC BEVERAGES DUTIABLE COMMODITIES.

/THE ORDINANCE .....

THE ORDINANCE STATES THAT:

'COSMETICS' MEANS ANY PREPARATION TO IMPROVE, BEAUTIFY AND GENERALLY INCREASE THE ATTRACTIVENESS OF THE PERSON BY EXTERNAL APPLICATION AND INCLUDES ANY PREPARATION WHICH -

- (A) IS, OR PURPORTS TO BE, FOR THE CARE OF SKIN OR HAIR, INCLUDING ANY CREAM, EMULSION, GEL, LOTION, POWDER, SPRAY OR LIQUID;
- (B) IS, OR PURPORTS TO BE, A MAKE-UP FOR BEAUTIFICATION, INCLUDING ANY POWDER, LIPSTICK, EYE MAKE-UP, ROUGE, OR PREPARATION FOR MANICURE;
- (C) PROMOTES, OR PURPORTS TO PROMOTE, GOOD GROOMING OR FASTIDIOUSNESS, INCLUDING ANY TALCUM POWDER, DEODORANT, DEPILATORY, ANTIPERSPIRANT, SUNTAN PRODUCT OR A SALT OR FOAM FOR THE BATH;
- (D) IS, OR PURPORTS TO BE A FRAGRANCE, INCLUDING ANY COLOGNE, SACHET, PERFUME, SCENT, TOILET WATER OR ESSENTIAL OIL,

BUT DOES NOT INCLUDE ANY PREPARATION WHICH IS A SOAP, LIQUID SOAP, TOOTHPASTE, OR SHAMPOO FOR THE CLEANSING OF HAIR AND SCALP, UNLESS SUCH PREPARATION PURPORTS TO BE ANY OF THE PREPARATIONS REFERRED TO IN PARAGRAPH (A), (B), (C) OR (D).

'NON-ALCOHOLIC BEVERAGE' MEANS ANY LIQUID WHICH IS PLACED IN A SEALED CONTAINER FOR SALE AS A BEVERAGE AND INCLUDES SODA WATER, INDIAN OR QUININE TONIC WATER, MINERAL WATER, GINGER BEER, A HERBAL OR BOTANICAL BEVERAGE, SHANDY, AND ANY LIQUID WHICH IS OR WHICH PURPORTS TO BE A CARBONATED OR NON-CARBONATED DRINK WITH A FRUIT, SYRUP OR MILK BASE BUT DOES NOT INCLUDE CONCENTRATE, LIQUOR, DISTILLED WATER, MILK, JUICE OR SOUP.

'CONCENTRATE' MEANS ANY LIQUID INTENDED FOR CONSUMPTION AS A BEVERAGE AFTER DILUTION.

'JUICE' MEANS -

- (A) THE UNDILUTED JUICE OF ANY FRUIT OR VEGETABLE; OR
- (B) IN RELATION TO ANY PARTICULAR FRUIT OR VEGETABLE, JUICE WHICH IS OBTAINED BY THE ADDITION OF WATER TO A CONCENTRATE MADE FROM THE JUICE OF THAT FRUIT OR VEGETABLE AND WHICH HAS THE ORGANOLEPTIC AND ANALYTICAL CHARACTERISTICS OF THE UNDILUTED JUICE OF THAT FRUIT OR VEGETABLE; OR
- (C) A MIXTURE OF SUCH JUICES.

'MILK' MEANS MILK OBTAINED FROM COWS, BUFFALOES OR GOATS, WHETHER OR NOT IT IS SKIMMED OR PARTLY SKIMMED, OR IS RECONSTITUTED MILK, BUTTERMILK OR WHEY PRODUCED FROM SUCH MILK:

/PROVIDED THAT .....

PROVIDED THAT NO FLAVOURING OR COLOURING HAS, IN ANY CASE, BEEN ADDED.

THE LAW REQUIRES ANY PERSON WHO IMPORTS OR MANUFACTURES COSMETICS OR NON-ALCOHOLIC BEVERAGES, OR KEEPS A WAREHOUSE FOR THE STORAGE OF DUTIABLE COSMETICS OR NON-ALCOHOLIC BEVERAGES, TO OBTAIN A LICENCE FROM THE CUSTOMS AND EXCISE DEPARTMENT. THIS REQUIREMENT IS SUSPENDED FOR 14 DAYS FROM TODAY (WEDNESDAY) TO ALLOW TRADERS TIME TO REGISTER WITH THE DEPARTMENT.

APPLICATION FOR LICENCES CAN BE MADE AT THE DUTIABLE COMMODITIES OFFICE, 2 RUMSEY STREET, 10TH FLOOR, HONG KONG, OR AT THE CANTON ROAD GOVERNMENT OFFICES, 393, CANTON ROAD, 10TH FLOOR, KOWLOON. IF NO LICENCE IS OBTAINED AT THE EXPIRATION OF THIS 14-DAY PERIOD, ANY PERSON WHO IMPORTS OR MANUFACTURES THESE GOODS WILL BE COMMITTING AN OFFENCE UNDER THE DUTIABLE COMMODITIES ORDINANCE.

CONCENTRATE, IN THE CONTEXT OF THE DUTIABLE COMMODITIES ORDINANCE, MEANS ANY LIQUID INTENDED FOR CONSUMPTION AFTER DILUTION AND INCLUDES EXTRACT AND ESSENCE USED FOR THE MANUFACTURE OF NON-ALCOHOLIC BEVERAGES. ALTHOUGH NO DUTY IS PAYABLE ON CONCENTRATE, IT IS SUBJECT TO THE CONTROL OF THE ORDINANCE.

THE CUSTOMS AND EXCISE DEPARTMENT HAS ISSUED CIRCULAR LETTERS TO ALL KNOWN IMPORTERS AND MANUFACTURERS OF COSMETICS AND NON-ALCOHOLIC BEVERAGES, REMINDING THEM OF THEIR OBLIGATIONS UNDER THE DUTIABLE COMMODITIES ORDINANCE. THOSE WHO ARE IN THESE LINES OF BUSINESS BUT DO NOT RECEIVE SUCH A CIRCULAR LETTER SHOULD CONTACT THE DEPARTMENT AT TELEPHONE 5-757265.

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NOTE TO EDITORS:

ALL PRESS ENQUIRIES CAN BE DIRECTED TO MR C.L. LI, SENIOR STAFF INSPECTOR, CUSTOMS AND EXCISE DEPARTMENT AT TELEPHONE 5-416585 BETWEEN 8.30 AM AND 5.30 PM OR 5-456182 BETWEEN 6.30 PM AND 10 PM.

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SOFT DRINKS 'NOT A NECESSITY'  
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THOSE WHO COULD AFFORD SOFT DRINKS COULD ARGUABLY AFFORD TO PAY DUTY AS FOR BEER, SAID SIR JOHN.

+MANY SOFT DRINKS ARE NOW RETAILING AT PRICES SIMILAR TO THOSE FOR BEER. I CONSIDER THAT THOSE WHO CAN AFFORD SOFT DRINKS CAN ARGUABLY AFFORD TO PAY DUTY AS FOR BEER,+ HE SAID.

+SOFT DRINKS ARE A PLEASING INDULGENCE NOT A NECESSITY.+

THE BASIC RATE OF DUTY ON NON-ALCOHOLIC BEVERAGES WILL BE 60 CENTS A LITRE WHICH COMES INTO EFFECT THIS AFTERNOON (WEDNESDAY). ASSUMING THAT THIS DUTY IS PASSED ON IN FULL TO THE CONSUMER ABOUT 20 CENTS WILL BE ADDED TO THE RETAIL PRICE OF A CAN OF COCA COLA OR SEVEN-UP AND 90 CENTS TO A ONE-AND-A-HALF-LITRE BOTTLE OF EVIAN MINERAL WATER. THE ESTIMATED REVENUE YIELD FROM THE REINTRODUCTION OF THE DUTY WILL BE \$210 MILLION IN 1985-86.

SIR JOHN SAID THAT PRIOR TO 1973 A DUTY WAS IMPOSED ON TABLE WATERS BUT IT WAS REMOVED MAINLY BECAUSE THE YIELD OF \$10 MILLION WAS CONSIDERED INSIGNIFICANT AND ALSO BECAUSE OF INCREASING ENFORCEMENT AND DEFINITION DIFFICULTIES AS A RESULT OF A WIDER RANGE OF SOFT DRINKS COMING ON THE MARKET.

+THE DUTIES ON BEER WHICH COME INTO EFFECT TODAY RANGE BETWEEN 20 AND 30 PER CENT OF THE RETAIL PRICE. IN RESPECT TO SOFT DRINKS THE RATE WHICH I WILL PROPOSE WILL AVERAGE HALF THIS INCIDENCE.+

HE SAID IT WAS IMPORTANT THAT THE REVENUE PRODUCING BASE SHOULD BE BROADENED WHEREVER POSSIBLE AND THE POTENTIAL YIELD WAS NOW LARGE. ALSO THE LEGISLATIVE DEFINITION NOW PROPOSED FOR NON-ALCOHOLIC BEVERAGES WAS WIDER THAN THAT APPLICABLE TO THE TABLE WATER DUTY REPEALED IN 1973.

HE EXPLAINED THAT FOR THE PURPOSE OF THE DUTY, NON-ALCOHOLIC BEVERAGES WOULD INCLUDE ANY LIQUID PLACED IN A SEALED CONTAINER FOR SALE AS A BEVERAGE, SUCH AS CARBONATED OR NON-CARBONATED SYRUP, FRUIT OR MILK-BASED DRINK, SODA, MINERAL AND TONIC WATER, HERBAL OR BOTANICAL BEVERAGES. EXCLUDED WOULD BE CONCENTRATE, DISTILLED WATER, MILK, PURE FRUIT OR VEGETABLE JUICE AND SOUP.

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#### SIR JOHN'S NEWS FOR DRINKERS

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BUDGET PROPOSALS ANNOUNCED TODAY (WEDNESDAY) ADDED 23 CENTS TO 31 CENTS TO THE RETAIL PRICE OF A CAN OF BEER, SAID SIR JOHN.

ANNOUNCING HIS PROPOSALS RELATING TO BEER, HE SAID THE INCREASE IN THE BASIC RATE FOR BOTH LOCAL AND IMPORTED BEER WOULD GO UP FROM \$66 AND \$81.40 A HECTOLITRE RESPECTIVELY TO A UNIFIED BASIC RATE OF \$120. +THE EXISTING DIFFERENTIAL IN THE DUTY RATE OF 23.3 PER CENT BETWEEN LOCALLY MANUFACTURED AND IMPORTED BEER WILL THEREBY BE ELIMINATED.+

INCREASES IN THE DUTY WILL RANGE FROM 47 PER CENT TO 82 PER CENT, DEPENDING ON THE ORIGINAL GRAVITY, HE SAID. THE ESTIMATED ADDITIONAL REVENUE YIELD IN 1985-86 WILL BE \$125 MILLION.

A NOTE TO SIR JOHN'S SPEECH EXPLAINED THAT LOCAL BEER IS PRODUCED FOR SALE AT 1048 DEGREES ORIGINAL GRAVITY AND THE DUTY WAS \$1.056 PER LITRE - OR \$0.369 PER CAN. DUTY ON IMPORTED BEER AT 1048 DEGREES ORIGINAL GRAVITY WAS \$1.21 PER LITRE - OR \$0.423 PER CAN. THE DIFFERENTIAL RATE IN FAVOUR OF LOCAL BEER WAS ABOUT \$0.054 PER CAN BUT THE DIFFERENCE IN RETAIL PRICE WAS MUCH GREATER. RECENT STATISTICS INDICATED A TREND OF INCREASING CONSUMPTION OF LOCALLY PRODUCED BEER.

ASSUMING THAT THIS INCREASE IN DUTY IS PASSED ON IN FULL TO THE CONSUMER, THE EFFECT ON ARBITRARILY SELECTED BRANDS OF BEER WOULD BE:

	APPROXIMATE RETAIL PRICE PER CAN	DUTY INCREASE	PERCENTAGE INCREASE
<u>LOCAL</u>			
CARLSBERG	\$2.10	0.31	14.8
SAN MIGUEL	\$1.80	0.30	16.8
<u>IMPORTED</u>			
TSINGTAO	\$2.20	0.26	11.8
HEINEKEN	\$2.90	0.26	9.0
PABST BLUE RIBBON	\$2.50	0.25	10.0
KIRIN	\$2.20	0.23	10.5

EUROPEAN TYPE WINES AND SPIRITS WILL NOT BE SUBJECT TO ANY CHANGES IN DUTY THIS YEAR, SAID SIR JOHN. +IN 1984 A NEW BASIS OF LEVYING DUTY ON EUROPEAN TYPE WINES AND SPIRITS WAS INTRODUCED BY LOWERING THE SPECIFIC RATES AND IMPOSING A UNIFORM AD VALOREM RATE OF 20 PER CENT. +NO CHANGE IS PROPOSED THIS YEAR. THERE HAVE BEEN FAR GREATER REDUCTIONS IN SALES OF BRANDY AND WHISKY THAN EXPECTED. THIS DUTY IS LEVIED FOR PURELY FISCAL REASONS. THERE IS NO POINT IN RAISING TAXATION IF LOWER REVENUE RESULTS, + HE SAID.

SIR JOHN SAID HIS NEXT PROPOSAL WAS TO INCREASE THE DUTIES LEVIED ON NON-EUROPEAN TYPE WINES AND SPIRITS FOR WHICH THE BASIC RATES WERE LAST RAISED IN 1983. +I PROPOSE TO RAISE THE BASIC DUTY RATES FROM \$317 AND \$292 A HECTOLITRE FOR IMPORTED AND LOCAL SPIRITS RESPECTIVELY TO A UNIFIED BASIC RATE OF \$400. IN RESPECT OF NON-EUROPEAN TYPE WINES, I PROPOSE TO RAISE THE BASIC DUTY RATES FROM \$628 AND \$584, IMPORTED AND LOCAL RESPECTIVELY, TO \$780. THESE INCREASES ARE AGAIN EFFECTIVE FROM THIS AFTERNOON. I ESTIMATE THAT THE NET ADDITIONAL REVENUE YIELD IN 1985-86 WILL BE \$13 MILLION. THE AMOUNT IS SMALL. THIS IS A TIDYING UP OPERATION. +

A NOTE EXPLAINED THAT, ASSUMING THAT THESE INCREASES ARE PASSED ON IN FULL TO THE CONSUMER, A \$9 BOTTLE OF IMPORTED CHINESE-TYPE SPIRIT WOULD INCREASE BY 45 CENTS AND A \$8.70 BOTTLE OF LOCAL SPIRITS WOULD INCREASE BY 65 CENTS.

THE THIRD AND FOURTH PROPOSALS FOR INTOXICATING LIQUOR AND METHYL ALCOHOL ARE ALSO MINOR TIDYING-UP EXERCISES, HE SAID, TO INTRODUCE A MEASURE OF CONSISTENCY BETWEEN THE RATES APPLIED TO DIFFERENT TYPES OF LIQUOR.

THEY ARE TO RAISE THE BASIC DUTY RATES FOR ETHYL AND METHYL ALCOHOL RESPECTIVELY TO A UNIFIED BASIC RATE OF \$400 A HECTOLITRE EFFECTIVE THIS AFTERNOON. +I ASSUME NO CONSUMER RESISTANCE AND ESTIMATE THE NET ADDITIONAL REVENUE YIELD IN 1985-86 TO BE \$2 MILLION,+ HE SAID.

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COST PER PUFF RISES  
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THE PRICE OF PACKS OF 20 CIGARETTES WOULD GO UP FROM 50 TO 70 CENTS EACH UNDER PROPOSED DUTY INCREASES AND SIR JOHN BREMRIDGE WARNED THAT DURING 1985 HE WOULD REVIEW THE MERITS OF IMPOSING A PURE AD VALOREM DUTY ON TOBACCO.

HE SAID THAT FOR FISCAL REASONS ALONE THE DUTY RATES ON IMPORTED TOBACCO HAD BEEN INCREASED FOURFOLD IN 1983. THIS RESULTED IN AN INCREASED CASH DIFFERENTIAL BETWEEN UNMANUFACTURED RAW TOBACCO AND IMPORTED MANUFACTURED CIGARETTES.

+DURING 1984, AND INDEED RECENTLY NUMEROUS REPRESENTATIONS HAVE BEEN MADE TO THE GOVERNMENT BY AND ON BEHALF OF SOME IMPORTERS OF US CIGARETTES CONCERNING THIS DIFFERENTIAL. ALLEGATIONS OF PROTECTIONISM WHICH HAVE BEEN LEVELLED AGAINST THE HONG KONG GOVERNMENT IN THIS REGARD MUST BE TAKEN SERIOUSLY - BUT AGAINST THE BACKGROUND THAT IN 1984 IMPORTED CIGARETTES COMMANDED A 66 PER CENT SHARE OF THE MARKET.

+AFTER CAREFUL CONSIDERATION I PROPOSE THIS YEAR TO INCREASE THE DUTY ON IMPORTED CIGARETTES AND IMPORTED RAW TOBACCO FROM \$178 AND \$131.40 A KILOGRAM RESPECTIVELY TO \$210 AND \$170.

+THE INCREASE IN THE DUTY RATE APPLIED TO IMPORTED CIGARETTES COVERS INFLATION SINCE THE LAST INCREASE. THE ACTUAL RETAIL PRICE TO THE CONSUMER SHOULD INCREASE MUCH LESS THAN THE DUTY RATE.

/+THE PROPOSED .....

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+THE PROPOSED HIGHER INCREASE OF 29 PER CENT FOR IMPORTED RAW TOBACCO WILL REDUCE THE DIFFERENTIAL TO AN ALL TIME LOW OF 23.5 PER CENT SINCE ITS INTRODUCTION IN 1949. HOWEVER, I MUST WARN THE TOBACCO TRADE THAT DURING 1985 I WILL REVIEW THE MERITS OF IMPOSING A PURE AD VALOREM DUTY ON TOBACCO, FOLLOWING A SIMILAR IMPLEMENTATION IN RESPECT OF LIQUOR IN 1984. THE SAME CONSIDERATIONS, NAMELY LOGIC AND EQUITY, COULD BE APPLIED.+

SIR JOHN SAID HE ALSO PROPOSED TO INCREASE THE BASIC DUTY RATE ON CIGARS FROM \$175 A KILOGRAM TO \$210; ON CHINESE PREPARED TOBACCO FROM \$33 A KILOGRAM TO \$40; ON SMOKING TOBACCO FROM \$140 A KILOGRAM TO \$170.

ALL INCREASES ARE EFFECTIVE IMMEDIATELY, HE POINTED OUT.

+TAKING CONSUMER RESISTANCE INTO ACCOUNT I ESTIMATE AN ADDITIONAL \$110 MILLION IN REVENUE YIELD IN 1985-86 AS A RESULT OF THESE PROPOSALS,+ HE SAID.

A FOOTNOTE GAVE SOME EXAMPLES OF THE EFFECTS OF THE PROPOSED INCREASES ON ARBITRARILY SELECTED BRANDS. KENT AND MARLBORO PACKS OF 20 NOW SELLING AT ABOUT \$7 WILL BE SUBJECT TO A 7.1 PER CENT, OR 50 CENTS, INCREASE. VICEROY AND WINSTON 20S NOW SELLING AT \$6.50 WILL BE SUBJECT TO A 7.7 PER CENT, OR 50 CENTS, INCREASE.

LOCALLY MANUFACTURED CIGARETTES: DOUBLE HAPPINESS 20S, NOW SELLING AT ABOUT \$4.50 WILL GO UP 15.6 PER CENT, OR 70 CENTS; GOOD COMPANION 20S, NOW SELLING AT ABOUT \$4.50 WILL GO UP 60 CENTS, OR 13.3 PER CENT; HILTON 20S, NOW SELLING AT ABOUT \$4.50 WILL GO UP 55 CENTS, OR ABOUT 12.2 PER CENT.

ALHAMBRA CORONAS CIGARS 25S, NOW SELLING AT ABOUT \$98 WILL BE RAISED BY \$6.60, OR 6.7 PER CENT. CHINESE PREPARED TOBACCO DOUBLE SWALLOW BRAND, 1 TAEI, NOW SELLING AT ABOUT \$3 WILL GO UP 22 CENTS, OR 7.3 PER CENT. MIXTURE NO. 79, 7 OZ, NOW SELLING AT ABOUT \$64 WILL GO UP \$6, OR 9.4 PER CENT. COPENHAGEN SNUFF, 1.20 OZ, NOW SELLING AT ABOUT \$14 WILL GO UP \$1 OR 7.1 PER CENT.

A FURTHER FOOTNOTE EXPLAINED THE PERCENTAGE DIFFERENCE BETWEEN THE RATES IMPOSED ON IMPORTED CIGARETTES AND IMPORTED RAW TOBACCO: 1949 - 60 PER CENT; 1960 - 40.9 PER CENT; 1964 - 48.3 PER CENT; 1966 - 36.3 PER CENT; 1974 - 36 PER CENT; 1975 - 24.2 PER CENT; 1978 - 35.2 PER CENT; 1983 - 35.5 PER CENT.

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WEDNESDAY, FEBRUARY 27, 1985

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\$100 MILLION FROM BEAUTY BUSINESS  
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A 25 PER CENT AD VALOREM DUTY ON COSMETICS WAS PROPOSED BY THE FINANCIAL SECRETARY, SIR JOHN BREMRIDGE, TODAY (WEDNESDAY).

SUCH A DUTY WAS FIRST INTRODUCED IN 1947, HE SAID, BUT IT WAS ABOLISHED IN 1959 AS A RESULT OF SMUGGLING, UNDER-DECLARATION OF VALUES AND FALSE RETURNS BY MANUFACTURERS. +I AM NOW PERSUADED THAT THESE PROBLEMS NO LONGER OBTAIN IN PRESENT DAY CIRCUMSTANCES,+ SIR JOHN TOLD THE LEGISLATIVE COUNCIL.

HE POINTED OUT THAT A LARGE NUMBER OF COSMETIC PRODUCTS HAD A HUGE MARK-UP IN THE RETAIL PRICE AND SHOULD THE FULL EFFECTS OF THE REINTRODUCED DUTY BE PASSED ON TO THE CONSUMER, WHICH WAS BY NO MEANS INEVITABLE IN VIEW OF COMPETITION, RETAIL PRICES COULD INCREASE BY BETWEEN TWO AND 13 PER CENT WHILE THE YIELD IN 1985-86 WAS ESTIMATED TO BE \$100 MILLION.

A FOOTNOTE GIVES ARBITRARILY-SELECTED EXAMPLES. THE APPROXIMATE COST PER UNIT CIF WHOLESALE FOR MASQUE BLUE TUBE IS \$5.40; ITS APPROXIMATE RETAIL PRICE WITHOUT DUTY IS \$80; THE PROPOSED DUTY IS \$1.40 WHICH REPRESENTS A 1.8 PER CENT INCREASE IN THE RETAIL PRICE WITHOUT DUTY. SIMILAR FIGURES FOR LIPSTICK PRODUCE PRICES OF \$7.90 COST, \$49 RETAIL COST, \$2 PROPOSED DUTY AND 4.1 PERCENTAGE INCREASE; FOR PERFUME SPRAY \$61.90 COST, \$195 RETAIL COST, \$15.50 DUTY AND 7.9 PER CENT INCREASE; FOR FACE POWDER \$10.80 COST, \$75 RETAIL COST, \$2.70 DUTY AND 3.6 PER CENT INCREASE; FOR MOISTURE CREAM \$169.60 COST, \$320 RETAIL COST, \$42.40 DUTY AND 13.3 PER CENT INCREASE.

+THE COSMETICS INDUSTRY IS WIDELY SPREAD WITH RAPIDLY CHANGING PRODUCTS,+ SAID SIR JOHN. +MOST ARE IMPORTED. SOME ARE MANUFACTURED HERE. IT HAS NOT BEEN EASY TO DRAFT A DEFINITION OF COSMETICS WHICH IS WHOLLY UNAMBIGUOUS AND WATERTIGHT. WE HAVE DONE OUR BEST. TO HAVE CONDUCTED CONSULTATIONS IN ADVANCE WOULD NOT HAVE RESOLVED ALL PROBLEMS AND RATHER OBVIOUSLY ENABLED THE TRADE TO STOCK UP.

+THUS BRINGING THIS DUTY INTO EFFECT TODAY MUST BE VIEWED AS A REVENUE PROTECTION MEASURE. CUSTOMS AND EXCISE HAS PREPARED FOR THIS IMPLEMENTATION CAREFULLY AND WILL ASSIST THE TRADE IN THE INEVITABLE PROBLEMS WHICH WILL ARISE. THE SERVICE HAS, DURING 1984, GAINED INVALUABLE EXPERIENCE ON THE APPLICATION OF AD VALOREM DUTIES TO LIQUOR WHICH WILL NOW STAND IT IN GOOD STEAD,+ HE ADDED.

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## DUTY FREE CONCESSIONS REVISED

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THE DUTY FREE CONCESSION FOR LOCAL RESIDENTS RETURNING TO HONG KONG WILL BE LIMITED TO 100 CIGARETTES AND ONE LITRE OF WINE, WITH EFFECT FROM APRIL 1, UNDER A PROPOSAL CONTAINED IN TODAY'S BUDGET.

THE CONCESSION GIVEN TO OVERSEAS VISITORS WILL REMAIN AS 200 CIGARETTES AND ONE LITRE OF WINE OR SPIRITS.

THE FINANCIAL SECRETARY, SIR JOHN BREMRIDGE, SAID THAT WHILE THERE WERE NO FIRM STATISTICS AVAILABLE ON THE EXTENT TO WHICH RETURNING TRAVELLERS WERE AVAILING THEMSELVES OF THE EXISTING ALLOWANCE PROVIDED BY THE COMMISSIONER OF CUSTOMS AND EXCISE, THERE APPEARED TO HAVE BEEN A CONSIDERABLE INCREASE CONSEQUENT ON THE INCREASES IN THE RATES APPLIED TO DUTIABLE COMMODITIES IN THE 1983 AND 1984 BUDGETS.

+CONSUMER RESISTANCE TO PRICE INCREASES RESULTING FROM HIGHER DUTY ON TOBACCO AND LIQUOR HAS ACCOUNTED FOR SOME FALL IN REVENUE YIELDS, BUT THERE CAN BE LITTLE DOUBT THAT A SIGNIFICANT CONTRIBUTORY FACTOR IS THE VERY LARGE INCREASE IN THE NUMBER OF RETURNING PASSENGERS AVAILING THEMSELVES OF THE FULL DUTY FREE CONCESSION.

+INDEED, IN GOOD HONG KONG FASHION SOME TRAVELLERS ARE REPORTEDLY SO ENGAGED FULL-TIME. FOR EXAMPLE, THE DUTY PAID ON TOBACCO IN 1983-84 DECREASED 26 PER CENT ON THE PREVIOUS YEAR. IN THE FIRST SIX MONTHS OF THIS FINANCIAL YEAR THE DUTY PAID DECLINED A FURTHER 51 PER CENT ON THE SAME PERIOD IN THE PREVIOUS YEAR. FOR BRANDY THE FIGURES ARE DECREASES OF 27 PER CENT AND 70 PER CENT RESPECTIVELY.

+IN NEITHER CASE IS A DROP IN CONSUMPTION THE FULL ANSWER. THE SITUATION IS DETERIORATING RAPIDLY. THE TRADE IS FULLY AWARE OF THESE FACTS WHICH HAVE BEEN WELL AIRED IN THE PRESS. MY PROPER CONCERN IS THE REVENUE LOSS IN RESPECT OF DUTY PAID ON TOBACCO AND LIQUOR IN PARTICULAR. FINANCE BRANCH ESTIMATES THAT THIS LOSS COULD BE UP TO \$450 MILLION IN 1984-85. WHATEVER THE ACTUAL FIGURE, IT IS VERY LARGE INDEED AND I CANNOT ACCEPT A SITUATION WHICH IS DEPRIVING HONG KONG OF REVENUE ESTIMATED TO BE UP TO 30 PER CENT OF THE ORIGINALLY ESTIMATED YIELD FROM THESE TWO DUTIES IN 1984-85. FOR THIS REASON I REJECT THE OPTION OF DOING NOTHING.+

SIR JOHN SAID A DUTY FREE CONCESSION -- AN EXEMPTION PROVIDED BY MOST GOVERNMENTS -- WAS ONE OF THE ATTRACTIVE PERKS OF OVERSEAS TRAVEL. HE ACKNOWLEDGED THE BENEFITS TO HONG KONG WHEN TOURISTS BOUGHT GOODS HERE TO TAKE BACK TO THEIR HOME COUNTRIES AND ENJOY DUTY FREE CONCESSIONS THEREBY.

+I DO NOT WANT TO UPSET INCOMING TOURISTS. THE ARGUMENT HAS SWINGS AND ROUNDABOUTS. THUS I HAVE DISMISSED THE OPTION THAT THE COMMISSIONER OF CUSTOMS AND EXCISE SHOULD REMOVE THE CONCESSION ALTOGETHER.+

/SIR JOHN .....

SIR JOHN SAID TWO FURTHER OPTIONS HAD BEEN EXAMINED: EITHER TO INTRODUCE A MINIMUM PERIOD OF ABSENCE ABROAD (SAY SEVEN DAYS) BEFORE THE CONCESSION APPLIED, OR TO INTRODUCE SEPARATE CONCESSIONS FOR RESIDENTS AND VISITORS.

HE SAID HE INITIALLY FOUND THE FORMER OPTION ATTRACTIVE GIVEN THE INCREASING NUMBER OF DAY-TRIPS OUT OF HONG KONG. HOWEVER, IT MUST BE REJECTED. IMMIGRATION AND CUSTOMS CONTROL POINTS WERE ALREADY UNDER CONSIDERABLE PRESSURE AND THE ADDITIONAL TIME THAT WOULD BE TAKEN FOR CUSTOMS OFFICERS TO VERIFY THE PERIOD OF ABSENCE WOULD AGGRAVATE THE CONGESTION TO AN UNBEARABLE EXTENT. TRAVELLERS WOULD BE INCREASINGLY IRRITATED BY THE DOUBLE CHECKING REQUIRED.

SIR JOHN WENT ON: +THE INTRODUCTION OF SEPARATE CONCESSIONS FOR RESIDENTS AND VISITORS HAS CLEAR ATTRACTIONS. SUCH A SCHEME IS ALREADY IN OPERATION IN OTHER COUNTRIES. IT SHOULD BE EASY TO OPERATE ADMINISTRATIVELY WITHOUT ADDITIONAL STAFFING RESOURCES. IT WILL ALSO BE RECALLED THAT BETWEEN 1960 AND 1982 ALL ADULT PASSENGERS RETURNING FROM MACAU WERE LIMITED TO A DUTY FREE CONCESSION OF ONLY 100 CIGARETTES AND A LITRE OF WINE. THE MEASURE PROPOSED WILL NOT BE POPULAR BUT IN DUE COURSE WE WILL, NO DOUBT, ALL BECOME ACCUSTOMED TO IT.+

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CIVIL SERVICE FREEZE TO CONTINUE  
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PERSONAL EMOLUMENTS OF \$10.1 BILLION IN THE DRAFT 1985-86 ESTIMATES MAKE UP 36 PER CENT OF RECURRENT EXPENDITURE IN THE GENERAL REVENUE ACCOUNT.

+AS BEFORE,+ SAID SIR JOHN, +THIS PROVISION MAKES NO ALLOWANCE FOR ANY SALARY ADJUSTMENT THAT MAY BE AGREED. IF REQUIRED ANY FUNDS NEEDED WILL HAVE TO BE FOUND FROM WITHIN THE \$1.7 BILLION ADDITIONAL RECURRENT COMMITMENTS VOTE.+

THE APPROVED ESTABLISHMENT OF CIVIL SERVICE POSTS SHOWN IN THE DRAFT ESTIMATES IS 150 430 WHICH INCLUDES 4 390 POSTS CREATED DURING 1984-85. THIS TOTAL EXCLUDES POSTS FOR WHICH EMOLUMENTS ARE MET BY BODIES SUCH AS THE HOUSING AUTHORITY, UMELCO, THE KCR AND THE SENIOR STAFF COURSE.

+THE POLICY OF STABILISING THE SIZE OF THE PUBLIC SERVICE DURING 1985-86 IS BEING PURSUED. A TOTAL OF 2 419 NEW POSTS HAS BEEN AGREED FOR ESSENTIAL NEW SERVICES MAINLY IN THE MEDICAL AND HEALTH DEPARTMENT AND THE POLICE. ALL OR MOST OF THIS TOTAL WILL BE OFFSET DURING THE COMING YEAR BY THE DELETION OF VACANT POSTS IN SOME DEPARTMENTS AND THROUGH OUR VALUE FOR MONEY PROGRAMMES.+ SAID SIR JOHN.

+THE AIM OF THE ADMINISTRATION IS THAT THE TOTAL ESTABLISHMENT BY THE END OF 1985 WILL BE NO GREATER THAN THAT AT THE END OF 1984. THERE IS STILL ALSO SCOPE FOR IMPROVING PRODUCTIVITY IN SOME AREAS. CONSEQUENTLY WHILE WE MUST RECOGNISE THE NEED TO EXPAND SOME SERVICES AND THUS TO PROVIDE ADDITIONAL RESOURCES, OUR AIM FOR THE FUTURE WILL BE TO FIND THESE WITHOUT EXCEEDING OUR CURRENT TOTAL ESTABLISHMENT.

+THIS CAN ONLY BE ACHIEVED BY CUTTING OUT WASTE, BY INCREASING PRODUCTIVITY AND BY ELIMINATING UNNECESSARY WORK EVEN IF IT MEANS RETHINKING POLICIES. IN THIS TASK THE CONTINUING CO-OPERATION OF CONTROLLING OFFICERS IS VITAL. I DO NOT IMAGINE THAT THIS POLICY WILL CHANGE MUCH, IF AT ALL, IN 1986-87.+

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#### LAW TO BEAT TAX EVADERS

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AN AMENDMENT BILL IS BEING DRAFTED TO COMBAT TAX AVOIDANCE, THE FINANCIAL SECRETARY, THE HON SIR JOHN BREMRIDGE, TOLD THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

+SUBJECT TO THE APPROVAL OF THE EXECUTIVE COUNCIL, I ANTICIPATE THAT IT WILL BE TABLED IN THIS COUNCIL BEFORE THE CONCLUSION OF THE 1984-85 SESSION,+ HE SAID.

HE SAID THE OBJECTIVES OF THE BILL WOULD BE:

FIRSTLY, TO REPLACE THE EXISTING GENERAL ANTI-AVOIDANCE PROVISIONS CONTAINED IN SECTION 61 OF THE ORDINANCE WITH LEGISLATION WHICH WILL PROVIDE THE COMMISSIONER WITH MORE EFFECTIVE ANTI-AVOIDANCE POWERS;

SECONDLY, TO LIMIT THE OPPORTUNITIES FOR TAX DEFERRAL THROUGH LEVERAGED LEASING ARRANGEMENTS FOR EQUIPMENT USED OFFSHORE AND SO-CALLED +SALE AND LEASE-BACK+ DEVICES IN GENERAL; AND

THIRDLY, TO NARROW THE SCOPE FOR MANIPULATION OF OUR PROFITS TAX EXPENSE DEDUCTIONS PROVISIONS FOLLOWING A 1983 PRIVY COUNCIL DECISION.

SIR JOHN NOTED THAT AVOIDANCE OF +OUR STILL LOW TAXES+ WAS A MAJOR PREOCCUPATION WITH AN INCREASING NUMBER OF TAXPAYERS.

+IT IS ALSO CLEAR THAT THE EXISTING LEGISLATION DOES NOT PROVIDE THE REVENUE WITH A TOTALLY EFFECTIVE DEFENCE AGAINST THOSE DETERMINED TO AVOID,+ HE SAID.

+THIS SIMPLY MEANS INCREASING THE TAX BURDENS ON OTHERS+.

/HE SAID .....

HE SAID THE OPPORTUNITY WOULD ALSO BE TAKEN TO INTRODUCE SOME RELATIVELY MINOR TECHNICAL CHANGES TO THE PRINCIPAL ORDINANCE.

ON THE 1984 AMENDMENT ORDINANCE RELATING TO INTEREST, SIR JOHN SAID A NUMBER OF FURTHER REPRESENTATIONS HAD BEEN RECEIVED OVER THE PAST FEW MONTHS AND THAT THEY HAD BEEN STUDIED BY THE ADMINISTRATION, THE LEGCO AD HOC GROUP, AND UMELCO.

+SOME OF THE REPRESENTATIONS HAVE MERIT AND MAY WELL REQUIRE FURTHER AMENDMENTS TO THE LAW,+ HE SAID.

+THESE CAN BE EMBODIED IN THE PROPOSED BILL BY WAY OF REFINEMENTS TO THE BASIC LEGISLATION.+

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NEW LIMIT ON DTC DEPOSITS PROPOSED  
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A NEW LIMIT OF \$100 000 ON MINIMUM DEPOSITS THAT MAY BE ACCEPTED BY REGISTERED DEPOSIT-TAKING COMPANIES WAS PROPOSED BY THE FINANCIAL SECRETARY, SIR JOHN BREMRIDGE, IN HIS BUDGET SPEECH.

THE NEW LEVEL WOULD TAKE EFFECT FROM MARCH 1, 1986.

UNDER THE DEPOSIT-TAKING COMPANIES ORDINANCE ENACTED IN 1976, DTCS WERE NOT ALLOWED TO ACCEPT DEPOSITS OF LESS THAN \$50 000, SIR JOHN NOTED, ADDING THAT THE 'STATED OBJECTIVE WAS TO PROTECT THE SMALL DEPOSITOR BY, IN EFFECT, DEBARRING HIM FROM DEPOSITING WITH A DTC'.

SIR JOHN SAID THAT CLEARLY THE EFFECTIVENESS OF THIS MEASURE IN ACHIEVING THAT OBJECTIVE HAD BEEN ERODED BY TIME.

+DESPITE IMPROVEMENTS IN THE SUPERVISION OF THESE INSTITUTIONS, I CONSIDER THE ORIGINAL OBJECTIVE IS STILL APPROPRIATE,+ HE SAID.

THE LIMIT, THEREFORE, NEEDED TO BE INCREASED, AND THE CHOICE OF A NEW LEVEL WAS INEVITABLY SOMEWHAT ARBITRARY.

+WERE THE FIGURE TO BE ADJUSTED TO TAKE ACCOUNT OF INFLATION SINCE 1976, IT SHOULD NOW STAND SOMEWHAT IN EXCESS OF \$100 000,+ SIR JOHN SAID.

+ALTERNATIVELY, IF IT WERE JUDGED IN RELATION TO AVERAGE INCOME A FIGURE OF OVER \$150 000 WOULD BE REQUIRED.

+BUT I HAVE NO WISH TO CREATE UNDUE PROBLEMS FOR REGISTERED DTCS, NOR ARBITRARILY TO DRIVE THEM OUT OF BUSINESS. I HAVE THEREFORE DECIDED TO SEEK AN INCREASE TO A ROUND \$100 000. THIS PROPOSAL, AND TWO OTHERS I WILL MENTION, HAVE BEEN UNANIMOUSLY SUPPORTED BY THE DEPOSIT-TAKING COMPANIES ADVISORY COMMITTEE.

+I SHALL THEREFORE IN DUE COURSE BE APPROACHING THE GOVERNOR IN COUNCIL WITH A RECOMMENDATION THAT HE SHOULD ORDER THE NECESSARY AMENDMENT TO THE FIRST SCHEDULE OF THE DEPOSIT-TAKING COMPANIES ORDINANCE.

+TO ALLOW AN ADJUSTMENT PERIOD, I WILL PROPOSE THAT THE NEW LIMIT TAKE EFFECT ON MARCH 1, 1986.

+IN OTHER WORDS, I AM TODAY GIVING 12 MONTHS' NOTICE. FOR THE AVOIDANCE OF DOUBT LET ME ALSO SAY THAT ANY DEPOSITS IN THE \$50 000 TO \$100 000 BRACKET ALREADY IN PLACE WITH REGISTERED DTCS WHEN THE NEW LIMIT TAKES EFFECT WOULD BE PERMITTED TO RUN TO MATURITY.+

SIR JOHN SAID NO CHANGE WAS PROPOSED TO THE \$500 000 THRESHOLD FOR DEPOSITS WITH LICENSED DTCS, WHICH DATED ONLY FROM 1981 AND STILL ADEQUATELY REFLECTED A REASONABLE DEFINITION OF WHOLESALE BUSINESS. THAT WAS THE ORIGINAL INTENTION.

HOWEVER, THE DISCRETIONARY CRITERIA FOR THE GRANTING OF DTC LICENCES, ANNOUNCED ON APRIL 29, 1981, HAD BEEN REVIEWED. TWO HAD BECOME OPEN TO CHALLENGE WITH THE PASSAGE OF TIME, HE SAID.

+ONE REQUIRES A COMPANY INCORPORATED OUTSIDE HONG KONG APPLYING FOR A DTC LICENCE TO HAVE BEEN A REGISTERED DTC ON OR BEFORE APRIL 10, 1981, THE DATE ON WHICH THE INTENTION TO CREATE THE LICENSED DTC CATEGORY WAS GAZETTED. THIS CRITERION WAS CONSIDERED NECESSARY AT THE TIME TO PREVENT A RUSH OF REGISTRATIONS FROM OVERSEAS INSTITUTIONS, WITH A VIEW TO SUBSEQUENT LICENCE APPLICATIONS.

+SINCE THEN, HOWEVER, THE LICENSED SECTOR HAS SETTLED DOWN AND ESTABLISHED ITS OWN IDENTITY. IT DOES NOT THEREFORE SEEM THAT ANY HARM COULD NOW BE DONE BY OPENING THE DOOR TO OVERSEAS COMPANIES WHICH HAVE REGISTERED AS DTCS MORE RECENTLY THAN APRIL 10, 1981, GIVEN THAT THE CRITERION OF A MINIMUM QUALIFICATION PERIOD OF THREE YEARS AS A REGISTERED DTC WOULD CONTINUE TO APPLY.+

SIR JOHN SAID THE OTHER CHANGE HE PROPOSED CONCERNED THE PRESENT REQUIREMENT THAT AN APPLICANT SHOULD BE 'IN GOOD STANDING IN THE HONG KONG (AND IF RELEVANT, INTERNATIONAL) MONEY MARKETS'.

HE SAID : +THIS CRITERION HAS BEEN INTERPRETED TO REFER TO STANDING AS A PRINCIPAL IN THE MONEY MARKET, AND HENCE TO REQUIRE THE HOLDING OF SIZEABLE POSITIONS IN THAT MARKET. BUT THE TRUE INTENTION IS THAT AN APPLICANT MUST ENJOY GOOD STANDING WITHIN THE FINANCIAL COMMUNITY. THIS WILL BE THE REVISED CRITERION.+

EARLIER, SIR JOHN OBSERVED THAT A TEAM FROM THE BANK OF ENGLAND HAD BEEN IN HONG KONG A YEAR AGO TO ASSIST THE AUTHORITIES IN A 'REVIEW OF OUR SYSTEMS OF PRUDENTIAL SUPERVISION OF BANKS AND DTCS'.

HE SAID : +THEIR CONFIDENTIAL REPORT HAS BEEN A MOST HELPFUL CONTRIBUTION TO OUR THINKING, ALTHOUGH WE ARE NOT IN AGREEMENT WITH ALL OF ITS CONCLUSIONS AND RECOMMENDATIONS.

+ANY NEW LEGISLATION THAT MAY BE PROPOSED (AND I THINK THAT NEW LEGISLATION WILL BE NECESSARY) WILL REFLECT SUCH EXPERIENCE OF OTHER SUPERVISORY SYSTEMS AS WE CAN USEFULLY DRAW UPON, OUR OWN VIEW OF WHAT WOULD BE APPROPRIATE IN THE PARTICULAR CIRCUMSTANCES OF HONG KONG, AND THE FEEDBACK WE OBTAIN FROM LOCAL CONSULTATION.

+I AM ATTRACTED BY THE CONCEPT THAT SUPERVISION NEEDS TO BE MORE FLEXIBLE AND DISCRETIONARY, PROVIDED THAT THE GOVERNMENT OFFICIALS ARE NOT ENDOWED WITH TOO MUCH UNFETTERED POWER.

+WE ARE THEREFORE EXAMINING THE VARIOUS OPTIONS IN THIS FIELD. THERE WILL BE CLOSE CONSULTATION WITH THE BANKING AND DEPOSIT-TAKING COMPANIES ADVISORY COMMITTEES.

+IN THE MEANTIME, WE ARE MAKING PROGRESS IN OUR INTERNAL CONSIDERATION OF THE MORE TECHNICAL ASPECTS OF SUPERVISION, SUCH AS CAPITAL ADEQUACY TESTS, THE ARITHMETIC OF THE LIQUIDITY REQUIREMENT AND UNBALANCED LENDING. WE HAVE ALREADY MADE PROGRESS TOWARDS THE SUPERVISION ON A WORLDWIDE CONSOLIDATED BASIS OF THOSE LOCALLY-INCORPORATED INSTITUTIONS WHICH HAVE OVERSEAS BRANCHES AND SUBSIDIARIES.

+VISIBLE PROGRESS MAY SEEM SLOW, BUT THESE ARE COMPLEX ISSUES AND WE MUST FIND THE BEST ANSWERS. IN ANY CASE I DO NOT ACCEPT THE PRESUMPTION THAT, JUST BECAUSE WE HAVE NOT INTRODUCED ANY NEW LEGISLATION SINCE 1983, WE HAVE NOT ACHIEVED ANY IMPROVEMENTS IN OUR SUPERVISORY METHODS SINCE THEN. EFFICIENT SUPERVISION IS JUST AS DEPENDENT UPON PROPER ADMINISTRATIVE PROCEDURES AND UPON INFORMAL EXCHANGES. IN THESE AREAS WE CONTINUE TO MAKE QUIET, USEFUL PROGRESS.

SIR JOHN SAID HE WANTED TO MAKE IT QUITE CLEAR THAT THE GOVERNMENT WAS NOT ADVOCATING REGULATION FOR REGULATION'S SAKE.

+OUR AIM IS TO PROMOTE SOUND BUSINESS PRACTICE, TO PROVIDE A MEASURE OF PROTECTION FOR DEPOSITORS AND INVESTORS, AND HENCE TO CONSOLIDATE HONG KONG'S REPUTATION AS A MAJOR FINANCIAL CENTRE.

+IN THIS AND OTHER AREAS NO GOVERNMENT CAN STAND STILL. THERE MUST BE STEADY IMPROVEMENT WITHOUT SUDDEN SHOCKS AND WITH FULL CONSULTATION.+

WEDNESDAY, FEBRUARY 27, 1985

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\$90M SEEN FROM AIR DEPARTURES

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AN INCREASE IN THE AIR PASSENGER DEPARTURE TAX WOULD PROVIDE ABOUT \$90 MILLION IN ADDITIONAL REVENUE FOR 1985-86, SIR JOHN BREMRIDGE SAID.

HE PROPOSED THAT THE CURRENT RATE OF \$100 FOR AN ADULT AND \$50 FOR A CHILD BE INCREASED TO \$120 AND \$60 RESPECTIVELY FROM APRIL 1.

SIR JOHN SAID: +IN MY 1983 BUDGET I INTRODUCED A NEW TAX ON PASSENGERS DEPARTING FROM HONG KONG BY AIR. AFTER TWO YEARS THE TIME HAS COME TO ADJUST THE LEVEL OF THIS FRUITFUL TAX IN ORDER TO RESTORE THE PER CAPITA REVENUE YIELD IN REAL TERMS.+

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\$55M MORE FROM BUSINESS FEES

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AN ADDITIONAL \$55 MILLION WOULD BE GENERATED IN 1985-86 BY RAISING THE BUSINESS REGISTRATION FEE, NOW \$350, TO \$500 FROM APRIL 1, SIR JOHN BREMRIDGE SAID.

EXPLAINING THIS INCREASE IN INDIRECT TAXATION, SIR JOHN SAID: +THE ANNUAL CHARGE IS CURRENTLY \$350, THOUGH SMALL BUSINESSES WHOSE TURNOVER DOES NOT EXCEED A CERTAIN LIMIT ARE EXEMPTED. BY ANY STANDARD THIS FEE REPRESENTS ONLY A FRACTIONAL PERCENTAGE OF NORMAL BUSINESS COST AND, AS I HAVE MENTIONED BEFORE, FOR A VARIETY OF REASONS MANY BUSINESSES IN HONG KONG MAKE LITTLE OR NO CONTRIBUTION TO THE EXCHEQUER+.

SIR JOHN SAID THAT THE \$100 LEVY TO ESTABLISH A PROTECTION OF WAGES ON INSOLVENCY FUND WAS WHOLLY UNRELATED TO REVENUE ISSUES.

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GOVERNMENT FEES, CHARGES TO YIELD \$5.8 BILLION

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AN ESTIMATED \$5.8 BILLION WILL BE RAISED FROM GOVERNMENT UTILITIES AND FEES AND CHARGES IN 1985-86, THE FINANCIAL SECRETARY, SIR JOHN BREMRIDGE, SAID IN DELIVERING HIS BUDGET.

THE ESTIMATES LAST YEAR SHOWED REVENUE OF \$4.78 BILLION FROM THESE SOURCES, SIR JOHN SAID, BUT NOTED THAT 'OUR LATEST OUTTURN FORECAST SUGGESTS THAT WE WILL EXCEED THIS TARGET BY SOME \$260 MILLION'.

/MUCH OF .....

MUCH OF THE REVENUE FOR THE NEW YEAR WILL BE FORTHCOMING WITHOUT ANY ADJUSTMENT TO EXISTING FEE AND CHARGE LEVELS, HE SAID. IN ADDITION, HOWEVER, TO THE PROPOSED INCREASE IN BUSINESS REGISTRATION FEES (FROM \$350 TO \$500), APPROXIMATELY \$415 MILLION MUST BE FOUND ELSEWHERE.

+I EXPECT TO RAISE \$220 MILLION THROUGH DEPARTMENTAL REVIEWS CURRENTLY UNDER CONSIDERATION, INCLUDING WATER SUPPLIES, MARINE, CUSTOMS AND EXCISE AND THE REGISTRAR GENERAL'S DEPARTMENT.

+THE REMAINING \$195 MILLION WILL BE DERIVED FROM RELATIVELY SMALL INCREASES IN THE FOLLOWING: POSTAL AND TELECOMMUNICATION FEES AND CHARGES- TOLLS FOR GOVERNMENT-OPERATED TUNNELS- VEHICLE AND DRIVING LICENCES- AND PASSENGER EMBARKATION FEES AND BERTHING FEES FOR MACAU FERRY SERVICES+.

SIR JOHN SAID HE HAD MENTIONED IN LAST YEAR'S BUDGET THAT A COMPUTERISED SYSTEM HAD BEEN ESTABLISHED TO PROVIDE ASSISTANCE IN THE REGULAR UPDATING OF ALL GOVERNMENT FEES AND CHARGES. IT HAD WORKED WELL AND MOST FEES AND CHARGES HAD NOW BEEN REVIEWED AND DULY UPDATED. +IT IS ESSENTIAL TO MAINTAIN THE YIELD IN REAL TERMS IF WE ARE TO CONTINUE WITH LOW RATES OF DIRECT TAXATION,+ HE SAID.

IN 1981-82, SIR JOHN SAID, REVENUE FROM GOVERNMENT UTILITIES AND FEES AND CHARGES REPRESENTED NINE PER CENT OF THE TOTAL REVENUE. THIS YEAR THE PERCENTAGE HAD INCREASED TO 14 PER CENT AND HE EXPECTED IT TO INCREASE TO 17 PER CENT BY 1987-88, 'AS WE PROGRESSIVELY UPDATE'.

HE WENT ON: +GIVEN THE GROWING IMPORTANCE THAT REVENUE FROM THIS SOURCE IS ASSUMING IN THE OVERALL BUDGET STRATEGY, WE WILL ENDEAVOUR TO MAINTAIN OR IMPROVE THE REAL YIELD THROUGH MORE FREQUENT BUT SMALLER INCREASES. SUDDEN SHOCKING INCREASES ARE RIGHTLY UNPOPULAR.

+WE ARE ALSO MOVING FROM REVIEWS OF ISOLATED ITEMS TOWARDS MAJOR DEPARTMENTAL REVIEWS WHEREBY CONTROLLING OFFICERS ARE ENCOURAGED TO CONSIDER VALUE FOR MONEY AND TO TAKE THE INITIATIVE IN PROPOSING RATIONALISED PACKAGES FOR ESTABLISHING THEIR FEES AND CHARGES IN THE CONTEXT OF OVERALL GOVERNMENT POLICY. SERVICES SHOULD BE PAID FOR BY THOSE WHO USE THEM+.

HIGHER TAX NEEDED ON BETTING  
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BETTING DUTY WOULD NEED TO BE INCREASED FOR THE THIRD CONSECUTIVE YEAR, THE FINANCIAL SECRETARY, SIR JOHN BREMRIDGE, ANNOUNCED IN HIS BUDGET SPEECH.

SIR JOHN PROPOSED THE FOLLOWING: THAT THE DUTY ON STANDARD BETS BE RAISED FROM 9 PER CENT TO 9.5 PER CENT, AND THAT THE DUTY ON EXOTIC BETS BE INCREASED FROM 15 PER CENT TO 16 PER CENT.

THE INCREASES, TO TAKE EFFECT FROM APRIL 1, 1985, WOULD PRODUCE AN ADDITIONAL \$120 MILLION IN 1985-86, HE SAID.

SIR JOHN SAID THAT ON THE TWO PREVIOUS OCCASIONS WHEN BETTING DUTY WENT UP, THE JOCKEY CLUB, WHICH HAD ALWAYS BEEN UNDERSTANDING, BORE THE WHOLE OF THE INCREASES ON STANDARD BETS WHILE THE INCREASES ON EXOTIC BETS WERE SHARED BETWEEN IT AND THE PUNTERS. THIS MEANT THAT THE LARGER SHARE OF THE INCREASE WAS BORNE BY THE JOCKEY CLUB, HE SAID, AND IT WAS NOT REASONABLE TO EXPECT IT AGAIN TO BEAR THE MAIN BURDEN OF THE FURTHER INCREASES PROPOSED THIS YEAR.

+ACCORDINGLY, IT IS MY INTENTION THAT THE ONE-HALF PER CENT INCREASE ON STANDARD BETS SHOULD BE SHARED EQUALLY BETWEEN THE CLUB AND THE PUNTER AND THE ONE PER CENT INCREASE ON EXOTIC BETS 0.4 PER CENT BY THE CLUB AND 0.6 PER CENT BY THE PUNTER.

+I AM, OF COURSE, AWARE OF THE NEED TO ENSURE THAT THE BETTING PUBLIC IS NOT ENCOURAGED TO ABANDON THE JOCKEY CLUB TOTE IN FAVOUR OF THE ILLEGAL BOOKMAKERS, BUT THIS IS NOT A LIKELY CONSEQUENCE OF THESE PROPOSALS+.

IN A FOOTNOTE, IT WAS EXPLAINED THAT SO FAR AS STANDARD BETS WERE CONCERNED, THE REDUCTION IN THE PRIZE POOL WOULD BE ONLY 25 CENTS FOR EVERY \$100 WAGERED AND FOR EXOTICS (WHERE THE DIVIDEND YIELDS WERE GENERALLY MUCH HIGHER) THE REDUCTION IN THE PRIZE POOL WOULD BE ONLY 60 CENTS FOR EACH \$100 WAGERED.

HAVING REGARD TO THE PRESENT RATIO OF STANDARD TO EXOTIC BETS INVESTED ON THE TOTALISATOR, IT IS ANTICIPATED THAT THIS WILL BE CONTRIBUTED IN APPROXIMATELY EQUAL PROPORTIONS BY THE PUNTERS AND THE JOCKEY CLUB.

SALARIES TAX CONCESSIONS PROPOSED

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THE FINANCIAL SECRETARY OFFERED FOUR CONCESSIONS IN THE AREA OF PERSONAL TAXATION AFTER RECONSIDERING THE SALARIES TAX THRESHOLDS SINCE THE LAST BUDGET.

HE PROPOSED:

- \* FIRSTLY, THAT THE ADDITIONAL MARRIED ALLOWANCE BE INCREASED FROM \$15 000 TO \$17 000, THUS INCREASING THE TOTAL PERSONAL ALLOWANCES FOR A MARRIED COUPLE TO \$58 000;
- \* SECONDLY, THAT THE CHILD ALLOWANCES BE INCREASED, FOR A FIRST CHILD FROM \$8 000 TO \$9 000 AND FOR A SECOND CHILD FROM \$5 500 TO \$6 000;
- \* THIRDLY, THAT THE ADDITIONAL ALLOWANCE FOR A DEPENDENT PARENT RESIDING WITH THE TAXPAYER BE INCREASED FROM \$2 000 TO \$3 000, THEREBY INCREASING THE TOTAL ALLOWANCE FOR EACH DEPENDENT PARENT IN SUCH CASES TO \$11 000;
- \* FOURTHLY, THAT THE FOURTH BAND IN THE SECOND SCHEDULE OF THE ORDINANCE (THAT IS THE BAND TO WHICH THE 20 PER CENT RATE OF TAX PRESENTLY APPLIES) BE WIDENED FROM \$10 000 TO \$20 000. THIS WILL DEFER THE POINT AT WHICH THE 25 PER CENT RATE COMES INTO PLAY BY \$10 000 OF INCOME AND, INCIDENTALLY, INCREASE THE INCOME LEVELS AT WHICH TAXPAYERS ENTER THE STANDARD RATE ZONE.

SIR JOHN BREMIDGE SAID HE BELIEVED THAT THE PUBLIC WOULD WELCOME THESE MEASURES WHICH WERE DESIGNED TO BENEFIT SOME OF THE LESS WELL-OFF SALARIES TAXPAYERS INCLUDING SOME OF THE MIDDLE INCOME GROUP - THE SO-CALLED +SANDWICH SOCIETY+.

HE CONTINUED: +THERE WILL NO DOUBT BE THOSE WHO WILL ARGUE THAT THESE CONCESSIONS ARE INADEQUATE. TO THEM I CAN ONLY SAY THAT, GIVEN THE PROSPECT OF ANOTHER DEFICIT IN THE COMING YEAR, ANY TAX CONCESSIONS AT THIS TIME SHOULD BE REGARDED AS GENEROUS.+

SIR JOHN PROPOSED TO INTRODUCE THESE NEW CONCESSIONS WITH EFFECT FROM THE YEAR OF ASSESSMENT COMMENCING ON APRIL 1, 1985.

+THEY WILL THUS APPLY FOR THE FIRST TIME TO PROVISIONAL SALARIES TAX ASSESSMENTS FOR THE FISCAL YEAR 1985-86 AS WELL AS FINAL TAX ASSESSMENTS FOR THAT YEAR- AND TO 1985-86 PERSONAL ASSESSMENTS ALSO.+

THE FINANCIAL SECRETARY EXPLAINED THAT THIS REPRESENTED A DEPARTURE FROM PRECEDENT AS IN THE PAST ADJUSTMENTS TO TAX THRESHOLDS APPLIED NOT ONLY TO THE FORTHCOMING FISCAL YEAR BUT ALSO TO FINAL TAX LIABILITIES FOR THE CURRENT YEAR.

THE CONCESSIONS WILL MEAN A COST OF \$150 MILLION IN 1985-86 AND \$210 MILLION IN A FULL YEAR.

PUBLIC SECTOR DROPS 16 PER CENT

\* \* \*

THE SIZE OF THE PUBLIC SECTOR WILL HAVE DROPPED BY 16 PER CENT SINCE 1982-83 IF THE EXPENDITURE PROPOSALS ARE ACCEPTED, SAID SIR JOHN.

+THIS IS BETTER THAN EXPECTED AND OF GREAT IMPORTANCE. VALUE FOR MONEY HAS BECOME A TOUGH CRITERION.

+I REGARD FRUGALITY AS AN ESSENTIAL COMPONENT OF GOOD GOVERNMENT AS IT IS OF GOOD BUSINESS.

+MOREOVER IN A DEFICIT SITUATION TAXPAYERS PRESSED FOR HIGHER GOVERNMENT REVENUE HAVE THE RIGHT TO EXPECT PARALLEL PRESSURE ON GOVERNMENT EXPENDITURE; THERE CLEARLY HAS BEEN,+ HE SAID.

STABILISATION OF CIVIL SERVICE ESTABLISHMENT WAS CLEARLY AN ESSENTIAL COMPONENT OF CONTROL OF EXPENDITURE, SAID SIR JOHN.

+IT IS HOWEVER, PARTICULARLY DIFFICULT WHEN PER CAPITA GDP IS RISING AND PUBLIC ASPIRATIONS DEMAND MORE SERVICES, FOR WHICH NEW STAFF HAS TO BE PROVIDED. PRODUCTIVITY HAS OBVIOUSLY INCREASED AND IS STILL INCREASING,+ HE SAID.

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'SMALL INCREASES' IN FEES AND CHARGES

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THE FINANCIAL SECRETARY, SIR JOHN BREMIDGE, TODAY (WEDNESDAY) PROPOSED +RELATIVELY SMALL INCREASES+ IN FOUR AREAS OF GOVERNMENT FEES AND CHARGES TO RAISE \$195 MILLION FOR THE NEXT FINANCIAL YEAR.

THESE ARE POSTAL AND TELECOMMUNICATION FEES AND CHARGES; TOLLS FOR GOVERNMENT-OPERATED TUNNELS; VEHICLE AND DRIVING LICENCES; AND PASSENGER EMBARKATION FEES AND BERTHING FEES FOR MACAU FERRY SERVICES.

OUTLINING HIS PROPOSALS IN THE LEGISLATIVE COUNCIL, SIR JOHN SAID THE MAJORITY OF POSTAL CHARGES HAD NOT BEEN REVIEWED FOR TWO OR MORE YEARS.

+SINCE THE REAL VALUES OF THESE CHARGES SHOULD NOT FURTHER BE ERODED, I SHALL BE PROPOSING A PACKAGE OF MODERATE INCREASES THAT IS ESTIMATED TO YIELD AN ADDITIONAL \$70 MILLION IN REVENUE TO TAKE EFFECT AS FROM SEPTEMBER 2, 1985,+ HE SAID.

+THIS INCLUDES A TIDYING UP OF TELECOMMUNICATION LICENCE FEES,+ HE ADDED.

/INCLUDED IN .....

INCLUDED IN THE PROPOSAL ARE INCREASES TO INLAND MAIL RATES FROM 40 CENTS TO 50 CENTS FOR THE 30 GRAM CATEGORY, REGISTRATION FEES FROM \$4 TO \$5 AND AIRMAIL RATES BY SOME 30 PER CENT.

SIR JOHN'S SECOND PROPOSAL WAS THAT THE CURRENT FLAT RATE OF \$2 SHOULD BE INCREASED TO \$3 FOR ALL TYPES OF VEHICLES USING THE LION ROCK AND ABERDEEN TUNNELS WITH EFFECT FROM APRIL 1, 1985.

+THE INCREASE IN TOLL AS IT AFFECTS BUSES REPRESENTS A TINY PERCENTAGE OF THEIR OPERATING COSTS; THUS THERE SHOULD BE NO EFFECT ON PASSENGERS.

+THIS PROPOSAL SHOULD YIELD AN ADDITIONAL \$28 MILLION,+ HE SAID.

THE FINANCIAL SECRETARY'S THIRD PROPOSAL WAS TO INCREASE, WITH IMMEDIATE EFFECT, THE FEES FOR THE ANNUAL REGISTRATION OF MOTOR VEHICLES, PROVISIONAL AND FULL DRIVING LICENCES AND DRIVING TESTS.

+THIS DOES NOT INCLUDE LICENCE FEES FOR TAXIS, WHICH WERE ONLY INCREASED IN JANUARY THIS YEAR,+ HE SAID.

SIR JOHN POINTED OUT THAT HE WAS WELL AWARE OF THE BURDEN LAID ON PRIVATE MOTORISTS IN RECENT YEARS AND OF THE CONCERN THAT HAD BEEN LOUDLY EXPRESSED ON THEIR BEHALF.

+I THUS PROPOSE AN APPROXIMATE INCREASE OF 10 PER CENT REQUIRING MUCH ROUNDING OFF+, HE SAID. +THIS IS CONSIDERABLY LESS THAN THE RATE OF INFLATION SINCE THE LAST REVIEW IN 1983.

+FOR EXAMPLE, IN THE CASE OF A SMALL CAR OF UP TO 1 500 CC THE EFFECT WILL BE AN INCREASE FROM \$2 300 TO \$2 500,+ HE SAID.

SIR JOHN ESTIMATED THAT THE ADDITIONAL REVENUE YIELD FOR 1985-86 WOULD BE \$67 MILLION.

SIR JOHN'S FOURTH AND LAST SPECIFIC PROPOSAL WAS TO INCREASE, AS A FIRST MEASURE, PASSENGER EMBARKATION FEES FOR MACAU FERRY SERVICES FROM \$8 TO \$15 AND THE MAIN BERTHING FEES FROM \$1 TO \$2 A TON.

BOTH SHOULD TAKE EFFECT WITH THE OPENING OF THE NEW MACAU FERRY TERMINAL IN ABOUT JUNE 1985, HE SAID.

SIR JOHN NOTED THAT THE GOVERNMENT HAD INVESTED CONSIDERABLE ADDITIONAL RESOURCES IN ORDER TO COPE WITH THE GROWTH IN PASSENGER MOVEMENTS AT THE MACAU FERRY TERMINALS.

+THE REVENUE DERIVED FROM PASSENGER EMBARKATION AND BERTHING FEES, WHICH HAVE NOT BEEN REVISED SINCE 1975, IS INSUFFICIENT TO RECOVER OPERATING COSTS LET ALONE PROVIDE ANY RETURN ON OUR INVESTMENT,+ HE SAID.

/+IT IS .....

+IT IS NOT FAIR THAT THE GENERAL TAXPAYER SHOULD SUBSIDISE THOSE WHO VISIT MACAU.+

+IF WE SOUGHT TO REDRESS THE SITUATION IN ONE STEP, THE INCREASES WOULD NEED TO BE VERY STEEP INDEED. THIS IS A FINE ILLUSTRATION OF THE NEED FOR MORE FREQUENT ADJUSTMENTS.+

ASSUMING 10 MONTHS' YIELD, SIR JOHN ESTIMATED THAT THE ADDITIONAL REVENUE FOR 1985-86 SHOULD AMOUNT TO \$30 MILLION.

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RISE IN MEDICAL, WELFARE SPENDING  
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THE FINANCIAL SECRETARY, THE HON SIR JOHN BREMRIDGE, SAID TODAY (WEDNESDAY) THAT \$4 BILLION WOULD BE SPENT ON GOVERNMENT AND SUBVENTED MEDICAL SERVICES IN 1985-86.

+THIS REPRESENTS A SUBSTANTIAL INCREASE OF 20 PER CENT ON THE REVISED ESTIMATE OF EXPENDITURE FOR 1984-85,+ SIR JOHN TOLD THE LEGISLATIVE COUNCIL.

THE PROVISION COVERS VARIOUS HOSPITAL PROGRAMMES INCLUDING THE TUEN MUN HOSPITAL, THE QUEEN MARY HOSPITAL EXTENSION, AS WELL AS A MAJOR NEW HOSPITAL IN THE EASTERN DISTRICT OF HONG KONG ISLAND.

IN ADDITION, THE \$645 MILLION PRINCE OF WALES HOSPITAL COMMENCED OPERATIONS IN MAY LAST YEAR AND IS EXPECTED TO BE FULLY OPERATIONAL BY APRIL NEXT YEAR. IT WILL HAVE 1 446 BEDS AND SERVE AS THE REGIONAL HOSPITAL FOR THE EASTERN NEW TERRITORIES AS WELL AS THE TEACHING HOSPITAL FOR THE MEDICAL FACULTY OF THE CHINESE UNIVERSITY OF HONG KONG.

IN THE SUBVENTED SECTOR, DEVELOPMENT PROGRAMMES ARE UNDER WAY TO EXPAND AND UPGRADE FACILITIES. APPROVAL HAS ALSO BEEN OBTAINED FOR A MAJOR EXTENSION OF 760 BEDS TO THE UNITED CHRISTIAN HOSPITAL.

FOR SOCIAL WELFARE SERVICES, WHICH INCLUDES SUBVENTIONS TO VOLUNTARY AGENCIES, ABOUT \$2.53 BILLION HAS BEEN EARMARKED FOR 1985-86, AN INCREASE OF OVER 11 PER CENT ON THE REVISED ESTIMATE OF EXPENDITURE FOR 1984-85.

THE ESTIMATES INCLUDE PROVISION OF \$576.6 MILLION FOR PUBLIC ASSISTANCE, COMPARED WITH THE REVISED ESTIMATE OF \$575.5 MILLION FOR 1984-85. AT THE END OF 1984, THERE WERE 59 100 HOUSEHOLDS ON PUBLIC ASSISTANCE.

AS REGARDS SPECIAL NEEDS ALLOWANCES, THE PROVISION IN THE DRAFT ESTIMATES IS \$906.6 MILLION, COMPARED WITH THE REVISED ESTIMATE OF \$838.7 MILLION FOR 1983-84.

THIS ALLOWS FOR AN ESTIMATED AVERAGE MONTHLY CASELOAD OF ABOUT 217 800 FOR OLD AGE ALLOWANCE AND 46 600 FOR DISABILITY ALLOWANCE COMPARED WITH 211 600 AND 43 900 RESPECTIVELY AT THE END OF 1984.

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DOLLAR LINK +SERVES HK WELL+  
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THE ARRANGEMENT LINKING THE HONG KONG DOLLAR TO THE U.S. DOLLAR HAD SERVED HONG KONG WELL AND WOULD NOT LIGHTLY BE CHANGED, SIR JOHN BREMRIDGE SAID TODAY.

THE STABILITY OF THE HONG KONG DOLLAR IN TERMS OF THE U.S. DOLLAR UNDER THE LINKED EXCHANGE RATE SYSTEM, AND A CONSEQUENT STRENGTHENING AGAINST ALL OTHER MAJOR CURRENCIES DURING THE YEAR, WAS ONE OF THE MAJOR CONTRIBUTORY FACTORS TO THE STEADY FALL IN THE RATE OF INFLATION FROM A YEAR-ON-YEAR RATE OF 12.4 PER CENT IN JANUARY TO 4.6 PER CENT IN DECEMBER, SIR JOHN POINTED OUT.

THE AVERAGE FOR 1984 AS A WHOLE WAS 8.1 PER CENT COMPARED WITH 9.9 PER CENT RECORDED IN 1983.

DESPITE THE BACKGROUND OF UNCERTAINTY ABOUT HONG KONG'S FUTURE AND VOLATILE CONDITIONS IN WORLD FOREIGN EXCHANGE MARKETS DURING A LARGE PART OF 1984, THE HONG KONG DOLLAR IN TERMS OF THE TRADE-WEIGHTED INDEX STRENGTHENED BY 11 PER CENT DURING THE YEAR, SAID SIR JOHN.

+IT HAS CONTINUED TO STRENGTHEN SO FAR THIS YEAR,+ HE ADDED.

+THE ADOPTION OF THE LINKED EXCHANGE RATE SYSTEM HAS IN EFFECT ACCORDED PRIORITY TO A STABLE EXCHANGE RATE AGAINST THE U.S. DOLLAR, WITH ADJUSTMENTS TO PRESSURES ON THE HONG KONG DOLLAR FALLING, AT LEAST INITIALLY, ON INTEREST RATES AND THE MONEY SUPPLY,+ SIR JOHN SAID.

HE ADDED THAT THESE PRESSURES WERE SUBSTANTIAL ON OCCASIONS DURING THE YEAR, AND THERE WERE, THEREFORE, CONSIDERABLE SHORT-TERM FLUCTUATIONS IN INTEREST RATES AND IN THE GROWTH RATE OF THE MONEY SUPPLY.

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HOME OWNERSHIP FUND STANDS ON OWN FEET  
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THERE WAS NO NEED THIS YEAR TO TRANSFER FUNDS TO THE HOME OWNERSHIP FUND BECAUSE IT HAD SUFFICIENT RESERVES AS A RESULT OF THE INTERNAL GENERATION OF REVENUE, SAID SIR JOHN.

THIS HAD ALSO BEEN THE CASE LAST YEAR.

+IN FACT, IT IS OUR INTENTION DURING THE YEAR AHEAD TO MOVE SOME \$400 MILLION FROM THIS FUND TO GENERAL REVENUE.+

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MORE TO BE SPENT ON HOUSING  
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IN 1985-86, \$3.9 BILLION WOULD BE SPENT ON THE CONSTRUCTION OF HOUSING, INCLUDING TEMPORARY HOUSING AREAS, THE FINANCIAL SECRETARY SAID.

THIS COMPARED WITH THE REVISED ESTIMATE OF \$3.5 BILLION FOR 1984-85, SIR JOHN BREMRIDGE POINTED OUT.

THESE FIGURES FOR THE CONSOLIDATED ACCOUNT CAPITAL EXPENDITURE EXCLUDED THE VALUE OF LAND USED BY THE HOUSING AUTHORITY FOR RENTAL HOUSING AND FOR FLATS BUILT UNDER THE HOME OWNERSHIP SCHEME SOLD AFTER EARLY 1982, SIR JOHN SAID.

THE 1985-86 DRAFT ESTIMATES FOR THE RENTAL HOUSING PROGRAMME ARE \$2 822 MILLION, FOR THE HOME OWNERSHIP SCHEME \$3 809 MILLION AND FOR TEMPORARY HOUSING AREAS \$3 906 MILLION.

+THE GOVERNMENT'S POLICY IS THAT THE PUBLIC HOUSING PROGRAMME SHOULD ACHIEVE A LEVEL OF PRODUCTION OF OVER 40 000 FLATS A YEAR FOR RENTAL AND SALE,+ SIR JOHN SAID.

HE EXPLAINED THAT THIS WOULD COMPRISE THE FLATS FOR RENTAL BY THE HOUSING AUTHORITY, FLATS FOR SALE UNDER THE HOME OWNERSHIP SCHEME AND THE PRIVATE SECTOR PARTICIPATION SCHEME, AND THE HOUSING SOCIETY'S PRODUCTION THROUGH THE DEVELOPMENT OF RENTAL HOUSING AND THE URBAN IMPROVEMENT SCHEME.

+IN THE NEXT FOUR YEARS WE SHALL BE PROVIDING NEW, GOOD QUALITY SUBSIDISED HOUSING FOR OVER 712 000 PEOPLE,+ SAID SIR JOHN.

THIS IS BASED ON THE PRODUCTION ESTIMATE FOR THE NEXT FOUR YEARS, INCLUDING PRIVATE SECTOR PARTICIPATION SCHEME FLATS AND HOUSING SOCIETY FLATS AT A TOTAL OF 178 000, WITH AN AVERAGE COMPLETION RATE OF 44 000 FLATS A YEAR.

+THIS WILL HAVE A MAJOR IMPACT ON MANY NOW WAITING PATIENTLY FOR DECENT HOUSING,+ SIR JOHN ADDED.

THE FORECAST OF HOUSING AUTHORITY PRODUCTION IN THE FOUR YEARS 1985-86 TO 1988-89 EXCEEDS PRODUCTION IN THE PREVIOUS FOUR YEARS BY 2.8 PER CENT, HE NOTED.

AS REGARDS THE HOME OWNERSHIP SCHEME, SIR JOHN SAID THAT 49 810 FLATS OUT OF A TOTAL OF ABOUT 56 190 FLATS IN THE FIRST SIX PHASES WOULD HAVE BEEN COMPLETED BY THE END OF 1985-86.

HE ADDED THAT WORK WAS IN HAND ON THE BALANCE AND ON A FURTHER 20 830 FLATS IN PHASES SEVEN, EIGHT AND NINE.

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MORE MONEY FOR EDUCATION AND HEALTH  
\* \* \*

THE PROVISION OF \$7.6 BILLION IN RECURRENT EXPENDITURE OF THE GENERAL REVENUE ACCOUNT FOR SUBVENTIONS REPRESENTS 27.1 PER CENT OF THE TOTAL COMPARED WITH AN AVERAGE OF 26 PER CENT OVER THE PAST FIVE YEARS, SAID SIR JOHN.

+THIS INCREASE REFLECTS CONTINUING EXPANSION IN EDUCATION AND HEALTH. I HOPE THAT IT WILL BE NOTED.+

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EDUCATION SPENDING GOING UP  
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CONSOLIDATED ACCOUNT EXPENDITURE ON EDUCATION IN 1985-86 WOULD BE \$7.81 BILLION, THE FINANCIAL SECRETARY, SIR JOHN BREMRIDGE, SAID IN HIS BUDGET SPEECH TODAY (WEDNESDAY).

THIS AMOUNTED TO 17 PER CENT OF TOTAL CONSOLIDATED ACCOUNT EXPENDITURE AND WAS A 10.7 PER CENT INCREASE OVER 1984-85, HE SAID.

+OF THIS AMOUNT WE WILL SPEND \$725 MILLION ON CONSTRUCTING AND EQUIPPING NEW BUILDINGS, WHICH IS SIMILAR TO THAT IN 1984-85+, SIR JOHN SAID.

SIR JOHN REFERRED TO A MAJOR FOOTNOTE IN HIS PRINTED SPEECH TO ILLUSTRATE THE FINANCING OF POLICIES WITH REGARD TO PRIMARY AND SECONDARY EDUCATION INCLUDING THE PHASING OUT OF THE JUNIOR SECONDARY EDUCATION ASSESSMENT, TO VOCATIONAL TRAINING, AND TO TERTIARY EDUCATION.

+I DO HOPE THAT THOSE WHO CLAMOUR FOR EVEN FASTER ADVANCES WILL STUDY THE HUGE SUMS OF MONEY INVOLVED, AND PONDER HOW MORE COULD BE FOUND+, HE SAID.

THE FOOTNOTE SAID THE GOVERNMENT'S POLICY WAS TO PROVIDE PRIMARY SCHOOLS WITHIN A REASONABLE WALKING DISTANCE FOR ALL PRIMARY SCHOOL AGE CHILDREN; TO PROVIDE A SUBSIDISED PLACE FOR ALL PRIMARY 6 LEAVERS; TO INCREASE THE NUMBER OF SECONDARY PLACE IN SCHOOLS AND PLACES AT TECHNICAL INSTITUTES AND ADULT EDUCATION CENTRES TO MEET THE FULL DEMAND FROM FORM III LEAVERS WHO WERE SUITABLE FOR THE COURSES PROVIDED; AND TO PHASE OUT THE JSEA BY 1991.

TO MEET THESE OBJECTIVES, 10 PRIMARY SCHOOLS, PROVIDING 19 200 PLACES MAINLY IN THE NEW TOWNS, AND FIVE SECONDARY SCHOOLS PROVIDING INITIALLY 1 280 FORM I AND 640 FORM IV PLACES WILL BE COMPLETED IN 1985-86.

/ON VOCATIONAL .....

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ON VOCATIONAL TRAINING, THE FOOTNOTE SAID WORK HAD STARTED ON THE BUILDING OF TWO NEW TECHNICAL INSTITUTES, ONE AT SHA TIN AND THE OTHER AT TUEN MUN, AND WORK ON A THIRD NEW INSTITUTE AT CHAI WAN WOULD START THIS YEAR.

WHEN COMPLETED, THE THREE NEW INSTITUTES WOULD PROVIDE AN EXTRA 5 000 FULL-TIME AND 21 000 PART-TIME PLACES.

A TRAINING CENTRE COMPLEX AT KOWLOON BAY HAD BEEN COMPLETED AND ANOTHER AT KWAI CHUNG WOULD BE COMPLETED IN MID-1985. THE COMPLEXES WOULD PROVIDE 8 000 TRAINING PLACES A YEAR IN NINE INDUSTRIAL TRAINING CENTRES.

IN ADDITION, THE VOCATIONAL TRAINING COUNCIL WOULD COMPLETE A GAS INDUSTRY TRAINING CENTRE AT KWAI CHUNG, A PRECISION TOOLING TRAINING CENTRE AT KOWLOON BAY AND AN INSURANCE TRAINING CENTRE IN WAN CHAI IN 1985-86. THESE THREE TRAINING CENTRES WOULD PROVIDE ABOUT 1 300 TRAINING PLACES A YEAR.

THE TOTAL GRANTS TO THE VOCATIONAL TRAINING COUNCIL WOULD INCREASE FROM \$404 MILLION IN 1984-85 TO \$433 MILLION IN 1985-86.

EXPANSION OF TERTIARY EDUCATION INCLUDED NEW BUILDINGS FOR THE UNIVERSITY OF HONG KONG AND THE CHINESE UNIVERSITY OF HONG KONG AND THE DEVELOPMENT OF COURSES AT THE CITY POLYTECHNIC IN ITS TEMPORARY PREMISES AT ARGYLE CENTRE. PLANNING FOR THE CITY POLYTECHNIC'S PERMANENT ACCOMMODATION AT TAT CHEE AVENUE WAS PROCEEDING AND SITE FORMATION SHOULD START IN 1985-86.

TOTAL EXPENDITURE ON THE UNIVERSITIES, THE POLYTECHNICS AND THE BAPTIST COLLEGE WOULD BE \$1.71 BILLION IN 1985-86 COMPARED WITH \$1.54 BILLION IN 1984-85.

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## PUBLIC WORKS AND LAND EXPENDITURE

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EXPENDITURE FROM THE CAPITAL WORKS RESERVE FUND ON THE PUBLIC WORKS PROGRAMME WAS EXPECTED TO REACH \$6.8 BILLION DURING 1985-86, SAID SIR JOHN.

THIS EXCEEDS THE REVISED ESTIMATE FOR 1984-85 BY ABOUT \$0.7 BILLION. THE PROVISION OF \$5.8 BILLION SOUGHT FOR TRANSFER TO THE FUND AND THIS TOGETHER WITH AN ESTIMATED \$4.4 BILLION SURPLUS IN THE FUND AT THE END OF 1984-85 WILL BE SUFFICIENT TO COVER THE ESTIMATED \$6.8 BILLION EXPENDITURE AND TO RETAIN A PRUDENT SURPLUS.

IN AN EXPLANATORY NOTE TO THE SPEECH IT WAS STATED THAT THE ADVANCE OF \$1.45 BILLION TO THE CONSORTIUM FOR THE DEVELOPMENT OF TIN SHUI WAI NEEDED TO BE RECOGNISED BY THE RETENTION OF AT LEAST \$1.5 BILLION IN THE FUND.

ON LAND ACQUISITION, THE ESTIMATED EXPENDITURE FOR 1985-86 IS \$0.9 BILLION, WHICH IS ABOUT \$0.2 BILLION MORE THAN THE REVISED ESTIMATE FOR THE PREVIOUS YEAR.

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**CAPITAL EXPENDITURE CLIMBS IN ALMOST EVERY SECTOR**  
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A FOOTNOTE TO SIR JOHN'S SPEECH GIVES AN INSIGHT INTO THE WAY IN WHICH CONSOLIDATED ACCOUNT CAPITAL EXPENDITURE HAS GROWN IN RECENT YEARS.

THE ACTUAL EXPENDITURE IN 1983-84 IN EACH SECTOR IS COMPARED WITH THE ESTIMATES FOR 1985-86, THE FINAL 1984-85 FIGURES NOT YET BEING AVAILABLE.

(\$ MILLIONS)

	1983-84 ACTUAL	1985-86 ESTIMATE	PERCENTAGE GROWTH
TRANSPORT	2 151	1 683	-21.8
LAND AND CIVIL ENGINEERING	2 424	2 230	- 8.0
WATER	586	648	+10.6
PUBLIC SAFETY	144	271	+88.2
RECREATION AND CULTURE	593	846	+42.7
ENVIRONMENTAL PROTECTION	399	507	+27.1
EDUCATION *	632	911	+44.1
MEDICAL *	419	498	+18.1

\* A LARGE PART OF CAPITAL EXPENDITURE FOR +EDUCATION+, AND +MEDICAL+ IS ACCOUNTED FOR FROM CAPITAL SUBVENTIONS AND IS NOT FUNDED FROM THE CAPITAL WORKS RESERVE FUND.

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GROSS LAND PRODUCTION TO DOUBLE  
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GOVERNMENT GROSS LAND PRODUCTION IN 1985-86 IS ESTIMATED TO BE 652 HECTARES AS COMPARED WITH 313 HECTARES IN 1984-85, SAID SIR JOHN.

THESE FIGURES EXCLUDE LAND FORMED BY THE HONG KONG INDUSTRIAL ESTATES CORPORATION. THE GROSS FIGURES INCLUDE LARGE AREAS APPROPRIATED FOR PUBLIC HOUSING, INSTITUTIONAL USE, OTHER COMMUNITY PURPOSES, OPEN SPACE AND ROADS.

+THE REDUCTION IN ESTIMATED LAND PRODUCTION IN 1984-85 FROM THE ORIGINAL FORECAST OF 523 HECTARES FOLLOWED A REVIEW OF THE WORKS SCHEDULE FOR THE NEW TOWNS DEVELOPMENT PROGRAMME,+ SAID SIR JOHN.

OVER THE THREE YEARS OF THE NEW FORECAST PERIOD, TOTAL PRODUCTION IS ESTIMATED TO BE 1 683 HECTARES - 597 HECTARES IN 86-87, 730 HECTARES IN 87-88 AND 356 HECTARES IN 88-89.

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

+I INTRODUCED THE BUDGET INTO THE LEGISLATIVE COUNCIL THIS AFTERNOON AND I WOULD LIKE TO TELL YOU ABOUT IT BRIEFLY. MY MAJOR THEME IS THE PROSPECT OF RETURNING NEXT YEAR TO BALANCED BUDGETS.

+I ACCEPT FULLY THAT IN A DEFICIT SITUATION TAXPAYERS PRESSED FOR HIGHER REVENUE EXPECT TO SEE GOVERNMENT EXPENDITURE BEING CONTROLLED. I AM THEREFORE PLEASED TO TELL YOU THAT FOR THE THIRD YEAR RUNNING PUBLIC SECTOR EXPENDITURE IS BELOW BUDGET. AS A PERCENTAGE OF GDP IT WILL HAVE BEEN REDUCED BY 16 PER CENT BY THE END OF NEXT FINANCIAL YEAR. IN 1985-86 THERE WILL BE NO INCREASE IN THE TOTAL NUMBER OF CIVIL SERVANTS DESPITE PROVIDING ADDITIONAL STAFF FOR NEW HOSPITALS AND FOR POLICE EXPANSION.

+THE PROBLEMS FACED IN THE LAST THREE YEARS ARE CLEAR. ANNUAL LAND REVENUE HAS DROPPED SINCE 1981 BY ABOUT \$9 BILLION AND IS UNLIKELY TO BE REALLY SIGNIFICANT IN THE FUTURE. WE HAVE ALSO GONE THROUGH A MAJOR WORLD RECESSION AND EXPERIENCED THE EFFECTS ON INVESTMENT CONFIDENCE OF THE NEGOTIATIONS ABOUT HONG KONG'S FUTURE, NOW HAPPILY CONCLUDED.

/+IT IS .....

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+IT IS HARDLY SURPRISING, THEREFORE, THAT THERE HAS HAD TO BE A STEADY PROCESS OF BUDGETARY ADJUSTMENT. WE ARE BEGINNING NOW TO SEE SUCCESS FOR OUR EFFORTS.

+THE GOVERNMENT HAS CLEARLY CONTINUED TO MOVE FORWARD WITH MAJOR PROGRAMMES, FOR EXAMPLE, EDUCATION, HOSPITALS AND HOUSING. IN PARTICULAR WE SHALL BE PROVIDING NEW HOUSING FOR OVER 700 000 PEOPLE IN THE NEXT FOUR YEARS.

+THE PERFORMANCE OF OUR ECONOMY IN 1984 WAS VERY GOOD. EXPORTS INCREASED BY 22 PER CENT IN REAL TERMS. THE GROSS DOMESTIC PRODUCT GREW BY 9.6 PER CENT, WHICH IS A REMARKABLE FIGURE GIVEN THE GENERAL BACKGROUND. WITH ALMOST FULL EMPLOYMENT REAL WAGES AGAIN STARTED RISING. WE ALSO SUCCEEDED IN CUTTING THE RATE OF INFLATION FROM 12 PER CENT TO 4.6 PER CENT. IT WILL REMAIN LOW AND SHOULD BE ACCOMPANIED IN 1985 BY ABOUT SEVEN PER CENT GDP GROWTH.

+THE BUDGET DEFICIT FOR 1984-85 WILL BE ABOUT \$1.8 BILLION. THE OUTCOME IS BETTER THAN I FORECAST WHEN I SPOKE TO YOU LAST YEAR. FOR 1985-86 THE DEFICIT IS EXPECTED TO FALL FURTHER TO NOT MORE THAN \$1 BILLION. IT IS MY INTENTION FOR 1986-87 TO RETURN TO BALANCED BUDGETS. THERE CANNOT, HOWEVER, BE FIRM PROMISES BECAUSE WE CAN BE SERIOUSLY AFFECTED BY EXTERNAL EVENTS OVER WHICH WE HAVE NO CONTROL. THIS IS THE REASON WHY WE HAVE TO BE CONSERVATIVE IN OUR FINANCES.

+IN 1985-86 WE NEED TO RAISE A NET \$1.2 BILLION IN ADDITIONAL REVENUE. I HAVE PROPOSED NO INCREASE IN DIRECT TAXATION BUT A SERIES OF CAREFULLY SELECTED INCREASES IN INDIRECT TAXES, LICENCES, DUTIES, FEES AND CHARGES. IN THE MAIN I SEEK TO MAINTAIN THE REVENUE YIELD IN REAL TERMS, REMEMBERING THAT THERE HAS BEEN 18 PER CENT INFLATION OVER THE PAST TWO YEARS. I ALSO RECOGNISE THE TAX BURDENS BORNE BY MOTORISTS. MY PROPOSALS IN THIS AREA THEREFORE CALLED FOR AN INCREASE OF ONLY 10 PER CENT.

+IN ADDITION I HAVE PROPOSED THE REINTRODUCTION OF TWO EARLIER MEASURES OF INDIRECT TAXATION: ON SOFT DRINKS AND COSMETICS. I THINK THAT MOST PEOPLE WILL AGREE THAT THESE ARE NOT ESSENTIALS. IT IS ALSO NECESSARY TO CUT BACK ON CONCESSIONS WITH REGARD TO TOBACCO AND DRINK BROUGHT BACK BY HONG KONG RESIDENTS RETURNING FROM ABROAD. THE PRESENT SITUATION IS BEING ABUSED.

+IN FULFILMENT OF EARLIER PROMISES I HAVE PROPOSED CONCESSIONS ON PERSONAL TAXES FOR THE MOST DESERVING TAXPAYERS. THESE WILL COST \$150 MILLION NEXT YEAR AND \$210 MILLION IN A FULL YEAR.

+CLEARLY THERE IS A NEED FOR MAJOR SPENDING IN MANY AREAS IN THE YEARS AHEAD. THE REVENUE TO PROVIDE FOR THIS SHOULD FLOW FROM HONG KONG'S INCREASING PROSPERITY, AND WE SHOULD SOON ENJOY BALANCED BUDGETS.

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GOVERNOR PAYS TRIBUTE TO T.S. LO

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THE GOVERNOR, SIR EDWARD YOUDE, TODAY (WEDNESDAY) PAID TRIBUTE TO MR T.S. LO, WHO HAD RECENTLY RESIGNED FROM THE EXECUTIVE AND LEGISLATIVE COUNCILS.

HE WAS JOINED BY SIR ROGER LOBO, SENIOR UNOFFICIAL MEMBER OF THE LEGISLATIVE COUNCIL.

THE FOLLOWING IS THE TEXT OF THE GOVERNOR'S SPEECH IN THE LEGISLATIVE COUNCIL THIS AFTERNOON:

+HONOURABLE MEMBERS, SINCE WE LAST MET, MR T.S. LO HAS RESIGNED FROM THIS COUNCIL ON WHICH HE SERVED FOR MORE THAN 10 YEARS FROM 1974.

+THESE HAD BEEN PARTICULARLY BUSY YEARS IN THE LIFE OF THIS COUNCIL ESPECIALLY DURING THE LAST TWO YEARS AND I WOULD LIKE TO PAY TRIBUTE TO THE VALUABLE SERVICES HE HAS RENDERED NOT ONLY IN THIS COUNCIL BUT IN A NUMBER OF PUBLIC BODIES.

+I AM SURE MEMBERS WOULD WISH TO JOIN ME IN WISHING MR LO WELL IN THE FUTURE.+

FOLLOWING IS THE TEXT OF SIR ROGER LOBO'S SPEECH:

+SIR, THE UNOFFICIAL MEMBERS OF THIS COUNCIL WOULD WISH TO BE ASSOCIATED WITH YOUR EXCELLENCY'S TRIBUTE TO MR T.S. LO.

+HIS DISTINGUISHED RECORD OF PUBLIC SERVICE ON THIS COUNCIL AND IN THE EXECUTIVE COUNCIL HAS WON HIM WIDE RESPECT. HE WOULD BE REMEMBERED PARTICULARLY FOR HIS WORK IN THE UMELCO POLICE GROUP WHICH HE JOINED IN 1978 AND BECAME CHAIRMAN IN 1980.

+MR LO WAS CHAIRMAN OF THE TRANSPORT ADVISORY COMMITTEE BETWEEN 1980 AND 1982 AND SERVED AS THE CONVENER OF THE LEGISLATIVE COUNCIL GENERAL SERVICES WORKING GROUP BETWEEN 1982 AND 1984 AND ON OUR LEGISLATIVE COUNCIL SCRUTINY GROUP BETWEEN 1978 AND 1980.

+HE WAS ALSO THE CONVENER OF THE UMELCO CIVIL SERVICE AND SECURITY PANELS, AND HIS SERVICES WILL BE MISSED BY UMELCO.

+WE WISH MR LO EVERY SUCCESS IN HIS FUTURE ENDEAVOURS.+

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WEDNESDAY, FEBRUARY 27, 1985

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NOTE TO EDITORS:

BUDGET BRIEFING

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THE FINANCIAL SECRETARY, SIR JOHN BREMRIDGE, WILL GIVE A PRESS BRIEFING ON THE BUDGET AT 4.30 PM TOMORROW (THURSDAY) IN THE GIS PRESS CONFERENCE ROOM, FIFTH FLOOR, BEACONSFIELD HOUSE, CENTRAL.

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CUSTOMS OFFICERS ENFORCE NEW RULES

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TWO HUNDRED OFFICERS OF THE CUSTOMS AND EXCISE SERVICE THIS (WEDNESDAY) AFTERNOON WENT TO FACTORIES MANUFACTURING COSMETICS AND NON-ALCOHOLIC BEVERAGES AND CONCENTRATES TO ENFORCE THE AMENDMENTS TO THE DUTIABLE COMMODITIES ORDINANCE WHICH CAME INTO FORCE AT 2.30 PM AND TO ASSIST MANUFACTURERS IN SEGREGATING THE DUTIABLE STOCK FROM NON-DUTIABLE STOCK.

THE OFFICERS WERE RE-DEPLOYED FOR THIS SPECIAL DUTY FROM VARIOUS REGIONS AND COMMANDS OF THE SERVICE.

THEY EXPLAINED TO THE MANUFACTURERS THE NEWLY IMPOSED DUTIES ANNOUNCED BY THE FINANCIAL SECRETARY IN HIS BUDGET SPEECH AND POINTED OUT THE REQUIREMENT FOR THE COMPLETION OF WEEKLY AND MONTHLY RETURNS TO THE CUSTOMS AND EXCISE DEPARTMENT ON PRODUCTION AND ON GOODS RELEASED LOCALLY FOR CONSUMPTION RESPECTIVELY.

IN ADDITION, THE MANUFACTURERS WERE TOLD TO APPLY FOR A LICENCE BEFORE MARCH 14, 1985. IF NO LICENCE IS OBTAINED BY THAT DATE, ANY PERSON WHO IMPORTS OR MANUFACTURES THESE GOODS WILL BE COMMITTING AN OFFENCE UNDER THE DUTIABLE COMMODITIES ORDINANCE.

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ELECTION FORUMS FOR WONG TAI SIN CANDIDATES

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CANDIDATES STANDING FOR THE WONG TAI SIN DISTRICT BOARD ELECTION WILL MEET THE PUBLIC IN A SERIES OF FORUMS TO BE HELD FROM TOMORROW (THURSDAY).

THE FORUMS, ORGANISED ON A CONSTITUENCY BASIS, PROVIDE AN OPPORTUNITY FOR THE CANDIDATES TO INTRODUCE THEIR PLATFORMS AND ANSWER QUERIES FROM THE RESIDENTS.

/ALTOGETHER THERE .....

ALTOGETHER THERE ARE 39 NOMINATIONS FOR THE 21 ELECTED SEATS ON THE WONG TAI SIN DISTRICT BOARD. THREE SEATS IN TWO CONSTITUENCIES — CHOI WAN AND UPPER WONG TAI SIN AND FUNG WONG — ARE UNCONTESTED WHILE THE REMAINING 18 SEATS WILL BE CONTESTED BY THE OTHER 36 CANDIDATES IN THE MARCH 7 ELECTION.

THE DATES, TIMES AND VENUES OF THE FORUMS ARE AS FOLLOWS:

<u>DATE</u>	<u>TIME</u>	<u>CONSTITUENCY</u>	<u>VENUE</u>
FEBRUARY 28 THURSDAY	8.30 PM	LOK FU	ST. PATRICK'S SCHOOL FU MEI STREET EAST, LOK FU
MARCH 1 FRIDAY	8.30 PM	TUNG TAU	CONFUCIAN TAI SHING SCHOOL 10 TAI SHING STREET
MARCH 1 FRIDAY	8 PM	TSZ WAN SHAN WEST	TSZ WAN SHAN SOUTH ESTATE COMMUNITY CENTRE, SHUNG WAH STREET, TSZ WAN SHAN
MARCH 2 SATURDAY	8 PM	TSZ WAN SHAN EAST	TSZ WAN SHAN EAST ESTATE COMMUNITY CENTRE, HONG WAH STREET, TSZ WAN SHAN
MARCH 2 SATURDAY	2 PM	CHOI WAN	PO LEUNG KUK CENTENARY SCHOOL, CHOI WAN ESTATE, CLEAR WATER BAY ROAD
MARCH 2 SATURDAY	8 PM	SAN PO KONG	HO LAP COLLEGE 15 TSEUK LUK STREET, SAN PO KONG
MARCH 3 SUNDAY	3 PM	LOWER WONG TAI SIN	WONG TAI SIN COMMUNITY CENTRE 104 CHING TAK STREET
MARCH 3 SUNDAY	3 PM	TSZ WAN SHAN SOUTH	TSZ WAN SHAN SOUTH ESTATE COMMUNITY CENTRE, SHUNG WAH STREET, TSZ WAN SHAN
MARCH 3 SUNDAY	8 PM	NGAU TSUEN	LAU HEUNG YUEN SITTING-OUT AREA, TAI HOM VILLAGE, DIAMOND HILL
MARCH 3 SUNDAY	3 PM	WANG TAU HOM	BUS TERMINUS PODIUM, LOK FU ESTATE

COURSE ON PUBLIC AFFAIRS FOR TEACHERS  
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SECONDARY SCHOOL TEACHERS ARE INVITED TO APPLY FOR AN EXTRA-MURAL COURSE STARTING MARCH 7 TO DISCUSS THE APPROACHES TO THE TEACHING OF THE NEW SUBJECT OF GOVERNMENT AND PUBLIC AFFAIRS AT THE ADVANCED LEVEL.

THE COURSE IS BEING CONDUCTED BY THE DEPARTMENT OF EXTRA-MURAL STUDIES OF THE UNIVERSITY OF HONG KONG. TEACHERS ACCEPTED TO THE COURSE CAN APPLY FOR A FULL REFUND OF FEES.

PARTICIPANTS WILL BE ENCOURAGED TO DISCUSS AND DEBATE THE POSSIBILITIES CONTAINED IN SUCH A COURSE. THE TUTOR WILL ENCOURAGE AND STIMULATE IDEAS, BUT HE WILL NOT BE INSTRUCTING ON THE RIGHT OR WRONG APPROACH TO THE SUBJECT.

ENROLMENT IS LIMITED TO 40, AND THERE WILL BE EIGHT MEETINGS ON THURSDAYS FROM 7 PM TO 9.15 PM. TUTORIALS WILL BE CONDUCTED AT ROOM G3, JAMES HSIOUNG LEE SCIENCE BUILDING, UNIVERSITY OF HONG KONG.

FEES CHARGED FOR THE COURSE IS \$180.

TEACHERS INTERESTED IN THE COURSE SHOULD APPLY DIRECT TO THE DEPARTMENT OF EXTRA-MURAL STUDIES.

APPLICATION FORMS CAN BE OBTAINED AT THE DEPARTMENT AT THE UNIVERSITY MAIN BUILDING, GROUND FLOOR, POKFULAM ROAD, HONG KONG, AND THE EXTRA-MURAL TOWN CENTRE, WING ON CENTRE, 8TH FLOOR, 111 CONNAUGHT ROAD CENTRAL, HONG KONG.

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LONG DISTANCE RUN IN TSIM SHA TSUI  
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A LONG DISTANCE RUN HAS BEEN ORGANISED FOR RESIDENTS OF YAU MA TEI AND TSIM SHA TSUI THIS SUNDAY (MARCH 3) MORNING.

THE EVENT IS JOINTLY ORGANISED BY THE RECREATION AND SPORTS SERVICE OF THE RECREATION AND CULTURE DEPARTMENT, YAU MA TEI DISTRICT BOARD AND YAU MA TEI AND TSIM SHA TSUI RECREATION AND SPORTS ASSOCIATION.

THE RACE WILL START FROM GUN CLUB HILL BARRACKS IN TSIM SHA TSUI AND RUN ALONG AUSTIN ROAD, COX'S ROAD, JORDAN ROAD AND GASCOIGNE ROAD.

PARTICIPANTS IN THE MEN'S SENIOR AND INTERMEDIATE SECTIONS WILL TAKE PART IN A 4.5-KILOMETRE RUN WHILE THOSE IN WOMEN'S OPEN AND MEN'S JUNIOR WILL TAKE PART IN A THREE-KILOMETRE RUN.

/WINNERS WILL .....

WINNERS WILL BE AWARDED PRIZES AND ALL PARTICIPANTS WILL BE GIVEN SOUVENIRS.

APPLICATION FORMS ARE AVAILABLE AT RSS YAU MA TEI OFFICE, FIFTH FLOOR, MANGAN BUILDING, 18-20 CAMERON ROAD, KOWLOON.

ENQUIRIES CAN BE MADE AT 3-7235789.

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NOTE TO EDITORS:

THE RACE WILL START AT 9 AM AT GUN CLUB HILL BARRACKS.

A PRIZE PRESENTATION CEREMONY TO BE OFFICIATED BY THE ASSISTANT DISTRICT OFFICER OF YAU MA TEI, MISS SUSAN LOK AND LOCAL DISTRICT BOARD MEMBERS, MRS ENA CHAN AND MR LEE LIT-MAN WILL BE HELD AT THE BARRACKS AT 11 AM ON SUNDAY.

YOU ARE CORDIALLY INVITED TO SEND REPRESENTATIVES TO COVER THE EVENT.

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FIFTH YUEN LONG ARTS FESTIVAL  
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THE FIFTH YUEN LONG ARTS FESTIVAL WILL BEGIN TOMORROW (THURSDAY) EVENING WITH A FREE PERFORMANCE BY THE HONG KONG DANCE COMPANY IN THE LUT SAU HALL, YUEN LONG.

THE 18-DAY FESTIVAL, WITH ABOUT 30 PROGRAMMES FEATURING OPERAS, DRAMAS, DANCES, FILM SHOWS AND EXHIBITIONS, WILL BE STAGED AT VARIOUS VENUES IN THE DISTRICT INCLUDING THE RURAL AREAS.

THE REGIONAL SECRETARY FOR NEW TERRITORIES, DR J.W. HAYES, WILL OFFICIATE AT THE OPENING CEREMONY.

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FESTIVAL ENDS WITH VARIETY SHOW

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A VARIETY SHOW, WHICH IS THE FINALE OF THE TWO-WEEK SAI KUNG DISTRICT FESTIVAL, WILL BE HELD ON SATURDAY (MARCH 2) AT THE TANG SHIU KIN SPORTS GROUND IN SAI KUNG TOWN.

JOINTLY PRESENTED BY THE SAI KUNG DISTRICT FESTIVAL CO-ORDINATING COMMITTEE AND RADIO TELEVISION HONG KONG, THE SHOW WILL FEATURE A GROUP OF WELL-KNOWN ARTISTES SINGING THE NEWLY COMPOSED +SAI KUNG DISTRICT FESTIVAL SONG+, AS WELL AS THE SAI KUNG DISTRICT CHILDREN'S CHOIR SINGING THE DISTRICT BOARD ELECTION THEME SONG +A VOICE+.

THE HIGHLIGHT OF THE SHOW WILL BE A MUSICAL, +THE VISIT OF PRINCESS STAR TO SAI KUNG+ WHICH LAUDS VARIOUS DEVELOPMENTS AND ACHIEVEMENTS IN THE DISTRICT.

AMONG THE GUESTS TO BE PRESENT AT THE VARIETY SHOW INCLUDE THE REGIONAL SECRETARY FOR NEW TERRITORIES, DR J.W. HAYES, AND THE DEPUTY DIRECTOR OF BROADCASTING, MR CLIVE OXLEY.

AT A PRESS CONFERENCE TODAY (WEDNESDAY) TO ANNOUNCE DETAILS OF THE VARIETY SHOW, THE CHAIRMAN OF THE CO-ORDINATING COMMITTEE, MR YAU KI SAID THE SHOW WOULD BRING A CLOSE THE FIRST SAI KUNG DISTRICT FESTIVAL.

THE DISTRICT FESTIVAL REPRESENTED EFFORTS BY THE DISTRICT BOARD TO CENTRALISE FESTIVALS WHICH HAD BEEN HELD SEPARATELY IN HANG HAU, SAI KUNG AND RENNIE'S MILL - THE THREE MAIN AREAS OF SAI KUNG DISTRICT - SINCE 1970, MR YAU SAID.

+THE DISTRICT BOARD ALSO WANTS TO MAKE BETTER USE OF ITS RESOURCES IN ORGANISING ONE MAJOR EVENT INSTEAD OF SPLITTING INTO DIFFERENT AREAS,+ MR YAU ADDED.