



DAILY INFORMATION BULLETIN

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THURSDAY, MARCH 4, 1993

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TRANSCRIPT OF POST-BUDGET PRESS CONFERENCE BY FINANCIAL SECRETARY

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FS: THANK YOU. HALF AN HOUR BECAUSE WE RISK OVER EXPOSURE OTHERWISE TODAY. BUT JUST TO DEAL WITH A FEW THINGS THAT ARE COMING UP WHERE SOME MORE EXPLANATION MIGHT BE HELPFUL. FIRST, I THINK THE WORD DEFICIT STRIKES SOME CHORDS WHICH MAY BE MISLEADING. IT'S A PECULIARITY OF GOVERNMENT ACCOUNTS THAT THE ONLY WAY WE CAN ACTUALLY DRAW ON RESERVES IS TO RUN A DEFICIT. IF YOU WERE A BANK WE COULD SIMPLY DRAW ON OUR INNER RESERVES WITHOUT ACTUALLY SHOWING WHAT IN THEIR CASE WOULD BE A LOSS. BUT WE'RE NOT. IF YOU NEVER ALLOW YOURSELF TO RUN A DEFICIT YOU SIMPLY ENDLESSLY ACCUMULATE ADDITIONAL RESERVES. THERE WOULD BE NO WAY YOU COULD DRAW ON THEM AND I GUESS IF YOU DID THAT FOR INSTANCE IN THE PERIOD TO 96/97, ADDED IN THE LAND FUND YOU'D END UP WITH RESERVES OF AROUND \$200 BILLION WHICH I THINK MOST PEOPLE MIGHT AGREE WAS PERHAPS A LITTLE MORE THAN WE NEEDED. SO IT'S SIMPLY A DEVICE FOR DRAWING ON THE RESERVES. IT'S EASILY CONTROLLABLE; IT DOES NOT ARISE FROM ANY LOSS OF CONTROL ON RECURRENT EXPENDITURE, QUITE THE CONTRARY. WE'RE CONTROLLING RECURRENT EXPENDITURE AS WE ALWAYS HAVE DONE AND KEEPING IT IN LINE WITH GROWTH OF GDP.

 YOU'LL NOTICE THAT THE FIGURE FOR 93/94 IS 5.2 PER CENT WHICH IS ABOUT AS NEAR IN REAL LIFE AS YOU CAN GET IT TO THE TREND GROWTH RATE OF 5 PER CENT. SO, WE'RE QUITE CONFIDENT THAT THE RECURRENT EXPENDITURE IS UNDER CONTROL AND THE DEFICITS ARE ENTIRELY MANAGEABLE AND THAT AS WE NEAR THE END OF PEAK EXPENDITURE ON ACP TOWARDS 96/97 AND AS ADDITIONAL REVENUE KICKS IN FROM INTEREST ON THE LAND FUND AND THE FULL PROCEEDS OF LAND SALES, WE CAN BE COMFORTABLY BACK INTO EITHER BALANCED BUDGETS OR INDEED SURPLUS BUDGETS. SO THERE'S NOT PROBLEM THERE. IT'S A DEVICE WHICH WE HAVE TO USE, IT DOESN'T MEAN WE'RE SOMEHOW INTO A LOSS-MAKING SITUATION. FORTUNATELY FOR GOVERNMENTS THERE'S NO SUCH THING AS A LOSS-MAKING SITUATION.

INFLATION. THERE'S NO EASY ANSWER ON THE EFFECT OF PARTICULAR BUDGETS ON INFLATION. THE GENERAL VIEW HAS BEEN FOR VERY MANY YEARS, THIS IS NOT A VIEW THAT WE'VE SUDDENLY INVENTED BECAUSE IT SUITS US, THE GENERAL VIEW HAS BEEN FOR VERY MANY YEARS THAT BECAUSE WE'RE A SMALL GOVERNMENT, THAT'S TO SAY WE CONSUME A RELATIVELY SMALL PROPORTION OF GDP, THAT WHAT WE DO IN OUR PUBLIC FINANCES IS NOT TOO IMPORTANT IN RELATION TO INFLATION. I DON'T MEAN IT'S IRRELEVANT BUT IT'S NOT TOO IMPORTANT. OF COURSE IF YOU HAVE A MAJOR CHANGE IN THE TAX WHICH IS REFLECTED IN THE CPIA, YOU'LL GET A CHANGE IN CPIA OF SOME SORT, BUT IN GENERAL IF YOU'RE MERELY TALKING ABOUT THE DIFFERENCE BETWEEN THE SURPLUS AND A SMALL DEFICIT FOR EXAMPLE, THAT IN ITSELF IS NOT GOING TO HAVE A VERY SIGNIFICANT EFFECT ON INFLATION.

/SECOND POINT

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SECOND POINT, YOU REALLY HAVE TO LOOK AT NOT JUST THE OVERALL FIGURES BUT THE COMPOSITION OF THE EXPENDITURE. WE'VE BEEN RATHER CAREFUL TO CHOOSE THE ITEMS WE'RE SPENDING MONEY ON. THEY'RE MAINLY CAPITAL ITEMS WHICH WILL FEED INTO THE CONSTRUCTION INDUSTRY WHICH IS CURRENTLY UNDER-UTILISED, WHICH IS CURRENTLY PRODUCING TENDERS BELOW WHAT WE WOULD NORMALLY EXPECT THEM TO BE. WE'RE FORTUNATE THAT THAT'S THE POSITION, BUT IT IS THE POSITION, SO THAT THE EFFECT OF INJECTING SOME MORE PROJECTS INTO THE CONSTRUCTION INDUSTRY SHOULD NOT BE PARTICULARLY INFLATIONARY, FORTUNATELY FOR US. SECONDLY A NUMBER OF THE PROJECTS THAT WE'VE ANNOUNCED ARE SPREAD OVER A PERIOD OF YEARS, THEY DON'T SUDDENLY GET INJECTED, THE MONEY DOESN'T SUDDENLY GET INJECTED INTO THE ECONOMY. IT MAY GET OUT OF MY ACCOUNTS SUDDENLY BUT IT DOESN'T GET INTO THE ECONOMY SUDDENLY. EXAMPLES OF THAT WOULD BE ROUTE 3, WOULD BE THE EXTENSION TO THE CONVENTION CENTRE, WOULD BE THE NORTH DISTRICT HOSPITAL. THOSE ARE ALL PROJECTS WHICH TAKE A NUMBER OF YEARS. THIRDLY, MOST OF THOSE PROJECTS AND THE NORTH DISTRICT HOSPITAL IS THE ONLY EXCEPTION, DO NOT CARRY WITH THEM A SIGNIFICANT TRAIL OF RECURRENT EXPENDITURE. I THINK ONLY THE HOSPITAL OF THOSE MAJOR NEW PROJECTS THAT WE'VE ANNOUNCED, CARRIES WITH IT SOME RECURRENT EXPENDITURE AND WE'RE CONFIDENT THAT THAT CAN BE CONTAINED WITHIN OUR GROWTH GUIDELINES. ANOTHER POINT, WE'RE AN OPEN ECONOMY AND ONE OF THE MERITS OF AN OPEN ECONOMY IS THAT IF YOU GET AN INCREASE IN DEMAND FOR SAY CONSUMER PRODUCTS BECAUSE PEOPLE HAVE SOME WHAT MORE IN THEIR POCKETS BECAUSE OF TAX CONCESSIONS, PART OF THAT WILL BE SAVED, OF COURSE, BUT PART OF IT MAY BE SPENT, THEN IT CAN BE SPENT VERY SIMPLY BY IMPORTING THE PRODUCT. THAT IN ITSELF IS NOT INFLATIONARY. THE PROPORTION THAT'S INFLATIONARY WOULD ONLY BE WHAT THEY SPENT HERE ON, SAY A RESTAURANT. SO WE HAVE A HIGH SAVING HABIT IN HONG KONG, NO DOUBT SOME OF IT HOWEVER WILL BE SPENT AND QUITE A LOT OF THAT WILL SIMPLY GO INTO IMPORTING PRODUCTS WHICH IS NOT IN ITSELF PARTICULARLY INFLATIONARY.

SO IT'S THOSE SORT OF POINTS WHICH REASSURE US THAT THE BUDGET IS NOT INFLATIONARY. I WOULD HAVE TO SAY ALSO OF COURSE IT'S NOT PARTICULARLY DEFLATIONARY. BUDGETS GENERALLLY SPEAKING I SAID DON'T HAVE A SIGNIFICANT EFFECT EITHER WAY. THE MAIN INFLATIONARY PROBLEM WHICH FACES US IS THE SAME ONE THAT WE'RE FAMILIAR WITH, IT'S NOT MUCH TO DO WITH GOVERNMENT TAX POLICIES OR FISCAL POLICIES, IT'S TO DO WITH DEMAND ON A LABOUR SUPPLY AND A LAND SUPPLY WHICH IS IN SHORT, WHICH IS TOO SMALL FOR THE DEMANDS MADE ON IT AND WE HAVE TO MAKE POLITICAL JUDGEMENTS, NOT JUST ECONOMIC JUDGEMENTS ON HOW FAR WE CAN MEET THAT DEMAND. THAT'S A DECISION THAT HAS TO BE MADE IN A DIALOGUE WITH LEGCO AND THE COMMUNITY, SO THAT'S THE SITUATION WE'RE IN. HENCE WE'RE FORECASTING THAT INFLATION WILL BE ROUGHLY THE SAME AS IT IS NOW, TO PUT IT CRUDELY. I MEAN THE 9.5 PER CENT FORECAST THAT'S IN ESSENCE WHAT IT'S SAYING. SO, HAVING TOUCHED ON THOSE TWO POINTS, PERHAPS K Y DO YOU WANT TO ELABORATE A LITTLE ON THE INFLATION POINT.

/SECRETARY FOR

SECRETARY FOR THE TREASURY: (SIMULTANEOUS INTERPRETATION) WE PUT IN GDP GROWTH RATE FORECASTS OF 5.5 PER CENT FOR 1993 ALONG WITH AN INFLATION FORECAST IN TERMS OF THE CPIA OF 9.5 PER CENT. I WOULD SAY BOTH THESE TWO FORECASTS HAVE TAKEN INTO ACCOUNT THE BUDGETARY EFFECTS, INCLUDING THE INCREASED CAPITAL SPENDING WHICH IS REFLECTED IN THE BUILDING AND CONSTRUCTION COMPONENT WITHIN THE GDP AND ALSO THE EFFECT OF THE TAX CONCESSIONS ON PEOPLES' EXPENDITURE AND THAT IS ALSO REFLECTED IN THE CONSUMPTION SPENDING COMPONENT OF THE GDP.

FS: THANK YOU. QUESTIONS.

QUESTION: SIR, YOU SAID YESTERDAY THAT FINANCIAL SECRETARY'S TEND TO BE RATHER CONSERVATIVE IN THEIR ESTIMATES. READING THE PAPERS AND TALKING WITH ECONOMISTS AND TAX PEOPLE, THEY ALL SAY YOU'VE BEEN VERY OPTIMISTIC WITH THE INFLATION FORECAST, DO YOU THINK YOU'VE BEEN OPTIMISTIC?

FS: I'M NOT SURE THAT THEY DO ALL SAY THAT. THERE SEEMS TO BE A TENDANCY TO TRY AND SEEK THE CLOUD UNDERLYING WHAT SEEMS TO BE A PRETTY GOOD PACKAGE AND IF YOU'RE SEARCHING AROUND FOR A CLOUD THEN THAT'S PERHAPS ONE TO TRY AND FIND. I THINK WE HAVE BEEN PRETTY GOOD IN OUR FORECASTS ON BOTH ECONOMIC GROWTH AND INFLATION, THEY'RE NOT EASY TO MAKE SO I'M NOT PRETENDING THAT PEOPLE AREN'T FALLIBLE IN THIS AREA, BUT OUR RECORD ON THE ECONOMIC FORECASTING IS PRETTY GOOD. AS I SAID, I THINK THE FACTOR THAT PEOPLE HAVE TO TAKE INTO ACCOUNT IS THE CAPACITY IN THE CONSTRUCTION INDUSTRY. BEAR IN MIND ALSO THAT WE HAVE A SPECIAL IMPORTATION OF LABOUR SCHEME FOR ACP CONSTRUCTION PROJECTS WHICH ALSO HELPS TO EASE THE IMPACT OF THOSE PARTICULAR PROJECTS. THAT'S ADDITIONAL TO THE GENERAL QUOTA. BUT WE'RE NOT PRETENDING THAT WE'RE HEADING TOWARDS AFTER ALL DRAMATICALLY REDUCED INFLATION, WE'RE NOT. WE'RE BEING VERY HONEST ABOUT THE PROBLEM.

QUESTION: I HAVE A QUESTION FOR MR AU-YEUNG. NOW AT PRESENT, OR IN THE PAST YEAR, NOW CONCERNING TAX AVOIDANCE AND TAX EVASION. I WOULD LIKE TO KNOW THE LOSS INFLECTED UPON THE TREASURY AND ALSO CONCERNING THE TWO SITUATIONS MENTIONED IN THE BUDGET CONCERNING AVOIDANCE AND EVASION, ARE THERE ANY OTHER EXAMPLES OF TAX AVOIDANCE AND EVASION? AND IN THE BUDGET IT IS SAID THAT MORE RESOURCES WILL BE CHANNELLED TO COMBAT TAX AVOIDANCE AND EVASION. CAN YOU GO INTO DETAIL MR AU-YEUNG?

COMMISSIONER FOR INLAND REVENUE: NOW WITH REGARD TO TAX EVASION, IT'S VERY DIFFICULT TO IDENTIFY A CONCRETE FIGURE. EVERY YEAR FROM OUR INVESTIGATIVE UNIT AND FROM OUR FIELD AUDIT UNIT, WE DETECT SOME PHENOMENA OF TAX EVASION AND FROM SUCH FIGURES WE BELIEVE THAT THE LOSS CAN BE A FEW HUNDRED MILLION DOLLARS BUT WE DON'T HAVE AN EXACT FIGURE. BUT ACCORDING TO OUR OBSERVATION, THE HONG KONG TAX RATE IS NOT VERY HIGH AND ALSO OUR TAX ALLOWANCE IS ALSO QUITE GENEROUS AND SO IF WE LOOK AT THE PROBLEM FROM THIS ANGLE, TAX EVASION IS NOT AS SERIOUS AS ONE WOULD EXPECT AND IN THE BUDGET WE TALK ABOUT MEASURES TO CURB OR COMBAT TAX AVOIDANCE AND EVASION AND WE THINK THAT FOR TAX AVOIDANCE THE AMOUNT INVOLVED IS ABOUT ONE HUNDRED MILLION DOLLARS A YEAR. CONCERNING THE INLAND REVENUE DEPARTMENT AND THE GOVERNMENT WE ARE VERY CONCERNED ABOUT THE PROBLEMS OF TAX AVOIDANCE AND EVASION AND IN THE COMING YEAR, APART FROM STRENGTHENING OUR MANPOWER RESOURCES, WE WILL ALSO HAVE REDEPLOYMENT OF RESOURCES WITHIN OUR DEPARTMENT AND FOR OUR FEW AUDIT TEAM WE WILL HAVE NINE EXTRA ASSESSORS AND WE HAVE ALSO REDEPLOYED PEOPLE FROM UNIT ONE AND THAT IS TO SAY WE AT PRESENT HAVE 36 ASSESSORS AND WE WILL HAVE 18 MORE AND ALSO THERE WILL BE MORE OFFICERS FOR THE INVESTIGATION UNIT. WE EXPECT THAT WITH THE STRENGTHENING OF MANPOWER RESOURCES WE WILL BE ABLE TO COPE BETTER WITH THIS PROBLEM.

QUESTION: NOW ACCORDING TO THE PRESENT SITUATION, APART FROM THE TWO SITUATIONS MENTIONED IN THE BUDGET CONCERNING INTELLECTUAL PROPERTY RIGHTS AND VEHICLES FIRST REGISTRATION TAX, DO YOU DETECT OTHER MODES OF AVOIDANCE AND EVASION?

COMMISSIONER FOR INLAND REVENUE: (SI) NO WE HAVE LONG BEEN CONCERNED ABOUT METHODS OF EVASION AND AVOIDANCE BUT WE CAN ONLY MAKE THESE KNOWN AT AN APPROPRIATE TIME AND IF WE HAVE MEASURES IN MIND AND IF WE ANNOUNCE THEM WE WILL HAVE TO IMPLEMENT THEM. NOW WE HAVE SECTION 61A OF THE INLAND REVENUE ORDINANCE TO PREVENT TAX AVOIDANCE AND EVASION.

QUESTION: AFTER SO MANY YEARS OF CAUTIOUS, CAREFUL BUDGETS, CAN YOU TELL US WHAT THE CATALYST WAS THAT ALLOWED YOU TO BE SO BENEVOLENT THIS YEAR AND ALSO DID IT NEVER CROSS YOUR MIND THAT PEOPLE MIGHT READ A DARKER, POLITICAL ELEMENT INTO YOUR GENEROSITY?

FS: I LIKE THE WORD BENEVOLENT, THANK YOU VERY MUCH. IT'S NOT OFTEN USED TO FINANCIAL SECRETARY'S. WELL, OF COURSE, WE'RE BEING BENEVOLENT BUT WE'RE BEING SELECTIVELY BENEVOLENT. THAT IS TO SAY, WE'VE CHANNELLED THE INCREASE IN RECURRENT EXPENDITURE VERY DELIBERATELY INTO THE SOCIAL SERVICES, GIVEN THEM PRIORITY. APART FROM, OF COURSE, THE ENVIRONMENT WHICH IS A RATHER SPECIAL CASE BUT BASICALLY YOU SEE THE MAIN THRUST OF THE INCREASE IN SOCIAL SERVICES AND BY BEING SELECTIVE ABOUT IT AND NOT JUST INCREASING EXPENDITURE ACROSS THE BOARD IN ALL DEPARTMENTS, WE'VE BEEN ABLE TO KEEP THE INCREASE IN RECURRENT WITHIN OUR GUIDELINES. SO, THAT'S A POINT I WANT TO EMPHASISE BECAUSE IT'S RECURRENT EXPENDITURE WHICH IS DIFFICULT TO WIND BACK AGAIN IF YOU GET INTO A LOWER GROWTH SITUATION. SO WHY THEN THE QUESTION BECOMES DID WE SPEND MORE ON THESE OTHER ONE-OFF ITEMS THAN WE NORMALLY WOULD, AND THE ANSWER THERE IS PARTLY THE EXTRA SURPLUS THAT WE HAD THIS YEAR WHICH WAS PRODUCING RESERVES OF 120 BILLION OR SO, AND PARTLY OUR VERY GOOD PROSPECTS AS EVIDENCED BY THE GDP GROWTH FORECASTS. THE COMBINATION OF THOSE TWO LET US LOOSEN THE REINS A BIT BUT I'VE BEEN VERY CAREFUL THAT WHAT WE'RE LOOSENING THE REINS ON IN THE MAJORITY OF CASES ARE ITEMS WHICH INCREASE OUR, AS IT WERE, OUR EARNING POWER IN FUTURE. THAT'S TO SAY INCREASE OUR ECONOMIC GROWTH AND INCREASE OUR EFFICIENCY. ROUTE 3, TUEN MUN HIGHWAY, CONVENTION CENTRE EXTENSION, ITEMS LIKE THAT ARE ECONOMIC INVESTMENTS WHICH PRODUCE ECONOMIC RETURNS. WE'RE NOT SIMPLY PUTTING MONEY AS IT WERE INTO A HOLE IN THE GROUND, EXCEPT PERHAPS IN THE CASE OF THE SEWAGE PROGRAMME, ALTHOUGH I'M TOLD THERE, THERE ARE ALSO ECONOMIC RETURNS BECAUSE IF YOU DON'T DO IT WE'RE GOING TO SEE A FALLING OFF, FOR INSTANCE IN TOURISM. BUT GENERALLY SPEAKING ECONOMIC RETURNS OF INFRASTRUCTURE ARE ACTUALLY RATHER GOOD AND THAT'S WHAT'S HELPED TO KEEP HONG KONG AHEAD. SO, YES WE'RE BEING BENEVOLENT BUT WE'RE ALSO BEING VERY SELECTIVE AND WE'VE OF COURSE DELIBERATELY PAID A LOT OF ATTENTION TO WHAT THE PRIORITIES ARE AS EXPRESSED TO US, EITHER THROUGH LEGCO MEMBERS OR MORE DIRECTLY FROM THE COMMUNITY. IN THAT SENSE I'M BEING MORE POLITICAL, I'M BEING MORE RESPONSIVE. I THINK THAT'S THE JOB OF A GOVERNMENT SO I DON'T MIND THAT DESCRIPTION AT ALL.

QUESTION: MR MACLEOD, YOU SAID THIS MORNING THAT YOUR FORECAST, YOUR CURRENT FORECASTS ARE BASED ON THE CURRENT, THE ORIGINAL FUNDING PROPOSALS FOR THE AIRPORT AND AS WE ALL KNOW YOUR SECOND PROPOSAL ASK FOR, SUGGEST ABOUT AN EXTRA 20 BILLION DOLLARS INJECTION INTO THE AIRPORT AND THE AIRPORT RAILWAY. DOES THAT MEAN THAT IF EVENTUALLY YOU SECURE AN AGREEMENT WITH THE CHINESE GOVERNMENT WITHIN THIS YEAR THAT THE LEVEL OF DEFICIT WILL BE EVEN HIGHER AND THAT YOUR EXPECTATION THAT BY 97/98 WE CAN COME BACK TO A SURPLUS OR BALANCED BUDGET THE HOPE WOULD BE FADING AWAY?

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FS: WELL YOU'RE RIGHT, EXACTLY RIGHT IN THE FIRST PART THAT THE FIGURES WE'VE USED OF NECESSITY HAD TO BE THE FIGURES WE STARTED WITH. THAT'S TO SAY THE ORIGINAL FINANCING PROPOSAL. THE REVISED FINANCING PROPOSAL WHICH WE PUT UP BUT WHICH WAS NOT AGREED WAS IN A SENSE SELF-CONTAINED. THAT'S TO SAY IT ENVISAGED THAT THE REVENUE FROM THE PROPERTY DEVELOPMENTS ABOVE THE AIRPORT RAILWAY WOULD BE REGARDED AS, TREATED AS AND WOULD IN FACT BE ADDITIONAL LAND REVENUE AND THAT THAT WOULD BE USED TO INJECT MORE MONEY INTO THE TWO PROJECTS, SO IT WAS SELF-CONTAINED. IT USED EXTRA REVENUE TO PRODUCE EXTRA INJECTION, SO ON THAT BASIS YOU'D SIMPLY GET AN ADDITIONAL FIGURE IN REVENUE AND AN ADDITIONAL FIGURE IN EQUITY INJECTIONS OR SIMILAR AND THE NET RESULT WOULD BE THE SAME. THAT WAS OUR PROPOSAL. WHAT THE EVENTUAL OUTCOME WILL BE, OF COURSE WE DON'T KNOW.

QUESTION: (INAUDIBLE) BECAUSE THE CHINESE GOVERNMENT IS ASKING FOR MORE CAPITAL INJECTIONS INTO THE TWO PROJECTS, OTHER THAN THE 20 BILLION THAT YOU HAVE UNDERTAKEN. SO THERE IS STILL A POSSIBILITY THAT THE LEVEL OF DEFICITS WILL BE EVEN HIGHER AND THAT BY 1997/98 YOU CAN'T COME BACK WITH SURPLUS OR BALANCED BUDGET.

FS: THE TWO DON'T GO TOGETHER. EVEN IF YOU THINK OF SCENARIOS WHERE YOU MIGHT SPEND A BIT MORE OVER A PERIOD OF THREE OR FOUR YEARS, THAT WOULD OF COURSE REDUCE THE RESERVES AT THE END OF THE PERIOD BUT IT WOULDN'T MAKE IT ANYMORE DIFFICULT TO PRODUCE A BALANCED BUDGET IN 97/98 BECAUSE THOSE INJECTIONS WOULD BE FINISHED BY 1997.

QUESTION: DO YOU ACCEPT THE CHINESE GOVERNMENT'S CRITICISM THAT YOUR BUDGET FOR DEFICIT IS ALREADY IN BREACH OF THE BASIC LAW?

FS: I DON'T KNOW THAT THEY'VE SAID IT QUITE AS CLEARLY AS THAT, BUT I'D JUST MAKE A FEW POINTS NOT DIRECTLY RESPONDING TO THAT POINT. FIRST OF ALL THE BASIC LAW DOESN'T HAPPEN TO BE IN OPERATION YET. SECONDLY, IT DOESN'T ACTUALLY SAY YOU CAN'T HAVE DEFICITS. IT SAYS A NUMBER OF THINGS, IT SAYS YOU SHOULD STRIVE FOR BALANCED BUDGETS, KEEPING GROWTH OF EXPENDITURE IN LINE WITH GROWTH OF THE ECONOMY AND SO ON AND SO FORTH. THIRDLY, AN OVER-LITERAL INTERPRETATION OF THAT RULE WOULD LEAD TO THE ABSURB RESULT THAT YOU COULD NEVER DRAW ON YOUR RESERVES. YOU WOULD SIMPLY ACCUMULATE LARGER AND LARGER RESERVES AND YOU COULD NEVER DRAW ON THEM BECAUSE THE ONLY WAY YOU CAN DRAW ON THEM IS TO RUN A DEFICIT, THAT'S WHY I SAY IT'S A FUNNY SORT OF DEFICIT. SO I THINK IF ANYONE DID SAY THAT, IT WOULD BE RATHER STRANGE.

/THE EXCHANGE

QUESTION (CONT'D) ... THE EXCHANGE FROM BILLS AND BONDS. HOW DO YOU EXPAND ON THAT, PLEASE? AND IN PARTICULAR, DOES THAT MEAN THAT THE MTRC AND THE AIRPORT AUTHORITY MIGHT BE ABLE TO ISSUE BONDS?

FS: YES. I CAN'T EXPAND ON IT TECHNICALLY, YOU WOULD HAVE TO GO TO THE MONETARY AUTHORITY FOR THAT, BUT I WILL EXPAND ON IT IN A NON-TECHNICAL WAY. THE PROPOSAL IS SIMPLY THAT WE HAVE A RATHER GOOD MECHANISM IN PLACE FOR DEALING WITH THE BUYING AND SELLING OF EXCHANGE FUND BILLS. IT'S NON-PAPER, IT'S INSTANTANEOUS, IT'S ALL DONE BY COMPUTERS, AND THERE IS A VERY LIQUID MARKET IN THEM. THE RESULT OF THAT IS THAT YOU CAN HAVE THOSE BILLS, OR WE CAN HAVE THOSE BILLS, AT VERY LOW INTEREST RATES. IF THE MTRC AND THE PAA WHEN THEY ARE BORROWING, AND OF COURSE THE MTRC DOES ALREADY BORROW, WERE ABLE TO USE THAT MECHANISM - THEY'RE NOT BECOMING EXCHANGE FUND BILLS OR ANYTHING OF THAT SORT, THEY'RE MERELY USING THE MECHANISM, THE COMPUTER SYSTEM AND SO ON - THEN THEY WOULD, ON THE FACE OF IT, BECOME A MUCH MORE LIQUID COMMODITY; THE MARKET IN THEM WOULD BE INCREASED, INTEREST IN THEM WOULD BE INCREASED, AND THEY WOULD PROBABLY BE ABLE TO BORROW AT A SLIGHTLY CHEAPER RATE. THAT IS THE CONCEPT, THE DETAILS ARE BEING LOOKED AT.

QUESTION: NOW MR MACLEOD, I HAVE TWO QUESTIONS. HOW WOULD YOU COMMENT ON AN OPINION THAT A BALANCED BUDGET WOULD HELP HONG KONG TO HAVE A SMOOTH TRANSITION INTO 1997? AND THEN ANOTHER QUESTION: THE GOVERNMENT HAS TALKED ABOUT BROADENING THE TAX BASE FOR YEARS, SO HOW WOULD THIS YEAR'S BUDGET REFLECT THAT YOU CAN ACHIEVE THIS PURPOSE?

FS: WELL BALANCED BUDGET, I THINK I'VE PROBABLY COMMENTED ON ALREADY IN THE CONTEXT OF THE QUESTION ABOUT DEFICITS, I MEAN YOUR CHOICE IS EITHER -- OK -- BROADENING THE TAX BASE, MY OWN VIEW IS THAT THE ARGUMENT WAS PERHAPS SOMEWHAT OVERDONE IN THE PAST, AND YOU WILL NOTICE THAT I'VE STARTED USING SLIGHTLY DIFFERENT LANGUAGE ON THIS SUBJECT. THERE USED TO BE A TRADITION TO FOCUS ON THE RATIO BETWEEN DIRECT AND INDIRECT TAXATION AND THEN TO ARGUE THAT INDIRECT TAXATION WAS MORE STABLE AND HENCE WE SHOULD INCREASE THAT AND DECREASE OUR DEPENDENCE ON DIRECT TAXATION, THAT'S BASICALLY THE ARGUMENT AND THAT LED TO THE PROPOSAL TO HAVE A SALES TAX.

FIRST OF ALL, THE ARGUMENT IS NECESSARILY A GENERALISATION, AND IT IS NOT A TERRIBLY GOOD GENERALISATION, IN THE SENSE THAT SOME DIRECT TAXES ARE ACTUALLY VERY STABLE. SALARIES TAX IS ONE THAT IS VERY STABLE. SOME INDIRECT TAXES ARE VERY UNSTABLE. STAMP DUTY IS A GOOD EXAMPLE OF THAT. SO YOU HAVE TO BE MUCH MORE SELECTIVE AND WHAT I DID LAST YEAR OF COURSE WAS CHOOSE A TAX, WHICH I STILL BELIEVE TO BE AN EXCELLENT TAX, AND THAT IS THE RATES. UNFORTUNATELY, THAT DIDN'T PROVE TO BE A PARTICULARLY FRUITFUL COURSE OF ACTION, TO PUT IT MILDLY. THE SALES TAX IS ANOTHER EXAMPLE OF A PROPOSAL WHICH IS THEORETICALLY EXCELLENT, AND I SEE THAT SINGAPORE ARE BEING BOLD ENOUGH TO PROCEED WITH A VERSION OF IT. I WISH THEM GOOD LUCK. BUT IN OUR SITUATION, WHERE WE HAVE NO NEED FOR NEW TAX SOURCES, TO RELY ON A RATHER THEORETICAL ARGUMENT ABOUT STABILITY WHEN OUR REVENUE IS CLEARLY SUFFICIENT, AND WHEN THE INTRODUCTION OF SALES TAX WOULD HAVE A ONE-OFF INFLATIONARY EFFECT, DOES NOT STRIKE ME AS TERRIBLY ATTRACTIVE, HENCE I HAVEN'T PURSUED IT.

AND I AM NOT AT ALL EMBARRASSED TO BE REDUCING THE NUMBER OF TAXES. I MEAN I THINK THIS IS A PRETTY GOOD THING TO DO. AND REMEMBER THE TAXES THAT I HAVE BEEN DELETING IN THE LAST COUPLE OF YEARS WERE TAXES THAT WERE INTRODUCED BY ONE OF MY PREDECESSORS AT A TIME WHEN THE FINANCES WERE THOUGHT TO NEED SOME ADDITIONAL REVENUE, THAT'S WHY THEY WERE INTRODUCED. IF WE NO LONGER NEED IT, WE SHOULD GET RID OF THEM, THAT IS MY VIEW.

I THINK WHAT HONG KONG NEEDS IN THE RUN UP TO '97, TO COME BACK PARTLY TO YOUR EARLIER QUESTION, IS A LACK OF INNOVATION IN TAXATION THEORY AND PRACTICE. I THINK PEOPLE WANT STABILITY IN TAXATION AS IN OTHER MATTERS, THAT IS TO SAY THEY DON'T PARTICULARLY WANT NEW TAXES INTRODUCED FOR THEORETICAL REASONS. WE HAVE A VERY GOOD TAXATION SYSTEM, WE HAVE GOOD REVENUES, AND I DON'T SEE THE NEED FOR RADICAL REFORM.

QUESTION: ... DEAD AND BURIED, FOR AS LONG AS YOU ARE FINANCIAL SECRETARY?

FS: WELL, NO ONE EVER LIKES TO ACTUALLY BURY A TAX PROPOSAL, SO WE WILL JUST LEAVE IT IN THE BACK ROOM WITH COBWEBS ON IT.

QUESTION: ... REPRESENTATIONS FROM THE CONSTRUCTIONS, IT HAS BEEN SAID THAT THE SUGGESTION YOU SUGGESTED YESTERDAY, TO OVERCOME THE PROBLEM OF PUBLIC WORKS EXPENDITURE LESS THAN THE BUDGET IS NOT SO DEMOCRATIC.

FS: I DIDN'T SEE THAT - AND I'D LIKE TO KNOW WHY. BUT WE HAVE ACTUALLY SAID THAT WE HAVE A RANGE OF IDEAS BUT WE WOULD LIKE TO DRAW ON PARTLY PRIVATE SECTOR BEST PRACTICE AND EXPERIENCE AND SEE HOW MUCH THAT CAN BE APPLIED, WE WOULD LIKE TO EXPLORE WIDER USE OF DESIGN AND CONSTRUCT AND SO ON. SO I AM NOT QUITE SURE WHICH PARTICULAR BIT SOMEONE DIDN'T LIKE.

QUESTION: BECAUSE THE CONSTRUCTION INDUSTRY, THEY THINK THAT THE PROBLEM LIES IN THE LONG PERIODS OF TIME FOR THE LEGISLATIVE COUNCIL TO ISSUE THINGS TO THE RELEVANT DEPARTMENTS AND FOR THE DIFFERENT DEPARTMENTS TO AGREE ON THE DESIGN OF THE PROJECT.

FS: WELL, WE ARE LOOKING AT THE WHOLE THING, THAT IS, WE ARE LOOKING AT ALL THE PROCEDURES AND TIME THINGS, BUT I THINK IT WOULD CERTAINLY BE NOT FAIR TO SAY THAT IT IS JUST THE LEGCO END OF THE PROCEDURE, THERE IS A LOT THAT HAPPENS BEFORE IT EVER GETS TO LEGCO WHICH WE HAVE ALSO GOT TO TIGHTEN UP.

SECRETARY FOR WORKS: I THINK THAT IS ABSOLUTELY RIGHT, FINANCIAL SECRETARY. THE PROCESS OF PLANNING, AS YOU KNOW WE'VE GOT MORE THAN A THOUSAND ITEMS UNDER PLANNING. THE PROCESS OF BRINGING THOSE ITEMS FORWARD, ACCORDING TO A FIXED PROGRAMME, IS EXACTLY THE AREA THAT WE ARE LOOKING AT AT THE MOMENT, AND IT IS NOT RIGHT TO SAY THAT ANY ONE PARTICULAR PROCEDURE IS TO BLAME FOR ANY DELAYS THAT MIGHT TAKE PLACE, IT IS A MATTER OF FORECASTING WHAT THOSE DELAYS ARE.

QUESTION: MR MACLEOD, WILL YOU PLEASE EXPLAIN WHY THE BIG DEFICIT IN THE NEXT FEW FINANCIAL YEARS IS NECESSARY, AND WILL YOU PLEASE GIVE SOME REASONS FOR THAT?

FS: OK.

QUESTION: I WANT TO ASK A SECOND QUESTION.

FS: CAN YOU STOP THERE FOR A MINUTE, OTHERWISE I WILL FORGET IT.

FS: WE HAPPEN TO HAVE A FINANCIAL POSITION WHICH IS NOT ONLY HEALTHY BUT IS MORE HEALTHY THAN WE HAD PLANNED FOR. THAT IS THE RESULT OF THINGS WHICH ARE WELL UNDERSTOOD: THE REVENUES WERE HIGHER THAN WE EXPECTED AND WE ALSO HAD CAPACITY PROBLEMS IN ACTUALLY SPENDING ALL THE MONEY ON CAPITAL WORKS. SO WE END UP WITH RESERVES OF ABOUT \$120 BILLION. WE HAVE NEVER SAID WE NEED RESERVES OF ANYTHING LIKE THAT SIZE. AT THE SAME TIME WE ARE FACED WITH REQUESTS, SUGGESTIONS, FOR A RANGE OF SERVICES AND PROJECTS ON WHICH WE SHOULD BE SPENDING MONEY. NOW IT SEEMS TO ME TO MAKE SENSE TO MARRY THOSE TWO POINTS, THE SUPPLY OF MONEY IN THE RESERVES AND THE DEMANDS FOR MORE EXPENDITURE, AND TO DRAW ON THE RESERVES TO DO THOSE PROJECTS. INDEED, I WAS CRITICISED LAST YEAR FOR BEING TOO CONSERVATIVE IN AIMING FOR \$71 BILLION IN 1996-97. SO I KNEW I WOULD BE CRITICISED EVEN MORE HARSHLY IF I SIMPLY PILED UP THE MONEY AND DIDN'T SPEND IT, AND WE ARE TALKING ABOUT RATHER LARGE SUMS OF MONEY.

AND AS I SAID, IT IS A SORT OF ACCOUNTING FACT THAT UNFORTUNATELY, I CAN ONLY DRAW ON THE RESERVES BY RUNNING A DEFICIT. I HOPE IT IS UNDERSTANDABLE. BUT IF YOU HAVE A SUM OF MONEY WHICH IS AT THE BEGINNING OF THE YEAR, SAY 100 BILLION, AND YOU HAVE REVENUE COMING IN WHICH MEETS EXPENDITURE OR EXCEEDS IT, THAT IS A SURPLUS BUDGET, THEN OF COURSE THE RESERVES ARE UNTOUCHED. SO THE ONLY WAY YOU CAN DRAW ON IT IS TO RUN A DEFICIT. IN OTHER WORDS, EXPENDITURE EXCEEDS REVENUE IN A PARTICULAR YEAR, THEN YOU ARE RUNNING A DEFICIT. THAT IS ALL IT IS. AND WE HAVE PLANNED IT SO THAT WE MERELY HAVE A FEW YEARS OF THESE TEMPORARY DEFICITS AND THEN WE VERY HAPPILY GO BACK INTO EITHER LEVEL BUDGETS OR EVEN SURPLUS BUDGETS, THAT IS ENTIRELY UP TO THE SAR GOVERNMENT. THAT'S WHAT WE'RE DOING. WE ARE OF COURSE A RATHER UNUSUAL GOVERNMENT IN EVER HAVING SURPLUS BUDGETS, BUT THEN THAT IS ANOTHER PROBLEM.

QUESTION: I WANT TO ASK ABOUT BONDS, MR MACLEOD. YOU ANNOUNCED TWO SMALL MEASURES TO HELP THAT MARKET DEVELOP BUT DID NOT SAY ANYTHING ABOUT EXTENDING THE TAX HOLIDAY FOR BONDS ISSUED BY MULTI-LATERAL LENDING INSTITUTIONS TO OTHER BONDS. HAVE YOU GIVEN THIS ANY FURTHER CONSIDERATION?

FS: WE HAVE GIVEN IT CONSIDERATION BUT THE ABSENCE OF ANYTHING IN THE BUDGET SIGNIFIES THAT WE HAVEN'T REACHED A CONCLUSION ON IT, I'M AFRAID. WE PRESENTLY GIVE CONCESSIONS TO PEOPLE LIKE ADB AND WORLD BANK, BUT YOU'RE RIGHT THAT THERE ARE OTHER PROPOSALS FOR SUCH TREATMENT, BUT I DON'T THINK WE'VE GOT ANY CONCLUSION ON THAT, CERTAINLY NOT ONE I COULD ANNOUNCE IN THE BUDGET.

QUESTION: CAN YOU TELL ME WHERE YOU STAND ON THAT NOW, AT LEAST?

FS: WE STAND WITHOUT A CONCLUSION, I'M AFRAID.

QUESTION: I WOULD LIKE TO ASK MR YEUNG ONE QUESTION. THE GOVERNMENT SPENDS A LOT ON INFRASTRUCTURE AND SOCIAL WELFARE. ARE YOU WORRIED THAT IN 94-95 THEN LEGCO MEMBERS AND THE PUBLIC WILL HAVE MORE EXPECTATIONS FROM THE GOVERNMENT, MR YEUNG?

SECRETARY FOR THE TREASURY: (SI) I DON'T THINK THIS WILL BE THE CASE. FOR THE 93-94 ESTIMATES OF EXPENDITURE, THEY ARE IN LINE WITH THE GOVERNOR'S FIVE-YEAR PROGRAMME DEBATED IN OCTOBER LAST YEAR, AND THE VIEWS OF THE PUBLIC WERE REFLECTED THROUGH LEGCO MEMBERS AND I THINK MOST OF THE PUBLIC SUPPORT THIS FIVE-YEAR PROGRAMME. NOW IN PLANNING FOR THIS FIVE-YEAR PROGRAMME, WE OF COURSE HAVE TO STUDY WHETHER WE CAN AFFORD TO EXPAND THESE SERVICES, AND SO OUR ANSWER OR OUR CONCLUSION IS THAT WE WILL BE ABLE TO AFFORD THIS COMMITMENT.

QUESTION: YES, SOME RESPONSES, I MEAN TO YOUR BUDGET, ARE THAT YOU ARE TOO OPTIMISTIC TO THE FUTURE ECONOMIC GROWTH OF HONG KONG AND THEY ARE WORRYING ABOUT THE RESERVES, AND WHAT YOU PREDICT, IF YOU DRAW A LINE FROM TODAY TO '97 IS A DECLINING CURVE. SO DO YOU THINK IT IS TOO SENSITIVE TO DO THAT, I MEAN DURING THIS TRANSITIONAL PERIOD?

FS: WELL, WHAT WE HAVE SIMPLY USED IS THE FIVE PER CENT PER ANNUM REAL GROWTH IN GDP ASSUMPTION. WE'RE NOT TALKING ABOUT THE EXACT EXPENDITURE PROFILE BUT THE UNDERLYING ASSUMPTION IS FIVE PER CENT GROWTH IN GDP. YOU CAN ARGUE ABOUT WHETHER IT SHOULD BE, YOU KNOW, 4.75 OR 5.25, BUT I THINK THERE AREN'T TOO MANY GUESSES TOO FAR AWAY FROM THAT FIGURE. AS FAR AS THE CURRENT YEAR IS CONCERNED, WE ARE FORECASTING 5.5. I HAVE SEEN FORECASTS WHICH RANGE BETWEEN 5.5 AND 6, SO I MEAN THAT WOULD TEND TO BE THE ROUGH CONSENSUS. OF COURSE IT IS TRUE THERE ARE DOWNSIDE RISKS, AND ONE OF THE DOWNSIDE RISKS IS THAT THE GROWTH WILL BE LESS THAN THAT. BUT THAT IS WHY WE HAVE RESERVES, AND THAT IS WHY WE TRY AND KEEP AND ARE KEEPING RECURRENT EXPENDITURE UNDER CONTROL.

QUESTION (CONT'D) ... GOVERNMENT EXPENDITURE MUST BE IN LINE WITH ECONOMIC GROWTH. AND CONCERNING YOUR MEDIUM RANGE FORECAST, THE GOVERNMENT EXPENDITURE INCREASE IS BASED ON THE INFLATION RATE, 8.5, BUT AT PRESENT OUR INFLATION RATE IS ALREADY 9.5 PER CENT, SO HAVE YOU UNDERESTIMATED THE GROWTH IN EXPENDITURE? SO MR YEUNG, WHAT DO YOU THINK, AND WHAT WILL HAPPEN TO OUR RESERVES LEVEL?

SECRETARY FOR THE TREASURY: (SI) EVERY YEAR, IN REAL TERMS, OUR EXPENDITURE IS NOT CALCULATED ON AN ANNUAL BASIS, AS MOST ACCOUNTANTS WILL SAY, WE TAKE INTO ACCOUNT A FEW YEARS AND WE LOOK AT THE AMOUNT WE PLAN TO SPEND AND THE AMOUNT WE ACTUALLY SPEND. NOW IF YOU LOOK AT "APPENDIX A" OF THE BUDGET, YOU WILL SEE THAT FOR OUR ANNUAL EXPENDITURE AND THE EXPECTED EXPENDITURE, THEY ARE IN STEP WITH ONE ANOTHER, ESPECIALLY WITH REGARD TO RECURRENT EXPENDITURE. PLEASE REFER TO PAGE NINE AND YOU WILL KNOW. SOMETIMES, OR IN FACT IN ONE YEAR, IT EXCEEDED THE FIGURE BY FIVE PER CENT, BECAUSE FOR CAPITAL EXPENDITURE FOR ONE OR TWO CONSECUTIVE YEARS THERE WAS UNDER-SPENDING AND WE WANT TO MAKE UP FOR THE MONEY WHICH HAS NOT BEEN SPENT, AND THAT IS WHY FOR CAPITAL EXPENDITURE THE AMOUNT MAY BE LARGER. BUT AS THE FS HAS POINTED OUT, WHAT IS MOST IMPORTANT IS THAT THERE SHOULD BE GOOD CONTROL OR SOUND CONTROL OVER RECURRENT EXPENDITURE. NOW FOR CAPITAL EXPENDITURE, IT IS DIFFERENT FROM RECURRENT EXPENDITURE, AND FOR CAPITAL EXPENDITURE THERE ARE FLUCTUATIONS FROM YEAR TO YEAR, IT IS NOT THAT EASY TO CONTROL.

QUESTION: I WANTED TO ASK ABOUT THE COMPUTER SYSTEM THAT I ASKED ABOUT YESTERDAY, HOW SOON IT WILL BE UP AND RUNNING, THE ONE THAT IS GOING TO LINK THE DIFFERENT PUBLIC WORKS DEPARTMENTS, AND HOW SOON IT CAN START ENSURING THAT WHAT IS ALLOCATED IS SPENT?

SECRETARY FOR WORKS: IF I MIGHT ANSWER THIS, FINANCIAL SECRETARY. OF COURSE WITHIN THE WORKS BRANCH AND THE WORKS DEPARTMENTS THERE ARE ALREADY COMPUTER SYSTEMS IN USE. THE PLANNING WHICH IS GOING ON AT THE MOMENT IS TO ENSURE THAT THROUGHOUT THE WHOLE OF THE WORKS GROUP OF DEPARTMENTS THEIR PRESENT COMPUTER SYSTEMS ARE ALL COMPATIBLE, THAT THEY ARE ALL BASICALLY WORKING FROM THE SAME PLATFORM, SO THAT THE INFORMATION IS COMPLETELY INTERCHANGEABLE. THAT OF COURSE MEANS THAT WE AT THE WORKS BRANCH AND FINANCE BRANCH CAN TAKE AN OVERVIEW USING THAT CONSISTENCY OF INFORMATION. WE EXPECT BY THE MIDDLE OF THIS COMING YEAR TO HAVE ADVANCED TO A POINT WHERE WE CAN SEE WHAT ARE THE FAILINGS, IF ANY, WITHIN THE PRESENT SYSTEM, AND THEN I WILL BE MAKING RECOMMENDATIONS AS TO WHAT WE SHOULD BE PUTTING INTO PLACE IN THE WAY OF HARDWARE AND SOFTWARE, TO ENHANCE OUR PRESENT CAPABILITY.

FS: THANK YOU VERY MUCH.

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TRANSCRIPT OF FINANCIAL SECRETARY'S RADIO PHONE-IN PROGRAMME ON RTHK
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KIT CUMMINGS: WE WELCOME INTO OUR STUDIO NOW HAMISH MACLEOD, THE FINANCIAL SECRETARY WHO WILL BE WITH US FOR THE NEXT HOUR. HE WILL BE ANSWERING QUESTIONS FROM LISTENERS BOTH TO ENGLISH SERVICE HERE ON RADIO 3, PART OF HONG KONG TODAY AND ALSO TO RADIO 1 AND WE'LL BE JOINED NOW BY CHAN YIU-WAH, THE PRESENTER ON RADIO 1 OF THE EQUIVALENT SORT OF PROGRAMME, YOU CAN CALL IN ON THE ENGLISH LINE ON 3388266 TO ASK A QUESTION DIRECTLY TO MR MACLEOD AND I HAND YOU OVER NOW TO CHAN YIU-WAH.

CHAN: WELL GOOD MORNING I AM CHAN YIU-WAH. FROM 7.45 TO 8.45 MR MACLEOD WILL BE TAKING QUESTIONS DIRECTLY FROM THE AUDIENCE. LET ME REMIND YOU OF THE TELEPHONE NUMBER, 1872311.

CUMMINGS: WE HAVE A QUESTION NOW FROM AN ENGLISH CALLER. GOOD MORNING TO YOU, WOULD YOU LIKE TO PUT YOUR QUESTION TO MR MACLEOD NOW.

QUESTION: GOOD MORNING MR MACLEOD, ROGER THOMAS HERE. I'D LIKE TO DIRECT A BRIEF COMMENT AND A QUESTION DEALING REALLY WITH THE TOURIST AREA. MAY I SAY I VERY MUCH ENDORSE YOUR HELP TOWARDS THE HONG KONG TOURIST ASSOCIATION, NEW BUILDING IN THE CONVENTION CENTRE. I THINK THE REDUCTION IN TAX ON PERFUME WILL BE VERY MUCH WELCOMED BY RETAILERS HERE IN HONG KONG. HOWEVER, I AM VERY, VERY DISAPPOINTED, I WOULD LIKE TO KNOW WHY YOU HAVE NOT REMOVED ANYTHING FROM DEPARTURE TAX WHICH DOESN'T JUST HIT TOURISTS WHICH IS THE OLD ARGUMENT, IT DOES HIT A LOT OF OUR REGULAR BUSINESSMEN AND TAGGED IN WITH THAT, ANOTHER POINT ABOUT THE AIRPORT, WHY OH WHY HAVE YOU LEFT THOSE SILLY RESTRICTIONS ON THE ALLOWANCE OF ALCOHOL AND CIGARETTES WHICH ORDINARY RESIDENTS CAN BRING BACK INTO HONG KONG?

FS: GOOD MORNING. I DID DEVOTE QUITE A LOT OF THE SPEECH TO TOURISM AS YOU SAY, I VALUE THE CONTRIBUTION OF THE TOURIST INDUSTRY. THE DEPARTURE TAX, I DID LOOK AT IT, I FELT THAT LEAVING IT AS IT WAS AND NOT INCREASING IT WAS A SMALL CONTRIBUTION, THE REAL COST OF COURSE WILL GO DOWN. IT ALSO MAY HAVE SOME RELEVANCE TO FUNDING OF THE NEW AIRPORT AND IN CASE IT DOES I'D RATHER JUST LEAVE IT AS IT IS AT THE MOMENT. I THINK THE ALCOHOL AND CIGARETTE RULES ARE BASICALLY ABOUT AVOIDING ABUSE OF THE RULES. YOU WILL REMEMBER THAT WE HAD A LARGE AMOUNT OF ALCOHOL AND TOBACCO BEING TAKEN TO AND FRO ACROSS THE BORDER BY OLD LADIES, AND THAT WAS PRODUCING QUITE A LARGE LOOPHOLE IN OUR SYSTEM, THAT'S BASICALLY THE PROBLEM.

QUESTION: ISN'T THAT A SLEDGE HAMMER TO CRACK A NUT THOUGH, BECAUSE AN INTERNATIONAL AIRPORT IS A SLIGHTLY DIFFERENT SCENE, YOU CAN CONTROL IT IN A VERY DIFFERENT WAY AND IT DOES SEEM FAIRLY FOOLISH AT OUR AIRPORT?

FS: YES PERHAPS. I MUST SAY IT WASN'T A POINT PUT TO ME AS I RECALL BY ANYONE, SO I DON'T THINK IT'S A HOT SUBJECT.

/AND FINAL

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QUESTION: AND FINAL POINT, FUEL. I'M A LITTLE CONCERNED THAT YOU'VE PUT ADDITIONAL TAX ON FUEL BECAUSE SURELY WITH THE TREMENDOUS AMOUNT OF DELIVERY IN THE RETAIL INDUSTRY HERE AND WITHIN THE TOURIST INDUSTRY, BASICALLY THAT'S GOING TO BE PASSED ON DOWN THE LINE AND CERTAINLY IN THAT SENSE IS INFLATIONARY.

FS: YES, I'M QUITE SENSITIVE TO FUEL. LAST YEAR OF COURSE WE DID REMOVE THE FUEL TAX FOR THE BUS COMPANIES TO HELP THE NORMAL PASSENGER AND I'VE RESTRICTED THOSE INCREASES, THE FUEL AND THE ALCOHOL AND THE CIGARETTES, SIMPLY TO A COST OF LIVING INCREASE.

CUMMINGS: WELL, THANK YOU TO THAT CALLER ON 3388266.

QUESTION: GOOD MORNING. I'VE LISTENED TO THE BUDGET BEING DELIVERED BY THE FINANCIAL SECRETARY. THE SURPLUS WILL BE \$20.5 BILLION. I'VE EVIDENCE TO SHOW THAT THIS AMOUNT IS NOT TRUE, THIS IS MISLEADING. I WILL SHOW MY EVIDENCE. FOR THIS \$20.5 BILLION, I THINK IT IS ACHIEVED AT THE EXPENSE OF THE WORKING CLASS IN HONG KONG. FOR EXAMPLE LAST YEAR I HEARD COMMENTS TO THE EFFECT THAT CIVIL SERVICE UNIONS OPPOSED THE ARRANGEMENTS WHERE THEIR PAY INCREASE WAS NOT GOOD ENOUGH, THERE WAS A REDUCTION OF 3 PER CENT, SO IN TOTAL THE CIVIL SERVANTS WERE UNDERPAID TO THE TUNE OF \$500 MILLION.

CUMMINGS: WELL LET'S LISTEN TO THE RESPONSE FROM THE FINANCIAL SECRETARY. YOU HAVE SUGGESTED THAT THE \$20.5 BILLION MIGHT NOT HAVE BEEN ACCURATELY ARRIVED AT, FINANCIAL SECRETARY.

FS: WELL, I CAN'T ACCEPT YOUR COMMENT. I THINK WE'VE MADE IT VERY CLEAR WHERE THE EXTRA MONEY CAME FROM. ABOUT HALF OF IT WAS FROM INCREASED REVENUE FROM THINGS LIKE STAMP DUTY ON THE STOCK MARKET, FIRST REGISTRATION TAX ON AUTOMOBILES AND PROFITS TAX. I DON'T THINK ANY OF THAT COULD BE REGARDED AS, IN ANY WAY, ADVERSELY AFFECTING THE WORKING POPULATION OF HONG KONG. THE OTHER HALF OF COURSE WAS UNFORTUNATELY UNDERSPENDING ON SOME CAPITAL PROJECTS WHICH CERTAINLY I AM NOT HAPPY ABOUT BUT AGAIN I DON'T THINK THAT IS IN ANY WAY DEALING WITH THE WORKING POPULATION, SO I DON'T ACCEPT THAT AT ALL. 20.5 IS OUR BEST POSSIBLE ESTIMATE OF THE FIGURE AND I THINK THE REASONS FOR IT I'VE SET OUT RATHER CLEARLY IN THE BUDGET.

CUMMINGS: AND WE HAVE AN ENGLISH QUESTION NOW. GOOD MORNING.

QUESTION: HELLO.

CUMMINGS: YES HELLO, WOULD YOU LIKE TO PUT YOUR QUESTION TO THE FINANCIAL SECRETARY?

QUESTION: GOOD MORNING SIR. I WOULD LIKE TO QUESTION ABOUT THE BANKS YOU KNOW, WHENEVER WE DEPOSIT THE CASH, SAY \$20,000, THEY ARE ASKING SOME SERVICE CHARGES, QUARTER PER CENT, HALF PER CENT.

FS: THE BANK CHARGES, I'M NOT QUITE SURE ON THE QUESTION THERE. I DIDN'T ACTUALLY DEAL WITH BANK CHARGES IN MY BUDGET.

/QUESTION

QUESTION: NO, BUT I DO UNDERSTAND THAT THAT CONCERN THE ECONOMY AND BUSINESSMEN, YOU KNOW, IN THE BUSINESS COMMUNITY. I HAVE BEEN PRESSING THIS MATTER TO MR (INAUDIBLE) BUT NOBODY IS COMING FORWARD WITH SOME ANSWERS OR SOLUTIONS.

FS: WELL, I'M VERY HAPPY IF WE CAN TAKE YOUR NUMBER WE CAN GET BACK TO YOU WITH AN ANSWER AND EXPLORE WITH YOU WHAT THE PRECISE PROBLEM IS, I'D BE HAPPY TO DO THAT.

CUMMINGS: AND IF WE COULD CONFINE OURSELVES I THINK TO WHAT IS IN THE BUDGET RATHER THAN EXTRANEIOUS MATTERS TO DO WITH THE BANKS.

CHAN: WELL A REMINDER TO THE AUDIENCE. WE HAVE NOW A SIMULTANEOUS BROADCAST ON RADIO 1, RADIO 3 AND RADIO 5. THE PROGRAMME IS THE FINANCIAL SECRETARY'S BUDGET PHONE-IN. CALLERS SHOULD CALL 1872311 SO THAT YOU CAN PUT QUESTIONS DIRECTLY TO THE FINANCIAL SECRETARY ON THE BUDGET DELIVERED YESTERDAY IN LEGCO. WELL ANOTHER QUESTION FOR THE FINANCIAL SECRETARY FROM MYSELF. NOW THE BUDGET WAS ANNOUNCED YESTERDAY AND SOME LEGCO MEMBERS CRITICISED YOUR BUDGET AS VERY GENEROUS, NOW THE SURPLUS THIS YEAR ROUND IS VERY SIMILAR TO THAT LAST YEAR, WHY IS IT THAT IT IS REGARDED AS GENEROUS THIS YEAR BUT NOT LAST YEAR?

FS: YES, I MUST SAY TALKING TO LEGCO MEMBERS AFTER MY SPEECH I FOUND THEM PRETTY SUPPORTIVE OF THE THRUST OF THE SPEECH. I SUSPECT THAT THERE'S AN ATTEMPT TO FIND SOMETHING CRITICAL TO SAY BECAUSE YOU WILL REMEMBER THAT LAST YEAR I CAME UNDER PRESSURE TO SPEND MORE. THIS YEAR I HAVE SPENT MORE AND I THINK ACTUALLY THAT HAS GENERAL SUPPORT FROM LEGCO MEMBERS AND OF COURSE THE SURPLUS THIS YEAR WAS GREATER THAN ...

CHAN: SO YOU FORMULATE YOUR BUDGET UNDER PRESSURE, IS THAT THE CASE?

FS: NO, I DON'T FORMULATE THE BUDGET UNDER PRESSURE BUT I CERTAINLY WANT TO BE RESPONSIVE TO THE VIEWS OF THE COMMUNITY AND THOSE VIEWS AS EXPRESSED THROUGH LEGCO MEMBERS, THAT'S PART OF THEIR ROLE.

CUMMINGS: PERHAPS I CAN ASK YOU A QUESTION MR MACLEOD. TALKING ABOUT PRESSURE, THERE'S ALWAYS A CERTAIN AMOUNT OF PRESSURE FROM CHINA. SO FAR I DON'T THINK THERE IS ANY REAL EVIDENCE THAT THERE'D BEEN GREAT PRESSURE ON THE BUDGET BUT THE ARGUMENT COULD, OF COURSE, BE PUT THAT ANYTHING THAT IS DONE NOW IN THE WAY OF REVENUE EXPENDITURE PROPOSALS HAVE AN IMPACT BEYOND 1997, OF COURSE THEY DO. ARE YOU CONCERNED AT LOOKING ACROSS THE BORDER AND WONDERING ALL THE TIME WHAT CHINA WILL MAKE OF WHATEVER YOU ARE DOING?

FS: WELL, THIS IS A HONG KONG BUDGET MADE IN HONG KONG FOR HONG KONG, SO WE DON'T OF COURSE CONSULT EITHER UK OR CHINA ON IT. BUT I WOULD HAVE THOUGHT THAT CHINA AT LEAST, IF THEY ARE LOOKING AT THE BUDGET, WOULD LOOK AT THE FORECAST RESERVES IN 1996/97, WHICH AFTER ALL ARE GOING UP. THAT WOULD SEEM TO BE A POSITIVE DEVELOPMENT FROM THEIR POINT OF VIEW, UP TO \$78 BILLION.

CUMMINGS: SO THERE'S NO TRUTH TO THE SUPPOSITION THAT BRITAIN HAVING NO RESPONSIBILITY BEYOND 1997 IS ENCOURAGING YOU JUST TO GIVE AWAY THE FARM?

FS: ABSOLUTELY NOT. I MEAN NORMALLY I'M CRITICISED FOR THE REVERSE, FOR BEING TOO CAUTIOUS AND TOO PRUDENT SO IT'S A DELIGHTFUL CHANGE TO BE ACCUSED OF SPENDING TOO MUCH MONEY, BUT WHAT I'VE TRIED TO REASSURE PEOPLE IS THAT WE ARE KEEPING CONTROL OF RECURRENT EXPENDITURE. WE ARE KEEPING RECURRENT EXPENDITURE TO A GROWTH OF 5 PER CENT A YEAR. I THINK THAT'S WHAT PEOPLE WANT TO KNOW. WE HAVE MORE SCOPE ON NON-RECURRENT, ON CAPITAL EXPENDITURE, WHICH AFTER ALL HAS A FINITE END TO IT.

CHAN: I THINK WE'RE ALL FAMILIAR ABOUT THE EXPENDITURE ESTIMATES. NOW WE HAVE A CALLER, MR CHOY, GOOD MORNING.

QUESTION: GOOD MORNING. I HAVE THREE POINTS TO MAKE AND I HOPE THE FINANCIAL SECRETARY WILL RESPOND TO IT.

CHAN: PLEASE DO IT POINT BY POINT.

QUESTION: O.K. FIRST POINT, ABOUT THE TAX ALLOWANCES. NOW IT'S BEEN INCREASED FROM \$46,000 TO \$56,000 BUT USUALLY THAT MEANS IF YOU HAVE AN AVERAGE WAGES OF \$5,000 A MONTH YOU WOULD BE INCLUDED IN THE TAX NET AND I'M NOT HAPPY ABOUT THAT BECAUSE LAST YEAR WE HAVE ASKED FOR RAISING THE TAX ALLOWANCE TO \$75,000, SO WHY SUCH A SMALL INCREASE, WE ARE RATHER DISAPPOINTED AND WE CAN FEEL THE PRESSURE ON US?

CHAN: SO THE FIRST QUESTION IS ABOUT THE TAX ALLOWANCE BEING RAISED FROM \$46,000 AND THE INCREASES, THE DISAPPOINTMENT, MR MACLEOD.

FS: WELL I'M RATHER AMAZED TO HEAR IT DESCRIBED AS A SMALL INCREASE. I THINK YOU HAVE TO REMEMBER TO LOOK AT NOT JUST WHAT HAPPENS TO THE TAX ALLOWANCE OR WHAT HAPPENS TO THE TAX BANDS AND WHAT HAPPENS TO THE OTHER ALLOWANCES AND THE COMBINED EFFECT OF THOSE CONCESSIONS IS THAT THE COST OF THOSE CONCESSIONS IS THREE TIMES WHAT IT WOULD HAVE COST TO GIVE A SIMPLE INFLATION INCREASE IN THE TAX ALLOWANCE, SO IT'S THREE TIMES WHAT WOULD BE NECESSARY TO KEEP UP WITH INFLATION AND THE EFFECT ON THE NORMAL FAMILY IS ACTUALLY RATHER SIGNIFICANT. YOU PROBABLY KNOW ALREADY THAT MORE THAN HALF THE WORKING POPULATION PAY NO SALARIES TAX WHATSOEVER BUT THE EFFECT OF THE CHANGES IS THAT A, WHAT'S CALLED A SANDWICH CLASS FAMILY EARNING \$18,000 A MONTH, A MARRIED COUPLE WITH TWO CHILDREN, THEIR TAX BILL WILL BE CUT BY OVER 50 PER CENT, I DON'T CALL THAT A SMALL CHANGE. I THINK IT'S A VERY SIGNIFICANT CHANGE, I DON'T RECALL SUCH TAX CUTS FOR MANY YEARS IN THE PAST, I THINK IT'S WELCOMED BY MOST PEOPLE.

CHAN: MR CHOY YOUR SECOND QUESTION.

QUESTION: NOW I THINK I WILL STILL RESPOND TO FS, I'M NOT STILL HAPPY. ANYWAY THE SECOND POINT, NOW I SEE THAT THE FS IS TRYING VERY HARD TO CONTROL SPECULATION ACTIVITIES BUT STILL THERE IS NO SIGN OF A CAPITAL GAINS TAX COMING IN BECAUSE THAT CAN HELP TO CURB SPECULATION, WHY NOT?

FS: I'M VERY CAUTIOUS ABOUT NEW TAXES. I BELIEVE THAT AS FAR AS POSSIBLE WHAT HONG KONG NEEDS IS NOT TOO MUCH INNOVATION IN THE TAX AREA AND THAT'S WHAT I'M GIVING THEM. I THINK WE NEED TO LOOK VERY CAREFULLY BEFORE WE INTRODUCE ANY NEW TAXES. I'M AWARE OF THE SUGGESTION OF CAPITAL GAINS TAX. AT THE MOMENT I'M NOT CONVINCED THAT THERE'S A CASE FOR IT. I'M TRYING TO DO THE OPPOSITE, I'M TRYING TO REDUCE THE NUMBER OF TAXES, NOT INCREASE THEM.

CUMMINGS: OUR TELEPHONE NUMBER ON THE ENGLISH SIDE IS 3388266 AND WE'RE TALKING TO HAMISH MACLEOD. IT'S A BILINGUAL PRESENTATION, IT'S OBJECTIVE IS FOR YOU TO ASK YOUR QUESTIONS TO HIM AND WE DO HAVE A QUESTION NOW ON THE LINE. GOOD MORNING TO YOU.

QUESTION: GOOD MORNING.

CUMMINGS: YES, YOU'RE SPEAKING TO MR MACLEOD.

QUESTION: GOOD MORNING MR MACLEOD. YOU MENTIONED INFLATION AS A NECESSARY PRICE THAT HAS TO BE PAID ALTHOUGH OBVIOUSLY BETTER THAN THE DEPRESSED CONDITION OF THE ECONOMIES IN MOST OF THE REST OF THE WORLD, HOWEVER THERE SEEMS TO BE A FAIRLY SIMPLE SOLUTION WHICH THE GOVERNMENT DOESN'T SEEM TO HAVE DONE MUCH ABOUT. WILL YOU AGREE THAT THE PRINCIPAL CAUSE OF INFLATION IS FULL EMPLOYMENT AND THEREFORE THE WAGE PRESSURE?

FS: YES, I THINK IT'S TRUE THAT IF ONE WERE LOOKING AT IT SIMPLY AS AN ECONOMIST THEN THE TWO PRIME CAUSES, OR THE TWO PRIME FACTORS, WHICH WE COULD ADJUST TO DEAL WITH INFLATION ARE THE SUPPLY OF LABOUR AND THE SUPPLY OF LAND, WHICH I'VE TOUCHED ON IN MY BUDGET, BUT I THINK IT'S ALSO TRUE THAT IN THE REAL WORLD THERE'S A LIMIT TO HOW FAR WE CAN GO IN IMPORTING LABOUR. I'M AWARE THAT SOME OTHER PLACES HAVE GONE MUCH FURTHER THAN WE HAVE BUT THE JUDGEMENT AT THE MOMENT IS THAT WE HAVE TO BALANCE OFF THE GOOD EFFECT ON INFLATION OF IMPORTING LABOUR AGAINST THE EFFECT ON OUR EXISTING WORKFORCE AND THAT'S WHAT WE'RE ATTEMPTING TO DO, BUT YOU'RE RIGHT IT'S A KEY FACTOR.

CUMMINGS: WELL WE CONTINUE NOW, PERHAPS WITH ANOTHER QUESTION ABOUT INFLATION MR MACLEOD. YOU SEEM TO TAKE A SLIGHTLY AMBIVALENT ATTITUDE TOWARDS IT IN YOUR SPEECH, YOU'RE SAYING THAT YES INFLATION IS AN UNFORTUNATE THING TO HAVE IN AN ECONOMY, WE'VE HAD IT FOR A WHILE BUT ON THE OTHER HAND THE OTHER SIDE OF THAT COIN IS THAT YOU COULD OF COURSE BATTLE IT AND THEN HAVE BANKRUPTCIES AND UNEMPLOYMENT, BUT TAKEN IN GENERAL THAT THE INFLATION IS THE LESSER OF TWO EVILS. CAN YOU EXPAND ON THAT A LITTLE?

FS: YES, I THINK SOMETIMES THERE'S A TENDANCY FOR PEOPLE TO THINK YOU CAN TACKLE INFLATION WITHOUT ANY AS IT WERE COSTS OR DOWNSIDES AND THAT NORMALLY ISN'T THE CASE. IF YOU STUDY COUNTRIES WHERE THEY'VE ERECTED COMBATING INFLATION AS THE NUMBER ONE TARGET, THEN YOU HAVE NORMALLY SEEN COSTS IN THE FORM OF UNEMPLOYMENT AND LOWER ECONOMIC GROWTH, SO ONE HAS TO BALANCE THOSE OFF. THAT'S THE PROBLEM, THERE'S NO COST-FREE SOLUTION.

CUMMINGS: BUT IN A WAY, YOU KEEP SAYING THAT WE'RE HOSTAGE TO OUR OVERSEAS MARKETS, THAT WOULD OBVIOUSLY BE AMERICA, GERMANY, JAPAN ETC, AND YET THEY HAVE HAD BAD TIMES FOR SO LONG, SEVERAL YEARS NOW AND YET WE DON'T SEEM TO BE AFFECTED, AND IN A WAY YOU'RE CRYING WOLF PERHAPS.

FS: WELL, ACTUALLY THE MAIN MARKET OF COURSE THAT I'VE BEEN ALERTING PEOPLE TO IS REALLY CHINA AND THE US AND THE MFN ISSUE RATHER THAN WHAT MAY BE HAPPENING IN PLACES LIKE EUROPE. THE MAIN DOWNSIDE RISK IS THAT THE MFN ISSUE WILL NOT BE RESOLVED IN A SATISFACTORY WAY. AS FAR AS OTHER MARKETS ARE CONCERNED, ACTUALLY I'M FAIRLY OPTIMISTIC ABOUT THE US ECONOMY BUT EUROPE'S PRETTY FLAT, SO THE MAIN SOURCE OF OUR GROWTH AND OF OUR OPTIMISM IS ACTUALLY CHINA AND ASIA.

QUESTION: NOW A QUESTION FOR MR MACLEOD ABOUT INFLATION. YOU SAY IT IS HARD TO TACKLE INFLATION. NOW THERE ARE SOME ECONOMISTS WHO SAY THAT WITH REGARD TO THE HUGE EXPENDITURE PROPOSED AND TAX-CONCESSIONS, IT WILL ONLY ADD TO INFLATION, BUT IN THE BUDGET THERE ARE NOT ANY CONCRETE PROPOSALS TO TACKLE INFLATION, SO HOW DO YOU VIEW THAT?

FS: I THINK WE HAVE BEEN VERY FRANK OVER THE YEARS ABOUT INFLATION, THERE IS NO EASY SOLUTION TO INFLATION, THAT IS THE FACT. WHAT WE HAVE BEEN DOING IS, BIT BY BIT DEALING WITH PARTICULAR PROBLEMS AS WE CAN. FOR INSTANCE, I WOULD TAKE THE HOUSING ISSUE WHERE WE HAVE MANAGED, PARTLY THROUGH STAMP DUTY, PARTLY THROUGH CONTROLS ON CREDIT, TO BRING HOUSE PRICES OR FLAT PRICES DOWN FROM THEIR PEAK. WE HAVE A PROGRAMME FOR IMPORTING LABOUR WHICH HAS SOME EFFECT. WE HAVE AN ADDITIONAL PROGRAMME FOR IMPORTING CONSTRUCTION LABOUR FOR THE AIRPORT PROJECTS. ALL THOSE HELP, BUT WE HAVE TO FACE THE FACT THAT THIS IS PART OF THE PRICE OF OUR SUCCESS. WE HAVE A HEAVY DEMAND, PARTICULARLY ON OUR SERVICE SECTOR, PARTLY STEMMING FROM OUR OWN SUCCESS IN INVESTING IN CHINA, AND WE MUST CONTINUE TO DO WHAT WE CAN, BUT THERE IS NO MAGIC SOLUTION IN THE BUDGET, ANY MORE THAN THERE WAS IN THE LAST BUDGET.

QUESTION: GOOD MORNING, FINANCIAL SECRETARY. I HAVE A QUESTION TO ASK YOU. YESTERDAY, AT LEGCO, YOU SAID THAT BY JULY, PUBLIC ASSISTANCE AND DISABILITY ALLOWANCES WOULD BE INCREASED SO THAT FOR A SINGLE PERSON HE WOULD RECEIVE ON AVERAGE \$2,000. WHAT DO YOU MEAN BY \$2,000 PER HEAD ON AVERAGE? SO IT IS ABOUT CALCULATION OF PUBLIC ASSISTANCE. SO ON AVERAGE \$2,000 PER PERSON, WHAT DO YOU MEAN BY THAT? ALSO, I WOULD LIKE TO KNOW, FOR A SINGLE PERSON, NOW THE RATE IS \$825, SO BY JULY, ACCORDING TO YOUR VIEW, WHAT WOULD BE THE ADJUSTMENT, HOW MUCH WOULD IT BE AFTER ADJUSTMENT THAT IS? SO ABOUT PUBLIC ASSISTANCE, MR MACLEOD, CAN YOU TAKE THAT UP?

FS: YES. WHAT IS HAPPENING ON PUBLIC ASSISTANCE IS TWO THINGS. FIRST OF ALL THERE IS THE NORMAL INFLATION INCREASE WHICH WILL BE COMING UP IN THE NEXT FEW WEEKS, AND THEN ADDED ON TO THAT IS A REAL INCREASE IN THE RATES WHICH WAS ANNOUNCED IN THE GOVERNOR'S SPEECH AND WHICH WILL COME INTO EFFECT IN JULY THIS YEAR. SO TAKING THOSE TWO TOGETHER, THE AVERAGE PAYMENT FOR A SINGLE PERSON WILL BE \$2,000. AVERAGE SIMPLY MEANS AVERAGE. AS YOU KNOW, RECIPIENTS RECEIVE NOT ONLY A BASIC RATE BUT ALSO A NUMBER OF ALLOWANCES, FOR EXAMPLE, THEY RECEIVE SOMETHING FOR THEIR RENT, SO WE HAVE SIMPLY TAKEN THE AVERAGE PAYMENT. THAT IS ENTIRELY FAIR BECAUSE WE HAVE CHECKED THAT ONLY ABOUT ONE PER CENT OF RECIPIENTS RECEIVE THE BASIC RATE ALLOWANCE WITH NOTHING ELSE ADDED. THAT IS WHY WE ARE NOW CALLING IT "COMPREHENSIVE" PAYMENT, BECAUSE IT IS QUITE MISLEADING TO CONDUCT A DEBATE ON THE BASIS OF THE BASIC RATE. THE AVERAGE PAYMENT FOR A FAMILY OF FOUR WOULD BE \$5,880 --

QUESTION: THAT IS NOT FAIR, WHAT I AM SAYING IS, LET'S SAY A PERSON WHO IS RECEIVING \$825 A MONTH, AFTER ADJUSTMENT HOW MUCH WILL HE RECEIVE, THAT IS MY QUESTION?

FS: IT IS DIFFICULT TO ANSWER YOUR QUESTION IN ANY OTHER WAY THAN TO SAY THAT THE AVERAGE PAYMENT WILL BE \$2,000, BECAUSE WE ARE DEALING HERE WITH LARGE NUMBERS OF PEOPLE AND A RANGE OF PAYMENTS. IT SEEMS TO ME ENTIRELY FAIR, IF WE ARE GENERALISING ON THE FIGURE, TO USE AN AVERAGE PAYMENT.

QUESTION: YES, INDEED, I WOULD LIKE TO GO ON. WHY IS IT THAT WE HAVE TO PAY PROVISIONAL TAX? ASSUMING THAT I DO NOT MAKE AS MUCH MONEY NEXT YEAR, WHAT CAN I DO?

FS: WELL, I THINK HERE WE ARE QUITE FORTUNATE TO HAVE A LOW TAX RATE WITH ONLY ABOUT 50 PER CENT OF THE WORKING FORCE PAYING TAX AT ALL. I DON'T SEE ANY OTHER WAY OF DOING THE TAXATION THAN THE WAY WE DO IT, UNLESS WE HAD A SYSTEM WHERE YOU PAID EVERY MONTH, AND I BELIEVE THAT WOULD BE QUITE CUMBERSOME AND NOT PARTICULARLY WELCOME TO EITHER EMPLOYEES OR EMPLOYERS. SO AT THE MOMENT WE HAVE TO DO IT BY AN ANNUAL PAYMENT AND THAT PAYMENT HAS TO BE BASED ON AN ESTIMATE.

QUESTION: GOOD MORNING, FINANCIAL SECRETARY. FIRST, IN THIS YEAR'S BUDGET, IT IS INDEED A VERY GOOD BUDGET, PARTICULARLY TO THE MIDDLE AND LOW INCOME GROUPS, IT SEEMS THAT WE ARE GIVEN AN AMNESTY. WHY IS IT THAT THE BUDGET WAS RATHER TIGHT IN THE PAST TWO YEARS? WE WERE ALMOST STIFLED. DOES IT MEAN THAT THOSE TWO BUDGETS WERE NOT GOOD ONES? THAT IS THE FIRST QUESTION.

FS: THANK YOU FOR YOUR KIND REMARKS. I SUPPOSE THAT EACH BUDGET, WE HAVE TO LOOK AT THE SITUATION WHICH FACES US AND OF COURSE THIS YEAR WE HAVE HAD A COMBINATION OF TWO THINGS. FIRST OF ALL, WE HAD A HIGHER SURPLUS THAN WE EXPECTED FOR THIS YEAR. SECONDLY, AND PERHAPS AS IMPORTANTLY, OUR ECONOMIC GROWTH CONTINUES TO PICK UP VERY WELL, WE ARE NOW FORECASTING 5.5 PER CENT FOR 1993. SO THE COMBINATION OF THOSE TWO THINGS HAS MEANT THAT WE CAN INCREASE SPENDING AND STILL HAVE RESERVES WHICH ARE INCREASING IN TERMS OF '96-'97.

QUESTION: MY SECOND QUESTION NOW. COSMETICS TAX AND ENTERTAINMENT TAX WILL BE REMOVED, WHY IS IT THAT TAX ON FUEL WILL BE INCREASED? WILL THAT LEAD TO AN INCREASE IN FARES ON PUBLIC TRANSPORT, IS THAT THE CASE?

FS; I HAVE BEEN VERY CAREFUL ON THE THREE TAXES WHICH WE DID INCREASE SIMPLY TO RESTRICT IT TO COST OF LIVING. THERE IS NO REAL INCREASE IN THOSE TAXES, IT SIMPLY KEEPS IT UP WITH INFLATION, SO I AM HOPEFUL THAT THAT WILL NOT HAVE MUCH EFFECT ON FARES. ALSO, YOU MAY REMEMBER THAT LAST YEAR WE REMOVED FUEL TAX SO FAR AS IT AFFECTS BUSES, SO THAT SHOULD NOT AFFECT BUS-FARES.

CUMMINGS: CAN I PICK UP A MORE NEGATIVE SIDE OF IT. PEOPLE HAVE SAID: VERY NICE, THE MIDDLE CLASS, THE SANDWICH CLASS, THE SALARIES TAX PAYERS AND SO ON, HAVE GOT A GOOD BREAK, BUT THERE IS NO BREAK AT ALL FOR BUSINESS.

FS: WELL, THERE IS A BREAK FOR BUSINESS BUT IT DOESN'T COME IN THE FORM OF A CHANGE IN PROFITS TAX. WE ARE, AFTER ALL, SPENDING A LOT OF MONEY ON WHAT YOU MIGHT CALL, HARD AND SOFT INFRASTRUCTURE. THINGS LIKE ROUTE THREE, THE EXPANSION OF THE CONVENTION CENTRE, THOSE THINGS ACTUALLY BENEFIT BUSINESS, THEY BENEFIT THE ECONOMY, THEY MAKE US MORE EFFICIENT. I THINK THERE IS ACTUALLY QUITE A LOT IN THIS BUDGET FOR BUSINESS. I HAVE ALSO SUGGESTED THAT IF OUR TALKS WITH THE TRADE DEVELOPMENT COUNCIL GO WELL, THERE MAY BE SOME SCOPE FOR REDEPLOYING FUNDS TO INDUSTRY THROUGH THE RELEVANT COMMITTEE, FOR THINGS LIKE RESEARCH AND DEVELOPMENT.

CUMMINGS: DID YOU PUT ANY HARD THOUGHT INTO WHETHER YOU MIGHT BE ABLE TO KNOCK A PERCENTAGE POINT OR SOMETHING OFF THE PROFITS TAX?

FS: I DID GIVE THOUGHT TO THAT AND CERTAINLY THERE WERE SOME REPRESENTATIONS THAT WE SHOULD CUT IT BACK AGAIN, BUT IT WOULD HAVE MEANT I HAD LESS SCOPE FOR OTHER CONCESSIONS AND I DECIDED THAT THERE WASN'T ACTUALLY A GREAT NEED TO REDUCE PROFITS TAX AT THIS TIME. I DID SIGNAL LAST YEAR THAT I DON'T HAVE ANY AGENDA FOR GOING ON AND ON INCREASING PROFITS TAX, I THINK IT IS PROBABLY ABOUT RIGHT AT THE MOMENT, SO I HAVE LEFT IT THERE.

QUESTION: MY NAME IS PHIL BLACK, MR MACLEOD, MY QUESTION REFERS TO THE FUNDING FOR URBAN RENEWAL IN HONG KONG. OBVIOUSLY, IT IS A VERY COMPLEX PROBLEM HERE, AND THE BOTTOM LINE FOR URBAN RENEWAL IS OBVIOUSLY THAT SOME FORM OF GOVERNMENT SUPPORT IN THE FORM OF FINANCIAL SUBSIDIES, MAINLY THROUGH THE PROVISION OF LAND, IS REQUIRED TO FACILITATE URBAN RENEWAL, THROUGH AGENCIES SUCH AS LDC AND THE HONG KONG HOUSING SOCIETY. I NOTE THAT YOU HAVE MADE SPECIFIC ALLOCATION TO THE HONG KONG HOUSING SOCIETY TO HELP WITH THE SANDWICH CLASS AND MY QUESTION IS: WAS THERE ANY APPROACH TO YOU IN A MORE GENERAL FORM, TO MAKE SPECIFIC ALLOCATION OF GOVERNMENT FUNDS FOR URBAN RENEWAL?

FS: NO, I DON'T THINK THAT THERE WAS ANY GREAT PRESSURE ON THAT. AS FAR AS I KNOW, THE LDC (THE LAND DEVELOPMENT CORPORATION) IS ADEQUATELY FUNDED AT THE MOMENT, I AM NOT AWARE OF ANY PARTICULAR NEED TO PUMP MORE FUNDS INTO IT, SO THAT PARTICULAR SCHEME SEEMS TO BE GOING QUITE WELL.

QUESTION: I AM ACTUALLY TALKING A LITTLE BIT WIDER THAN LDC, IN THE SAME WAY THAT GOVERNMENT FUNDED THE "NEW TOWNS PROGRAMME", I'M SORT OF LOOKING AT WHY, FOR INSTANCE THE FINANCE BRANCH IN PARTICULAR HAVE NOT SET UP A SPECIAL FUND, AN "URBAN RENEWAL FUND" IF YOU LIKE, THAT WILL BE OBVIOUSLY A RECURRENT EXPENDITURE, TO FACILITATE WIDER URBAN RENEWAL THROUGH ANY OF THE CURRENT AGENCIES?

FS: WELL, OF COURSE OUR PHILOSOPHY WOULD STILL TEND TO BE THAT AS FAR AS POSSIBLE THAT SHOULD BE DONE BY THE PRIVATE SECTOR, AND IN FACT THE MAJORITY OF, FOR INSTANCE NEW HOUSING COMING ON STREAM, PRIVATE HOUSING, IS FROM REDEVELOPMENT RATHER THAN FROM NEW ESTATES OUT IN THE NEW TERRITORIES, SO I THINK THAT IS MAKING A CONTRIBUTION.

QUESTION: I WOULD LIKE TO ASK A QUESTION ON FUEL TAX. IF FUEL TAX IS REDUCED THEN IT WILL HELP TO CURB INFLATION. DOES THE FINANCIAL SECRETARY ACCEPT THAT?

FS: YES, I THINK IT IS TRUE THAT ON A RANGE OF TAXES LIKE FUEL TAX IT SLIGHTLY HELPS INFLATION AS MEASURED BY CPIA, THAT IS TRUE.

QUESTION: ANOTHER QUESTION, ON PROFITS TAX. I WONDER IF IT CAN BE REDUCED BY TWO PER CENT? IT WILL HELP TO STIMULATE OUR ECONOMY AND ALSO IT WILL HELP EMPLOYMENT. WELL, THERE WAS A SIMILAR QUESTION A MOMENT AGO. I WONDER IF THAT CAN BE REDUCED BY TWO PER CENT?

FS: I THINK THE PROBLEM IS THAT THAT WOULD BE, FRANKLY, RATHER EXPENSIVE, AND IN LOOKING AT PRIORITIES FOR CONCESSIONS I DIDN'T THINK THAT PROFITS TAX SHOULD BE A PRIORITY. THERE IS, ALSO, SOMETHING OF A DEBATE AT THE MOMENT ABOUT THE RELATIVE CONTRIBUTIONS OF PROFITS TAX AND SALARIES TAX TO OUR REVENUE, AND IT IS TRUE THAT THE SALARIES TAX CONTRIBUTION HAS PROBABLY INCREASED SOMEWHAT FASTER THAN THE PROFITS TAX CONTRIBUTION. HENCE, WHAT HAPPENED IN THE LAST COUPLE OF YEARS MAY HELP TO TACKLE THAT PERCEIVED PROBLEM. I MEAN WE PUT PROFITS TAX UP LAST YEAR, MODESTLY, AND THIS YEAR OF COURSE WE HAVE MAJOR CONCESSIONS ON SALARIES TAX. THAT WILL HELP TO REDRESS THAT BALANCE.

CUMMINGS: AND A QUESTION NOW FROM THE ENGLISH SIDE, GOOD MORNING. HELLO, ARE YOU THERE?

QUESTION: HELLO.

CUMMINGS: YES GOOD MORNING. YOU CAN ASK MR MACLEOD YOUR QUESTION NOW.

QUESTION: YES GOOD MORNING MR MACLEOD. YOU MENTIONED LAST YEAR ABOUT PRIVATISATION AS PART OF THE GOVERNMENT'S EFFORT TO INCREASE EFFICIENCY. CAN YOU KINDLY COMMENT ON THE PROGRESS?

FS: YES, AT THE MOMENT, WE'RE TENDING TO GIVE PRIORITY TO A HALF-WAY HOUSE WHICH IS CALLED TRADING FUNDS, AND I MENTIONED IN MY SPEECH A COUPLE OF EXAMPLES OF THAT. I THINK THE LANDS REGISTRY AND THE COMPANIES REGISTRY WHICH IS NOT PRIVATISATION IN THE SENSE THAT THE OWNERSHIP REMAINS WITH THE GOVERNMENT BUT THEY ARE GIVEN THE REVENUE, THEY HAVE THE INCENTIVE TO RUN THE OPERATION ON MORE COMMERCIAL LINES. WE THINK THAT'S PROBABLY A PRETTY GOOD STEP TOWARDS IMPROVING EFFICIENCY. WHETHER IN THE END THAT LEADS TO PRIVATISATION REMAINS TO BE SEEN.

QUESTION: O.K. MY OTHER QUESTIONS WOULD BE, THE TAX ON TOBACCO, DO YOU THINK THAT IT WILL FUEL SMUGGLING?

FS: I'M CAUGHT IN A SORT OF TRAP IN THE TOBACCO TAX. YOU'RE RIGHT. ONE OF THE PROBLEMS WHICH HAS COME UP FROM THE INCREASE IN TOBACCO DUTY IS THAT THERE IS SMUGGLING. WE ESTIMATE PROBABLY PERHAPS AS MUCH AS 10 PER CENT OF THE CIGARETTES BEING SOLD MAY BE SMUGGLED, SO I'M QUITE RELUCTANT TO PUSH THAT DUTY UP ANY FURTHER UNTIL WE'VE GOT A BETTER GRIP OF THE SMUGGLING PROBLEM. ON THE OTHER HAND, I'M UNDER PRESSURE FOR HEALTH REASONS, OF COURSE TO DO MORE ON SMOKING. WHAT I'VE DONE IS A SORT OF, I HOPE WILL HELP SOMEWHAT, I HAVE DOUBLED THE AMOUNT OF MONEY WHICH IS GOING TO COST, THE COMMITTEE WHICH DEALS WITH HEALTH EDUCATION AS REGARDS SMOKING. I HOPE THAT WILL HELP BUT I'VE BEEN RATHER RELUCTANT TO INCREASE THE RISK OF SMUGGLING BY INCREASING THE TAX.

/QUESTION

QUESTION: GREAT, THANKS MR MACLEOD.

CUMMINGS: THANK YOU FOR YOUR CALL.

CHAN: NEXT MISS LEUNG, GOOD MORNING MISS LEUNG.

QUESTION: GOOD MORNING MR CHAN, MR MACLEOD. NOW IN THE BUDGET IT IS SAID THAT THERE IS SOMETHING TO BE DONE ABOUT SANDWICH HOUSING BUT THE STRESS IS ON THE FIRST TIME BUYER. NOW BY FIRST TIME BUYER DO YOU MEAN THAT PEOPLE WHO HAVE NEVER BOUGHT A FLAT IN HONG KONG? NOW IF THAT IS THE CASE, I DON'T THINK IT'S FAIR, BECAUSE FOR FIRST TIME BUYER, IT SHOULD MEAN THAT IT'S RESTRICTED TO TWO OR THREE YEARS AGO, THAT IS IN THE PAST TWO OR THREE YEARS THEY HAVE NOT OWNED PRIVATE PROPERTY, SO I THINK THOSE SANDWICH CLASS. SHOULD ALSO BENEFIT. SO I WOULD LIKE TO ASK MR MACLEOD, WITH REGARD TO THE FIRST TIME BUYER IN THE SANDWICH CLASS, DO YOU MEAN THOSE WHO HAVE NEVER BOUGHT ANY PRIVATE PROPERTY, SO YOU MENTIONED FIRST TIME BUYERS?

FS: YES. I'M NOT SURE THAT THE DEFINITION HAS ACTUALLY BEEN FINALISED YET, THAT WILL HAVE TO BE DISCUSSED WITH THE HOUSING SOCIETY AMONG OTHERS BUT I WOULD GUESS THAT PROBABLY IT DOES MEAN THAT THE PERSON HAS NOT BOUGHT A FLAT IN HONG KONG BEFORE BECAUSE THE THEORY IS OF COURSE THAT ONCE YOU'VE GOT INTO THE HOUSING MARKET YOU THEN HAVE AN ASSET AND YOU THEREFORE HAVE SOME MONEY WHICH ENABLES YOU TO GO ON UP THE LADDER OF HOUSING BUT I NOTE THE POINT AND I THINK THE TRUTHFUL ANSWER IS WE HAVEN'T ACTUALLY DRAWN UP THE DEFINITION YET.

CHAN: YES, MISS LEUNG.

QUESTION: I WOULD LIKE TO ASK MR MACLEOD FURTHER. NOW IF THAT'S THE DEFINITION OF FIRST TIME BUYER, I THINK IT'S VERY UNFAIR BECAUSE MARKET PRICES HAVE GONE UP SO MUCH AND THAT'S ONLY IN THE PAST THREE YEARS THAT'S HAPPENED. AS FOR MYSELF I SOLD MY FLAT A FEW YEARS AGO SO IT'S IMPOSSIBLE FOR ME TO REBUY ANOTHER FLAT IN THE LAST TWO OR THREE YEARS AND ALSO I FALL WITHIN THE SANDWICH CLASS SO I WOULD LIKE TO KNOW OR I WOULD HOPE RATHER, THAT THIS DEFINITION WOULD COVER PEOPLE LIKE MYSELF. THAT IS FOR THOSE THAT HAVE NOT OWNED PRIVATE FLAT IN THE PAST TWO OR THREE YEARS.

FS: I WILL CERTAINLY PASS YOUR POINT OF VIEW. I UNDERSTAND EXACTLY WHAT YOU'RE SAYING. I WILL PASS YOUR VIEW ON TO THE COMMITTEE WHICH IS LOOKING AT THESE DEFINITION PROBLEMS.

CHAN: THANK YOU MISS LEUNG FOR YOUR MENTIONING THE SANDWICH CLASS HOUSING. NOW WE HAVE ANOTHER CHINESE CALLER. MADAME CHAN, GOOD MORNING.

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QUESTION: GOOD MORNING FINANCIAL SECRETARY. I'M GLAD TO SEE THAT THERE ARE SOME SUBSTANTIAL PROPOSALS WITH REGARD TO EDUCATION. FOR EXAMPLE THERE WILL BE WHOLE DAY PRIMARY SCHOOLING AND ADDITIONAL KINDERGARTEN FEE REMISSION CONCESSIONS. BUT STILL I AM DISAPPOINTED IN ANOTHER AREA BECAUSE ON THE EDUCATION FRONT THERE IS ONLY MENTION OF ADDITIONAL PLACES BUT THERE IS NO MENTION OF IMPROVEMENT IN OUR EDUCATION SYSTEM AS TO HOW MUCH WILL BE ALLOCATED TO WHAT AREAS. FOR EXAMPLE WITH REGARD TO SUBSIDY TO PARENTS, THAT'S NOT BEEN REVEALED AND THEN WITH REGARD TO STAFF PAY THERE IS ALSO NO REVIEW. BECAUSE NOW FOR AM TEACHERS, YOU'RE TALKING ABOUT FUND ALLOCATION TO KINDERGARTEN EDUCATION, THAT IS NOT ENOUGH AND THAT INCLUDES SUBSIDY TO PARENTS AS WELL AS STAFF PAY, IS THAT WHAT YOU MEAN? YES, BECAUSE IF YOU ONLY INCREASE THE NUMBER OF PLACES FOR THE FEE REMISSION SCHEME, THAT IS NOT SUFFICIENT. NOW IF THERE IS, BECAUSE THERE ARE PARENTS WHO STILL ENCOUNTER DIFFICULTIES.

CHAN: O.K. YOUR QUESTION HAS BEEN PUT QUITE CLEARLY. NOW WE CAN LISTEN TO THE RESPONSE OF MR MACLEOD. IN FACT THAT'S BEEN MENTIONED IN THE BUDGET THIS TIME.

FS: YES THANK YOU. FIRST A GENERAL POINT, I THINK AN ENORMOUS AMOUNT HAS BEEN DONE AND IS BEING DONE IN EDUCATION. AS A RESULT MAINLY OF A SERIES OF EDUCATION COMMISSION REPORTS. I CAN UNDERSTAND THAT THERE MAY BE SOME CONFUSION ABOUT WHAT EXACTLY IS GOING ON BECAUSE THERE'S SO MUCH AND OF COURSE IT'S TAKING PLACE OVER THE PERIOD OF THE NEXT FEW YEARS. WE PLAN THEREFORE TO PUBLISH A PAMPHLET OR A LEAFLET ON THIS SUBJECT TO TRY AND SET OUT CLEARLY WHAT HAS HAPPENED IN THE EDUCATION FIELD IN THE LAST FEW YEARS, BECAUSE THERE'S SO MUCH. BUT TO DEAL WITH THE PARTICULAR QUESTION ON KINDERGARTEN. THE THING WHICH I ANNOUNCED IN THE BUDGET, THE NEW DEVELOPMENT WHICH I ANNOUNCED IN THE BUDGET WAS SIMPLY AN INCREASE IN THE KINDERGARTEN FEE REMISSION SCHEME SO THAT ANOTHER 32,000 FAMILIES WILL QUALIFY. IT'S NOT A FUNDAMENTAL REVIEW BUT IT'S AN INCREASE IN THAT CONCESSION.

QUESTION: PERHAPS I CAN PICK UP ALONG THOSE SORT OF LINES, THERE'S BEEN SOME CRITICISM OR SUGGESTIONS THAT I'VE SEEN THAT IT'S ALL VERY WELL TO BUILD HOSPITALS, TO BUILD SCHOOLS, TO HAVE THESE GRANDIOSE PLANS BUT IF THE PERSONNEL ARE NOT AVAILABLE, THEY COME TO NOTHING. FOR EXAMPLE YOU CAN BUILD A HOSPITAL AT NORTH BUT IF THE EXAMPLE OF EASTERN HOSPITAL IS ANY GUIDE, YOU MAY NOT GET ENOUGH NURSES, YET YOU HAVEN'T ADDRESSED THAT SORT OF PROBLEM WITHIN THE BUDGET.

FS: NO, I DON'T THINK IT'S ACTUALLY FOR THE BUDGET TO ADDRESS BUT TAKE THE TWO EXAMPLES YOU'VE GIVEN. CERTAINLY FOR TEACHERS PART OF THE IMPLEMENTATION OF ONE OF THOSE REPORTS I MENTIONED IS AN INCREASE IN THE RESOURCES DEVOTED TO PRODUCING TEACHERS AND ALSO TRAIN THE EXISTING TEACHERS. ON THE NURSES, THERE WAS OF COURSE A RECENT DEBATE IN LEGCO ON THIS SUBJECT AND WE HAVE SAID THAT WE ARE REVIEWING THAT WHOLE QUESTION OF THE SUPPLY OF NURSES. I THINK SOMETIMES THE PROBLEM IS A LITTLE EXAGGERATED BECAUSE OF COURSE WHEN WE BUILD A NEW HOSPITAL WE DON'T ACTUALLY INTEND TO OPEN THE ENTIRE HOSPITAL IN ONE GO AND STAFF IT FULLY. IT'S INEVITABLY GOING TO BE PHASED, SO THERE'S BEEN SOME SUGGESTION THAT THE PHASING IS A RESULT OF STAFF SHORTAGE BUT THE PHASING WOULD BE THERE ANYWAY.

/QUESTION

QUESTION: GOOD MORNING FINANCIAL SECRETARY. ABOUT PUBLIC EXPENDITURE. NOW THERE'S AN ANNOUNCEMENT THAT NEXT YEAR THERE WILL BE A LOT OF CAPITAL WORKS GOING ON AND THERE'S A PAMPHLET GIVING THE LOCATIONS BUT WHAT ABOUT THE DETAILED BUDGET OF EACH CAPITAL WORKS, CAN THAT BE ANNOUNCED? DO YOU GET MY MEANING?

FS: YES. WE DO ACTUALLY PUBLISH A LIST OF ALL THE PUBLIC WORKS PROJECTS. I'M AFRAID IT'S PART OF A VERY LARGE DOCUMENT. THERE ISN'T A LEAFTLET ON THAT BECAUSE THERE'S AN ENORMOUS NUMBER BUT WHAT WE HAVE DONE IS WE'RE GIVING TO DISTRICT OFFICES A LIST OF THE PROJECTS IN THEIR OWN DISTRICT AND WE'RE ASKING THEM TO PUBLICISE THOSE PROJECTS. SOME OF THEM ARE QUITE SMALL ONES, PROBABLY ONLY OF INTEREST TO THAT PARTICULAR DISTRICT. THIS YEAR FOR THE FIRST TIME WE'VE BROKEN DOWN THAT PROGRAMME INTO DISTRICTS AND WE'VE ASKED D.O.'S TO PUBLICISE IT. SO I HOPE THAT WILL HELP PEOPLE IN DISTRICT TO KNOW WHAT'S COMING UP IN THEIR OWN PARTICULAR DISTRICT.

QUESTION: WELL WITH REGARD TO EXPENDITURE ON CAPITAL WORKS, THE AMOUNT IS MAMMOTH. ON THIS FRONT I WONDER IF THERE SHOULD BE EFFECTIVE CONTROL SO THAT WE WILL NOT HAVE THE PROBLEM OF OVER-RUN, JUST AS WHAT WE HAD IN THE UNIVERSITY OF TECHNOLOGY AND SCIENCE. SO WILL THAT RECUR?

PRESENTER: SO YOU'RE TALKING ABOUT COST OVER-RUN.

FS: ACTUALLY OUR PROBLEM AT THE MOMENT IS CURIOUSLY ENOUGH THE REVERSE. WE'RE NOT HAVING COST OVER-RUN PROBLEMS, WE'RE HAVING CONTRACTS COMING IN LESS THAN THE ESTIMATE, WHICH IS GOOD NEWS AND I MENTIONED IN THE BUDGET THAT ACTUALLY PART OF THE UNDERSPENDING, PART OF IT, IS ONE BILLION DOLLARS WHICH IS GENUINE SAVINGS BECAUSE CONTRACTS HAVE COME IN UNDER-ESTIMATE. SO, COST OVER-RUN IS NOT CURRENTLY A PROBLEM. THE PROBLEM IS THAT THE CAPACITY OF OUR WORKS DEPARTMENTS HASN'T PROVED TO BE QUITE UP TO THE SIZE OF THE PUBLIC WORKS PROGRAMME AND WHAT WE'RE TRYING TO DO THERE IS TO MAKE MORE USE OF THE PRIVATE SECTOR SO THAT WE CAN GET ON WITH THESE PROJECTS WHICH WE ALL WANT TO SEE BUILT.

PRESENTER: CAN I JUST ADD A SUPPLEMENTARY TO THAT. WHAT WOULD HAPPEN IF THERE'S AGREEMENT WITH CHINA NOW ON THE CONSTRUCTION OF THE AIRPORT AND CT9 GOES THROUGH AND SO ON. WOULD THAT NOT MEAN THAT YOU'RE GOING TO HAVE ALL THESE OTHER CONTRACTS COMING ON QUITE QUICKLY AND THAT WOULD THEN, IF YOU SAY YOU'VE GOT PROBLEMS WITH ACTUALLY HANDLING THESE SORT OF THINGS NOW, ALL THE MORE SO IN THE FUTURE?

FS: WELL OF COURSE A LOT OF THE AIRPORT CORE PROGRAMME IS PUBLIC WORKS PROJECTS WHICH ARE PROCEEDING ABSOLUTELY ON TIME AND WITHIN BUDGET. SO THAT'S ALREADY THERE, IT'S GOING ON, IT'S TAKEN INTO ACCOUNT AND THE FUNDING FOR THOSE IS REFLECTED IN OUR MEDIUM RANGE FORECAST. THE TWO PROJECTS WHICH ARE MORE SUBJECT TO THE TALKS WITH CHINA, OF COURSE THE AIRPORT ITSELF AND THE AIRPORT RAILWAY. AGAIN IN OUR FORECAST WE'VE PUT IN THE MONEY ON THE BASIS OF THE ORIGINAL PROPOSALS FOR FUNDING, THAT'S ALREADY IN THE FIGURES. AND OF COURSE ON THE AIRPORT, AT THE MOMENT WE'RE STILL ON TRACK. THE SITE PREPARATION CONTRACT HAS BEEN AWARDED AND SITE PREPARATION IS GOING ON. ON THE RAILWAY, WE'LL HAVE TO SEE BECAUSE WE'RE WAITING FOR A DECISION OF COURSE ON THE RECLAMATION WHICH WILL FORM THE HONG KONG STATION FOR THE AIRPORT RAILWAY.

/PRESENTER

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PRESENTER: WE HAVE ANOTHER CALLER NOW ON 3388266. YOU HAVE A QUESTION FOR MR MACLEOD, GO AHEAD.

QUESTION: FINANCIAL SECRETARY, A QUESTION OF A FAR SMALLER SCALE. DID YOU CONSIDER REMOVING THE FIRST REGISTRATION TAX ON ELECTRIC VEHICLES AND WOULD YOU CONSIDER DOING THIS IN FUTURE BUDGETS SO AS TO PROMOTE THEIR USE IN HONG KONG?

FS: I DIDN'T. I DON'T THINK IT WAS A POINT THAT I WAS PARTICULARLY AWARE OF. I PRESUME THIS IS AN ENVIRONMENTAL MEASURE WHICH YOU'RE SUGGESTING IT AS. I WOULD BE WILLING TO LOOK AT THAT, I HAVEN'T HONESTLY SEEN A CASE PUT UP FOR IT.

PRESENTER: ARE YOU SUGGESTING CALLER THAT IF THAT WAS DONE, THEN MORE PEOPLE WOULD SWITCH FROM THEIR FILTHY DIESEL ENGINES THAT ARE NOT MAINTAINED PROPERLY INTO ENVIRONMENTALLY FRIENDLY ELECTRIC CARS?

QUESTION: I AM. I'M NOT IN FACT AN ENVIRONMENTAL LOBBYIST OR A LOBBYIST FOR THE ELECTRIC INDUSTRY OR ANYTHING OF THAT NATURE BUT I BELIEVE LOS ANGELES IS MOVING TOWARDS THE END OF THIS CENTURY, TO GET 10 PER CENT OF THE VEHICLES ON THE ROAD WILL BE ELECTRIC VEHICLES AND IT'S SOMETHING TO THINK ABOUT IN HONG KONG BUT AT THE MOMENT, AS I UNDERSTAND, THE COST OF BRINGING THESE VEHICLES IN IS SO LARGE, A GREAT DEAL BECAUSE OF THE FIRST REGISTRATION TAX ON THEM.

PRESENTER: I THINK YOU'VE GOT A COMMITMENT FROM MR MACLEOD THAT HE'S GOT AN OPEN MIND ON THIS ONE BUT HE HASN'T ACTUALLY APPLIED THAT OPEN MIND TO IT YET AND I'M SURE THERE ARE PEOPLE WITHIN THE GOVERNMENT WHO COULD GIVE HIM ADVICE ON THAT ONE. AND JUST AGAIN MR MACLEOD ON AN ENVIRONMENTAL ISSUE, IT HAS BEEN POINTED OUT AND I DON'T KNOW WITH HOW MUCH FAIRNESS, THAT THE ENORMOUS EXPENDITURE YOU'RE PREPARED TO PUT INTO THINGS LIKE THE EXHIBITION CENTRE AND EVEN THE ROADS, MAKE THE CONTRIBUTION OF THE GOVERNMENT TO SUCH ENVIRONMENTAL PROJECTS AS CLEANING UP THE HARBOUR LOOK QUITE NIGGARDLY?

FS: WELL I GUESS THE FACT OF LIFE IS THAT YOU HAVE...

FS: WELL, I GUESS THE FACT OF LIFE IS THAT YOU HAVE TO BALANCE YOUR PROJECTS RATHER CAREFULLY, AND YOU WILL NOTICE THAT A LOT OF THOSE ONE-OFF PROJECTS WHICH ARE IN THE BUDGET ARE ONES WHICH IMPROVE, AS IT WERE, OUR EARNING CAPACITY, THAT IS TO SAY THEY ENABLE FUTURE ECONOMIC GROWTH. THE ENVIRONMENTAL MEASURES, THE SEWAGE MEASURES TO BE SPECIFIC, ALAS, DO NOT DO THAT. SO ONE HAS TO BALANCE OFF MONEY WHICH SIMPLY IMPROVES THE ENVIRONMENT AGAINST MONEY WHICH ACTUALLY IMPROVES THE INFRASTRUCTURE AND OUR EFFICIENCY AND OUR EARNING CAPACITY IN THE FUTURE, SO WE HAVE TO KEEP A BALANCE. OF COURSE THE SEWAGE PROGRAMME IS NOT THE FULL STORY, WE ARE SPENDING BILLIONS OF DOLLARS ON LANDFILL, FOR EXAMPLE, ON DISPOSAL OF SOLID REFUSE, SO THE SEWAGE PROGRAMME IS NOT THE SUM OF OUR EFFORTS ON THE ENVIRONMENT.

/QUESTION

QUESTION: GOOD MORNING. WELL, MY QUESTION IS AS FOLLOWS. NOW IN THE BUDGET \$10 MILLION WILL BE ALLOCATED FOR THE WORKERS, THE WORKERS WILL BENEFIT FROM IT. NOW FOR THE INJURED WORKERS \$10 MILLION IS NOT A LARGE AMOUNT BECAUSE IF WE LOOK AT THE TRAFFIC ACCIDENT ASSISTANCE SCHEME FOR EXAMPLE, YOU WILL SEE THAT \$10 MILLION IS ENTIRELY INADEQUATE. IF WE LOOK AT THE TRAFFIC ACCIDENT ASSISTANCE SCHEME, FOR A FAMILY WITH A FATALITY THE LOAN CAN STAND AS HIGH AS \$90,000. AND WE AT PRESENT HAVE AROUND 200 FAMILIES WITH INJURED WORKERS, SO HOW DO WE DEAL WITH THEM? SO YOU FEEL THAT \$10 MILLION IS NOT ADEQUATE AT ALL, SO IT WILL NOT HELP THE INJURED WORKERS OR THEIR FAMILY MEMBERS TO TIDE THEM OVER THEIR DIFFICULTIES. IS THAT WINDOW-DRESSING, OR IS THAT REALLY ADEQUATE, MR MACLEOD?

FS: YES, THIS IS NOT A REPLACEMENT, THERE IS A SCHEME ALREADY FOR COMPENSATION FOR INJURED WORKERS. WHAT WE ARE DOING HERE IS DEALING WITH THE PROBLEM THAT IT TAKES FAR TOO LONG FOR THE CLAIMS OF INJURED WORKERS TO BE DEALT WITH AND THE MONEY TO BE DISHED OUT, IN FACT IT TAKES ANYTHING FROM FOUR MONTHS TO A YEAR, AND WHAT WE ARE DOING IS, WE ARE FILLING THAT GAP BY PROVIDING A LOAN FROM THIS FUND SO THAT WHILE THE FAMILIES OF THE WORKERS, OR THE WORKERS, WAIT FOR THIS CLAIM TO BE PROCESSED, THEY WILL HAVE MONEY. THAT IS THE PURPOSE OF IT. AND THE ESTIMATE IS THAT PROBABLY ABOUT 400 WORKERS A YEAR WILL WISH TO USE THIS FUND.

QUESTION: BUT I FEEL THAT THE AMOUNT OF MONEY IS NOT ADEQUATE. DO YOU THINK THAT THERE HAS BEEN AN UNDERESTIMATION? WE HAVE SOME 200 FATALITIES ALREADY AND THESE CLAIMANTS WILL GET THE PAYMENTS AFTER ONE OR TWO YEARS' TIME.

FS: COULD I JUST TRY AND EXPLAIN BETTER. THIS IS A REVOLVING FUND, IT SIMPLY DEALS WITH THE GAP BEFORE THEY GET THEIR PROPER COMPENSATION. SO THEY GET A LOAN; THAT IS REPAID WHEN THEY GET THE PAY-OUT. WE HAVE ACTUALLY CALCULATED THE MONEY SO THAT IT IS ENOUGH FOR THE EXPECTED DEMAND. IT IS NOT A LIMITING FIGURE, IT IS CALCULATED TO DEAL WITH THE NUMBER OF CASES THAT WE ARE EXPECTING.

KIT CUMMINGS: AND PRESUMABLY, IT IS NOT BEYOND THE WIT OF MAN, SHOULD THERE BE A SUDDEN RUSH FOR THAT MONEY, FOR A SUPPLEMENTARY SUM TO BE AWARDED?

FS: YES, IF IT PROVES TO BE INADEQUATE, I AM PERFECTLY OPEN TO PROPOSALS TO INCREASE IT, BUT OUR ESTIMATE IS THAT IT WILL BE ADEQUATE.

QUESTION: GOOD MORNING FINANCIAL SECRETARY. JUDGING BY THE ALLOCATION OF FUND THAT APPEAR TO HAVE BEEN PUT FOR THE AIRPORT PROJECT, DOES IT NOT APPEAR THAT YOU ARE HAVING INTENTIONS OF EITHER BREACHING THE PROVISIONS OF THE MEMORANDUM OF UNDERSTANDING OR ABANDONING THE PROJECT ALTOGETHER? BECAUSE AT THE PRE-MOU NEGOTIATIONS YOU HAD INDICATED TO THE CHINESE SIDE THAT YOU WOULD BE IN A POSITION TO LEAVE ANYTHING BETWEEN \$70-90 BILLION AND THAT YOU WOULD NOT NEED TO BORROW ANY MONEY FOR THE PROJECT. BUT THE CHINESE SIDE INDICATED THAT THEY WOULD NOT HAVE ANY LIABILITIES CROSSING OVER AND INSTEAD SAID INSTEAD OF 70-90 LEAVE BEHIND ONLY 25 BUT DON'T BORROW MORE THAN 5 BILLION. SO THEREFORE THERE WAS AN ADDITIONAL 55 BILLION EQUITY THAT YOU WERE EXPECTED TO INJECT OVER AND ABOVE WHAT YOU PROPOSED TO THE CHINESE SIDE AT THE COMMENCEMENT OF THE MEMORANDUM OF UNDERSTANDING TALKS. DOES IT NOT APPEAR THAT IN THE LIGHT OF THE FACT THAT THE CHINESE HAVE SAID THERE SHOULD BE NOT MORE THAN FIVE BILLION BORROWING, AND YOU DO NOT SEEM TO INTEND TO PUT UP THAT 55 BILLION, THAT YOU HAVE DECIDED TO BREACH THE MOU OR TO ABANDON THE PROJECT?

FS: WELL NO, THERE IS ABSOLUTELY NO PROBLEM THERE. AS YOU SAY, UNDER THE MOU WE COMMITTED OURSELVES TO ENSURE THAT THERE WAS AT LEAST \$25 BILLION IN THE RESERVES IN 96-97. I DON'T THINK ANYONE WOULD ACCUSE US OF BREACHING IT IF WE HAVE A BIT MORE, I PRESUME THEY WOULD BE RATHER HAPPY.

QUESTION: WITH REGARD TO RESERVES, THERE IS A SUPPLEMENTARY QUESTION FOR MR MACLEOD. YOU ANTICIPATE THAT IN 1996-97 THE RESERVES WILL STAND AT \$78.4 BILLION, BUT THEN IN THE PAST TWO YEARS THE ESTIMATES HAVE BEEN OFF THE MARK. THIS TIME AROUND IT HAS BEEN LUCKY BECAUSE WE HAVE MORE SURPLUS, BUT THEN YOU ARE QUITE FAR OFF THE MARK, SO IS THERE A GREAT POSSIBILITY THAT THE AMOUNT OF 78.4 MAY TURN OUT TO BE WRONG?

FS: YES, OF COURSE. FORECASTS LOOKING YEARS AHEAD ARE FALLIBLE, THEY ARE FALLIBLE IN THE PUBLIC SECTOR AND THEY ARE FALLIBLE IN THE PRIVATE SECTOR, AND I HIGHLIGHTED A FEW OF THE DOWN-SIDE RISKS IN THE BUDGET SPEECH, THAT WOULD BE PARTICULARLY, THE MFN ISSUE. OF COURSE THERE ARE UP-SIDES TOO, AND IT IS ACTUALLY QUITE DIFFICULT AT THE MOMENT TO FORECAST. WE HAVE, OF COURSE, THE POLITICAL ISSUE WHICH IS STILL UNRESOLVED AT THE MOMENT. WE HAVE, AS A CALLER MENTIONED, THE AIRPORT TALKS ALSO STILL UNRESOLVED. BUT MY MAIN COMFORT AND THE CONFIDENCE I HAVE IN MAKING THOSE PROJECTIONS, STEMS BASICALLY FROM OUR FORECASTS OF ECONOMIC GROWTH AND THERE, I THINK, WE ARE AT ONE WITH MOST PRIVATE SECTOR COMMENTATORS. I THINK MOST, FOR INSTANCE BANK ECONOMISTS AND SO ON WHO PUBLISH THEIR FORECASTS, ARE ALSO PRETTY BULLISH ABOUT OUR ECONOMIC GROWTH, PARTLY BASED ON A BULLISH VIEW OF CHINA'S OWN GROWTH. THAT IS BASICALLY WHAT IT IS. THE JOY OF HAVING PRETTY GOOD RESERVES AND MORE OR LESS NO BORROWING IS THAT ONE HAS SOME FLEXIBILITY TO ADJUST IF ONE'S FORECASTS PROVE TO BE WRONG. I MEAN BY THAT, PARTICULARLY FORECASTS OF ECONOMIC GROWTH.

KIT CUMMINGS: AND CAN I JUST ASK A QUICK SUPPLEMENTARY ONE HERE. COULD WHAT YOU ARE SAYING APPLY ALSO TO THE PROJECTED DEFICITS OVER THE NEXT FEW YEARS THAT IF THINGS ARE BETTER THAN WOULD BE INDICATED AT THE MOMENT, YOU MIGHT END UP ACTUALLY WITH SURPLUS BUDGETS WHERE YOU WERE FORECASTING DEFICIT BUDGETS?

FS: IT IS POSSIBLE. I MEAN TO GIVE YOU AN EXAMPLE, TO FORECAST PROPERTY SALES, PROPERTY PRICES, PROPERTY REVENUE, IS EXCEEDINGLY DIFFICULT AND PERHAPS WE TEND TO BE FAIRLY CONSERVATIVE ON THAT BECAUSE I THINK GOVERNMENTS SHOULD BE FAIRLY CONSERVATIVE IN THEIR FORECASTS. SO THERE IS UP-SIDE AS WELL AS DOWN-SIDE IN THOSE FIGURES, YES.

QUESTION: GOOD MORNING. I WOULD LIKE TO ASK: THERE WILL BE ABOLITION OF TAX OR COSMETIC DUTY. NOW THAT DOESN'T REALLY BENEFIT THE PUBLIC AS SUCH. LAST YEAR, THE FINANCIAL SECRETARY LIFTED THE TAX ON SOFT DRINKS AND CINEMA TICKETS BUT THE PUBLIC DID NOT STAND TO GAIN AT ALL BECAUSE LAST YEAR THERE WAS NO PRICE REDUCTION ON SOFT DRINKS SO ALL THE BENEFITS WENT TO THE TRADERS. NOW THIS YEAR, YOU ARE GOING TO LIFT COSMETIC DUTY AND THAT MEANS THERE IS A REMOVAL OF 30 PER CENT DUTY, BUT THEN THE PUBLIC IS ONLY GOING TO ENJOY A TEN PER CENT PRICE REDUCTION. IN OTHER WORDS, THE OTHER TWENTY PERCENT WILL GO TO THE TRADERS, SO WE DON'T REALLY BENEFIT AS SUCH. IN THAT CASE, WHY DON'T YOU GIVE US MORE TAX CONCESSIONS INSTEAD?

FS: YES, I WAS AMAZED ACTUALLY LAST YEAR AT SOME OF THE COMMENTS THAT NO ONE DRANK SOFT DRINKS OR WENT TO THE CINEMA. YOU CAN DO TWO THINGS WHEN YOU'RE REMOVING A TAX. YOU CAN ASK FOR A COMMITMENT TO ACTUALLY REDUCE THE CHARGE, WHICH WE GOT FROM THE COSMETICS INDUSTRY, OR AT THE VERY LEAST YOU CAN ENSURE THAT INCREASES WHICH WOULD HAVE BEEN COMING UP BECAUSE OF INFLATION ARE NOT IMPLEMENTED. AND I THINK THE COMBINATION OF THOSE TWO DOES ENSURE THAT THE PUBLIC BENEFITS DIRECTLY. AND DON'T BE MISLED BY THE TITLE 'COSMETICS', IT INCLUDES A WHOLE RANGE OF CREAMS AND SO ON WHICH EVERYONE USES, IT IS NOT JUST EXPENSIVE WOMEN'S PERFUMES.

SECONDLY, I DID HAVE IN MIND OUR TOURIST INDUSTRY. ONE OF OUR ATTRACTIONS FOR, FOR INSTANCE THE JAPANESE, IS THAT THEY COME HERE TO SHOP FOR THINGS PRECISELY LIKE COSMETICS AND WE WERE IN DANGER OF LOSING OUR ATTRACTION IN THE COSMETICS FIELD THROUGH THAT TAX. IF THE SALES INCREASE THEN OUR ECONOMY WILL BENEFIT, SO I ALSO HAD THAT IN MIND.

QUESTION: NOW WE TALK ABOUT FLEXIBILITY. OK, I WANT TO GO BACK TO THE RESERVES OF \$78 BILLION BY THE YEAR 96-97. YOU MENTIONED THAT IS AN ESTIMATE AND THERE IS MARGIN ERROR, POSSIBLY. SO IS IT AN OPTIMISTIC ESTIMATE, THAT WE HAVE \$78 BILLION? WHAT, SAY, IF THERE IS A DOWN-SIDE ELEMENT? IN OTHER WORDS, THE RESERVES COULD BE MUCH SMALLER, MAYBE WE COULD NOT EVEN REACH THE \$25 BILLION MARK?

FS: BUT OF COURSE THERE ARE BOTH UP-SIDES AND DOWN-SIDES, THAT IS THE NATURE OF FORECASTS. THE PURPOSE OF HAVING RESERVES WHICH ARE AN ADEQUATE CUSHION - TO USE WORDING WHICH I AM RATHER FOND OF - IS PRECISELY TO DEAL WITH ANY DOWN-SIDE. THERE IS NO MAGIC ABOUT HAVING 78 BILLION, THE PURPOSE IS TO HAVE RESERVES WHICH ARE ENOUGH TO HELP US DEAL WITH, LET'S SAY, LOWER GROWTH THAN WE HAD FORECAST. WE DON'T WANT TO HAVE 'STOP-GO' POLICIES ON OUR CAPITAL WORKS PROJECTS, AS FAR AS POSSIBLE. IF THERE WAS A DOWNTURN, WE WOULD BE ABLE TO SOFTEN THE EFFECT OF THAT BY DRAWING SOMEWHAT ON OUR RESERVES, THAT IS WHAT THEY ARE THERE FOR, THEY ARE NOT THERE JUST TO BE STORED UP AND ENDLESSLY INCREASED.

QUESTION: GOOD MORNING. TWICE, THIS MORNING, YOU HAVE SAID THAT A COUPLE OF POINTS HAVE BEEN RAISED WHICH HAVE NOT BEEN PREVIOUSLY BROUGHT TO YOUR ATTENTION, MAYBE I WOULD LIKE TO BRING A THIRD ONE TO YOUR ATTENTION, AND THAT IS THE CASE OF THE EXPAT. I GET PAID IN STERLING AND I AM LEVIED 10 PER CENT OF MY SALARY FOR THE FACT THAT I AM PROVIDED WITH A FLAT. UNFORTUNATELY, NOBODY TAKES ACCOUNT OF THE FACT THAT I HAVE A UK HOME, I PAY MORTGAGE, I PAY POLL-TAX, HEATING BILLS AND MAINTENANCE FOR ALL THAT. DURING THE LAST YEAR THE SALARY WAS LEVIED AT 13 TO THE POUND, THAT IS THE CONVERSION FACTOR THAT YOU, THE GOVERNMENT, USE, AND YET I AM BRINGING OVER MONEY NOW AT 11 TO THE POUND, SO MY NET TAX IS ABOUT 25 PER CENT OF MY SALARY. CAN YOU DO ANYTHING FOR US, PLEASE?

FS: WELL YOU ARE RIGHT, I HAVE NEVER HEARD OF THE PROBLEM BEFORE. I DON'T KNOW WHAT YOUR PARTICULAR CIRCUMSTANCES ARE BUT I MEAN BASICALLY, I CAN ONLY DEAL WITH THE HONG KONG TAXATION SYSTEM. AS FAR AS I KNOW, AS BETWEEN UK AND HONG KONG, THERE IS, IN EFFECT, A DOUBLE TAXATION ARRANGEMENT, THERE IS NOT ACTUALLY, I DON'T THINK, AN AGREEMENT, BUT I DON'T THINK THAT PEOPLE ARE TAXED TWICE. BUT THAT IS NOT QUITE YOUR POINT. BUT YOUR POINT WAS A BIT TOO COMPLICATED FOR ME TO UNDERSTAND, BUT BASICALLY, YOU ARE RIGHT THAT THIS IS NOT A PROBLEM I HAVE COME ACROSS BEFORE. IF YOU WOULD LIKE TO WRITE TO ME AND LET ME KNOW THE DETAILS OF IT, I CAN HAVE A LOOK, BUT ON THE FACE OF IT I DON'T THINK, WITH RESPECT, THAT IT IS PROBABLY MY PROBLEM AS OPPOSED TO THE UK TAX PROBLEM.

KIT CUMMINGS: I WONDER WHETHER A TAX RELEASE, SPECIFICALLY FOR EXPATRIATES, WOULD NOT BE A BIT POLITICALLY SENSITIVE AT THE MOMENT. THANK FOR YOUR CALL ANYWAY, AND MR MACLEOD IS GOING TO HAVE A LOOK AT IT.

QUESTION: I WOULD LIKE TO ASK THE FINANCIAL SECRETARY ABOUT THE TAX ALLOWANCE. NOW THAT IS INCREASED BY \$10,000 BUT WHY IS IT THERE IS AN INCREASE ON FUEL TAX? SO IT SEEMS THAT HE IS PLAYING WITH FIGURES. SO HE IS NOT REALLY BENEFITING THE SANDWICH CLASS BECAUSE LET'S SAY FOR A SANDWICH CLASS MEMBER HE USES \$400 ON PETROL A WEEK, IN OTHER WORDS, IN A YEAR HE WILL BE SPENDING \$1,000 MORE, AND LET'S ASSUME THAT THE SANDWICH CLASS MEMBER EARNS AN ANNUAL SALARY OF \$225,000, SO UNDER THE EXISTING TAX SYSTEM HE WILL BE PAYING \$10,000 TAX, AND IN THE NEW TAX SYSTEM HE WILL BE PAYING \$7,000 TAX BUT HE WILL BE PAYING AN EXTRA \$1,000 ON FUEL TAX. IN OTHER WORDS, HE IS ONLY ENJOYING A CONCESSION OF \$2,000. IS IT REALLY HELPFUL? YOU HAVE DONE SOME FINE CALCULATIONS, IT SEEMS, BUT STILL THAT IS WHAT WE GET FROM THE BUDGET. OK, SO LET'S LISTEN TO THE EXPLANATION THEN, HOW IS THAT SUM WORKED OUT?

FS: WELL PERHAPS YOUR MATHS IS ABOUT AS GOOD AS OUR MATHS. I HAVE NEVER DREAMT THAT ANYONE WOULD SAY THAT THE INCREASE IN FUEL TAX, WHICH IS ONLY AN INFLATION INCREASE, WOULD OFFSET THE CONCESSIONS ON SALARIES TAX. I MEAN JUST TO REPEAT A FIGURE: A MARRIED COUPLE WITH TWO CHILDREN, IN THE SANDWICH CLASS, THAT IS TO SAY AT \$18,000 A MONTH, THEY WILL BE SAVING, UNDER THESE CONCESSIONS, 56 PER CENT OF THEIR TAX, OR IN DOLLARS \$8,350. NOW I CANNOT BELIEVE THAT THE INFLATION INCREASE IN FUEL TAX SUBSTANTIALLY BITES INTO THAT VERY MAJOR CONCESSION.

QUESTION: GOOD MORNING FINANCIAL SECRETARY. I WOULD LIKE TO ASK: NOW YOU SAY THAT FOR THE SECOND CHILD'S ALLOWANCE THAT HAS BEEN INCREASED BY \$8,000; THAT IS A GOOD SUM. BUT WHAT ABOUT THE THIRD CHILD, THE ALLOWANCE STILL STANDS AT \$3,000, DO YOU THINK THAT IS ADEQUATE OR DO YOU WANT TO PENALISE THOSE COUPLES WITH THREE CHILDREN? SO IN OTHER WORDS, YOU WANT TO SUPPORT THE FAMILY PLANNING ASSOCIATION, IS THIS THE CASE?

FS: WELL, YES, I THINK THE MAIN BENEFIT SHOULD GO TO WHAT YOU MIGHT CALL THE NORMAL SIZE OF HONG KONG FAMILY, WHICH HAPPENS TO BE TWO CHILDREN; MY FAMILY HAPPENS TO BE TWO CHILDREN, TOO. I HAVEN'T ACTUALLY DETECTED ANY GREAT PRESSURE TO INCREASE THE ALLOWANCES FOR THE THIRD AND SUBSEQUENT CHILDREN. BUT I NOTE THAT, I THINK WHAT YOU ARE SAYING IS THAT YOU WOULD LIKE TO SEE THAT DONE, I WILL CERTAINLY NOTE THAT POINT FOR FUTURE REFERENCE.

KIT CUMMINGS: CAN WE PICK UP ON A DIFFERENT QUESTION NOW, AND THAT IS THE EXTENT OF AVOIDANCE OR EVASION OF TAX IN HONG KONG. IN OTHER PLACES IT IS REALLY A VERY MAJOR PROBLEM AND MOST FINANCIAL SECRETARIES OR THE EQUIVALENT, EVERY TIME THEY HAVE A BUDGET SPEECH THEY SAY HOW MUCH POTENTIAL THERE IS FOR GETTING MONEY INTO THE SYSTEM THROUGH TAX-DODGERS OR EVEN THROUGH LEGITIMATE EVASIONS, WHICH CAN BE PLUGGED THROUGH LEGISLATION. YOU HAVE ALLUDED TO IT BRIEFLY THERE IN YOUR BUDGET SPEECH, BUT DO YOU THINK THERE REALLY IS MUCH MONEY OUT THERE THAT CAN BE COLLECTED THROUGH DILIGENT INLAND REVENUE SERVICE BURROWING?

FS: YES, I THINK HUMAN NATURE IS SUCH THAT EVEN WHEN YOU HAVE A SIMPLE LOW TAX SYSTEM, PEOPLE WILL TRY AND AVOID IT, OR COMPANIES WILL TRY TO AVOID IT, WHICH IS PROBABLY THE MORE SERIOUS PROBLEM, AND I HAVE HAD A LOT OF SUPPORT FROM LEGCO MEMBERS IN THE NOTION THAT WE SHOULD SOMEWHAT INCREASE THE RESOURCES OF THE INLAND REVENUE DEPARTMENT TO TRY AND DEAL WITH THIS. THE INLAND REVENUE DEPARTMENT EXPERIMENTED WITH WHAT IS CALLED 'FIELD AUDIT TEAMS' AND THOSE HAVE BEEN VERY SUCCESSFUL, THEY ACTUALLY GET OUT THERE AND CHECK, PARTICULARLY THIS IS COMPANY ACCOUNTS, AND THEY HAVE HAD A LOT OF SUCCESS. SO WE ARE MODESTLY INCREASING THE STAFF FROM THE INLAND REVENUE DEPARTMENT TO HELP THEM TACKLE THAT, PLUS THE FACT THAT SOME OF THE SIMPLIFICATION OF TAX MEASURES THAT I HAVE TAKEN, THE ABOLITION OF TAXES, WILL ALSO RELEASE STAFF ALSO IN THE INLAND REVENUE DEPARTMENT WHO WILL BE USED TO COMBAT BOTH AVOIDANCE AND EVASION. PLUS THE FACT THAT I THINK EVERY YEAR WE HAVE TO INTRODUCE ONE OR TWO LEGISLATIVE MEASURES TO DEAL WITH LOOPHOLES THAT HAVE EMERGED.

QUESTION: GOOD MORNING MR MACLEOD. I MUST WELCOME THE BUDGET THIS YEAR BECAUSE IT SEEMS TO BE A VERY LENIENT BUDGET BUT I HAVE JUST A SHORT COMMENT. WITH CONCERN TO THE TAX ON THE COSMETICS, I SEE NO REAL URGENT REASON WHY YOU HAVE TO CUT BACK, BECAUSE TO MY POINT I THINK MOST OF THE PUBLIC WILL STILL BUY THE COSMETICS AND I THINK THE TAX WHICH IS GENERATED BY THE COSMETICS CAN BE PUT INTO BETTER USE. SAY FOR EXAMPLE, THE INCREASE IN HEALTH OR EDUCATION, I THINK THEY CERTAINLY NEED MORE REVENUE TO BE GIVEN IN THESE TWO AREAS INSTEAD OF CUTTING THE COSMETIC TAX WHICH I DON'T THINK IS REALLY AN URGENT PROBLEM FOR MOST OF THE PUBLIC.

FS: I THINK PROBABLY MOST OF THE PUBLIC WERE NOT TERRIBLY AWARE THAT WHEN THEY BOUGHT THEIR CREAM FOR THEIR FACES AND SO ON, THAT THAT WAS TAXED, BUT I THINK THEY WILL NOTICE THE BENEFIT WHEN THE TAX IS REMOVED. THE INDUSTRY HAS AGREED TO CUT PRICES BY 10-12 PER CENT. BUT AS WELL AS THE DOMESTIC CONSUMER I MUST SAY I ALSO HAD IN MIND THE VISITORS, THE TOURISTS, WHO SPEND A LOT OF MONEY HERE WHICH BENEFITS ACTUALLY THE WHOLE COMMUNITY, AND I WANTED TO KEEP SHOPPING OF COSMETICS, AMONG OTHER THINGS, AS STILL AN ATTRACTION FOR TOURISTS, SO I HAD BOTH GROUPS IN MIND.

KIT CUMMINGS: CAN I JUST FOLLOW THAT ONE UP TOO. WE HAD CRITICISM ON 'HONG KONG TODAY' EARLIER, THAT WHEREAS MOST FINANCIAL SECRETARIES HAVE BEEN SAYING WE NEED TO WIDEN THE TAX BASE, AS A SORT OF PHILOSOPHICAL POINT OR A PRACTICAL WAY AHEAD, IN FACT WHAT YOU ARE DOING IS TO NARROW THE TAX BASE.

FS: THAT IS TRUE. THERE HAS BEEN A LONG-STANDING DEBATE ON THIS. I THINK, MYSELF, THE THEORETICAL ARGUMENTS ARE SOMEWHAT OVERDONE. THE ARGUMENT, HISTORICALLY, HAS BEEN IN TERMS OF DIRECT AND INDIRECT AND THE BENEFITS OF INCREASING THE REVENUE FROM INDIRECT TAXATION BECAUSE IT IS LESS VOLATILE. ACTUALLY, IT IS NOT QUITE TRUE, IT ALL DEPENDS ON THE TAX. FOR INSTANCE SALARIES TAX WHICH IS A DIRECT TAX IS A RATHER RELIABLE TAX AND OF COURSE IT TENDS TO GO UP RATHER NICELY WITH INFLATION, WHEREAS AN INDIRECT TAX LIKE STAMP DUTY IS EXTREMELY VOLATILE. SO I THINK THE ARGUMENT HAS PROBABLY GOT A LITTLE BIT CARRIED AWAY WITH ITSELF. I THINK THERE WERE GOOD THEORETICAL REASONS FOR PROPOSING THE INTRODUCTION OF A SALES TAX, BUT THERE ARE GOOD POLITICAL REASONS WHY WE ARE NOT ABOUT TO DO IT.

QUESTION: DO YOU MEAN THAT BEFORE 1997, YOU WILL NOT CONSIDER MAKING INDIRECT TAX AS THE MAJOR SOURCE OF INCOME IN HONG KONG?

FS: WELL, WE LIKE TO KEEP OUR OPTIONS OPEN, SO I AM NOT GOING TO COMMIT MYSELF TO WHAT IS GOING TO HAPPEN BETWEEN NOW AND 1997. BUT I THINK I HAVE SAID FAIRLY CLEARLY THAT THE SALES TAX IN PARTICULAR, WE WILL HAVE TO BE ABLE TO PERSUADE PEOPLE THAT WE HAD A REAL NEED TO INTRODUCE THAT TAX AND I DON'T BELIEVE THAT I COULD DO THAT AT THE MOMENT.

QUESTION: GOOD MORNING FINANCIAL SECRETARY. IN RECENT YEARS, THE HONG KONG GOVERNMENT HAS BEEN PRODUCING TIGHT BUDGETS, THEREFORE THE PAY FOR CIVIL SERVANTS HAS BEEN DEPRESSED BY SOME 3.5 PER CENT, IT IS WELL KNOWN TO THE PUBLIC IN HONG KONG. BUT DO YOU UNDERSTAND THAT IN THE PAST ONE OR TWO YEARS, THE MORALE OF THE CIVIL SERVANTS, IN MY OPINION, HAS BEEN AFFECTED TO QUITE SOME EXTENT? NOW THAT WE HAVE SUCH A LARGE SURPLUS THIS YEAR, I WONDER IF YOU WOULD HONOUR THE PROMISE OF RETURNING THAT 3.5 PER CENT TO CIVIL SERVANTS?

FS: WELL, I DON'T THINK THERE IS ANY SUCH PROMISE, WE ARE RATHER CAREFUL ABOUT WHAT PROMISES WE MAKE. I CERTAINLY HAVE SOME SYMPATHY FOR THE ARGUMENT THAT WE HAVE TO BE VERY CAREFUL HOW WE TREAT THE CIVIL SERVICE BUT I BELIEVE THAT OVER THE YEARS THE SYSTEM THAT WE HAVE USED, ADMITTEDLY WITH THE OCCASIONAL DEPARTURE FROM IT, HAS SERVED THE CIVIL SERVICE WELL. I MEAN THE CIVIL SERVICE PAY HAS GONE UP IN REAL TERMS, JUST AS THE PAY OF THE PRIVATE SECTOR HAS GONE UP IN REAL TERMS. BUT WE WILL HAVE TO SEE WHAT THE FIGURES TURN OUT THIS YEAR. BUT I AM CERTAINLY AGAINST PAYMENTS WHICH SEEK TO MAKE UP FOR ANY PAST PERCEIVED REDUCTIONS. WE HAVE, I THINK IT IS TRUE, ALWAYS GIVEN INCREASES WHICH ARE AT LEAST THE LEVEL OF INFLATION, AND SOMETIMES CONSIDERABLY MORE, I DON'T THINK THAT IS UNREASONABLE.

QUESTION: GOOD MORNING, MR FINANCIAL SECRETARY. I WOULD LIKE TO PUT A QUESTION REGARDING THE DEPENDANT BALANCE ALLOWANCE. WE ARE NOT SUPPOSED TO GET THE DEPENDANT BALANCE ALLOWANCE BECAUSE OUR PARENTS ARE NOT RESIDENT IN HONG KONG, AND ACCORDING TO TERMS AND CONDITIONS OF OUR CONTRACT WE ARE NOT ALLOWED TO BRING OUR PARENTS TO HONG KONG; OUR PARENTS ARE STILL IN OUR COUNTRY BUT WE ARE SUPPORTING THEM.

FS: I SEE, I UNDERSTAND YOUR PROBLEM. IT IS NOT ONE THAT I WOULD SEEK TO ADDRESS NORMALLY IN THE BUDGET, BUT I AM QUITE HAPPY, IF WE HAVE YOUR NUMBER, TO GET THE INLAND REVENUE DEPARTMENT PERHAPS TO RING YOU BACK WITH A VIEW ON THAT. I THINK, YOU KNOW OFF THE CUFF, THE PROBLEM WITH EXTENDING IT TO NON-RESIDENT PARENTS WOULD BE THE DIFFICULTY OF ENFORCEMENT, IT COULD BE A MAJOR LOOPHOLE, BUT I CAN CERTAINLY GET SOMEONE TO HAVE A LOOK AT YOUR PROBLEM.

QUESTION: THANK YOU FOR OFFERING ME A CHANCE TO ASK YOU A QUESTION. I HAVE A FRIEND WITH TWO CHILDREN, THEY ARE HAEMOPHILIACS, BUT THEN IN YOUR BUDGET THEY WILL BE GIVEN SOME EX GRATIA PAYMENT; I AM INDEED HEARTENED BY THAT BUT MY FRIEND SAYS THAT IS NOT GOOD ENOUGH. EVERYDAY, IN ORDER TO TAKE GOOD CARE OF THE CHILDREN, MY FRIEND WILL HAVE TO GO TO THE HOSPITAL AND HE CANNOT REALLY TAKE UP A FULL-TIME JOB AND THEN HIS STANDARD OF LIVING IS NOT THAT HIGH. SO IT IS HOPED THAT ON THIS FRONT, THE FINANCIAL SECRETARY CAN TAKE EVEN BETTER CARE OF THEM TO SEE WHETHER MORE CONCESSIONS CAN BE GRANTED TO THEM, FOR EXAMPLE ON THE MEDICAL FRONT. WELL, I THINK THE INCUMBENT FINANCIAL SECRETARY IS A GOOD PERSON, HE IS CONCERNED ABOUT THIS HANDFUL OF HAEMOPHILIACS, THAT SHOWS THAT HE IS A CARING FINANCIAL SECRETARY. WE ARE NOT TALKING ABOUT A LARGE NUMBER OF PEOPLE.

FS: THANK YOU. WE DO RECOGNISE THAT THIS IS A SERIOUS PROBLEM. THE 350 MILLION WHICH I ANNOUNCED IS WHAT I WAS ADVISED WOULD BE SUFFICIENT, FOR A RANGE OF THINGS, NOT JUST DIRECT PAYMENTS BUT ALSO SERVICES TO HELP THOSE PEOPLE AND THOSE FAMILIES WHO ARE AFFECTED BY THIS ILLNESS. BUT AGAIN, I AM OPEN TO ARGUMENT, IF THE MONEY PROVES TO BE INADEQUATE WE ARE QUITE READY TO HAVE ANOTHER LOOK AT IT, BUT I THINK WE HAVE TO SEE HOW THAT FUND WORKS AND HOW ADEQUATE IT IS BEFORE WE LOOK AT ANY INCREASE. BUT IF THERE ARE PROBLEMS, LET US KNOW ABOUT THEM.

KIT CUMMMINGS: THANK YOU VERY MUCH TO THE FINANCIAL SECRETARY, MR HAMISH MACLEOD.

MORE EMIGRANTS RETURN TO HK

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THE NUMBER OF EMIGRANTS WHO HAVE RETURNED TO HONG KONG HAS INCREASED SUBSTANTIALLY OVER THE PAST TWO YEARS, A GOVERNMENT SPOKESMAN SAID TODAY (THURSDAY).

ANNOUNCING THE LATEST STATISTICS ON EMIGRATION, HE SAID AT LEAST 12 PER CENT OF PERSONS WHO EMIGRATED DURING THE PAST 10 YEARS HAD RETURNED SUBSEQUENTLY TO HONG KONG.

THE FINDING IS DRAWN FROM GENERAL HOUSEHOLD SURVEYS CONDUCTED BY THE CENSUS AND STATISTICS DEPARTMENT OVER DIFFERENT PERIODS.

"A SURVEY IN THE FIRST QUARTER OF 1992 FOUND THAT THE NUMBER OF RETURNED EMIGRANTS WHO OBTAINED THE RIGHT OF RESIDENCE ABROAD DURING THE YEARS 1982/1991 WAS 43,000," THE SPOKESMAN SAID.

A SIMILAR SURVEY CONDUCTED IN THE SECOND QUARTER OF 1990, AND COVERING THE YEARS 1980/1989, SHOWED ONLY 24,000 HAD RETURNED.

"COMPARING THE TWO SETS OF FIGURES SUGGESTS THAT THE NUMBER OF RETURNED EMIGRANTS HAS INCREASED SIGNIFICANTLY OVER THE PAST TWO YEARS," HE SAID.

THE SPOKESMAN DID CAUTION, HOWEVER, THAT THE FIGURES WERE SUBJECT TO UNDER-REPORTING AND COULD BE AFFECTED BY THE DIFFERENCE IN THE TIME OF YEAR AND IN THE SIZE OF THE "POOL" OF EMIGRANTS OUTSIDE HONG KONG WHEN THE TWO SPECIAL ENQUIRIES WERE CONDUCTED.

THE INCREASE IN THE NUMBER OF RETURNED EMIGRANTS WAS ACCOMPANIED BY A DROP IN THE NUMBER OF APPLICATIONS FOR IMMIGRATION VISAS LODGED WITH THE CONSULATES OF SOME OF THE MAJOR DESTINATION COUNTRIES LAST YEAR.

"BUT BECAUSE OF THE BACKLOG WHICH HAS BEEN CARRIED FORWARD FROM PREVIOUS YEARS, THE DROP IS UNLIKELY TO BE REFLECTED IN THE NUMBER OF EMIGRANTS THIS YEAR," THE SPOKESMAN SAID.

HE ADDED THAT AN ESTIMATED 60,000 PEOPLE EMIGRATED FROM HONG KONG IN 1991, WHILE THE PROVISIONAL ESTIMATE FOR 1992 WAS 66,000.

THE 10 PER CENT INCREASE IN THE PROVISIONAL ESTIMATE FOR 1992 OVER THE 1991 FIGURE WAS ATTRIBUTABLE TO THE DEPLOYMENT OF ADDITIONAL RESOURCES BY SOME CONSULATES TO PROCESS VISA APPLICATIONS, THE SPOKESMAN EXPLAINED.

"THE FALL IN THE NUMBER OF NEW APPLICATIONS FOR EMIGRATION WILL PROBABLY BEGIN TO HAVE AN EFFECT ON EMIGRATION THIS YEAR," THE SPOKESMAN SAID. HE EXPECTED THE EMIGRATION LEVEL TO DROP BELOW 60,000 THIS YEAR.

HE ADDED THAT THE STATISTICS WERE BASED ON THE NUMBER OF VISAS ISSUED BY THE MAIN DESTINATION COUNTRIES, TAKING INTO CONSIDERATION THE LEAD TIME NEEDED FOR THE VISAS TO BE TAKEN UP BY THE EMIGRANTS.

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TRADE OFFICIALS VISIT GUANGDONG

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THE DIRECTOR-GENERAL OF TRADE, MR DONALD TSANG, THIS (THURSDAY) MORNING LEFT HONG KONG FOR A WEEK-LONG FAMILIARISATION VISIT IN GUANGDONG PROVINCE.

"THE ECONOMIC TRANSFORMATION IN SOUTHERN CHINA WILL GENERATE WEALTH NOT ONLY FOR PEOPLE THERE, BUT FOR ALL BUSINESSMEN IN THE REGION WHO APPRECIATE AND EXPLORE THIS OPPORTUNITY," MR TSANG SAID, BEFORE THE VISIT.

HE SAID IT WAS MOST IMPORTANT THAT PEOPLE IN HONG KONG WERE FULLY AWARE OF THE POTENTIAL.

"THE ECONOMIC SYNERGISM BETWEEN HONG KONG AND SOUTHERN CHINA WILL GENERATE TREMENDOUS ECONOMIC GROWTH. WHAT WE HAVE SEEN SO FAR IS THE TIP OF AN ICEBERG WHICH WILL SURFACE AT AN ACCELERATED PACE IN THE COMING DECADE."

MR TSANG SAID THE PURPOSE OF THE VISIT WAS TO SEE THE LATEST ECONOMIC DEVELOPMENTS IN THE PEARL RIVER ESTUARY AND GET A BETTER UNDERSTANDING OF THE TRADE AND ECONOMIC SYSTEMS THAT HAD BEEN PUT IN PLACE.

THE EIGHT-MEMBER DELEGATION, LED BY MR TSANG, WILL VISIT GUANGZHOU, FOSHAN, JIUJIANG, SHUNDE, ZHONGSHAN AND JIANGMEN.

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VOLUNTARY WORK BENEFITS ELDERLY AND YOUNGSTERS

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VOLUNTEER WORK CAN GIVE THE ELDERLY A SENSE OF PRIDE AND AN OPPORTUNITY TO CONTRIBUTE THEMSELVES TO THE COMMUNITY, MRS PATTEN SAID TODAY (THURSDAY).

IT ALSO HELPS THE YOUNGSTERS DEVELOP AN AWARENESS OF THE NEEDS OF SOCIETY AND A SENSE OF CIVIC RESPONSIBILITY.

SPEAKING AT THE HELPING HAND "COOKIE CAMPAIGN" THANK-YOU TEA RECEPTION, MRS PATTEN SAID THE CAMPAIGN LAST YEAR WAS THUS NOT ONLY A FUND-RAISING ACTIVITY FOR ELDERLY WELFARE BUT ALSO AN EXPERIENCE IN VOLUNTEERISM FOR ALL AGES.

SHE SAID THE ELDERLY WERE ENTITLED TO SPECIAL PRIORITY FOR SERVICES AND AN AGING POPULATION IN HONG KONG MEANT THAT MORE RESIDENTIAL AND COMMUNITY CARE SERVICES WOULD BE REQUIRED FOR THE ELDERLY.

THESE SERVICES WILL EXPAND SIGNIFICANTLY IN THE YEARS AHEAD, SHE SAID, ADDING THAT MORE INNOVATIVE SERVICES WOULD BE NEEDED.

TO THIS END, THE GOVERNMENT IS PROVIDING RECURRENT FUNDING FOR A NEW HOLIDAY CENTRE FOR THE ELDERLY AT CHEUNG MUK TAU.

/THE CENTRE

THE CENTRE, RUN BY THE HELPING HAND WITH ITS CAPITAL COST FUNDED BY THE SPECIAL GOLD COIN FUND, IS DUE TO BE COMPLETED BY THE MIDDLE OF THIS YEAR.

MRS PATTEN SAID THE PROMOTION OF ELDERLY WELFARE REQUIRED THE CONCERTED EFFORTS OF THE COMMUNITY.

SHE THANKED EVERYONE INVOLVED IN ORGANISING AND WORKING FOR THE COOKIE CAMPAIGN WHICH HELPED MOBILISE PEOPLE FROM ALL WALKS OF LIFE, INCLUDING THE ELDERLY THEMSELVES TO JOIN HANDS TO CARE FOR OTHERS IN SOCIETY.

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MOTORCYCLING IN COUNTRY PARKS ILLEGAL

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DRIVING MOTORCYCLES INSIDE COUNTRY PARKS WITHOUT PERMISSION IS AN OFFENCE PUNISHABLE BY A MAXIMUM FINE OF \$2,000 AND THREE MONTHS' IMPRISONMENT UPON CONVICTION.

THE REMINDER WAS ISSUED BY THE AGRICULTURE AND FISHERIES DEPARTMENT'S SENIOR COUNTRY PARKS OFFICER, MR LAI CHING-WAI, FOLLOWING THE ISSUE OF SUMMONSES TO TWO PERSONS FOUND RIDING CROSS-COUNTRY MOTORCYCLES IN MA ON SHAN COUNTRY PARK ON FEBRUARY 21.

MR LAI SAID: "UNDER THE COUNTRY PARKS AND SPECIAL AREAS REGULATIONS, ANY PERSON FOUND DRIVING MOTORCYCLES WITHOUT THE PERMISSION OF THE COUNTRY PARKS AUTHORITY IS LIABLE TO PROSECUTION."

RIDING CROSS-COUNTRY MOTORCYCLES IN COUNTRY PARKS IS DANGEROUS TO BOTH VISITORS AND DRIVERS, HE SAID.

"THE DEPARTMENT IS VERY CONCERNED ABOUT SUCH ILLEGAL ACTIVITIES AS THEY WOULD THREATEN THE SAFETY OF OTHER COUNTRY PARKS VISITORS, DAMAGE VEGETATION, CAUSE EROSION AND POLLUTE THE NATURAL ENVIRONMENT.

"OUR COUNTRYSIDE IS FOR US TO ENJOY AND NOBODY SHOULD BE ALLOWED TO DESTROY IT," HE ADDED.

MR LAI STRESSED THAT COUNTRY PARK WARDENS WOULD REMAIN VIGILANT AND TAKE APPROPRIATE ENFORCEMENT ACTIONS TO ENSURE PROPER PROTECTION OF THE COUNTRY PARKS.

IN THE PAST 12 MONTHS, EIGHT OTHER PEOPLE WERE CHARGED FOR RIDING MOTORCYCLES IN COUNTRY PARKS.

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MORE FUNDS FOR NEW PERFORMING ARTS GROUPS WELCOMED

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CHAIRMAN OF THE COUNCIL FOR THE PERFORMING ARTS (CFPA), PROFESSOR WANG GUNGWU, WAS PLEASED WITH THE FINANCIAL SECRETARY'S ANNOUNCEMENT THAT \$30 MILLION WOULD BE INJECTED INTO THE SIR DAVID TRENCH FUND FOR RECREATION FOR THE SPECIFIC PURPOSE OF HELPING THE DEVELOPMENT OF NEW PERFORMING ARTS GROUPS.

HE SAID THE INCOME GENERATED FROM THIS CAPITAL INJECTION WOULD BE A MOST WELCOME ADDITION TO THE EXISTING FUNDS ALLOCATED TO THE CFPA TO HELP NEW ARTS GROUPS DEVELOP.

ALTHOUGH THE CAPITAL INJECTION WILL NOT FORM PART OF ITS ANNUAL PROVISION FROM THE GOVERNMENT, THE CFPA WILL NEVERTHELESS BE ASKED TO ADVISE THE SECRETARY FOR RECREATION AND CULTURE ON THE PROPER DISBURSEMENT OF THIS ADDITIONAL FUND.

GOVERNMENT'S ANNUAL PROVISION TO THE CFPA BLOCK VOTE IN THE NEW FINANCIAL YEAR OF 1993/94 WILL BE \$36.68 MILLION, AN INCREASE OF ABOUT 4 PER CENT FROM THE CURRENT YEAR'S PROVISION OF \$35.14 MILLION.

OUT OF THIS, HOWEVER, A SUM OF \$31 MILLION HAS BEEN EARMARKED FOR THE PROFESSIONAL AND SEMI-PROFESSIONAL GROUPS SUCH AS HONG KONG BALLET, CITY CONTEMPORARY DANCE COMPANY, CHUNG YING THEATRE COMPANY, HONG KONG ARTS FESTIVAL SOCIETY AND EXPLORATION THEATRE.

THE REMAINING \$5.6 MILLION WILL BE LEFT FOR ALLOCATION TO OTHER NEW AND AMATEUR PERFORMING ARTS GROUPS TO SUPPORT THEM IN THEIR ACTIVITIES.

"EXPERIENCE HAS SHOWN THAT THIS IS NOT ADEQUATE," PROFESSOR WANG SAID.

THIS HAS LED TO GRIEVANCES AMONG THE PERFORMING ARTS GROUPS AND CRITICISM FROM THE ARTS COMMUNITY THAT INADEQUATE FUNDING MAY STIFLE THE GROWTH AND DEVELOPMENT OF NEW PERFORMING ARTS GROUPS, IN FAVOUR OF THE ESTABLISHED PROFESSIONAL GROUPS.

"WITH THE INJECTION OF THE ONE-OFF GRANT OF \$30 MILLION TOWARDS THE SIR DAVID TRENCH FUND FOR RECREATION, THIS WILL GO A LONG WAY TOWARDS ASSISTING THE DEVELOPMENT OF THE NEW PERFORMING ARTS GROUPS IN FUTURE," HE SAID.

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VARIETY SHOW MARKS CLOSE OF EASTERN ARTS FESTIVAL
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A VARIETY SHOW AND AN EXHIBITION AT THE PALM COURT, CITYPLAZA, THIS SUNDAY (MARCH 7) WILL MARK THE FINALE OF THE 17-DAY EASTERN DISTRICT ARTS FESTIVAL.

THE VARIETY SHOW, FROM 2 PM TO 5 PM, WILL FEATURE PERFORMANCES BY A BAND, POPULAR SINGERS AND AN "ERHU" PLAYER PLUS ON-STAGE DEMONSTRATIONS BY VETERAN MASTERS IN FLORAL ARRANGEMENT AND CHINESE CALLIGRAPHY.

WINNERS OF THE FOUR COMPETITIONS - CHILDREN'S DRAWING, CALLIGRAPHY, FLORAL ARRANGEMENT AND PHOTOGRAPHY - HELD DURING THE FESTIVAL WILL BE PRESENTED WITH PRIZES.

THEIR WINNING ENTRIES WILL BE PUT ON DISPLAY AT THE VENUE FROM 9 AM TO 8 PM.

ALSO PUT UP IN THE EXHIBITION ARE PRECIOUS PHOTOGRAPHS SUPPLIED BY THE MUSEUM OF HISTORY ON THE DISTRICT DATING BACK TO THE LATE 19TH CENTURY.

THE OFFICIATING GUESTS ARE EASTERN DISTRICT OFFICER, MR STEVE BARCLAY; DISTRICT BOARD CHAIRMAN, MR SHUM CHOI-SANG; URBAN COUNCILLOR, MS TING YUK-CHEE AND CHAIRMAN OF THE COMMUNITY BUILDING COMMITTEE OF THE DISTRICT BOARD, MR FU YUEN-CHEUNG.

THE FESTIVAL IS JOINTLY ORGANISED BY THE EASTERN DISTRICT BOARD, URBAN COUNCIL AND THE DISTRICT OFFICE AND SPONSORED BY THE EASTERN DISTRICT ARTS COUNCIL AND THE MUSIC OFFICE.

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ATTENTION NEWS EDITORS:

YOUR REPRESENTATIVES ARE INVITED TO COVER THE EASTERN DISTRICT ARTS FESTIVAL CLOSING CEREMONY CUM ARTS AND CULTURAL VARIETY SHOW AT 2 PM THIS SUNDAY (MARCH 7) AT PALM COURT, CITYPLAZA.

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NEW PHONE LINE INSTALLED
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THE DEPARTMENT OF HEALTH ANNOUNCED TODAY (THURSDAY) THAT WITH EFFECT FROM MONDAY (MARCH 8), THE TELEPHONE NUMBER FOR THE MATERNAL AND CHILD HEALTH CENTRE AT NGAU TAU KOK JOCKEY CLUB CLINIC IN KOWLOON WILL BE CHANGED TO "750 4270".

THE EXISTING NUMBER "750 5410" WILL BE RETAINED SOLELY FOR THE GENERAL OUT-PATIENT DEPARTMENT OF THE CLINIC FROM THAT DATE.

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FINANCE COMMITTEE MEETS TOMORROW

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THE FINANCE COMMITTEE WILL HOLD A MEETING AT 2.30 PM TOMORROW (FRIDAY) IN THE LEGISLATIVE COUNCIL CHAMBER.

MEMBERS OF THE PUBLIC ARE WELCOME TO OBSERVE THE PROCEEDINGS FROM THE CHAMBER'S PUBLIC GALLERY. THEY MAY RESERVE SEATS BY CALLING 869 9492.

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NOTE TO EDITORS:

ADVANCE COPIES OF THE COMMITTEE'S PAPERS WILL BE AVAILABLE FOR THE MEDIA FROM 2.30 PM TODAY (THURSDAY) AT THE PRESS ROOM ON THE FIRST FLOOR OF THE LEGISLATIVE COUNCIL BUILDING. PLEASE NOTE THAT THE CONTENTS OF THE PAPERS WILL BE EMBARGOED FOR USE UNTIL THE MEETING ENDS.

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HONG KONG GOVERNMENT EXCHANGE FUND
MONEY MARKET OPERATIONS

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	\$ MILLION

OPENING BALANCE IN THE ACCOUNT	1,300
REVERSAL OF LAF	+850
BALANCE AFTER REVERSAL OF LAF	2,150
NET INJECTION/WITHDRAWAL TODAY	NIL
EFFECT OF LAF TODAY	-730
CLOSING BALANCE IN THE ACCOUNT	1,420
LAF RATE 2.00 BID/4.00 OFFER TWI 113.9	**+0.2* 4.3.93

/HONG KONG

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HONG KONG GOVERNMENT EXCHANGE FUND

EF BILLS		HONG KONG GOVERNMENT BONDS				
TERMS	YIELD	TERM	ISSUE	COUPON	PRICE	YIELD
1 WEEK	2.26 PCT	15 MONTHS	2405	5.50	102.64	3.27
1 MONTH	2.54 PCT	18 MONTHS	2408	5.50	101.45	3.38
3 MONTHS	2.85 PCT	21 MONTHS	2411	4.375	101.79	3.56
6 MONTHS	3.96 PCT	24 MONTHS	2502	4.625	101.85	3.79
12 MONTHS	3.26 PCT					

TOTAL TURNOVER OF BILLS AND BONDS - 13,705 MN

CLOSED MARCH 4, 1993

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