



DAILY INFORMATION BULLETIN

ISSUED BY GOVERNMENT INFORMATION SERVICES
BEACONSFIELD HOUSE, HONG KONG. TEL.: 842 8777

WEDNESDAY, MARCH 4, 1992

<u>CONTENTS</u>	<u>PAGE NO.</u>
<u>LEGISLATIVE COUNCIL MEETING:</u>	
FS SPELLS OUT BUDGET AIM	1
HEALTHY PROSPECTS FOR ECONOMIC GROWTH AHEAD: FS	3
INFLATION MUST BE REVIEWED REALISTICALLY: FS	5
BUDGET PROPOSALS FOCUS ON PUBLIC FINANCES MANAGEMENT : FS	8
\$14.1 BILLION SURPLUS FOR 1991-92	10
GOVT TO SPEND \$115.1 BILLION IN 1992-93	11
RISE IN REVENUE ESTIMATE FOR 92-93: FS	13
FS EXPLAINS THE SHAPING OF REVENUE PROPOSALS	15
FS PROPOSES NEW REVENUE MEASURES AND TAX CONCESSIONS	16
CORPORATE PROFITS TAX AND GENERAL RATES TO INCREASE : FS	17
FS PROPOSES REVENUE MEASURES	20
TAX CONCESSIONS ON NON-LUXURY ITEMS AND SALARIES TAX	21
REVENUE PROTECTION ON DUTIABLE COMMODITIES TO TAKE IMMEDIATE EFFECT	24
WE MUST HAVE CONFIDENCE IN OURSELVES : FS	25
NEW ROAD WILL MEET INCREASE IN CROSS-BORDER TRAFFIC	27
FLUSHING WITH TREATED SEWAGE EFFLUENT EXPENSIVE	27
BUILDINGS AND LANDS DEPARTMENT TO BE REORGANISED	28
CRIME CONTROL MEASURES IN ISLANDS DISTRICT	29
MOST PUBLIC ESTATES HAVE MAC'S: SHA	30
RATES REVENUE AND RATES RELIEF EXPLAINED	31
CONTROL ON FUME DISCHARGE FROM RESTAURANT KITCHENS	31

/ACADEMY OF

<u>CONTENTS</u>	<u>PAGE NO.</u>
ACADEMY OF MEDICINE TO PROVIDE SPECIALIST TRAINING	32
VEHICLE MAINTENANCE SUSPENSE ACCOUNT TO BE ESTABLISHED	33
BUDGET SUMMARY BY FS ON TV AND RADIO	35
ISLANDERS' CO-OPERATION CRUCIAL TO LANTAU DEVELOPMENT	37
NON-INSTITUTIONAL CARE ESSENTIAL TO CHILDREN IN NEED OF FAMILY CARE	37
GOVERNMENT LAND TO LET BY TENDER	39
HONG KONG GOVERNMENT EXCHANGE FUND MONEY MARKET OPERATIONS	40

FS SPELLS OUT BUDGET AIM

* * * * *

THE AIM OF THE BUDGET IS TO BALANCE THE NEED TO IMPROVE PUBLIC SERVICES WITH THE NEED TO FOSTER GROWTH THROUGH ENTERPRISE AND AT THE SAME TIME, SEEK NOT TO ADD TO INFLATION NOR INCREASE THE OVERALL COST OF LIVING OF ORDINARY HOUSEHOLDS; AND TO KEEP THE RESERVES AT A PRUDENT LEVEL.

THIS WAS STATED BY THE FINANCIAL SECRETARY, THE HON HAMISH MACLEOD, WHEN MOVING THE SECOND READING OF THE APPROPRIATION BILL 1992 IN THE LEGISLATIVE COUNCIL THIS (WEDNESDAY) AFTERNOON.

IN PRESENTING HIS FIRST BUDGET, MR MACLEOD SAID HE WAS VERY CONSCIOUS OF HONG KONG'S REMARKABLE RECORD OF ECONOMIC SUCCESS DURING THE PAST 40 YEARS.

"MY PRIME DUTY AS FINANCIAL SECRETARY IS TO DO ALL I CAN TO ENSURE THAT THIS RECORD OF SUCCESS CONTINUES INTO THE FUTURE," HE SAID, ADDING THAT ECONOMIC SUCCESS MUST BE A FINANCIAL SECRETARY'S FIRST PRIORITY.

HE POINTED OUT THAT HONG KONG'S PAST SUCCESS HAD MEANT THAT THE STANDARD OF LIVING FOR THE WHOLE COMMUNITY HAD BEEN TRANSFORMED. IT WAS NOT JUST THAT PERSONAL INCOMES HAD INCREASED TO THE POINT WHERE PER CAPITA GDP WAS AT PRESENT AMONG THE HIGHEST IN ASIA.

"OUR ECONOMIC SUCCESS HAS BEEN THE FOUNDATION FOR EVERYTHING WE HAVE ACHIEVED IN THE PAST 40 YEARS IN HOUSING, HEALTH CARE, EDUCATION AND SOCIAL WELFARE," THE FINANCIAL SECRETARY SAID.

MR MACLEOD SAID HONG KONG'S ECONOMIC PHILOSOPHY WAS NOT DIFFICULT TO DESCRIBE.

"IT IS A COMMITMENT TO ENTERPRISE, A COMMITMENT TO LOW TAXATION AND A COMMITMENT TO FREE MARKETS AND FREE TRADE," HE SAID.

AT A TIME WHEN LARGE PARTS OF THE WORLD WERE REDISCOVERING - OR IN SOME CASES DISCOVERING FOR THE FIRST TIME - THAT THE MARKET WAS THE BEST MEANS OF ORDERING ECONOMIC AFFAIRS, HE SAID IT WAS WORTH REMINDING OURSELVES THAT WE IN HONG KONG HAD NEVER LOST SIGHT OF THIS BASIC FACT OF ECONOMIC LIFE.

"WE HAVE NEVER SET OUR FACE AGAINST ECONOMIC REALITIES AND THE NEED TO EARN A LIVING IN THE WORLD THROUGH ENTERPRISE AND EFFICIENCY," HE ADDED.

MR MACLEOD SAID HE WOULD LIKE TO MAKE IT CLEAR AT THE OUTSET THAT HE SUBSCRIBED FULLY TO THE ECONOMIC PHILOSOPHY WHICH HAD BROUGHT PROSPERITY TO THE PEOPLE OF HONG KONG.

"MY BUDGETS WILL BE CHARACTERISED BY A COMMITMENT TO ECONOMIC GROWTH, BY A COMMITMENT TO MAINTAIN SOUND FINANCIAL MANAGEMENT AND BY A COMMITMENT TO HELP THOSE MOST IN NEED," HE SAID.

WHILE HE WAS CONSCIOUS OF THE IMPORTANCE OF CONTINUITY IN ECONOMIC POLICY, HE SAID HE WAS ALSO AWARE THAT HONG KONG WAS IN THE PROCESS OF TRANSFORMATION, AND THAT THIS FACT MUST BE TAKEN INTO ACCOUNT IN FRAMING THE GOVERNMENT'S POLICIES.

HE ALSO SAID THE ECONOMY HAD UNDERGONE A PROFOUND STRUCTURAL CHANGE IN RECENT YEARS AS A LARGE PART OF HONG KONG'S MANUFACTURING BASE HAD BEEN TRANSFERRED TO THE LOWER COST ENVIRONMENT OF GUANGDONG.

HONG KONG'S TRADING PATTERNS HAD ALSO CHANGED.

HONG KONG'S SUCCESS IN THE 1950S AND 1960S WAS BASED ON TRADE WITH NORTH AMERICA AND EUROPE WHILE THESE MARKETS WERE CERTAINLY STILL VERY IMPORTANT, IT WAS AT PRESENT TRADE WITH ITS NEIGHBOURS IN ASIA WHICH GAVE THE ECONOMY ITS DYNAMISM, HE SAID.

"BUT THIS PROCESS OF TRANSFORMATION GOES BEYOND THE STRUCTURE OF THE ECONOMY AND THE TRADING PATTERNS. THE PRIORITIES AND ASPIRATIONS OF THE COMMUNITY ARE ALSO CHANGING.

"IT IS THE GOVERNMENT'S RESPONSIBILITY TO TAKE ACCOUNT OF THE COMMUNITY'S DESIRE FOR BETTER PUBLIC SERVICES," HE SAID.

THE FINANCIAL SECRETARY SAID THE GOVERNMENT HAD TO TAKE ACCOUNT OF THE FACT THAT THE PROPORTION OF ELDERLY PEOPLE IN THE COMMUNITY WAS INCREASING.

"WE HAVE TO HELP THE WORKFORCE ADJUST TO THE CHANGING CHARACTER OF THE ECONOMY.

"WE HAVE TO CONTINUE INVESTING IN OUR SOCIAL AND PHYSICAL INFRASTRUCTURE TO SECURE THE TERRITORY'S FUTURE PROSPERITY, AND WE HAVE TO FACE UP TO THE INFLATIONARY PRESSURES WHICH ARISE FROM STRUCTURAL CHANGE AND OUR SHORTAGE OF RESOURCES," HE SAID.

MR MACLEOD SAID HE HAD NO DOUBT THAT THE PEOPLE OF HONG KONG UNDERSTOOD THAT IF THEY WERE TO CONTINUE THEIR RECORD OF SUCCESS, THE HEALTH OF THE ECONOMY MUST BE ENSURED.

"AN OPEN ECONOMY, DEPENDENT ON VOLATILE WORLD MARKETS AND ITS CAPACITY TO RESPOND FLEXIBLY AND PROMPTLY TO CHANGING CIRCUMSTANCES, MUST AVOID MORTGAGING ITS FUTURE OR DEVELOPING A MONOLITHIC PUBLIC SECTOR," HE STRESSED.

THIS MEANT ENSURING THAT THE GROWTH OF PUBLIC EXPENDITURE REMAINED IN STEP WITH THE RATE OF ECONOMIC GROWTH.

"WE CANNOT ACHIEVE ALL OF OUR OBJECTIVES AT ONCE, BUT WE ARE FORTUNATE THAT THE SUCCESS OF OUR ECONOMY HAS MEANT THAT THIS YEAR WE ARE ABLE TO DEVOTE ADDITIONAL RESOURCES TO MEETING OUR OBJECTIVES," HE CONTINUED.

NEVERTHELESS, HE SAID, THE GOVERNMENT HAD TO SET PRIORITIES AND MAKE CHOICES. SOME OF THESE CHOICES WOULD BE DIFFICULT.

"IN FRAMING MY BUDGET PROPOSALS, I HAVE TAKEN THESE ISSUES INTO ACCOUNT.

"I HAVE ALSO BEEN CONCERNED TO ENSURE SUFFICIENT FINANCIAL RESERVES TO MEET BOTH KNOWN CONTINGENCIES AND THE FUTURE STRAINS AND CHALLENGES WHICH ARE AN INEVITABLE PART OF OUR HEAVY DEPENDENCE ON EXTERNAL TRADE AND OF THE COMPLEX ECONOMIC AND POLITICAL TRANSITION WHICH HONG KONG HAS EMBARKED UPON," HE SAID.

- - - - 0 - - - -

HEALTHY PROSPECTS FOR ECONOMIC GROWTH AHEAD: FS
* * * * *

THE FINANCIAL SECRETARY, THE HON HAMISH MACLEOD, SAID THE PROSPECTS FOR ECONOMIC GROWTH IN 1992 LOOKED HEALTHY.

PRESENTING HIS BUDGET FOR 1992-93 TO THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY), MR MACLEOD SAID THE GOVERNMENT'S ESTIMATE WAS THAT GDP WOULD GROW THIS YEAR BY 5% IN REAL TERMS.

THIS YEAR'S ECONOMIC EXPANSION, HE SAID, WOULD GIVE HONG KONG A GDP PER HEAD OF HK\$125,000 OR US\$16,000.

"AT THIS LEVEL, HONG KONG'S GDP WILL BE AMONG THE HIGHEST IN ASIA, AND WELL AHEAD OF A NUMBER OF DEVELOPED ECONOMIES, HE SAID.

THE FINANCIAL SECRETARY SAID THE PROMISING OUTLOOK FOR 1992 CONTINUED THE ENCOURAGING TREND WHICH BEGAN TO EMERGE IN THE LATTER PART OF 1990 WHEN HONG KONG'S GROWTH RATE STARTED TO ACCELERATE AND ECONOMIC REVIVAL WAS EVIDENT.

IN 1991, GDP GROWTH WAS ABOUT 4%, COMPARED WITH ONLY 3% IN 1990.

MR MACLEOD SAID THE PICK-UP IN THE TEMPO OF THE ECONOMIC ACTIVITY REFLECTED A NUMBER OF FACTORS.

THE MOST SIGNIFICANT WAS THE POSITIVE IMPACT OF THE MEMORANDUM OF UNDERSTANDING WITH CHINA ON THE AIRPORT CORE PROGRAMME. THIS LED TO A SURGE IN OPTIMISM THROUGHOUT THE BUSINESS COMMUNITY.

HE SAID THE NEW, MORE CONFIDENT ATMOSPHERE SHOWED UP MOST STRONGLY IN THE INVESTMENT FIGURES. INVESTMENT SPENDING GREW BY 10% IN REAL TERMS IN 1991.

HE SAID PARTICULARLY NOTABLE LAST YEAR WAS THE 18% RISE IN INVESTMENT IN PLANT AND MACHINERY.

"THIS SHARP GROWTH MADE A MAJOR CONTRIBUTION TO UPGRADING OUR PRODUCTIVE CAPACITY AND QUALITY," HE SAID.

MR MACLEOD SAID THE HEALTHY GROWTH PREDICTED FOR THIS YEAR REFLECTED, FIRST AND FOREMOST, PROMISING TRADE PROSPECTS.

"HONG KONG IS ESPECIALLY FORTUNATE IN THE NEW MARKETS IT HAS BUILT UP IN THE ASIAN REGION. CHINA, IN PARTICULAR, IS EXPECTED TO MAINTAIN STRONG GROWTH, WITH EXCELLENT OPPORTUNITIES FOR HONG KONG FIRMS," HE SAID.

JAPAN'S GROWTH WOULD BE SLOWER THAN IN THE PAST, BUT SHOULD STILL BE SATISFACTORY, HE ADDED.

MAJOR WESTERN MARKETS, HE SAID, WERE LESS ENCOURAGING. THE UNITED STATES AND THE UNITED KINGDOM APPEARED TO BE EMERGING ONLY SLOWLY FROM RECESSION, THOUGH GERMANY WAS DOING SOMEWHAT BETTER.

MR MACLEOD POINTED OUT THAT MUCH OF HONG KONG'S SUCCESS IN RECENT YEARS MUST BE ATTRIBUTED TO ITS GROWING ACCESS TO TRADE AND INVESTMENT OPPORTUNITIES IN CHINA, AND THE EMERGENCE OF THE PEARL RIVER DELTA AS ASIA'S "FIFTH DRAGON".

AS HONG KONG'S MANUFACTURING VENTURES IN GUANGDONG EXPANDED IN SCOPE AND INCREASED IN SOPHISTICATION, MORE AND MORE OF THE OUTPUT WAS SHIPPED AS RE-EXPORTS OF FINISHED PRODUCTS WITH NO FURTHER PROCESSING REQUIRED IN HONG KONG.

"THIS EXPLAINS THE GROWING IMPORTANCE OF RE-EXPORTS IN OUR TOTAL TRADE. IN 1991, THEY REACHED A RECORD 70% OF THE OVERALL EXPORTS.

"THE EXCEPTIONAL EXPANSION OF OUR RE-EXPORTS DEMONSTRATES THEIR COMPETITIVENESS ON WORLD MARKETS, AND I BELIEVE THAT THIS ENCOURAGING TREND WILL CONTINUE," HE SAID.

AGAINST THIS BACKGROUND, MR MACLEOD SAID HE EXPECTED TOTAL EXPORTS TO GROW BY 14% THIS YEAR, WITH RE-EXPORTS INCREASING BY 20%.

DOMESTIC EXPORTS WOULD PERFORM MORE MODERATELY, WITH GROWTH PREDICTED AT ONLY 2%.

"THIS SLOWER RATE OF EXPANSION IS NOT SURPRISING. IT REFLECTS THE SUCCESS WITH WHICH OUR MANUFACTURERS HAVE RELOCATED OPERATIONS IN GUANGDONG PROVINCE IN THEIR SEARCH FOR GROWTH.

"IT ALSO REFLECTS THE CONSTRAINTS ON INDUSTRIAL GROWTH IN HONG KONG CAUSED BY THE SHORTAGES OF LAND AND, MORE ESPECIALLY, OF LABOUR," HE SAID.

MR MACLEOD POINTED OUT THAT THERE WAS ALSO ANOTHER FACTOR AT WORK: THE SWITCH FROM MANUFACTURING TO SERVICE ACTIVITIES.

"OUR SERVICES SECTOR SUPPORTS A SUBSTANTIALLY LARGER VOLUME OF EXPORTS, AND HAS GENERATED IMPORTANT NEW SOURCES OF EXPORT EARNINGS WHICH SHOULD NOT BE OVERLOOKED," HE EXPLAINED.

AS ALWAYS, HE CAUTIONED THAT HONG KONG COULD NOT TAKE WORLD MARKETS FOR GRANTED.

"THERE ARE PROTECTIONIST CLOUDS ON THE HORIZON, ALTHOUGH IN PREPARING THE BUDGET FORECASTS I HAVE ASSUMED THAT WE WILL BE ABLE TO SUCCESSFULLY DEFEND OUR ACCESS TO EXPORT OUTLETS DURING 1992.

"WE ATTACH MUCH IMPORTANCE TO THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS AND VIGOROUSLY SUPPORT EFFORTS TO ACHIEVE THE MAXIMUM LIBERALISATION POSSIBLE FOR WORLD TRADE," HE SAID.

A MORE IMMEDIATE ANXIETY, HOWEVER, WAS TRADE RELATIONS BETWEEN CHINA AND THE UNITED STATES.

MR MACLEOD SAID HONG KONG WAS NOT DIRECTLY INVOLVED IN THESE NEGOTIATIONS.

"BUT THE TERRITORY HAS A GREAT DEAL AT STAKE BECAUSE OF ITS HEAVY INVESTMENTS IN CHINA, THE MANUFACTURING CAPACITY WE HAVE CREATED IN GUANGDONG AND THE FACT THAT HONG KONG AND CHINA ARE EACH OTHER'S LARGEST TRADING PARTNER."

HE SAID HONG KONG WAS RELIEVED THAT THE TRADE ISSUE ON INTELLECTUAL PROPERTY WAS SOLVED.

"WE HOPE THAT A SETTLEMENT WILL ALSO BE FOUND FOR THE ISSUE ON MARKET OPENING MEASURES, AND THAT CHINA'S MOST FAVOURED NATION STATUS IN THE UNITED STATES WILL BE RENEWED.

"WE SHALL CONTINUE TO MAKE A POSITIVE CONTRIBUTION TO THIS PROCESS," HE SAID.

- - - - 0 - - - -

INFLATION MUST BE REVIEWED REALISTICALLY: FS

* * * * *

THE FINANCIAL SECRETARY, THE HON HAMISH MACLEOD, TODAY (WEDNESDAY) SAID THAT WHILE HE COULD BE REASONABLY CONFIDENT ABOUT ROBUST GROWTH IN GDP THIS YEAR, ABOUT FURTHER EXPANSION OF THE INTERNATIONAL TRADE AND ABOUT INCREASED BUSINESS OPPORTUNITIES IN SOUTHERN CHINA, HE WAS LESS OPTIMISTIC ABOUT THE PROSPECTS FOR AN EARLY AND SIGNIFICANT FALL IN THE RATE OF INFLATION.

"THIS IS DESPITE THE RECENT DOWNWARD TREND," THE FINANCIAL SECRETARY SAID IN HIS BUDGET SPEECH FOR 1992-93 TO THE LEGISLATIVE COUNCIL.

MR MACLEOD SAID THE COMMUNITY WAS UNDERSTANDABLY WORRIED ABOUT RISING PRICES, AND IT WAS ONLY RIGHT THAT HE REVIEWED THE PROSPECTS ON THIS FRONT FRANKLY AND REALISTICALLY.

"THIS YEAR WILL SEE A FURTHER RISE IN THE REAL GROWTH RATE OF GDP TO 5%, AS I HAVE ALREADY EXPLAINED. THIS EXPANSION IN ECONOMIC ACTIVITY WILL BRING HIGHER INCOMES," HE SAID.

BUT, AT THE SAME TIME, IT MUST INEVITABLY ADD TO THE SEVERE PRESSURES ON EXISTING RESOURCES, PARTICULARLY OF LABOUR AND LAND.

"AS A RESULT, THE FALL IN THE RATE OF INFLATION WILL NOT BE AS SUBSTANTIAL AS WE WOULD WISH," HE SAID.

THE FORECAST WAS THAT THE CONSUMER PRICE INDEX (A) WOULD INCREASE BY AN AVERAGE OF 9.5% THIS YEAR, HE SAID.

MR MACLEOD SAID AMONG THE PROPOSALS WHICH HAD BEEN MADE FOR ATTACKING INFLATION WAS ADJUSTMENT TO THE LINKED EXCHANGE RATE.

HOWEVER, HE REJECTED CALLS FOR ANY CHANGE IN THE LINK FOR TWO MAIN REASONS.

"FIRST, THOSE IN FAVOUR OF THIS STRATEGY CLAIM THAT WE HAVE BEEN IMPORTING INFLATION BECAUSE OF AN UNDERVALUED CURRENCY."

HE SAID THE EVIDENCE POINTED TO THE OPPOSITE.

IMPORT PRICES ROSE BY ONLY 2% LAST YEAR. MOREOVER, SINCE THE GOVERNMENT INTRODUCED THE LINKED RATE SYSTEM IN 1983, THE CURRENCY HAD ACTUALLY INCREASED IN VALUE BY NEARLY 10%.

"THIS HAS ENABLED US TO BENEFIT FROM LOWER IMPORT PRICES THAN WOULD OTHERWISE HAVE BEEN THE CASE," HE SAID.

YET DOMESTIC INFLATION HAD REMAINED HIGH.

SECONDLY, MR MACLEOD POINTED OUT THAT THE LINK HAD CLEARLY PROVED ITS VALUE TO HONG KONG SINCE 1983.

"WE HAVE ENJOYED A ROBUST AND STABLE CURRENCY DESPITE TRAUMATIC POLITICAL AND ECONOMIC EVENTS.

"CONSEQUENTLY, I WANT TO TAKE THIS OPPORTUNITY TO REAFFIRM THE GOVERNMENT'S COMMITMENT TO THE LINK AS AN ESSENTIAL ELEMENT IN THE STABLE FINANCIAL SYSTEM WHICH IS SO IMPORTANT FOR HONG KONG," HE SAID.

ANOTHER SUGGESTION, MR MACLEOD SAID, WAS THAT GOVERNMENT EXPENDITURE WAS SOMEHOW A SOURCE OF INFLATIONARY PRESSURES.

"THE FACT IS THAT GOVERNMENT SPENDING HAS ONLY A LIMITED IMPACT ON INFLATION. THIS IS NOT HARD TO EXPLAIN SINCE HONG KONG'S PUBLIC SECTOR ACCOUNTS FOR ONLY A RELATIVELY MODEST SHARE OF GDP," HE STRESSED.

ON AN ADVICE TO BEAT INFLATION BY RAISING PRODUCTIVITY, THE FINANCIAL SECRETARY SAID HE FULLY AGREED WITH IT.

"WE TAKE VERY SERIOUSLY THE NEED TO EXPLOIT OPPORTUNITIES FOR ECONOMY AND EFFICIENCY AND INDEED ARE EFFECTIVELY KEEPING GROWTH IN THE CIVIL SERVICE TO ZERO.

"WE SHALL BE PUSHING ON WITH PUBLIC SECTOR REFORM.

"WE ARE CREATING AN EFFICIENCY UNIT. WE ARE ENCOURAGING GREATER ACCOUNTABILITY, AND CONSIDERING PRIVATISATION OF COMMERCIAL-TYPE OPERATIONS," HE SAID.

FOR THE COMMUNITY AT LARGE, MR MACLEOD SAID TRAINING PROGRAMMES WERE BEING UPGRADED TO ENABLE WORKERS TO ENHANCE THEIR SKILLS AND TO FIND NEW ONES, AND TO SWITCH FROM DECLINING INDUSTRIES TO JOBS IN GROWTH SECTORS.

BUT HE STRESSED THAT PRODUCTIVITY GAINED ALONE COULD NOT OVERCOME THE OVERALL SHORTAGE OF RESOURCES WHICH FUELS INFLATION.

"LAST YEAR, THANKS TO THE INCREASED EFFICIENCY OF OUR WORKFORCE, BACKED BY THE SURGE IN INVESTMENT WHICH I HAVE ALREADY MENTIONED, WE SAW A FURTHER INCREASE IN LABOUR PRODUCTIVITY GENERALLY."

BUT STILL THE PRESSURE ON PRICES CONTINUED, HE ADDED.

"PLAINLY, WE HAVE TO TACKLE THE SHORTAGE OF LABOUR RESOURCES AT SOURCE. THE UNEMPLOYMENT RATE IS CURRENTLY BELOW 2%. THIS IS EFFECTIVELY FULL EMPLOYMENT. IT IS FOR THIS REASON THAT WE HAVE EMBARKED ON A CAREFULLY-CONTROLLED PROGRAMME OF LABOUR IMPORTATION," HE SAID.

MR MACLEOD SAID A WIDESPREAD VIEW AMONG HONG KONG'S ECONOMISTS, WHICH HE ACCEPTED, WAS THAT INFLATION HAD MAINLY BEEN GENERATED BY THE STRAINS AND DISTORTIONS INVOLVED IN THE RESTRUCTURING OF THE ECONOMY.

"WE ARE SWITCHING FROM AN INDUSTRIAL TO A MIXED MANUFACTURING/SERVICE ECONOMY.

"IN ONLY 10 YEARS, THE PROPORTION OF OUR WORKFORCE EMPLOYED IN THE SERVICES SECTOR HAS INCREASED FROM ABOUT 47% TO 63%. AND THE MANUFACTURING WORKFORCE HAS DECLINED BY 220,000 PEOPLE.

"WE ARE TAKING ON A NEW ROLE AS THE CENTRE OF AN EXTENSIVE MANUFACTURING AND COMMERCIAL HINTERLAND IN SOUTHERN CHINA," HE SAID.

THE FINANCIAL SECRETARY SAID THIS RADICAL TRANSFORMATION IN THE FUNDAMENTAL CHARACTER OF THE HONG KONG ECONOMY HAD CREATED ACUTE SHORTAGES OF KEY PROFESSIONALS, EXECUTIVES AND SERVICE WORKERS, AS WELL AS OF LAND AND BUILDINGS.

HIGHER LIVING STANDARDS, AND EXPECTATIONS OF FURTHER RISES IN DISPOSABLE INCOMES GENERATED BY THIS TRANSFORMATION, HAD ALSO CREATED A SURGE IN DEMAND FOR SERVICES OF EVERY KIND WITHIN HONG KONG ITSELF.

"THE RESULT HAS BEEN INFLATION. IT IS UNDESIRABLE AND, FOR SOME, PAINFUL. IT SHOULD GRADUALLY ABATE AS THE TRANSFORMATION PROGRESSES."

IN THE MEANTIME, HE SAID, RISING PRICES REFLECTED THE STRAINS CREATED BY THE QUEST FOR GROWTH AND THE PURSUIT OF A HIGHER STANDARD OF LIVING.

"THIS TRANSFORMATION HAS GIVEN US GOOD GROWTH DESPITE THE PROBLEMS OF THE WORLD ECONOMY IN RECENT YEARS, AND HAS ALLOWED OUR EXPORTS TO REMAIN HIGHLY COMPETITIVE DESPITE DOMESTIC INFLATION."

"LET US REMIND OURSELVES OF THE ALTERNATIVE. WE COULD SEEK TO SUPPRESS INFLATION BY A DELIBERATE DEFLATION," HE SAID.

THE RESULT, HE POINTED OUT, WOULD BE SUBSTANTIAL UNEMPLOYMENT, A SHARP RISE IN THE NUMBER OF BANKRUPTCIES AND A DRASTIC FALL IN INVESTMENT.

"THE ECONOMIC AND SOCIAL COSTS OF SUCH A RECESSION ARE, IN MY VIEW, UNACCEPTABLE," HE SAID.

MR MACLEOD SAID EVEN THOUGH EFFORTS TO RELIEVE THE BASIC CAUSES OF INFLATION WOULD NOT PRODUCE IMMEDIATE RESULTS, THERE WERE CERTAIN UNDESIRABLE ASPECTS OF INFLATION WHICH MUST BE TACKLED.

THE FIRST WAS THE DANGER THAT AS THE COMMUNITY'S LIVING STANDARDS RISE, THE VULNERABLE, THE DISABLED, THE UNSKILLED AND THE ELDERLY WOULD BE LEFT BEHIND, HARD HIT BY RISING PRICES.

TO MAINTAIN THE REAL LIVING STANDARDS OF THESE GROUPS, HE SAID THE GOVERNMENT WOULD CONTINUE TO ENSURE THAT SOCIAL SECURITY BENEFITS WERE REVISED IN LINE WITH THE COST OF LIVING.

"NO ONE WILL BE DEPRIVED OF EDUCATION OR MEDICAL CARE BECAUSE OF A LACK OF MEANS.

"PROSPERITY BRINGS WITH IT AN OBLIGATION FOR THE COMMUNITY TO PROTECT THOSE MOST AT RISK, ESPECIALLY IN A PERIOD OF INFLATION. THE GOVERNMENT ACCEPTS THIS RESPONSIBILITY," HE STRESSED.

SECONDLY, WHERE PRICES WERE DELIBERATELY INFLATED THROUGH MARKET RIGGING, IT WAS ESSENTIAL THAT STEPS WERE TAKEN TO PROTECT THE PUBLIC.

"WE ACTED PROMPTLY LAST YEAR WHEN THE PRICES OF NEW FLATS WERE BEING DRIVEN SHARPLY UPWARDS BY SPECULATORS. WITH THE SUPPORT OF THIS COUNCIL, I INTEND TO SEE THAT HONG KONG CONTINUES TO ENJOY MARKETS WHERE, AS FAR AS POSSIBLE, COMPETITION ENSURES THAT THE PUBLIC GETS A FAIR DEAL," HE SAID.

----- 0 -----

BUDGET PROPOSALS FOCUS ON PUBLIC FINANCES MANAGEMENT : FS
* * * * *

THE FINANCIAL SECRETARY, THE HON HAMISH MACLEOD, TODAY (WEDNESDAY) SAID IN PREPARING HIS BUDGET PROPOSALS HE HAD FOCUSED ON THE MANAGEMENT OF PUBLIC FINANCES RATHER THAN ATTEMPTING TO MANIPULATE MACROECONOMIC VARIABLES.

PRESENTING THE BUDGET FOR 1992-93 TO THE LEGISLATIVE COUNCIL, MR MACLEOD SAID IN ANY EVENT, THE SIZE OF THE PUBLIC SECTOR WAS RELATIVELY SMALL, AND HONG KONG BUDGETS HAD TENDED TO BE BASICALLY NEUTRAL IN MACROECONOMIC TERMS, AS IS THIS ONE.

/IN SETTING

IN SETTING ABOUT FINANCIAL MANAGEMENT, THE FINANCIAL SECRETARY SAID HE HAD BEEN DETERMINED :

- * TO ENSURE THAT PUBLIC SPENDING REMAINED IN LINE WITH ECONOMIC GROWTH:
- * TO RAISE SUFFICIENT REVENUE TO COVER THE GOVERNMENT'S SPENDING COMMITMENTS, AND TO ENSURE THAT AT LEAST HALF THE COSTS OF THE CAPITAL EXPENDITURE WAS FINANCED BY RECURRENT REVENUE; AND
- * TO MAINTAIN RESERVES AT THE LEVEL ADEQUATE BOTH TO MEET KNOWN COMMITMENTS AND TO PROVIDE A CUSHION AGAINST FUTURE UNCERTAINTIES.

HE SAID THIS LAST GUIDELINE TOOK INTO ACCOUNT THE NEED UNDER THE MEMORANDUM OF UNDERSTANDING ON THE AIRPORT CORE PROGRAMME BOTH TO COMPLETE THE AIRPORT CORE PROJECTS BY MID-1997 TO THE MAXIMUM EXTENT POSSIBLE, AND TO PLAN THE GOVERNMENT'S FINANCES WITH THE FIRM OBJECTIVE THAT THE FUTURE GOVERNMENT OF THE SPECIAL ADMINISTRATIVE REGION INHERITED FISCAL RESERVES OF AT LEAST \$25 BILLION.

MR MACLEOD SAID THIS LATTER COMMITMENT WAS ENTIRELY COMPATIBLE WITH THE GOVERNMENT'S TRADITIONAL FINANCIAL POLICY AND BUDGET PLANNING WHICH SOUGHT TO ENSURE ADEQUATE RESERVES.

"THE GUIDELINES I HAVE ADOPTED REPRESENT SOUND SENSE AND ARE THOSE WHICH HONG KONG MUST FOLLOW IN THE FUTURE, AS IN THE PAST," THE FINANCIAL SECRETARY SAID.

"IN APPLYING MY GUIDELINES, I HAVE OF COURSE LOOKED BEYOND THE IMMEDIATE REQUIREMENTS FOR THE COMING YEAR. WE PREPARE A MEDIUM RANGE FORECAST WHICH NORMALLY COVERS THE CURRENT FINANCIAL YEAR, THE ESTIMATE YEAR AND THREE YEARS BEYOND THAT.

"THE LASTEST MEDIUM RANGE FORECAST GOES FURTHER AND INCLUDES 1996-97. I JUDGED IT SENSIBLE THIS YEAR TO EXTEND THE FORECAST PERIOD BY ONE YEAR IN ORDER TO SHOW THE POSITION UP TO THE LAST FULL YEAR BEFORE THE CHANGE OF SOVEREIGNTY," MR MACLEOD SAID.

HE SAID THIS FORECASTING PROCEDURE WAS A VITAL AND EFFECTIVE TOOL OF FINANCIAL MANAGEMENT. IT INVOLVES A THREE-STAGE PROCESS:-

"FIRST, WE FORECAST THE TREND RATE OF ECONOMIC GROWTH. THIS GIVES US THE MAXIMUM SAFE CEILING FOR THE GROWTH IN PUBLIC EXPENDITURE.

"SECOND, WE FORECAST THE BASIC SPENDING PRESSURES: THE LEVEL OF EXPENDITURE GROWTH NECESSARY TO MAINTAIN EXISTING SERVICES, TO MEET EXPECTED INCREASES IN DEMAND, TO COVER THE RECURRENT IMPLICATIONS OF NEW CAPITAL PROJECTS DUE TO COME ON STREAM IN THE FORECAST PERIOD, AND TO COVER MAJOR NEW COMMITMENTS MADE IN PREVIOUS YEARS.

"THIRD, THE GAP BETWEEN THE EXPENDITURE CEILING AND THE EXPENDITURE FORECAST DEFINES THE SCOPE FOR FUNDING NEW COMMITMENTS, PROVIDED THAT SUFFICIENT FUNDS ARE AVAILABLE."

IN PLANNING HIS BUDGET THIS YEAR, MR MACLEOD ESTIMATED THAT THE TREND RATE OF GROWTH WOULD BE 5% FOR THE FORECAST PERIOD.

"AFTER EXAMINING OUR EXPENDITURE OBJECTIVES, PRIORITIES AND SCOPE FOR ECONOMIES, I HAVE CONCLUDED, AS I SHALL EXPLAIN LATER, THAT WE WILL BE ABLE BOTH TO PAY FOR THE AIRPORT CORE PROGRAMME AND TO FUND REAL INCREASES IN BOTH RECURRENT PROGRAMMES AND IN OTHER CAPITAL EXPENDITURE NEXT YEAR," MR MACLEOD SAID.

"I MAKE THIS PREDICTION WITH CONFIDENCE, GIVEN THE SOUND POLICIES AND TECHNIQUES WHICH ARE A CONSISTENT FEATURE OF OUR PUBLIC FINANCES," HE ADDED.

REASSURING THE LEGISLATIVE COUNCIL ON THE GOVERNMENT'S ABILITY TO MANAGE THE AIRPORT CORE PROGRAMME, MR MACLEOD POINTED OUT THAT THE GOVERNMENT'S SHARE OF THE COSTS OF THE CAPITAL WORKS WOULD ABSORB ABOUT 25% OF THE TOTAL CAPITAL EXPENDITURE DURING THE PERIOD UP TO 1997.

BUT THREE QUARTERS OF THE PLANNED CAPITAL EXPENDITURE OVER THE NEXT SIX YEARS WOULD BE DEVOTED TO PROJECTS OTHER THAN THE AIRPORT CORE PROGRAMME.

"MOREOVER, THE INTRODUCTION OF NEW MEASURES SUCH AS FIXED-PRICE LUMP SUM CONTRACTS AND CASH LIMITED PROVISION SHOULD GREATLY ASSIST US IN CONTROLLING COSTS," HE ADDED.

WITHIN A MONTH OR TWO, THE GOVERNMENT SHOULD BE IN A POSITION TO PUT TO FINANCE COMMITTEE FURTHER DETAILS OF THE ESTIMATED COST OF THE ENTIRE AIRPORT CORE PROGRAMME, AND OF HOW IT PROPOSED TO FINANCE INDIVIDUAL PROJECTS, THE FINANCIAL SECRETARY SAID.

- - - - 0 - - - -

\$14.1 BILLION SURPLUS FOR 1991-92

* * * * *

THE LATEST ESTIMATE FOR 1991-92 WILL RECORD AN OVERALL BUDGET SURPLUS OF \$14.1 BILLION, EXCLUDING BORROWINGS, COMPARED WITH THE ORIGINAL FORECAST OF \$1.3 BILLION.

THIS WAS STATED BY THE FINANCIAL SECRETARY, THE HON HAMISH MACLEOD, IN HIS BUDGET FOR 1992-93 TO THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

"THIS SURPLUS IS WELCOME, AND HAS BEEN TAKEN INTO ACCOUNT IN ASSESSING THE EXTENT TO WHICH WE NEED FURTHER REVENUE MEASURES," MR MACLEOD SAID.

OF THE SURPLUS, \$8 BILLION WAS THE RESULT OF UNDERSPENDING.

A TOTAL EXPENDITURE OF \$104.8 BILLION, INCLUDING EQUITY INVESTMENTS, WAS ORIGINALLY BUDGETTED FOR. BUT THE TOTAL SPENDING CAME TO ONLY \$96.8 BILLION, SOME 8% LOWER.

THE FINANCIAL SECRETARY EXPLAINED THAT THE MAIN REASON FOR THIS SHORTFALL IN EXPENDITURE WAS AN UNDERSPENDING OF \$5.6 BILLION ON PUBLIC WORKS.

"ONE FACTOR WAS THE INEVITABLE SLIPPAGE OF SOME PROJECTS IN THE AIRPORT CORE PROGRAMME AS A RESULT OF DELAYS IN CONCLUDING THE NEGOTIATIONS ON THE MEMORANDUM OF UNDERSTANDING LAST YEAR, LEADING TO A DEFERRAL OF SPENDING TO SUBSEQUENT YEARS.

"IN ADDITION, WE ACHIEVED SOME HELPFUL SAVINGS ON PUBLIC WORKS CONTRACTS, THANKS TO LOWER CONSTRUCTION PRICES," HE SAID.

BUOYANT REVENUES ALSO ACCOUNTED FOR \$4.7 BILLION OF THE SURPLUS.

A TOTAL REVENUES OF \$106.1 BILLION WAS ORIGINALLY BUDGETTED FOR. IN THE EVENT, TOTAL REVENUE AMOUNTED TO \$110.8 BILLION, OR ABOUT 4% MORE THAN EXPECTED.

"THE REVENUE FROM STAMP DUTY AND LAND SALES PROVIDED THE BULK OF THE ADDITIONAL REVENUE. PRICES AT LAND AUCTIONS WERE SUBSTANTIALLY ABOVE THE ORIGINAL FORECASTS. WE ALSO BENEFITED FROM THE SALE OF TWO MAJOR SITES POSTPONED FROM THE PREVIOUS YEAR," MR MACLEOD EXPLAINED.

LAST YEAR, THE GOVERNMENT BEGAN SALES OF GOVERNMENT BONDS, WHICH HAD RAISED \$1.2 BILLION FOR THE CAPITAL WORKS RESERVE FUND.

THE TOTAL CASH SURPLUS AS A RESULT WAS \$15.3 BILLION, BRINGING THE FISCAL RESERVES AT THE END OF 1991-92 TO SOME \$92 BILLION. THIS WOULD COVER SOME 76% OF THE TOTAL EXPENDITURE FOR NEXT YEAR.

"THIS REPRESENTS A REASONABLE CUSHION AGAINST WHATEVER SHOCKS MIGHT BE IN STORE FOR US, ALTHOUGH THE PROPORTION IS NOT THE HIGHEST IN RECENT YEARS," THE FINANCIAL SECRETARY SAID.

- - - - 0 - - - -

GOVT TO SPEND \$115.1 BILLION IN 1992-93

* * * * *

THE FINANCIAL SECRETARY, THE HON HAMISH MACLEOD, HAS PROPOSED A TOTAL GOVERNMENT SPENDING OF \$115.1 BILLION FOR THE 1992-93 FISCAL YEAR.

IN HIS BUDGET SPEECH DELIVERED IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY), MR MACLEOD SAID THIS REPRESENTED AN INCREASE OF \$13.8 BILLION COMPARED WITH THE ORIGINAL ESTIMATES FOR 1991-92.

HE SAID THE FORECAST LEVEL OF ECONOMIC GROWTH AND THE GOVERNMENT'S HEALTHY FINANCIAL POSITION MADE IT POSSIBLE TO ALLOCATE INCREASED RESOURCES FOR ALL THE GOVERNMENT'S PROGRAMME AREAS NEXT YEAR.

THE FINANCIAL SECRETARY SAID SPENDING ON SOCIAL SERVICES IN GENERAL WOULD INCREASE IN REAL TERMS NEXT YEAR.

HE SAID HONG KONG HAD AN EXCELLENT RECORD IN DEVELOPING ITS SOCIAL SERVICES AND HAD IN RECENT YEARS MADE A SUBSTANTIAL INCREASE IN THE FUNDS AVAILABLE FOR THIS PURPOSE.

"WE CAN NOW MEET THE DEMAND FOR BASIC SERVICES. BUT THE PUBLIC EXPECTS HIGHER STANDARDS AND A GREATER RANGE OF FACILITIES TO MEET THE CHANGING REQUIREMENTS OF OUR RAPIDLY DEVELOPING SOCIETY.

"WE PLAN TO RESPOND TO THESE EXPECTATIONS," THE FINANCIAL SECRETARY SAID.

MR MACLEOD SAID LAST YEAR'S WHITE PAPER ON SOCIAL WELFARE SET AMBITIOUS GOALS FOR DEVELOPMENTS DURING THE REST OF THIS DECADE.

"THE FINANCING OF THIS LONG-TERM PROGRAMME WILL REQUIRE CAREFUL MANAGEMENT. MY PROPOSALS FOR SOCIAL WELFARE SPENDING THIS YEAR WILL LAY THE FOUNDATIONS FOR ACHIEVING OUR TARGETS," HE SAID.

THE FINANCIAL SECRETARY SAID THE GOVERNMENT WAS PLANNING FOR A RAPID EXPANSION OVER THE NEXT FOUR YEARS.

BY 1995-96, HONG KONG SHOULD BE ABLE TO MEET 80% OF THE DEMAND FROM THE ELDERLY FOR PLACES IN CARE-AND-ATTENTION HOMES, OVER 60% OF THE DEMAND FOR HOSTEL PLACES FOR THE MENTALLY-HANDICAPPED AND ALL THE DEMAND FOR PLACES IN HALF-WAY HOUSES AND LONG-STAY CARE HOMES FOR DISCHARGED MENTAL PATIENTS.

ON HOSPITAL CARE, MR MACLEOD SAID OVER THE NEXT FOUR YEARS, FUNDS WOULD BE MADE AVAILABLE TO INCREASE THE NUMBER OF HOSPITAL BEDS BY 5,600 OR 25%.

ON PUBLIC HOUSING, THE FINANCIAL SECRETARY SAID THAT 39,000 NEW FLATS WOULD HAVE COME ON STREAM IN THE CURRENT FINANCIAL YEAR.

"THIS SUBSTANTIAL EFFORT WILL CONTINUE, WITH 400,000 NEW FLATS PLANNED FOR THE PUBLIC SECTOR OVER THE NEXT DECADE," HE SAID.

ON EDUCATION, MR MACLEOD SAID THE GOVERNMENT HAD PLANS FOR THE FURTHER IMPROVEMENT OF PRIMARY AND SECONDARY SCHOOLING, AND THE DRIVE TO EXPAND TERTIARY EDUCATION WOULD CONTINUE.

"WE ARE INVESTING \$18 BILLION OVER THE NEXT THREE ACADEMIC YEARS, SO THAT BY 1994-95 THE NUMBER OF FIRST-YEAR, FIRST DEGREE PLACES WILL INCREASE TO 15,000, THREE TIMES THE NUMBER AVAILABLE IN 1987-88," HE SAID.

ON LAW AND ORDER, THE FINANCIAL SECRETARY STRESSED THAT THE POLICE AND THE OTHER DISCIPLINED SERVICES HAD BEEN GIVEN THE FUNDS THEY NEED TO DO THE JOB.

"TAKING THE POLICE, FOR EXAMPLE, THE OPERATIONAL FUNDS ALLOCATED TO THEM IN LAST YEAR'S BUDGET CAME TO NEARLY \$6BILLION. ONLY THE EDUCATION OF OUR CHILDREN AND THE HOSPITAL SERVICES RECEIVED LARGER ALLOCATIONS," HE SAID.

MR MACLEOD SAID THIS YEAR, SPENDING ON THE POLICE FORCE WOULD CONTINUE TO RISE IN REAL TERMS.

"I HAVE PROVIDED THE FINANCE TO COVER EVERY POLICE OFFICER THE COMMISSIONER BELIEVES HE CAN RECRUIT. AT THE SAME TIME, WE ARE PROVIDING THE EQUIPMENT SO THAT POLICE OFFICERS CAN OPERATE AT MAXIMUM EFFICIENCY.

"WE SPENT MORE THAN \$44 MILLION LAST YEAR UPGRADING COMPUTER FACILITIES. NEW LAUNCHES TO STRENGTHEN THE MARINE POLICE IN THEIR FIGHT AGAINST SMUGGLING AND OTHER CROSS-BORDER CRIME ARE BEING BOUGHT AT A COST OF \$300MILLION," HE SAID.

THE FINANCIAL SECRETARY HOWEVER STRESSED THAT THIS INVESTMENT IN RECRUITMENT, TRAINING AND EQUIPMENT MUST ALSO BE MATCHED BY A CONTINUING EFFORT TO ACHIEVE EVEN GREATER EFFICIENCY AND TO REDEPLOY MANPOWER AND OTHER RESOURCES TO WHERE THEY WERE MOST NEEDED.

"I MUST EMPHASISE THAT IF WE ARE TO REACH OUR GOALS AND PROVIDE THE QUALITY OF LIFE WE WANT FOR ALL OUR PEOPLE, THEN IT IS ESSENTIAL THAT WE REALLY DO REVIEW OUR PRIORITIES AND THEN REDEPLOY RESOURCES AS NECESSARY."

TO PUT TOTAL GOVERNMENT EXPENDITURE IN 1992-93 IN PERSPECTIVE, MR MACLEOD SAID IT WOULD BE EQUIVALENT TO 18.8% OF ESTIMATED GDP, A MODEST INCREASE OVER THE PREVIOUS YEAR'S FIGURE OF 17.8%.

"ARGUABLY, THIS RATIO IS NOT THE BEST INDICATOR OF THE GOVERNMENT'S SHARE IN THE TOTAL OUTPUT OF GOODS AND SERVICES.

"A BETTER MEASURE MAY BE THE PROPORTION OF GDP ACCOUNTED FOR BY THE PUBLIC SECTOR IN OUR NATIONAL INCOME ACCOUNTS. THIS RATIO WILL INCREASE VERY LITTLE NEXT YEAR ABOVE THE 1991-92 FIGURE OF 11.5%," THE FINANCIAL SECRETARY SAID.

- - - - 0 - - - -

RISE IN REVENUE ESTIMATE FOR 92-93: FS

* * * * *

REVENUE FOR 1992-93 BEFORE THE NEW MEASURES AND OTHER ADJUSTMENTS WOULD TOTAL \$127.6 BILLION, REPRESENTING A RISE OF 20.3% OVER THE ORIGINAL ESTIMATE FOR 1991-92, THE FINANCIAL SECRETARY, THE HON HAMISH MACLEOD, SAID TODAY (WEDNESDAY).

PRESENTING HIS BUDGET FOR 1992-93 TO THE LEGISLATIVE COUNCIL, MR MACLEOD SAID:

"THIS INCREASE REFLECTS THE RECENT SPURT IN ECONOMIC GROWTH WE HAVE ENJOYED, WHICH WE EXPECT WILL BOOST THE REVENUE FROM EARNINGS AND PROFITS TAX."

HE SAID REVENUE FROM LAND SALES WOULD ALSO CONTINUE AT A HIGH LEVEL. RECEIPTS FROM BETTING DUTY SHOULD RISE SUBSTANTIALLY.

/THE PROCEEDS

THE PROCEEDS FROM STAMP DUTY, HOWEVER, WERE FORECAST TO DECLINE.

ON THE BASIS OF THESE ESTIMATES, MR MACLEOD SAID THE SURPLUS IN THE COMING YEAR WOULD BE AROUND \$4 BILLION.

IF A FURTHER \$2.4 BILLION FROM THE GOVERNMENT'S BOND PROGRAMME WAS ADDED TO THIS, BY THE END OF MARCH 1993, THE FISCAL RESERVES WOULD TOTAL \$98.2 BILLION.

HE SAID IT WAS IMPORTANT THAT THE GOVERNMENT IDENTIFIED THE PROPER ROLE OF THE RESERVES.

HE POINTED OUT THAT THE ONLY WAY TO ACHIEVE BOTH CONTINUITY AND EFFICIENCY IN DEVELOPING THE GOVERNMENT'S PROGRAMMES FOR THE FUTURE WAS TO MAKE SURE THAT THE GOVERNMENT'S SPENDING REMAINED IN STEP WITH THE PACE OF ECONOMIC GROWTH.

HENCE, HE SAID, IT WAS ESSENTIAL THAT PLANS WERE MADE ON THIS REALISTIC BASIS RATHER THAN TAILORING THEM FROM ONE YEAR TO THE NEXT ON THE BASIS OF AVAILABLE REVENUE, THE CURRENT BUDGET SURPLUS OR THE FORECAST LEVEL OF RESERVES.

"WE MUST HAVE CONSISTENCY IN OUR EXPENDITURE PROGRAMMES IF WE ARE TO SECURE THE BEST VALUE FOR MONEY," HE STRESSED.

FOR THIS REASON, HE SAID THE GOVERNMENT TESTED ITS SPENDING PLANS AGAINST THE MEDIUM RANGE FORECAST FOR THE ECONOMY, AND EXAMINED THE TREND GROWTH IN PLANNED EXPENDITURE OVER A PERIOD RATHER THAN IN TERMS OF A SINGLE YEAR.

"IF WE LOOK AT THE RESULTS OF THIS EXERCISE SINCE WE STARTED THE CURRENT PLANNING CYCLE IN MID-1990, WE HAVE BEEN PRETTY MUCH ON TARGET, TAKING THE SITUATION AS A WHOLE.

"FOR THE TWO YEARS 1991-92 AND 1992-93, HE ESTIMATED THAT TOTAL GOVERNMENT EXPENDITURE WAS EXPECTED TO GROW BY 10.6%, AGAINST A TARGET OF 10.8%.

HOWEVER, MR MACLEOD SAID THE MEDIUM RANGE FORECAST MADE IT CLEAR THAT THE GOVERNMENT'S REVENUE IN FUTURE YEARS WOULD NOT BE SUFFICIENT TO MEET EXPENDITURE.

"EVEN AFTER THE REVENUE MEASURES I WILL BE PROPOSING SHORTLY, CASH DEFICITS WILL EMERGE AFTER 1992-93.

"HOWEVER, THE END RESULT WILL BE THAT WE SHALL HAVE THE RESERVES WE NEED IN 1996-97," HE SAID.

IN ADDRESSING THE NEED TO HAVE ADEQUATE RESERVES, THE FINANCIAL SECRETARY SAID HE HAD BEEN CONSCIOUS THAT THE EARLIER THE GOVERNMENT TOOK THE MEASURES REQUIRED TO AUGMENT THE RESERVES, THE GREATER THE CUMULATIVE EFFECT AND THE GREATER THE GOVERNMENT'S CAPACITY TO COPE WITH UNFORESEEN ADVERSE DEVELOPMENTS.

"MY PACKAGE OF REVENUE MEASURES WILL GENERATE NET ADDITIONAL REVENUE OF \$1.1BILLION, BRINGING THE TOTAL ESTIMATED SURPLUS FOR 1992-93 TO \$5.1BILLION, EXCLUDING BORROWINGS.

"OUR FORECASTS INDICATE THAT AFTER TAKING THE ADDITIONAL REVENUE INTO ACCOUNT, THE RESERVES WILL STAND AT \$71.6BILLION AT THE END OF MARCH 1997, INCLUDING BORROWINGS OF \$4.8 BILLION," HE SAID.

THIS WOULD ALLOW THE GOVERNMENT TO MEET ITS COMMITMENTS UNDER THE MEMORANDUM OF UNDERSTANDING WHILE MAINTAINING A REASONABLE CUSHION AGAINST THE CONTINGENCIES OF THE NEXT FIVE YEARS.

MR MACLEOD SAID IT WOULD HAVE THE ADDITIONAL SUBSIDIARY ADVANTAGE THAT THIS EVIDENCE OF CONTINUING FINANCIAL STRENGTH AND PRUDENCE SHOULD DO MUCH TO REASSURE POTENTIAL LENDERS AT A TIME WHEN THE GOVERNMENT SHOULD BE FINANCING OUR INFRASTRUCTURAL DEVELOPMENT.

MOREOVER, HE SAID HONG KONG'S FINANCES IN 1997 WOULD BENEFIT FROM THE HONG KONG SPECIAL ADMINISTRATIVE REGION GOVERNMENT LAND FUND.

"THIS RECEIVES AND MANAGES THE SHARE OF LAND SALE REVENUE WHICH IS SET ASIDE FOR THE FUTURE SAR GOVERNMENT," HE SAID.

THIS FUND WAS NOT INCLUDED IN THE ACCOUNTS OF THE HONG KONG GOVERNMENT BUT WOULD BECOME PART OF THE NEW ADMINISTRATION'S FISCAL RESERVES IN 1997.

AT THE END OF MARCH 1991, THE LAND REVENUE TRANSFERRED TO THE FUND TOTALLED \$20.3 BILLION. THE FORECAST WAS THAT IT WOULD RECEIVE A FURTHER \$7.4 BILLION FOR 1991-92 AND \$8 BILLION IN 1992-93.

IF THESE FORECASTS WERE ACHIEVED, MR MACLEOD SAID THE FUND WOULD HAVE RECEIVED \$35.7 BILLION BY THE END OF MARCH 1993, EXCLUDING INTEREST EARNED.

IN FUTURE YEARS, HE SAID THE FUND WOULD INCREASE FURTHER, THROUGH ITS SHARE OF REVENUE FROM LAND SALES AND THE RETURNS FROM ITS INVESTMENTS.

- - - - 0 - - - -

FS EXPLAINS THE SHAPING OF REVENUE PROPOSALS

* * * * *

THE FINANCIAL SECRETARY, THE HON HAMISH MACLEOD, TODAY (WEDNESDAY) SAID IN THE LEGISLATIVE COUNCIL THAT IN SHAPING HIS REVENUE PROPOSALS, HE HAD NOT FOCUSSED EXCLUSIVELY ON THE NEED TO RAISE MORE REVENUE, HE HAD TAKEN INTO ACCOUNT THE NEED TO REDUCE HONG KONG'S DEPENDENCE ON RELATIVELY VOLATILE SOURCES OF REVENUE.

PRESENTING HIS 1992-93 BUDGET, MR MACLEOD SAID HE HAD ALSO SOUGHT NOT TO ADD TO INFLATION, AND THROUGH CAREFULLY SELECTED TAX CONCESSIONS, TO PROVIDE A MEASURE OF RELIEF TO THE ORDINARY TAXPAYER.

/"THE OVERALL

"THE OVERALL EFFECT OF MY SPECIFIC PROPOSALS IS EFFECTIVELY NEUTRAL ON THE CPI(A), WHILST SOME OF THE OTHER MEASURES - SUCH AS ZERO GROWTH IN THE CIVIL SERVICE, BUDGETTING FOR A SURPLUS AND THE PLANNED BORROWING - ARE MILDLY DEFLATIONARY," HE SAID.

THE FINANCIAL SECRETARY SAID HE HAD ALSO HAD VERY MUCH IN MIND THE NEED TO PLUG TAX LOOPHOLES WHENEVER THEY APPEARED.

"HONG KONG'S LOW, SIMPLE AND PREDICTABLE TAX REGIME IS CRUCIAL TO ITS SUCCESSFUL BUSINESS ENVIRONMENT. BUT THIS COMMITMENT TO A GENEROUS TAX CLIMATE SHOULD NOT BE MISUNDERSTOOD.

"EXTENSIVE TAX AVOIDANCE IS A CLEAR BREACH OF THE SPIRIT OF OUR LIBERAL TAX ARRANGEMENTS AND IS NOT ACCEPTABLE. NOR OF COURSE IS TAX EVASION.

"THOSE WHO PROFIT FROM THEIR OPERATIONS OR RESIDENCE HERE MUST ACCEPT THEIR OBLIGATION TO MAKE A CONTRIBUTION TO THE COMMUNITY THROUGH OUR FAR-FROM-ONEROUS TAXES AND DUTIES," HE SAID.

MR MACLEOD POINTED OUT THAT ONE AREA WHICH AT PRESENT DEMANDED ACTION WAS THE VEHICLE FIRST REGISTRATION TAX.

"THERE IS INCREASING EVIDENCE THAT SOME IMPORTERS ARE ARTIFICIALLY DEPRESSING THE IMPORT PRICE OF VEHICLES TO REDUCE THEIR TAX LIABILITY.

"THIS MAY BE COSTING SEVERAL HUNDRED MILLION DOLLARS A YEAR IN LOST REVENUE," HE SAID, ADDING THAT A BILL WOULD BE INTRODUCED INTO THE LEGISLATIVE COUNCIL AS SOON AS POSSIBLE TO END THIS ABUSE.

HE SAID THE GOVERNMENT WAS PREPARING MEASURES TO PREVENT SPECULATORS FROM AVOIDING STAMP DUTY ON PROPERTY TRANSACTIONS THROUGH THE DEVICE OF LAND-HOLDING COMPANIES.

"I WANT TO REPEAT MY MESSAGE : THE TAXES WILL REMAIN LOW, BUT WHERE THEY EXIST THEY MUST BE PAID," THE FINANCIAL SECRETARY SAID.

- - - - 0 - - - -

FS PROPOSES NEW REVENUE MEASURES AND TAX CONCESSIONS

* * * * *

THE FINANCIAL SECRETARY, THE HON HAMISH MACLEOD, IN HIS BUDGET SPEECH FOR 1992-93 HAS PROPOSED NEW REVENUE MEASURES WHICH WILL YIELD ABOUT \$2.9 BILLION FOR 1992-93, AND ABOUT \$3.8 BILLION IN A FULL YEAR.

THESE REVENUE MEASURES ARE:-

- * TO INCREASE CORPORATE PROFITS TAX FROM 16.5% TO 17.5% APPLICABLE TO ASSESSMENTS FOR 1992-93;
- * TO INCREASE THE GENERAL RATES FOR 1992-93 BY HALF A PERCENTAGE POINT. THIS MEANS THE TOTAL CHARGE TO RATES WILL BE 6%;

/* TO EXTEND

- * TO EXTEND THE APPLICATION OF STAMP DUTY TO THE SALE OR TRANSFER OF COVERED WARRANTS, EFFECTIVE FROM APRIL 1, 1992;
- * TO INCREASE THE TAX RATE FOR STANDARD BETS FROM 10.5% TO 11.5% AND FOR EXOTIC BETS FROM 17% TO 17.5%, EFFECTIVE FROM THE BEGINNING OF THE NEXT RACING SEASON;
- * TO EXTEND THE REQUIREMENT TO PAY DUTY ON LIGHT DIESEL OIL TO LOCALLY REGISTERED PLEASURE CRAFT FROM JUNE 1 THIS YEAR; AND
- * TO INCREASE THE DUTIES ON TOBACCO, HYDROCARBON OILS, ALCOHOLIC BEVERAGES AND ALCOHOL BY 10% WITH IMMEDIATE EFFECT.

THE FINANCIAL SECRETARY ALSO PROPOSED FIVE CONCESSIONS, WHICH WILL COST \$1.8 BILLION FOR 1992-93, AND ABOUT \$2.1 BILLION IN A FULL YEAR.

THESE CONCESSIONS ARE:-

- * TO INCREASE ACROSS-THE-BOARD PERSONAL ALLOWANCES OF SALARIES TAX WITH EFFECT FROM THE YEAR OF ASSESSMENT COMMENCING APRIL 1, 1992;
- * TO ABOLISH DUTY ON SOFT DRINKS WITH IMMEDIATE EFFECT;
- * TO ABOLISH ENTERTAINMENTS TAX IN RESPECT OF CINEMA TICKETS FROM APRIL 1 THIS YEAR;
- * TO EXEMPT FRANCHISED BUS COMPANIES COMPLETELY FROM THE TAX ON DIESEL FUEL WITH IMMEDIATE EFFECT; AND
- * TO FURTHER LOWER THE STAMP DUTY ON STOCK TRANSFERS TO 0.4%, EFFECTIVE FROM APRIL 1, 1992.

- - - - - 0 - - - - -

CORPORATE PROFITS TAX AND GENERAL RATES TO INCREASE : FS
* * * * *

THE FINANCIAL SECRETARY, THE HON HAMISH MACLEOD, IN HIS BUDGET SPEECH FOR 1992-93 TO THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY) HAD PROPOSED TO INCREASE CORPORATE PROFITS TAX FROM 16.5% TO 17.5%, APPLICABLE TO ASSESSMENTS FOR 1992-93.

THIS WILL YIELD \$850 MILLION IN 1992-93, RISING TO \$1.6 BILLION IN A FULL YEAR.

THE FINANCIAL SECRETARY SAID THE NEW RATE WOULD BE BELOW THE HISTORICAL HIGH OF 18.5% REACHED IN 1984-85 AND REPRESENTED A MODEST INCREASE.

"IT WILL HAVE NO APPRECIABLE IMPACT ON EITHER LOCAL OR INTERNATIONAL ENTHUSIASM FOR INVESTMENT IN HONG KONG," HE SAID.

RATES

MR MACLEOD ALSO PROPOSED TO INCREASE THE GENERAL RATES FOR 1992-93 BY HALF OF A PERCENTAGE POINT.

THIS MEANS THAT THE TOTAL CHARGE TO RATES WILL BE 6%. NO CHANGES ARE PROPOSED TO THE URBAN AND REGIONAL COUNCIL RATES.

MR MACLEOD SAID HIS PROPOSAL TO INCREASE RATES BY HALF A PERCENTAGE POINT WOULD INCREASE GENERAL REVENUE IN 1992-93 BY ABOUT \$940 MILLION.

"THE EFFECT ON INFLATION, AS MEASURED BY THE CPI(A), WILL BE NEGLIGIBLE AT 0.14%," HE SAID.

THE FINANCIAL SECRETARY SAID THE HIGHER RATES WOULD HAVE A MODERATE IMPACT ON RATEPAYERS IN DOMESTIC PROPERTIES.

"SOME 7 OUT OF 10 OF THESE RATEPAYERS WILL EXPERIENCE AN INCREASE OF ABOUT 9% IN THEIR RATES BILL.

"IN CASH TERMS, THE INCREASE FOR THE AVERAGE PRIVATE FLAT WILL BE ABOUT \$43 PER MONTH," HE SAID.

AS REGARDS PUBLIC HOUSING, MR MACLEOD SAID THE HOUSING AUTHORITY'S RENTS INCLUDED AN ELEMENT FOR RATES AND WERE NORMALLY REVISED EVERY TWO YEARS ON A ROLLING CYCLE.

"IT WILL BE FOR THE AUTHORITY TO DECIDE HOW BEST TO REFLECT THIS RATES INCREASE IN THEIR RENTS.

"NEVERTHELESS, I ESTIMATE THAT THE INCREASE IN RATES WILL COME TO AROUND \$15 PER MONTH FOR THE AVERAGE HOUSING AUTHORITY FLAT," HE SAID.

BUSINESS PREMISES WOULD EXPERIENCE HIGHER PERCENTAGE INCREASES, HE SAID.

"RATES HAVE BEEN VERY LOW, AND EVEN AT THE NEW LEVELS, THEY WILL STILL BE LOW COMPARED WITH RENTS AND OTHER OPERATING EXPENSES.

"THE AVERAGE OFFICE TENANT, FOR EXAMPLE, PAYS \$34 PER SQUARE FOOT A MONTH, WHICH COVERS RENT, AIR CONDITIONING, MANAGEMENT AND RATES. THE NEW RATES WILL ADD 80 CENTS, OR 2.4%, TO THE COST PER SQUARE FOOT A MONTH," THE FINANCIAL SECRETARY SAID.

MR MACLEOD POINTED OUT THAT RATES IN HONG KONG WOULD REMAIN LOW BY INTERNATIONAL STANDARDS.

"A RECENT SURVEY OF OFFICE ACCOMMODATION REVEALED THAT IN THE MAJORITY OF CITIES SURVEYED, RATES (OR SIMILAR PROPERTY-BASED TAXES) REPRESENTED MORE THAN 10% OF THE RENTS, WITH A FEW AROUND 50%.

"EVEN AFTER THE PROPOSED INCREASE, RATES WILL ONLY BE ABOUT 6% OF RENTS IN HONG KONG," HE SAID.

THE RATEABLE VALUES OF ALL PROPERTIES WERE REVISED FROM APRIL 1, 1991, BASED ON RENTAL VALUES AS AT JULY 1, 1990.

MR MACLEOD SAID TODAY'S RATES WERE AT AN HISTORICALLY LOW LEVEL.

FROM 1931 TO 1972, THEY WERE CHARGED AT 17% OF RATEABLE VALUES. SINCE THEN, THE PERCENTAGE CHARGE HAS VARIED FROM AS HIGH AS 18% TO AS LOW AS THE CURRENT 5.5%.

"AT THIS LEVEL, THEY REPRESENT A VERY MINOR CHARGE ON RATEPAYERS IN RESIDENTIAL PROPERTIES. FOR THE AVERAGE HOUSEHOLD, RATES ARE EQUAL TO LESS THAN 2% OF HOUSEHOLD INCOMES. FOR BUSINESSES, RATES ARE LESS THAN 1% OF AVERAGE OPERATING EXPENSES," HE SAID.

FURTHERMORE, MR MACLEOD SAID RATES AS A PROPORTION OF RENTAL VALUES HAD FALLEN SUBSTANTIALLY.

"FROM 1973 TO 1977, THEY WERE AROUND 8%. TODAY, THEY ARE LESS THAN 4%. RATES HAVE THUS DECLINED AS A PROPORTION OF THE TOTAL COSTS OF ACCOMMODATION.

"IT IS VERY LIKELY THAT THIS BENEFIT HAS NOT BEEN PASSED ON TO TENANTS, BUT HAS BEEN APPROPRIATED BY PROPERTY OWNERS IN THE FORM OF HIGHER RENTS," HE SAID.

HE ALSO POINTED OUT THAT RATES OFFERED SPECIAL ADVANTAGES AS A SOURCE OF REVENUE AS THEY BROADLY REFLECTED THE RATEPAYER'S ABILITY TO PAY, SINCE THEY WERE RELATED TO THE RENTAL VALUE OF THE PROPERTY OCCUPIED.

"AT THE SAME TIME, THEY ARE A STABLE AND PREDICTABLE SOURCE OF REVENUE," HE SAID.

ON THE RATES RELIEF SCHEME WHICH WAS INTRODUCED ON APRIL 1, 1991 AND WOULD END ON MARCH 31, 1992, MR MACLEOD THE SCHEME HAD SERVED ITS PURPOSE AND SHOULD NOT BE EXTENDED.

THE SCHEME WAS INTRODUCED TO PROVIDE TEMPORARY RELIEF, PARTICULARLY FOR DOMESTIC RATEPAYERS, TO ENABLE THEM TO ADJUST TO THE HIGHER RATES IMMEDIATELY AFTER THE REVALUATION.

"BUT THE FUNDAMENTAL PRINCIPLE OF RATING IS THAT RATEPAYERS SHOULD CONTRIBUTE ACCORDING TO THE RENTAL VALUE OF THE PROPERTIES THEY OCCUPY. RATES RELIEF UNDERMINES THIS PRINCIPLE AND SHOULD ONLY BE A TEMPORARY MEASURE," HE SAID.

MR MACLEOD SAID AS IT HAPPENED, EXTENDING THE SCHEME FOR A FURTHER YEAR WOULD ANYWAY BENEFIT LESS THAN 6% OF RATEPAYERS IN DOMESTIC PROPERTIES. THE MAIN BENEFICIARIES WOULD BE RATEPAYERS IN COMMERCIAL AND INDUSTRIAL PROPERTIES (ABOUT 50% OF WHOM WOULD BE BETTER OFF).

FS PROPOSES REVENUE MEASURES

* * * * *

THE FINANCIAL SECRETARY, THE HON HAMISH MACLEOD, IN HIS BUDGET SPEECH FOR 1992-93 TO THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY) HAD PROPOSED TO EXTEND THE APPLICATION OF STAMP DUTY TO THE SALE OR TRANSFER OF COVERED WARRANTS.

MR MACLEOD SAID THIS WAS A LOGICAL EXTENSION OF HONG KONG'S EXISTING TAX SYSTEM, SINCE WARRANTS WERE A ROUTINELY TRADED FORM OF SECURITY.

THIS MEASURE WILL YIELD AN ADDITIONAL \$140 MILLION A YEAR.

HE ALSO REFERRED TO A MEASURE ALREADY PASSED INTO LAW BY THE LEGISLATIVE COUNCIL IN WHICH STAMP DUTY WAS IMPOSED ON SALE AND PURCHASE AGREEMENTS FOR RESIDENTIAL PROPERTY, BY THE STAMP DUTY (AMENDMENT) ORDINANCE 1992.

"THIS MEASURE IS DESIGNED TO CURB SPECULATION IN THE DOMESTIC PROPERTY MARKET. I ESTIMATE THAT WE WILL OBTAIN AN ADDITIONAL \$500 MILLION A YEAR FROM THIS SOURCE," HE SAID.

BETTING TAX

MEANWHILE, THE FINANCIAL SECRETARY PROPOSED TO INCREASE THE TAX RATE FOR STANDARD BETS FROM 10.5% TO 11.5% AND FOR EXOTIC BETS FROM 17% TO 17.5%.

THESE INCREASES WILL TAKE EFFECT FROM THE BEGINNING OF THE NEXT RACING SEASON.

MR MACLEOD SAID THE JOCKEY CLUB HAD AGREED TO BEAR A SIGNIFICANT PROPORTION OF THE COST OF THE MEASURE, AND THERE SHOULD BE NO EFFECT ON TURNOVER.

AN ADDITIONAL YIELD OF \$390 MILLION IS EXPECTED FROM THIS MEASURE IN 1992-93.

DUTY ON DIESEL FUEL USED BY PLEASURE BOATS

THE FINANCIAL SECRETARY ALSO PROPOSED TO ELIMINATE AN INCONSISTENCY IN THE EXCISE DUTY SYSTEM AND EXTEND THE REQUIREMENT TO PAY DUTY ON LIGHT DIESEL OIL TO LOCALLY REGISTERED PLEASURE CRAFT, WITH EFFECT FROM JUNE 1 THIS YEAR.

"GIVEN THE RAPID GROWTH IN RECENT YEARS OF THE NUMBER OF PLEASURE CRAFT, MOST OF WHICH USE DIESEL FUEL, I EXPECT AN ADDITIONAL \$80 MILLION A YEAR FROM THIS MEASURE. PETROL USED BY SUCH PLEASURE CRAFT IS ALREADY SUBJECT TO DUTY," HE SAID.

OTHER INDIRECT TAXES

THE FINANCIAL SECRETARY DID NOT PROPOSE ANY OTHER INCREASES IN REAL TERMS IN INDIRECT TAXATION.

NEVERTHELESS, MR MACLEOD SAID THOSE DUTIES WHICH WERE ASSESSED ON A SPECIFIC BASIS, AS OPPOSED TO AD VALOREM LEVIES, WOULD REQUIRE ADJUSTMENT IF REAL YIELDS WERE NOT TO DIMINISH BECAUSE OF INFLATION.

HE PROPOSED A 10% INCREASE IN THE DUTIES ON TOBACCO, HYDROCARBON OILS, ALCOHOLIC BEVERAGES AND ALCOHOL.

HE SAID HE DID NOT INTEND TO PROPOSE ANY INCREASES IN SUCH GOVERNMENT UTILITY CHARGES AS WATER AND POSTAL CHARGES, TUNNEL TOLLS AND AIRPORT AND FERRY FEES.

"WE WILL NEED TO CONSIDER APPROPRIATE INCREASES TO THESE CHARGES DURING THE COURSE OF THIS YEAR. BUT THE TIMING WILL BE CAREFULLY PHASED, SO THAT THEY ARE NOT BUNCHED TOGETHER AND THE IMPACT ON CONSUMERS CAN BE MINIMISED.

"SIMILAR ADJUSTMENTS MAY BE NEEDED TO TAX-LOADED FEES, SUCH AS VEHICLE LICENCE AND COMPANY REGISTRATION FEES. AGAIN, THE TIMING OF ANY CHANGES WILL BE LOOKED AT CAREFULLY," HE SAID.

THE FINANCIAL SECRETARY REMINDED THAT THE MORATORIUM ON GOVERNMENT DEPARTMENTAL FEES EXPIRED ON FEBRUARY 29.

"THE VAST MAJORITY OF THESE ROUTINE FEES ARE DESIGNED TO DO NO MORE THAN RECOVER COSTS AND HAVE NO IMPACT ON THE CONSUMER PRICE INDICES.

"NEVERTHELESS, THEY WERE FROZEN TEMPORARILY TO HELP BREAK THE CYCLE OF INFLATIONARY EXPECTATION. THE INTENDED EFFECT HAS BEEN LARGELY ACHIEVED, AND ROUTINE CONSIDERATION OF ADJUSTMENTS TO THESE FEES WILL NOW RESUME. BUT ANY CHANGES WILL BE PHASED IN GRADUALLY," HE SAID.

----- 0 -----

TAX CONCESSIONS ON NON-LUXURY ITEMS AND SALARIES TAX

* * * * *

THE FINANCIAL SECRETARY, THE HON HAMISH MACLEOD, IN HIS BUDGET SPEECH FOR 1992-93, HAD PROPOSED TAX CONCESSIONS WITH THE AIMS OF REDUCING OR ABOLISHING TAXES ON CERTAIN NON-LUXURY ITEMS WHICH DIRECTLY AFFECTED THE COST OF LIVING OF ORDINARY FAMILIES AND EASING THE BURDEN ON THOSE LIABLE TO SALARIES TAX.

SALARIES TAX

THE FINANCIAL SECRETARY PROPOSED ACROSS-THE-BOARD INCREASES IN PERSONAL ALLOWANCES.

/HE PROPOSED

HE PROPOSED TO INCREASE THE AGGREGATE SINGLE AND MARRIED PERSON'S ALLOWANCES BY OVER 12%, FROM \$41,000 AND \$82,000 TO \$46,000 AND \$92,000 RESPECTIVELY.

IN ADDITION, HE PROPOSED INCREASES RANGING BETWEEN 11% AND 15% IN THE ALLOWANCES FOR THE FIRST CHILD, SECOND CHILD, DEPENDENT PARENT AND SINGLE PARENT.

THESE CONCESSIONS WILL TAKE EFFECT FROM THE YEAR OF ASSESSMENT COMMENCING APRIL 1, 1992.

MR MACLEOD SAID THESE PROPOSALS WOULD COST \$850 MILLION IN 1992-93, OR \$1.2 BILLION IN A FULL YEAR.

"THEY WILL CUT THE TAX BILL FOR 1.2 MILLION TAXPAYERS (83% OF THE TOTAL). A FURTHER 120,000 (8% OF THE TOTAL) WILL BE FREED COMPLETELY FROM PAYING ANY SALARIES TAX," HE SAID.

THE FINANCIAL SECRETARY POINTED OUT THAT LAST YEAR, TAX BANDS WERE SIMPLIFIED TO BENEFIT TAXPAYERS WITH LOWER INCOMES. AT THE SAME TIME, PERSONAL ALLOWANCES FOR SINGLE PERSONS AND MARRIED COUPLES WERE INCREASED.

"NEVERTHELESS, THERE HAS BEEN SOME CRITICISM THAT THE VALUE OF PERSONAL ALLOWANCES HAS NOT KEPT PACE WITH INFLATION. IN ASSESSING THESE CRITICISMS, IT IS WORTH REMEMBERING THAT WELL OVER HALF OF THE WORKING POPULATION OF HONG KONG IN FACT PAYS NO SALARIES TAX AT ALL; AND OF THOSE WHO DO, ONLY 100,000 PAY TAX AT THE STANDARD RATE," HE SAID.

MR MACLEOD SAID HE HAD CONSIDERABLE SYMPATHY WITH THE GENERAL AIM OF MAINTAINING THE VALUE OF PERSONAL ALLOWANCES, ALTHOUGH THIS COULD NOT BE DONE AUTOMATICALLY, ON AN ANNUAL BASIS, BECAUSE OF THE NEED TO CONSIDER DETAILED FISCAL AND ECONOMIC CIRCUMSTANCES YEAR BY YEAR.

THE PROPOSED INCREASE IN ALLOWANCES WOULD NOT ONLY PROVIDE RELIEF TO TAXPAYERS BUT WOULD ALSO RESULT IN A SIGNIFICANT NUMBER OF TAXPAYERS DROPPING OUT OF THE TAX NET ALTOGETHER, THE FINANCIAL SECRETARY SAID.

DUTY ON SOFT DRINKS

THE FINANCIAL SECRETARY PROPOSED TO ABOLISH WITH EFFECT FROM THIS AFTERNOON (WENDESDAY) DUTY ON SOFT DRINKS WHICH WAS INTRODUCED IN 1985 AS A REVENUE RAISING MEASURE.

THIS CONCESSION WILL COST THE REVENUE ABOUT \$230 MILLION A YEAR.

MR MACLEOD SAID HE HAD TAKEN STEPS WHICH SHOULD ENSURE THAT THE FULL BENEFIT WAS PASSED ON TO CONSUMERS.

"I HAVE TOLD THE SOFT DRINKS INDUSTRY THAT WE EXPECT NO PRICE INCREASES FOR AT LEAST TWELVE MONTHS OR, WHERE INCREASES WERE INTRODUCED THIS YEAR, A PRICE REDUCTION TO REFLECT FULLY THE ABOLITION OF THE DUTY.

"THE INDUSTRY'S REPRESENTATIVE ASSOCIATION IN HONG KONG HAS UNDERTAKEN TO PERSUADE ITS MEMBERS TO DO SO. AS A RESULT, THERE SHOULD BE A SMALL BUT BENEFICIAL EFFECT ON THE CONSUMER PRICE INDICES," HE SAID.

ENTERTAINMENTS TAX ON CINEMA TICKETS

THE FINANCIAL SECRETARY PROPOSED TO ABOLISH THE TAX IN RESPECT OF CINEMA TICKETS WITH EFFECT FROM APRIL 1 THIS YEAR.

HE POINTED OUT THAT THE TAX AT PRESENT ACCOUNTED FOR ROUGHLY 10% OF THE COST OF A NORMAL CINEMA TICKET AND THE ABOLITION SHOULD THEREFORE HELP TO KEEP DOWN THE COST OF THIS POPULAR FORM OF ENTERTAINMENT.

"IT SHOULD ALSO HAVE A USEFUL, IF MINOR, IMPACT ON THE CONSUMER PRICE INDICES. THE COST TO THE REVENUE WILL BE ONLY \$130 MILLION A YEAR.

"I HAVE RECEIVED ASSURANCES FROM HONG KONG'S TWO LARGEST CINEMA OPERATORS THAT THE FULL BENEFIT OF THIS CONCESSION WILL BE PASSED ON TO CINEMA-GOERS AND THAT THERE WILL BE NO INCREASE IN THE PRICE OF TICKETS IN THE COMING YEAR," HE SAID.

ENTERTAINMENTS TAX IS LEVIED UNDER THE ENTERTAINMENTS TAX ORDINANCE INTRODUCED OVER 60 YEARS AGO IN RESPONSE TO THE NEW-FANGLED "CINEMATOGRAPHIC EXHIBITIONS" OF THE TIME.

MR MACLEOD SAID THE PROVISIONS RELATING TO CINEMAS WERE AT PRESENT OUTDATED AND ARGUABLY PUT CINEMAS AT AN UNFAIR DISADVANTAGE WHEN COMPARED WITH HOME ENTERTAINMENT.

DUTY ON DIESEL OIL

THE FINANCIAL SECRETARY PROPOSED TO EXEMPT THE FRANCHISED BUS COMPANIES COMPLETELY FROM THE DUTY ON DIESEL FUEL, WITH EFFECT FROM THIS AFTERNOON (WEDNESDAY).

"THIS CONCESSION WILL BE FULLY REFLECTED IN FUTURE ADJUSTMENTS TO BUS FARES. THIS PROPOSAL WILL COST \$190 MILLION A YEAR AND, AGAIN, WILL HELP TO COMBAT INFLATION," HE SAID.

BEFORE THE EXEMPTION, FRANCHISED BUS COMPANIES RECEIVED A REFUND OF 65 CENTS A LITRE ON DUTY PAID FOR DIESEL OIL.

STAMP DUTY ON STOCK TRANSFERS

THE FINANCIAL SECRETARY PROPOSED TO LOWER THE STAMP DUTY ON STOCK TRANSFERS TO 0.4%.

MR MACLEOD POINTED OUT THAT LAST YEAR, IN RECOGNITION OF THE WORLD-WIDE TREND TOWARDS ELIMINATING THE DUTY ON STOCK TRANSFERS, OVERALL CONTRACT NOTE DUTY WAS LOWERED FROM 0.6% TO 0.5%.

"THIS YEAR, I PROPOSE TO CONTINUE THIS PROCESS BY A FURTHER REDUCTION TO 0.4% TO HELP TO MAINTAIN THE COMPETITIVENESS OF HONG KONG'S SECURITIES MARKET.

"THIS WILL COST THE REVENUE \$400 MILLION A YEAR. I EXPECT THE INDUSTRY TO PASS ON THE FULL BENEFIT TO INVESTORS. THEIR RESPONSE WILL INFLUENCE OUR ATTITUDE IN FUTURE YEARS," HE SAID.

- - - - 0 - - - -

REVENUE PROTECTION ON DUTIABLE COMMODITIES TO TAKE IMMEDIATE EFFECT

* * * * *

THE FINANCIAL SECRETARY'S PROPOSALS ON DUTIABLE COMMODITIES CAME INTO EFFECT TODAY (WEDNESDAY) UNDER APPROPRIATE PUBLIC REVENUE PROTECTION ORDERS.

UNDER SIMILAR AUTHORITY, THE FINANCIAL SECRETARY'S PROPOSALS ON RATES, PROFITS TAX, PERSONAL ALLOWANCES, STAMP DUTY AND ENTERTAINMENTS TAX WILL COME INTO EFFECT ON APRIL 1 THIS YEAR.

PRESENTING HIS BUDGET FOR 1992-93 TO THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY), THE FINANCIAL SECRETARY, THE HON HAMISH MACLEOD, SAID THE AMENDING BILLS REQUIRED TO BRING THE PROPOSALS INTO LAW WOULD BE INTRODUCED INTO THE LEGISLATIVE COUNCIL NEXT WEEK, OR WHERE RESOLUTIONS OF THE COUNCIL WERE REQUIRED, AT AN APPROPRIATE LATER SITTING.

"IN ALL CASES, ADEQUATE TIME WILL BE GIVEN TO MEMBERS TO CONSIDER THE MEASURES BEFORE THE DEBATES ON THE BILLS ARE RESUMED AND THE RESOLUTIONS INTRODUCED," HE SAID.

MR MACLEOD COMMENTED ON TWO ITEMS WHICH WERE NOT INCLUDED IN HIS BUDGET - SALES TAX AND AN INCREASE IN SALARIES TAX.

ON SALES TAX, HE SAID HE HAD MADE IT CLEAR BEFORE THAT HE DID NOT REGARD THAT AS ATTRACTIVE AT A TIME OF RELATIVELY HIGH INFLATION, AND IT WAS NOT CURRENTLY UNDER SERIOUS CONSIDERATION.

ON SALARIES TAX, HE SAID HE WAS GLAD TO BE ABLE TO ASSIST TAXPAYERS BY NOT RAISING IT AT THE SAME TIME AS THE INCREASE IN PROFITS TAX.

"BUT I SHOULD WARN THAT THE RESULTING DIFFERENTIAL BETWEEN SALARIES AND PROFITS TAX IS PROBABLY AT ABOUT THE MAXIMUM, BEYOND WHICH AVOIDANCE IS LIKELY TO BE A PROBLEM," THE FINANCIAL SECRETARY SAID.

- - - - 0 - - - -

WE MUST HAVE CONFIDENCE IN OURSELVES : FS

* * * * *

THE FINANCIAL SECRETARY, THE HON HAMISH MACLEOD, TODAY (WEDNESDAY) SAID WE MUST HAVE CONFIDENCE IN OURSELVES, AND IN OUR ABILITY TO CONTINUE TO CREATE ECONOMIC SUCCESS AND TO ENJOY ITS REWARDS.

CONCLUDING HIS FIRST BUDGET SPEECH IN THE LEGISLATIVE COUNCIL, MR MACLEOD SAID WE SHOULD NOT FALL INTO THE TRAP OF EXAGGERATING DIFFERENCES OR PROBLEMS WHICH DID EXIST, OR WE RISKED CAUSING OTHERS TO LOSE CONFIDENCE IN US.

"I DO NOT UNDERESTIMATE THE EFFECT DEBATES IN THIS COUNCIL, OR IN THE WIDER PUBLIC ARENA, CAN HAVE ON PUBLIC PERCEPTIONS AND PUBLIC CONFIDENCE," HE SAID.

MR MACLEOD SAID HE HAD DEALT WITH THE SOCIAL SERVICES, AND THE REAL INCREASE IN PLANNED SPENDING IN THOSE SERVICES, AT SOME LENGTH, PRECISELY BECAUSE SOME OF THE PUBLIC DEBATE ON THOSE ISSUES WAS BEING CONDUCTED IN SUCH SIMPLISTIC AND MISLEADING TERMS THAT THE PUBLIC WAS IN DANGER OF BEING LED TO BELIEVE THE OPPOSITE OF THE TRUTH.

"THE TRUTH, I MUST REITERATE, IS THAT WE REMAIN COMMITTED TO HELPING THE MAN IN THE STREET, AND TO INCREASING SPENDING ON SERVICES WHICH BENEFIT HIM.

"THIS COMMITMENT HAS BEEN ONE OF THE GREAT STRENGTHS OF THE HONG KONG GOVERNMENT, AND THIS WILL CONTINUE TO BE THE CASE. BUT ALONG WITH THIS MUST GO A WILLINGNESS TO RE-APPRAISE PRIORITIES IN ALL AREAS.

"RESOURCES ARE LIMITED, AND THERE MUST BE NO SACRED COWS CREATED BY SPECIAL INTEREST GROUPS. WE MUST ALWAYS BE READY TO REDEPLOY RESOURCES TO WHERE THEY ARE MOST NEEDED," HE SAID.

MR MACLEOD ALSO SOUGHT TO REASSURE THE BUSINESS COMMUNITY THAT PAST, OR INDEED FUTURE POLITICAL CHANGE DID NOT MEAN THAT HONG KONG WAS ABOUT TO EMBARK ON RADICAL CHANGES IN POLICY, WHETHER IN TAXATION OR OTHER MATTERS.

"INDEED, IT IS IN MY VIEW ONE OF OUR COMMUNITY'S GREAT STRENGTHS THAT THERE IS A BROAD CONSENSUS ABOUT THE NEED TO PRESERVE THE KEY ELEMENTS OF HONG KONG'S SUCCESS - THE COMMITMENT TO THE MARKET ECONOMY, TO COMPETITION, AND TO PROVIDING COMMUNITY SERVICES FROM THE WEALTH CREATED BY THAT ECONOMY.

"THESE COMMUNITY SERVICES ENSURE THAT EVERYONE RECEIVES PROPER EDUCATION AND HEALTH CARE, AND CAN RISE AS FAR AS THEIR TALENTS ENABLE THEM.

"WE ARE AN OPEN, MERITOCRATIC SOCIETY, WHERE SUCCESS INSPIRES EFFORT TO EMULATE THAT SUCCESS, NOT JEALOUSY. RAGS TO RICHES STORIES ARE COMMONPLACE IN HONG KONG. LONG MAY THAT CONTINUE TO BE SO," HE SAID.

THE FINANCIAL SECRETARY SAID THERE WAS ALSO BROAD AGREEMENT ABOUT THE NEED TO PROVIDE A SAFETY-NET FOR THOSE LESS ABLE TO LOOK AFTER THEMSELVES, THOUGH THERE WOULD ALWAYS BE LEGITIMATE DEBATE ABOUT PACE AND SCALE.

"NO SOCIETY CAN ACHIEVE ALL THAT MAY BE DESIRABLE IN ONE DRAMATIC GESTURE. BUT WE ARE FORTUNATE ENOUGH TO BE ABLE TO SPEND MORE ON PUBLIC SERVICES AS THE ECONOMY CONTINUES TO GROW AND PROSPER," HE SAID.

MR MACLEOD POINTED OUT THAT THE ENGINE OF GROWTH - THE ECONOMY - WAS PICKING UP, AND INFLATION WAS SLOWLY DECLINING.

"I HAVE SOUGHT IN THIS, MY FIRST BUDGET, TO SET OUT MY PHILOSOPHY CLEARLY, AND TO EXPLAIN FRANKLY THE PROBLEMS AS WELL AS THE OPPORTUNITIES WE FACE.

"AND I HAVE SOUGHT IN MY PROPOSALS TO MAINTAIN THE NECESSARY BALANCE BETWEEN INVESTING IN AREAS WHICH WILL HELP KEEP OUR ECONOMY GROWING, SUCH AS EDUCATION AND THE INFRASTRUCTURE, AND SPENDING ON ALL THE OTHER AREAS WHICH MAKE OUR LIFE HERE RELATIVELY SAFE AND REWARDING, INCLUDING THE SAFETY-NET I HAVE REFERRED TO," HE SAID.

MR MACLEOD HAD ALSO ENSURED THAT HONG KONG CONTINUED TO LIVE WITHIN ITS MEANS.

"AND BY A MODEST NET INCREASE IN TAXATION TO PROVIDE AN ADEQUATE CUSHION IN OUR RESERVES TO HELP MEET ANY UNFORESEEN ADVERSE DEVELOPMENTS. IN ALL THIS, AND PARTICULARLY IN THE TAX CONCESSIONS, I HAVE SOUGHT TO SOFTEN THE EFFECT OF INFLATION," HE SAID.

THE FINANCIAL SECRETARY PAID A WARM AND SINCERE TRIBUTE TO HIS PREDECESSOR, SIR PIERS JACOBS.

"SIR PIERS STEERED US SAFELY THROUGH SOME TESTING TIMES, AND IN THE PROCESS CARRIED OUR MONETARY MANAGEMENT AND REGULATORY FRAMEWORK, A LONG WAY FORWARD.

"ABOVE ALL, IN RELATION TO THIS BUDGET, HE LEFT OUR FINANCES IN A HEALTHY STATE; A STATE I HAVE EVERY DETERMINATION WILL CONTINUE," THE FINANCIAL SECRETARY SAID.

HE MOVED THAT THE DEBATE ON THE MOTION BE ADJOURNED.

NEW ROAD WILL MEET INCREASE IN CROSS-BORDER TRAFFIC

* * * * *

THE ROAD BETWEEN YUEN LONG AND LOK MA CHAU WILL HAVE AMPLE CAPACITY TO MEET THE PROJECTED INCREASE IN TRAFFIC USING LOK MA CHAU BORDER CROSSING AFTER THE OPENING OF PHASE I OF THE ZHU-SHEN EXPRESSWAY.

IN A WRITTEN REPLY TO A QUESTION BY THE HON GILBERT LEUNG IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY), THE SECRETARY FOR TRANSPORT, MR MICHAEL LEUNG SAID THIS SECTION OF THE NEW TERRITORIES CIRCULAR ROAD WAS PLANNED TO BE A DUAL-THREE LANE EXPRESSWAY.

"CONSTRUCTION OF THAT PART OF THE ROAD FROM LOK MA CHAU TO FAIRVIEW PARK HAS ALREADY BEEN COMPLETED AND OPENED TO TRAFFIC.

"THE REMAINING SECTION, FROM FAIRVIEW PARK TO AU TAU, IS DUE FOR COMPLETION IN OCTOBER THIS YEAR," HE SAID.

MR LEUNG SAID IN ADDITION, THE TUEN MUN-YUEN LONG EASTERN CORRIDOR AND THE YUEN LONG SOUTHERN BY-PASS, DUE FOR COMPLETION IN JULY 1993 AND JULY 1994 RESPECTIVELY, WOULD HELP ENSURE A SMOOTH FLOW OF TRAFFIC TO AND FROM THE BORDER.

"AS AN ALTERNATIVE TO THIS ROUTE, VEHICLES CROSSING THE BORDER AT LOK MA CHAU CAN TRAVEL TO THE URBAN AREA VIA THE CIRCULAR ROAD AND THE TOLO HIGHWAY."

MR LEUNG SAID PRELIMINARY DESIGN FOR THAT SECTION OF ROUTE 3 CONNECTING AU TAU AND NORTH TSING YI (THE COUNTRY PARK SECTOR) WAS IN HAND, AND WOULD BE FOLLOWED BY A FINANCIAL CONSULTANCY IN THE MIDDLE OF THIS YEAR.

"THE PURPOSE IS TO ASSESS THE VIABILITY OF THIS PROJECT AS A 'BUILD, OPERATE AND TRANSFER' (BOT) SCHEME WITH A VIEW TO ITS BEING IMPLEMENTED BEFORE 1998," HE SAID.

- - - - 0 - - - -

FLUSHING WITH TREATED SEWAGE EFFLUENT EXPENSIVE

* * * * *

A FEASIBILITY STUDY ON USING TREATED SEWAGE EFFLUENT (TSE) FOR FLUSHING PURPOSES IN THE SHA TIN NEW TOWN CONCLUDED THAT IT WAS TECHNICALLY FEASIBLE BUT WAS MORE EXPENSIVE THAN USING SEA-WATER, THE SECRETARY FOR WORKS, MISS ELAINE CHUNG, INFORMED THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

IN A WRITTEN REPLY TO A QUESTION BY THE HON SAMUEL WONG, MISS CHUNG SAID FINDINGS OF THE STUDY APPLIED EQUALLY TO THE MA ON SHAN AND TAI PO NEW TOWNS.

"IN ADDITION

"IN ADDITION, A 1988 CONSULTANCY REPORT CONCLUDED THAT IN ORDER TO REDUCE THE POLLUTION LOADING IN TOLO HARBOUR, THE LEAST COSTLY SCHEME WAS TO EXPORT ALL EFFLUENT FROM SHA TIN AND TAI PO SEWAGE TREATMENT WORKS TO KAI TAK NULLAH AND TO USE SEA WATER FOR FLUSHING IN THE SHA TIN AND TAI PO AREAS.

"SUBSEQUENTLY THIS EFFLUENT EXPORT SCHEME WAS ADOPTED," MISS CHUNG SAID.

SHE SAID CURRENTLY THE AMOUNT OF SEA WATER USED FOR FLUSHING WAS 67 PER CENT, AND THIS WOULD RISE TO 90 PER CENT BY 1995.

"FOR DEVELOPMENTS OUTSIDE SEA-WATER FLUSHING SUPPLY ZONES, WHERE IT IS PRESENTLY UNECONOMICAL TO PROVIDE SEA WATER FOR FLUSHING PURPOSES, THE USE OF POTABLE WATER WILL NOT BE APPROVED FOR DEVELOPMENTS UNLESS THE FEASIBILITY OF USING STREAM WATER AND WELL WATER HAS FIRST BEEN EXPLORED."

MISS CHUNG SAID THE USE OF RECYCLED WATER FOR FLUSHING WAS NOT USED BECAUSE IT NEEDED SPECIAL RECYCLING PLANTS AND IT WAS NOT ECONOMICALLY PRACTICAL.

- - - - 0 - - - -

BUILDINGS AND LANDS DEPARTMENT TO BE REORGANISED

* * * * *

THE BUILDINGS AND LANDS DEPARTMENT WILL BE SPLIT INTO TWO DEPARTMENTS TO ENABLE A BETTER BALANCE BETWEEN THE DEPARTMENTS AND THEIR PROGRAMME AREAS AND RESOURCE REQUIREMENTS TO BE MAINTAINED AT THE POLICY BRANCH LEVEL IN THE PLANNING, ENVIRONMENT AND LANDS BRANCH.

THIS WAS STATED BY THE SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS, MR GRAHAM BARNES, IN A WRITTEN REPLY TO A QUESTION BY THE HON LAU WONG-FAT IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

MR BARNES SAID THE RE-ORGANISATION WOULD INVOLVE THE ESTABLISHMENT OF THE BUILDINGS ORDINANCE OFFICE AS A SEPARATE DEPARTMENT TO BE KNOWN AS THE BUILDINGS DEPARTMENT AND THE DIVISION OF THE PRESENT BUILDINGS AND LANDS DEPARTMENT HEADQUARTERS ACCORDINGLY.

"GREATER EMPHASIS AND FRESH IMPETUS IS REQUIRED TO DEAL WITH THE PROBLEMS OF SAFETY AND MAINTENANCE IN PRIVATE BUILDINGS.

"THESE EFFORTS WILL BE ASSISTED IF THE IDENTITY AND AUTHORITY OF THE DEPARTMENT AND ITS OFFICIALS RESPONSIBLE FOR CONTROL AND ENFORCEMENT ACTIVITIES IN THIS FIELD ARE MORE CLEARLY ESTABLISHED IN THE EYES OF THE PUBLIC," HE SAID.

MR BARNES INFORMED THE LEGISLATIVE COUNCIL THAT THE RE-ORGANISATION WOULD BE ACHIEVED AT NO ADDITIONAL COST.

/"THERE WILL

"THERE WILL BE NO BASIC CHANGES IN THE SYSTEMS OF LAND ADMINISTRATION AND BUILDING CONTROL, WHICH ARE AT PRESENT OPERATED BY THE LANDS ADMINISTRATION OFFICE (INCLUDING THE DISTRICT LANDS OFFICES) AND THE VARIOUS DIVISIONS OF THE BUILDINGS ORDINANCE OFFICE, WHICH WILL CONTINUE UNDER THE AEGIS OF THE FUTURE LANDS DEPARTMENT AND BUILDINGS DEPARTMENT.

"ASSURANCES ALONG THESE LINES WILL BE GIVEN AND ELABORATED ON AT THE VARIOUS STAGES OF THE PROCESSING OF THE RE-ORGANISATION PROPOSALS AND WILL BE FULLY PUBLICISED ONCE IMPLEMENTATION IS ABLE TO START," MR BARNES SAID.

- - - - 0 - - - -

CRIME CONTROL MEASURES IN ISLANDS DISTRICT

* * * * *

THE POLICE HAD STEPPED UP PATROLS AND OPERATIONS TO COUNTER THEFTS OF MOTORISED SAMPANS, THE SECRETARY FOR SECURITY, MR ALISTAIR ASPREY, INFORMED THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

IN A WRITTEN REPLY TO A QUESTION BY THE HON LEE WING-TAT, THE SECRETARY SAID THE POLICE GAVE ADVICE TO FISHERMEN AND RESIDENTS' ASSOCIATIONS ON MEASURES TO PREVENT SUCH CRIMES BY, FOR EXAMPLE, REMOVING BOATS ONSHORE WHEN NOT IN USE.

MR ASPREY POINTED OUT THAT THE NUMBER OF CASES IN THE ISLANDS DISTRICT OF THEFT OF MECHANISED SAMPANS HAD INCREASED FROM FIVE IN 1989 TO 25 IN 1990 AND 49 IN 1991.

ON TRIAD ACTIVITIES IN THE ISLANDS DISTRICT, THE SECRETARY NOTED THAT THERE WERE 13 TRIAD-RELATED CASES IN 1989; 12 IN 1990 AND 20 IN 1991.

"HOLIDAY FLATS IN THE ISLANDS DISTRICT ARE OCCASIONALLY USED FOR ILLEGAL PURPOSES, BUT THERE IS NO INDICATION THAT SUCH ACTIVITIES ARE INCREASING," HE SAID.

TO TACKLE THE PROBLEM, THE SECRETARY SAID THE POLICE REGULARLY CARRY OUT ANTI-TRIAD OPERATIONS IN THE DISTRICT.

MR ASPREY ALSO POINTED OUT THAT THE TOTAL NUMBERS OF CASES OF REPORTED CRIME IN THE ISLANDS DISTRICT IN 1989, 1990 AND 1991 WERE 857, 818 AND 942 RESPECTIVELY.

THE CORRESPONDING DETECTION RATES WERE 50.6 PER CENT, 45.4 PER CENT AND 42.5 PER CENT, HE SAID.

- - - - 0 - - - -

MOST PUBLIC ESTATES HAVE MAC'S: SHA

* * * * *

THERE ARE 1,219 MUTUAL AID COMMITTEES (MAC'S) IN PUBLIC HOUSING ESTATES IN HONG KONG, REPRESENTING MORE THAN 70 PER CENT OF THESE BUILDINGS, THE SECRETARY FOR HOME AFFAIRS, MR MICHAEL SUEN, INFORMED THE LEGISLATIVE COUNCIL THIS (WEDNESDAY) AFTERNOON.

HE ALSO SAID THERE WERE 2,893 MAC'S IN PRIVATE BUILDINGS.

IN A WRITTEN REPLY TO A QUESTION BY REV THE HON FUNG CHI-WOOD, MR SUEN SAID BASED ON THE INFORMATION PROVIDED BY THE HOUSING DEPARTMENT AND THE HOUSING SOCIETY, THERE WERE 1,732 BLOCKS OF BUILDINGS IN PUBLIC HOUSING ESTATES (BOTH RENTAL AND SALE FLATS INCLUDED).

MR SUEN STRESSED THAT THE GOVERNMENT AIMS AT ENCOURAGING AND ASSISTING RESIDENTS IN PRIVATE AND PUBLIC BUILDINGS TO FORM THE MAC'S.

THE MAC SCHEME WAS FIRST INTRODUCED ON A TRIAL BASIS IN 1973 AS A FORM OF VOLUNTARY ORGANISATION IN WHICH THE RESIDENTS CAN WORK TOGETHER TO IMPROVE THE SECURITY, CLEANLINESS AND MAINTENANCE OF THEIR BUILDINGS.

"ITS VALUE WAS CONFIRMED FOLLOWING A REVIEW IN 1974," MR SUEN SAID.

MR SUEN SAID SINCE A MAC WAS A VOLUNTARY ORGANISATION, THERE WAS NO QUESTION OF SETTING A TIMING FOR ITS FORMATION IN EACH BUILDING.

"THE NORMAL PRACTICE IS FOR OUR LIAISON STAFF IN THE CITY AND NEW TERRITORIES ADMINISTRATION TO MAKE VISITS TO RESIDENTS IN BUILDINGS, TO EXPLAIN TO THEM THE FUNCTIONS AND BENEFITS OF A MAC AND TO ENCOURAGE THEM TO FORM ONE.

"THE FINAL DECISION ON THE MAC FORMATION RESTS WITH THE RESIDENTS THEMSELVES," MR SUEN SAID.

AS TO WHY RESIDENTS IN SOME PRIVATE BUILDINGS HAD NOT YET FORMED THE MAC'S, MR SUEN SURMISED THAT SOME MIGHT HAVE OPTED TO FORM OWNERS' CORPORATIONS WHILE OTHERS MIGHT NOT SEE THE NEED TO HAVE A RESIDENT ASSOCIATION OF ANY KIND BECAUSE THEY EXPERIENCED NO SECURITY, ENVIRONMENTAL OR BUILDING MANAGEMENT PROBLEMS.

RATES REVENUE AND RATES RELIEF EXPLAINED

* * * * *

THE RATES REVENUE COLLECTED IN 1990-91 IN THE URBAN COUNCIL AREA WAS \$5,012 MILLION, AND THE CORRESPONDING FIGURE IN RESPECT OF THE REGIONAL COUNCIL AREA WAS \$1,831 MILLION, THE SECRETARY FOR THE TREASURY, MR YEUNG KAI-YIN, INFORMED THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

IN A WRITTEN REPLY TO A QUESTION BY THE HON FUNG KIN-KEE, MR YEUNG SAID THE TOTAL AMOUNT OF RATES RELIEF GRANTED IN 1991-92 FOR ALL PROPERTIES WAS ESTIMATED AT \$1,418 MILLION.

AS REGARDS RELIEF GRANTED TO PUBLIC CORPORATIONS, MR YEUNG EXPLAINED THAT BECAUSE THESE ORGANISATIONS OCCUPIED ALL TYPES OF PROPERTIES (OTHER THAN PUBLIC HOUSING) SPREAD OUT THROUGHOUT THE TERRITORY, IT WOULD TAKE CONSIDERABLE TIME AND STAFF RESOURCES TO PROVIDE THE FULL DETAILS.

HE NOTED THAT THE PURPOSE OF THE RATES RELIEF SCHEME INTRODUCED FOR 1991-92 WAS TO LIMIT THE INCREASE IN RATES PAYABLE IN RESPECT OF A PROPERTY TO 25 PER CENT OF THE AMOUNT PAYABLE IN 1990-91 AND THAT THE SCHEME WAS APPLICABLE EQUALLY TO ALL TYPES OF PROPERTIES.

"THE FACT THAT THESE PROPERTIES ARE HELD BY A PUBLIC CORPORATION WILL NOT AFFECT THE AMOUNT OF RATES RELIEF TO BE GRANTED," MR YEUNG SAID.

- - - - 0 - - - -

CONTROL ON FUME DISCHARGE FROM RESTAURANT KITCHENS

* * * * *

INSTALLATION AND OPERATION OF EXHAUST SYSTEMS OF RESTAURANT KITCHENS ARE REGULATED BY LICENSING CONDITIONS WHICH STIPULATE THAT EXHAUST FUMES SHOULD BE DISCHARGED IN A MANNER AND AT SUCH A POSITION AS NOT TO CAUSE NUISANCE.

IN A WRITTEN REPLY TO A QUESTION BY THE HON STEVEN POON IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY), THE SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS, MR GRAHAM BARNES EXPLAINED THAT AS THE LICENSING AUTHORITY, THE MUNICIPAL COUNCILS REQUIRE ALL RESTAURANT OPERATORS TO COMPLY WITH LICENSING REQUIREMENTS BEFORE THE ISSUE OF LICENCES.

A LETTER OF COMPLIANCE ON THE INSTALLATION SHOULD ALSO BE OBTAINED FROM THE DIRECTOR OF FIRE SERVICES.

"BREACH OF LICENSING CONDITIONS CAN RESULT IN SUSPENSION OR CANCELLATION OF THE LICENCE, AFTER SUFFICIENT WARNINGS HAVE BEEN GIVEN," HE SAID.

/IN ADDITION

IN ADDITION, RESTAURANT OPERATORS ARE ALSO REQUIRED TO SUBMIT PLANS FOR THE INSTALLATION OR ALTERATION OF ANY FURNACE, OVEN OR CHIMNEY THE DIRECTOR OF ENVIRONMENTAL PROTECTION FOR PRIOR APPROVAL.

MR BARNES SAID IN THE CASE OF EMISSION OF PARTICLES AND SMELL FROM SUCH SYSTEM, THE MUNICIPAL COUNCILS WERE EMPOWERED TO SERVE A NOTICE REQUIRING THE RESTAURANT OPERATOR TO ABATE THE NUISANCE.

"IN ADDITION, THE ADMINISTRATION CAN SERVE NOTICES UNDER THE AIR POLLUTION CONTROL ORDINANCE AND THE NOISE CONTROL ORDINANCE TO REQUIRE THE ABATEMENT OF THE NUISANCE OR THE INSTALLATION OF ADDITIONAL POLLUTION CONTROL EQUIPMENT.

"IN THE EVENT OF NON-COMPLIANCE WITH THESE ABATEMENT NOTICES, LEGAL ACTION CAN BE TAKEN AS APPROPRIATE," HE SAID.

MR BARNES SAID OVER THE PAST FIVE YEARS, THE MUNICIPAL COUNCILS HAD RECEIVED 1,349 COMPLAINTS WHILE DURING THE PERIOD 1989 - 1991, THE ENVIRONMENTAL PROTECTION DEPARTMENT RECEIVED 360 COMPLAINTS AGAINST KITCHEN FUME AND ODOUR AND 300 COMPLAINTS AGAINST NOISE FROM KITCHEN EXHAUST SYSTEMS.

"ALL CASES HAVE BEEN SATISFACTORILY RESOLVED," HE SAID.

- - - - 0 - - - -

ACADEMY OF MEDICINE TO PROVIDE SPECIALIST TRAINING
* * * * *

AN ACADEMY, WHICH WILL BE EMPOWERED TO CONFER SPECIALIST MEDICAL DESIGNATIONS AND TO RECOMMEND TO THE MEDICAL COUNCIL OF HONG KONG TO RECOGNISE SUCH QUALIFICATIONS, WILL BE SET UP IN HONG KONG.

THIS WAS STATED BY THE SECRETARY FOR HEALTH AND WELFARE, MRS ELIZABETH WONG, WHEN MOVING THE SECOND READING OF THE HONG KONG ACADEMY OF MEDICINE BILL IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

MRS WONG SAID THIS WOULD ENABLE MEDICAL PRACTITIONERS TO BE DISTINGUISHED BY THEIR PATIENTS AS QUALIFIED SPECIALISTS IN THEIR RESPECTIVE FIELDS OF MEDICINE.

SHE NOTED THAT WITH THE RAPID ADVANCEMENT OF MEDICAL SCIENCES AND TECHNOLOGY, THERE WAS A GROWING NEED FOR POSTGRADUATE MEDICAL EDUCATION AND TRAINING TO ENSURE THAT DOCTORS CONTINUE TO REMAIN PROFICIENT IN THEIR FIELD FOR THE WHOLE OF THEIR PROFESSIONAL WORKING LIVES.

AS OPPORTUNITIES FOR LOCAL POSTGRADUATE EDUCATION ARE UNCOORDINATED AND RECEIVE NO STATUTORY RECOGNITION, MANY HONG KONG DOCTORS GO OVERSEAS TO FURTHER THEIR KNOWLEDGE AND SKILLS.

/"CONSEQUENTLY, THERE

"CONSEQUENTLY, THERE HAS BEEN A GROWING DEMAND WITHIN THE MEDICAL PROFESSION FOR THE ESTABLISHMENT OF FORMAL, LOCALLY-BASED POSTGRADUATE MEDICAL EDUCATION PROGRAMMES, GEARED TOWARDS STANDARDS AND SERVICE NEEDS DEFINED IN HONG KONG," THE SECRETARY SAID.

"THE ACADEMY IS BEING ESTABLISHED PRECISELY TO MEET THOSE STANDARDS AND TO SERVE THOSE NEEDS. IT WILL ENABLE MORE DOCTORS TO UNDERGO SPECIALIST TRAINING AND IN SO DOING, BENEFIT BOTH THE PROFESSION AND THE COMMUNITY BY ENHANCING EXPERTISE AND KNOWLEDGE AMONG DOCTORS PRACTISING IN HONG KONG," SHE SAID.

DESCRIBING THE ACADEMY AS AN UMBRELLA ORGANISATION, MRS WONG SAID IT WOULD CONSIST OF A NUMBER OF ACADEMY COLLEGES EACH RESPONSIBLE FOR A PARTICULAR MEDICAL SPECIALITY.

FELLOWS OF THE ACADEMY WILL BE DOCTORS WHO HAVE COMPLETED A SIX-YEAR COURSE OF SUPERVISED POSTGRADUATE TRAINING AND PASSED EXAMINATIONS CONDUCTED BY THEIR RESPECTIVE ACADEMY COLLEGE.

THE SECRETARY FOR HEALTH AND WELFARE ALSO PAID TRIBUTE TO THE CHAIRMAN OF THE HONG KONG ACADEMY OF MEDICINE PREPARATORY COMMITTEE, PROF DAVID TODD, AND COMMITTEE MEMBERS FOR HAVING DEDICATED THEIR TIME SINCE FEBRUARY LAST YEAR TO PLAN FOR THE ESTABLISHMENT OF THE PROPOSED ACADEMY.

DEBATE ON THE BILL WAS ADJOURNED.

- - - - 0 - - - -

VEHICLE MAINTENANCE SUSPENSE ACCOUNT TO BE ESTABLISHED

* * * * *

A RESOLUTION WHICH SEEKS TO ESTABLISH WITH EFFECT FROM APRIL 1 A SPECIAL SUSPENSE ACCOUNT FOR THE VEHICLE SECTION OF THE ELECTRICAL AND MECHANICAL SERVICES DEPARTMENT (EMSD) WAS PASSED BY THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

MOVING THE RESOLUTION, THE SECRETARY FOR THE TREASURY, MR K.Y. YEUNG, SAID THE AIM IN ESTABLISHING SUCH AN ACCOUNT WAS PARTLY TO PROMOTE GREATER COST-CONSCIOUSNESS AMONGST USERS, AND PARTLY TO FOSTER COMMERCIAL DISCIPLINES WITHIN EMSD'S VEHICLE SECTION.

THE ACCOUNT WILL BE MONITORED BY A COMMITTEE CHAIRED BY THE SECRETARY FOR THE TREASURY.

MR YEUNG SAID THE ELECTRICAL AND MECHANICAL SERVICES DEPARTMENT WAS RESPONSIBLE, AMONG OTHER THINGS, FOR THE MAINTENANCE OF A FLEET OF ABOUT 7,000 VEHICLES FOR ALL GOVERNMENT DEPARTMENTS AND THE MUNICIPAL COUNCILS, THE HOUSING AUTHORITY AND THE HOSPITAL AUTHORITY.

THE DEPARTMENT ALSO DEALS WITH VEHICLE PROCUREMENT AND MODIFICATION, AND PROVIDES ALL VEHICLE-RELATED TECHNICAL SERVICES.

/MR YEUNG

MR YEUNG SAID AT PRESENT, BECAUSE THE EXPENSES OF ALL THESE SERVICES WERE CHARGED TO THE EMSD HEAD OF EXPENDITURE, IT WAS DIFFICULT FOR USER DEPARTMENTS TO BE FULLY AWARE OF THE COSTS INVOLVED IN MAINTAINING THEIR RESPECTIVE FLEETS OF VEHICLES.

HE SAID THE VEHICLE SECTION OF EMSD HAD BEEN IDENTIFIED AS A POSSIBLE CANDIDATE FOR THE INTRODUCTION OF A TRADING FUND.

"AS A FIRST STEP IN THIS DIRECTION, THE CHIEF SECRETARY HAS APPROVED A PROPOSAL TO INTRODUCE CHARGING FOR EMSD'S VEHICLE MAINTENANCE SERVICES THROUGH THE MECHANISM OF A SPECIAL SUSPENSE ACCOUNT.

"UNDER THE PUBLIC FINANCE ORDINANCE, A SPECIAL SUSPENSE ACCOUNT MAY BE ESTABLISHED FOR THE PURPOSE OF ANY COMMERCIAL OR INDUSTRIAL ACTIVITY CARRIED ON BY OR ON BEHALF OF THE GOVERNMENT," HE SAID.

MR YEUNG SAID ONCE THE SPECIAL EXPENSE ACCOUNT CAME INTO OPERATION, THE EXPENSES INCURRED BY THE EMSD IN PROVIDING VEHICLE MAINTENANCE AND ANCILLARY SERVICES WOULD BE DEBITED TO THE ACCOUNT, WHILE THE CHARGES PAID BY USER DEPARTMENTS AND OTHER PUBLIC BODIES FOR SERVICES RENDERED WOULD BE CREDITED TO IT.

HE SAID ANY DEBIT BALANCE IN THE ACCOUNT WILL REPRESENT A LEVEL OF INDEBTEDNESS.

HE NOTED THAT AS THIS DEBT WOULD BE A CHARGE TO THE GENERAL REVENUE, CLAUSE (f) OF THE RESOLUTION PROVIDED THAT THE AMOUNT OF SUCH DEBT SHOULD NOT EXCEED \$70 MILLION AT ANY TIME.

HE SAID THIS WAS THE LIMIT WHICH THE LEGISLATIVE COUNCIL HAD SET IN RESPECT OF THE SPECIAL SUSPENSE ACCOUNT ESTABLISHED ON DECEMBER 1, 1990 FOR FINANCING THE PURCHASE AND HOLDING OF STORES BY THE EMSD.

"THIS CLAUSE ALSO PROVIDES THAT THE FINANCIAL SECRETARY MAY SET A LOWER LIMIT TO ENSURE TIGHTER CONTROL," HE ADDED.

BUDGET SUMMARY BY FS ON TV AND RADIO

* * * * *

GOOD EVENING,

THIS AFTERNOON, I PRESENTED MY FIRST BUDGET. IT OUTLINED OUR PLANS TO IMPROVE AND EXPAND EXISTING PROGRAMMES, PARTICULARLY FOR THE SOCIAL SERVICES. IT IDENTIFIED OUR INVESTMENT PROPOSALS, INCLUDING THE NEW AIRPORT. AND I ANNOUNCED SOME MODEST TAX INCREASES, AS WELL AS IMPORTANT TAX CONCESSIONS FOR THE AVERAGE SALARY-EARNING FAMILY.

HONG KONG CAN AFFORD THIS BALANCED PACKAGE OF PRUDENT INCREASES IN GOVERNMENT SPENDING WITHOUT LARGE TAX INCREASES, BECAUSE OF THE ENCOURAGING WAY OUR ECONOMY IS PERFORMING. IN 1990, GROWTH WAS ONLY 3%, DISAPPOINTING BY OUR USUAL STANDARDS. BUT LAST YEAR, ECONOMIC GROWTH WAS 4%. AND WE HOPE TO HIT 5% FOR 1992.

DESPITE THE PROMISING PROSPECTS FOR THE ECONOMY, I BELIEVE WE HAVE TO STICK TO OUR BASIC GUIDELINE FOR PUBLIC EXPENDITURE. IT MUST NOT GROW FASTER THAN THE TREND RATE OF ECONOMIC GROWTH. THIS SIMPLE RULE IS DESIGNED TO MAKE SURE GOVERNMENT SPENDING DOES NOT GROW BEYOND WHAT WE CAN AFFORD, DOES NOT BECOME SUCH A BURDEN THAT FUTURE GROWTH AND OUR OVERALL PROSPERITY ARE THREATENED.

BUT EVEN ON THIS CAUTIOUS BASIS, WE WILL BE ABLE TO MAKE SUBSTANTIAL IMPROVEMENTS IN OUR PUBLIC SERVICES IN THE COMING YEAR. SPENDING ON HEALTH CARE WILL INCREASE BY 27%, AND THE FUNDS AVAILABLE FOR SOCIAL WELFARE PROGRAMMES WILL RISE BY 15%. SPENDING ON EDUCATION WILL INCREASE BY 13%, ENABLING US TO CONTINUE THE EXPANSION OF THE TERTIARY SECTOR AND BRING ABOUT IMPORTANT IMPROVEMENTS IN PRIMARY AND SECONDARY SCHOOLING. THERE WILL ALSO BE REAL INCREASES IN SPENDING ON LAW AND ORDER AND ON IMPROVEMENTS TO THE ENVIRONMENT.

WE ARE ALSO MAKING LARGE INVESTMENTS IN THE INFRASTRUCTURE WE NEED FOR OUR CONTINUED GROWTH AND OUR WELL-BEING IN THE FUTURE. THE NEW AIRPORT IS A MAJOR PART OF THESE PLANS. BUT AS I EXPLAINED TO THE LEGISLATIVE COUNCIL, OUR SPENDING ON THE AIRPORT CORE PROJECTS WILL BE CAREFULLY CONTROLLED. WE WILL BE DEVOTING ONLY ABOUT A QUARTER OF OUR PUBLIC WORKS SPENDING OVER THE NEXT FEW YEARS TO THE AIRPORT PROJECTS. THE OTHER 75% OF OUR PUBLIC WORKS SPENDING WILL BE DEVOTED TO PROVIDING THE BUILDINGS, THE ROADS, THE ENVIRONMENT-RELATED SCHEMES WHICH HONG KONG NEEDS TO UPGRADE THE QUALITY OF LIFE QUITE SEPARATELY FROM THE AIRPORT.

WE ARE DETERMINED TO PRESS AHEAD WITH IMPROVING OUR ON-GOING PROGRAMMES. WE MUST CONTINUE TO INVEST IN OUR FUTURE. AS A RESULT, THE GOVERNMENT HAS SUBSTANTIAL COMMITMENTS. IT IS ONLY SENSIBLE THAT WE SHOULD SET ASIDE ADEQUATE RESERVES AS A CUSHION AGAINST FUTURE UNCERTAINTIES. SO, I HAVE BUDGETED FOR A SURPLUS OF \$5.1 BILLION IN THE COMING YEAR WHICH, WITH THE \$2.4 BILLION TO BE RAISED BY OUR BOND PROGRAMME, WILL INCREASE OUR FISCAL RESERVES TO AROUND \$99 BILLION BY THE END OF MARCH 1993. AND OUR PROJECTIONS SHOW WE SHOULD STILL HAVE AROUND \$70 BILLION RESERVES BY 1997. I THINK THIS IS THE RIGHT LEVEL OF INSURANCE WHICH HONG KONG NEEDS IN AN UNCERTAIN WORLD.

/I WOULD

I WOULD NOW LIKE TO EXPLAIN MY REVENUE PROPOSALS. I HAVE HAD TO LOOK FOR ADDITIONAL REVENUE, OF COURSE. BUT I HAVE ALSO HAD WIDER AIMS. I WANT TO AVOID ADDING TO INFLATION. AND, THROUGH TAX CONCESSIONS, TO REDUCE THE TAX BURDEN ON A BROAD SECTION OF THE COMMUNITY.

MY FIRST PROPOSAL IS TO INCREASE CORPORATE PROFITS TAX FROM 16.5% TO 17.5%. THIS IS A MODEST INCREASE WHICH LEAVES THE RATE OF PROFITS TAX A FULL PERCENTAGE POINT BELOW ITS HISTORICAL HIGH. THIS INCREASE WILL HAVE NO SIGNIFICANT IMPACT ON EITHER LOCAL OR INTERNATIONAL ENTHUSIASM TO INVEST IN HONG KONG.

I HAVE ALSO DECIDED TO INCREASE THE GENERAL RATES FOR THE COMING YEAR BY A HALF OF ONE PER CENT. THIS WILL MEAN THAT THE TOTAL CHARGE TO RATES WILL BE 6%. RATES ARE CURRENTLY AT AN ALL-TIME LOW. THEY ARE EQUAL TO ONLY ABOUT 2% OF HOUSEHOLD INCOMES. FOR BUSINESSES, RATES ARE LESS THAN 1% OF AVERAGE OPERATING EXPENSES. MY PROPOSALS WILL HAVE A NEGLIGIBLE IMPACT ON THE RATE OF INFLATION AS MEASURED BY THE CPI(A). AND RATES IN HONG KONG WILL CONTINUE TO BE VERY LOW BY INTERNATIONAL STANDARDS.

THESE WERE THE TAX INCREASES. BUT I WAS ALSO ABLE TO PROPOSE TAX CUTS. MY TAX CONCESSIONS HAVE TWO AIMS. FIRST, TO ABOLISH TAXES ON CERTAIN NON-LUXURY ITEMS WHICH DIRECTLY AFFECT THE COST OF LIVING FOR ORDINARY FAMILIES. SECOND, TO EASE THE BURDEN ON THOSE LIABLE TO SALARIES TAX.

THE FIRST AIM WILL BE MET BY ABOLISHING THE DUTY ON SOFT DRINKS AND THE ENTERTAINMENT TAX ON CINEMA TICKETS. I SHALL ALSO EXEMPT FRANCHISED BUS COMPANIES FROM THE DUTY ON DIESEL FUEL WHICH WILL HELP TO KEEP BUS FARES DOWN.

I PROPOSE TO ACHIEVE MY SECOND AIM, TO EASE THE BURDEN ON SALARIES TAXPAYERS, BY AN ACROSS-THAT-BOARD INCREASE OF ABOUT 12 PER CENT IN PERSONAL ALLOWANCES. THIS WILL PROVIDE WELCOME RELIEF TO TAXPAYERS. IT WILL ALSO MEAN THAT A LARGE NUMBER OF PEOPLE WILL NO LONGER HAVE TO PAY ANY SALARIES TAX AT ALL. THEY WILL JOIN THE VERY LARGE NUMBER OF EMPLOYEES - OVER HALF - WHO ALREADY DO NOT PAY SALARIES TAX.

AS I TOLD THE COUNCIL THIS AFTERNOON, MY FIRST PRIORITY AS FINANCIAL SECRETARY MUST BE TO ENSURE HONG KONG'S CONTINUED ECONOMIC SUCCESS. AT THE SAME TIME, MY DUTY IS TO FIND THE RESOURCES TO RESPOND TO THE COMMUNITY'S CHANGING EXPECTATIONS. TO ACHIEVE THIS, MY BUDGETS WILL HAVE A COMMITMENT TO ECONOMIC GROWTH, A COMMITMENT TO SOUND FINANCIAL MANAGEMENT AND A FIRM COMMITMENT TO IMPROVING OUR PUBLIC SERVICES. IN THIS WAY, I BELIEVE HONG KONG WILL CONTINUE TO PROSPER; INCOMES AND PROFITS WILL RISE; AND THE QUALITY OF LIFE FOR THE WHOLE COMMUNITY WILL CONTINUE TO IMPROVE.

GOOD NIGHT.

WEDNESDAY, MARCH 4, 1992

- 37 -

ISLANDERS' CO-OPERATION CRUCIAL TO LANTAU DEVELOPMENT

* * * * *

THE REGIONAL SECRETARY FOR NEW TERRITORIES, MR ALBERT LAM, TODAY (WEDNESDAY) URGED LANTAU RESIDENTS TO JOIN HANDS WITH THE GOVERNMENT IN DEVELOPING THE ISLAND.

"CLOSE CO-OPERATION BETWEEN THE RURAL COMMITTEES AND LOCAL ORGANISATIONS WITH THE GOVERNMENT IS CRUCIAL TO BUILDING A BETTER COMMUNITY FOR THE ISLANDERS," MR LAM STRESSED.

SPEAKING TO MORE THAN 1,000 RESIDENTS AT THE LANTAU CHINESE NEW YEAR CARNIVAL AT THE PO LIN MONASTERY, MR LAM SAID THE ISLAND WOULD HAVE A FACELIFT FOLLOWING THE CONSTRUCTION OF THE NEW AIRPORT AT CHEK LAP KOK.

ON OTHER AREAS, MR LAM PRAISED THE LOCAL ORGANISATIONS FOR THEIR EFFORTS IN PROMOTING CULTURAL AND RECREATIONAL ACTIVITIES FOR THE RESIDENTS AND THEIR CONTRIBUTIONS AND INITIATIVES IN COMMUNITY BUILDING.

MR LAM SAID THE NEW YEAR CARNIVAL WAS A GOOD EXAMPLE OF SUCCESSFUL CO-OPERATION BETWEEN LOCAL ORGANISATIONS ON LANTAU AS AN ANNUAL EVENT WAS GAINING INCREASING POPULARITY EVERY YEAR.

OTHER OFFICIATING GUESTS INCLUDED THE ISLANDS DISTRICT BOARD CHAIRMAN, MR LAM WAI-KEUNG; AND THE ISLANDS DISTRICT OFFICER, MR KIM SALKELD.

- - - - 0 - - - -

NON-INSTITUTIONAL CARE ESSENTIAL TO CHILDREN
IN NEED OF FAMILY CARE

* * * * *

NON-INSTITUTIONAL CARE IS CONSIDERED ONE OF THE BETTER ALTERNATIVES TO SUBSTITUTE FAMILY CARE FOR CHILDREN, WHO ARE UNABLE TO LIVE WITH THEIR OWN FAMILIES EITHER TEMPORARILY OR PERMANENTLY, THE ACTING DIRECTOR OF SOCIAL WELFARE, MRS ROSE GOODSTADT, SAID TODAY (WEDNESDAY).

MRS GOODSTADT WAS SPEAKING ON NON-INSTITUTIONAL CARE FOR CHILDREN IN THE FORMS OF FOSTER CARE AND SMALL GROUP HOMES AT A LUNCHEON MEETING OF ROTARY CLUB OF CITY NORTHWEST HONG KONG.

FAMILY LIFE ENABLED CHILDREN TO HAVE AN INTENSIVE AND INTIMATE RELATIONSHIP WITH THEIR PARENTS WHICH AN INSTITUTION COULD HARDLY PROVIDE, SHE SAID.

/"PROLONGED INSTITUTIONAL

"PROLONGED INSTITUTIONAL LIFE BEARS FAR-REACHING EFFECTS ON THE OVERALL DEVELOPMENT OF THE CHILD, PARTICULARLY HIS HAPPINESS AND ABILITY TO ADAPT TO FAMILY LIFE AS HE GROWS UP INTO ADULTHOOD," SHE ADDED.

CHILDREN NOT ONLY NEEDED PHYSICAL CARE, BUT ALSO INDIVIDUAL ATTENTION OF LOVE AND SECURITY IN A WARM HOME ENVIRONMENT, SHE STRESSED.

"AGAINST THIS BACKGROUND, FOSTER CARE AND SMALL GROUP HOMES HAVE EMERGED AS IMPORTANT CHILD CARE SERVICES IN HONG KONG," SHE SAID.

IN FOSTER CARE, A CHILD IS PLACED IN THE HOME OF FOSTER PARENTS WHICH WILL CREATE A FAMILY SITUATION FOR THE CHILD AND ENABLE NORMAL AND HEALTHY DEVELOPMENT TO PROCEED.

A SMALL GROUP HOME, ON THE OTHER HAND, IS THE CARE OF A SMALL GROUP OF NOT MORE THAN EIGHT CHILDREN BY A HOME-LIKE SETTING WITH A STAFFING STRUCTURE TO MODELLING OVER A FAMILY.

"THE MERITS OF A SMALL GROUP HOME IS THE PROVISION OF A HOME-LIKE RESIDENTIAL SETTING FOR THE CHILD," MRS GOODSTADT ADDED.

IT COULD ALSO CATER FOR THOSE CHILDREN WHO MIGHT NOT YET BE READY FOR THE MORE INTIMATE RELATIONSHIP OF FOSTER HOME, SHE NOTED.

THESE EFFORTS AT SERVICE EXPANSION AND BREAKING UP LARGE INSTITUTIONS WOULD GIVE IMPETUS TO THE REPLACEMENT OF INSTITUTIONAL CARE BY FOSTER CARE AND SMALL GROUP HOMES AS THE MAIN STREAM IN CHILD CARE SERVICES IN HONG KONG, SHE SAID.

WITH THE AVAILABILITY OF THESE TWO KINDS OF NON-INSTITUTIONAL SERVICE, CHILDREN DID NOT HAVE TO BE PLACED IN LARGE INSTITUTIONS WHERE THEY HAD TO INTERACT WITH A LARGE NUMBER OF ADULTS AND ABIDE TO REGULATIONS WHEN THEY WERE ALREADY IN A STATE OF EMOTIONAL INSTABILITY AND FRUSTRATIONS, SHE ADDED.

ON SERVICE DEVELOPMENTS, THE DEPARTMENT WILL BE GIVEN \$1.8 MILLION TO PROVIDE 80 FOSTER CARE PLACES AND SIX SMALL GROUP HOMES IN THE COMING FINANCIAL YEAR.

"THE ADDITIONAL FUNDS WILL INCREASE THIS MORE APPROPRIATE KIND OF CARE FOR HOMELESS CHILDREN TO 504 PLACES," SHE SAID.

BOTH FOSTER PARENTS AND PARENTS IN SMALL GROUP HOMES WILL BE SUPPORTED BY PROFESSIONAL SOCIAL WORKERS SO THAT THE HOMELESS CHILDREN WILL ADJUST TO THE NEW ENVIRONMENT WITH THE MINIMAL DISRUPTION TO THEIR DEVELOPMENT.

"TOTAL SPENDING IN THIS PROGRAMME FOR CHILDREN IS ABOUT \$20 MILLION CURRENTLY," MRS GOODSTADT SAID.

SHE STRESSED THAT THE SOCIAL WELFARE DEPARTMENT WAS ACTIVELY HEADING FOR EXPANSION IN BOTH FOSTER CARE AND SMALL GROUP HOME SERVICES.

SHE, HOWEVER, ADMITTED THAT THERE WAS CHALLENGE IN RECRUITING SUITABLE FOSTER PARENTS AND HOUSE-PARENTS BECAUSE LOOKING AFTER CHILDREN WAS INDEED A VERY DEMANDING JOB.

"ALTHOUGH WE HAVE BUILT UP A POOL OF DEDICATED FOSTER PARENTS AND DEVOTED HOUSE-PARENTS, WE NEED MANY MORE TO EXPAND THESE TWO SERVICES," SHE ADDED.

LATER IN THE YEAR, LARGE-SCALE PUBLICITY CAMPAIGNS WOULD BE LAUNCHED TO AROUSE PUBLIC INTEREST IN PROVIDING A MEANINGFUL SERVICE TO OUR CHILDREN, SHE SAID.

"I HOPE TO APPEAL TO THE PUBLIC RIGHT NOW ALL PERSONS WHO ARE WILLING TO GIVE LOVE AND CARE TO CHILDREN TO COME FORWARD TO BECOME FOSTER PARENTS AND HOUSE-PARENTS," MRS GOODSTADT CONCLUDED.

- - - - 0 - - - -

GOVERNMENT LAND TO LET BY TENDER

* * * * *

THE BUILDINGS AND LANDS DEPARTMENT IS INVITING TENDERS FOR THE SHORT TERM TENANCY ON A PIECE OF LAND IN CHAI WAN, HONG KONG.

THE SITE AT SIU SAI WAN RECLAMATION, CHAI WAN HAS AN AREA OF ABOUT 6,529 SQUARE METRES.

IT IS INTENDED FOR STORAGE OF TENANT'S GOODS (EXCLUDING CONTAINER, CONTAINER VEHICLES AND TRAILERS AND DANGEROUS GOODS) AND/OR PUBLIC FEE PAYING VEHICLE PARK AND/OR WASTE PAPER COLLECTING AND SORTING.

THE TENANCY IS FOR 18 MONTHS AND QUARTERLY AFTERWARDS.

THE CLOSING DATE FOR THE SUBMISSION OF TENDERS IS NOON ON MARCH 20.

FORM OF TENDER, TENDER NOTICE AND CONDITIONS MAY BE OBTAINED FROM AND TENDER PLAN INSPECTED AT THE DISTRICT LANDS OFFICES, HONG KONG EAST, 19TH FLOOR, SOUTHERN CENTRE, 130 HENNESSY ROAD, WAN CHAI, HONG KONG; THE BUILDINGS AND LANDS DEPARTMENT, 14TH FLOOR, MURRAY BUILDING, GARDEN ROAD, HONG KONG AND THE DISTRICT LANDS OFFICES KOWLOON, 10TH FLOOR, YAU MA TEI CAR PARK BUILDING, 250 SHANGHAI STREET, KOWLOON.

- - - - 0 - - - -

HONG KONG GOVERNMENT EXCHANGE FUND
 MONEY MARKET OPERATIONS
 * * * * *

	DATE -----	\$ MILLION -----
CLOSING BALANCE IN THE ACCOUNT ON	3.3.92	850
EFFECT OF FORWARDS TO BE SETTLED ON	4.3.92	-628 *
EFFECT OF OPERATIONS THIS MORNING		+378
EFFECT OF OPERATIONS THIS AFTERNOON		NEUTRAL
* O/N ASSISTANCE TO BE REVERSED	-250MN	
OTHER FORWARDS TO BE SETTLED	-378MN	
TRADE WEIGHTED INDEX 112.2 *+0.4* 4.3.92		

HONG KONG GOVERNMENT EXCHANGE FUND

EF BILLS		HONG KONG GOVERNMENT BONDS				
TERMS	YIELD	TERM	ISSUE	COUPON	PRICE	YIELD
1 WEEK	4.23 PCT	21 MONTHS	2311	6.25	100.60	5.95
1 MONTH	3.97 PCT	24 MONTHS	2402	5.50	99.19	6.03
3 MONTHS	3.94 PCT					
6 MONTHS	4.21 PCT					
12 MONTHS	4.74 PCT					
TOTAL TURNOVER OF BILLS AND BONDS - 8,685 MN						
CLOSED 4 MARCH 1992						