



DAILY INFORMATION BULLETIN

WEDNESDAY, FEBRUARY 28, 1979

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TELEVISION TALK ON BUDGET

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THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE SPOKE ON THE 1979-80 BUDGET IN A TELEVISION BROADCAST THIS (WEDNESDAY) EVENING.

THE FOLLOWING IS THE FULL TEXT OF HIS SPEECH:

GOOD EVENING:

+THIS AFTERNOON IN THE LEGISLATIVE COUNCIL I SPENT SOME TIME EXPLAINING THE PRESENT STATE OF OUR ECONOMY AND OF THE GOVERNMENT'S FINANCES. I THEN WENT ON TO SAY HOW I THOUGHT WE SHOULD DEAL WITH SUCH PROBLEMS AS LIE AHEAD, AND YET CONTINUE TO PROSPER, AND HOW THE GOVERNMENT INTENDED TO PUSH AHEAD WITH ITS VARIOUS PROGRAMMES.

+YOU WILL REMEMBER THAT FOR TWO YEARS, IN 1974 AND 1975, OUR ECONOMY GREW VERY SLOWLY BECAUSE OF THE WORLD-WIDE RECESSION. BUT THANKS TO THE DYNAMIC THRUST AND FLEXIBILITY OF OUR FREE ENTERPRISE SYSTEM, WE QUICKLY MOVED INTO A PERIOD OF UNPARALLELED PROSPERITY AS SOON AS WORLD TRADE BEGAN TO RECOVER IN LATE 1975.

+THE TOTAL VOLUME OF GOODS AND SERVICES PRODUCED BY OUR ECONOMY INCREASED BY 44 PER CENT IN THE THREE POST RECESSION YEARS 1976 TO 1978- AND THE SERVICES AND FACILITIES OF ALL KINDS WHICH THE GOVERNMENT WAS ABLE TO PROVIDE INCREASED BY 50 PER CENT IN THESE SAME YEARS.

+BUT, BY THE MIDDLE OF THE YEAR, IT WAS BECOMING APPARENT THAT THE OVER-RAPID GROWTH RATE OF DOMESTIC DEMAND, STEMMING FROM THE DEMANDS BEING MADE ON THE ECONOMY BY BOTH THE PRIVATE AND PUBLIC SECTORS, WAS BEGINNING TO LEAD US INTO TROUBLE: IT WAS NOT SO MUCH A MATTER OF RESOURCES NEEDED FOR EXPORTS BEING SIPHONED OFF FOR PRODUCTION FOR DOMESTIC PURPOSES BUT, RATHER THAT TOTAL DEMAND FOR REAL RESOURCES, FOR EXAMPLE, OF LABOUR AND CAPITAL, WAS OUTSTRIPPING THEIR SUPPLY.

+IN FACT, OUR EXPORT PERFORMANCE IN 1978 WAS REALLY REMARKABLY GOOD -- UP BY 14 PER CENT IN REAL TERMS.

+BUT IMPORTS WERE GROWING VERY FAST INDEED -- UP BY 22 PER CENT ON 1977 -- THE TRADE DEFICIT WAS WIDENING RAPIDLY, THE RATE AT WHICH PRICES WERE INCREASING WAS BEGINNING TO ACCELERATE, THE MONEY SUPPLY WAS GROWING MUCH FASTER THAN THE ECONOMY'S TOTAL INCOME IN MONEY TERMS AND, BY THE END OF THE YEAR, BANK LOANS AND ADVANCES WERE UP BY 43 PER CENT.

+THIS IS NOT TO SAY THAT 1978 WAS NOT, IN ITSELF, A GOOD YEAR- THE GROSS DOMESTIC PRODUCT IN REAL TERMS GREW BY 10 PER CENT HAVING GROWN BY 12 PER CENT IN 1977 AND 17 PER CENT IN 1976.

+AND, I MIGHT ADD, ALTHOUGH GOVERNMENT EXPENDITURE IN 1978-79 IS LIKELY TO BE \$900 MILLION ABOVE THE ORIGINAL ESTIMATE, REVENUE -- PARTICULARLY CAPITAL REVENUE -- HAS BEEN SO BUOYANT THAT THE ACCOUNTS ARE LIKELY TO SHOW A SURPLUS OF ABOUT \$1,600 MILLION.

/+THUS THE

+THUS THE GOVERNMENT'S FINANCIAL RESERVES AVAILABLE TO COVER CONTINGENT LIABILITIES, EMERGENCIES AND UNFORESEEABLE COMMITMENTS WILL STAND AT OVER \$6,500 MILLION AS WE ENTER 1979-80.

+BUT, AS THE TRADE DEFICIT WIDENED TO OVER \$9,000 MILLION IN 1978, AND A VERY REAL THREAT OF INFLATION WAS BEGINNING TO EMERGE, I WAS NOT IN A VERY HAPPY FRAME OF MIND, WHEN I CAME TO PREPARE THE BUDGET FOR THE COMING YEAR.

+I DECIDED I HAD TO DEVISE WAYS AND MEANS OF BRINGING THE DEMAND FROM BOTH THE PRIVATE AND THE PUBLIC SECTORS MORE INTO LINE WITH THE ECONOMY'S OUTPUT IN ORDER TO DAMPEN DOWN THESE INFLATIONARY PRESSURES- AND THAT I MUST TRY TO DO THIS IN SUCH A WAY AS TO REDUCE THE IMBALANCE BETWEEN IMPORTS AND EXPORTS.

+SO THE GOVERNMENT'S BUDGET PROVIDES FOR A SMALLER INCREASE IN EXPENDITURE NEXT YEAR THAN IN RECENT YEARS: IN REAL TERMS THE INCREASE IS FIVE PER CENT COMPARED WITH 25 PER CENT IN 1978-79 AND 16 PER CENT IN 1977-78.

+NONETHELESS, WE SHALL BE SPENDING \$12,500 MILLION IN 1979-80. NO LESS THAN ONE THIRD OF THIS WILL BE ON CAPITAL WORKS (AND, AMONG MANY OTHER THINGS, THIS VERY LARGE SUM OF MONEY WILL FINANCE THE COMPLETION OF 35,600 FLATS FOR RENTING AND SALE COMPARED WITH 14,000 THIS YEAR. A RATE OF COMPLETIONS OF ABOUT 35,000 WILL BE MAINTAINED OVER THE NEXT FEW YEARS SINCE HOUSING IS ONE OF OUR TOP PRIORITIES).

+BECAUSE THE GROWTH RATE OF GOVERNMENT EXPENDITURE IS BEING TRIMMED BACK AND REVENUE COLLECTIONS ARE EXPECTED TO GROW TO NEARLY \$14,000 MILLION, I AM BUDGETTING FOR A SURPLUS -- OF ABOUT \$1,400 MILLION. THIS DOES NOT MEAN WE SHOULD SPEND MORE. I SAY THIS BECAUSE THE STRAINS ON THE ECONOMY, WHICH ARE NOW SO APPARENT, MUST BE EASED.

+NOR DOES THE SURPLUS MEAN, I AM AFRAID, THAT THERE SHOULD BE A GENERAL REDUCTION IN TAXATION. I SAY THIS BECAUSE IT WOULD BE UNWISE TO RELEASE PURCHASING POWER BACK INTO THE ECONOMY, ALTHOUGH I DO NOT INTEND TO RAISE TAXES AS AN ANTI-INFLATIONARY DEVICE.

+YET I DO NOT THINK WE SHOULD SHIRK FROM AMENDING OUR TAX LAWS IF, ON EQUITY GROUNDS, DESIRABLE REFORMS SUGGEST THEMSELVES, PROVIDED THE NET EFFECT IS NOT TO REDUCE THE SURPLUS I AM BUDGETTING FOR.

+THIS AFTERNOON I PROPOSED, THEREFORE, THREE REFORMS AT A TOTAL COST TO THE REVENUE IN 1979-80 OF \$80 MILLION. AS REGARDS PROFITS TAX, THE SYSTEM OF DEPRECIATION ALLOWANCES FOR PLANT AND EQUIPMENT IS TO BE REFORMED AND SOME ANNUAL RATES OF DEPRECIATION INCREASED.

+THEN, AS REGARDS PERSONAL TAXATION, THE SUPPLEMENTARY PERSONAL ALLOWANCE OF \$2,500 FOR A SINGLE TAXPAYER AND \$5,000 FOR A MARRIED TAXPAYER, INTRODUCED TWO YEARS AGO, WILL NOW BE CLAWED BACK MORE GRADUALLY AS THE TAXPAYER'S INCOME INCREASES.

+SO A SINGLE TAXPAYER WILL CONTINUE TO ENJOY THE BENEFIT OF THE ALLOWANCE UNTIL HIS INCOME REACHES \$37,500 AS OPPOSED TO \$29,167 NOW= AND A MARRIED TAXPAYER WILL CONTINUE TO ENJOY THE BENEFIT OF THE ALLOWANCE UNTIL HIS INCOME REACHES \$75,000 AS OPPOSED TO \$58,334.

+IN ADDITION, THE TOP MARGINAL RATE OF SALARIES TAX OF 30 PER CENT IS TO BE ABOLISHED. THIS WILL HAVE THE EFFECT OF PUSHING FORWARD THE POINT AT WHICH A SINGLE TAXPAYER PAYS THE STANDARD RATE OF 15 PER CENT FROM \$70,000 TO \$75,000= AND WILL PUSH FORWARD THE POINT AT WHICH A MARRIED TAXPAYER WITH, SAY, TWO CHILDREN PAYS THE STANDARD RATE OF 15 PER CENT FROM \$104,000 TO \$117,500.

+THE MAIN PURPOSE OF THESE TWO CHANGES IS TO REDUCE THE TAX BURDEN OF TAXPAYERS IN WHAT IS LOOSELY DESCRIBED AS THE MIDDLE-INCOME RANGE.

+FOR THE VERY NECESSARY ECONOMIC REASONS I HAVE ALREADY EXPLAINED, I HAD TO OFFSET THE LOSS OF REVENUE INVOLVED IN THESE THREE TAX CONCESSIONS.

+I DID THIS BY PROPOSING INCREASES IN THE FIRST REGISTRATION TAX ON PRIVATE CARS AND MOTORCYCLES AND INCREASES IN ANNUAL LICENCE FEES PAYABLE IN RESPECT OF ALL MOTOR VEHICLES, OTHER THAN PUBLIC SERVICE VEHICLES.

+I ALSO PROPOSED SMALL INCREASES IN BUSINESS REGISTRATION FEES AND IN THE BUOY AND ANCHORAGE FEES PAYABLE BY SHIPS.

+SO MUCH FOR THE BUDGET ITSELF AND THE GOVERNMENT'S CONTRIBUTION TO STABILISING THE ECONOMY. PUBLIC SECTOR DEMAND IS ONLY ONE COMPONENT OF DOMESTIC DEMAND AND SO, IF TOTAL DOMESTIC DEMAND IS TO BE SLOWED DOWN SUFFICIENTLY, THE GROWTH RATE OF PRIVATE DOMESTIC DEMAND MUST BE SLOWED DOWN ALSO.

+IN OTHER WORDS, WE MUST FIRST SEEK TO INFLUENCE THE ABILITY OF THE BANKING SYSTEM TO CREATE CREDIT. THUS I ANNOUNCED THIS AFTERNOON THAT THE GOVERNMENT INTENDS TO REDUCE THE EXTENT TO WHICH ITS OWN HONG KONG DOLLAR BALANCES CAN BE USED TO GENERATE CREDIT. PRIOR TO THE FLOATING OF THE HONG KONG DOLLAR IT WAS RELATIVELY SIMPLE FOR US TO DO THIS, BUT THIS IS NO LONGER THE CASE.

+AND, SECONDLY, WE MUST DIMINISH THE DEMAND FOR LOANS AND ADVANCES. MY UNDERSTANDING CERTAINLY IS THAT WE SHALL SEE BANKS ALTERING THEIR LENDING RATES MORE FREQUENTLY AND ADOPTING A MORE SELECTIVE ATTITUDE AS BETWEEN DIFFERENT CATEGORIES OF BORROWERS.

+I AM CONFIDENT THAT HIGHER INTEREST RATES AND A MORE SELECTIVE ATTITUDE BY BANKS TOWARDS WOULD-BE BORROWERS WILL EVENTUALLY SLOW DOWN THE GROWTH RATE OF LOANS AND ADVANCES.

+THIS COMBINED WITH ACTION TO REDUCE THE CREDIT CREATION POTENTIAL OF THE GOVERNMENT'S OWN HONG KONG DOLLAR BALANCES AND THE LIMITATION ON THE GROWTH RATE OF PUBLIC EXPENDITURE IN THE NEW FINANCIAL YEAR SHOULD BRING THE DEMAND FOR AND THE SUPPLY OF REAL RESOURCES WITHIN THE ECONOMY MORE CLOSELY INTO BALANCE.

+THUS I BELIEVE THAT THE INFLATIONARY PRESSURES WHICH AT THE MOMENT THREATEN OUR STABILITY AND, THEREFORE, OUR GROWTH PROSPECTS, WILL BE CONTAINED.+

F.S. STRESSES NEED FOR COOLING DOWN OVERHEATED ECONOMY
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THE FINANCIAL SECRETARY, MR. PHILIP HADDON-CAVE, TODAY (WEDNESDAY) EXPRESSED CONCERN ABOUT THE EXCESSIVE DOMESTIC DEMAND AND STRESSED THE NEED FOR COOLING DOWN THE OVERHEATED ECONOMY.

ANALYSING THE ECONOMY AND THE PUBLIC SECTOR IN THE LEGISLATIVE COUNCIL, MR. HADDON-CAVE SAID: +CLEARLY, THE ECONOMY CANNOT BE ALLOWED TO DEVELOP THIS WAY IN 1979. IF THE PRESENT PATTERN AND THE GROWTH RATE OF DEMAND IS ALLOWED TO CONTINUE TO DISTORT THE STRUCTURE OF THE ECONOMY, BOTH THE MAGNITUDE AND THE DURATION OF THE SUBSEQUENT ADJUSTMENT IS LIKELY TO BE VERY PAINFUL IN TERMS OF ITS CONSEQUENCES FOR INDIVIDUALS.

+AND BEFORE THIS ADJUSTMENT TAKES PLACE, CONTINUING INFLATION WILL ERODE THE REAL INCOMES OF MANY GROUPS WITHIN THE COMMUNITY.+

HE OUTLINED THREE BASIC STEPS TO DAMPEN THE ECONOMY SO AS TO FACILITATE A RELATIVE SHIFT IN FAVOUR OF EXPORTS AND TO PEG THE GROSS DOMESTIC PRODUCT (TOTAL OUTPUT OF GOODS AND SERVICES) AT SEVEN PER CENT FOR THE NEXT FINANCIAL YEAR.

THE FIRST IS TO SLOW DOWN THE GROWTH RATE OF GOVERNMENT EXPENDITURE WITHOUT AFFECTING COMMITMENTS TO MAJOR SOCIAL SERVICES PROGRAMMES- SECOND, TO ARRANGE THE SLOW-DOWN IN THE GROWTH RATE OF GOVERNMENT EXPENDITURE IN SUCH A WAY AS TO MINIMISE THE DISTORTIONS WITHIN INDIVIDUAL MARKETS (E.G. THE MARKET FOR THE OUTPUT OF THE BUILDING AND CONSTRUCTION INDUSTRY)- AND THIRD, TO CONSTRAIN THE GROWTH RATE OF PRIVATE DOMESTIC DEMAND BY REDUCING THE GROWTH RATE OF THE MONEY SUPPLY IN THE HANDS OF THE NON-BANK PRIVATE SECTOR.

THE FINANCIAL SECRETARY PROPOSED TO CUT THE GROWTH RATE OF GOVERNMENT CONSUMPTION EXPENDITURE ON THE GROSS DOMESTIC PRODUCT BY FIVE PERCENTAGE POINTS TO NINE PER CENT AND GOVERNMENT EXPENDITURE ON BUILDING AND CONSTRUCTION BY 26 PERCENTAGE POINTS TO FOUR PER CENT COMPARED WITH THE GROWTH RATES USED IN THE INITIAL FORECAST.

IN SPITE OF THESE CUTS, THE HOUSING PROGRAMME, AND OTHER COMMITMENTS TO SOCIAL SECURITY AND EDUCATION WHITE PAPERS WILL BE CARRIED OUT. OTHER CAPITAL PROJECTS WOULD HAVE TO BE REPHASED.

MR. HADDON-CAVE SAID, HOWEVER, THAT THE REDUCTIONS IN THE GROWTH RATES OF THE VARIOUS COMPONENTS IN THE GDP IN THE FINAL FORECAST COMPARED WITH THE INITIAL FORECAST, ARISE AS A RESULT OF THE SLOWER GROWTH RATE OF GOVERNMENT EXPENDITURE.

HE PREDICTED THAT PRIVATE CONSUMPTION EXPENDITURE GROWTH RATE WOULD BE HELD AT NINE PER CENT COMPARED WITH 10 PER CENT IN THE INITIAL FORECAST- THE FINAL FORECAST FOR THE GROWTH RATE OF GROSS DOMESTIC FIXED CAPITAL FORMATION WILL BE NINE PER CENT COMPARED WITH 13 PER CENT IN THE INITIAL FORECAST- OVERALL EXPORTS IS EXPECTED TO BE EIGHT PER CENT COMPARED WITH 14 PER CENT IN 1978 BUT THIS INVOLVES NO CHANGE FROM THE INITIAL FORECAST- AND IMPORTS' GROWTH RATE WILL BE 10 PER CENT COMPARED WITH 11 PER CENT IN THE INITIAL FORECAST.

+AFTER MAKING DUE ALLOWANCE FOR EXPORTS LESS IMPORTS OF SERVICES AND FOR ADJUSTMENTS TO STOCKS, THE FINAL FORECAST FOR THE GROWTH RATE OF GDP IS SEVEN PER CENT COMPARED WITH EIGHT PER CENT IN THE INITIAL FORECAST. THUS THE FINAL FORECAST OF GDP AT CONSTANT (1966) PRICES IS \$31,160 MILLION.+

THE FINANCIAL SECRETARY POINTED OUT, HOWEVER, THAT ALTHOUGH THE FINAL GDP FORECAST IS AN IMPROVEMENT ON THE INITIAL FORECAST, ITS IMPLICATIONS ARE STILL UNSATISFACTORY IN TERMS OF THE NECESSARY EMPHASIS OF BUDGETARY POLICY IN 1979-80.

FIRST, THE GROWTH RATE OF TOTAL FINAL DEMAND AT ABOUT NINE PER CENT EXCEEDS THE GROWTH RATE OF GDP AT SEVEN PER CENT. AS A CONSEQUENCE, THE GROWTH RATE AT WHICH IMPORTS ARE SUCKED IN CONTINUES TO BE RAPID AT 10 PER CENT.

SECOND, THE GROWTH RATE OF DOMESTIC DEMAND AT NINE PER CENT EXCEEDS THE GROWTH RATE OF EXPORTS AT EIGHT PER CENT. THIS IS AN IMPROVEMENT ON THE INITIAL FORECAST, BUT IT STILL REPRESENTS A RELATIVE WORSENING IN THE SHARE OF RESOURCES GOING TO EXPORTS COMPARED WITH 1978.

THIRD, WITHIN DOMESTIC DEMAND THERE IS ACTUALLY A SLIGHT DECREASE IN THE SHARE OF RESOURCES USED BY THE PUBLIC SECTOR COMPARED WITH THE GROWTH RATE IN THE INITIAL FORECAST OF 17 PER CENT AND 10 PER CENT RESPECTIVELY, THE GROWTH RATE OF PUBLIC SECTOR DEMAND AT EIGHT PER CENT IS LESS THAN THE GROWTH RATE OF PRIVATE DOMESTIC DEMAND AT NINE PER CENT.

FOURTH, THE GROWTH RATE OF IMPORTS AT 10 PER CENT STILL EXCEEDS THE GROWTH RATE OF EXPORTS AT EIGHT PER CENT. AS A RESULT THE VISIBLE TRADE DEFICIT CONTINUES TO WIDEN.

FIFTH, AS A RESULT OF THE TRADE DEFICIT WIDENING LESS THAN IN THE INITIAL FORECAST AND WITH THE GROWTH RATE OF TOTAL FINAL DEMAND BEING REDUCED FROM 10 PER CENT IN THE INITIAL FORECAST TO UNDER NINE PER CENT, THE DOWNWARD PRESSURE ON THE EXCHANGE VALUE OF THE HONG KONG DOLLAR SHOULD BE LESS. BUT THE TERMS OF TRADE, DEPENDING ON THE COURSE OF EXPORT PRICES, MAY DETERIORATE SLIGHTLY.

SIXTH, WITH THE GROWTH RATE OF GDP, THE IMBALANCE BETWEEN THE DEMAND FOR, AND THE SUPPLY OF, DOMESTIC RESOURCES STILL PERSISTS. BUT, WITH SOME SLACKENING OF THE PRESSURE OF DEMAND ON RESOURCES, THE RATE OF INCREASE IN PRICES SHOULD BE LESS THAN SHOWN IN THE INITIAL FORECAST.

MR. HADDON-CAVE ADDED THAT CONSUMER PRICES SHOULD SHOW A RATE OF INCREASE OF ABOUT NINE PER CENT COMPARED WITH 10 PER CENT IN THE INITIAL FORECAST, BUT THE GDP DEFLATOR SHOULD SHOW A RATE OF INCREASE OF ONLY EIGHT PER CENT COMPARED WITH 11 PER CENT FOR THE INITIAL FORECAST. THIS IMPLIED A FORECAST OF THE GROWTH RATE OF GDP AT CURRENT PRICES OF JUST UNDER 16 PER CENT BRINGING IT TO A VALUE OF \$73,600 MILLION.

+SO, AS A RESULT OF REDUCING THE GROWTH RATE OF GOVERNMENT EXPENDITURE, THIS FINAL FORECAST REPRESENTS AN IMPROVEMENT OVER THE INITIAL FORECAST, PARTICULARLY AS REGARDS THE IMPLIED THREAT OF INFLATION,+ MR. HADDON-CAVE SAID.

BUT HE EMPHASISED THAT THERE WAS STILL A NEED FOR A FURTHER RESTRAIN OF DOMESTIC DEMAND BEFORE THE GROWTH RATE OF THE ECONOMY WAS SUSTAINABLE PARTICULARLY IN RESPECT OF THE TRADE DEFICIT.

WEDNESDAY, FEBRUARY 28, 1979

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1979-80 REVENUE COLLECTIONS TO TOTAL \$13,882 MILLION
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TOTAL REVENUE COLLECTIONS, EXCLUDING THOSE FROM REVENUE PROPOSALS, FOR THE COMING FINANCIAL YEAR WILL BE \$13,882 MILLION, REPRESENTING AN INCREASE OF \$1,508 MILLION, OR OVER 12 PER CENT, OVER THE REVISED ESTIMATE OF \$12,374 MILLION FOR 1978-79.

THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE SAID TODAY (WEDNESDAY) THAT OF THE TOTAL COLLECTIONS, \$11,470 MILLION WOULD BE RECURRENT REVENUE, AN INCREASE OF \$1,538 MILLION, OR 15.5 PER CENT, OVER THE REVISED ESTIMATE OF \$9,932 MILLION FOR 1978-79.

HE SAID EARNINGS AND PROFIT TAXES ACCOUNTED FOR \$5,070 MILLION OR 44 PER CENT OF RECURRENT EXPENDITURE, REPRESENTING AN INCREASE OF \$936 MILLION, OR NEARLY 23 PER CENT, OVER THE REVISED ESTIMATE FOR 1978-79.

+THE ESTIMATE MAKES DUE ALLOWANCE FOR THE EFFECT OF BRINGING THE TAXATION TREATMENT OF PROFITS OF BANKS AND SIMILAR INSTITUTIONS INTO LINE WITH THE TREATMENT OF ALL OTHER PROFITS GENERATED BY BUSINESSES LOCATED IN, AND OPERATING IN, HONG KONG, THE REINTRODUCTION OF DEPENDENT PARENT RELIEF AND THE EXEMPTION OF CLUBS FROM THE PAYMENT OF PROPERTY TAX,+ THE FINANCIAL SECRETARY SAID.

ON RATES, HE SAID THE SCHEME OF RELIEF INTRODUCED A FEW YEARS AGO WOULD CEASE AND THAT FOR ALL PREMISES OTHER THAN THOSE PRE-WAR RENT-CONTROLLED PREMISES, THE RATES PAYABLE FROM APRIL 1 WOULD BE THE FULL RATE BASED ON THE RATEABLE VALUE OF THE PREMISES.

+THE CESSATION OF THE SCHEME OF RELIEF WILL RESTORE SOME \$9 MILLION TO THE YIELD FROM RATES AND AFTER ALLOWING FOR INCREASED PERCENTAGE CHARGES IN RESPECT OF THE PHASING-IN OF RATES FOR NEW AREAS IN THE NEW TERRITORIES, I ESTIMATE THAT RATES REVENUE SHOULD INCREASE FROM \$807 MILLION IN 1978-79 (REVISED ESTIMATE) TO \$882 MILLION IN 1979-80, OR BY NEARLY 9.3 PER CENT,+ THE FINANCIAL SECRETARY SAID.

+IT IS FOR THIS REASON THAT, OTHER THAN IN REGARD TO THE PHASING-IN PROGRAMME, I SHALL NOT BE PROPOSING ANY CHANGE IN THE GENERAL RATE WHICH WAS REDUCED TO 7-1/2 PER CENT WITH EFFECT FROM APRIL 1, 1977,+ HE ADDED.

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WEDNESDAY, FEBRUARY 28, 1979

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\$12,454 MILLION EXPENDITURE PROPOSED FOR 1979-80

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THE DRAFT ESTIMATES FOR THE NEW FINANCIAL YEAR PROVIDE FOR TOTAL EXPENDITURE OF \$12,454 MILLION, THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE SAID TODAY (WEDNESDAY).

THIS REPRESENTS AN INCREASE OF \$1,292 MILLION, OR NEARLY 12 PER CENT OVER THE REVISED ESTIMATE FOR 1978-79, MR. HADDON-CAVE SAID.

HE RECALLED THAT ACTUAL EXPENDITURE IN 1972-73 WAS ONLY \$3,550 MILLION, AND IN THE FIRST POST-RECESSION YEAR, 1976-77, IT HAD RISEN TO \$6,591 MILLION.

AT \$11,162 MILLION THE REVISED ESTIMATE OF EXPENDITURE IN 1978-79 IS 37 PER CENT UP ON ACTUAL EXPENDITURE OF \$8,174 MILLION IN THE SECOND POST-RECESSION YEAR, 1977-78.

+SO, ALTHOUGH I CANNOT DISGUISE MY GENERAL CONCERN WITH THE GROWTH RATE OF PUBLIC EXPENDITURE IN RECENT YEARS, I AM SATISFIED WITH THE EXTENT TO WHICH THE GROWTH RATE HAS BEEN SLOWED DOWN IN THE YEAR AHEAD OF US,+ MR. HADDON-CAVE SAID.

THE PATTERN OF EXPENDITURE FOR 1979-80 IS: SOCIAL SERVICES 42 PER CENT= COMMUNITY SERVICES 22.5 PER CENT= GENERAL SERVICES (INCLUDING LAW AND ORDER) 16.4 PER CENT= ECONOMIC SERVICES 7.7 PER CENT, AND 11.4 PER CENT FOR ALL OTHER SERVICES.

+OVER THE FOUR YEARS 1975-76 TO 1978-79 THE PATTERN WAS RATHER DIFFERENT WITH GENERAL SERVICES ABSORBING AS MUCH AS 18.8 PER CENT OF TOTAL EXPENDITURE AND SOCIAL SERVICES 41.6 PER CENT, BUT WITH ECONOMIC SERVICES AND COMMUNITY SERVICES ABSORBING ABOUT THE SAME. I EXPECT THE CURRENT EMPHASIS ON SOCIAL SERVICES TO REMAIN WITH US FOR SOME TIME,+ HE SAID.

THE PROVISION FOR EXPENDITURE ON RECURRENT SERVICES IS \$8,360 MILLION, INCLUDING \$200 MILLION FOR ADDITIONAL COMMITMENTS OF AN UNAVOIDABLE NATURE ARISING DURING THE YEAR. THIS REPRESENTS AN INCREASE OF \$916 MILLION, OR 12 PER CENT, OVER THE REVISED ESTIMATE FOR 1978-79 OF \$7,444 MILLION.

MR. HADDON-CAVE SAID PERSONAL EMOLUMENTS AND ALLOWANCES (BUT NOT ON-COSTS) AT \$3,151 MILLION ACCOUNT FOR 38 PER CENT OF RECURRENT EXPENDITURE, COMPARED WITH AN AVERAGE OF 40 PER CENT FOR THE FOUR YEARS 1975-76 TO 1978-79.

HE SAID THE CIVIL SERVICE HAS GROWN RAPIDLY OVER THE PAST THREE YEARS, FROM AN APPROVED ESTABLISHMENT OF 114,692 IN APRIL 1976 TO A TOTAL ESTABLISHMENT OF 133,422 POSTS AT THE BEGINNING OF 1979-80.

PROVISION FOR ALL OTHER RECURRENT EXPENDITURE AMOUNTS TO \$5,209 MILLION.

/PUBLIC WORKS

PUBLIC WORKS RECURRENT EXPENDITURE AT \$503 MILLION ACCOUNTS FOR SIX PER CENT OF RECURRENT EXPENDITURE, A LITTLE BELOW THE AVERAGE OF THE PAST FOUR YEARS.

RECURRENT SUBVENTIONS AT \$2,153 MILLION WILL ABSORB JUST UNDER 26 PER CENT OF RECURRENT EXPENDITURE, COMPARED WITH AN AVERAGE OF 26.2 PER CENT FOR THE PAST FOUR YEARS.

THE FINANCIAL SECRETARY SAID THE PROVISION FOR CAPITAL EXPENDITURE IS \$4,094 MILLION MADE UP OF \$1,299 MILLION FOR THE PUBLIC WORKS PROGRAMME, OTHER THAN NEW TOWNS AND HOUSING-\$2,300 MILLION FOR THE PUBLIC WORKS PROGRAMME (NEW TOWNS AND HOUSING), AND \$495 MILLION FOR ALL OTHER COMPONENTS.

+I SHOULD POINT OUT THAT THE GUIDELINE FIGURE FOR THE NEW TOWNS AND HOUSING COMPONENT OF \$1,300 MILLION HAD TO BE REVISED UPWARDS BY \$400 MILLION TO \$1,700 MILLION, MAINLY TO MEET THE HIGHER COSTS OF LAND RESUMPTIONS IN THE NEW TERRITORIES,+ MR. HADDON-CAVE NOTED.

THE FIGURE OF \$1,700 MILLION HAD TO BE REVISED FURTHER UPWARDS BY \$600 MILLION FOR DRAWINGS ON THE DEVELOPMENT LOAD FUND BY THE HOUSING AUTHORITY IN 1979-80 WILL BE AS HIGH AS \$1,005 MILLION OF WHICH \$932 MILLION WILL BE REQUIRED FOR THE RENTED PUBLIC HOUSING PROGRAMME ALONE.

+SO, TOTAL ESTIMATED EXPENDITURE ON THE NEW TOWNS AND HOUSING COMPONENT IS \$2,300 MILLION WHICH IS \$605 MILLION, OR 36 PER CENT, MORE THAN THE REVISED ESTIMATE FOR 1978-79 AND \$1,150 MILLION, OR 100 PER CENT, MORE THAN THE APPROVED ESTIMATE FOR 1978-79.

+THIS VERY SUBSTANTIAL INCREASE HAS MEANT THAT EXPENDITURE ON THE PUBLIC WORKS PROGRAMME, OTHER THAN NEW TOWNS AND HOUSING, HAS HAD TO BE CONSTRAINED BY A REPHASING OF THE START DATES OF CONTRACTS FOR SOME NEW PROJECTS,+ MR. HADDON-CAVE ADDED.

HOWEVER, THE FINANCIAL SECRETARY SAID WE SHOULD BE CONTINUING TO IMPLEMENT SATISFACTORILY GOVERNMENT POLICIES AND PROGRAMMES ON THE BASIS OF AGREED PRIORITIES.

HE ALSO ASSURED MEMBERS OF THE LEGISLATIVE COUNCIL THAT THE BUDGET IS NOT LIKELY TO BE DETRIMENTAL TO THE STABILITY OF THE ECONOMY OR INCONSISTENT WITH THE MAIN EMPHASIS OF BUDGETARY POLICY GENERALLY.

HE DREW ATTENTION TO THE INCLUSION FOR THE FIRST TIME OF TITLE OF THE OFFICER IN WHOM THE COUNCIL WILL INVEST RESPONSIBILITY FOR THE CONTROL OF THE FUNDS VOTED.

HE SAID: +TAKEN TOGETHER WITH THE ESTABLISHMENT LAST YEAR OF THE PUBLIC ACCOUNTS COMMITTEE AND A BILL WHICH I HOPE TO BE INTRODUCING LATER THIS SESSION TO PROVIDE FOR A SYSTEM OF STATUTORY CONTROL OVER PUBLIC EXPENDITURE, THE CONTROLLING OFFICER CONCEPT REPRESENTS A FURTHER STEP IN THE REORGANISATION OF OUR SYSTEM OF FINANCIAL ADMINISTRATION.+

\$1,600 MILLION SURPLUS PREDICTED FOR 1978-79*** * * * ***

THE FINANCIAL SECRETARY PREDICTED A SURPLUS OF \$1,600 MILLION IN THE CURRENT FINANCIAL YEAR 1978-79, +THE HIGHEST ON RECORD.+

IN HIS BUDGET SPEECH, HE SAID THE REVISED ESTIMATES OF REVENUE AND EXPENDITURE FOR 1978-79 WERE \$12,374 MILLION AND \$11,162 MILLION RESPECTIVELY, THUS RESULTING IN A SURPLUS OF \$1,212 MILLION.

+THIS FIGURE,+ MR. HADDON-CAVE SAID, +IS LOWER THAN THE ESTIMATE OF THE SURPLUS DERIVED FROM THE TREASURY'S CASH BOOK AT FEBRUARY 20 LAST OF \$1,750 MILLION, BUT I HAVE A FEELING THAT THE TRUTH LIES SOMEWHERE BETWEEN THESE TWO FIGURES AND SO I SHALL USE A FIGURE OF \$1,600 MILLION AS MY PREDICTION OF THE SURPLUS WHEN CONSIDERING OUR CUMULATIVE FINANCIAL POSITION AT APRIL 1 NEXT.+

THE FINANCIAL SECRETARY RECALLED THAT LAST YEAR EFFECTIVELY HE BUDGETTED FOR A BALANCE FOR THE SECOND YEAR RUNNING. AFTER TAKING ACCOUNT OF HIS REVENUE PROPOSALS, THE DIFFERENCE BETWEEN ESTIMATED EXPENDITURE OF \$10,266 MILLION AND ESTIMATED REVENUE OF \$10,246 MILLION WAS ONLY \$20 MILLION.

HE SAID +A SURPLUS OF \$1,212 MILLION DESERVES AN EXPLANATION, PARTICULARLY AS, IF IT TURNS OUT TO BE \$1,600 MILLION, IT WILL BE THE HIGHEST ON RECORD.+

FOR THE SECOND YEAR RUNNING, THE SURPLUS WAS DUE TO A FLUSH OF REVENUE RATHER THAN A FAILURE OF EXPENDITURE, THE FINANCIAL SECRETARY SAID. BY CONTRAST, IN 1976-77 THE TURN-AROUND FROM A BUDGETTED DEFICIT OF \$355 MILLION TO AN ACTUAL SURPLUS OF \$902 MILLION WAS ALMOST EQUALLY SHARED BETWEEN EXCESS REVENUE AND UNDER-SPENDING.

MR. HADDON-CAVE SAID THE REVISED ESTIMATE OF REVENUE EXCEEDED THE ORIGINAL ESTIMATE BY 21 PER CENT.

RECURRENT REVENUE IS UP BY A NET \$922 MILLION, OR BY 10 PER CENT ON THE ORIGINAL ESTIMATE.

CAPITAL REVENUE IS UP BY \$1,206 MILLION OR BY 98 PER CENT ON THE ORIGINAL ESTIMATE. +PREMIA FROM LAND TRANSACTIONS,+ MR. HADDON-CAVE EXPLAINED, +HAVE YIELDED \$1,166 MILLION MORE THAN I EXPECTED DUE TO 249 ACRES OF LAND BEING SOLD INSTEAD OF THE EXPECTED 88 ACRES= AND TO LAND PRICES BEING HIGHER THAN EXPECTED AND TO PRONOUNCED TENDENCY TO PAY PREMIA IN A LUMP SUM RATHER THAN BY INSTALMENTS.+

REFERRING TO THE REVISED ESTIMATE OF EXPENDITURE, THE FINANCIAL SECRETARY SAID IT WAS NEARLY NINE PER CENT UP ON THE APPROVED ESTIMATE. THIS, HE SAID, +IS IN SHARP CONTRAST TO EXPERIENCE IN RECENT YEARS WHEN ACTUAL EXPENDITURE HAS BEEN BELOW THE APPROVED ESTIMATES.+

ON RECURRENT ACCOUNT, THE FINANCIAL SECRETARY NOTED THAT THERE WAS NET OVER-SPENDING OF \$121 MILLION LARGELY DUE TO THE 1978 SALARIES REVISION WHICH COST \$340 MILLION.

ON CAPITAL ACCOUNT, THERE WAS NET OVER-SPENDING OF \$775 MILLION, WHICH WAS MORE THAN ACCOUNTED FOR BY OVER-SPENDING OF \$837 MILLION ON THE TWO PUBLIC WORKS PROGRAMME COMPONENTS OF THE CAPITAL ACCOUNT.

WEDNESDAY, FEBRUARY 28, 1979

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\$1,434 MILLION SURPLUS BUDGETTED FOR 1979-80
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THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, HAS BUDGETTED A SURPLUS OF \$1,434 MILLION ON THE GENERAL REVENUE ACCOUNT FOR THE COMING FINANCIAL YEAR.

MAKING THE FORECAST IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY), THE FINANCIAL SECRETARY SAID THE SURPLUS WAS THE DIFFERENCE BETWEEN HIS ESTIMATE OF REVENUE OF \$13,888 MILLION SHOWN IN THE REVENUE ESTIMATES AND THE DRAFT ESTIMATES OF EXPENDITURE OF \$12,454 MILLION.

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MANAGEMENT OF PUBLIC FINANCES
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THE TOTAL EFFECT OF BUDGET GUIDELINE RATIOS IS THAT A BALANCE SHOULD BE ACHIEVED BETWEEN REVENUE AND EXPENDITURE, ALLOWING SURPLUSES TO ACCRUE WHEN THE ECONOMY IS GROWING FASTER, AND REVENUES FLUSHING AND NOT SEEKING TO ELIMINATE DEFICITS THAT ARISE FROM A TEMPORARY SLOWDOWN IN THE ECONOMIC GROWTH RATE.

THIS WAS STATED BY THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, WHEN HE RESTATED THE BUDGET GUIDELINES IN HIS BUDGET SPEECH TODAY (WEDNESDAY).

+IN OTHER WORDS,+ HE SAID, +IN THEORY, THE IMPACT OF GENERAL REVENUE ACCOUNT TRANSACTIONS ON THE GROWTH OF THE MONEY SUPPLY IS, ON AVERAGE, NEUTRAL (AFTER MAKING DUE ALLOWANCE FOR ANY NECESSARY ADDITIONS TO OUR FISCAL RESERVES IN LINE WITH THE GROWTH OF EXPENDITURE AND OUR CONTINGENT LIABILITIES).+

+BUT THIS IS NOT NECESSARILY TRUE OF THE TRANSACTIONS OF THE PUBLIC SECTOR AS A WHOLE,+ HE ADDED.

THE FINANCIAL SECRETARY SAID THE GENERAL OBJECTIVES OF BUDGETARY POLICY WERE:

- * TO IMPLEMENT GOVERNMENT POLICIES AND PROGRAMMES=
- * TO ENSURE THAT THE REQUIRED REVENUE IS RAISED AS EQUITABLY AS POSSIBLY AS BETWEEN PARTICULAR CLASSES AND GROUPS OF TAXPAYERS=
- * TO MINIMISE ANY ADVERSE EFFECTS OF PUBLIC EXPENDITURE AND OF THE FISCAL SYSTEM ON THE INTERNAL COST/PRICE STRUCTURE OF THE ECONOMY, ON THE SUPPLY OF HUMAN EFFORT AND ON PRIVATE INVESTMENT DECISIONS=
- * TO MANAGE THE PUBLIC FINANCES GENERALLY SO AS TO MINIMISE THE EXTENT TO WHICH THE MONETARY ENVIRONMENT IS DISTURBED=
- * EXCEPT WHEN AN OBJECTIVE MUST BE TO INFLUENCE THE GROWTH RATE OF TOTAL FINAL DEMAND.

/OBVIOUSLY,

OBVIOUSLY, THE FINANCIAL SECRETARY SAID, THE EMPHASIS OF BUDGETARY POLICY AS BETWEEN THESE FIVE OBJECTIVES WOULD VARY FROM YEAR TO YEAR. WHATEVER THE EMPHASIS, HE SAID, DECISIONS HAD TO BE TAKEN EACH YEAR ON THE BASIS OF THE RELATIVE SIZE OF THE PUBLIC SECTOR, THE CONSTRUCTION OF THE EXPENDITURE BUDGET, THE EMPHASIS OF FISCAL POLICY AND THE RATE AT WHICH POLICIES AND PROGRAMMES COULD BE IMPLEMENTED HAVING REGARD TO PREVAILING CAPACITY AND OTHER ECONOMIC CONSIDERATIONS.

+TO ASSIST US IN THIS ANNUAL DECISION-MAKING PROCESS, WE SUBJECT OUR THINKING IN EACH OF THESE FOUR AREAS TO THE DISCIPLINE OF CERTAIN GUIDELINE RATIOS,+ HE SAID.

REFERRING TO RELATIVE SIZE OF THE PUBLIC SECTOR, THE FINANCIAL SECRETARY SAID THE +ACCEPTABLE RELATIVE SIZE+ WAS SMALLER ON THE UPSWING PHASE OF THE TRADE CYCLE THAN ON THE DOWNSWING BUT WOULD TEND TO INCREASE AGAIN AS THE RECOVERY PHASE MATURED.

+THIS DOES NOT MEAN, OF COURSE, THAT THE GROWTH RATE OF PUBLIC EXPENDITURE SHOULD NOT BE TRIMMED BACK ON THE DOWNSWING AS PART AND PARCEL OF THE PROCESS OF THE ECONOMY DEFLATING OUT OF TROUBLE OR WHEN THE PRESSURE OF DEMAND IS SUCH THAT A SITUATION OF DEMAND-PULL INFLATION IS THREATENED,+ HE SAID.

TOUCHING ON THE CONSTRUCTION OF THE ANNUAL BUDGET, THE FINANCIAL SECRETARY SAID THE GUIDELINES WERE THAT RECURRENT EXPENDITURE SHOULD ABSORB NO MORE THAN 80 PER CENT OF RECURRENT REVENUE AND THAT AT LEAST 60 PER CENT OF CAPITAL EXPENDITURE SHOULD BE FINANCED BY THE SURPLUS ON RECURRENT ACCOUNT.

FURTHERMORE, AN UPPER LIMIT WAS SET TO RECURRENT EXPENDITURE OF 70 PER CENT OF TOTAL EXPENDITURE.

BUT, AS THE SURPLUS ON RECURRENT ACCOUNT COULD FINANCE A QUANTUM OF CAPITAL EXPENDITURE WHICH THESE RATIOS DID NOT DEFINE, SEPARATE ABSOLUTE GUIDELINE FIGURES HAD TO BE SET FOR THE VARIOUS COMPONENTS OF THE CAPITAL ACCOUNT AND THESE WERE REVISED PERIODICALLY.

THE RESIDUAL DEFICIT ON CAPITAL ACCOUNT SHOULD BE FINANCED AT LEAST 50 PER CENT BY CAPITAL REVENUE AND NO MORE THAN 50 PER CENT BY DEBT, THE FINANCIAL SECRETARY SAID.

HE SAID THE BALANCE OF THE FISCAL SYSTEM NEED TO BE DEFINED IN TERMS OF THE RATIO OF DIRECT TO INDIRECT TAXATION AND THE RATIO OF DIRECT AND INDIRECT TAXATION TAKEN TOGETHER TO ALL OTHER RECURRENT REVENUE.

FOR THE TIME BEING HE SAID HE HAD SET THE RATE AT WHICH EXPENDITURE MIGHT BE ALLOWED TO GROW OVER TIME IN REAL TERMS AT 10 PER CENT, +WHICH IS A LITTLE HIGHER THAN THE HISTORICAL TREND GROWTH RATE OF G.D.P.+

REFERRING TO FISCAL RESERVES, THE FINANCIAL SECRETARY SAID HE HAD TAKEN THE VIEW THAT THE NET FISCAL RESERVES AT THE BEGINNING OF A FINANCIAL YEAR SHOULD ALWAYS BE SUFFICIENT TO FINANCE AT LEAST 15 PER CENT OF ESTIMATED EXPENDITURE IN THAT YEAR.

MAINTAINING TREND GROWTH RATE OF GDP
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A HIGH GROWTH RATE OF THE LABOUR FORCE WILL RAISE THE GROWTH RATE OF THE PRODUCTIVE POTENTIAL OF THE ECONOMY AND COULD HELP MAINTAIN IN THE FORECAST PERIOD 1980-82, THE TREND GROWTH RATE OF G.D.P. EXPERIENCED SO FAR IN THE 1970S OF ABOUT NINE PER CENT, THE FINANCIAL SECRETARY SAID TODAY.

THIS WAS BECAUSE NEITHER DEVELOPMENTS RELATING TO CHINA NOR THE PRESENT HIGH RATE OF NET IMMIGRATION SEEMED LIKELY TO AFFECT THE GROWTH RATE OF PRODUCTIVITY IN THE FORECAST PERIOD.

HOWEVER, THE FINANCIAL SECRETARY DID NOT RATE +VERY HIGHLY+ THE CHANCES OF MAINTAINING THE PRESENT RATE OF IMPROVEMENT IN REAL LIVING STANDARDS OVER THE NEXT FEW YEARS.

HE SAID THIS WAS BECAUSE OF THE MULTIPLICITY OF PRESSURES CAUSED BY FURTHER INCREASES IN THE POPULATION SUCH AS HONG KONG EXPERIENCED IN 1978, OF 3.4 PER CENT, THE HIGHEST INCREASE SINCE 1962.

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ANTI-INFLATIONARY POLICIES OF OVERSEAS GOVTS
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HONG KONG IS FACING A SITUATION IN WHICH THE GROWTH RATE OF WORLD TRADE IN MANUFACTURES WILL BE NO MORE THAN SIX PER CENT COMPARED WITH THE TREND GROWTH RATE OF NINE PER CENT FROM THE MID-1960'S TO THE MID-1970'S, THE FINANCIAL SECRETARY SAID TODAY (WEDNESDAY).

THIS CAME, HE SAID, +AT A TIME WHEN WE SHALL BE SEVERELY RESTRICTED IN THE EXTENT TO WHICH WE ARE ALLOWED TO TAKE ADVANTAGE OF SUCH GROWTH AS THERE IS.+

HE NOTED THAT THE FEAR OF ACCELERATING INFLATION WAS CAUSING THE UNITED STATES TO ADOPT LESS EXPANSIONARY POLICIES AND THAT THERE WAS RELATIVELY LITTLE EVIDENCE THAT UNEMPLOYMENT LEVELS IN O.E.C.D. COUNTRIES WOULD BE REDUCED.

THESE ADDED SUPPORT TO THE VIEW THAT THERE WAS LITTLE LIKELIHOOD THAT THE STRENGTH OF PROTECTIONIST SENTIMENTS WOULD LESSEN, HE SAID.

OIL PRICE INCREASES SCHEDULED BY O.P.E.C. AND ANY OTHER INCREASES OVER AND ABOVE THESE MADE THE ADOPTION OF REFLATIONARY POLICIES +EVEN LESS LIKELY,+ THE FINANCIAL SECRETARY SAID.

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MONETARY IMPLICATIONS OF GOVT'S BANK BALANCES

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ONE OF THE BUDGETARY POLICIES IS TO MANAGE PUBLIC FINANCES GENERALLY TO MINIMISE THE EXTENT TO WHICH THE MONETARY ENVIRONMENT IS DISTURBED, THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE TOLD THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

THE AIM, MR. HADDON-CAVE EXPLAINED, +IS TO MINIMISE THE EXTENT TO WHICH THE GROWTH RATE OF MONEY SUPPLY IS ALTERED BY AN EXPANSION OR CONTRACTION OF CURRENCY IN CIRCULATION OR BY A BUDGET SURPLUS OR DEFICIT.+

SINCE THE MIDDLE OF 1972, HE SAID, WHEN THE HONG KONG DOLLAR CEASED TO BE TIED TO STERLING, WHENEVER THE NOTE ISSUE HAD BEEN EXPANDED, CERTIFICATES OF INDEBTEDNESS HAD BEEN ISSUED AGAINST THE CREATION OF HONG KONG DOLLAR DEPOSITS RATHER THAN AGAINST STERLING RECEIPTS.

+SIMILARLY, AN INCREASE IN COINS IN CIRCULATION IS NOW EFFECTED BY THE SALE OF COINS BY THE EXCHANGE FUND AGAINST THE CREATION OF HONG KONG DOLLAR DEPOSITS,+ THE FINANCIAL SECRETARY SAID.

IT HAS NOT ALWAYS BEEN POSSIBLE, HE SAID, PARTICULARLY SINCE THE FLOATING OF THE HONG KONG DOLLAR IN NOVEMBER 1974, TO USE THESE HONG KONG DOLLAR RECEIPTS TO ACQUIRE FOREIGN CURRENCY ASSETS BECAUSE THE EFFECT ON THE EXCHANGE VALUE OF THE HONG KONG DOLLAR WOULD HAVE BEEN UNACCEPTABLE.

+THUS THE MONETARY ENVIRONMENT HAS BEEN DISTURBED INASMUCH AS AN EXPANSION OF CURRENCY IN CIRCULATION HAS NOT BEEN MATCHED BY A REDUCTION IN BANK DEPOSITS IN HONG KONG AND HAS, THEREFORE, NOT BEEN NEUTRAL IN ITS EFFECT ON THE MONEY SUPPLY,+ MR. HADDON-CAVE SAID.

IN ORDER NOT TO DISTURB THE EXCHANGE VALUE OF THE HONG KONG DOLLAR, HE SAID WE HAD NOT DISPOSED OF ANYTHING LIKE THE SAME PROPORTION OF THE BUDGET SURPLUSES WE HAD BEEN GENERATING RECENTLY, LARGELY INVOLUNTARILY, AS WE HAD DONE BEFORE 1972.

+SO THERE HAS BEEN NO CONSTRAINING EFFECT ON THE GROWTH RATE OF THE MONEY SUPPLY,+ HE SAID, ADDING:

+THIS IS BECAUSE A SURPLUS ON BUDGETARY ACCOUNT INVOLVES A TRANSFER OF DEPOSITS FROM THE NON-BANK PRIVATE SECTOR TO THE GOVERNMENT'S BANK ACCOUNTS. IF THIS SURPLUS IS RETAINED IN HONG KONG IN THE FORM OF HONG KONG DOLLAR DEPOSITS, THE EFFECT ON THE MONEY SUPPLY IS LARGELY NEUTRAL BECAUSE THE SURPLUS CAN BE RE-CIRCULATED TO THE NON-BANK PRIVATE SECTOR THROUGH THE CREATION OF BANK CREDIT.

+ONLY IF THERE IS A NEXT TRANSFER OF HONG KONG DOLLAR ASSETS INTO FOREIGN CURRENCY ASSETS HELD OVERSEAS (OR VICE VERSA) IS THE MONEY SUPPLY SIGNIFICANTLY AFFECTED.+

PROPOSED TAX INCREASES TO AFFECT MOTORISTS, BUSINESSMEN
AND SHIPPING
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A NUMBER OF TAX INCREASES AFFECTING MOTORISTS, BUSINESSMEN AND SHIPPING, WERE PROPOSED BY THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, TODAY (WEDNESDAY).

THE INCREASES APPLY TO FIRST REGISTRATION TAX ON MOTOR VEHICLES AND MOTOR CYCLES, VEHICLE LICENCE FEES, BUSINESS REGISTRATION FEES, AND BUOY AND ANCHORAGE FEES.

IN OUTLINING THE REVISED RATES IN HIS BUDGET SPEECH, MR. HADDON-CAVE ALSO INDICATED THAT CERTAIN FEES AND CHARGES MAY BE REVISED UPWARDS LATER ON.

AS FROM MIDNIGHT TONIGHT (WEDNESDAY), FIRST REGISTRATION TAX ON MOTOR VEHICLES WILL RISE FROM 30 PER CENT TO 35 PER CENT FOR BASIC CARS- FOR SEMI-LUXURY CARS FROM 35 PER CENT TO 40 PER CENT- AND FOR LUXURY CARS FROM 40 PER CENT TO 45 PER CENT.

IN LINE WITH THE NEW RATE OF TAX FOR THE BASIC CAR, THE RATE FOR MOTOR CYCLES AND MOTOR TRICYCLES WILL ALSO BE INCREASED FROM 30 PER CENT TO 35 PER CENT.

ANNOUNCING THE NEW RATES, MR. HADDON-CAVE NOTED THAT THE VALUE OF IMPORTS OF CARS INCREASED BY 41 PER CENT IN 1977 OVER 1976, AND BY 76 PER CENT IN 1978 OVER 1977. +CLEARLY, THE EXISTING RATES ARE NO DISCOURAGEMENT TO ASPIRING CAR OWNERS,+ HE SAID, ADDING THAT HE DID NOT THINK THE PROPOSED RATES WOULD BE SIGNIFICANTLY MORE DISCOURAGING.

REVENUE FROM FIRST REGISTRATION TAX, HE SAID, HAD INCREASED STEADILY FROM \$102 MILLION IN 1976-77 TO \$148 MILLION IN 1977-78 TO \$254 MILLION IN 1978-79. AND THE ESTIMATE FOR 1979-80 WAS OVER \$300 MILLION. +WE ARE CLEARLY NOWHERE NEAR THE POINT OF DIMINISHING RETURNS, AND I CONSIDER THAT THIS IS ONE SOURCE WHICH COULD CONTRIBUTE MORE TO THE REVENUE.+

THE NEW RATES, HE ADDED, ARE EXPECTED TO YIELD \$35 MILLION IN 1979-80.

MOTOR VEHICLE LICENCES WILL ALSO COST MORE AS FROM MIDNIGHT TONIGHT.

THE NEW RATES FOR PRIVATE CARS ARE: UP TO 1,000 C.C. \$400, UP TO 1,500 C.C. \$600, UP TO 2,500 C.C. \$900, UP TO 3,500 C.C. \$1,200, UP TO 4,500 C.C. \$1,500, CARS OVER 4,500 C.C. \$1,800.

FOR MOTOR CYCLES, THE RATES GO UP FROM \$175 TO \$200.

IN THE CASE OF GOODS VEHICLES, THE NEW FEE FOR A VEHICLE UP TO 20 CWT WILL BE \$400, FOR THOSE UP TO 45 CWT \$800, FOR THOSE UP TO 75 CWT \$1,200, AND FOR THOSE OVER 75 CWT \$1,600.

THE MOTOR VEHICLE LICENCE FEE FOR TAXIS AND FOR A PRIVATE LIGHT BUS WERE ALSO RAISED TO \$900.

THE EXPECTED ADDITIONAL REVENUE FROM THESE INCREASES AND ADJUSTMENTS WOULD YIELD AN ESTIMATED \$41 MILLION IN 1979-80.

/MR. HADDON-CAVE

MR. HADDON-CAVE EMPHASISED THAT HIS PROPOSALS RELATING TO MOTOR VEHICLE LICENCES HAD NOTHING TO DO WITH FUTURE TRANSPORT POLICY. +THEY ARE JUSTIFIED IN THEIR OWN RIGHT, AND THEY ARE PUT TO HON. MEMBERS FOR FISCAL REASONS ALONE,+ HE STRESSED.

IN THE CASE OF TAXIS, MR. HADDON-CAVE SAID HE WAS MINDFUL THAT THE LICENCE FOR A HONG KONG AND KOWLOON TAXI IS GRANTED AFTER A PUBLIC TENDER, OR IN THE CASE OF AN NT TAXI BY BALLOT, AND THAT TAXI FARES HAD RECENTLY BEEN INCREASED.

HE NOTED, HOWEVER, THAT THE ANNUAL FEE CHARGED FOR THE LICENCE IS A CHARGE FOR ROAD USE, AND A TAXI OCCUPIES ROAD SPACE FOR ABOUT 10-15 TIMES LONGER THAN THE AVERAGE PRIVATE CAR.

+I CAN SEE NO REASON, THEREFORE, WHY THE FEE FOR A TAXI SHOULD NOT HAVE REGARD TO THE FEE FOR A PRIVATE CAR OR WHY THERE SHOULD BE ANY DISTINCTION BETWEEN HONG KONG AND KOWLOON TAXIS AND NEW TERRITORIES TAXIS.+

ON BUOY AND ANCHORAGE FEES, MR. HADDON-CAVE PROPOSED AN INCREASE TO \$700 A DAY FOR AN 'A' BUOY AND \$450 A DAY FOR A 'B' BUOY. HE ALSO PROPOSED TO RAISE THE ANCHORAGE FEES TO \$14 PER 100 TONS PER DAY INSIDE THE HARBOUR LIMITS AND \$4 PER 100 TONS A DAY ELSEWHERE IN HONG KONG WATERS. HE ESTIMATED THAT THE ADDITIONAL REVENUE NEXT YEAR FROM THESE INCREASES WOULD BE AT LEAST \$3 MILLION.

MR. HADDON-CAVE SAID THE PROPOSED INCREASES IN BUOY AND ANCHORAGE FEES WOULD BECOME EFFECTIVE AS SOON AS THE NECESSARY REGULATIONS ARE MADE, PROBABLY IN THE MIDDLE OF APRIL.

ON BUSINESS REGISTRATION FEES, MR. HADDON-CAVE NOTED THE FEES HAD LAST BEEN REVISED IN 1975. HE PROPOSED TO INCREASE THE FEE FROM \$150 A YEAR TO \$175 A YEAR AS FROM APRIL 1 THIS YEAR.

THE FINANCIAL SECRETARY SAID HE DID NOT CONSIDER THAT THIS WOULD CONSTITUTE A HARDSHIP AT TODAY'S PRICES AND HE ENVISAGED AN ADDITIONAL YIELD TO REVENUE OF \$6.5 MILLION IN 1979-80.

HE ESTIMATED THAT THE ADDITIONAL REVENUE YIELDS FROM FIRST REGISTRATION TAX, VEHICLE LICENCES, BUOY AND ANCHORAGE FEES AND BUSINESS REGISTRATION FEES WOULD AMOUNT TO \$85.5 MILLION IN 1979-80.

+THESE REVENUE PROPOSALS FOR 1979-80 WILL HAVE THE EFFECT OF SLIGHTLY IMPROVING THE BALANCE OF THE FISCAL SYSTEM COMPARED WITH WHAT IT WOULD HAVE BEEN WITHOUT THEM,+ HE SAID.

ON FEES AND CHARGES, MR. HADDON-CAVE SAID HE WAS NOT SATISFIED THAT EVEN OUR COST-RELATED FEES AND CHARGES ARE REVIEWED FREQUENTLY ENOUGH, AND HE WOULD BE ASKING THE FINANCE BRANCH TO CONSIDER WAYS OF IMPROVING A SYSTEM OF MONITORING.

HE ALSO FELT THAT SEVERAL ROYALTY-LOADED FEES OUGHT TO BE UPDATED, BUT HE DID NOT PROPOSE ANY CHANGES ON THIS OCCASION.

AS FAR AS TAX-LOADED FEES AND CHARGES WERE CONCERNED, MR. HADDON-CAVE SAID, A RECENT REVIEW BY THE MANAGEMENT ACCOUNTING SERVICES DIVISION OF THE TREASURY HAD REVEALED THAT, WITH MOST INCREASES OVER THE YEAR, THERE HAD BEEN A SIGNIFICANT EROSION OF THE TAX-LOADING ELEMENT. THE FINANCIAL SECRETARY SAID HE HAD THEREFORE DECIDED THAT THOSE MOST SERIOUSLY AFFECTED SHOULD BE REVISED UPWARDS TO OFFSET THIS EROSION.

WEDNESDAY, FEBRUARY 28, 1979

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FOUR TAX CONCESSIONS PROPOSED
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FOUR TAX CONCESSIONS WERE PROPOSED BY THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, THIS (WEDNESDAY) AFTERNOON WHEN HE PRESENTED THE BUDGET FOR THE COMING YEAR.

ONE INVOLVED A REDUCTION FROM 15 PER CENT TO 10 PER CENT IN THE +CLAW-BACK+ OF THE SUPPLEMENTARY PERSONAL ALLOWANCE GRANTED TAXPAYERS IN 1976-77.

UNDER THIS PROPOSAL, THE SUPPLEMENTARY PERSONAL ALLOWANCE WILL NOW NOT DISAPPEAR UNTIL A SINGLE TAXPAYER EARNS \$37,500 A YEAR (COMPARED WITH THE PRESENT \$29,167), AND A MARRIED TAXPAYER \$75,000 A YEAR (COMPARED WITH \$58,334 AS AT PRESENT).

THE REDUCTION OF THE +CLAW-BACK+ WILL COST THE GOVERNMENT AN ESTIMATED \$37 MILLION IN 1979-80.

MR. HADDON-CAVE ALSO PROPOSED TO SCRAP THE 30 PER CENT RATE APPLICABLE TO NET CHARGEABLE INCOME IN EXCESS OF \$50,000 A YEAR, AT A COST TO GENERAL REVENUE OF \$20 MILLION.

THIS WOULD MEAN THE TOP MARGINAL RATE FOR SALARIES TAX IN FUTURE WOULD BE 25 PER CENT ON NET CHARGEABLE INCOME IN EXCESS OF \$40,000 PER YEAR.

THUS A SINGLE TAXPAYER WOULD ENTER THE STANDARD RATE ZONE ON AN INCOME OF \$75,000 A YEAR, COMPARED WITH \$70,000 AT PRESENT, A MARRIED TAXPAYER AT \$100,000 (AS AGAINST \$90,000 NOW), AND A MARRIED TAXPAYER WITH TWO DEPENDENT CHILDREN AT \$117,000 (INSTEAD OF \$104,000 AS AT PRESENT).

THE EFFECT OF THESE TWO PROPOSALS TOGETHER WOULD BE TO REDUCE THE EFFECTIVE RATE OF TAX PAYABLE BY A SINGLE TAXPAYER ON, SAY, \$20,000 A YEAR FROM 2.16 PER CENT TO 2.06 PER CENT, AND ON \$30,000 A YEAR FROM FIVE PER CENT TO 4.75 PER CENT- BY A MARRIED TAXPAYER ON, SAY, \$30,000 A YEAR FROM 0.96 PER CENT TO 0.92 PER CENT, ON \$60,000 A YEAR FROM 8.33 PER CENT TO 7.83 PER CENT, ON \$80,000 A YEAR FROM 13.13 PER CENT TO 12.5 PER CENT, AND ON \$90,000 A YEAR FROM 15 PER CENT TO 13.89 PER CENT- AND BY A MARRIED TAXPAYER WITH TWO DEPENDENT CHILDREN ON, SAY, \$60,000 A YEAR FROM SIX PER CENT TO 5.5 PER CENT, ON \$90,000 A YEAR FROM 12.67 PER CENT TO 11.94 PER CENT AND ON \$104,000 A YEAR FROM 15 PER CENT TO 13.7 PER CENT.+

MR. HADDON-CAVE POINTED OUT THAT THE TOTAL COST TO THE REVENUE IN 1979-80 OF THE INTRODUCTION OF THE DEPENDENT PARENT ALLOWANCE, THE REDUCTION OF THE +CLAW-BACK+ OF THE SUPPLEMENTARY PERSONAL ALLOWANCE TO 10 PER CENT AND THE SCRAPPING OF THE 30 PER CENT TOP MARGINAL RATE, WOULD AMOUNT TO \$126 MILLION, OR \$77 MILLION IN A FULL YEAR.

ANOTHER CONCESSION INVOLVED INCREASING THE PRESENT ALLOWANCE FOR DEPRECIATION OF PLANT AND EQUIPMENT FROM 20 PER CENT TO 25 PER CENT. THIS WILL PRINCIPALLY BENEFIT THE MANUFACTURING SECTOR AND COST THE GOVERNMENT AN ESTIMATED \$22.5 MILLION IN 1979-80. IN A FULL YEAR, THE COST TO REVENUE WOULD AMOUNT TO ROUGHLY \$12.5 MILLION.

UNDER THE FOURTH CONCESSION, THE ESTATE DUTY FREE LIMIT OF \$5,000 ON GIFTS AND INTER VIVOS MADE LESS THAN THREE YEARS BEFORE DEATH (OR ONE YEAR IN THE CASE OF CHARITABLE ORGANISATIONS) IS TO BE RAISED TO \$50,000 IN RESPECT OF PERSONS DYING ON OR AFTER APRIL 1, 1979.

THE FINANCIAL SECRETARY ALSO ANNOUNCED THAT HE INTENDED TO INTRODUCE AN AMENDING BILL SHORTLY TO TIGHTEN EXISTING LEGISLATION RELATING TO ESTATE DUTY INVOLVING CONTROLLED COMPANIES.

MR. HADDON-CAVE DID NOT PROPOSE ANY CHANGE IN THE GENERAL TAX RATE, NOR DID HE PROPOSE REVISIONS IN THE DUTY ON LIQUOR, TOBACCO AND HYDROCARBON OILS AT THIS TIME.

SIMILARLY, HE CONSIDERED THAT THE YIELDS FROM STAMP DUTIES AND FROM TAXES ON BETS AND SWEEPS AND ENTERTAINMENT WERE SUCH AS NOT TO REQUIRE ANY INCREASES AT THIS TIME.

MR. HADDON-CAVE SAID THE TOTAL COST OF THE FOUR CONCESSIONS WOULD AMOUNT TO \$79.7 MILLION IN 1979-80, OR \$47.7 MILLION IN A FULL YEAR.

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EDUCATION TO GET \$2,196 MILLION
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THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, HAS BUDGETTED \$2,196 MILLION ON EDUCATION IN THE COMING FINANCIAL YEAR, REPRESENTING 17.6 PER CENT OF THE YEAR'S TOTAL EXPENDITURE.

SPEAKING ON HIS ANNUAL BUDGET IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY), THE FINANCIAL SECRETARY SAID PROVISION HAVE BEEN MADE FOR AN ADDITIONAL 11,565 NEW PRIMARY SCHOOL PLACES IN DEVELOPING AREAS IN 1979-80 TO BE OFFSET BY A REDUCTION OF EXISTING PLACES IN AREAS OF OVER-PROVISION.

+NEW PRIMARY SCHOOLS WILL CONTINUE TO BE BUILT, WHEREVER POSSIBLE, IN CONJUNCTION WITH THE DEVELOPMENT OF PUBLIC HOUSING ESTATES- NINE SUCH SCHOOLS ARE EXPECTED TO OPEN IN 1979-80,+ HE SAID.

ON SPECIAL EDUCATION, THE FINANCIAL SECRETARY SAID THE COMING YEAR WOULD SEE A CONTINUED EXPANSION IN THE NUMBER OF PLACES FOR HANDICAPPED CHILDREN IN GOVERNMENT AND AIDED SCHOOLS -- A FURTHER 2,383 PLACES WOULD BE PROVIDED IN SPECIAL SCHOOLS AND 1,810 PLACES IN SPECIAL CLASSES IN ORDINARY SCHOOLS, AS PART OF THE OVERALL PLAN FOR REHABILITATION AS SET OUT IN THE 1977 WHITE PAPER ON +INTEGRATING THE DISABLED INTO THE COMMUNITY: A UNITED EFFORT.+

+IN ORDER TO IMPROVE SERVICES AND TO INTEGRATE THE WORK OF ALL DEPARTMENTS INVOLVED IN THE EDUCATION AND TRAINING OF HANDICAPPED CHILDREN, THE GOVERNMENT, WITH THE ADVICE OF THE REHABILITATION DEVELOPMENT CO-ORDINATING COMMITTEE, HAS BEEN REVIEWING THE MANAGEMENT AND STAFFING OF SPECIAL SCHOOLS,+ HE SAID.

+THE DRAFT ESTIMATES PROVIDE FUNDS TO ENABLE CERTAIN PROPOSALS, IN THE FORM OF REVISIONS TO THE RELEVANT CODES OF AID, TO COME INTO EFFECT IN APRIL 1979,+ HE ADDED.

ON JUNIOR EDUCATION, THE FINANCIAL SECRETARY SAID A FURTHER EXPANSION TO PROVIDE AN ADDITIONAL 29,932 FORMS I TO III PLACES WOULD CONTINUE IN 1979-80 WITH A VIEW TO ACCOMMODATING ALL CHILDREN IN THE 12-14 AGE-GROUP BY THE BEGINNING OF THE 1980-81 ACADEMIC YEAR.

TURNING TO SENIOR SECONDARY AND TERTIARY EDUCATION, HE SAID THE 1979-80 DRAFT ESTIMATES PROVIDED FOR AN ADDITIONAL 4,243 FORMS IV-V PLACES IN SECONDARY SCHOOLS IN ACCORDANCE WITH THE WHITE PAPER, +THE DEVELOPMENT OF SENIOR SECONDARY AND TERTIARY EDUCATION,+ PUBLISHED IN OCTOBER 1978.

+THEY ALSO PROVIDE FOR INCREASES AT THE TECHNICAL INSTITUTES (INCLUDING A FIFTH TECHNICAL INSTITUTE WHICH WILL OPEN IN KOWLOON TONG IN SEPTEMBER 1979) IN FULL-TIME STUDENTS FROM 3,400 TO 4,300, AND IN STUDENTS ON PART-TIME DAY RELEASE COURSES/ FROM 8,600 TO 12,200. THESE PLACES WILL FURTHER AUGMENT THE RANGE OF OPPORTUNITIES FOR FORM III LEAVERS,+ HE SAID.

THE FINANCIAL SECRETARY SAID THE DRAFT ESTIMATES ALSO INCLUDED PROVISION FOR THE FIRST STAGE OF A SCHEME TO ASSIST CERTAIN APPROVED POST-SECONDARY COLLEGES TO PROVIDE PLACES AT THE FORM VI AND TERTIARY LEVELS, WHICH WOULD CONTRIBUTE TO THE MEETING OF TARGETS ENVISAGED IN THE WHITE PAPER.

+DETAILED FINANCIAL ARRANGEMENTS ARE STILL UNDER DISCUSSION WITH THE RELEVANT COLLEGE AUTHORITIES BUT FUNDS HAVE BEEN EARMARKED TO ENABLE ASSISTANCE TO BE PROVIDED FOR 950 FORM VI PLACES IN SEPTEMBER 1979,+ HE SAID.

MR. HADDON-CAVE ADDED THAT IT WAS PROPOSED TO BRING 70 PRIVATE NON-PROFIT MAKING SCHOOLS UNDER THE CODE OF AID FOR SECONDARY SCHOOLS OVER A FOUR-YEAR PERIOD BEGINNING IN SEPTEMBER 1979.

+THE ESTIMATED COST OVER THE FOUR-YEAR PERIOD WILL BE ABOUT \$146 MILLION,+ HE SAID.

+THE EXPANSION AND IMPROVEMENT OF SERVICES DESCRIBED IN THE WHITE PAPER WILL RESULT IN AN INCREASE IN RECURRENT EXPENDITURE ON SENIOR SECONDARY AND TERTIARY EDUCATION OF \$177 MILLION IN 1979-80, RISING TO \$644 MILLION BY 1985-86 (AT 1978 PRICES). THE CAPITAL EXPENDITURE WILL TOTAL ABOUT \$940 MILLION OVER THE SAME PERIOD,+ THE FINANCIAL SECRETARY SAID.

+AGAINST THIS BACKGROUND IT IS APPROPRIATE TO LOOK CLOSELY AT THE LEVEL OF FEES CHARGED AT THE SENIOR SECONDARY AND TERTIARY LEVELS TO ENSURE THAT THEY CONTINUE TO REFLECT A REASONABLE LEVEL OF CONTRIBUTION TO THE COST OF THE SERVICES PROVIDED.

+IN THIS CONTEXT THE WHITE PAPER HAS INDICATED THAT THE STANDARD SENIOR SECONDARY SCHOOL FEES, WHICH HAVE REMAINED STATIC SINCE 1965, WILL RISE TO \$600 A YEAR IN FORMS IV AND V AND \$800 IN FORMS VI BY 1980.

+THE FIRST PHASES OF THESE INCREASES, TO \$500 AND \$620 RESPECTIVELY, WILL TAKE PLACE IN SEPTEMBER 1979, BUT STUDENTS FROM LOW-INCOME FAMILIES WILL CONTINUE TO BE PROTECTED BY THE EXISTING FEE REMISSION SCHEMES,+ THE FINANCIAL SECRETARY SAID.

\$1,117 MILLION TO BE SPENT ON MEDICAL AND HEALTH SERVICES
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ABOUT NINE PER CENT OF THE GOVERNMENT'S EXPENDITURE IN 1979-80, OR \$1,117 MILLION, WILL BE SPENT ON MEDICAL AND HEALTH SERVICES, THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, TOLD THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

IN HIS BUDGET SPEECH, THE FINANCIAL SECRETARY SAID PRIORITY WOULD CONTINUE TO BE GIVEN TO THE STRENGTHENING OF A REGIONALISED INFRA-STRUCTURE OF HOSPITALS AND CLINICS TO PROVIDE GENERAL AND SPECIALIST MEDICAL SERVICES TO ALL MEMBERS OF THE COMMUNITY.

HE SAID A FIFTH REGIONAL HOSPITAL IN SHA TIN NOW UNDER CONSTRUCTION WHICH WILL ADMIT PATIENTS IN 1982, WOULD SERVE THE WHOLE OF THE EASTERN NEW TERRITORIES, INCLUDING SHA TIN NEW TOWN, AND WOULD ALSO PROVIDE CLINICAL TEACHING FACILITIES FOR THE NEW MEDICAL SCHOOL AT THE CHINESE UNIVERSITY.

THE FINANCIAL SECRETARY SAID THE DRAFT ESTIMATES PROVIDED FOR AN ADDITIONAL 449 HOSPITAL BEDS IN GOVERNMENT AND SUBVENTED HOSPITALS WHICH WOULD BRING THE TOTAL TO 17,966 BY MARCH 1980.

+MAJOR PROJECTS WHICH WILL PROVIDE MORE BEDS AND WHICH ARE EITHER ALREADY UNDER CONSTRUCTION OR WHICH WILL BEGIN DURING THE FINANCIAL YEAR INCLUDE, IN THE GOVERNMENT SECTOR, THE SHA TIN HOSPITAL AND POLYCLINIC, A PSYCHIATRIC WING TO THE PRINCESS MARGARET HOSPITAL AND AN EXTENSION AND IMPROVEMENTS TO THE FANLING HOSPITAL.

+OTHER IMPORTANT PROJECTS IN THE PIPE-LINE INCLUDE AN URBAN CLINIC AT LEI MUK SHUE, AND, IN THE SUBVENTED SECTOR, A CARDIO-THORACIC CENTRE AT THE GRANTHAM HOSPITAL AND A CLINICAL PATHOLOGY BUILDING FOR KWONG WAH HOSPITAL,+ THE FINANCIAL SECRETARY SAID.

THE FINANCIAL SECRETARY ALSO NOTED THAT SUBVENTED HOSPITALS WERE PLAYING A VITAL ROLE IN RELEASING MUCH-NEEDED ACUTE BEDS IN THE MAIN REGIONAL HOSPITALS AND, TO REFLECT THEIR SPECIFIC RESPONSIBILITIES, THE GOVERNMENT HAD, WHERE APPROPRIATE, BROUGHT HOSPITALS ON TO A FULL DEFICIENCY GRANT SUBSIDY.

+DURING 1978-79 THE YAN CHAI HOSPITAL IN TSUEN WAN AND THE CARITAS MEDICAL CENTRE IN KOWLOON CAME ON TO DEFICIENCY GRANTS AND THESE HOSPITALS WILL HELP TO RELIEVE PRESSURE ON THE PRINCESS MARGARET HOSPITAL AS WELL AS PROVIDE IMPROVED SERVICES TO THEIR LOCAL COMMUNITIES,+ THE FINANCIAL SECRETARY SAID.

AS A FURTHER MEASURE FOR THE BETTER UTILISATION OF HOSPITAL BEDS, HE SAID, THE COMMUNITY NURSING SERVICE SET UP ON AN EXPERIMENTAL BASIS IN 1976 WOULD BE EXPANDED TO COVER ALMOST ALL PARTS OF HONG KONG BY 1985.

+THIS SERVICE ENABLES CONVALESCENT PATIENTS TO COMPLETE THEIR TREATMENT AT HOME WITH THE HELP OF REGULAR VISITS FROM A TRAINED NURSE.

+THE DRAFT ESTIMATES PROVIDE FOR THE NUMBER OF COMMUNITY NURSES TO EXPAND FROM THE PRESENT 33 TO 108 IN THE COMING YEAR,+ HE SAID.

35 PER CENT MORE FUNDS EARMARKED FOR HOUSING
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THE GOVERNMENT WILL PROVIDE A FURTHER 142,220 PUBLIC HOUSING FLATS OVER THE NEXT FOUR FISCAL YEARS FROM 1979-80 TO 1982-83, INCLUDING 25,400 FLATS TO BE BUILT UNDER THE HOME OWNERSHIP SCHEME.

PRESENTING THE ANNUAL BUDGET IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY), THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, SAID THE DRAFT ESTIMATES FOR 1979-80 PROVIDED FOR EXPENDITURE OF \$1,100 MILLION ON PUBLIC HOUSING FOR RENTING AND RELATED FACILITIES.

BUT HE ADDED THAT IF DRAWINGS FROM THE HOME OWNERSHIP FUND WERE ALSO TAKEN INTO ACCOUNT, TOTAL DISBURSEMENTS WOULD BE OF THE ORDER OF \$1,450 MILLION, AN INCREASE OF 35 PER CENT OR \$373 MILLION OVER THE REVISED ESTIMATE FOR 1978-79.

+NO LESS THAN \$932 MILLION, REPRESENTING AN INCREASE OF \$417 MILLION OR 81 PER CENT OVER THE REVISED ESTIMATE FOR 1978-79 OF \$515 MILLION, IS TO BE TRANSFERRED TO THE DEVELOPMENT LOAN FUND FOR ON-LENDING TO THE HOUSING AUTHORITY FOR THE RENTED HOUSING PROGRAMME,+ THE FINANCIAL SECRETARY SAID.

+THIS SUBSTANTIAL INCREASE IS NECESSARY FOR THE FIRST YEAR OF A FOUR-YEAR CONSTRUCTION PROGRAMME AIMED AT ACHIEVING A LEVEL OF PRODUCTION OF PUBLIC HOUSING OF ABOUT 35,000 FLATS A YEAR, FOR WHICH TOTAL DRAWINGS FROM THE DEVELOPMENT LOAN FUND OF \$3,260 MILLION AT MID-1978 PRICES WILL BE REQUIRED,+ HE ADDED.

ON THE HOME OWNERSHIP SCHEME, THE FINANCIAL SECRETARY SAID THE REVISED ESTIMATE FOR 1978-79 OF PAYMENTS FROM THE HOME OWNERSHIP FUND ON THE PRODUCTION OF THE 12,733 FLATS IN PHASES I AND II OF THE CONSTRUCTION PROGRAMME WAS NEARLY \$298 MILLION AND THE ESTIMATE FOR 1979-80 WAS \$349 MILLION.

+THE REVISED ESTIMATE FOR 1978-79 OF DRAWINGS FROM THE DEVELOPMENT LOAN FUND FOR FINANCING THE COMMERCIAL FACILITIES IN PHASE I AND II IS NEARLY \$66 MILLION. THE ESTIMATE FOR 1979-80 IS \$28 MILLION,+ HE SAID.

THE FINANCIAL SECRETARY ALSO NOTED THAT THE INCOME LIMIT FOR ELIGIBILITY FOR HOME OWNERSHIP IN THE PUBLIC SECTOR OF \$3,500 A MONTH WAS SET UP IN FEBRUARY 1977.

+AS INCOMES HAVE INCREASED IN BOTH REAL AND MONEY TERMS OVER THE LAST TWO YEARS, THE INCOME CRITERION OF ELIGIBILITY NEEDS TO BE REVISED,+ THE FINANCIAL SECRETARY SAID.

+OTHERWISE, THE SCHEME WILL BE CATERING FOR A LOWER INCOME GROUP THAN IT WAS ORIGINALLY MEANT TO ASSIST,+ HE ADDED.

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\$1,090M FOR LAW AND ORDER SERVICES

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THE GOVERNMENT WILL SPEND \$1,090 MILLION IN THE COMING FINANCIAL YEAR, OR NINE PER CENT OF THE YEAR'S TOTAL EXPENDITURE, ON LAW AND ORDER SERVICES.

ANNOUNCING THIS IN HIS BUDGET SPEECH IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY), THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, SAID IT WAS INTENDED TO INCREASE THE SIZE OF THE POLICE FORCE BY SOME 2,100 POSTS, ACCOMPANIED BY IMPROVEMENTS TO AMENITIES FOR POLICEMEN AND THEIR FAMILIES.

+FOLLOWING THE VISIT OF ADVISERS FROM THE HOME OFFICE IN EARLY 1978, MAJOR REVIEWS OF THE POLICE FORCE TOOK PLACE DURING 1978-79 AND ARE STILL CONTINUING. PARTICULAR ATTENTION HAS BEEN GIVEN TO COMMUNICATIONS WITHIN THE FORCE AND BETWEEN THE FORCE AND THE PUBLIC,+ THE FINANCIAL SECRETARY SAID.

+IN A FORCE WITH AN ESTABLISHMENT OF SOME 22,700 POSTS, THIS IS AN AREA REQUIRING CONTINUING ATTENTION, PARTICULARLY IN VIEW OF THE OPERATIONAL REQUIREMENT FOR SOME 2,100 ADDITIONAL POSTS IN 1979-80,+ HE ADDED.

OTHER APPROVED PROPOSALS AIMED AT IMPROVING MORALE, THE FINANCIAL SECRETARY SAID, INCLUDED THE PROVISION OF COLOUR TELEVISION SETS IN REST ROOMS IN POLICE STATIONS, THE DEVELOPMENT OF A SPORTS CENTRE AND A STAFF CLUB AT KAI TAK AND THE IMPROVEMENT OF GRANTS FOR WELFARE,.

+FURTHER IMPROVEMENTS ARE CURRENTLY BEING CONSIDERED,+ HE ADDED.

THE FINANCIAL SECRETARY SAID THE FORCE TRAINING PROGRAMME HAD ALSO BEEN REVIEWED, AND PROPOSALS TO EXPAND AND IMPROVE THE POLICE AND DETECTIVE TRAINING SCHOOLS HAD BEEN INCLUDED IN THE PUBLIC WORKS PROGRAMME.

+COMPREHENSIVE PROPOSALS FOR ON THE JOB AND PART-TIME RELEASE TRAINING ARE CURRENTLY BEING EXAMINED, AND PROVISION FOR THIS HAS BEEN INCLUDED IN THE DRAFT ESTIMATES,+ HE SAID.

THE FINANCIAL SECRETARY ALSO NOTED THAT IT WAS ENCOURAGING THAT VIOLENT CRIMES AND SERIOUS CRIMES HAD CONTINUED TO DROP, AS REFLECTED IN THE PRISON MUSTER FROM 7,184 IN JANUARY 1978 TO 6,406 IN JANUARY 1979.

THE LATTER FIGURE DID NOT INCLUDE 1,013 ILLEGAL IMMIGRANTS, A FEATURE WHICH COULD BE EXPECTED TO FIGURE MORE PROMINENTLY DURING 1979, MR. HADDON-CAVE SAID.

+THE SCALE OF THE EXODUS FROM VIETNAM IS PARTICULARLY ALARMING WHEN SEEN AS AN INCREMENT TO THE LARGE NUMBERS ARRIVING, LEGALLY AND ILLEGALLY, FROM CHINA,+ HE SAID.

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\$680 MILLION EARMARKED FOR SOCIAL WELFARE SERVICES

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THE GOVERNMENT HAS EARMARKED \$680 MILLION FOR SOCIAL WELFARE SERVICES IN THE COMING FINANCIAL YEAR, REPRESENTING A THREE-FOLD INCREASE OVER THE LAST FIVE YEARS.

ANNOUNCING THIS IN HIS ANNUAL BUDGET SPEECH IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY), THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, SAID THE SUM ALSO REPRESENTED 5.5 PER CENT OF THE YEAR'S TOTAL EXPENDITURE.

HE SAID THE DRAFT ESTIMATES ANTICIPATED EXPENDITURE OF \$405 MILLION ON ALL FORMS OF SOCIAL SECURITY IN 1979-80, INCLUDING THE PUBLIC ASSISTANCE SCHEME, THE OLD AGE ALLOWANCE AND THE DISABILITY ALLOWANCE.

+THIS REPRESENTS AN INCREASE OF NEARLY 500 PER CENT OVER THE FIGURE OF \$72 MILLION FIVE YEARS AGO,+ HE SAID.

A COMPREHENSIVE WHITE PAPER ON SOCIAL WELFARE WOULD BE PUBLISHED SHORTLY AND THE PROPOSALS IN THE WHITE PAPER WOULD ENTAIL AN ADDITIONAL \$235 MILLION IN RECURRENT EXPENDITURE BY 1982-83.

+DURING THE SAME FOUR-YEAR PERIOD FOR 1979-80 TO 1982-83, CAPITAL EXPENDITURE, INCLUDING DISBURSEMENTS FROM THE LOTTERIES FUND, WILL TOTAL \$88 MILLION AT 1978 PRICES,+ THE FINANCIAL SECRETARY SAID.

+THESE FIGURES DO NOT INCLUDE THE COST OF EXPANDING SERVICES TO THE DISABLED AS OUTLINED IN THE 1977 WHITE PAPER ON REHABILITATION WHICH WILL, IN ADDITION, INVOLVE AN INCREASE OF \$298 MILLION IN RECURRENT EXPENDITURE BY 1982-83,+ HE ADDED.

THE FINANCIAL SECRETARY POINTED OUT THAT A MAJOR PORTION OF INCREASED RECURRENT EXPENDITURE WOULD BE CHANNELLED THROUGH SOCIAL WELFARE SUBVENTIONS, FOR WHICH PURPOSE THE DRAFT ESTIMATES PROVIDED \$117 MILLION, REPRESENTING AN INCREASE OF 17 PER CENT COMPARED WITH THE APPROVED PROVISION FOR 1978-79.

+AS IN PREVIOUS YEARS THE BULK OF THIS SUM WILL BE DISBURSED, ON THE ADVICE OF THE SOCIAL WELFARE ADVISORY COMMITTEE, IN THE FORM OF DISCRETIONARY GRANTS TO VOLUNTARY AGENCIES,+ HE SAID.

THE FINANCIAL SECRETARY ADDED THAT A WORKING PARTY WOULD SHORTLY MAKE RECOMMENDATIONS AS TO HOW THE GOVERNMENT AND THE VOLUNTARY SECTORS MIGHT BEST WORK TOGETHER TO ACHIEVE THE PLANNING TARGETS EMBODIED IN RECENT GREEN AND WHITE PAPERS ON SOCIAL WELFARE SERVICES.

+THESE RECOMMENDATIONS SHOULD PROVIDE A FRAME-WORK FOR THE STRENGTHENING AND IMPROVEMENT OF THE ADMINISTRATION OF SOCIAL WELFARE SUBVENTIONS,+ HE SAID.

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\$453 MILLION FOR AUXILIARY FORCES AND DEFENCE
COST CONTRIBUTION
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THE DRAFT ESTIMATES FOR 1979-80 PROVIDE \$453 MILLION FOR THE ROYAL HONG KONG AUXILIARY AIR FORCE, ROYAL HONG KONG REGIMENT (THE VOLUNTEERS), THE AUXILIARY MEDICAL SERVICE, CIVIL AID SERVICE AND MISCELLANEOUS MEASURES.

THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, SAID TODAY (WEDNESDAY) THE PROVISION WAS MAINLY FOR THE HONG KONG GOVERNMENT'S 75 PER CENT SHARE, UNDER THE DEFENCE COSTS AGREEMENT, OF THE COST OF THE GARRISON AND FOR THE FULL COST OF CERTAIN MAJOR REPROVISIONING WORKS, BOTH UNDER AND SUBSEQUENT TO THE AGREEMENT.

HE SAID THAT LAND (33 ACRES) AT SHAM SHUI PO CAMP HAD BEEN RELEASED AND WORK WAS DUE TO START ON A FURTHER MAJOR REPROVISIONING TO ENABLE THE REMAINDER OF SHAM SHUI PO CAMP (12 ACRES), LEI YUE MUN CAMP (73 ACRES) AND BOWRING CAMP (10 ACRES) TO BE RELEASED BY 1983.

+ALTHOUGH NOT REFLECTED IN THE DRAFT ESTIMATES BECAUSE NO EXPENDITURE WILL BE REQUIRED IN 1979-80, FINANCE COMMITTEE HAS APPROVED FUNDS FOR THE REPLACEMENT OF THE FIVE NAVAL PATROL CRAFT AT AN ESTIMATED COST TO THE HONG KONG GOVERNMENT OF \$200 MILLION,+ THE FINANCIAL SECRETARY SAID.

+THE REPLACEMENTS WOULD BE PARTICULARLY USEFUL IN A REPEAT OF THE CURRENT SITUATION ON ILLEGAL IMMIGRANTS AND REFUGEES,+ HE ADDED.

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BILL PROPOSED TO AMEND EXCHANGE FUND ORDINANCE
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THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE SAID TODAY (WEDNESDAY) HE WOULD PROPOSE TO INTRODUCE, SUBJECT TO EXECUTIVE COUNCIL ADVICE, A BILL TO AMEND THE EXCHANGE FUND ORDINANCE.

HE EXPLAINED THAT FOR THE PURPOSES OF THE BANKING ORDINANCE, SHORT TERM HONG KONG DOLLAR DEPOSITS OF THE EXCHANGE FUND SHALL BE DEEMED TO BE DEPOSITS FROM A BANK (AND SO SUBJECT TO THE 100 PER CENT LIQUID ASSETS REQUIREMENT), WHILE LONG TERM DEPOSITS OF THE FUND WILL CONTINUE TO BE REGARDED AS DEPOSITS FROM A NON-BANK CUSTOMER SUBJECT ONLY TO THE 25 PER CENT LIQUID ASSETS REQUIREMENT.

+THIS WILL HAVE THE IMMEDIATE EFFECT OF INCREASING THE MINIMUM LIQUID ASSETS WHICH HAVE TO BE HELD BY THE BANKS CONCERNED AGAINST THESE DEPOSITS,+ MR. HADDON-CAVE SAID.

FURTHERMORE, HE SAID, THE IMPACT OF THE REQUIREMENT CAN EASILY BE ALTERED BY CONVERTING PART OR ALL OF THE EXCHANGE FUND'S LONG TERM DEPOSITS, AT 25 PER CENT, INTO SHORT TERM DEPOSITS AT 100 PER CENT OR VICE VERSA.

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ANY STIFFENING OF THIS REQUIREMENT BY SHORTENING THE MATURITY PATTERN OF THE EXCHANGE FUND'S DEPOSITS WILL ENTAIL SOME LOSS OF REVENUE TO THE FUND BECAUSE, MR. HADDON-CAVE EXPLAINED, WE CAN NORMALLY EXPECT TO EARN A LOWER RATE OF INTEREST ON THE FUND'S SHORT TERM DEPOSITS THAN WE CAN ON ITS LONG TERM DEPOSITS.

+BUT THIS IS A COMPLETELY LEGITIMATE OUTCOME,+ HE ADDED.

+THE FUND WAS SET UP IN 1935 WITH THE STATED PURPOSE OF REGULATING THE EXCHANGE VALUE OF THE HONG KONG DOLLAR --- THAT REMAINS ITS PRIME FUNCTION. THEN, THREE YEARS AGO, WE TRANSFERRED TO THE EXCHANGE FUND THE FOREIGN CURRENCY ASSETS OF THE GENERAL REVENUE ACCOUNT TO CENTRALISE THE MANAGEMENT OF THE GOVERNMENT'S FOREIGN CURRENCY ASSETS, AND TO RELIEVE GENERAL REVENUE OF THE COST OF POSITIONAL EXCHANGE LOSSES AND BOOK LOSSES ON FIXED INTEREST INVESTMENTS,+ MR. HADDON-CAVE SAID.

+AND WE ARE NOW IN THE PROCESS OF PROGRESSIVELY TRANSFERRING TO THE EXCHANGE FUND ALL THE HONG KONG DOLLAR BALANCES OF THE GENERAL REVENUE ACCOUNT (EXCEPT FOR WORKING BALANCES WITH THE TREASURY).

+SO THE EXCHANGE FUND HAS BECOME, EFFECTIVELY, BANKER TO THE GOVERNMENT.+

HE SAID IT WAS QUITE IN ORDER FOR THE FUND TO FOREGO SOME REVENUE ON ITS HONG KONG DOLLAR BALANCES IF THE INCREASE IN THOSE BALANCES WAS CAUSED BY OUR DESIRE NOT TO DISTURB THE EXCHANGE VALUE OF THE HONG KONG DOLLAR.

THE IMPLEMENTATION OF THE PROPOSED REQUIREMENT, HE SAID, WOULD NOT LIKELY TO LEAD TO AN EXACTLY PROPORTIONATE REDUCTION IN THE AMOUNT OF LOANS AND ADVANCES BY THE BANKS HOLDING THE GOVERNMENT'S DEPOSITS BECAUSE THEY WILL PROBABLY ADJUST THEIR CONVENTIONAL LIQUIDITY RATIO DOWNWARDS.

+BUT THERE IS A LIMIT TO THE EXTENT TO WHICH THEY WILL BE WILLING, AND ABLE, TO DO THIS SINCE BANKS HABITUALLY CHOOSE TO HOLD A CUSHION OF LIQUID ASSETS IN EXCESS OF THE STATUTORY MINIMUM.

+THE SIZE OF THIS CUSHION REPRESENTS A TARGET (OR RATHER A RANGE) SELECTED BY EACH BANK IN THE LIGHT OF ITS OWN CRITERIA AND ITS OWN PARTICULAR SITUATION --- AN INITIAL REDUCTION IN THE SIZE OF THE CUSHION BROUGHT ABOUT, EFFECTIVELY, BY A GOVERNMENT DECISION WILL LEAD TO EACH BANK CONCERNED TAKING STEPS TO RESTORE ITS CUSHION, AT LEAST PARTIALLY,+ THE FINANCIAL SECRETARY SAID.

BUT, HE SAID, DESPITE THE FACT THAT THE BANKS CONCERNED WILL BE ABLE TO AVOID THE FULL IMPACT OF THE PROPOSAL, THE ABILITY OF THE BANKING SYSTEM AS A WHOLE TO EXPAND ITS LOANS AND ADVANCES ON THE BASIS OF GOVERNMENT DEPOSITS WILL BE REDUCED.

+THE CREDIT CREATION POTENTIAL OF THE BANKING SYSTEM HAS BEEN, AS I SAID BEFORE, INVOLUNTARILY INCREASED BY THE ACCUMULATION OF THE GOVERNMENT'S HONG KONG DOLLAR BALANCES IN A SITUATION IN WHICH THE HONG KONG DOLLAR IS FREELY FLOATING AND, FOR THE TIME BEING, UNDER SOME PRESSURE IN THE MARKET,+ HE SAID.

+THAT IS TO SAY,+ MR. HADDON-CAVE SAID, +IT IS A CONSEQUENCE --- YET ANOTHER CONSEQUENCE --- OF OUR ECONOMY HAVING TO OPERATE UNDER A FLOATING AS OPPOSED TO A FIXED EXCHANGE RATE REGIME.+

THE PROPOSAL WOULD IN NO WAY BE AN ATTACK ON THE LENDING BEHAVIOUR, AS IT WERE, OF THE GOVERNMENT'S OWN BANKERS.

+RATHER, IT STEMS FROM A REALISATION THAT IT IS UNLIKELY THAT THE GOVERNMENT'S HONG KONG DOLLAR BALANCES CAN BE EASILY REMOVED FROM THE SYSTEM AND THAT, THEREFORE, THE GOVERNMENT HAS AN OBLIGATION TO LIMIT THEIR CONTRIBUTION TO THE GROWTH OF LOANS AND ADVANCES BY THE BANKING SYSTEM AS A WHOLE.

+THE GOVERNMENT, HAVING PUT ITS OWN HOUSE IN ORDER, SO TO SPEAK, BY ASSUMING POWERS TO LIMIT THE SUPPLY OF CREDIT BASED ON ITS OWN HONG KONG DOLLAR BALANCES, THE QUESTION NOW TO BE CONSIDERED IS THE CONTROL OF THE GROWTH RATE OF THE MONEY SUPPLY TO THE EXTENT THAT IT IS DETERMINED BY THE DEMAND FOR CREDIT WHICH, IN TURN, IS INFLUENCED BY THE RATES OF INTEREST AT WHICH LOANS AND ADVANCES ARE OFFERED BY THE BANKS,+ THE FINANCIAL SECRETARY SAID.

HE SAID HE HAD EXAMINED VARIOUS POSSIBLE METHODS OF RESTRAINT BEFORE CONCLUDING THAT THE ONLY REALLY SATISFACTORY AND PRACTICABLE METHOD OF EXERCISING CONTROL OVER THE GROWTH RATE OF THE MONEY SUPPLY WOULD BE THE USE OF INTEREST RATES.

THESE INCLUDED AN IMPOSITION OF CEILINGS ON LOANS AND ADVANCES FOR SPECIFIED PURPOSES AND A LIMITATION ON THE GROWTH OF BANK RESOURCES.

+ALL METHODS EXAMINED WERE EVALUATED IN TERMS OF WHETHER THEIR EFFECTS WOULD BE EQUITABLE AS BETWEEN TERMS OF WHETHER DIFFERENT CATEGORIES OF BANKS (AND DEPOSIT-TAKING COMPANIES), WHETHER THERE WOULD BE UNACCEPTABLE EFFECTS ON THE EXCHANGE RATE OR ON INTEREST RATES AND, OF COURSE, WHETHER THEY WOULD EFFECTIVELY ACHIEVE THE OBJECTIVE.

+MY CONCLUSION WAS THAT NONE OF THE METHODS DEVISED WOULD BE WHOLLY EFFECTIVE AND SOME OF THEM WOULD BE OBJECTIONABLE IN TERMS OF ONE OR MORE OF THESE CRITERIA. I WAS SEIZED OF A FURTHER CONSIDERATION --- NO MATTER HOW SKILFULLY THE CASE FOR THE IMPOSITION OF A FORM OF DIRECT CONTROL MIGHT BE PRESENTED, IT WOULD BE INTERPRETED AS A RADICAL CHANGE OF POLICY BY THE HONG KONG GOVERNMENT AND ALL SORTS OF ERRONEOUS CONCLUSIONS DRAWN FROM THIS,+ MR. HADDON-CAVE EXPLAINED.

HE SAID HE WOULD PREFER NOT TO IMPOSE ANY FORM OF DIRECT CONTROL ON THE SUPPLY OF CREDIT IN HONG KONG AND PREFERRED TO LEAVE MATTERS TO THE BANKING SYSTEM ITSELF.

HE ALSO EMPHASISED THAT HE DID NOT AT PRESENT INTEND TO RAISE THE MINIMUM LIQUIDITY RATIO.

+NEVERTHELESS, I BELIEVE THAT AN INCREASE IN THIS RATIO MIGHT, IN CERTAIN CIRCUMSTANCES, BE APPROPRIATE FOR THE PURPOSES OF MONETARY POLICY. IT WOULD NOT BE PARTICULARLY EQUITABLE AS BETWEEN GROUPS OF BANKS, AND IT WOULD NOT BE TOTALLY EFFECTIVE IN ACHIEVING ITS OBJECTIVE, BUT IT IS A CONSTRAINT WHICH DOES LIE TO HAND. A SIMILAR CONSTRAINT COULD, IN DUE COURSE, BE APPLIED TO DEPOSIT-TAKING COMPANIES EVEN THOUGH WE HAVE NOT YET SET THE MINIMUM LIQUIDITY RATIO TO BE OBSERVED BY THEM.

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REASSESSMENT OF RATEABLE VALUES CONSIDERED
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CONSIDERATION WILL BE GIVEN THIS YEAR TO THE POSSIBILITY OF A REASSESSMENT OF RATEABLE VALUES NEXT YEAR, THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE SAID TODAY (WEDNESDAY).

HE SAID REASSESSMENT WAS LAST CARRIED OUT IN 1976, EFFECTIVE FROM APRIL 1977.

+THE NEW VALUES THEN ESTABLISHED INVOLVED VERY SIGNIFICANT INCREASES OVER THE PREVIOUS VALUES WHICH WERE SET AS THE RESULT OF REVALUATION IN 1972. THESE LARGE INCREASES REFLECTED THE MARKED UPWARD TREND IN MARKET RENTALS IN THE LONG INTERVAL OF FOUR YEARS BETWEEN THE TWO EXERCISES,+ HE SAID.

THE FINANCIAL SECRETARY SAID HE INTENDED FURTHER REVALUATION IN 1978 TO AVOID A REPETITION OF THIS SITUATION BUT, AS THE COMMISSIONER OF RATING AND VALUATION WAS SATISFIED THERE WERE NO CLEARLY ESTABLISHED TRENDS WHICH MADE IT ESSENTIAL TO REVISE THE BASE VALUES AS SOON AS POSSIBLE, +I DEFERRED THE INTENDED REVALUATION FOR THE TIME BEING.+

ALTHOUGH SOME TRENDS WERE NOW MORE CLEARLY DISCERNIBLE, MR. HADDON-CAVE SAID, IT WAS PROPOSED THAT THE EXERCISE BE DEFERRED.

+BUT, CLEARLY, SERIOUS CONSIDERATION WILL NEED TO BE GIVEN DURING THE YEAR TO THE POSSIBILITY OF A REVALUATION IN 1980, WITH OR WITHOUT A COMPENSATING REDUCTION IN THE RATE PERCENTAGE, BEARING IN MIND THAT AT LEAST FOUR YEARS WILL HAVE ELAPSED SINCE THE LAST EXERCISE.+

THERE WERE TWO REASONS FOR THIS: FIRST, TO ENSURE THAT RATEABLE VALUES ARE KEPT UP-TO-DATE AND THUS REMAIN AN EFFECTIVE TAX BASE- AND SECOND, TO ENSURE THAT RELATIVE CHANGES IN VALUES BETWEEN DIFFERENT PREMISES ARE TAKEN FULLY INTO ACCOUNT SO THAT THE INCIDENCE OF THE TAX REMAINS FAIRLY DISTRIBUTED, MR. HADDON-CAVE SAID.

MR. HADDON-CAVE ALSO COMMENTED ON THE PRICING POLICY ADOPTED FOR GOVERNMENT-OWNED AND OPERATED PUBLIC UTILITY UNDERTAKINGS.

THESE UNDERTAKINGS ARE THE LION ROCK TUNNELS, GOVERNMENT CAR PARKS, THE KOWLOON-CANTON RAILWAY, THE AIRPORT, THE POST OFFICE AND THE WATERWORKS.

+THE BASIC PRINCIPLE OF PRICING POLICY MUST BE THAT CONSUMERS --- BE THEY INDIVIDUALS OR TRADES AND INDUSTRIES --- SHOULD BE CHARGED THE FULL COST OF THE RESOURCES CONSUMED BY EACH UNDERTAKING UNLESS CONSCIOUS, AND I REPEAT UNLESS CONSCIOUS, POLICY DECISIONS DICTATE OTHERWISE.

/+THIS PRINCIPLE

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+THIS PRINCIPLE IS NOT INVALIDATED SIMPLY BECAUSE THE SERVICES ARE NOT PROVIDED BY THE PRIVATE SECTOR OR BECAUSE THEY ARE OF A TYPE THAT ONLY THE GOVERNMENT CAN PROVIDE. AS A COROLLARY TO THIS PRINCIPLE, I REGARD THE PRICING OF PUBLIC UTILITY SERVICES AS OUTSIDE THE AMBIT, AS IT WERE, OF FISCAL POLICY AS SUCH,+ MR. HADDON-CAVE SAID.

HE SAID FOR SOME YEARS NOTIONAL COMMERCIAL ACCOUNTS WERE PREPARED FOR THESE UNDERTAKINGS THOUGH NOT ON A STANDARDISED BASIS. THE UNDERLYING ACCOUNTING PRINCIPLES WERE BEING EXAMINED AND STANDARDISED.

THIS EXERCISE IS NOW COMPLETED AND, AS A RESULT, THERE ARE NOW STANDARDISED SETS OF ACCOUNTS FOR ALL UNDERTAKINGS WITH EFFECT FROM 1977-78 TOGETHER WITH FIVE-YEAR PROJECTIONS FOR THE PERIOD 1978-79 TO 1982-83.

MR. HADDON-CAVE SAID: +THESE DEMONSTRATE THE TRUE PROFIT AND LOSS POSITION OF EACH UNDERTAKING AND THE RETURN ON AVERAGE NET FIXED ASSETS EMPLOYED. THUS, WE NOW HAVE A RATIONAL BASIS FOR PRICING POLICIES AND CAPITAL INVESTMENT DECISIONS.+

ON THE STAMP ORDINANCE, MR. HADDON-CAVE SAID FOLLOWING HIS PROPOSALS IN LAST YEAR'S BUDGET SPEECH, THE AMBIT OF THE ORDINANCE WAS DRASTICALLY REDUCED, SO THAT THE ORDINANCE NOW APPLIED TO ONLY THREE MAJOR SOURCES OF DUTY: TRANSACTIONS IN SHARES AND MARKETABLE SECURITIES, ASSIGNMENTS OF IMMOVABLE PROPERTY AND LEASES AND AGREEMENTS FOR LEASES.

DESPITE THIS MAJOR SURGICAL EXERCISE, HE SAID, THERE ARE STILL UNSATISFACTORY FEATURES IN THE ORDINANCE WHICH REQUIRE A RESIDUAL TIDYING UP EXERCISE.

+TO ACHIEVE THIS, A STAMP DUTY SPECIALIST HAS BEEN APPOINTED AND IS NOW WORKING ON DRAFTING INSTRUCTIONS FOR A NEW ORDINANCE WHICH, IN BOTH LANGUAGE AND INTENT, WILL REFLECT THE REALITIES AND PRACTICES OF COMMERCIAL LIFE IN THE LATTER PART OF THE 20TH CENTURY,+ THE FINANCIAL SECRETARY SAID.

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MORE LAND AVAILABLE

INCREASING QUANTITIES OF LAND ARE EXPECTED TO BE MADE AVAILABLE IN THE COMING YEAR, THE FINANCIAL SECRETARY SAID TODAY (WEDNESDAY).

BUT AS MOST OF THIS LAND WOULD BE IN THE NEW TOWNS, THE INCREASED SUPPLY MIGHT HAVE ONLY A LIMITED INFLUENCE ON LAND PRICES IN THE MAIN URBAN AREAS, THE HON. PHILIP HADDON-CAVE SAID.

HE SAID THE RECENT RAPID INCREASES IN LAND PRICES, PARTICULARLY IN THE MAIN URBAN AREAS, REFLECTED NOT ONLY THE FACT THAT THE SUPPLY OF LAND WAS LIMITED, BUT ALSO HONG KONG'S RECENT PROSPERITY AND THE VIEW CURRENTLY BEING TAKEN ABOUT THE FUTURE.

+THE BEST RESPONSE TO RISING LAND PRICES,+ MR. HADDON-CAVE SAID,+ IS THE PROVISION OF MORE LAND AND THE GOVERNMENT WAS ABLE TO FEED MORE LAND ON TO THE MARKET THIS YEAR THAN I HAD THOUGHT POSSIBLE.+

THE FINANCIAL SECRETARY AGREED THAT THE GOVERNMENT DID HAVE +AN IMPORTANT INFLUENCE ON THE LAND MARKET.+

+WE HAVE GENERALLY ATTEMPTED TO EXERCISE THAT INFLUENCE IN A LARGE NON-INTERVENTIONIST MANNER, DISPOSING OF LAND TO THE HIGHEST BIDDER IN THE BELIEF THAT THIS WILL ENSURE ITS MOST EFFICIENT USE,+ HE SAID.

INEVITABLY, THE GOVERNMENT HAD INFLUENCED LAND PRICES BY THE RATE OF LAND PRODUCTION, THE PROPORTION OF LAND PRODUCED TO BE RESERVED FOR PUBLIC HOUSING AND G.I.C. USE, AND TO A LESSER EXTENT, BY THE SPECIAL PAYMENT TERMS OFFERED TO BUYERS OF INDUSTRIAL SITES AND OF LARGE COMMERCIAL/RESIDENTIAL SITES.

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FEW SIGNS OF PROTECTIONIST PRESSURES EASING

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THERE ARE VERY FEW SIGNS THAT PROTECTIONIST PRESSURES ARE EASING ALTHOUGH THERE WAS NO SUBSTANTIAL TIGHTENING OF RESTRICTIONS DURING 1978, THE FINANCIAL SECRETARY SAID TODAY (WEDNESDAY).

REVIEWING THE ECONOMIC OUTLOOK IN THE FORECAST PERIOD 1980 TO 1982, HE SAID +THERE ARE SOME SIGNS THAT THE LIKELY CONSEQUENCE OF THE TARIFF REDUCTIONS WHICH EMERGE FROM THE PRESENT MULTILATERAL TRADE NEGOTIATIONS WILL BE YET FURTHER MOVES TOWARDS QUANTITATIVE RESTRICTIONS.+

IN 1978, QUOTAS FOR CERTAIN KEY CLOTHING PRODUCTS TO MAJOR MARKETS WERE EXHAUSTED BEFORE THE END OF THE QUOTA YEAR.

+AS THE GROWTH RATES FOR QUOTAS PERMITTED IN THE PRESENT AGREEMENTS ARE LOW, QUOTAS ARE LIKELY TO CONSTRAIN THE GROWTH RATE OF EXPORTS OF TEXTILES AND CLOTHING IN THE YEARS TO COME, EVEN IF WORLD TRADE CONTINUES TO EXPAND AND THE TERMS OF EXISTING AGREEMENTS REMAIN UNALTERED,+ MR. HADDON-CAVE SAID.

HE ADDED THAT TEXTILES AND CLOTHING STILL CONSTITUTED AROUND 45-50 PER CENT OF THE TOTAL VALUE OF HONG KONG'S DOMESTIC EXPORTS.

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ADVISORY COMMITTEE ON DIVERSIFICATION

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THE FINANCIAL SECRETARY SAID TODAY (WEDNESDAY) HE HOPED THE ADVISORY COMMITTEE ON DIVERSIFICATION WOULD ASSEMBLE ITS IDEAS DURING THE NEXT FEW MONTHS AND REPORT TO THE GOVERNOR IN DEFINITE TERMS BY THIS AUTUMN.

HE SAID TWO OF THE SIX SUB-COMMITTEES HAD NOW COMPLETED THEIR REPORTS AND THE OTHER FOUR WOULD COMPLETE THEIRS SHORTLY.

HE DESCRIBED THE SETTING UP OF THE COMMITTEE AS +ONE RESPONSE BY THE GOVERNMENT TO THE SHIFT TO PROTECTIONISM, BUT WITHIN THE CONTEXT OF OUR GENERAL COMMITMENT TO THE MARKET-BASED FREE ENTERPRISE SYSTEM.+

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FS CONCERNED OVER HIGH LEVEL OF NET IMMIGRATION
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THE FINANCIAL SECRETARY HAS EXPRESSED CONCERN ABOUT THE HIGH LEVEL OF NET IMMIGRATION INTO HONG KONG.

HE SAID THE 1976 POPULATION PROJECTION WAS BASED ON AN ASSUMPTION THAT THE RATE OF NET IMMIGRATION WOULD BE ONLY 12,000 A YEAR, WHICH WAS VERY MUCH LOWER THAN THE ESTIMATED NET INTAKE OF 33,000 IN 1977 AND OF 96,000 IN 1978.

THESE FIGURES, HE SAID, WERE SEEN IN A WORRYING PERSPECTIVE IF ONE COMPARED THEM WITH THE FIGURES OF NATURAL INCREASE OF 56,500 IN 1977 AND 56,900 IN 1978.

+FURTHERMORE, OUR PRESENT EXPECTATION MUST BE FOR A VERY LARGE NUMBER OF IMMIGRANTS IN 1979 ALSO,+ HE ADDED.

MR. HADDON-CAVE SAID IF THE PRESENT HIGH LEVEL OF NET IMMIGRATION WAS MAINTAINED FOR ANY LENGTH OF TIME, AND ON THE BASIS OF CERTAIN ASSUMPTIONS ABOUT THE DEMOGRAPHIC CHARACTERISTICS OF IMMIGRANTS AND LABOUR PARTICIPATION RATES, THE EFFECT WOULD BE TO RAISE THE GROWTH RATE OF THE LABOUR FORCE ITSELF.

+BUT THIS IS NOT AN UNMIXED BLESSING EVEN IN ECONOMIC TERMS,+ HE SAID.

THE FINANCIAL SECRETARY ADDED THAT HE WAS NOT OVERLOOKING THE GRAVE SOCIAL AND OTHER IMPLICATIONS OF THE PRESENT RATE OF NET IMMIGRATION FROM CHINA AND POTENTIALLY FROM ELSEWHERE.

+ALREADY, OF COURSE, WE HAVE OVER 15,000 REFUGEES HELD ON BOATS AND IN CAMPS PENDING DETERMINATION OF THEIR FUTURE,+ HE SAID.

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CALL FOR REVIEW OF TAX LIABILITY ON SHARE OPTIONS
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A REVIEW OF THE PROVISIONS UNDER THE INLAND REVENUE ORDINANCE REGARDING LIABILITY TO TAX ON SHARE OPTIONS GRANTED TO EMPLOYEES IS CALLED FOR, THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE SAID.

MR. HADDON-CAVE SAID HE HAD RECEIVED REPRESENTATIONS THAT THE TREATMENT OF SHARE OPTIONS SHOULD BE ALTERED.

+UNDER THE EXISTING PROVISIONS OF THE INLAND REVENUE ORDINANCE THE RECIPIENT OF SHARE OPTIONS BECOMES LIABLE TO TAX AT THE TIME HE EXERCISES HIS OPTION TO BUY SHARES, AND THE AMOUNT OF TAX IS ASSESSED ON THE BASIS OF THE DIFFERENCE BETWEEN WHAT HE PAYS FOR THE SHARES AND THEIR MARKET VALUE AT THE TIME.

+SO, ON A RISING MARKET, THE TAX LIABILITY INCREASES THE LONGER THE EXERCISE OF THE OPTION IS DEFERRED,+ THE FINANCIAL SECRETARY SAID.

MR. HADDON-CAVE SAID HE WOULD NOT WISH TO DISPUTE THE IDEA OF ENCOURAGING THE GIVING OF SHARE OPTIONS TO EMPLOYEES, AND HE HAD ASKED THE COMMISSIONER OF INLAND REVENUE TO SEE WHETHER ANYTHING COULD BE DONE TO ALLEVIATE THE TAX LIABILITY.

HE SAID HE SAW LITTLE PROSPECT OF OUR BEING ABLE TO DEVISE AN ACCEPTABLE AND ADMINISTRATIVELY SIMPLE SCHEME WHICH WOULD NOT BE OPEN TO ABUSE.

+AT THE SAME TIME, I HAVE BEEN ADVISED BY THE COMMISSIONER OF INLAND REVENUE THAT THERE ARE SIGNS THAT EVEN THE EXISTING CHARGE IS BEING AVOIDED. SO A REVIEW OF THE RELEVANT PROVISIONS OF THE ORDINANCE IS CALLED FOR ANYWAY, PARTICULARLY AS THEY ARE BASED ON A RECOMMENDATION OF THE SECOND INLAND REVENUE ORDINANCE REVIEW COMMITTEE WHICH REPORTED AS LONG AGO AS 1966,+ THE FINANCIAL SECRETARY ADDED.

MR. HADDON-CAVE WENT ON TO COMMENT ON TAXATION TREATMENT OF RETIREMENT BENEFITS. HE RECALLED THAT ON AUGUST 2 LAST YEAR, THE FORMER SENIOR UNOFFICIAL MEMBER OF THE LEGISLATIVE COUNCIL SIR SZE-YUEN CHUNG SPOKE ON THE SUBJECT.

SIR SZE-YUEN, THE FINANCIAL SECRETARY SAID, QUESTIONED THE DISCRETIONARY POWERS EXERCISED BY THE COMMISSIONER OF INLAND REVENUE IN WITHHOLDING APPROVAL FROM UNFUNDED AND SELF-ADMINISTERED RETIREMENT SCHEMES.

SIR SZE-YUEN HAD PROPOSED THAT A SECOND CATEGORY OF APPROVED SCHEMES BY GIVEN OFFICIAL RECOGNITION, THAT IS TO SAY, NON-CONTRIBUTORY RETIREMENT SCHEMES, THE FUNDS OF WHICH ARE NOT SEPARATELY FUNDED AND ADMINISTERED, BUT LEFT IN THE COMPANY'S OWN BUSINESS.

MR. HADDON-CAVE SAID: +I UNDERTOOK TO LOOK INTO THIS QUESTION BUT, AFTER CAREFUL CONSIDERATION, I AM AFRAID THAT, BOTH THE COMMISSIONER OF INLAND REVENUE AND I HAVE COME TO THE CONCLUSION THAT THERE WOULD BE AS MANY OBJECTIONS TO SIR SZE-YUEN'S PROPOSALS AS THERE ARE SAID TO BE TO THE PRESENT ARRANGEMENTS.+

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THIRD INLAND REVENUE COMMITTEE RECOMMENDATIONS DESERVE
SPECIAL ATTENTION --- FS
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THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE TODAY (WEDNESDAY) SAID THREE RECOMMENDATIONS OF THE THIRD INLAND REVENUE ORDINANCE REVIEW COMMITTEE DESERVED SPECIAL MENTION.

THESE RECOMMENDATIONS HAVE BEEN LOOKED AT BY A WORKING PARTY IN RECENT MONTHS, MR. HADDON-CAVE SAID.

FIRST, HE SAID, THE REVIEW COMMITTEE MADE SEVERAL SPECIFIC RECOMMENDATIONS FOR INCREASING THE POTENTIAL TAX YIELD FROM SHIPPING PROFITS WITHOUT STRAINING THE TERRITORIAL AMBIT OF THE CHARGE.

THE RECOMMENDATIONS WOULD BE OF LITTLE BENEFIT TO THE REVENUE, HE NOTED.

+SO LONG AS TAX HAVENS CONTINUE TO EXIST, A CHANGE TO TAXING THE WHOLE OF THE PROFITS OF RESIDENT SHIPPING COMPANIES WOULD NOT BE VERY PRODUCTIVE TO REVENUE (PERHAPS THE YIELD MIGHT BE \$10 MILLION A YEAR),+ HE SAID.

THERE WOULD ALSO BE DIFFICULTIES OF ENFORCEMENT, AND THE AMENDING LEGISLATION WOULD STILL BE OPEN TO AVOIDANCE MEASURES UNLESS STEPS WERE TAKEN TO GO CONSIDERABLY BEYOND THE COMMITTEE'S RECOMMENDATIONS. THE COMMITTEE ALSO POINTED OUT AN ANOMALY IN THE APPLICATION OF THE WITHHOLDING SYSTEM ADOPTED FOR INTEREST TAX PURPOSES.

+THAT IS TO SAY, A TRUSTEE RECEIVING INTEREST THAT HAS ALREADY SUFFERED WITHHOLDING TAX IS OBLIGED TO DEDUCT TAX A SECOND TIME FROM INTEREST PAID BY HIM TO THE BENEFICIARIES OF THE TRUST FUND.

+THE REVIEW COMMITTEE RECOMMENDED THAT RELIEF SHOULD BE AVAILABLE WHERE TRUSTEES BOTH RECEIVE AND PAY OUT INTEREST. THE GOVERNMENT AGREES THAT THE ANOMALY IS CAPABLE OF BEING REMOVED AND AN AMENDING BILL IS NOW BEING DRAFTED.+

THE THIRD RECOMMENDATION WAS THAT ANY GAP IN THE INTEREST TAX CHARGE ON SURPLUSES ARISING FROM CERTIFICATES OF DEPOSITS SHOULD BE CLOSED, MR. HADDON-CAVE SAID.

+WHILST THE GOVERNMENT AGREES THAT A POSSIBLE LACUNA IN THE ORDINANCE SHOULD BE RECTIFIED AND THE QUESTION OF CHARGEABILITY PUT BEYOND DOUBT, THE SUBJECT MATTER IS COMPLEX AND IS BEING FURTHER EXAMINED,+ THE FINANCIAL SECRETARY ADDED.

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UNIFICATION OF HK'S STOCK EXCHANGES

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A BILL TO BRING ABOUT UNIFICATION OF HONG KONG'S STOCK EXCHANGES WILL BE INTRODUCED INTO THE LEGISLATIVE COUNCIL LATER THIS SESSION.

SPEAKING IN THE LEGISLATIVE COUNCIL THIS AFTERNOON, THE FINANCIAL SECRETARY SAID HONG KONG WAS UNUSUAL IN HAVING AS MANY AS FOUR EXCHANGES.

+THE FACT THAT HONG KONG HAS FOUR HAS NOT HAD A REASSURING EFFECT ON INVESTORS GENERALLY AND HAS HAMPERED THE DEVELOPMENT OF INTERNATIONAL CONFIDENCE IN THE STOCK MARKET HERE,+ HE SAID.

SO, FOR SOME TIME NOW, GOVERNMENT POLICY HAD FAVOURED UNIFICATION, PREFERRABLY ARRANGED BY THE EXCHANGES THEMSELVES.

HOWEVER, MR. HADDON-CAVE SAID, NO +TANGIBLE EVIDENCE+ OF PROGRESS TOWARDS THIS END HAD BEEN FORTHCOMING.

IN THE CIRCUMSTANCES, THE SECURITIES COMMISSION HAD ADVISED THAT LEGISLATION ON UNIFICATION SHOULD BE INTRODUCED AND THE EXECUTIVE COUNCIL HAD AGREED.

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ECONOMIC RELATIONS WITH CHINA

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HONG KONG'S ROLE AS AN ENTREPOT MUST TEND TO EXPAND AS CHINA'S INTERNATIONAL TRADE EXPANDS, THE FINANCIAL SECRETARY SAID TODAY (WEDNESDAY).

COMMENTING ON THE CHANGE IN THE RELATIONSHIP OF CHINA'S ECONOMY WITH THE REST OF THE WORLD, MR. HADDON-CAVE SAID: +HONG KONG IS IDEALLY SITUATED AS A PORT FOR CHINA AND AS A BASE FOR THOSE DOING BUSINESS WITH CHINA.+

HE ADDED: +THUS THE SHIFT IN THE RELATIVE IMPORTANCE OF THE TERTIARY SERVICES SECTOR IN OUR G.D.P. THAT HAS BEEN SUCH A FEATURE OF OUR DIVERSIFYING ECONOMY IN THE 1970'S CAN BE EXPECTED TO CONTINUE AND, EVEN, ACCELERATE.+

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TENDER FOR 300 TAXI LICENCES

THE TRANSPORT DEPARTMENT ANNOUNCED TODAY (WEDNESDAY) THAT TENDER FORMS FOR THE NEXT ISSUE OF 300 HONG KONG AND KOWLOON TAXI LICENCES WILL BE AVAILABLE FOR COLLECTION FROM MARCH 9.

THE TENDER FORMS CAN BE COLLECTED FROM EITHER THE HONG KONG LICENSING OFFICE AT NO. 2 MURRAY ROAD, OR FROM THE KOWLOON LICENSING OFFICE IN PARK-IN COMMERCIAL BUILDING, DUNDAS STREET.

A SPOKESMAN FOR THE TRANSPORT DEPARTMENT URGED TENDERERS NOT TO USE OUT-OF-DATE TENDER FORMS. +ONLY TENDER FORMS CLEARLY MARKED 'MARCH TENDER' SHOULD BE SUBMITTED OTHERWISE THE TENDER WILL NOT BE ACCEPTED.+

HE ALSO ADVISED TENDERERS TO REMEMBER TO SIGN THE TENDER FORM, INCLUDE THE ORIGINAL OF THE TENDER DEPOSIT RECEIPT, AND IF THEY MAKE ANY AMENDMENTS IN THE TENDER FORM TO INITIAL THE AMENDMENTS.

THE SPOKESMAN SAID THAT THE TENDER WILL BE IN THE FORM OF A PREMIUM IN RESPECT OF ONE OR MORE HONG KONG AND KOWLOON TAXIS. A TENDERER MAY SUBMIT ONE TENDER FORM FOR ONE OR MORE LICENCES BUT NOT EXCEEDING 300.

A TENDERER MAY ALSO SUBMIT MORE THAN ONE TENDER FORM, BUT IF A TENDER FOR MORE THAN ONE LICENCE IS SUBMITTED, ONLY ONE FIXED PREMIUM SHOULD BE OFFERED.

IF THE NUMBER OF AVAILABLE LICENCES IS LESS THAN THE NUMBER REQUIRED BY A TENDERER THEN A SMALLER NUMBER OF LICENCES MAY BE ALLOCATED TO HIM AS APPROPRIATE.

A PUBLIC BALLOT MAY BE HELD TO DETERMINE THE ACCEPTANCE OF THOSE TENDERS IF THE UNIT PREMIA WHICH THEY OFFERED ARE IDENTICAL.

COMPLETED TENDER FORMS MUST BE SUBMITTED IN SEALED ENVELOPES, ADDRESSED TO THE SECRETARY, CENTRAL TENDER BOARD, AND PLACED IN THE SECRETARIAT TENDER BOX SITUATED IN THE ENTRANCE HALL ON THE GROUND FLOOR OF THE GOVERNMENT SECRETARIAT, CENTRAL GOVERNMENT OFFICES, (MAIN WING), LOWER ALBERT ROAD, HONG KONG, BEFORE 12 NOON ON MARCH 23.

LATE TENDERS WILL NOT BE ACCEPTED.

THE SPOKESMAN SAID THAT AS IN PREVIOUS TAXI TENDERS, THE GOVERNMENT DOES NOT BIND ITSELF TO ACCEPT THE HIGHEST OR ANY TENDER, AND RESERVES THE RIGHT TO ACCEPT ALL OR ANY PART OF ANY TENDER.

HE SAID THAT TAXI LICENCES MAY BE ISSUED ON A DIFFERENT BASIS AFTER THIS TENDER.

THE SPOKESMAN POINTED OUT THAT THE RECENT PACKAGE OF PROPOSALS ON TAXIS, INCLUDING THE ISSUE OF MORE TAXI LICENCES, IS BEING REVIEWED AND THERE MAY BE CHANGES.

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PLB PROHIBITED ZONE NEAR CHI FU FA YUEN
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THE TRANSPORT DEPARTMENT ANNOUNCED TODAY (WEDNESDAY) THAT WITH EFFECT FROM 10 A.M. ON FRIDAY (MARCH 2), PUBLIC LIGHT BUSES WILL BE PROHIBITED FROM ENTERING THE NORTHERN ACCESS ROAD TO CHI FU FA YUEN UNLESS AUTHORISED IN WRITING BY THE COMMISSIONER FOR TRANSPORT.

APPROPRIATE TRAFFIC SIGNS WILL BE ERECTED TO INDICATE THE PROHIBITION.

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TEMPORARY CLOSURE OF WAI YIP STREET
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THE TRANSPORT DEPARTMENT ANNOUNCED TODAY (WEDNESDAY) THAT THE SECTION OF WAI YIP STREET, BETWEEN KWUN TONG ROAD AND SIU YIP STREET IN KOWLOON BAY, KOWLOON, WILL BE CLOSED TO ALL VEHICULAR TRAFFIC BETWEEN 1.30 A.M. AND 5.30 A.M. DAILY FROM MARCH 2 TO 14.

THE ABOVE ARRANGEMENT IS TO FACILITATE THE CONSTRUCTION OF A FOOTBRIDGE ACROSS WAI YIP STREET.

APPROPRIATE TRAFFIC SIGNS WILL BE ERECTED TO GUIDE MOTORISTS.

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WATER CUT
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THE WATER SUPPLIES DEPARTMENT TODAY (WEDNESDAY) ANNOUNCED THAT SALT WATER SUPPLY IN SHAM SHUI PO WILL BE TURNED OFF FROM 9 A.M. TO 9 P.M. ON SATURDAY FOR INSTALLATION OF AN ADDITIONAL VALVE AT WING LUNG STREET NEAR CHEUNG SHA WAN ROAD.

MEANWHILE, FRESH WATER SUPPLY TO A NUMBER OF PREMISES IN TAI PO WILL BE STOPPED FROM MIDNIGHT TO 6 A.M. ON THE SAME DAY FOR LEAKAGE TESTS.

THE AFFECTED AREA IS BOUNDED BY PO HEUNG STREET, KWONG FUK ROAD AND WAN TAU STREET, INCLUDING HEUNG SZE WIU STREET, TAI PO MARKET, PUN CHUNG, PAK KIU TSUEN, YIU TZE KIN TSUEN, LAI CHI SHAN AND WAN TAU TONG.

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