



DAILY INFORMATION BULLETIN

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

WEDNESDAY, MARCH 2, 1994

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GOVERNOR SPEAKS TO PRESS AFTER HIS VISIT TO TAI PO

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GOVERNOR: JUST A COUPLE OF REMARKS. I AM SURE THAT THE BUDGET WHICH THE FINANCIAL SECRETARY HAS ANNOUNCED THIS AFTERNOON WILL BE GREETED WITH VERY GREAT ENTHUSIASM IN HONG KONG. IT'S ANOTHER REFLECTION OF THE VERY CONSIDERABLE STRENGTH OF OUR ECONOMY. WE HAVE ONE OF THE MOST SOUNDLY BASED ECONOMIES NOT JUST IN THE REGION BUT IN THE WORLD. AND THAT'S SHOWN IN THE STATEMENT WHICH THE FINANCIAL SECRETARY HAS MADE TODAY ABOUT OUR PLANS FOR THE NEXT YEAR. THE BUDGET IS ALSO AND WE SHOULD RECOGNISE THIS, A REFLECTION OF THE VERY HARD WORK OF THE PEOPLE OF HONG KONG OVER THE LAST YEAR. WE ARE ONE OF THE MOST COMPETITIVE ECONOMIES IN THE WORLD AND BECAUSE OF THAT, WE ARE ABLE TO INCREASE OUR SPENDING AND CUT OUR TAXES. I AM PLEASED THAT WE WERE ABLE TO FOCUS INCREASED EXPENDITURE ON SOME OF THE COMMUNITY'S PRIORITIES, HEALTH, WELFARE AND EDUCATION, TO NAME THREE. I AM ALSO DELIGHTED THAT WE'RE ABLE TO REDUCE TAXES, TO REDUCE TAXES ON THE BUSINESSES WHICH ARE THE BACKBONE OF HONG KONG'S ECONOMY AND TO REDUCE TAXES ON FAMILIES AS WELL. AS A RESULT OF THE CHANGES ANNOUNCED BY THE FINANCIAL SECRETARY TODAY, 430,000 PEOPLE WILL GO OUT OF THE TAX NET ALL TOGETHER AND OVER 1,100,000 WILL PAY LESS TAX. THOSE FIGURES REFLECT THE PROSPERITY AND STABILITY OF HONG KONG WHICH I AM DETERMINED TO CONTINUE TO WORK FOR. AT THE SAME TIME THAT WE'VE BEEN ABLE TO REDUCE TAXES AND INCREASE EXPENDITURE, THE FINANCIAL SECRETARY HAS ANNOUNCED VERY SUBSTANTIAL FIGURES FOR THE RESERVES IN THE FUTURE YEARS. AND IT'S IMPORTANT, I THINK, THAT WE SHOULD ALWAYS MAKE SURE THAT WE HAVE THAT CUSHION AGAINST DIFFICULTY. IT'S VERY IMPORTANT WHEN YOU ARE RUNNING AN ECONOMY. I BELIEVE TO BE CAUTIOUS RATHER THAN TO TAKE RISKS. SO ALTOGETHER, IT'S AN EXCELLENT BUDGET, A BUDGET WHICH REFLECTS THE CONTINUING STRENGTH AND VITALITY OF HONG KONG AND OF THE WHOLE COMMUNITY.

QUESTION: DO YOU ANTICIPATE THE CHINESE SIDE WILL CRITICISE THE NEW BUDGET?

GOVERNOR: I SHOULD THINK IF THEY ARE FAIR-MINDED, THEY WILL WELCOME IT WITH ENTHUSIASM.

QUESTION: MR PATTEN, THIS YEAR WE'VE GOT A PRETTY GOOD SURPLUS. SO, TOMORROW IS THE AIRPORT EXPERT MEETING, WILL YOU DEAL WITH THE DISCUSSIONS IN A MORE FLEXIBLE WAY, I MEAN BECAUSE ACTUALLY THE CHINESE SIDE HAS ALREADY CRITICISED THE FOURTH AIRPORT PACKAGE?

GOVERNOR: THE PROPOSALS WHICH I AM DELIGHTED WILL BE DISCUSSED BY EXPERTS THIS WEEK, IN OUR JUDGMENT, MEET THE REQUESTS AND IDEAS PUT FORWARD BY CHINESE OFFICIALS A FEW MONTHS AGO OR AT LEAST MEET THE PRINCIPAL POINTS PUT FORWARD BY CHINESE OFFICIALS. SO, I VERY MUCH HOPE THAT WHEN THE CHINESE SIDE RESPONDS TO OUR FOURTH FINANCIAL PACKAGE TOMORROW, THAT WILL TAKE THE DEBATE FORWARD A GOOD DEAL BECAUSE EVERYBODY NOT LEAST THE GOVERNMENT WANTS TO SEE THIS MATTER RESOLVED AS QUICKLY AS POSSIBLE.

QUESTION: WHAT IS THE IMPLICATION OF U.S. PRESIDENT CLINTON?

/GOVERNOR:

GOVERNOR: IT WAS A RE-STATEMENT OF WHAT EVERYBODY KNOWS HAS BEEN AMERICAN POLICY FOR A VERY CONSIDERABLE TIME. PRESIDENT CLINTON, VICE-PRESIDENT GORE AND THE SECRETARY OF STATE WARREN CHRISTOPHER WERE ALL SAYING THIS WEEK WHAT PRESIDENT CLINTON SAID TO ME LAST MAY. SO, I AM SURE THAT IT'S OF CONSIDERABLE INTEREST TO PEOPLE IN HONG KONG BUT IT DOES NOT COME AS A SURPRISE. HONG KONG HAS A HUGE NUMBER OF INTERESTED FRIENDS AROUND THE WORLD. WHY? BECAUSE HONG KONG IS A UNIQUE PLACE. HONG KONG IS A VERY SPECIAL PLACE AND EVERYBODY WANTS TO SEE HONG KONG CONTINUE TO SUCCEED.

QUESTION: SO, WILL YOU GO TO U.S. TO LOBBY FOR THE MFN STATUS GRANTED TO CHINA?

GOVERNOR: WE ARE STILL CONSIDERING THAT. WHAT I CAN PROMISE YOU IS THAT I WILL CONTINUE TO ARGUE THE CASE VERY VIGOROUSLY FOR UNCONDITIONAL MFN RENEWAL.

QUESTION: DO YOU THINK THE U.S. GOVERNMENT WILL EXERT MORE PRESSURE ON CHINA OVER THE HONG KONG ISSUE?

GOVERNOR: THE U.S. GOVERNMENT IS STATING THE VIEW WHICH IS, I THINK, SHARED BY MANY PEOPLE AROUND THE WORLD, WHICH IS THAT HONG KONG'S CONTINUING SUCCESS IS IN THE WHOLE WORLD'S INTEREST AS WELL AS IN THE REGION'S INTEREST, AS WELL AS IN CHINA'S INTEREST. AND WHAT THE US PRESIDENT HAS ALSO MADE CLEAR IS THAT HONG KONG'S WAYS OF LIFE ARE FREEDOM, ARE VALUES, THE RULE OF LAW AND AN EXECUTIVE WHICH IS ANSWERABLE TO ACCREDITABLE FREELY ELECTED LEGISLATURE. ALL THOSE THINGS ARE PART AND PARCEL OF HONG KONG'S SUCCESS AND HONG KONG'S STABILITY. ALL OF THOSE ARE THE SORT OF REASONS WHY WE ARE SO PROSPEROUS AND SUCCESSFUL AND EVERYBODY WANTS TO SEE THAT CONTINUING AND YOU WILL HEAR VERY MANY PEOPLE SAYING EXACTLY THE SAME THING IN HONG KONG AND OUTSIDE HONG KONG OVER THE NEXT FEW YEARS.

QUESTION: THE ECONOMIC FORECAST OF THIS BUDGET WILL, ON EXPENDITURE, WILL GO PAST 1997. WAS THERE ANY SORT OF CONSULTATION WITH CHINAYOU MAY CONSIDER?

GOVERNOR: NO. WE ARE NOT SAYING IN THIS FORECASTS THAT THIS IS WHAT MUST HAPPEN AFTER 1997/98 BUT AS PRUDENT MANAGERS, WE ARE SAYING THAT ON PRESENT TRENDS GIVEN THE PREDICTED DEVELOPMENTS AND EXPENDITURE AND TAXATION, THIS IS WHAT THE FIGURES SHOULD LOOK LIKE. OF COURSE, IT WILL BE FOR THE GOVERNMENT AFTER 1997 TO DETERMINE ITS POLICIES. THAT IS ABSOLUTE CLEAR. BUT I VERY MUCH HOPE AND EXPECT THAT IT WILL CONSIDER TO RUN THE ECONOMY AS SUCCESSFULLY AS THE ECONOMY THAT HAS BEEN RUN IN THE LAST FEW YEARS. THANK YOU VERY MUCH INDEED.

GOVERNOR VISITS TAI PO

* * * * *

THE GOVERNOR, THE RT HON CHRISTOPHER PATTEN, TODAY (WEDNESDAY) VISITED TAI PO TO KEEP ABREAST OF THE LATEST DEVELOPMENTS THERE.

ACCOMPANIED BY THE REGIONAL SECRETARY FOR THE NEW TERRITORIES, MISS CHRISTINE CHOW; TAI PO DISTRICT OFFICER, MR PO PUI-LEONG; AND THE TAI PO DISTRICT BOARD CHAIRMAN, MR HO YUNG-SANG, THE GOVERNOR FIRST TOURED FU SHIN STREET.

IT IS A POPULAR SHOPPING AREA WHERE AN ENVIRONMENTAL IMPROVEMENT PROJECT WAS COMPLETED RECENTLY.

THE GOVERNOR ALSO VISITED THE MAN MO TEMPLE WHICH WAS BUILT MORE THAN 100 YEARS AGO.

LATER, HE INSPECTED ONE OF THE WORLD'S FIVE LARGEST LASER COMPACT DISC MANUFACTURING FACTORIES AT THE 76-HECTARE TAI PO INDUSTRIAL ESTATE.

THE GOVERNOR THEN WENT TO THE TAI PO TAU PUMPING STATION WHERE RAW WATER AND TREATED WATER ARE DELIVERED TO TAI PO, SHA TIN AND KOWLOON AREAS.

BEFORE CONCLUDING HIS TOUR, MR PATTEN MET DISTRICT BOARD MEMBERS AND COMMUNITY LEADERS AT A RECEPTION IN A RESTAURANT IN TAI WO ESTATE.

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LEGISLATIVE COUNCIL COMMISSION BILL

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THE ADMINISTRATION WILL SOON INTRODUCE LEGISLATION TO ESTABLISH BY STATUTE A LEGISLATIVE COUNCIL COMMISSION, WHICH WILL BE RESPONSIBLE FOR THE FINANCIAL AND ADMINISTRATIVE MATTERS RELATING TO THE PROVISION OF SUPPORT SERVICE TO THE LEGCO.

THE LEGISLATIVE COUNCIL COMMISSION BILL WHICH PROVIDES THE LEGISLATIVE FRAMEWORK FOR SETTING UP THE COMMISSION WILL BE PUBLISHED IN THE GOVERNMENT GAZETTE ON FRIDAY (MARCH 4).

COMMENTING ON THE BILL, A GOVERNMENT SPOKESMAN TODAY (WEDNESDAY) POINTED OUT THAT THE COMMISSION WOULD BE INDEPENDENT FROM THE ADMINISTRATION AND WOULD PROVIDE SUPPORT SERVICES TO LEGISLATIVE COUNCILLORS THROUGH ITS EXECUTIVE ARM, THE LEGISLATIVE COUNCIL SECRETARIAT.

THE SPOKESMAN SAID FOLLOWING A DECISION BY THE EXECUTIVE COUNCIL IN MAY LAST YEAR TO SET UP THE LEGISLATIVE COUNCIL COMMISSION, THE REORGANISATION EXERCISE HAD MADE GOOD PROGRESS.

"THE LEGISLATIVE COUNCIL COMMISSION AND THE SECRETARIAT CAN BE FORMALLY ESTABLISHED BY APRIL THIS YEAR, SUBJECT TO THE PASSAGE OF THE BILL," THE SPOKESMAN SAID.

THE BILL IS SCHEDULED TO BE INTRODUCED INTO THE LEGISLATIVE COUNCIL ON MARCH 9.

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MONETARY STATISTICS FOR JANUARY 1994

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HONG KONG DOLLAR DEPOSITS WITH AUTHORISED INSTITUTIONS RECORDED A SIGNIFICANT INCREASE DURING JANUARY THIS YEAR, MAINLY OWING TO SOME SHARES FLOTATION EXERCISES, ACCORDING TO STATISTICS PUBLISHED TODAY (WEDNESDAY) BY THE HONG KONG MONETARY AUTHORITY.

CONSISTENT WITH THIS, THE BROADEST HONG KONG DOLLAR MONEY SUPPLY, HK\$M3, ROSE SUBSTANTIALLY IN JANUARY 1994. HONG KONG DOLLAR LOANS AND ADVANCES ALSO INCREASED DURING THE MONTH.

DEPOSITS

AFFECTED BY SHARES FLOTATION EXERCISES, HONG KONG DOLLAR DEPOSITS WITH AUTHORISED INSTITUTIONS (ADJUSTED TO INCLUDE SWAP DEPOSITS) ROSE STRONGLY BY 11.6% IN JANUARY 1994, FOLLOWING AN INCREASE OF 15.0% IN NOVEMBER 1993 AND A DECREASE OF 14.3% IN DECEMBER 1993.

AS THE SUBSCRIPTION MONIES WERE PARTLY PLACED AS DEMAND DEPOSITS AND PARTLY PLACED AS TIME DEPOSITS, DEMAND DEPOSITS AND TIME DEPOSITS ROSE BY 14.8% AND 18.1% RESPECTIVELY DURING THE MONTH.

ON THE OTHER HAND, SAVINGS DEPOSITS FELL BY 0.4%. YEAR-ON-YEAR, TOTAL HONG KONG DOLLAR DEPOSITS GREW BY 38.2%.

FOREIGN CURRENCY DEPOSITS WITH AUTHORISED INSTITUTIONS INCREASED BY 1.2% IN JANUARY 1994, AFTER A DECREASE OF 0.2% IN NOVEMBER 1993 AND AN INCREASE OF 0.2% IN DECEMBER 1993.

OF THESE DEPOSITS, U.S. DOLLAR DEPOSITS INCREASED BY 3.0% WHILE NON-U.S. DOLLAR FOREIGN CURRENCY DEPOSITS FELL BY 0.5%. YEAR-ON-YEAR, TOTAL FOREIGN CURRENCY DEPOSITS GREW BY 2.9%.

DURING JANUARY 1994, DEPOSITS IN ALL CURRENCIES WITH LICENSED BANKS AND DEPOSIT-TAKING COMPANIES INCREASED BY 6.8% AND 3.4% RESPECTIVELY WHILE DEPOSITS WITH RESTRICTED LICENCE BANKS DECREASED BY 13.9%.

YEAR-ON-YEAR, DEPOSITS WITH LICENSED BANKS GREW BY 20.3% WHILE DEPOSITS WITH RESTRICTED LICENCE BANKS AND DEPOSIT-TAKING COMPANIES DECLINED BY 31.1% AND 5.0% RESPECTIVELY.

MONEY SUPPLY

HK\$M1, HK\$M2 AND HK\$M3 INCREASED BY 11.6%, 11.3% AND 11.0% RESPECTIVELY IN JANUARY 1994. THEIR CORRESPONDING PERCENTAGE CHANGES IN DECEMBER 1993 WERE +4.7%, -13.2% AND -13.0% RESPECTIVELY. YEAR-ON-YEAR, HK\$M1, HK\$M2 AND HK\$M3 INCREASED BY 30.2%, 37.9% AND 35.8% RESPECTIVELY.

/TOTAL M1,

TOTAL M1, M2 AND M3 INCREASED BY 11.0%, 6.8% AND 6.4% RESPECTIVELY IN JANUARY 1994. THE CORRESPONDING PERCENTAGE CHANGES IN DECEMBER 1993 WERE +4.4%, -7.3% AND -6.9% RESPECTIVELY. YEAR-ON-YEAR, TOTAL M1, M2 AND M3 ROSE BY 27.9%, 20.1% AND 19.3% RESPECTIVELY.

LOANS AND ADVANCES

TOTAL OUTSTANDING LOANS AND ADVANCES EXTENDED BY AUTHORISED INSTITUTIONS INCREASED BY 4.1% IN JANUARY 1994, FOLLOWING AN INCREASE OF 3.6% IN NOVEMBER 1993 AND A DECREASE OF 4.2% IN DECEMBER 1993.

AMONG THESE LOANS, HONG KONG DOLLAR LOANS ROSE STRONGLY BY 9.4%, LARGELY OWING TO LOANS TO FINANCE THE SUBSCRIPTION OF NEW SHARES.

FOREIGN CURRENCY LOANS INCREASED BY 1.4%. COMPARED WITH A YEAR EARLIER, THESE LOANS INCREASED BY 27.1% AND 16.2% RESPECTIVELY.

LOANS TO FINANCE VISIBLE TRADE OF HONG KONG INCREASED BY 1.1% IN JANUARY 1994, AFTER A DECREASE OF 0.1% IN NOVEMBER 1993 AND AN INCREASE OF 0.3% IN DECEMBER 1993. YEAR-ON-YEAR, SUCH LOANS GREW BY 14.0%.

OTHER LOANS FOR USE IN HONG KONG ROSE BY 8.1% IN JANUARY 1994, FOLLOWING AN INCREASE OF 8.6% IN NOVEMBER 1993 AND A DECREASE OF 10.6% IN DECEMBER 1993. YEAR-ON-YEAR, THESE LOANS INCREASED BY 25.8%.

LOANS FOR USE OUTSIDE HONG KONG INCREASED BY 1.6% IN JANUARY 1994, AFTER INCREASES OF 0.3% EACH IN NOVEMBER AND DECEMBER 1993 RESPECTIVELY. YEAR-ON-YEAR, THESE LOANS GREW BY 16.7%.

LOANS TO FINANCE TRADE NOT TOUCHING HONG KONG INCREASED BY 2.8% DURING JANUARY 1994 AFTER DECREASES OF 0.7% AND 6.5% IN NOVEMBER AND DECEMBER 1993 RESPECTIVELY. YEAR-ON-YEAR, THESE LOANS DECREASED BY 4.1%.

NUMBER OF REPORTING INSTITUTIONS

THE NUMBER OF REPORTING LICENSED BANKS INCREASED BY ONE TO 169 WHILE THE NUMBER OF REPORTING RESTRICTED LICENCE BANKS AND DEPOSIT-TAKING COMPANIES DECREASED BY ONE EACH TO 56 AND 139 RESPECTIVELY.

TABLE 1 : MONETARY STATISTICS - JAN 1994

	Jan 1994	Earlier months (% change to Jan 1994)			(HK\$mn)
		Dec 1993		Oct 1993	Jan 1993
Money Supply					
M1 - HK\$	187,940	168,440 (11.6)	203,878 (-7.8)	144,303 (30.2)	
Foreign currency	20,280	19,168 (5.8)	18,746 (8.2)	18,495 (9.7)	
Total	208,219	187,608 (11.0)	222,624 (-6.5)	162,798 (27.9)	
M2 - HK\$*	1,026,621	922,417 (11.3)	930,390 (10.3)	744,538 (37.9)	
Foreign currency*	854,466	839,452 (1.8)	840,923 (1.6)	821,976 (4.0)	
Total	1,881,087	1,761,870 (6.8)	1,771,312 (6.2)	1,566,514 (20.1)	
M3 - HK\$*	1,043,224	939,491 (11.0)	946,987 (10.2)	768,082 (35.8)	
Foreign currency*	893,991	881,071 (1.5)	876,183 (2.0)	855,577 (4.5)	
Total	1,937,215	1,820,562 (6.4)	1,823,169 (6.3)	1,623,659 (19.3)	
Notes and coins in circulation	78,950	71,874 (9.8)	68,752 (14.8)	70,341 (12.2)	
of which held by public	67,284	63,354 (6.2)	60,462 (11.3)	61,171 (10.0)	
Total Deposits					
Total Demand deposits	140,935	124,255 (13.4)	162,161 (-13.1)	101,627 (38.7)	
Total Savings deposits	415,968	422,282 (-1.5)	410,358 (1.4)	356,436 (16.7)	
Total Time deposits with licensed banks	1,232,889	1,129,408 (9.2)	1,117,826 (10.3)	1,029,652 (19.7)	
Total Time deposits with restricted licence banks	25,381	29,479 (-13.9)	28,043 (-9.5)	36,821 (-31.1)	
Total Time deposits with deposit-taking companies	17,678	17,099 (3.4)	17,417 (1.5)	18,617 (-5.0)	
HK\$ deposits*	957,979	858,241 (11.6)	871,171 (10.0)	692,941 (38.2)	
US\$ deposits*	433,237	420,508 (3.0)	412,990 (4.9)	420,363 (3.1)	
Other foreign currency deposits*	441,637	443,773 (-0.5)	451,644 (-2.2)	429,848 (2.7)	
All deposits	1,832,852	1,722,522 (6.4)	1,735,805 (5.6)	1,543,152 (18.8)	
Foreign currency swap deposits	72,526	71,800 (1.0)	68,274 (6.2)	59,783 (21.3)	
Total Loans and advances					
To finance H.K.'s visible trade	104,354	103,244 (1.1)	103,056 (1.3)	91,514 (14.0)	
To finance merchandising trade not touching H.K.	11,532	11,218 (2.8)	12,079 (-4.5)	12,026 (-4.1)	
Other loans for use in H.K.	1,162,030	1,075,184 (8.1)	1,107,082 (5.0)	923,694 (25.8)	
Other loans for use outside H.K.	1,651,850	1,626,415 (1.6)	1,616,305 (2.2)	1,415,836 (16.7)	
Other loans where the place of use is not known	43,007	40,829 (5.3)	41,578 (3.4)	38,102 (12.9)	
Loans in HK\$	1,047,056	957,323 (9.4)	990,694 (5.7)	823,506 (27.1)	
Loans in foreign currencies	1,925,717	1,899,567 (1.4)	1,889,406 (1.9)	1,657,665 (16.2)	
Total loans and advances	2,972,773	2,856,890 (4.1)	2,880,100 (3.2)	2,481,171 (19.8)	

* Adjusted for foreign currency swap deposits. Starting from April 1991, swap deposits can further be broken down into US dollar and non-US dollar foreign currency swap deposits.

Note: 'Restricted licence banks' and 'deposit-taking companies' were known as 'licensed deposit-taking companies' and 'registered deposit-taking companies' respectively before 1 February 1990.

QUALITY PROMOTION PROGRAMME FOR BUSINESSES

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THE GOVERNMENT HAS ADOPTED A PRO-ACTIVE APPROACH TO FACILITATE THE DEVELOPMENT OF QUALITY PRINCIPLES AND PRACTICES IN HONG KONG BUSINESSES, AN ASSISTANT DIRECTOR-GENERAL OF INDUSTRY, MR BRIAN TYLER, SAID TODAY (WEDNESDAY).

SPEAKING AT THE ISO 9002 AND PRODUCT CERTIFICATION PRESENTATION CEREMONY OF KEYSTONE ELECTRIC WIRE AND CABLE COMPANY LIMITED, MR TYLER SAID A SUM OF \$8 MILLION HAD RECENTLY BEEN APPROVED FOR THE INDUSTRY DEPARTMENT TO FURTHER DEVELOP THE QUALITY PROMOTION PROGRAMME.

HE NOTED THAT THE PROGRAMME BEING PLANNED SHOULD MEET THE NEEDS OF HONG KONG FOR THE NEXT SEVERAL YEARS.

"ONE OF THE KEY THEMES OF THE PROGRAMME WILL BE THE CONCEPT OF COMPANIES DEVELOPING A TOTAL QUALITY CULTURE, WHICH INVOLVES BUILDING ON THEIR EXISTING ACHIEVEMENTS, INCLUDING ISO 9000 CERTIFICATION, AND DEVELOPING THE CULTURE OF TOTAL QUALITY MANAGEMENT (TQM)."

SUCH A TQM CULTURE CONTAINS MANY ELEMENTS, BUT EMPHASIS IS PARTICULARLY ON A STRONG COMMITMENT TO CUSTOMERS; QUALITY LEADERSHIP BY MANAGEMENT; QUALITY BEING INCORPORATED IN STRATEGIC BUSINESS PLANS; AND QUALITY PROGRAMMES THAT ACTIVELY INVOLVE ALL PERSONNEL AT ALL LEVELS AND ACROSS ALL FUNCTIONS OF THE COMPANY, MR TYLER SAID.

"THIS IS A CULTURE WHICH WE HOPE ALL HONG KONG COMPANIES WILL ADOPT AND DEVELOP," HE ADDED.

WHILE EMBARKING ON THE NEW QUALITY PROMOTION PROGRAMME, MR TYLER SAID THE GOVERNMENT WOULD CONTINUE TO MAINTAIN AND ENHANCE THE EXISTING QUALITY SUPPORT SERVICES.

THESE SERVICES INCLUDED THOSE PROVIDED BY THE GOVERNMENT'S STANDARDS AND CALIBRATION LABORATORY, THE HONG KONG LABORATORY ACCREDITATION SCHEME AND THE PRODUCT STANDARDS INFORMATION BUREAU AS WELL AS THOSE BY THE HONG KONG QUALITY ASSURANCE AGENCY.

AT THE SAME TIME, THE GOVERNMENT WOULD ALSO ENSURE THE TIMELY INTRODUCTION OF ADDITIONAL SERVICES AS NEEDS ARISE, MR TYLER SAID.

"IN ADDITION, QUALITY TRENDS IN OUR OVERSEAS MARKETS, PARTICULARLY IN RESPECT OF OUR MAJOR TRADING PARTNERS, ARE BEING MONITORED TO DETERMINE ANY NEW REQUIREMENTS.

"QUALITY DEVELOPMENTS IN CHINA THAT MAY AFFECT HONG KONG ARE ALSO UNDER REGULAR REVIEW," HE SAID.

WEDNESDAY, MARCH 2, 1994

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TSEUNG KWAN O SITE TO LET

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THE LANDS DEPARTMENT IS INVITING TENDERS FOR THE SHORT-TERM TENANCY OF A PIECE OF GOVERNMENT LAND AT AREA 44, TSEUNG KWAN O IN SAI KUNG.

THE 4,950-SQUARE-METRE LOT IS INTENDED FOR USE AS A PLANT NURSERY OR COMMERCIAL GARDEN.

THE TENANCY IS FOR ONE YEAR, RENEWABLE QUARTERLY.

TENDER OFFER WILL CLOSE AT NOON ON MARCH 18.

FORMS OF TENDER, TENDER NOTICE AND CONDITIONS MAY BE OBTAINED FROM THE LANDS DEPARTMENT, 14TH FLOOR, MURRAY BUILDING, GARDEN ROAD, AND THE DISTRICT LANDS OFFICES KOWLOON, 10TH FLOOR, YAU MA TEI CAR PARK BUILDING, 250 SHANGHAI STREET, KOWLOON; AND THE DISTRICT LANDS OFFICE, SAI KUNG.

TENDER PLANS ARE ALSO AVAILABLE AT THE OFFICES.

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HONG KONG GOVERNMENT EXCHANGE FUND
MONEY MARKET OPERATIONS

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	\$ MILLION
OPENING BALANCE IN THE ACCOUNT	2,141
REVERSAL OF LAF	+859
BALANCE AFTER REVERSAL OF LAF	3,000
NET INJECTION/WITHDRAWAL TODAY	NIL
EFFECT OF LAF TODAY	-1,175
CLOSING BALANCE IN THE ACCOUNT	1,825
LAF RATE 2.00 BID/4.00 OFFER	TWI 125.6 *-0.2* 2.3.94

/HONG KONG

WEDNESDAY, MARCH 2, 1994

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HONG KONG GOVERNMENT EXCHANGE FUND

EF BILLS

EF NOTES/HONG KONG GOVERNMENT BONDS

TERMS	YIELD	TERM	ISSUE	COUPON	PRICE	YIELD
1 WEEK	3.78	18 MONTHS	2508	4.625	100.01	4.67
1 MONTH	3.78	21 MONTHS	2511	4.15	98.88	4.89
3 MONTHS	3.80	24 MONTHS	2602	4.40	98.88	5.07
6 MONTHS	3.88	32 MONTHS	3610	4.20	97.18	5.42
12 MONTHS	4.27	35 MONTHS	3701	4.60	97.70	5.54

TOTAL TURNOVER OF BILLS AND BONDS - 22,095 MN

CLOSED 2 MARCH 1994

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

SUPPLEMENT 1

WEDNESDAY, MARCH 2, 1994

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/GOVT RETAINS

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WEDNESDAY, MARCH 2, 1994

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BUDGET REFLECTS THE STRENGTH OF HK ECONOMY: GOVERNOR

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THE GOVERNOR, THE RT HON CHRISTOPHER PATTEN, THIS (WEDNESDAY) AFTERNOON DESCRIBED THE BUDGET JUST ANNOUNCED BY THE FINANCIAL SECRETARY AS "AN EXCELLENT BUDGET" WHICH "REFLECTS THE CONTINUING STRENGTH AND VITALITY OF HONG KONG AND OF THE WHOLE COMMUNITY".

SPEAKING TO REPORTERS AFTER HIS VISIT TO THE TAI PO DISTRICT, MR PATTEN SAID: "IT'S ANOTHER REFLECTION OF THE VERY CONSIDERABLE STRENGTH OF OUR ECONOMY. WE HAVE ONE OF THE MOST SOUNDLY BASED ECONOMIES NOT JUST IN THE REGION BUT IN THE WORLD.

"THE BUDGET IS ALSO AND WE SHOULD RECOGNISE THIS, A REFLECTION OF THE VERY HARD WORK OF THE PEOPLE OF HONG KONG OVER THE LAST YEAR.

"WE ARE ONE OF THE MOST COMPETITIVE ECONOMIES IN THE WORLD AND BECAUSE OF THAT, WE ARE ABLE TO INCREASE OUR SPENDING AND CUT OUR TAXES".

THE GOVERNOR SAID HE WAS PLEASED THAT THE GOVERNMENT WAS ABLE TO FOCUS INCREASED EXPENDITURE ON SOME OF THE COMMUNITY'S PRIORITIES INCLUDING HEALTH, WELFARE AND EDUCATION, AND TO REDUCE TAXES ON BUSINESSES AND ON FAMILIES.

"AS A RESULT OF THE CHANGES ANNOUNCED BY THE FINANCIAL SECRETARY TODAY, 430 000 PEOPLE WILL GO OUT OF THE TAX NET ALL TOGETHER AND OVER 1 100 000 WILL PAY LESS TAX," MR PATTEN SAID.

"THOSE FIGURES REFLECT THE PROSPERITY AND STABILITY OF HONG KONG WHICH I AM DETERMINED TO CONTINUE TO WORK FOR."

MR PATTEN ALSO NOTED THE VERY SUBSTANTIAL FIGURES FOR THE RESERVES IN FUTURE YEARS ANNOUNCED BY THE FINANCIAL SECRETARY.

"IT'S IMPORTANT THAT WE SHOULD ALWAYS MAKE SURE THAT WE HAVE THAT CUSHION AGAINST DIFFICULTY. I BELIEVE TO BE CAUTIOUS RATHER THAN TO TAKE RISKS," HE ADDED.

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1993 - 27TH SUCCESSIVE YEAR OF ECONOMIC GROWTH

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THE YEAR 1993 WAS THE 27TH SUCCESSIVE YEAR IN WHICH THE ECONOMY GREW IN REAL TERMS SINCE THE START OF THE GDP FIGURES IN 1966, THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, SAID TODAY (WEDNESDAY).

"A WHOLE GENERATION HAS GROWN UP IN OUR COMMUNITY WHICH HAS NEVER KNOWN ANYTHING OTHER THAN UNBROKEN ECONOMIC EXPANSION," SIR HAMISH SAID WHEN MOVING THE SECOND READING OF THE APPROPRIATION BILL 1994 IN THE LEGISLATIVE COUNCIL.

HE SAID IT WAS A STAGGERING FACT THAT GDP PER HEAD HAD MORE THAN TREBLED IN REAL TERMS SINCE 1970.

"THIS GENERATION TAKES IT FOR GRANTED THAT ENTERPRISE, EDUCATION AND PERSONAL ENDEAVOUR WILL BRING IMPROVED PERSONAL INCOMES AND A BETTER QUALITY OF LIFE YEAR BY YEAR."

HONG KONG HAS BEEN DESCRIBED AS "ONE OF THE RICHEST AND MOST SOPHISTICATED URBAN SOCIETIES IN THE WORLD".

HE SAID: "BUT WE ALSO KNOW THAT WE CANNOT TAKE THIS SUCCESS FOR GRANTED; WE ONLY HAVE TO LOOK AT MUCH OF THE REST OF THE WORLD TO SEE THAT. WE HAVE TO KEEP INVESTING IN OUR FUTURE."

GIVEN THE SUCCESS, THEN, THE COMMUNITY RIGHTLY EXPECTS THEIR INCREASED PROSPERITY TO BE USED TO IMPROVE THE RANGE AND QUALITY OF THE GOVERNMENT'S SERVICES AND TO DEVELOP THE INFRASTRUCTURE REQUIRED FOR FUTURE EXPANSION, SIR HAMISH SAID.

"AND THE COMMUNITY RIGHTLY EXPECTS THE FINANCIAL SECRETARY IN PARTICULAR TO ENSURE THE PRUDENT MANAGEMENT OF THE ADDITIONAL REVENUE WHICH A FLOURISHING ECONOMY PROVIDES.

HE SAID THE GOVERNMENT DID NOT CLAIM A MONOPOLY OF WISDOM IN DECIDING THE PROPER ALLOCATION OF THESE INCREASING RESOURCES.

THE COMMUNITY ITSELF HAS QUITE CLEAR IDEAS ABOUT WHAT THE PRIORITIES SHOULD BE, HE ADDED.

IN PREPARING THIS BUDGET, SIR HAMISH SAID HE HAD CONSULTED LEGCO MEMBERS AND HAD ALSO CONSIDERED CAREFULLY THE VALUABLE ADVICE HE HAD RECEIVED FROM PROFESSIONAL BODIES, COMMERCIAL ASSOCIATIONS, LABOUR AND WELFARE GROUPS.

"I HAVE BEEN STRUCK, EVEN MORE THAN IN PREVIOUS BUDGET EXERCISES, BY THE DEGREE OF CONSENSUS WHICH I FOUND DURING MY CONSULTATIONS ON THIS YEAR'S BUDGET.

"THIS GROWING CONSENSUS HAS MADE MY TASK EASIER IN IDENTIFYING HOW THE COMMUNITY EXPECTS THE GOVERNMENT TO SPEND THE TAXPAYERS' MONEY TO THE BEST ADVANTAGE."

/THE FINANCIAL

THE FINANCIAL SECRETARY SAID HE BELIEVED THE COMMUNITY WISHED HIM TO PRESENT A BUDGET THIS YEAR WHICH WOULD MEET FOUR EXPECTATIONS:

- * FIRST, THE EXPECTATION THAT THE GOVERNMENT WILL CONTINUE TO RAISE THE STANDARDS OF ITS OWN SERVICES TO THE COMMUNITY, IN PARTICULAR THROUGH FUNDING THE OVER 100 UNDERTAKINGS FOR 1994 ANNOUNCED BY THE GOVERNOR IN HIS POLICY ADDRESS TO THIS COUNCIL LAST OCTOBER.
- * SECONDLY, THE GOVERNMENT MUST GO ON IMPROVING THE SOCIAL AND PHYSICAL INFRASTRUCTURE ON WHICH THE FUTURE CREATION OF WEALTH WILL DEPEND.
- * THIRDLY, IN A YEAR OF BUOYANT REVENUES, THE GOVERNMENT SHOULD TAKE THIS OPPORTUNITY TO LEAVE MONEY WHERE IT CAN DO MOST GOOD, IN THE POCKETS OF THE TAXPAYERS.
- * FINALLY, THE GOVERNMENT SHOULD CONTINUE TO FIGHT INFLATION AND TO RELIEVE ITS IMPACT UPON THOSE HARDEST HIT.

"THESE ARE THE PRIORITIES THE COMMUNITY HAS SET, AND WHICH I ACCEPT."

HE RESTATED THE FUNDAMENTAL ECONOMIC POLICIES OF THE GOVERNMENT, POLICIES WHICH HE BELIEVED COMMAND THE FULL SUPPORT OF THE COMMUNITY AND OF LEGCO.

THESE PRINCIPLES, SO FUNDAMENTAL TO HONG KONG'S ECONOMIC SUCCESS, ARE:

- * FREE TRADE AND FAIR MARKETS, WHICH REMAIN THE BEST GUARANTEES OF ECONOMIC EFFICIENCY,
- * A STABLE CURRENCY AND A SOUND FINANCIAL SYSTEM, BOTH ESSENTIAL FOR BUSINESS CONFIDENCE,
- * LOW AND PREDICTABLE TAXES, TO MINIMISE THE BURDENS ON THOSE WHO CREATE HONG KONG'S WEALTH AND ENCOURAGE NEW INVESTMENT, AND
- * PRUDENT BUDGETS, SO THAT PUBLIC SPENDING DOES NOT OUTSTRIP THE RATE OF ECONOMIC GROWTH.

"IT IS OF COURSE ALSO FUNDAMENTAL THAT THE BROADER ENVIRONMENT SHOULD BE SUPPORTIVE OF OUR ECONOMIC SUCCESS.

"I REFER IN PARTICULAR TO THE EXISTENCE OF AN EFFICIENT AND HONEST ADMINISTRATION, THE RULE OF LAW, A QUESTIONING MEDIA AND A LEGISLATURE ABLE AND WILLING TO MONITOR AND QUERY THE EXECUTIVE," HE SAID.

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LAST YEAR'S SUCCESS WILL PERSIST

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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, SAID TODAY (WEDNESDAY) THAT HONG KONG'S ROLE IN THE ASIAN ECONOMIC MIRACLE WAS TO PROVIDE THE EXPERTISE WHICH COUNTRIES IN THE REGION NEEDED IN ORDER TO RAISE THEIR OWN STANDARDS OF LIVING.

"WE ARE NOW A SERVICE-BASED ECONOMY, AND WHAT WE HAVE TO OFFER IS OUR EXPERTISE, NOT LOW-WAGE FACTORY LABOUR," SIR HAMISH SAID IN HIS THIRD BUDGET SPEECH AT THE LEGISLATIVE COUNCIL.

HE SAID 1993, IN SHORT, WAS A VERY GOOD YEAR.

"AND WE HAVE NO REASON TO BE ANY LESS CONFIDENT ABOUT OUR PROSPECTS FOR 1994," HE SAID.

FOR 1994, SIR HAMISH FORECASTS:

- * GDP GROWTH IN REAL TERMS WILL AGAIN REACH 5.5%,
- * GDP PER HEAD WILL REACH SOME US\$20,600,
- * TOTAL TRADE WILL INCREASE BY AROUND 17% IN REAL TERMS, AND
- * INFLATION WILL KEEP TO AN AVERAGE OF AROUND 8.5%.

IN 1993, HONG KONG'S ECONOMY ONCE AGAIN PERFORMED HANDSOMELY. A SATISFACTORY GDP GROWTH RATE OF 5.5% IN REAL TERMS WAS ACHIEVED, THE FASTEST INCREASE SINCE 1988.

THE FINANCIAL SECRETARY ALSO OUTLINED SOME MORE BASIC FACTS OF HOW WELL HONG KONG DID LAST YEAR:

- * GDP PER HEAD IN 1993 REACHED US\$18,500,
- * TOTAL EXPORTS GREW BY 13% IN REAL TERMS, LED BY RE-EXPORTS.
- * EXPORTS OF SERVICES GREW BY 8% IN REAL TERMS.
- * INFLATION RETREATED STILL FURTHER, TO 8.5% FOR THE YEAR (COMPARED WITH 9.4% IN 1992).
- * MEDIAN HOUSEHOLD INCOME GREW IN REAL TERMS BY 3.8%.
- * UNEMPLOYMENT REMAINED AT AROUND 2%, A VERY LOW LEVEL BY ANY INTERNATIONAL STANDARD.

HE SAID IN PRODUCING THIS PERFORMANCE, HE HAD NO DOUBT THAT THE BUSINESS COMMUNITY HAD BEEN LOOKING BEYOND CURRENT POLITICAL CONTROVERSIES TO THE LONG-TERM GROWTH POTENTIAL OF BOTH HONG KONG AND CHINA, AND INDEED TO THE PROMISING ECONOMIC OUTLOOK FOR THE ASIA-PACIFIC REGION AS A WHOLE.

/THIS BULLISH

THIS BULLISH ATTITUDE AFFECTS FOREIGN INVESTORS TOO. FOR EXAMPLE, INVESTMENT FROM AROUND THE WORLD HAS CONTINUED TO FLOW INTO HONG KONG'S ASSET MARKETS, AND MORE FOREIGN COMPANIES CONTINUE TO ESTABLISH THEIR PRESENCE HERE IN HONG KONG.

SIR HAMISH SAID LAST YEAR'S SUCCESS WOULD PERSIST, WHILE RECENT DEVELOPMENTS IN THE WORLD ECONOMY OFFER ADDITIONAL ENCOURAGEMENT:

- * THE SUCCESSFUL CONCLUSION OF THE URUGUAY ROUND HAS BOOSTED TRADE POTENTIAL AND BLUNTED PROTECTIONIST PRESSURE.
- * PROSPECTS IN MAJOR OVERSEAS MARKETS HAVE IMPROVED. THE U.S. AND UK ECONOMIES ARE SET TO GROW BY AROUND 3% IN THE YEAR AHEAD.
- * EVEN MORE IMPORTANT FOR HONG KONG, THE CHINESE ECONOMY SHOULD HAVE LITTLE DIFFICULTY IN CONTINUING TO ACHIEVE AN ANNUAL GROWTH OF ABOUT 10% IN REAL TERMS.
- * HONG KONG'S OTHER NEIGHBOURS IN EAST ASIA ARE LIKELY TO MAINTAIN THEIR DYNAMIC GROWTH, WITH TRADE WITHIN THE REGION EXPANDING BY AROUND 15% IN 1994.

"WE HAVE ENTERED 1994, THEN, IN BETTER SHAPE THAN WE MIGHT HAVE EXPECTED. INEVITABLY, HOWEVER, WE ALSO FACE SOME UNCERTAINTIES."

THE ANNUAL BATTLE FOR THE RENEWAL OF CHINA'S MFN STATUS IN THE UNITED STATES WILL HAVE TO BE FOUGHT YET AGAIN.

"HONG KONG MUST HOPE THAT POLITICS IS NOT ALLOWED TO DAMAGE THIS IMPORTANT TRADING RELATIONSHIP. FOR OUR PART, WE SHALL DO ALL WE CAN TO EMPHASISE TO OUR FRIENDS IN WASHINGTON THE IMPORTANCE OF TRADE BETWEEN CHINA AND THE UNITED STATES.

"WE WILL GO ON ARGUING THAT POLITICS SHOULD NOT BE ALLOWED TO DAMAGE TRADE," THE FINANCIAL SECRETARY SAID.

HE SAID THIS WAS NOT ONLY A MATTER OF HONG KONG'S SELF-INTEREST, ALTHOUGH THIS WAS CLEARLY A KEY FACTOR.

AND FOR GOOD REASON.

"WE ESTIMATE THAT FAILURE TO RENEW MFN WOULD SLASH HONG KONG'S GDP GROWTH BY UP TO THREE PERCENTAGE POINTS, AND EMPLOYMENT BY UP TO 75,000 JOBS. BUT THERE ARE WIDER ISSUES AT STAKE TOO."

IT IS TRADE WHICH GENERATES GROWTH, THE GROWTH ESSENTIAL FOR ECONOMIC AND SOCIAL PROGRESS.

THE AVOIDANCE OF TRADE DISCRIMINATION - THE ENCOURAGEMENT OF A LEVEL PLAYING FIELD AND THE VIRTUES OF FREE TRADE - ARE AIMS WHICH UNDERLIE THE GATT.

IT IS FOR THIS REASON ALSO THAT CHINA'S WISH TO REJOIN THE GATT IS OF SUCH SIGNIFICANCE, HE SAID.

ANOTHER FACTOR BEARING ON HONG KONG'S PROSPECTS FOR 1994, WILL BE THE SUCCESS OF THE CHINESE GOVERNMENT IN MANAGING HIGH RATES OF ECONOMIC GROWTH WHILE AVOIDING SERIOUS OVERHEATING.

"THE CHINESE GOVERNMENT HAS RECOGNISED THE DANGERS OF INFLATION AND HAS ANNOUNCED MEASURES TO DEAL WITH IT. WE MUST HOPE THAT THESE MEASURES ARE SUCCESSFUL.

"IN PRODUCING OUR FORECASTS FOR THE COMING YEAR, WHILE WE HAVE TO BEAR IN MIND THESE DOWNSIDE RISKS, WE MUST ALSO GIVE DUE WEIGHT TO OUR UNDERLYING STRENGTHS."

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SERVICING CHINESE ECONOMY

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THE CONTINUING DEVELOPMENT OF THE CHINESE ECONOMY IS INCREASINGLY THE KEY TO HONG KONG'S FUTURE ECONOMIC SUCCESS, THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, SAID TODAY (WEDNESDAY).

DELIVERING HIS 1994/95 BUDGET IN THE LEGISLATIVE COUNCIL, SIR HAMISH SAID THROUGH SERVICING AND INVESTING IN CHINA, HONG KONG CONTINUED TO FIND NEW MARKETS FOR ITS EXPERTISE IN MANUFACTURING, MARKETING, BANKING, COMMUNICATIONS, TOURISM AND PROFESSIONAL SERVICES.

ALREADY, HONG KONG PLAYS A VITAL AND INCREASING ROLE IN CHINA'S ECONOMIC MODERNISATION:

- * CHINA ACCOUNTED FOR 35% OF OUR TOTAL EXTERNAL TRADE IN 1993.
- * HONG KONG ACCOUNTED FOR AROUND TWO-THIRDS OF TOTAL EXTERNAL INVESTMENT IN CHINA. IN TURN, CHINA IS PROBABLY THE LARGEST EXTERNAL INVESTOR IN HONG KONG.

THE RELATIONSHIP IS NOT SIMPLY ABOUT THE FLOWS OF GOODS AND SERVICES. THERE IS ALSO AN ENORMOUS FLOW OF PEOPLE:

- * HONG KONG RESIDENTS MADE NO LESS THAN 23 MILLION VISITS TO CHINESE DESTINATIONS IN 1993.
- * IN ADDITION, NEARLY 2 MILLION FOREIGN VISITORS USED HONG KONG AS THEIR GATEWAY TO CHINA.
- * THERE WERE 7.4 MILLION ROAD CROSSINGS BY CARS AND LORRIES.
- * HONG KONG HANDLED 34,000 FLIGHTS TO AND FROM CHINA.

BUT THIS MOMENTUM IN HONG KONG'S TRADE AND TRAFFIC WITH CHINA CANNOT BE TAKEN FOR GRANTED, THE FINANCIAL SECRETARY SAID.

"IT HAS TO BE NURTURED.

"IT IS CRUCIAL THAT WE CONTINUE TO DEVELOP OUR ROAD, RAIL, AIR AND SEA LINKS WITH GUANGDONG PROVINCE, AND THE REST OF CHINA. WE MUST MATCH THE FLOWS OF PEOPLE, TRADE AND INVESTMENT WITH THE INFRASTRUCTURE TO SUPPORT THEM," HE ADDED.

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REMARKABLE TRANSITION FROM MANUFACTURING TO SERVICES

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HONG KONG'S TRANSITION FROM MANUFACTURING TO SERVICES HAS BEEN ACHIEVED REMARKABLY RAPIDLY, AND WITHOUT THE MASS UNEMPLOYMENT, SOCIAL STRAINS AND URBAN DECAY WHICH HAVE CHARACTERISED THE PROCESS IN OTHER MATURE ECONOMIES.

"WE HAVE, IN EFFECT, MOVED UPMARKET IN TERMS OF HOW WE EARN OUR LIVING," THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, SAID IN HIS 1994/95 BUDGET AT THE LEGISLATIVE COUNCIL.

SIR HAMISH SAID NO OTHER MAJOR ECONOMY, EITHER IN ASIA OR IN THE WESTERN WORLD, HAD GONE SO FAR OR SO RAPIDLY IN REPLACING MANUFACTURING WITH SERVICE INDUSTRIES.

"NO OTHER ECONOMY HAS MANAGED THE PROCESS SO WELL," HE SAID.

THE FINANCIAL SECRETARY NOTED HONG KONG'S POST-WAR ECONOMIC TAKEOFF WAS BASED ON THE EXPORT OF MANUFACTURED GOODS.

MANUFACTURING STILL ACCOUNTS FOR 13% OF GDP, ALTHOUGH OVER THE LAST 10 YEARS, MANUFACTURING HAS SHED 350,000 JOBS.

BUT THESE HAVE BEEN MORE THAN REPLACED BY THE RAPID GROWTH OF THE SERVICE INDUSTRIES, WHICH ACCOUNT FOR 76% OF GDP.

"LET ME EMPHASISE THAT THIS TRANSFORMATION HAS BEEN DRIVEN BY MARKETS, NOT BY GOVERNMENT PLANNING OR POLICIES."

BUSINESS HAS LED IT, THE GOVERNMENT HAS FACILITATED IT.

"OUR ECONOMIC SUCCESS IN THE FUTURE WILL MORE AND MORE BE BASED ON OUR ABILITY TO SELL OUR SERVICES TO THE WORLD, THE REGION AND, ABOVE ALL, TO THE CHINESE ECONOMY.

"WE MUST SELL OUR EXPERTISE WITH THE SAME ENTERPRISE AS WE HAVE SOLD OUR MANUFACTURED GOODS. WE SHOULD BE AIDED IN THIS BY THE INCLUSION OF AN AGREEMENT ON SERVICES IN THE SUCCESSFUL OUTCOME OF THE URUGUAY ROUND," HE SAID.

THIS SWITCH FROM MANUFACTURING TO SERVICES HAS PUT A PREMIUM ON EDUCATION AND SKILLS.

HONG KONG'S VALUE ADDED IS NO LONGER LOW-COST MANUFACTURING BUT THE EXPERTISE OF THE WORKFORCE, THE ENTERPRISE OF INVESTORS AND THE INTEGRITY OF THE MARKETS.

"WE SHOULD BEAR THIS REALITY IN MIND IN RESPONDING TO CALLS FOR ASSISTANCE TO BUSINESS. TOO OFTEN, THESE SEEM TO OVERLOOK THE TRANSFORMATION IN THE WAY WE EARN OUR LIVING AND THE EMERGENCE OF THE SERVICE INDUSTRIES AS THE DOMINANT SECTOR OF OUR ECONOMY."

/SIR HAMISH

SIR HAMISH SAID THERE WAS LITTLE POINT IN USING THE TAXPAYER'S MONEY IN PURSUIT OF POLICIES WHICH WENT AGAINST THE ECONOMIC TIDE.

NEVERTHELESS, HE SAID, THERE WOULD CONTINUE TO BE SCOPE FOR HELPING THE MANUFACTURING INDUSTRY MOVE UPMARKET, HENCE THE INJECTION OF FUNDS INTO THE INDUSTRY AND TECHNOLOGY DEVELOPMENT COUNCIL, INTO THE NEW INDUSTRIAL ESTATE AT TSEUNG KWAN O, AND INTO THE NEW INDUSTRY TECHNOLOGY CENTRE CORPORATION, ALL TO HELP MOVE HONG KONG UP THE TECHNOLOGY LADDER.

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DYNAMIC DEVELOPMENT IN FINANCIAL SERVICES

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THE BEST EXAMPLE OF THE DYNAMIC DEVELOPMENT OF THE SERVICE ECONOMY IS HONG KONG'S FINANCIAL SERVICES, THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, SAID IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

THIS SECTOR NOW ACCOUNTS FOR NEARLY 10% OF GDP, FAST APPROACHING THE CONTRIBUTION OF THE ENTIRE MANUFACTURING SECTOR, HE SAID IN HIS 1994/95 BUDGET.

IN 1993, THE STOCK MARKET WAS THE FOCUS OF MOST ATTENTION:

- * THE HANG SENG INDEX ROSE BY 116% DURING THE YEAR, THE SECOND BEST PERFORMANCE IN THE WORLD.
- * MARKET CAPITALISATION INCREASED BY 123%, RAISING HONG KONG TO SIXTH LARGEST STOCK MARKET IN THE WORLD, UP FROM 15TH PLACE ONLY FIVE YEARS AGO.
- * AVERAGE DAILY STOCK MARKET TURNOVER ROSE BY THREE-QUARTERS.
- * AVERAGE DAILY TURNOVER ON INDEX FUTURES DOUBLED.

BUT JUST AS IMPRESSIVE, HE SAID, ALTHOUGH LESS NOTICED, WAS THE GROWTH OF THE CAPITAL MARKETS LAST YEAR:

- * THE NUMBER OF DEBT INSTRUMENTS LISTED ON THE HONG KONG STOCK EXCHANGE INCREASED FOUR TIMES.
- * THE TOTAL VOLUME OF FUNDS REACHED \$190 BILLION, AN ASTOUNDING INCREASE OF 41 TIMES.

HE SAID THE NUMBER OF FINANCIAL INSTITUTIONS ALSO CONTINUED TO INCREASE AND THEIR BUSINESS TO EXPAND:

- * HONG KONG NOW HAS A TOTAL OF 174 LICENSED BANKS.
- * THE LOCAL INSURANCE MARKET HAS ACHIEVED ANNUAL GROWTH RATES OF 20% TO 30% IN RECENT YEARS. IT IS NOW A MAJOR INDUSTRY IN ITS OWN RIGHT, WITH A WORKFORCE OF 20,000, AND GROSS INSURANCE PREMIUMS OF OVER \$30 BILLION.

TO A LARGE DEGREE, THEIR IMPRESSIVE PERFORMANCE IS THE REWARD FOR HONG KONG'S PAST DETERMINATION TO REACH THE VERY HIGHEST STANDARDS IN THE SUPERVISION OF THE FINANCIAL MARKETS.

"BUT THIS IS A NEVER-ENDING TASK IF WE ARE TO STAY IN THE FIRST RANK OF INTERNATIONAL MARKETS.

"A SPECIAL FEATURE OF THE FINANCIAL SERVICES INDUSTRY IS THE SPEED WITH WHICH NEW PRODUCTS AND NEW SYSTEMS ARE INTRODUCED.

"REGULATORS MUST KEEP PACE WITH INNOVATIONS TO AVOID COMPROMISING EITHER THE GROWTH OR THE INTEGRITY OF THE MARKETS," HE SAID.

SIR HAMISH SAID HE WAS DETERMINED THAT HONG KONG SHOULD CONTINUE TO KEEP PACE IN THE COMING YEAR.

"THE OPPORTUNITIES FOR ABUSE SUCH AS THAT CAUSED BY INSIDER DEALING MUST BE RESTRICTED.

"WE HAVE ALREADY PROPOSED MEASURES TO BRING DERIVATIVES WITHIN THE SCOPE OF THE EXISTING LAW."

IN ADDITION, A REVIEW HAS BEGUN, IN CONJUNCTION WITH THE SECURITIES AND FUTURES COMMISSION, TO SEE WHAT MORE SHOULD BE DONE TO LIMIT THE SCOPE FOR MALPRACTICE.

HE SAID THE MONETARY AUTHORITY WAS WORKING CLOSELY WITH THE BANKING COMMUNITY TO MANAGE THE RISKS ARISING FROM FINANCIAL INNOVATION.

IN PARTICULAR, THEY ARE CONSIDERING IMPROVEMENTS TO BANK PAYMENT AND SETTLEMENT SYSTEM TO DEAL WITH THE MASSIVE GROWTH IN THE VOLUME OF TRANSACTIONS ON FINANCIAL MARKETS.

"WE HAVE TRIED IN THE PAST TO RESPOND TO DEVELOPMENTS IN THE CORPORATE WORLD THROUGH PIECEMEAL AMENDMENT OF THE COMPANIES ORDINANCE. I BELIEVE THAT WE HAVE REACHED A STAGE WHEN A THOROUGH REVIEW HAS BECOME ESSENTIAL.

"WE NOW NEED AN ORDINANCE FOR THE 21ST CENTURY. I HAVE THEREFORE ASKED THE SECRETARY FOR FINANCIAL SERVICES TO TAKE THIS FORWARD," HE SAID.

HONG KONG NEEDS TO MAKE ROOM FOR INNOVATIONS, THE FINANCIAL SECRETARY SAID.

ALTHOUGH SHORT SELLING HAD BECOME AN IMPORTANT TOOL FOR HEDGING RISK, HONG KONG STILL HAS RESTRICTIONS WHICH PREVENT THE FULL UTILISATION OF THIS TECHNIQUE.

"TO OVERCOME THIS OBSTACLE, I INTEND TO BRING FORWARD PROPOSALS SHORTLY FOR THE EXEMPTION FROM STAMP DUTY OF STOCK BORROWED FOR UP TO 12 MONTHS, INSTEAD OF THE PRESENT 14 DAYS.

"THIS WILL BE A MAJOR STEP FORWARD," HE SAID.

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INFLATION MUST BE CONTAINED

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THE GOVERNMENT MUST CONTINUE TO CONTAIN INFLATION AND TO RELIEVE ITS IMPACT UPON THOSE HARDEST HIT, THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, SAID TODAY (WEDNESDAY).

"WE NEED TO BE CLEAR ABOUT THE CAUSES OF INFLATION AND THE CONSEQUENCES FOR HONG KONG. AND HONEST ABOUT WHAT WE CAN AND CANNOT DO TO TACKLE IT," SIR HAMISH SAID IN HIS 1994/95 BUDGET AT THE LEGISLATIVE COUNCIL.

HE SAID HONG KONG WAS GOOD AT IDENTIFYING ITS PROBLEMS, FACING THEM SQUARELY, AND THEN FINDING SOLUTIONS.

THE PERSISTENCE OF RELATIVELY HIGH INFLATION IS PROBABLY THE MOST INTRACTABLE CHALLENGE, HE SAID.

"TRUE, LAST YEAR WE ACHIEVED A WELCOME REDUCTION IN INFLATION. BUT IT WILL STILL BE TOO HIGH AT THE 8.5% RATE WE ARE FORECASTING FOR 1994."

HE SAID INFLATION WAS NOT THE RESULT OF OVER-EXPANSION OF THE PUBLIC SECTOR. THERE WAS NO MAJOR ECONOMY IN THE WORLD WITH A SMALLER PUBLIC SECTOR.

"INFLATION IS NOT IMPORTED, IT IS HOME-GROWN."

IMPORT PRICES HAVE INCREASED BY AN ANNUAL AVERAGE OF AROUND ONLY 1% OVER THE PAST FIVE YEARS.

"INFLATION HAS NOT PRICED US OUT OF WORLD MARKETS. OUR EXPORT PRICES HAVE INCREASED BY AN ANNUAL AVERAGE OF AROUND ONLY 2% OVER THE PAST FIVE YEARS."

INFLATION IS NOT THE RESULT OF THE HONG KONG DOLLAR LINK WITH THE U.S. DOLLAR.

THE LINK HAS BROUGHT NECESSARY STABILITY TO THE EXTERNAL VALUE OF HONG KONG'S CURRENCY.

"BUT IT IS TRUE THAT THE LINK MEANS WE CANNOT USE INTEREST RATES TO CURB INFLATION."

"INFLATION HAS NOT OVERTAKEN WAGES," HE SAID.

MEDIAN HOUSEHOLD INCOME HAS RISEN BY A TOTAL OF ABOUT 20% IN REAL TERMS OVER THE PAST FIVE YEARS. AND OF COURSE, RECREATIONAL, WELFARE, MEDICAL AND EDUCATIONAL SERVICES WHICH THE AVERAGE FAMILY ENJOYS ARE EITHER HEAVILY SUBSIDISED OR FREE. AND HALF THE POPULATION ENJOYS SUBSIDISED HOUSING.

THE FINANCIAL SECRETARY SAID INFLATION HAD NOT CAUSED THE DISADVANTAGED, THE DISABLED OR THE ELDERLY TO BE LEFT BEHIND BY RISING CONSUMER PRICES BECAUSE THE GOVERNMENT WAS COMMITTED TO MAINTAINING THE REAL VALUE OF SOCIAL SECURITY BENEFITS.

/IN PRACTICE

IN PRACTICE THEIR VALUE IN REAL TERMS HAD BEEN INCREASED.

"AS MY COLLEAGUE, THE SECRETARY FOR HEALTH AND WELFARE, POINTED OUT IN THIS CHAMBER ON 2 FEBRUARY THIS YEAR, THE STANDARD SOCIAL SECURITY RATE HAS INCREASED BY 14 TIMES OVER THE LAST TWO DECADES WHEREAS INFLATION, AS MEASURED BY THE CPI(A), HAS INCREASED BY A MERE SIX TIMES OVER THE SAME PERIOD."

THE MOST WORRYING FEATURES OF INFLATION, AND THE AREA THAT HAD BEEN FOCUSED ON FOR POSSIBLE SOLUTIONS, RESULT FROM HONG KONG'S SPECIAL ECONOMIC CONSTRAINTS:

- * PROPERTY PRICES ARE RISING TO INCREASINGLY UNCOMFORTABLE LEVELS BECAUSE OF ACUTE SHORTAGE OF LAND COMBINED WITH GROWING PROSPERITY AND THE UNDERSTANDABLE AMBITION OF FAMILIES TO OWN THEIR OWN HOMES.
- * HONG KONG'S WORKFORCE IS, QUITE SIMPLY, TOO SMALL. FOR AN ECONOMY EXPANDING AT HONG KONG'S RATE INTO NEW MARKETS AND INDUSTRIES, THE SHORTAGE OF LABOUR INEVITABLY AGGRAVATES INFLATION PRESSURES.

SIR HAMISH ALSO OUTLINED THE PARTICULAR CIRCUMSTANCES WHICH AFFECT HONG KONG'S SUPPLY OF LAND:

- * FIRST AND FOREMOST, THE SUPPLY OF SUITABLE BUILDING SITES WILL ALWAYS BE LIMITED BECAUSE OF HONG KONG'S SIZE AND ITS GEOGRAPHY.
- * SECONDLY, BUILDINGS CANNOT BE ERECTED OVERNIGHT. MAJOR CONSTRUCTION PROJECTS HAVE LONG LEAD TIMES, AND THUS SUPPLY CANNOT RESPOND QUICKLY, EVEN TO SHARP INCREASES IN DEMAND.
- * THIRDLY, THE PROPERTY MARKET IS SUBJECT TO QUITE SHARP CYCLES. MARKET CONDITIONS CAN CHANGE ABRUPTLY.
- * FOURTHLY, AFTER 1997, IT WILL NO LONGER BE NECESSARY TO DISCUSS AND AGREE AN ANNUAL LAND PROGRAMME WITH THE LAND COMMISSION.
- * FINALLY, HONG KONG WILL OBTAIN 62 HECTARES OF NEW LAND FOR RESIDENTIAL AND COMMERCIAL DEVELOPMENT AS A RESULT OF THE AIRPORT RAILWAY ALONE.

"SO EARLY AGREEMENT ON THE AIRPORT RAILWAY LAND AND FINANCING IS VITAL TO ENABLE US TO MAKE THESE NEW SITES AVAILABLE AS SPEEDILY AS POSSIBLE."

SIR HAMISH SAID LAND SUPPLY IN TERMS OF DIFFERENT SECTORS OF THE PROPERTY MARKET WAS ALSO NEEDED TO BE LOOKED AT.

OVER THE LAST 10 YEARS, COMMERCIAL RENTS HAVE RISEN BY 230%.

"IF HONG KONG IS TO MAINTAIN ITS POSITION AS THE REGION'S LEADING BUSINESS CENTRE, WE MUST BE ABLE TO OFFER THE NEW OFFICE SPACE NEEDED TO ACCOMMODATE CORPORATIONS WISHING EITHER TO ESTABLISH A PRESENCE HERE OR TO EXPAND THEIR EXISTING OPERATIONS."

HE SAID THE GOVERNMENT HAD ALREADY TAKEN IMPORTANT STEPS TO FURTHER INCREASE THE SUPPLY OF LAND IN RESPONSE TO THE GROWING DEMAND.

A SIGNIFICANT CONTRIBUTION WILL COME FROM CHANGES IN TOWN PLANNING RULES. THESE WILL MAKE IT EASIER TO INCREASE THE SUPPLY OF COMMERCIAL PREMISES, PARTICULARLY THROUGH REDEVELOPMENT OF EXISTING SITES. FOR EXAMPLE:

- * KOWLOON SOUTH AND BOTH SIDES OF NATHAN ROAD ARE NOW ZONED FOR COMMERCIAL PURPOSES, WHICH SHOULD FURTHER ENCOURAGE REDEVELOPMENT. COMMITTED DEVELOPMENTS ALREADY EXCEED 600,000 SQUARE METRES OF OFFICE SPACE,
- * MORE FLEXIBLE GUIDELINES ON INDUSTRIAL-OFFICE BUILDINGS WILL ALLOW A CONSIDERABLE EXPANSION OF OFFICE ACCOMMODATION IN SUCH BUILDINGS. INDEED, ALREADY APPLICATIONS HAVE BEEN APPROVED FOR INDUSTRIAL-OFFICE DEVELOPMENT WHICH WILL PRODUCE 1.2 MILLION SQUARE METRES OF ADDITIONAL FLOOR SPACE, THE MAJORITY OF WHICH WILL BE OFFICE SPACE,
- * PLANNING APPROVAL HAS ALSO BEEN GIVEN TO MANY MORE SMALLER OFFICE BUILDINGS IN OTHER LAND-USE ZONES, SO FAR TALLING 300,000 SQUARE METRES OF OFFICE SPACE.

IN ADDITION, HE SAID THE GOVERNMENT WAS DIRECTLY INCREASING THE SUPPLY OF NEW SITES:

- * WHERE NEW LAND IS BEING FORMED CLOSE TO EXISTING COMMERCIAL AREAS, SUITABLE SITES ARE RESERVED FOR COMMERCIAL DEVELOPMENT. THE HUNG HOM BAY RECLAMATION, FOR EXAMPLE, WILL PROVIDE 100,000 SQUARE METRES OF OFFICE SPACE.
- * THE LAND DEVELOPMENT CORPORATION WILL PROVIDE 218,000 SQUARE METRES OF NEW OFFICE SPACE THROUGH TWO MAJOR PROJECTS CLOSE TO CENTRAL DISTRICT.

WHILE COMMERCIAL PROPERTY PRICES HAVE RISEN, THE PRICE OF RESIDENTIAL PROPERTY HAS RISEN FASTER AND LONGER. OVER THE LAST 10 YEARS, THE AVERAGE PRICE OF DOMESTIC ACCOMMODATION ROSE BY 430%, HE SAID.

IN RECENT YEARS, THE GOVERNMENT HAS TRIED TO COUNTER SPECULATIVE PRESSURE THROUGH INTRODUCING A CEILING ON MORTGAGE LENDING AND BY EXTENDING THE SCOPE OF STAMP DUTY.

THESE MEASURES HAVE PROVIDED SOME USEFUL RELIEF, BUT THEY HAVE NOT BEEN EFFECTIVE ENOUGH BY THEMSELVES, HE SAID.

"ONCE AGAIN, WE HAVE TO DO EVERYTHING POSSIBLE BOTH TO INCREASE THE SUPPLY OF NEW LAND AND TO ENCOURAGE REDEVELOPMENT OF EXISTING SITES WHEREVER SUITABLE."

THE SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS IS TAKING URGENT STEPS TO ACHIEVE BOTH GOALS.

IN THE COMING YEAR, THE GOVERNMENT PROPOSES TO INCREASE THE LAND DEPARTMENT'S STAFF BY OVER A HUNDRED, IN ORDER TO ACCELERATE THE PROCESSING OF NEW LAND GRANTS, LAND EXCHANGES AND LEASE MODIFICATIONS.

IT MAY ALSO BE POSSIBLE TO FACILITATE REDEVELOPMENT OF EXISTING SITES THROUGH FINDING WAYS TO ALLOW PRIVATE DEVELOPERS TO APPLY FOR LAND RESUMPTIONS WHERE DISPLACED RESIDENTS ARE OFFERED RELOCATION AND FAIR AND REASONABLE COMPENSATION.

THE GOVERNMENT WILL BE LOOKING FOR WAYS TO INVOLVE THE PRIVATE SECTOR IN SUPPLYING THE INFRASTRUCTURE FOR MAJOR PRIVATE SECTOR PROJECTS. THIS SHOULD HELP TO ELIMINATE SIGNIFICANT SOURCES OF DELAY IN STARTING CONSTRUCTION WORK ON NEW SITES.

THE FINANCIAL SECRETARY BELIEVED A USEFUL CONTRIBUTION WOULD ALSO BE MADE BY THE SANDWICH CLASS HOUSING PROGRAMME.

PHASE I OF THE LOAN SCHEME, WHICH HAS A QUOTA OF 1,000, WAS OVER-SUBSCRIBED THREE TIMES. PHASE II WILL BE LAUNCHED NEXT MONTH.

FOR THE LONGER TERM, LAND FOR FIVE SITES IN TSING YI, MA ON SHAN AND TSEUNG KWAN O FOR 5,000 FLATS WILL BE ALLOCATED TO THE HOUSING SOCIETY THIS MONTH. PRE-SALE OF THE FIRST BATCH OF THESE FLATS WILL START EARLY NEXT YEAR.

HE SAID THE MOST EFFECTIVE WAY TO COUNTER SPECULATIVE ACTIVITIES WAS TO INCREASE THE SUPPLY AND THAT MUST BE THE GOVERNMENT'S PRIORITY.

SIR HAMISH SAID THAT THE SECOND KEY ISSUE WAS LABOUR.

IN THEORY, THE SHORTAGE OF LABOUR IS EASIER TO TACKLE. IN PRACTICE, HOWEVER, THE GOVERNMENT HAD IMPOSED TIGHTER CONSTRAINTS ON THE FREEDOM TO IMPORT LABOUR THAN HAVE HONG KONG'S COMPETITORS.

"WE HAVE TO LIVE WITH THE CONSEQUENCES OF THAT DECISION IN TERMS OF LOWER GROWTH AND HIGHER INFLATION."

HONG KONG'S CURRENT ARRANGEMENTS TO IMPORT LABOUR ARE EXTREMELY LIMITED.

THE CEILING OF 25,000 (EQUAL TO LESS THAN 1% OF OUR WORKFORCE) ON THE GENERAL SCHEME TO IMPORT WORKERS IS LOW. THE SPECIAL SCHEME FOR THE AIRPORT AND RELATED PROJECTS PROVIDES SOME ADDITIONAL RELIEF BUT IS ONLY 5,500 AT THE PRESENT TIME.

HONG KONG'S INVESTMENT IN RETRAINING IS HELPING. SINCE LAST APRIL, OVER 8,000 PEOPLE HAVE BEEN RETRAINED, AND MOST HAVE SUCCEEDED IN FINDING ALTERNATIVE EMPLOYMENT. BUT THE LABOUR SHORTAGE IS STILL VERY SERIOUS.

SIR HAMISH SAID THE GOVERNMENT HAD BEEN LOOKING AT OTHER WAYS TO EASE THE SHORTAGE WHILE TAKING ACCOUNT OF THE COMMUNITY'S UNDERSTANDABLE DESIRE TO PROTECT THE INTERESTS OF THE WORKFORCE.

"I BELIEVE MEMBERS WILL WELCOME A NEW SCHEME TO ADMIT GRADUATE PROFESSIONALS AND MANAGERS RECRUITED DIRECTLY FROM CHINA.

"THIS WILL START SHORTLY WITH A MODEST PILOT SCHEME FOR 1,000 PEOPLE. IF THE SCHEME WORKS, IT COULD BE EXPANDED. IT WILL OFFER SOME RELIEF FOR THE SHORTAGE OF PEOPLE WITH DEGREE-LEVEL QUALIFICATIONS AND KNOWLEDGE OF CHINA," HE SAID.

AIRPORT AND PORT DEVELOPMENT VITAL FOR GROWTH

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THE ECONOMIC BENEFITS OF THE NEW AIRPORT CAN BEST BE DESCRIBED BY LOOKING AT WHAT HONG KONG WOULD STAND TO LOSE IF IT DID NOT HAVE THE NEW AIRPORT IN 1997.

THIS WAS STATED BY THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, WHEN DELIVERING HIS 1994/95 BUDGET IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

ECONOMIC LOSSES WOULD BE \$3 BILLION IN THE FIRST YEAR AFTER 1997, ANOTHER \$6 BILLION IN THE FOLLOWING YEAR AND A MASSIVE \$10 BILLION THE YEAR AFTER THAT, HE SAID.

"IT IS VITAL THAT WE FORGE AHEAD WITH OUR AIRPORT AND PORT DEVELOPMENT, IF HONG KONG'S GROWTH IS TO BE SUSTAINED BEYOND 1997, AND WITH IT THE GROWTH OF SOUTHERN CHINA," SIR HAMISH SAID.

HE SAID LATEST INDICATIONS WERE THAT BOTH AIR AND CONTAINER TRAFFIC WERE INCREASING FASTER THAN PREVIOUS FORECASTS HAD ANTICIPATED.

"IT IS PAINFULLY CLEAR THAT KAI TAK IS AN AIRPORT WORKING BEYOND ITS CAPACITY, DESPITE THE CONSIDERABLE IMPROVEMENTS BEING MADE. EVEN IF YOU NEVER TRAVEL, BUT ARE ONE OF THE 300,000 OR SO PEOPLE LIVING NEARBY, KAI TAK IS BECOMING A MORE AND MORE NOISY NEIGHBOUR TO LIVE WITH," HE SAID.

"WE SHALL DO ALL WE REASONABLY CAN IN DIALOGUE WITH THE CHINESE GOVERNMENT TO ENSURE THAT THE EXPANSION OF THE CONTAINER PORT AND THE FINANCING OF THE AIRPORT CORE PROGRAMME CAN PROCEED AS SWIFTLY AS WE WOULD ALL WISH."

IT IS BECAUSE OF THESE ECONOMIC BENEFITS, AND THE GOOD FINANCIAL POSITION HONG KONG NOW FINDS ITSELF IN, THAT THE HONG KONG GOVERNMENT HAS MADE THE FOURTH FINANCING PROPOSAL TO ADDRESS THE CHINESE GOVERNMENT'S CONCERNS, HE EXPLAINED.

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LAND LINKS MUST BE IMPROVED

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THE GOVERNMENT MUST INVEST HEAVILY IN ROAD AND RAIL LINKS IMPROVEMENTS WHICH SERVE HONG KONG'S TRADE, TOURISM AND INVESTMENT IN CHINA, AS WELL AS THE EVERYDAY NEEDS OF THE POPULATION.

THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, SAID IN HIS 1994/95 BUDGET IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY) THAT MUCH WORK WAS ALREADY IN HAND.

* IN SEPTEMBER THIS YEAR, THE YUEN LONG SOUTHERN BYPASS WILL BE COMPLETED AT A COST OF \$400 MILLION. THIS WILL BRING MORE RELIEF TO THE WESTERN NEW TERRITORIES.

/* IN AUGUST,

- * IN AUGUST, THE GOVERNMENT SHALL BE AWARDING THE \$3.7 BILLION CONSTRUCTION CONTRACT FOR THE TING KAU BRIDGE. WHEN IT OPENS IN MID-1997, TRAFFIC WILL BE ABLE TO BYPASS THE CONTAINER PORT AND ITS BOTTLENECKS IN KWAI CHUNG.
- * BY THE END OF THIS YEAR, THE GOVERNMENT HOPES TO AWARD THE FRANCHISE TO CONSTRUCT AND OPERATE THE COUNTRY PARK SECTION OF ROUTE 3. WHEN IT COMES INTO OPERATION IN LATE 1998, IT WILL PROVIDE A FAST NEW ROUTE LINKING THE BORDER, THE CONTAINER PORT AND THE URBAN AREAS.
- * THE GOVERNMENT HAS REACHED AGREEMENT IN PRINCIPLE WITH THE CHINESE AUTHORITIES TO OPEN THE LOK MA CHAU CROSSING POINT ROUND THE CLOCK, FOR IMPLEMENTATION, HOPEFULLY IN THE FIRST HALF OF THIS YEAR. MEANWHILE TWO ADDITIONAL CHANNELS HAVE JUST BEEN OPENED.
- * A MAJOR EXPANSION OF THE LOWU STATION WILL BE COMPLETED EARLY NEXT YEAR AT A COST OF \$280 MILLION.

SIR HAMISH SAID EVERY DAY, MORE THAN 20,000 GOODS VEHICLES PASSED THROUGH THE BORDER CROSSING POINTS. THE FIGURE WAS GROWING BY ABOUT 15% A YEAR.

"THIS TRAFFIC IS THE LIFE BLOOD OF OUR ECONOMIC GROWTH. BUT THE ROAD ARTERIES ARE BECOMING INCREASINGLY CLOGGED BY A VOLUME OF VEHICLES FAR BEYOND WHAT THEY WERE DESIGNED TO HANDLE."

MUCH OF THE CROSS-BORDER FREIGHT IS FAR MORE SUITED TO BE MOVED BY RAIL THAN ROAD. BUT EXISTING RAIL CAPACITY SIMPLY CANNOT COPE WITH DEMAND.

LAST YEAR, THE RAILWAY DEVELOPMENT STUDY WAS COMPLETED; THIS SET OUT AMBITIOUS BUT COSTLY PROPOSALS, INCLUDING THE CONSTRUCTION OF A NEW RAIL TRACK TO LINK UP WITH THE CHINESE NATIONAL RAIL SYSTEM, WHICH ITSELF IS BEING RAPIDLY UPGRADED.

"WE ARE NOT YET IN A POSITION TO MAKE A FIRM DECISION ON THE BEST WAY FORWARD. BUT I SUSPECT A CONSENSUS WILL EMERGE THAT HIGH ON THE LIST OF OUR LONG-TERM TRANSPORT PRIORITIES SHOULD BE A NEW RAILWAY TO THE BORDER THROUGH THE NORTHWEST NEW TERRITORIES.

HE SAID CONGESTED ROADS INVOLVED MORE THAN HIGHER COSTS FOR BUSINESS FIRMS.

THEY MAKE TRAVEL A DAILY TRIAL FOR HUNDREDS OF THOUSANDS OF MEN, WOMEN AND CHILDREN; AND PARTICULARLY FOR THOSE WHO LIVE IN THE NORTHWEST NEW TERRITORIES.

THE PROBLEM IS SERIOUS, HE SAID.

HONG KONG HAS 270 VEHICLES FOR EVERY KILOMETRE OF ROAD, AMONGST THE HIGHEST VEHICLE DENSITIES IN THE WORLD.

THE NUMBER OF PRIVATE CARS ON ROADS IS GROWING BY 10% A YEAR.

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"WHILE WE PLAN TO COMPLETE A HUNDRED KILOMETRES OF NEW ROADS BY 1997, THIS WILL NOT BE ENOUGH TO PREVENT A DECLINE IN THE AVERAGE SPEED AT WHICH THE TRAFFIC MOVES," HE SAID.

"LET ME STATE CLEARLY THAT WE CANNOT SPEND OUR WAY OUT OF THIS PROBLEM. THE POTENTIAL DEMAND FOR ROAD SPACE IS INSATIABLE."

BUT, GIVEN THE SIZE OF HONG KONG, THE SUPPLY OF NEW HIGHWAYS IS SELF-EVIDENTLY CONSTRAINED.

QUITE APART FROM THE HUGE SUMS OF MONEY INVOLVED, HE SAID THE ENVIRONMENTAL CONSEQUENCES WOULD SURELY BE UNACCEPTABLE.

"THERE IS A LIMIT ON HOW MUCH OF THE SCARCE LAND WE CAN COVER WITH ROADS, ESPECIALLY IN HEAVILY BUILT-UP AREAS."

THE SECRETARY FOR TRANSPORT HAS RECENTLY ANNOUNCED THE ESTABLISHMENT OF A WORKING PARTY TO LOOK AT THESE DIFFICULT ISSUES.

"HE IS TREATING THIS MATTER AS AN URGENT PRIORITY AND PLANS TO COME FORWARD SOON WITH PRACTICAL SOLUTIONS. IN THE FINAL ANALYSIS, WE WILL HAVE THE DIFFICULT TASK OF BALANCING THE AMBITIONS OF THE PRIVATE MOTORIST AGAINST THE BROADER INTERESTS OF THE COMMUNITY," HE SAID.

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GOVT PROPOSES A FINANCIALLY-SECURE RETIREMENT

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ARRANGEMENTS FOR A PENSION SCHEME ARE SIMPLER AND MORE EFFECTIVE THAN THOSE OF A CENTRAL PROVIDENT FUND (CPF), THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, SAID TODAY (WEDNESDAY).

DELIVERING HIS 1994/95 BUDGET IN THE LEGISLATIVE COUNCIL, SIR HAMISH SAID A PENSION SCHEME WOULD PROVIDE MORE CERTAINTY IN BENEFITS THAN A CPF.

IT WILL NOT RAISE COMPLEX ISSUES SUCH AS INVESTMENT RISKS, UNCERTAINTY OF RETURNS, AND THE MANAGEMENT OF HUGE FUND BALANCES, AGAIN UNLIKE A CPF, HE ADDED.

MORE, A PENSION SCHEME CAN PROVIDE FINANCIAL SECURITY FOR THE AGED MUCH MORE RAPIDLY AND RELY ON LOWER LEVELS OF CONTRIBUTION THAN A CPF.

FINALLY, A PENSION FUND WILL PROVIDE A FINANCIALLY SECURE OLD AGE FOR EVERYBODY, INCLUDING HOUSEWIVES, LOW-INCOME EARNERS, CASUAL WORKERS AND THE OTHER GROUPS WHOSE NEEDS WOULD NOT BE MET BY A CPF.

HE SAID LEGISLATORS HAD VOICED CONCERNS ON TWO POINTS:

- * INSTEAD OF A PENSION, WHY NOT INCREASE THE LEVEL OF SOCIAL SECURITY PAYMENTS AND MEANS-TEST THE BENEFICIARIES?
- * HOW WOULD A PENSION FUND COLLECT CONTRIBUTIONS FROM THE 146,000 MEMBERS OF THE WORKFORCE WHO ARE SELF-EMPLOYED, A GROUP WHICH INCLUDES PROFESSIONALS AS WELL AS HAWKERS?

"WE SHOULD BE ABSOLUTELY CLEAR ABOUT THE CONSEQUENCES OF RELYING ON A MORE 'GENEROUS' SOCIAL SECURITY SYSTEM AS SOME MEMBERS HAVE URGED."

HE SAID THIS APPROACH WOULD CREATE AN OPEN-ENDED COMMITMENT, WHICH THE TAXPAYER WOULD HAVE TO FINANCE.

"NOR WOULD MEANS-TESTING REDUCE THE BURDEN ON THE TAXPAYER TO ANY WORTHWHILE EXTENT OVER THE LONG TERM BECAUSE THE ELDERLY AS A GROUP IS AMONG THE LEAST WELL-OFF IN SOCIETY."

THE PROPOSED PENSION SCHEME, BY CONTRAST, WOULD LINK BENEFIT LEVELS TO THE TOTAL CONTRIBUTIONS LEVIED. IT WOULD NOT WRITE A BLANK CHEQUE FOR THE FUTURE WHICH THE TAXPAYER WOULD HAVE TO HONOUR, HE SAID.

AS FOR ENSURING THAT PENSION SCHEME CONTRIBUTIONS ARE COLLECTED FROM ALL WHO ARE LIABLE, THIS WILL BE A PROBLEM FOR ANY TYPE OF COMPULSORY CONTRIBUTORY SCHEME, THE FINANCIAL SECRETARY SAID.

HE SAID THE PENSION SCHEME WOULD NOT FACE ANY UNIQUE DIFFICULTIES.

THE PROBLEM IS A LIMITED ONE, IN THE SENSE THAT THE SELF-EMPLOYED ACCOUNT FOR LESS THAN 6% OF THE WORKFORCE.

THE PENSION SCHEME THE GOVERNMENT PROPOSED WOULD, FOR THE MAJORITY, OFFER BIGGER BENEFITS FOR SMALLER CONTRIBUTIONS THAN A CPF. THE PENSION SCHEME COULD BE EXPECTED, THEREFORE, TO BE REGARDED AS THE BETTER INVESTMENT BY THE PUBLIC.

"I AM CONVINCED THAT WE SHOULD NOT GO ON RELYING ON THE SOCIAL SECURITY SYSTEM TO PROVIDE FOR THE FINANCIAL NEEDS OF OUR ELDERLY POPULATION INDEFINITELY.

"AS THE CHIEF SECRETARY HAS SAID ELSEWHERE, WE NEED TO BRING THE SAME VISION AND RESOURCEFULNESS TO SOLVING THE CHALLENGE OF RETIREMENT INCOMES AS WE DID IN ESTABLISHING OUR FIRST PUBLIC HOUSING PROGRAMMES FORTY YEARS AGO.

"I BELIEVE THAT A PENSION SCHEME IS THE SOCIALLY AND FINANCIALLY RESPONSIBLE SOLUTION WHICH THE GOVERNMENT OUGHT TO RECOMMEND, BOTH TO THE COUNCIL AND THE COMMUNITY," HE SAID.

HOWEVER, SIR HAMISH SAID HE ALSO ACCEPTED THAT IT WAS THE GOVERNMENT'S RESPONSIBILITY TO PRODUCE AS SOON AS POSSIBLE A CONSULTATION DOCUMENT WHICH COVERED ALL THE KEY DETAILS AND ENABLED AN INFORMED DEBATE TO TAKE PLACE.

HE SAID THIS WAS ONE OF THE MOST IMPORTANT DECISIONS THAT THE GOVERNMENT WOULD HAVE TO TAKE AND LEGISLATORS WERE ENTITLED TO THE FACTS BEFORE BEING ASKED TO DECIDE ON THE PROPOSALS.

THREE POINTS ON BUDGET STRATEGY

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ON BUDGET STRATEGY, THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, SAID THREE PARTICULAR POINTS NEEDED TO BE MADE: EXERCISING CONSTRAINTS ON SPENDING, MAINTAINING ADEQUATE RESERVES AND AVOIDING INFLATION.

SIR HAMISH SAID: "THE FIRST IS THAT WE MUST RECOGNISE THAT THERE ARE ECONOMIC AS WELL AS FINANCIAL LIMITS TO WHAT THE GOVERNMENT SHOULD SPEND. HONG KONG'S ECONOMY HAS THRIVED BECAUSE WE BELIEVE IN PRIVATE ENTERPRISE AND SMALL GOVERNMENT.

"ONLY IN THIS WAY CAN WE ENSURE THAT BUSINESS WILL HAVE THE FREEDOM AND THE OPPORTUNITY TO GENERATE THE WEALTH WE NEED. I AM CONVINCED THAT A MAJOR REASON FOR OUR SUCCESS IS THAT WE HAVE NOT SUCCEDED TO THE TEMPTATION TO SPEND MONEY SIMPLY BECAUSE WE HAVE IT. INSTEAD, WE HAVE MADE SURE THAT GOVERNMENT SPENDING GROWS NO FASTER THAN THE ECONOMY AS A WHOLE.

"THE RESULT IS PLAIN TO SEE. IN HONG KONG, PUBLIC EXPENDITURE IS HALF THE PROPORTION OF GDP THAT IS TYPICAL OF OTHER ADVANCED ECONOMIES."

SIR HAMISH SAID RESOURCES WERE LEFT AS FAR AS POSSIBLE IN THE PRIVATE SECTOR, WHERE THEY COULD BE MOST PRODUCTIVELY EMPLOYED.

"IN HONG KONG, WE HAVE A LONG RECORD OF BRINGING PRIVATE SECTOR EQUITY OR LOAN CAPITAL INTO PLAY IN OUR MAJOR INFRASTRUCTURAL PROJECTS.

"THE VALUE OF THIS PRIVATE SECTOR INVESTMENT IN HONG KONG, IN TERMS OF SAVING PUBLIC RESOURCES, HAS BEEN ENORMOUS.

"THREE MAJOR TUNNELS, THE FIRST CROSS-HARBOUR TUNNEL, THE TATE'S CAIRN TUNNEL AND THE EASTERN HARBOUR CROSSING, WOULD TAKE SOMETHING IN THE ORDER OF \$12 BILLION TO BUILD IN TODAY'S DOLLARS. TO BUILD THE EXISTING MTR SYSTEM WOULD TAKE ABOUT \$68 BILLION IN TODAY'S DOLLARS, AND OUR EXISTING CONTAINER PORTS WOULD COST SOME \$30 BILLION TO BUILD.

"WHAT THESE FIGURES DEMONSTRATE IS THAT, UNLIKE MANY OTHER SOCIETIES, BOTH ASIAN AND WESTERN, WE HAVE FOUND THE RIGHT BUDGETARY BALANCE. WE HAVE BEEN ABLE TO FUND OUR EXTENSIVE SOCIAL SERVICE PROGRAMMES WITHOUT A MASSIVE PUBLIC SECTOR AND CRIPPLING TAXATION.

"LIKE THE COMMUNITY, I FULLY ACCEPT WELFARE AS ONE OF THE GOVERNMENT'S PRIMARY OBLIGATIONS. BUT ALSO LIKE THE COMMUNITY, I AM VERY CONSCIOUS OF THE NEED TO MAINTAIN TIGHT CONTROL OF RECURRENT EXPENDITURE. IT IS THE TAXPAYER WHO FOOTS THE BILL. WHEN WE HEAR CALLS FOR 'THE GOVERNMENT TO CONTRIBUTE', THE REAL MEANING, WE SHOULD NEVER FORGET, IS A DEMAND FOR THE TAXPAYER TO DIG DEEPER INTO HIS POCKETS."

THE FINANCIAL SECRETARY SAID THE SECOND IMPORTANT POINT ABOUT THE BUDGET STRATEGY WAS THAT HONG KONG MUST MAINTAIN ADEQUATE RESERVES TO MEET ITS KNOWN COMMITMENTS AND TO GUARD AGAINST FUTURE UNCERTAINTIES.

"PUTTING ASIDE THE MONEY TO MEET KNOWN COMMITMENTS IS RELATIVELY EASY. FOR EXAMPLE, IN ADDITION TO OUR COMMITMENT UNDER THE MOU ON THE AIRPORT CORE PROGRAMME TO SET ASIDE \$25 BILLION FOR THE FUTURE SPECIAL ADMINISTRATIVE REGION (SAR) GOVERNMENT, WE HAVE ALSO ANNOUNCED OUR INTENTION TO SET ASIDE \$7 BILLION TO REASSURE THE CIVIL SERVICE THAT WE CAN MEET THEIR PENSION OBLIGATIONS.

"PUTTING ASIDE MONEY TO PROVIDE ADEQUATE PROTECTION AGAINST FUTURE UNCERTAINTIES INVOLVES MORE DIFFICULT JUDGMENTS."

SIR HAMISH BELIEVED THAT THE RESERVES, BOTH AT THE PRESENT AND PROJECTED LEVELS, WERE CLEARLY ADEQUATE TO MEET THE ANTICIPATED DEMANDS ON THEM.

"BUT I WOULD REITERATE THAT EVEN WHEN THE RESERVES ARE BUOYANT, WE MUST BE EXTREMELY CAREFUL NOT TO RELAX OUR BUDGETARY DISCIPLINE," HE SAID.

ON THE THIRD POINT OF BUDGET STRATEGY, SIR HAMISH SAID HONG KONG SHOULD, AS FAR AS POSSIBLE, AVOID CREATING INFLATIONARY PRESSURES.

"IN CURRENT CIRCUMSTANCES, I MUST TAKE CARE NOT TO GIVE, THROUGH TAX CONCESSIONS, TOO GREAT A BOOST TO DOMESTIC DEMAND, AND THUS REVERSE THE WELCOME REDUCTION SEEN IN INFLATION OVER RECENT YEARS."

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RESERVES TOTAL \$136.1 BILLION ON MARCH 31, 1994

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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, SAID TODAY (WEDNESDAY) THAT A SURPLUS OF \$15.1 BILLION WAS EXPECTED FOR 1993/94, AND AS A CONSEQUENCE, RESERVES ON MARCH 31, 1994 WERE EXPECTED TO TOTAL \$136.1 BILLION.

SIR HAMISH SAID: "THIS IS AN IMPROVEMENT IN OUR FINANCES OF \$18.5 BILLION, AN IMPROVEMENT DUE FOR THE MOST PART TO A GROWTH IN REVENUE WELL ABOVE WHAT HAD BEEN FORECAST.

"A YEAR AGO, I FORECAST TOTAL REVENUE WOULD BE \$150 BILLION. IN THE EVENT, REVENUE HAS SURGED FROM STAMP DUTY (IN RESPECT OF BOTH STOCK MARKET AND PROPERTY TRANSACTIONS) AND FROM LAND SALES. AS A RESULT, I HAVE REVISED THE REVENUE FORECAST TO \$164.4 BILLION, SOME \$14 BILLION ABOVE THE ORIGINAL ESTIMATE.

"THESE ADDITIONAL REVENUE RECEIPTS ARE GOOD NEWS. AT THE SAME TIME, WE MUST RECOGNISE THAT THEY ARISE FROM SOURCES WHICH, BY THEIR VERY NATURE, ARE VOLATILE."

THE FINANCIAL SECRETARY NOTED THAT HONG KONG'S FINANCES HAD ALSO BEEN AFFECTED BY SOME UNDERSPENDING ON THE EXPENDITURE SIDE.

"I AM NOW FORECASTING AN OVERALL UNDERSPENDING OF \$4.1 BILLION, OR UNDER 3% OF OUR ORIGINAL FORECAST. THE MAJOR PART OF THIS UNDERSPENDING WAS CAUSED BY THE FAILURE TO REACH AN AGREEMENT ON THE AIRPORT FINANCING PACKAGE.

"AS A RESULT OF THIS, WE HAVE HAD TO POSTPONE THE \$3.7 BILLION WE HAD PLANNED TO INJECT INTO THE MTRC."

SIR HAMISH SAID THESE FIGURES ALSO UNDERLINED A WELCOME REDUCTION IN THE LEVEL OF UNDERSPENDING ON THE CAPITAL WORKS PROGRAMME.

"IN THE DEBATES ON MY TWO PREVIOUS BUDGETS, MEMBERS EXPRESSED CONSIDERABLE DISQUIET ABOUT OUR INABILITY TO ACHIEVE OUR CAPITAL EXPENDITURE TARGETS.

"I SHARED THEIR CONCERN AND LAST YEAR ANNOUNCED URGENT STEPS TO IMPROVE OUR PERFORMANCE. I AM GLAD TO SAY THAT THE EFFORTS MADE BY THE SECRETARY OF WORKS AND HIS TEAM HAVE BEGUN TO PAY OFF.

"AFTER EXCLUDING THE EXCEPTIONAL SUBVENTION OF \$4.8 BILLION TO FINANCE THE TRADE DEVELOPMENT COUNCIL'S CONSTRUCTION OF AN EXTENSION TO THE CONVENTION AND EXHIBITION CENTRE, CAPITAL UNDERSPENDING CAME TO ABOUT \$2 BILLION, OR ABOUT 6%. THIS IS A HEARTENING IMPROVEMENT OVER THE THREE PREVIOUS YEARS."

HE SAID GOVERNMENT CONSULTANTS HAD RECOMMENDED A NUMBER OF SOLUTIONS TO PARTICULAR PROBLEMS, SUCH AS THE LEAD TIME IN LAND ACQUISITION AND RESUMPTION.

"WE ARE NOW DEVELOPING A PROTOTYPE COMPUTERISED PROJECT MANAGEMENT SYSTEM WHICH HAS THE POTENTIAL TO BECOME ONE OF THE LARGEST SUCH SYSTEMS IN THE WORLD."

SIR HAMISH SAID GOVERNMENT'S FORECASTS OF EXPENDITURE OVER THE MEDIUM-TERM WOULD ASSUME ONLY A GRADUAL RETURN TO THE LEVELS PREVIOUSLY PLANNED AS CONSULTANTS' RECOMMENDATIONS WOULD TAKE SOME TIME TO FEED THROUGH TO SPENDING PERFORMANCE.

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HALF OF PUBLIC SPENDING DEVOTED TO HOUSING AND SOCIAL SERVICES

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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, SAID TODAY (WENDESDAY) THAT NEARLY HALF OF TOTAL PUBLIC SPENDING IN HONG KONG WAS DEVOTED TO HOUSING AND THE SOCIAL SERVICES.

SIR HAMISH SAID: "A RECENT STUDY SUGGESTS THAT THE COMPARABLE FIGURE FOR THE UK IS ONE THIRD AND FOR THE UNITED STATES ONLY A FIFTH.

SIR HAMISH ESTIMATED THAT IN 1994/95, TOTAL EXPENDITURE, EXCLUDING PAYMENTS FROM THE CAPITAL INVESTMENT FUND, WOULD AMOUNT TO \$146 BILLION, AN INCREASE OF \$13.6 BILLION COMPARED WITH THE ORIGINAL ESTIMATE FOR 1993/94.

TOTAL PUBLIC EXPENDITURE WILL AMOUNT TO \$174 BILLION IN 1994/95.

"THIS FIGURE INCLUDES NOT ONLY THE GOVERNMENT'S OWN SPENDING BUT, IN ADDITION, THE EXPENDITURE BY TRADING FUNDS, THE TWO MUNICIPAL COUNCILS, THE HOUSING AUTHORITY AND THE LOTTERIES FUND.

"PUBLIC EXPENDITURE WILL REPRESENT 18.1% OF GDP, AND PRESENT FORECASTS INDICATE THAT THE PROPORTION WILL REMAIN BELOW 20% OVER THE FORECAST PERIOD TO 1997/98," HE SAID.

WHEN HIGHLIGHTING SIGNIFICANT IMPROVEMENTS TO SERVICES PLANNED FOR THE COMING YEAR, SIR HAMISH SAID HE BELIEVED THAT THE PRINCIPAL PRIORITIES IN ALLOCATING ADDITIONAL RECURRENT RESOURCES SHOULD BE SOCIAL SERVICES.

FOR THE COMING YEAR, THE FINANCIAL SECRETARY IS PROPOSING INCREASES IN RECURRENT EXPENDITURE:

- * ON SOCIAL WELFARE, OF 8.4%,
- * ON HEALTH, OF 6.9%, AND
- * ON EDUCATION, OF 6.5%.

"THESE INCREASES IN RECURRENT SPENDING ON OUR SOCIAL SERVICES ARE IN REAL TERMS, AFTER TAKING FULL ACCOUNT OF INFLATION."

SIR HAMISH SAID THESE INCREASES WOULD ALLOW US TO MEET IN FULL THE COMMITMENTS TO THE AMBITIOUS PROGRAMMES SET OUT BY THE GOVERNOR IN HIS POLICY ADDRESSES TO THIS COUNCIL. IN 1994, THE GOVERNMENT PLANS TO PROVIDE:

- * FOR THE ELDERLY, AN EXTRA 1,660 PLACES IN CARE AND ATTENTION HOMES,
- * FOR THE DISABLED, AN EXTRA 1,460 PLACES IN RESIDENTIAL AND OTHER FACILITIES,
- * FOR CHILDREN, AN EXTRA 1,825 PLACES IN NURSERIES, CRECHES, FOSTER CARE AND SMALL GROUP HOMES,
- * FOR THE SICK, 950 EXTRA HOSPITAL BEDS, AS WELL AS HOSPICE CARE FOR AN ADDITIONAL 500 PATIENTS,
- * FOR SCHOOLS, 980 ADDITIONAL GRADUATE TEACHERS.
- * FOR PRE-SCHOOL CHILDREN, THE PLANNED IMPROVEMENTS TO THE KINDERGARTEN FEE REMISSION SCHEME WILL START THREE YEARS EARLIER THAN PREVIOUSLY SCHEDULED.
- * FOR THE DISADVANTAGED, THE STANDARD RATE PAYABLE TO CHILDREN UNDER THE COMPREHENSIVE SOCIAL SECURITY ASSISTANCE SCHEME WILL BE INCREASED BY \$100 PER MONTH. IN ADDITION, THERE WILL BE THE NORMAL INCREASES TO COMPENSATE FOR INFLATION.

/"I BELIEVE

"I BELIEVE THAT THE SPENDING PROPOSALS I HAVE OUTLINED FOR THE SOCIAL SERVICES THIS AFTERNOON, AND THE PENSION PROPOSALS I HAVE DESCRIBED EARLIER, ARE AMPLE EVIDENCE OF THE GOVERNMENT'S COMMITMENT TO IMPROVING THE COMMUNITY'S QUALITY OF LIFE AND TO BETTER CARE AND SUPPORT FOR THE ELDERLY, THE DISADVANTAGED AND THE DISABLED IN PARTICULAR."

SIR HAMISH REASSURED MEMBERS THAT THESE SUBSTANTIAL INCREASES IN THE FUNDS DEVOTED TO WELFARE COULD BE ACHIEVED WITHOUT BREACHING THE PUBLIC EXPENDITURE GUIDELINES.

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PROPOSALS TO PROVIDE MORE PUBLIC HOUSING

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THE GOVERNMENT IS FINALISING PROPOSALS TO ENABLE THE HOUSING AUTHORITY TO SPEED UP CONSTRUCTION OF NEW ACCOMMODATION AND SUPPORTING INFRASTRUCTURE AND TO IMPROVE THE AUTHORITY'S EXISTING HOUSING STOCK IN A BID TO PUT THE AUTHORITY'S SURPLUS FUNDS TO THE BEST USE.

THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, SAID TODAY (TUESDAY) THAT THE GOVERNMENT WOULD CONSULT THE AUTHORITY ON THESE PROPOSALS AS WELL AS ON THE REVISED FINANCIAL ARRANGMENTS BETWEEN THE GOVERNMENT AND THE AUTHORITY.

SIR HAMISH SAID THE HOUSING AUTHORITY WAS IN ROBUST FINANCIAL HEALTH.

"OVER THE YEARS, AT A CONSERVATIVE ESTIMATE, THE GOVERNMENT HAS PROVIDED OVER \$200 BILLION IN TODAY'S PRICES IN SUPPORT OF THE AUTHORITY AND ITS PROGRAMMES.

"THE AUTHORITY ESTIMATES THAT AS AT 31 MARCH OF THIS YEAR, IT WILL HAVE A POSITIVE CASH BALANCE OF ABOUT \$18 BILLION. THIS FIGURE IS EXPECTED TO RISE TO SOME \$29 BILLION BY THE END OF 1997/98. BOTH FIGURES TAKE INTO ACCOUNT THE AUTHORITY'S FUTURE PAYMENTS TO THE GOVERNMENT UNDER EXISTING ARRANGMENTS.

"IF ACCOUNTS IS ALSO TAKEN OF THE AUTHORITY'S OTHER LIABILITIES, WE ESTIMATE THAT OVER THE NEXT FOUR YEARS THE AUTHORITY IS LIKELY TO HAVE FUNDS AT ITS DISPOSAL OF ABOUT \$15 BILLION WHICH ARE NOT REQUIRED TO MEET EXISTING COMMITMENTS UNDER THE LONG-TERM HOUSING STRATEGY."

THE FINANCIAL SECRETARY REASSURED LEGISLATIVE COUNCILLORS THAT THE GOVERNMENT INTENDED TO CONTINUE THE RELATIONSHIP BETWEEN THE AUTHORITY AND THE GOVERNMENT AS SET OUT IN THE HOUSING ORDINANCE.

"FURTHERMORE, I REAFFIRM THE PRINCIPLE ADOPTED WHEN WE AGREED THE PRESENT FINANCIAL ARRANGEMENTS IN 1988. THAT IS, THAT NEED AND AFFORDABILITY WILL REMAIN THE GUIDING PRINCIPLES IN THE PROVISION OF, AND CHARGING FOR PUBLIC HOUSING.

/"RECOGNISING THESE

"RECOGNISING THESE SOCIAL AND FINANCIAL PRINCIPLES, THE GOVERNMENT WILL CONTINUE TO SUPPORT THE HOUSING PROGRAMME WITH FINANCE TO THE AUTHORITY WHERE NECESSARY, AND TO SUBSIDISE RENTAL HOUSING WITH THE PROVISION OF LAND ON CONCESSIONARY TERMS."

SIR HAMISH SAID THE GOVERNMENT WAS DETERMINED TO ACHIEVE THE TARGETS OF THE LONG-TERM HOUSING STRATEGY BY PROVIDING LAND FOR PUBLIC RENTAL HOUSING AT NIL COST AND SUBSIDISED LAND FOR THE HOME OWNERSHIP SCHEME, CURRENTLY AT LESS THAN ONE FIFTH OF FULL MARKET VALUE.

HE SAID THE COST TO THE TAXPAYERS OF THIS FREE AND SUBSIDISED LAND FOR NEXT YEAR ALONE WOULD AMOUNT TO ABOUT \$21 BILLION.

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GOVT RETAINS CASH-BASED ACCOUNTS

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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, SAID TODAY (WEDNESDAY) THAT THE GOVERNMENT WOULD RETAIN THE EXISTING CASH-BASED ACCOUNTS INSTEAD OF MOVING TO SYSTEMS CLOSER TO THOSE USED IN THE PRIVATE SECTOR.

"I WOULD LIKE TO TRY TO ADDRESS CONCERNS THAT OUR EXISTING ACCOUNTS PROVIDE INSUFFICIENT INFORMATION ABOUT THE FULL COST OF THE RESOURCES CONSUMED BY THE GOVERNMENT'S VARIOUS ACTIVITIES," SIR HAMISH SAID.

"WE PROPOSE, THEREFORE, ON AN EXPERIMENTAL BASIS, TO PREPARE SUPPLEMENTARY STATEMENTS WHICH WILL HELP US TO SEE THE FULL COST OF SELECTED ACTIVITIES.

"THESE WILL ALSO BE USEFUL IN HELPING US TO MAKE A JUDGEMENT ON THE MERITS OF PROVIDING SUCH ADDITIONAL FINANCIAL INFORMATION ABOUT GOVERNMENT ACTIVITIES AS A WHOLE," HE SAID.

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INCOME TAX CONCESSIONS TO BENEFIT MORE

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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, TODAY (WEDNESDAY) PROPOSED A NUMBER OF INCOME TAX CONCESSIONS WHICH WOULD ENABLE ABOUT 420,000 TAXPAYERS, OR A QUARTER OF THE TOTAL, TO DROP OUT OF THE TAX NET ENTIRELY.

MOVING THE SECOND READING OF THE APPROPRIATION BILL IN THE LEGISLATIVE COUNCIL, SIR HAMISH SAID THE PROPOSED CONCESSIONS WOULD RESULT IN A FURTHER 1.13 MILLION TAXPAYERS PAYING LESS TAX AND THE NUMBER OF STANDARD RATE TAXPAYERS WOULD DROP BY 60 PER CENT.

THE VARIOUS PROPOSALS WERE:

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- * THE BASIC ALLOWANCE BE INCREASED FROM \$56,000 TO \$72,000 AND THE MARRIED PERSON ALLOWANCE BE RAISED FROM \$112,000 TO \$144,000;
- * THE ALLOWANCE FOR THE FIRST AND SECOND CHILD BE RAISED BY NEARLY 18 PER CENT, FROM \$17,000 TO \$20,000;
- * THE SINGLE-PARENT ALLOWANCE BE INCREASED BY ABOUT 19 PER CENT, FROM \$27,000 TO \$32,000; AND,
- * THE BASIC DEPENDENT PARENT ALLOWANCE BE RAISED BY NEARLY 18 PER CENT, FROM \$17,000 TO \$20,000.

SIR HAMISH SAID HE WAS ALSO CONSCIOUS OF THE COMMUNITY'S DESIRE TO ENCOURAGE FAMILIES TO PROVIDE CARE AND SUPPORT FOR THEIR ELDERLY MEMBERS.

NOTING THAT THIS GOAL WAS UNDERLINED BY THE GOVERNOR IN HIS POLICY ADDRESS LAST YEAR, SIR HAMISH SAID: "I PROPOSE, THEREFORE, THAT A DEPENDENT GRANDPARENT ALLOWANCE BE INTRODUCED TO COVER DEPENDENT GRANDPARENTS RESIDENT IN HONG KONG FOR WHOM NO DEPENDENT PARENT ALLOWANCE HAS BEEN CLAIMED. I ESTIMATE THAT THIS MEASURE WILL ASSIST 10,000 TAXPAYERS."

SIR HAMISH ADDED THAT THE PROPOSED CONCESSION WOULD HAVE THE FOLLOWING MEANING TO THE AVERAGE FAMILY:

- * A SINGLE-INCOME FAMILY OF FOUR WILL HAVE TO EARN MORE THAN \$184,000 A YEAR BEFORE PAYING ANY TAX. AT PRESENT, THEY WOULD BE LIABLE TO TAX WHEN THEIR ANNUAL EARNINGS EXCEEDED \$146,000;
- * A SIMILAR HOUSEHOLD, WITH TWO DEPENDENT PARENTS OR GRANDPARENTS, WILL HAVE TO EARN MORE THAN \$224,000 BEFORE PAYING ANY TAX. AT PRESENT, THEY WOULD BE LIABLE TO PAY TAX WHEN THEIR ANNUAL EARNINGS EXCEEDED \$180,000.

SIR HAMISH SAID HIS PROPOSALS FOR CONCESSIONS ON PERSONAL TAXATION WENT FURTHER THAN THE ALLOWANCES.

HE SAID: "LAST YEAR, I MADE ADJUSTMENTS TO THE MARGINAL TAX BANDS, WHICH BENEFITED THE SANDWICH CLASS. I BELIEVE WE CAN MAKE A FURTHER MAJOR ADJUSTMENT THIS YEAR TO REDUCE THE NUMBER OF SALARIES TAXPAYERS WHO HAVE TO PAY THE STANDARD RATE OF 15 PER CENT.

"I PROPOSE THAT THE TOP MARGINAL TAX RATE BE REDUCED FROM 25 PER CENT TO 20 PER CENT. ONCE AGAIN, THE SANDWICH CLASS WILL BE THE PRINCIPAL BENEFICIARIES."

UNDER THIS PROPOSAL, AN UNMARRIED TAXPAYER WILL HAVE TO EARN AT LEAST \$444,000 BEFORE PAYING TAX AT THE STANDARD RATE, COMPARED WITH \$258,000 AT PRESENT; AND A SINGLE-INCOME FAMILY OF FOUR WILL HAVE TO EARN AT LEAST \$892,000 BEFORE PAYING TAX AT THE STANDARD RATE, COMPARED WITH \$483,000 AT PRESENT.

NOTING THAT THESE CONCESSIONS WERE PROPOSED TO TAKE EFFECT FROM THE YEAR OF ASSESSMENT STARTING ON APRIL 1 1994, SIR HAMISH SAID THEY WOULD COST \$3.2 BILLION IN 1994-95 AND \$20.7 BILLION UP TO 1997-98.

BEFORE COMING UP WITH THESE PROPOSALS, SIR HAMISH SAID HE ENTIRELY AGREED WITH THE VIEWS EXPRESSED BY LEGISLATIVE COUNCIL MEMBERS DURING HIS CONSULTATIONS WITH THEM THAT THE HIGHEST PRIORITY FOR CONCESSIONS SHOULD AGAIN BE SALARIES TAX.

"THERE WAS ALSO A PREFERENCE FOR FOCUSING THESE CONCESSIONS MAINLY ON THOSE WHO PAY BELOW THE STANDARD RATE," HE NOTED.

HE ADDED: "THESE TAXPAYERS INCLUDE THE TECHNICIANS, THE MANAGERS, THE JUNIOR EXECUTIVES, THE YOUNG PROFESSIONALS, WHOSE EXPERTISE IS SO ESSENTIAL TO OUR SERVICE-BASED ECONOMY. AND THE TEACHERS, THE SOCIAL WORKERS, THE NURSES AND OTHERS WHO SUSTAIN OUR COMMUNITY'S WELL-BEING.

"THEY ARE ALSO THE GROUP WHICH TENDS TO BENEFIT LEAST FROM THE PROTECTION OFFERED BY PUBLIC HOUSING AGAINST THE HIGH COST OF DOMESTIC ACCOMMODATION."

SIR HAMISH SAID HIS CONCERN TO RESPOND TO THE NEEDS OF THESE SALARIES TAXPAYERS LAST YEAR LED HIM TO INCREASE PERSONAL ALLOWANCES AND REVISE TAX BANDS. THOSE TAX MEASURES REDUCED THE AMOUNT OF TAX PAID BY OVER 90 PER CENT OF THOSE LIABLE TO SALARIES TAX.

HE ADDED THAT THOSE MAJOR CONCESSIONS SHOULD BE SEEN IN THE CONTEXT OF THE FOLLOWING OVERALL SALARIES TAX ENVIRONMENT:

- * ALMOST HALF THE WORKFORCE PAY NO DIRECT PERSONAL TAX OF ANY KIND;
- * THE EFFECTIVE TAX RATE PAID BY THOSE LIABLE TO SALARIES TAX AVERAGES ONLY 8 PER CENT, WHICH IS EXTRAORDINARILY LOW BY INTERNATIONAL STANDARDS;
- * AND, UNLIKE MOST DEVELOPED ECONOMIES, ONLY SALARIES EARNED IN THE TERRITORY ARE LIABLE TO TAX. HONG KONG HAS NO COMPREHENSIVE INCOME TAX, LET ALONE A LEVY ON TOTAL WORLDWIDE INCOMES AND EARNINGS.

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CORPORATE TAX REDUCES TO 16.5 PER CENT

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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, TODAY (WEDNESDAY) PROPOSED TO REDUCE THE CORPORATE PROFITS TAX RATE FROM THE PRESENT LEVEL OF 17.5 PER CENT TO 16.5 PER CENT IN VIEW OF HONG KONG'S HEALTHY FINANCIAL POSITION.

MOVING THE SECOND READING OF THE APPROPRIATION BILL, SIR HAMISH SAID IN THE LEGISLATIVE COUNCIL THIS WOULD COST \$1.6 BILLION IN 1994/95 AND OVER \$10 BILLION UP TO 1997/98.

HE SAID THE PROPOSED CONCESSION WOULD ENHANCE HONG KONG'S COMPETITIVENESS AS A REGIONAL BUSINESS CENTRE.

"BUT THIS IS NOT MY ONLY REASON. THE PRINCIPLE SHOULD BE THAT THE GOVERNMENT ONLY RAISES IN TAXATION WHAT IT NEEDS TO FINANCE ITS AGREED POLICIES AND PROGRAMMES," SIR HAMISH SAID.

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BUSINESS REGISTRATION FEE RAISED TO \$2,000

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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, TODAY (WEDNESDAY) PROPOSED TO RAISE THE BUSINESS REGISTRATION FEE FROM THE PRESENT \$1,000 TO \$2,000.

THE PROPOSED INCREASE WOULD GENERATE ADDITIONAL REVENUE OF \$700 MILLION IN 1994/95 AND \$3.4 BILLION UP TO 1997/98.

PRESENTING HIS BUDGET FOR 1994/95, SIR HAMISH SAID HONG KONG HAD SOME 600,000 REGISTERED BUSINESSES AND WELL OVER HALF OF WHICH HAD NO LIABILITY AT ALL TO PROFITS TAX.

NOTING THAT THIS COULD OCCUR PERFECTLY LEGITIMATELY AS SOME OF THESE BUSINESSES EARNED NO PROFITS IN HONG KONG AND OTHERS NO PROFITS WHATSOEVER, SIR HAMISH SAID NEVERTHELESS, ALL THESE FIRMS ENJOYED FREE ACCESS TO THE CONVENIENCE AND THE PUBLIC FACILITIES WHICH HONG KONG OFFERED TO THEM.

SIR HAMISH THOUGHT IT REASONABLE THAT SUCH BUSINESSES BE ASKED TO CONTRIBUTE A LITTLE MORE, WHILST COMPANIES WHICH DID PAY PROFITS TAX WOULD PAY A LITTLE LESS AS A RESULT OF HIS PROPOSED REDUCTION IN CORPORATE PROFITS TAX.

NOTING THAT THERE WAS A FURTHER ADVANTAGE TO THIS PROPOSAL, HE SAID IT WOULD HAVE THE EFFECT OF MODESTLY BROADENING HONG KONG'S TAX BASE AND ACHIEVING GREATER STABILITY OF REVENUE.

TO PROVIDE RELIEF TO BUSINESSES WITH A SMALL TURNOVER, SIR HAMISH PROPOSED TO INCREASE SUBSTANTIALLY THE LEVELS BELOW WHICH PAYMENT OF THE BUSINESS REGISTRATION FEE WAS EXEMPT.

"IN FUTURE, A BUSINESS WILL BE EXEMPT FROM THE FEE IF ITS AVERAGE MONTHLY SALES DO NOT EXCEED \$15,000; OR, WHERE THE BUSINESS CONSISTS OF RENDERING SERVICES, IF ITS AVERAGE MONTHLY RECEIPTS DO NOT EXCEED \$4,000," HE NOTED.

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CONCESSIONS PROPOSED FOR ESTATE DUTY

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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, TODAY (WEDNESDAY) PROPOSED TO INCREASE THE LEVEL BELOW WHICH NO ESTATE DUTY WAS PAYABLE TO \$5.5 MILLION.

MOVING THE SECOND READING OF THE APPROPRIATION BILL IN THE LEGISLATIVE COUNCIL, SIR HAMISH SAID ABOVE THAT LEVEL, HE PROPOSED THAT ESTATE DUTY BE PAYABLE AT 6% ON ESTATES OF BETWEEN \$5.5 MILLION AND \$6.5 MILLION; 12% FOR ESTATES OF BETWEEN \$6.5 MILLION AND \$7.5 MILLION; AND 18% ON ESTATES WITH A VALUE OVER \$7.5 MILLION.

IN ADDITION, THE FINANCIAL SECRETARY PROPOSED THREE MORE CONCESSIONS IN RELATION TO ESTATE DUTY:

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- * FIRST, THE VALUE OF THE MATRIMONIAL HOME BE EXCLUDED COMPLETELY WHEN DETERMINING THE VALUE OF THE ESTATE FOR DUTY PURPOSES;
- * SECONDLY, THE LIMIT FOR GIFTS MADE BY THE DECEASED WITHIN THREE YEARS BEFORE THE DATE OF DEATH BE INCREASED TO \$200,000 FROM THE PRESENT FIGURE OF \$100,000 SET IN 1987; AND,
- * THIRDLY, THE ALLOWANCE FOR FUNERAL EXPENSES INCURRED IN HONG KONG BE INCREASED FROM THE EXISTING LEVEL OF \$10,000 TO \$50,000.

THE COST OF THESE PROPOSALS WILL BE \$85 MILLION IN 1994/95 AND \$425 MILLION UP TO 1997/98, SIR HAMISH SAID.

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RELIEF FOR STAMP DUTY ON PROPERTY TRANSACTIONS

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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, TODAY (WEDNESDAY) PROPOSED TO REDUCE THE IMPACT OF STAMP DUTY PROPERTY TRANSACTIONS TO HELP FAMILIES WHO WANT TO OWN THEIR OWN HOMES.

PRESENTING HIS BUDGET FOR 1994/95, SIR HAMISH SAID OVER THE PAST YEAR, PROPERTY PRICES HAD CONTINUED TO RISE, AND THE PRESENT DUTY ON PROPERTY TRANSACTIONS WAS SET IN 1988, WHEN PROPERTY PRICES WERE CONSIDERABLY LOWER THAN TODAY.

TO TAKE ACCOUNT OF THE INCREASE IN PROPERTY PRICES DURING THE INTERVENING YEARS, THE FINANCIAL SECRETARY PROPOSED TO ADJUST STAMP DUTY ON LOWER AND MEDIUM-VALUE FLATS, AS FOLLOWS:

- * FOR PROPERTIES WITH A VALUE NOT EXCEEDING \$500,000, A FEE OF \$100 WILL BE CHARGED.
- * ABOVE THIS LEVEL, STAMP DUTY WILL BE CHARGED ACCORDING TO A SLIDING SCALE, SUBJECT TO MARGINAL RELIEF. THE THRESHOLD AT WHICH THE 2.75% RATE BEGINS TO APPLY WILL BE RAISED FROM \$1.5 MILLION TO \$3 MILLION.

AS A RESULT OF THE PROPOSED ADJUSTMENTS, THE STAMP DUTY PAID ON A TYPICAL \$1 MILLION FLAT UNDER THE HOME OWNERSHIP SCHEME WILL BE HALVED, FROM \$15,000 TO \$7,500, SIR HAMISH SAID.

"I ESTIMATE THAT ABOUT 100,000 PROPERTY TRANSACTIONS WILL ATTRACT LESS STAMP DUTY, WHICH WILL COST \$810 MILLION IN 1994/95 AND \$3.9 BILLION UP TO 1997/98," HE SAID.

THE FINANCIAL SECRETARY, HOWEVER, DID NOT PROPOSE ANY CHARGE TO THE STAMP DUTY ON STOCK TRANSFERS, WHICH HAD BEEN HALVED FROM 0.6% TO 0.3% OVER THE LAST THREE YEARS.

/HE SAID:

HE SAID: "AS I POINTED OUT IN PREVIOUS BUDGET SPEECHES, THIS CONCESSION WAS INTENDED TO REDUCE THE OVERALL COST OF STOCK MARKET TRANSACTIONS AND TO MAINTAIN HONG KONG'S ABILITY TO COMPETE WITH OTHER MAJOR MARKETS.

"I AM PLEASED TO SEE THAT THE COST OF TRADING SECURITIES IN THE LOCAL MARKET IS CURRENTLY AMONG THE LOWEST IN THE WORLD.

"THE EXTREMELY BUOYANT STATE OF OUR STOCK MARKET IN RECENT MONTHS SUPPORTS THE VIEW THAT THE HONG KONG SECURITIES MARKET IS SUFFICIENTLY ATTRACTIVE TO LOCAL AND OVERSEAS INVESTORS WITHOUT ANY ADDITIONAL INCENTIVE BY WAY OF A FURTHER REDUCTION IN STAMP DUTY," SIR HAMISH SAID.

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AIR PASSENGER DEPARTURE TAX LOWERED
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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, TODAY (WEDNESDAY) PROPOSED TO REDUCE THE AIR PASSENGER DEPARTURE TAX FROM \$150 TO \$50.

THE PROPOSAL WILL COST \$960 MILLION IN 1994/95 AND \$4.1 BILLION UP TO 1997/98.

MOVING THE SECOND READING OF THE APPROPRIATION BILL IN THE LEGISLATIVE COUNCIL, SIR HAMISH SAID THE AIR PASSENGER DEPARTURE TAX WAS INCREASED TO \$150 IN 1991.

HE SAID: "I AM SYMPATHETIC TO THE VIEW THAT, AT THIS LEVEL, IT MAY DISCOURAGE TRANSIT PASSENGERS FROM VENTURING BEYOND THE CONFINES OF THE TRANSIT HALLS.

"THIS NOT ONLY MEANS A LOSS OF BUSINESS TO OUR RETAIL TRADE BUT ALSO AGGRAVATES CONGESTION AT KAI TAK."

TO ADDRESS THIS PROBLEM, AS WELL AS TO BENEFIT LOCAL RESIDENTS WHO TRAVEL BY AIR, SIR HAMISH PROPOSED TO REDUCE THE AIR PASSENGER DEPARTURE TAX \$150 TO \$50.

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WEDNESDAY, MARCH 2, 1994

- 29 -

SHARE OF LOTTERY PROCEEDS TO LOTTERIES FUND TRIPLED

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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, TODAY (WEDNESDAY) PROPOSED TO TRIPLE, FROM 5% TO 15%, THE SHARE OF LOTTERY PROCEEDS TO BE ALLOCATED TO THE LOTTERIES FUND AT THE EXPENSE OF THE GOVERNMENT'S SHARE.

PRESENTING HIS BUDGET FOR 1994/95, SIR HAMISH SAID THIS WOULD GENERATE \$1,800 MILLION FOR THE LOTTERIES FUND OVER THE NEXT FOUR YEARS TO MEET CAPITAL EXPENDITURE.

THE FINANCIAL SECRETARY SAID THE LOTTERIES FUND PLAYED AN IMPORTANT PART IN FINANCING PLANS TO IMPROVE SOCIAL SERVICES.

AT PRESENT, 30% OF MARK SIX PROCEEDS WENT TO THE GENERAL REVENUE AS LOTTERY DUTY AND 5% TO THE LOTTERIES FUND, HE NOTED.

HE ADDED: "DURING LAST YEAR'S DEBATE ON THE GOVERNOR'S POLICY ADDRESS, I UNDERTOOK TO REVIEW MY POSITION ON THE PROPOSAL MADE BY THE WELFARE PANEL TO REDUCE THE GOVERNMENT'S SHARE OF LOTTERY PROCEEDS IN FAVOUR OF THE LOTTERIES FUND.

SIR HAMISH SAID OVER THE NEXT FEW YEARS, THE LOTTERIES FUND WOULD FACE INCREASING DEMANDS.

"THERE IS THE GOVERNMENT'S COMMITMENT TO MEET THE KEY TARGETS IN THE WHITE PAPER ON SOCIAL WELFARE AND THE GREEN PAPER ON REHABILITATION. IN ADDITION, THE GOVERNOR ANNOUNCED IN HIS POLICY ADDRESS LAST YEAR PLANS TO BUILD SEVEN NURSING HOMES BY 1997 AND TO PROVIDE 800 ADDITIONAL CARE-AND-ATTENTION PLACES WITHIN TWO YEARS, OVER AND ABOVE THE WHITE PAPER TARGET.

"I HAVE, THEREFORE, DECIDED TO TRIPLE, FROM 5% TO 15%, THE SHARE OF LOTTERY PROCEEDS TO BE ALLOCATED TO THE LOTTERIES FUND AT THE EXPENSE OF LOTTERY DUTY," HE SAID.

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TASK FORCE TO TACKLE TOBACCO SMUGGLERS

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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, TODAY (WEDNESDAY) PROPOSED TO MAINTAIN THE TOBACCO DUTY RATES AT THEIR PRESENT LEVEL, AND SUGGESTED TO SET UP A TASK FORCE IN THE CUSTOMS AND EXCISE DEPARTMENT TO TACKLE TOBACCO SMUGGLING.

PRESENTING HIS BUDGET FOR 1994/95 IN THE LEGISLATIVE COUNCIL, SIR HAMISH SAID REVENUE FROM TOBACCO DUTY DECREASED SUBSTANTIALLY IN 1993/94, DESPITE A MODERATE INFLATION-RELATED ADJUSTMENT OF 9.5% IN THE DUTY RATE.

HE SAID THIS REDUCTION WOULD NOT HAVE BEEN A CAUSE OF CONCERN HAD IT RESULTED FROM A REDUCTION IN SMOKING.

/"AFTER ALL,

"AFTER ALL, A MAIN REASON FOR OUR PRESENT HIGH RATE OF TOBACCO DUTY IS TO DISCOURAGE SMOKING, ESPECIALLY AMONG THE YOUNG."

UNFORTUNATELY, SIR HAMISH SAID THIS WAS NOT THE REASON FOR THE DIMINISHING RETURNS.

"THE EXPLANATION LIES IN INCREASED SMUGGLING. THERE IS A REAL RISK THAT THE CHEAPER, CONTRABAND CIGARETTES ACTUALLY ENCOURAGE SMOKING.

"THERE IS ALSO A RISK THAT ANY FURTHER INCREASE IN THE RATE OF DUTY WOULD ONLY LEAD TO A HIGHER LEVEL OF SMUGGLING. I HAVE, THEREFORE, DECIDED TO MAINTAIN TOBACCO DUTY RATES AT THEIR PRESENT LEVEL ON GROUNDS BOTH OF PUBLIC ORDER AND OF HEALTH," HE SAID.

SIR HAMISH PROPOSED TO TAKE THE FOLLOWING MEASURES TO TACKLE BOTH PROBLEMS:

- * SUBJECT TO LEGCO'S APPROVAL, ADDITIONAL RESOURCES WILL BE PROVIDED TO THE CUSTOMS AND EXCISE DEPARTMENT FOR THE ESTABLISHMENT OF A 40-STRONG TASK FORCE TO TACKLE THE TOBACCO SMUGGLERS. ITS MAIN PRIORITY WILL BE TO STEP UP INVESTIGATIONS AND TO GATHER THE INTELLIGENCE NEEDED TO ATTACK SMUGGLING SYNDICATES.
- * A GRANT OF \$7.5 MILLION HAVE BEEN APPROVED TO THE HONG KONG COUNCIL ON SMOKING AND HEALTH (COSH) TO BE SPENT ON ANTI-SMOKING CAMPAIGNS AND RESEARCH OVER THE NEXT TWO YEARS. THIS SUM WILL BE IN ADDITION TO THE ANNUAL RECURRENT GRANT OF \$4.1 MILLION PROPOSED FOR COSH IN THE 1994/95 DRAFT ESTIMATES.

"BY HOLDING TOBACCO DUTY AT ITS PRESENT LEVEL, WE SHALL BE FORGOING THE ADDITIONAL REVENUE WHICH WOULD HAVE BEEN OBTAINED BY AN INFLATION-LINKED ADJUSTMENT OF \$185 MILLION IN 1994/95 AND \$865 MILLION IN THE PERIOD TO 1997/98," HE ADDED.

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FUEL DUTY RAISED BY 8.5 PER CENT

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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, TODAY (WEDNESDAY) PROPOSED TO INCREASE THE DUTY OF HYDROCARBON OILS BY 8.5%.

IN HIS 1994/95 BUDGET, SIR HAMISH SAID AS LONG AS TRAFFIC CONGESTION SHOWED NO SIGNS OF AN IMPROVEMENT, AND VEHICULAR GROWTH REMAINED UNABATED, ANY BUDGET MEASURE WHICH REDUCED THE FUEL DUTY IN REAL TERMS WOULD ONLY ADD TO THE PRESSURE ON THE ROADS.

"I, THEREFORE, PROPOSE TO INCREASE THE DUTY BY 8.5% TO KEEP PACE WITH INFLATION," HE SAID.

ON DUTY FOR ALCOHOL DRINKS, SIR HAMISH SAID THE PRESENT STRUCTURE OF DUTY ON ALCOHOL WAS A CONFUSING COCKTAIL OF SPECIFIC AND AD VALOREM LEVIES.

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"IT IS ALSO OPEN TO CRITICISM AS REGRESSIVE, BECAUSE THE OVERALL DUTY REPRESENTS A LOWER PERCENTAGE OF THE TOTAL COST OF AN EXPENSIVE PRODUCT THAN OF A CHEAPER PRODUCT OF THE SAME TYPE," HE ADDED.

SIR HAMISH PROPOSED TO REFORM THESE ARRANGEMENTS BY INTRODUCING A SIMPLE AD VALOREM SYSTEM. THIS WILL APPLY DIFFERENT RATES TO DIFFERENT PRODUCTS, EXCEPT FOR METHYL ALCOHOL, ON THE BASIS OF THREE TIERS DEFINED BROADLY ACCORDINGLY TO ALCOHOLIC STRENGTH, AS FOLLOWS:

- * LIQUOR WITH AN ALCOHOLIC CONTENT ABOVE 30% WILL PAY A 100% DUTY RATE.
- * GRAPE PRODUCTS WITH AN ALCOHOLIC CONTENT OF 30% OR BELOW WILL PAY A 90% RATE.
- * NON-GRAPE ALCOHOLIC BEVERAGES AND ALCOHOL PRODUCTS WITH AN ALCOHOLIC CONTENT OF NO MORE THAN 30% WILL PAY A 30% RATE.

SIR HAMISH SAID THE NEW SYSTEM WAS DESIGNED TO BE REVENUE NEUTRAL IN ITS IMPACT IN PRESENT MARKET CONDITIONS.

HE SAID: "IT IS A REFORM MEASURE, NOT A REVENUE RAISING DEVICE. ITS IMPACT ON INDIVIDUAL PRODUCTS WILL, HOWEVER, VARY.

"BROADLY SPEAKING, PRODUCTS AT THE LOWER END OF THE MARKET, WHICH HITHERTO HAVE BEEN SUBJECT TO A HIGH RATE OF DUTY RELATIVE TO THEIR COST, WILL BENEFIT AS A RESULT OF A REDUCTION IN THE DUTY PAYABLE."

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RATES RELIEF MEASURE PROPOSED

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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, HAS PROPOSED TO INTRODUCE A 20% CAP ON INCREASES IN RATES FOR 1994/95 AND 1995/96.

DELIVERING HIS 1994/95 BUDGET IN THE LEGISLATIVE COUNCIL TODAY (WENDESDAY), SIR HAMISH SAID A ROUTINE REVALUATION OF RATES WAS CONDUCTED IN 1993/94 AND WOULD COME INTO EFFECT ON APRIL 1, THIS YEAR.

THE AVERAGE INCREASE IN RATEABLE VALUES WILL BE ABOUT 34% FOR DOMESTIC PROPERTIES AND 32% FOR NON-DOMESTIC PROPERTIES, HE NOTED.

AS A RESULT OF THE PROPOSED CAP, SIR HAMISH SAID THE MAXIMUM THE INDIVIDUAL WILL BE ASKED TO PAY IN 1994/95 WILL BE NO MORE THAN 20% ABOVE WHAT WAS PAID IN 1993/94.

SIMILARLY, THE MAXIMUM PAYMENT IN 1995/96 WILL BE NO MORE THAN 20% ABOVE THE AMOUNT PAYABLE IN 1994/95.

"THIS RELIEF WILL APPLY TO ABOUT 80% OF PROPERTIES IN 1994/95. FOR 1995/96, OVER 20% OF PROPERTIES WILL CONTINUE TO BENEFIT FROM THIS RELIEF," HE SAID.

WITH THE PROPOSED RATES RELIEF MEASURE, THE AVERAGE INCREASE IN RATES IN 1994/95 FOR A SMALL PRIVATE FLAT WILL BE ABOUT \$53 PER MONTH AND FOR A LARGE FLAT ABOUT \$247 PER MONTH, HE ADDED.

SIR HAMISH STRESSED THAT THOSE LIVING IN PUBLIC RENTAL HOUSING, THE LARGEST SINGLE GROUP OF TENANTS IN HONG KONG, WOULD NOT BE DIRECTLY AFFECTED BY THE INCREASE IN RATES.

HE SAID: "IN THE PAST, THE HOUSING AUTHORITY HAS ABSORBED THE IMMEDIATE EFFECT OF ANY RATES INCREASES UNTIL RENTS CAME UP FOR REVISION. THESE RENTS, WHICH ARE INCLUSIVE OF RATES, ARE REVISED ON A ROLLING CYCLE EVERY TWO YEARS.

"I UNDERSTAND THAT THE HOUSING AUTHORITY WILL CONTINUE THIS PRACTICE AND THAT RENTS WILL CONTINUE TO BE SET ON THE BASIS OF AFFORDABILITY. CONSEQUENTLY, PUBLIC HOUSING TENANTS WILL BE LITTLE AFFECTED IN PRACTICE FROM THESE RATES INCREASES, EVEN IN THE LONGER TERM."

NOTING THAT THE REVENUE FROM RATES HELPED TO FINANCE THE TWO MUNICIPAL COUNCILS, SIR HAMISH SAID HE HAD REVIEWED THE FINANCIAL POSITION OF THE TWO COUNCILS AND THEIR PLANNED PROGRAMME OF ACTIVITIES FOR THE NEXT THREE YEARS.

"I HAVE REVISED THE SPLIT OF THE RATES REVENUE BETWEEN GENERAL REVENUE AND THE COUNCILS. THE NET EFFECT OF THESE MEASURES IS THAT THE GOVERNMENT'S REVENUE FROM RATES IN 1994/95 WILL INCREASE BY ABOUT 15% TO \$5.1 BILLION," HE NOTED.

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TAX CONCESSIONS FOR DISABLED AND ELECTRIC CARS

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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, HAS PROPOSED IN HIS BUDGET FOR 1994/95 TWO TAX CONCESSIONS FOR THE DISABLED AND OWNER OF ELECTRIC CARS.

IN HIS BUDGET FOR 1994/95, SIR HAMISH SAID DAILY TRAVEL WAS A CHORE FOR THE AVERAGE FAMILY, HOW MUCH MORE TRYING MUST IT BE FOR THE DISABLED MEMBERS OF OUR COMMUNITY.

HE SAID THE GOVERNMENT ALREADY RECOGNISED THEIR SPECIAL DIFFICULTIES BY GRANTING VARIOUS CONCESSIONS TO DISABLED DRIVERS OF PRIVATE CARS.

"I BELIEVE THAT SIMILAR CONCESSIONS SHOULD APPLY TO THE DIAL-A-RIDE REHABUS SERVICE.

"I PROPOSE, THEREFORE, THAT PASSENGERS ON THESE SERVICES SHOULD BE EXEMPT FROM GOVERNMENT TUNNEL TOLLS AND THE CROSS-HARBOUR TUNNEL PASSAGE TAX," HE SAID.

SIR HAMISH SAID HE ALSO BELIEVED THAT THE FISCAL SYSTEM COULD PLAY ITS PART IN DEVELOPING SOLUTIONS TO ENVIRONMENTAL PROBLEMS.

/HE SAID

HE SAID FUEL-ENGINED VEHICLES WERE A MAJOR CAUSE OF AIR POLLUTION, UNLIKE ELECTRIC VEHICLES.

"THESE, HOWEVER, ARE AT PRESENT STILL MORE EXPENSIVE THAN FUEL-ENGINED ONES BECAUSE OF HIGH DEVELOPMENT COSTS AND LOW PRODUCTION LEVELS."

HE ADDED: "I PROPOSE TO EXEMPT ELECTRIC VEHICLES REGISTERED DURING THE NEXT THREE YEARS FROM FIRST REGISTRATION TAX. THIS SHOULD MAKE ELECTRIC VEHICLES MORE ATTRACTIVE BY REDUCING THEIR INITIAL COST."

"I SHALL ASSESS THE BENEFITS OF THIS CONCESSION TOWARDS THE END OF THE PERIOD TO SEE WHETHER IT SHOULD BE EXTENDED."

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IMPLEMENTATION DATES FOR TAX PROPOSALS

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THE PROPOSED INCREASE IN THE FUEL DUTY AND THE NEW ALCOHOL DUTY STRUCTURE ANNOUNCED BY THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY) CAME INTO EFFECT UNDER A PUBLIC REVENUE PROTECTION ORDER ISSUED TODAY.

PROPOSALS ON PERSONAL TAXATION, PROFITS TAX, BUSINESS REGISTRATION FEE, ESTATE DUTY, STAMP DUTY, AIR PASSENGER DEPARTURE TAX, LOTTERY DUTY AND RATES, AS WELL AS CONCESSIONS IN RESPECT OF ELECTRIC CARS AND DIAL-A-RIDE REHABUS PASSENGERS, WILL COME INTO EFFECT ON APRIL 1, THIS YEAR, SIR HAMISH SAID.

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LAWS TO DEAL WITH TAX EVASION AND AVOIDANCE

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THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, TODAY (WEDNESDAY) PLANNED TO INTRODUCE LEGISLATION TO DEAL WITH TAX-EVASION AND THE TAX-AVOIDANCE ASPECTS OF SERVICE COMPANY ARRANGEMENTS.

SIR HAMISH SAID HONG KONG'S TAXES WERE LOW, SIMPLE AND PREDICTABLE.

THERE WAS NO POSSIBLE EXCUSE FOR FAILING TO PAY IN FULL THE MODEST TAX OBLIGATIONS WHICH HONG KONG IMPOSES TO FINANCE ITS PUBLIC SERVICES AND FACILITIES, HE SAID.

"INDEED, THE WORLD COMPETITIVENESS REPORT 1992 ESTIMATED THAT HONG KONG'S TOTAL TAX REVENUE - AT ONLY 11.25% OF GDP - WAS THE LOWEST PERCENTAGE OF ALL 36 ECONOMIES SURVEYED."

THE PACKAGE OF CONCESSIONS AND REFORMS I HAVE PROPOSED TODAY WILL FURTHER REDUCE THE TAX PAYABLE BY BOTH INDIVIDUALS AND BUSINESSES.

/HE SAID

HE SAID OVER THE PAST TWO YEARS, THE INLAND REVENUE DEPARTMENT'S INVESTIGATION AND FIELD AUDIT STAFF HAD TACKLED OVER 2,000 CASES AND OBTAINED MORE THAN \$1.4 BILLION IN BACK TAX AND PENALTIES.

"HOWEVER, IT HAS BECOME APPARENT THAT THERE IS STILL SUBSTANTIAL UNDER-REPORTING BY MEMBERS OF SOME PROFESSIONS WHO RECEIVE CASH PAYMENTS FOR THEIR SERVICES. THIS UNDER-REPORTING OF INCOME IS INTOLERABLE.

"I UNDERSTAND THAT FOR ONE PROFESSION ALONE, OF 237 CASES EXAMINED, 224 INVOLVED TAX EVASION WHICH, WITH PENALTIES, AMOUNTED TO ALMOST \$100 MILLION. A REMEDY IS CLEARLY NEEDED.

"AS A FIRST STEP, WE SHALL REQUEST PROFESSIONAL BODIES TO INSIST THAT THEIR MEMBERS KEEP PROPER ACCOUNTS AND ISSUE PROPER RECEIPTS.

"LET ME MAKE MYSELF VERY CLEAR. IF THIS FAILS TO ACHIEVE THE DESIRED RESULT, I SHALL HAVE NO CHOICE BUT TO LEGISLATE FOR A SOLUTION INCLUDING THE MANDATORY ISSUE OF RECEIPTS."

ON TAX AVOIDANCE, SIR HAMISH SAID HONG KONG HAD SUFFERED INCREASINGLY FROM ONE PARTICULAR DEVICE WHICH WAS CLEARLY WRONG IN EQUITY AND WHICH HAS LITTLE OR NO COMMERCIAL JUSTIFICATION.

"I REFER TO THE PROLIFERATION OF SERVICE COMPANIES ESTABLISHED TO AVOID OUR ALREADY LOW RATES OF TAX. INDEED, THESE COMPANIES ARE BEING WIDELY PROMOTED BY TAX ADVISERS AND A RECENT PRESS HEADLINE SUMS UP THE SITUATION VERY APTLY: 'USE SERVICE COMPANIES TO UNLOCK TAX BONANZA'.

"I AM NOT IN THE BUSINESS OF TOLERATING TAX BONANZAS. I CONSIDER THAT THE TIME HAS COME TO LEGISLATE."

SIR HAMISH ALSO GAVE TWO EXAMPLES OF SERVICE COMPANY ARRANGEMENTS WITH WHICH HE WAS PARTICULARLY CONCERNED.

THE FIRST AMOUNTS TO AN ATTEMPT TO DISGUISE AN EMPLOYER/EMPLOYEE RELATIONSHIP. TYPICALLY, REMUNERATION FOR SERVICES RENDERED UNDER EMPLOYMENT-LIKE CONDITIONS IS NOT PAID AS SALARY TO THE INDIVIDUAL WHO PROVIDES THE SERVICE. INSTEAD, A FEE IS PAID TO A COMPANY WHICH HE CONTROLS.

A SUBSTANTIAL REDUCTION IN THE AMOUNT OF TAX WHICH WOULD OTHERWISE BE PAYABLE CAN THEN BE OBTAINED THROUGH THE SERVICE COMPANY PROVIDING THE INDIVIDUAL WITH GENEROUS EMPLOYEE BENEFITS.

THE SECOND EXAMPLE INVOLVES THE PAYMENT OF INFLATED MANAGEMENT FEES BY A FIRM TO A SERVICE COMPANY WHICH IS CONTROLLED BY THE FIRM'S PROPRIETOR OR ITS PARTNERS.

THE SERVICE COMPANY EMPLOYS THE PROPRIETOR OR PARTNERS AND USES THE FEES TO PAY THEM "EMPLOYEE BENEFITS". AS IN THE FIRST EXAMPLE, THE PROVISION OF THESE BENEFITS IS DESIGNED TO REDUCE THE OVERALL TAX LIABILITY.

"I PROPOSE TO INTRODUCE LEGISLATION TO DEAL WITH THE TAX-AVOIDANCE ASPECTS OF SERVICE COMPANY ARRANGEMENTS. I EXPECT THE RESULT TO BE SIGNIFICANT ADDITIONAL REVENUE."

FS OUTLINES MEDIUM RANGE FORECAST

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HONG KONG'S FISCAL RESERVES WILL STAND AT AN IMPRESSIVE \$120 BILLION ON MARCH 31, 1997, THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, SAID IN HIS MEDIUM RANGE FORECAST FOR THE FIVE-YEAR PERIOD ENDING 1997/98 TODAY (WEDNESDAY).

MOVING THE SECOND READING OF THE APPROPRIATION BILL 1994, SIR HAMISH SAID: "THIS IS A DRAMATIC INCREASE OVER THE FIGURE OF \$78 BILLION WHICH I FORECAST IN MY BUDGET LAST YEAR.

"THIS \$120 BILLION IS ALL THE MORE REMARKABLE AN ACHIEVEMENT WHEN YOU REMEMBER THAT IT TAKES INTO ACCOUNT BOTH THE SPENDING PROPOSALS AND THE TAX CONCESSIONS I HAVE ANNOUNCED TODAY.

"AND IT ALSO FULLY ALLOWS FOR THE PROPOSED ADDITIONAL EQUITY INJECTION INTO THE AIRPORT CORE PROGRAMME, AND EXPLAINS MY WILLINGNESS TO MAKE SUCH A LARGE INVESTMENT."

IN ACCORDANCE WITH NORMAL PRACTICE, THE FORECAST COVERS THE CURRENT FINANCIAL YEAR, THE ESTIMATES YEAR, AND THREE FURTHER YEARS.

"HENCE, MY FORECAST WILL FOR THE FIRST TIME INCLUDE THE 1997/98 FINANCIAL YEAR, A PERIOD MOST OF WHICH FOLLOWS THE TRANSFER OF SOVEREIGNTY," HE SAID.

"I SHOULD EMPHASISE THAT THIS IS A FORECAST ONLY, PRESENTED TODAY SOLELY TO PROVIDE THE APPROPRIATE CONTEXT FOR HONG KONG'S PLANNING. IT IN NO WAY IMPOSES ANY COMMITMENT ON THE FUTURE SAR GOVERNMENT."

NOTING THAT TWO DIFFERENT FACTORS WERE AT WORK FOR THE MEDIUM RANGE FORECAST, SIR HAMISH SAID: "FIRST, REVENUES HAVE BEEN BUOYANT OVER THE PAST THREE YEARS. AND REVENUE FORECASTS HAVE BEEN INCREASED TO REFLECT THIS.

"SECONDLY, ON THE EXPENDITURE SIDE, THE FORECAST REFLECTS A MORE REALISTIC ESTIMATE OF OUR CAPACITY ON PUBLIC WORKS."

HE FORECAST THAT HONG KONG WOULD ADD \$7.7 BILLION TO ITS FISCAL RESERVES IN 1994/95.

"THROUGHOUT THE FORECAST PERIOD, WE SHALL CONTINUE TO SEE A HEALTHY SURPLUS ON THE OPERATING ACCOUNT," HE SAID.

"HOWEVER, IN 1995/96 AND 1996/97, WE ARE FORECAST TO DRAW ON OUR RESERVES TO TAKE ACCOUNT OF AN INCREASING SPENDING CAPACITY ON PUBLIC WORKS, AS WELL AS INCREASED INVESTMENT IN OUR PHYSICAL INFRASTRUCTURE, INCLUDING MOST NOTABLY THE AIRPORT CORE PROGRAMME."

MOVING TO THE LAST YEAR OF THE FORECAST, NAMELY 1997/98, SIR HAMISH SAID THE MEDIUM TERM FORECAST PREDICTED AN OVERALL SURPLUS FOR THE YEAR OF \$21 BILLION.

/HE SAID

HE SAID THIS VERY SATISFACTORY FIGURE REFLECTED THE FACT THAT, IN ACCORDANCE WITH THE JOINT DECLARATION, THE SAR GOVERNMENT WOULD RECEIVE THE FULL PROCEEDS FROM LAND SALES, AND WOULD COLLECT RENTS FOR THE EXTENSION OF NEW TERRITORIES LEASES.

"THE END RESULT IS THAT THE FORECAST PREDICTS THAT THE FISCAL RESERVES WILL TOTAL \$141 BILLION AT THE END OF 1997/98," HE SAID.

HE ADDED THAT THOSE FIGURES DID NOT TAKE INTO ACCOUNT THE POSITION OF THE SAR GOVERNMENT LAND FUND, WHICH WOULD REPRESENT A SIGNIFICANT ASSET FOR THE FUTURE SAR GOVERNMENT.

HONG KONG ESTIMATES THE FUND TO BE \$105 BILLION, BEFORE TAKING INTO ACCOUNT THE DISPOSAL OF SITES ALONG THE AIRPORT RAILWAY.

BUT WHEN ACCOUNT IS TAKEN OF THE FUND'S SHARE OF THE LIKELY ADDITIONAL RECEIPTS FROM THESE SITES, THE BALANCE OF THE FUND IN 1997 SHOULD REACH \$125 BILLION.

"THUS, AT THE END OF 1997/98, THE SAR GOVERNMENT IS LIKELY TO HAVE COMBINED RESERVES, INCLUDING INTEREST, OF ABOUT \$269 BILLION, INCORPORATING BOTH THE FISCAL RESERVES AND THE LAND FUND," HE SAID.

"FORTUNATELY, THEREFORE, WE ARE ABLE TO CONTINUE TO BUILD UP RESERVES GREATER THAN OUR ANNUAL EXPENDITURE.

"THIS IS SOMETHING WE HAVE BEEN ABLE TO ACHIEVE IN RECENT TIMES. AND SOMETHING THAT FEW OTHER COMMUNITIES HAVE BEEN ABLE TO DO."

CLARIFYING THE SETTING UP OF TRADING FUNDS, HE SAID: "ONE OF THEIR OBJECTIVES IS TO FREE APPROPRIATE SERVICES FROM THE GOVERNMENT'S NORMAL EXPENDITURE CONTROLS AND SO PERMIT THEM TO RESPOND MORE READILY TO CHANGING COMMERCIAL CIRCUMSTANCES.

"THUS TRADING FUNDS KEEP ACCOUNTS WHICH ARE SEPARATE FROM THOSE OF THE GOVERNMENT, AND THEIR EXPENDITURE NO LONGER FORMS PART OF GOVERNMENT EXPENDITURE.

"TRADING FUNDS DO, HOWEVER, REMAIN PART OF THE WIDER GOVERNMENT STRUCTURE, AND THEIR PAYMENTS REMAIN WITHIN THE DEFINITION OF PUBLIC EXPENDITURE FOR THE PURPOSE OF MEASURING THE PUBLIC SECTOR SHARE OF THE ECONOMY."

STRIKING RIGHT BALANCE BETWEEN SPENDING AND SAVINGS

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THE GOVERNMENT IS ENGAGED IN MANAGING THE PROSPERITY HONG KONG HAS ACHIEVED AND IN ENSURING THAT IT CONTINUES, THE FINANCIAL SECRETARY, THE HON SIR HAMISH MACLEOD, SAID TODAY (WEDNESDAY).

MOVING THE SECOND READING OF THE APPROPRIATION BILL 1994, THE FINANCIAL SECRETARY SAID IN PRACTICE, THIS HAD INVOLVED HIM IN STRIKING THE RIGHT BALANCE BETWEEN SPENDING AND SAVINGS.

HE SAID SPENDING WAS MADE TO IMPROVE THE QUALITY OF LIFE FOR THE COMMUNITY AS A WHOLE AND TO CREATE THE INFRASTRUCTURE FOR THE FUTURE GROWTH OF THE TERRITORY.

IN ACHIEVING SAVINGS, THE GOVERNMENT WANTS TO MEET FUTURE LIABILITIES AND UNFORESEEN CONTINGENCIES, BECAUSE ECONOMIC SUCCESS CANNOT BE TAKEN FOR GRANTED YEAR AFTER YEAR, HE ADDED.

NOTING THAT THERE WOULD ALWAYS BE A TEMPTATION TO SPEND A LITTLE MORE AND SAVE A LITTLE LESS, HE SAID: "IT MIGHT SOMETIMES SEEM TEMPTING POLITICALLY TO BOW TO SOME OF THE INEVITABLE PRESSURES TO DO SO. BUT IT WOULD NOT BE RESPONSIBLE GOVERNMENT. AND IT WOULD RISK INCREASING CONSUMPTION AND FUELLING INFLATION."

SIR HAMISH SUMMED UP HIS BUDGET PROPOSALS AS FOLLOWS:

- * PUTTING \$38 BILLION BACK INTO THE TAXPAYER'S POCKET OVER THE NEXT FIVE YEARS.
- * IMPLEMENTING THE AMBITIOUS EXPANSION IN SOCIAL SERVICES SET IN MOTION BY THE GOVERNOR'S FIRST TWO POLICY ADDRESSES, AND
- * PUTTING AN ADDITIONAL \$8 BILLION INTO OUR FISCAL RESERVES NEXT YEAR AND PUT US ON COURSE FOR TOTAL FISCAL RESERVES OF \$269 BILLION BY THE END OF THE FORECAST PERIOD.

CONCLUDING HIS SPEECH, THE FINANCIAL SECRETARY EMPHASISED THAT IT WAS NOT THE GOVERNMENT WHICH HAD MADE TODAY'S BUDGET POSSIBLE.

"THIS HAS BEEN ACHIEVED BY THE HARD-WORKING MEN AND WOMEN OF HONG KONG," HE SAID.

"IT IS, FIRST AND LAST, THEIR SUCCESS AND THEIR MONEY ON WHICH WE RELY, AND IT IS THEIR WAY OF LIFE, THEIR LIVELIHOOD WE ARE ALL TRYING TO SECURE."

DEBATE ON THE BILL WAS ADJOURNED.

WEDNESDAY, MARCH 2, 1994

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FS MAKES TV BROADCAST ON BUDGET

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FOLLOWING IS THE SCRIPT OF THE FINANCIAL SECRETARY SIR HAMISH MACLEOD'S TELEVISION BROADCAST ON THE BUDGET FOR 1994/95:

GOOD EVENING,

THIS AFTERNOON, I PRESENTED MY THIRD BUDGET TO LEGCO. IT IS RIGHTLY TITLED "MANAGING PROSPERITY". OUR ECONOMY, AND OUR FINANCES, CONTINUE TO DO VERY WELL. IT HAS BEEN MY AIM TO ENSURE THAT THIS SUCCESS STORY CONTINUES. AND THAT THE BENEFITS OF THAT SUCCESS ARE PASSED ON TO YOU, THE MEMBERS OF THE HONG KONG COMMUNITY.

I HAVE BEEN ABLE TO ANNOUNCE DRAMATIC CUTS IN THE AVERAGE FAMILY'S TAX BILLS, AS WELL AS A CUT IN PROFITS TAX, AND REDUCED TAXATION IN SOME OTHER AREAS. AT THE SAME TIME, I HAVE PROVIDED FOR FURTHER EXPANSION OF OUR AMBITIOUS SOCIAL SERVICE PROGRAMMES. THIS WILL HELP THE MORE VULNERABLE MEMBERS OF OUR COMMUNITY, AND IMPROVE OUR QUALITY OF LIFE.

ALL THIS IS POSSIBLE BECAUSE OF THE CONTINUED SUCCESS OF OUR ECONOMY. WE CAN LOOK FORWARD TO BETTER ECONOMIC PROSPECTS IN OUR MAJOR OVERSEAS MARKETS, AND TO CONTINUED HIGH GROWTH IN THE REGION. ABOVE ALL, WE WILL CONTINUE TO BENEFIT FROM THE DRAMATIC GROWTH OF THE CHINESE ECONOMY. WE HAVE A VITAL ROLE TO PLAY IN CHINA'S ECONOMIC MODERNISATION. INCREASINGLY, THE KEY TO OUR FUTURE ECONOMIC SUCCESS WILL LIE IN OUR ABILITY TO SELL OUR SERVICES TO THE WORLD, TO THE REGION, AND ABOVE ALL TO THE CHINESE ECONOMY.

THE SUCCESSFUL CONCLUSION OF THE URUGUAY ROUND WILL ALSO HELP TO BOOST TRADE PROSPECTS. BUT WE WILL ALWAYS NEED TO DEFEND THE PRINCIPLES OF FREE TRADE AND FAIR ACCESS ON WORLD MARKETS. AND TO LOBBY AGAIN IN WASHINGTON FOR THE RENEWAL OF MFN FOR CHINA'S EXPORTS.

WE MUST ALSO FACE UP TO SOME PROBLEMS, IF OUR ECONOMIC PROSPECTS ARE TO REMAIN GOOD. WE NEED TO CARRY ON INVESTING IN TRANSPORT LINKS TO CHINA AND BEYOND. WE ARE IMPROVING OUR ROAD TRANSPORT SYSTEM BETWEEN THE CONTAINER PORT AND THE BORDER WITH GUANGDONG PROVINCE. AND WE ARE LOOKING CAREFULLY AT PROPOSALS TO INCREASE OUR EXISTING RAIL CAPACITY. BUT WE ALSO NEED TO GET ON WITH OUR PORT AND AIRPORT DEVELOPMENT, IF WE ARE TO SUSTAIN HONG KONG'S GROWTH BEYOND 1997, AND WITH IT THE GROWTH OF SOUTHERN CHINA.

WE MUST ALSO FIND WAYS TO RELIEVE THE MOUNTING TRAFFIC CONGESTION ON OUR ROADS. WE CANNOT SIMPLY SPEND OUR WAY OUT OF THE PROBLEM. OTHER SOLUTIONS WILL BE NEEDED. WE MUST ALSO REMOVE THE FINANCIAL ANXIETY FROM OLD AGE AND RETIREMENT. WE HAVE ANNOUNCED PROPOSALS FOR AN OLD AGE PENSION SCHEME TO ACHIEVE THIS, AND INTEND TO PUBLISH DETAILS AS SOON AS POSSIBLE FOR PUBLIC COMMENT.

/INFLATION REMAINS

INFLATION REMAINS A DIFFICULT CHALLENGE. CONSUMER PRICES WILL INCREASE BY AROUND 8.5% AGAIN IN 1994. THIS IS NOT A FIGURE WE CAN BE COMPLACENT ABOUT, THOUGH IT IS A SIGNIFICANT IMPROVEMENT OVER RECENT YEARS. AND INFLATION, TO SOME EXTENT, IS THE PRICE WE HAVE HAD TO PAY FOR OUR SUSTAINED ECONOMIC GROWTH, AND THE FULL EMPLOYMENT WHICH GOES WITH IT. BUT WE MUST DO MORE TO EASE THE CONSTRAINTS WHICH ARE THE CAUSE OF OUR INFLATION. WE WILL DO EVERYTHING WE CAN TO INCREASE THE SUPPLY OF LAND AND TO ENCOURAGE REDEVELOPMENT OF EXISTING BUILDINGS. WE MUST ALSO FIND NEW AND ACCEPTABLE WAYS TO EXPAND OUR LIMITED WORKFORCE. WE WILL SHORTLY MAKE A USEFUL START WITH A NEW SCHEME TO ADMIT GRADUATE PROFESSIONALS AND MANAGERS RECRUITED DIRECTLY FROM CHINA.

NEVERTHELESS, THE CONTINUED SUCCESS OF OUR ECONOMY HAS CREATED VERY HEALTHY PUBLIC FINANCES. FOR THE COMING FINANCIAL YEAR, WE ARE BUDGETING FOR A SURPLUS, AND THE LEVEL OF RESERVES FORECAST FOR 1997 HAS RISEN GREATLY EVEN AFTER ALLOWING FOR FURTHER SPENDING ON THE AIRPORT.

GIVEN OUR BUOYANT REVENUES AND COMFORTABLE RESERVES, I DECIDED WE COULD AFFORD MAJOR TAX CONCESSIONS. IN DECIDING WHERE TO MAKE THOSE CUTS, I HAVE LISTENED CAREFULLY TO THE ADVICE I HAVE RECEIVED IN MY CONSULTATIONS WITH MEMBERS OF LEGCO, AS WELL AS FROM PROFESSIONAL BODIES, COMMERCIAL ASSOCIATIONS, AND LABOUR AND WELFARE GROUPS.

THIS AFTERNOON, I HAVE PUT FORWARD PROPOSALS TO BENEFIT ALMOST EVERYONE PAYING SALARIES TAX. FOR 420,000 TAXPAYERS, MY PROPOSALS WILL MEAN THAT THEY PAY NOTHING AT ALL IN FUTURE. FOR ANOTHER 1.1 MILLION, TAX BILLS WILL BE VERY CONSIDERABLY REDUCED. IT IS AN AMAZING FACT THAT THE PROPORTION OF THE WORKING POPULATION WHO PAY NO SALARIES TAX - I REPEAT, ZERO SALARIES TAX - WILL INCREASE FROM 43% TO 58%.

BUT I HAVE NOT CONFINED MY CONCESSIONS TO SALARIES TAX. I HAVE ALSO BEEN ABLE TO REDUCE CORPORATE PROFITS TAX. FOR SOME, THIS WILL BE PARTLY OFFSET BY THE INCREASE I HAVE PROPOSED IN THE BUSINESS REGISTRATION FEE. I HAVE ALSO REDUCED AIRPORT DEPARTURE TAX, ESTATE DUTY, AND STAMP DUTY ON THE PURCHASE OF LOWER AND MEDIUM-VALUE FLATS. I HAVE PROPOSED NO INCREASE IN TOBACCO DUTY, A SIMPLE INFLATION INCREASE IN THE DUTY ON PETROL, AND A COMPLETE REFORM OF THE COMPLEX SYSTEM OF DUTIES ON ALCOHOL. I HAVE ALSO TRIPLED THE LOTTERIES FUND'S SHARE OF MARK 6 PROCEEDS TO MEET EXPENDITURE ON SOCIAL WELFARE PROJECTS. AT THE SAME TIME, I HAVE TAKEN STEPS TO BLOCK LOOPHOLES WHICH ALLOW OUR LOW TAXES TO BE AVOIDED.

THE TAX CUTS I HAVE PROPOSED HAVE NOT AFFECTED OUR ABILITY TO FIND MORE MONEY FOR EXISTING PROGRAMMES, AND FOR NEW INITIATIVES. IN HIS POLICY ADDRESSES TO LEGCO IN 1992 AND 1993, THE GOVERNOR SET OUT AMBITIOUS TARGETS FOR IMPROVEMENTS IN OUR EDUCATION AND TRAINING PROGRAMMES, ON HEALTH AND HOSPITAL SERVICES AND OUR SOCIAL WELFARE SERVICES. WE WILL BE ABLE TO FINANCE ALL THESE TARGETS FOR THE COMING YEAR.

ALL IN ALL, I HAVE TRIED TO MAKE MY BUDGET MEET THE NEEDS AND EXPECTATIONS OF THE COMMUNITY. MY AIM IN THIS BUDGET HAS BEEN TO MANAGE THE PROSPERITY WE HAVE ACHIEVED : TO ALLOW THE HARD-WORKING MEN AND WOMEN OF HONG KONG TO ENJOY THE BENEFITS OF THIS SUCCESS, AND TO ENSURE THAT THIS SUCCESS, AND WITH IT OUR WAY OF LIFE, CONTINUES IN THE FUTURE.

GOOD NIGHT.

WHAT THE BUDGET MEANS FOR YOU

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MEMBERS OF THE PUBLIC WILL HAVE THE OPPORTUNITY TO SPEAK TO THE FINANCIAL SECRETARY, SIR HAMISH MACLEOD, ABOUT THE BUDGET FOR THE NEW FINANCIAL YEAR TOMORROW (THURSDAY), THE DAY IMMEDIATELY AFTER THE PUBLICATION OF THIS IMPORTANT DOCUMENT.

SIR HAMISH WILL TAKE QUESTIONS FROM CALLERS PHONING IN RTHK RADIO 1 AND 5'S "TALKABOUT" AND RADIO 3'S "HONG KONG TODAY" PROGRAMMES FROM 7.45 AM TO 8.45 AM.

THE LIVE BROADCAST, WITH SIMULTANEOUS TRANSLATION, TAKES PLACE IN BROADCASTING HOUSE, 30 BROADCAST DRIVE, KOWLOON.

THE PHONE-IN NUMBERS ARE 187 2311 FOR THE CHINESE LANGUAGE AND 338 8266 FOR THE ENGLISH.

LATER IN THE MORNING, THE FINANCIAL SECRETARY WILL BE MEETING THE CHAIRMEN OF THE 19 DISTRICT BOARDS AND THE CHAIRMEN OF THE TWO MUNICIPAL COUNCILS AT 11 AM IN THE CNTA HEADQUARTERS TO BRIEF THEM ABOUT THE IMPLICATIONS OF THE BUDGET PROPOSALS FOR THE COMMUNITY, AND THE DISTRICTS IN PARTICULAR.

IN THE AFTERNOON, SIR HAMISH WILL BE HOSTING A POST-BUDGET PRESS CONFERENCE AT 3 PM IN THE INFORMATION SERVICES DEPARTMENT.

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ATTENTION NEWS EDITORS:

PHONE-IN PROGRAMME

PRESS MEMBERS WHO ARE INTERESTED TO COVER THE PROGRAMME ARE REQUESTED TO NOTE THE FOLLOWING:

- * AUDIO AND CLOSED CIRCUIT FACILITIES ARE SET UP FOR PRESS MEMBERS TO MONITOR ACTIVITIES INSIDE THE LIVE STUDIO.
- * PLEASE BRING ALONG PRESS CREDENTIALS.

DISTRICT BOARD CHAIRMEN MEETING

A PHOTOGRAPHIC FACILITY HAS BEEN ARRANGED FOR THE MEDIA TO TAKE PICTURES PRIOR TO THE START OF THE MEETING. PRESS MEMBERS ARE REQUESTED TO ASSEMBLE AT 10.45 AM AT THE NEWS AND PUBLICITY DIVISION OF CNTA, SOUTHOORN CENTRE, 30TH FLOOR, 130 HENNESSY ROAD, WAN CHAI.

PRESS CONFERENCE

THE PRESS CONFERENCE WILL BE HELD IN THE GIS PRESS CONFERENCE ROOM, BEACONSFIELD HOUSE, FIFTH FLOOR, CENTRAL, AT 3 PM.



DAILY INFORMATION BULLETIN

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

SUPPLEMENT 2

WEDNESDAY, MARCH 2, 1994

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AGREEMENT ON IMMIGRATION LAW YET TO BE REACHED

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THE GOVERNMENT HAS YET TO REACH AGREEMENT WITH THE CHINESE SIDE ON THE ALIGNMENT OF THE IMMIGRATION ORDINANCE WITH THE BASIC LAW, INCLUDING THE PROVISION TO ENABLE RESIDENTS WITH FOREIGN NATIONALITY TO GET RIGHT OF ABODE IN HONG KONG.

IN A WRITTEN REPLY TO A QUESTION BY DR THE HON LEONG CHE-HUNG IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY), THE SECRETARY FOR SECURITY, MR ALISTAIR ASPREY, REPORTED ON THE PROGRESS.

"WE HOPE THAT FURTHER TALKS WITH THE CHINESE SIDE WILL TAKE PLACE ON THIS MATTER SOON.

"AND WE HOPE TO BE ABLE TO PUBLISH A COMPREHENSIVE GUIDE AS SOON AS AGREEMENT IS REACHED ON FUTURE RIGHT OF ABODE IN THE HONG KONG SPECIAL ADMINISTRATIVE REGION," MR ASPREY SAID.

THE GOVERNMENT HAS UNDERTAKEN TO PUBLISH THE GUIDE ON THE RIGHTS THAT RESIDENTS WITH FOREIGN NATIONALITY COULD ENJOY.

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ICAC'S RECOMMENDATIONS ON FUNCTIONAL CONSTITUENCY ELECTIONS

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THE INDEPENDENT COMMISSION AGAINST CORRUPTION (ICAC) HAS RECOMMENDED, ON THE BASIS OF THE EXISTING SYSTEM, A NUMBER OF IMPROVEMENTS TO THE FUNCTIONAL CONSTITUENCY ELECTION PROCEDURES, THE SECRETARY FOR CONSTITUTIONAL AFFAIRS, MR NICHOLAS NG, SAID TODAY (WEDNESDAY).

MR NG ADDED THAT THE ELECTORAL PROVISIONS (MISCELLANEOUS AMENDMENTS) BILL 1994, WHICH WOULD BE INTRODUCED INTO THE LEGISLATIVE COUNCIL ON MARCH 9, HAD ALSO PROPOSED A NUMBER OF CHANGES TO THE SYSTEM.

IN A WRITTEN REPLY TO A QUESTION BY THE HON ANNA WU IN THE LEGISLATIVE COUNCIL, MR NG SAID THAT THE GOVERNMENT WOULD CONSIDER THE ICAC'S RECOMMENDATIONS IN THE LIGHT OF THE FINAL SHAPE OF THE LEGISLATIVE CHANGES.

MR NG SAID: "THESE PROPOSALS, IF IMPLEMENTED, WILL GREATLY REDUCE THE SCOPE FOR ABUSE AND CORRUPTION IN FUTURE FUNCTIONAL CONSTITUENCY ELECTIONS."

THE MAIN RECOMMENDATIONS MADE BY THE ICAC INCLUDE:

- * VOTING FOR FUNCTIONAL CONSTITUENCIES WITH SMALL ELECTORATES, WHICH ARE CONSIDERED MORE PRONE TO ELECTION MALPRACTICES, TO BE COMPUTERISED OR MECHANISED;
- * RURAL ELECTIONS TO BE SUBJECT TO THE CORRUPT AND ILLEGAL PRACTICES ORDINANCE;
- * POLLING AGENTS TO WITNESS THE SEALING OF BALLOT BOXES AND THE BREAKING OF THE SEALS;

- * GUIDELINES ON ELECTIONEERING ACTIVITIES TO BE ISSUED TO THE REPRESENTATIVE ORGANISATIONS OF THE FUNCTIONAL CONSTITUENCIES;
- * GUIDELINES TO BE ISSUED TO GOVERNMENT DEPARTMENTS ON HOW TO HANDLE REQUESTS FROM CANDIDATES FOR CAMPAIGNING IN GOVERNMENT OFFICES;
- * PUBLICITY ON FUNCTIONAL CONSTITUENCY ELECTIONS TO BE IMPROVED.

MR NG SAID THE ICAC'S REPORT WAS AN INTERNAL CONSULTANCY DOCUMENT AND IT WAS CONSIDERED INAPPROPRIATE TO MAKE PUBLIC THE FULL REPORT.

"HOWEVER, BEFORE IMPLEMENTING ANY OF THE RECOMMENDATIONS, EITHER THROUGH LEGISLATION OR IN THE FORM OF GUIDELINES, THE COMMUNITY WILL BE THOROUGHLY CONSULTED," HE ADDED.

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FURTHER USE OF CHINESE IN COURT PROCEEDINGS UNDER STUDY

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TWO WORKING PARTIES APPOINTED BY THE CHIEF JUSTICE HAVE BEEN ASKED TO CONSIDER THE MEANS BY WHICH THE USE OF THE CHINESE LANGUAGE MAY BE FURTHER PROMOTED IN COURT PROCEEDINGS, THE ATTORNEY GENERAL, THE HON JEREMY MATHEWS SAID IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

IN A WRITTEN REPLY TO A QUESTION RAISED BY THE HON TAM YIU-CHUNG, MR MATHEWS SAID THE TWO WORKING PARTIES MIGHT WELL MAKE RECOMMENDATIONS TO THE CHIEF JUSTICE AS TO WHETHER AND, IF SO, HOW THE OFFICIAL LANGUAGES ORDINANCE NEEDED TO BE AMENDED TO ALLOW CHINESE BE USED IN THE COURT OF APPEAL, HIGH COURT AND DISTRICT COURT.

HE SAID: "THE CHIEF JUSTICE WILL, IN DUE COURSE, DECIDE WHAT ACTION, IF ANY, HE WILL TAKE IN RESPECT OF THOSE RECOMMENDATIONS."

WITH REGARD TO STATUTORY FORMS, MR MATHEWS SAID THE BILINGUAL LAWS EXERCISE NOW BEING CONDUCTED WAS DESIGNED TO ENSURE THAT ALL FORMS THAT REMAINED SPECIFIED IN THE LAWS OF HONG KONG WOULD, BEFORE 1997, BE SPECIFIED IN BOTH ENGLISH AND CHINESE.

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RESOURCES ALLOCATED ACCORDING TO COMMUNITY'S NEEDS

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THE GOVERNMENT DETERMINES PRIORITIES IN RESOURCE ALLOCATION ON THE BASIS OF THE COMMUNITY'S NEEDS, AND THE COMMUNITY REGARDS SOCIAL WELFARE, MEDICAL SERVICES AND HOUSING AS DESERVING PARTICULAR PRIORITY.

THIS WAS STATED BY THE SECRETARY FOR THE TREASURY, MR DONALD TSANG, IN A WRITTEN REPLY TO A QUESTION BY DR THE HON CONRAD LAM IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

THIS TARGETING OF PUBLIC EXPENDITURE, AND THE FACT THAT THE SERVICES PROVIDED IN THESE AREAS ARE HEAVILY SUBSIDISED, UNDERLINE THE GOVERNMENT'S DETERMINATION AND CONTINUOUS EFFORT IN IMPROVING THE QUALITY OF LIFE FOR THE LESS FORTUNATE SECTORS OF THE COMMUNITY, HE SAID.

THE GOVERNMENT ALSO TARGETS TAX ALLOWANCES TO ELIMINATE OR REDUCE THE TAX BURDEN ON THE LOWER INCOME GROUPS, MR TSANG SAID.

"AS A RESULT, OVER HALF OF THE WORKING POPULATION PAYS EITHER NO TAX OR VERY LITTLE TAX."

THE SECRETARY SAID FROM THE POPULATION CENSUSES AND BY-CENSUSES CONDUCTED AT FIVE-YEARLY INTERVALS, THE COMMISSIONER FOR CENSUS AND STATISTICS COLLECTED AND COMPILED DATA ON INCOME DIVERSITY BETWEEN THE RICH AND THE POOR.

IN THE ONGOING GENERAL HOUSEHOLD SURVEY, THE BROAD INCOME DATA IS ALSO COLLECTED AS ONE ASPECT OF THE HOUSEHOLD CHARACTERISTICS.

HOWEVER, BECAUSE OF THE LIMITED SAMPLE SIZE, THESE DATA CANNOT BE APPLIED TO DERIVE SATISFACTORY STATISTICS ON INCOME DIVERSITY, MR TSANG SAID.

"ANNUAL STATISTICS ON INCOME DIVERSITY ARE HENCE NOT AVAILABLE," HE SAID.

ACCORDING TO THE 1991 POPULATION CENSUS, THE FIVE PER CENT OF HOUSEHOLDS IN THE BOTTOM INCOME BRACKET ACCOUNTED FOR 0.3 PER CENT OF THE TOTAL HOUSEHOLD INCOME IN HONG KONG FOR THAT YEAR.

FIVE PER CENT OF HOUSEHOLDS IN THE TOP INCOME BRACKET ACCOUNTED FOR 26 PER CENT OF THE TOTAL HOUSEHOLD INCOME.

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ALL RAILWAY INCIDENTS ARE INVESTIGATED
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IT HAS ALWAYS BEEN, AND WILL REMAIN TO BE, THE KOWLOON-CANTON RAILWAY CORPORATION'S PRACTICE TO CARRY OUT AN IMMEDIATE AND DETAILED INVESTIGATION INTO THE CAUSES OF EVERY RAILWAY INCIDENT.

THIS WAS STATED BY THE SECRETARY FOR TRANSPORT, MR HAIDER BARMA, IN A WRITTEN REPLY TO A QUESTION BY REV THE HON FUNG CHI-WOOD IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

MR BARMA SAID A REPORT WAS PRODUCED FOR THE INDEPENDENT HONG KONG RAILWAY INSPECTORATE AND THE CORPORATION'S OWN CONSIDERATION SO THAT, WHERE NECESSARY, REMEDIAL ACTION COULD BE TAKEN TO ENHANCE SAFETY.

HE SAID SUCH REPORTS WERE NOT PUBLISHED BECAUSE THEY WERE VERY TECHNICAL, COMPLEX AND LENGTHY AND WERE NOT EASY TO DIGEST.

"HOWEVER, TO FACILITATE UNDERSTANDING, A SIMPLIFIED VERSION IS PREPARED AND IS AVAILABLE UPON REQUEST," HE SAID.

MR BARMA STRESSED THAT TO ADDRESS BOTH PUBLIC CONCERN AND INTEREST, BOTH THE CORPORATION AND THE GOVERNMENT WOULD DO THEIR BEST TO PROVIDE FACTS AND EXPLAIN THE SITUATION AND FINDINGS TO THE MEDIA AND THE PUBLIC.

WITH REGARD TO THE THREE INCIDENTS MENTIONED BY THE HONOURABLE MEMBER, HE SAID THE CORPORATION HAD HELD SEVEN MEETINGS WITH VARIOUS POLITICAL AND LOCAL ORGANISATIONS AND ONE MEETING WITH THE SHA TIN DISTRICT BOARD TRAFFIC AND TRANSPORT COMMITTEE TO BRIEF THEM ON THE MAIN FINDINGS AND RECOMMENDATIONS OF ITS INVESTIGATIONS.

TO PREVENT THE RECURRENCE OF AN ACCIDENT SIMILAR TO THE JUNE 9, 1993 INCIDENT, MR BARMA SAID THE CORPORATION HAD REMINDED ALL PLATFORM STAFF TO KEEP BEHIND THE YELLOW LINE, ESPECIALLY WHEN TRAINS WERE APPROACHING OR LEAVING THE PLATFORM, AND TO STRICTLY OBSERVE SAFETY PROCEDURES.

REGARDING THE FIRE AT THE UNDERFRAME OF A TRAIN CAR ON JUNE 17, 1993, HE SAID THE CORPORATION IDENTIFIED THE CAUSE TO BE A FAULT IN A MINOR ELECTRICAL COMPONENT UNDER THE CARRIAGE FLOOR AND HAD REINFORCED THE INSPECTION AND MAINTENANCE OF ALL SUCH EQUIPMENT TO PREVENT RECURRENCE.

CONCERNING THE FIRE IN THE CONTRACTOR'S WORK AREA AT SHA TIN STATION ON SEPTEMBER 21, 1993, HE SAID THE CORPORATION HAD INCREASED ITS LEVEL OF SUPERVISION AND CONTROL OVER CONTRACTORS ON ITS PREMISES TO REINFORCE SAFETY REQUIREMENTS AND TO ENSURE THAT THEY HAD TAKEN ALL NECESSARY MEASURES TO PREVENT SIMILAR OCCURRENCES.

IT HAS ALSO REVIEWED ITS EVACUATION AND RECOVERY PROCEDURES WITH THE POLICE AND FIRE SERVICES DEPARTMENT IN THE LIGHT OF EXPERIENCE GAINED FROM THIS INCIDENT, HE ADDED.

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SIX DEPARTMENTS MAY SET UP TRADING FUNDS

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SIX GOVERNMENT DEPARTMENTS ARE UNDER CONSIDERATION FOR THE ESTABLISHMENT OF TRADING FUNDS, THE CHIEF SECRETARY, THE HON MRS ANSON CHAN, SAID TODAY (WEDNESDAY).

THESE DEPARTMENTS ARE: DRAINAGE SERVICES DEPARTMENT, OFFICE OF THE TELECOMMUNICATIONS AUTHORITY, WATER SUPPLIES DEPARTMENT, MARINE DEPARTMENT, POST OFFICE AND ELECTRICAL AND MECHANICAL SERVICES DEPARTMENT.

IN A WRITTEN REPLY TO A QUESTION BY THE HON LAU CHIN-SHEK IN THE LEGISLATIVE COUNCIL, MRS CHAN SAID TYPICALLY TRADING FUNDS WOULD HELP DEPARTMENTS PROVIDE AN EFFICIENT AND EFFECTIVE OPERATION.

THIS WAS OBVIOUS IN CASES WHERE TRADITIONAL VOTE-FUNDED ARRANGEMENTS COULD NOT BE VARIED ON A DAY-TO-DAY BASIS TO MATCH FLUCTUATING DEMAND FOR SERVICES; OR WHERE A DEPARTMENT COULD NOT COMPETE SUCCESSFULLY FOR THE ALLOCATION OF RESOURCES NECESSARY TO RUN ITS BUSINESS.

/SHE SAID

SHE SAID THE LAND REGISTRY AND COMPANIES REGISTRY OPERATION AS TRADING FUNDS SINCE AUGUST 1, 1993 ALREADY ILLUSTRATED THESE BENEFITS IN THE MANAGEMENT OF RESOURCES, THE PROVISION OF SERVICES AND THE DEVELOPMENT OF NEW PROJECTS.

BOTH REGISTRIES ARE ALSO PLANNING TO EXPAND AND RENOVATE THEIR PUBLIC AREAS IN ORDER TO PROVIDE A MORE USER-FRIENDLY AND CUSTOM-ORIENTED ENVIRONMENT, MRS CHAN SAID.

"ALL THESE PROJECTS ARE PROGRESSING MORE RAPIDLY THAN WOULD OTHERWISE BE POSSIBLE BECAUSE OF THE GREATER FLEXIBILITY PROVIDED UNDER THE TRADING FUNDS ORDINANCE," SHE SAID.

"TRADING FUNDS INTRODUCE RELATIVELY STRAIGHTFORWARD ADMINISTRATIVE CHANGES TO ENABLE DEPARTMENTS TO OPERATE MORE LIKE BUSINESSES WHERE THIS IS APPROPRIATE, WHILE REMAINING AS PART OF GOVERNMENT.

"THE ASSETS OF A TRADING FUND REMAIN GOVERNMENT ASSETS; THE STAFF REMAIN CIVIL SERVANTS. PRIVATISATION AND CORPORATISATION WOULD INVOLVE MORE FAR-REACHING CHANGES, AND ARE THUS NOT CONSIDERED AN ALTERNATIVE FORM OF MANAGEMENT ARRANGEMENT TO TRADING FUNDS."

THE KEY SAFEGUARDS ON THE SERVICES OF A TRADING FUND DEPARTMENT ARE:

- * THE TRADING FUND ORDINANCE. BEFORE A TRADING FUND IS ESTABLISHED, THE ADMINISTRATION WILL NEED TO SATISFY ITSELF AND THE LEGISLATIVE COUNCIL OF THE CAPABILITY AND SUITABILITY OF A PROPOSED DEPARTMENT TO BECOME A TRADING FUND;
- * THE TERMS OF THE RESOLUTION ON THE SETTING UP OF EACH INDIVIDUAL FUND WHICH MUST BE APPROVED BY THE LEGISLATIVE COUNCIL;
- * THE ANNUAL REPORT OF THE OPERATION, THE CERTIFIED STATEMENTS AND THE REPORT OF THE DIRECTOR OF AUDIT OF EACH TRADING FUND, ALL OF WHICH ARE PRESENTED TO THE LEGISLATIVE COUNCIL;
- * THE POWERS OF THE DIRECTOR OF AUDIT TO AUDIT THE EFFICIENCY AND EFFECTIVENESS OF THE OPERATION; AND
- * THE FRAMEWORK AGREEMENT BETWEEN THE APPROPRIATE BRANCH SECRETARY AND THE GENERAL MANAGER OF A TRADING FUND COVERING COMMERCIAL AND NON-COMMERCIAL OBJECTIVES, FINANCIAL TARGETS, OPERATING TARGETS AND OTHER MATTERS OF CONCERN, SUCH AS ARRANGEMENT TO ADJUST FEES AND CHARGES.

MRS CHAN SAID THE ADMINISTRATION ATTACHED GREAT IMPORTANCE TO THE NEED TO SECURE STAFF SUPPORT IN THE ESTABLISHMENT OF A TRADING FUND.

"EACH CONCERNED DEPARTMENT INFORMS AND BRIEFS ITS STAFF OF THE PROPOSED SETTING UP OF A TRADING FUND AND DISCUSSES WITH THEM THE IMPLICATIONS OF THE FUND FOR THE STAFF OF THE DEPARTMENT," MRS CHAN SAID.

SEWAGE CHARGING SCHEME ACCEPTABLE TO COMMUNITY

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HOUSEHOLDS PAYING NO WATER CHARGES UNDER THE PRESENT WATER TARIFF WOULD ALSO BE EXEMPT FROM SEWAGE CHARGES, THE SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS, MR TONY EASON, TOLD THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

IN A WRITTEN REPLY TO A QUESTION BY THE HON EMILY LAU WAI-HING, MR EASON SAID: "TO PROVIDE AN INCENTIVE TO HOUSEHOLDS GENERATING LESS SEWAGE, WE PROPOSE THAT HOUSEHOLDS CONSUMING 13 CUBIC METRES OF WATER OR LESS IN FOUR MONTHS SHOULD BE EXEMPT FROM SEWAGE CHARGES.

"THIS WILL BENEFIT ABOUT 287,000 OR 17 PER CENT HOUSEHOLDS," HE SAID.

ON THE QUESTION THAT ABOUT 236,000 OR 14 PER CENT HOUSEHOLDS MAY HAVE TO PAY MORE FOR THE SEWAGE CHARGES THAN THEIR WATER BILLS, MR EASON SAID THIS WAS BECAUSE THESE HOUSEHOLDS WHO CONSUMED BETWEEN 14 AND 24 CUBIC METRES OF WATER OVER A FOUR-MONTH BILLING PERIOD HAD THE ADVANTAGE OF RECEIVING THE FIRST 13 CUBIC METRES OF WATER FREE OF CHARGE UNDER THE EXISTING WATER TARIFF.

"THEIR SEWAGE CHARGES MAY BE AS LOW AS \$9.5 TO \$11.2 A MONTH COMPARED WITH THE EXPECTED AVERAGE OF \$15 A MONTH," HE SAID.

MR EASON SAID "GIVEN THE LOW-USER EXEMPTION AND THE MODEST CHARGES PROPOSED FOR ALL OTHER USERS, THE SCHEME SHOULD BE ACCEPTABLE TO THE COMMUNITY."

HE SAID THE SEWAGE CHARGES WOULD BE BASED ON A FIXED SERVICE CHARGE OF \$7 PER MONTH AND 70 CENTS PER CUBIC METRE OF WATER CONSUMED SO THAT THE RESULTING REVENUE WOULD RECOVER THE OPERATING COSTS OF SEWAGE SERVICES.

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SINGLE PARENT TAX ALLOWANCE REVIEWED IN BUDGET

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TAX ALLOWANCE FOR SINGLE PARENTS IS REVIEWED ALONGSIDE OTHER SALARIES TAX ALLOWANCES IN THE CONTEXT OF THE BUDGET EACH YEAR.

ADJUSTMENTS ARE MADE HAVING REGARD TO THE NEED TO MAINTAIN THE REAL VALUE OF THE ALLOWANCE AND THE GOVERNMENT'S FISCAL POSITION.

THIS WAS STATED BY THE SECRETARY FOR THE TREASURY, MR DONALD TSANG, IN A WRITTEN REPLY TO THE HON LI WAH-MING IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

"IN RECOGNITION OF THE EXTRA FINANCIAL BURDEN THEY BEAR IN RAISING A FAMILY ON THEIR OWN, WE HAD SET THE ALLOWANCE AT A LEVEL WHICH WOULD PROVIDE SOME APPRECIABLE RELIEF TO THIS PARTICULAR CATEGORY OF TAXPAYERS," MR TSANG SAID.

/"UNDER EXISTING

"UNDER EXISTING LAW, A PERSON IS ENTITLED TO CLAIM A SINGLE PARENT ALLOWANCE IF AT ANY TIME DURING A YEAR OF ASSESSMENT HE HAD THE SOLE OR PREDOMINANT CARE OF A CHILD IN RESPECT OF WHOM HE WAS ENTITLED TO A CHILD ALLOWANCE," HE SAID.

HOWEVER, A CLAIM WOULD NOT BE ENTERTAINED UNDER THE FOLLOWING CONDITIONS:

- * IF AT ANY TIME IN THE YEAR OF ASSESSMENT HE WAS MARRIED AND LIVING WITH HIS SPOUSE; OR
- * HE CLAIMED THE ALLOWANCE BY REASON ONLY THAT HE MADE CONTRIBUTIONS TO THE MAINTENANCE AND EDUCATION OF THE CHILD DURING THE YEAR OF ASSESSMENT; OR
- * HE CLAIMED THE ALLOWANCE IN RESPECT OF THE SECOND AND SUBSEQUENT CHILD.

IN ADDITION, WHERE TWO OR MORE PERSONS ARE ENTITLED TO CLAIM THE ALLOWANCE IN RESPECT OF THE SAME CHILD FOR THE SAME YEAR OF ASSESSMENT, THE ALLOWANCE WILL BE APPORTIONED.

THE SINGLE PARENT CAN BE A MAN OR A WOMAN IN THIS CONTEXT UNDER THE LAW, HE ADDED.

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JUSTIFICATIONS FOR AGE REQUIREMENTS IN CERTAIN POSTS

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UNDER THE CIVIL SERVICE GUIDELINES, AGE REQUIREMENTS SHOULD ONLY BE LAID DOWN BY GOVERNMENT DEPARTMENTS WHEN THEY ARE CONSIDERED NECESSARY FOR OPERATIONAL REASONS.

SUCH REASONS MAY INCLUDE THE NEED FOR A CERTAIN DEGREE OF PHYSICAL FITNESS IN JOBS WHERE A SUBSTANTIAL AMOUNT OF MANUAL WORK HAS TO BE PERFORMED, THE NEED TO HAVE HAD RECENT EDUCATIONAL EXPOSURE TO MODERN TECHNOLOGY, OR FOR CERTAIN JOBS WHICH HAVE FREQUENT CONTACT WITH THE PUBLIC, TO HAVE A MATURE PERSONALITY.

IN A WRITTEN REPLY TO A QUESTION BY THE HON ANNA WU IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY), THE SECRETARY FOR THE CIVIL SERVICE, MR MICHAEL SZE, EXPLAINED THAT SETTING OUT AGE REQUIREMENTS IN SUCH CIRCUMSTANCES "HELPS TO REDUCE THE NUMBER OF APPLICATIONS FROM THOSE WHO ARE UNLIKELY TO BE FOUND SUITABLE".

"IT ALSO REDUCES THE RESOURCES NEEDED FOR CONDUCTING RECRUITMENT EXERCISES," HE ADDED.

ON THE AGE REQUIREMENTS FOR THREE GOVERNMENT POSTS QUOTED BY MISS WU, THE SECRETARY NOTED THAT THE AGE LIMIT FOR THE TEMPORARY CLERK IN THE SOCIAL WELFARE DEPARTMENT WAS SUBSEQUENTLY WITHDRAWN.

THE COMPANIES REGISTRY HAS DECIDED NOT TO STIPULATE AGE REQUIREMENTS IN ITS FUTURE RECRUITMENT NOTICES.

THE VACANCY FOR A PERSONAL SECRETARY II IN THE LAND REGISTRY HAS ALREADY BEEN FILLED BY A PERMANENT STAFF AND NO TEMPORARY POSITION WILL BE OFFERED FOR THE TIME BEING.

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RECLAMATION WORKS DO NOT AFFECT MARINE TRAFFIC

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THE CENTRAL AND WANCHAI RECLAMATION ACTIVITIES DO NOT AFFECT THE SAFETY OF VESSEL TRAFFIC, THE SECRETARY FOR ECONOMIC SERVICES, MR GORDON SIU, TOLD THE LEGISLATIVE COUNCIL.

THIS IS BECAUSE THE PROJECTS ARE CARRIED OUT OUTSIDE THE CENTRAL FAIRWAY, HENCE THE WIDTH OF THE FAIRWAY WILL NOT BE REDUCED.

HOWEVER, VESSEL TRAFFIC ALONG THE FAIRWAY HAS BECOME BUSIER AS THE AREA OF NAVIGABLE WATERWAY IS REDUCED OWING TO RECLAMATION, MR SIU SAID IN A WRITTEN REPLY TO A QUESTION BY THE HON ALBERT CHAN.

TO REDUCE THE IMPACT AND TO MAINTAIN EFFICIENCY OF NAVIGATION, MR SIU SAID THE MARINE DEPARTMENT HAD CAREFULLY PRE-PLANNED RECLAMATION WORKS IN CONJUNCTION WITH RELEVANT WORKS DEPARTMENTS.

DETAILED INSTRUCTIONS ARE SENT OUT TO CONTRACTORS TO UNDERTAKE SAFETY PRECAUTIONS.

THE DEPARTMENT CONSULTS AND GIVES ADVICE TO PILOTS, FERRY OPERATORS AND LOCAL VESSEL ASSOCIATIONS AND OTHER MAJOR PORT USERS.

IT HAS ALSO STEPPED UP HARBOUR PATROLS AND HAS MAINTAINED CLOSE COMMUNICATION WITH ALL PARTIES. TWO ADDITIONAL PATROL LAUNCHES WILL BE DEPLOYED IN MAY.

MR SIU SAID IN VIEW OF THE LIKELY IMPACT ON MARINE TRAFFIC OF TERRITORY-WIDE INFRASTRUCTURE DEVELOPMENT, THE MARINE DEPARTMENT WOULD UNDERTAKE A NUMBER OF ACTIVITIES.

THE ACTIVITIES INCLUDE:

- * CONDUCTING A FULL NAVIGATIONAL RISK ASSESSMENT FOR THE WHOLE OF HONG KONG WATERS;
- * IDENTIFYING MARINE TRAFFIC BLACK SPOTS AND INDUSTRY MALPRACTICES AND DEVISING APPROPRIATE CONTROL MEASURES; AND
- * EXAMINING THE PORT AND WATERWAY LAYOUTS WITH A VIEW TO IDENTIFYING THE SAFEST, MOST ECONOMIC AND EFFICIENT MARINE TRAFFIC FLOW. AS PART OF THIS REVIEW, NEW FAIRWAYS AND ANCHORAGES IN THE WESTERN HARBOUR AREA WILL BE INTRODUCED LATER THIS YEAR.

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POLICE FIGHT TRIAD EXTORTION AT TWO LEVELS

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THE POLICE HAVE DEPLOYED CONSIDERABLE RESOURCES AT REGIONAL AND DISTRICT LEVELS TO FIGHT TRIAD EXTORTION OF PUBLIC LIGHT BUSES.

THIS WAS STATED BY THE SECRETARY FOR SECURITY, MR ALISTAIR ASPREY, IN A WRITTEN REPLY TO A QUESTION BY THE HON LAU CHIN-SHEK IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

"AT REGIONAL LEVEL, INTELLIGENCE-BASED OPERATIONS ARE MOUNTED USING UNDERCOVER OFFICERS IN OPERATIONS WHICH HAVE HAD CONSIDERABLE SUCCESS," MR ASPREY SAID.

AT DISTRICT LEVEL, BOTH UNIFORMED AND PLAIN-CLOTHED OFFICERS ARE REGULARLY DEPLOYED ON THE ROUTES AND NEAR QUEUES TO REASSURE THE PUBLIC AND GLEAN INTELLIGENCE ON THE CURRENT SITUATION, HE SAID.

THE NUMBER OF CASES REPORTED TO THE COMMISSIONER OF POLICE ABOUT PUBLIC LIGHT BUS DRIVERS OR OPERATORS BEING BLACKMAILED OR EXTORTED BY TRIADS WAS NINE LAST YEAR AND ONE EACH IN 1992 AND 1991.

AS A RESULT OF THESE COMPLAINTS, TWO PEOPLE WERE PROSECUTED IN 1991; NONE IN 1992; AND EIGHT LAST YEAR.

THE NUMBER OF PERSONS CONVICTED WAS TWO IN 1991; NONE IN 1992; AND ONE LAST YEAR; THE PROSECUTION OF SIX PERSONS HAS NOT YET BEEN CONCLUDED.

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NO CONTRADICTORY STATEMENTS ON CONSULAR PROTECTION

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THE BRITISH FOREIGN OFFICE AND THE SECURITY BRANCH HAVE GIVEN NO CONTRADICTORY STATEMENTS ON THE ISSUE OF CONSULAR PROTECTION FOR BRITISH NATIONALS UNDER THE BRITISH NATIONALITY SELECTION SCHEME.

THIS WAS STATED BY THE SECRETARY FOR SECURITY, MR ALISTAIR ASPREY, IN A WRITTEN REPLY TO A QUESTION BY THE HON HENRY TANG YING-YEN IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

BUT, AS A MATTER OF INTERNATIONAL LAW, A PERSON WITH DUAL NATIONALITY IS NOT GIVEN CONSULAR PROTECTION IN THE COUNTRY OF HIS SECOND NATIONALITY, MR ASPREY SAID.

"IT FOLLOWS THAT THE UK CANNOT GIVE A DUAL BRITISH/CHINESE NATIONAL CONSULAR PROTECTION IN HONG KONG AFTER 1997," HE ADDED.

THE QUESTION OF WHETHER BRITISH NATIONALITY WAS OBTAINED THROUGH THE SELECTION SCHEME OR IN ACCORDANCE WITH ANY OTHER PROVISIONS OF BRITISH NATIONALITY LEGISLATION IS IRRELEVANT, HE SAID.

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MANAGEMENT IN PUBLIC HOUSING ESTATES SATISFACTORY

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THE PERFORMANCE OF THE AGENCIES AND COMPANIES MANAGING HOME OWNERSHIP SCHEME (HOS) AND PRIVATE SECTOR PARTICIPATION SCHEME (PSPS) ESTATES IS GENERALLY SATISFACTORY, ACCORDING TO THE FEEDBACK FROM RESIDENTS.

VERY FEW COMPLAINTS HAVE BEEN RECEIVED BY THE HOUSING DEPARTMENT ABOUT THE PERFORMANCE OF THESE ESTATE MANAGERS.

THIS WAS STATED BY THE SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS, MR TONY EASON, IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY) IN A WRITTEN REPLY TO A QUESTION BY THE REV HON FUNG CHI-WOOD.

MR EASON SAID THE HOS ESTATES WERE NORMALLY MANAGED BY PROPERTY MANAGEMENT AGENTS (PMAS) WHO WERE INCLUDED ON THE HOUSING AUTHORITY'S APPROVED LIST SUBJECT TO COMPLIANCE WITH A SET OF OBJECTIVE REQUIREMENTS.

/"THEIR PERFORMANCE

"THEIR PERFORMANCE IS MONITORED BY HOUSING MANAGERS OF THE HOUSING DEPARTMENT WHO PAY REGULAR VISITS TO THE HOS ESTATES AND REPORT ON THE MANAGEMENT SERVICES PROVIDED.

"PMAS ARE ALSO REQUIRED TO SUBMIT MONTHLY REPORTS TO THE SUPERVISING HOUSING MANAGER ON ESTATE MANAGEMENT," HE SAID.

FOR PSPS ESTATES, HE SAID, THE DEVELOPERS ARE RESPONSIBLE FOR APPOINTING AND SUPERVISING MANAGEMENT COMPANIES.

THE HOUSING DEPARTMENT IS INVOLVED IN PRESCRIBING PERFORMANCE STANDARDS BY VETTING MANAGEMENT PROPOSALS SUBMITTED BY DEVELOPERS AT THE PROJECT TENDER STAGE.

SINCE DECEMBER 1991, THE APPOINTMENT OF MANAGEMENT COMPANIES BY PSPS DEVELOPERS MUST ALSO BE APPROVED BY THE DIRECTOR OF HOUSING WHO TAKES ACCOUNT OF THE MANAGEMENT EXPERIENCE, PAST PERFORMANCE, ORGANISATIONAL STRUCTURE AND FINANCIAL STATUS OF THE COMPANIES.

EACH OF THE 15 PMAS CURRENTLY ON THE APPROVED LIST AS WELL AS THE MANAGEMENT COMPANIES OF PSPS ESTATES HAS ITS OWN STAFF MANAGEMENT POLICY.

TO ENSURE QUALITY OF SERVICE, THE HOUSING DEPARTMENT MAINTAINS CLOSE LIAISON WITH THE PMAS AND MANAGEMENT COMPANIES, PAYS REGULAR VISITS TO ESTATES AND ADVISES HOW TO IMPROVE THE STANDARD OF SERVICE.

THE HOUSING DEPARTMENT WILL REPORT UNSATISFACTORY PERFORMANCE BY ESTATE MANAGERS TO THEIR COMPANIES FOR APPROPRIATE ACTION.

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SERVICES FOR SCHOOL DROP-OUTS TO BE STRENGTHENED

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TO STRENGTHEN THE EXISTING SERVICES TO SCHOOL DROP-OUTS, AN ADDITIONAL 39 SCHOOL SOCIAL WORKERS WILL BE PROVIDED IN 1994/95.

BY 1995/96, THE RATIO OF SCHOOL SOCIAL WORKERS TO STUDENTS WILL BE RAISED FROM THE EXISTING 1 TO 2,500 TO 1 TO 2,000.

THE NUMBER OF EDUCATIONAL PSYCHOLOGISTS WILL ALSO BE INCREASED BY FIVE PER YEAR, BRINGING THE TOTAL NUMBER FROM THE PRESENT 33 TO 71 BY THE YEAR 2000/2001.

THIS WAS STATED BY THE SECRETARY FOR EDUCATION AND MANPOWER, MR MICHAEL LEUNG, IN A WRITTEN REPLY TO A QUESTION BY THE HON TIMOTHY HA WING-HO IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

MR LEUNG SAID APART FROM PREVENTIVE MEASURES WHICH HAD BEEN STRENGTHENED THROUGH EMPHASIS ON SCHOOL-BASED COUNSELLING AND SUPPORT, THERE WERE OTHER SERVICES AVAILABLE TO DROP-OUTS.

THEY INCLUDED ASSESSMENT AND THERAPEUTIC SERVICES; ADJUSTMENT PROGRAMMES FOR THOSE WITH EMOTIONAL AND BEHAVIOURAL DIFFICULTIES; PROGRAMMES FOR RE-INTEGRATION INTO MAINSTREAM SCHOOLS; AND INTENSIVE REMEDIAL TEACHING SERVICE AFTER RESUMPTION OF SCHOOLING.

AT PRESENT, THE EDUCATION DEPARTMENT OPERATES AN EARLY NOTIFICATION SYSTEM UNDER WHICH SCHOOLS ARE ENCOURAGED TO REPORT BY TELEPHONE ABSENCE WITHOUT PERMISSION FOR SEVEN DAYS.

THIS IS IN ADDITION TO THE REQUIREMENT TO FURNISH WRITTEN REPORTS INVOLVING UNAUTHORISED ABSENCE OF 14 DAYS.

"UPON RECEIPT OF REPORTS OF SUSPECTED DROP-OUTS FROM SCHOOLS, THE EDUCATION DEPARTMENT WILL ASSESS THE REASONS FOR THEIR ABSENCE FROM CLASS AND, IN THE LIGHT OF FINDINGS, SEEK TO PLACE THE STUDENTS IN SCHOOLS MOST ABLE TO MEET THEIR INDIVIDUAL NEEDS," MR LEUNG EXPLAINED.

"THIS PROCESS REQUIRES THE CO-OPERATION OF PARENTS, SCHOOLS AND THE STUDENTS THEMSELVES.

"IT TAKES ABOUT TWO MONTHS FOR STRAIGHT-FORWARD CASES AND THREE OR FOUR MONTHS WHEN PROFESSIONAL ASSESSMENT AND COUNSELLING ARE INVOLVED."

THE DEPARTMENT SEEKS TO RETURN THE STUDENTS TO THE ORIGINAL SCHOOLS OR, IF APPROPRIATE, FACILITATE PROMPT PLACEMENT IN ALTERNATIVE SCHOOLS.

MR LEUNG ADDED THAT THE CODE OF AID WAS BEING AMENDED TO CLARIFY THE DIRECTOR'S POWERS TO PLACE STUDENTS IN SUCH CIRCUMSTANCES.

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REHABILITATION CARE FOR IN-PATIENTS

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THERE WERE 258 PHYSIOTHERAPISTS AND 463 OCCUPATIONAL THERAPISTS PROVIDING REHABILITATION CARE TO PATIENTS IN PUBLIC HOSPITALS AS AT THE END OF DECEMBER LAST YEAR, THE SECRETARY FOR HEALTH AND WELFARE, MRS ELIZABETH WONG, SAID.

IN A WRITTEN REPLY TO A QUESTION BY DR THE HON HUANG CHEN-YA IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY), MRS WONG POINTED OUT THAT ALL NURSING STAFF WERE TRAINED TO PROVIDE GENERAL PATIENT CARE, INCLUDING REHABILITATION SERVICES.

OF THE 288 DOCTORS WORKING IN THE SPECIALTIES OF GERIATRICS, RESPIRATORY MEDICINE AND ORTHOPAEDICS AND TRAUMATOLOGY, 100 HAVE ALSO RECEIVED TRAINING IN THEIR RESPECTIVE SPECIALTIES WITH A SIGNIFICANT COMPONENT OF REHABILITATION CARE.

IN 1992/93, THERE WERE ABOUT 90,000 IN-PATIENTS REQUIRING REHABILITATION CARE MAINLY IN GERIATRIC, PULMONARY AND ORTHOPAEDIC SERVICES.

THEIR AVERAGE LENGTH OF STAY WAS 18 DAYS.

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PARKING RENTAL INCREASES REASONABLE

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THE MONTHLY CHARGES FOR PARKING SPACES IN HOME OWNERSHIP SCHEME (HOS) ESTATES WERE INCREASED BY ABOUT 20 PER CENT IN JANUARY THIS YEAR, THE SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS, MR TONY EASON, TOLD THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

IN A WRITTEN REPLY TO A QUESTION BY DR THE HON TANG SIU-TONG, MR EASON SAID THESE INCREASES WERE GENERALLY CONSIDERED REASONABLE AS THE NEW CHARGES REPRESENT ABOUT 80 PER CENT OF THE PREVAILING MARKET RATES.

MR EASON SAID THE HOUSING DEPARTMENT WAS AWARE OF RECENT COMPLAINTS FROM PRIVATE SECTOR PARTICIPATION SCHEME (PSPS) FLAT OWNERS CONCERNING INCREASES IN CAR PARK CHARGES BUT THESE HAD BEEN FEW IN NUMBER.

HE SAID THE PROVISION OF CAR PARKING SPACES IN HOS/PSPS ESTATES WAS PLANNED ON THE BASIS OF ASSESSED NEED.

THE RATIO OF PARKING SPACES FOR PRIVATE CARS TO RESIDENTIAL UNITS IN HOS/PSPS ESTATES IS 1:5 TO 8 FLATS IN THE METROPOLITAN AREA AND 1:8 TO 11 FLATS IN NON-METROPOLITAN AREA.

AT PRESENT, THERE ARE MORE THAN 15,000 AND 10,000 PARKING SPACES IN HOS AND PSPS ESTATES RESPECTIVELY.

MR EASON SAID CAR PARKS IN THE PSPS ESTATES WERE OWNED BY PRIVATE DEVELOPERS BUT MOST OF THE PARKING SPACES HAD BEEN SOLD TO INDIVIDUAL PURCHASERS.

HE NOTED THAT UNDER THE CONDITIONS OF SALE FOR EXISTING PSPS ESTATES, THE USE OF CAR PARKS WAS RESTRICTED TO RESIDENTS ONLY BUT NOT THEIR OWNERSHIP.

"THE GOVERNMENT IS AWARE THAT CAR PARKS IN PSPS ESTATES HAVE BEEN SOLD IN LOTS BY THE DEVELOPERS TO SINGLE PURCHASERS WHO LATER RESELL OR LET FOR PROFIT.

"IN ORDER TO LIMIT THIS PRACTICE, THE CONDITIONS OF SALE OF NEW PSPS SITES WERE REVISED IN 1993 TO RESTRICT OWNERSHIP OF CAR PARKS IN FUTURE PROJECTS TO FLAT OWNERS AND TO PREVENT ANY FLAT OWNER FROM OWNING MORE THAN ONE PARKING SPACE," MR EASON SAID.

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OPEN RECRUITMENT FOR CDI PROFESSIONAL POSTS

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THE TARGET TO FILL 60 PER CENT OF THE PROFESSIONAL POSTS IN THE EDUCATION DEPARTMENT'S CURRICULUM DEVELOPMENT INSTITUTE BY OPEN RECRUITMENT ON CONTRACT TERMS WILL BE ACHIEVED BY 1998/99.

IN A WRITTEN REPLY TO A QUESTION BY THE HON TIK CHI-YUEN IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY), THE SECRETARY FOR EDUCATION AND MANPOWER, MR MICHAEL LEUNG, SAID THIS WOULD BE ACHIEVED THROUGH THE CONVERSION OF CIVIL SERVICE POSTS TO NON-CIVIL SERVICE POSTS FOLLOWING THE RETIREMENT OR RESIGNATION OF STAFF IN THE INSPECTOR GRADE.

/AT PRESENT

AT PRESENT, THERE ARE 130 PROFESSIONAL POSTS IN THE INSTITUTE, OF WHICH 32 (OR 25 PER CENT) ARE FILLED THROUGH OPEN RECRUITMENT.

THE NUMBER IS EXPECTED TO INCREASE TO 44 (OR 34 PER CENT) BY 1994/95.

"AT THIS RATE, THE 60 PER CENT TARGET WOULD BE ACHIEVED BY 1998/99," MR LEUNG ADDED.

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CONTROL STEPPED UP TO REDUCE WATER MAINS BURST.

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THE WATER SUPPLIES DEPARTMENT IS NOW STEPPING UP CONTROL ON EXCAVATION WORKS NEAR WATER MAINS BY CONDUCTING REGULAR INSPECTION ON ROAD WORKS AND ADVISING CONTRACTORS ON THE METHOD OF PREVENTING DAMAGE TO THE WATER MAINS.

THIS WAS STATED BY THE SECRETARY FOR WORKS, MR JAMES BLAKE, IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY) A WRITTEN REPLY TO A QUESTION ABOUT FLUSHING WATER SUSPENSIONS IN PUBLIC HOUSING ESTATES BY THE HON LEE WING-TAT.

MR BLAKE NOTED THAT THERE WERE 244 PUBLIC HOUSING ESTATES AND THE AVERAGE NUMBER OF FLUSHING WATER SUSPENSION PER HOUSING ESTATE PER YEAR WAS LESS THAN ONE IN THE LAST THREE YEARS.

THE SUSPENSION CASES, MOST OF WHICH AFFECTED ONLY PART OF THE HOUSING ESTATE, WERE CAUSED BY MAINS BURST AND MAINTENANCE AND CONNECTION WORK IN DISTRIBUTION MAINS OUTSIDE THE BOUNDARY OF PUBLIC HOUSING ESTATES.

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HELP FOR HK TOURISTS

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THE GOVERNMENT HAS RECEIVED THREE REQUESTS FOR HELP FROM FAMILY MEMBERS WHO HAVE LOST CONTACT WITH RELATIVES VISITING THAILAND OVER THE PAST THREE YEARS.

THIS WAS STATED BY THE SECRETARY FOR SECURITY, MR ALISTAIR ASPREY, IN A WRITTEN REPLY TO A QUESTION BY THE HON CHIM PUI-CHUNG IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

IN EACH CASE, THE BRITISH EMBASSY IN BANGKOK WAS CONTACTED FOR ASSISTANCE, HE SAID.

REGARDING THE FOUR CASES OF HONG KONG RESIDENTS NOW BELIEVED TO HAVE BEEN MURDERED IN THAILAND, MR ASPREY SAID THE GOVERNMENT DID NOT RECEIVE ANY REQUEST FOR HELP.

HE ADDED THAT THROUGH THE FOREIGN AND COMMONWEALTH OFFICE (FCO), THE IMMIGRATION DEPARTMENT HAD SOUGHT DETAILS OF THE FOUR HONG KONG TOURISTS FROM THE BRITISH EMBASSY IN BANGKOK, WHICH HAD ALSO LIAISED WITH THE FAMILIES OVER FUNERAL ARRANGEMENTS.

/"WE UNDERSTAND

"WE UNDERSTAND THAT THE THAI POLICE ARE CONTINUING THEIR INVESTIGATIONS INTO THE CASE," THE SECRETARY SAID.

ON MEASURES TO PROTECT LOCAL PEOPLE ON OVERSEAS TOURS, MR ASPREY SAID BASED ON INFORMATION FROM THE FCO, THE GOVERNMENT ISSUED TRAVEL ADVICE, THROUGH THE MEDIA, WHENEVER THERE WAS A SPECIAL NEED TO DO SO.

IN ADDITION, PEOPLE TRAVELLING IN TOUR GROUPS GET ADVICE FROM THEIR TOUR OPERATORS, HE ADDED.

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GUIDELINES FOR SITING OF FUNERAL PARLOURS

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ALTHOUGH RIGID CRITERIA FOR SITING A FUNERAL PARLOUR, SUCH AS DISTANCES FROM HOUSING ESTATES OR OTHER AREA, WERE NOT LAID DOWN, THEY SHOULD BE SEPARATED FROM RESIDENTIAL AND COMMERCIAL DEVELOPMENTS BY TOPOGRAPHICAL FEATURES OR LAND USES SUCH AS COMMUNITY FACILITIES, PUBLIC UTILITIES OR OPEN SPACE AS FAR AS POSSIBLE.

THESE GUIDELINES HAVE BEEN FOLLOWED IN SELECTING THE FUNERAL PARLOUR SITE IN TIN SHUI WAI.

THIS WAS STATED BY THE SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS, MR TONY EASON, IN A WRITTEN REPLY TO A QUESTION FROM THE HON ZACHARY WONG IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

MR EASON NOTED THAT OTHER SITES IN AREA 14 AND ELSEWHERE IN TIN SHUI WAI HAD ALSO BEEN CONSIDERED BUT FOUND TO BE LESS SUITABLE.

NOTING THAT FUNERAL PARLOURS PROVIDED AN ESSENTIAL COMMUNITY SERVICE ALTHOUGH THEY MIGHT NOT BE WELCOME IN URBAN AREAS, MR EASON SAID THE FUNERAL PARLOUR IN TIN SHUI WAI WOULD BE OPERATED ON A NON-PROFIT BASIS FOR THE BENEFIT OF THE LESS WELL OFF MEMBERS OF THE COMMUNITY.

"IT IS PROPOSED THAT THE SITE SHOULD BE GRANTED BY PRIVATE TREATY TO THE POK OI HOSPITAL WHICH HAS LONG EXPERIENCE IN PROVIDING NON-PROFIT-MAKING COMMUNITY SERVICES," HE SAID.

THE DRAFT TIN SHUI WAI OUTLINE ZONING PLAN, WHICH WOULD INCORPORATE THE SITE, WAS UNDER PREPARATION AND WOULD BE GAZETTED LATER THIS YEAR, HE SAID, ADDING THAT THE LAND GRANT WOULD BE TAKEN FORWARD THEREAFTER SUBJECT TO THE OUTCOME OF THE STATUTORY OBJECTION PROCEDURES.

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