



DAILY INFORMATION BULLETIN

ISSUED BY GOVERNMENT INFORMATION SERVICES
GARDEN ROAD, 5th-8th FLOORS, MURRAY BUILDING,
HONG KONG. TEL.: 2842 8777

Wednesday, March 12, 1997

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JLG expert talks scheduled

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This (Wednesday) evening, a spokesman for the Hong Kong Government in response to press enquiries welcomed the scheduling of a number of JLG expert talks later in the week:

- * Defence and Public Order(DPO) at 10.00 am on March 13;
- * Right of Abode at 2.30 pm on March 13;
- * Handover Ceremony at 9.30 am on March 14.

These talks follow the round of discussions held this afternoon at 28 Kennedy road on air Services Agreements and legal issues.

The spokesman noted that both sides would wish to make as much progress as possible at JLG XXXIX. "The scheduling of so many meetings in the run up to next week's Plenary is good news. We hope that as a result the two sides will be able to announce a number of agreements after the Plenary."

When asked about the Chinese side's appearance at 28 Kennedy Road this morning, the spokesman said that he was surprised. "The Chinese side knew that the DPO talks would not be taking place this morning. The two sides were discussing the reordering of the time table. This was to make the most use of the limited time left. These discussions have been successful and we can now look forward to a series of meetings over the next two days."

End

New Yau Tsim Mong District Officer appointed

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Ms Rebecca Pun will assume the post of Yau Tsim Mong District Officer tomorrow (Thursday), replacing Mr Bart Ireland.

Ms Pun, aged 34, joined the Administrative Service in 1987 and was promoted to Senior Administrative Officer in 1995.

She has served in the Civil Service Branch, the former City and New Territories Administration, the Central Policy Unit and the former Recreation and Culture Branch.

Ms Pun's last posting was Assistant Secretary for Health and Welfare.

End

34 new building plans approved in January

The Buildings Department approved a total of 34 building plans in January - seven on Hong Kong Island, 13 in Kowloon and 14 in the New Territories.

The approved plans covered 13 for apartment and apartment/commercial developments, seven for commercial developments, 10 for factory and industrial developments, and four for community services developments.

Consent was given in the month for work to start on 47 building projects, which will provide 100,513 square metres of usable domestic floor area and 116,623 square metres of usable non-domestic floor area on completion.

The department also issued 25 Occupation Permits - five on Hong Kong island, eight in Kowloon and 12 in the New Territories.

Of the buildings certified for occupation in January, the usable floor area for domestic and non-domestic uses was 44,253 square metres and 51,221 square metres respectively.

The declared cost of new buildings completed totalled about \$1,161 million.

In addition, 21 demolition consents involving 72 buildings and structures were issued.

The department's Control and Enforcement Division received 938 complaints of unauthorised building works in January, and issued 177 Removal Orders on unauthorised works.

End



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SUPPLEMENT

Wednesday, March 12, 1997

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Government discourages use of plastic wrappers for mailing

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Following is a question by Dr the Hon Samuel Wong Ping-wai and a written reply by the Secretary for Economic Services, Mr Stephen Ip, in the Legislative Council today (Wednesday):

Question:

It is learnt that a substantial amount of postal articles are wrapped in plastic envelopes or bags, thus presenting considerable sorting and stamping problems to the Post Office which requires extra manpower and time to handle such articles. The use of plastic materials for such a purpose also causes environmental problems. In this connection, will the Government inform this Council whether it will consider prohibiting people from posting their mail in plastic envelopes or bags?

Reply:

Mr President,

Use of plastic wrappers is common for mailing heavy weight printed paper items (exceeding 50g) and less common for letter size mail items. Processing letter size mail items packed in plastic envelopes poses operational problems for the Post Office: such mail cannot be processed by the mechanised letter sorting system and have to be manually sorted. Heavy weight mail, whether packed in plastic wrappers or not, have to be sorted manually. Mail packed in plastic wrappers must be posted in bulk and postage is prepaid by means of the Permit Mailing System or postage franking impressions. As such, the datestamping problem does not arise.

The Universal Postal Union, an international postal organisation, permits the use of plastic wrappers for mailing. We understand that no postal administrations disallow the use of plastic wrappers in the post. The Hong Kong Post Office, as part of the international postal network, has no plans to prohibit posting of mail in plastic wrappers.

It is the established policy of the Post Office to discourage the use of plastic wrappers in the post. Since June 1995, printed papers of less than 50g mailed in plastic wrappers have been charged at rates higher than the normal postage payable (ranging from 8% to 16%). The Post Office will continue to encourage their customers to use more environmentally friendly packaging.

End

Clinical wastes treatment at Chemical Waste Treatment Centre under consideration

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Following is a question by the Hon Lee Wing-tat and a written reply by the Secretary for Planning, Environment and Lands, Mr Bowen Leung, in the Legislative Council today (Wednesday):

Question:

It is learnt that the Environmental Protection Department (EPD) is formulating a plan for the delivery of the territory's clinical wastes to the Chemical Waste Treatment Centre (CWTC) on Tsing Yi Island for disposal. In this connection, will the Government inform this Council whether:

- (a) the EPD's move to formulate such a plan is because of the drastic drop in the amount of chemical wastes disposed of at the CWTC last year;
- (b) an Environmental Impact Assessment will be undertaken on the above plan; and
- (c) the EPD will suspend its plan to construct a purpose-built centralised incineration facility for the disposal of all clinical wastes generated in the territory?

Reply:

Mr President,

- (a) The consideration to treat clinical waste at the Chemical Waste Treatment Centre (CWTC) is not connected to the amount of chemical waste treated. The Administration submitted a paper on the Centralised Incineration Facility for Special Wastes (CIF) to the Public Works Subcommittee of Finance Committee in May 1995. During that meeting, Members requested more information on whether the proposed CIF was the most cost-effective means of treating clinical waste and if there were alternatives. The Administration therefore conducted a review on the possibility of utilising existing incinerators, including the CWTC, to treat clinical waste and is now assessing the available options.
- (b) If the option of disposing of clinical waste at the CWTC was favoured, an Environmental Impact Assessment would be conducted before making a final decision.
- (c) No decision has been taken on the construction of the CIF.

End

Ma On Shan water supply contamination caused by error of sub-contractor

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Following is a question by the Hon Choy Kan-pui and a written reply by the Secretary for Housing, Mr Dominic Wong, in the Legislative Council today (Wednesday):

Question:

Regarding the incident concerning the fresh water supply in two newly occupied estates in Ma On Shan - a public housing estate and a Home Ownership Scheme (HOS) estate - becoming salty several days ago, does the Government know:

- (a) which departments should be responsible for the above incident, and whether the residents and shop owners who have suffered losses or injuries as a result of the incident will be compensated; and
- (b) of the total number of cases involving fresh water supply problems in public housing estates and HOS estates of the Housing Authority in the past three years, the classification of such cases, and whether there are any of such cases for which the Government should bear responsibility?

Answer:

Mr President,

The Housing Department has completed an investigation into the water contamination incident which occurred on 1 March 1997 in a public housing estate and a subsidised home ownership estate in Ma On Shan. The investigation report has been submitted to the Chairman of the Housing Authority, and the findings have been released publicly. The Building Committee of the Housing Authority will examine the report, decide on appropriate follow-up action and recommend whether any disciplinary action should be taken against the contractor or other parties involved.

The report confirmed that the incident was caused by an error made by a sub-contractor in connecting the fresh water and salt water mains on a construction site of the Housing Authority. The main contractor has undertaken to examine all claims by residents for compensation arising from the incident.

There were 1,777 cases of fresh water supply problems in public rental housing and subsidised home ownership estates in the past three years. The breakdowns were due to equipment or pipe failure, electricity supply failure, shutdown of water supply by the Water Supplies Department and vandalism. None of these cases showed negligence on the part of the Government. Apart from the incident on 1 March, there were no other cases of fresh water supply being contaminated by salt water supply.

End

"Tun Fu" ceremonies

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The following is a question by the Hon Albert Chan Wai-yip and a written reply by the acting Secretary for Home Affairs, Mrs Stella Hung, in the Legislative Council today (Wednesday):

Question:

It is learnt that in major works projects undertaken by the Government in the rural area, a certain sum from the project vote will be set aside to meet the expenses incurred in connection with "Tun Fu" ceremonies. However, no funds are reserved for "Tun Fu" ceremonies in respect of minor projects, and this has resulted in a number of minor maintenance and improvement works not being proceeded with. In this regard, will the Government inform this Council whether it will review the budgets for minor works projects so that District Offices will be provided with adequate funds to meet "Tun Fu" expenses in special circumstance; if so, when the review will take place; if not, why not?

Answer:

Government does not set aside a sum of money from the project vote to meet expenses in connection with "Tun Fu" ceremonies for its works projects, regardless of the size of the projects concerned. Any claims for "Tun Fu" payments are considered on their own merits. If approved, these will be paid in the form of ex-gratia allowance under Head 701 "Land Acquisition" of the Capital Works Reserve Fund in the case of public works projects. Claims for non public works projects are paid from Head 91 Subhead 221 under the General Revenue Account.

Minor works projects undertaken by Government in rural areas mainly cover improvement and maintenance works and are funded under the Capital Works Reserve Fund. These are generally carried out at the request of the local community to improve local conditions. Claims for "Tun Fu" payments will be considered in accordance with the established procedures.

End

Workload of the Privacy Commissioner for Personal Data

* * * * *

The following is a question by the Hon David Li and a written reply by the acting Secretary for Home Affairs, Mrs Stella Hung, in the Legislative Council today (Wednesday):

Questions:

The Privacy Commissioner for Personal Data recently stated that the number of complaints received by his Office since the implementation of the Personal Data (Privacy) Ordinance in December last year was running at about one per day, and he expressed concern that the 32 staff members in the Office might not be able to cope with the workload. In this connection, will the Government inform this Council whether it will consider allocating additional resources to the Office to cope with the workload?

Reply:

Mr President,

It is true that the Privacy Commissioner for Personal Data has been receiving, on average, one formal complaint per working day since the core provisions in the Personal Data (Privacy) Ordinance came into effect on December 20, 1996. He has also been receiving about 40 enquiries a day. As at the end of February 1997, he has received a total of 39 formal complaints and about 1,700 enquiries.

The handling of complaints and enquiries is only one of the many functions of the Commissioner. His other functions include, for example, promoting awareness and understanding of the Ordinance and also, promoting and assisting bodies representing data users to prepare codes of practice on compliance with the Ordinance.

In considering whether or not additional resources should be allocated to the Commissioner, we have to consider first, the workload of his office as a whole and secondly, the relative priority of competing demands for additional resources.

I fully appreciate the excellent work put in by the Commissioner and his staff and I know that they have been working very hard. Naturally the workload of an office is particularly heavy in the initial stage of its establishment. Since the office has been in full operation for less than three months, it is too early to tell whether any additional resources are required in the longer term.

I can assure Members that despite the very heavy workload of the office, it has been able to cope with the processing of complaints and other important tasks.

End

Reinsurance companies

* * * * *

Following is a question by Dr the Hon Huang Chen-ya and a written reply by the Secretary for Financial Services, Mr Rafael Hui, in the Legislative Council today (Wednesday):

Question:

It is learnt that in recent years, there have been a number of serious frauds in the United Kingdom involving some reinsurance companies, and this has undermined the financial health of insurance companies. In view of this, will the Government inform this Council:

- (a) Whether locally registered insurance companies are allowed to enter into reinsurance arrangements with reinsurance companies which are not registered in the territory; if so, of the amount of such reinsurance premiums and the proportion of this amount to the total amount of reinsurance premiums of these insurance companies.
- (b) Whether there are any locally-registered insurance companies which have suffered losses as a result of the reinsurers running into operational problems in the past five years; if so, of the number of insurance companies so affected and their respective losses.
- (c) Of the measures taken by the Office of the Commissioner of Insurance to regulate the operations of the non-locally registered reinsurance companies which enter into reinsurance arrangements with locally-registered insurance companies?

Reply:

Mr President,

- (a) The purpose of reinsurance is to spread the risks of an insurance company. It has been the practice for insurance companies world-wide to reinsure both locally and overseas in order to achieve adequate spreading. The Insurance Companies Ordinance ("the Ordinance") does not prohibit insurance companies authorized in Hong Kong from entering into reinsurance arrangements with reinsurance companies not authorized here. An insurance company is required under the Ordinance to submit to the Insurance Authority ("IA") the reinsurance premiums it pays to all its reinsurers, but a breakdown into those paid to reinsurance companies authorized or not authorized in Hong Kong is not required. Whilst such a breakdown is not required for prudential regulation, the IA estimates that, of the \$6.8 billion of reinsurance premiums paid out by the Hong Kong general business insurance companies, about \$3.9 billion (i.e. 58%) went overseas to reinsurance companies not authorized in Hong Kong.
- (b) An insurance company may occasionally be unable to obtain recovery of claims from the reinsurance companies for various reasons, including operational problems and insolvency of the reinsurance companies. Any non-recovery of claims from reinsurance companies will be treated as bad debts and will be written-off by an insurance company in the normal course of business. The Ordinance does not require such non-recovery of claims to be reported separately in the financial statements to be submitted to the IA, and hence we have no information in this respect. According to our records, no insurance company in Hong Kong has been affected in the past 5 years by non-recovery of claims from reinsurance companies to an extent which rendered it unable to meet the solvency margin requirement under the Ordinance. This is probably because reinsurance, for the purpose of spreading risks, is normally placed with a panel of reinsurance companies (sometimes more than 20). It is therefore unlikely that failure of a single reinsurance company would significantly affect the solvency position of the insurance company concerned.

- (c) The overseas operations of reinsurance companies not authorized in Hong Kong are not subject to the regulation of the Ordinance. However, an insurance company in Hong Kong wishing to place reinsurance with any reinsurance company (whether authorized in Hong Kong or not) will be subject to, inter alia, the requirement for adequate reinsurance arrangements. Each year an insurance company is required to submit particulars of its reinsurance arrangements to the IA for inspection. These particulars include the type of reinsurance treaties, the limits under those treaties and the identities of the reinsurance companies.

In determining the adequacy of reinsurance arrangements, the IA will take into account, inter alia, the financial condition of the reinsurance companies concerned by making reference to their financial statements and other relevant information such as rating publications. In case of doubt, the IA would also consult the relevant insurance authorities responsible for the regulation of the companies concerned in their places of incorporation. If the IA is not satisfied with the financial condition of a reinsurance company, the amount recoverable from the company will be excluded in assessing the solvency position of the locally authorised insurance company. Alternatively, the insurance company may be required to remove and substitute the reinsurance company concerned from its panel of reinsurance companies.

End

Study on Citizen Card Scheme

* * * * *

Following is a question by the Hon Zachary Wong and a written reply by the Secretary for Health and Welfare, Mrs Katherine Fok, in the Legislative Council today (Wednesday):

Question:

At the meeting of the LegCo Panel on Welfare Services held on 10 January this year, officials from the Social Welfare Department stated that they were in the process of commissioning a consultancy firm to study how the Senior Citizen Card Scheme can be improved. In this connection, will the Government inform this Council:

- (a) of the scope of the above study;

- (b) of the expected commencement and completion dates of the study; and
- (c) whether the public will be consulted on the results of the study?

Reply:

- (a) The study will include a users' survey to obtain data on the rate and pattern of utilisation of the Senior Citizen Card by cardholders, and the attitudes and views of the elderly on the utilisation and coverage of the Scheme. The consultants will be asked to formulate and recommend new and innovative marketing strategies to promote the Senior Citizen Card Scheme with a view to making improvements to the Scheme.
- (b) We expect the consultancy to commence in the summer, to be completed by the end of the year.
- (c) The views of the elderly collected from the users' survey will be taken into full account when the consultants formulate their recommendations. The consultants' recommendations will be promulgated and public views are always welcomed.

End

Resale of Home Ownership Scheme flats

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Following is a question by the Hon Emily Lau and a written reply by the Secretary for Housing, Mr Dominic Wong, in the Legislative Council today (Wednesday):

Question:

Does the Government know:

- (a) whether there have been any Home Ownership Scheme (HOS) flat owners who have sold or leased out their HOS flats unlawfully within the ten-year restriction period; if so,
 - (i) how many of these owners have been prosecuted;

- (ii) whether there are any of these owners who have not been prosecuted and if so, what the reasons are; and
- (b) of the measures which will be taken by the authority concerned to eliminate these unlawful activities?

Answer:

Mr President,

Sale of Home Ownership Scheme (HOS) and Private Sector Participation Scheme (PSPS) flats is subject to the terms set out in the Schedule to the Housing Ordinance. The Schedule specifies that a purchaser shall not sell or lease the flat, in whole or in part, other than to the Housing Authority, or unless a period of 10 years has elapsed from the date of assignment and the balance of premium has been paid to the Housing Authority. A breach of these conditions renders the flat owner liable to a maximum fine of \$500,000 and to imprisonment of up to one year.

To date, five cases involving unlawful letting or resale of HOS or PSPS flats have been referred by the Housing Department to the Attorney General for prosecution. One case was withdrawn because the defendant had left the territory and a summons could not be served. In the other four cases, one owner was fined \$20,000; another was fined \$50,000; and four co-owners in the remaining two cases were each fined \$5,000.

There were three other cases involving suspected unlawful resale of HOS or PSPS flats, but no prosecution was instituted because of insufficient evidence (two cases) and expiry of the statutory limit (one case).

The Housing Department regularly reminds owners of HOS and PSPS flats of the statutory restrictions on letting or sale through notices in estate management offices, newsletters, and meetings of management office staff, mutual aid committees and residents associations. Solicitors have also been reminded, through the Law Society, of the resale restrictions.

End

Escort services for medical treatment

* * * * *

Following is a question by Dr the Hon Huang Chen-ya and a written reply by the Secretary for Health and Welfare, Mrs Katherine Fok, in the Legislative Council today (Wednesday):

Question:

Does the Government know:

- (a) of the number of elderly or disabled singletons who attended the outpatient departments of public hospitals and the out-patient clinics of the Department of Health, and the number of these out-patients who called for ambulance services or requested escort services in order to attend the out-patient departments or clinics, in the past year;
- (b) whether there are any statistical data to show the number of these two types of persons who are unable to attend the out-patient departments or clinics due to the lack of escort services in the past year; and
- (c) of the types of escort services for medical treatment which are now available, and the plans in hand to improve such services?

Reply:

The following type of escort services are available for people attending clinics of the Department of Health or specialist clinics of public hospitals:

- (i) Non-emergency ambulance transport service

People attending clinics of public hospitals can request non-emergency ambulance transport service which is run by the Hospital Authority. Those attending clinics of the Department of Health can request similar service which is run by the Auxiliary Medical Service in the Kowloon Region and the Fire Services Department in Hong Kong Island and the New Territories. Such service is provided to patients on the basis of medical conditions/needs. Requests for service have to be made through medical professionals, allied health staff or social workers who have to authorize the requests on ground of health need. The service is introduced to persons in need mainly through clinic staff. The Auxiliary Medical Service also introduces its service through radio broadcasting and distribution of pamphlets.

(ii) Home help teams

Home help teams subvented by the Social Welfare Department also provide escort service for people attending clinics who are in need of such service. Home help service is introduced to the public through social workers and the distribution of pamphlets.

(iii) Volunteer Workers Programme

In addition to existing volunteer services provided by community organizations, the Social Welfare Department has a pilot Volunteer Workers Programme which provides escort service for elderly people attending medical clinics who are in need of such service. At present, there are two such programmes, one in Wong Tai Sin and another in Sham Shui Po. The teams only serve these specific districts. Applicants have to be 60 years old or above. This service is introduced to the elderly through posters, pamphlets and promotion in multi-service centres for the elderly.

Statistics on attendance at clinics of the Department of Health or public hospitals do not identify whether the patient is an elderly singleton or a disabled singleton. Consequently, we do not have information on the number of such persons attending these clinics nor do we have information on these persons who were unable to attend due to the lack of escort services.

End

Mitigation measures implemented along Airport Railway

* * * * *

Following is a question by the Hon Lee Wing-tat and a written reply by the Secretary for Planning, Environment and Lands, Mr Bowen Leung, in the Legislative Council today (Wednesday):

Question:

The Government plans to construct noise insulation facilities at the Tsing Yi Station of the Airport Railway (AR) with a view to reducing the noise nuisance caused to the residents of Cheung On Estate, but it does not have any plan to provide a total enclosure for this section of the AR. In this connection, will the Government inform this Council of the following:

- (a) whether the authorities concerned will conduct a test on the level of noise at this section of the railway when the AR is due to have its trial run; if so, whether concerned parties in the district (including District Board members and members of the local concern groups and Mutual Aid Committees) will be invited to take part in the test; and
- (b) if the noise level at this section of the railway is found to be higher than the acceptable level, whether the authorities concerned will provide a total enclosure for this section and carry out noise mitigation measures, such as the insulation of windows and the provision of air conditioners, in the neighbouring buildings?

Reply:

Mr President,

- (a) MTRC will conduct a trial run to ascertain the noise impacts from the Airport Railway prior to its opening in 1998. The noise impacts will be assessed at the nearest noise sensitive receivers at Tsing Yi. The Kwai Tsing District Board will be informed of the detailed arrangements near the time of the trial and concerned parties will be welcome to witness the noise tests.
- (b) The environmental impact assessment on the Airport Railway project indicated that the mitigation measures already implemented along the railway alignment, which include noise barriers of extended height on its south and absorptive treatment of the regular barrier on its north, would be sufficient to contain noise impacts to levels within the Noise Control Ordinance. However, in case the noise impacts exceed the statutory limits, MTRC will implement the best practicable measures to comply with the Noise Control Ordinance.

End

Buildings Ordinance ensures compliance with the required standard

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Following is a question by Dr the Hon Samuel Wong and a written reply by the Secretary for Planning, Environment and Lands, Mr Bowen Leung, in the Legislative Council today (Wednesday):

Question:

Regarding high-rise commercial buildings, will the Government inform this Council whether there are any regulations:

- (a) governing the types of materials used in additional partitioning, renovation and decoration works undertaken in the high-rise commercial buildings after the issue of occupation permits; and
- (b) requiring the above additional installations to comply with fire regulations?

Answer:

Mr President,

- (a) The Building (Construction) Regulations under the Buildings Ordinance prescribe in broad terms the nature and quality of building materials to be used so as to ensure compliance with the required structural health and safety standards. The compliance with the Regulations does not depend on whether the occupation permit has been issued or not.

S14 of the Buildings Ordinance provides that no person shall commence or carry out any building works without the prior approval of the Building Authority. S41(3) provides for an exemption from the approval requirement if the building works do not involve the structure of the building.

- (b) The Building (Planning) Regulations and the Building (Construction) Regulations govern the provision of means of escape and fire resisting construction, etc. Moreover, in obtaining approval from the Building Authority, s16(1) of the Buildings Ordinance lays down a requirement for a certificate from the Director of Fire Services certifying that all fire service installations and equipment will be properly provided.

For building works which require approval from the Building Authority, approval is only given if they are in compliance with the relevant fire safety regulations. Similarly, where the additional building works do not require building approval, compliance with the fire safety regulations is imposed by virtue of s41(3) of the Buildings Ordinance. Moreover, s9 of the Fire Services Ordinance also empowers the Fire Services Department to take fire hazard abatement action if such additional building works affect the efficient working order of fire service installations or cause obstruction to the means of escape.

End

Generating capacity of electric companies

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Following is a question by the Hon Christine Loh and a written reply by the Secretary for Economic Services, Mr Stephen Ip, in the Legislative Council today (Wednesday):

Question:

The Hongkong Electric Company Limited (HEC) and the China Light & Power Company Limited (CLP) have monopolies to supply electricity to Hong Kong Island and Kowloon/New Territories respectively. The two companies have separately built, and will continue to build, additional electricity generating capacities which are not needed to meet the territory's electricity demand, and this has resulted in unnecessarily high tariff charges. In view of this, will the Government inform this Council:

- (a) of the current price per Kwh at which CLP and HEC sell electricity to each other;
- (b) of the plans in place to encourage the two utility companies to compete for customers in order to reduce excess capacity, with a view to achieving lower tariff charges; and

- (c) of the plans in place to establish a fair access charge so that each company can use the other's grid to distribute electricity to customers?

Reply:

The Hong Kong Electric Company Limited (HEC) and the China Light & Power Company Limited (CLP) do not have exclusive rights to supply electricity in their respective supply areas, nor will they be permitted to build additional electricity generating capacity without full justification to the Government. The information sought by the question is as follows:

- (a) CLP and HEC sell electricity to one another in emergency situations or, more routinely, when one company finds on a particular day that it needs to operate plant with a high operating cost, such as a diesel-fired gas turbine, to meet peak demand and the other company can transfer power to meet that demand by raising output from plant with a lower fuel cost. The price per Kwh at which such transactions take place is calculated having regard to the fuel costs and other circumstances prevailing at the time and can vary over a wide range. Transaction prices have varied recently from 19.1 to 27.2 cents per Kwh but can reach considerably higher levels.
- (b) The question of reduction of excess capacity (in CLP's system) can be addressed more effectively through deferral of generating units due to be installed at Black Point Power Station, rather than through encouragement to CLP and HEC to compete for customers in each other's supply area.
- (c) The Government has no plans to determine a charge for CLP and HEC to access each other's network. The question of charging for such access is a commercial matter for the companies themselves.

End

Guidelines for floats

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Following is a question by the Hon Wong Wai-yin and a written reply by the Secretary for Transport, Mr Gordon Siu, in the Legislative Council today (Wednesday):

Question:

With regard to the float parade accident on 7 February this year, will the Government inform this Council of the measures which will be adopted by the Transport Department to strengthen the monitoring of the safety of parade floats, including the specifications of the decorative designs, so as to ensure that accidents do not occur?

Reply:

Mr President,

Transport Department, in consultation with Fire Services Department, Electrical and Mechanical Services Department and the Police, is drawing up guidelines for floats for compliance by the organisers and participants in parade floats. The guidelines will set out, among others, requirements on the vehicles for use as float vehicles, decoration and fitting out of floats, types of decoration materials to be used, fitting of auxiliary generators and power supply cables, installation of fire extinguisher, ventilation of the float vehicles and rules for drivers and passengers. All floats will be subject to inspection before taking part in a parade. Transport Department will consult event organisers on the guidelines before they are finalised for promulgation at the end of this month.

End



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ISSUED BY GOVERNMENT INFORMATION SERVICES
GARDEN ROAD, 5th-8th FLOORS, MURRAY BUILDING,
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SUPPLEMENT

The 1997/98 Budget

Wednesday, March 12, 1997

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Governor's statement on the Budget

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The following statement is issued by the Governor, the Rt Hon Christopher Patten, today (Wednesday):

"Donald Tsang's budget has struck the right note for the transition. He has stuck faithfully but creatively to the financial policies which are at the heart of Hong Kong's spectacular success, and which provide the foundations for its future growth. It is a positive signal to the rest of the world that for the fifth year in a row we have been able to cut taxes, increase spending on social services and vital infrastructure, and bolster our already impressive reserves. I am sure the community will especially appreciate the Financial Secretary's focus on tax concessions for the sandwich class, and his continuing commitment to improving services to the disadvantaged and deserving."

End

Transcript of FS's press conference

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Following is the transcript (simultaneous interpretation version) of the Financial Secretary, Mr Donald Tsang's press conference at GIS Press Conference Room after delivering the 1997/98 Budget in the Legislative Council this (Wednesday) afternoon:

Moderator: Welcome to this press conference. First of all I would like to remind you that for the photographers on the front row, when you take pictures please do not stand up, otherwise you will be blocking the view of the simultaneous interpreters.

The Financial Secretary will be answering your questions in a while and as you can see, we have got Mr K C Kwong and Mr Mike Rowse accompanying our Financial Secretary today. Mr Kwong is the Secretary for the Treasury and Mr Rowse is the Director of Business and Services Promotion Unit.

When you want to put questions to the FS, please first raise your hand and I will point at you showing that you have the floor. The press conference will have to be wrapped-up at around 6 o'clock and the last two questions will be called around 5.50, and the last two questions will be one in English and one in Chinese and then that will mark the end of today's press conference.

Mr Donald Tsang: Thank you. I am sure all of you must have heard me speaking at LegCo for over an hour-and-a-half just now, and earlier on your colleagues have conducted an indoor session on my Budget. I am sure you have a lot of questions for me today.

This year's Budget is special and when we started working with the Chinese side on this particular Budget this has generated a lot of curiosity from all quarters. And also in the process of discussing with the Chinese side on the Budget, a lot of quarters expressed views that maybe the budgetary process would not be as smooth as before. But as it turned out, the budgetary process was quite smooth and what is particularly heartening is that we are working with the Chinese side on something so politically sensitive and the outcome and the result, is acceptable and satisfactory to all parties. And so me and my team, we are very heartened by this.

Concerning expenditure for this year, we followed our traditional guidelines and we have pushed our expenditure level to the limit allowed by our resources and it is over the \$200 billion mark. And of course members of the community have got varied views on expenditure and in the process of developing this Budget we have tried to accommodate wishes and views from all quarters and we have tried to strike a balance.

As for revenue, especially with regard to taxation, indeed we have followed conservative guidelines and the reason for doing so is that concerning the revenue from now up to 2001, there are several big projects that have to be covered and these big projects are all quite expensive. For instance the several railway projects would cost \$50 billion as an initial estimate and that is why we have to be very cautious here.

And secondly, we have to be mindful of inflationary pressure and in the last quarter of last year inflationary pressure has gone back up again and we believe that inflationary pressure will continue to rise and this year we expect the inflation to reach 7%. Coupled with the fact that exports are rising again and our growth rate being 5.5%, that is why we have to be very cautious and prudent. And also, with regard to tax concessions and allowances we have to be very careful.

We believe that the sandwich-class is very important here when it comes to tax allowances, that is why we have given them more tax concessions. And also, for the business sector and for those who possess their own homes, I have also tried to give them more concessions with regard to rates by a reduction of 0.5 percentage point. And so many classes and members of the community will benefit from this Budget and for details you can refer to my Budget Speech.

We have attempted to accommodate views from LegCo as well as views from the community from all quarters. We have made response to those views in our Budget and if there are areas where members of the community are not specifically or totally satisfied, we hope that next year we will do better. And if this year the Budget is accepted by LegCo, then in July the transition will be very smooth politically; and economically it will be so and I have confidence in that particular point.

Reporter (in Chinese): Mr Tsang, concerning tax relief for first time home-buyers you believe that they should not be supported. However, in Hong Kong, most of the members of the public cannot afford their homes. However, at the same time you are trying to reduce stamp duty. Aren't you encouraging speculation?

Mr Donald Tsang (in Chinese): On the one hand you say that we are not helping them to buy their first homes. On the other hand you are saying that stamp duty is being reduced so that speculation is encouraged. So what is your point? So I think your question shows that there are various pressures from different quarters of the community and whatever we do we have to be very careful.

We know that we have to help those who are buying their first homes and for those who are buying homes that are priced under \$4 million we believe they should be helped and that is why we are reducing stamp duty. And also the number of first time home-buyers is increasing over the years and we believe that there is no need for tax relief and so we have to strike a balance and we have to be fair here. When I say fair I mean the assistance should be given to those who are really in need of it.

Reporter (in Chinese): A follow up please. If you reduce the cost of buying property, wouldn't it encourage speculation?

Mr Donald Tsang (in Chinese): We are talking about reduction of stamp duty for flats under \$4 million and most of those flats are HOS flats, in other words government-assisted flats, and in those areas speculation is not really very rampant.

Reporter (in English): You have a total surplus of \$47 billion: \$15.1 billion in 96/97 and \$32 billion in 97/98, and then a fiscal reserve of like \$360 billion but at the same time you don't want to dip into the surplus. Why don't you dip into the reserve to spend for the railway development strategy? I mean is the rationale for sitting on this huge or extremely huge surplus?

Mr Donald Tsang (in English): First of all, when you talk about surpluses, I am giving you the year-end surpluses. You just cannot add on, say, I made \$15 billion this year surplus and then \$32 billion the following year, therefore you add the two together.

Now, we have to remember that this is a very exceptional year: a year of transition, a year in which we are worried about the inflationary pressures which I mentioned, and we are quite anxious to make sure that the SAR Government will come into being with a very robust financial position, and that is the reason why we are rather cautious.

And we have looked at the expenditure programme, the expenditure programme for the coming few years. On the railway strategy alone, as I explained in the Budget Speech, will almost wipe-out completely the surplus I am forecasting during the next three years. So in other words, whatever surplus we have or whatever fiscal reserves we have at the moment, is unlikely to grow substantially during this period. So I believe we have struck the right balance.

Reporter (in Chinese): Mr Tsang, LegCo members almost managed to reach a consensus that your forecast of a \$32 billion surplus for 97/98 and when they asked you to allocate \$300 million in addition in order to support the CSSA you rejected. Why is it that you cannot allocate \$300 million out of the \$32 billion?

Mr Donald Tsang (in Chinese): We have to separate the two things. The surplus is a one-off surplus whereas the expenditure in question is a recurrent expenditure. And concerning expenditure, on previous occasions I am sure you must have heard from Mr Kwong that when it comes to expenditure our policy is well known. The expenditure growth is more or less equal to the trend growth rate of 5%. If we are to spend more then it would exceed this indicator, exceed this guideline.

Now, for individual items it is difficult to say on what items should we spend more and on what items should we spend less. Now you are talking about welfare. In the past five years the real term increase is over 88% so you can see that we are already investing very heavily in welfare services. Under these circumstances, should we invest more, should we spend more? Of course it would be better if we spent more. However, because the pie is only so large, if we spend more on welfare we must take away from other areas. And so we have to strike a balance.

At present 10% of our spending goes to welfare and members of the public really have to consider, have to ponder whether or not we should spend even more on welfare. And if we spend more on welfare does it mean that we spend less on law and order, does it mean we spend less on education?

Reporter (in Chinese): Mr Tsang, about the five-year forecast. Up to 2001, every year the surplus is about 10% growth. In the next five years the fiscal situation will be very healthy. Given the circumstances, why is it that in terms of welfare expenditure you cannot increase it more?

Mr Donald Tsang (in Chinese): Well I don't quite get your figures but for the welfare group this year it is more than 9%. As for other expenditure items, we have to be governed by the 5% overall growth. Is it that we have to put all the money in welfare? Actually I answered the previous question, it is similar. We have to strike a balance, we can't just focus on one particular area. Please do not forget that in terms of welfare, in five years the growth is 88%. Should we put more into that area?

Reporter (in English): You are telling us not to get excited about the surplus because you are going to spend most of it or more of it on the railway development strategy projects. Now, haven't you already set aside the amount in your Capital Works Reserve Fund or elsewhere on this? Why do you have to use the surplus as such on the railway development strategy?

Mr Donald Tsang (in English): The Capital Works Reserve Fund is being set aside to meet the other obligations, and our forecast of surplus have not taken into account this additional expenditure. Then if there is an additional requirement - and there would be additional requirement - to the tune of our estimation, then we have to come up with something like \$50 billion for the railway projects. You have to come up (with it) from somewhere. You would have to come up (with it) from the additional revenue we expect to get from the coming years.

Reporter (in English): So in other words, without this surplus you can't finance the RDS Plan?

Mr Donald Tsang (in English): Well we could. It means going into deficit. You go into deficit.

Reporter (in Chinese): Mr Tsang, in the Budget you say that you need a group to study land supply. Now when will you have the study results? What will be the direction of your study? Will you resort to reclamation or the change of land use to increase residential use?

Mr Donald Tsang (in Chinese): Well two aspects. One in terms of land supply we have to see whether we can do more. And secondly, internal procedure, perhaps we can streamline the procedure. We have to see whether there is duplication of procedure and whether there can be better co-ordination among the departments. I will liaise with Secretary for Housing and Mr Bowen Leung and other colleagues, we will study together. After the Budget Debate we will proceed with the work.

Reporter (in English): Mr Tsang, could you say how much input China had into this Budget and whether there are any points in the Budget in which you were influenced by input from China or from the incoming SAR Administration?

Mr Donald Tsang (in English): First of all, Mr Vines, you know that we are already spending to, what I say, to the limit in that the 5% guideline has been fully met. As far as internal arrangement of expenditure is concerned, this is a matter almost entirely for Hong Kong Government, decided by the Star Chamber. But on this matter of veto, perhaps Mr Kwong who has been dealing with the Chinese side will answer that question.

Mr K C Kwong (in English): In fact in the whole preparatory process the initiatives have been taken by the departments and branches within the Hong Kong Government and the Financial Secretary consulted widely, including the legislature, professional bodies and through the District Offices the community at large. At the end of the day a consensus was reached in the Budget Expert Group and I think this is a Budget which represents what we would have done with or without Chinese participation.

Mr Donald Tsang (in English): We have abided by our budgetary guidelines and principles throughout the process. We have not made any sacrifices at all on matters of principle during our consultation process.

Reporter (in Chinese): Mr Tsang, for this Budget, okay, you submit it to LegCo for vetting but the provisional legislature said that they will also scrutinise this Budget. Do you think it is appropriate, whether before or after July? If they want you to answer questions will you go to the provisional legislature to answer questions?

Mr Donald Tsang (in English): I am an official, I will take things as they come. As I said last year my primary task is to get the blessing of this Legislative Council, this is my prime task. I will put in all my efforts here. I don't consider other issues for the time being.

Reporter (in Chinese): Mr Tsang, your speech says that to cope with the expenditure in the next five years regarding the medium range forecast you have to have certain surpluses and you say that after the SAR is set up there will be robust programmes. Now what will be the money for? I think you have some ideas. Okay, you have a lot of surplus. How can you justify the surplus so that the public will not see you as a miser?

Mr Donald Tsang (in Chinese): Now please understand this. About this concept of a miser, if you look at the expenditure, as I said, we followed the trend growth rate. It is 5%. It is to the full. We haven't spend less, so we are not miserly. Even if we have more money we can't spend more, otherwise we will have unacceptable inflation. But this year we are conservative and I have explained that in my speech. We considered the expenditure in the next few years and we considered the setting-up of the SAR. There may be extra pressures because of that and so we have to have healthy finances. As for future plans, we don't have specifics yet. Mr Tung and Exco will have to decide on the future path.

Reporter (in Chinese): About the medium range forecast, what is the basis for your projection in terms of expenditure? What programmes do you have in mind, what programmes have been included?

Mr K C Kwong (in Chinese): For the medium range forecast, the expenditure side, for recurrent expenditure it is very simple we follow the trend growth rate, we follow the ceiling, and we will spend to the full. As for capital expenditure, we have to consider our Works Departments and the progress of the works projects, their capability there. So after considering these two sides we come up with the projection for the next few years about the expenditure for each of the years. As for these forecasts, they have not included the railway priority projects. The reason is this: for these major priority railway projects, the details are still being handled by the two railway companies and our consultants and we will only have more information by the end of this year or early next year. By that time we will have a more concrete picture. Perhaps we can reach some sort of agreement with them. Under the circumstances, the amounts to be allocated, the timing of the allocation and the form of allocation, we still have to thrash it out. So in terms of the MRF we have not considered this sort of requirement. But as Mr Tsang said, say if we look at the figures for the ACP and for the MTRC, if we look at that experience then from 1998 to the year 2001 the requirement may reach \$50 billion.

Reporter (in English): Stamp duty, and you also announced how much land will be released over the next five years, how can you say that speculation won't be fuelled by these two measures?

Mr Donald Tsang (in English): Well, supply of land, if I increase supply then that will certainly have a stabilising effect on prices, it will not increase speculation. As far as stamp duty is concerned, the stamp duty concessions were given largely for flats valued at \$4 million and below and these are Home Ownership flats or Private Sector Participation Scheme flats where the market is restricted, so where speculative activity is unlikely to be rampant.

Reporter (in English): Mr Tsang, could you tell us a little bit more about the several railway projects? The fact that it will cost \$50 billion. And when will the expenditure be drawn-down, and also how are you going to allocate that? And is it that KCRC and MTRC have already worked out who will be responsible or what railways?

Mr Donald Tsang (in Chinese): We haven't got figures and we haven't got the agreement. If we had we would have included them in our medium range forecast. The reason why they are not in the medium range forecast is because we don't have the details and the specifics yet. But what is obvious is that they are a priority project and the community have come to a consensus that they should be accorded priority and our initial estimate is that they will cost more or less the same as the total cost of ACP and also they are likely to commence in 1998. And we estimate that they will cost \$50 billion and that is why we have to find the money somewhere for them. But we haven't got the specifics, as I said, and each step we have to approach the Finance Committee for allocation of funds and then the figures will be incorporated into the medium range forecast.

Reporter (in English): Whether in preparing the Budget you consulted with demographers on two points. The first would be what number and percentage of the population would move into the elderly category over the next, say, five to ten years - if you have those figures? And secondly, I am wondering whether anybody has examined what effect this Budget might have on housing - the pattern of housing demands - and perhaps encouraging population growth?

Mr Donald Tsang (in English): Well, you have a vast array of wide questions. It is very difficult to answer very satisfactorily. As far as the housing demand is concerned, I have said that the Budget certainly has no adverse effect as far as pricing is concerned. At least we are now aiming at increasing supply in terms of land and that consequently will have a beneficial effect in depressing prices.

The area I won't be able - I couldn't catch. Well, the likely raising hands - they all take all the questions.

Reporter (in English): Do you want me to repeat the question?

Mr Donald Tsang (in English): The impact on the elderly, I just couldn't relate to the two thoughts.

Reporter (in English): The question is, I am asking whether you, in preparing the Budget, asked for demographic information about what the number in percentage - either as a gross number or as a percentage of the population - would be moving into the bracket of elderly over the next five to ten years, because that would affect, I think, your projections on recurrent spending?

And secondly, whether or not these programmes which you have made to support the family would in fact have the effect of helping people to encourage larger families and perhaps encourage population growth or change the pattern of housing demand? In other words people would want larger flats instead of smaller ones because they would be bringing more people in to live with them, for example.

Mr Donald Tsang (in English): You asked again very involved questions. As far as our social programme is concerned, in estimating our elderly facilities - and not only elderly facilities - for educational facilities for the young, various other things, and hospital facilities for the sick, all these plans are based on population forecasts. And obviously, what we have now provided and what we propose to provide under the Budget for additional facilities, reflected those figures.

Then the question of whether the increasing - what you are saying is whether the longevity of Hong Kong --

Reporter (in English): No, my question is really this Mr Tsang, I'm sorry I'm not making it very clear. On one hand you are making proposals that respond to social situations. What I am suggesting by my question is that these proposals themselves have an effect on people's decision-making and that you would be encouraging a different pattern of housing, a different demand of housing and perhaps even a different family size, just by the encouragements that are built-in by the various tax concessions, etc, that are in this. And whether you have considered that or whether demographers have looked at that in the course of preparing the Budget?

Mr Donald Tsang (in English): I do not think our Budget is that powerful, Francis. I do not think, for instance, that allowing incentives in terms of tax allowance for children will encourage people to make more babies. That certainly will not be the consequence of it. But what I am trying to do is to face the reality of the community and the population make-up at the moment and to what extent whatever concession I make is likely to make the greatest impact in the targeted group which I have in mind, i.e. the sandwich-class, and I think I have done that. Whether it is going to change societal demands on major economic activities, I don't think it will happen that way at all.

Reporter (in English): A very simple two-part question please. First, you have mentioned in your speech, sir, that when Hong Kong becomes a SAR it will have reserves of \$330 billion, including the Land Fund. Could you break that down please?

And as a second question, you also mentioned your initiative as sort of the Business and Service Promotion Unit. Could you talk a bit more about that please?

Mr Donald Tsang (in English): I would love to. I mean I don't have to answer either two questions. First of all the breakdown of the \$300-odd billion, Mr Kwong will answer that. The second question about Business Promotion and Service Industry, Mr Rowse will answer that.

Mr K C Kwong: I suggest that you look at Table 3 on page 7 of Appendix A to the yellow pages (of the Budget Speech).

Reporter (in English): Well, thank you very much.

Mr Mike Rowse (in English): Unfortunately, I can't point to a table to give you all the answers. I can invite you to a dedicated press conference on Monday afternoon when you will be able to ask questions about the proposed new unit, to your hearts content. In very simple terms, we are hoping to set up the unit in April and we will have two broad streams of work. One is on promotion of services, and I think you have probably got the Budget folder and you have got in there the final report of the government task force on promotion of services. I have a copy here. If you haven't got one I can arrange to let you have one. It sets out some pretty impressive progress over the last year and what we really want to do now is pick up the ball and run with it. I have been on the phone today and yesterday to the people we are inviting on to the strategy group that will meet in April for the first time. The people concerned are very enthusiastic - I was talking to Victor Fung this morning - they are very excited and they want to sit down with the government and consider the way forward on development of service industries.

The second broad stream of work is to help in business programme. That has been going for a year under the Secretary for the Treasury, supported by the Efficiency Unit, but it is now poised to take-off very, very rapidly which is why we are proposing to have a dedicated unit to take it forward into phase two, and I think for details you will have to wait until Monday.

Reporter (in Chinese): Mr Tsang, in your Budget you mentioned that next year, for private housing, there will be 21,000 units and earlier on there was an estimate that in the private sector there will be 30,000, and so there is a gap between the two. So does it mean that looking at the figures the demand will still lag behind the buyers and the pressure on property prices will continue to rise?

Mr Donald Tsang (in Chinese): Concerning supply, indeed the situation is still tight and in the coming few years we will be concentrating our efforts in this particular field and that is the reason why, and we hope that we can increase private sector housing production. But the government alone cannot increase the production single-handedly because half of the production comes from the change of density in order for more units to be built, and so we really have to see whether we can rationalise the procedures so that the private sector can be assisted in redevelopment.

Reporter (in Chinese): Can you relax the pre-sale restriction from one year to two years, so that the production will be increased.

Mr Donald Tsang (in Chinese): You are talking about administrative steps in order to increase production and to interfere a little bit more with the market. Actually, the Secretary for Housing keeps thinking about this and if necessary, I am sure he is going to put together more effort.

Reporter (in Chinese): Mr Tsang, several short questions for you. First, was it that at the outset in your Budget Speech you devoted a lot of attention to say that your Budget follows absolutely the guidelines of the Basic Law; does it mean that you are facing pressure from the provisional legislature or the Chinese side?

Mr Donald Tsang (in Chinese): Now concerning the Budget, I really took the trouble to point out what is the key of the success of Hong Kong. First of all we have to keep developing Hong Kong as an international business centre and secondly, we have to have a high degree of financial autonomy and economic autonomy, and thirdly we have to manage our finances prudently. And these are all guiding principles and the guiding principles are not applying only now but also are reflected in the Basic Law and so are to be applicable in future as well. And so it does not mean that I am facing pressure from the Basic Law. I have made it very clear that concerning expenditure we have pushed it to the limit as allowed under our guidelines. It is not because of the Basic Law. The reason why I quoted so many provisions of the Basic Law is because the Basic Law can ensure that we can keep following these fiscal guiding principles and so it is a guarantee to the international community and the economic community.

Reporter (in Chinese): The Basic Law says that deficit should be avoided and we can see that for the reserves, by next year they will reach \$360 billion and so the reserves keep growing and you are awash with money and you cannot return wealth to the community.

Mr Donald Tsang (in Chinese): But you are talking only about expenditure. We can work on revenue from tax. You have to read the Basic Law with flexibility but the bottom-line is that we have to strike a balance.

Reporter (in Chinese): Mr Tsang, about the surpluses, I have done some calculations and we have \$360 billion, it is 1.7 times of the public expenditure this year. Don't you think that is too high in terms of the reserves? You say that in the next few years we will have surpluses but we have to cater for the railway development strategy. You always say this but you can have more and more surpluses. We can only have more and more surpluses. What should be the right level of surpluses so that we can take some money out for capital projects which won't be inflationary? What is the right level of surpluses?

Mr Donald Tsang (in Chinese): Well, in terms of expenditure we have already tried our best. As for capital expenditure, especially for investment like infrastructure or capital expenditure, we have tried our best, we have spent to the full. We have enough financial resources but we have to mobilise other resources. Say for 96/97 there was still under-spending, it was because in terms of engineering, engineer resources, construction resources, we haven't tapped that to the full. Of course if need be we have to put in more money but for recurrent we have spent to the full.

Reporter (in Chinese): Can you reduce expenditure so that there won't be dire consequences? Some economists say that you have huge surpluses and that means the money cannot be used productively.

Mr Donald Tsang (in Chinese): Many economists have different views. If they are in my position they will know.

Moderator (in Chinese): It is already 5:50, the last two questions. One is in English.

Reporter (in English): Mr Tsang, you have been a trade negotiator for a long time and you know perfectly well that the kind of conversation you have heard today very generously on the wine tax is usually part of a bargaining process with other countries. Do you expect any return from France or Italy or Australia, the wine exporting countries, to Hong Kong?

Mr Donald Tsang (in English): No, I have not considered that aspect. Wine duty is an excise duty, it is not a duty imposed on imports or exports as such, because this duty is imposed on even local products, so it is not a matter for the World Trade Organisation at all. It is a matter of self-enlightenment, if I might say so.

Reporter (in Chinese): Mr Tsang, now as far as I know there are some worries that Hong Kong may be caught between the dispute between China and the US in terms of MFN and trade, so how can you anticipate the impact of this factor on your budgeting processes?

Mr Donald Tsang (in Chinese): I will use Cantonese to answer you. I think you will get it. For budgeting, last month, as I said, for the economic growth rate it is 5.5%. It is not just the economic activities in Hong Kong, we also consider the market situation in the region and also the US and also the opening up situation in China. And so in 1997 we feel that we can reach 5.5%.

Reporter (in Chinese): If there is big controversy, say if China loses MFN, what would be the scenario?

Mr Donald Tsang (in Chinese): That will of course have an immense impact on our economy but as far as I see it the chances for this to happen are not that great. So what we are doing now is what we can anticipate and 5.5% is objective and balanced.

Moderator (in Chinese): Thank you for coming. Thank you Mr Tsang and thank you Mr Kwong and Mr Rowse. For those who have not been able to ask questions, tomorrow at 3 pm at the same venue Mr Tsang will also be here to take questions. Thank you.

End

Budget preparation a matter entirely for HKSAR: FS

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To achieve a unified transitional Budget, a process of consultation had been carried out by the Joint Liaison Group's Budget Expert Group for the whole financial year 1997/98, the Financial Secretary, Mr Donald Tsang, said today (Wednesday).

Delivering his Budget Speech to the Legislative Council, Mr Tsang said it had been made clear that after June 30, 1997, the preparation of the annual Budget would be a matter entirely for the Special Administrative Region and its Government in accordance with the Basic Law.

He said throughout the consultations, there were four objectives:

- * firstly, to achieve a Budget that would cover the entire financial year from April 1, 1997, to March 31, 1998; a budget which was financially sound and prudent and which would take into account the interests of all;
- * Secondly, to ensure that public services would continue smoothly, uninterrupted by the transition;
- * Thirdly, to ensure that there would be no room for doubt about the continuity of the tax system and other sources of revenue across the transition; and
- * Fourthly, to draw up a Budget which would strengthen Hong Kong's financial and economic prospects for the future.

Mr Tsang said the two sides were able to reach agreement for two reasons: a shared commitment to a smooth and successful transition and a shared understanding that the Basic Law's provisions should guide the drawing up of this year's Budget.

He said an important part was played by the Basic Law.

"By my count, 44 per cent of the Basic Law's provisions are designed to lay down the economic rules of the Special Administrative Region and to describe how Hong Kong's separate economic system will continue to flourish," he said.

"The most important of these is Article 5. It states: 'The socialist system and policies shall not be practised in the Hong Kong Special Administrative Region, and the previous capitalist system and way of life shall remain unchanged for 50 years.'

"This is a clear pledge that Hong Kong will continue to enjoy free, open and competitive markets which are not controlled by state planning or state direction."

Mr Tsang pointed out three of Basic Law's economic features:

- * its commitment to Hong Kong's role as an international business centre;
- * its guarantee of financial prudence; and
- * its promise of economic autonomy.

He said the spirit of the separate economic system which the Basic Law was pledged to safeguard Hong Kong's "four pillars of wisdom": the rule of law, a level playing field, corruption-free government and the free flow of information.

"To ensure the rule of law, the community must live by laws that are public, laws that apply to all and are enforced by courts which are fair, open to all and independent.

"A level playing field is crucial for competitive markets and efficient business. It means that contracts are awarded fairly and equitably. No favours. No patronage.

"A corruption-free government is essential to preserve the rule of law and a level playing field. Without a total commitment to integrity, the civil service will not command the respect of the community or win its co-operation.

"Finally, the free flow of information is the lifeblood of a modern service economy. It leads to transparency and accountability in both the public and the private sectors.

"It is the best protection against corruption and abuse of power, not only by Government but in the business world as well," said Mr Tsang.

End

5.5 per cent real growth in GDP forecast: FS

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One of the major reasons Hong Kong had almost doubled its GDP in real terms since 1984 was the momentum of economic development in the mainland of China over this period, the Financial Secretary, Mr Donald Tsang, said in the Legislative Council today (Wednesday).

Delivering the 1997/98 Budget speech, Mr Tsang said Hong Kong had been uniquely placed to take the fullest advantage of the business opportunities created by economic modernisation and the "open door" policies.

He said Hong Kong had long had a clear understanding between the Government and the business community that business decisions are best left to entrepreneurs and investors.

"The Government's job is to provide the right environment for business to grow," he said.

Taking all factors together, said Mr Tsang, it is forecasting for this year:

- * 5.5 per cent real growth in GDP;
- * 8.5 per cent increase in merchandise exports and eight per cent increase in exports of services; and
- * seven per cent increase in inflation (CPI(A)).

"Thus, as members can appreciate, 1997 promises to be another year of sound, sustainable growth.

"This will ensure solid growth in employment, new business opportunities and good profits across the economy as a whole," said Mr Tsang.

However, he said, the slight pick-up envisaged in inflation was a reminder that when a mature economy like Hong Kong was growing at a rate close to full capacity, there would inevitably be pressures on both the labour and land resources.

"To contain these pressures, we will have to continue our battle against inflation.

"This underlines the importance of the Government maintaining the tightest control over public spending and pursuing maximum value for money throughout the public sector.

"It also means doing everything possible to raise productivity and enhance business efficiency," said Mr Tsang.

End

High-level think-tank for services industry

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A high-level Services Promotion Strategy Group will be set up to steer the way forward in Hong Kong's fast developing services sector.

The Financial Secretary, Mr Donald Tsang, said the Group would ensure Hong Kong remains the services centre par excellence in the region, and indeed the world.

Group members will include senior representatives from the Trade Development Council, the Coalition of Service Industries and Chambers of Commerce.

The Group will hold its first meeting next month.

In addition, a new unit will be set up to take responsibility for both Helping Business and Services Promotion.

"This unit will not be some far flung quango. It will be part of my own office and its head will report directly to me," Mr Tsang said today (Wednesday) in his annual Budget address to the Legislative Council.

The new initiatives come as the Task Force on Services Promotion released its final report today (Wednesday) to mark the end of its work.

"Publication of the report does not mean our work is finished," said Mr Tsang.

"On the contrary it is just beginning."

The report includes full details of the Task Force's work and 'impressive achievements' as well as plans for the coming year.

Mr Tsang said the Task Force had achieved 90 per cent of its original targets covering the major service industries.

For example:

- * Legislation was introduced to allow development of a captive insurance industry;
- * Plans finalised for the Mortgage Corporation;
- * Negotiations completed on all major Air Services Agreements, giving Hong Kong its own separate arrangements;
- * Six licences issued for Personal Communications Services;
- * Dialogue opened with Hong Kong Telecom to develop further Hong Kong's international telecommunications market.

Mr Tsang said the Trade Development Council had also been active in promoting trade in services and had 'responded to the challenge with gusto'.

"Already it has developed a long-term strategy which emphasises both the breadth and depth of Hong Kong's quality services," Mr Tsang said.

"In 1996/97, it spent over \$28 million on a promotional campaign. In the coming year, it will spend nearly \$30 million.

"The Export Credit Insurance Corporation and the Hong Kong Productivity Council have also played their part."

Mr Tsang said he had been impressed by progress made by the Stock Exchange and Futures Exchange in developing and marketing new products.

Examples included the introduction of pound sterling futures contracts and the preparations for the launching of regional derivative warrants and convertible bonds.

"I welcome these developments which enhance our position as an international financial centre," he said.

"I would be willing to consider favourably, on a case-by-case basis, what incentives new products might enjoy including possibly some form of stamp duty concession.

"Similarly, with stamp duty on stock transactions. I remain prepared to review the stamp duty rate once the industry has finalised its plans to reduce brokerage charges."

End

Strengthening of infrastructure continues

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While changes to the institutional arrangements were taking place, Hong Kong had continued to strengthen its infrastructure, the Financial Secretary, Mr Donald Tsang, said today (Wednesday) in the Legislative Council.

Delivering his 1997/98 Budget speech, Mr Tsang said the Government was pressing ahead with the modernisation of the transport facilities. For example:

- * Hong Kong has created the world's busiest container port. In 1996, it handled 13.2 million TEUs. The first berth of CT9 is expected to come on stream in 1999;
- * the new airport is scheduled to open in April 1998. It will be able to handle 35 million passengers and 3 million tonnes of cargo a year. The completion of a second runway at the end of 1998 will boost overall runway capacity from 38 to 50 aircraft movements per hour within the first year of commissioning;
- * the Airport Core Programme's transport corridor between Central District and Chek Lap Kok will be progressively completed over the next few months and open to the public in stages;

- * the cross-border land crossings handle over 24,000 vehicles and nearly 150,000 passengers a day. In 1997/98, \$30 million are proposed to spend to increase staff at Lok Ma Chau and Sha Tau Kok to cope with the build-up in traffic; and
- * Hong Kong is poised to embark on major improvements under the Railway Development Strategy over the next few years.

Mr Tsang said good progress had also been made on the initiatives he announced last year to create an advanced technology base:

- * funds for Phase I of the Science Park project has been earmarked. It is estimated that this will cost over \$400 million over the next five years;
- * a site for the second industrial technology centre has been identified. Funds will be available for work to start in 1998; and
- * the potential of a site in Tuen Mun for the fourth industrial estate are being investigated. The new estate should be ready by the year 2004 when the Hong Kong Industrial Estates Corporation's land bank is expected to be fully taken up.

End

More homes and land from boost in housing spending

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More homes and land will be made available as a result of this year's \$32.1 billion Budget allocation for housing - a 16 per cent increase in real terms over last year's allocation.

As a result, about 63,000 new flats will become available in 1997/98 and land supply over the next five years will jump to 587 hectares, compared to 402 hectares over the past five years.

Of the new flats, 21,500 will be public rental flats, 16,000 will be subsidised flats for sale and 4,000 will be flats for the Sandwich Class Housing Scheme operated by the Housing Society. The remaining 21,500 will be produced by the private sector.

The Financial Secretary, Mr Donald Tsang, said that over the past five years, in partnership with the Housing Authority, spending on housing had increased by 34 per cent in real terms.

"However, demand for housing still outstrips supply," Mr Tsang said in his annual Budget address today (Wednesday).

"The only really effective long-term solution is for the Government to produce more land for residential development.

"But I recognise we must try to do even more, so I have decided to chair a special task force to look at land supply and its impact on infrastructure and housing development.

"The relevant policy secretaries will join me in this new initiative. We will start our work shortly."

Mr Tsang said that over the next five years, 327 hectares of land would be released for public housing while another 260 hectares would be released for private housing (compared to 257 and 145 respectively over the past five years).

Mr Tsang said Hong Kong had made remarkable progress in providing adequate shelter for the community, with 47 per cent of households living in public housing.

"As standards of living have risen, more and more people aspire to owning their own home. We will step up our efforts to help them achieve this ambition," he said.

"Over the next two years, as a result of our recent injection of \$1.38 billion into the Housing Society's Sandwich Class Housing Loan Scheme, we will be able to provide loans to a further 3,000 families."

Mr Tsang said that until additional land was available, there would continue to be pressure on property prices.

He said the Government was constantly reviewing market conditions and was already taking action against speculators using companies to buy flats and resell them shortly afterwards.

"The Inland Revenue Department is tackling this problem vigorously by charging Profits Tax on any gains from these trading-type transactions," he said.

"I welcome the steps which the Real Estate Developers Association is taking to inhibit speculation.

"And the Hong Kong Monetary Authority will continue to encourage financial institutions to take a prudent and responsible attitude towards mortgage lending."

End

Education an investment in quality: FS

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A \$45 billion Budget allocation for education in 1997/98 is an investment in quality and in Hong Kong's future, says the Financial Secretary, Mr Donald Tsang.

This year's allocation is a 7.7 per cent increase in real terms over last year's Budget.

Mr Tsang said the Government's priorities were to maintain and upgrade the quality of education to help sustain Hong Kong's development into the next century.

He said parents, educators, employers and the Government were concerned whether the education system could produce young people with the right professional, technical or vocational qualifications and skills.

As a result, extra resources will be pumped into spending on basic and tertiary education, language skills, special needs students and retraining.

In regards to basic education, specific initiatives include:

- * \$300 million over the next two years to provide multi-media computers to all public sector primary schools and to establish Information Technology Learning Centres in prevocational and technical schools;
- * Continual reduction in class sizes and increase in number of graduate teachers in primary schools;
- * Converting 26 more primary schools to whole-day schooling; and
- * Improving financial assistance to needy students under the Textbook Assistance Scheme.

On tertiary education, Mr Tsang said the Government would support tertiary institutions to develop their strengths to become centres of excellence.

He said over the next few years an extra 11,000 hostel places would be provided to enable more students to identify with their academic community and participate more in its activities.

Students from outside Hong Kong will also be increased.

"This will help widen the outlook of our own students, enhance their language and interpersonal skills, and inject a healthy element of competition," he said.

Mr Tsang said more would be done to improve language skills, which are vital to Hong Kong's success as a Special Administrative Region of China as well as an international centre for business.

In 1997/98, almost \$42 million will be spent on raising language training standards in schools by:

- * Extending the Chinese and English reading schemes to more levels of primary and secondary schooling;
- * Providing more intensive English courses for Secondary Six and Seven students in Chinese-medium schools;
- * Establishing a Language Resource Centre to support the classroom teacher; and
- * Conducting a pilot exercise to establish language benchmarks for teachers.

Another \$78 million will be spent in universities (compared to \$68 million last year) to raise students' language standards.

"Universities can also send a clear signal about the need for higher language standards by only accepting, as a general rule, students who meet the language requirements in their Advanced Level Examinations," said Mr Tsang.

The Financial Secretary said there was a need to intensify efforts to ensure a workforce well-trained to meet the needs of a changing economy.

He said the role of the Employees Retraining Board and the Vocational Training Council had been reviewed and a comprehensive strategy for manpower training and retraining to meet the needs of the 21st century was being mapped out.

"In the meantime, we recently injected \$500 million into the Employees Retraining Board to enable it to sustain its retraining programmes to assist local workers to rejoin the labour market and to extend the scheme to cover new immigrants," he said.

Mr Tsang said the Board of Education had made valuable recommendations about what should be done to improve opportunities for children with special educational needs.

As a result, the Government will spend \$30 million in 1997/98 on improvements such as additional staff and increased school grants for the upgrading of facilities and activity programmes in special schools.

End

Welfare spending 'impressive'

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Hong Kong has an impressive record in welfare spending which has risen 88 per cent in real terms over the past five years, says the Financial Secretary, Mr Donald Tsang.

Mr Tsang said welfare spending will rise to \$21.2 billion in 1997/98 - a 9.1 per cent increase over last.

Spending on health services rises to \$28 billion - a 5.7 per cent increase over 1996/97.

"Members of this (Legislative) Council and the vast majority of the people of Hong Kong want this to be a caring community," Mr Tsang said during his annual Budget address to the Legislative Council today.

"They want us to provide all the support necessary for those whose families are unable to care for them or who need help to do so. And we offer them this support through our extensive health and welfare services."

"The group for which this Council and the community have expressed the greatest concern is the elderly. We share this concern.

"That is why, in addition to the financial assistance we provide, we are constantly improving our continuum of care for elderly people."

Mr Tsang said that in 1997/98 the Government would:

- * Continue to develop a new support network for the elderly by identifying more of those who are vulnerable and more volunteers to reach out to them;
- * Enhance general out-patient services for the elderly by increasing the number of doctors and supporting staff;
- * Open 30 new social, day care or multi-services centres;
- * Provide five new nursing homes with 1,200 beds for the frail elderly;
- * Provide an extra 1,546 residential care places in other facilities.

He said from April 1, residence requirements will be relaxed for elderly people who retire to Guangdong, allowing them to receive their monthly standard Comprehensive Social Security Assistance (CSSA) payments there.

"This will, in the words of a Chinese proverb, help those who like falling leaves wish to return to their roots," he said.

Other groups of people in need will benefit from new spending initiatives in 1997/98.

Spending proposals include:

- * Providing an additional 790 day places and 1,664 residential places for children and adults with a disability;
- * Providing 600 places in sheltered workshops or supported employment;
- * Providing 3,511 places in day nurseries or creches;
- * Providing in-depth training programmes for social workers and other professionals involved in handling child abuse cases; and

- * Continuing to provide CSSA to those who need financial help.

"In 1996/97, we are spending \$7 billion on CSSA – an increase of 35 per cent in real terms over 1995-96 and we expect a further increase of 11 per cent in real terms in 1997-98," he said.

Mr Tsang said the Government was committed to helping new arrivals from China integrate smoothly into Hong Kong life.

"In 1996, around 60,000 new arrivals from the mainland made Hong Kong their new home," he said.

"Programmes to help the new arrivals begin the moment they arrive. For example, they are offered general advice and assistance at Hung Hom Railway Station," he said.

"They are given information directories, in simplified characters, on the services available to them.

"We offer special orientation programmes, as well as counselling and referral services. Around 30,000 new arrivals in 1996 benefited.

"As for the children, we help them fit into our schools with special support services and remedial English programmes."

He said in 1997/98, around \$168 million would be spent on new-arrival children – an increase of more than 150 per cent in real terms over 1996/97.

Mr Tsang said a 5.7 per cent increase in health spending would be used to raise still further the standards of health care, said Mr Tsang.

In the 1997/98 financial year, the Government will provide an extra 669 hospital beds, which include 126 from the opening this year of North District Hospital first phase.

The Government will complete one new general outpatient clinic and expand five others to cater for an extra 90,000 patient consultations a year.

An extra 57 staff for the student health service will also be provided within this fiscal year.

End

Extra 600 police officers on front-line duties

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The Government will ensure that Hong Kong's excellent Police Force continues to provide a secure environment for the community, said the Financial Secretary, Mr Donald Tsang.

Mr Tsang said that in 1997/98, an additional 600 police officers would be put on front-line operational duties.

The extra officers will staff the new police districts at Chek Lap Kok and North Lantau, patrol roads and highways across the territory and strengthen the Crime Wing Headquarters.

He said almost \$70 million would be spent on computers, enhanced communication systems and new high-speed, anti-smuggling boats, all of which will help officers do their jobs even more efficiently.

Mr Tsang said Hong Kong was fortunate to be one of the few places in the world where the crime rate had gone down -- the 1996 crime rate being 19 per cent lower than that for 1991.

"Even more reassuring, the rate of violent crime was 29 per cent lower. This makes us a much safer place to live and work than other major cities like London, New York, Tokyo or Toronto," said Mr Tsang in his annual Budget address to the Legislative Council today (Wednesday).

End

\$15.1 billion surplus for 96/97 forecast

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A surplus of \$15.1 billion for 1996/97 is forecast, the Financial Secretary, Mr Donald Tsang, told the Legislative Council today (Wednesday) when reviewing Hong Kong's public finances in his Budget speech.

"This is a substantial increase over the \$1.6 billion I originally estimated in my 1996 Budget. Revenue for the year is \$6.6 billion more than originally estimated, while underspending amounts to \$6.9 billion," said Mr Tsang.

"As we enter the run-up to the transition, I am able to report that our financial position is very strong.

"Our fiscal reserves are buoyant. We will start life as a Special Administrative Region in an extremely favourable position."

On the expenditure side, he said, there was an underspending of \$5.5 billion from the Capital Works Reserve Fund.

"We missed our expenditure targets for capital works projects by \$2 billion; for purchase of premises by \$2 billion; and for land acquisition by \$1.5 billion," said Mr Tsang.

On the revenue side, said Mr Tsang, there were increases in both recurrent and capital revenues for two main reasons:

- * Firstly, the recurrent receipts are forecast to be \$5.8 billion higher than originally estimated. A sharp rise in activity in both the property and stock markets led to a surge in receipts from stamp duty in the second half of the year; and
- * Secondly, land revenue is likely to be \$1 billion higher than originally forecast. Enthusiasm among developers has risen recently. They are now showing considerable eagerness to finalise premium payments for the redevelopment of sites.

"While additional revenue is always welcome, these increases come from two particularly volatile sources. It would not be wise for me to anticipate that this boost to our finances would be maintained over the medium term," said Mr Tsang.

In drawing up this year's programme of expenditure, Mr Tsang said, the budgetary guideline that government expenditure should grow at a rate no faster than the economy had been followed.

"When account is taken of all additional spending initiatives to be introduced in 1997/98, I estimate that government expenditure (excluding payments from the Capital Investment Fund) will total \$202.2 billion. This is an increase of \$24.5 billion over the revised estimate for 1996/97.

"After adding forecast payments from the Capital Investment Fund of \$0.8 billion, total expenditure will amount to \$203 billion," he said.

On the revenue side, after the various tax and duty changes, said Mr Tsang: "I am forecasting total receipts in 1997/98 to be \$234.7 billion – an increase of \$32.4 billion over the revised estimate for 1996/97."

He said Hong Kong could expect a sharp growth in revenue for two reasons: the additional revenue from the collection of rents in accordance with the Joint Declaration and the Basic Law and the accounting changes to the treatment of income received from land transactions.

"I am forecasting an overall budget surplus for 1997/98 of \$31.7 billion," said Mr Tsang.

However, he said, while this was a huge figure, the forecast should be viewed as a one-off.

He pointed out that there was one major omission from the Medium Range Forecast - it did not take into account the substantial contributions that might be needed for the high property projects under the Railway Development Strategy as the precise amount and timing of the contributions were not yet clear.

"We have to look with caution on 1997/98 as a unique year: falling after the completion of our contributions towards the cost of the airport and the airport railway and before our contributions to the Railway Development Strategy," said Mr Tsang.

It would only be prudent to earmark a sum of this magnitude to meet the potential funding for these projects over the forecast period, he said.

"A contribution of this size would take up virtually all of the surpluses I am forecasting for the period," Mr Tsang added.

End

No tax relief for housing and profits tax level unchanged

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No tax relief for housing expenses will be introduced and the level of profits tax will remain unchanged in the 1997/98 fiscal year, the Financial Secretary, Mr Donald Tsang, said today (Wednesday) in his Budget speech.

He said some members of the Legislative Council had called for a tax allowance to cover spending on mortgage interest or even rental payments and some had suggested that some form of tax concession for first-time home buyers should be provided.

While he had considerable sympathy with the family which was investing a substantial part of its monthly income in buying their own home, it was also a government objective to encourage as many families as possible to become home owners.

"Nevertheless, it would be wrong in principle to create a general tax concession, regardless of the individual family's needs, to cover investment in housing," said Mr Tsang.

Any help which the Government provides to promote home ownership should be given specifically to those families which need such assistance, he said.

"For this reason, we have established the Home Ownership Scheme, the Sandwich Class Housing Scheme and the Private Sector Participation Scheme. These have already helped some 220,000 households to buy their own homes.

"I believe that these programmes are far more effective than tax relief would be," said Mr Tsang, pointing out that today, more than 50 per cent of households own their own home.

Mr Tsang said he did not propose to make any changes this year to the level of corporate profits tax.

"By comparison with our competitors in the region, our level of Profits Tax is already very low. We are still highly competitive even when we look at their effective tax rates (that is, the actual tax paid after all tax concessions and deductions have been applied)," he said.

Mr Tsang noted that members' views on profits tax were mixed.

"Mr personal view is that a case could be made out for a comprehensive review of profits tax to examine whether we can make our tax system and business environment even more competitive," he said, adding that this review would proceed next year.

To maintain the real value of the duty charged on fuel, tobacco and methyl alcohol, Mr Tsang proposed to raise the duty rate by six per cent, in line with the rate of inflation.

"This will bring in additional revenue of \$430 million in 1997/98 and \$1.9 billion up to 2000/01," he said.

End

Salaries tax concessions proposed

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The Financial Secretary, Mr Donald Tsang, today (Wednesday) proposed a wide range of concessions in salaries tax and a number of changes in the marginal tax structure.

Moving the second reading of the Appropriation Bill 1997 in the Legislative Council, he proposed the following concessions in salaries tax:

- * to increase the basic allowance from \$90,000 to \$100,000 and the married person's allowance from \$180,000 to \$200,000. This is an increase of 11.1 per cent, well above the rate of inflation.
- * to increase the allowance for the first and second child by 10.2 per cent, from \$24,500 to \$27,000.
- * to increase the allowance for the third to the ninth child by 12 per cent, from \$12,500 to \$14,000.
- * to increase the basic allowance for dependent parents and for grandparents from \$24,500 to \$27,000 (a rise of 10.2 per cent) and the additional allowance from \$7,000 to \$8,000 (a rise of 14.3 per cent).
- * to increase allowance for dependent brothers and sisters by 10.2 per cent, from \$24,500 to \$27,000.

- * to increase the single parent allowance by 66.7 per cent, from \$45,000 to \$75,000.
- * to increase the disabled dependent allowance by 66.7 per cent, from \$15,000 to \$25,000.
- * to increase the maximum deduction for taxpayers claiming expenses in respect of fees for training courses attended at approved institutions by 66.7 per cent, from \$12,000 to \$20,000 a year.

"In drawing up my proposals on tax reductions, I have had to balance two considerations," Mr Tsang said.

"The first is the need for financial prudence. I am very conscious of our obligation to ensure that the SAR Government is in the strongest possible financial position on July 1.

"The second is the case for the people of Hong Kong to enjoy a fiscal dividend from the success they have created."

In deciding on these Salaries Tax concessions, Mr Tsang said he had stuck to the principle of targeting the groups that needed them most.

"In a caring community which respects traditional family values, the tax system should recognise the special difficulties faced by single parents or families caring for relatives, particularly those with a disability.

"The size of the concession for the training expenses is part of our effort to keep Hong Kong a premier centre for business by encouraging the work force to upgrade its professional and technical qualifications," he said.

The Financial Secretary told the Legislative Council that during his Budget consultations, he received a wide range of proposals on the marginal tax structure from members and professionals in the accounting and taxation fields.

"With the healthy revenue position forecast, both for 1997/98 and in the medium term, I agree that there is scope for me to revamp the structure.

"This will give added relief to middle-income salaries taxpayers, especially the 'sandwich class'. In framing my tax concessions, I have been very conscious of the needs of this particular group," he added.

Currently, the marginal tax band widths are set at either \$20,000 or \$30,000. Mr Tsang proposed to standardise them at the level of \$30,000 and to rationalise the marginal tax rate by adopting a uniform interval of 6 per cent.

"This revamping will simplify the structure and make it easier to understand," he said.

Mr Tsang explained the changes:

- * The first marginal tax band will be widened from \$20,000 to \$30,000, and the marginal tax rate will be kept at the current low level of 2 per cent.
- * The width of the second marginal tax band will be maintained at \$30,000, but the marginal tax rate will be reduced from 9 per cent to 8 per cent.
- * The width of the third marginal tax band will also be maintained at \$30,000, but the marginal tax rate will be reduced from 17 per cent to 14 per cent.
- * The top marginal tax rate will be kept at the current level of 20 per cent.

He said that this meant a taxpayer with a chargeable income of \$100,000 would pay nearly 25 per cent less tax. The number of salaries taxpayers who had to pay the standard rate of 15 per cent would also decrease, he said.

"The concessions I propose this afternoon will benefit 96 per cent of our salaries taxpayers," Mr Tsang said.

He then gave some concrete examples of how he proposed to cut the tax bills for individual employees and their families.

- * A single-income family of four, earning \$22,000 a month, will have its tax bill cut by nearly 90 per cent. It will pay less than \$20 a month in tax.
- * The typical sandwich-class family, with a monthly income of \$26,000, will pay 68 per cent less tax. It will pay only \$237 a month in tax.
- * A married couple with two children will have to earn over \$100,000 a month, or more than \$1.2 million a year, before they pay salaries tax at the standard rate of 15 per cent.

He said that during last year's Budget debate some Legislative Council members expressed concern about the consequences of increasing the basic allowance in real terms, that is, at a higher rate than inflation. They argued that the effect might be to make the tax net too small or the tax base too narrow.

"I have looked carefully at the statistical evidence on this subject. In each of the last five years, we have raised the basic allowance in real terms. Yet the total number of taxpayers, that is, the tax net, has remained relatively stable, at around 1.4 million.

"Similarly, the yield from salaries tax, as a proportion of total revenue, that is, the tax base, has been reasonably stable over the last five years," he said.

The explanation for the stability of our tax net and productivity of our tax base lay in our rapid economic growth, he said.

Salaries taxpayers occupied the better-paid jobs and had benefited most from the increasing demand for well-qualified and experienced staff. The result was that while an increase in the basic allowance in real terms removed some taxpayers from the tax net, their disappearance tended to be temporary. As their salaries rose, they returned to the tax net.

"I hope that members will accept my assurance that today's tax concessions will not undermine the productivity of Salaries Tax as a source of revenue," he said.

He estimated that these concessions would cost \$3.1 billion in 1997/98 and \$20 billion up to 2000/01.

The proposals on Salaries Tax will take effect from the year of assessment starting on April 1, 1997.

End

Overall rates to be reduced by 0.5 per cent

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Delivering his Budget speech today (Wednesday), the Financial Secretary, Mr Donald Tsang, proposed that the overall rates percentage charge should be reduced from 5.5 per cent to 5 per cent, which is an historic low.

In the Urban Council area, the percentage for Urban Council rates would decrease from 2.8 per cent to 2.6 per cent and that for the general rates from 2.7 per cent to 2.4 per cent.

In the Regional Council area, the percentage for Regional Council rates would go down from 4.4 per cent to 4.2 per cent and that for the general rates from 1.1 per cent to 0.8 per cent.

After these adjustments, 28 per cent of ratepayers will pay the same or lower rates and about 59 per cent will face an increase of 20 per cent or less, he said.

But there would still be some who would face a relatively large increase in rates even after lowering the overall rates percentage charge.

"I propose to give these ratepayers some relief by imposing a 20 per cent cap on increases in rates for 1997/98 and for 1998/99. This relief will apply to about 13 per cent of ratepayers in 1997/98. In 1998/99, about 87 per cent of all properties will have no change in rates," Mr Tsang said.

The average increase in rates in 1997/98 for a small private flat would be only \$29 per month - an increase of 8.8 per cent.

He told Legislative Council Members that the largest single group of tenants, those living in public rental housing, would not be affected directly by changes in rates. As in the past, the Housing Authority would absorb the effect of rates increases until the next rent review and public housing tenants, in practice, would be little affected because rents were revised only every two years and were fixed on the basis of affordability.

"As for the business sector, the average rates payment for non-domestic premises will, in overall terms, fall by 3.4 per cent. Industrial premises will enjoy the largest reduction, with an average 17 per cent cut in their rates bill. For offices, the reduction will be a useful 6 per cent on average," he said.

"Lower rates for business firms are another contribution to ensuring Hong Kong is as user-friendly as possible to business, thus reinforcing our role as an international business centre," he stressed.

The net effect of these proposals on revenue from general rates was that in 1997/98, it would remain at the 1996/97 level of about \$6.3 billion, whereas the two Councils' rates would increase from \$9.4 billion to \$10.3 billion. The cost of these proposals to general rates was \$1.2 billion in 1997-98 and \$3.4 billion up to the end of the century, he added.

The Financial Secretary said: "In formulating my proposals on rates, I have not lost sight of the government rents which some ratepayers will have to pay from July 1997 in accordance with Annex III to the Joint Declaration and Article 121 of the Basic Law.

"I have also taken into account the financial position of the Urban Council and the Regional Council, their planned programmes of activities and their rates revenue requirements for the next triennium, since their main source of funding comes from rates."

On the routine revaluation of rates during 1996/97, which was mentioned in his last Budget speech, Mr Tsang said the general revaluation had been completed and, based on rental values on July 1, 1996, the overall average increase in rateable values was around 17 per cent.

Domestic properties showed an average increase of 23 per cent and non-domestic properties an average increase of only 10 per cent for the past three years. The rateable values for approximately 8 per cent of properties would actually decrease or remain unchanged.

Referring to the possibility of conducting the general revaluation on an annual basis, Mr Tsang said the objective would be to introduce smaller rises in rates each year instead of a larger rise once every three years.

"This is a complex issue which we are still studying," he said. But he assured the Legislative Council that the views of Members and the public would be carefully considered before any final decision would be taken.

The proposals will come into effect on April 1 this year.

End

Stamp duty on property transactions to be adjusted

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The Financial Secretary, Mr Donald Tsang, today (Wednesday) proposed to adjust the threshold values for the various stamp duty bands to benefit those buying flats with a value of \$4 million or less.

As a result of the proposed adjustments, the stamp duty paid on a \$2 million flat will be halved, from \$30,000 to \$15,000.

Moving the second reading of the Appropriation Bill 1997, Mr Tsang estimated that about 50,000 property transactions would benefit from the proposal in 1997/98.

"The concession will cost \$620 million in 1997/98 and \$3 billion up to 2000-01," he added.

He explained that he made adjustments to stamp duty on property transactions last year in order to benefit buyers of lower to medium-value flats, in particular those bought under the Home Ownership and Sandwich Class Housing Schemes.

"Increases in property prices have eroded this concession since the last Budget. Because of the Government's commitment to encouraging home ownership, I would like to restore the effect of last year's concession," he said.

End

Foreign withholding tax to be amended

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The Financial Secretary, Mr Donald Tsang, proposed today (Wednesday) to amend the part on foreign withholding tax in the Inland Revenue Ordinance.

He explained that a judicial decision had indicated that foreign withholding tax charged on income or turnover was a legitimate expense, which should be deductible in determining assessable profits whatever the residency status of the company concerned.

The Inland Revenue Department is following the judicial decision in its practice, he said.

But in the past, the Government took the view that the Inland Revenue Ordinance allowed a deduction for foreign withholding tax on income subject to Hong Kong profits tax only for companies which were controlled and managed in Hong Kong, he said. The deduction would not be available to overseas companies operating a branch here.

Nevertheless, during the Budget consultations, the tax, accounting and banking professions had asked the Government to clarify the law so as to provide certainty, he added.

"I, therefore, propose to amend the Inland Revenue Ordinance to reflect the judicial decision and the Department's current practice.

"This will, I hope, offer another inducement to encourage overseas companies to set up branch operations in Hong Kong, thereby strengthening our status as an international financial centre," he said.

End

10-year driving licences to be issued

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The Financial Secretary, Mr Donald Tsang, proposed in the Legislative Council today (Wednesday) to issue driving licences valid for 10 years except for those aged over 60.

He also proposed to charge \$900 for a 10-year licence. This comprised \$520 for the licence fee, and \$380 for a 10-year levy to the Traffic Accident Victims Assistance Scheme (which currently charges an annual levy of \$38 on driving licence-holders).

He said that this was good value for money because a three-year licence currently cost \$864, comprising \$750 for the licence fee and \$114 for the levy.

The cost of this proposal is \$20 million in 1997/98 and \$610 million up to 2000/01.

"We now issue driving licences which are valid for one or three years. Regular renewal is somewhat inconvenient to licence-holders, and those who forget can commit an offence by driving without a valid licence," he said.

A 10-year licence would make life easier for drivers and reduce administrative costs for the Transport Department. Since 10 years is a long time, the Commissioner for Transport would issue notices to remind people that their licences were due for renewal, he added.

On the scheme to encourage people to scrap their old cars on environmental grounds, which was introduced last year, Mr Tsang proposed to extend it for another 12 months and review it again at the end of the period.

"Since the scheme started in June last year, we have received an average of about 150 applications each month. As I promised in the last Budget, I have reviewed the effects of the scheme. It works and there have been no abuses."

To increase the number of cars eligible under the scheme, the Financial Secretary would cut the period a person was required to own the car before it was scrapped from two years to one year.

"And I will reduce the requirement for the car to have been licensed immediately before scrapping from two years to one," he said.

Mr Tsang also proposed to extend First Registration Tax exemption to electric vehicles for another three years with another review at the end of the period.

He reiterated that the aim was to make electric vehicles, which do not cause air pollution, more attractive by reducing their initial cost.

End

Exemption level for estate duty raised

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The Financial Secretary, Mr Donald Tsang, proposed to increase the level below which no estate duty is payable from \$6.5 million to \$7 million for the 1997/98 fiscal year.

"Above that level, I propose that estate duty be payable at 6 per cent on estates between \$7 million and \$8.5 million; 12 per cent on estates between \$8.5 million and \$10 million; and 18 per cent on estates over \$10 million," he said.

The cost of this proposal would be \$12 million in 1997/98 and \$103 million up to 2000/01, he said.

The proposal will come into effect on April 1 this year.

End

Duty on alcoholic beverages to be reduced

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The duty on wine will be reduced from 90 per cent to 60 per cent, the Financial Secretary, Mr Donald Tsang, told the Legislative Council today (Wednesday).

This will cost \$110 million in 1997/98 and \$490 million up to 2000/01.

He explained that the case had been put to him that the 90 per cent duty on wine was too high and was affecting Hong Kong's tourist industry and business generally.

"For this reason, I propose to reduce the wine duty from 90 to 60 per cent," he said.

"I am looking to shops, restaurants and hotels to pass on this duty reduction to their consumers. I shall ask the Consumer Council to monitor the price of wine in restaurants, hotels and other retail outlets to see that they do so."

Mr Tsang reiterated that in March 1994, a simple ad valorem duty system on alcoholic beverages was introduced. The system had benefited ordinary consumers by giving them greater choice and cheaper alcohol as importers had to compete for sales, especially at the lower end of the market.

"And it is also consistent with our obligations under international trade rules that we should treat local and imported products exactly the same. Thus, there is no valid argument for me to change the system.

"As the French proverb says, and as those of you who enjoy a glass of wine from time to time will know, it is only the first bottle which seems expensive. Once that has taken effect, so I understand, drinkers worry less about the price.

"As Financial Secretary, however, I need to be mindful of Hong Kong's status as a centre for trade, finance and tourism," he explained. Thus he had proposed the above change.

The proposal will come into immediate effect under a Public Revenue Protection Order issued today.

End

Transition Budget underpins strong and healthy economy

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Hong Kong's economy and public finances remain strong and healthy in this historic year of change, the Financial Secretary, Mr Donald Tsang, told the Legislative Council in his annual Budget address today (Wednesday).

Mr Tsang revealed that the Hong Kong Special Administrative Region government would start life on July 1 with around \$330 billion in reserves (including the Land Fund).

He revealed a \$15 billion surplus for 1996/97 and forecast a \$32 billion surplus for 1997/98.

In a Budget entitled 'Continuity in a Time of Change', Mr Tsang had good news for tax payers, drivers, property owners and even wine lovers.

Hong Kong's social safety net received a boost, with \$126 billion pledged for education, public housing, health and welfare services.

He said the (Joint Liaison Group's) Budget Expert Group had agreed on a 'through Budget' complying with the Basic Law and covering the whole financial year from April 1, 1997 to March 31, 1998.

This ensures public services will continue uninterrupted, with improvements to existing services where necessary.

The Budget also maintains the integrity and continuity of the tax system across the transition and strengthens Hong Kong's financial and economic prospects for the future, said Mr Tsang.

"I have pointed out that no fewer than 70 of the 160 Articles in the Basic Law deal with economic issues or are related to economic development," said Mr Tsang.

"The most important, Article 5, provides that our capitalist system and way of life shall remain unchanged for fifty years.

"We are committed to our role as an international business centre. We are committed to our policy of financial prudence. We will continue to enjoy full autonomy in economic affairs."

In regards to Salaries Tax, Mr Tsang said he had set out to substantially reduce the amount of tax people paid while keeping the number of taxpayers roughly the same.

He said the proposed salaries tax concessions would cost more than \$3 billion in 1997-98 and \$20 billion up to 2000-01.

Mr Tsang said the forecast \$32 billion Budget surplus for the 1997/98 financial year should be treated as an 'exceptional' item, for two reasons.

The first was because additional revenue would come as a result of accounting changes from July 1, 1997, relating to the treatment of income received from land transactions.

"Second, the surplus arises in the year in between funding the new airport and airport railway and investing in the Railway Development Strategy," he said.

Mr Tsang said Hong Kong was experiencing a time of great change.

"But it is also a time to hold fast to our values. To have faith and confidence in ourselves. To look to what we Hong Kong people can do," he said.

"We are the premier centre for international business in the region. We are looking forward to faster economic growth in 1997 than in 1996.

"Our sustained economic growth, our excellent law and order situation and our bright future prospects, mean that we can go on expanding our investment in our infrastructure, our support for business and our housing and social service programmes.

"Many in our community, and among our friends around the world, have a major question in their minds at this time.

"This Budget provides at least a part of the answer: Yes, the future does work."

End

Enhancement of information technology education welcomed

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The Secretary for Education and Manpower, Mr Joseph W P Wong, welcomed the proposal in the 1997/98 Budget announced by the Financial Secretary, Mr Donald Tsang, that the Government would spend \$300 million over the next two years to provide multi-media computers to all public sector primary schools and to set up Information Technology Learning Centres (ITLC) in prevocational and technical schools.

He said: "One of the Government's new initiatives to improve basic education this year is to enhance information technology education.

"To achieve this purpose, each government or aided primary school will be equipped with 15 multi-media computers, which means the provision of a total of 8,250 multi-media computers in all government and aided primary schools to benefit some 411,000 students.

"In addition, computer training courses ranging from 18 to 120 hours will be provided to some 15,200 teachers."

Mr Wong said that the Government would also provide ITLC in all 27 prevocational and 19 secondary technical schools to benefit some 43,000 students.

Each ITLC will be equipped with 41 computers, computer-aided design and manufacturing equipment, and computer-assisted learning packages. In addition, appropriate training will be arranged for teachers.

Mr Wong pointed out the proposal of providing \$300 million for the purpose of enhancing information technology education was an important element to coincide with the rapid technology development in Hong Kong and took a big step forward to provide information technology education in local primary and secondary schools.

He reiterated that improvements would be made in seven areas to enhance the development of basic education. Apart from enhancement of the information technology education, the Government will implement new measures to further improve the teaching and learning environment, support services for new arrival children, quality of school education, special education, language proficiency and civic education.

End

Quotable quotes in the Budget speech 1997/98

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Following are some of the quotable quotes in the Budget Speech 1997/98 delivered by the Financial Secretary, Mr Donald Tsang, in the Legislative Council today (Wednesday):

INTRODUCTION

An Historic Occasion

"1997 is a very special year for Hong Kong. The eyes of the world will be upon us as we set out on our historic journey." (Para 2)

"The Budget I am presenting this afternoon is unique because it is a transitional one, a Budget specially designed to meet the circumstances of 1997. It must respond to the far-reaching consequences of the resumption of the exercise of sovereignty and the creation of the Special Administrative Region. This Budget seeks to fulfil that historic mission." (Para 5)

A PROCESS OF CONSULTATION

The Joint Liaison Group

"The Budget Expert Group has worked throughout in a co-operative spirit. Its discussions have been pragmatic and constructive. And it has reached rapid consensus at every stage." (Para 10)

"We wanted to achieve a Budget that would cover the entire financial year from 1 April 1997 to 31 March 1998; a budget which was financially sound and prudent and which would take into account the interests of all." (Para 11)

"We wanted to ensure that our public services would continue smoothly, uninterrupted by the transition." (Para 11)

"We wanted to ensure that there would be no room for doubt about the continuity of the tax system." (Para 11)

"We wanted to draw up a Budget which would strengthen Hong Kong's financial and economic prospects for the future." (Para 11)

THE CONSTITUTIONAL FRAMEWORK

"Article 5 of the Basic Law is a clear pledge that Hong Kong will continue to enjoy free, open and competitive markets which are not controlled by state planning or state direction." (Para 14)

A Centre for International Business

"In recent years, our performance as an international business centre has won very high marks from independent and prestigious authorities such as the International Monetary Fund and the Heritage Foundation." (Para 17)

"The Basic Law offers a commitment to Hong Kong's continuing role as a centre for international business." (Para 18)

Financial Prudence

"Living within our means has been a fundamental principle of our public finances for at least fifty years." (Para 20)

"Avoiding budget deficits is a well-established tradition. In nine of the last ten years, we actually achieved a budget surplus." (Para 20)

"In the five financial years since 1991, growth in government expenditure and GDP were identical in real terms at 30 per cent." (Para 20)

Economic Autonomy

"The Basic Law promises that Hong Kong's best practices will continue into the future. It enshrines in law Hong Kong's winning formula for economic success in the past. It will prove even more important in ensuring our future prosperity." (Para 23)

"As the world's eighth largest trading economy, the ninth largest exporter of services and the fifth largest foreign exchange market, it is vital for Hong Kong that our voice is heard in the deliberations of international bodies The British and the Chinese Sides have agreed the necessary arrangements to continue Hong Kong's separate membership of such bodies from 1 July in accordance with the Basic Law." (Para 24)

CONTINUITY AND CHANGE: MEETING ECONOMIC NEEDS

"A major reason we have almost doubled our GDP in real terms since 1984 is the momentum of economic development in the mainland of China over this period. Hong Kong has been uniquely placed to take the fullest advantage of the business opportunities created by economic modernisation and the "open door" policies." (Para 26)

"Hong Kong has long had a clear understanding between the Government and the business community that business decisions are best left to entrepreneurs and investors. The Government's job is to provide the right environment for business to grow." (Para 27)

Future Forecasts

"We are forecasting for this year 5.5 per cent real growth in GDP, 8.5 per cent increase in merchandise exports and 8 per cent increase in exports of service, and 7 per cent increase in inflation." (Para 28)

"1997 promises to be another year of sound, sustainable growth. This will ensure solid growth in employment, new business opportunities and good profits across the economy as a whole." (Para 29)

"To contain the pressures on our labour and land resources, we will have to continue our battle against inflation. This underlines the importance of the Government maintaining the tightest control over public spending and pursuing maximum value for money throughout the public sector." (Para 29)

Helping Business

"Hong Kong thrives by deliberately leaving as much room as possible for enterprise and innovation." (Para 30)

Services Promotion

"I intend to form a new high level Services Promotion Strategy Group to give an overall steer on the way to make sure Hong Kong remains the services centre par excellence in the region, and indeed the world." (Para 38)

New Unit

"I propose to create a new unit to take responsibility for both Helping Business and Services Promotion. It will not be some far flung quango. It will be part of my own office and its head will report directly to me." (Para 39)

CONTINUITY AND CHANGE: MEETING THE COMMUNITY'S NEEDS

Housing: Improving the Supply

"Over the last five years, in partnership with the Housing Authority, we have increased spending on housing by 34 per cent in real terms." (Para 43)

Improvements in Key Services

"Unlike most advanced economies, Hong Kong has not had to increase the burden on the taxpayer in responding to the public's rising expectations. On the contrary, we have been able to reduce taxation while at the same time making significant improvements. We have been able to afford these because our economic growth has generated the necessary wealth to do so." (Para 48)

Education: Investing in Quality

"In education, our priority must be to maintain and upgrade the quality." (Para 50)

"In 1997-98, our total expenditure on Education will exceed \$45 billion (an increase of 7.7 per cent in real terms over 1996-97." (Para 51)

Language Skills

"Language skills are vital to our success as a Special Administrative Region of China, as well as our role as an international centre for business." (Para 55)

A Caring Community

"Our society has remained loyal to its traditional values. Families do all they can to look after their elderly members, those with a disability or the relative who is sick." (Para 59)

"We have increased our expenditure on welfare by 88 per cent in real terms over the past five years. It will increase by a further 9.1 per cent in 1997-98 to \$21.2 billion." (Para 60)

The Elderly

"We are constantly improving our continuum of care for elderly people." (Para 61)

Others in Need

"In 1996-97, we are spending \$7 billion on CSSA (an increase of 35 per cent in real terms over 1995-96 and we expect a further increase of 11 per cent in real terms in 1997-98." (Para 63)

New Arrivals

"In 1997-98, we will spend a total of around \$168 million on children of new arrivals (an increase of over 150 per cent in real terms over 1996-97." (Para 67)

Law and Order

"Hong Kong is a much safer place to live and work than other major cities like London, New York, Tokyo or Toronto." (Para 68)

"This is an Administration which is very conscious of the community's concerns and which will indeed strive to do more." (Para 70)

PUBLIC FINANCES

"We will start life as a Special Administrative Region in an extremely favourable position." (Para 71)

The 1996-97 Outturn

"I am now forecasting a surplus for 1996-97 of \$15.1 billion." (Para 72)

The 1997-98 Estimates

"I am forecasting an overall budget surplus for 1997-98 of \$31.7 billion." (Para 80)

Medium Range Forecast

"The SAR Government may well need to contribute \$49 billion between 1998 and 2001 towards the construction of the high priority projects under the Railway Development Strategy." (Para 83)

REVENUE PROPOSALS

"Our revenue arrangements should support Hong Kong's role as a centre for international business, and they should reflect our commitment to financial prudence and economic autonomy." (Para 87)

Areas of No Change

Tax Relief for Housing

"It would be wrong in principle to create a general tax concession, regardless of the individual family's needs, to cover investment in housing." (Para 89)

"Any help which the Government provides to promote home ownership should be given specially to those families which need such assistance." (Para 90)

"Between 1991 and 1996, the number of households owning their own home rose by 22 per cent. Today, more than 50 per cent of households own their own home." (Para 90)

Profits Tax

"By comparison with our competitors in the region, our level of Profits Tax is already very low. We are still highly competitive even when we look at their effective tax rates." (Para 92)

A Dividend for the Community

Salaries Tax

"I believe that, given our strong financial position, it is right to reduce Salaries Tax once again." (Para 97)

"In a caring community which respects traditional family values, the tax system should recognise the special difficulties faced by single parents or families caring for relatives, particularly those with a disability." (Para 98)

"A married couple with two children will have to earn over \$100,000 a month, or more than \$1.2 million a year, before they pay salaries tax at the standard rate of 15 per cent." (Para 102)

Rates

"I propose that the overall rates percentage charge should be reduced from 5.5 per cent to 5 per cent. This is an historic low." (Para 107)

"Lower rates for business firms are another contribution to ensuring Hong Kong is as user-friendly as possible to business, thus reinforcing our role as an international business centre." (Para 111)

Stamp Duty on Property Transactions

"I propose to adjust the threshold values for the various Stamp Duty bands to benefit those buying flats with a value of \$4 million or less." (Para 115)

Driving Licences

"To make life easier for drivers, I propose to issue driving licences valid for 10 years and charge \$900 for such a licence. This is good value for money." (Para 118 and 119)

Duty on Alcoholic Beverages

"I propose to reduce wine duty from 90 per cent to 60 per cent. I am looking to shops, restaurants and hotels to pass on this duty reduction to their consumers." (Para 125)

CONCLUSION

"We are committed to our role as an international business centre. We are committed to our policy of financial prudence. We will continue to enjoy full autonomy in economic affairs." (Para 128)

"This is a time of great change for us. But it is also a time for us to hold fast to our values. To have faith and confidence in ourselves. To look to what we Hong Kong people can do." (Para 137)

"Many in our community, and among our friends around the world, have a major question in their minds at this time. This Budget provides at least a part of the answer: Yes, the future does work." (Para 138)

End

Financial Secretary's TV broadcast

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Following is the full text of the Financial Secretary, Mr Donald Tsang's TV Broadcast on the Budget speech today (Wednesday):

Good evening,

This afternoon I presented the Government's annual budget to the Legislative Council. Nothing unusual in that, you might say. But this is after all 1997, the year when many things in Hong Kong are scheduled to change.

It is the year in which we cease to be a dependent territory under British Administration. It is the year in which we become a Special Administrative Region of the People's Republic of China.

At a time when such great changes are afoot, and in particular when the eyes of the world are watching us closely, I thought it would be useful to remind everyone just how many things are set to remain the same. Hence the title of my Budget Speech: Continuity in a Time of Change.

The Budget covers a full financial year from 1 April to 31 March. As usual. It forecasts continuing real growth in our economy, and sturdy public finances. As usual. Our taxes remain low, simple and predictable. As usual.

Our continuing success means we generate the wealth to meet the community's expectations for improvements in housing, education, welfare, healthcare, and law and order. This year we will spend over \$200 billion for the first time: \$45 billion on education; \$28 billion on health; \$21 billion on welfare. And, together with the Housing Authority, over \$32 billion on housing programmes.

This shows we are a caring community. A community which puts its money where its heart is. But we do not allow our hearts to rule our heads. Money for the improvements we make comes from economic growth, not deficit budgets. So we have no debts and we can keep our taxes low.

Which brings me to the other half of the Budget: revenue. There are a few minor increases in duty. But everywhere else we will be reducing taxes. Altogether I have proposed concessions of over \$5 billion. On salaries tax, I am increasing the personal allowance from \$90,000 to \$100,000. I am also overhauling the marginal tax bands. This means a family of four earning \$22,000 per month will pay less than \$20 a month in tax. Altogether, 96% of our salaries taxpayers will benefit. The rates percentage charge will be reduced to an all time low of 5%. About 50,000 homebuyers at the lower end of the market will pay less Stamp Duty. As you can see, the main beneficiaries will be sandwich class taxpayers and ratepayers.

All in all a pretty impressive package. But I know there will be some who say we should have gone further. With a surplus this year of \$15 billion, and a forecast for the coming year of over \$30 billion, they will say we should have gone on a spending spree. Or had a real giveaway on the tax side.

This might seem attractive, but it would have been wrong. What has brought us to our present position of strength is the firm discipline of keeping increases in government spending in line with GDP growth. If we were to abandon that discipline, it would become impossible to hold the line. On the tax side I have tried to strike a balance. We must make sure the new SAR Government starts life in the strongest possible financial position. At the same time, you the people of Hong Kong are entitled to enjoy a dividend from the success you have created. I hope you will agree that we have got the balance about right.

This is a unique Budget for a special year. We are living through a time of change. But we can face the challenges this brings because we have the confidence that our way of life will continue. We are privileged to be part of history in the making. And together we will make our future work.

Thank you and good night.

End

Financial Secretary to take calls from the public

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Members of the public will have the opportunity to express their views on the Budget proposals for 1997/98 to the Financial Secretary, Mr Donald Tsang, direct through phone-in programmes tomorrow (Thursday) and on Saturday.

The Financial Secretary will take questions from callers to RTHK Radio 1 and 5's "Talkabout" and Radio 3's "Hong Kong Today" programmes from 7.45 am to 9.00 am tomorrow.

After attending RTHK's programme, Mr Tsang will brief chairmen of the two municipal councils and 18 district boards on the 1997/98 Budget at 10 am at the Home Affairs Department Headquarters.

In the afternoon, he will give his second press conference at 3 pm in the Press Conference Room of the Information Services Department, 7th floor, Murray Building.

On Friday (March 14), Mr Tsang will brief Legislative Councillors at 10 am at the Legislative Council.

On Saturday (March 15), he will take calls again from the public in a Commercial Radio-1's phone-in programme from 9.30 am to 11 am.

End