



DAILY INFORMATION BULLETIN

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THE USUAL WAY OF TRYING TO PUT THESE FIGURES INTO PERSPECTIVE - ONE THAT WE'VE USED BEFORE, WE HAVEN'T JUST THOUGHT OF IT - IS TO EXPRESS THE RESERVES AS A PERCENTAGE OF GOVERNMENT EXPENDITURE, AND I THINK THAT IS A HELPFUL WAY OF PUTTING IT INTO PERSPECTIVE. WE WILL GIVE YOU A HANDOUT WITH THE FIGURES FOR THE LAST 10 YEARS AND FOR THE PERIOD COVERED BY THE MEDIUM-RANGE FORECAST, BOTH THE FIGURES AND A NICE LITTLE CHART WHICH I HOPE WILL ILLUSTRATE THE POINT I AM TRYING TO MAKE. OVER THE LAST 10 YEARS, RESERVES, AS A PERCENTAGE OF GOVERNMENT EXPENDITURE, HAVE VARIED BETWEEN ABOUT 50% AND 90%. THE RESERVES IN 1992-93 WILL BE AT ABOUT 80% OF GOVERNMENT EXPENDITURE, AND BY 1996-97 THEY WILL HAVE DROPPED TO ABOUT 40% OF GOVERNMENT EXPENDITURE. SO THEY MAY SOUND A LOT BUT IN RELATION TO ANNUAL EXPENDITURE THEY ARE NOT THAT BIG. AND I WOULD JUST REPEAT, THE PURPOSE OF THE RESERVES IS THAT OVER THE PERIOD - IT'S NOT JUST 1996-97, BUT OVER THOSE YEARS LEADING UP TO 1996-97 - WHEN WE WILL BE ENTERING INTO SOME MODEST DEFICITS WHICH WILL OF COURSE REDUCE OUR RESERVES, THAT WE SHOULD ENSURE THAT WE HAVE ENOUGH TO MEET UNFORESEEN DEVELOPMENTS. AND REALLY, I MUST SAY AGAIN, I THINK THAT IS THE ONLY PRUDENT WAY FOR THIS GOVERNMENT TO ACT. SO THAT'S JUST SOME COMMENTS. THE HANDOUT WILL BE - AT THE END? - OR NOW? - WHO HAS GOT IT? - ANYWAY, IT WILL BE DONE. DON'T LEAVE WITHOUT IT.

SECONDLY, JUST TO REPEAT THE POINT I MADE YESTERDAY, IN CASE IT HASN'T ENTIRELY BEEN UNDERSTOOD, THE INCREASE IN PROFITS-TAX IS NOT THE TOP OF A SLIPPERY-SLOPE, THAT IS TO SAY THERE IS NO THOUGHT EVEN IN THE BACK OF MY HEAD THAT WE SHOULD GO ON AND ON AND ON INCREASING PROFITS-TAX. WE ARE COMMITTED STILL TO A LOW TAX POLICY AND AS I SAID IN THE SPEECH, ON OUR PRESENT PROJECTIONS - AND OBVIOUSLY BARRING ANY UNFORESEEN DEVELOPMENTS - WE THINK THAT THIS PACKAGE WILL SET US UP QUITE WELL FOR THE PERIOD TO 1996-97 WITHOUT RADICAL CHANGE HEREAFTER. SO THAT IS THE SECOND POINT.

THE THIRD POINT - THE SANDWICH-CLASS, WHICH OF COURSE IS NOT TERRIBLY WELL DEFINED BUT BASICALLY IS THE GROUP OF PEOPLE WHO ARE JUST TOO WELL-OFF TO QUALIFY FOR SUBSIDISED HOUSING, TO PUT IT MORE GENERALLY, BUT ARE NOT QUITE WELL-OFF ENOUGH TO AFFORD PRIVATE HOUSING, TO BUY THEIR OWN PRIVATE HOUSING. IT HAS BEEN ARGUED THAT WE ARE NOT HELPING THEM ENOUGH AND THAT HAS BEEN RELATED TO THE SALARIES-TAX ALLOWANCES, AND SOMEHOW THE IMPRESSION HAS BEEN GIVEN THAT WE HAVE ALLOWED SALARIES-TAX ALLOWANCES TO FALL BEHIND INFLATION. THAT IS NOT CORRECT - THAT IS NOT CORRECT. IF YOU TAKE INTO ACCOUNT THE INCREASE IN THE BUDGET, THEN PERSONAL ALLOWANCES HAVE INCREASED OVER THE PERIOD FROM 1986-87 TO 1992-93. IF YOU TAKE INTO ACCOUNT THE INCREASES IN THE ALLOWANCES, AND CHANGES IN THE TAX BANDS, THEY HAVE INCREASED IN LINE WITH INFLATION. SO THERE IS NO GAP TO BE FILLED. SO IN THAT SENSE, THE SANDWICH-CLASS IS NEITHER BETTER-OFF NOR WORSE-OFF THAN IT WAS SOME YEARS PREVIOUSLY. THAT SAID, I DO ACCEPT THAT THEY HAVE A PARTICULAR PROBLEM AT THE MOMENT AND THAT IS BECAUSE PROPERTY PRICES ARE VERY HIGH. IT HAS NOTHING TO DO WITH THE TAX SYSTEM BUT IT IS A GENUINE PROBLEM. WE HAVE TRIED TO HELP ON THAT AND WE WILL CONTINUE TO TRY AND HELP ON THAT BY AT LEAST DISCOURAGING SPECULATION AND THE EFFECTS OF SPECULATION ON PROPERTY PRICES WHENEVER WE SEE IT HAPPENING AND WHENEVER WE THINK WE CAN AFFECT THAT PARTICULAR PROBLEM. THAT IS A CONTRIBUTION.

BUT, AS I SAY, GOING BACK TO THE OTHER POINT, IT IS REALLY NOT TRUE THAT SALARIES-TAX ALLOWANCES HAVE FALLEN BEHIND CPIA, THEY HAVEN'T - UNLESS YOU CHOOSE, PERHAPS, ONE OR TWO RECENT YEARS, BUT IF YOU LOOK AT A LONGER PERIOD, IT IS NOT CORRECT.

FINALLY, RATES. I THINK, AGAIN, I WOULD URGE COMMENTATORS TO LOOK VERY CAREFULLY AT RATES. WE HAVE BEEN ENCOURAGED BY MANY COMMENTATORS TO CONTINUE OUR SEARCH FOR LESS VOLATILE SOURCES OF REVENUE. AT THE SAME TIME WE HAVE BEEN STRONGLY DISCOURAGED BY MOST OF THE PUBLIC COMMENT, TO CONSIDER SALES-TAX, AND ONE OF THE ADVANTAGES OF RATES IS THAT IT IS A VERY RELIABLE, BROAD-BASED, ACTUALLY RATHER FAIR TAX. AND IT SEEMED QUITE A REASONABLE TIME TO PUT THE RATES UP BECAUSE HISTORICALLY THEY ARE VERY LOW, THAT IS SIMPLY A FACT. AND I HAVE ALSO BEEN VERY CONSCIOUS OF THE FACT THAT IN THE LONG TERM, LETTING RATES GET LOWER AND LOWER ACTUALLY DOESN'T BENEFIT THE TENANTS, IT BENEFITS THE LANDLORDS. THE MARKET PRICE RELATES TO RENT PLUS RATES, IT DOESN'T RELATE TO RENT AND RATES SEPARATELY. SO THAT IF THERE IS SUCH A THING AS MARKET PRICE, AND EVEN IN PROPERTY I THINK THERE PROBABLY IS IN THE LONG RUN, THEN MY ARGUMENT, I THINK, IS TRUE.

SO I WILL STOP THERE, HAVING CHOSEN A FEW OF THE HOT-POTATOES. THERE MAY BE ONE OR TWO OTHERS WHICH YOU WANT TO RAISE.

QUESTION: IT SEEMS MR LU PENG OBJECTED TO SOME PARTS OF YOUR BUDGET, SPECIFICALLY, I THINK WE ARE RUNNING A STORY NOW SAYING THAT HE POINTED OUT THAT UNDER ARTICLE 107 OF THE BASIC LAW THAT THERE ARE PROBLEMS WITH THE BUDGET. CAN YOU RESPOND TO THOSE COMMENTS?

FINANCIAL SECRETARY: I WOULD HAVE TO SAY - I'M SORRY TO DISAPPOINT YOU - "NO COMMENT".

QUESTION: MR MACLEOD, YOU'RE SAYING THAT THE SANDWICH-CLASS IS IN A PARTICULARLY BAD WAY BECAUSE OF HIGH PROPERTY PRICES, WHY DIDN'T YOU ADDRESS PROPERTY SPECULATION IN YOUR SPEECH MORE YESTERDAY? YOU KNOW, YOU MENTIONED YOU'LL TRY TO DISCOURAGE PEOPLE FROM BREAKING LAWS, BUT WHY DIDN'T YOU INSTITUTE ANY NEW MEASURES, PARTICULARLY BECAUSE THE MARKET SEEMS TO BE HEATING UP IN THE LAST THREE OR FOUR SALES? DO YOU THINK THAT YOU'VE DONE A GOOD JOB WITH YOUR MEASURES LAST YEAR AND THERE IS NOTHING ELSE YOU CAN DO? WHY AREN'T YOU MAKING ANYTHING NEW?

FINANCIAL SECRETARY: NO, I WOULDN'T CLAIM THAT THE PROBLEM IS SOLVED. THE STAMP-DUTY MEASURE, OF COURSE, IS ONLY RATHER RECENTLY IMPLEMENTED - IT TOOK A WHILE TO GET THAT THROUGH AND IMPLEMENT IT, SO WE MUST LET THAT HAVE SOME CHANCE TO WORK. BUT I AM CERTAINLY FOLLOWING WITH SOME INTEREST WHAT IS HAPPENING IN THE PROPERTY MARKET AND I MAY HAVE FURTHER COMMENTS ON THAT, BUT I THINK AT THE MOMENT THE MARKET IS NEITHER UP NOR DOWN, IT'S AT A LEVEL STAGE. SO AT THE MOMENT I DON'T HAVE ANY NEW MEASURE ON THAT BUT I AM NOT AT ALL RESTRICTED TO THE BUDGET. IN FACT THE BUDGET ISN'T REALLY THE APPROPRIATE PLACE TO DEAL WITH THAT SORT OF PROBLEM. SO WE WILL HAVE TO SEE HOW IT DEVELOPS.

/QUESTION

QUESTION: I WOULD LIKE TO ASK MY QUESTION IN CHINESE. I AM FROM TVB. NOW IN YOUR BUDGET SPEECH YOU SAID THAT YOU WOULD TRY TO COMBAT THE EVASION OF TAXES AND YOU MENTIONED THE DELIBERATE LOWERING OF CAR-IMPORT PRICES AS WELL AS IMPORT-TAX. CAN YOU ELABORATE ON THAT?

FINANCIAL SECRETARY: YES. I MEAN BASICALLY WHAT SEEMS TO HAVE BEEN HAPPENING IS - AS YOU KNOW THERE IS A FIRST-REGISTRATION TAX, IT IS RELATED TO THE DECLARED VALUE OF THE CAR AND OF COURSE IF YOU, THROUGH ONE MEANS OR ANOTHER, CAN LOWER THE DECLARED VALUE OF THE CAR THEN YOU PAY LESS TAX. I DON'T THINK IT IS MUCH MORE COMPLICATED THAN THAT. I MEAN HOW THEY ACTUALLY DO IT CAN BECOME VERY COMPLICATED BUT I THINK THAT IS THE PROBLEM. WE'VE IDENTIFIED THE PROBLEM, WE'VE BEEN LOOKING VERY HARD AT HOW TO DEAL WITH IT - IT IS NOT ACTUALLY A VERY SIMPLE MATTER - WE NOW ARE PRETTY SURE THAT WE CAN DEAL WITH IT AND WE WILL BE BRINGING LEGISLATION FORWARD AS QUICKLY AS WE CAN BECAUSE AS I SAID IN THE SPEECH, THIS IS NOT A SMALL THING, I MEAN THIS IS COSTING US HUNDREDS-OF-MILLIONS-OF-DOLLARS.

QUESTION: NOW MR LU PENG SAID THAT HONG KONG SHOULD LIVE WITHIN ITS MEANS, BUT HE SAID THAT WE ARE NOW NOT LIVING WITHIN OUR MEANS. DO YOU AGREE WITH HIM?

FINANCIAL SECRETARY: IT'S A GOOD TRY! OUR PHILOSOPHY AND OUR STRATEGY IS WELL SET OUT IN THE BUDGET SPEECH, AND I THINK ACTUALLY EXTREMELY CLEARLY SET OUT, AND I WOULDN'T WISH TO COMMENT ON ANY OTHER VERSIONS.

QUESTION: MR MACLEOD, WITH REGARD TO THE FIRST-REGISTRATION TAX, YOU SAID YOU ARE GOING TO INTRODUCE LEGISLATION. WHAT TYPE OF LEGISLATION ARE YOU LOOKING AT AND HOW SOON ARE YOU GOING TO INTRODUCE IT? I MEAN BECAUSE IT IS COSTING YOU MONEY IN THE MEANTIME.

FINANCIAL SECRETARY: WELL IT IS SIMPLY LEGISLATION TO DEAL WITH THIS LOOPHOLE. I DON'T KNOW THAT I CAN SAY MUCH MORE THAT WILL HELP YOU - A FEW MONTHS.

QUESTION: OKAY, CAN I JUST ASK ONE MORE QUESTION. WITH REGARD TO - ENVIRONMENTALISTS AND OIL COMPANIES ARE DISAPPOINTED THAT YOU DIDN'T FURTHER WIDEN THE GAP BETWEEN LEADED AND UNLEADED PETROL TO TRY AND ENCOURAGE, FOR THE HONG KONG ENVIRONMENT, TAXI-DRIVERS AND CAR-DRIVERS TO CONVERT TO UNLEADED PETROL. CAN I ASK YOU ABOUT THIS, I MEAN WHAT IS YOUR COMMENT ON THAT?

FINANCIAL SECRETARY: I THINK IT'S FOR THE SECRETARY CONCERNED - IN THAT CASE, PLANNING, ENVIRONMENT AND LANDS, I GUESS - ALTHOUGH I THINK THERE ARE PROBABLY ANOTHER TWO SECRETARIES WHO ALSO HAVE AN INTEREST - TO DECIDE WHETHER THEY WANT TO GO DOWN THAT ROAD. IF THEY DO, THEN OF COURSE IT DOESN'T HAVE TO WAIT FOR THE BUDGET, ACTUALLY, IT CAN BE INTRODUCED AT SOME APPROPRIATE TIME. BUT IT DIDN'T COME UP TO US AS AN APPROPRIATE BUDGET MEASURE, IT WOULD BE FOR ENTIRELY OTHER REASONS, NOT REVENUE REASONS.

QUESTION: MR MACLEOD, YOU'VE TALKED ABOUT THE RESERVES, THAT BY 1996-97 IT IS GOING TO BE \$71 BILLION AND IT AMOUNTS TO SOME 40% OF THE TOTAL EXPENDITURE, BUT YOU HAVEN'T TAKEN INTO ACCOUNT THE AMOUNTS THAT WE ARE GOING TO GET FROM THE SAR LAND FUND WHICH SIR PIERS JACOBS ESTIMATED TO BE SOMETHING LIKE \$70 BILLION BY 1997. SO IT MEANS, BY THAT YEAR, YOU ARE GOING TO HAVE A HANDSOME RESERVE WHICH WILL BE EQUIVALENT TO 80% - BASED ON YOUR CALCULATIONS - OF THE TOTAL EXPENDITURE. SO IT COMES BACK TO THE QUESTION: WHY DO YOU NEED SUCH A BIG CUSHION? IT'S NOT 40% - AS LOW AS YOU DESCRIBE - SO IS THERE ANY HIDDEN AGENDA? THERE WAS TALK THAT HONG KONG IS CONCERNED ABOUT A POSSIBLE CONFIDENCE CRISIS CLOSER TO 1997, SO IS THAT SOMETHING THAT YOU HAVE IN MIND, THAT WE NEED TO KEEP SUCH BIG RESERVES?

FINANCIAL SECRETARY: NO, THERE IS NO HIDDEN AGENDA. I MENTIONED THE LAND FUND IN MY SPEECH, I DIDN'T FORGET IT. OF COURSE IT DOESN'T COME INTO THE RESERVES UNTIL AFTER THE SAR GOVERNMENT IS SET UP, SO WE HAVE TO PLAN OUR FINANCES OVER THE PERIOD - YOU KNOW IT'S NOT JUST THE LAST YEAR BUT OVER THE PERIOD - SO THAT WE HAVE SUFFICIENT CUSHION TO DEAL WITH UNFORESEEN DEVELOPMENTS, AND OF COURSE HAVE LEFT, AT LEAST, THE 25 BILLION HANDOVER. WE CAN'T START COUNTING THE LAND FUND UNTIL AFTER THAT. CERTAINLY, WE HAVE IT VERY MUCH IN MIND THAT IT WILL HELP TO GET THE SAR OFF TO A GOOD START BUT IT IS NOT AVAILABLE TO US - LET'S SAY IF THERE IS A SERIOUS ECONOMIC DOWNTURN IN 1995 - AND IF WE HAD SUCCUMBED TO THE TEMPTATION TO SPEND OUR RESERVES ON ANY NUMBER OF POSSIBLE CONCESSIONS, WE WOULD THEN BE FACED WITH AN EXTREMELY DIFFICULT POSITION. AND I THINK TO TRY AND SUDDENLY, IN THE SHORT TERM, REMEDY A REVENUE DEFICIENCY AT A TIME WHEN BY DEFINITION WE HAVE A PROBLEM, IS NOT A SENSIBLE WAY TO PLAN ANY GOVERNMENT'S FINANCES, AND CERTAINLY NOT THIS GOVERNMENT'S FINANCES. BEARING IN MIND ALSO THAT WE DO NOT HAVE THE OPTION, EVEN IF WE WANTED IT, OF CUSHIONS BY HUGE AMOUNTS OF BORROWING. THAT'S NOT OUR STYLE, IT'S NOT APPROPRIATE.

QUESTION: BUT BEARING IN MIND, AS YOU SAID JUST NOW, THE RANGE OVER THE PAST FEW YEARS IS BETWEEN 50% TO 90%, SO DO YOU THINK HAVING SOMETHING LIKE 80% IS VERY SUBSTANTIAL COMPARATIVELY SPEAKING, AND YOU DON'T NECESSARILY HAVE TO RESORT TO THAT PARTICULAR PATH?

FINANCIAL SECRETARY: WELL, WHAT WE HAVE IS - IF THE REVENUE MEASURES ONCE THEY ARE PASSED AND IMPLEMENTED, YOU KNOW BEGIN TO REDUCE THE REVENUE - WE HAVE RESERVES WHICH WILL DECLINE FROM 80% OF EXPENDITURE TO 40% OF EXPENDITURE OVER A PERIOD. I SAY I FIND THAT ACCEPTABLE, THAT IS WHAT I AM PLANNING ON. WHAT I DON'T FIND ACCEPTABLE IS THAT WE SHOULD PLAN FOR A VERY MUCH LOWER FIGURE AND LEAVE OURSELVES VERY LITTLE ROOM FOR MANOEUVRE IF THINGS HAPPEN, AS THEY CAN DO, WHICH MEAN WE ARE SUDDENLY SHORT OF REVENUE.

QUESTION: BUT DO YOU AGREE THAT IS ACTUALLY 80% AND NOT 40% AS YOU SAID, BECAUSE --

FINANCIAL SECRETARY: NO!

QUESTION: -- BECAUSE IT'S JUST THREE MONTHS BEFORE YOU CAN GET THE SAR LAND FUND.

FINANCIAL SECRETARY: YES, BUT WHAT I AM TRYING TO GET OVER IS, ALTHOUGH FOR CONVENIENCE ONE CHOOSES THE TWO ENDS OF THE PERIOD, WE ARE ACTUALLY DEALING WITH THE WHOLE PERIOD. WE'VE GOT TO GET THROUGH THOSE YEARS UP TO THE MIDDLE OF 1997, AND THAT IS WHEN WE NEED THE RESERVES. NOW YOU ARE QUITE RIGHT, I AM NOT AT ALL DISPUTING THE FACT, THAT AS YOU GET MUCH NEARER THE END OF THAT PERIOD THE DEGREE OF RISK OF UNFORESEEN DEVELOPMENTS GETS LESS - IT DOES GET LESS - BUT WE ARE NOT THERE YET, WE'RE HERE. YOU KNOW, THAT MONEY IS NOT GUARANTEED AND IN THE BANK, THAT IS MERELY A FORECAST BASED ON ASSUMPTIONS. IF IT WAS IN THE BANK IT WOULD BE QUITE A DIFFERENT MATTER.

QUESTION: MR MACLEOD, WHEN THE UK AND CHINA BEGAN TO NEGOTIATE THE CONSTRUCTION OF THE NEW AIRPORT, IF I REMEMBER RIGHT, THE SUM LEFT TO THE SAR GOVERNMENT WAS EXPECTED TO BE (\$5)- BILLION BUT NOW YOU CAN LEAVE \$71 BILLION TO THE NEW GOVERNMENT AS THE RESERVE FUND IN 1997. WHY IS THERE SUCH A BIG DIFFERENCE?

FINANCIAL SECRETARY: WELL, I WON'T COMMENT ON A PARTICULAR FIGURE BUT I WILL MAKE A GENERAL POINT. WE ACTUALLY PUBLISH - UNTIL RECENTLY NO ONE BOTHERED READING THEM - BUT WE PUBLISH IN THE BACK OF BUDGET SPEECHES, FOR VERY MANY, MANY YEARS, MEDIUM-RANGE FORECASTS, AND THEY HAVE A VERY IMPORTANT QUALIFICATION ATTACHED TO THEM WHICH IS STATED IN SMALL-PRINT, PROBABLY, SOMEWHERE, AND THAT IS THAT THEY DO NOT TAKE INTO ACCOUNT FUTURE REVENUE MEASURES. SO THEY ARE FORECASTS FOR A PARTICULAR PURPOSE - THEY CAN'T TAKE INTO ACCOUNT FUTURE REVENUE MEASURES. SO IF YOU COMPARE ANY FORECAST MADE TWO YEARS AGO WITH A FORECAST A YEAR LATER AND A FORECAST A YEAR AFTER THAT, YOU WILL FIND THE FIGURES ARE QUITE DIFFERENT. THAT'S ONE OF THE REASONS. THERE ARE ALL SORTS OF OTHER REASONS - MAYBE INFLATION HAS CHANGED - MAYBE OUR ASSUMPTION ON GROWTH HAS CHANGED. WE DO SET OUT THE MAIN ASSUMPTIONS IN THE BACK OF THE BUDGET SPEECH - YOU WILL FIND THE MRF THERE. BUT THAT IS THE REASON THEY WILL CHANGE, AND I AM QUITE SURE THEY WILL GO ON CHANGING, I WON'T BE EMBARRASSED BY THAT. I MEAN I'VE TRIED TO SET OUT IN THE BUDGET HOW WE USE THOSE FIGURES.

QUESTION - TVB NEWS: YOU ESTIMATE THAT THE INFLATION RATE WILL DROP TO 9.5% IN THE COMING YEAR, BUT THAT FIGURE IS NOT TOTALLY AGREED BY MANY ECONOMISTS WHO SAY THEY DON'T SEE MANY ANTI-INFLATIONARY MEASURES IN YOUR BUDGET, SO WHY ARE YOU SO CONFIDENT?

FINANCIAL SECRETARY: WELL ACTUALLY, I DON'T THINK THERE IS A VERY WIDE RANGE OF FIGURES PRODUCED BY ECONOMISTS OR MOST COMMENTATORS. I DOUBT IF YOU WOULD GET A RANGE BEYOND SOMEWHERE BETWEEN 9 AND 10 - MAYBE THERE IS THE ODD ONE A BIT HIGHER THAN THAT. I ENTIRELY ACCEPT THAT A FORECAST IS A FORECAST, IT IS THE BEST FORECAST WE CAN MAKE.

ELABORATE ON A FEW FACTORS WHICH WILL HELP THE INFLATION TO MODESTLY DECLINE. MR TANG MIGHT WANT TO

MR K.Y. TANG: WELL I THINK OUR FORECAST OF THE RATE OF INCREASE IN CPIA OF 9.5% FOR 1992, I FEEL THAT IT IS QUITE IN LINE WITH THE CURRENT SITUATION. LOOKING AT THE FIGURES FOR THE MONTH OF JANUARY AND LAST DECEMBER, ACTUALLY THE RATE OF INCREASE WAS QUITE NEAR TO 10% AND THAT IS AGAINST THE BACKGROUND OF A TREND OF MODERATION SINCE APRIL LAST YEAR. FURTHERMORE, IF WE LOOK AT THIS BUDGET, ACTUALLY THE NET IMPACT ON THE CPI IS VERY LITTLE, IT IS VERY, VERY MILD. AND WHAT IS MORE, SINCE WE ARE BUDGETING FOR A SURPLUS, THE EFFECT ON THE ECONOMY WILL BE DEFLATIONARY.

QUESTION: MR MACLEOD, UNDER A NORMAL SITUATION AND DEVELOPMENT, IF THE SAR GOVERNMENT CAN RECEIVE ABOUT 70 BILLION RESERVE, IT WILL BE WELCOMED BY THE SAR GOVERNMENT, BUT NOW LU PENG IS GOING TO ATTACK IT. DO YOU FIND THERE'S ANY HIDDEN AGENDA, FOR EXAMPLE TO ATTACK ON THE BUDGET, OR NOW THE SITUATION BETWEEN HONG KONG AND CHINA IS NOT SO GOOD, FOR EXAMPLE THE INDEPENDENCE OF RTHK - DO YOU FIND LU PENG HAS SOME OTHER MOTIVATION TO ATTACK?

FINANCIAL SECRETARY: I LOOK FORWARD TO READING ALL YOUR SPECULATIONS IN THE NEWSPAPERS TOMORROW, BUT I'M AFRAID I'M NOT GOING TO ADD TO THEM.

QUESTION: YOU REFERRED TO RATES AS BEING REASONABLY FAIR. YOU ALSO SAID IN YOUR SPEECH THAT WHILE RATES HAVE DECLINED OVER TIME, THOSE DECREASES HAVE NOT BEEN PASSED ALONG TO RENTERS BY THEIR LANDORDS. IT SEEMS NEITHER REASONABLE NOR FAIR, IT SEEMS AN ARGUMENT FOR EITHER NOT INCREASING THE RATES OR FOR GIVING RENTERS A CREDIT IN TAXATION. COULD YOU RESPOND?

FINANCIAL SECRETARY: COULD YOU REPEAT THE LAST BIT - RENTERS A CREDIT?

QUESTION: WELL IN MANY PLACES, RENTERS RECEIVE A CERTAIN CREDIT ON THEIR INCOME-TAX BASED ON THE PORTION OF THEIR INCOME WHICH THEY SPEND IN RENT, TO RECOGNISE THE FACT THAT THERE ARE THESE KINDS OF, FOR THEM, INDIRECT FORMS OF TAXATION.

FINANCIAL SECRETARY: WELL I WOULD BE HAPPY TO LOOK AT THAT. IT HASN'T, CERTAINLY, BEEN PUT TO ME AS AN IDEA BEFORE, IT'S A NEW ONE. BUT I MEAN THE POINT I WAS MAKING WAS, IT HASN'T ACTUALLY GREATLY BENEFITED PEOPLE, THAT WE'VE ALLOWED THE CONTRIBUTION OF RATES TO OUR REVENUE, OR INDEED A PROPORTION OF RATES TO RENT, TO DECLINE. IT DOESN'T ACTUALLY BENEFIT ANYONE, IT MERELY REDUCES THE REVENUE TO GOVERNMENT WHICH WE HAVE TO MAKE UP IN OTHER WAYS. IT'S NOT THE MAIN ARGUMENT FOR USING RATES, THE MAIN ARGUMENTS, APART FROM THE FACT THAT THEY ARE STILL PRETTY LOW, ARE THE OTHER ONES: THAT IT IS PREDICTABLE, RELIABLE, THAT IT IS PROGRESSIVE IN THE SENSE THAT IT VARIES ACCORDING TO THE SIZE AND THE VALUE OF THE ACCOMMODATION, AND SO ON. I MEAN THOSE ARE THE MAIN ONES.

QUESTION: IF I CAN FOLLOW UP. IT DOES NOT SEEM TO ME TO MATCH ANY DEFINITION OF PROGRESSIVE TO SAY THAT YOU PAY IT TO THE GOVERNMENT WHEN THE RATE GOES UP BUT YOU GIVE IT TO THE LANDLORD WHEN THE RATE GOES DOWN.

FINANCIAL SECRETARY: NO, THE PROGRESSIVE ASPECT IS THAT YOU PAY MORE IF YOU'RE BETTER-OFF, AND BETTER-OFF IS LOOSELY EQUATED WITH THE VALUE OF THE FLAT. I MEAN THAT IS THE MEANING OF PROGRESSIVE.

QUESTION: ALTHOUGH YOU AGREE THAT THE SAVINGS HAVE NEVER BEEN PASSED ALONG TO THE TENANTS?

FINANCIAL SECRETARY: I'M SAYING THAT IS A DEFECT OF THAT PARTICULAR TAX, YES.

QUESTION: BUT YOU HAVE NO PLAN TO REMEDY IT?

FINANCIAL SECRETARY: I DON'T, BUT IT WOULD BE VERY NICE IF I COULD, AND I WILL LOOK AT YOUR IDEA, THANK YOU.

QUESTION: MR MACLEOD, THERE IS A GENERAL FEAR IN THE COMMUNITY THAT A REVENUE DIP COULD BE RELATED TO SOME UNFORESEEN BLOW-OUT IN THE CONSTRUCTION COSTS OF THE AIRPORT. COULD YOU ASSURE US AT THIS STAGE THAT YOU DO NOT THINK THAT ANY OF THE RESERVES WOULD NEED TO BE TRANSFERRED DURING THIS PERIOD - THESE MAMMOTH RESERVES IN SOME PEOPLE'S VIEW - TRANSFERRED DURING THIS PERIOD, TO EXPENDITURE FOR THE AIRPORT?

FINANCIAL SECRETARY: NO. I MEAN IT ISN'T THE WAY IT WORKS. I MEAN I THINK WE ARE IN DANGER OF THIS ENDLESS PERUSAL OF THE AIRPORT PROJECTS, OF TRYING TO GET ASSURANCES WHICH NO ONE IN THE WORLD CAN DELIVER FOR A LARGE PROJECT. YOU KNOW, NO ONE IN THE PRIVATE SECTOR CAN DO IT EITHER. NO ARCHITECT OR ENGINEER CAN SAY TO YOU, AT THE DRAWING STAGE, THAT THEY KNOW FOR A HUNDRED PERCENT FACT THAT THE COST OF THAT BUILDING WILL NOT GO UP ONE DOLLAR OVER THE FIGURE WHICH HAS BEEN APPROVED. I MEAN IT IS AN ENTIRELY UNREALISTIC PURSUIT OF CERTAINTY. IT'S NOT ATTAINABLE AND I'M NOT ABOUT TO PRETEND THAT IT IS. HAVING SAID THAT, WE HAVE DONE OUR VERY BEST TO DO REALISTIC FORECASTS, IN THAT AREA AS IN ANY OTHER. LIKE ANY PRUDENT PERSON WE BUILD-IN A CERTAIN AMOUNT OF CONTINGENCY AND WE HAVE CERTAIN CUSHIONS AVAILABLE. WHETHER IT IS FOR THAT EVENTUALITY, WHETHER IT'S FOR GROWTH OF THE ECONOMY BEING LESS THAN FORECAST, WHETHER IT'S FOR SOME FORM OF REVENUE PRODUCING LESS - YOU KNOW THERE ARE ANY NUMBER OF THINGS WHICH MIGHT HAPPEN. BUT I AM NOT ABOUT TO SAY THAT NOT A SINGLE FURTHER DOLLAR OF THE RESERVES WILL BE USED FOR THAT PURPOSE, I MEAN IT IS BEYOND ANYONE'S ABILITY TO DO THAT.

QUESTION: WHEN WILL THE EFFICIENCY UNIT BE SET UP, AND WHAT ITS PRECISE REMIT GOING TO BE? WILL YOU FOR EXAMPLE GIVE IT TARGETS FOR SAVINGS TO MAKE, AND ARE THERE ANY OVERSEAS MODELS OF SIMILAR AGENCIES ABROAD - PERHAPS IN SINGAPORE - THAT YOU MIGHT MODEL IT ON HERE?

FINANCIAL SECRETARY: I THINK WHAT WE ARE PLANNING TO DO IS, FAIRLY SOON TO BE ABLE TO ANNOUNCE WHO WILL HEAD IT, AND IN THAT CONTEXT PROBABLY ELABORATE ON WHAT IT WILL DO. BUT I KNOW THAT QUITE APART FROM DRAWING ON OUR OWN EXPERIENCE, WE CERTAINLY HAD IN MIND SOME OF THE UK EXPERIENCE.

QUESTION: IT'S YOUR RESPONSIBILITY, OR THE CIVIL SERVICE BRANCH'S RESPONSIBILITY, TO COMMISSION THIS UNIT - OR IS IT SOMETHING OUTSIDE THE EXISTING GOVERNMENT?

FINANCIAL SECRETARY: IT WILL BE UNDER THE CHIEF SECRETARY BECAUSE IT REALLY COVERS PRETTY WELL EVERYTHING - CIVIL SERVICE, MONEY, EVERYTHING.

QUESTION: COULD I ASK BRIEFLY ABOUT FINANCIAL PLANNING AS WELL, BECAUSE YOU'VE GIVEN US THESE ESTIMATES UP TO 1997 BUT NOT BEYOND? AND ALSO YESTERDAY YOU WERE REFERRING IN YOUR SPEECH TO THE SAR GOVERNMENT AS A NEW ADMINISTRATION. I MEAN HONG KONG GOVERNMENT HAS ALWAYS EMPHASISED CONTINUITY ACROSS 1997 BUT NOW YOU SEEM TO BE PLANNING PURELY IN TERMS OF UP TO 1997. DO YOU NOW SEE THIS AS YOUR JOB, AS ONLY PLANNING UNTIL THE END OF BRITISH RULE?

FINANCIAL SECRETARY: NO. I MEAN WHAT I HAVE ACTUALLY DONE IS TO EXTEND THE PLANNING PERIOD TO COVER 1996-97, NOT TO SHORTEN IT, AND I AM QUITE SURE AS WE GET NEARER 1997, OUR FINANCIAL FORECASTS, JUST LIKE ALL OUR OTHER FORECASTS, WILL GO BEYOND 1997. BUT I THOUGHT IT WAS NOT TERRIBLY SENSIBLE TO STOP IN 1995-96 WHICH IS WHERE OUR NORMAL PLANNING HORIZON WOULD BE.

QUESTION: DO YOU RECOGNISE SOME SORT OF DISCONTINUITY IN FINANCIAL PLANNING BECAUSE --

FINANCIAL SECRETARY: WELL THERE IS A DISCONTINUITY IN THE SENSE THAT - IT'S QUITE A GOOD ONE - IN THE SENSE THAT THE MAIN GOVERNMENT EXPENDITURE ON THE INFRASTRUCTURE WILL HAVE FINISHED BY 1997, AND, AS HAS BEEN SAID, THE LAND FUND WILL COME IN. AND ACTUALLY VARIOUS OTHER FORMS OF REVENUE, I MEAN THE FULL LAND REVENUE WILL THEN GO TO THE GOVERNMENT, SO IT WILL BE IN A VERY GOOD HEALTHY POSITION WHICH WE ARE HAPPY ABOUT, AND OUR MISSION IS TO ENSURE THAT BETWEEN THEN AND NOW, WE MAKE SURE THAT WE ARE ALSO IN A HEALTHY FINANCIAL POSITION. YES, THERE IS A CHANGE - OF COURSE THERE IS - BUT THERE IS NOTHING SINISTER OR WORRYING ABOUT IT.

QUESTION: YOU MENTIONED, YESTERDAY, THAT THE GAP BETWEEN SALARIES AND PROFITS-TAX RATES IS PROBABLY AT ITS MAXIMUM. CAN THIS BE INTERPRETED AS AN INDICATION THAT SALARIES-TAX COULD BE NEXT TO BE RAISED AND IS THERE ANY DANGER OF THAT?

FINANCIAL SECRETARY: NO, IT IS NOT AN INDICATION - I MEAN THIS IS SORT OF AN ENDLESS ASSURANCE, BUT I'D BETTER GIVE IT. WE DON'T HAVE ANY PLANS UP OUR SLEEVES - ACTUALLY WE HAVE ONLY JUST FINISHED ONE BUDGET, WE'RE NOT ABOUT TO START PLANNING THE NEXT ONE TOMORROW. WE DON'T HAVE ANY SORT OF HIDDEN PLANS FOR RAISING SALARIES-TAX. ALL I WAS SIGNALING WAS THAT THERE IS A LIMIT TO THE EXTENT TO WHICH THE PROFITS-TAX AND SALARIES-TAX RATES CAN BE DIFFERENT. THERE IS A LIMIT BECAUSE AVOIDANCE IS POSSIBLE IF THE DIFFERENCE BECOMES TEMPTING ENOUGH, AND A SMALL COMPANY CAN IN CERTAIN CIRCUMSTANCES DECIDE TO TAKE THE MONEY EITHER IN THE FORM OF MORE SALARY OR IN THE FORM OF A DIVIDEND, AND THEY WILL DO WHICHEVER PRODUCES THE LESS TAX BILL. IF THE DIFFERENCE ISN'T VERY GREAT IT'S NOT WORTH THE HASSLE. IF IT BECOMES GREATER THEN IT IS MORE LIKELY TO HAPPEN. IT'S NOT A BLACK AND WHITE SITUATION, THE AVOIDANCE JUST GETS WORSE AS THE GAP GROWS AND OUR JUDGMENT WAS, THAT'S PROBABLY PRETTY NEAR THE LIMIT, THAT'S ALL.

THURSDAY, MARCH 5, 1992

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QUESTION: OUR EX-FINANCIAL SECRETARY, SIR PIERS, PROMISED THAT WE CAN GET THE TAXATION REVIEW IN YOUR BUDGET, AS HE PROMISED LAST YEAR, BUT THIS YEAR THERE IS NOTHING MENTIONED ABOUT IT.

FINANCIAL SECRETARY: NO, HE DIDN'T. HE CONSULTED ME ON THOSE WORDS. I DON'T HAVE THEM IN FRONT OF ME BUT I THINK WHAT HE SAID WAS THAT HE WOULD LEAVE IT FOR ME TO DECIDE - SOMETHING TO THAT EFFECT. I MEAN HE WAS QUITE CAREFUL. AND OF COURSE THERE WAS A DEBATE ON THE QUESTION OF A TAXATION REVIEW AND I CLEARLY EXPRESSED THE VIEW THAT THERE WAS NO NEED FOR A GENERAL TAXATION REVIEW AT THE PRESENT TIME, SO THAT'S WHERE WE STAND.

QUESTION: THE MEDIUM-RANGE FORECAST SHOWS THAT -- MR MACLEOD, YOU MENTIONED THAT ONE OF THE AIMS OF THE BUDGET IS ACTUALLY NOT TO FUEL INFLATION. HOW CAN YOU SAY THIS WHEN YOU SAID IN THIS BUDGET STATEMENT THAT THE GOVERNMENT IS PURSUING A PROPER INCREASE IN GOVERNMENT UTILITY CHARGES, WATER CHARGES, TUNNEL TOLLS, FERRY FEES, AIRPORT FEES AND PERHAPS EVEN GOVERNMENT DEPARTMENTAL FEES?

FINANCIAL SECRETARY: THE FACT IS THAT THE VAST MAJORITY OF GOVERNMENT FEES AND CHARGES HAVE ABSOLUTELY - WELL I SAY NO EFFECT, OR VIRTUALLY NO EFFECT IF I WAS MORE CAUTIOUS - ON INFLATION AS MEASURED BY CPI OR AS MEASURED BY ANYTHING ELSE. THERE ARE A MYRIAD OF SMALL FEES PAID BY USERS OF SERVICES, MANY OF THEM BY COMPANIES RATHER THAN INDIVIDUALS. THE PURPOSE OF THE MORATORIUM WAS MAINLY A PSYCHOLOGICAL ONE. AT THE TIME THERE WAS A SORT OF ATMOSPHERE OF EXPECTATION THAT INFLATION WAS JUST GOING TO GO UP AND UP AND UP, AND IT WAS NECESSARY TO MAKE SOME MOVES. WE DID SO AND THE EXPECTATION IS NOW GREATLY LOWERED. AFTER ALL, WE HAVE GONE DOWN FROM A PEAK OF 13.9 TO AROUND 10.5 AND WE ARE FORECASTING 9.5, SO THAT SORT OF PSYCHOLOGICAL MOVE IS NO LONGER NECESSARY. NOW I DO ACCEPT THAT THERE ARE A FEW FEES AND CHARGES WHICH DO HAVE SOME IMPACT, EVEN THOUGH IT IS STILL NOT A GREAT ONE, ON CPIA, AND WHAT I SAID IN THE BUDGET SPEECH WAS SIMPLY THAT WE CAN'T CARRY ON WITH THE MORATORIUM. ACTUALLY, IT BECOMES EXTREMELY EXPENSIVE TO DO SO AND THAT WOULD HAVE TO BE MADE UP BY OTHER TAXES, WHICH WOULDN'T BE VERY POPULAR, BUT WE WILL TRY AND BE SENSITIVE ABOUT THE TIMING, TO AVOID BUNCHING AND SO ON.

QUESTION: THE MEDIUM RANGE FORECAST SHOWS THAT THERE WILL BE A CASH DEFICIT OF ABOUT \$7 BILLION IN THE YEAR 1993-94, DOES THAT IMPLY THAT THE GOVERNMENT IS GOING TO HAVE ANOTHER BIG TAX INCREASE AFTER THIS YEAR?

FINANCIAL SECRETARY: NO, IT DOESN'T --

QUESTION: HOW IS GOVERNMENT GOING TO TAKE CARE OF THAT DEFICIT?

/FINANCIAL SECRETARY

FINANCIAL SECRETARY: -- WELL THAT IS ACTUALLY WHAT IS MEANT BY THE RESERVES GOING DOWN FROM 99 OR THEREABOUTS TO AROUND 70 OVER A PERIOD. THE ONLY WAY YOU CAN REDUCE THE RESERVES IS ACTUALLY TO RUN DEFICIT BUDGETS, THAT IS HOW YOU REDUCE THE RESERVES. SO WHAT IT MEANS IS THAT ON THAT SCENARIO, WE WOULD HAVE A DEFICIT BUDGET AND WE WOULD DRAW ON THE RESERVES, THAT IS WHAT IT MEANS.

QUESTION: BUT TRADITIONALLY WE DON'T USUALLY HAVE A DEFICIT BUDGET - I MEAN IN THE LAST ABOUT 8 YEARS.

FINANCIAL SECRETARY: YES, THAT'S TRUE. AND IF YOU DON'T WANT ME TO HAVE A DEFICIT BUDGET, THEN WE'LL HAVE TO HAVE MORE TAXATION - WHICH I AM NOT PROPOSING.

QUESTION: IN YOUR MEDIUM-RANGE FORECAST FOR 1994-95 THE DEFICIT WILL REACH A PEAK AND MANY PEOPLE SPECULATE THAT A LOT OF LAND WILL BE PUT UP FOR AUCTION BY THE GOVERNMENT. HOW DO YOU LOOK AT THAT?

FINANCIAL SECRETARY: I MEAN THE FIRST POINT IS, I WOULD ADVISE, DON'T GET OVER-FIXATED ON THE EXACT FIGURES - THESE ARE FORECASTS AND SOME OF THE FIGURES ARE NECESSARILY AVERAGES, AND I THINK I AM RIGHT IN SAYING THAT LAND REVENUE IS ONE. IT'S NOT A BUILD-UP OF ACTUAL SITES THAT WE EXPECT TO SELL IN A PARTICULAR YEAR, IT'S AN AVERAGE, IT'S A PROJECTION OF WHAT WE EXPECT THE PRICES TO BE, BASED ON OUR HISTORICAL EXPERIENCE AND THEN JUST AVERAGED OVER THE PERIOD. SO THESE FIGURES WILL NOT BE - YOU KNOW, THE DIFFERENCE BETWEEN 9 OR 8 OR 7 IS NOT OF ENORMOUS SIGNIFICANCE. WHERE THERE WILL BE THE PEAKS AND TROUGHS OF LAND SALES, I DON'T THINK I CAN POSSIBLY PREDICT, I'M AFRAID - IF THAT WAS THE QUESTION.

QUESTION: I WAS SURPRISED BY THE 10% INCREASE IN HYDRO-CARBON TAX, WOULDN'T A LOWER INCREASE HAVE BEEN BETTER IN THE BID TO FIGHT INFLATION?

FINANCIAL SECRETARY: THE PROBLEM, WHEN YOU LOOK AT CONCESSIONS, IS TO TRY AND MAKE SURE THAT THEY ARE ACTUALLY PASSED ON TO THE CONSUMER AND IT SEEMED TO US THAT THE BEST WAY OF ENSURING THAT WAS TO DO WHAT WE DID, THAT IS TO SAY TO FOCUS ON THE FRANCHISED BUSES. AND WE HAVE A MECHANISM - AFTER ALL WE APPROVE, IN THE END, THE FARES - WE HAVE A MECHANISM THEREFORE FOR ENSURING THAT THE BENEFIT IS PASSED ON TO THE PUBLIC. THAT IS PROBABLY THE MAIN ANSWER. THE MORE GENERAL POINT IS THAT WE ARE NOT MAKING REAL INCREASES IN ALL THOSE OTHER TAXES, INCLUDING THAT ONE, WE'RE ALMOST KEEPING UP WITH INFLATION - YOU'LL NOTICE IT IS ACTUALLY A LITTLE BIT BELOW INFLATION - THAT IS ALSO A DELIBERATE CONTRIBUTION, AS IT WERE, TO KEEPING INFLATIONARY PRESSURES DOWN. BUT WE CAN'T LET THE ANNUAL REVISION OF DUTIES AND SO ON BEGIN TO FALL BEHIND INFLATION, IN OTHER WORDS, TO GO DOWN IN REAL TERMS TOO MUCH, ONLY IN A SELECTIVE WAY CAN WE DO IT, AND THAT IS WHAT WE HAVE TRIED TO DO THIS TIME.

/QUESTION

QUESTION: I WANT TO ASK SOMETHING ABOUT THE EXPENDITURE AND THE INFLATION. IN YOUR NEW BUDGET THE EXPENDITURE IN THE NEXT FINANCIAL YEAR IS MUCH HIGHER THAN LAST YEAR, IT IS ABOUT A 5% INCREASE IN REAL TERMS, BUT WHEN WE COMPARE WITH THE REVISED ESTIMATE WITHIN THIS YEAR AND NEXT YEAR, THE INCREASE IN REAL TERMS WILL RISE OVER 10%. DO YOU THINK SUCH EXPENDITURE WILL MAKE INFLATION HIGHER?

FINANCIAL SECRETARY: I HAVE TO SAY, NO. WHY DO I HAVE TO SAY, NO? THE MAIN REASON IS THAT OVER A PERIOD WE ARE KEEPING OUR EXPENDITURE GROWTH IN LINE WITH THE ECONOMIC GROWTH. WE CAN'T ACTUALLY JUGGLE TOO MUCH ACCORDING TO THE REVISED ESTIMATES. I MEAN IT HAPPENS THAT THERE WAS CONSIDERABLE UNDER-SPENDING LAST YEAR. WE CAN'T ACTUALLY SUDDENLY - WE ARE LIKE AN OCEAN-LINER - WE CAN'T SUDDENLY REDUCE EXPENDITURE TO REFLECT THAT TEMPORARY BLIP, SO WE WORK ON THE TREND. BUT GOVERNMENT SPENDING AS A PROPORTION OF GDP IS STILL RATHER MODEST, DEPENDING WHICH WAY YOU MEASURE IT - IT'S SOMEWHERE BETWEEN 11% AND 18%, THE TWO FIGURES ARE IN THE SPEECH - SO EVEN MOST ECONOMISTS AGREE THAT UNLESS THERE IS A VERY MAJOR SHIFT IN THE TREND OF OUR EXPENDITURE, IT DOES NOT HAVE A SIGNIFICANT EFFECT ON INFLATION. AND THE OFFSETTING POINT ON THAT IS THAT THE CIVIL SERVICE GROWTH IS KEPT TO ABOUT ZERO, SO THAT IS ACTUALLY HELPFUL TO THE PRIVATE SECTOR, GIVEN THERE IS A SHORTAGE OF LABOUR. SO ON BALANCE, IT DOESN'T HAVE MUCH EFFECT EITHER WAY.

QUESTION: MR MACLEOD, SOME OF YOUR CRITICS HAVE SAID THAT IT IS NOT VERY CLEAR, READING YOUR BUDGET, WHAT KIND OF SIGNAL YOU ARE REALLY TRYING TO SEND OR WHICH SECTOR OF SOCIETY YOU ARE TRYING TO HELP. FIRST YOU TAKE FROM THE RICH CORPORATE CLASS TO GIVE TO THE WORKING CLASS, RIGHT? - THROUGH AN INCREASE IN PERSONAL ALLOWANCES. AT THE SAME TIME YOU HIT THE WORKING CLASS WITH AN INCREASE IN PROPERTY RATES. AND THEN YOU TRY TO SOFTEN THE BLOW FOR THE CORPORATE CLASS THROUGH YOUR REDUCTION IN STAMP-DUTY AND STOCK-TRANSFER AT A TIME WHEN THERE WAS NO SERIOUS LOBBY FOR A CUT IN STAMP-DUTY. AND THEN YOU SAID THAT THROUGH YOUR INCREASE IN PERSONAL ALLOWANCES THERE WILL ACTUALLY BE SOMETHING LIKE 120,000 PEOPLE WHO WOULD NOT HAVE ANY TAX LIABILITY BUT AT THE SAME TIME, BECAUSE OF INCREASING WAGES, YOU ARE ADDING 250,000 MORE OR SOMETHING LIKE THAT, NEW TAXPAYERS THIS YEAR. COULD YOU COMMENT ON THAT?

/FINANCIAL SECRETARY

FINANCIAL SECRETARY: YES. LIFE IS FULL OF THESE LITTLE PROBLEMS. I MEAN THAT NOT SORT OF RUDELY. IT'S QUITE MISLEADING IN SOME WAYS TO SPLIT SOCIETY AND INDEED TAXATION UP INTO BITS. I MEAN THE FACT IS, FOR INSTANCE, THAT THINGS WHICH HELP THE ECONOMY TO GROW HELP THE WHOLE POPULATION, NOT JUST THE BUSINESSMAN OR THE RICH. THE FACT IS THAT THE MAJORITY OF THE POPULATION DON'T PAY SALARIES-TAX, SO WHAT WE DO WITH SALARIES-TAX IS IRRELEVANT TO THEM - I'M NOT SAYING IT'S IRRELEVANT TO THE OTHERS - IRRELEVANT TO THEM. THE FACT IS THAT THOSE WHO DON'T PAY SALARIES-TAX, THE MAIN WAY OF ASSISTING THEM IS THROUGH EXPENDITURE, NOT THROUGH TAXATION. ALRIGHT, I AGREE WHAT HAPPENS TO RATES IS OF SOME INTEREST, WHAT HAPPENS TO SOFT-DRINKS IS OF SOME INTEREST, BUT THE MAIN EFFECT, THE MAIN BENEFIT, THE MAIN WAY IN WHICH WE ASSIST THE LESS BETTER-OFF IS THROUGH THE EXPENDITURE AND THE EXPENDITURE DOES BENEFIT THOSE PEOPLE. THAT IS THE LOGIC OF WHAT WE ARE DOING. SO, I MEAN ALL I WOULD SAY IS, LOOK AT THE WHOLE THING, LOOK AT THE EXPENDITURE AND THE REVENUE. WE ARE AN EXTREMELY UNUSUAL GOVERNMENT. WE HAVE BEEN ABLE OVER, I DON'T KNOW HOW MANY YEARS, BUT CERTAINLY TWENTY - AND WE WILL CONTINUE TO BE ABLE - TO SPEND MORE IN REAL TERMS YEAR AFTER YEAR AFTER YEAR, AND YOU KNOW, A 5% REAL INCREASE OR A 6% REAL INCREASE BY MOST GOVERNMENT'S STANDARDS, IS AN ENORMOUS FIGURE. WHAT WE ARE ANXIOUS TO DO, WHY WE KEEP TALKING ABOUT RE-APPRAISING PRIORITIES, IS TO ENSURE WE DON'T JUST CARRY ON SPENDING THE MONEY ON THE SAME OLD THINGS AND IT IS NOT BEING SPENT IN AN INEFFICIENT WAY. WE MUST MAKE SURE WE INCREASE OUR EFFICIENCY AND THAT WE CONSCIOUSLY REVIEW WHETHER THE ELDERLY NEED MORE PRIORITY THAN THE YOUTH - TO TAKE AN EXAMPLE. WE MUSTN'T GET INTO A RUT WHERE EVERY SINGLE AREA THAT WE FUND IS SACRED AND CANNOT BE TOUCHED.

CHRIS WONG:
RUNNING SHORT OF TIME.

I THINK WE ARE NOW

FINANCIAL SECRETARY:

SORRY, THAT WAS SERMONIC.

CHRIS WONG:
QUESTIONS. ALRIGHT, CHRISTINE, YOU CAN HAVE YOUR QUESTION NOW.

OKAY, THREE LAST

QUESTION:
HAS BEEN PARTLY ANSWERED BUT I JUST WONDERED IF YOU COULD GIVE US AN INDICATION OF WHAT THESE INCREASES WILL BE IN UTILITY CHARGES? I GATHER FROM WHAT YOU ARE SAYING IT IS GOING TO BE BASICALLY RELATED TO INFLATION BUT COULD YOU JUST GIVE US AN IDEA OF WHAT THEY WILL BE AND WHEN?

THANK YOU. WELL ACTUALLY IT

FINANCIAL SECRETARY:
ARE NOT IN THE BUDGET, THERE IS A WHOLE SYSTEM OF REVIEWING - WHAT IS IT, 15,000 OR SOMETHING FEES AND CHARGES?

WELL I DON'T KNOW. I MEAN THEY

QUESTION:
INFLATIONARY LIMITS, IS THAT YOUR INTENTION?

... KEEP THEM WITHIN

FINANCIAL SECRETARY:
RECOVERY OF COSTS BASIS - THAT IS THE BASIS ON WHICH THEY ARE SET.

MOST FEES AND CHARGES ARE ON A

QUESTION:
SAID THROUGH THE YEAR.

AND IS THERE A TIMETABLE? YOU

FINANCIAL SECRETARY:

THERE IS.

QUESTION:
THESE CHARGES?

AND WHAT IS IT? - TO COLLECT

FINANCIAL SECRETARY:
THOUSANDS OF VERY SMALL CHARGES.

WELL I MEAN, THERE ARE

QUESTION:

NO, I'M TALKING ABOUT THE ONES

--

FINANCIAL SECRETARY:

THE MAIN ONES?

QUESTION:

YES.

FINANCIAL SECRETARY:
K.Y. ANY HELPFUL THOUGHTS ON THAT QUESTION?

I DON'T KNOW, IS THE ANSWER.

K.Y. YEUNG:
THOUSAND FEES AND CHARGES. THEY ARE KEPT UNDER REGULAR REVIEW AND INCREASED TO RECOVER COST AS REQUIRED. NOW THERE IS AN ANNUAL CYCLE OF REVIEW ACTIVITIES. WHAT WE ARE TRYING TO DO IS TO PHASE IN THESE INCREASES BUT AVOIDING THE BLIMPS AND PEAKS AT THOSE TIMES OF THE YEAR WHEN OTHER CHARGES IN THE PRIVATE SECTOR TEND TO GO UP, LIKE PUBLIC TRANSPORT FEES AND CHARGES WHICH ARE NOT OURS. WE WILL BE PHASING THESE IN GRADUALLY. WE HAVE LOOKED AT THE EFFECT ON THE CONSUMER PRICE INDEX - WE ARE SATISFIED THAT EVEN IF WE WERE TO PHASE THEM IN IN THIS WAY, THE EFFECT ON CPIA GROWTH WOULD BE INSIGNIFICANT.

QUESTION:
ABOUT IT A LOT - WHEN CAN WE EXPECT AN

INCREASE IN THE TUNNEL-TOLL?
THE TUNNEL-TOLL - WE'VE TALKED

K.Y. YEUNG:
THE DETAILS, I'LL HAVE TO LOOK IT UP.

I'M SORRY, I COULDN'T GIVE YOU

QUESTION:
COUNCILLORS WHO YOU WILL RELY ON TO APPROVE YOUR APPROPRIATION BILL ARE UNANIMOUS THAT THE PERSONAL ALLOWANCE IS NOT ENOUGH AND NEEDS TO BE RAISED. GIVEN THAT THE PRECEDENT HAS ALREADY BEEN SET BY YOUR PREDECESSORS THAT THERE COULD BE A CHANGE TO YOUR APPROPRIATION BILL, WILL YOU COMPLETELY REALISE THAT YOU MAY CHANGE THE LEVEL OF THE PERSONAL ALLOWANCES IN THE LIGHT OF THE VIEWS EXPRESSED BY LEGCO?

FINANCIAL SECRETARY:
IT IS CONSTRUCTED AS A PACKAGE, I BELIEVE IT MAKES SENSE, AND AS I HAVE POINTED OUT, THE SUPPOSITION ON WHICH THOSE PEOPLE WHO ARGUE FOR HIGHER ALLOWANCES BASE THEIR PROPOSAL IS NOT CORRECT. THE ALLOWANCES HAVE KEPT PACE WITH INFLATION, SO I WOULD VERY MUCH HOPE THAT THEY WILL RECONSIDER THEIR IDEAS, WHICH IN SOME CASES ENVISAGE THE ALLOWANCES GOING UP BY AS MUCH AS 50%.

QUESTION:
EVEN IF YOU REACH THE CHANCE THAT THEY MAY VOTE DOWN THE BUDGET?

SO YOU WOULD NOT CHANGE IT,

FINANCIAL SECRETARY:
JUST SAID, THANK YOU VERY MUCH.

WELL I HAVE JUST SAID WHAT I'VE

CHRIS WONG:

LET ME REMIND YOU

THAT - BEFORE THE LAST QUESTION - MR WOODROFFE AND MR AU YEUNG ARE PREPARED TO STAY BEHIND TO ANSWER YOUR QUESTIONS ON THE SUBJECT, IF YOU ARE INTERESTED, OKAY? SO THE LAST QUESTION PLEASE.

QUESTION:

MR MACLEOD, AN EARLIER QUESTION

WAS ASKED ABOUT STAMP-DUTY AND YOUR REASON FOR TRIMMING IT SINCE THERE WAS NO CALL FOR IT. YOU SAID THAT IT WAS TO TRY AND KEEP IT IN LINE WITH THE REST OF THE WORLD, BUT WAS IT NOT TO SORT OF APPEASE BUSINESSMEN AFTER RAISING PROFITS-TAX?

FINANCIAL SECRETARY:

NO, BUSINESSMEN --

QUESTION:

I MEAN, WHAT WAS YOUR REASON OR

YOUR REASONS BEHIND THE DROP?

FINANCIAL SECRETARY:

THE STAMP-DUTY WE ARE TALKING

ABOUT IS MAINLY OF INTEREST TO THE STOCK MARKET AND IT IS A FACT THAT OTHER STOCK MARKETS IN THE WORLD, PARTICULARLY ONES THAT ARE LIKELY TO BE COMPETING WITH US, INCLUDING LONDON, EITHER HAVE OR ARE MOVING TOWARDS ZERO STAMP-DUTY - ZERO. WE ARE BEING MORE CAUTIOUS, THERE IS QUITE A LOT OF REVENUE AT STAKE, AND WE HAVE INCHED OUR WAY DOWNWARDS BY 0.1, I THINK FOR THE LAST TWO OR THREE BUDGETS. IT IS VERY SIMPLE - IF WE DON'T DO IT WE WILL CEASE TO BE COMPETITIVE, WE WILL LOSE BUSINESS AND WE WILL HAVE LESS REVENUE ANYWAY, SO WE HAD BETTER BE REALISTIC. WHEN THAT PROCESS WILL END, I WILL NOT FORECAST BUT THAT IS WHAT WE ARE DOING. WE ARE NOT APPEASING BUSINESSMEN, WE ARE BEING COMPLETELY REALISTIC ABOUT MARKET FORCES WHICH ARE IN PLAY.

CHRIS WONG:
YOU VERY MUCH.

ALRIGHT, ON THAT NOTE, THANK

FINANCIAL SECRETARY:

THANK YOU.

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HOUSING AUTHORITY A PIONEER OF SOCIAL CHANGE - CS

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THE HOUSING AUTHORITY, IN REFLECTING THE CHANGING SOCIAL AND DEMOGRAPHIC STRUCTURE OF THE COMMUNITY, RISING ASPIRATIONS AND POLITICAL PRESSURES IN ITS POLICIES, IS NOW A PIONEER OF SOCIAL CHANGE MORE THAN A REHOUSING AGENCY, THE CHIEF SECRETARY, SIR DAVID FORD, SAID THIS (THURSDAY) AFTERNOON.

"THE HOUSING AUTHORITY HAS ALWAYS BUILT COMMUNITIES RATHER THAN DORMITORIES, WITH EXTENSIVE COMMUNITY AND COMMERCIAL FACILITIES," HE SAID.

HOWEVER, THE STRONG DEMAND FOR HOME OWNERSHIP, THE NEEDS OF THE ELDERLY AND THE INFIRM AND THE GROWING NUMBERS OF SINGLE PEOPLE IN OUR COMMUNITY PRESENTED GREAT CHALLENGES TO THOSE INVOLVED IN OUR HOUSING PROGRAMME.

/"WE SHOULD

"WE SHOULD RECOGNISE THE CONFLICTING PRESSURES WHICH SUCH PROBLEMS POSE AND CANNOT EXPECT COMPREHENSIVE SOLUTIONS TO BE READY IN WEEKS OR MONTHS," SIR DAVID SAID.

"WE SHOULD ALSO RECOGNISE AND BE GRATEFUL FOR THE EFFORTS OF THE DEVOTED MEMBERS OF THE HOUSING AUTHORITY WHO SHOULDER A HEAVY RESPONSIBILITY.

"THEY ARE DRAWN FROM A WIDE CROSS SECTION OF OUR COMMUNITY AND ARE WELL PLACED TO SUGGEST BALANCED POLICIES WHICH WILL GAIN THE SUPPORT OF A MAJORITY IN OUR COMMUNITY," HE SAID.

"THEY CAN BE VERY PROUD OF BEING INVOLVED IN WHAT MUST BE ONE OF THE MOST SUCCESSFUL HOUSING PROGRAMMES IN THE WORLD," HE ADDED.

SPEAKING AT THE OPENING OF KWONG YUEN ESTATE, THE AUTHORITY'S LATEST IN SHA TIN, THE CHIEF SECRETARY SAID IT WAS ANOTHER STEP FORWARD IN THE STEADY PROGRESS OF THE HOUSING STRATEGY AND IN BUILDING OF SHA TIN NEW TOWN WHICH HAD GROWN IN 20 YEARS FROM A QUIET MARKET TOWN OF 25,000 INTO A BUSTLING SUBURBAN SATELLITE CITY OF OVER 500,000.

"TOGETHER WITH OUR SEVEN OTHER NEW TOWNS, SHA TIN HAS BEEN IN THE FOREFRONT OF THE ENLARGED PUBLIC HOUSING EFFORT, BEGUN IN 1973, WHICH NOW PROVIDES HOMES FOR NEARLY THREE MILLION PEOPLE.

"IN THIS PERIOD WE HAVE SEEN THE POPULATION OF THE NEW TERRITORIES GROWN FROM ABOUT 700,000 IN 1971 TO 2.38 MILLION IN 1991, WHILE DURING THE LAST DECADE THE POPULATION OF KOWLOON HAS ACTUALLY DECLINED BY HALF A MILLION.

SIR DAVID SAID THAT AS A RESULT OF THIS SUSTAINED EFFORT, HOUSING CONDITIONS HAD IMPROVED DRAMATICALLY AS IN THE PAST FOUR YEARS THE COMBINED HOUSING PRODUCTION OF THE PUBLIC AND THE PRIVATE SECTOR NOW MEANT THAT A MILLION MORE PEOPLE WERE LIVING IN NEW FLATS CONSTRUCTED DURING THIS SHORT SPAN OF TIME.

IN HIS WELCOMING SPEECH, THE CHAIRMAN OF THE HOUSING AUTHORITY, SIR DAVID AKERS-JONES, SAID THAT THE CHIEF SECRETARY HAD HIMSELF BEEN BOTH DIRECTOR OF HOUSING AND SECRETARY FOR HOUSING/CHAIRMAN OF THE HOUSING AUTHORITY, AND TOOK A CLOSE PERSONAL INTEREST IN HOUSING AND THE WORK OF THE AUTHORITY, AND "THIS IS A SOURCE OF GREAT ENCOURAGEMENT TO US IN OUR WORK".

BEFORE THE OPENING CEREMONY, SIR DAVID VISITED THREE ELDERLY WOMEN LIVING IN ONE OF THE SHELTERED HOUSING FLATS LOCATED WITHIN THE ESTATE AND THEN TOURED THE COMMERCIAL CENTRE, WHICH COMPRISES FIVE TWO-STOREY BLOCKS WITH 6,100 SQUARE METRES OF LETTABLE RETAIL SPACE.

KWONG YUEN, WHICH WAS BUILT IN FOUR STAGES FROM MARCH 1989 TO JANUARY 1990, COMPRISES SIX RENTAL BLOCKS, SIX HOME OWNERSHIP BLOCKS, TWO DISCIPLINED SERVICES BLOCKS AND HOUSES A POPULATION OF NEARLY 25,200.

AFTER UNVEILING A COMMEMORATIVE PLAQUE, SIR DAVID WAS JOINED BY SIR DAVID AKERS-JONES, THE DIRECTOR OF HOUSING, MR FUNG TUNG, AND THE CHAIRMAN OF THE SHA TIN DISTRICT BOARD, MR CHOY KAN-PUI, TO PLANT A FLOWERING MAGNOLIA TREE TO MARK THE OCCASION.

THURSDAY, MARCH 5, 1992

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EFFORTS UNDERWAY TO IMPROVE PAY AND SERVICE CONDITIONS OF POLICEMEN

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THE POLICE MANAGEMENT IS WELL AWARE OF JUNIOR POLICE OFFICERS' ASPIRATIONS FOR BETTER PAY AND CONDITIONS OF SERVICE AND EFFORTS ARE UNDERWAY TO IMPROVE THEM, ACCORDING TO COMMISSIONER OF POLICE, MR LI KWAN-HA.

SPEAKING AT A SPRING RECEPTION HOSTED BY THE JUNIOR POLICE OFFICERS' ASSOCIATION THIS (THURSDAY) AFTERNOON, MR LI (WHO IS PRESENTLY ON LEAVE) SAID TWO NEW JUNIOR POLICE OFFICERS QUARTERS WERE BEING BUILT- ONE IN TSING YI FOR 288 UNITS AND THE OTHER IN FANLING FOR 408 UNITS.

THE TSING YI PROJECT IS SCHEDULED TO COMPLETE BY LATE 1993 AND THE FANLING UNITS IN 1994.

"THE MAINTENANCE OF GOOD MORALE IS ESSENTIAL AND THE ASSOCIATION CAN BE ASSURED OF MY FULLEST SUPPORT IN THIS REGARD.

"THE QUESTION OF IMPROVEMENT TO PAY AND CONDITIONS OF SERVICE ESPECIALLY FOR JUNIOR POLICE OFFICERS IS AN IMPORTANT PRIORITY AND I CAN ASSURE YOU THAT I WILL CONTINUE TO PURSUE THEM," MR LI SAID.

THE COMMISSIONER NOTED THAT PROPOSALS TO IMPROVE THE REMUNERATION OF JUNIOR POLICE OFFICERS WERE PRESENTLY WITH THE ADMINISTRATION.

"I AM OF COURSE AWARE OF THE WISH OF OFFICERS TO SECURE SOME REDUCTION IN THE 51-HOUR WORKING WEEK,

"THERE ARE OBVIOUS PRACTICAL DIFFICULTIES IN THE PROPOSAL AND THE SUBJECT IS BEING EXAMINED," MR LI SAID.

HE CAUTIONED, HOWEVER, THAT AN EARLY SOLUTION TO THIS PROPOSAL WAS UNLIKELY.

MR LI PRAISED JUNIOR POLICE OFFICERS, THE FORCE'S FRONT-LINE TROOPS, FOR HAVING PLAYED A CRUCIAL ROLE IN THE FIGHT AGAINST CRIME AND PRESERVED CONFIDENCE IN THE FORCE.

DESPITE INCREASED PRESSURE ON THE FORCE, NOTABLY WITH REGARD TO CRIME AND SMUGGLING AND ADDITIONAL DUTIES, MR LI SAID OFFICERS HAD RESPONDED WELL AND FACED THESE CHALLENGES REALISTICALLY.

WITH THE FORTHCOMING CHANGE IN SOVEREIGNTY, MR LI SAID THE PUBLIC WOULD BE LOOKING TO THE POLICE IN PARTICULAR FOR STABILITY, EFFECTIVENESS AND PROFESSIONALISM.

"I AM CONFIDENT THAT THE FORCE WILL MEET ALL DEMANDS IN A HIGHLY PROFESSIONAL MANNER," MR LI SAID.

EARLIER IN THE RECEPTION, THE CHAIRMAN OF THE JUNIOR POLICE OFFICERS ASSOCIATION, MR TSUI WAI-CHUN, SAID THERE WOULD BE AN INCREASINGLY CRUCIAL NEED FOR POLICE SERVICE IN THE YEARS AHEAD.

/MR TSUI

MR TSUI SAID THE INCREASE IN VARIOUS CRIMINAL ACTIVITIES HAD ALSO PUT MEMBERS OF THE FORCE UNDER INCREASINGLY MENTAL AND WORK PRESSURE, WHICH HAD CONTRIBUTED TO WASTAGE OF POLICE OFFICERS.

MR TSUI URGED THE GOVERNMENT TO MAKE IMPROVEMENTS OVER POLICE OFFICERS' PAY AND CONDITIONS OF SERVICE.

"ELEVATION OF THE PROFESSIONAL STATUS OF THE POLICE OFFICERS AND BOOSTING OF STAFF MORALE WILL NATURALLY ENABLE THE FORCE MEMBERS TO WORK OUT THEIR FULL POTENTIAL," MR TSUI SAID.

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PROVISIONAL RESULTS OF RETAIL SALES SURVEY
FOR DECEMBER 1991 RELEASED

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THE VALUE OF TOTAL RETAIL SALES IN DECEMBER 1991, ESTIMATED AT \$13,500 MILLION, INCREASED BY 23% WHEN COMPARED WITH DECEMBER 1990, ACCORDING TO STATISTICS RELEASED TODAY BY THE CENSUS AND STATISTICS DEPARTMENT.

AFTER DISCOUNTING THE EFFECT OF PRICE INCREASES OVER THE PERIOD, TOTAL RETAIL SALES ROSE BY 17% IN VALUE. FOR 1991 AS A WHOLE, THE INCREASE IN SALES WAS 17% IN VALUE AND 10% IN VOLUME.

THE MARKED INCREASE IN DECEMBER WAS MAINLY ATTRIBUTABLE TO A HIGH LEVEL OF CONSUMER SPENDING ON CLOTHING, JEWELLERY, WATCHES AND MOTOR VEHICLES. MEANWHILE, SALES IN SUPERMARKETS AND OTHER FOODSTUFF OUTLETS GREW MODERATELY.

SALES OF MOTOR VEHICLES RECORDED THE LARGEST INCREASE IN DECEMBER 1991 COMPARED WITH A YEAR AGO, BY 98% IN VALUE AND 82% IN VOLUME. THE LARGE INCREASE WAS RELATED TO THE PROMOTION CAMPAIGNS LAUNCHED BY SOME MOTOR VEHICLE DEALERS TOWARDS THE END OF 1991.

SALES OF JEWELLERY, WATCHES, CLOCKS AND VALUABLE GIFTS ALSO INCREASED CONSIDERABLY, BY 42% IN VALUE AND 48% IN VOLUME, PARTLY DUE TO A GENERAL FALL IN PRICES OF JEWELLERY ITEMS.

MARKED INCREASE IN SALES WAS ALSO RECORDED FOR CLOTHING, FOOTWEAR AND ALLIED PRODUCTS. SALES WERE UP BY 36% IN VALUE AND 26% IN VOLUME.

INCREASES IN SALES WERE RELATIVELY MODERATE IN FOODSTUFF OUTLETS OTHER THAN SUPERMARKETS (17% IN VALUE AND 6% IN VOLUME), DEPARTMENT STORES (13% IN VALUE AND 6% IN VOLUME), SUPERMARKETS (13% IN VALUE AND 4% IN VOLUME), AND FUEL OUTLETS (3% IN VALUE AND 2% IN VOLUME).

ON THE OTHER HAND, SALES DECLINED SLIGHTLY FOR CONSUMER DURABLE GOODS OTHER THAN MOTOR VEHICLES AND PARTS, BY 1% IN VALUE AND 3% IN VOLUME.

COMPARING 1991 WITH THE PRECEDING YEAR, TOTAL RETAIL SALES ROSE BY 17% IN VALUE AND 10% IN VOLUME. THE CORRESPONDING INCREASES IN 1990 WERE 7% IN VALUE AND 1% IN VOLUME.

THE FASTER GROWTH IN 1991 REFLECTED A RECOVERY IN CONSUMER SPENDING FROM THE LOW LEVELS IN 1989 AND 1990.

SALES OF MOTOR VEHICLES AND PARTS ROSE SHARPLY IN 1991 BY 26% IN VALUE AND 15% IN VOLUME.

SALES OF CLOTHING, FOOTWEAR AND ALLIED PRODUCTS ALSO INCREASED RAPIDLY, BY 24% IN VALUE AND 15% IN VOLUME.

SALES OF JEWELLERY, WATCHES AND CLOCKS, AND VALUABLE GIFTS WERE HIGHER BY 19% IN VALUE AND 20% IN VOLUME; AND THOSE OF CONSUMER DURABLES OTHER THAN MOTOR VEHICLES AND PARTS BY 18% IN VALUE AND 15% IN VOLUME.

ON THE SAME BASIS OF COMPARISON, SALES IN SUPERMARKETS AND OTHER FOODSTUFF OUTLETS INCREASED AT LESS RAPID RATES, BY 14% AND 12% RESPECTIVELY IN VALUE, AND 3% AND 1% IN VOLUME.

COMPARED WITH NOVEMBER 1991, AND BEARING IN MIND THAT THIS COMPARISON MAY BE AFFECTED BY SEASONAL FACTORS, TOTAL RETAIL SALES IN DECEMBER 1991 INCREASED BY 16% IN BOTH VALUE AND VOLUME TERMS.

CHANGES IN THE VOLUME OF RETAIL SALES ARE DERIVED FROM FIGURES ON THE VALUE OF RETAIL SALES AFTER HAVING ADJUSTED FOR PRICE CHANGES. THE INDICATORS OF PRICE CHANGES USED ARE THE RESPECTIVE COMPONENTS OF THE CONSUMER PRICE INDEX WHICH CORRESPOND TO THE BROAD CATEGORIES OF GOODS IN QUESTION.

THE REPORT CONTAINING THE ANALYSIS OF THE DECEMBER 1991 RESULTS IS NOW ON SALE AT THE GOVERNMENT PUBLICATIONS SALES CENTRE, GROUND FLOOR, GENERAL POST OFFICE BUILDING, CONNAUGHT PLACE, CENTRAL AT \$1.5 PER COPY.

ENQUIRIES ABOUT THE SURVEY RESULTS MAY BE DIRECTED TO THE WHOLESALE AND RETAIL TRADE STATISTICS SECTION OF THE CENSUS AND STATISTICS DEPARTMENT ON TEL. 802 1258.

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NOTE TO EDITORS:

TABLE 1 PRESENTS THE REVISED TOTAL RETAIL SALES FIGURE FOR NOVEMBER 1991 AND THE PROVISIONAL FIGURE FOR DECEMBER 1991.

TABLE 2 SHOWS THE VALUE AND VOLUME INDEXES OF RETAIL SALES IN NOVEMBER AND DECEMBER 1991 FOR ALL RETAIL OUTLETS AND BY TYPE OF RETAIL OUTLET, WITH AVERAGE RETAIL SALES FROM OCTOBER 1989 TO SEPTEMBER 1990 TAKEN AS 100. COMPARISONS OF DECEMBER 1991 RESULTS WITH THOSE FOR NOVEMBER 1991 AND WITH THOSE FOR DECEMBER 1990, AND COMPARISONS OF RETAIL SALES IN 1991 WITH 1990 ARE ALSO GIVEN.

TABLE 1 : TOTAL RETAIL SALES

Total Retail Sales for December 1991 (Provisional Figure) = HK\$13,537.3 million
for November 1991 (Revised Figure) = HK\$11,665.0 million

TABLE 2 : VALUE AND VOLUME INDEXES OF RETAIL SALES FOR NOVEMBER 1991 AND DECEMBER 1991

(Monthly average of Oct. 89 - Sept. 90 = 100)

Item	Index of Retail Sales	November	December	December 1991 compared with November 1991		December 1991 compared with December 1990		Jan.-Dec. 1991 compared with Jan.-Dec. 1990	
		1991	1991	Points	%	Points	%	Points	%
(A) FOR ALL RETAIL OUTLETS		(Revised figures)	(Provisional figures)						
	Value	124.2	144.1	+19.9	+16.1	+27.3	+23.4	+17.8	+17.4
	Volume	111.7	129.8	+18.1	+16.2	+19.0	+17.1	+10.4	+10.4
(B) BY TYPE OF RETAIL OUTLET:									
Foodstuffs, alcoholic drinks and tobacco (other than supermarkets)	Value	122.6	128.8	+6.2	+5.0	+18.8	+17.1	+12.2	+11.9
	Volume	108.3	114.2	+5.8	+5.4	+6.8	+6.4	+1.1	+1.1
Supermarkets	Value	109.8	128.3	+18.5	+16.9	+14.5	+12.7	+14.1	+13.7
	Volume	94.5	110.3	+15.8	+16.7	+3.8	+3.5	+3.1	+3.1
Fuels	Value	118.9	133.8	+14.9	+12.6	+3.9	+3.0	+15.6	+14.5
	Volume	96.0	107.3	+11.3	+11.7	+2.2	+2.1	+2.0	+2.0
Clothing, footwear and allied products	Value	136.1	165.8	+29.7	+21.8	+43.4	+35.5	+23.9	+23.7
	Volume	115.7	142.5	+26.8	+23.2	+29.6	+26.2	+15.0	+15.2
Consumer durable goods*	Value	132.7	138.9	+6.2	+4.7	+33.3	+31.5	+22.3	+21.6
	Volume	122.0	127.1	+5.1	+4.2	+25.2	+24.7	+15.3	+15.0
- Motor vehicles and parts	Value	154.4	164.3	+9.8	+6.4	+81.2	+97.8	+26.6	+26.1
	Volume	135.8	143.1	+7.3	+5.3	+64.6	+82.3	+14.9	+14.9
- Consumer durable goods other than motor vehicles and parts	Value	116.9	120.5	+3.6	+3.1	-1.4	-1.1	+19.2	+18.4
	Volume	112.1	115.6	+3.5	+3.1	-3.4	-2.8	+15.5	+15.0
Department stores	Value	124.7	157.9	+33.2	+26.6	+18.5	+13.3	+11.9	+11.5
	Volume	107.6	138.4	+30.8	+28.6	+7.5	+5.7	+4.7	+4.6
Jewellery, watches and clocks, and valuable gifts	Value	112.4	138.0	+25.6	+22.8	+40.7	+41.8	+18.3	+18.6
	Volume	114.6	139.7	+25.1	+21.9	+45.0	+47.5	+18.9	+19.5
Other consumer goods not elsewhere classified	Value	130.1	155.8	+25.7	+19.8	+26.8	+20.7	+21.3	+20.5
	Volume	117.2	140.3	+23.0	+19.7	+14.7	+11.7	+14.1	+13.8

NOTE : * This covers both "Motor vehicles and parts" and "Consumer durable goods other than motor vehicles and parts".

THURSDAY, MARCH 5, 1992

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EPD ANNOUNCES 1991 BATHING BEACHES WATER QUALITY REPORT

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THE ENVIRONMENTAL PROTECTION DEPARTMENT (EPD) TODAY (THURSDAY) ANNOUNCED DETAILS OF A REPORT ENTITLED BACTERIOLOGICAL WATER QUALITY OF BATHING BEACHES IN HONG KONG, 1991.

ACTING ASSISTANT DIRECTOR OF EPD, MR PAUL HOLMES, SAID THE REPORT REVIEWED THE BACTERIOLOGICAL WATER QUALITY OF THE BATHING BEACHES IN HONG KONG IN THE BATHING SEASON OF 1991.

THE REPORT ANALYSES THE BACTERIOLOGICAL WATER QUALITY TRENDS OF BATHING BEACHES.

IT ALSO DISCUSSES THE SOURCES OF POLLUTION OF BEACHES IN VARIOUS DISTRICTS AND THE REMEDIAL ACTIONS REQUIRED.

UP-TO-DATE INFORMATION TO BEACH-GOERS ON THE LATEST WATER QUALITY AT BEACHES AND THE ASSOCIATED RISK TO HEALTH OF SWIMMING AT THEM IS ALSO PROVIDED.

THE REPORT STATES THAT THE BACTERIOLOGICAL WATER QUALITY AT ANGLERS', APPROACH, BUTTERFLY, HOI MEI WAN, NEW CAFETERIA, ROCKY BAY AND TING KAU BEACHES IS BARELY ACCEPTABLE FOR SWIMMING, WHEREAS OLD CAFETERIA AND CASTLE PEAK BEACHES ARE NOT SUITABLE FOR SWIMMING.

THE GENERAL MOMENTUM TOWARDS IMPROVEMENT IN BACTERIOLOGICAL BEACH WATER QUALITY, BUILT UP DURING 1989 AND 1990, HAD STALLED IN 1991, WITH A TOTAL NUMBER OF 19 GAZETTED BEACHES RANKED GOOD; 14, ACCEPTABLE; AND SEVEN, BARELY ACCEPTABLE.

A SUMMARY OF THE RANKING OF ALL GAZETTED AND NON-GAZETTED BEACHES IN THE SWIMMING SEASON OF 1991 IS PRESENTED IN THE REPORT.

SIGNIFICANT IMPROVEMENTS IN BACTERIOLOGICAL WATER QUALITY AT SEVERAL BEACHES -- TURTLE COVE, TRIO, CLEAR WATER BAY 2ND AND KADOORIE HAD BEEN ACHIEVED AS A RESULT OF THE IMPLEMENTATION OF VARIOUS MEASURES.

THESE MEASURES INCLUDE "FIRST-AID" WORKS TO DIVERT POLLUTING FLOWS AWAY FROM BEACHES; ENFORCEMENT OF THE PROVISIONS OF THE WATER POLLUTION CONTROL ORDINANCE IN THE WATER CONTROL ZONES; AND IMPLEMENTATION OF THE LIVESTOCK WASTE CONTROL SCHEME.

EFFECTIVE FROM MARCH 1 1992, A SINGLE BACTERIOLOGICAL WATER QUALITY OBJECTIVE HAS BEEN APPLIED TO ALL BATHING BEACH SUBZONES.

THE OBJECTIVE IS THAT THE LEVEL OF E. COLI SHOULD NOT EXCEED 180/100 MILLILITRES CALCULATED AS THE GEOMETRIC MEAN FOR ALL SAMPLES COLLECTED FROM MARCH TO OCTOBER INCLUSIVE.

SAMPLES SHOULD BE TAKEN AT LEAST THREE TIMES A MONTH AT INTERVALS OF BETWEEN THREE AND 14 DAYS.

/ALSO EFFECTIVE

ALSO EFFECTIVE FROM MARCH 1 1992, THE FOLLOWING UNIFORM DESCRIPTIONS ARE TO BE USED FOR BOTH ANNUAL RANKING AND FORTNIGHTLY GRADING SYSTEMS.

ANNUAL RANKING SYSTEM FOR HONG KONG BEACHES

RANK		BATHING SEASON GEOMETRIC MEAN E. COLI COUNT PER 100 MILLILITRES OF SEAWATER	CASES OF MINOR ILLNESS (GASTROINTESTINAL AND SKIN COMPLAINTS) PER 1,000 SWIMMERS
OLD DESCRIPTION	NEW DESCRIPT- ION EFFECTIVE FROM MARCH 1, 1992		
GOOD	GOOD	UP TO 24	UNDETECTABLE
ACCEPTABLE	FAIR	25 TO 180	10 OR LESS
BARELY ACCEPTABLE	POOR	181 TO 610	11 TO 15
UN- ACCEPTABLE	VERY POOR	OVER 610	MORE THAN 15

SYSTEM FOR FORTNIGHTLY GRADING OF WATER QUALITY AT HONG KONG BEACHES

NUMERICAL GRADE	DESCRIPTION		GEOMETRIC MEAN E. COLI COUNT PER 100 MILLILITRES IN SAMPLES TAKEN ON THE 5 MOST RECENT SAMPLING OCCASIONS
	OLD DESCRIPTION	NEW DESCRIPTION EFFECTIVE FROM MARCH 1, 1992	
1	GOOD	GOOD	UP TO 24
2	FAIR	FAIR	25 TO 180
3	ACCEPTABLE	POOR	181 TO 610
4	POOR	VERY POOR	MORE THAN 610

IN ADDITION, THE REPORT ALSO REVIEWS THE INCIDENCES OF ALGAL BLOOMS AT BEACHES IN THE PAST FIVE YEARS.

THE REPORT, AT \$35 A COPY, CAN BE OBTAINED AT THE GOVERNMENT PUBLICATION SALES CENTRE, GROUND FLOOR, GENERAL POST OFFICE BUILDING, CONNAUGHT PLACE, CENTRAL.

AS IN THE PAST YEAR, THE GRADINGS ON WATER QUALITY OF BATHING BEACHES WILL BE ANNOUNCED ONCE EVERY FORTNIGHT. THIS YEAR, THE FIRST ANNOUNCEMENT WILL BE MADE ON APRIL 16.

HOWEVER, GRADINGS WILL NOT BE PROVIDED FOR THOSE BEACHES WHICH ARE CLOSED TO SWIMMERS BY THE URBAN COUNCIL AND REGIONAL COUNCIL.

THURSDAY, MARCH 5, 1992

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\$80,750 FINE FOR UNAUTHORISED BUILDING WORKS

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THE BUILDINGS ORDINANCE OFFICE (BOO) OF THE BUILDINGS AND LANDS DEPARTMENT TODAY (THURSDAY) REITERATED THAT ANYONE WHO CARRIED OUT BUILDING WORKS WITHOUT PERMISSION MIGHT FACE HEFTY FINES, INCLUDING A DAILY FINE FOR EACH DAY WHEN THE OFFENCE WAS COMMITTED.

THE REMINDER CAME SHORTLY AFTER A RECENT COURT CASE IN WHICH AN ESTATE MANAGEMENT COMPANY WAS FINED A TOTAL OF \$80,750 FOR HAVING CARRIED OUT UNAUTHORISED BUILDING WORKS ON THE PODIUM OF A BUILDING IN QUARRY BAY.

THE PARK VALE MANAGEMENT LIMITED, WHICH PLEADED GUILTY TO THE OFFENCE, WAS FINED \$5,000 AT THE EASTERN MAGISTRACY, PLUS A DAILY FINE OF \$250 FOR 303 DAYS, FROM THE DATE OF REVELATION OF THE OFFENCE TO THE DATE OF CONVICTION.

THE COURT HEARD THAT THE OFFENCE CAME TO LIGHT ON APRIL 30 LAST YEAR WHEN BOO STAFF INSPECTED THE SHUI PAK MANSION, PARK VALE, 4 GREIG ROAD AND FOUND THAT CERTAIN UNAUTHORISED BUILDING WORKS HAD BEEN CARRIED OUT AT THE SECOND FLOOR PODIUM.

THE UNAUTHORISED BUILDING WORKS WERE FOUND TO BE A STRUCTURE OF BRICKWORKS HAVING AN AREA OF ABOUT 80 SQUARE METRES, AND WAS USED AS A MANAGEMENT OFFICE.

THE CASE WAS BROUGHT TO COURT ON NOVEMBER 19 LAST YEAR AND THE TRIAL HEARING ENDED LAST THURSDAY (FEBRUARY 27).

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HK STUDENT IN INT'L POSTER CONTEST

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A POSTER DESIGNED BY A 12-YEAR-OLD STUDENT HAS BEEN ENTERED IN THE FOURTH ANNUAL INTERNATIONAL PEACE POSTER CONTEST TO BE HELD IN NEW YORK LATER THIS (MARCH) MONTH.

KWOK KA-KI OF SAM SHUI NATIVE ASSOCIATION LOU PUN CHEUNG SCHOOL HAD EARLIER WON THIS HONOUR IN THE LOCAL "PEACE BEGINS WITH US" COMPETITION, BEATING 702 OTHER YOUNG ARTISTS.

THE LOCAL CONTEST, JOINTLY ORGANISED BY THE LIONS CLUBS INTERNATIONAL DISTRICT 303 AND THE EDUCATION DEPARTMENT, WAS OPENED TO STUDENTS IN THE 11-13 AGE GROUP FROM ALL COMMUNITY YOUTH CLUB MEMBER SCHOOLS.

TWENTY SECONDARY AND 60 PRIMARY SCHOOLS TOOK PART, SUBMITTING A TOTAL OF 703 ENTRIES.

WINNERS OF THE LOCAL CONTEST WILL RECEIVE THEIR PRIZES ON SATURDAY (MARCH 7).

/OFFICIATING AT

THURSDAY, MARCH 5, 1992

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OFFICIATING AT THE PRESENTATION CEREMONY WILL BE DISTRICT GOVERNOR OF LIONS CLUBS INTERNATIONAL DISTRICT 303, MR ALBERT WONG, AND THE DEPUTY CHIEF INSPECTOR OF SCHOOLS, MRS C.H. KONG.

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ATTENTION NEWS EDITORS:

MEDIA REPRESENTATIVES ARE INVITED TO COVER THE PRESENTATION CEREMONY WHICH WILL BE HELD AT THE LIONS CLUBS INTERNATIONAL DISTRICT 303 HEADQUARTERS, DOMINION CENTRE, ROOM 803, 43-59 QUEEN'S ROAD EAST, ON SATURDAY (MARCH 7), STARTING AT 10.30 AM.

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HONG KONG GOVERNMENT EXCHANGE FUND
MONEY MARKET OPERATIONS

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	DATE	\$ MILLION
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CLOSING BALANCE IN THE ACCOUNT ON	4.3.92	600
EFFECT OF FORWARDS TO BE SETTLED ON	5.3.92	+55
EFFECT OF OPERATIONS THIS MORNING		-55
EFFECT OF OPERATIONS THIS AFTERNOON		NEUTRAL
TRADE WEIGHTED INDEX 112.4 *+0.2* 5.3.92		

HONG KONG GOVERNMENT EXCHANGE FUND

EF BILLS

HONG KONG GOVERNMENT BONDS

TERMS	YIELD	TERM	ISSUE	COUPON	PRICE	YIELD
1 WEEK	4.29 PCT	21 MONTHS	2311	6.25	100.57	5.97
1 MONTH	3.98 PCT	24 MONTHS	2402	5.50	99.18	6.04
3 MONTHS	3.94 PCT					
6 MONTHS	4.20 PCT					
12 MONTHS	4.74 PCT					

TOTAL TURNOVER OF BILLS AND BONDS - 3,370 MN

CLOSED 5 MARCH 1992

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