



DAILY INFORMATION BULLETIN

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GOVERNOR TO KEEP LONDON UP-TO-DATE

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THE GOVERNOR, SIR DAVID WILSON, SAID TONIGHT (WEDNESDAY) THAT THE OBJECTIVE OF HIS VISIT TO LONDON WAS TO KEEP PEOPLE THERE UP-TO-DATE ON THE WHOLE RANGE OF ISSUES WHICH WAS BEING DEALT WITH IN HONG KONG AT THE MOMENT.

SPEAKING TO REPORTERS AT THE AIRPORT BEFORE HIS DEPARTURE, SIR DAVID SAID: "I THINK IT'S VERY IMPORTANT THAT WHEN SO MUCH IS HAPPENING HERE IN HONG KONG, PEOPLE SHOULD BE KEPT UP-TO-DATE DIRECTLY BY ME."

THE GOVERNOR SAID THAT HE WOULD BE SEEING THE SECRETARY OF STATE, MR DOUGLAS HURD; THE MINISTER OF STATE, MR FRANCIS MAUDE; THE SECRETARY OF STATE FOR TRADE AND INDUSTRY, MR NICHOLAS RIDLEY; SENIOR MINISTERS AND MEMBERS OF PARLIAMENT.

SIR DAVID SAID AMONG THE ISSUES HE WOULD BE BRIEFING PEOPLE IN LONDON WERE THE VIETNAMESE BOAT PEOPLE ISSUE, AND THE WHOLE PACKAGE OF ARRANGEMENTS THE GOVERNMENT INTENDED TO PUT IN PLACE FOR THE 1991 ELECTIONS.

ON THE VIETNAMESE BOAT PEOPLE ISSUE, THE GOVERNOR SAID ONE OF THE THINGS TO BE DONE WAS TO TRY TO MAKE AN ASSESSMENT OF WHAT THE NATURE OF THE PROBLEM WAS GOING TO BE THIS YEAR.

"ONE OF THE THINGS WE DON'T KNOW IS WHAT SORT OF PROBLEM WE ARE GOING TO FACE. THE NEXT THING IS HOW CAN WE TRY TO GET IN PLACE ALL THE ARRANGEMENTS TO DEAL WITH THIS ISSUE," HE SAID.

"BY THAT, I MEAN THE RESETTLEMENT OF PEOPLE WHO ARE GENUINE REFUGEES; TRYING TO SPEED UP GETTING BACK TO VIETNAM THOSE WHO HAVE ACTUALLY VOLUNTEERED TO GO BACK; AND THEN THE MOST DIFFICULT OF THEM ALL, HOW DO WE MAKE ARRANGEMENTS TO DEAL WITH THE PEOPLE WHO ARE NOT REFUGEES AND YET WHO HAVEN'T ACTUALLY VOLUNTEERED, TRYING TO MAKE ARRANGEMENTS FOR THEM TO GO BACK TO VIETNAM," SIR DAVID SAID.

SEEING THE GOVERNOR AND LADY WILSON OFF AT THE AIRPORT WAS THE CHIEF SECRETARY, SIR DAVID FORD.

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SERVICES FOR ELDERLY GREATLY IMPROVED IN THE 80'S

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HONG KONG HAS SEEN CONSIDERABLE ADVANCES IN THE PROVISION OF SERVICES FOR THE ELDERLY OVER THE LAST 10 YEARS, THE DIRECTOR OF SOCIAL WELFARE, MR MICHAEL CARTLAND, SAID THIS (WEDNESDAY) AFTERNOON.

SPEAKING AT THE OPENING OF THE PO LEUNG KUK CHOW HUNG PUI DAY CARE CENTRE FOR THE ELDERLY IN TAI KOK TSUI, MR CARTLAND SAID ONE AREA OF IMPROVEMENT WAS MADE IN SOCIAL SECURITY.

"THE QUALIFYING AGE FOR THE OLD AGE ALLOWANCE IS BEING PROGRESSIVELY LOWERED, FROM 70 IN APRIL 1988 TO 66 IN APRIL THIS YEAR AND FURTHER DOWN TO 65 IN APRIL 1991," HE SAID.

"IN ADDITION, A HIGHER DISABILITY ALLOWANCE FOR SEVERELY DISABLED ELDERLY PERSONS REQUIRING CONSTANT ATTENDANCE, WAS INTRODUCED IN APRIL 1988.

"WE HAVE ALSO SEEN OVER THE PAST DECADE A SIGNIFICANT INCREASE IN THE NUMBERS OF THE DIFFERENT TYPES OF CENTRES PROVIDING SUPPORT SERVICES FOR THE ELDERLY," HE CONTINUED.

"SOCIAL CENTRES HAVE INCREASED IN NUMBER FROM 34 TO 106, MULTI-SERVICE CENTRES FROM FOUR TO 15 AND DAY CARE CENTRES FROM TWO TO EIGHT."

OUTLINING THE CURRENT POLICY OBJECTIVE OF SERVICES FOR THE ELDERLY, MR CARTLAND SAID IT WAS TO PROMOTE THE WELL-BEING OF ELDERLY PERSONS IN ALL ASPECTS OF THEIR LIFE, BY PROVIDING SUPPORT SERVICES THAT WOULD ENABLE THEM TO REMAIN MEMBERS OF THE COMMUNITY FOR AS LONG AS POSSIBLE; AND TO THE EXTENT NECESSARY, TO PROVIDE RESIDENTIAL CARE SUITED TO THE VARYING NEEDS OF THE ELDERLY.

"TO ACHIEVE THIS OBJECTIVE, THE GOVERNMENT AND THE VOLUNTARY SECTOR AIM TO PROVIDE A COMPREHENSIVE SPECTRUM OF SOCIAL WELFARE SERVICES FOR ELDERLY PERSONS.

"IN SO FAR AS COMMUNITY SUPPORT SERVICES ARE CONCERNED, THESE INCLUDE FINANCIAL ASSISTANCE THROUGH PUBLIC ASSISTANCE AND SPECIAL NEEDS ALLOWANCES UNDER THE SOCIAL SECURITY SCHEME, HOME HELP, SOCIAL CENTRES, MULTI-SERVICE CENTRES AND DAY CARE CENTRES AS WELL AS A RANGE OF OTHER SERVICES FOR THE ELDERLY IN SUCH AREAS AS HOUSING, TRANSPORT, HEALTH AND EMPLOYMENT."

NOTING THAT ABOUT 12.7 PER CENT OF THE POPULATION ARE AGED 60 AND ABOVE, MR CARTLAND SAID IN FIVE YEARS' TIME, IT WAS PROJECTED THAT THE PERCENTAGE WOULD RISE TO AROUND 14.2 PER CENT.

"CLEARLY THE MEASURES TO BE TAKEN TO MEET THE NEEDS OF OUR SENIOR CITIZENS WILL HAVE TO BE INTENSIFIED," HE SAID.

MR CARTLAND SAID PREMISES HAD BEEN EARMARKED TO PROVIDE AN ADDITIONAL 16 DAY CARE CENTRES BY 1994-95 AT WHICH TIME THE PRESENT PLANNING STANDARD WOULD BE FULLY MET.

/HE POINTED

HE POINTED OUT THAT THERE WAS STILL MUCH ROOM FOR FURTHER IMPROVEMENTS NOTWITHSTANDING THE ACHIEVEMENTS OF THE EIGHTIES.

"THE GOVERNMENT, IN CONJUNCTION WITH THE VOLUNTARY SECTOR, IS CURRENTLY REVIEWING SOCIAL WELFARE POLICIES AND SERVICES.

"THE SCOPE OF THE REVIEW ON SERVICES FOR THE ELDERLY INCLUDES COMMUNITY SUPPORT SERVICES, RESIDENTIAL FACILITIES, OTHER SERVICES AND NEW INITIATIVES.

"I SINCERELY HOPE THAT THIS REVIEW WILL BOOST OUR EFFORTS TO MAKE UP THE SHORTFALLS OF PROVISION IN THIS AREA AS QUICKLY AS POSSIBLE AS WELL AS TO BRING ABOUT BETTER FACILITIES AND NEW IDEAS," HE SAID.

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MANUFACTURERS MUST STRIVE TO UPGRADE PRODUCT QUALITY

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HONG KONG'S MANUFACTURERS MUST CONSTANTLY STRIVE TO UPGRADE THE QUALITY OF THEIR PRODUCTS, IMPROVE THEIR PRODUCTION AND MARKETING SKILLS AND INCREASE THEIR PRODUCTIVITY IF THEY ARE TO REMAIN COMPETITIVE.

THE SECRETARY FOR TRADE AND INDUSTRY, MR JOHN CHAN, GAVE THIS ADVICE TO LOCAL MANUFACTURERS TODAY (WEDNESDAY) WHEN HE SPOKE AT THE OPENING CEREMONY OF THE CLOTHING INDUSTRY FAIR '90.

MR CHAN SAID DESPITE THE SUCCESS THAT THE CLOTHING INDUSTRY WAS CURRENTLY ENJOYING, LOCAL MANUFACTURERS WERE OPERATING AGAINST A BACKGROUND OF RISING PRODUCTION COSTS, A TIGHT SUPPLY OF LABOUR, GROWING THREATS OF PROTECTIONIST MEASURES IN HONG KONG'S MAJOR MARKETS, AND INCREASING COMPETITION FROM OTHER ASIAN COUNTRIES.

HE SAID THE PUBLIC SECTOR ALSO HAD AN IMPORTANT ROLE TO PLAY IN SUPPORTING THE LOCAL INDUSTRIES.

"WE ALREADY HAVE IN HONG KONG TWO TRAINING CENTRES OPERATED BY THE CLOTHING INDUSTRY TRAINING AUTHORITY, WHICH CAN TRAIN ABOUT 7,000 PEOPLE A YEAR.

"THE HONG KONG TRADE DEVELOPMENT COUNCIL ORGANISES TRADE FAIRS AND EXHIBITIONS BOTH LOCALLY AND OVERSEAS ON A REGULAR BASIS, TO PROMOTE OUR PRODUCTS," HE SAID.

MR CHAN ADDED THAT LAST YEAR THE GOVERNMENT PROVIDED FUNDS FOR THE ESTABLISHMENT OF A TEXTILES AND APPAREL DIVISION IN THE HONG KONG PRODUCTIVITY COUNCIL.

/"THIS DIVISION

"THIS DIVISION NOW PROVIDES MANUFACTURERS WITH VALUABLE ADVICE AND CONSULTANCY SERVICES ON APPROPRIATE EQUIPMENT, NEW TECHNOLOGIES AND MANAGEMENT, AND ON QUALITY ASSURANCE.

"IT ALSO OFFERS TRAINING PROGRAMMES, SEMINARS, AND STUDY MISSIONS ON MANAGEMENT AND PRODUCTION TECHNIQUES," HE SAID.

MR CHAN SAID AUTOMATION AND MECHANISATION PLAYED AN IMPORTANT ROLE IN THE CONTINUOUS EFFORTS MADE BY THE CLOTHING INDUSTRY TO REMAIN COMPETITIVE.

THE CLOTHING INDUSTRY FAIR '90 PROVIDED A VALUABLE OPPORTUNITY FOR MANUFACTURERS TO SEE FOR THEMSELVES THE LATEST TECHNOLOGIES AVAILABLE AND ENABLED THEM TO EXAMINE, AND EXCHANGE VIEWS WITH SUPPLIERS ON PRACTICAL APPLICATIONS OF A WIDE RANGE OF CLOTHING MATERIALS, ACCESSORIES AND RELATED SERVICES, HE ADDED.

HONG KONG IS THE WORLD'S THIRD LARGEST EXPORTER OF CLOTHING.

THE CLOTHING INDUSTRY ALONE EMPLOYS ABOUT 286,000 WORKERS OR 34 PER CENT OF THE TOTAL INDUSTRIAL WORKFORCE. THE TOTAL VALUE OF DOMESTIC EXPORTS OF CLOTHING IN 1989 AMOUNTED TO \$72 BILLION, REPRESENTING 32 PER CENT OF HONG KONG'S DOMESTIC EXPORTS FOR THE YEAR.

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HK'S QUALITY SITUATION AND AVAILABLE SERVICES

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LOCAL MANUFACTURERS WILL BE PUT IN A COMPETITIVELY DISADVANTAGEOUS POSITION IF THE GOODS THEY PRESENTLY MAKE CAN BE MADE CHEAPER ELSEWHERE, AND IT WILL PUT THEM IN A FAR WORSE POSITION IF THOSE PRODUCTS CAN ALSO BE MADE BY OTHERS AT BETTER QUALITY LEVELS.

THE ASSISTANT DIRECTOR OF INDUSTRY IN CHARGE OF QUALITY SERVICES, MR ERNEST EVANS, TOLD MANUFACTURERS THIS TODAY (WEDNESDAY) IN AN ADDRESS TO THE QUALITY MANAGEMENT SEMINAR ORGANISED BY THE INDUSTRY DEPARTMENT.

HE SAID IF NOTHING WAS DONE TO IMPROVE OUR SITUATION, ORDERS WOULD EVENTUALLY BE DIVERTED ELSEWHERE.

MR EVANS WAS SPEAKER AT THE THREE-DAY SEMINAR WHICH ENDED TODAY AT THE HONG KONG CONVENTION AND EXHIBITION CENTRE.

HIS SPEECH, ENTITLED "THE LOCAL QUALITY SCENE", PROVIDED AN INSIGHT INTO THE QUALITY SITUATION IN HONG KONG AND HIGHLIGHTED THE SERVICES AVAILABLE TO MANUFACTURERS TO IMPROVE THE QUALITY OF THEIR SYSTEMS.

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HE SAID "THE CRUNCH" WOULD COME AS THE QUALITY EXPECTATIONS OF INTERNATIONAL BUYERS WERE HEIGHTENED.

"AND THE SITUATION WILL BE EXACERBATED BY THE FACT THAT BUYERS WILL BE ABLE TO OBTAIN QUALITY GOODS FROM SOME SOURCES AND NOT FROM OTHERS," MR EVANS SAID.

HE SAID OUR MANUFACTURERS SHOULD BEGIN TO UNDERSTAND THAT MORE AND MORE QUALITY CERTIFICATION WITH PRODUCT-MARKING WOULD BECOME THE PASSPORT OF ACCEPTANCE OF GOODS.

HE SAID THIS WOULD FORM PART OF THE OVERALL PROGRAMME ASSOCIATED WITH THE HARMONISING OF STANDARDS WITHIN THE EUROPEAN ECONOMIC COMMUNITY (EEC) AND WAS LIKELY ALSO TO BE ADOPTED ELSEWHERE IN THE NEAR FUTURE.

"THE EEC, IT SEEMS, IS THE FORERUNNER OF SYSTEMATISED QUALITY.

"IF WE UNDERSTAND WHAT IS HAPPENING THERE, WE WILL HAVE A GOOD IDEA OF GLOBAL TRENDS," HE SAID.

IN HONG KONG, THIRD PARTY CERTIFICATION SCHEMES, SUCH AS THE HONG KONG LABORATORY ACCREDITATION SCHEME (HOKLAS) AND THE HONG KONG QUALITY ASSURANCE AGENCY (HKQAA) HAVE BEEN ESTABLISHED.

THE HOKLAS, LAUNCHED IN 1985, IS TO UPGRADE THE STANDARD OF TESTING AND MANAGEMENT OF LOCAL LABORATORIES, TO CONFER RECOGNITION ON THOSE THAT ARE FOUND TO BE COMPETENT AND TO PROMOTE THE ACCEPTANCE OF THEIR TEST CERTIFICATES BOTH LOCALLY AND OVERSEAS.

MR EVANS, THEREFORE, ENCOURAGED MANUFACTURERS TO USE ACCREDITED LABORATORIES TO SATISFY THEIR TESTING NEEDS.

ESTABLISHED IN SEPTEMBER LAST YEAR, THE HKQAA IS AN INDEPENDENT NON-PROFIT DISTRIBUTING ORGANISATION, WHOSE FUNCTION WILL BE TO ASSESS AND CERTIFY FACTORY MANAGEMENT SYSTEMS TO THE INTERNATIONAL QUALITY STANDARD ISO 9000.

"CERTIFICATION BY THE HKQAA WILL PROVIDE EVIDENCE TO OVERSEAS BUYERS AND PURCHASING AUTHORITIES THAT A COMPANY'S QUALITY MANAGEMENT SYSTEM IS ORGANISED AND FUNCTIONING IN LINE WITH MODERN, INTERNATIONALLY-ACCEPTED PRACTICE.

"IT WILL ASSURE OVERSEAS CUSTOMERS THAT A FIRM CAN CONSISTENTLY PRODUCE PRODUCTS TO MEET THEIR REQUIREMENTS.

"THE BRITISH STANDARDS INSTITUTE WILL BE A CONSULTANT TO THE HKQAA AND WILL PROVIDE A NUMBER OF EXPERIENCED ASSESSORS TO ASSIST WITH THE INITIAL ASSESSMENTS IN MID-1990," MR EVANS SAID.

HE CALLED ON LOCAL MANUFACTURERS TO PREPARE AND PUT THEIR HOUSE IN ORDER BEFORE THEY COULD BE ASSESSED BY THE HKQAA.

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"A LIST OF RECOMMENDED QUALITY CONSULTANTS WILL BE KEPT BY THE INDUSTRY DEPARTMENT AND MADE AVAILABLE TO ANY COMPANY REQUIRING ASSISTANCE," HE SAID.

MR EVANS SAID THE INDUSTRY DEPARTMENT WAS INTRODUCING TO HONG KONG MANUFACTURERS A NUMBER OF OVERSEAS ORGANISATIONS SPECIALISING IN PRODUCT QUALITY AND CERTIFICATION MARKING. THEY INCLUDED TUV ESSEN OF WEST GERMANY, CERVAC OF FRANCE AND RESOURCE OF THE UNITED KINGDOM.

HE SAID THE GOVERNMENT HAD SET ASIDE OVER \$9 MILLION TO RUN HONG KONG'S QUALITY AWARENESS CAMPAIGN IN THE NEXT FOUR YEARS, PROMULGATING THE IDEA OF "MAKING QUALITY HAPPEN".

"THE BASIC INFRASTRUCTURE IS AVAILABLE, ADDITIONAL SERVICES ARE BEING PUT IN PLACE AND THE QUALITY CONCEPT IS BEING ACTIVELY PROMOTED.

"IT REMAINS FOR HONG KONG MANUFACTURERS TO RESPOND," MR EVANS ADDED.

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BUS FARE ADJUSTMENTS APPROVED

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THE GOVERNOR IN COUNCIL HAS APPROVED FARE INCREASE APPLICATIONS FROM CHINA MOTOR BUS COMPANY (CMB) AND KOWLOON MOTOR BUS COMPANY (KMB) TO TAKE EFFECT ON MARCH 18.

AFTER THE FARE REVISIONS, 74.4 PER CENT OF KMB'S PASSENGERS WILL PAY AN ADDITIONAL 20 CENTS TO 30 CENTS; 19.8 PER CENT AN ADDITIONAL 40 CENTS TO 50 CENTS; AND 5.4 PER CENT AN ADDITIONAL 60 CENTS TO \$1.

THE REMAINING 0.4 PER CENT, MOSTLY ON AIRPORT COACH AND RACE-COURSE SERVICES, WILL PAY AN ADDITIONAL \$1.2 TO \$3.

THE FARES FOR MOST CROSS HARBOUR SERVICES WILL INCREASE FROM \$3 TO \$3.5; AND THE "AFTER-TUNNEL" SECTION FROM \$1.5 TO \$1.8.

FOR CMB'S PASSENGERS ON HONG KONG ISLAND ROUTES, 23.1 PER CENT WILL NOT BE AFFECTED AS FARES FOR MOST OF THE ROUTES SERVING SOUTHERN DISTRICT ARE FROZEN IN THIS FARE INCREASE EXERCISE; 64.7 PER CENT WILL PAY 20 CENTS MORE. THE REMAINING 12.2 PER CENT WILL PAY 30 CENTS MORE.

IN APPROVING THE FARE INCREASE APPLICATIONS, THE GOVERNOR IN COUNCIL HAS CAREFULLY CONSIDERED KMB'S AND CMB'S FINANCIAL POSITION, AND THE RECOMMENDATIONS OF THE TRANSPORT ADVISORY COMMITTEE (TAC).

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THE MAIN FACTORS WHICH ACCOUNT FOR KMB'S FARE INCREASE APPLICATION ARE RISES IN OPERATING COSTS DUE TO INFLATION AND SERVICE IMPROVEMENTS REQUESTED BY THE DISTRICT BOARDS.

TO MEET RISING DEMAND FROM AREAS OF POPULATION GROWTH IN THE NEW TERRITORIES AND TO FURTHER ENHANCE THE STANDARD OF BUS SERVICES IN OTHER AREAS, KMB HAS MADE A COMPREHENSIVE PLAN FOR SERVICE IMPROVEMENTS IN 1990 AND 1991.

THESE INCLUDE THE INTRODUCTION OF NO LESS THAN 20 NEW ROUTES CATERING FOR THE NEEDS OF NEW HOUSING AREAS; SOME 75 CASES OF FREQUENCY IMPROVEMENTS TO REDUCE WAITING TIME; CONVERSION TO HIGHER-CAPACITY BUSES ON ABOUT 15 ROUTES; AND USE OF AIR-CONDITIONED DOUBLE-DECKERS ON SELECTED ROUTES TO ENHANCE PASSENGER COMFORT.

TO DELIVER THE PLANNED SERVICE IMPROVEMENTS, KMB NEEDS AN ADDITIONAL 285 BUSES IN 1990 AND 1991.

FOR CMB, A SIGNIFICANT INCREASE IN PENSION LIABILITY WHICH IS A LEGITIMATE CHARGE TO OPERATING COSTS; INFLATION AND SERVICE IMPROVEMENTS; AND LOWER THAN EXPECTED OPERATING RECEIPTS HAVE CONTRIBUTED TO THE FARE INCREASE APPLICATION.

TO IMPROVE ITS SERVICES, CMB PLANS TO PURCHASE 90 NEW BUSES IN 1990 AND 1991. MOST OF THEM ARE THREE-AXLE BUSES OFFERING GREATER PRODUCTIVITY AND COST EFFICIENCY. THEY ALSO INCLUDE A NUMBER OF AIR-CONDITIONED DOUBLE DECKERS FOR MEETING DEMAND AT THE UPPER END OF THE MARKET.

THE GOVERNMENT IS FULLY AWARE OF THE PUBLIC'S WISHES TO SEE BUS FARES BEING KEPT STABLE.

THE APPROVED INCREASE OF ABOUT 15 PER CENT FOR KMB SERVICES HAS BEEN ACCEPTED BY THE COMPANY.

RESPONDING POSITIVELY TO TAC'S SUGGESTIONS, KMB HAS ALSO AGREED TO WORK CLOSELY WITH THE TRANSPORT DEPARTMENT ON VARIOUS MEASURES WHICH WOULD HELP REDUCE COSTS OR RAISE NON-FAREBOX REVENUE, THEREBY FURTHER IMPROVING KMB'S SERVICES WITHOUT ACQUIRING ADDITIONAL ASSETS. THESE MEASURES INCLUDE:

- * A MORE VIGOROUS ATTEMPT TO RATIONALISE LOSS-INCURRING ROUTES AND A CRITICAL RE-EXAMINATION OF THE NEED FOR EXISTING SERVICES IN AREAS OF FALLING DEMAND;
- * A CONSULTANCY COMMISSIONED BY THE TRANSPORT DEPARTMENT TO STUDY THE EFFICIENCY OF KMB'S BUS NETWORK IN NORTH EAST NEW TERRITORIES. THIS IS TO ENABLE KMB TO IMPROVE ITS EFFICIENCY BY MAKING FULLER USE OF ITS EXISTING FLEET;
- * A CRITICAL RE-EXAMINATION OF KMB'S DEPOT DEVELOPMENT PROGRAMME;

- * HAVING MORE ADVERTISEMENTS ON KMB'S ROLLING STOCK AND BUS-SHELTERS; AND
- * A REVIEW OF KMB'S STAFF REQUIREMENTS, AT ALL LEVELS, TO SEE IF OPPORTUNITIES EXIST FOR GREATER PRODUCTIVITY.

AT THE SAME TIME, THE TRANSPORT DEPARTMENT IS CONSIDERING THE INTRODUCTION OF ADDITIONAL BUS PRIORITY MEASURES TO HELP ENHANCE THE JOURNEY SPEED AND HENCE THE PRODUCTIVITY OF FRANCHISED BUSES.

TO KEEP DOWN THE NUMBER OF FRANCHISED BUSES LEFT IDLE DURING THE OFF-PEAK PERIOD, THE INTRODUCTION OF ADDITIONAL RESIDENTIAL COACH SERVICES WOULD ALSO BE ENCOURAGED.

FOR CMB, THE APPROVED FARE INCREASE IS ABOUT NINE PER CENT. FARES FOR ABOUT 58 PER CENT OF PASSENGERS ON ROUTES SERVING SOUTHERN DISTRICT ARE FROZEN.

THIS WOULD GO FURTHER TO NARROW DOWN THE FARE DIFFERENTIAL BETWEEN SOUTHERN AND NORTH-SHORE ROUTES AND HELP BRING FORWARD IMPLEMENTATION OF THE MORE EQUITABLE FARE STRUCTURE RECOMMENDED BY TAC.

THE GOVERNMENT HAS ALSO ASKED CMB TO COMMISSION A MANAGEMENT STUDY BY PROFESSIONAL CONSULTANTS WITH A VIEW TO STRENGTHENING THE COMPANY'S ORGANISATION AND MANAGEMENT SYSTEM IN ORDER TO PROVIDE AND MAINTAIN MORE EFFICIENT BUS SERVICES IN FUTURE.

A PROFESSIONAL CONSULTANCY FIRM HAS ALREADY STARTED THE STUDY, GUIDED BY A STEERING GROUP WITH GOVERNMENT REPRESENTATION. PROGRESS WILL ALSO BE REPORTED TO TAC.

THE CONSULTANTS ARE EXPECTED TO REPORT BEFORE JUNE THIS YEAR.

THE REVISED FARE SCALES WILL BE PUBLISHED IN THE GAZETTE ON MARCH 16.

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DB COMMITTEE TO DISCUSS GREEN MINIBUS SERVICES IN SAI KUNG

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THE TRAFFIC AND TRANSPORT COMMITTEE OF THE SAI KUNG DISTRICT BOARD WILL DISCUSS GREEN MINIBUS (GMB) SERVICES IN THE DISTRICT AT ITS MEETING ON FRIDAY (MARCH 9).

MEMBERS WILL CONSIDER A PROPOSAL TO RELOCATE THE GMB TERMINUS IN HANG HAU TO PROVIDE A BETTER SERVICE TO RESIDENTS OF HANG HAU RESITE VILLAGE AND FU NING GARDEN. THREE SITES HAVE BEEN IDENTIFIED FOR DISCUSSION.

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THERE HAVE BEEN COMPLAINTS THAT THE SERVICE OF GMB ROUTE 11, WHICH RUNS BETWEEN KWUN TONG AND TIU KENG LENG, HAD BEEN CURTAILED RECENTLY WITHOUT THE PERMISSION OF THE TRANSPORT DEPARTMENT. MEMBERS WILL REQUEST THE DEPARTMENT TO LOOK INTO THE MATTER.

IN THE LIGHT OF THE FALLING IN NUMBER OF PASSENGERS, THE TRANSPORT DEPARTMENT WILL SUGGEST REROUTING GMB ROUTE 12 TO OPERATE BETWEEN SAI KUNG AND PO LAM ESTATE VIA SAU MAU PING ROAD INSTEAD OF ANDERSON ROAD.

THE DEPARTMENT WILL ALSO RECOMMEND THE SUSPENSION OF KMB BUS ROUTE 291R IN SPRING AND SUMMER AS COUNTRY PARK VISITORS IN SAI KUNG DECREASES SIGNIFICANTLY DURING THESE PERIODS.

IN ADDITION, MEMBERS WILL EXAMINE THE PROPOSALS TO PROVIDE A PEDESTRIAN CROSSING FACILITY NEAR TA KU LING SAN TSUEN AND PARKING SPACES WITHIN THE COUNTRY PARK AREA ALONG TAI MONG TSAI ROAD.

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NOTE TO EDITORS:

MEDIA REPRESENTATIVES ARE INVITED TO COVER THE SAI KUNG DISTRICT BOARD'S TRAFFIC AND TRANSPORT COMMITTEE MEETING, WHICH WILL BEGIN AT 10 AM ON FRIDAY (MARCH 9) IN THE DB CONFERENCE ROOM, SECOND FLOOR, SAI KUNG GOVERNMENT OFFICES, 34 CHAN MAN STREET, SAI KUNG TOWN.

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DB COMMITTEE TO STUDY REPORT ON FACTORY OCCUPANCY

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THE COMMERCE AND INDUSTRY COMMITTEE OF THE TUEN MUN DISTRICT BOARD WILL STUDY A REPORT ON THE SALE AND OCCUPANCY OF FLATTED FACTORY UNITS IN THE DISTRICT AT ITS MEETING TOMORROW (THURSDAY).

THE REPORT ALSO INCLUDES INFORMATION ON THE UTILISATION OF INDUSTRIAL BUILDINGS COMPLETED IN THE PAST THREE YEARS.

A REPRESENTATIVE FROM THE INDUSTRY DEPARTMENT WILL INTRODUCE TO MEMBERS THE GOVERNOR'S AWARD FOR INDUSTRY.

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NOTE TO EDITORS:

MEDIA REPRESENTATIVES ARE INVITED TO COVER THE MEETING OF TUEN MUN DISTRICT BOARD'S COMMERCE AND INDUSTRY COMMITTEE TO BE HELD TOMORROW (THURSDAY) IN THE DB CONFERENCE ROOM, THIRD FLOOR, TUEN MUN GOVERNMENT OFFICES, 1 TUEN HI ROAD, TUEN MUN.

THE MEETING WILL BEGIN AT 2.30 PM.

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DB COMMITTEE TO DISCUSS KMB FARE INCREASE APPLICATION

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THE SHAM SHUI PO DISTRICT BOARD'S TRAFFIC AND TRANSPORT COMMITTEE WILL DISCUSS THE RECENT FARE INCREASE APPLICATION BY THE KOWLOON MOTOR BUS COMPANY AT ITS MEETING TOMORROW (THURSDAY).

MEMBERS WILL ALSO DISCUSS THE CANCELLATION OF SECTIONAL FARE ON GREEN MINIBUS ROUTE 30A RUNNING FROM CHAK ON ESTATE TO SHEK KIP MEI.

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NOTE TO EDITORS:

MEDIA REPRESENTATIVES ARE INVITED TO COVER THE MEETING OF THE SHAM SHUI PO DISTRICT BOARD'S TRAFFIC AND TRANSPORT COMMITTEE TOMORROW (THURSDAY) AT SHEK KIP MEI COMMUNITY HALL, BLOCK 42, SHEK KIP MEI ESTATE, NAM CHEONG STREET.

THE MEETING WILL BEGIN AT 2 PM.

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TRAFFIC ARRANGEMENTS IN NORTH POINT

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THE TRANSPORT DEPARTMENT ANNOUNCES THAT FROM 10 AM ON FRIDAY (MARCH 9), THE FOLLOWING SECTIONS OF ROADS WILL BE DESIGNATED URBAN CLEARWAYS FOR THREE MONTHS TO FACILITATE THE RECONSTRUCTION OF KING'S ROAD.

KING'S ROAD EASTBOUND FROM HOUSE NO. 259 TO A POINT ABOUT 15 METRES EAST OF TIN CHONG STREET, AND TIN CHONG STREET BETWEEN ITS JUNCTION WITH KING'S ROAD AND A POINT ABOUT 35 METRES NORTH OF THE SAME JUNCTION WILL BE DESIGNATED URBAN CLEARWAYS 24 HOURS DAILY.

KING'S ROAD EASTBOUND FROM HOUSE NO. 259 TO A POINT ABOUT FIVE METRES WEST OF POWER STREET, AND POWER STREET BETWEEN ITS JUNCTION WITH KING'S ROAD AND A POINT ABOUT 20 METRES NORTH OF THE SAME JUNCTION WILL BE DESIGNATED URBAN CLEARWAYS FROM 7 AM TO 7 PM DAILY.

NO VEHICLES EXCEPT FRANCHISED BUSES WILL BE ALLOWED TO STOP FOR PASSENGERS OR GOODS THERE.

AT THE SAME TIME, THE EXISTING RESTRICTED AREAS FROM 7 AM TO 10 AM AND FROM 4 PM TO 7 PM DAILY ON THE SAME SECTIONS OF KING'S ROAD AND POWER STREET WILL BE TEMPORARILY CANCELLED.

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LOWER SPEED LIMIT ON PRINCE EDWARD ROAD EAST AND KWUN TONG ROAD
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THE TRANSPORT DEPARTMENT ANNOUNCES THAT FROM 10 AM ON FRIDAY (MARCH 9), THE SPEED LIMIT ON SECTIONS OF PRINCE EDWARD ROAD EAST AND KWUN TONG ROAD WILL BE LOWERED FROM 70 TO 50 KILOMETRES PER HOUR.

THE AFFECTED ROAD SECTIONS ARE:

- * PRINCE EDWARD ROAD EAST WESTBOUND FROM ITS JUNCTION WITH KWUN TONG ROAD TO A POINT ABOUT 100 METRES EAST OF ITS JUNCTION WITH THE ACCESS ROAD LEADING TO THE EASTERN END OF CONCORDE ROAD; AND
- * KWUN TONG ROAD WESTBOUND FROM ITS JUNCTION WITH PRINCE EDWARD ROAD EAST TO A POINT ABOUT 320 METRES TO THE EAST.

THIS MEASURE IS IMPLEMENTED FOR ROAD SAFETY REASONS IN CONNECTION WITH THE TATE'S CAIRN TUNNEL CONSTRUCTION PROJECT.

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LONG VEHICLE BAN IN TAI PO
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THE TRANSPORT DEPARTMENT ANNOUNCES THAT VEHICLES EXCEEDING EIGHT METRES IN LENGTH WILL NOT BE ALLOWED TO ENTER DAI FAT STREET SOUTHBOUND BETWEEN TING KOK ROAD AND DAI WANG STREET IN TAI PO FROM 10 AM ON FRIDAY (MARCH 9).

THIS MEASURE WILL LAST FOR ABOUT TWO MONTHS BECAUSE OF WATERMANS LAYING WORKS.

THOSE LONG VEHICLES ON TING KOK ROAD HEADING FOR TAI PO INDUSTRIAL ESTATE WILL BE DIVERTED VIA DAI KWAI STREET.

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TEMPORARY LANE CLOSURE OF TUEN MUN ROAD
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THE TRANSPORT DEPARTMENT ANNOUNCES THAT TO FACILITATE ROAD RESURFACING WORKS, TWO KOWLOON BOUND LANES OF TUEN MUN ROAD NEAR SHAM TSENG BRIDGE WILL BE CLOSED DAILY FROM 10 PM TO 6 AM THE FOLLOWING DAY DURING THE PERIOD FROM FRIDAY (MARCH 9) TO MARCH 18.

APPROPRIATE TRAFFIC AIDS WILL BE PROVIDED TO GUIDE MOTORISTS.

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DAILY INFORMATION BULLETIN

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BUDGET SUPPLEMENT

WEDNESDAY, MARCH 7, 1990

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GOVT DETERMINED TO CARRY OUT DEVELOPMENT PROGRAMME

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THE INTERNATIONAL SCENE HAS CHANGED IN THE PAST 12 MONTHS MORE QUICKLY AND DRAMATICALLY THAN ANYONE COULD HAVE ANTICIPATED, AND HONG KONG DID NOT EMERGE UNSCATHED, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID IN THE LEGISLATIVE COUNCIL TODAY (WEDNESDAY).

HOWEVER, IN PRESENTING HIS BUDGET FOR 1990-91, SIR PIERS SAID THE ADMINISTRATION REMAINED DETERMINED TO UNDERTAKE THE VITAL PROGRAMME OF INFRASTRUCTURAL AND OTHER PROJECTS DESCRIBED IN THE GOVERNOR'S ADDRESS TO THE COUNCIL LAST OCTOBER.

"WE HAVE SET OURSELVES AMBITIOUS LONG TERM OBJECTIVES, AND THIS BUDGET SETS THE SCENE FOR THEIR ULTIMATE ACHIEVEMENT. THE PROGRAMME IN ITS ENTIRETY IS OUR INVESTMENT IN OUR OWN FUTURE AND IS ESSENTIAL TO THE CONTINUED PROGRESS AND PROSPERITY OF THIS COMMUNITY," HE SAID.

"HONG KONG HAS GROWN TO BE BOTH AN INTERNATIONAL TRADING AND FINANCIAL CENTRE AND A PLACE WHICH PROVIDES A REWARDING LIFESTYLE FOR ITS PEOPLE ONLY BY PLANNING AHEAD AND BY MEETING CHALLENGES AND OVERCOMING DIFFICULTIES AS THEY ARISE," HE ADDED.

THE FINANCIAL SECRETARY POINTED OUT THAT THE PROGRAMME OF PUBLIC EXPENDITURE UPON WHICH WE WERE NOW EMBARKING WAS WITHIN OUR CAPABILITIES BUT IT WOULD REQUIRE FINANCIAL MANAGEMENT OF A HIGH ORDER.

"TODAY IT IS MORE IMPORTANT THAN EVER THAT WE SHOULD ASSESS OUR PROSPECTS REALISTICALLY AND TAILOR OUR THINKING TO WHAT IS POSSIBLE.

"THE STARTING POINT HAS TO BE THE BEST USE OF OUR RESOURCES. CONTROLLING PUBLIC SECTOR EXPENDITURE IN ALL ITS FORMS, ACHIEVING VALUE FOR MONEY, CONTAINING CIVIL SERVICE GROWTH, INCREASING PRODUCTIVITY, ALL ARE NEEDED," SIR PIERS SAID.

NOTING THAT RAISING SUFFICIENT REVENUE, AND HOW IT WAS RAISED, WAS NO LESS IMPORTANT, THE FINANCIAL SECRETARY SAID HE WOULD BE PROPOSING A NUMBER OF MEASURES DESIGNED TO IMPROVE THE REVENUE YIELD AND TO BRING ABOUT A RELATIVE SHIFT FROM DIRECT TO INDIRECT TAXATION.

IN SETTING THE SCENE FOR THE ACHIEVEMENT OF THE OBJECTIVES, SIR PIERS SAID HE WOULD NOT ATTEMPT TO DESCRIBE IN DETAIL HOW EACH PROJECT WOULD BE FINANCED, AS THAT WAS FOR A LATER STAGE WHEN PLANS WERE FURTHER ADVANCED.

"WHAT I AM SEEKING IS A SOUND FISCAL POSITION UPON WHICH WE WILL BE ABLE TO DEVELOP OUR FINANCING STRATEGY. THE TASK WILL NOT BE ACHIEVED IN THE COURSE OF ONE YEAR," HE SAID.

"NOW THAT THE KEY DECISION TO BUILD OUR NEW AIRPORT HAS BEEN TAKEN, IT IS ALL THE MORE IMPORTANT TO ENSURE THAT WE MAINTAIN A POSITION OF CONSIDERABLE FINANCIAL STRENGTH," HE ADDED.

THE FINANCIAL SECRETARY DREW MEMBERS' ATTENTION TO THE FACT THAT THIS YEAR THE ESTIMATES WERE PUBLISHED EARLIER THAN USUAL TO ASSIST MEMBERS IN THEIR PREPARATION FOR THE SPECIAL MEETINGS OF THE FINANCE COMMITTEE.

SIR PIERS ALSO POINTED OUT THAT THIS YEAR THE BUDGET SPEECH WAS FOCUSED UPON THE PROGRAMME OF EXPENDITURE AND ON HOW IT SHOULD BE MANAGED AND FINANCED.

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PERIOD OF ECONOMIC CONSOLIDATION INEVITABLE
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HONG KONG'S GROSS DOMESTIC PRODUCT (GDP) RECORDED A GROWTH RATE OF ONLY 2.5 PER CENT IN REAL TERMS IN 1989, COMPARED WITH INCREASES OF AROUND 14 PER CENT IN 1987 AND SEVEN PER CENT IN 1988, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY IN PRESENTING HIS BUDGET.

IN REVIEWING THE ECONOMY IN 1989, SIR PIERS SAID A PERIOD OF CONSOLIDATION WAS PERHAPS INEVITABLE, AND IN SOME RESPECTS WELCOME.

HE NOTED THAT THE ECONOMY CONTINUED TO SLOW DOWN IN 1989, ADJUSTING TO THE PRESSURES ON CAPACITY BROUGHT ABOUT BY SUBSTANTIAL GROWTH OVER THE PREVIOUS THREE YEARS.

REDUCED OVERSEAS DEMAND FOR HONG KONG'S PRODUCTS, AS WELL AS THE AUSTERITY PROGRAMME IN CHINA, ALSO CONTRIBUTED TO THE CYCLICAL SLOW-DOWN.

"WITH THE UNEMPLOYMENT RATE STAYING BELOW TWO PER CENT FOR THREE SUCCESSIVE YEARS, WAGES AND SALARIES HAVE BEEN DRIVEN UP BY THE KEEN COMPETITION FOR MANPOWER, AND THIS HAS CONTRIBUTED TO A LEVEL OF DOMESTICALLY GENERATED INFLATION WHICH IS UNCOMFORTABLY HIGH.

"IN THE LATTER PART OF LAST YEAR, HOWEVER, THERE WAS SOME INDICATION THAT CONDITIONS IN THE LABOUR MARKET WERE BECOMING LESS TIGHT, IN THAT THERE WAS A SIGNIFICANT DROP IN THE NUMBER OF JOB VACANCIES IN MOST SECTORS," HE SAID.

ON THE CONSUMER PRICE INDICES, SIR PIERS SAID FOR 1989 AS A WHOLE, THE CONSUMER PRICE INDEX (A) ROSE BY AN AVERAGE OF AROUND 10 PER CENT, BUT THERE WERE SIGNS THAT INFLATIONARY PRESSURES, WHICH DOMINATED MUCH OF THE YEAR, MIGHT NOW BE EASING AS A RESULT OF THE ECONOMIC SLOW-DOWN.

"THE YEAR-ON-YEAR RATES OF INCREASE IN THE CONSUMER PRICE INDICES STARTED TO LEVEL OFF IN THE SECOND HALF OF THE YEAR, AFTER PEAKING IN JUNE.

"BUT THE ADJUSTMENT PROCESS WILL TAKE TIME," HE SAID.

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IN THE EXTERNAL SECTOR, THERE WAS VIRTUALLY NO GROWTH IN DOMESTIC EXPORTS IN 1989, BUT RE-EXPORTS CONTINUED TO GROW STRONGLY, ALTHOUGH NOT AS FAST AS IN 1988, SIR PIERS SAID.

"AS A PROPORTION OF TOTAL EXPORTS, RE-EXPORTS EXCEEDED DOMESTIC EXPORTS FOR THE SECOND CONSECUTIVE YEAR," HE SAID.

SIR PIERS SAID THE PERFORMANCE OF OUR DOMESTIC EXPORTS IN SOME OF OUR MAJOR MARKETS, INCLUDING THE UNITED STATES, THE FEDERAL REPUBLIC OF GERMANY AND THE UNITED KINGDOM, WAS RATHER DISAPPOINTING.

BY CONTRAST, OUR DOMESTIC EXPORTS TO BOTH JAPAN AND CHINA STILL SHOWED A SIGNIFICANT INCREASE, ALTHOUGH THERE WAS SOME SLACKENING IN THE LATTER PART OF THE YEAR.

RE-EXPORTS TO CHINA GREW MORE MODESTLY THAN IN 1988, BUT THE STRONG GROWTH IN RE-EXPORTS OF CHINA ORIGIN WAS SUSTAINED.

WITH TOTAL RE-EXPORTS UP BY 19 PER CENT, HONG KONG REMAINED A MAJOR ENTREPOT FOR CHINA AND THE ASIA-PACIFIC REGION, HE SAID.

IN THE DOMESTIC SECTOR, THE SLOW-DOWN IN ECONOMIC GROWTH WAS ALSO EVIDENT.

"PRIVATE CONSUMPTION EXPENDITURE GREW BY ONLY THREE PER CENT IN 1989, MUCH LESS THAN THE INCREASE OF NINE PER CENT IN 1988; EXPENDITURE ON CONSUMER DURABLES IN FACT SHOWED A DECLINE," SIR PIERS SAID.

THE FINANCIAL SECRETARY SAID THE GROWTH RATE OF INVESTMENT ALSO FELL, FROM SIX PER CENT IN 1988 TO ONLY ABOUT ONE PER CENT IN 1989.

"THIS COMPRISED A 1.5 PER CENT INCREASE IN EXPENDITURE ON PLANT AND MACHINERY AND A 5.3 PER CENT INCREASE IN EXPENDITURE ON BUILDING AND CONSTRUCTION, OFFSET IN PART BY A DECREASE OF ABOUT THREE PER CENT IN THE REAL ESTATE DEVELOPERS' MARGIN.

"REFLECTING A MORE CAUTIOUS SENTIMENT TOWARDS INVESTMENT IN THE MANUFACTURING SECTOR, RETAINED IMPORTS OF MACHINERY FOR USE IN MANUFACTURING DECLINED BY EIGHT PER CENT LAST YEAR," HE SAID.

SIR PIERS SAID WITH THE SLOW-DOWN IN BOTH EXPORTS AND DOMESTIC DEMAND, IMPORTS ALSO GREW MORE SLOWLY, AT NINE PER CENT IN 1989 COMPARED WITH 27 PER CENT IN THE PREVIOUS YEAR.

"AS IN 1988, OUR VISIBLE TRADE ACCOUNT REMAINED VIRTUALLY IN BALANCE," HE SAID.

THE FINANCIAL SECRETARY POINTED OUT THAT LAST YEAR WAS A TESTING TIME FOR HONG KONG, AND THIS WAS REFLECTED IN THE TERRITORY'S ECONOMIC PERFORMANCE, BUT HISTORY HAD DEMONSTRATED OUR FLEXIBILITY AND RESILIENCE.

"AS AN OPEN ECONOMY, WE ARE VULNERABLE TO EXTERNAL INFLUENCES," HE SAID.

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"ALTHOUGH THE JUNE EVENTS HAD THEIR EFFECT, NOTABLY ON THE PROPERTY AND TOURIST-RELATED SECTORS, THE ECONOMY GENERALLY, AND THE FINANCIAL SECTOR IN PARTICULAR, WITHSTOOD THE IMPACT WELL."

SIR PIERS NOTED THAT THE EXCHANGE RATE OF THE HONG KONG DOLLAR AGAINST THE U.S. DOLLAR REMAINED STABLE EVEN DURING THE MONTHS OF MAY AND JUNE, AND HONG KONG DOLLAR INTEREST RATES STAYED CLOSE TO CORRESPONDING U.S. DOLLAR RATES FOR MOST OF THE YEAR.

"IT IS ABUNDANTLY CLEAR THAT THE LINKED EXCHANGE RATE CONTINUES TO SERVE THE INTERESTS OF HONG KONG," HE STRESSED.

HE SAID THE MAINTENANCE OF MONETARY STABILITY WAS VITAL TO HONG KONG IN THE RUN UP TO 1997 AND BEYOND. THE TERRITORY NEEDED TO ENSURE THAT ITS MONETARY SYSTEM COULD SUCCESSFULLY ABSORB SHOCKS.

"WHERE NECESSARY AND APPROPRIATE, WE WILL TAKE ACTION TO STRENGTHEN OUR SYSTEM.

"FOR EXAMPLE, THE ISSUE OF SHORT TERM EXCHANGE FUND BILLS, SCHEDULED TO START SHORTLY, WILL PROVIDE US WITH AN ADDITIONAL MEANS OF CONDUCTING THE MONEY MARKET OPERATIONS WHICH ASSIST IN MAINTAINING EXCHANGE RATE STABILITY," HE SAID.

SIR PIERS SAID HONG KONG CONTINUED TO DEVELOP AS AN INTERNATIONAL FINANCIAL CENTRE DESPITE THE EVENTS LAST YEAR. THERE WAS A SIGNIFICANT INCREASE IN THE NUMBER OF LICENCES GRANTED TO FOREIGN BANKS AND BANKING BUSINESS GREW RAPIDLY, INDICATING CONTINUING CONFIDENCE ON THE PART OF THE INTERNATIONAL BANKING COMMUNITY IN THE PROSPECTS FOR THE HONG KONG ECONOMY.

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THREE PER CENT GROWTH IN GDP FORECAST

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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, TODAY FORECAST A THREE PER CENT GROWTH RATE IN THE GROSS DOMESTIC PRODUCT (GDP) IN 1990.

PRESENTING HIS BUDGET, SIR PIERS SAID IN CURRENT PRICE TERMS, HONG KONG'S PER CAPITA GDP WAS EXPECTED TO RISE TO US\$12,100.

"AT THIS LEVEL, OUR PER CAPITA GDP SHOULD CONTINUE TO BE AMONG THE HIGHEST IN THE REGION," HE SAID.

SIR PIERS POINTED OUT THAT, OVERALL, THE ECONOMY WAS EXPECTED TO CONTINUE TO GROW ONLY SLOWLY DURING THE FIRST HALF OF THIS YEAR, WITH THE POSSIBILITY OF SOME RECOVERY IN THE SECOND HALF.

HE SAID THAT FOR 1990 AS A WHOLE, THE GROWTH RATE OF THE GDP WAS FORECAST TO BE BROADLY SIMILAR TO THAT ACHIEVED IN 1989 AND THE RATE OF INFLATION WOULD NEVERTHELESS BE SOMEWHAT LOWER.

"FOR MANY SECTORS, CONSTRAINTS ON PRODUCTIVE CAPACITY AND PRESSURE ON COSTS WILL CONTINUE TO AFFECT BUSINESS GROWTH," HE SAID.

SIR PIERS EXPECTED THAT HONG KONG'S DOMESTIC EXPORTS WOULD RESUME MODEST GROWTH, AT 2.5 PER CENT, COMPARED TO VIRTUALLY ZERO GROWTH LAST YEAR, ALTHOUGH THE WORLD ECONOMY WAS LIKELY TO GROW MORE SLOWLY THIS YEAR.

HOWEVER, HE POINTED OUT THAT PERFORMANCE WOULD VARY FROM MARKET TO MARKET.

"OUR DOMESTIC EXPORTS TO THE UNITED STATES MAY SHOW A MARGINAL IMPROVEMENT AFTER TWO YEARS OF DECLINE.

"THOSE TO CHINA ARE LIKELY TO BE RESTRAINED BY CHINA'S AUSTERITY PROGRAMME, AND EXPORTS ACROSS THE BORDER FOR OUTWARD PROCESSING PURPOSES MAY CONTINUE TO BE AFFECTED BY SUPPLY BOTTLENECKS IN GUANGDONG AND UNCERTAIN OVERSEAS DEMAND.

"OUR DOMESTIC EXPORTS TO THE FEDERAL REPUBLIC OF GERMANY AND JAPAN SHOULD SHOW FAIRLY STRONG GROWTH, BUT THOSE TO THE UNITED KINGDOM COULD DECLINE FURTHER," HE SAID.

NOTING THAT HONG KONG'S MAJOR PARTNER IN ITS RE-EXPORT TRADE WAS CHINA, SIR PIERS SAID IN PRESENT CIRCUMSTANCES, GROWTH IN HONG KONG'S TOTAL RE-EXPORTS WOULD DEPEND MORE ON CHINA'S EXPORT CAPABILITY THAN ON ITS IMPORT DEMAND.

"A SLOW-DOWN FROM LAST YEAR'S GROWTH RATE OF 19 PER CENT SEEMS INEVITABLE, AND MY FORECAST OF RE-EXPORT GROWTH FOR THIS YEAR IS EIGHT PER CENT," HE SAID.

HE FORECAST THAT EXPORTS OF SERVICES WOULD INCREASE BY 5.5 PER CENT THIS YEAR AND IMPORTS OF SERVICES WOULD GROW BY FIVE PER CENT.

"I EXPECT CONTINUED DEMAND FOR TRADE-RELATED SERVICES AND AN ENCOURAGING RECOVERY IN TOURISM," HE SAID.

SIR PIERS SAID THE RECENT SLOW-DOWN IN ECONOMIC GROWTH IN HONG KONG WAS LIKELY TO AFFECT DOMESTIC DEMAND IN 1990.

"MY FORECAST OF THE GROWTH RATE IN 1990 FOR PRIVATE CONSUMPTION EXPENDITURE IS 3.5 PER CENT, AND FOR INVESTMENT IN PLANT AND MACHINERY 2.8 PER CENT," HE SAID.

BY CONTRAST, AND REFLECTING THE CONTINUING COMMITMENT OF THE GOVERNMENT TO PROVIDE MORE AND BETTER PUBLIC SERVICES, THE FINANCIAL SECRETARY SAID THAT THE GOVERNMENT CONSUMPTION EXPENDITURE WAS EXPECTED TO INCREASE BY 10 PER CENT AND PUBLIC SECTOR EXPENDITURE ON BUILDING AND CONSTRUCTION BY 15 PER CENT.

"EVEN THOUGH PRIVATE SECTOR EXPENDITURE ON BUILDING AND CONSTRUCTION IS EXPECTED TO BE ONLY 0.5 PER CENT HIGHER, OVERALL CONSTRUCTION OUTPUT IS FORECAST TO INCREASE BY 5.5 PER CENT.

"THE PRESSURE ON THE CONSTRUCTION INDUSTRY, EVEN BEFORE THE NEW AIRPORT PROJECT REALLY GETS UNDER WAY, WILL THUS CONTINUE TO BE HEAVY," HE SAID.

IN THE LIGHT OF THE FORECASTS OF EXPORTS AND DOMESTIC DEMAND, THE FINANCIAL SECRETARY SAID IMPORTS WERE EXPECTED TO GROW BY 6.4 PER CENT.

"WITH TOTAL EXPORTS FORECAST TO GROW BY 5.7 PER CENT, AND WITH A MODEST IMPROVEMENT IN THE TERMS OF TRADE, WE SHOULD HAVE A SMALL VISIBLE TRADE SURPLUS FOR 1990," HE SAID.

TURNING TO THE INFLATIONARY PRESSURES IN THE ECONOMY, SIR PIERS SAID THIS WAS A MATTER OF CONCERN.

HE POINTED OUT THAT IN THE LABOUR MARKET, THE PERSISTENTLY LOW UNEMPLOYMENT AND UNDEREMPLOYMENT RATES OVER THE PAST COUPLE OF YEARS SUGGESTED THAT THERE WAS STILL LITTLE SPARE CAPACITY.

"THIS WILL CONTINUE TO RESTRAIN ECONOMIC GROWTH IN THE SHORT TERM. ALTHOUGH, AS I HAVE ALREADY COMMENTED, THERE HAVE BEEN SIGNS OF EASING IN THE LABOUR MARKET IN RECENT MONTHS, THE PRESSURE ON WAGES AND SALARIES IS LIKELY TO PERSIST FOR SOME TIME," HE SAID.

SIR PIERS EXPECTED THAT THE RATE OF INFLATION WOULD COME DOWN, "BUT MORE SLOWLY THAN WE WOULD LIKE".

HE FORECAST THE AVERAGE RATE OF INCREASE IN THE CONSUMER PRICE INDEX (A) TO BE 8.5 PER CENT IN 1990, SOMEWHAT LOWER THAN THE 10 PER CENT INCREASE IN 1989.

HE SAID THE AVAILABILITY OF OUTWARD PROCESSING FACILITIES ACROSS THE BORDER MIGHT HAVE CAUSED THE RATE OF INFLATION TO BE LESS RESPONSIVE TO SHIFTS IN EXTERNAL DEMAND.

"THE PROSPECT FOR A SIGNIFICANT REDUCTION IN INFLATIONARY PRESSURES WILL DEPEND, IN LARGE MEASURE, ON LABOUR MARKET CONDITIONS," HE ADDED.

THE FINANCIAL SECRETARY SAID THAT ALTHOUGH THERE HAD BEEN SOME IMPROVEMENT, INFLATION WAS STILL TOO HIGH.

"BUT THE REMEDIES DO NOT REST ENTIRELY IN THE GOVERNMENT'S HANDS. THE PRIVATE SECTOR CAN DO MUCH TO HELP BY IMPROVING PRODUCTIVITY BOTH THROUGH TRAINING AND THROUGH APPROPRIATE INVESTMENT," HE SAID.

SIR PIERS POINTED OUT THAT IN 1990 AND IN THE YEARS BEYOND, ECONOMIC AND POLITICAL DEVELOPMENTS BOTH GLOBALLY AND WITHIN THE REGION WOULD CONTINUE TO BE THE KEY INFLUENCE ON HONG KONG'S ECONOMIC PROSPECTS.

"WE REMAIN EXPOSED TO MANY UNCERTAINTIES, BUT IN THOSE UNCERTAINTIES THERE ARE OPPORTUNITIES TO BE GRASPED. HOW WE RESPOND WILL BE THE MEASURE OF OUR SUCCESS," HE SAID.

GOVT EXPENDITURE IN 1989-90 PUT AT \$73.1 BILLION

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THE REVISED ESTIMATES FOR THE CURRENT FINANCIAL YEAR INDICATE THAT TOTAL GOVERNMENT EXPENDITURE WILL, AT \$73.1 BILLION, EXCEED THE ESTIMATE BY ABOUT SIX PER CENT, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY IN PRESENTING HIS BUDGET FOR 1990-91.

SIR PIERS SAID REVENUE, AT \$82.4 BILLION, WAS EXPECTED TO EXCEED THE ESTIMATE BY ABOUT TWO PER CENT, AND AS A RESULT HE WAS EXPECTING AN OVERALL SURPLUS IN 1989-90 OF \$9.3 BILLION COMPARED WITH HIS ORIGINAL ESTIMATE OF \$11.5 BILLION.

"GENERAL REVENUE ACCOUNT EXPENDITURE, AT \$52.3 BILLION, IS EXPECTED TO BE CLOSE TO THE ORIGINAL ESTIMATE. IT HAS BEEN POSSIBLE TO MEET INCREASES IN EXPENDITURE FROM THE PROVISION FOR ADDITIONAL COMMITMENTS AND FROM SAVINGS, INCLUDING THOSE ARISING FROM UNFILLED POSTS," HE SAID.

"EXPENDITURE FROM THE VARIOUS FUNDS IS EXPECTED TO TOTAL \$20.8 BILLION COMPARED WITH THE ESTIMATE OF \$16.8 BILLION, AN INCREASE OF AROUND 24 PER CENT.

"THIS INCREASE IS ATTRIBUTABLE TO OUR HAVING TO MEET HIGHER BUILDING AND CONSTRUCTION COSTS IN THE PUBLIC WORKS PROGRAMME; THE COST OF RESUMING THE MOBIL SITE AT TSING YI, WHICH WAS NOT PROVIDED FOR IN THE ESTIMATES; AND LASTLY, ADDITIONAL INVESTMENT IN THE HOUSING AUTHORITY," HE SAID.

SIR PIERS SAID THAT TAKING THE GENERAL REVENUE ACCOUNT AND THE FUNDS TOGETHER, TOTAL GOVERNMENT EXPENDITURE WAS LIKELY TO BE ABOUT SIX PER CENT ABOVE THE ORIGINAL ESTIMATE AND ABOUT 29 PER CENT ABOVE THE ACTUAL FIGURE FOR 1988-89.

"CONSOLIDATED PUBLIC SECTOR EXPENDITURE, THAT IS TOTAL GOVERNMENT EXPENDITURE AND THAT INCURRED BY THE HOUSING AUTHORITY AND THE URBAN AND REGIONAL COUNCILS, IS ALSO EXPECTED TO BE ABOUT 29 PER CENT ABOVE THE ACTUAL FIGURE FOR 1988-89.

"AFTER ADJUSTMENT FOR COST INCREASES, THIS REPRESENTS AN INCREASE OF AROUND 13 PER CENT COMPARED WITH THE ORIGINAL ESTIMATE OF NINE PER CENT," HE SAID.

NOTING THAT REVENUE TO THE GENERAL REVENUE ACCOUNT WOULD, AT \$74.3 BILLION, EXCEED THE ESTIMATE BY ABOUT TWO PER CENT, SIR PIERS SAID THIS WAS MAINLY ATTRIBUTABLE TO CONTINUING GROWTH IN SALARIES TAX, BETS AND SWEEPS TAX AND STAMP DUTIES.

"REVENUE TO THE FUNDS, AT \$8.1 BILLION, WILL EXCEED THE ESTIMATE BY AROUND FOUR PER CENT, MAINLY THROUGH HIGHER REVENUE FROM LAND SALES.

"THE GENERAL REVENUE ACCOUNT SURPLUS OF \$22 BILLION IS PARTLY OFFSET BY A NET DEFICIT ON THE VARIOUS FUNDS OF \$12.7 BILLION, THUS GIVING THE OVERALL SURPLUS OF \$9.3 BILLION," HE SAID.

A TOTAL OF \$17.7 BILLION WOULD BE TRANSFERRED FROM GENERAL REVENUE ACCOUNT TO THE FUNDS, IN LINE WITH THE ESTIMATE.

"OF THIS, \$7 BILLION WILL BE TRANSFERRED TO THE DEVELOPMENT LOAN FUND IN LINE WITH MY INTENTION, STATED IN MY LAST BUDGET SPEECH, OF SETTING ASIDE FUNDS TO MEET EXPENDITURE ON MAJOR INFRASTRUCTURAL WORKS. THESE TRANSFERS DO NOT, OF COURSE, AFFECT THE OVERALL SURPLUS," HE SAID.

SIR PIERS SAID HE WOULD INTRODUCE A RESOLUTION INTO THE COUNCIL NEXT WEEK TO SET UP A CAPITAL INVESTMENT FUND TO SERVE, WITH THE CAPITAL WORKS RESERVE FUND, AS A VEHICLE FOR FUNDING EXPENDITURE ON CAPITAL PROJECTS.

"THE NEW FUND WILL PROVIDE THE GOVERNMENT'S FINANCIAL CONTRIBUTION TO PROJECTS OUTSIDE THE PUBLIC WORKS PROGRAMME, SUCH AS THE NEW AIRPORT. WHEN THE FUND IS ESTABLISHED ON APRIL 1 IT WILL TAKE OVER THE BALANCE OF THE DEVELOPMENT LOAN FUND," HE SAID.

SIR PIERS POINTED OUT THAT ALTHOUGH EXPENDITURE FROM GENERAL REVENUE ACCOUNT WAS EXPECTED TO BE CLOSE TO THE ESTIMATE, IT SHOULD BE NOTED THAT THE GROWTH RATE OF THIS RECURRENT EXPENDITURE WAS HIGHER THAN THAT OF GDP.

"FURTHERMORE, CAPITAL EXPENDITURE FROM THE FUNDS WILL SUBSTANTIALLY EXCEED BUDGET. THE INCREASE IN CONSOLIDATED PUBLIC SECTOR EXPENDITURE OF 13 PER CENT OVER 1988-89 WILL BE WELL ABOVE THE TREND GDP GROWTH RATE OF SIX PER CENT ASSUMED LAST YEAR.

"CONSOLIDATED PUBLIC SECTOR EXPENDITURE IS EXPECTED TO REPRESENT ABOUT 17 PER CENT OF GDP, COMPARED WITH OUR EARLIER ESTIMATE OF 16.4 PER CENT," HE SAID.

SIR PIERS SAID THAT NOTWITHSTANDING THIS SUBSTANTIAL GROWTH IN PUBLIC EXPENDITURE, HONG KONG'S FISCAL POSITION WAS SATISFACTORY AT PRESENT.

"WE SHALL BE ENDING THE YEAR WITH A SURPLUS OF ABOUT \$9 BILLION AND THIS WILL TAKE OUR ACCUMULATED RESERVES TO JUST UNDER \$71 BILLION.

"THE OPERATING SURPLUS WILL BE SUFFICIENT TO COVER MORE THAN 50 PER CENT OF OUR CAPITAL EXPENDITURE. BUT WE REMAIN EXCESSIVELY DEPENDENT ON REVENUE FROM DIRECT TAXES AND WE ARE THUS VULNERABLE TO ANY DOWNTURN IN THE PERFORMANCE OF THE ECONOMY IN FUTURE," HE SAID.

GOVT MUST SEEK TO BROADEN REVENUE BASE
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THE GOVERNMENT NEEDS TO MAINTAIN THE DISCIPLINE THAT, OVER THE YEARS, THE GROWTH RATE OF PUBLIC SECTOR EXPENDITURE SHOULD NOT EXCEED THE GROWTH OF THE ECONOMY, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY.

AND AS SLOWER ECONOMIC GROWTH WILL AFFECT THE GROWTH IN REVENUE, THE GOVERNMENT MUST SEEK TO BROADEN THE REVENUE BASE AND REDUCE ITS VULNERABILITY TO FLUCTUATIONS IN THE ECONOMY, HE SAID.

SPEAKING ON THE STRATEGY FOR PUBLIC FINANCES WHEN PRESENTING HIS BUDGET, SIR PIERS SAID THAT TO HELP ACHIEVE THE DISCIPLINE OF KEEPING THE GROWTH RATE OF PUBLIC SECTOR EXPENDITURE WITHIN THE GROWTH OF THE ECONOMY, THE GOVERNMENT LOOKED TO THE MEDIUM RANGE FORECAST TO PROVIDE THE OVERALL FRAMEWORK WITHIN WHICH TO PLAN ITS SPENDING.

"BY LOOKING SEVERAL YEARS AHEAD WE CAN DETERMINE TRENDS AND, IF NECESSARY, TAKE CORRECTIVE ACTION," HE SAID.

SIR PIERS SAID SINCE THE MEDIUM RANGE FORECAST WAS BASED ON ASSUMPTIONS REGARDING THE EXPECTED PERFORMANCE OF THE ECONOMY, THE ASSUMED RATE OF GROWTH OF THE GDP OVER THE PLANNING PERIOD WAS CRITICAL.

"WE ARE CONCERNED WITH THE TREND OVER THE PERIOD AND NOT WITH YEAR-ON-YEAR VARIATIONS.

"LAST YEAR, FOR THE PURPOSE OF THE FORECAST, I ASSUMED THAT THE TREND GROWTH RATE OF GDP WOULD BE SIX PER CENT PER ANNUM.

"HAVING REGARD TO RECENT DEVELOPMENTS AND TO THE GENERAL ECONOMIC OUTLOOK, I HAVE COME TO THE VIEW THAT FOR PLANNING PURPOSES THE TREND GDP GROWTH ASSUMPTION SHOULD BE LOWERED TO 5.5 PER CENT PER ANNUM," HE SAID.

HOWEVER, HE CAUTIONED THAT WITH A THREE PER CENT RATE OF GROWTH BEING EXPECTED IN 1990, IF A TREND GROWTH RATE OF 5.5 PER CENT PER ANNUM WAS TO BE ACHIEVED HIGHER RATES OF GROWTH WOULD BE NEEDED IN THE LATER YEARS.

THE FINANCIAL SECRETARY POINTED OUT THAT NOTWITHSTANDING THE SOMEWHAT SLOWER TREND GROWTH RATE ASSUMPTION FOR THE NEXT FEW YEARS, THE GOVERNMENT WAS FIRMLY COMMITTED TO A PROGRAMME OF PUBLIC EXPENDITURE REPRESENTING A MAJOR AND NECESSARY INVESTMENT IN HONG KONG'S FUTURE AND NEEDED TO MAINTAIN AND IN SOME AREAS EVEN IMPROVE EXISTING SERVICES.

"ALL THIS WILL TAKE US BEYOND OUR BUDGETARY GUIDELINES FOR A TIME," HE SAID, ADDING THAT THE BREACHING OF THESE GUIDELINES COULD ON OCCASIONS BE JUSTIFIED, PARTICULARLY AS REGARDS CAPITAL EXPENDITURE, BUT THE LEVEL OF RECURRENT EXPENDITURE MUST BE KEPT UNDER STRICT CONTROL.

WHILE CONCEDED THAT IT HAD NOT BEEN EASY TO MAINTAIN THE DISCIPLINE OF CONTROLLING THE GROWTH RATE OF EXPENDITURE CLOSE TO THAT OF THE ECONOMY AT A TIME WHEN REVENUE HAD ENABLED THE GOVERNMENT TO MEET EXPENDITURE, AND THAT HAD BEEN EVEN MORE DIFFICULT TO DO SO WHEN THERE WERE SUBSTANTIAL BUDGET SURPLUSES, SIR PIERS EMPHASISED THAT A BUDGET SURPLUS "SHOULD NOT BE A REASON FOR INCURRING EXPENDITURE BEYOND OUR GUIDELINES".

"IN RECENT YEARS WE HAVE BEEN ABLE BOTH TO ADD TO OUR RESERVES AND TO ALLOW THE COMMUNITY TO BENEFIT THROUGH CUTS IN TAXATION.

"BUT CONDITIONS ARE NOW CHANGING," HE SAID.

SIR PIERS SAID THE GOVERNMENT WOULD NEED TO INCREASE REVENUE AS THE PERIOD UP TO THE TURN OF THE CENTURY WAS LIKELY TO BE DOMINATED BY THE MAJOR INFRASTRUCTURAL BUILDING PROGRAMMES.

"ON PRESENT INDICATIONS IT SEEMS UNLIKELY THAT WE WILL BE ABLE TO FUND FROM EXISTING REVENUE RESOURCES ALL OF THE EXPENDITURE WITHOUT DRAWING ON OUR RESERVES TO A DANGEROUS EXTENT.

"FURTHERMORE, EVEN WITH ADEQUATE CONTROL OVER THE GROWTH OF EXPENDITURE, WE MUST STILL SEEK TO BROADEN OUR REVENUE BASE AND REDUCE ITS VULNERABILITY TO FLUCTUATIONS IN OUR ECONOMY," HE SAID.

ON THE FINANCING OF THE NEW AIRPORT AND THE REST OF THE INFRASTRUCTURAL DEVELOPMENT PROGRAMME, SIR PIERS SAID THE BROAD STRATEGY WAS TO BUILD ON METHODS ALREADY WELL TRIED AND TESTED IN HONG KONG.

"WE SHALL SEEK PARTICIPATION BY THE PRIVATE SECTOR IN INDIVIDUAL PROJECTS WHICH ARE FOR ONE REASON OR ANOTHER INTRINSICALLY ATTRACTIVE TO PRIVATE SECTOR INVESTMENT.

"THIS WILL MEAN THAT SOME PROJECTS WILL BE BUILT AND OPERATED ENTIRELY BY THE PRIVATE SECTOR," HE SAID, CITING SUCCESSFUL EXAMPLES OF THIS APPROACH, SUCH AS THE CONTAINER TERMINALS, AND MORE RECENTLY THE TATE'S CAIRN TUNNEL AND THE EASTERN HARBOUR CROSSING.

AS FOR OTHER PROJECTS, MOST NOTABLY THE AIRPORT ITSELF, SIR PIERS SAID THE GOVERNMENT PLANNED TO USE METHODS SIMILAR TO THOSE EMPLOYED FOR THE MASS TRANSIT RAILWAY.

"WE ENVISAGE A STATUTORY AIRPORT AUTHORITY, FINANCED BY A BLEND OF GOVERNMENT EQUITY AND LOAN FINANCING."

LASTLY, CERTAIN PROJECTS WOULD BE CARRIED OUT ENTIRELY BY THE GOVERNMENT THROUGH THE PUBLIC WORKS PROGRAMME, HE SAID.

"THE EXACT MIX MUST ENSURE THAT WE OBTAIN THE BEST OVERALL RESULTS FOR HONG KONG BOTH IN TERMS OF DELIVERY AND FINANCIAL BENEFIT IN THE LONGER TERM," HE ADDED.

/SIR PIERS

SIR PIERS SAID THAT AS THE PORT AND AIRPORT STRATEGY COMPRISED A NUMBER OF DIFFERENT BUT RELATED PROJECTS TO BE COMPLETED OVER A CONSIDERABLE PERIOD OF TIME, THE EFFECT ON THE ECONOMY AND ON FINANCES WOULD NOT BE CONCENTRATED IN ANY ONE YEAR.

"WE HAVE SOME SCOPE FOR PHASING IN THE LIGHT OF DEMAND AND OTHER FACTORS, ESPECIALLY IN RELATION TO THE PORT," HE SAID.

HE SAID OVER THE MONTHS AHEAD, AS THE DETAILED COSTINGS AND PLANS BECAME AVAILABLE, THE GOVERNMENT WOULD BE ABLE TO ASSESS ALL ASPECTS OF THE FINANCING AND THE POSSIBLE EFFECTS ON THE ECONOMY.

"FINANCIAL ADVISERS WILL ASSIST US IN THIS TASK, AND OUR STRATEGY WILL HAVE TO BE SUFFICIENTLY FLEXIBLE TO TAKE INTO ACCOUNT THE PARTICULAR ECONOMIC AND FINANCIAL CLIMATE AT THE TIME THE DIFFERENT PROJECTS COMMENCE," HE SAID.

THE FINANCIAL SECRETARY SAID WHAT HE WAS SEEKING TO DO IN THIS BUDGET WAS TO BEGIN PUTTING IN PLACE A STRUCTURE FOR THE PUBLIC REVENUES THAT COULD BE USED AS A BASIS FOR FINANCING THESE PROJECTS, WHILE AT THE SAME TIME MAINTAINING AS FAR AS POSSIBLE THE LOW RATES OF DIRECT TAXATION.

HE NOTED THAT LARGE CIVIL ENGINEERING PROJECTS WERE NOT AS LABOUR INTENSIVE AS THEY WERE IN THE PAST.

"I AM CONFIDENT THAT BOTH THE NEW AIRPORT AND ALL THE OTHER INFRASTRUCTURAL DEVELOPMENTS THAT WE ARE CONTEMPLATING ARE WITHIN OUR OVERALL CAPABILITY, ALTHOUGH WE MAY NEED TO CONSIDER EXCEPTIONAL ARRANGEMENTS TO ENSURE THAT THEY ARE COMPLETED ON TIME AND WITHOUT UNACCEPTABLE INFLATIONARY IMPACT," HE SAID.

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NEED TO TIGHTEN CONTROL, ENSURE VALUE FOR MONEY
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THERE IS CLEARLY A NEED TO TIGHTEN CONTROL AND ENSURE VALUE FOR MONEY IN THE LIGHT OF THE SLOW-DOWN IN THE ECONOMY, THE LEVEL OF GOVERNMENT EXPENDITURE COMMITTED, AND AN AVERAGE ANNUAL GROWTH RATE OF SEVEN PER CENT FOR RECURRENT EXPENDITURE, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY.

PRESENTING HIS BUDGET, SIR PIERS SAID IN THE PERIOD OF THE MEDIUM RANGE FORECAST UP TO 1993-94, REAL GROWTH IN CONSOLIDATED PUBLIC SECTOR EXPENDITURE WAS FORECAST TO AVERAGE ABOUT 6.6 PER CENT A YEAR.

THIS, HE NOTED, WAS HIGHER THAN THE TREND GROWTH RATE ASSUMPTION FOR THE GDP OF 5.5 PER CENT A YEAR.

/"THE PROPORTION

"THE PROPORTION OF GDP REPRESENTED BY CONSOLIDATED PUBLIC SECTOR EXPENDITURE WILL AVERAGE 19 PER CENT COMPARED WITH AN AVERAGE OVER THE LAST FOUR YEARS OF 15.5 PER CENT.

"IN THE LIGHT OF THE SLOW-DOWN IN THE ECONOMY AND THE LEVEL OF EXPENDITURE TO WHICH WE ARE NOW COMMITTED, THIS IS REGRETTABLY UNAVOIDABLE," HE SAID, NOTING ALSO THAT THE MEDIUM RANGE FORECAST SHOWED AN AVERAGE ANNUAL GROWTH RATE FOR RECURRENT EXPENDITURE OF SEVEN PER CENT.

THE FINANCIAL SECRETARY SAID THE CIVIL SERVICE ACCOUNTED FOR A HIGH PROPORTION OF RECURRENT EXPENDITURE AND A SPECIAL EXERCISE HAD BEEN CONDUCTED TO REVIEW STAFF ESTABLISHMENTS AND TO CONTROL GROWTH IN THE SIZE OF THE SERVICE.

"BY REDUCING ESTABLISHMENT LEVELS IN THE CURRENT YEAR WE HAVE ACHIEVED NIL GROWTH. I AM GRATEFUL FOR THE EFFORTS MADE BY BRANCH SECRETARIES AND HEADS OF DEPARTMENTS IN THIS EXERCISE.

"AS MOST OF THE POSTS DELETED WERE UNFILLED, WHAT WE HAVE DONE DOES NOT REDUCE CURRENT LEVELS OF EXPENDITURE, BUT IT DOES REDUCE THE SCOPE FOR FUTURE GROWTH, AND SETS A NEW, LOWER BASE. IT IS FROM THIS NEW, LOWER BASE THAT DEPARTMENTS WILL HAVE TO JUSTIFY ANY ADDITIONAL POSTS.

"IT IS INEVITABLE THAT NEW COMMITMENTS WILL REQUIRE MORE POSTS, BUT IN 1990-91 WE AIM TO LIMIT GROWTH IN ESTABLISHMENT TO 2.5 PER CENT, AND POSTS WILL BE CREATED ONLY IF THERE IS A CLEAR NEED AND A DEFINITE PROSPECT OF FILLING THEM.

"GIVEN THAT WE HAVE ACHIEVED NIL GROWTH IN 1989-90, THIS MEANS THAT THE GROWTH IN ESTABLISHMENT OVER THE TWO YEARS IN QUESTION WILL AVERAGE ONLY 1.25 PER CENT. A USEFUL START," HE SAID.

TURNING TO REVENUE, IN ESSENCE, AND USING THE MEDIUM RANGE FORECAST, SIR PIERS SAID HIS STRATEGY WAS THAT ENOUGH SHOULD BE RAISED TO MEET GOVERNMENT EXPENDITURE AND TO MAINTAIN ADEQUATE RESERVES.

"AS I HAVE SAID MANY TIMES BEFORE, OUR REVENUE BASE IS TOO NARROW AND TOO VULNERABLE TO ECONOMIC CHANGE: REVENUE FROM DIRECT TAXES, THAT IS SALARIES TAX, PROFITS TAX AND ESTATE DUTY, REPRESENTED 60 PER CENT OF TOTAL REVENUE FROM DIRECT AND INDIRECT TAXES IN 1985-86.

"IN 1989-90, IT HAD RISEN TO 63 PER CENT AND IT IS EXPECTED TO BE 65 PER CENT IN 1990-91. WE MUST NOW TAKE STEPS TO REVERSE THIS TREND," HE SAID.

SIR PIERS SAID THE GOVERNMENT MUST ALSO MAINTAIN THE VALUE OF REVENUE FROM OTHER SOURCES, IN PARTICULAR THE CHARGES MADE FOR SERVICES PROVIDED.

"THE LEVEL OF FEES AND CHARGES IS BASED ON THE PRINCIPLE THAT THEY COVER THE COST OF THE SERVICE BEING PROVIDED UNLESS WE HAVE CONSCIOUSLY DECIDED TO RECOVER LESS THAN THE FULL COST, OR UNLESS THE FEE OR CHARGE IN QUESTION IS TAX-LOADED. THUS, FEES AND CHARGES ARE REVIEWED REGULARLY," HE POINTED OUT.

COMING YEARS UNLIKELY TO BE AS FISCALLY COMFORTABLE

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SUBSTANTIAL SURPLUSES HAVE BEEN ADDED TO THE GOVERNMENT'S RESERVES IN RECENT YEARS, BUT THE NEXT FEW YEARS ARE UNLIKELY TO BE AS FISCALLY COMFORTABLE, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY.

PRESENTING HIS BUDGET, THE FINANCIAL SECRETARY SAID THERE WOULD BE A FALL IN THE RELATIVE SIZE OF OUR RESERVES AND WE MUST NOT EXACERBATE THAT DECLINE BY UNWISE EXPENDITURE OR REVENUE CONCESSIONS, HOWEVER POPULAR SUCH A COURSE OF ACTION MIGHT BE IN THE SHORT TERM.

HE POINTED OUT THAT AT THE END OF THE CURRENT FINANCIAL YEAR THE CONSOLIDATED RESERVES WERE EXPECTED TO STAND AT ABOUT \$71 BILLION, WHICH WAS EQUIVALENT TO ABOUT 85 PER CENT OF CONSOLIDATED PUBLIC SECTOR EXPENDITURE.

"THIS HIGH PERCENTAGE IS UNLIKELY TO BE MAINTAINED, EVEN ASSUMING GROWTH IN THE ECONOMY AT THE TREND RATE OF 5.5 PER CENT," SIR PIERS SAID.

HE SAID THAT IN THE CONTEXT OF THE PROGRAMME OF PUBLIC EXPENDITURE TO WHICH THE GOVERNMENT WAS COMMITTED, THE RESERVES HAD A CRITICAL PLACE IN RELATION TO THE OVERALL STRATEGY FOR PUBLIC FINANCES.

THE RESERVES WERE SOMETIMES SEEN AS A SYMBOL OF HONG KONG'S ECONOMIC AND FINANCIAL SUCCESS, THE FINANCIAL SECRETARY SAID.

"WE MUST MAINTAIN OUR RESERVES AT AN ADEQUATE LEVEL," HE STRESSED.

SIR PIERS POINTED OUT THAT TO SOME EXTENT, WHAT WAS AN ADEQUATE LEVEL WAS A MATTER OF JUDGEMENT, BUT IN FORMING THAT JUDGEMENT IT WAS NECESSARY TO TAKE INTO ACCOUNT A NUMBER OF FACTORS.

"FIRST, WE MAY HAVE TO DRAW ON RESERVES TO MEET UNFORESEEN SHORTFALLS IN REVENUE. SECONDLY, WE HAVE CONTINGENT LIABILITIES TO COVER."

HE EXPLAINED THAT THESE INCLUDED GUARANTEES OF NON-GOVERNMENT PUBLIC SECTOR BORROWING, SUCH AS THAT BY THE TWO RAILWAY CORPORATIONS.

IN ADDITION, THE GOVERNMENT MIGHT BE CALLED UPON TO INCREASE ITS EQUITY HOLDING IN THE MTRC AND THE GOVERNMENT ALSO HAD TO COVER THE LIABILITIES OF THE HONG KONG EXPORT CREDIT INSURANCE CORPORATION.

"ALTHOUGH WE CAN MEASURE IN FINANCIAL TERMS THE CONTINGENT LIABILITIES I HAVE MENTIONED, IT IS EXTREMELY UNLIKELY THAT WE WOULD BE REQUIRED TO DISCHARGE THEM IN FULL.

"NEVERTHELESS, IT IS ONLY PRUDENT TO MAKE SOME ALLOWANCE FOR THEM," SIR PIERS SAID.

/HE ALSO

HE ALSO POINTED OUT THAT WITH A PROGRAMME OF THE SIZE AND COMPLEXITY OF THE PORT AND AIRPORT DEVELOPMENT WE MUST ACCEPT THAT SOME OF THE COSTS MIGHT BE HIGHER THAN ORIGINALLY ESTIMATED.

"WE ARE ASSUMING THAT A LARGE PROPORTION OF THE EXPENDITURE ON THE AIRPORT AND RELATED PROJECTS WILL BE FINANCED BY THE PRIVATE SECTOR. BUT THE AVAILABILITY OF PRIVATE SECTOR FINANCE AND THE TERMS OF ANY LOANS WILL BE INFLUENCED BY THE FINANCIAL STRENGTH OF THE GOVERNMENT.

"HEALTHY RESERVES AND FINANCIAL PRUDENCE WILL HAVE AN IMPORTANT BEARING ON THE DECISIONS OF INSTITUTIONAL LENDERS AND INVESTORS. SO WE MUST MAINTAIN OUR RECORD OF SOUND BUDGET MANAGEMENT," SIR PIERS STRESSED.

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INVESTMENT FOR THE FUTURE
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IT IS ESSENTIAL THAT THE GOVERNMENT CONTINUES TO DEVELOP AND IMPROVE SERVICES AND THE INFRASTRUCTURE NECESSARY TO ENABLE HONG KONG TO CONTINUE ITS DRAMATIC SUCCESS STORY, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY.

PRESENTING HIS BUDGET, SIR PIERS SAID THE ESTIMATES FOR PUBLIC EXPENDITURE, WHICH SHOWED A CONSIDERABLE INCREASE, SHOULD BE SEEN IN THE CONTEXT OF INVESTMENT FOR THE FUTURE.

"BUT THE DILEMMA IS THAT THE LEVEL OF PUBLIC EXPENDITURE IMPLICIT IN OUR PROGRAMMES WILL, IN THE SHORT TERM, TAKE US WELL BEYOND OUR GUIDELINES.

"NEVERTHELESS, WHAT I AM SEEKING OVER THE MEDIUM TO LONGER TERM IS A REAL AND SUSTAINABLE IMPROVEMENT IN SERVICES AND INFRASTRUCTURE, AND THIS DEPENDS UPON THE IMPOSITION OF DISCIPLINE AND INSISTENCE ON VALUE IN ITS WIDEST SENSE," HE SAID.

THE DRAFT ESTIMATES SHOWED EXPENDITURE ON GENERAL REVENUE ACCOUNT OF \$65.3 BILLION, AN INCREASE OF 25 PER CENT OVER THE REVISED ESTIMATE FOR 1989-90.

"EXPENDITURE FROM THE FUNDS IS ESTIMATED AT \$25.7 BILLION, AN INCREASE OF 23 PER CENT OVER 1989-90.

"TOTAL CONSOLIDATED ACCOUNT EXPENDITURE, ESTIMATED AT \$91 BILLION, WILL THUS BE 24 PER CENT HIGHER THAN TOTAL EXPENDITURE IN THE CURRENT FINANCIAL YEAR," HE SAID.

SIR PIERS SAID THE ESTIMATE OF \$65.3 BILLION FOR GENERAL REVENUE ACCOUNT INCLUDED \$8.3 BILLION FOR ADDITIONAL COMMITMENTS TO COVER ITEMS OF EXPENDITURE WHICH COULD NOT BE FORESEEN OR FOR WHICH THERE WERE NO FIRM ESTIMATES.

"IN MAKING THIS PROVISION IT HAS BEEN NECESSARY, AMONG OTHER THINGS, TO TAKE A VIEW OF THE COST OF SETTING UP THE HOSPITAL AUTHORITY. NOT AN EASY TASK.

"WHILST IT IS EXPECTED THAT THE HOSPITAL AUTHORITY WILL ASSUME ITS RESPONSIBILITIES LATER THIS YEAR, IT IS TOO EARLY TO ASSESS ACCURATELY THE FULL FINANCIAL IMPLICATIONS, OR THE EXTENT TO WHICH THE ADDITIONAL EXPENDITURE WILL FALL WITHIN 1990-91.

"CONSEQUENTLY, ALTHOUGH I HAVE MADE SOME PROVISION IN THE DRAFT ESTIMATES, IT MIGHT BE NECESSARY TO SEEK ADDITIONAL FUNDS LATER ON.

"THE EXPENDITURE FROM THE FUNDS, AT \$25.7 BILLION, ALLOWS FOR A 30 PER CENT INCREASE IN EXPENDITURE ON PUBLIC WORKS AND FOR FURTHER EQUITY INVESTMENT OF \$4 BILLION IN THE HOUSING AUTHORITY," HE SAID.

SIR PIERS SAID TRANSFERS TALLING \$22.9 BILLION WOULD BE MADE FROM GENERAL REVENUE ACCOUNT TO THE VARIOUS FUNDS, INCLUDING \$4.1 BILLION TO THE NEW CAPITAL INVESTMENT FUND.

THESE TRANSFERS WOULD BE IN ADDITION TO EXPENDITURE OF \$65.3 BILLION PROVIDED FOR IN THE DRAFT ESTIMATES FOR THE GENERAL REVENUE ACCOUNT.

"TOTAL CONSOLIDATED PUBLIC SECTOR EXPENDITURE IS EXPECTED TO BE 24 PER CENT HIGHER THAN IN 1989-90 AND THIS, WHEN ADJUSTED FOR COST INCREASES, INDICATES A GROWTH IN REAL TERMS OF 9.4 PER CENT.

"IN 1990-91, WE EXPECT RECURRENT AND CAPITAL EXPENDITURE TO INCREASE IN REAL TERMS BY APPROXIMATELY THE SAME RATE. THE RATE OF GROWTH GREATLY EXCEEDS THE EXPECTED RATE OF GROWTH IN THE ECONOMY IN 1990 OF ONLY THREE PER CENT.

"FURTHERMORE, AS I HAVE SAID, IN THE PERIOD TO 1993-94 THE AVERAGE ANNUAL REAL GROWTH IN CONSOLIDATED PUBLIC SECTOR EXPENDITURE IS ESTIMATED AT 6.6 PER CENT, WHICH IS ABOVE THE ASSUMED TREND GDP GROWTH RATE OF 5.5 PER CENT," HE SAID.

THE FINANCIAL SECRETARY SAID WITH CONSOLIDATED PUBLIC SECTOR EXPENDITURE EXPECTED TO GROW IN 1990-91 AT A RATE WHICH EXCEEDED THE GROWTH IN THE ECONOMY, EXPENDITURE WOULD REPRESENT 18.8 PER CENT OF GDP, WHICH WAS A HIGHER PROPORTION THAN THE 17 PER CENT EXPECTED IN 1989-90.

"IN THE LONGER TERM, THIS TREND IS UNACCEPTABLE. WE MUST NOT ALLOW THE PUBLIC SECTOR TO CONSUME AN INCREASING SHARE OF HONG KONG'S ECONOMIC RESOURCES INDEFINITELY, AND I SHOULD EXPLAIN WHY WE HAVE DEVIATED FROM OUR BUDGETARY GUIDELINES.

"FIRST, OUR BUDGET STRATEGY TAKES ACCOUNT OF SEVERAL YEARS, NOT JUST THE ESTIMATES YEAR, AND WHEN THERE IS A SHORT-TERM DIP IN ECONOMIC GROWTH IT IS NEITHER NECESSARY NOR DESIRABLE TO REDUCE PUBLIC EXPENDITURE BY A RIGID AND AUTOMATIC ADHERENCE TO OUR GUIDELINES. TO DO SO WOULD DISRUPT TO AN UNWELCOME EXTENT THE ORDERLY DEVELOPMENT OF OUR PUBLIC SERVICES.

"SECONDLY, WE HAVE COMMITMENTS AND ITEMS OF EXPENDITURE WHICH CANNOT EASILY OR READILY BE AVOIDED OR DEFERRED. THE PURCHASE OF ADDITIONAL WATER SUPPLIES IS PERHAPS A GOOD EXAMPLE.

"THIRDLY, IN SOME AREAS THE DEVELOPMENT OF OUR SERVICES HAS NOT KEPT PACE WITH THE GROWING ASPIRATIONS OF THE COMMUNITY. PEOPLE RIGHTLY EXPECT BETTER QUALITY SERVICES AND, IF WE ARE TO MEET THOSE EXPECTATIONS, WE HAVE TO SPEND MORE. THUS THE ESTIMATES PROVIDE FOR THE INTRODUCTION IN THE NEXT FINANCIAL YEAR OF SOME NEW SERVICES, AND IMPROVEMENTS TO EXISTING SERVICES," SIR PIERS SAID.

HE POINTED OUT THAT THESE INCLUDED ADDITIONAL FUNDING FOR THE OPEN LEARNING INSTITUTE, THE NEW UNIVERSITY OF SCIENCE AND TECHNOLOGY, THE SETTING UP OF A HONG KONG SPORTS DEVELOPMENT BOARD, AND IMPROVEMENTS IN THE ENVIRONMENTAL, SOCIAL WELFARE AND HEALTH FIELDS, SUCH AS THE SHA TIN INFIRMARY AND THE TUEN MUN HOSPITAL.

"LASTLY, TO MAINTAIN GOOD AND EFFICIENT PUBLIC SERVICES, WE HAVE TO ENSURE THAT WE CAN RECRUIT AND RETAIN STAFF OF THE NECESSARY CALIBRE. IMPROVEMENTS IN THE PAY AND CONDITIONS OF OUR CIVIL SERVICE ARE A MAJOR FACTOR IN THE GROWTH IN PUBLIC EXPENDITURE," THE FINANCIAL SECRETARY SAID.

"BUT WE WILL NEED TO EXERT MORE PRESSURE TO ENSURE A MATCHING QUALITY OF PERFORMANCE AND IMPROVED PRODUCTIVITY.

"WE CANNOT AFFORD OVER ANY SIGNIFICANT LENGTH OF TIME BOTH REAL INCREASES IN CIVIL SERVICE PAY AND SIGNIFICANT GROWTH IN NUMBERS. DESPITE SOME SUCCESS FROM OUR RECENT EFFORTS, THE GROWTH RATE IS STILL TOO HIGH AND WILL HAVE TO COME DOWN IN THE NEXT FEW YEARS," HE ADDED.

SIR PIERS SAID IT MUST BE RECOGNISED THAT IN HONG KONG TODAY THE COST OF AN EMPLOYEE WAS HIGH AND WAS LIKELY TO INCREASE OVER THE SHORT TERM, WHICH APPLIED AS MUCH TO THE PUBLIC SECTOR AS TO THE PRIVATE SECTOR.

"IN ENDEAVOURING TO CONTROL THE OVERALL GROWTH IN PUBLIC EXPENDITURE, WE CANNOT IGNORE THIS FACT. WE MUST RECOGNISE THAT IF WE ARE TO CONTROL THE OVERALL GROWTH IN PUBLIC EXPENDITURE, OUR PRIME TARGET MUST BE GROWTH IN NUMBERS," HE SAID.

HAVING MENTIONED THE SPECIAL EXERCISE TO REDUCE STAFF ESTABLISHMENTS, THE FINANCIAL SECRETARY SAID MORE NEEDED TO BE DONE IN THIS AREA BECAUSE STAFF COSTS REPRESENTED SOME 60 PER CENT OF RECURRENT EXPENDITURE.

"THUS, WE MUST ENSURE MAXIMUM VALUE FOR MONEY. THIS REQUIRES MORE EFFICIENCY AND PRODUCTIVITY AT EVERY LEVEL OF GOVERNMENT. WE MUST LOOK FIRST TO THE BASELINE EXPENDITURE TO ACCOMMODATE IMPROVEMENTS AND NEW SERVICES AND NOT SIMPLY ADD TO EXPENDITURE LEVELS. FINANCIAL MANAGEMENT REMAINS OF CRITICAL IMPORTANCE," HE SAID.

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TURNING TO THE MAIN PROGRAMME AREAS, IN TERMS OF CONSOLIDATED PUBLIC SECTOR EXPENDITURE, SIR PIERS SAID SPENDING ON SOCIAL SERVICES AT \$16 BILLION WOULD SHOW AN INCREASE OF 17 PER CENT IN REAL TERMS OVER 1989-90, AND SPENDING ON EDUCATION WOULD INCREASE BY THREE PER CENT.

"EXPENDITURE ON SOCIAL SERVICES AND EDUCATION WILL TOGETHER ACCOUNT FOR 30 PER CENT OF THE TOTAL. IN THE YEARS AHEAD WE WILL CONTINUE TO SEE AN EXPANSION IN THESE AREAS, PARTICULARLY IN TERTIARY EDUCATION. IN ADDITION, EXPENDITURE ON COMMUNITY AFFAIRS WILL INCREASE BY 16 PER CENT AND ON SECURITY BY EIGHT PER CENT.

"EXPENDITURE ON THE HOUSING PROGRAMME WILL REPRESENT ABOUT ONE EIGHTH OF TOTAL EXPENDITURE, EXCLUDING THE CLEARANCE OF KOWLOON WALLED CITY.

"ABOUT ONE THIRD OF THE NEW HOUSING UNITS TO BE CONSTRUCTED WILL BE FOR SALE. IN ADDITION MORE WILL BE SPENT ON REMODELLING AND RENOVATING SOME OF THE OLDER HOUSING ESTATES," HE SAID.

AS REGARDS INFRASTRUCTURE AND ECONOMIC SERVICES, THE FINANCIAL SECRETARY SAID EXPENDITURE WOULD GROW IN 1990-91 LARGELY BECAUSE OF IMPROVEMENTS TO KAI TAK AIRPORT TO MEET ANTICIPATED TRAFFIC DEMAND AND BECAUSE OF PRELIMINARY EXPENDITURE ON THE NEW AIRPORT AND OTHER MAJOR INFRASTRUCTURAL PROJECTS.

"ONCE WE ACTUALLY EMBARK ON THESE PROJECTS THE SHARE OF EXPENDITURE DEVOTED TO INFRASTRUCTURE AND ECONOMIC SERVICES WILL INCREASE SUBSTANTIALLY.

"IN ADDITION, THERE WILL BE A LARGE EQUITY INVESTMENT BY THE GOVERNMENT IN THE AIRPORT AUTHORITY AND THE RAILWAY CORPORATIONS IN RESPECT OF THE AIRPORT ITSELF AND RELATED PROJECTS WHICH WILL BE UNDERTAKEN BY THESE BODIES," HE SAID.

SIR PIERS POINTED OUT THAT THE ACCELERATION OF THE PROGRAMME TO IMPROVE THE ENVIRONMENT, TO WHICH THE GOVERNMENT ATTACHED GREAT IMPORTANCE, WAS UNDERLINED BY THE FACT THAT EXPENDITURE WOULD GROW BY NO LESS THAN 43 PER CENT IN REAL TERMS.

"AT \$2.2 BILLION, THIS IS A RELATIVELY SMALL PART OF OUR TOTAL EXPENDITURE, BUT IN THE YEARS AHEAD THIS PROGRAMME AREA WILL ACCOUNT FOR AN INCREASING SHARE," HE SAID.

TURNING TO THE DRAFT ESTIMATES OF REVENUE, THE FINANCIAL SECRETARY SAID GENERAL REVENUE ACCOUNT BEFORE THE BUDGET PROPOSALS SHOWED REVENUE OF \$82.7 BILLION, AN INCREASE OF 11 PER CENT OVER 1989-90.

"REVENUE FROM DIRECT TAXES WILL INCREASE BY 16 PER CENT AND WILL REPRESENT 65 PER CENT OF THE TOTAL OF DIRECT AND INDIRECT TAXES TAKEN TOGETHER. THIS COMPARES WITH 63 PER CENT IN 1989-90," HE SAID.

"REVENUE TO THE VARIOUS FUNDS IS ESTIMATED TO BE \$5.9 BILLION, A REDUCTION OF 27 PER CENT COMPARED WITH 1989-90," HE ADDED.

"IN THE CURRENT FINANCIAL YEAR, WE HAVE ENJOYED SOME EXCEPTIONAL LAND SALES. HAVING REGARD TO THE PROJECTED LAND SALES PROGRAMME AND THE STATE OF THE PROPERTY MARKET, WE DO NOT EXPECT SUCH BUOYANT RESULTS IN 1990-91; HENCE THE REDUCTION IN THE ESTIMATE," SIR PIERS POINTED OUT.

"TAKEN TOGETHER, REVENUE TO THE GENERAL REVENUE ACCOUNT AND THE FUNDS WILL BE \$88.6 BILLION, AN INCREASE OF SEVEN PER CENT OVER 1989-90. THIS INCREASE IS MODEST WHEN COMPARED WITH INCREASES IN SOME PREVIOUS YEARS," HE SAID.

THE FINANCIAL SECRETARY SAID THE DRAFT ESTIMATES OF EXPENDITURE AND REVENUE, BEFORE REVENUE MEASURES, INDICATED A DEFICIT OF \$2.4 BILLION.

"GIVEN THE EXPENDITURE COMMITMENTS WE HAVE UNDERTAKEN, AND HAVING REGARD TO THE LOWER ECONOMIC GROWTH RATE WE ARE EXPECTING, I HAVE DECIDED TO INTRODUCE MEASURES WHICH WILL BOTH YIELD ADDITIONAL REVENUE AND SHIFT SOME OF THE BURDEN OF TAXATION FROM DIRECT TAXES TO INDIRECT TAXES.

"MY PROPOSALS WILL REDUCE DIRECT TAXATION BY ABOUT \$800 MILLION BUT INCREASE INDIRECT TAXATION BY \$2.9 BILLION AND OTHER REVENUE BY \$1 BILLION," SIR PIERS SAID.

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FS WILL AVOID HASTY DECISIONS ON WHOLESALE TAX
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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY THAT HE WOULD CONTINUE TO AVOID ANY HASTY DECISIONS ON THE ISSUE OF A WHOLESALE TAX.

STRESSING THAT HE WAS NOT DISSATISFIED WITH THE RESULTS OF THE CONSULTATION AND DEBATE ON THE ISSUE, SIR PIERS POINTED OUT THAT WE MUST ENSURE THAT WE DID NOT SADDLE OURSELVES WITH A TAX STRUCTURE THAT MIGHT BE DIFFICULT TO IMPLEMENT OR INAPPROPRIATE TO OUR NEEDS.

"THUS WHILST WE ARE GIVING THIS ISSUE OF A WHOLESALE TAX FURTHER THOUGHT, I WISH TO MAKE IT CLEAR THAT I AM NOT WORKING TO ANY SPECIFIC TIMETABLE," HE SAID IN HIS BUDGET SPEECH.

HE POINTED OUT THAT THE CONSULTATIVE EXERCISE, WHICH WAS COMPLETED IN OCTOBER, DID NOT UNCOVER ANY MAJOR TECHNICAL HURDLE TO THE INTRODUCTION OF A WHOLESALE TAX IN HONG KONG, AND SOME HELPFUL COMMENTS WERE MADE AS TO HOW WE MIGHT IMPLEMENT SUCH A TAX.

"WHAT WAS CLEAR, HOWEVER, WAS THAT MOST OF THOSE CONSULTED FELT THAT HONG KONG WAS NOT READY FOR A WHOLESALE TAX AT THIS MOMENT IN TIME, AND INDEED SOME EXPRESSED CONCERN OVER THE POSSIBLE ADVERSE CONSEQUENCES OF SUCH A TAX ON THE ECONOMY.

"SOME ALSO DOUBTED WHETHER IT WOULD ACHIEVE THE DESIRED OBJECTIVE OF PROVIDING A MORE STABLE SOURCE OF TAX REVENUE, AND GENEROUSLY PUT FORWARD SUGGESTIONS AS TO OTHER REVENUE RAISING MEASURES THAT WE MIGHT ADOPT," SIR PIERS SAID.

THE FINANCIAL SECRETARY SAID ALTHOUGH HE WAS FACED WITH SOMETHING LESS THAN TOTAL ENTHUSIASM FOR A WHOLESALE TAX, THERE WAS NEVERTHELESS A RECOGNITION OF THE NEED FOR A MORE STABLE TAX BASE, ONE LESS VULNERABLE TO THE VICISSITUDES OF ECONOMIC PERFORMANCE.

"INDEED, AN ENCOURAGING NUMBER OF MEMBERS OF THIS COUNCIL WHO SPOKE IN THE DEBATES ON THE LAST TWO BUDGETS ALSO RECOGNISED THE PROBLEM. I ATTACH A GREAT DEAL OF IMPORTANCE TO THESE REACTIONS," SIR PIERS SAID.

HE SAID PART OF THE PURPOSE OF HIS RAISING FOR DEBATE THE WHOLE MATTER OF A SALES OR WHOLESALE TAX WAS TO ENCOURAGE DISCUSSION OF THE FUNDAMENTAL PROBLEM, THAT WAS THE VULNERABILITY OF OUR TAX SYSTEM AS PRESENTLY STRUCTURED.

"THAT THE DISCUSSION HAS TAKEN PLACE LARGELY WITHOUT POLITICAL 'STURM UND DRANG' HAS BEEN HELPFUL. WHAT HAS BEEN SAID HAS INFLUENCED ME IN PUTTING TOGETHER MY BUDGET PROPOSALS THIS YEAR," THE FINANCIAL SECRETARY SAID.

ON VENTURE CAPITAL, THE FINANCIAL SECRETARY SAID THAT HE HAD EXAMINED IN SOME DETAIL THE PROPOSAL ON WHETHER A TAX CONCESSION SHOULD BE GRANTED TO VENTURE CAPITAL INVESTMENTS IN HONG KONG AND HAD COME TO THE CONCLUSION THAT THE COMPLEXITY OF THE NECESSARY LEGISLATION MADE THE PROPOSAL UNSUITABLE FOR IMPLEMENTATION IN HONG KONG AT THIS TIME.

HE NOTED THAT THERE HAD BEEN SOME UNCERTAINTY AS TO WHETHER PROFITS ARISING FROM VENTURE CAPITAL DISINVESTMENT WERE LIABLE TO PROFITS TAX, AND IT WAS SUGGESTED THAT THIS UNCERTAINTY WAS HINDERING THE DEVELOPMENT OF SUCH FINANCING METHODS.

"I AM CONSCIOUS ALSO THAT THE BENEFITS ACCRUING TO THE ECONOMY ARE UNLIKELY TO BE SIGNIFICANT," HE SAID.

ON STAMP DUTY, THE FINANCIAL SECRETARY SAID FOR FISCAL REASONS HE DID NOT THINK THAT, AT THE PRESENT TIME, THE GOVERNMENT WAS IN A POSITION TO GIVE ANY CONCESSION ON THE DUTY ITSELF.

SIR PIERS SAID THAT, RECENTLY, IT HAD BEEN SUGGESTED TO HIM THAT A CONCESSION ON STAMP DUTY ON SHARE TRANSFERS WOULD BE WELCOME AND THAT IT WOULD BE SELF-FINANCING THROUGH INCREASED TURNOVER.

IT WAS ALSO SUGGESTED THAT THE GOVERNMENT SHOULD EASE THE ADMINISTRATIVE COST INVOLVED IN THE COLLECTION OF STAMP DUTY BY CHANGING THE SYSTEM OF LEVY SO THAT THE DUTY BECAME PAYABLE BY ONE PARTY ONLY, NAMELY THE VENDOR.

SIR PIERS SAID WHILE HE COULD APPRECIATE THAT THESE PROPOSALS MIGHT BE OF SOME ATTRACTION TO THOSE INVESTING IN OUR MARKETS, FOR FISCAL REASONS THE GOVERNMENT AT PRESENT WAS UNABLE TO GIVE ANY CONCESSION ON THE DUTY ITSELF.

"FURTHERMORE, I WOULD NEED TO BE CONVINCED THAT THE PAYMENT OF THE DUTY BY ONE PARTY WOULD NOT CREATE LOOPHOLES, CAUSING AN UNACCEPTABLE EROSION OF STAMP DUTY REVENUE.

"I SHALL, HOWEVER, BE EXAMINING BOTH PROPOSALS IN GREATER DETAIL, BECAUSE I AM CONSCIOUS OF THE POSSIBLE POTENTIAL FOR MARKET DEVELOPMENT," SIR PIERS SAID.

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\$800 MILLION IN DIRECT TAX CONCESSIONS

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THE BUDGET'S REVENUE PROPOSALS PACKAGE INCLUDES A NUMBER OF REVENUE RAISING MEASURES WHICH WILL YIELD SOME \$3.9 BILLION IN 1990-91 AND APPROXIMATELY \$4.7 BILLION IN A FULL YEAR, THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY.

SIR PIERS SAID HE ALSO PROPOSED TO GRANT A NUMBER OF TAX CONCESSIONS, IN RESPECT OF DIRECT TAXES, ESTIMATED TO COST \$800 MILLION IN 1990-91, AND \$1.1 BILLION IN A FULL YEAR.

"THE NET EFFECT WILL BE TO PRODUCE ADDITIONAL REVENUE OF \$3.1 BILLION FOR 1990-91. THESE PROPOSALS WILL THEREFORE CONVERT THE ESTIMATED OVERALL DEFICIT OF \$2.4 BILLION TO AN OVERALL SURPLUS OF \$720 MILLION.

"THE PROPOSALS WILL, IN ADDITION, ACHIEVE THE OBJECTIVE OF REDUCING THE PERCENTAGE OF TOTAL TAX REVENUE DERIVED FROM DIRECT TAXES, FROM 65 PER CENT TO 62 PER CENT," HE SAID.

THE FINANCIAL SECRETARY SAID HIGHER INDIRECT TAXES, BY THEIR NATURE, COULD HAVE SOME INFLATIONARY IMPACT, BUT HE WAS SATISFIED THAT THE PACKAGE HE HAD PROPOSED WOULD HAVE ONLY A MARGINAL EFFECT.

"I CONSIDER THE ALTERNATIVE OF RAISING THE SAME AMOUNT OF REVENUE FROM HIGHER DIRECT TAXES ON BALANCE TO BE LESS DESIRABLE. WE HAVE MANAGED TO REDUCE THE STANDARD RATE OF TAX IN RECENT YEARS. TO RAISE IT AGAIN COULD ADVERSELY AFFECT INVESTMENT DECISIONS," SIR PIERS SAID.

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WEDNESDAY, MARCH 7, 1990

- 21 -

ADDITIONAL REVENUE FROM DUTIABLE COMMODITIES
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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, TODAY PROPOSED TO RAISE ADDITIONAL REVENUE FROM DUTIABLE COMMODITIES.

IN HIS BUDGET SPEECH, SIR PIERS NOTED THAT FOR SOME YEARS THE DUTIES ON HYDROCARBON OILS, LIQUORS AND TOBACCO HAD BEEN REVISED SOLELY TO KEEP PACE WITH INFLATION AND HE NOW PROPOSED TO RAISE ADDITIONAL REVENUE FROM THIS SOURCE.

HYDROCARBON OILS

SIR PIERS PROPOSED TO INCREASE THE DUTY RATE ON HYDROCARBON OILS BY 30 PER CENT, FOR FISCAL AND NOT TRANSPORT REASONS.

THE DUTY ON PETROL WOULD INCREASE FROM \$2.75 A LITRE TO \$3.58 A LITRE, AND ON DIESEL OIL FOR ROAD VEHICLES FROM \$1.37 A LITRE TO \$1.78 A LITRE.

THE ADDITIONAL REVENUE ARISING FROM THESE INCREASES WAS ESTIMATED TO BE \$580 MILLION.

THE REFUND ON DIESEL OIL TO THE FRANCHISED BUS COMPANIES WOULD REMAIN AT 65 CENTS A LITRE.

THE COST OF THE DUTY INCREASE TO ALL THREE COMPANIES TAKEN TOGETHER WOULD BE ABOUT \$50 MILLION. THE EFFECT WOULD BE TO INCREASE COSTS BY AN AVERAGE OF ABOUT FOUR CENTS A PASSENGER TRIP.

THE FINANCIAL SECRETARY SAID HE HAD CONSIDERED THE POSSIBILITY OF INTRODUCING A DIFFERENTIAL RATE OF DUTY FOR UNLEADED PETROL BUT THIS WAS IMPRACTICABLE AT THE MOMENT BECAUSE OF THE LACK OF SUITABLE FACILITIES AT PETROL STATIONS.

"WHEN THIS SITUATION CHANGES, I SHALL GIVE THE PROPOSAL FURTHER THOUGHT.

"CLEARLY, THE BENEFITS FOR THE ENVIRONMENT WOULD BE WELCOMED," HE SAID.

INTOXICATING LIQUOR AND ALCOHOL

THE FINANCIAL SECRETARY PROPOSED TO:

- RAISE THE SPECIFIC DUTY RATES ON ALL INTOXICATING LIQUORS AND ALCOHOL BY ABOUT 10 PER CENT TO OFFSET EROSION BY INFLATION;
- BRING THE AD VALOREM RATE ON CHAMPAGNE AND SPARKLING WINES INTO LINE WITH THAT OF BRANDY, WHISKY AND OTHER SPIRITUOUS LIQUORS AND TO INCREASE THE RATE ON BOTH CATEGORIES TO 35 PER CENT; AND

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- MERGE THE TWO CATEGORIES OF STILL WINES INTO ONE, WITH DUTY PAYABLE AT \$24 A LITRE PLUS AN AD VALOREM RATE OF 20 PER CENT.

THE ADDITIONAL REVENUE YIELD WAS ESTIMATED TO BE \$50 MILLION.

TOBACCO

SIR PIERS PROPOSED TO INCREASE THE DUTY ON TOBACCO BY ABOUT 25 PER CENT, FOR FISCAL AND NOT HEALTH REASONS.

THE DUTY ON CIGARETTES WOULD INCREASE FROM \$190 TO \$240 PER 1,000 STICKS. THE DUTY ON CIGARS WOULD BE INCREASED FROM \$250 TO \$310 A KILOGRAM; ON SMOKING TOBACCO FROM \$230 TO \$290 A KILOGRAM; AND ON CHINESE PREPARED TOBACCO FROM \$50 TO \$60 A KILOGRAM.

HE ESTIMATED THE ADDITIONAL REVENUE YIELD TO BE \$400 MILLION.

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INCREASED TAX RATES FOR PRIVATE CARS, GOODS VEHICLES

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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, TODAY PROPOSED TO REDEFINE THE SCALE WHICH DEFINES BASIC, SEMI-LUXURY AND LUXURY CARS TO REFLECT MORE REALISTICALLY THE CURRENT VALUE OF VEHICLES AND TO INCREASE THE TAX RATES FOR PRIVATE CARS, MOTOR CYCLES AND TRICYCLES AND GOODS VEHICLES BY 10 PERCENTAGE POINTS.

"I PROPOSE, AGAIN FOR FISCAL AND NOT TRANSPORT REASONS, TO CHANGE THE RATES AS FOLLOWS: 80 PER CENT TAX ON A BASIC CAR; 90 PER CENT TAX ON A SEMI-LUXURY CAR; AND 100 PER CENT TAX ON A LUXURY CAR," SIR PIERS SAID IN HIS BUDGET SPEECH.

THE FINANCIAL SECRETARY SAID THAT HIS PROPOSALS WOULD HAVE NO PRACTICAL EFFECT ON THE RETAIL PRICE OF A BASIC OR A SEMI-LUXURY CAR AS DEFINED IN THE NEW SCALE AND THEY WOULD INCREASE THE RETAIL PRICE OF A LUXURY CAR BY ABOUT THREE TO FOUR PER CENT.

HE ESTIMATED THE ADDITIONAL REVENUE ARISING FROM THESE INCREASES TO BE \$200 MILLION.

SIR PIERS POINTED OUT THAT THE LAST REAL INCREASE IN THE FIRST REGISTRATION TAX ON MOTOR VEHICLES DATED BACK TO 1982, AND THE SCALE WHICH DEFINED BASIC, SEMI-LUXURY AND LUXURY CARS HAD REMAINED UNCHANGED SINCE IT WAS FIRST INTRODUCED IN 1978.

FOR PRIVATE CARS, THE PRESENT SCALE DISTINGUISHED BETWEEN BASIC CARS, FOR WHICH THE RATE OF TAX WAS 70 PER CENT, SEMI-LUXURY CARS, FOR WHICH THE RATE WAS 80 PER CENT, AND LUXURY CARS, FOR WHICH THE RATE WAS 90 PER CENT.

/THE FOLLOWING

THE FOLLOWING ARE DETAILS OF THE NEW SCALE AND REVISED RATES OF FIRST REGISTRATION TAX FOR VEHICLES:

MOTOR VEHICLE FIRST REGISTRATION TAX
SCALES AND RATES

CLASS -----	EXISTING SCALE -----	PROPOSED SCALE -----	EXISTING	PROPOSED
			RATES	RATES
			%	%
PRIVATE CARS				
(I) BASIC CARS	CIF VALUE BELOW \$20,000	CIF VALUE BELOW \$30,000	70	80
(II) SEMI-LUXURY CARS	CIF VALUE BETWEEN \$20,000 -\$30,000	CIF VALUE BETWEEN \$30,000 -\$60,000	80	90
(III) LUXURY CARS	CIF VALUE EXCEEDING \$30,000	CIF VALUE EXCEEDING \$60,000	90	100
MOTOR CYCLES AND MOTOR TRICYCLES			70	80
GOODS VEHICLES			15	25
OTHER TYPES OF VEHICLES (TAXIS, PUBLIC AND PRIVATE LIGHT BUSES, PUBLIC AND PRIVATE BUSES, SPECIAL PURPOSE VEHICLES)			15	15

INCREASED BETTING TAX NEXT SEASON

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AN INCREASE IN THE BETS TAX FOR BOTH STANDARD AND EXOTIC BETS - BY ONE PERCENTAGE POINT - WAS PROPOSED BY THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, TODAY.

THE TAX RATES WOULD BECOME 10.5 PER CENT ON STANDARD BETS AND 17 PER CENT ON EXOTIC BETS, AND WOULD TAKE EFFECT FROM THE BEGINNING OF THE NEXT RACING SEASON, SIR PIERS SAID IN HIS BUDGET SPEECH.

"I AM CONSCIOUS OF THE NEED TO MAINTAIN A REASONABLE RETURN TO PUNTERS AND NOT TO GIVE ANY ENCOURAGEMENT TO THE ACTIVITIES OF ILLEGAL BOOKMAKERS," HE SAID.

"I PROPOSE THEREFORE THAT THE INCREASE IN THE RATES SHOULD BE BORNE ENTIRELY BY THE JOCKEY CLUB, THAT IS TO SAY, THERE WILL BE NO REDUCTION IN THE SIZE OF THE PRIZE MONEY POOL," HE SAID.

THE INCREASE WAS ESTIMATED TO YIELD AN ADDITIONAL \$340 MILLION IN 1990-91, HE SAID.

SIR PIERS NOTED THAT BETS TAX WAS LAST INCREASED IN 1985.

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INCREASE IN GENERAL RATES FOR PROPERTY

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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, TODAY PROPOSED TO RAISE THE GENERAL RATES FOR PROPERTY, WHICH ARE PAYABLE TO GENERAL REVENUE, BY 1.5 PERCENTAGE POINTS, BUT NO REVISION WAS PROPOSED TO THE URBAN AND REGIONAL COUNCIL RATES.

PRESENTING HIS BUDGET, SIR PIERS SAID THIS MEANT THAT THE GENERAL RATE WOULD BE FOUR PER CENT IN HONG KONG, KOWLOON AND NEW KOWLOON AND 1.5 PER CENT IN THE NEW TERRITORIES, AND THAT THE OVERALL CHARGE WOULD BE 7.5 PER CENT THROUGHOUT THE TERRITORY.

"THE TOTAL CHARGE IS CURRENTLY SIX PER CENT. IN HONG KONG, KOWLOON AND NEW KOWLOON, 2.5 PERCENTAGE POINTS ARE FOR GENERAL REVENUE AND 3.5 PERCENTAGE POINTS FOR THE URBAN COUNCIL.

"FOR PROPERTIES IN THE NEW TERRITORIES, THE REVENUE FROM THE CHARGE OF SIX PER CENT ALL GOES TO THE REGIONAL COUNCIL, AND NONE TO GENERAL REVENUE," HE SAID.

THE ADDITIONAL YIELD TO GENERAL REVENUE IN 1990-91 RESULTING FROM THIS PROPOSAL WAS IN THE REGION OF \$1.3 BILLION, HE SAID.

/THE FINANCIAL

THE FINANCIAL SECRETARY SAID RATES ON PROPERTY WERE LEVIED BY APPLYING A PERCENTAGE CHARGE TO THE RATEABLE VALUE OF PROPERTIES AND WERE CLEARLY ONE OF THE MORE STABLE SOURCES OF REVENUE.

"THE VALUE OF RATES WHEN EXPRESSED AS A PROPORTION OF ACTUAL RENTS CHARGED FOR PROPERTIES HAS FALLEN CONSIDERABLY IN RECENT YEARS. I HAVE THEREFORE DECIDED TO MAKE AN ADJUSTMENT TO THE PRESENT RATES PERCENTAGE CHARGE." HE SAID.

SIR PIERS EXPLAINED THAT THE PROPOSED AVERAGE INCREASE IN RATES FOR A SMALL PRIVATE FLAT WOULD BE ABOUT \$40 A MONTH, AND FOR A LARGE FLAT ABOUT \$200.

THE FINANCIAL SECRETARY NOTED THAT IN THE PAST, THE HOUSING AUTHORITY HAD INITIALLY ABSORBED INCREASES IN RATES FOR TENANTS OF PUBLIC HOUSING.

"THE AUTHORITY'S RENTS, WHICH INCLUDE AN ELEMENT FOR RATES, ARE NORMALLY REVISED EVERY TWO YEARS ON A ROLLING CYCLE. IT WILL BE FOR THE AUTHORITY TO DECIDE WHETHER TO ABSORB THE RATES IN A SIMILAR MANNER ON THIS OCCASION." HE SAID.

"THE AVERAGE COST OF THE INCREASE FOR A HOUSING AUTHORITY FLAT WILL BE AROUND \$20 A MONTH," HE ADDED.

SIR PIERS POINTED OUT THAT THE GOVERNMENT'S ANNOUNCED INTENTION TO REVISE ALL RATEABLE VALUES WITH EFFECT FROM 1991-92 WAS A COMPLETELY SEPARATE EXERCISE AND WAS NOT OF ITSELF DESIGNED TO INCREASE RATES REVENUE.

"ITS PURPOSE IS TO ENSURE THAT THE BURDEN OF THE CHARGE IS EQUITABLY SPREAD BETWEEN DIFFERENT CLASSES OF RATEPAYER.

"CONSEQUENTLY IF, AS IS LIKELY, THIS RESULTS IN A SUBSTANTIAL INCREASE IN RATEABLE VALUES, THE PERCENTAGE CHARGES FOR THAT YEAR WILL BE LOOKED AT AGAIN BUT, LET ME EMPHASISE, LOOKED AT IN THE LIGHT OF THE REVENUE NEEDS OF THE GOVERNMENT AND THE TWO COUNCILS AT THAT TIME." HE SAID.

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INCREASES IN VARIOUS FEES

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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, TODAY PROPOSED TO INCREASE BUSINESS REGISTRATION FEES, COMPANY REGISTRATION FEES, BANK AND DEPOSIT-TAKING COMPANY LICENCE AND REGISTRATION FEES, VEHICLE AND DRIVING LICENCE FEES, AND PASSENGER EMBARKATION AND BERTHING FEES.

SIR PIERS OUTLINED THE PROPOSED INCREASES IN PRESENTING HIS BUDGET.

BUSINESS REGISTRATION FEE

SIR PIERS PROPOSED TO INCREASE THE BUSINESS REGISTRATION FEE TO \$900 WITH EFFECT FROM APRIL 1, 1990. THE FEE, WHICH WAS TAX-LOADED, WAS REVISED LAST YEAR TO \$630.

HE ALSO PROPOSED TO INCREASE THE PRESENT EXEMPTION LEVELS, WHICH RELIEVED BUSINESSES WITH LOW TURNOVER FROM PAYMENT OF THE FEE.

IN FUTURE, A BUSINESS WOULD, UPON APPLICATION, BE EXEMPT FROM THE FEE IF ITS AVERAGE SALES DID NOT EXCEED \$5,000 PER MONTH; OR, WHERE THE BUSINESS CONSISTED OF RENDERING SERVICES, IF ITS AVERAGE RECEIPTS DID NOT EXCEED \$1,500 PER MONTH.

THE PRESENT EXEMPTION LEVELS HAD NOT BEEN ADJUSTED SINCE 1974, SIR PIERS SAID.

HE ESTIMATED THE ADDITIONAL REVENUE ARISING FROM THE INCREASE IN BUSINESS REGISTRATION FEE TO BE \$140 MILLION.

"THE \$100 LEVY FOR THE PROTECTION OF WAGES ON INSOLVENCY FUND WILL CONTINUE AND IS THEREFORE NOT AFFECTED BY THIS PROPOSAL," HE ADDED.

COMPANY REGISTRATION FEE

SIR PIERS PROPOSED TO INCREASE THE COMPANY REGISTRATION FEE TO \$1,000 FROM THE PRESENT \$600, WHICH HAD REMAINED UNCHANGED SINCE 1983.

HE ESTIMATED THE ADDITIONAL REVENUE TO BE \$30 MILLION.

BANK AND DEPOSIT-TAKING COMPANY LICENCE AND REGISTRATION FEES

SIR PIERS PROPOSED TO INCREASE LICENCE FEES FOR BANKS OTHER THAN RESTRICTED LICENCE BANKS BY 22 PER CENT AND THOSE FOR RESTRICTED LICENCE BANKS BY 30 PER CENT; AND ALSO TO INCREASE REGISTRATION FEES FOR DEPOSIT-TAKING COMPANIES BY 30 PER CENT.

HE ESTIMATED THE ADDITIONAL REVENUE ARISING FROM THESE INCREASES TO BE \$30 MILLION.

VEHICLE AND DRIVING LICENCE FEES

SIR PIERS PROPOSED TO INCREASE VEHICLE AND DRIVING LICENCE FEES BY 10 PER CENT TO TAKE ACCOUNT OF INFLATION.

HE ESTIMATED THE ADDITIONAL REVENUE ARISING FROM THESE INCREASES TO BE \$150 MILLION.

PASSENGER EMBARKATION AND BERTHING FEES

SIR PIERS PROPOSED TO INCREASE THE PASSENGER EMBARKATION FEE PAYABLE BY THOSE DEPARTING FROM THE MACAU AND CHINA FERRY TERMINALS FROM \$17 TO \$19, APPROXIMATELY IN LINE WITH INFLATION.

AS THE FEE WAS LAST RAISED IN OCTOBER 1989, THE NEXT INCREASE WOULD TAKE EFFECT AS FROM OCTOBER 1, 1990.

HE FURTHER PROPOSED TO INCREASE BERTHING FEES BY 15 PER CENT FROM APRIL 1, 1990.

THE TOTAL ADDITIONAL REVENUE ARISING FROM THESE INCREASES WAS ESTIMATED TO BE \$20 MILLION IN 1990-91.

OTHER CHARGES

SIR PIERS SAID A NUMBER OF OTHER CHARGES, INCLUDING THOSE IN RELATION TO SERVICES PROVIDED BY THE WATER SUPPLIES DEPARTMENT, CIVIL AVIATION DEPARTMENT AND TRANSPORT DEPARTMENT, WERE SCHEDULED FOR REVIEW IN 1990.

FROM THESE SOURCES, HE EXPECTED ADDITIONAL REVENUE OF \$510 MILLION IN 1990-91.

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CONCESSIONS IN PERSONAL TAXATION

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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, TODAY PROPOSED TO ZERO-RATE THE CLAWBACK ON PERSONAL TAXATION ALLOWANCES, INCREASE SOME ALLOWANCES, AND REDUCE THE RATES OF TAX FOR THE FIRST TWO MARGINAL RATE BANDS FOR SALARIES TAX AND PERSONAL ASSESSMENT.

PRESENTING HIS BUDGET, SIR PIERS PROPOSED THE FOLLOWING CONCESSIONS FOR PERSONAL TAXATION:

- * FIRST, TO ZERO-RATE THE CLAWBACK ON ALLOWANCES.

"THIS MEANS THAT ALL ELIGIBLE TAXPAYERS WILL BE ENTITLED TO THE FULL ADDITIONAL ALLOWANCE IRRESPECTIVE OF THEIR INCOME LEVELS, AND EFFECTIVELY INCREASES THE BASIC AND MARRIED PERSON'S ALLOWANCES FROM \$32,000 AND \$66,000 TO \$39,000 AND \$80,000 RESPECTIVELY.

"MIDDLE-INCOME TAXPAYERS STAND TO BENEFIT MOST. FOR THIS GROUP, THE TAX PAYABLE WILL BE REDUCED BY UP TO \$1,750 FOR A SINGLE PERSON AND \$3,500 FOR A MARRIED COUPLE," HE SAID.

/* SECONDLY, TO

- * SECONDLY, TO REDUCE THE RATES OF SALARIES TAX APPLICABLE TO THE FIRST TWO \$10,000 BANDS OF NET CHARGEABLE INCOME FROM THREE PER CENT TO TWO PER CENT AND FROM SIX PER CENT TO FOUR PER CENT RESPECTIVELY.

SIR PIERS SAID THIS CONCESSION WOULD PARTICULARLY BENEFIT TAXPAYERS WITH LOWER INCOMES;

- * THIRDLY, THAT THE CHILD ALLOWANCE FOR THE FIRST AND SECOND CHILD BE INCREASED FROM \$13,000 TO \$14,000, AND FROM \$9,000 TO \$10,000 RESPECTIVELY; AND

- * LASTLY, THAT THE BASIC RATE OF DEPENDENT PARENT ALLOWANCE BE INCREASED FROM \$11,000 TO \$12,000.

THE FINANCIAL SECRETARY SAID THESE CONCESSIONS WOULD TAKE EFFECT FROM THE YEAR OF ASSESSMENT COMMENCING APRIL 1, 1990.

"THEREFORE, THE FIRST OCCASION ON WHICH THEY WILL APPLY WILL BE TO PROVISIONAL AND FINAL SALARIES TAX ASSESSMENTS FOR 1990-91, AND ALSO TO 1990-91 PERSONAL ASSESSMENTS," HE SAID.

SIR PIERS ESTIMATED THAT THE COST TO THE REVENUE IN 1990-91 WOULD BE \$700 MILLION, AND \$980 MILLION FOR A FULL YEAR.

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DEPRECIATION ALLOWANCE ADJUSTED, EXEMPTION LEVEL RAISED
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AN ADJUSTMENT IN THE DEPRECIATION ALLOWANCE FOR COMMERCIAL BUILDINGS AND, IN RELATION TO ESTATE DUTY, A RAISING OF THE EXEMPTION LEVEL TO PROVIDE A FURTHER SPECIFIC RELIEF WERE PROPOSED IN THE BUDGET TODAY.

THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID HE PROPOSED TO REDUCE THE WRITE OFF PERIOD OF A COMMERCIAL BUILDING TO 50 YEARS BY INCREASING THE RATE OF THE ALLOWANCE TO TWO PER CENT.

HE POINTED OUT THAT COMMERCIAL BUILDINGS ATTRACTED AN ANNUAL REBUILDING ALLOWANCE.

"WITH THE EXISTING ALLOWANCE SET AT 0.75 PER CENT IT TAKES SOME 133 YEARS TO WRITE OFF THE COST OF A COMMERCIAL BUILDING. THIS IS A LONG TIME," SIR PIERS SAID.

HE ESTIMATED THAT THE COST TO REVENUE OF THIS INCREASED ALLOWANCE WOULD BE \$70 MILLION IN 1990-91, AND \$85 MILLION IN A FULL YEAR.

ON ESTATE DUTY, THE FINANCIAL SECRETARY PROPOSED TWO CONCESSIONS. IN RECOGNITION OF THE EFFECT OF INFLATION ON ASSET VALUES HE PROPOSED TO RAISE THE ESTATE DUTY EXEMPTION LIMIT FROM \$2 MILLION TO \$4 MILLION.

/"IN ADDITION

"IN ADDITION, I PROPOSE TO REPLACE THE PRESENT SCHEDULE OF RATES WITH A NEW SCHEDULE SCALED FROM SIX PER CENT ON ESTATES BETWEEN \$4 MILLION AND \$4.5 MILLION TO 18 PER CENT ON ESTATES OVER \$5 MILLION," HE SAID.

SIR PIERS ALSO PROPOSED TO EXEMPT FROM ESTATE DUTY ALL DEATH BENEFITS FROM RETIREMENT FUNDS APPROVED BY THE COMMISSIONER OF INLAND REVENUE UNDER SECTION 87A OF THE INLAND REVENUE ORDINANCE.

"THIS WILL REDUCE HARDSHIP THAT MIGHT OTHERWISE BE CAUSED TO DEPENDENTS OF DECEASED EMPLOYEES. I ESTIMATE THE OVERALL COST OF THESE CONCESSIONS TO BE \$50 MILLION," HE SAID.

ON TAX CONCESSIONS FOR UNIT TRUSTS AND MUTUAL FUNDS, THE FINANCIAL SECRETARY SAID HE HAD DECIDED IN FAVOUR OF THE PROPOSAL, (A) TO ALTER THE DEFINITION OF "SECURITIES" IN THE INLAND REVENUE ORDINANCE SO THAT A WIDER RANGE OF PROFITS MADE BY AUTHORISED UNIT TRUSTS WOULD BE EXCLUDED FROM PROFITS TAX, AND (B) TO CONSIDER WHETHER THERE WAS A CASE TO EXEMPT MUTUAL FUND CORPORATIONS FROM PROFITS TAX IN A SIMILAR MANNER TO UNIT TRUST.

"IT IS MY INTENTION TO INTRODUCE SUITABLE LEGISLATION INTO THIS COUNCIL AS SOON AS POSSIBLE TO AMEND THE INLAND REVENUE ORDINANCE ACCORDINGLY," SIR PIERS SAID.

HE ESTIMATED THE COST OF THESE TWO CONCESSIONS TO BE \$25 MILLION.

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PUBLIC REVENUE PROTECTION ORDERS SIGNED
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BUDGET PROPOSALS ON DUTIABLE COMMODITIES, FIRST REGISTRATION TAX AND VEHICLE AND DRIVING LICENCE FEES CAME INTO EFFECT TODAY UNDER PUBLIC REVENUE PROTECTION ORDERS SIGNED BY THE GOVERNOR.

THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID THIS WHEN PRESENTING HIS BUDGET TO THE LEGISLATIVE COUNCIL.

"UNDER SIMILAR AUTHORITY, MY OTHER PROPOSALS ON RATES, BUSINESS AND COMPANIES REGISTRATION FEES, BANK AND DEPOSIT-TAKING COMPANIES REGISTRATION AND LICENCE FEES, AND BERTHING FEES WILL COME INTO EFFECT ON APRIL 1, 1990," SIR PIERS ADDED.

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PROPOSALS AIMED AT BUILDING SOLID FOUNDATION

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THE FINANCIAL SECRETARY, THE HON SIR PIERS JACOBS, SAID TODAY THAT IN THIS YEAR'S BUDGET HE HAS CONSIDERED IT PARTICULARLY IMPORTANT TO LOOK BEYOND 1990 IN ORDER TO ENSURE THAT AS FAR AS POSSIBLE THE PROPOSALS, AND THE STRATEGIES UPON WHICH THEY ARE BASED, ARE APPROPRIATE NOT ONLY FOR THE CURRENT YEAR BUT ALSO FOR THE YEARS AHEAD.

SUMMING UP HIS BUDGET SPEECH TO THE LEGISLATIVE COUNCIL, SIR PIERS SAID IT WAS ESSENTIAL THAT A SOUND FOUNDATION WAS IN PLACE ON WHICH TO BUILD FOR HONG KONG'S FUTURE.

WHILE NOTING THAT PRUDENT MANAGEMENT IN THE PAST HAD PROVIDED A BASICALLY STRONG FINANCIAL POSITION, BUILT UP ON THE BACK OF HEALTHY BUDGET SURPLUSES, THE FINANCIAL SECRETARY POINTED OUT THAT SURPLUSES COULD NO LONGER BE TAKEN FOR GRANTED, AND THUS BOTH THE EXPENDITURE AND THE REVENUE STRUCTURE MUST BE ADAPTED TO THE CHANGED CIRCUMSTANCES.

HE SAID THE BOLD AND FAR-REACHING PROGRAMME OF EXPENDITURE LAID DOWN AT THE BEGINNING OF THE NEW DECADE WAS A PROGRAMME DESIGNED NOT FOR COSMETIC OR CONFIDENCE BUILDING PURPOSES BUT BECAUSE HONG KONG NEEDED THE SERVICES AND INFRASTRUCTURE CONTEMPLATED IF THE TERRITORY WAS TO CONTINUE TO PROSPER.

"OUR PLANNING MUST BE THOROUGH AND WE MUST USE OUR RESOURCES TO THE BEST ADVANTAGE.

"IT IS CLEAR THAT WE FACE DIFFICULTIES AND UNCERTAINTIES, AND I HAVE ALLUDED TO THEM IN THE COURSE OF MY SPEECH, NOT BY WAY OF DISCOURAGEMENT BUT AS A SPUR TO ACTION.

"OPPORTUNITIES EXIST, AND IT IS NOW UP TO US TO SECURE OUR FUTURE FOR OURSELVES," HE SAID.

STRESSING THE IMPORTANCE OF EFFECTIVE FINANCIAL MANAGEMENT, SIR PIERS SAID THE GOVERNMENT WAS EXAMINING WAYS IN WHICH MAJOR NEW PROJECTS MIGHT MOST SENSIBLY BE FINANCED.

"THE MORE AMBITIOUS OUR PROGRAMMES, THE MORE THE NEED FOR US TO MANAGE OUR RESOURCES PRUDENTLY AND INTELLIGENTLY.

"I HAVE DESCRIBED THE STEPS WE HAVE TAKEN TO CONTROL PUBLIC EXPENDITURE AND I HAVE GIVEN A CLEAR INDICATION THAT THERE IS MORE TO BE DONE," HE SAID.

HE NOTED THAT THE INFRASTRUCTURAL DEVELOPMENT THAT LAY AHEAD, IN PARTICULAR THE AIRPORT AND THE ASSOCIATED HARBOUR CROSSINGS, WERE OF INTEREST TO THE PRIVATE SECTOR, AND AS THESE PLANS DEVELOPED THE GOVERNMENT LOOKED FORWARD TO PRIVATE SECTOR INVOLVEMENT.

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"BUT WE CANNOT EXPECT POTENTIAL INVESTORS TO PARTICIPATE UNLESS THE GOVERNMENT ITSELF HAS A SOUND FINANCIAL POSITION.

"IN FRAMING MY BUDGET PROPOSALS, THIS HAS BEEN IN THE FOREFRONT OF MY MIND," HE SAID.

ON THE REVENUE SIDE OF FINANCIAL MANAGEMENT, SIR PIERS SAID OVER THE LAST FEW YEARS HE HAD EXPLAINED HIS CONCERN REGARDING THE OVER-RELIANCE ON DIRECT TAXATION, AND THE VULNERABILITY OF THE PRESENT TAX STRUCTURE TO CHANGES IN ECONOMIC PERFORMANCE.

"THE PROJECTED STATE OF PUBLIC FINANCES WHEN WEIGHED AGAINST THE PROGRAMMES THAT WE HAVE SET FOR OURSELVES GIVES ADDED POINT TO WHAT I HAVE SAID," HE SAID.

HE SAID THE REVENUE MEASURES PROPOSED THIS YEAR WERE THUS INTENDED TO SERVE A TWOFOLD PURPOSE - FIRST, TO RAISE THE ADDITIONAL REVENUE WE NEED. AND SECONDLY, TO BEGIN TO ADDRESS THE PROBLEM OF OUR OVER-RELIANCE ON DIRECT TAXATION.

"I BELIEVE IN MOVING GRADUALLY SO AS NOT TO PUT STRAIN ON OUR SYSTEMS OR ON THE COMMUNITY," HE ADDED.

FINALLY, THE FINANCIAL SECRETARY SAID HIS BUDGET FORESHADOWED THE IMPLEMENTATION OF A PROGRAMME OF IMMENSE SIGNIFICANCE, A PROGRAMME THAT WOULD AFFECT THE WHOLE FABRIC AND QUALITY OF LIFE IN HONG KONG.

"WE HAVE SET OUR SIGHTS HIGH; WE HAVE IDENTIFIED THE PROBLEMS; AND WE KNOW WHAT NEEDS TO BE DONE IF WE ARE TO OVERCOME THEM.

"BUT WE WILL NOT SUCCEED UNLESS WE DISPLAY THE WILL TO DO SO.

"OUR AIMS WILL NOT BE ACHIEVED UNLESS THEY ARE PURSUED WITH THAT VIGOUR AND ENTHUSIASM WHICH HAS MADE HONG KONG WHAT IT IS TODAY.

"THE COMING YEARS ARE RICH IN PROMISE FOR HONG KONG, AND I BELIEVE THAT THE SKILLS, DRIVE AND RESOURCEFULNESS FOR WHICH OUR COMMUNITY IS FAMOUS WILL NOT FAIL US AT THIS POINT IN TIME," HE SAID.

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FS'S SPEECH ON TV AND RADIO

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FOLLOWING IS THE TEXT OF THE BUDGET SUMMARY DELIVERED BY THE FINANCIAL SECRETARY ON TELEVISION AND RADIO STATIONS THIS EVENING:

"LAST OCTOBER, THE GOVERNOR REVEALED AN EXCITING PROGRAMME FOR THE YEARS AHEAD. THIS INCLUDED A NEW INTERNATIONAL AIRPORT AND A MAJOR EXPANSION OF OUR PORT. HE ALSO ANNOUNCED SUBSTANTIAL IMPROVEMENTS IN TERTIARY EDUCATION AND IN MEASURES TO PROTECT OUR ENVIRONMENT.

"ALL THIS IS ESSENTIAL TO HONG KONG'S CONTINUING PROSPERITY AND TO THAT LIFESTYLE THAT WE VALUE SO MUCH. THE PROGRAMME UPON WHICH WE ARE EMBARKING IS WITHIN OUR CAPABILITIES BUT WILL REQUIRE FINANCIAL MANAGEMENT OF A HIGH ORDER.

"WHAT I AM SEEKING IN MY BUDGET IS A SOUND BASIS UPON WHICH WE CAN BUILD FOR OUR FUTURE.

"FIRST, I WOULD LIKE TO SAY A FEW WORDS ABOUT OUR PROGRAMME OF PUBLIC EXPENDITURE. THE COMMUNITY UNDERSTANDABLY EXPECTS THAT GOVERNMENT SERVICES SHOULD BE EXPANDED AND IMPROVED, AND INDEED IN THE COMING YEAR WE PLAN TO DO JUST THAT.

"WE ARE INCREASING THE PROVISION FOR MANY SERVICES THAT WILL BENEFIT OUR COMMUNITY. FOR EXAMPLE, EXPENDITURE ON SOCIAL SERVICES WILL INCREASE BY SOME 17 PER CENT IN REAL TERMS. SOCIAL SERVICES AND EDUCATION TOGETHER WILL ACCOUNT FOR NO LESS THAN 30 PER CENT OF OUR TOTAL BUDGET. AND THERE WILL ALSO BE SIGNIFICANT INCREASES IN OUR SPENDING ON RECREATION AND ON THE ENVIRONMENT.

"BUT WE HAVE TO PLAN OUR EXPENDITURE IN THE CONTEXT OF OUR ECONOMIC PERFORMANCE. IN CONTRAST TO THE AVERAGE DOUBLE DIGIT GROWTH THAT WE HAVE EXPERIENCED OVER THE LAST FEW YEARS, THE ECONOMY GREW BY ONLY TWO AND A HALF PER CENT IN 1989. AT THE SAME TIME, INFLATION WAS UNCOMFORTABLY HIGH.

"THIS YEAR'S ECONOMIC GROWTH IS LIKELY TO BE ONLY MARGINALLY HIGHER THAN IN 1989 BUT I EXPECT A MODEST DECLINE IN INFLATION. AGAINST THIS BACKGROUND, IT IS MORE IMPORTANT THAN EVER THAT ALL OUR PUBLIC SPENDING SHOULD BE CRITICALLY EXAMINED SO THAT WE GET MAXIMUM VALUE FOR MONEY.

"THIS IS AN ON-GOING TASK. WE HAVE MADE GOOD PROGRESS, BUT THERE IS MORE TO BE DONE.

"WITH ONLY MODERATE GROWTH IN THE ECONOMY AND A MAJOR PROGRAMME OF EXPENDITURE AHEAD OF US, WE ARE LIKELY TO HAVE A BUDGET DEFICIT UNLESS I TAKE CORRECTIVE ACTION NOW. I HAVE THEREFORE DECIDED TO RAISE SOME ADDITIONAL REVENUE. THIS WILL RESULT IN A BALANCED BUDGET FOR THE YEAR.

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"I AM WELL AWARE THAT ANY INCREASE IN TAXATION IS UNWELCOME. SO, IN PUTTING TOGETHER MY REVENUE PROPOSALS, I HAVE SOUGHT TO SPREAD THE BURDEN AS FAIRLY AS POSSIBLE AND TO MINIMISE THE EFFECT ON THE LESS WELL-OFF.

"I HAVE LOOKED FOR ADDITIONAL REVENUE FROM PROPERTY RATES, PETROL, LIQUOR, TOBACCO, BETTING, AND VEHICLE AND DRIVING LICENCES. AS USUAL, I SHALL ALSO BE ADJUSTING A NUMBER OF FEES AND CHARGES. TOGETHER, ALL THESE INCREASES WILL BRING IN ADDITIONAL REVENUE OF ABOUT \$4 BILLION.

"THE MOST SIGNIFICANT PART OF THIS INCREASED REVENUE IS DERIVED FROM GENERAL RATES. RATES ON PROPERTY PROVIDE A PARTICULARLY STABLE SOURCE OF REVENUE AND THIS IS OF GREAT IMPORTANCE IN RELATION TO OUR FUTURE PROGRAMME OF PUBLIC EXPENDITURE. I HAVE THEREFORE INCREASED GENERAL RATES BY ONE AND A HALF PERCENTAGE POINTS, TAKING TOTAL PROPERTY RATES TO SEVEN AND A HALF PER CENT.

"QUITE SEPARATELY, IN 1991 WE SHALL BE REVISING ALL RATEABLE VALUES. IF RATEABLE VALUES GO UP SUBSTANTIALLY, AS THEY PROBABLY WILL, I SHALL IN MY NEXT BUDGET LOOK AT THE PERCENTAGE RATE AGAIN.

"WITHOUT MAKING ANY COMMITMENT AT THIS STAGE, IT IS CERTAINLY NOT MY INTENTION TO INCREASE THE BURDEN UNNECESSARILY, BUT I SHALL HAVE TO KEEP IN VIEW OUR NEED FOR REVENUE AT THAT TIME.

"LAST YEAR, I WAS ABLE TO REDUCE SALARIES AND PROFITS TAXES TO THEIR 1983 LEVELS. I HAVE NOT ADJUSTED THE STANDARD RATES OF TAX THIS YEAR, BUT I HAVE INCREASED SOME PERSONAL ALLOWANCES. I HAVE ALSO ADJUSTED THE LOWER BANDS OF SALARIES TAX. THESE CONCESSIONS WILL HELP THE LOWER AND MIDDLE INCOME GROUPS. ADDITIONALLY, I HAVE PROPOSED A NUMBER OF CONCESSIONS IN RELATION TO ESTATE DUTY. TAKEN TOGETHER, THESE MEASURES WILL BENEFIT TAXPAYERS BY NEARLY \$1 BILLION.

"FOR THE MOMENT I DO NOT INTEND TO CARRY FORWARD MY PROPOSALS FOR A WHOLESALE TAX. I HAVE PUT THIS IDEA ON THE BACKBURNER. NEVERTHELESS, MY REVENUE MEASURES HAVE THIS YEAR SLIGHTLY SHIFTED THE BURDEN OF TAXATION FROM DIRECT TO INDIRECT TAXES, WHICH I CONSIDER TO BE RIGHT IN OUR CIRCUMSTANCES.

"I AM CONSCIOUS THAT HIGHER INDIRECT TAXES, BY THEIR VERY NATURE, CAN LEAD TO AN INCREASE IN PRICES, BUT I AM SATISFIED THAT THE TOTAL PACKAGE WILL HAVE ONLY A MARGINAL EFFECT.

"IN PLANNING FOR OUR FUTURE WE MUST LOOK WELL BEYOND 1990. WE HAVE AMBITIOUS LONG TERM OBJECTIVES AND MY BUDGET ESTABLISHES A SOUND FOUNDATION FOR THEIR ULTIMATE ACHIEVEMENT. WE ARE INVESTING IN OUR FUTURE AND THAT INVESTMENT IS ESSENTIAL TO OUR CONTINUED PROGRESS.

"HONG KONG HAS BECOME AN INTERNATIONAL TRADING AND FINANCIAL CENTRE, WITH PERSONAL INCOMES AMONG THE HIGHEST IN THE REGION. THIS HAS BEEN ACHIEVED ONLY BY PLANNING AHEAD AND BY MEETING CHALLENGES AND OVERCOMING DIFFICULTIES AS THEY ARISE. I AM CONFIDENT THAT THE SKILLS, DRIVE AND RESOURCEFULNESS OF OUR COMMUNITY WILL CONTINUE TO SECURE OUR SUCCESS AND PROSPERITY IN THIS NEW DECADE."

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BUDGET PRESS CONFERENCE
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THE FINANCIAL SECRETARY, SIR PIERS JACOBS, WILL GIVE A PRESS CONFERENCE ON THE BUDGET TOMORROW (THURSDAY) IN THE GIS PRESS CONFERENCE ROOM, FIFTH FLOOR, BEACONSFIELD HOUSE, CENTRAL.

THE PRESS CONFERENCE WILL BEGIN AT 3 PM.

ALSO PRESENT WILL BE THE COMMISSIONER OF INLAND REVENUE, MR ANTHONY AU-YEUNG; COMMISSIONER OF RATING AND VALUATION, MR BARRY WOODROFFE; GOVERNMENT ECONOMIST, MR K.Y. TANG; AND ASSISTANT FINANCIAL SECRETARY, MR PETER WINDER.

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NOTE TO EDITORS:

YOU ARE INVITED TO ATTEND THE PRESS CONFERENCE.

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