

# OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 7 March 2001

The Council met at half-past Two o'clock

## MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE MRS RITA FAN HSU LAI-TAI, G.B.S., J.P.

THE HONOURABLE KENNETH TING WOO-SHOU, J.P.

THE HONOURABLE JAMES TIEN PEI-CHUN, J.P.

THE HONOURABLE DAVID CHU YU-LIN

THE HONOURABLE CYD HO SAU-LAN

IR DR THE HONOURABLE RAYMOND HO CHUNG-TAI, J.P.

THE HONOURABLE LEE CHEUK-YAN

THE HONOURABLE MARTIN LEE CHU-MING, S.C., J.P.

THE HONOURABLE ERIC LI KA-CHEUNG, J.P.

DR THE HONOURABLE DAVID LI KWOK-PO, J.P.

THE HONOURABLE FRED LI WAH-MING, J.P.

DR THE HONOURABLE LUI MING-WAH, J.P.

THE HONOURABLE NG LEUNG-SING

PROF THE HONOURABLE NG CHING-FAI

THE HONOURABLE MARGARET NG

THE HONOURABLE MRS SELINA CHOW LIANG SHUK-YEE, J.P.

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN

THE HONOURABLE BERNARD CHAN

THE HONOURABLE CHAN KAM-LAM

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI

THE HONOURABLE ANDREW WONG WANG-FAT, J.P.

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE WONG YUNG-KAN

THE HONOURABLE JASPER TSANG YOK-SING, J.P.

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE YEUNG YIU-CHUNG

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

THE HONOURABLE LAU WONG-FAT, G.B.S., J.P.

THE HONOURABLE MRS MIRIAM LAU KIN-YEE, J.P.

THE HONOURABLE AMBROSE LAU HON-CHUEN, J.P.

THE HONOURABLE EMILY LAU WAI-HING, J.P.

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

THE HONOURABLE TIMOTHY FOK TSUN-TING, S.B.S., J.P.

THE HONOURABLE LAW CHI-KWONG, J.P.

THE HONOURABLE TAM YIU-CHUNG, G.B.S., J.P.

DR THE HONOURABLE TANG SIU-TONG, J.P.

THE HONOURABLE ABRAHAM SHEK LAI-HIM, J.P.

THE HONOURABLE LI FUNG-YING, J.P.

THE HONOURABLE HENRY WU KING-CHEONG, B.B.S.

THE HONOURABLE TOMMY CHEUNG YU-YAN, J.P.

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE LEUNG FU-WAH, M.H., J.P.

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

THE HONOURABLE AUDREY EU YUET-MEE, S.C., J.P.

**MEMBERS ABSENT:**

THE HONOURABLE ALBERT HO CHUN-YAN

THE HONOURABLE MRS SOPHIE LEUNG LAU YAU-FUN, S.B.S., J.P.

**PUBLIC OFFICERS ATTENDING:**

THE HONOURABLE MRS ANSON CHAN, G.B.M., J.P.

THE CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE DONALD TSANG YAM-KUEN, J.P.

THE FINANCIAL SECRETARY

THE HONOURABLE ELSIE LEUNG OI-SIE, J.P.

THE SECRETARY FOR JUSTICE

MR MICHAEL SUEN MING-YEUNG, G.B.S., J.P.

SECRETARY FOR CONSTITUTIONAL AFFAIRS

MR CHAU TAK-HAY, J.P.

SECRETARY FOR COMMERCE AND INDUSTRY

MR GORDON SIU KWING-CHUE, J.P.  
SECRETARY FOR PLANNING AND LANDS

MR NICHOLAS NG WING-FUI, J.P.  
SECRETARY FOR TRANSPORT

MR DOMINIC WONG SHING-WAH, G.B.S., J.P.  
SECRETARY FOR HOUSING

MR JOSEPH WONG WING-PING, G.B.S., J.P.  
SECRETARY FOR THE CIVIL SERVICE

MISS DENISE YUE CHUNG-YEE, J.P.  
SECRETARY FOR THE TREASURY

MR LAM WOON-KWONG, G.B.S., J.P.  
SECRETARY FOR HOME AFFAIRS

MR STEPHEN IP SHU-KWAN, J.P.  
SECRETARY FOR FINANCIAL SERVICES

MRS LILY YAM KWAN PUI-YING, J.P.  
SECRETARY FOR THE ENVIRONMENT AND FOOD

DR YEOH ENG-KIONG, J.P.  
SECRETARY FOR HEALTH AND WELFARE

MRS REGINA IP LAU SUK-YEE, J.P.  
SECRETARY FOR SECURITY

MR LEE SHING-SEE, J.P.  
SECRETARY FOR WORKS

MRS CARRIE YAU TSANG KA-LAI, J.P.  
SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING

MRS FANNY LAW FAN CHIU-FUN, J.P.  
SECRETARY FOR EDUCATION AND MANPOWER

MS SANDRA LEE SUK-YEE, J.P.  
SECRETARY FOR ECONOMIC SERVICES

DR EDGAR CHENG WAI-KIN, J.P.  
HEAD, CENTRAL POLICY UNIT

**CLERK IN ATTENDANCE:**

MR RICKY FUNG CHOI-CHEUNG, J.P., SECRETARY GENERAL

**TABLING OF PAPERS**

The following papers were laid on the table pursuant to Rule 21(2) of the Rules of Procedure:

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
Specification of Arrangements (Government of the United Kingdom of Great Britain and Northern Ireland) (Avoidance of Double Taxation on Shipping Income) Order .....	53/2001
Specification of Arrangements (Government of the Kingdom of the Netherlands) (Avoidance of Double Taxation on Shipping Income) Order .....	54/2001
Immigration (Amendment) Regulation 2001 .....	55/2001
Waste Disposal (Refuse Transfer Station) (Amendment) Regulation 2001 .....	56/2001
Tax Reserve Certificates (Rate of Interest) (No. 3) Notice 2001 .....	57/2001
Securities (Miscellaneous) (Amendment) Rules 2001 ....	58/2001

**Other Papers**

- No. 67 — The Lord Wilson Heritage Trust  
Annual Report 1999-2000
- No. 68 — Employees Compensation Assistance Fund Board  
Annual Report 1998/99
- No. 69 — Employees Retraining Board  
1999-2000 Annual Report

No. 70 — Draft Estimates for the year ending 31 March 2002;  
Volume IA and Volume IB — General Revenue Account

No. 71 — Draft Estimates for the year ending 31 March 2002;  
Volume II — Fund Accounts

## WRITTEN ANSWERS TO QUESTIONS

### Upsurge in Cases of Influenza H1N1 Virus Infection

1. **MR AMBROSE LAU** (in Chinese): *Madam President, it is learnt that there were 656 confirmed cases of Influenza H1N1 virus infection last year, representing a sharp increase over the ten cases recorded in the preceding year. In December last year, a six-year-old child even died of complications developed from the virus infection. In this regard, will the Government inform this Council:*

- (a) *of the reasons for the upsurge in these cases last year;*
- (b) *of the measures in place to stop the spread of this type of influenza;  
and*
- (c) *whether it will consider inoculating all children in the territory against the influenza concerned; if so, of the timing for that; if not, the reasons for that?*

**SECRETARY FOR HEALTH AND WELFARE** (in Chinese): Madam President, the Department of Health (DH) maintains a sentinel surveillance system, comprising 64 public and 45 private clinics, to monitor the trend of influenza-like illnesses in Hong Kong. The doctors participating in the surveillance collect specimens from suspected cases and deliver them to the DH for virus isolation. In addition to these, the DH also receives specimens from public hospitals and private laboratories for testing. Among the 15 055 specimens collected in 2000, the number of positive isolates due to A H1N1 virus was 658.



- (a) Influenza is an acute respiratory illness caused by influenza viruses types A, B and C. The viruses have the ability to mutate and seasonal outbreaks of influenza illness may occur because of the circulation of new strains resulting from changes in the influenza viral antigens. In Hong Kong, the influenza viruses are endemic throughout the year, most commonly around January to March. The main circulating virus subtypes are A H3N2, A H1N1 and B. In 1999, the majority of the influenza illness were caused by the Sydney strain of influenza A H3N2 virus.

The New Caledonia flu virus, a strain of influenza A H1N1 virus, was first reported in New Caledonia in the Southern Pacific during June 1999 and started circulating in Hong Kong in end 1999. While influenza A H1N1 virus has been circulating in Hong Kong since 1977, this New Caledonic strain was new, and the population generally lacked immunity against the virus. Hence, a greater number of people contracted the A H1N1 virus in 2000.

- (b) Through the disease surveillance system, the DH is able to keep abreast of the local influenza activities and take prompt preventive or control actions, where necessary. In practice, the best protection against influenza is to improve one's body resistance. This can be achieved through adequate rest, balanced diet, regular exercise and reducing stress. It is also important to refrain from smoking, to maintain good ventilation at place of work and at home, to avoid visiting crowded places with poor ventilation, to observe good personal hygiene and to wash hands after sneezing, coughing or clearing the nose. The DH has been delivering these health messages to the public through various educational and promotional programmes to encourage individuals to take good care of their health to protect themselves against influenza.
- (c) The World Health Organization has recommended that the primary objective for the prevention of influenza through immunization is to reduce the incidence of severe illness in groups at increased risk of severe disease such as elderly in residential homes. As the majority of influenza infections occur in young people, prevention of influenza with currently available vaccine cannot be expected to effectively prevent outbreaks in such population. In view of this,

the Advisory Committee on Immunization does not recommend immunization of all children in Hong Kong against influenza at present. The DH will closely monitor the activity of the disease locally and learn from the experience of other countries to review the influenza immunization programme regularly.

### **Constructing a Cross-harbour Bridge Connecting Zhuhai and Hong Kong**

2. **MR HUI CHEUNG-CHING** (in Chinese): *Madam President, regarding the project to construct a cross-harbour bridge connecting Zhuhai and Hong Kong, will the Government inform this Council:*

- (a) *of the number of discussions held over the past three years between the Government of the Hong Kong Special Administrative Region (SAR) and the mainland authorities concerning the above project; the contents and progress of the discussions, and the reasons for the project not being finalized yet;*
- (b) *whether the business sectors in the territory and the Mainland support the project; and*
- (c) *whether it has considered other infrastructure projects for connecting Hong Kong and Zhuhai; if it has, of the details of its consideration; if not, the reasons for that?*

**SECRETARY FOR PLANNING AND LANDS** (in Chinese): Madam President,

- (a) Over the past three years, the SAR Government and the mainland authorities have discussed, on more than 10 occasions, about constructing new cross-boundary links, including the proposed construction of a cross-harbour bridge (also known as the Lingdingyang Bridge) connecting Zhuhai and Hong Kong.

We commissioned a consultant to undertake a "Feasibility Study for Additional Cross-border Links" in 1997 to assess the future growth of cross-boundary traffic between the Mainland and Hong Kong and

also the need to construct any new cross-boundary links. The result indicated that the majority of the cross-boundary traffic in the coming two decades would be between the SAR and areas to the east of the Pearl River. The consultant, therefore, recommended that the Shenzhen Western Corridor connecting Hong Kong and Shenzhen should be constructed first and estimated that the new crossing together with the three existing cross-boundary links could cope with cross-boundary traffic demand up to 2020. As to the Lingdingyang Bridge, the Study concluded that its geographical location is conducive to the long-term economic development of the western parts of the Pearl River Delta. Hence, the Lingdingyang Bridge proposal could be considered in our longer-term planning.

- (b) As the Lingdingyang Bridge will be a long-term planning proposal, we have not consulted the local business sectors on the development proposal, nor have we received any views from the business sectors in the Mainland.
- (c) The Government is now conducting a "Hong Kong 2030: Planning Vision and Strategy" study, the scope of which will include an assessment of the need for developing more cross-boundary infrastructure in the long run. In this regard, we will exchange our views with the relevant mainland authorities during the course of the study.

### **Relocation of Cargo Working Areas on Both Sides of Victoria Harbour**

3. **MR NG LEUNG-SING** (in Chinese): *Madam President, it has been reported that the Administration plans to relocate the cargo working areas on both sides of the Victoria Harbour. In this connection, will the Government inform this Council:*

- (a) *of the cargo working areas that it has decided to relocate and the details of the relocation, including the timetable, the locations of the new sites and the future use of the vacated sites;*
- (b) *whether it has assessed the impacts of the relocation of cargo working areas on the transport industry; if so, of the results of the assessment; if not, the reasons for that;*

- (c) *whether it has consulted the transport sector and other affected parties before making the decision to relocate the cargo working areas; if so, of the outcome of the consultation; if not, the reasons for that; and*
- (d) *of the other cargo working areas being considered for relocation?*

**SECRETARY FOR PLANNING AND LANDS** (in Chinese): Madam President,

- (a) and (d)

The Government has notified the operators of Wan Chai Public Cargo Working Area, which would be affected by the Wan Chai Reclamation Phase II, of its relocation. The aim of the project is to provide land for the construction of the Central-Wanchai Bypass, the waterfront promenade and open space. Initially, the vacated site will be used as a temporary replacement for the helicopter landing pad at Tamar, Central. We estimate that Wan Chai Public Cargo Working Area will be relocated in 2002. This timing has been reflected in the duration of the tenancy of the cargo working areas.

The Government has also notified the operators of the cargo working areas in Kwun Tong and Cha Kwo Ling that the cargo working areas would be relocated in connection with the South East Kowloon Development project. The land to be vacated will be mainly used for the construction of Trunk Road T2 and open space. It is expected that the two cargo working areas will be relocated in or after 2005. Therefore, the operators are not required to move out before their existing tenancies expire.

In addition, the Government has notified the operators of the cargo working area in Kennedy Town that they would be affected by the Western District Development Strategy (WDDS). The land produced by the proposed reclamation under the WDDS would be used for housing, open space and infrastructure developments. As the WDDS has not been finalized and would be amended subject to

public views, the operators of Kennedy Town Cargo Working Area are not required to move out prior to the expiry of their existing tenancies.

- (b) Our port plays a very important role in supporting Hong Kong's economic activities and creates ample job opportunities. To maintain Hong Kong's role as a major port, we must provide sufficient port facilities to cope with the demand of economic and trade activities. Public cargo working areas, which provide services complementary to those of container terminals, mid-stream terminals and river trade terminals, play a role in the transshipment of port cargo and facilitate river trade cargo movements along the Pearl River Delta.

The public cargo working areas provide services for both the mid-stream operation and the river trade and handle about 10% of the cargo throughput of Hong Kong. The Government would take into account of the needs and requirements of all the parties concerned before finalizing the development plan for the waterfront areas of the Victoria Harbour.

- (c) When considering the above development plans and strategies, the Government has conducted extensive public consultation, which includes providing related information to and holding open forums for various sectors and the affected parties. The Government would continue to discuss the relocation arrangements with the affected operators of the public cargo working areas.

### **Appointment of Principal Officials from Outside the Civil Service**

4. **MISS CYD HO** (in Chinese): *Madam President, regarding the appointment of principal officials from outside the civil service, will the Government inform this Council whether:*

- (a) *their employment contracts impose restrictions on the commercial and political activities that they undertake within and outside Hong Kong after their departure from office; if so, of the details; if not, the reasons for that; and*

- (b) *it will make public all the terms and conditions of the employment contracts and whether the appointees have passed the integrity checking; if so, of the form in which they will be made public; if not, the reasons for that?*

**SECRETARY FOR THE CIVIL SERVICE** (in Chinese): Madam President, the appointment of principal officials is governed by Article 48(5) of the Basic Law. Principal officials are nominated by the Chief Executive and reported to the Central People's Government for appointment.

At present, the appointment procedures and terms of appointment of all the principal officials are in accordance with the provisions and arrangements applicable to civil servants in general. The answers to the specific questions are as follows:

- (a) Since 1997, the Government has specified in the agreement terms for civil servants at D3 and above of the Directorate Pay Scale that they will be required to seek prior approval from the Government within one year after completion of their agreements, before taking up any outside employment or engaging in any business the principal part of which is carried on in Hong Kong. Besides, civil servants will continue to be subject to the Official Secrets Ordinance after leaving the service. On the other hand, it is the individual right of civil servants after leaving service to participate in political activities, which is not restrained by their previous appointment terms as civil servants. The above provisions are equally applicable to principal officials who are appointed on civil service agreement terms.
- (b) The agreement and integrity checking information of individual officers are their personal data which we could not disclose. The terms of appointment and conditions of service applicable to civil servants in general are open information, and are specified in Civil Service Regulations and relevant Civil Service Bureau circulars. These terms include pay, fringe benefits (for example, leave, leave passage, medical and dental benefits, housing benefits, retirement

benefits or end-of-agreement gratuity, and so on), and other appointment terms (for example, working hours and provisions on conduct and discipline, resignation, termination of appointment, resolution of agreement by mutual consent, further appointment, and requirement to seek permission to engage in business or take up outside employment after leave service, and so on). Integrity checking is part of the current appointment procedures for civil servants, and is equally applicable to principal officials.

### **Deployment of Artificial Reefs in Hong Kong Waters**

5. **MR ALBERT CHAN** (in Chinese): *Madam President, regarding the deployment of artificial reefs in Hong Kong waters to enhance fishery stocks so as to help improve the livelihood of local fishermen, will the Government inform this Council:*

- (a) of the existing locations in Hong Kong waters where artificial reefs have been deployed;*
- (b) whether it has evaluated the effectiveness of artificial reefs in enhancing marine ecology and fisheries resources;*
- (c) of the details of the future artificial reef deployment programme; and*
- (d) of the other measures for enhancing fisheries resources in Hong Kong waters?*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Chinese):  
Madam President,

- (a) The existing locations where artificial reefs have been placed are Hoi Ha Wan Marine Park, Yan Chau Tong Marine Park, Sha Chau and Lung Kwu Chau Marine Park, and Chek Lap Kok Airport Marine Exclusion Zone.

- (b) The Agriculture, Fisheries and Conservation Department (AFCD) has monitored and assessed the effectiveness of artificial reefs through various means. These include conducting underwater fish surveys on the species and the number of fish on and around artificial reefs, benthic colonization studies (that is, assessments of invertebrates which colonize on the surface of artificial reefs), fish catch studies and computer modeling analyses. The information collated so far indicates that artificial reefs are very effective in protecting fisheries spawning and nursery areas and enhancing fisheries resources. The AFCD has found that over 135 species of fish, including many high valued species such as Coral Trout and Green Wrasse, are using the reefs for feeding, shelter and as nursery areas.
- (c) The AFCD plans to place artificial reefs in Port Shelter and Long Harbour within this year. In accordance with the Foreshore and Seabed (Reclamations) Ordinance (Cap. 127), the plans were published in the Gazette in November and December 2000 respectively for public inspection.
- (d) The AFCD is now working out other measures to enhance fisheries resources in Hong Kong waters, which include the introduction of a fishing licensing scheme and the designation of fisheries protection areas in the waters of Tolo and Port Shelter. Moreover, the AFCD has released fish fry on a trial basis in the artificial reef areas to enhance fisheries stock. The AFCD also takes enforcement actions against destructive fishing practices under the Fisheries Protection Ordinance (Cap. 171).

### **Arrangements for Former Holder of Office of Chief Executive after Departure from Office**

6. **MISS CYD HO** (in Chinese): *Madam President, regarding the restriction of the activities undertaken by as well as the provision of retirement protection for a former holder of the office of Chief Executive after his departure from office, will the Government inform this Council whether:*



- (a) *existing legislation imposes restrictions on the commercial or political activities that are undertaken by a former holder of the office of Chief Executive within or outside Hong Kong after his departure from office; if so, of the details; if not, whether it will conduct public consultation and enact relevant legislation in this respect; if legislation will be enacted, of the legislative timetable; if legislation will not be enacted, the reasons for that; and*
- (b) *it will set up for the office of Chief Executive a retirement protection scheme which provides different terms of protection according to different reasons for departure from office, such as completion of term of office, health problem or upon impeachment; if so, of the details?*

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in Chinese): Madam President, there is at present no legislation in Hong Kong which imposes restrictions on the commercial or political activities that are undertaken by a former holder of the office of Chief Executive within or outside Hong Kong after his departure from office. We will consider the matter. We will also study whether there is a need to set up retirement protection arrangements for the office of Chief Executive.

### **Facilities for the Disabled in Public Places**

7. **DR RAYMOND HO** (in Chinese): *Madam President, in view of a disabled group's complaints about the acute shortage of facilities for the disabled in public places, will the Government inform this Council:*

- (a) *of the total number of such complaints received in the past three years and how these were followed up by the Equal Opportunities Commission (EOC);*
- (b) *of the specific plans to address the present lack of facilities for the disabled in public places; and*
- (c) *whether, in planning infrastructural projects, resources will be allocated for the provision of sufficient facilities for the disabled; if so, of the details?*

**SECRETARY FOR HEALTH AND WELFARE** (in Chinese): Madam President,

- (a) Since the Disability Discrimination Ordinance came into full operation in December 1996, the EOC has received, up to 31 January 2001, 95 complaints concerning access to public places.

On receiving an officially lodged complaint, the EOC will investigate the matter. If the complaint is found to have substance, the EOC would endeavour to conciliate between the two parties concerned to effect a settlement. If the case is not successfully conciliated and the complainant wishes to initiate legal proceedings, he/she can apply to the EOC for legal assistance.

The status of the above complaints is as follows:

under investigation	17
investigation discontinued	17
successful conciliation	47
unsuccessful conciliation	14
Total	95

- (b) We are aware of the special needs of people with disabilities, and are committed to promoting the development of a barrier-free physical environment.

Current planning and design standards ensure that all new footbridges, elevated walkways and subways are provided with ramps or lifts to facilitate access by the disabled. Drop kerbs and audible signals are also provided, wherever practicable, at pedestrian crossings. We are retrofitting drop kerbs at existing pedestrian crossings and opportunities are taken to retrofit them during road maintenance works. A trial scheme on provision of tactile guide paths is being carried out at locations suggested by disabled groups. We are also conducting a study to examine the technical feasibility of retrofitting facilities for people with disabilities at existing footbridges and subways.

As regards buildings, the Buildings Ordinance requires mandatory provision of barrier-free access and other facilities in buildings for people with disabilities, details of which are laid down in a Design Manual. Examples of the mandatory requirements include wheelchair spaces in public auditoria, toilet and water closet cubicles for the disabled, induction loop system for hearing impaired persons, tactile warning strips at both top and bottom ends of staircases for visually impaired persons, and so on. All new buildings should be designed to comply with the Design Manual. Existing private buildings, when undergoing substantial alteration, are also required to provide the requisite facilities in accordance with the Manual.

The Government regularly liaises with disabled groups to discuss measures to improve access. The Sub-committee for Access under the Rehabilitation Advisory Committee, as well as the Working Group on Access to Public Transport by Disabled Persons, provide such fora. We will continue to work with disabled groups to establish a barrier-free environment.

- (c) In planning public infrastructure projects, access facilities for people with disabilities are integrated with all the other requirements of the projects. As such, resources will be included in these infrastructural projects for the provision of access facilities for the disabled.

### **Refurbishment of Vacated PRH Units**

8. **MR FRED LI** (in Chinese): *Madam President, concerning refurbishment works carried out by the Housing Department in vacated public rental housing (PRH) units before allocating them to tenants, will the Government inform this Council whether:*

- (a) *all old PRH units are refurbished before they are allocated to tenants; if not, of the number of units allocated to tenants without refurbishment in the past three years, and the reasons for that;*

- (b) *PRH units are handed over to tenants before refurbishment works in them have been completed; if so, of their number in the past three years; and*
- (c) *after the tenants have moved into the PRH units for which refurbishment works have not started or completed, it will complete the outstanding refurbishment works for such units; if not, of the reasons for that?*

**SECRETARY FOR HOUSING** (in Chinese): Madam President, in principle, all vacant flats are refurbished before they are allocated to tenants. Since October 1998, for flats which require only minor touching up, prospective tenants are offered, as an alternative, a Vacant Flat Refurbishment Allowance equivalent to three months rentals to engage their own contractors to carry out simple decoration work as they see fit. A total of 950 flats were allocated to tenants under this arrangement in the past three years.

Some flats designated under the Comprehensive Redevelopment Programme are let to tenants for a short period so as to address their special circumstances such as medical needs or overcrowding relief. Because such flats are due for demolition within three years, they are handed over to tenants after the necessary repairs but are not further refurbished. In the past three years, a total of 747 such flats have been allocated.

A breakdown of the number of public rental units allocated to tenants without refurbishment in the past three years is as follows:

	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>	<i>Total</i>
Flats allocated with				
Vacant Flat	24	284	642	950
Refurbishment Allowance	(from October 1998)		(up to 1 March 2001)	
Flats under				
Comprehensive	457	192	98	747
Redevelopment Programme			(up to 31 January 2001)	

The Housing Department does not hand over rental flats to tenants before the necessary refurbishment works have been completed. No refurbishment works should be outstanding when tenants move into the flats.

### **Emergence of Drug-resistant Bacteria Due to Overuse of Antibiotics**

9. **MISS EMILY LAU** (in Chinese): *Madam President, regarding the emergence of drug-resistant bacteria as a result of the overuse of antibiotics, will the executive authorities inform this Council:*

- (a) *whether incidence of diseases caused by drug-resistant bacteria infection is higher in Hong Kong than in advanced countries in America and Europe; if so, of the causes for that;*
- (b) *of the number of deaths caused by drug-resistant bacteria infection or associated complications in the past five years; and*
- (c) *of the measures to ensure that medical practitioners do not prescribe antibiotics casually, pharmacies sell antibiotics only upon the production of a medical practitioner's prescription, and members of the public do not take antibiotics indiscriminately?*

**SECRETARY FOR HEALTH AND WELFARE** (in Chinese): Madam President,

- (a) Different bacteria have intrinsically different biological characteristics and have different patterns of sensitivity to various antibiotics. Therefore, while a specific type of bacterium may be resistant to a particular type of antibiotics, the attending doctor can resort to the use of other antibiotics, based on, where necessary, bacterial culture and sensitivity tests, to treat the bacterial infections concerned.

Antibiotics resistance can be attributed to many factors, including the introduction from outside sources, selection or mutation in the presence of antibiotic. Furthermore, patients who undergo invasive diagnostic and therapeutic procedures, require ventilation

support, or having prolonged hospitalization are more prone to infections due to these antibiotic resistant organisms. According to published data, different antibiotic resistant bacteria are predominant in different geographical areas. For example, in Hong Kong, 30% to 50% of *S.aureus* were resistant to methicillin. This is comparable to the level in the United States (30% to 50%) and some European countries (>30%) but higher than Scandinavian countries (<1%). As regards vancomycin-resistant enterococci, the resistance rate is 13% in the United States but we have recorded only sporadic cases in Hong Kong. However, due to differences in prevailing conditions, environments and factors, methodological differences in the studies and the need for standardization of the populations studied, there are serious limitations in making comparisons of the trends among different places of the world. Nevertheless, experiences indicate that the incidence of diseases caused by selected antibiotic resistant bacterial infections in Hong Kong is, by and large, generally comparable to those in advanced countries in America and Europe.

- (b) As explained in (a), many patients can be infected with drug-resistant bacteria. As such, neither the Hospital Authority (HA) nor the Department of Health (DH) routinely collates detailed information on the number of deaths associated with drug-resistant bacterial infections or their associated complications. Instead as explained in (c), they maintain surveillance systems to monitor trends of bacterial sensitivity and resistance to antibiotics.
- (c) Concerted efforts by the medical profession, the pharmaceutical industry and the public are essential for containing the spread of antibiotic resistance.

For the medical profession, prudent use of antibiotics is part of good clinical practice and is advocated through basic and continuous medical education and training. The DH maintains a sentinel surveillance system to monitor the trend of antibiotics resistance in the community setting. Information obtained is disseminated to all doctors through the Department's Public Health and Epidemiology Bulletin. On the other hand, the HA conducts regular antibiotic sensitivity tests to alert clinicians of the trends of bacterial resistance

in the hospital setting, and the results are widely circulated to assist attending doctors in their choice of antibiotics for their patients. The DH, the HA and private hospitals have set up Infection Control Committees to advise on measures to minimize risk of infection transmission within the clinical or hospital setting and to provide guidance on antibiotics resistance.

To control the sale of antibiotics, the Antibiotics Ordinance (Cap. 137) requires such sale to be supported by prescription. The DH carries out inspections and test purchase in dispensaries to uncover any illegal sale. Offenders will be prosecuted.

To educate the public in this subject, the Central Health Education Unit and the Pharmaceutical Service of the DH regularly promote the safe use of antibiotics through health education pamphlets and the 24-hour telephone information system, with emphasis on the importance of compliance with doctors' instructions and advising the public not to use antibiotics indiscriminately.

To further enhance efforts in controlling the trends of bacterial antibiotic resistance including the prevention of antibiotics misuse, the Administration is in the process of setting up a multi-disciplinary task force to review the trends of bacterial antibiotic resistance and recommend any additional measures for its control, including the collation and dissemination of relevant data, conducting further studies, recommending clinical practice guidelines and stepping up public educational measures.

## **Management of Penal Institutions**

10. **MR LAU KONG-WAH** (in Chinese): *Madam President, regarding the Correctional Services Department's (CSD) administration of its penal institutions, will the Government inform this Council:*

- (a) *of the number of cases in which prisoners or inmates breached the Prison Rules (Cap. 234 sub. leg.) or other rules enforced by the penal institutions in each of these institutions in the past year, together with a breakdown of such cases by the rules breached;*

- (b) *of the ratio between male and female prisoners or inmates in each of those penal institutions which accommodate both male and female prisoners or inmates, and the details of the administrative measures adopted for separating male and female prisoners or inmates;*
- (c) *how the maximum, medium and minimum security penal institutions compare with each other in terms of security facilities, administration, accommodation density and the manning scale of CSD officers, and so on; and*
- (d) *of the criteria adopted for determining which penal institution of a particular security level should be used for imprisoning each sentenced person, and the details of these criteria, such as the length of sentence and the offences on which they were convicted?*

**SECRETARY FOR SECURITY** (in Chinese): Madam President,

- (a) The various offences against prison discipline are set out in section 61 of the Prison Rules (Cap. 234 sub. leg.) (see Appendix A). In 2000, the CSD recorded a total of 7 219 cases of offences against discipline by prisoners. A detailed breakdown is at Appendix B.
- (b) Institutions which accommodate both male and female prisoners are the Siu Lam Psychiatric Centre and the Victoria Prison. As at 21 February 2001, the male and female population of the two institutions are as follows:

	<i>Siu Lam Psychiatric Centre</i>		<i>Victoria Prison</i>	
	<i>male</i>	<i>female</i>	<i>male</i>	<i>female</i>
Prisoners	215	17	65	155
Detainees	-	-	123	63
Total	215	17	188	218



Under section 8 of the Prison Ordinance, in a prison used for both men and women separate buildings or parts of a building shall be used for the men and for the women respectively so as to prevent the one from seeing or communicating with the other. Under rule 5A of the Prison Rules, no officer of the CSD or other person employed in a prison shall enter a cell or dormitory allocated to a prisoner of the opposite sex unless accompanied by another officer or other person employed in the prison who is of the same sex as the prisoner to whom the cell or dormitory is allocated. Under rule 6 of the Prison Rules, the keys of the premises allocated to women shall be under the control of female officers. Under rule 7 of the Prison Rules, female prisoners shall in all cases be attended by female officers, and a male officer shall not enter a prison or part of a prison appropriated for the use of female prisoners except on duty and in the company of a female officer. Male and female prisoners in the above two institutions are separated and managed in accordance with the relevant legal provisions.

- (c) Penal institutions are divided into three security levels, namely, maximum, medium and minimum, to accommodate different categories of prisoners.

The security measures of the maximum security institutions are the tightest, whereas those of the minimum security institutions are the least stringent. In respect of institution design, all the maximum security institutions are built with high perimeter walls and observation towers, and installed with closed-circuit television systems to monitor the main areas of the institutions such as workshops, dining halls, main passages, sterile areas and so on. Double perimeter fences are installed in the medium security institutions and a sterile area is delineated in between the fences. The minimum security institutions are generally only installed with a single layer of perimeter fences.

Because of the special security requirements, the maximum security institutions are manned by more staff for escort and supervision duties as well as for the carrying out of the necessary management measures. The average ratio of staff to prisoners is 1:1.4, higher than that of other institutions which is 1:2.5.

As far as the daily routine of prisoners is concerned, all prisoners of the maximum security institutions can only work inside the institutions. Outside work, such as duties at Government laundries or for local environmental improvement projects, is only assigned to prisoners of Category D selected from the medium and minimum security institutions (see below).

As for accommodation, prisoners in the maximum security institutions are mainly accommodated in independent cells (with toilet and other facilities) with a planning standard of 7 sq m each, while prisoners on other institutions are accommodated in dormitories of different sizes with a planning standard of 4.6 sq m for each person.

- (d) The CSD will determine the security category of a prisoner upon admission taking into account the nature of the offence committed, the term of imprisonment, personal background (for example, previous records of escape), and so on. The security categories are divided into A, B, C and D. The institution management will review, and revise as appropriate, the category assigned to each prisoner on a regular basis, taking into consideration the prisoner's institutional behaviour and his or her term already served.

In general, prisoners sentenced to more than 12 years of imprisonment will first be classified as Category A and have to serve their sentences in a maximum security institution. Prisoners sentenced to five to 12 years of imprisonment are generally classified as Category B and will be assigned to a maximum or medium security institution.

Prisoners whose sentences are less than five years will mostly be classified as Category C or D, depending on their suitability for outside work. Most of the prisoners of Category C will be assigned to a medium or minimum security institution, while prisoners of Category D will mainly serve their sentences in a minimum security institution.

## Appendix A

*Prison Rules (Cap. 234 sub. leg.)*

## 61. Offences against prison discipline

Every prisoner shall be guilty of an offence against prison discipline if he -

- (a) disobeys any order of the Superintendent or of any other officer of the Correctional Services Department, or any prison rules or other regulations or any directive issued from time to time by the Commissioner that are applicable to him; (L.N. 30 of 1982; L.N. 275 of 1997)
- (b) treats with disrespect any officer of the Correctional Services Department, or any person authorized to visit the prison; (L.N. 30 of 1982)
- (c) is idle or negligent at work, or refuses to work; (L.N. 275 of 1997)
- (d) uses threatening, abusive or insulting words or behaves in a manner that expresses a threat, abuse or an insult; (L.N. 275 of 1997)
- (f) commits any assault;
- (g) communicates with another prisoner for an improper purpose or when prohibited from doing so in the interests of the discipline of the prison; (L.N. 275 of 1997)
- (h) leaves his cell or dormitory or place of work or other appointed place without permission; (L.N. 353 of 1981)
- (i) without reasonable excuse, disfigures or damages any part of the prison or any property which is not his own; (L.N. 275 of 1997)

- (k) has in his possession -
  - (i) any article that he is not authorized to have; or
  - (ii) a greater quantity of any article than that he is authorized to have; (L.N. 275 of 1997)
- (l) without authority gives to or receives from any person any article;
- (p) in any way offends good order and discipline;
- (r) wilfully feigns or endeavours to cause illness or wilfully obstructs cure;
- (s) makes false and malicious allegations against an officer of the Correctional Services Department; (L.N. 30 of 1982)
- (u) loses or, without reasonable excuse, damages or destroys any Government property; (G.N.A. 68 of 1961; L.N. 275 of 1997)
- (v) is found to have, without reasonable excuse, traces of a dangerous drug within the meaning of the Dangerous Drugs Ordinance (Cap. 134) in a sample of his urine; (L.N. 353 of 1981)
- (x) fights with any person; (L.N. 275 of 1997)
- (y) obstructs an officer of the Correctional Services Department in the execution of his duty; (L.N. 275 of 1997)
- (z) with respect to any of the other offences enumerated in this rule -
  - (i) attempts to commit;
  - (ii) incites another person to commit; or
  - (iii) assists another person in committing or attempting to commit such an offence. (L.N. 275 of 1997)

Appendix B

二零零零年按院所劃分的違紀個案宗數  
No. of Disciplinary Offences by Institutions for the year 2000

監獄規則 Prison Rules	S	LCKRC	SPP	PUCI	VP	MPP	TFC	LSCI	TLCI	PUP	MHP	TTCI	HLIC	CCCI	LKTC	STDC	SLPC	TLCW	TGCI	HLCI	LWCI	CMWCI	CTC	PSWCI	合計 TOTAL
61(a)	748	65	166	55	2	173	82	40	224	56	1	45	45	2	1	0	10	0	0	189	6	3	3	3	1969
61(b)	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	2	1	0	6
61(c)	34	3	8	4	0	5	6	6	23	17	1	8	2	0	0	0	0	2	1	4	0	1	1	1	128
61(d)	80	164	22	45	4	33	12	6	64	26	4	4	13	1	10	0	11	11	7	41	2	8	6	14	588
61(f)	171	101	31	71	2	22	16	18	22	35	1	22	42	30	40	1	19	13	8	25	9	2	8	37	746
61(g)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	2	0	3
61(h)	2	0	0	6	0	5	2	1	10	0	2	1	15	1	3	0	0	2	0	1	0	0	0	0	51
61(i)	5	32	29	72	1	101	26	2	0	47	0	18	9	6	0	0	2	2	0	3	10	3	1	1	370
61(k)	142	25	54	67	1	102	26	17	100	52	6	37	13	15	13	2	4	9	1	40	14	5	10	26	781
61(l)	5	8	0	6	1	6	4	0	4	0	12	3	0	0	0	0	2	8	1	0	0	8	6	2	76
61(p)	196	170	43	95	4	119	51	16	80	57	5	48	95	17	18	4	21	28	4	99	33	19	40	94	1356
61(r)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	2
61(s)	1	1	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	4
61(u)	23	14	2	11	0	26	25	0	2	22	0	3	1	1	0	2	1	2	2	6	0	5	2	8	158
61(v)	3	22	0	6	0	3	1	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0	0	1	39
61(x)	110	136	48	120	3	47	35	32	62	78	0	17	33	8	7	0	24	22	7	71	4	10	18	24	916
61(y)	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4
61(z)	5	8	0	3	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	5	0	0	0	0	22
合計TOTAL	1529	751	403	561	18	642	286	138	592	390	32	206	268	81	93	10	94	102	31	487	79	66	98	262	7219

註 Remarks

S	- 赤柱監獄	Stanley Prison	TFC	- 禧福中心	Tong Fuk Centre	HLTC	- 嘉喜洲戒毒所	Hei Ling Chau Addiction Treatment Centre	TGCI	- 大潭峽懲教所	Tai Tam Gap Correctional Institution
LCKRC	- 荔枝角收押所	Lai Chi Kok Reception Centre	LSCI	- 勵新懲教所	Lai Sun Correctional Institution	CCCI	- 敬連臣丹懲教所	Cape Collinson Correctional Institution	HLCI	- 喜靈洲懲教所	Hei Ling Chau Correctional Institution
SPP	- 石壁監獄	Shek Pik Prison	TLCI	- 大欄懲教所	Tai Lam Correctional Institution	LKTC	- 勵教教導所	Lai King Training Centre	LWCI	- 羅湖懲教所	Lo Wu Correctional Institution
PUCI	- 壁屋懲教所	Pik Uk Correctional Institution	PUP	- 壁屋監獄	Pik Uk Prison	STDC	- 沙理勞教中心	Sha Tsui Detention Centre	CMWCI	- 芝蔴灣懲教所	Chi Ma Wan Correctional Institution
VP	- 域多利監獄	Victoria Prison	MHP	- 馬坑監獄	Ma Hang Prison	SLPC	- 小龍精神治療中心	Siu Lam Psychiatric Centre	CTC	- 芝蔴灣戒毒所	Chi Ma Wan Addiction Treatment Centre
MPP	- 蘇埔坪監獄	Ma Po Ping Prison	TTCI	- 東頭懲教所	Tung Tau Correctional Institution	TLCW	- 大龍女懲教所	Tai Lam Centre for Women	PSWCI	- 白沙灣懲教所	Pak Sha Wan Correctional Institution

**Disposable Environmentally-friendly Food Containers**

11. **MR AMBROSE LAU** (in Chinese): *Madam President, regarding disposable environmentally-friendly food containers, will the Government inform this Council:*

- (a) of the number of suppliers of these food containers;*
- (b) of the estimated share taken up by these food containers in the overall market of disposable food containers;*
- (c) of the measures to prevent the public from being misled into buying "environmentally-friendly" food containers which are actually not conforming to environmental protection principles or standards; and*
- (d) whether it will consider enacting legislation to stipulate that food containers must conform to the relevant environmental protection and food safety standards before their suppliers can make such claims; if not, of the reasons for that?*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Chinese):  
Madam President,

- (a) We do not have statistics on the number of suppliers of disposable environmentally-friendly food containers. However, the Environmental Protection Department (EPD) estimates that there are about 10 suppliers of such products.
- (b) We do not have statistics on the market share of these food containers.
- (c) The EPD issued in December last year a "Testing Guideline on the Degradability and Food Safety of Containers and Bags". The Testing Guideline addresses three major aspects — food safety, degradability and physical performance. The EPD will register and list out on its website products that pass the tests for public information. The EPD will regularly monitor the performance of those registered products to ensure their continual compliance with

the Testing Guideline. We expect that the first batch of registered products could be announced by late 2001.

- (d) The above-mentioned Testing Guideline has set out the testing criteria in respect of degradability and food safety for food containers. The EPD will list out products that pass the tests for public information, and will encourage government departments and major catering companies to require suppliers to test their food containers.

The Public Health and Municipal Services Ordinance (Cap. 132) stipulates that all food for sale in Hong Kong must be fit for human consumption. The Food and Environmental Hygiene Department regularly collects food samples for testing. If it discovers any food items unfit for human consumption, whether or not they are caused by deficiencies in the containers, it will take appropriate enforcement actions, such as removing the food items or the containers, or prosecuting the vendors. The Consumer Goods Safety Ordinance (Cap. 456), which stipulates general safety requirements for consumer goods, also covers food containers.

We believe the above measures can ensure that food containers in the market meet environmental and food safety standards. Hence, we have no plan to introduce legislative control for these food containers.

### **Reviewing the Powers of Hong Kong Association of Banks**

12. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, the Hong Kong Association of Banks Ordinance (Cap. 364) empowers the Hong Kong Association of Banks (HKAB) to make rules pertaining to the conduct of banking business for banks to abide by. Since the deregulation of the remaining rules of the Rules on Interest Rates and Deposit Charges has been scheduled for July this year, will the Government inform this Council whether it plans to introduce amendments to the Ordinance to repeal the following powers of HKAB:*

- (a) *to set the maximum interest rates on Hong Kong dollar deposits; and*

- (b) *to make rules pertaining to the minimum commissions and charges to be applied to other banking business;*

*if so, of the details; if not, the reasons for that?*

**SECRETARY FOR FINANCIAL SERVICES** (in Chinese): Madam President,

- (a) Assuming that the remaining interest rate rules covering savings and current accounts under the "Rule on Interest Rates and Deposit Charges" will be removed in July 2001, the Committee of the HKAB will, after consultation with the Financial Secretary, abolish the "Rules on Interest Rates and Deposit Charges". The Government also intends to conduct a review of the role of the HKAB in the light of latest developments in the banking industry. The review will include an examination of the rule-making power of the HKAB and whether there is any need to amend the Hong Kong Association of Banks Ordinance.
- (b) Apart from the power to specify interest rate ceilings on deposit rates, the Hong Kong Association of Banks Ordinance also empowers the HKAB to make rules on the minimum commissions and charges to be applied by banks in respect of other banking businesses such as foreign exchange, securities and safe custody business and the issuance of guarantees or other documents. The HKAB has ceased to prescribe minimum commissions and charges for such businesses since August 1995. The relevant rules have been turned into non-mandatory guidelines. Accordingly, banks are free to quote their own tariff for these services. This aspect of the rule-making power of the Committee of the HKAB will also be covered in the general review of the role of the HKAB as mentioned in part (a) above.

### **Protection of Rights and Benefits of Ethnic Minorities**

13. **MR ALBERT CHAN** (in Chinese): *Madam President, regarding the protection of the rights and benefits of ethnic minorities, will the Government inform this Council of:*



- (a) *the present population of ethnic minorities in Hong Kong; and*
- (b) *the policies and measures for protecting their rights and benefits, particularly in education, culture and employment?*

**SECRETARY FOR HOME AFFAIRS** (in Chinese): Madam President, taking the Honourable Member's questions seriatim:

- (a) Our recently published sample survey on the ethnic minorities (defined in this context as persons who are not ethnically Chinese) indicates that they total about 280 000 persons. This figure correlates well with language-based data from the 1996 Population By-Census. More accurate estimates will be obtained from the Population Census that will be conducted this month. The results of the Census will be released in phases from the latter part of 2001.
- (b) The ethnic minorities enjoy the same rights and protections — that are guaranteed in the Basic Law and the Hong Kong Bill of Rights (BOR) — as do all Hong Kong residents.

The Employment Ordinance, the Employees' Compensation Ordinance and other labour legislation extend to them the same protection on employment rights, benefits and welfare (including wage payment, rest days, holidays with pay, paid annual leave, sickness allowance, maternity protection, severance payment, long service payment, remedies for employment protection, protection against anti-union discrimination and so on) as they afford to local workers. There are also laws that provide for the protection of the occupational safety and health of workers irrespective of their ethnic origin such as the Factories and Industrial Undertakings Ordinance and the Occupational Safety and Health Ordinance. Additionally, the Government has introduced special measures to secure the rights of the minorities. These include a minimum allowable wage for foreign domestic helpers. There is a code of practice against discrimination in employment on the ground of race, and we have funded numerous educational initiatives — aimed at school children, employers and general public — with a view to the elimination of discriminatory attitudes. Among the initiatives to ensure that the

minorities are aware of their rights — and to help them to settle into Hong Kong — we have published a series of service handbooks ("Your Guide to Services in Hong Kong") in the languages of many minority communities. To date, we have published these in English, Hindi, Indonesian, Nepalese, Tagalog and Thai. A Sinhalese edition is in preparation.

Government is committed to providing nine-year free and universal basic education and a highly subsidized senior secondary education. Under existing policy, all eligible local children including those of the ethnic minorities may attend public sector schools in Hong Kong. In addition, we are conscious that some of the non-Chinese speaking children may not be able to adapt to the local education system initially. Block grants are provided to schools that admit non-Chinese speaking children so that the schools may provide support services for them. Members of the minorities who are permanent residents are entitled to apply for public housing and for social welfare benefits. And all persons in Hong Kong, regardless of their origin, are entitled to low-cost medical treatment in public hospitals.

Members of the minorities have full freedom to preserve and enjoy their own cultures. It is expressly provided for under Article 23 of the BOR that members of the ethnic minorities shall not be denied the right, in community with the other members of their group, to enjoy their own culture, to profess and practice their own religion, or to use their own language. As a matter of course, they have freedom of access to all cultural activities in the Hong Kong Special Administrative Region. The Leisure and Cultural Services Department and the Home Affairs Department have been working with consulates general to organize leisure and cultural events for and by ethnic minorities to promote cultural exchange.

### **Industrial Safety in Relation to Lift Shafts**

14. **DR RAYMOND HO** (in Chinese): *Madam President, in December last year, a worker died after falling down a lift shaft in a building under construction. Regarding industrial safety in relation to lift shafts, will the Government inform this Council:*

- (a) *of the respective numbers of industrial accidents in which workers fell down lift shafts and deaths resulting from such accidents in the past three years;*
- (b) *whether legislation is in place to regulate the safety of workers working on site near lift shafts; if so, of the details; if not, the reasons for that; and*
- (c) *of the duties in this respect of the safety officers employed by principal contractors?*

**SECRETARY FOR EDUCATION AND MANPOWER (in Chinese):**

- (a) During the three-year period from 1998 to 2000, the Labour Department recorded one fatal accident involving fall of a person into the lift shaft of the building under construction and another seven fatal accidents involving fall of persons into the hoistways of material hoists. In the accident referred to in the question of Dr the Honourable Raymond HO, the worker died after falling into the hoistway of a material hoist. The breakdown of the eight fatal accidents is given below:

Number of fatal accidents

<i>Type</i>	<i>Year</i>			<i>Total</i>
	<i>1998</i>	<i>1999</i>	<i>2000</i> <i>(provisional*)</i>	
Fall into lift shafts of building under construction	1	-	-	1
Fall into hoistways of material hoist	4	1	2	7

*\*Note:* The accident statistics for 2000 are provisional as some of the accidents that occurred towards the end of the year may not have been reported to the Labour Department yet.

However, for non-fatal accidents the Labour Department does not have separate breakdowns for accidents involving fall into lift shafts or hoistways of material hoist.

- (b) Safety at work on construction sites, including working at height, is mainly regulated by the Construction Sites (Safety) Regulations (CSSR) made under the Factories and Industrial Undertakings Ordinance (Cap. 59). Regulation 38A of the CSSR provides that the contractor responsible for a construction site shall ensure that every place on the site is, so far as reasonably practicable, made and kept safe for any person working there. Regulation 38B further requires the contractor to take adequate steps to prevent any person on the site from falling from a height of 2 m or more. In the context of working inside or near lift shafts or the hoistways of material hoists, "adequate steps" include the provision, use and maintenance of:

- (i) proper working platforms;
- (ii) suitable guard-rails, barriers, toe-boards, gates and fences; and
- (iii) coverings for openings.

If it is impracticable to comply with the above requirements, the contractor should provide his workers with suitable and adequate safety nets and safety belts. The CSSR also requires the contractor to take all reasonable steps to ensure the proper use of the safety belts by the persons to whom they are provided. Furthermore, every person working on a construction site who has been provided with a safety belt should wear it and keep it attached to a secure anchorage whenever the use of the belt is necessary for his own or any other person's safety.

In addition, the Commissioner for Labour issued a "Code of Practice for Safety at Work (Lift and Escalator)" in October 1997

under section 7A(1) of the Factories and Industrial Undertakings Ordinance (Cap. 59). This Code of Practice focuses on workers' safety and recommends safe practices for proprietors and contractors, and their employees engaged in lift and escalator works. Although failure to observe any provision of the Code of Practice is not itself an offence, that failure may be taken by a court in criminal proceedings as a relevant factor in determining whether a person has breached the relevant safety and health legislation.

- (c) The duties of a safety officer are set out in Regulation 15 of the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (extract is at Annex). Basically, a safety officer has to assist the contractor of a construction site in promoting the safety and health of persons employed therein including those working inside or near lift shafts or the hoistways of material hoists. Among other things, he has to
- (i) advise the contractor of the appropriate measures to be taken to prevent persons from falling from height and, with the approval of the contractor, implement such measures;
  - (ii) inspect the site, or direct a safety supervisor to inspect the site for the purpose of determining whether any work carried on inside or near lift shafts or the hoistways of material hoists is of such a nature as to be liable to cause risk of bodily injury to any person employed on the site;
  - (iii) report the findings of any inspection carried out under item (ii) to the contractor and recommend what measures, if any, ought to be taken as a result of that inspection; and
  - (iv) advise the contractor, in the interest of the safety and health of persons employed in the site, of any repairs or maintenance that ought to be carried out in respect of such work inside or near lift shafts or the hoistways of material hoists.

## [Subsidiary]

## [附屬法例]

- (a) if no appeal is made under regulation 12(1), on the expiry of the period of 28 days referred to in that regulation; or
- (b) if an appeal is made under regulation 12(1), on the confirmation of his decision by the Administrative Appeals Board.  
(6 of 1994 s. 39)

- (a) 如無人根據第 12(1) 條提出上訴，則在該條所提述的 28 天期間屆滿時；或
- (b) 如有人根據第 12(1) 條提出上訴，則在行政上訴委員會維持勞工處處長的決定時。

(1994 年第 6 號第 39 條)

## PART IV

## 第 IV 部

## EMPLOYMENT AND DUTIES OF SAFETY OFFICERS AND SAFETY SUPERVISORS

## 安全主任及安全督導員的僱用及職責

## 14. Employment of safety officer

## 14. 安全主任的僱用

(1) The proprietor of an industrial undertaking specified in the first column of paragraph 1 of the Fourth Schedule shall employ a person as a full time safety officer in the manner indicated opposite in the second column of paragraph 1 of the Fourth Schedule.

(1) 附表 4 第 1 欄所指明的工業經營的東主，須按附表 4 第 1 段第 2 欄相對處所顯示的方式僱用全職安全主任。

(2) A proprietor of an industrial undertaking shall not employ any person as a safety officer—

(a) 除非該人已根據第 7 條註冊，且當其時並無根據第 10 條被暫時吊銷註

(a) unless that person is registered under regulation 7 and is not for the time being suspended from registration under regulation 10; and

(b) 以履行受僱為安全主任者根據第 15 條須履行的職責以外的任何其他職責。

(b) for any purpose other than the discharge of the duty under regulation 15, of a person employed as a safety officer.

## 15. Duties of safety officer

## 15. 安全主任的職責

(1) The duty of a person employed as a safety officer shall be to assist the proprietor of the industrial undertaking in promoting the safety and health of persons employed therein, including for that purpose—

(1) 受僱為安全主任的人的職責，是協助有關的工業經營的東主促進在其工業經營中受僱的人的安全及健康，包括為該目的而進行以下各項——

(a) advising the proprietor as to measures to be taken in the interest of the safety and health of persons employed in the industrial undertaking and, with the approval of the proprietor, implementing such measures;

(a) 為在該工業經營中受僱的人的安全及健康，而就應予採取的措施向東主提供意見，並在東主批准下實行該等措施；

(b) inspecting the industrial undertaking, or directing any person employed as a safety supervisor therein to inspect the industrial undertaking for the purpose of determining whether or not there is any machinery, plant, equipment, appliance or process or any description of work carried on in the industrial undertaking which is of such a nature as to be liable to cause risk of bodily injury to any person employed in an industrial undertaking;

(b) 檢查該工業經營，或指示任何在其內受僱為安全督導員的人檢查該工業經營，以決定是否有任何機械、工業裝置、設備、器具或工序或在該工業經營中進行的任何類型工作，屬於可能造成任何在該工業經營中受僱的人有受身體傷害危險的性質；

**CAP. 59** *Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations*

**第 59 章** 工廠及工業經營 (安全主任及安全督導員) 規例 **Z 9**

**[Subsidiary]**

- (c) reporting the findings of any inspection carried out under sub-paragraph (b) to the proprietor and recommending what measures, if any, ought to be taken as a result of that inspection;
- (d) assisting in the supervision of any person employed as a safety supervisor in the industrial undertaking;
- (e) advising the proprietor in the interest of the safety and health of persons employed in the industrial undertaking of any repairs or maintenance that ought to be carried out in respect of—
- (i) any premises comprising the industrial undertaking;
- (ii) any appliance, equipment, machinery or plant in use in the industrial undertaking;
- (f) investigating and reporting to the proprietor, or causing to be investigated and reported to the proprietor, the circumstances of any accident, or dangerous occurrence in the industrial undertaking and making recommendations to the proprietor to prevent similar accidents or dangerous occurrences;
- (g) investigating and reporting to the proprietor, or causing to be investigated and reported to the proprietor, the circumstances of the suffering of any bodily injury by any person employed in the industrial undertaking and making recommendations to the proprietor to prevent similar suffering of any bodily injury;
- (h) investigating and reporting to the proprietor every fatal accident in the industrial undertaking and making recommendations to the proprietor to prevent similar fatal accidents;
- (i) receiving, discussing and countersigning every report submitted to him under regulation 17(1)(b)(iv) by a person employed as a safety supervisor; and
- (j) on or before the last day in every month preparing and submitting to the proprietor a report as provided in paragraph (2).
- (2) A report submitted under paragraph (1)(j) shall be in the approved form. (*L.N. 352 of 1994*)

**16. Employment of safety supervisor**

The proprietor of an industrial undertaking specified in the first column of paragraph 2 of the Fourth Schedule shall employ a person as a safety supervisor in the manner indicated opposite in the second column of paragraph 2 of the Fourth Schedule.

**[附屬法例]**

- (c) 將根據 (b) 段進行的任何檢查的結果向東主報告，並就該檢查結果而應予採取的任何措施 (如有的話) 作出建議；
- (d) 協助監督任何在該工業經營中受僱為安全督導員的人；
- (e) 為在該工業經營中受僱的人的安全及健康，而就對下列各項應予進行的任何修理或維修工作，向東主提供意見——
- (i) 組成該工業經營的任何處所；
- (ii) 在該工業經營中使用的任何器具、設備、機械或工業裝置；
- (f) 就在該工業經營中發生的任何意外或危險事故的情況，作出調查並向東主報告，或安排作出調查並向東主報告，以及就防止同類意外或危險事故的發生向東主作出建議；
- (g) 就任何在該工業經營中受僱的人受到身體傷害的情況，作出調查並向東主報告，或安排作出調查並向東主報告，以及就防止有人受同類身體傷害事故的發生向東主作出建議；
- (h) 就在該工業經營中發生的每宗致命意外作出調查並向東主報告，以及就防止同類致命意外的發生向東主作出建議；
- (i) 收取、討論及加簽每份由受僱為安全督導員的人根據第 17(1)(b)(iv) 條向他呈交的報告；及
- (j) 在每個月最後一日或之前，擬備並向東主呈交一份第 (2) 款所規定的報告。
- (2) 根據第 (1)(j) 款呈交的報告，須按認可格式作出。 (*1994 年第 352 號法律公告*)

**16. 安全督導員的僱用**

附表 4 第 2 段第 1 欄所指明的工業經營的東主，須按附表 4 第 2 段第 2 欄相對處所顯示的方式僱用安全督導員。

## Licensing of Guesthouses

15. **MR HOWARD YOUNG:** *Madam President, regarding statistics on the licensing of guesthouses, will the Government inform this Council of:*

- (a) *the respective numbers of licensed and unlicensed guesthouses operating at the end of each of the past three years, and the respective total numbers of guest rooms and beds involved;*
- (b) *the number of guesthouse licences it suspended in each of the past three years, and a breakdown by the reason for suspension; and*
- (c) *the number of guesthouse licence applications which it rejected in each of the past three years, and a breakdown by the reason for rejection?*

**SECRETARY FOR HOME AFFAIRS:** Madam President, my reply to the question is as follows:

- (a) The number of licensed and suspected unlicensed guesthouses at the end of each of the past three years, and the respective number of guest rooms are shown in the table below. We do not have information on the number of beds in these premises.

	<i>Number of licensed guesthouses (number of guest rooms)</i>	<i>Number of suspected unlicensed guesthouses (number of guest rooms)</i>
At end 1998	754 (6 379)	[statistics not available]
At end 1999	883 (7 119)	17 (146)
At end 2000	862 (7 023)	26 (206)

- (b) There was no suspension of guesthouse licences in each of the past three years. However, there were (i) one case of refusal to renew licence, and (ii) two cases of cancellation of licences in 1998.



Regarding (i), the Authority took action because the licensee failed to submit a Letter of Compliance for the ventilation system. Despite several extensions of the deadline for submission, the licensee still failed to provide the Letter of Compliance.

Regarding (ii), the court issued injunctions against using the premises for purposes violating the terms of the deeds of mutual covenant of those buildings. Consequently, the licences of the two guesthouses had to be cancelled.

- (c) The numbers of rejected applications for guesthouse licences in 1998, 1999 and 2000 were 24, 16 and 16 respectively. The rejections were mainly due to non-compliance with the building and fire safety requirements under the Hotel and Guesthouse Accommodation Ordinance (Cap. 349). A breakdown of the reasons for rejection is set out in the table below:

<i>Year</i>	<i>Reasons for rejecting applications</i>	
	<i>(A) Premises not suitable for use as guesthouse</i>	<i>(B) Non-compliance with building and fire safety requirements*</i>
1998	1	23
1999	0	16
2000	1	15

\* Examples of building safety requirements include submission of structural justifications for additional solid walls/raised floors, removal of unauthorized building works, provision and maintenance of escape routes, provision and maintenance of lighting and ventilation to guestrooms and toilets and provision of required sanitary fitments. Examples of fire safety requirements include submission of valid certificates for electrical installations/ventilation system/fire services installations and fire extinguishers, provision of emergency lighting/exit signs and provision of automatic smoke detection system.

### **Protection of Right to Exercise Freedom of Assembly**

16. **MISS EMILY LAU** (in Chinese): *Madam President, it has been reported that towards the end of last year, the Hong Kong Exhibition and Convention Centre and several hotels refused to lease meeting venues to Falun Gong followers, for reason that "the topic of the meeting was sensitive". In this connection, will the executive authorities inform this Council whether they have assessed if follow-up actions are required to ensure that Hong Kong residents can exercise the freedom of assembly as guaranteed under Article 27 of the Basic Law; if the assessment result is in the affirmative, of the details of the follow-up actions taken; if the assessment result is in the negative, the justifications for that?*

**SECRETARY FOR SECURITY** (in Chinese): Madam President, as the leasing of venue is a matter between the potential lessees and the management of the venue, any intervention by the Administration is inappropriate. Although the Administration has noted the incident from media reports, it is not in a position to speculate on the cause of refusal. If the potential lessees consider that their legitimate rights are prejudiced, they are free to take legal action to protect their rights.

The freedom of assembly is protected under the Basic Law. Residents may hold peaceful assemblies freely provided they are within the law.

### **Problem of Juvenile Crimes**

17. **MR LAU KONG-WAH** (in Chinese): *Madam President, regarding the problem of juvenile crimes, will the Government inform this Council:*

- (a) *of the respective numbers of persons aged 21 or below who were arrested for alleged criminal offences and those who were sentenced to penal institutions in each of the past three years, together with a breakdown by age group (each covering three years) and the type of offences involved;*
- (b) *based on the above figures, of the three crimes which registered the biggest increase over the past three years, and the reasons for such increase in these crimes;*

- (c) *whether the Administration has devised ways of dissuasion targeted respectively at youngsters who are in different age groups and those who have committed different types of offences, so as to prevent them from committing or re-committing crimes, and*
- (d) *whether it will study in detail the measures to combat and prevent juvenile crimes in this year; if so, of the details of the study?*

**SECRETARY FOR SECURITY** (in Chinese): Madam President, having consulted the police, the Social Welfare Department (SWD) and the Education Department (ED), my replies are provided below:

- (a) The statistics on persons (aged seven to 21) arrested by the police for crime by type and age group from 1998 to 2000 are at Annex A.

The statistics on persons (aged seven to 21) sentenced to institutions under the treatment programmes of the Correctional Services Department (CSD) and the SWD by type of offences and age group from 1998 to June 2000 are at Annex B. Please note that the relevant statistics are available only up to June 2000.

- (b) With reference to Annex A, the three crimes which registered the biggest increase in the number of persons aged seven to 21 arrested over the past three years are as follows:

<i>Offences</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Other Robberies (excluding with genuine firearms and pistol-like object)	727	754 (+3.75)	1 090 (+44.6%)
Other Miscellaneous Theft	1 962	2 042 (+4.1%)	2 364 (+15.8%)
Other Serious Immigration Offences	114	91 (-20.2%)	270 (+196.7%)

The offences of "other robberies" and "other miscellaneous theft" are mostly opportunistic crimes. Youngsters and juveniles often commit these offences out of peer influence, greed for valuables and quick money and on impulse. Besides, the offence of "other robberies" committed by young and juvenile offenders are usually of bullying nature.

The increase in the number of young persons arrested for the offence of "other serious immigration offences" was mainly attributable to the increased use or possession of forged documents of identity or travel documents. The offenders were arrested when the police conducted stop and search to suspicious people in the street, and operations at vice establishments and construction sites, and so on. Most of them came from the Mainland and some other countries. This kind of offence does not have much significant bearing on the patterns of crime committed by local young persons and juveniles.

- (c) The police accord high priority to the prevention of juvenile crimes and rehabilitation of first time juvenile offenders through a multi-agency approach.

Different types of rehabilitation programmes are available for young offenders in preventing them from re-offending. These include:

- Correctional institutions (including probation homes, place of detention and reformatory school for those aged seven to under 16 and probation hostel for those aged 15 to under 21) of the SWD employ social work approach in managing the institutions with a view to helping young offenders rectify their behaviour and social attitude and equipping them with necessary skills to cope with the daily life problems and helping them to reintegrate into the community;
- Convicted children/juveniles of age seven or above might also be placed under probation for community-based treatment and rehabilitation. A probation officer provides supervision and personal guidance, exercises the professional skills and knowledge to meet the needs of probationers and their family members, and most important of all, to prevent them from re-offending;

- offenders aged 14 or above, put under Community Service Order, will perform unpaid work for not exceeding 240 hours within a period of 12 months. They will be arranged suitable work placement and guided for their rehabilitation in the community;
- the Police Superintendent's Discretion Scheme (PSDS) is available for cautioning young persons under the age of 18 who commit minor offences;
- the Police Juvenile Protection Section (JPS) will arrange for follow-up visits to young offenders cautioned under the PSDS if necessary. To prevent juveniles from relapsing into committing crimes, JPS will also refer the juveniles to appropriate departments and/or non-government organizations (NGOs) for assistance;
- the Community Support Service Scheme operated by the SWD and NGOs offers intensive social group work and counselling groups, programmes on job training, placement service, skill learning classes, adventure outdoor activities to young offenders who are put under probation orders, reformatory school orders or the PSDS.

All the above programmes aim at strengthening the problem solving skills of young people and inculcating in them a respect of the law. Efforts are also made to assist their parents to understand the needs of their children, enhance parent-child relationship and proper supervision and guidance to their children to keep them away from infringing the law again.

On the preventive front, the Junior Police Call has all along been a popular youth programme providing a wide range of healthy activities for young persons aged nine to 25 with a view to enhancing their sense of civic responsibility in fighting crimes. There are a variety of youth projects and initiatives targeted at youths of different age groups being implemented in police districts with concerted efforts from government departments, NGOs and parent-teacher associations. The police also take the initiatives by mounting operations in selected areas, encouraging students coming

forward to report crimes committed by juvenile delinquents and other bad elements.

The existing core youth welfare services, including integrated teams, children and youth centres, outreaching social work and school social work service, render targeted services to meet the multifarious needs of young people with a view to nurturing a healthy environment for them to grow up to be contributing and responsible members of the community. In 2001-02, the SWD will strengthen and implement a series of services to provide early identification and early intervention for potential youth-at-risk. The implementation of the Whole School Approach to Guidance advocated by the ED since 1992 also help create a caring and inviting environment where positive behaviour, values and attitude can be cultivated among students through systematic guidance programmes and award schemes.

- (d) The Committee on Services for Youth at Risk under the SWD has set up a Task Group on Issue of Juvenile Gangs in February 1999 to study the juvenile gang dynamics with a view to coming up with measures to address the problem of juvenile gangs. The study was completed in July 2000. Recommendations include production of a Reference Kit for parents and implementation of the "Understanding the Adolescent Project" and "Enhancement of Careers Education in School Project" which aim at early identification and intervention of potential at-risk young people and school leavers. The study also recommends the organization of training for youth workers and teachers to enhance their sensitivity and skills in handling juvenile gang problems with a view to preventing young people from committing crimes due to peer influence. In addition, the study recommends enhancing the function of Local Committees on Services for Young People in co-ordinating district efforts in tackling juvenile gang problems.

The Standing Committee on Young Offenders, established under the Fight Crime Committee, will continue to work closely with concerned parties to examine factors which impact on at-risk young people's involvement in crime and consider preventive and remedial measures that can be taken within and outside the current education, social and correctional programmes.

## Offenders (Aged 7 to 21) Arrested for Crime by Type and Age Group, 1998 to 2000

CRIMES	1998					1999					2000							
	7-9	10-12	13-15	16-18	19-21	Total (7-21)	7-9	10-12	13-15	16-18	19-21	Total (7-21)	7-9	10-12	13-15	16-18	19-21	Total (7-21)
<b>VIOLENT CRIME AGAINST PERSON</b>																		
Rape			4	7	8	19			2	8	8	18			4	16	11	31
Indecent Assault	3	16	91	61	61	232		19	74	56	44	193	1	24	84	60	47	216
Murder and Manslaughter			1	8	7	16				5	12	17			3	5	12	20
Attempted Murder				1		1												
Wounding		10	113	176	149	448		4	120	287	186	597		8	112	162	153	435
Serious Assault	3	51	608	507	340	1 509	5	43	599	540	317	1 504	5	72	622	474	284	1 457
Assault on Police			3	24	54	81			5	39	67	111			5	25	53	83
Kidnapping and Child Stealing					3	3				3	5	8					3	3
Cruelty to Child					4	4				4	6	10			1		6	7
Criminal Intimidation		6	54	32	45	137		6	89	68	57	220		6	72	47	23	148
<b>VIOLENT CRIME VE. PROPERTY</b>																		
Robbery with Genuine Firearms					1	1				2	1	3			3	2	6	11
Robbery with Pistol Like Objects																		
Other Robberies	3	37	285	242	160	727	2	34	279	294	145	754		49	525	384	132	1 090
Aggravated Burglary				1	1	2												
Blackmail	1	11	91	100	70	273		12	111	109	97	329		14	131	83	57	285
Arson	6	11	31	13	9	70		11	19	17	11	58	1	12	36	22	6	77
<b>TOTAL VIOLENT CRIME</b>	<b>16</b>	<b>142</b>	<b>1 281</b>	<b>1 172</b>	<b>912</b>	<b>3 523</b>	<b>7</b>	<b>129</b>	<b>1 298</b>	<b>1 432</b>	<b>956</b>	<b>3 822</b>	<b>7</b>	<b>185</b>	<b>1 598</b>	<b>1 280</b>	<b>793</b>	<b>3 863</b>
<b>BURGLARY AND THEFT</b>																		
Burglary with Breaking		13	119	106	91	329		14	80	103	86	283		11	96	94	86	287
Burglary without Breaking	1	21	74	63	45	204	2	16	59	51	42	170	1	13	82	32	45	173
Theft (Snatching)	1	8	24	26	35	94	1	10	42	27	26	106		9	38	48	29	124
Theft (Pickpocketing)		5	3	4	10	22		2	6	1	4	13		4	6	7	3	20
Theft (Shop Theft)	115	619	1 326	502	304	2 866	97	434	1 159	549	315	2 554	133	483	1 186	463	306	2 571
Theft from Vehicle	2	17	56	63	76	214		10	59	71	103	243	1	10	95	54	65	225
Taking Conveyance without Authority		2	19	46	43	110		1	16	55	54	126			16	52	27	95
Abstracting of Electricity			1	6	3	10				4	4	8					5	5
Theft from Construction Site		3	2	12	4	21			10	19	9	38	1	2	3	5	8	19
Other Miscellaneous Thefts	14	171	743	602	432	1 962	15	156	822	583	466	2 042	17	192	977	669	509	2 364
Handling Stolen Goods		5	21	18	15	59		2	37	16	9	64		5	28	28	11	72
<b>FRAUD AND FORGERY</b>																		
Deception		1	28	88	112	229		1	29	111	146	287		1	11	48	90	150
Business Fraud				2		2												
Forgery and Coinage			3	16	53	72			8	33	58	99		1	10	27	61	99
<b>SEXUAL OFFENCES</b>																		
Unlawful Sexual Intercourse			50	115	48	213			65	103	43	211			49	86	25	160
Keeping Vice Establishments				29	101	130				13	33	46				14	54	68
Procurator, Abduction of Female				6	10	16				2	5	7				4	8	12
Unlawful Offences				1	1	2			3	2	1	6					1	1
Other Offences vs. Public Morality			1		2	3				1	1	2		1	5	4		10

Annex A

CRIMES	1998						1999						2000					
	7-9	10-12	13-15	16-18	19-21	Total (7-21)	7-9	10-12	13-15	16-18	19-21	Total (7-21)	7-9	10-12	13-15	16-18	19-21	Total (7-21)
<b>SERIOUS NARCOTICS OFFENCES</b>																		
Manufacturing of D.D.			1	5	10	16				1	2	3		1	1	1	4	7
Trafficking in D.D.			18	60	92	170			7	48	82	137			5	64	101	170
Possession of D.D. (indictable offence)		1	26	143	241	411			20	112	193	325			27	156	170	353
Other Serious Narcotics Offences																		
<b>OFFENCES VS. LAWFUL AUTHORITY</b>																		
Mislead/Give False Info. to Police	1	5	22	26	32	86	1	5	28	32	26	92	2	3	20	18	24	67
Perjury				1	1	2				3	1	4				1	1	2
Resisting Arrest			4	12	40	56			6	29	30	65			3	13	23	39
Escape and Rescue			3	4	1	8			5	2	1	8			1	3	1	5
Other Offences vs. Lawful Authority			3	6	6	15				4	4	8			1	9	7	17
<b>SERIOUS IMMIGRATION OFFENCES</b>																		
Aiding and Abetting of I.I.				3	12	15			1	1	7	9				1	11	12
Using ID Card Relating to Another			3	25	32	60			10	17	21	48			25	47	33	105
Other Serious Immigration Offences			1	28	85	114			3	31	57	91			5	86	179	270
<b>MISCELLANEOUS CRIMES</b>																		
Criminal Damage	5	28	152	137	180	502	7	30	165	185	191	578	4	27	204	150	148	533
Other Offences Against Person			6	8	10	24		1	7	14	28	50		3	14	9	13	39
Disorder/Fighting in Public Place		5	128	328	354	815		4	109	317	325	755		7	64	215	261	547
Offences Against Public Order			93	142	70	305			44	67	30	141		9	51	60	35	155
Unlawful Society Offences		7	191	157	80	435		8	226	213	88	535		14	226	187	83	510
Money Lending			1	3	1	5			1	3	3	7				2	3	5
Serious Gambling Offences				7	10	17				3	9	12				3	5	8
Conspiracy			8	15	13	36		1	21	39	50	111			14	53	70	137
Object Dropped from Height	3	10	11	5	8	37	9	5	2	8	9	33	2	10	5	10	8	35
Other Crime	1	1	12	17	21	52			8	21	25	54			24	30	29	83
<b>TOTAL OTHER CRIME</b>	<b>143</b>	<b>922</b>	<b>3 153</b>	<b>2 837</b>	<b>2 684</b>	<b>9 739</b>	<b>132</b>	<b>700</b>	<b>3 058</b>	<b>2 894</b>	<b>2 587</b>	<b>9 371</b>	<b>161</b>	<b>806</b>	<b>3 292</b>	<b>2 753</b>	<b>2 542</b>	<b>9 554</b>
<b>PREVENTIVE CRIME</b>																		
Possession of Arms and Ammunition			1	4	8	13			3	13	18	34		3	2	5	14	24
Possession of Offensive Weapon		7	102	110	83	302		7	77	141	94	319		11	69	95	63	238
Going Equipped or Stealing		4	40	24	7	75		6	46	31	26	109		8	51	23	11	93
Possession of Unlawful Instrument			3	7	16	26			11	5	1	17			8	3	4	15
Tempering with Vehicle		3	8	10	5	26		3	7	11	7	28			14	6	5	25
Unlawful Pawning Offences											1	1					1	1
Loitering		1	8	5	9	23			2	16	8	26			14	21	20	55
<b>TOTAL PREVENTIVE CRIME</b>		<b>15</b>	<b>162</b>	<b>160</b>	<b>128</b>	<b>465</b>		<b>16</b>	<b>146</b>	<b>217</b>	<b>155</b>	<b>534</b>		<b>22</b>	<b>158</b>	<b>153</b>	<b>118</b>	<b>451</b>
<b>GRAND TOTAL</b>	<b>159</b>	<b>1 079</b>	<b>4 596</b>	<b>4 169</b>	<b>3 724</b>	<b>13 727</b>	<b>139</b>	<b>845</b>	<b>4 502</b>	<b>4 543</b>	<b>3 698</b>	<b>13 727</b>	<b>168</b>	<b>1 013</b>	<b>5 048</b>	<b>4 186</b>	<b>3 453</b>	<b>13 868</b>



Offenders (Aged 7 to 21) Sentenced to CSD and SWD Institutions by Type of Crime and Age Group, 1998 to June 2000

CRIMES	1998					1999					2000 (up to June)								
	7-9	10-12	13-15	16-18	19-21	Total (7-21)	7-9	10-12	13-15	16-18	19-21	Total (7-21)	7-9	10-12	13-15	16-18	19-21	Total (7-21)	
<b>VIOLENT CRIME AGAINST PERSON</b>																			
Rape				2	3	5				2	1	3							
Indecent Assault			3	8	9	20			2	5	6	13			1	2	2	5	
Murder and Manslaughter				3	3	6			1	12	7	20				3	1	4	
Attempted Murder																			
Wounding				9	36	34	79			8	39	22	69			3	17	15	35
Serious Assault		1	11	24	20	56			20	22	27	69			2	20	14	36	
Assault on Police				1	5	6			1	3	4	8				1	5	6	
Kidnapping and Child Stealing				3	2	5						2	2						
Cruelty to Child					1	1						2	2						
Criminal Intimidation			2		2	4			1	3	4	8				2			2
<b>VIOLENT CRIME VE. PROPERTY</b>																			
Robbery with Genuine Firearms									2			2							
Robbery with Pistol Like Objects				1		1			1	4		5				2	1	3	
Other Robberies			23	59	74	156		2	26	80	67	175			24	51	30	105	
Aggravated Burglary					2	2						2	2				2	2	
Blackmail			1	17	10	28				16	23	39			3	11	11	25	
Arson			1	4	2	7				2	3	5			1		1	2	
<b>TOTAL VIOLENT CRIME</b>		1	51	157	167	376		2	62	188	168	420			34	109	82	225	
<b>BURGLARY AND THEFT</b>																			
Burglary with Breaking				3	2	7			5	4	3	12			5	5	4	14	
Burglary without Breaking		3	43	58	87	191		1	24	37	53	115		2	7	20	28	57	
Theft (Snatching)				1	2	3				1	3	4					2	2	
Theft (Pickpocketing)			3	4	17	24				1	3	4				1	1	2	
Theft (Shop Theft)		1	7	19	69	96		1	10	23	49	83			1	6	21	28	
Theft from Vehicle		1		5	9	15			4	1	6	11			1	1	2	4	
Taking Conveyance without Authority		1	3	6	9	19				3	4	7				3	7	10	
Abstracting of Electricity																	1	1	
Theft from Construction Site				1		1				1	1	2							
Other Miscellaneous Thefts		1	4	29	43	73	150		20	45	84	149		1	6	21	47	75	
Handling Stolen Goods			1	1	4	10			3	1	2	6				1	2	3	
<b>FRAUD AND FORGERY</b>																			
Deception				2	6	8			2	2	6	10				1	1	2	
Business Fraud																			
Forgery and Coinage				5	21	26			2	10	13	25			1	1	5	7	
<b>SEXUAL OFFENCES</b>																			
Unlawful Sexual Intercourse			1	8	6	15				3	5	8				3	3	6	
Keeping Vice Establishments				6	34	40				5	11	16					7	7	
Procuration, Abduction of Female			1	1	4	6				2	4	6					1	1	
Unlawful Offences																			
Other Offences vs. Public Morality															1	1		2	

CRIMES	1998						1999						2000 (up to June)					
	7-9	10-12	13-15	16-18	19-21	Total (7-21)	7-9	10-12	13-15	16-18	19-21	Total (7-21)	7-9	10-12	13-15	16-18	19-21	Total (7-21)
<b>SERIOUS NARCOTICS OFFENCES</b>																		
Manufacturing of D.D.									7	43	61	111						
Trafficking in D.D.			6	40	65	111			1	10	28	39			2	9	23	34
Possession of D.D. (indictable offence)			2	17	74	93											10	10
Other Serious Narcotics Offences																		
<b>OFFENCES VS. LAWFUL AUTHORITY</b>																		
Mislead/Give False Info. to Police					1	1				1	2	3					2	2
Perjury		9	47	114	170	170		6	55	94	155			1	30	62	93	
Resisting Arrest				3	6	9				1	6	7					3	3
Escape and Rescue			4	4	2	10			4	1	2	7			2			2
Other Offences vs. Lawful Authority					2	2					1	1						
<b>SERIOUS IMMIGRATION OFFENCES</b>																	1	1
Aiding and Abetting of I.I.																		
Using ID Card Relating to Another				10	19	29			1	4	12	17				4	9	13
Other Serious Immigration Offences			5	48	135	188			8	120	202	330			1	57	107	165
<b>MISCELLANEOUS CRIMES</b>																		
Criminal Damage			3	5	13	21		1	7	5	9	22		1	3	4	6	14
Other Offences Against Person				1	10	11					8	8			1		1	2
Disorder/Fighting in Public Place				6	2	8				1	1	2			1	3	1	5
Offences Against Public Order			1	4	4	9				2		2					1	1
Unlawful Society Offences			3	26	10	39			5	29	19	53			1	11	7	19
Money Lending										1	1	2						
Serious Gambling Offences					1	1												
Conspiracy			2	3	4	9			1	9	21	31				11	1	12
Object Dropped from Height																		
Other Crime				2	12	14				15	26	41			1	46	48	95
<b>TOTAL OTHER CRIME</b>	1	11	127	380	817	1336		3	110	436	740	1 289		4	35	239	414	692
<b>PREVENTIVE CRIME</b>																		
Possession of Arms and Ammunition				2		2				1	6	7						
Possession of Offensive Weapon			6	20	25	51			5	29	18	52		4	11	7	22	
Going Equipped or Stealing			1		1	2			1	2	2	5					1	1
Possession of Unlawful Instrument				2		2												
Tempering with Vehicle					2	2			1		1	2				1		1
Unlawful Pawning Offences																		
Loitering					1	1					1	1						
<b>TOTAL PREVENTIVE CRIME</b>			7	24	29	60			7	32	28	67		4	12	8	24	
<b>GRAND TOTAL</b>	1	12	185	561	1 013	1 772	0	5	179	656	936	1 776	0	4	73	360	504	941

**Children Crossing the Border for Schooling in Hong Kong**

18. **MR YEUNG YIU-CHUNG** (in Chinese): *Madam President, as there are children who cross the border every day for schooling in Hong Kong, will the Government inform this Council:*

- (a) *of the current number of children who travel from Shenzhen to Hong Kong for schooling everyday, with a breakdown by the districts of the schools they attend, whether or not these are village schools, and the classes they are attending; and*
- (b) *whether it will provide financial assistance for sponsoring bodies in Hong Kong to establish schools in Shenzhen for children who have the right to schooling in Hong Kong but who reside in Shenzhen, so as to save them from travelling long distance and crossing the border everyday; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Chinese): Madam President,

- (a) The Education Department (ED) conducted in October 2000 a survey covering all schools in the North District on the number of cross-border students.<sup>(1)</sup> A table setting out the number of these children by levels, and the number of these children studying in rural schools<sup>(2)</sup> is at Annex A.

The ED also conducted a smaller scale survey in Yuen Long in February 2001, covering all rural schools and some secondary schools. The survey found that around 300 cross-border primary students are studying in the rural schools. Details are at Annex B. No cross-border students are studying in the secondary schools covered by the survey.

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<sup>(1)</sup> "Cross-border students" refers to Hong Kong residents residing in the Mainland but studying in Hong Kong.

<sup>(2)</sup> Government has not set any definition for "rural schools". Normally, "rural schools" refer to schools located in remote suburban areas and providing education to children living in neighbourhood villages.

We have no information regarding the situation in other districts. However, the ED reckons that most cross-border students are studying in the North and Yuen Long districts.

- (b) At present, we do not provide any form of subsidies to Hong Kong school sponsors operating schools in Shenzhen. Whether subsidy should be provided is an issue which requires careful deliberation in the light of a whole range of financial, planning and other practical implementation considerations, as well as potential read-across implications to the provision of other social services.

Annex A

Cross-border Students Studying in the North District

<i>Level</i>	<i>Rural Schools</i> <sup>(Note)</sup>	<i>Non-rural Schools</i>	<i>Total</i>
Primary One	378	175	553
Primary Two	352	185	537
Primary Three	281	152	433
Primary Four	170	88	258
Primary Five	116	65	181
Primary Six	110	75	185
Sub-total:	1 407	740	2 147
Secondary One	N.A.	115	115
Secondary Two	N.A.	73	73
Secondary Three	N.A.	81	81
Secondary Four	N.A.	72	72
Secondary Five	N.A.	49	49
Secondary Six	N.A.	1	1
Secondary Seven	N.A.	3	3
Sub-total:	N.A.	394	394
		Grand Total:	2 541

(Note) Rural schools operate primary classes only.

## Annex B

Cross-border Students Studying in  
Rural Schools<sup>(Note)</sup> in the Yuen Long District

<i>Level</i>	<i>Rural Schools</i>
Primary One	100
Primary Two	72
Primary Three	59
Primary Four	36
Primary Five	14
Primary Six	13
Total:	294

(Note) Rural schools operate primary classes only.

**Inquiries Made by SFC and SEHK on Unusual Movements in Share Prices or Turnover of Listed Companies**

19. **MR HENRY WU** (in Chinese): *Madam President, with regard to the inquiries made by the Securities and Futures Commission (SFC) and the Stock Exchange of Hong Kong Limited (SEHK), when unusual movements in share prices or turnover of listed companies occur, will the Government inform this Council whether it knows:*

- (a) *the number of such inquiries made by the SFC and the SEHK respectively in the past three years and, among these, the respective numbers of those made about the unusual rise or decline in share prices;*
- (b) *the respective criteria the SFC and the SEHK adopt in determining whether to make inquiries; and*
- (c) *if the SFC and the SEHK have decided not to make inquiries about unusual decline in share prices, and the reasons for reaching those decisions?*

**SECRETARY FOR FINANCIAL SERVICES** (in Chinese): Madam President,

- (a) The SFC and the SEHK monitor, through market surveillance systems, unusual price movements (whether upward or downward) and turnover volume of shares of listed companies to ensure that the securities market is fair and orderly and is kept informed of material information. Generally, upon identifying unusual movements in the price of or turnover volume in the shares of a listed company, the SEHK would make an inquiry to the listed company and, where necessary, invite the listed company to make a suitable public announcement to clarify the situation (clarification announcement) in accordance with its disclosure obligations under the SEHK's Listing Rules.

In extreme cases where unusual movements in price or turnover volume appear to have caused an unfair or disorderly market, the SFC may step in by asking the listed company concerned to provide a satisfactory, explanation. If the listed company fails to provide a satisfactory explanation, or does not request suspension of trading in its shares voluntarily and make a clarification announcement, the SFC could direct the SEHK to suspend the trading in shares of the listed company pursuant to Rule 9 of the Securities (Stock Exchange Listing) Rules under the Securities Ordinance (Cap. 333).

The SEHK made about 7 100 inquiries respectively in 1998 and 1999, and 7 800 in year 2000.

In their work to monitor the market, the SFC and the SEHK do not keep statistics on the basis of upward or downward price movements, since the same monitoring system covers share price movements in both upward and downward directions. To try to answer the Honourable Member's question, the SEHK reviewed its files for January 2001. During that month, it made a total of 250 inquiries in respect of unusual movements in share prices and turnover volume, of which 101 were about upward price movements and 70 about downward price movements.

- (b) In making an inquiry or considering the potential need for suspension of trading in a stock, the SFC and the SEHK will have

regard to a number of factors, including percentage movements in price, whether upward or downward, and absolute changes in turnover volume; movement of the whole market; movement of stocks in the particular market sector; recently announced corporate events or information, such as fund raising or business results; and other market news, and so on. The monitoring work focuses on whether the movements are unusual, irrespective of whether the movements are upwards or downwards.

- (c) As explained above, the monitoring of share price movement will not be affected by the direction of the movement. The SFC and the SEHK are equally concerned with cases involving upward or downward price movements and will make inquiries to listed companies concerned where necessary.

### **Improvement to Facilities of Village Schools**

20. **MR YEUNG YIU-CHUNG** (in Chinese): *Madam President, will the Government inform this Council:*

- (a) *of the number of students admitted to village schools in each of the past five years;*
- (b) *how the facilities and resources of village schools compare to those of schools in the new towns; and*
- (c) *whether it will allocate resources to improve the facilities of village schools so that the students there are provided with the same quality of education as that offered by schools in the new towns; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Chinese): Madam President,

- (a) The Government has not set any strict definition for rural schools. Generally speaking, rural schools refer to schools located in remote suburban areas and providing education to children living in

neighbouring villages. In the past five years, the number of rural schools and their total enrolment are as follows:

<i>School Year</i>	<i>No. of rural schools</i>	<i>Total enrolment</i>
1996-97	97	12 049
1997-98	92	12 238
1998-99	91	14 158
1999-2000	87	15 502
2000-01	86	15 434

- (b) Rural schools were mostly built before the development of nearby new towns. They normally have only the basic facilities required for teaching and learning, including three to six classrooms, one to two special rooms, a staff room and a playground. All aided schools, including rural schools, receive government subsidies in accordance with the provisions set out in the Code of Aid. Generally speaking, the amount of subsidy received by a school largely depends on the number of classes it operates.

Besides, the Government has over the years been putting in resources to enhance and improve the facilities of aided schools, including rural schools. These include providing computers to meet new teaching and learning requirements, and providing through the School Improvement Programme (SIP), basic facilities like standard classrooms and special rooms to schools in need.

- (c) On the recommendation of the Education Commission Report No. 5, the Government launched the SIP in 1994 to upgrade the facilities of all public sector schools, including rural schools, to provide additional and improved facilities to meet the needs of teaching and learning.

Since the commencement of the programme, four rural schools have had their improvement works completed and one school is undergoing improvement works. Construction works for seven rural schools under phase 4 will soon commence. We are also exploring options for a rural school where improvement works are technically non-feasible. Besides, a rural school has been



redeveloped in situ, and another is scheduled for closure. The remaining 71 rural schools will be included in the final phase of the SIP.

The Education Department obtained funding approval from the Finance Committee in February this year for the appointment of consultants to carry out feasibility studies for 342 aided schools (including the 71 rural schools mentioned above) in the final phase of the SIP. The studies will be completed in stages by end 2002. It is anticipated that actual construction works, which will also be staggered, will be completed by the 2004-05 school year.

## **BILL**

### **First Reading of Bill**

**PRESIDENT** (in Cantonese): Bill: First Reading.

### **APPROPRIATION BILL 2001**

**CLERK** (in Cantonese): Appropriation Bill 2001.

*Bill read the First time and ordered to be set down for Second Reading pursuant to Rule 53(3) of the Rules of Procedure.*

### **Second Reading of Bill**

**PRESIDENT** (in Cantonese): Bill: Second Reading.

### **APPROPRIATION BILL 2001**

**FINANCIAL SECRETARY** (in Cantonese): I move that the Appropriation Bill 2001 be read a Second time. This is the sixth Budget I prepared and the last Budget prepared within my term of office.

2. Over the past five years, Hong Kong has experienced some extraordinary ebbs and flows of the economic tide. As Financial Secretary, I have had to help chart a course through these. In my early Budgets, I was able to offer generous tax concessions up to the level allowed by our economic growth and buoyant public finances at the time. On 1 July 1997, our reunification with the Mainland took us into a new era. Then, in the wake of the Asian financial turmoil, we were buffeted by a series of unprecedented shockwaves that threatened our very economic survival. To our relief, the economy turned around in 1999. And in my Budget last year, I was able to greet the arrival of the new millennium with renewed optimism. Throughout this period Hong Kong has continued its economic restructuring. It is little wonder that I have found the preparation of each Budget a unique challenge and experience. This, my final Budget, is no exception.

3. Over the years, I have stressed the importance of prudent financial management and balanced budgets. This year, the need for balance has been particularly close to my heart. In recent months, many in the community, including Honourable Members of this Council, have urged me not to put at risk our continued economic growth by seeking too rapid an improvement in our fiscal position. They have also pointed out that I should consider not just the buoyant economic indicators but also the standard of living of ordinary people. But, on the other hand, there are those, both in Hong Kong and overseas, who caution against the further use of fiscal stimuli and urge an early return to balanced budgets. As the Chief Executive said in his 2000 policy address, the Administration needs to strike the right balance in policy formulation, so that we foster Hong Kong's long-term development and improve the standard of living of our people. I trust that the community will support the balanced judgements which I have tried to make in this Budget.

4. I will begin by addressing the state of the economy and Hong Kong's way forward to continued economic development. I will then deal with our public finances in the short to medium term and my budget proposals for the coming year.

5. The economy returned to positive growth in the second quarter of 1999 and continued to flourish during 2000. Last year:

- Gross Domestic Product (GDP) registered 10.5% real growth, the highest since 1987;

- total exports of goods grew by 17.1% in real terms, the highest rise since 1992. Exports to the United States, the European Union and Asia all recorded double-digit growth;
- exports of services grew by 14.3% in real terms;
- our visible and invisible trade, taken together, achieved a surplus of \$60 billion, with a substantial contribution from inbound tourism which recorded 9.4% growth;
- local consumer spending grew by 5.4% in real terms;
- overall investment spending turned around and grew by 8.8% in real terms; and
- the rate of deflation slowed appreciably, with the composite Consumer Price Index moving from -5.3% in January to -1.8% in December. (Table 1)

6. We have seen a continued steady decline in the rate of unemployment, from a high of 6.3% in 1999 to 4.3% in the quarter ended 31 January 2001. (Table 2)

7. These figures indicate that the level of economic activity has picked up dramatically. The adjustment in prices, wages and rents has been crucial to our economic recovery. We have enhanced our productivity and the competitiveness of our exports. The performance of other economies has also helped. This remarkable achievement has once again demonstrated Hong Kong's tenacity and resilience.

8. But I have not lost sight of the fact that many in the community have yet to experience an improvement in their own circumstances. For businesses, profit margins are tight and fall short of those before the financial crisis. Although the adjustment in wages has helped our economic recovery, it has been difficult and painful, particularly for those who have suffered pay freezes or reductions. Although the rate of unemployment is falling, it remains higher than before our recent economic setbacks. The downward adjustment in the property market also means that a considerable number of middle-income households find that the value of their flats has fallen. All these have been in the forefront of my mind as I prepared this Budget.

9. Overall, Hong Kong's growth should be moderate in 2001. On the downside, I expect our economic performance to be affected by the rapid slowdown of the United States economy, continued economic stagnation in Japan and slower growth in domestic demand in East Asia. On a positive note, we should stand to benefit from steady economic growth in the European Union and the sustained vigorous growth of the mainland economy. In particular, China's coming accession to the World Trade Organization (WTO) will give us new impetus. Domestically, local consumption and investment spending should continue to grow. We can expect to see improved employment prospects and wages picking up modestly. But I should point out that there are no grounds for complacency. Increasing globalization means we are, more than ever, prey to adverse political and economic events elsewhere and we must be alert to any potential dangers.

10. I am forecasting that in 2001:

- GDP will grow by 4% in real terms;
- total exports of goods will show a 5.5% real increase;
- exports of services will continue to grow in real terms by 6.5%;
- local consumer spending will increase in real terms by 2.5%;
- overall investment spending will grow in real terms by 3.6%; and
- the fall in consumer prices will continue to ease off and prices will start to pick up again later in the year. For 2001 as a whole, I am forecasting zero inflation. (Table 3)

11. Over the medium term, I expect the economy to continue to grow steadily, but the external factors which I have mentioned may still pose some challenges. Last year, I forecast a trend GDP growth of 4% a year, in real terms, for the period from 2000 to 2003. I believe this trend growth rate remains valid for the period from 2001 to 2004. I expect prices to rise gradually after zero inflation in 2001. The GDP deflator is forecast to be 2.5% a year over the medium term.

12. Last year, in his policy address, the Chief Executive made it clear that we must seize the opportunities presented by our country's coming accession to the WTO and the development of its Western Region. We must upgrade our human capital. We must also hone our strengths as a centre for international finance and high-value-added services. It is success in these areas that will drive our economic growth to the benefit of the whole community. I would now like to elaborate on how I see these developments being taken forward. As always, the market will lead, with the Government in support.

13. China will soon become a member of the WTO and will further open up its market to competition. This will be a milestone in history and will herald a new chapter in world trade. The decision to develop Western China, which covers more than half of our country, will expand the already enormous China market. These developments will put the Mainland on the road to greater prosperity and will open up to the world, especially Hong Kong, vast development potential and business opportunities.

14. China's accession to the WTO will affect everyone in the community. This is not just a matter of trade. It is a significant step that will trigger off a chain reaction throughout our economy. It will bring opportunities and challenges to all businesses, big and small.

15. Our economy is linked very closely to that of the Mainland. Last year, some US\$4.4 billion, or 70% of the capital raised on the Hong Kong securities market, was for mainland enterprises. In 2000, the number of overseas companies with regional offices in Hong Kong increased by 20% because of Hong Kong's obvious value as an intermediary for developing business on the Mainland. These are but two indicators of the huge potential for Hong Kong arising from China's accession to the WTO. The stage is now set for another economic take-off.

16. Along with these opportunities will come challenges. Although Hong Kong is a Special Administrative Region (SAR) of China, it does not enjoy any preferential trade treatment from the Mainland. Our role as an intermediary between the Mainland and the rest of the world will come under challenge. There will be competition not only from overseas markets but also from mainland cities, whose remarkable performance in recent years must not be overlooked. To turn these challenges into opportunities, Hong Kong needs to build on its traditional strengths with pragmatism and a spirit of enterprise.

17. "One country, two systems" gives us an enviable advantage. Hong Kong stands on the doorstep of the vast China market. The majority of our population is Chinese, steeped in Chinese culture and sharing a common heritage. Our trading partnerships with businesses on the Mainland go back many generations. We have excellent commercial networks linking the Mainland with overseas markets. We know the business environment. What is more, we pride ourselves on living by the rule of law, maintaining a level playing field, upholding all our freedoms and providing clean government. All these have made Hong Kong a magnet for international businesses.

18. Capitalizing on "one country, two systems", we must build on these advantages and reinforce our economic partnership with the Mainland, starting with our neighbour, Guangdong, and particularly with the Pearl River Delta. We must aim to complement each other, making the most of our different strengths, turning them into a competitive advantage for the entire South China region. We must grasp this opportunity to become the World City of Asia and a first-class international financial centre, providing an unrivalled breadth and depth of financial and high value-added services. All these will contribute to the development of our country and enhance Hong Kong's unparalleled value as a SAR of China.

19. We cannot sit back and wait for this to happen. We must work together with the Mainland. We must take the initiative to step up co-operation with Guangdong. The interbureau research group which I am leading is, as a matter of priority, examining practical ways of helping Hong Kong businesses capture opportunities in the new markets that will emerge following China's accession to the WTO. We have been holding intensive discussions with the Central People's Government and other mainland authorities. Focusing on the services industry and professional services in which Hong Kong has an edge, we aim to help Hong Kong businessmen gain first-hand access to the latest market information and to help them explore the scope for co-operation with their mainland counterparts.

20. Our efforts will not stop there. Hong Kong needs better infrastructural links, greater support services for businesses and more exchanges of people and knowledge.

21. I will start with infrastructural links. Since reunification, there has been an increasing flow of economic and social activities between Hong Kong and the

Mainland, particularly Guangdong. On average, 330 000 passengers travel between Hong Kong and the Mainland each day. The growth in passenger traffic by land has been particularly impressive. It has surged by nearly 80% since reunification. The average daily throughput of cargo exceeds three million tonnes. Over the last three years, the throughput of land cargo has increased by more than 250%.

22. To cater for the burgeoning economic activities between Hong Kong and the Mainland, we are already expanding our facilities and services. Projects include early construction of the Shenzhen Western Corridor connecting Hong Kong with Shekou, the Deep Bay Link and the Lok Ma Chau Spur Line. We are also seeking a further expansion of air services between Hong Kong and the Mainland. And the Airport Authority is pursuing the development of a high value-added logistics centre and a marine cargo terminal at the airport.

23. But we need to do more. Improvements to infrastructural connections with the Pearl River Delta and intermodal transport interchanges in the South China region should be priorities. We need to smooth the flow of people and goods across the entire region. This should help to increase efficiency and sharpen the competitive advantage of the region to the benefit of both Guangdong and Hong Kong.

24. As the Chief Executive reminded us last October in his policy address, we need a new way of thinking. So we must continue to innovate. In this direction, we must find ways for our railway corporations and their mainland counterparts to work more closely together. I would like to see particular emphasis being placed on improving cross-boundary services and expanding the railway network in the region. We will also put forward proposals for a regional transportation network, in the light of the findings of strategic studies to be completed later in the year on the development of our port, airport and logistics centres. In addition, we should expand transport links between our international airport at Chek Lap Kok and ports and airports in the Pearl River Delta. The Airport Authority will also seek to strengthen co-operation between airports in the region.

25. The liberalization of our telecommunications market has resulted in the formation of an advanced telecommunications infrastructure by the private sector. Over the past 12 months, the capacity between the Mainland and Hong Kong has, amazingly, increased more than eight times. This is a significant boost towards

meeting the demand for internet and digital communications between the two places. Greater competition has also reduced the cost of private-leased circuits between Hong Kong and the Mainland by more than 50% since January 2000.

26. As the market develops further, we will continue to issue new licences to qualified applicants, promoting investment in infrastructure to increase telecommunications capacity between Hong Kong and the Mainland. To encourage the development of cross-boundary electronic commerce, we will step up our discussions with mainland authorities on cross-certification arrangements. We recognize that the development of information technology (IT) is market-led and we will bring together the IT industry of the two places, encouraging both sides to explore further scope for co-operation.

27. We intend to introduce a series of measures to help businesses, especially small and medium enterprises (SMEs), to start up or expand their activities on the Mainland.

28. I have asked the Trade Development Council (TDC) to enhance its support for SMEs. Specifically, I am looking to the TDC to provide SMEs with more market information and advice on doing business on the Mainland. The TDC will conduct an in-depth analysis of the South China region, covering the development potential in different sectors, the distribution systems and import channels. It will also liaise with the relevant mainland parties to secure the most comprehensive and timely market information for Hong Kong businesses. The TDC will set up a China Business Advisory Unit to provide SMEs with one-stop services for doing business in Guangdong.

29. We are considering setting up an Economic and Trade Office in Guangdong to strengthen our liaison with the local governmental trade and commerce authorities.

30. We are helping to speed up the flow of people, vehicles and goods between Hong Kong and the Mainland. We will:

- deploy over 100 additional immigration staff at Lo Wu in the coming fiscal year to alleviate congestion;
- expand the facilities at Lok Ma Chau in phases, so that by September 2003, we will have increased the capacity by more than 70%, from 21 to 36 vehicles a minute; and



- use the latest technology to speed up customs and immigration clearance, including the possible implementation of an automatic vehicle recognition system and electronic data interchange programmes for the preclearance of cargo.

31. The growth in cross-boundary traffic is so rapid that these measures, while meeting the short-term situation, will be insufficient to deal with longer-term demand. We will initiate a fresh and comprehensive assessment of traffic volumes in the medium to long term and will draw up plans for new and improved cross-boundary facilities and arrangements.

32. As China opens up more, the world will gain a better awareness of the mainland market. To stay ahead of the race we must deepen our own understanding of our country, her geography, culture, language, political and economic environment, and development potential.

33. I support the private sector's efforts in conducting exchange visits and staff exchange programmes with their mainland counterparts. Indeed, I encourage them to do more. Various government bureaux and departments will actively participate in these programmes. I want to encourage and help Hong Kong businesses to capture the opportunities in the Western Region. In May, I will be leading a high-level delegation, comprising government representatives and local businessmen, to major cities in Western China. I hope this will kick-start economic activity between the two places. In addition, the Immigration Department will continue to maintain close contact with the mainland authorities with a view to simplifying procedures for mainland residents coming to Hong Kong for business and training.

34. I also appeal to the education sector for its support. We must improve our students' knowledge of China. We must equip our primary and secondary students with the skills necessary to write good Chinese and English and to speak fluently, not only in Cantonese, but also in Putonghua and English. And we must help them to understand our extensive economic ties with the Mainland.

35. People are our most precious asset. In a knowledge-based economy, we must upgrade their capacity to acquire and apply new skills. We need to blend their traditional strengths with these new skills, particularly in IT, so that they are better-equipped to meet the challenges of the 21st century.

36. In recent years, we have devoted considerable effort and resources to training and retraining our workforce. On top of recurrent funding of over \$2 billion a year for the Vocational Training Council, we have allocated nearly \$1 billion over three years to various training institutions to run courses that meet market needs. Over that period, their wide range of programmes has offered over 400 000 places, with over 70% of attendees successfully finding jobs on completion of their training. In addition, we have embarked on aggressive job placement programmes to help the unemployed.

37. To augment these efforts, the Chief Executive announced, in his 2000 policy address, a series of new measures. They include the provision of recurrent funding for the Employees Retraining Board and a special grant for skills upgrading. We have earmarked sufficient funds in the draft Estimates for these measures.

38. To strengthen the training of IT manpower, we have formed a Task Force comprising representatives from the IT industry and training institutions. We are pursuing the Task Force's recommendations. These include inviting international training institutions to provide training programmes on IT and multimedia content creation, engaging the industry in the provision of IT education in schools, examining the provision of accreditation for non-degree IT courses, increasing the IT content in vocational training and providing opportunities for overseas training.

39. The Government, employers and the rest of the community must work together if Hong Kong is to succeed in upgrading its human capital and realizing the objective of lifelong learning. The Government will continue to invest in training. By the end of this year, we will also complete a review of the division of responsibilities among the various training and retraining institutions to improve cost-effectiveness. For their part, employers must provide their employees with training suited to business needs. They must be prepared to employ less-experienced staff and provide them with on-the-job training. Individuals must recognize the challenges ahead and take full advantage of the training opportunities available.

40. During the Budget consultations, many, including Members of this Council, suggested that the Government should offer employers, especially SMEs, tax concessions or subsidies to encourage their investment in staff training. Such suggestions have rightly focused on the fact that many SMEs, by

their nature, are inhibited from investing in staff training. I recognize this problem and I have decided to set aside \$300 million for the establishment of a training fund to subsidize SMEs' training initiatives. I will invite the SME Committee to advise on the detailed operation of the fund, including the scope of training, the eligibility criteria and the amount of subsidy to be provided. The Trade and Industry Department will administer the fund.

41. As the largest employer in Hong Kong, the Government will set an example in taking forward the policy objective of promoting lifelong learning.

42. With the additional \$50 million recently approved by the Finance Committee, we will enhance the training of civil servants over the next three years. Heads of departments and grades will draw up detailed training and staff-development plans. We will consult the Staff Side and work closely with them as we take forward these training initiatives.

43. According to the latest manpower projections, Hong Kong will face a shortage of as many as 120 000 people with high academic qualifications over the next five years. Although we will continue to invest in education and training, we have to ensure that we have an adequate supply of the right manpower skills in the short to medium term to sustain Hong Kong's economic growth.

44. For foreign professionals with skills which are in short supply in Hong Kong, there is generally no restriction on entry for employment. But professionals from the Mainland are currently admitted for employment only if they qualify as top-notch talent under the Admission of Talents Scheme. To overcome our manpower shortage, we have decided to revive in modified form the Admission of Mainland Professionals Scheme implemented in the mid-90s. We will consult Members on the implementation framework. I will mention the major features of the scheme:

- employers will be able to bring in mainland professionals only in specific disciplines with known shortages. Initially, the scheme will apply only to the IT and financial services disciplines;
- it will meet employers' immediate operational needs, unlike the Admission of Talents Scheme which focuses more on innovation and research; and

- it will not be subject to any quota, so that the scheme will operate in line with supply and demand in the market.

45. In addition, we are devising a scheme that will allow mainland students studying in our universities to remain in Hong Kong for employment upon graduation, provided they fulfill prescribed eligibility criteria.

46. Let me stress that these admission schemes are intended to meet the shortage of professionals in Hong Kong in the short to medium term. They will not deprive local professionals or local graduates of jobs. Nor will they bring in semi- or low-skilled workers. We will set reasonable admission criteria and require remuneration packages to be broadly comparable with those for local professionals.

47. I would also like to stress that these schemes will boost Hong Kong's economic development. By bridging the gap between supply and demand, we will be helping businesses to grow, thereby creating more job opportunities. The admission of professionals will bring about a much-needed transfer of knowledge and experience of the Mainland. This will be invaluable to us in the competition for an expanded China market. Failure to take immediate measures, when other economies are already making similar moves, will undermine Hong Kong's competitiveness.

48. Upgrading the skills of the workforce is not only essential for Hong Kong's economic development but also an effective means of tackling the wealth gap within the community. In recent times, the question of a wealth gap has attracted attention. No doubt this is because the recent recession has hit those most affected by the ongoing restructuring of our economy and resulted in the displacement of some of our low-skilled workers who have limited education.

49. A wealth gap is common among developed and developing countries. Some countries have tried to tackle this through welfarism and a high-tax policy. These measures have often created even greater problems than the ones they sought to remedy. They have brought upon their economies a series of structural problems. We must not make the same mistake. Our focus cannot be to remove this wealth gap. Instead we must provide the poor with a basic level of social security and help them escape poverty.

50. As the Chief Executive pointed out in his policy address, the key to helping the poor is to ensure sustained economic development and the creation of more job opportunities and, at the same time, to enhance their employment prospects through education and training. And, of course, we must also ensure that our society remains free and open, so that people from all walks of life can move between different occupational sectors and progress to better jobs. We must all strive to excel and help our children to do the same.

51. According to a recent survey, of the 20% lowest-paid workers ten years ago, nearly 60% have now risen above this level. This finding demonstrates the high upward mobility of Hong Kong workers and indicates that those who are able and hardworking have every opportunity to better themselves. But there are some who, through no fault of their own, cannot escape the effects of misfortune when it strikes. They are the ones who most need our help.

52. Hong Kong has established a strong foothold as an international financial and services centre. We aim to become a leading player in both areas. We need to continue to improve our quality, efficiency and service diversification. Harnessing the latest developments in IT and capitalizing on China's accession to the WTO, we will stay at the cutting edge of market trends and pioneer new development frontiers.

53. Given the breadth of our service industries, I will be focusing on only a few areas this afternoon. I have already mentioned the future development of transport and logistics services. I would now like to say a few words on tourism, one of the pillars of our economy.

54. Last year, more than 13 million tourists visited Hong Kong and total income from tourism exceeded \$60 billion, contributing about 5% of our GDP. Our mission is to ensure that Hong Kong remains the leading tourist destination in Asia. We have created the Tourism Commission and revamped the work of the Tourist Association. We have published a strategic plan mapping out more than 50 short- and long-term initiatives. We are making good progress on a number of exciting projects, including Hong Kong Disneyland and a cable car system on North Lantau. We are committed to improving the quality of service to tourists, particularly in our hotels, shops and restaurants. To help achieve this, we will promote the Quality Tourism Services Scheme and improve the regulatory system for local travel agents. We will work with the mainland authorities on two fronts: to attract more visitors from the Mainland and to devise new travel packages combining Hong Kong and mainland destinations for overseas tourists. (Table 4)

55. IT is a linchpin for the development of high-value-added services. Hong Kong has invested heavily in this sector in recent years. The wave of "dotcoms" brought fresh impetus, at one stage, to our equities market. That excitement soon evaporated and rapid adjustments in the market brought a painful shock to many. But we must not let that deter us from developing IT. We must not confuse the speculative trading of IT stocks with investment in IT infrastructure.

56. Hong Kong has in place one of the best infrastructures for a knowledge-based economy. The Cyberport will open in phases between 2002 and 2003 and will bring together new capital, facilities and talent. We have liberalized the local and international telecommunications markets. Our external communications capacity will grow tenfold over the next three years, entailing investment of over \$9 billion. Our broadband network now covers all commercial buildings and 95% of residential buildings, a coverage rate which is among the highest in the world. In less than two years we have implemented the Electronic Service Delivery Scheme, opening up a new arena for e-government and e-business. That makes Hong Kong a front-runner in Asia. In the middle of this year, we intend to award four licences for third generation mobile services.

57. We continue to upgrade our financial infrastructure, making the best use of IT to increase efficiency, reduce costs and risks, and enhance market transparency.

58. We have achieved good progress in implementing the short-term initiatives in the securities and futures markets recommended by the Steering Committee on the Enhancement of the Financial Infrastructure. In particular, the Securities and Futures Commission (SFC) has set up the Securities and Derivatives Network and last August ushered in its first application, the electronic filing of Financial Resources Rules returns. Last month, the Commission successfully linked the SDNet with the Hong Kong Monetary Authority (HKMA)'s electronic network for submission of banking returns. This is a first step towards forming FinNet, a robust, efficient and secure network for financial market transactions.

59. Last September, we introduced the first electronic initial public offering (eIPO) for the Mass Transit Railway Privatization Share Offer. Public response was encouraging and this has laid a good foundation for other eIPOs. Last year, the Stock Exchange of Hong Kong also successfully launched the third

generation of the Automatic Order Execution and Matching System to enable the industry to exploit the full potential for on-line trading.

60. I have tasked the Steering Committee to produce a detailed roadmap and timetable to implement the longer-term measures. These include straight-through processing, scripless transactions and single clearing arrangements. The Steering Committee will work closely with the relevant government agencies, financial regulators and the industry.

61. In the currency market, we successfully launched the US Dollar Clearing System in the second half of last year. A few months on, more than 20 overseas banks have joined the System, in addition to banks in Hong Kong. Apart from providing for the efficient settlement of US dollar transactions in Hong Kong and the region, the System eliminates settlement risks which could arise when a transaction spreads across different time zones. In addition, the System allows participating banks to conduct US Dollar Real-Time Gross Settlement for interbank payments. It is also the first Payment versus Payment foreign exchange transaction system in the world. This has increased Hong Kong's attractiveness to global investors as a trading platform. The average daily turnover of the System has now reached US\$3 billion to US\$4 billion. It can also handle other investment instruments denominated in US dollars such as securities and bonds, helping to develop our securities and bond markets further. Following the success of the US Dollar Clearing System, the HKMA is now studying the possibility of introducing clearing systems in other foreign currencies.

62. After more than a year's extensive consultation, we introduced the Securities and Futures Bill into this Council last November. Enactment of the Bill will help businesses to raise capital in our market. It will also consolidate Hong Kong's position as an international financial centre and the premier capital formation centre for the Mainland. The proposals to combat market misconduct and enhance disclosure will help raise our corporate governance standards. I hope that, with the full support of Members and the industry, the Bill will gain early enactment in the current legislative session.

63. The HKMA is examining the establishment of a commercial credit reference agency in Hong Kong. This would help meet the financing needs of SMEs, increase market transparency and strengthen the risk management system of the banking sector. In this exercise, the HKMA has enlisted the help of

representatives from the banking sector, other businessmen and the Office of the Privacy Commissioner for Personal Data. They will consider various matters, including the agency's ownership and management rights and whether banks should be required to disclose information. The HKMA will make specific proposals later in the year.

64. Looking ahead, we will foster creativity in the market and encourage it to introduce new financial and securities products. Over time, new channels for raising capital will emerge. Our aim is to provide the best financial intermediary services, comparable to those available in New York and London. The Secretary for Financial Services will draw up a plan with the industry's help and oversee its implementation.

65. The HKMA is widely respected, both in Hong Kong and overseas, for its professionalism, fairness and transparency. But to keep pace with financial market developments and to reinforce transparency and accountability, I will consider how to improve Hong Kong's monetary management structure.

66. High standards of corporate governance are the hallmark of a first-class international financial and business centre. In my Budget speech last year, I announced that the Standing Committee on Company Law Reform would conduct a comprehensive study on corporate governance standards in Hong Kong. The study is making good progress. In the coming year, we will continue to strengthen our corporate governance regime. We will:

- take forward proposals to amend the Companies Ordinance to strengthen the accountability of directors and enable shareholders to monitor and participate directly in corporate affairs;
- conduct an overall review of the codes on Takeovers and Mergers, and Share Repurchases, to bring them into line with recent international developments;
- conduct an overall review of the Listing Rules and enforcement procedures, to strengthen their corporate governance provisions and improve the efficiency of enforcement; and
- strengthen the regulatory regime and legislation for disclosure of market information, having regard to overseas practices.



67. In addition, the Standing Committee is conducting an overall review of directors' duties and responsibilities, shareholders' rights and the disclosure of corporate information. It will also conduct in-depth research into institutional investors' perception of corporate governance standards in Hong Kong, the correlation between shareholder profile and corporate performance and the latest developments in enhanced corporate governance standards in other regions.

68. Our aim is to establish Hong Kong as a paragon of corporate governance, ensuring that those investing in Hong Kong are afforded the best protection and that our listed companies are managed with excellence, complying with the highest international standards including those relating to risk management and disclosure of information. I firmly believe that this is a core area of work that will help us maintain our leading position in financial services in our Asian time zone.

69. Let me turn now to our public finances. I will deal first with the estimated outturn for the current financial year. I will then set out my budget strategy and my budget measures for 2001-02, followed by an analysis of the Government's financial position over the medium term.

70. A year ago, I forecast a deficit of \$6.2 billion for 2000-01. I now estimate a larger deficit of \$11.4 billion for the year. I expect revenue to be \$21.4 billion lower than originally forecast. But this is partially offset by reduced expenditure of \$16.2 billion.

71. On the revenue side, the estimated reduction is largely attributable to:

- the revenue from land premia which is expected to come in \$13.3 billion less than we anticipated;
- the return on the investment of our fiscal reserves in the Exchange Fund which is expected to fall short of our original estimate by \$8.7 billion;
- the proceeds from the partial privatization of the MTR which fell short of our budgeted figure by \$5 billion;
- but, at the same time, receipts from profits tax are expected to exceed the original estimate by \$5.1 billion.

72. On the expenditure side, the estimated reduction mainly comprises:

- reduced spending of \$6.8 billion arising largely from the Government's determined efforts to enhance productivity and efficiency and the lower-than-expected prices of goods and services;
- lower-than-expected spending of \$2 billion on Comprehensive Social Security Assistance;
- reduced spending of \$8.7 billion on capital works, loans and other non-recurrent expenditure due mainly to lower-than-forecast project costs and lower demand for various loans;
- but, at the same time, we have made pension and related payments of \$1.3 billion in respect of the voluntary retirement schemes, for which no provision was made in the original estimates.

73. Although our overall deficit is larger than forecast, I now expect an operating deficit of \$19.2 billion, lower than the \$25 billion which I originally estimated.

74. Our fiscal reserves will drop from \$444.3 billion at 31 March 2000 to \$432.9 billion at 31 March 2001.

75. In deciding my budget strategy for 2001-02, I have taken into account the state of our economy, people's livelihood, the future direction of Hong Kong's economic development and Government's financial position. I have also ensured that the budget strategy is built upon the well-established budget principles with which Members are so familiar. They are:

- living within our means and striving to achieve a balance between revenue and expenditure over the medium term;
- ensuring that the growth in government expenditure does not outstrip GDP growth over time;
- maintaining a simple and predictable tax regime with low tax rates; and
- maintaining sufficient fiscal reserves.

76. My budget strategy for 2001-02 has four main elements:

- first, the Budget must reflect our economic circumstances and underpin future development. It must not stifle our economic growth or hurt our livelihood;
- second, we must devote sufficient resources to address the needs of the community, particularly the grassroots and the disadvantaged, and implement all the undertakings made by the Chief Executive in his policy addresses;
- third, we must continue to control government expenditure; and
- fourth, we must strive to achieve a balanced budget, raising additional revenue if necessary.

Let me now elaborate on each of these elements and on the budgetary measures which I propose.

77. The strong performance of the economy last year was hard-earned. It came about largely because of the community's industry and perseverance. But the fact remains that, after much pain, the recovery has taken root. We must let those roots grow stronger for the benefit of all. So long as we can afford to hold back, I agree with those who have said we should not rush to improve our finances at the expense of economic growth. 2001-02 could be another eventful year. We are facing China's accession to the WTO, continuing economic restructuring in Hong Kong and a rapid slowdown in the United States economy. Another year of consolidation makes good sense.

78. I propose two concessions which should assist Hong Kong's development.

79. To take forward a suggestion made by the Chief Executive in his 2000 policy address, and to further encourage lifelong learning, I propose to increase the maximum amount of deduction for self-education expenses under salaries tax, from \$30,000 to \$40,000. This concession is expected to cost \$10 million in 2001-02 and \$70 million over the period of the Medium Range Forecast to 2004-05.

80. To maintain our position as an international financial centre, keeping our stock market competitive rates as a high priority. At present, no stamp duty is levied on transactions in many stock markets around the world, including the United States, Japan, Germany, Singapore and New Zealand. Indeed, the worldwide trend is to reduce or entirely abolish stamp duty on stock transactions.

81. In view of this, I reduced the duty by 10% last year. At that time, I encouraged the Stock Exchange to reduce brokerage commissions, which constitute two-thirds of the cost of stock transactions. I also urged the industry to open up to competition.

82. I am very pleased to learn that Hong Kong Exchange and Clearing has decided to abolish the minimum brokerage commission rate and to open up the brokerage licensing system from 1 April 2002. To complement their efforts, I propose to lower the stamp duty on stock transactions from 0.225% to 0.2% per round transaction. This concession is expected to cost \$680 million in 2001-02 and \$4.2 billion over the next four years.

83. At the same time, there is a need to set up a new Investor Compensation Fund through a levy on stock transactions, as proposed under the Securities and Futures Bill. The SFC will shortly consult the public on the details, including the transfer of assets from the existing Unified Exchange and Futures Compensation Funds to the new Fund, and the existing transaction levy increasing from 0.01% to 0.012% for a limited period until such time as the new fund has accumulated \$1 billion. I want to stress that this small rise in the levy, though increasing the cost of stock transactions, is essential to provide reasonable protection for investors in Hong Kong securities and futures products. We will implement the stamp duty reduction and the levy increase proposals at the same time. In combination, they will lower the overall transaction cost to investors by about 10%.

84. The proposed stamp duty reduction is much more than a cost saving for investors. It is a positive move to promote the development of our financial market and will, over time, bring about additional revenues. I should also point out that, given the operating deficits which we are likely to experience over the next few years, we will need to take a cautious and step-by-step approach when we consider further reductions in the stamp duty on stock transactions. We will keep a careful watch on the effects of the reduction in transaction costs and the deregulatory measures taken by the brokerage industry.

85. Other than these two items, I do not propose any further tax concessions. Given the adjustments underway in the economy, further fiscal stimuli and compromising the pace of adjustment are unnecessary and could undermine the stability of our public finances.

86. Although I am proposing no more concessions, I hope Members and the community alike will appreciate that, as a result of the cumulative decline in prices of 7.5% over the past two years, the various salaries tax allowances have already increased in real value.

87. There is one other area in which most taxpayers will pay less: rates. The latest revaluation shows an average reduction of 1% in rateable values. With no change to the rates percentage charge, 70% of ratepayers will, on average, pay 7% less in 2001-02 than in the previous year.

88. Let me now turn to the second element of my budget strategy, which is to address the needs of the community, particularly the grassroots and the disadvantaged.

89. For the past two years, I have emphasized the need to bring the cumulative growth in government expenditure into line, over time, with the cumulative growth in GDP. To achieve this, I said last year that we needed to keep the growth in government expenditure below the GDP trend growth rate of 4% up to 2003-04. Specifically, I said I would contain growth to 2.5% from 2001-02 to 2003-04.

90. Last Friday, the Secretary for the Treasury published the draft Estimates of Expenditure for 2001-02, setting out details of spending under all policy areas. Not counting payments of \$2 billion from the Capital Investment Fund, government expenditure will amount to \$252.7 billion, an increase of \$26.6 billion, more than 10%, over the revised estimate for 2000-01. We have made provision for all the new initiatives and improvements announced in the Chief Executive's policy addresses. We have also earmarked sufficient funds for the various measures and expenditure initiatives in this Budget speech. I have already announced my proposal to set up a training fund. Let me now describe other expenditure initiatives which are targeted at the grassroots and the disadvantaged.

91. In drawing up this Budget, I have constantly borne in mind the need to care for the disadvantaged, to give them the positive assistance they need to integrate into the community and to share in our economic prosperity. Last year, the Chief Executive emphasized in his policy address the need for compassion and goodwill towards the disadvantaged and set out a number of initiatives to help those who are less fortunate. In the same spirit, and in response to views received during my budget consultation, I propose to allocate additional funding to assist the disabled, youth at risk and people with low educational attainment.

92. Thoughts of the disabled bring touching scenes to mind: our disabled athletes running in international games; a student overcoming her severe physical disability to write with great determination and achieving high marks in a public examination; the innocent smiles on the faces of the mentally handicapped; parents shouldering the lifelong challenge of caring for their disabled child without resentment or complaint. I cannot fail to admire and respect the resilience of the disabled and the parents who find themselves in such situations. Those of us who do not have to face such problems should count our blessings. As a community we have an obligation to do more to help.

93. At present, 5 400 disabled people are waiting for residential places. The average waiting time is four to five years. The provision of day services such as sheltered workshops and supported employment also falls short of the demand. In addition, 1 800 young children with special needs are waiting for pre-school services. The situation will deteriorate unless we provide more resources.

94. To strengthen our services for the disabled, I have earmarked \$219 million in 2001-02 to implement a package of measures to address their basic needs, improve their employment prospects and help them realize their potential. The measures include:

- provision of 1 000 residential places and 1 380 day service and supported employment places over the next five years, on top of those already pledged in our policy commitments;
- provision of an additional 360 integrated programme places over the next two years for pre-school children with disabilities;

- allocation of an additional \$30 million a year to provide continuous community support services for the disabled and their families;
- introduction of an on-the-job training programme, on a pilot basis for three years, helping 350 disabled people a year by facilitating their integration into the job market and promoting self-reliance;
- one-off provision of \$50 million for non-government organizations to create employment opportunities for the disabled; and
- a special grant of \$50 million to provide subsidies for disabled athletes and to help them find employment at the end of their athletic careers.

95. In the long term, the Government will provide annual recurrent funding amounting to over \$240 million a year for this package of measures.

96. There is increasing concern about young people. We are all aware of the problems of youths roaming the streets at night, joining gangs and abusing psychotropic substances. Surveys suggest that many young people are disenchanted with life. Young people are the future pillars of our society. If we turn a blind eye to youths who risk following this path, Hong Kong will lose out.

97. The Chief Executive has pointed out in his policy address that we should tackle this through the early identification of problems and timely counselling. Accordingly, I have earmarked \$84 million in the draft Estimates, rising to about \$180 million a year by 2003-04, to launch a comprehensive programme of support services for youth at risk. We will:

- work with the education and social service sectors to screen students in 200 secondary schools to identify youths at risk and to extend this screening service to primary schools as soon as possible;
- allocate additional recurrent funding rising to \$70 million, over the next three years, to increase the number of integrated social service teams aimed at providing timely counselling to youths identified as at risk;

- provide an extra \$10 million a year to step up police liaison with schools; and
- provide additional funding for non-government organizations to employ an extra 30 outreach social workers devoted to helping those on the streets at night and to strengthen Community Support Services Schemes.

98. Rehabilitation of youths at risk is a demanding mission. It requires genuine care, listening and counselling. In addition to the Government's increased commitment on this front, I appeal for the collaboration of parents, teachers, social workers and the media. Together we must save Hong Kong's younger generation at risk.

99. In recent years we have provided a wide range of vocational training and retraining programmes for those with low educational attainment. Some have suggested that these programmes are too sector-specific and skills-based and that there is not enough basic induction training for adults with low educational levels. To help overcome these deficiencies, I propose to allocate an additional sum of \$72 million over the next two years for practical adult education. Specifically, we will provide subsidies for educational institutions and non-government organizations to run courses focusing on generic workplace skills, including language, IT and interpersonal skills. We believe these courses will improve the employment prospects of new arrivals, those who have been in Hong Kong for some time but are still seeking employment, and other Hong Kong residents who have never had the chance to receive formal education.

100. My final spending initiative is to improve community facilities and promote community-building. The Home Affairs Bureau is reviewing the functions of the District Councils to strengthen their role in their local communities and will make recommendations later this year. I have earmarked an additional \$100 million a year in the draft Estimates to allow an early start in implementing the recommendations of this review. The District Councils will of course be fully consulted.

101. It is vital to ensure that the money we are spending achieves the best possible results. This is all the more important when we are containing the growth in government expenditure.



102. We are committed to improving the management and operation of the public sector. Over the past two years, we have introduced civil service reforms, implemented the Enhanced Productivity Programme (EPP), contained the size and growth of the Civil Service and re-engineered services delivery. We have two main aims:

- first, to keep the Civil Service abreast of the times and enable it to deliver quality services to the community in a more flexible and cost-effective manner; and
- second, to deliver productivity savings that release resources to meet community needs and minimize the need for tax increases.

103. We have made great strides on these fronts. We have:

- adjusted the entry points for new recruits to the Civil Service and modernized their fringe benefits;
- delivered savings of \$3.4 billion, or 3.3% of operating expenditure, since the start of the EPP in 2000-01. This exceeds the target of 3% savings over two years. We have redeployed these savings to provide more facilities and better services for the public; (Table 5)
- deleted an extra 8 000 posts, in a single year, reducing the total civil service establishment to 190 000, well below my forecast a year ago. More important, we have made the Civil Service leaner and fitter and encouraged management and staff to re-engineer procedures, innovate and operate more cost-effectively;
- implemented the Voluntary Retirement Scheme, allowing departments with surplus staff a wider scope for efficiency improvements. The Scheme should ultimately achieve net savings of over \$970 million a year; and
- increased private sector participation in the delivery of public services, through outsourcing, to enhance efficiency and quality. Examples include meal services for the elderly and the supply of automotive parts.

104. These achievements have not come easily. They underscore the strong team spirit of the Civil Service and its continuous drive for improvement and greater value for money. Increasing productivity with reduced resources is always a challenge, for management and staff alike. Each post deleted and every dollar saved inevitably have an impact on workloads or involve operating in new ways. My thanks go to all those colleagues who have set aside their own interests and staunchly supported these many reforms for the wider public good.

105. As we have made such a successful start in reducing the size of the Civil Service, I have, in consultation with the Chief Secretary for Administration, decided to lift the freeze on recruitment which has been in force for two years. I am confident that this will not trigger off an expansion of the Civil Service. Departments now meet most demands for additional services through redeployment of resources or process re-engineering, rather than simply taking on new staff. In addition, under the Voluntary Retirement Scheme, some 50 grades may not conduct open recruitment for the next five years. And government procedures for vetting the creation of new posts are well-established and stringent.

106. Enhancing public sector productivity is our pledge to the community. We will not allow complacency to creep in. With the management culture changing and experience growing, the public sector is set to become yet more enterprising. We will keep up our effort. Our major targets include:

- pressing forward with the EPP to meet our target of 5% savings of operating expenditure by 2002-03;
- even after lifting the freeze on recruitment, reducing the size of the Civil Service by 9 000 posts over the next two years, through natural wastage, staff redeployment and the Voluntary Retirement Scheme. By the end of 2002-03, the number of posts should fall to around 181 000, a greater reduction than forecast in my previous Budget speech and well below the level in 1994-95; (Table 6)
- with this Council's support, corporatizing the Survey and Mapping Office in 2001 to provide the public and the business community with more-efficient and higher-quality services;

- exploring further private sector involvement in the delivery of public services. These projects include: the Non-means-tested Loan Scheme of the Student Financial Assistance Agency and the licensing services of the Transport Department;
- with the experience gained from the partial privatization of the MTR, strengthening our work in asset management in order to increase the rate of return from those assets that have a commercial value. We will also consider corporatizing or privatizing individual assets to enhance efficiency and service quality and bring to the market additional high-value investment opportunities. Specifically, we will complete examination of the case for privatizing government tunnels within this year. We will also monitor market developments closely and offer a second tranche of MTR shares for sale at a suitable time; and
- introducing accrual accounting in preparing the Government's Annual Accounts. From 2002-03, we will publish two separate sets of Annual Accounts of the Government, one under the existing cash accounting convention and the other prepared on an accruals basis. Since accrual accounting requires the reporting of assets and liabilities, future accounts will give greater information in respect of items such as our investments in public corporations, our fixed assets and our financial obligations, including those arising from the Civil Service Pension schemes. These arrangements will help tighten our management of public finances, increase the transparency of government accounts and enhance cost-control and cost-effectiveness.

107. Enhancing productivity and controlling expenditure can only go so far towards achieving fiscal balance. When they alone cannot balance the books, we must critically consider the need to raise revenue. But, I have acknowledged earlier in this speech that we should refrain from imposing too great a burden on the community at this time. On balance, I propose to make only modest adjustments to a small number of revenue items that do not impact on economic growth and have a negligible effect on people's living standards. Let me explain my proposals.

108. I propose to increase tobacco duty by 5% with immediate effect. This proposal will generate additional revenue of \$130 million in 2001-02 and \$580 million over the period of the Medium Range Forecast to 2004-05.

109. The duty increase should not lead to a rise in the smuggling and peddling of contraband cigarettes. With the provision of additional resources in 2000-01, the Customs and Excise Department has strengthened its enforcement work. I am most pleased with the results. The number of successful operations has increased 40% and the number of peddling black spots has decreased by 70%. But we will not be complacent. The Department will continue to step up enforcement to protect both government revenue and public health.

110. The duty rates on alcoholic beverages, except wine, have remained unchanged since 1994. For the purpose of raising revenue, I propose with immediate effect to increase from 30% to 40% the duty rate on liquors with an alcoholic content of 30% and below.

111. I have decided not to increase the duty rates on strong spirits or wine, which are already taxed at rates of 100% and 60% respectively. Increasing these duty rates might significantly push up retail prices and risk a switch to the consumption of cheaper products, defeating my objective of increasing revenue.

112. This proposal is expected to generate additional revenue of \$90 million in 2001-02 and \$360 million over the period to 2004-05.

113. I also propose a modest 10% increase in driving licence fees and in vehicle licence fees for private cars, motor cycles and motor tricycles. For new licences, the new fees will take immediate effect. For licence renewals, the new fees will apply only to licences expiring on or after 7 July 2001, as announced by the Commissioner for Transport last week.

114. There has been no revision in these licence fees since 1991. Over that period we have experienced cumulative inflation of 52%. An upward adjustment of 10% will fall far short of restoring the real value of these fees, although it can still help to reduce our operating deficit. My proposals should have a negligible impact on living standards, given the small share these fees have in household expenditure and the modest level of the increase. The proposal to increase private vehicle licences will not impact on the transportation sector, and the increase in driving licence fees will have minimal impact in the medium term as most drivers have opted, in recent years, for 10-year licences.

115. This increase is estimated to bring in additional revenue of \$160 million in 2001-02 and \$1.1 billion over the next four years.

116. On-street parking meter charges have always been a stable source of income for the Government and an effective traffic management measure. I propose to raise the maximum charge from \$2 to \$3 for every 15 minutes.

117. In proposing this adjustment, I have noted that parking meter charges have not increased since 1994, that is for seven years. I am also conscious of the high utilization rate, both on weekdays and weekends, of metered parking spaces in busy areas. The proposed increase will bring the hourly rate for on-street parking to \$12, which is closer to, but still considerably below, the charges made by off-street car parks in busy locations. This should help traffic management by discouraging the use of metered parking for lengthy periods.

118. Subject to the approval of this Council, I propose to phase in the new charge over a six-month period, to allow for necessary modifications to parking meters. This proposal should generate additional revenue of \$110 million in 2001-02 and \$500 million over the four-year period to 2004-05.

119. I propose to increase Air Passenger Departure Tax from \$50 to \$80 and to widen the tax base to include passengers departing by helicopter. This proposal will not take effect until some months after the enactment of the relevant legislation, in order to allow the airlines and helicopter operators sufficient time to make the necessary arrangements.

120. This increase will not affect people's livelihood. Neither should it affect tourism, airline businesses or airport operation. Our Air Passenger Departure Tax will still be the lowest in the region for international flights. It is also an insignificant portion of the price of air tickets and of the overall cost of travelling. An increase of \$30 should have no impact in attracting tourists to Hong Kong nor should it deter local residents from air travel. For tourists, the availability of good facilities, attractive tourist spots and quality service is far more important. Past experience has shown that an Air Passenger Departure Tax as high as \$100 or even \$150 did not affect our tourism industry. The other part of the proposal, to cover helicopter passengers, is made as a matter of equity.

121. In total, I expect this proposal to yield additional revenue of \$170 million in 2001-02 and \$1.3 billion over the period to 2004-05.

122. That concludes my revenue proposals. The proposals to increase tobacco duty, the duty on certain alcoholic beverages, driving licence fees and vehicle licence fees have taken effect from 2.30 this afternoon under a Public Revenue Protection Order. My proposal to increase Air Passenger Departure Tax will not take effect until some months after enactment of the relevant legislation. My other proposals for increased on-street parking meter charges, reduced stamp duty on stock transactions and an increased level of deductions for training expenses under salaries tax will take effect once the relevant legislative amendments have been passed.

123. Before leaving the subject of revenue measures, I will highlight some of the revenue items which will remain unchanged.

124. Views are diverse on whether or not the Government should adjust profits tax. Some in the community believe there is scope for a modest increase in the profits tax rate without undermining Hong Kong's competitiveness, as our profits tax regime is already one of the most attractive in the region and indeed the world. Others have cautioned against such complacency, citing uncertainties in the world economy. After thinking long and hard, I have decided to maintain the *status quo*.

125. Some have suggested that Hong Kong should introduce a progressive profits tax system. I remain of the view that this would be a retrograde step, creating opportunities for abuse and running counter to the world trend towards simpler tax regimes. It makes no sense to undermine our own competitiveness by bucking this trend.

126. I have considered not only raising the rates of salaries tax but also reducing allowances to cut our operating deficits. Such adjustments could yield substantial additional revenue. But they would hit middle-income earners hardest and could adversely affect local consumption and hence our economic growth. I have decided not to pursue such a course at this time.

127. To provide relief for home owners, particularly those with negative assets, there have been suggestions that the Government should increase the maximum amount of deduction for home loan interest and extend the entitlement period for such deductions. I fully appreciate that, to many people in Hong Kong, home purchase is the biggest investment in their lifetime. I also understand that such interest payments constitute a large share of household expenses in Hong Kong.

That said, recent successive reductions in mortgage interest rates have reduced the burden on mortgage-payers. Stabilization of the property market should provide relief for those with negative equity. Even a small increase in the maximum amount of deduction would result in a substantial loss of revenue. For example, increasing the maximum deduction from \$100,000 to \$120,000 would cause a revenue loss of about \$1 billion over the forecast period to 2004-05. Having taken all these factors into consideration, I do not think it is appropriate for the Government to provide further concessions and aggravate the problem of operating deficits.

128. Last year I promised to come back to this Council when the time was ripe on the question of a land and sea departure tax. I received diverse views on this topic during my Budget consultations: some in favour and some against. Madam President, I would like to discuss a side issue. A colleague has told me that we need not make a guess about the Budget this year because it should have nothing exciting and not much increase or reduction. However, as I kept coughing yesterday, they are betting how many times I will cough today (*laughter*). I have just coughed for the second time (*laughter*). I remain convinced that a land and sea departure tax is equitable and would provide a major boost to our recurrent revenue. But I will examine the recommendations of the Task Force on Review of Public Finances and the Advisory Committee on New Broad-based Taxes before proceeding.

129. Betting duty and the so-called "green" taxes, which have attracted considerable attention in recent years, are similar in nature, in that they do not simply entail fiscal considerations but also important social policy implications.

130. Faced with continued operating deficits, I was very tempted to increase betting duty, a tax which is not related to livelihood.

131. But having considered the hard facts, I have come to the conclusion that this would be counterproductive. In the last three years, betting turnover per horse race has fallen by 17%. Although the slack in the economy may have accounted for the lower turnover, it seems to have had no such effect on other gambling activities. On the contrary, we have seen the rampant spread of betting on horses and the Mark Six through illegal bookmakers, extraterritorial betting, gambling on soccer matches and internet gambling. Illicit activities have become so widespread that dividend payouts are openly advertised in the media. I was staggered to hear that even conservative estimates placed the annual turnover on these illicit gambling activities at tens of billions of dollars.

132. I am concerned that an increase in betting duty might further divert money from legal betting avenues, undercut our duty revenue and, more important, pose a threat to law and order. The latter could have serious ramifications.

133. To address the problem, we need a two-pronged approach. First, we must step up enforcement action against illegal gambling to maintain law and order in Hong Kong. Second, we must face up to reality. There has been increasing interest in, and demand for, soccer betting within the community. This has become so popular that it is unlikely to be curbed. We cannot arrest all the Hong Kong residents placing illegal bets on soccer matches nor can we stifle overseas bookmaking. Rather than aiming to achieve the impossible, we should examine the case for providing a legal avenue for soccer betting. With the approach of the World Cup in 2002, we need to address the problem urgently and in a rational and objective manner. Gambling has always been a sensitive subject. We would like to hear the views of the community on this problem before coming up with an appropriate and effective solution.

134. I now refer to a subject that has come increasingly and understandably to the forefront of many people's concerns in recent years: the environment. Quite apart from the health costs and other social burdens associated with a poor quality environment, whether it be on land, in the sea or in the air, comes another major concern. Hong Kong cannot hope to maintain and improve on its position as a leading financial and commercial centre in the region if it does not clean up its act. Improving the environment ought to be a goal shared by us all and not solely the domain of a few pressure groups. For its part, the Government has made a number of major revenue concessions in recent years aimed at improving air quality by the use of cleaner fuel. But there is a limit to the number of "carrots" of this nature that we can or ought to be giving out to reduce pollution. It is clear that these "carrots" are insufficient. We need to wield the "stick" as well.

135. In the run-up to this Budget, I have received a good number of proposals for "green" taxes. But, with respect, I consider these merely scratch the surface of the problem and certain proposals such as levying "plastic bag duties" do not address the fundamental issues. I believe it is high time that the community, as a whole, faced squarely up to the reality of our deteriorating environment. We need to take an honest look at some of the inconsistencies that have got us to where we are today. For example:



- why do we continue to exempt franchised buses from duty on diesel and indirectly undermine the competitiveness of railways which are more environmentally friendly?
- why do we maintain a much lower duty rate for diesel and indirectly encourage growth in the number of diesel-powered vehicles?
- why do we continue to charge no duty on industrial diesel, thus fostering its illicit diversion for use in vehicles?
- why do we continue to subsidize the disposal of solid waste?
- why do we allow our scarce landfills to be used as public dumps for waste that can be recycled?
- why do we continue to subsidize sewage services at historically high levels?

136. The answer to these questions is that it seems expedient to most of us to continue doing so. Higher tariffs cause some pain in the community. I understand that very well. But we must as a community understand that if our environmental sores are left to fester, inaction will, over time, result in far worse pain and far greater costs than will an early cure. Most of the rest of the world seems to have woken up to that fact. When will Hong Kong? So, although I do not put forward any "green" measures in this Budget, I want to use this as a focus for the community to start to change its mindset about our environment and accept that the polluter must pay to clean up his mess. If nothing else, that is simple economic justice. I hope I can look to Members, my colleagues and I and the public to support and encourage this trend so that we can become as "green" a city as any in the years to come.

137. Total government spending next year, including the expenditure initiatives which I have announced today, will amount to \$254.7 billion. I estimate that, after implementation of my revenue proposals and the budgeted receipt of \$15 billion in the year from the sale of a second tranche of MTR shares, total revenue will be \$251.7 billion. As a consequence, I am forecasting a small overall deficit of \$3 billion, with the fiscal reserves falling slightly to \$429.9 billion at 31 March 2002.

138. Within these overall figures I must point out that in 2001-02 we will face an operating deficit of \$16.6 billion. Put simply, our recurrent expenditure will once again exceed our recurrent revenue by a significant margin.

139. I must emphasize that these figures are our best estimates. Experience in recent years, no, in the last decades (*laughter*), has shown that market volatility can cause the outturn from a number of major revenue items, such as the investment return on our fiscal reserves, land sales premia and stamp duty on stock and property transactions, to deviate considerably from the estimates. Increasing globalization may lead to greater and more frequent volatility in world markets.

140. The windfall gain from our investment return on the fiscal reserves in 1999-2000 is one example of the effects of market volatility. That resulted, somewhat dramatically, in a surplus for the year of nearly \$10 billion, against an original estimated budget deficit of over \$30 billion. In the current financial year, on the other hand, the less-than-satisfactory return from the Exchange Fund in the first half of 2000, albeit with improved performance in the second half of the year, has resulted in investment earnings for the year which are some \$8.7 billion below our original estimate and hence an increase in the deficit. I cite these examples only to illustrate the difficulty of ensuring accuracy in budgeting. I have often been criticized for "crying wolf", but let me assure Members that it is never my intention to under- or to over-estimate.

141. In the light of recent fluctuations in the investment return on the fiscal reserves, the Finance Bureau has explored with the HKMA various measures to minimize these fluctuations. Having considered the limitations of such options, we have decided not to change the arrangements at this time. We will monitor the investment return over the next few years before deciding on the way forward. This will mean that our estimates of investment earnings will continue to be subject to market volatility. I ask for Members' understanding in this regard.

142. A sound budget strategy cannot focus on the coming financial year alone. I have had to take into account the effect of my revenue and expenditure proposals on our financial position over the medium term. Only in this way will we be sure that we can afford our recurrent spending commitments and that my revenue proposals are consistent with our financial position over the medium term.

143. My detailed Medium Range Forecast is published as an appendix to the printed version of this speech. I have based it on a forecast trend GDP growth of 4% a year in real terms and a trend annual GDP deflator of 2.5%. I have also assumed that, starting from 2002-03, government expenditure will grow by 4% in real terms, in line with the trend GDP growth rate.

144. In each of the next three financial years, I am forecasting a very small overall deficit followed by a fairly healthy surplus in 2004-05, the final year of the forecast period. Being less than 0.5% of GDP, the deficits are quite insignificant, and we can regard the budgets for those years essentially as balanced. (Table 7)

145. As a consequence, the Medium Range Forecast shows that our fiscal reserves will fall slightly over the next three financial years before picking up again in 2004-05. At the end of the forecast period the reserves will stand at \$427.5 billion. This is within the guidelines set out in my 1998 Budget speech, albeit very close to the lower end of the range. (Table 8)

146. We have been running operating deficits since 1998-99. I expect this situation to last until 2004-05. In 2001-02, the surplus on non-recurrent items will offset much of the operating deficit. But non-recurrent items are by their nature unstable and unreliable sources of revenue. (Table 9)

147. Our forecasts indicate a gradual reduction in operating deficits over the medium term. Nevertheless, they remain a matter of concern. The International Monetary Fund (IMF) and the international credit rating agencies will look with nervousness on a government which, over the longer term, continues to let its recurrent expenditure exceed its recurrent revenue. This could lower investors' confidence and mean a lower credit rating for Hong Kong. Borrowing costs would then increase for all Hong Kong businesses that need to raise capital in the markets. And higher borrowing costs for businesses ultimately translate into reduced economic growth, fewer jobs and lower living standards. This is not hollow theory, but a very real problem of the kind that all economies must guard against. The IMF and the major credit rating agencies will continue to monitor our performance closely.

148. I would like to make the point that successive operating deficits are not the result of unrestrained government spending or the Government's lack of vigour in raising revenue. I have, after all, for many years been emphasizing fiscal

prudence and the need to achieve fiscal balance. More recently, we have exercised stricter control over spending to narrow the gap between the growth of government expenditure and that of GDP. Indeed, I have my critics for being overly conservative in the management of public finances.

149. We do not know whether this series of successive operating deficits is cyclical or structural in nature and this leads to uncertainty. But we know for sure that, while the relief packages of expenditure and revenue measures introduced in recent years have helped people ride out the Asian financial storms, they have put pressure on government finances.

150. My Medium Range Forecast assumes that government expenditure will grow by 4% a year starting in 2002-03. This is worth remembering. It is 1.5 percentage points higher than in my Medium Range Forecast last year. Last year, I estimated that there would be a rate of increase of 2.5% in these few years but I will now adjust the rate of increase to 4%. I believe that, as some Members have suggested, we should allow the growth rate of government expenditure to come into line with the trend growth of GDP and hence provide more services and facilities for the benefit of the community. This should be affordable unless changing economic circumstances erode our recurrent revenue in the medium to long term.

151. I wish that I could say, today, with certainty that there will be no such erosion. But I cannot. We need to monitor the trend of our revenue collections during times of steady economic growth before we can come to that or any other conclusion. The Task Force headed by the Secretary for the Treasury, which I announced last year, continues to study this problem.

152. Meanwhile, the Advisory Committee on New Broad-based Taxes, set up last year, is looking into new taxes suitable for Hong Kong, so that we have appropriate strategies at hand if it is confirmed that the operating deficits are structural in nature.

153. In the interests of Hong Kong's long-term development, we must not overlook the current and medium-term phenomenon of operating deficits. The Advisory Committee and the Task Force will report their findings later this year. I hope that Members of this Council and the public will study their reports carefully and with open minds. I must stress that our objective remains to keep a simple and predictable tax regime with low tax rates.

154. The phenomenon of successive operating deficits makes it all the more important to uphold prudent fiscal principles. Although supporting the need for fiscal prudence, some Members of this Council have called on the Government to relax its style of fiscal management. They have suggested that the Government could, for example, afford expenditure growth faster than GDP growth and that the fiscal reserves could be run down to finance its outlays.

155. I am puzzled as to how we can relax standards on the one hand and claim, on the other, that we have not deviated from the principles of fiscal prudence. The fact is that if government expenditure grows faster than trend GDP growth, we will incur excessive financial obligations, not only in the short term, but also in the long run. This is because a large proportion of our expenditure is devoted to funding recurrent services and facilities which represent a long-term commitment on the part of the Government. Put simply, any excess amount spent today may increase the pressure for tax increases tomorrow.

156. I must also point out that, notwithstanding the adequate level of our fiscal reserves, we should not take the easy way out and rely on them for a living. This would undermine our ability to cope with unforeseen circumstances which may arise at any time. It would also compromise our fiscal discipline and jeopardize our international credibility. Such action could have very serious consequences. Taking the easy way out today could cost every man, woman and child in Hong Kong dearly over the longer term. That would be far too high a price to ask our future generations to pay.

157. Let me turn back to the expenditure programme for 2001-02. During my Budget consultations some Members suggested that I should raise the expenditure guideline by more than 2.5%. The robust growth of our economy last year restored the balance between the cumulative growth in government expenditure and cumulative economic growth earlier than we had expected. But I do not think it prudent to deviate from my stated intention of allowing the expenditure guideline to increase by 2.5% in 2001-02. Our expenditure has actually increased by 10% as I have just mentioned.

158. Let me explain why. First, we are expecting a substantial operating deficit of over \$16 billion in 2001-02 and the situation will start to improve in the following year only if all goes well. Second, we do not yet know whether successive years of operating deficits represent a structural problem or merely a cyclical phenomenon. Third, I think it is wrong to increase taxes substantially,

at this time, to support a higher level of expenditure. Fourth, I have noted that, in 2001-02, government expenditure as a proportion of GDP will be at its highest level since the introduction of the Medium Range Forecast in 1986-87. We must see to it that the public sector does not overexpand. That is why I have not adjusted the expenditure upward in the Budget for the year 2001-02. (Table 10)

159. Preparing this Budget has been a challenge. I need to take care of the present needs of the community and at the same time cater for the future development of Hong Kong. I have to keep our public finances healthy and at the same time promote development and improve living standards. I must take care of those in need but without forsaking fiscal prudence. I am most grateful to Members of this Council, representatives from various sectors and members of the public, who have all shared with me their observations and suggestions. Your ideas have helped shape my thinking and have influenced the initiatives that I have announced this afternoon.

160. This Budget is a deliberately conservative one. I have proposed to spend what I promised last year to meet the community's needs. I have also proposed modest revenue measures to uphold our principles of fiscal prudence. I do not yet have enough evidence to determine whether the problem with our public finances is structural or cyclical. It is too soon to come to a verdict. It would be unwise to rush into major tax increases or new taxes at the risk of prejudicing economic growth.

161. But we must have a clear vision of our future direction and continue to hone our strengths in the economic interests of Hong Kong.

162. In our public finances, we must face up to the reality of successive operating deficits and a narrow tax base. We must come up with suitable solutions in a practical, reasonable and open manner. We must not let expediency override fundamental financial and economic considerations.

163. In economic development, we must grasp the opportunities of China's accession to the WTO and the development of Western China. We must capitalize on Hong Kong's synergy with Guangdong and the Pearl River Delta, and initiate joint development. As a community, we must pull together and focus on our next economic take-off. We must strive to excel as Asia's World City.

164. I also appeal to the community to consider the less fortunate among us and to provide them with the support and assistance they need.

165. I have proposed various measures to help members of the public rise to the new challenges of a knowledge-based economy. Members of the community must take every opportunity to upgrade their own knowledge and skills. Their personal advancement and that of Hong Kong depend on this.

166. I firmly believe that, despite the many external uncertainties which may face us in 2001, we should be able to withstand any economic fluctuations that may arise so long as we are properly equipped. Hong Kong has in recent years been through a baptism of fire and has emerged stronger than ever. We have become more competitive than we were before the financial crisis. We have strengthened our monetary and financial systems. Our public sector has become more efficient and forward-looking. Most important, the people of Hong Kong have become more down-to-earth and realistic, focusing more on the fruits of real endeavours than on quick gains.

167. We can look forward with hope, but we must at the same time be aware of the challenges we face. We must keep up the hard work. Only by doing our best will we succeed.

168. I leave my post of Financial Secretary confident in the future of Hong Kong.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the Appropriation Bill 2001 be read the Second time.

**PRESIDENT** (in Cantonese): In accordance with the Rules of Procedure, the debate on the Second Reading of the Appropriation Bill 2001 is now adjourned, and the draft Estimates are referred to the Finance Committee for examination before the debate on the Bill resumes.

**NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 14 March 2001.

*Adjourned accordingly at ten minutes past Four o'clock.*





Table 3

**Fall in consumer prices is gradually abating  
and zero inflation is expected for 2001**

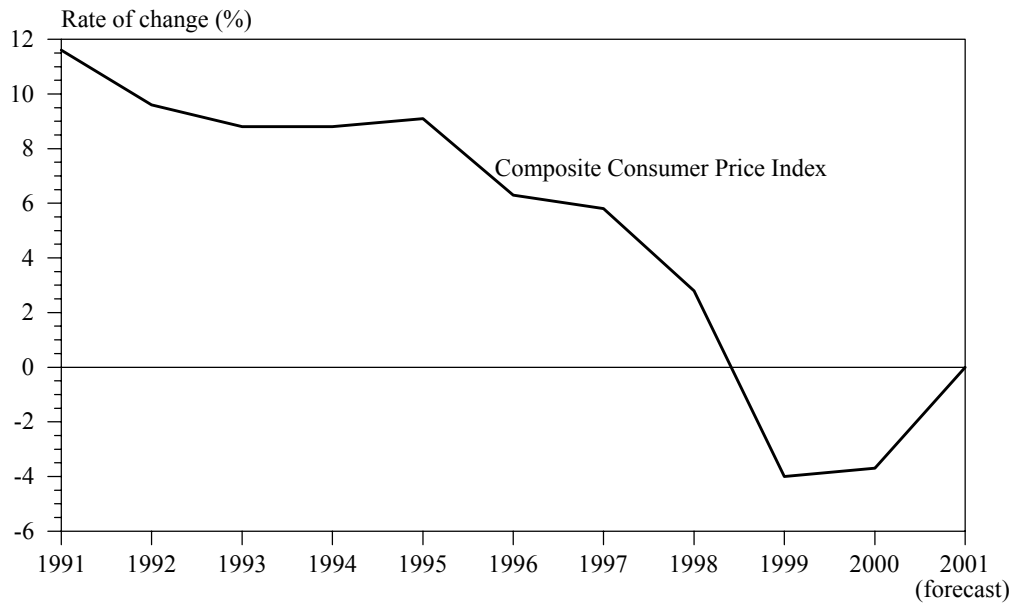


Table 4

**Number of visitor arrivals  
was at a record high in 2000**

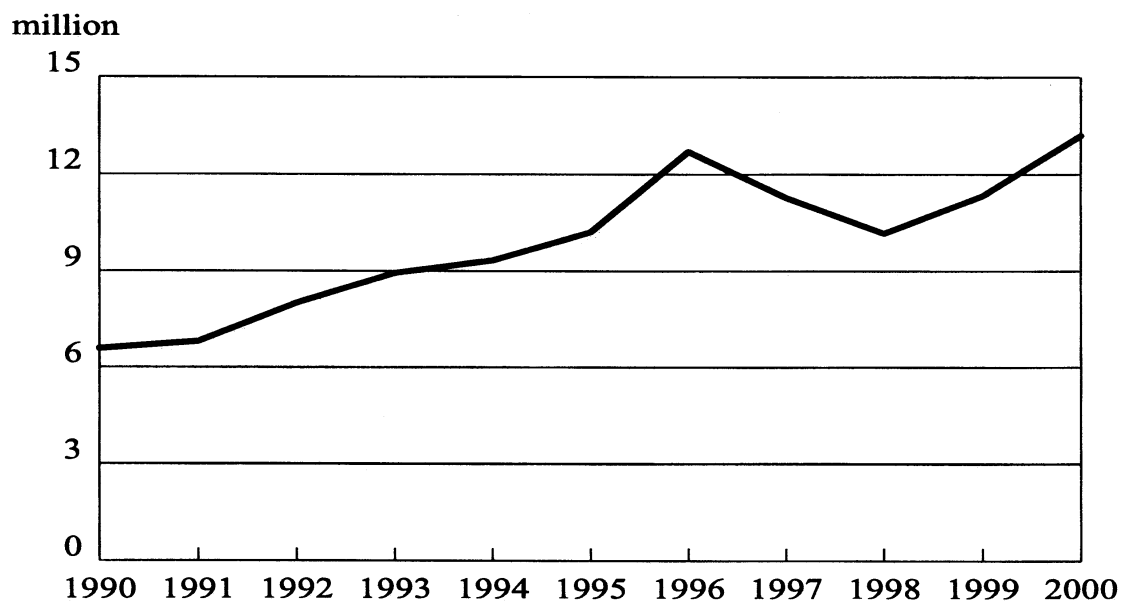


Table 5

**Cumulative savings under the Enhanced Productivity Programme  
in the public sector since 2000-01**

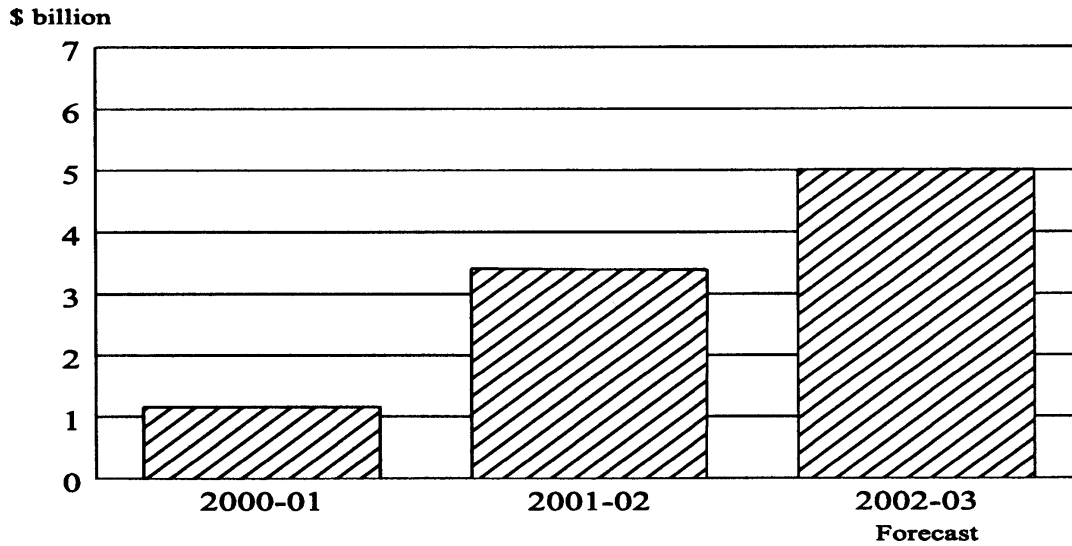


Table 6

**Civil Service numbers to go below 1994-95 level**

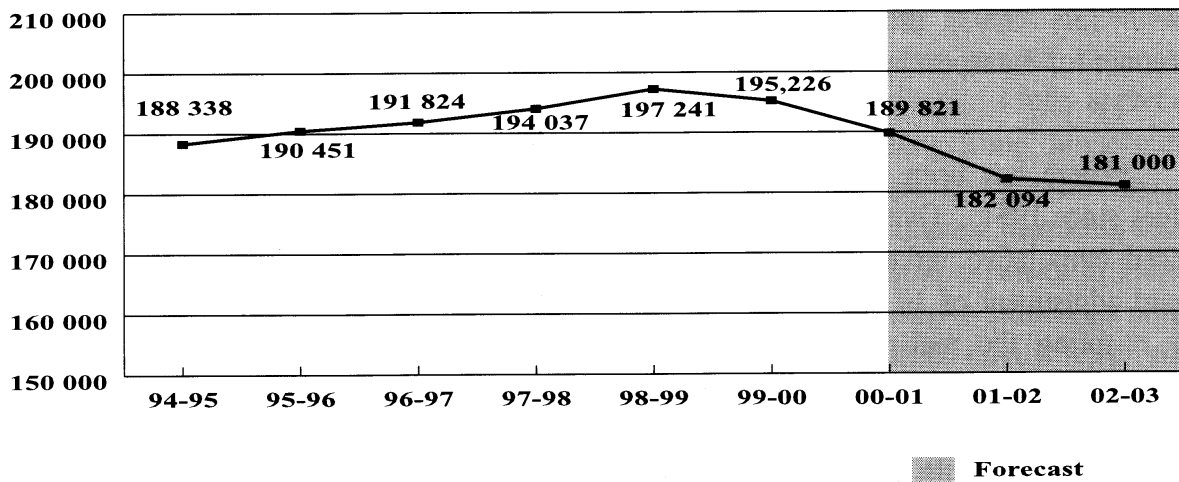


Table 7

Expecting a return to overall fiscal balance

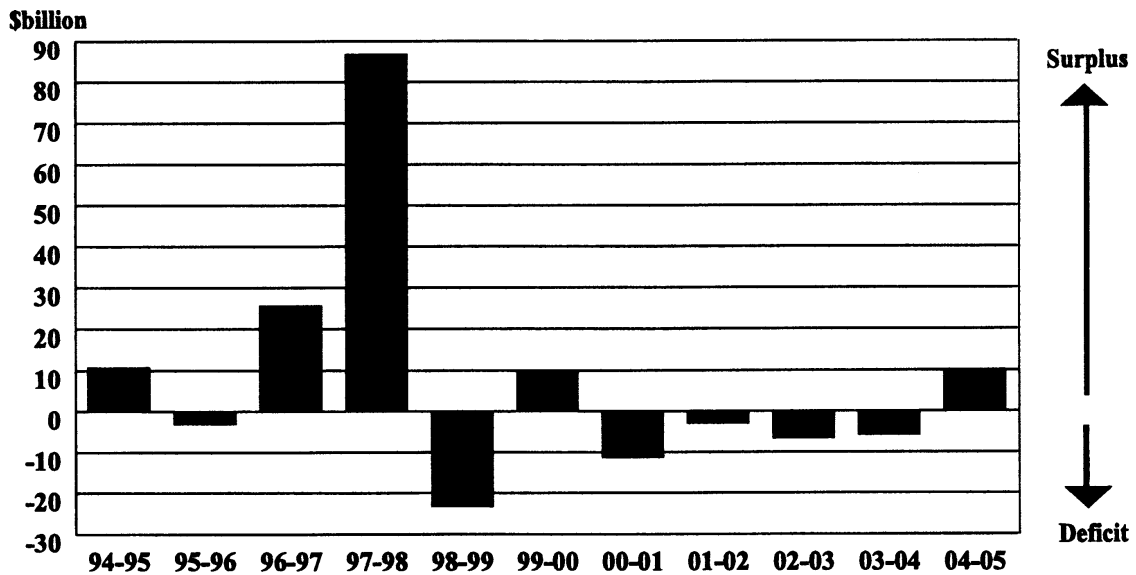


Table 8

Fiscal reserves expected to come very close to lower end of guidelines at end of forecast period

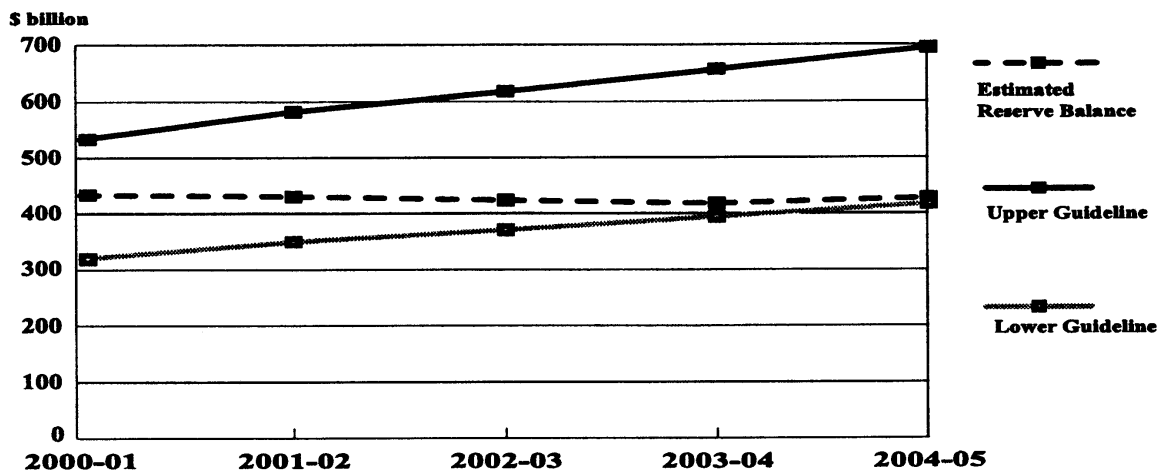


Table 9

Consecutive years of operating deficits since 1998-99

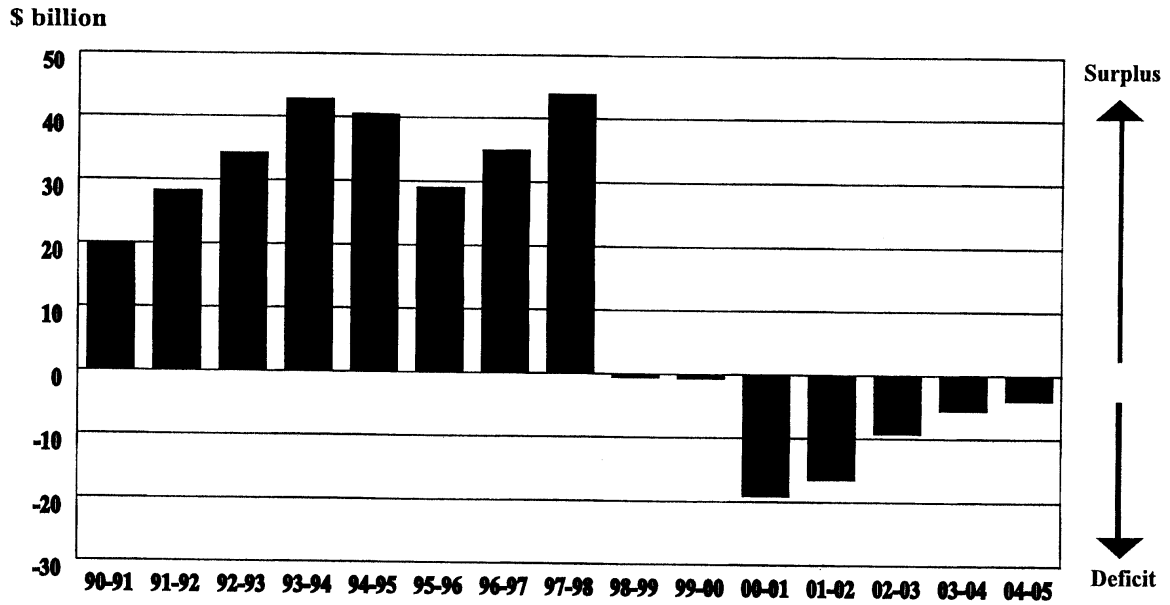


Table 10

Government expenditure as a percentage of Gross Domestic Product

