<u>Budget Speech by Selina Chow</u>

According to the Government, our GDP registered a 10.5% growth in the year 2000, and the Financial Secretary in his budget for the coming year is predicting a further growth of 4%. Great news indeed. But what does it mean to our community, our businesses and our people?

Both the Chief Executive and the Financial Secretary were quick to admit that somehow the recovery had not been generally felt or shared by our community at large so far. The authoritative research department of the HSBC has corrected their prediction for growth downwards to 2.2%, indicating that the path ahead is neither as rosy as the Financial Secretary would have us believe.

Another indicator is of course the unemployment rate. Up till February this year, the peak of 6.3% in 1999 had continuously slid downward, and hit 4.3% this January. But before we could have time to celebrate, it moved back up to 4.5%. Worse still for my constituents, retail and wholesale is the sector that has registered the main surge upwards.

Research conducted by the Retail Management Association shows that we have not regained lost ground since the deterioration in local consumption which hit us in 1997, and in the year 2000 we are still 20% less than that of 1997. This drop may partly be due to the price correction which has taken place in response to the downward pressure on prices posed by the economic downturn, and the threat of competition in the region as a result of the round of currency devaluation in countries in the region. But the principal reason observed by the trade is the outflow of spending by Hong Kong people, whose ease of travel has attracted them to do their weekend shopping in Schenzhen, and their longer holiday shopping in South East Asia.

Last year there were 3990 land departures of Hong Kong people through the northern border. Every weekend some 160000 people crossed Lowu and there is no sign that this figure will come down. Departure figures increased to over 200000 during long weekends. Tens of thousands of Hong Kong people have bought property in nearby Chinese towns, either as their permanent residence or holiday homes. This naturally means that those who occupy these units would do their daily shopping or at least their leisure spending on a regular basis north of the border. As have been pointed out by retailers, such spending is not restricted to the purchase of goods but also include consumption directed at all leisure activities such as food, recreation, entertainment and sports. The effect of the exodus is also felt by public transport operators, who have complained to me about the consistent loss of business during weekends and holidays.

These signs are all pointing to the fact that our domestic consumption is being seriously undermined by the outflow of spending in nearby places which can offer much cheaper deals for a wide range of products and services. As far as our own people are concerned, Hong Kong is no longer competitive in the prices we are able to offer.

It is therefore not surprising that there is a call among many service providers that Government should seriously consider the introduction of a land departure tax, so as to take away the incentive for people to travel north for their leisure and shopping. Since there is already a tax levied on departures by sea and air, why should those leaving by land be exempted, particularly when the volume of traffic there imposes a huge burden on the manpower and resources of the Immigration Department? Shouldn't the use-pay principle apply here? A charge of $20 per departure would bring a revenue source of $800 million. Apart from keeping some of that spending power here at home, it will give less cause for Government even to consider to introduce any new tax, least of all a general sales tax, which the service sectors are convinced will permanently damage Hong Kong's standing as a shoppers' paradise as well as a service centre.

It is widely recognized and acknowledged that Hong Kong is not cheap, that we compete on value and not on price. By way justification, this is not an unreasonable argument, but unfortunately most consumers, including you and me, would always look at the price tag first. So already we are disadvantaged if we are regarded as expensive, which is a reputation that we are beginning to acquire.

That is probably the reason that our Government reiterate the aspiration for Hong Kong to become the world city of Asia, on par with London of Europe and the New York of the Americas. This is all fine, except that when Londoners go to the country to spend their weekends and holidays, they contribute to their national economy. It is a very different story with us, under the one country two system arrangement.

I therefore lament the fact that in his last budget, the Financial Secretary failed to address this very serious problem that our economy is facing.

Lest I should be accused of asking for Government intervention into our free market, I hasten to say that no business in Hong Kong, big and small expects Government to subvent business. However it is fair for the business community to ask the Government what it intends to do to bolster our competitiveness and promote consumption.

Mr. C. H. Tung and the Financial Secretary have talked about the Government's intention to create a business-friendly environment in Hong Kong. Listening to local businesses, big and small, this high-sounding objective, just like our economic growth projections, remain an aspiration rather than an achievement. Government control through legislation, regulation and licensing is increasing rather than decreasing. As a result fees and charges under the users pay principle are also increasing. At the same time because of more requirements to be fulfilled, more time which often translates into income loss, is taken to get started, and more work created which leads to no return or reward. When a problem is identified it takes years to correct. The restaurant license is a living example of that. The sewage charges for restaurants is another. A hotel still requires 30 licenses before it can open its doors, a supermarket requires 12 licenses, and it takes a games centre 6 months to obtain a license. How many more consultancies, and how many more years must we wait before we can resolve such inefficiency and save costs for everybody?

A major role that the Government must play in strengthening our overall competitiveness is the investment that we must make on education and training. I recall that after June 4th of 1989, the then Government anticipated a mass exodus of mature talents from our shores, and therefore decided to expand out tertiary education sector. I remember vividly how our colleagues in this Council savagely criticized the Government for not getting the balance right, and not spending enough on primary and secondary education.

For many years I had been involved in the debate of education issues both in this Council and in the Education Commission. In hindsight I think we correctly identified the problem but came up with a solution which is less than ideal. We discovered that the language of instruction which should have been English was in fact mixed-mode, and as a result it dragged the entire standard of both languages, English and Chinese, down. Instead of addressing the root of the problem then, which was to map out a clear plan to upgrade the standard of both languages among teachers, in particular English, we chose the easy way out, and opted for mother tongue as the medium of instruction. Educationally it made sense, as we were cutting our clothes to our cloth. However adopting this policy and expecting that we would still retain bilingualism was probably too much to hope for. We losing our English proficiency. The recent phenomenon of thousands of parents flocking to the British Council in order to secure a place for their children to study in the UK, and long cues at international school entrance exams, must be clear signals to our Government that something must be done, not only to uphold the standard of English in our public school system, but also to present the choice of education in the medium of English. Parents' aspiration should not be dismissed easily. But it goes beyond that. English is undoubtedly the key communication tool of today's world, and there is just no way we can realize out goal to be the world city in Asia if we do not focus on this issue of language. We must be conscious of the fact that our strong competitors, Singapore and Shanghai, can easily overtake us in offering services in the international language.

To be fair, the Government seems to be aware of the problem, and is prepared to allocate funds for this purpose. However just setting aside funding for applications which require initiatives from the business sector is not enough. What is required is a co-ordinated and proactive strategy under the Secretary of Education and Manpower, with input from professionals, educators and end-users. We need a plan, and we need it quickly if we are to cement our position as a top service-providing centre in the Asia Pacific Region.

But just resolving the problems is not quite enough. Unlike the Japanese who always impress visitors with their courtesy, even though most of them could only speak Japanese, our people have a tendency to shy away, or simply ignore any approach for help when this is done in a language unfamiliar to them. This is often taken as rudeness, and at its worst, is construed to be a sign of discrimination. If we are to position ourselves as the preferred destination for visitors, the regional hub for trade and professional services, and the link between the world and the Mainland when China enters the WTO, then the readiness to serve, ***and to serve politely***, as well as efficiently, must be our goal. Schemes such as the Quality Tourism Service Scheme must be adequately funded and expedited to elevate the standard of service provided. And public education and extensive promotion to stamp out discrimination must be initiated as soon as possible. Just imagine what a disaster it will be if we allow our visitors from the Mainland, India the U. S. and Europe to go home with a bad taste in their mouth, swearing never to come again, after all the efforts we put in to upgrade our tourism infrastructure, increase our facilities, and pour ideas and expenses into marketing campaigns all over the world to attract them to Hong Kong.

Another way that Government can encourage quality service to take the lead in recognize its immense value to Hong Kong. Recently the Government Property Agency put out to tender the lease of café on the Peak. The existing lessee has made great strides over the last few years in improving its service when he took over the premises from his predecessor. Unfortunately no recognition was awarded to the achievement if its management and staff, and a new bidder who offered more money was awarded the new lease. This is hardly encouragement to operators who have devoted much hard work and dedication, and have made marked contribution in setting high standards of service for the trade. I call on the Government to review its policy by rewarding such achievements in the future by giving the appropriate weighting in the award Government leases and contracts to private operators of the service industry.

It has been said often enough that what makes Hong Kong tick is our appreciation of talents. The opportunity for upward social mobility for anyone with the determination and capacity to perform has attracted achievers to contribute to our success, whether they are native Hong Konger or foreigners who have come to call Hong Kong home. I am therefore surprised that the Democratic Party which has in the past preached competition and attacked protectionism should itself be so protectionist as to advocate the limitation of admission of Mainland professionals. I fear that they, not being practicing businessmen, tend to approach issues of business in an academic way, while choosing to ignore market needs. In the process they may deprive our own graduates of business opportunities when investors discover greener pastures. The Admission of Talents Scheme has been ridiculously restrictive, and has driven talents to Singapore, the U.S. and elsewhere. The proposed scheme is already being regarded as inadequate, due to its narrow scope and its exclusion of families of employees. This needs to be addressed quickly if we are to remain competitive in our recruitment and retention of talents. This in turn determines where investors would choose to set up shop.

Madam President, as this is the last budget of the Financial Secretary, I would like to congratulate him for a job well done, for having by and large got the balance right, but most of all, for having listened.