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**Speech by the Hon Mrs Selina Chow Liang Shuk-ye,
GBS, JP**
Motion Debate on Appropriation Bill 2003, 3 April 2003



Selina Chow:

Madam President, the predicament confronting Hong Kong is the worst we have ever had throughout the years. The war in Iraq, together with atypical pneumonia, which is closer to us and undoubtedly more destructive, has dealt a further blow to our already weak economy. However, I think this is not a time for us to sigh and complain. Instead, we should follow the examples of some outstanding leaders and peoples, so as to motivate ourselves to become more positive. Some people say that the performance of Mr Rudolph GIULIANI, Mayor of New York and the New York people after the September 11 Incident has provided us with good examples to follow. But in my opinion, the doctors and medical workers who are now fighting a tough battle against the epidemic at the front line, who attach greater significance to saving the lives of others than the protection of their own, are even more brilliant examples for us. Apart from paying tribute to them, we should always remember their dedication and vigour, because this will give us greater strength to endure our present predicament.

Yesterday, Mr James TIEN clearly spelt out the stand of the Liberal Party on the Budget. We support the Government's initiative in drawing up a timetable for achieving a balance between revenue and expenditure. However, in view of the many difficulties before us, I think it is necessary for us to review and reassess certain measures for opening new sources of revenue, so that we can give a break to the people. In this way, our economy would be able to recover quickly.

In solving the fiscal deficit and maintaining our international credit ratings, the Government must plan and adopt very clear and feasible strategies. Otherwise, it is highly possible that our credit ratings would be adjusted downwards, leading to an upsurge in interest rates, and worsening of the business environment, especially for our small and medium enterprises (SMEs). This generally explains why the different sectors of the community have the consensus that the Government should take resolute measures to resolve the fiscal deficit. As a matter of fact, Hong Kong has always been a prudent society, and it has for a long time followed the principle of keeping expenditure within the limits of revenues. The two-pronged approach of opening new sources of revenue and cutting expenditure has generally and widely been considered as the only option for the Government in resolving the fiscal deficit.

On cutting expenditure, the Liberal Party has always advocated the principles of free market and small government. Therefore, we absolutely agree to adopting "large market, small government" as the philosophy of the Government. However, like many Honourable colleagues who have spoken before me, I doubt whether the measures selected so far could have the sufficient strength and efficiency in resolving the fiscal deficit problem.

I would like to thank Ms Emily LAU for raising a series of questions on the existing manpower and the establishment. She went into the detailed situations of various departments, providing both the questions and answers. She has saved a lot of my speaking time. From the answers to the questions raised by me, everyone can easily come to this conclusion: All we have to do is to narrow down the differences between the existing manpower and the establishment, or even to delete such differences, then we would discover that there is substantial room for cutting expenditure — at least we can turn the existing manpower into the establishment. On this base, we can achieve a major reduction in the funding need in the Budget next year. This may be a good way of cutting expenditure.

In fact, the Financial Secretary had already announced that the recruitment of civil servants would be suspended with effect from 1 April. However, apart from the suspension of recruitment of civil servants, the Government must also tighten its human resources expenditure before it can really save money. Therefore, I had raised the following question to the Secretary for the Civil Service: As the Government will suspend the recruitment of civil servants, if the departments/bureaux have some additional manpower requirements, will the Government make the necessary arrangements by making internal transfer between different departments or bureaux? How many such transfers will be made during the budget year 2003-04? If so, how many posts and how much manpower will be saved? If not, whether the Administration has any other methods to satisfy some additional manpower requirements at a time when the recruitment of civil servants has been suspended? The reply I got was quite queer, because the reply was simply not sent to me by the Secretary. The reply to me was sent by the Permanent Secretary who said that, in the Budget for 2003-04, there was no information on such manpower transfer. However, if such demand was detected, the Government would assist the bureaux or the departments in the deployment of manpower. In fact, the Government has already made efforts in different aspects in order to cut expenditure. Therefore, there would be certain room. However, the Civil Service Bureau and the Financial Services and the Treasury Bureau are now considering further ways to assist the manpower deployment procedures. If the deployment of manpower cannot be arranged due to time constraint or job requirements, the bureaux or departments may recruit some non-civil service contract staff to address their short-term service requirements.

To cut a long story short, it seems that such a mechanism does not exist at the moment. However, if necessary, this can be done. So the relevant studies are being conducted now. I do not know how many months the studies will take. But generally speaking, the Government needs to take several months if not a full year to carry out a study. The reply also said, if necessary, staff could be employed on a contract basis. Does that not mean spending money again? I am somewhat disappointed about this. I hope that the Bureau can formulate a reasonable timetable, such as three months, to present a plan that would portray how on the whole different Policy Bureaux and departments could deploy their respective internal surplus manpower to other bureaux/departments with manpower needs — I emphasize that it must be deployed to other bureaux/departments. This mechanism must be set up as soon as possible.

During the past period of time, we have doubted whether the Government needs to rely on consultants. And I have seen that other Honourable colleagues have also raised such queries. I believe that, when the Government proceeds to hire consultants, the only reason we can accept is: There is insufficient expertise within the Government. In the past, when the Government had a shortage of manpower, it would seek outside service as a kind of support. However, under the present financial constraint, if there is a shortage of manpower, we must look for such manpower within the Government, instead of seeking outside support.

Last month, the Liberal Party raised a question on an allocation of fund of several millions of dollars requested by the Environment, Transport and Works Bureau. We asked why it was necessary to outsource certain services. The answer we got was that the Bureau did not have the relevant kind of engineers. We therefore asked again, if the Environment, Transport and Works Bureau did not have that type of engineers, whether they were available in other bureaux. The Bureau Directors were unsure and could not answer the question immediately. I believe the present situation is like this: There is no such a mechanism in the Government, so it is necessary to establish one. As for the outsourcing policy, the Liberal Party has all along supported the Government in doing more in this aspect, but the prerequisite is that it must be able to save costs. However, we found that this is not always the case. Very often, in theory outsourcing services could save costs. However, the manpower level remains the same, because the Government cannot dismiss its officers. If so, it is better to stop outsourcing. Instead, internal manpower of the Government should be utilized first.

Looking at the issue of cutting expenditure from another perspective, we discover that, the savings to be achieved by the Government are actually very small. In the following year, that is, 2004-05, only 0.5% of the

expenditure will be saved; in 2005-06, 4% will be saved; and in 2006-07, 1.2% will be saved. As it is not possible to cut expenditure substantially, then we can only rely on opening new sources of revenue since the ultimate goal is to eliminate the fiscal deficit. Then what is the case with opening new sources of revenue? Over the corresponding periods, the respective figures are 11%, 9%, 5% and 2.3%. In other words, the revenue the Government intends to generate from the people is higher than the money it plans to save by expenditure-cutting measures. In terms of percentage, it is much higher. I think the people in general would find this unfair. Therefore, I believe the Financial Secretary must reconsider this.

At the moment, among the various service industries, if the situation of the retail industry is not the worst (Mr Tommy CHEUNG must say that his constituency is even worse), it must be one of the worst. Even before the outbreak of the war and the atypical pneumonia incident, under the deflation of last year, both the sales and turnover dropped, making the retail industry face very heavy pressure. The turnover dropped \$17.5 billion, whereas the sales volume dropped 2.6%. During the past few weeks, we have all seen that the situation has become even worse.

My office has conducted a telephone survey on the retail industry during the past two days. We discover that their turnover has dropped as much as 50% to 90%. They all realize that, apart from hoping that the atypical pneumonia incident could be over as soon as possible, there is virtually nothing they could do. However, they generally think that, as the rent constitutes a major burden to them, it would be most helpful to them in alleviating the losses in their business if their rents could be reduced or waived. In such a difficult time — I am glad that Secretary Michael SUEN is here — I believe the Housing Authority could consider the issue and provide them with some rent concession to facilitate their recovery. If the public sector landlord could take the initiative, we hope the landlord in the private sector could follow. Of course, retail business operators also hope that, once this crisis is over, the Government could launch major promotional campaigns both locally and overseas, so as to restore the consumer confidence. The Government may have to prepare some public resources for this purpose.

The Liberal Party is lobbying for a suspension of contributions towards Mandatory Provident Fund schemes both by employers and employees for one year. In fact, we have made this suggestion on many different occasions, but it seems that the Government has not heard our voice. We can see that this request is very strong among many business operators, especially among SMEs and retail business operators. This is a move that does not cost a single cent on the part of the Government. We hope the Government can reconsider this.

Everyone knows that practitioners of the industry strongly oppose the substantial increase in Motor Vehicles First Registration Tax. No one

would feel surprised about the objection from the industry, because this tax item pinpoints the industry. However, I just wish to say this explicitly, that the Motor Traders Association of Hong Kong, which belongs to my constituency, does not oppose the increase in the Motor Vehicles First Registration Tax; they just believe that, in a quiet market atmosphere and the deflation environment, coupled with the increased tax burden for people belonging to the middle class or above, such a measure would certainly undermine the consumer sentiment. In fact, their sales volume already dropped 15% last year.

With the present increase, the prices will rise by 15% to 38%, and it would cause serious damage to the industry. The Motor Traders Association of Hong Kong predicts that, with the increase in the Motor Vehicles First Registration Tax, the sales volume of high-end vehicles will drop 50%, whereas the sales volume of the entire vehicle market will also drop 20%. As such, it would be virtually impossible to generate \$7 billion in revenue as originally envisaged by the Government. What is more, the decrease in sales volume will lead to the dismissal of 1000 employees. The Government must make some effort to prevent unemployment and the shrinking of the market. I hope the Government and Honourable Members will carefully listen to the voice of the industry.

This morning, we heard many opinions from the industry, including the motorcycle industry. They think that this tax item is particularly unfair to them because the prices of their products are relatively lower. The blow suffered by the market would make the industry unable to turn the corner.

In view of the request made by the industry, we should consider this tax item from another perspective. At a time when consumer sentiment is so low, we really should not introduce any tax increase in this regard. If consumer spending continues to decline, the profits will decline as well, and so will profits tax revenue. In that case, will the Government's proposal to increase tax actually result in double decreases in revenue?

Madam President, the Liberal Party supports the Appropriation Bill 2003. If the Bill is negated, it will lead to a suspension of all government services, and cause a constitutional crisis. I believe Hong Kong people will not wish to see us act in that way.

Thank you, Madam President.