

## Speech by the Hon Mrs Selina Chow Liang Shuk-ye, GBS, JP Motion Debate on Motion of Thanks, 4 February 2004

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Selina Chow:

Madam President, after suffering from a series of blows ranging from the financial turmoil, economic restructuring, deflation to the SARS outbreak, Hong Kong has experienced unprecedented hardships during the past few years. During this period, Hong Kong has endured extremely poor business in many different industries, and the hardest hit sector is none other than the wholesale and retail sector represented by me. Operators in the sector bore and survived the difficulties in these few years, and eventually they could see some early signs of economic recovery in recent days and the spending sentiment of the people has started to improve. In addition to this, the lifting of restrictions has prompted, large numbers of mainlanders to come to Hong Kong on individual visits. To the tourist industry, one of the pillar industries of our economy, this should be good news. However, amid such seemingly optimistic prospects, I can still see some hidden worries.

First of all, during the recent festive days of Christmas and the Chinese New Year, we could see that the consumption market was substantially more prosperous than that of the previous year. However, just as the operators of the industry started to air a sigh of relief, the Government now once again tries to revisit the subject of introducing the sales tax. This has made operators of the sector start to worry very much. In fact, the wholesale and retail industries, which are two interdependent industries, have been affected by dwindling business during the past few years. The improving business in the past few months is by no means adequate to compensate their losses. Furthermore, landlords are poised to launch a new round of rent increases. These are indeed warning alarms for the industries. If the Government proposes this unwelcome sales tax on the ground of eliminating fiscal deficit at this juncture, it can by no means achieve the effect of giving the industries adequate time to recover. Here, I do not intend to rehash the reasons of my objection to the sales tax, which I have mentioned repeatedly in this Council. All I want to do is to quote the viewpoints of an economist, Mr LAM Boon-lee, expressed in one of his articles. He thinks that the sales tax would not be able to stabilize the tax revenue of the Government because local personal spending had dropped 12% during the five years after 1997, whereas the total retail sales volume had plummeted by 25%. If the sales tax was collected during this period of time, the revenue so generated would drop at the same time as the spending of the people dwindled. What is more, it is most likely that the sales tax would prompt more Hong Kong people to make spending across the boundary, thereby undermining the consumption market of Hong Kong.

Madam President, as I have already said that, I do not intend to carry on with the debate on the pros and cons of the sales tax. I believe we shall have ample opportunity to explore the subject in great depth when it comes to the debate on the Budget. I just hope that the Government will not address the issue on a predetermined position. Nor should it come to any conclusion just from a theoretical or accounting perspective. Instead, in consideration of the need to maintain the overall financial strength of the Government and to bring the entire community to share this commitment, the Administration should allow people from different classes and sectors of the community to have adequate discussion on this issue which will have a far-reaching impact on the local economy and the livelihood of the people of Hong Kong.

The Chief Executive declares in the policy address that we need to ensure that Hong Kong has a good business environment. In fact, this is no novel concept. Mr TUNG has made the pledge to "a favourable business environment" in nearly each of his policy address. In the policy addresses of 1997, 2001, 2003 and this year, it was particularly

mentioned that it was necessary to improve the licensing mechanism, streamline procedures, lift over regulation, and strive to cut red tape that is related to the operation of businesses. The Liberal Party has in this Council also made repeated requests on the Government to simplify legislation, streamline licensing procedures in order not to create obstacles to business opportunities. However, unfortunately, so far the reforms desired by us have seen no positive progress.

A rationale, commonly known by everyone in the private sector regardless of their positions, and the truth of it is well appreciated by all is, "Time is money." However, this rationale is not at all prominently covered in government rule books. This is especially evident in some regulations which involve many departments and complicated exchanges of documents, and in particular, certain licensing procedures usually cannot stand the "user friendly" test. It was only after years of hard campaigning before restaurant operators successfully made the Government adopt the provisional licensing mechanism, which is a fundamental change from the past situations of not getting a licence after having submitted an application for more than 10 months. However, such a reform has not been extended to other service industries such as cinemas, amusement centres, and so on. We are still receiving incessant complaints. My I request the Financial Secretary to make good use of his four-in-one composite committee to actively review some regulations and scopes which are badly in need of reform in the light of the good measure of administration in my view. By doing so, it will expedite the reviews of regulations of various sectors, so as to eliminate outdated and inappropriate provisions, simplify formalities and shorten procedures, thereby saving social resources and fees. All of these will really be conducive to business, and will really stimulate investment sentiments.

Madam President, we have heard the Chief Executive and the Chief Secretary for Administration pledge more than once that they will not hastily or casually proceed with the enactment of laws, and that they will examine whether they can amend or repeal certain outdated regulations. However, while their words have hardly been forgotten, things have already turned in the opposite direction with none of the old regulations having been abolished. Yet new regulations that will affect or undermine business operation are introduced through the release of numerous consultative documents. Such consultation documents are formulated by different Policy Bureaux, undoubtedly with good intentions. However, they have usually overlooked the realistic situations and difficulties in the markets. As a result, the operators who are most affected are at a loss as they have no way of lodging complaints. I would like to urge officials to adopt an open mind in order to understand the viewpoints of the operators as far as possible, and then try to mediate conflicts with a tolerant attitude. I hope that the Government can make it a standard practice to conduct regulatory impact assessments. So in consultative documents on new policies or legislation, officials have to list clearly the costs for introducing such new policies or legislation. Only by doing so can we get the opinions that can best balance the interests of different parties and that are most cost-effective.

Madam President, in closing, I would like to say a few words for the tourist industry. Firstly, I would like to declare that I am the Chairman of the Hong Kong Tourism Board (HKTB). I would like to take this opportunity to thank the Government, the Legislative Council and people from all walks of life for their support and commendation for the HKTB. Recently, we agree that individual visits by mainlanders have brought new life and business opportunities to Hong Kong. However, very few people have mentioned that the achievement in this regard has really been the fruit of the hard efforts made by the Chief Executive, Mr TUNG Chee-hwa. During the past few years, he has personally done a lot of work in pursuit of this. Even now, he is still working persistently to strive for the inclusion of other markets in the Individual Visit Scheme.

Driven by the tourist industry, the service industries are showing very bright prospects. But may I lav a little reminder here: the SARS outbreak last year and the avian flu should

make us realize that the tourist industry is very vulnerable to outside impact. Apart from working hard, in the face of more and stronger competitors, we have to continue making investments if we want to maintain our leading position. Affected by the fiscal deficit, the reduction of resources is a reality that the HKTB has to face. I hope the Government and the Financial Secretary can give us their kind consideration and the Legislative Council grant us its generosity in this regard.

Thank you, Madam President.