

MRS SELINA CHOW (in Cantonese): President, there is an uniqueness in this year's Budget debate — an uncertain factor exists for the first time, and that is, for once, we do not know who will be the Financial Secretary for the next term.

In theory, the Financial Secretary is the plenipotentiary of the Budget. In regard to the future policies and measures on public finance, when Members ask the Financial Secretary to accept their views, how meaningful will that be? For instance, the Liberal Party proposes to lower taxation for the middle class and the small and medium enterprises (SMEs), as well as various financial suggestions, and even if they are accepted by Financial Secretary Henry TANG — I quote a very special example, which is to request lowering the duty on wine. Will that be accepted by the succeeding Financial Secretary? I quote this example in particular because I remember very clearly the Chief Executive, Mr Donald TSANG, agreed very much to the lowering of duty on wine when he was the Financial Secretary. However, what his succeeding Financial Secretary did was completely against this direction.

Of course, the Chief Executive for the next term has been elected. This is already a fact which also helps to reduce the issue of uncertainty. However, both the public and Members may generally expect the Chief Executive to give us assurances at an early date. For our various requests to the existing Government, in particular, we also hope to listen to some concrete responses from the Government, instead of having the questions passed to the next Government and deemed that work has been done.

Since October 2003, a levy of \$400 per month has been imposed by the Government on more than 200 000 employers of foreign domestic helpers (FDHs) in the territory. It is commonly known as the "levy on FDHs", but the Government named it as the "Employees Retraining Levy". The purpose is that employers of FDHs can share part of the cost for training or retraining local low-skilled workers. Although we agree with that purpose, we do not agree with the source of that income.

Back then, since the economic environment in Hong Kong was not so robust, the Administration hoped that we could tide over the difficulties together and thus came out with this way, so that the Government can reduce the cost of training local labour. Although the Government says that this "Employees Retraining Levy" is not a taxation item and is nominally not a tax, it actually is a source of taxation to reduce cost.

Nevertheless, FDHs thought that it was discrimination against them as their salaries had to be reduced before imposing the levy on them. Hence, they sought judicial review in 2003. Although the Court of Appeal ruled in favour

of the Government in July last year, the FDHs associations stated that they would continue to appeal up to the Court of Final Appeal.

Since the Administration is worried about the risk of facing a lawsuit, it has frozen \$2.7 billion of levy accumulated to date, and not a cent has been used. I am afraid that only when there is any possibility of appeal from the FDHs associations, the day on which this sum of money can really be used will be beyond the foreseeable future. As a result, the levy has been collected but no one can be benefited. Not only is the levy paid for no purpose, but both the middle class and the grass-roots level have also become losers in the game.

This \$2.7 billion is not a small sum of money. This is not fair to the employers of FDHs either. In a way, they have to contribute endlessly to the Employees Retraining Board, adding to them an extra burden. However, this sum of money has never been used. Basically, there is no need to accumulate such a big amount of money. If we take into account the interest, when we are talking about 10 millions of dollars which has been accumulated for four years, how much money in total would that be?

At present, the statutory minimum wage is \$3,400 per month, which has been raised every year over the past two years. Although the level is still lower than that before the reduction by the Government between 1999 and 2003, with the addition of the \$400 levy on FDHs, the cost of employing a FDH is at least \$3,800. Besides, it also includes meals, housing, medical expenses, labour insurance, return tickets and even daily traveling expenses. In rough calculation, I believe that one needs \$5,000 to \$6,000 per month in employing an FDH. To a middle-class family which is shouldering substantial daily expenses, like repaying housing mortgage, contributing to parents and also supporting children's living, this is very exhausting. If their children are not enrolled to a non-profit-making kindergarten, they could not apply for "education vouchers" and the expenses will be higher, not to mention when their children will study in directly subsidized schools or international schools.

What is more deplorable is that employing an FDH could be regarded as a luxurious move in the past, but which is not the fact at present. If both husband and wife need to work, an FDH is indispensable. To families with young couples, this burden is very heavy. The population policy that we are now advocating is to encourage the young generation to expand the families. However, the present situation is not convincing enough to them.

During the special meeting of the Finance Committee, the Bureau said that they would study some feasible means to "defrost" this \$2.7 billion. Although it is already too late to "defrost" the levy collected over the past four years, we should still go ahead with no delay. To middle-class families, I hope that they can receive positive news on this aspect as soon as possible. Nonetheless, we still reckon that since there is already \$2.7 billion in public coffers, the levy should in fact be suspended as quickly as possible.

Meanwhile, in alleviating the mortgage burden of the middle class, in the 1998-1999 taxable year, the Government actually introduced tax deduction of home loan interest for a period of five years. It was later extended to a period of seven years in the 2004-2005 Budget, and was again extended to 10 years last year. However, even under the present situation when it is financially abundant, the Government has not mentioned turning the tax reduction of home loan interest into a long-term measure. We, the Liberal Party, have been appealing to the Government about this as we think this should be a long-term measure. A lot of people from the middle class vented their grievances to us saying that they were a sandwich class. The grassroots can enjoy a lot of welfare, including housing benefits, but the middle class only has the duty to pay tax. They could seldom receive such assistance and this is very unfair to them.

Back then as the budget deficit was still serious, the Government did not turn the tax concession into a permanent measure. The situation then is understandable. However, at the present moment, the Government can really reconsider turning this into a permanent measure. I believe that this not only can utterly reduce the burden of the middle class, but can also encourage them to purchase their own homes and enhance their sense of belonging. This is highly recommendable.

To the SMEs, especially shop operators, the escalating rental is an issue causing serious headache indeed. Although the Government proposes to waive rates on domestic and non-domestic properties for two quarters this year, which is slightly alleviative, the Government should, in the long run, still consider how to minimize the operating costs of SMEs. When the economy was sluggish in the past, the Government had relaxed its policies in order to encourage people to start business and to provide opportunities for SMEs. Take private kitchens as an example, relaxing the policies did help the operation of SMEs. However, on the other hand, it seems that the retail trade has not received any assistance. Some measures have even strangled the creativity of the community and the

vitality of the market. We should not forget that SMEs actually account for 98% of the companies in the Hong Kong, providing 60% of jobs in the private sector, thus relating to the livelihood of millions of Hong Kong people.

I would like to again talk about the case of Yip Fat Factory Building in Kwun Tong. During a motion debate two months ago, I have given a detailed account of the difficulties they encountered. Those business operators already moved in are now unable to continue their operation, that is to say, these "tiny" enterprises are unable to continue their wholesale, retail and related activities as they have no way to change the existing usage of the factory building. In fact, the biggest obstacle comes from the Lands Department and the Fire Services Department, especially from the latter. If we adopt the old mode of regulation to assess the case, they are surely not allowed to change the usage. Undeniably, this will waste a lot of social resources.

President, some "tiny" enterprises found a way out for these vacant units with their innovative ideas. Not only can this create job opportunities and start up the economy, but this can also help these industrial areas to change their usage. This can be beneficial to both sides. However, the existing statutory regulations are indeed not updated and have therefore failed to cope with the changes of the times. In addition, quite a lot of government departments just stick to their books as they have the mindset of being worldly wise and playing safe. As a result, community creativity has inadvertently strangled and market forces for a naturally come by structural change of the economy stifled. I sincerely hope that the Government of the new term can have the determination and courage to go forward and find a solution to the problem.

President, quite a number of Members also call upon the Government to commence works for the essential infrastructures as soon as possible, so that the public can enjoy these facilities sooner. At the same time, this can also create job opportunities for the construction industry and other related trades. I am a member of the Public Works Subcommittee. During the meetings in the recent one or two years, a pet phrase could be heard throughout, and that is: Can it be expedited? No matter whether it was a large-scale or small-scale project, we always have to bargain with the officials. We found that in the final analysis, the departments concerned were always very conservative in respect of the projected period of time needed for the projects. They would often reserve a lot of room. If we bargain with them, they would give us some sort of a counter-offer. We just cannot help asking: Why did the departments fail to study removing this kind of room in the first place internally so that they could deal with each item with the highest efficiency?

In fact, when contracting out a project, the Government should encourage the contractor to work out ways to complete the project within the shortest time span possible under the premise of guaranteed quality. Due credit should also be given to this when selecting the bidders. For many years in the past, the Government's criterion of consideration has been offering the project to the lowest bidder. In fact, this will mean more losses than gains. In order to complete for the contract at a low price, the contractor will always reduce the cost by deploying the least number of workers, without bothering about the project being procrastinated — I believe we can always see that in some sites with public works going on, the number of workers working is limited, but the public are longing bitterly to enjoy the facilities — neither have there been consideration that the government departments concerned can in fact cause part of the administrative costs to be saved by speeding up the works.

It has always been the Government's explanation that political arguments has been the first and foremost reason and it then passes the buck to the Legislative Council. However, is it really true? The answer is a negative one. Let us look at the figures. In 2004-2005, the Government had submitted 50 projects for approval by the Public Works Subcommittee, but we only rejected one project. In 2005-2006, the Government had submitted 60 projects for our approval, and the Legislative Council only asked for resubmission of three projects. In the end, all projects were endorsed. We cannot see any hurdles being put in the Government's way. Nevertheless, let us look at the number of projects submitted to the Legislative Council by the Government. There were 112 projects in 1994-1995, 93 projects in 1999-2000, but only 60 projects last year. Over the past two years, the Government originally said that it would submit 76 projects each year, but the ultimate number has been reduced to merely 50 and 60 respectively.

However, time and again, we heard of the grievances from the District Councils and local people, criticizing the Government of delaying the construction of community facilities. They also expressed their strong dissatisfaction about this. A thorough overhaul is really necessary. Therefore, I strongly request the Administration to increase the number of projects launched and not to reserve too much room. Besides, when inviting tenders for the projects, the Government must encourage the contractors to speed up the projects on the premise that quality must be guaranteed.

President, finally, I would like to talk about the West Kowloon project. As we all know, this has been discussed for a long time. The public also hope

that the Government can expedite the preparation work and commence the project as soon as possible. It is because the time needed will at least be eight to 10 years. We hope that the Government will delay no more.