

A painful lesson for the Democrats

BEFORE the 1996-97 Budget was unveiled last week, Dr Yeung Sum of the Democratic Party had threatened to veto the Government's Appropriation Bill in a bid to press for more funding to improve welfare and benefits for the elderly.

The Legislative Council, he said, would teach the administration a lesson by scuppering the budget, should officials remain insensitive to the long-standing, popular demands for better social security for senior citizens.

The maiden fiscal blueprint of Financial Secretary Donald Tsang Yam-kuen does indeed contain several initiatives for the elderly.

These include a \$200 "lai see" to be paid during Lunar New Year and a maximum entertainment reimbursement of \$320 a year.

Furthermore, after the practical details are ironed out with the Chinese authorities, senior citizens choosing to retire in southern China will still be allowed to claim their old-age allowances.

These steps forward, however, have been dismissed by the Democrats and some pressure groups as dismal.

Despite a 14.7 per cent increase in real terms in social welfare spending, the monthly handout for elderly residents has only been adjusted - to keep pace roughly with inflation - to a little more than \$1,900. The critics are adamant that the amount should be revised to a minimum of \$2,300 a month.

Dr Law Chi-kwong, a Democrat who represents the social welfare sector in the legislature, was so disappointed by the package he led a group of elderly people in a demonstration yesterday outside the Government Secretariat in Central.

Demonstrators challenged Secretary for Health and Welfare Katherine Fok Lo Shiu-ching to take a meal with the disgruntled recipients of the old-age subsidy and hence get a "taste" of what it's like to survive on less than \$65 a day.

Residents aged 65 or over accounted for 8.5 per cent of the local population in 1990; this climbed to 9.5 per cent last year.

This means there are almost 600,000 senior citizens entitled to claim the monthly aid from the Social Welfare Department.

Problems associated with the elderly seem destined to deteriorate as the number of senior citizens grows, a trend continuing into the next century.

Critics have pointed to the official projection that Hong Kong's fiscal reserves and the Land Fund will consolidate to a hefty \$360 billion by the time the territory becomes a Special Administrative Region under Chinese rule in July 1997.

Beijing had asked for a buffer of



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only \$25 billion for post-1997 Hong Kong when it clinched a deal with London about five years ago on how the Chek Lap Kok replacement airport scheme should proceed.

Many activists are convinced Hong Kong can afford to be more generous and caring, given the fact the community has already built up a fiscal safety net almost 15 times more substantial than the Chinese authorities had deemed adequate.

Treasury officials, on the other hand, maintain that Hong Kong's public spending must be kept in line with the territory's overall economic growth.

They insist the current level of

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old-age allowances is based on an objective study of the actual needs of senior citizens.

Despite the protests and criticisms, the Government is confident that this year's Appropriation Bill will be accepted by the assembly without too many problems.

Officials have stood their ground, not giving in to the parties. And they have been consistent with their messages to the public: that resources are limited and the proposed allocations have been fair and sufficient.

Meanwhile, the business sector is also unhappy about certain key aspects in the 1996-97 fiscal plan. The Government, for example, had generated high hopes about probable assistance for local service industries to enable them to compete with neighbouring opposition.

The main provision in the budget, it turns out, is only a \$50 million Services Support Fund "to provide funding support for projects which will benefit the further development, and increase the competitiveness, of Hong Kong's service industries".

This immediately became a laughing stock in business circles as the money is only enough to buy about 8,000 square feet of living space in Hong Kong.

The fund is considered merely symbolic, if not an outright insult, rather than a genuine effort to enhance the territory's competitive edge.

A week before Mr Tsang's budget speech, Singapore's Finance Minister Richard Hu also announced his budget for the year. The authorities in the island republic have hailed that document as "pro-business and pro-people".

Apart from cutting back the profits tax level by one percentage point, Singapore also substantially increased resources for its Economic Development Board.

Unlike Mr Hu, Mr Tsang has decided to retain Hong Kong's current profits-tax arrangement. Yet, despite the cutback, Singapore's profit tax rate will still stand at 26 per cent, effective from next year.

The local business lobbies know they do not have a strong case for complaint.

So far, none of the major parties, including the Democrats, have committed themselves on how they will cast their votes when the debate on the Appropriation Bill is resumed.

The issue of old-age benefits aside, the financial secretary has actually accommodated many other suggestions put forward by the parties.

The 14 per cent increase in personal tax allowance has exceeded public expectation. The \$90,000 threshold is close to the average of what the four major political parties had asked for.

Other additional demands, such as tax allowance for adult learning, have also been accepted.

The Democrats are now trapped in an embarrassing situation. The Government's allocations for the elderly have obviously not lived up to their expectations - now the party will have to vote against the budget to honour its threat.

Mr Tsang's first budget, however, has been widely accepted as prudent and reasonable.

The Government's propaganda offensive in selling the budget has obviously paid off.

Even the Chinese officials have made a tacit endorsement of the fiscal plan by refraining from making any substantial remarks.

In view of the current public sentiment, some Democratic legislators have admitted in private that the most drastic position they could take is to abstain from the voting.

Instead of teaching the administration a lesson, the Democratic Party has probably learned a lesson from the case, as it now finds itself at odds with mainstream public opinion.