

立法會
Legislative Council

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seen by the Administration)

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Finance Committee of the Legislative Council

**Minutes of the 6th meeting
held at the Legislative Council Chamber
on Friday, 11 January 2002, at 2:30 pm**

Members present:

Dr Hon Philip WONG Yu-hong (Chairman)
Hon NG Leung-sing, JP (Deputy Chairman)
Hon Kenneth TING Woo-shou, JP
Hon James TIEN Pei-chun, GBS, JP
Dr Hon David CHU Yu-lin, JP
Hon Cyd HO Sau-lan
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, JP
Hon LEE Cheuk-yan
Hon Martin LEE Chu-ming, SC, JP
Hon Eric LI Ka-cheung, JP
Dr Hon David LI Kwok-po, GBS, JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching, JP
Hon CHAN Kwok-keung
Hon CHAN Yuen-han, JP
Hon Bernard CHAN
Hon CHAN Kam-lam
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai
Hon Andrew WONG Wang-fat, JP

Hon WONG Yung-kan
Hon Jasper TSANG Yok-sing, JP
Hon Howard YOUNG, JP
Dr Hon YEUNG Sum
Hon YEUNG Yiu-chung, BBS
Hon LAU Chin-shek, JP
Hon LAU Kong-wah
Hon Miriam LAU Kin-yea, JP
Hon Ambrose LAU Hon-chuen, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon CHOY So-yuk
Hon Andrew CHENG Kar-foo
Hon SZETO Wah
Hon LAW Chi-kwong, JP
Hon TAM Yiu-chung, GBS, JP
Dr Hon TANG Siu-tong, JP
Hon LI Fung-ying, JP
Hon Henry WU King-cheong, BBS
Hon Tommy CHEUNG Yu-yan, JP
Hon Michael MAK Kwok-fung
Hon Albert CHAN Wai-yip
Hon LEUNG Fu-wah, MH, JP
Dr Hon LO Wing-lok
Hon WONG Sing-chi
Hon Frederick FUNG Kin-kee
Hon IP Kwok-him, JP
Hon LAU Ping-cheung
Hon Audrey EU Yuet-mee, SC, JP
Hon MA Fung-kwok

Members absent:

Hon LAU Wong-fat, GBS, JP
Hon Timothy FOK Tsun-ting, SBS, JP
Hon Abraham SHEK Lai-him, JP

Public officers attending:

Miss Denise YUE, GBS, JP	Secretary for the Treasury
Mr Stanley YING, JP	Deputy Secretary for the Treasury
Mr K K LAM	Principal Executive Officer (General), Finance Bureau
Mr Daniel CHENG	Principal Assistant Secretary for Planning and Lands (Planning)
Mr H K WONG, JP	Director of Territory Development

Mr Michael WONG	Deputy Secretary for Security
Mr Alan CHU	Principal Assistant Secretary for Security
Mr K C CHOW	Assistant Director of Immigration
Mr C H CHEUNG	Principal Immigration Officer of Immigration Department
Mr Albert LAI	Chief Systems Manager of Immigration Department
Mr CHOW Oi-tung	Head of Control Points Command of Customs and Excise Department
Mr Robin IP, JP	Deputy Secretary for Constitutional Affairs
Mr LI Wing	Chief Electoral Officer of Registration and Electoral Office
Mr Alex LEE	Chief Systems Manager of Information Technology Services Department
Mr Kenneth MAK	Deputy Secretary for Commerce and Industry
Mr Donald CHEN	Principal Assistant Secretary for Commerce and Industry
Mr Stephen IP, GBS, JP	Secretary for Financial Services
Miss Susie HO, JP	Deputy Secretary for Financial Services
Mr Philip CHOK, JP	Deputy Secretary for Education and Manpower
Mr Benjamin TANG, JP	Commissioner of Insurance
Mr H Y MOK	Assistant Commissioner of Insurance
Mrs Jenny CHAN	Assistant Commissioner for Labour
Mrs Rita WONG	Senior Government Counsel of Department of Justice

Clerk in attendance:

Ms Pauline NG	Assistant Secretary General 1
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Staff in attendance:

Miss Polly YEUNG	Chief Assistant Secretary (1)3
Miss Yvonne YU	Senior Assistant Secretary (1)4

Item No. 1 - FCR(2001-02)53

**RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE
MADE ON 19 DECEMBER 2001**

At members' request to consider and vote on PWSC(2001-02)89 separately, the Chairman put FCR(2001-02)53, except PWSC(2001-02)89, to the vote. The Committee approved the proposal.

**PWSC(2001-02)89 Head 707 - New Towns and Urban Area
Development
Hong Kong Island and Islands Development
Civil Engineering - Land development
677CL - Wan Chai development phase II,
engineering works**

2. Members noted that a letter dated 11 January 2002 from the Secretariat of Legislative Councillors of the Democratic Party (DP) in relation to the item under discussion tabled by Mr Albert CHAN. (The letter was subsequently circulated to members vide LC Paper No. FC27/01-02 on 14 January 2002.)

3. Mr Albert CHAN stated that Members of the DP supported the proposed Wan Chai development phase II (WDII) in principle but were gravely concerned about future change of land use for the reclaimed land as this would not be subject to scrutiny by the Legislature. He pointed out that the Government or the Town Planning Board (TPB) might revise the current land use proposals for the reclaimed land pursuant to relevant provisions in the Town Planning Ordinance. The Administration would therefore be at liberty to propose changes to the land use which might not be compatible with the spirit and principles of the Protection of the Harbour Ordinance (Cap. 531) in preserving the Harbour. As such, Mr CHAN urged the Administration to give an undertaking that future changes to the current land use proposals must comply with the Protection of the Harbour Ordinance, both in substance and in spirit. He said that Members of DP would be prepared to support the present proposal if the Administration would provide such undertaking.

4. In response, the Principal Assistant Secretary for Planning and Lands (Planning) (PAS(PL)P) advised that extensive consultation had been carried out in respect of the present project. Having regard to the concerns raised by Members and the public, the present reclamation and land use proposals had been drawn up based on the minimum reclamation option. He confirmed that in undertaking any works projects, it was incumbent on the Administration to ensure that they would comply with all relevant statutory requirements, both in substance and in spirit.

5. Mr LAW Chi-kwong reiterated the need for the Administration to give an undertaking in this respect. He stressed that the approval of PWSC(2001-02)89 by the Finance Committee (FC) should be subject to the Administration's undertaking that any future changes to the land use proposals for WDII must comply with the spirit and principles of the current Protection of the Harbour Ordinance. In response to Mr LAW's enquiry, the Chairman advised that under the FC Procedure, any amendments to the Administration's proposals must come from the Administration, and members could not amend the Administration's proposals.

6. Referring to certain cases handled by the Public Accounts Committee, Mr Eric LI pointed out that after obtaining the necessary funding approval, the Administration should be given an opportunity or channel to inform members of FC of subsequent developments/changes to the project proposal. As it might be difficult to ascertain whether certain changes were in accordance with the spirit of the law, Mr LI suggested that the Administration should provide members with the planning objective of WDII which also set out all the necessary requirements which had to be satisfied. If there were any changes to the planning objective, the Administration should inform FC. He said that the planning objective would facilitate members to understand the development density of WDII. If the projected population density of WDII fell below the ratio for sites for commercial or residential uses, members' concern that the Administration would take the opportunity to carry out residential or commercial developments on the reclaimed site in question could be relieved.

7. PAS(PL)P reiterated that the present reclamation and land use proposals had been drawn up based on the minimum reclamation option after extensive consultation with the public and the LegCo. He advised that the proposed reclamation would provide land for the related road schemes in WDII and other infrastructural facilities. The proposed waterfront promenade would provide the public with an open space for recreational and leisure activities. Apart from these two major uses, the remaining reclaimed land would be used for small scale community and commercial facilities. PAS(PL)P further advised that the Outline Zoning Plans (OZPs) were the statutory plans prepared and published by the TPB under relevant provisions of the Town Planning Ordinance (Cap. 131). Areas covered by the OZPs were zoned for uses such as residential, commercial, open space and community uses, etc. The Administration could provide relevant information in respect of the OZP of WDII for members' reference.

Admin

8. As the Chairman of the Public Works Subcommittee (PWSC), Dr Raymond HO recalled that at the meeting on 19 December 2001, the majority of members of the PWSC supported the present proposal. He did not see any conflicts between the Protection of the Harbour Ordinance and the Town Planning Ordinance, but highlighted that members' principal concern was whether the Administration would implement the project in accordance with

the relevant statutory requirements. He suggested that in future, if the TPB was asked to revise the current land use proposals, the Administration should inform FC.

Clerk

9. Mr IP Kwok-him said that Members of the Democratic Alliance for Betterment of Hong Kong (DAB) supported the present proposal as it had been drawn up after extensive deliberations. He disagreed with Mr Albert CHAN's request for further consultation with FC on future changes to land use proposals for WDII as this would not be compatible with the FC's role which was to scrutinize and approve funding proposals. Instead, he suggested to refer members' concerns raised at this meeting to the TPB for reference as any future changes to the original land use proposals would require the approval of TPB. PAS(PL)P concurred with Mr IP Kwok-him's suggestion. He nevertheless assured members that when major changes to land use were contemplated, public consultation would be conducted before the Administration or TPB finalized its plans.

10. Dr YEUNG Sum confirmed that Members of DP opposed any further reclamation in the harbour. They would only accept reclamation works that were absolutely necessary, such as for providing land for transport infrastructure. Dr YEUNG reminded members that in his letter, Mr Albert CHAN had requested that the revised proposal be referred to FC, or the relevant Panel(s). He had not insisted that FC was the only forum for consultation.

11. In response, PAS(PL)P confirmed that all along, it had been the Administration's practice to conduct consultation on proposed land uses on both sides of the Victoria Harbour. In view of members' concerns, he said that the Administration would consult the relevant LegCo committee(s) on major changes to the land use proposals for WDII. He also agreed that the Administration's undertaking would be recorded in the minutes of the meeting for future reference.

Admin

12. For the avoidance of doubt and in order that the Administration would not be obliged to consult members on every minor change, Mr CHEUNG Man-kwong proposed and PAS(PL)P agreed that the Administration would undertake to take action as follows:

"As reclamation was regulated by the existing Protection of the Harbour Ordinance, the Administration should undertake that any significant change made to the land use proposals for WDII in the future must comply with the spirit and principles of the said Ordinance. Moreover, the proposals should also be forwarded to the FC or the relevant Panel(s) for consultation on the changes concerned with a view to protecting this special natural asset of Hong Kong"

13. Mr IP Kwok-him said that Members of the DAB agreed that the Administration should revert to the relevant Panel(s) if any significant change was made to the original proposals as this was in line with the existing practice. However, he reiterated DAB Members' reservation on referring the changes to FC for consultation as such arrangement was incompatible with the role of FC. He requested that their reservation be recorded.

14. While expressing support for the related road schemes in WDII, Ms Miriam LAU reiterated her reservation on the proposed development at the Comprehensive Development Area (CDA) as previously expressed at the PWSC meeting. In addition, she sought the Administration's confirmation that the Cargo Handling Basin at Wan Chai would be reprovisioned to Chai Wan as originally planned as the reprovisioning was of great concern to the trade. She found it difficult to support the present proposal in the absence of the Administration's confirmation.

15. In response, PAS(PL)P advised that the relevant bureaux and departments were still studying the options on the future arrangements for the existing Cargo Handling Basin at Wan Chai. One of the options being studied was reprovisioning. He assured members that the Administration would make the most appropriate arrangement for the Cargo Handling Basin at Wan Chai.

16. In view of members' concern on the proposed CDA, Miss Emily LAU requested the Administration to provide further information on the proposed land use of CDA and asked whether LegCo would be further consulted.

17. PAS(PL)L referred to Enclosure 2 to PWSC(2001-02)89 and advised that the bulk of the CDA would be located on existing land now occupied by a bus terminus and only a small portion of the CDA would be on the reclaimed area. The CDA was planned to provide for leisure and exhibition uses, and the proposed height of the building would be similar to that of the Hong Kong Convention and Exhibition Centre. While the original plan was to develop the CDA for commercial purposes, the Administration had revised its original plan having regard to the strong views expressed by the community during public consultation. PAS(PL)P stressed that the current development proposal for the CDA had struck a reasonable balance between town planning needs and the interest of the community. On whether further changes to the CDA were possible, PAS(PL)P advised that a further round of consultation would be conducted in accordance with the town planning procedures to receive views and objections, if any.

18. While expressing support for the related road schemes in WDII, Mr James TIEN said that Members of the Liberal Party (LP) had strong reservation on the proposed development of a 10-storey building in the CDA. While he could accept that the site covering the present bus terminus and two adjacent buildings between Convention Avenue and Harbour Road be provided as open

space for leisure purposes, he did not agree with the proposed construction of a 10-storey building in the CDA.

19. In response, PAS(PL)P explained that the existing bus terminus would be the future site for a new mass transit railway (MTR) station of the Northern Island Line and a large scale public transport interchange. To improve overall town planning, the Administration would adopt a comprehensive planning approach in the development of the CDA. The MTR station and the public transport interchange would be provided at the underground level and the first level of the CDA respectively, while the upper levels of the CDA would be planned for entertainment and exhibition uses. He said that the entire structure would be about 10 storeys high.

20. The Chairman put the item to vote. Mr James TIEN said that Members of the LP would abstain as they did not agree to the proposed construction of a building consisting of up to 10 storeys in the CDA.

21. The Committee approved the item.

Item No. 2 - FCR(2001-02)54

CAPITAL WORKS RESERVE FUND

HEAD 710 - COMPUTERIZATION

Immigration Department

♦ New Subhead "Implementation of Phase I of the Updated Information Systems Strategy for the Immigration Department"

22. Members noted that the Panel on Security had been consulted on the present proposal on 1 November and 6 December 2001.

23. Mrs Selina CHOW said that Members of the LP had all along supported information technology (IT) projects aimed at enhancing service quality and reducing cost. Having regard that the upgraded infrastructure components of the proposed upgrade/enhancement programmes would create a better managed technical environment and lay the foundation for implementation of other projects under the updated Information Systems Strategy (ISS-2), she requested the Administration to provide quantifiable targets such as the reduction in immigration clearance time when the automated immigration clearance systems were in operation.

24. In response, the Deputy Secretary for Security (DS(S)) advised that the implementation of the automated immigration clearance systems would not reduce substantially the time for the clearance process per se. However, it would enable more immigration counters to be opened without the need for a corresponding increase in the number of manning staff as one officer would be

able to supervise several counters at the same time. The waiting time of passengers at the control points could thus be reduced, although providing an accurate estimate on the waiting time for each passenger would be difficult since this would depend on the growth of passengers and the actual system to be installed at the control points.

25. In response to further concerns raised by Mrs Selina CHOW and the Chairman about how the public would benefit under the proposed automated immigration clearance systems, DS(S) advised that at present, when almost all the immigration counters were opened during popular long holidays, the average waiting time for each passenger at the Lo Wu control point could be reduced to below 5 or 10 minutes. However, such special arrangement could not be implemented frequently due to resources constraints. When the automated clearance systems were put in place, the Administration expected that it would be possible to achieve a similar level of performance. The Assistant Director of Immigration (AD of Imm) informed members that a feasibility study would be conducted in early February 2002, the findings of which would provide the Administration with more information on this aspect. He undertook to keep members posted of the developments in due course.

Admin

26. In this regard, Mr Howard YOUNG asked whether the Administration would adopt microchip technology so that a passenger would only be required to swipe his smart identity card at the control points to shorten the immigration clearance time.

27. In response, DS(S) remarked that the use of microchip technology for the smart identity card at the automated immigration counters would be subject to a separate feasibility study and the proposed format to be adopted at the immigration counters would likely require the matching of a person's thumbprint with the template of his/her thumbprints stored in the smart identity card. AD of Imm added that under certain circumstances, optical character recognition readers would still be used for the immigration clearance of children and overseas visitors who were not holders of a smart identity card.

28. Mr CHAN Kam-lam asked how the enhanced IT infrastructure would tie in with the "Digital 21" IT Strategy aimed at developing Hong Kong into a leading digital city. He also sought information on whether there would be any sharing of information and whether the proposed systems would facilitate certain E-government initiatives which would in future benefit the public.

29. In response, DS(S) said that the "Digital 21" IT Strategy and the coordination of the E-government programme were under the purview of the Information Technology and Broadcasting Bureau. As far as the benefits to the public were concerned, DS(S) cited an example to illustrate that with the necessary electronic interface facility, group tour operators might in future transmit group tour lists to control points through the Internet for pre-arrival

clearance, thus expediting the clearance of inbound visitors. Regarding the sharing of database among government departments, AD of Imm confirmed that under the existing practice, there could not be any unauthorized access by other government departments to the Imm D's database. Departments might share some collective statistical information, but not information relating to the personal data of individual identity card holders.

30. Noting that one of the benefits for implementing the IT Infrastructure Upgrade Programme and the ICAS Enhancement Programme was the enhanced protection of information security, Miss Emily LAU asked whether the electronic documents and records of the Imm D had been hacked into or accessed by unauthorized parties in the past. In response, AD of Imm confirmed that no unauthorized access to electronic documents and records had occurred in the past which resulted in data loss or temporary suspension of services. However, in view of increased potential risks of computer virus and hacking, it was necessary to step up the protection of information security.

31. Miss LAU noted that based on its assumption that the workload at immigration control points grew at an annual rate of 8.83%, the Administration had estimated that the implementation of the ICAS Enhancement Programme would avoid the creation of 701 posts at an annual staff cost of \$262,660,000 by 2005-06. She thus enquired on the basis for the assumed annual growth rate of 8.83%. In response, DS(S) and AD of Imm advised that the figure was already the best estimate the Administration could make on the basis of the statistics of the past six years. The workload had been on an upward trend although there had been fluctuations in the growth rate. AD of Imm further confirmed that flexibility would be provided in the project contract so that the Administration would not be bound to purchase the enhanced hardware and software as previously agreed if the annual growth rate fell short of the anticipated increase. Upon Miss Emily LAU's request, DS(S) agreed to inform FC if there were any significant changes in the annual growth rate of workload at the immigration control points, as appropriate. In this connection, the Deputy Secretary for the Treasury supplemented that if members approved the present proposal and if eventually it proved unnecessary to spend up to the commitment level, the unspent balance could not be used beyond the ambit defined in the current proposal.

Admin

32. Referring to paragraphs 3, 4 and 5 of the Administration's paper, Mr James TIEN noted that the Imm D planned to implement 30 projects within six years starting from 2001-02 under the ISS-2. As some of the key components were put into use as early as 1993 and vendors of some major components, such as personal computers and their operating systems, had indicated that they would not provide maintenance support by 2004, he said that if the old systems became obsolete while the new systems were not yet in place, services to the public would be adversely affected.

33. In response, AD of Imm clarified that the 30 projects made up the entire ISS-2. However, the present proposal sought funding to implement only Phase I of the ISS-2, which comprised the IT Infrastructure Upgrade Programme and the ICAS Enhancement Programme. Under the current plan, all the projects under Phase I of the ISS-2 would be implemented by April 2004 and services to the public would not be affected.

34. The Committee approved the proposal.

Item No. 3 - FCR(2001-02)55

CAPITAL WORKS RESERVE FUND

HEAD 710 - COMPUTERISATION

Registration and Electoral Office

♦ New Subhead "Development of a New Electoral and Registration System"

35. Members noted that the present proposal had been discussed by the Panel on Constitutional Affairs on 17 December 2001.

36. The Committee approved the proposal.

Item No. 4 - FCR(2001-02)56

**HEAD 152 - GOVERNMENT SECRETARIAT : COMMERCE AND
INDUSTRY BUREAU**

♦ Subhead 700 - General other non-recurrent

New Item "Professional Services Development Assistance Scheme"

37. Members noted that the present proposal had been discussed by the Panel on Commerce and Industry on 18 December 2001.

38. The following members declared that they were members of some of the professional service sectors covered by the Scheme:

Dr LO Wing-lok;
Mr LAU Ping-cheung;
Ms Audrey EU; and
Mr Michael MAK Kwok-fung

39. Mr Henry WU King-cheong pointed out that the financial services sector played an important role in Hong Kong's economy and its practitioners were required to obtain professional qualifications and undergo continued training. As only "financial consultancy services" was included under the

broad category of "business consultancy services" for the purpose of the Professional Services Development Assistance Scheme (the Scheme), Mr WU considered that this failed to reflect the importance and professional nature of the financial services sector as a whole. He was concerned that the classifications of professional services adopted by the World Trade Organization (WTO) and the Trade Development Council (TDC) were too trade-oriented and urged the Administration to expand the scope of professional services under the Scheme to include financial services.

40. In response, the Deputy Secretary for Commerce and Industry (DS(CI)) stressed that the Administration attached much importance to the development of financial services in Hong Kong. Certain professional services covered by the Scheme such as accounting and project finance were to some extent related to financial services. DS(CI) further advised that WTO's classification of professional service sectors had been supplemented by TDC's classification to take into account local circumstances. In devising the Scheme, a line must be drawn somewhere and the Administration considered that the current proposal had struck the right balance.

Admin

41. While expressing support for the present proposal and welcoming the Administration's decision to include information technology (IT) consultancy under the Scheme, Mr SIN Chung-kai shared Mr Henry WU's concern. Given the contribution of the IT and financial services sectors to the economy of Hong Kong, Mr SIN suggested that TDC should review its existing classification to include IT and financial services as independent professional sectors. DS(CI) agreed to relay this suggestion to TDC and advised that at present, TDC also provided assistance to the financial services sector although the sector was not included as a professional service sector under TDC's current classification.

Admin

42. Mr TAM Yiu-chung agreed that the scope of the Scheme should be expanded. He remarked that according to statistics published by the Census and Statistics Department, people engaged in associate professional services accounted for about 15% of the working population while professionals accounted for only some 5%. He therefore enquired whether assistance under the Scheme could also be extended to associate professional services. DS(CI) responded that the scope of the Scheme would be reviewed one year after implementation. He agreed to provide information after the meeting on the associate professional services which were currently covered by the Scheme.

43. Mr Michael MAK Kwok-fung enquired on the definition of professional bodies and questioned why individual applicants would not be eligible. In reply, DS(CI) advised that the Administration intended to adopt a liberal definition to include professional bodies registered under the Companies Ordinance or the Societies Ordinance. As most professional services had their own organizations and to maintain adequate safeguards on the use of

Admin funds under the Scheme, the Administration considered it more appropriate at this stage to limit eligibility to organizations. Whether individual applications should be considered could be examined in the review.

44. Mr Henry WU sought clarification on the professional body for financial consultancy services and expressed concern about possible confusion if a professional body was allowed to organize activities of a different professional nature. In this regard, DS(CI) advised that a liberal approach was necessary as some professional bodies (such as the Hong Kong Institute of Directors Limited) were not specific to a particular profession or occupation. It would be too restrictive and would defeat the purpose of the Scheme if a body not representing a specific profession could not apply for assistance under the Scheme.

45. In reply to Dr LO Wing-lok's enquiry on whether projects receiving funding or sponsorship from organizations other than the Government would be eligible for assistance under the Scheme, DS(CI) confirmed in the affirmative.

46. On the funding principles, Mrs Selina CHOW considered that the dollar-for-dollar matching principle might become an impediment as small professional organizations might have difficulties in coming up with the matching contribution. She further pointed out that contribution in kind was difficult to quantify. Noting that projects under other schemes such as the Film Development Fund were not financed on a matching basis, Mrs Selina Chow urged the Administration to relax this principle and consider funding on the basis of merits. Mr LAU Ping-cheung shared Mrs CHOW's concern.

47. Ms Audrey EU considered that it might be justified to adopt an equal matching principle for activities such as promotional projects but not training/retraining projects as many of the professional bodies concerned might lack sufficient funds. She urged the Administration to exercise flexibility in respect of training/retraining projects, such as by requiring the professional bodies concerned to provide the necessary manpower support, instead of providing a matching contribution. Mr Michael MAK commented that ultimately, the Administration might only be able to receive contribution in kind (in terms of staff cost etc) from project organizers.

48. In response, DS(CI) advised that the equal-matching principle would help ensure that the projects were of genuine value to the professional service sector concerned, were cost-effective and would be carefully implemented. To provide for flexibility, the Administration would accept contribution in kind (such as manpower cost, venue etc). Moreover, project organizers could also charge reasonable fees for projects financed under the Scheme. The staff cost for man-hours spent on the project could also be regarded as contribution in kind. Nevertheless, DS(CI) pointed out that the mode of funding would be

Admin included in the review of the Scheme.

Admin 49. On whether the applications submitted by research institutes might be too academic to be of practical use to the professional service sectors concerned, Mrs Selina CHOW suggested that to be eligible for assistance under the Scheme, projects proposed by research institutes should be jointly conducted with the relevant professional bodies. DS(CI) agreed to consider Mrs CHOW's suggestion and added that to qualify for assistance under the Scheme, projects proposed by academic institutes should receive at least 10% cash sponsorship from commercial or professional bodies.

50. Miss Emily LAU sought assurance that the Scheme would not be subject to abuse and stressed the need for a stringent monitoring mechanism. She stated her view that clear regulations should be laid down for such purposes. In response, DS(CI) confirmed that various safeguards were in place. A vetting committee comprising mainly professionals, businessmen and academics would be formed to consider funding applications and assessment criteria. To a certain extent, the dollar-for-dollar matching principle would help ensure that the project in question was worthwhile and supported by the professional sector concerned.

51. In reply to Miss Emily LAU's enquiry about measures to prevent conflicts of interests, DS(CI) explained that members of the vetting committee would have to declare their interests. Whether a member should withdraw from the vetting of a certain application would have to be considered in the light of the interest in question, e.g. whether the interest was a common interest for the sector concerned, or whether the member had a direct interest in the application. DS(CI) confirmed that the vetting of each application would be documented to facilitate future auditing by the Director of Audit.

52. The Committee approved the proposal. Mr Henry WU requested to put on record his objection to the proposal.

Item No. 5 - FCR(2001-02)57

HEAD 148 - FINANCIAL SERVICES BUREAU

♦ Subhead 700 General other non-recurrent

New Item "Facility to cover direct insurers' liability arising from employees' compensation for death or injury caused by terrorist activities"

53. Members noted that the Panel on Financial Affairs had been briefed on the present proposal on 20 December 2001.

54. The Administration tabled a marked-up copy of the Agreement for Provision of Facility between the Government and direct insurers, and a clean

copy of the final Agreement. (The documents were subsequently circulated to members vide LC Paper No. FC27/01-02 on 14 January 2002).

55. Mr James TIEN stated that Members of LP considered it justified for the Government to provide the Facility in the absence of a reinsurance market to cover terrorist activities. However, they were concerned that the charge of 3% on the gross employees' compensation (EC) premium to be levied on insurers would ultimately be transferred to employers and add to their burden. Members of LP therefore could not support the proposal in its current form. Mr TIEN estimated that the total amount of the charge would be in the region of \$90 million and suggested that it should be absorbed by the Government.

56. In response, the Secretary for Financial Services (SFS) stressed that it was an employer's duty to take out insurance to cover his liabilities under the Employee Compensation Ordinance (ECO). Whether the 3% charge would ultimately be transferred to employers would be a decision for individual insurers. He pointed out that even if there were reinsurers willing to offer the necessary reinsurance coverage, they would still charge direct insurers who would in turn decide whether such charges would be further transferred to the employers. As public money was at stake, the Administration did not consider it appropriate to provide the Facility at no charge.

57. Mr James TIEN enquired about the arrangements adopted by the Singapore Government whereby injuries caused by terrorist activities would be excluded from EC insurance coverage and whether the Administration would consider this option. Miss Emily LAU also sought information on the arrangements adopted by other governments. In reply, SFS and the Deputy Secretary for Financial Services (DS(FS)) advised that as the Administration understood, the Singapore Government had obtained legal advice that it was not the intent of its EC legislation to include injuries or deaths caused by terrorist activities. However, countries including UK, France and South Africa were putting in place arrangements to provide the necessary reinsurance coverage for terrorist activities. In USA, a bill on the subject was being considered by Congress.

58. In reply to Mr Kenneth TING's enquiry on whether there were any precedent EC cases since the enactment of ECO in which the employee's work-related injury had been caused by terrorist activities, the Assistant Commissioner for Labour confirmed that there had not been any such cases.

59. Mr Kenneth TING remarked that according to his understanding, the Labour Advisory Board had only been notified of the current proposal and no consultation had taken place. In order to create a more favourable business environment, Mr TING referred to the case of Singapore and questioned why the Administration had not adopted a similar arrangement of excluding terrorist activities from EC coverage altogether, given the remote chance of such events.

60. In response, SFS pointed out that the possibility of such events happening in future could not be entirely ruled out and the proposed Facility was to cater for such eventuality. He considered that it might not be appropriate to apply invariably the arrangements adopted by overseas governments to Hong Kong as the arrangements must be relevant to local circumstances.

61. In reply to Mr Henry WU's enquiry about the risks excluded from EC insurance policies, the Commissioner of Insurance (C of I) confirmed that at present, wars, riots and nuclear attacks were excluded.

62. On Dr LO Wing-lok's enquiry about the amount of Facility and the 3% charge, SFS recapped the discussion at the relevant Panel meeting and said that in the absence of historical insurance data, the \$10 billion Facility was calculated on the assumption that a skyscraper in Hong Kong would be totally destructed in the event of a terrorist attack. The 3% charge was worked out by actuarial professionals in the Insurance Authority (IA) and was accepted by the industry as a reasonable level of charge.

63. Mr Bernard CHAN said that direct insurers welcomed the proposed Facility which would enable them to continue to write EC insurance policies. However, noting that the Facility would be provided on a per claim first-come first-served basis, he enquired about the measures to be taken in the event that the \$10 billion was inadequate, and whether the Government would revert to FC for additional funding.

64. In response, SFS confirmed that as far as the present proposal was concerned, the maximum limit was \$10 billion. In the event that the amount was insufficient, the Administration would have to report the situation to FC and consider seeking members' approval for additional funding and related arrangements such as the level of charge etc. SFS highlighted the urgency of this funding request as reinsurers had agreed to extend terrorism cover to direct insurers only up to 11 January 2002. After consulting the industry, IA had reported that out of 75 direct insurers, only one insurer which was underwriting 16 insurance policies would not enter into the relevant agreement with the Government for the Facility.

65. Regarding the arrangements for providing the Facility on a first-come-first-served basis, C of I advised that such arrangements were in line with the current market practice whereby claims against reinsurers were also settled on a first-come-first-served basis. He assured members that the Administration would review the adequacy of the scheme as soon as the Facility was invoked and would not wait until funds under the Facility were exhausted.

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66. Miss Emily LAU enquired about the consequences if there was no reinsurance coverage. She observed that the Government seemed to have very little choice as there were statutory requirements on insurance coverage for work-related injuries. In response, SFS pointed out that in the absence of reinsurance coverage for terrorist activities, direct insurers could not continue to write EC insurance policies. Employers would then be left with the difficult position of being liable for an uninsurable risk. Where they became liable to pay EC but could not pay the compensation up-front, then, employees injured at work would not be able to receive their compensation. He advised that the proposed Facility was intended to be a temporary arrangement to fill the gap left by the absence of the reinsurance market and the Administration would monitor the market situation and report developments to the Panel on Financial Affairs.

67. Ms LI Fung-ying supported the proposal on account of the need to preserve employees' statutory right to EC under existing legislation which also imposed a liability on employers. She drew members' attention to the 10-day extension of terrorism cover which would expire on 11 January 2002 and stressed that timely funding approval would be vital in securing the necessary protection for employees.

68. Dr YEUNG Sum said that Members of DP supported the present proposal which was a right move on the part of the Government to accord timely protection to the parties concerned. While acknowledging members' concerns, Dr YEUNG considered that the present proposal should be supported in the interest of workers. The adequacy or otherwise of the proposed Facility and related issues could be further examined in the light of circumstances.

69. The Committee approved the proposal.

70. The Committee was adjourned at 4:50 pm.

Legislative Council Secretariat

14 May 2002