

## **LEGISLATIVE COUNCIL BRIEF**

### **Severe Acute Respiratory Syndrome : Relief and Economic Revival Measures**

#### **INTRODUCTION**

Annex

The Administration will implement the measures at Annex to help the community tide over the difficulties due to the outbreak of the Severe Acute Respiratory Syndrome (SARS) in Hong Kong and revive our economy after the incident is over.

#### **Relief Measures**

Annex

2. The outbreak in March of the Syndrome in Hong Kong and its continuous spread to date has brought about a steep slowdown of our economic activities. Businesses across nearly all sectors have suffered. The Administration will implement the relief measures at Annex to help the community tide over the difficulties and revive our economy after the incident is over. Some of the measures will need to be worked out in more detail and some require amendment of the relevant subsidiary legislation or approval by the Finance Committee. The value of the package of measures is estimated at this stage to amount to \$11.8 billion of which \$11.7 billion will be borne by Government. Of this sum, \$5.3 billion will be in the form of loss of revenue to the Government in 2003-04 and \$6.4 billion in the form of additional government expenditure or commitment in 2003-04 and thereafter.

#### **Measures to Further Control the Disease and Revive the Economy**

3. We also need to set aside sums to implement further disease control measures and measures to revive our economy after the Syndrome is put under control. At this stage we are setting aside a provisional sum of \$1.5 billion for the disease control measures (including the \$200 million fund for medical and nursing staff announced by the Chief Executive on 22 April 2003)

and \$1 billion for measures to revive our economy. Details of these measures will be further worked out having regard to the development in our control of the disease.

### **Total Additional Costs and Implementation Plan**

4. The total maximum cost of the above measures on the Government at this stage is estimated to amount to \$11.7 billion. We intend to implement them as soon as possible and by seeking approval of the Finance Committee and introducing the necessary legislative changes accordingly.

### **Government Fees and Charges**

5. In the 2003 Budget Speech, we indicated that we would not extend the freeze of government fees and charges after the earlier moratorium expired at the end of March 2003. Since then we have implemented the revision on medical fees from 1.4.2003. In view of the current economic difficulties faced by the community, we will not propose any further upward adjustment to fees and charges as part of the relief measures until the end of October this year.

### **LEGISLATIVE TIMETABLE**

6. The legislative amendments for salaries tax, rates, water/sewage charges and licence fees will be published in the Gazette and tabled in the Legislative Council as soon as possible.

### **ECONOMIC IMPLICATIONS**

7. The various revenue measures taken together are estimated to have a lifting effect on GDP in 2003 by around 0.09 of a percentage point, with the effect mostly incident in the second half of the year and with some further effect spreading into the early part of 2004. As for the expenditure

measures (inclusive of the employment creation measures and the disease control expenditure, but *not* including the Government-guaranteed loan scheme), they are estimated to lift GDP in 2003 by around 0.15 of a percentage point, with some small lingering effect at the beginning of 2004. The expenditure measures are seen to have a relatively larger impact on demand than the revenue measures, mainly on account of the initial leakage into savings to be expected in the latter measures. For the two types of measures combined, the lifting impact on GDP in 2003 would amount to around 0.24 of a percentage point.

8. It has to be noted that, particularly for the revenue measures, the amounts to be received by households or individuals may not necessarily be spent up to the same extent and/or on the same timing as with revenue concessions made under more normal circumstances. Likewise, the amounts to be received by business establishments are expected to be mainly for keeping the business entity going, rather than for making any new investment that gives lifting effect.

9. By the same token for the loan scheme, its main purpose is to render some bridging finance to business establishments against the likelihood of closures or lay-offs, the lifting effect on the demand side is very much uncertain. Hence it is not covered in the assessment of impact on GDP.

## **FINANCIAL AND STAFFING IMPLICATIONS**

10. We estimate at this stage that the total maximum cost of the proposed package of relief measures to be borne by Government is \$11.7 billion. Of this sum, \$5.3 billion would be the estimated loss to revenue and \$6.4 billion would be the estimated increase in expenditure or commitment. Any additional staffing requirements arising from the implementation of these measures will be absorbed under the provision in the 2003-04 Expenditure Estimates of the relevant departments.

## **PUBLIC CONSULTATION**

### Annex

11. We have discussed various options of relief measures with legislators and representatives of the various trades. The measures at Annex have taken into account their views. In particular, they have covered the measures proposed by the coalition of seven parties/groups in the Legislative Council.

## **PUBLICITY**

12. A press release on the relief measures will be issued. A government spokesman will be available to answer press enquiries.

## **ENQUIRIES**

13. In case of enquiries about this Brief, please contact Mr K T Li, Principal Assistant Secretary for the Financial Services and the Treasury at 2810 3726 or Mr Ricky Chui, Chief Treasury Accountant at 2810 2575.

Financial Services and the Treasury Bureau  
23 April 2003

## List of Relief Measures

| <u>Measures</u>   | <u>Number of Beneficiaries</u> | <u>Relief Period</u>                     | <u>Amount Involved</u><br>\$ million |
|---|--------------------------------|--|--------------------------------------|
| <b>A. Revenue Measures</b>  |                                |  |                                      |
| (1) <u>Rates Concessions</u>  |                                |  | <b>2,064</b>                         |
| (a) Waive rates payments for non-domestic properties with cap at \$5,000  | 0.38m                          | One quarter<br>(Jul – Sep 2003)          | 600                                  |
| (b) Waive rates payments for domestic properties with cap at \$1,250  | 2.34m                          | One quarter<br>(Jul – Sep 2003)          | 1,400                                |
| (c) Waive the 5% surcharge on late payment for rates and Annex III rent due on 30 April 2003, and refund rates payment upon application | 2.72m                          |  | 64                                   |
| (2) <u>Water, Sewage, and Trade Effluent Surcharges Concessions</u>   |                                |  | <b>521</b>                           |
| Waive the charges on:   |                                |  |                                      |
| Domestic  |                                |  |                                      |
| Water (cap at \$267)  | 2.2m                           | 4 months<br>(w.e.f. Aug 2003<br>billing) |                                      |
| Fresh water for flushing (cap at \$267)   | 21 000                         | (ditto)                                  |                                      |
| Sewage (cap at \$67)  | <u>2.0m</u>                    | <u>(ditto)</u>                           | 371                                  |
| Trade   |                                |  |                                      |
| Water (cap at \$2,133)  | 0.18m                          | (ditto)                                  |                                      |
| Sewage (cap at \$533)   | <u>0.18m</u>                   | <u>(ditto)</u>                           | 108                                  |
| Trade effluent surcharge (cap at 60%)   | 14 000                         | (ditto)                                  | 42                                   |

| <u>Measures</u>   | <u>Number of Beneficiaries</u> | <u>Relief Period</u> | <u>Amount Involved \$ million</u> |
|---|--------------------------------|----------------------|-----------------------------------|
| (3) <u>Licensing Fees</u>   |                                |                      | <b>276</b>                        |
| Waive the licencing fees for:                                       |                                |                      |                                   |
| <u>Tourism</u>  |                                |                      |                                   |
| Travel agents licence   | 1 443                          | One year             | 6.9                               |
| Hotel and guesthouse licence  | 956                            | One year             | 3.7                               |
| <u>Catering</u>   |                                |                      |                                   |
| Restaurant licence  | 9 660                          | One year             | 92.4                              |
| Liquor licence  | 4 667                          | One year             | 11.7                              |
| Restricted food permit  | 5 101                          | One year             | 3.3                               |
| <u>Entertainment</u>  |                                |                      |                                   |
| Karaoke licence and permit  | 234                            | One year             | 1.2                               |
| Cinema  | 71                             | One year             | 1.0                               |
| <u>Others</u>   |                                |                      |                                   |
| Hawker licences   | 8 574                          | One year             | 40.0                              |
| Taxi licence  | 18 138                         | One year             | 57.0                              |
| School buses licences   | 5 118                          | One year             | 13.7                              |
| Public light bus licences   |                                |                      |                                   |
| - Red PLB   | 1 792                          | One year             | 15.2                              |
| - Green PLB   | 2 558                          | One year             | 21.7                              |
| Various licences relating to coaches (excluding school bus coaches) | 2 958                          | One year             | 7.9                               |

| <u>Measures</u>   | <u>Number of Beneficiaries</u> | <u>Relief Period</u>          | <u>Amount Involved \$ million</u> |
|---|--------------------------------|-------------------------------|-----------------------------------|
| <i>(4) Salaries Tax Rebate</i>  |                                |                               |                                   |
| Refund 50% of 2001/02 final tax (cap at \$3,000)  | 1.31m                          | Commencement from Aug 2003    | <b>2,300</b>                      |
| <i>(5) Commercial Rent Concessions by Housing Authority (Note 1)</i>  |                                |                               |                                   |
| 50% discount for catering   |                                | One quarter (w.e.f. Apr 2003) | 82                                |
| 30% discount for non-catering (excluding superstores and supermarkets)                                      |                                | (ditto)                       | 123                               |
| <i>(6) Rent Concessions on Certain Tenancies Managed by Government Departments</i>                          |                                |                               |                                   |
| 50% discount for catering and 30% for non-catering retail business (excluding superstores and supermarkets) | 13 802                         | One quarter                   |                                   |
| - Catering  | 1 249                          |                               | 19.6                              |
| - Non-catering  | 12 553                         |                               | 52.2                              |
| <b>Total Cost of all Revenue Measures</b>   |                                |                               | <b>5,438</b><br>=====             |
| <b>Total Cost to Government</b>   |                                |                               | <b>5,336</b><br>=====             |

| <u>Measures</u>  | <u>Number of Beneficiaries</u>  | <u>Relief Period</u>                                     | <u>Amount Involved \$ million</u> |
|--|---|--|-----------------------------------|
| <b>B. Expenditure Measures</b> <i>(Note 2)</i>   |   |  |                                   |
| <i>(1) <u>Creation of New Jobs and Training Places</u></i>   |   |  | <b>282</b>                        |
| Provide two-month special tailor-made skills enhancement training to be run by the Employees Retraining Board as a training agent to improve the quality of workers in the catering, retail and tourism industries   | 8 000-10 000 unemployed workers previously engaged in the catering, retail and tourism sectors  | 2 months (monthly special allowance per person: \$4,000) | 150                               |
| Create 2 500 temporary environmental hygiene workers in Non-government Organisations (NGOs)/trade unions to provide free cleaning service to the homes of needy elderly singles/couples or other deserving places to be referred by the Social Welfare Department and other NGOs | 2 500 registrants of ERB's Integrated Local Domestic Helpers (LDH) Scheme or unemployed workers | 3 months   | 50                                |
| Create 2 000 temporary jobs in NGOs/trade unions to provide free minor maintenance/repair service for elderly singles/couples and the disadvantaged  | 2 000 unemployed construction workers qualified to carry out minor maintenance/repair works     | 3 months   | 52                                |
| Enhance employment opportunities for 4 000 local domestic helpers (LDHs) and reduce geographical mismatch between supply and demand of LDHs  | 4 000 trainees who have been trained under ERB's Integrated LDH Scheme                          | 5 months   | 30                                |



| <u>Measures</u>   | <u>Number of<br/>Beneficiaries</u> | <u>Relief<br/>Period</u> | <u>Amount<br/>Involved<br/>\$ million</u> |
|---|------------------------------------|--------------------------|---|
| (2) <u>Create 3 000 temporary street<br/>cleaning jobs in FEHD for six<br/>months for cleaning up Hong Kong</u> | 3 000<br>unemployed<br>workers     | six months               | 150                                       |
| (3) <u>Relief Loan Guarantee and<br/>Associated Cost</u>  |                                    |                          | 3,500<br>(maximum)                        |
| <b>Maximum Total Cost of Expenditure<br/>Measures</b>   |                                    |                          | <b>3,932</b><br>=====                     |
| <b>C. Measures to Further Control the<br/>Disease and Revive the Economy</b><br>(Note 2)                        |                                    |                          |   |
| (1) <i>A provisional sum for disease control</i>  |                                    |                          | 1,500                                     |
| (2) <i>A provisional sum for measures to<br/>revive economy</i>   |                                    |                          | 1,000                                     |
|   |                                    |                          | <hr/> 2,500<br>=====                      |
| <b>Total Cost of all Relief Measures<br/>(A+B+C)</b>  |                                    |                          | <b>11,870</b><br>=====                    |
| <b>Maximum cost to Government<br/>(A+B+C)</b>   |                                    |                          | <b>11,768</b><br>=====                    |

**Note**

- (1) 50% of the cost of concessions will be borne by the Government.
- (2) Measures requiring approval by Finance Committee.