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Panel on Administration of Justice and Legal Services

Review of provision of legal aid services

Summary of issues raised by the Panel and the Administration's responses

The Administration's responses to the issues raised by the Panel on "Review of provision of legal aid services" (LC Paper No. CB(2)2646/01-02(01)) are detailed in the following three papers already issued to members -

- (a) LC Paper No. CB(2)2581/02-03(01) Annual and biennial review of financial eligibility limits of legal aid applicants;
- (b) LC Paper No. CB(2)2581/02-03(02) Five-yearly review of the criteria for assessing financial eligibility of legal aid applicants; and
- (c) LC Paper No. CB(2)2581/02-03(03) Administration's response to the remaining issues raised by the Panel in LC Paper No. CB(2)2646/01-02(01).
- 2. The Panel discussed the papers in paragraph 1(a) and (b) at the meetings on 23 June and 29 July 2003. To facilitate further consideration of the Panel, a summary setting out the issues raised by the Panel, the Administration's responses, and the comments made by members at the two Panel meetings prepared by the Secretariat is in the **Appendix**.
- 3. Members are invited to note that the issue of criminal legal fees system was raised by the two legal professional bodies in the course of discussion at the Panel meetings on 23 June and 29 July 2003. The professional bodies have formed a joint working party to consider the issue and the Administration would respond to the views and recommendations of the joint working party after it has completed the study. As the Panel has agreed that the issue will be dealt with as a separate agenda item and followed up by the Panel in due course, the issue is therefore not covered in the summary.

Council Business Division 2
<u>Legislative Council Secretariat</u>
16 October 2003

LegCo Panel on Administration of Justice and Legislative Services

Review of provision of legal aid services

Summary of issues raised by the Panel and the Administration's responses

Issues raised by the Panel (LC Paper No. CB(2)2646/01-02(01))	Administration's responses (LC Paper Nos. CB(2)2581/02-03(01), (02) & (03))	Comments made by members at meetings on 23 June 2003 and 29 July 2003
I. Scope of legal aid		
(a) The Administration to consider expanding the scope of legal aid to cover -		
(i) defamation actions;	(i) International human rights jurisprudence confirmed that exclusion of defamation proceedings from legal aid does not deprive a person of access to court nor interfere with freedom of expression. It is reasonable to establish priorities for legal assistance excluding defamation litigation.	A large part of defamation cases involve the issue of freedom of expression, and most actions for libel in Hong Kong are instituted against the author, not the publisher. Without legal aid, a defendant
(ii) disputes between limited companies and their shareholders;	(ii) Protection of shareholders of listed companies should be tackled from the corporate governance perspective. The Consultation Paper on Corporate Governance issued by the Standing Commission on Company Law Reform (SCCLR) in July 2001 recommended that statutory derivative actions be introduced to enhance shareholders' rights. The Financial Services and the Treasury Bureau and the Security and Futures Commission have jointly published a consultation paper in May 2003 to seek	will face great difficulty in defending in court.

(LC	Issues raised by the Panel C Paper No. CB(2)2646/01-02(01))	(I	Administration's responses LC Paper Nos. CB(2)2581/02-03(01), (02) & (03))	Comments made by members at meetings on 23 June 2003 and 29 July 2003
			public views on whether, and if so, how the proposal of SCCLR should be pursued.	
(iii)	disputes over partnership;	(iii)	The Administration considers that it is not justified for taxpayers to bear the costs for resolving partnership disputes, which quite often arise from an amateurish agreement or lack of a written agreement or improperly kept books of account.	
(iv)	money claims in derivatives of securities, currency futures or other futures contracts;	(iv)	The Administration considers that it is not justified to fund legal expenses of a person who chooses to engage in this kind of high risk (or, for some, speculative) activities with public money.	
(v)	election petitions arising from the Legislative Council and District Councils elections;	(v)	Election petitions based on human rights grounds are within the scope of legal aid. Those not based on human rights grounds are excluded so as not to encourage frivolous and vexatious petitions.	
(vi)	uncontested cases such as those relating to bankruptcies and liquidations;	(vi)	Proceedings whereby a person or persons seeking to make another person bankrupt or to liquidate a company are not excepted proceedings.	
			However, legal aid does not cover proceedings initiated by a limited company for voluntary winding-up or for liquidation. It is not justified to use taxpayers' money to pay for the fees and charges relating to voluntary bankruptcy procedures.	

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(vii) cases where the individual damage might not be high but the damage to many could be considerable, e.g. consumer and product liability and environmental damage cases;	(vii) These cases are not excepted proceedings unless they fall within the jurisdiction of the Small Claims Tribunal. Potential claimants may also seek help from the Consumer Legal Action Fund administered by the Consumer Council.	
(viii) class or group litigation which involves monetary claims and which has a reasonable good chance of success, e.g. disasters, insolvency of a corporate employer and Building Management Ordinance type cases; and	Class action in the form of representative proceedings is already covered by legal aid. However, Hong Kong's civil justice system does not have rules designed to deal specifically with group litigation. The Judiciary's Interim Report and Consultative Paper on the Civil Justice Reform (December 2001) notes certain limitations of the representative proceedings set out in Order 15 rule 12 of the Rules of the High Court. The public's views are being sought on whether a group litigation scheme should be adopted in principle, subject to further investigation of schemes in other jurisdictions which may be suitable in Hong Kong. The issue of legal aid for class action proceedings has to be studied further in the light of further development of the court's rules and procedures in dealing with class litigation.	
(ix) cases with reasonable prospect of recovering damages and costs to be covered by the Supplementary	(ix) The cases mentioned are not excepted proceedings under the Ordinary Legal Aid Scheme (OLAS).	

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Legal Aid Scheme (SLAS), e.g. claims by flat buyers against property developers and claims against insurance companies (paras. 5 - 6).	As regards whether these proceeding could be covered by SALS, please refer to the Administration's response in (II)(a) below. (paras. 8-33 of LC Paper No. CB(2)2581/02-03(03))	
II. SLAS		
(a) The Administration to consider expanding SLAS or establishing self-financing legal aid schemes to deal with some of the above excepted proceedings (para. 6).	 (a) The fundamental principle is that SLAS should be self-financing. The scope of SLAS is confined to cases - (i) which deserve priority for public funding in the sense that significant injury or injustice to the individual is involved; and (ii) which involve monetary claims and have a reasonably good chance of recovering damages. It is not justified to use contributions recovered from the existing SLAS cases to subsidize other types of case that do not satisfy the aforesaid principle. In order to maintain the financial viability of SLAS, there should be no extension to the scope of SLAS. (paras. 63 - 67 of LC Paper No. CB(2)2581/02-03(02)) 	The Administration has been requested to provide detailed reasons to substantiate its concern that using the contributions paid to the SALS Fund to subsidize other types of cases as suggested by members of the Panel would affect the financial viability of SLAS. A member suggests that the Administration should look into the nature of cases taken up by private legal practitioners under a conditional fee system in considering whether the scope of SLAS should be expanded.

(L	Issues raised by the Panel C Paper No. CB(2)2646/01-02(01))	Administration's responses (LC Paper Nos. CB(2)2581/02-03(01), (02) & (03))	Comments made by members at meetings on 23 June 2003 and 29 July 2003
III.	Financial eligibility limits for legal aid	schemes	
The	Administration to -		
(a)	conduct a comprehensive review of the basis and criteria for assessing the financial resources of applicants and the upper financial eligibility limits under OLAS and SLAS (paras. 7-8); and	 (a) The Administration does not see any justification for an increase in the financial eligibility limit for SLAS (paras. 53-56 of LC Paper No. CB(2)2581/02-03(02)). Having completed the annual and biennial review of the financial eligibility limits, the Administration has proposed that - (i) the financial eligibility limits for OLAS and SLAS should be revised from \$169,700 to \$163,080; and from \$471,600 to \$453,200 respectively, to take into account price changes so as to preserve the real value of the limits; and (ii) no change to the financial eligibility limits should be made on account of changes in the litigation costs during July 2000 to July 2002. (LC Paper 	The Panel is of the view that any review of financial eligibility limits of legal aid applicants should not be conducted with the objective of reducing the number of eligible applicants.
(b)	consider adjusting upward the upper financial eligibility limit for legal aid in criminal cases, as adopting the	Nos. CB(2)2581/02-03(01)) (b) Under Rule 15(2) of the Legal Aid in Criminal Cases Rules, the Director of Legal Aid (DLA) may grant legal aid in criminal cases despite that the applicant's	The Administration has been requested to -
	same financial eligibility limit for both criminal and civil cases may be inappropriate (para. 9).	financial resources exceed the financial eligibility limit. Under Rule 13(2), for cases involving murder, treason or piracy with violence, the judge has power to	(a) provide information on past criminal cases where DLA had granted legal aid

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	exempt an accused person or appellant from means assessment and payment of contribution. The Administration does not see justifications for adjusting the financial limit upward particularly for criminal cases (paras. 36-38 of LC Paper No. CB(2)2581/02-03(03)).	to applicants with financial resources exceeding the financial eligibility limit; and (b) explain whether refusal to grant legal aid to a person who is charged with a serious criminal offence and unable to meet the costs of litigation would contravene the Bill of Rights Ordinance.
IV. Discretion of DLA to waive upper lin	nit of means test	1
The Administration to consider whether DLA should be given the discretion to waive the upper limit of means test in respect of the following proceedings - (a) employees in appeals brought by employers against judgments of the Labour Tribunal;	The only exception in civil cases where DLA has a discretion to waive the financial eligibility limit of means test is when human rights issues are involved, i.e. in which a breach of Hong Kong Bill of Rights Ordinance or an inconsistency with ICCPR as applied to Hong Kong is at issue. The exercise of DLA's exemption power should be very restrictive, and it would be undesirable to extend the	The legal aid policy in Hong Kong is to ensure that no one with reasonable grounds for taking legal action is prevented from doing so because of a lack of means. There are many applicants with financial resources exceeding the upper limit of
(b) actions involving the Basic Law, the Personal Data (Privacy) Ordinance and anti-discrimination legislation;	exception to other cases solely on the basis of the nature and complexity of the proceedings. (paras. 40 - 43 of LC Paper No. CB(2)2581/02-03(03)).	means test who are unable to conduct litigation on a private basis. DLA should exercise

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(c) employees in insolvency cases; and(d) cases involving victims of industrial accidents. (para. 10)	involved in these proceedings are provided by the	discretion to waive upper limit of means test in deserving cases.
V. Assessment criteria for financial eligib	 pility	ı
(a) The Administration to review the criteria for calculating financial resources of legal aid applicants (paras. 11 and 13).	 (a) The Administration will maintain the current approach of aggregating an applicant's yearly disposable income and his disposable capital in conducting the means test. The Administration 's responses to the issues raised by the Panel are (paras. 13 - 50 of LC Paper No. CB(2)2581/02-03(02)) - Method of computing disposable income (i) Subject to proof of loss or reduction of future income to the satisfaction of DLA, such loss or reduction would be taken into account in calculating an applicant's disposable income. Reductions in computing disposable income (ii) There is a case to extend deductible allowances from disposable income to cover the amount incurred by an applicant to provide for the care of his other dependants, in addition to his infant 	

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	dependants, who are unable to take care of themselves. Self-employed applicants would also benefit from this proposed change.	
	(iii) There is a case for deducting maintenance payment made by an applicant to support his ex-spouse and children from the applicant's disposable income.	
	Deductible items in calculating disposable capital	
	(iv) In assessing disposable capital of an applicant to pursue an accident-related personal injury claim, DLA may disregard an amount of the insurance monies paid to the applicant in respect of the injuries, which DLA considers reasonable to cover such future expenses on treatment, equipment and care and attention, as may be certified to be necessary by a registered medical practitioner, subject to proof to the satisfaction of DLA.	
	(v) There is no strong justification for excluding borrowed money and cash in bank in assessing financial resources.	
	(vi) There is no strong justification for excluding debt and negative value of capital assets in assessing financial resources.	

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 (b) The Administration to consider using the median monthly household expenditure, rather than "35 percentile household expenditure", as the index of personal allowance deductible for calculating the disposable income of applicants under OLAS (para. 12). (c) The Administration to review the following provisions of the Legal Aid (Assessment of Resources and Contributions) Regulations (para. 13) - 	(b) The objective of adopting the "35 percentile household expenditure" is to reflect more realistically the expenditure level of the target group, i.e. households in the lower middle class and below for legal aid. Using the median household expenditure as the basis for calculating the deductible income will not be representative of that of the target group. (paras. 22 - 23 of LC Paper No. CB(2)2581/02-03(02)).	
(i) Regulation 6 - Application in representative or fiduciary capacity.	(i) The effect of Regulation 6 is that for application made by a person acting in representative or fiduciary capacity, that person's means would not be taken into account for financial resources assessment unless he himself also stands to benefit from the aided proceedings. This accords with the objective that legal aid serves to assist only persons of limited means.	
(ii) Regulation 7(1) - Resources of a spouse.	(ii) The current policy of aggregating the financial resources of an applicant and his/her spouse should be maintained.	
(iii) Regulation 8 - Resources of an application who is an infant.	(iii) The existing policy of not aggregating the financial resources of an infant and his parents/guardians in determining the financial resources of the infant	

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	should be maintained.	
	(paras. 34 - 50 of LC Paper No. CB(2)2581/02-03(02))	
VI. Costs and contributions payable by le	gal aid clients	
Contribution in cases involving human rights issues		
(a) The Administration to-		
(i) review the maximum rate of contribution which ranges up to 67% of the person's financial resources (para. 14(a)); and	(i) Different rates of contribution are specified in the Legal Aid (Assessment of Resources and Contributions) Regulations for different brackets of financial resources. The maximum rate of 67% only applies to financial resources exceeding \$1,200,000. Operational experience does not indicate a need for adjusting the scale of contributions.	Some members consider that the maximum contribution rate of 67% should be lowered.
(ii) exempt aided persons from making contribution (para. 14(b)).	(ii) The Administration does not agree to exempt aided persons in proceedings involving human rights issues from making contribution (paras. 48-50 of LC Paper No. CB(2)2581/02-03(03)).	

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Contribution under OLAS		
(b) The Administration to review the maximum contribution rate of 25% under OLAS (para. 15)	(b) In 2002, only 1% of the aided persons (96 out of 12,747) under OLAS paid the maximum contribution rate, whereas around 82% did not need to pay any contribution. The Administration will keep in view the proportion of aided persons paying the maximum contribution rate in considering whether there is a need for a future revision. (paras. 51-52 of LC Paper No. CB(2)2581/02-03(03))	
Contribution under SLAS		
(c) The Administration to consider -		
(i) reviewing the contribution rate which is 12% (paras. 16 and 18);	(i) At present, for a successful claim under SLAS, 12% of the compensation recovered will be paid to the SLAS Fund, unless the claim is settled before trial and delivery of brief to counsel, in which case the rate of contribution will be 6%.	
	Having examined the likely financial impact, the Administration proposes that the contribution rate be reduced from 12%/6% to 10%/6%. (paras. 57-60 of LC Paper No. CB(2)2581/02-03(02)).	
(ii) the possibility of adopting a sliding scale of contribution (para. 16); and	(ii) The Administration does not see strong justifications for those who have suffered more and therefore receive more compensation to contribute at a higher	

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	rate under a sliding scale of contribution. A flat rate is more reasonable and fair, and easier to administer. (paras. 61 of LC Paper No. CB(2)2581/02-03(02)).	
(iii) exempting certain aided persons (e.g. victims of industrial accidents or dependants of deceased workers) from making contribution (para. 17).	(iii) The Administration does not agree to exempting certain persons from making contribution under the existing legal aid policy. (paras. 46 and 55 of LC Paper No. CB(2)2581/02-03(03)).	
VII. Operation of legal aid services		
Interest accrued on DLA's first charges		
(a) The Administration to review the exercise of DLA's discretion to waive the interest accrued on DLA's first charges on property recovered or preserved to lessen the burden of the aided person (paras. 19 - 20).	(a) Following enactment of the Legal Aid (Amendment) Bill in July 2000, DLA is given the discretion to waive or reduce the interest accrued in circumstances where he considers just and equitable to do so. (paras. 2-3 of Annex II to LC Paper No. CB(2)2581/02-03(03))	Some members consider that the interest which accrues at 10% per annum is unjustified as the rate is far above the market rate.
Interest accrued on monies due to aided		
persons		
(b) The Administration to consider whether the interest accrued on monies due to aided persons should be paid to the aided persons (para. 21).	(b) The Administration has yet to see sufficient justifications for implementing the proposal because an aided person who has recovered damages has received the benefit of subsidized litigation. The substantial disbursement paid by the Government on behalf of the	

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	aided person amount to an interest free loan for him. Under the circumstances, it would not be unreasonable for the small amount of interest being credited to the Government. (paras. 4-10 of Annex II to LC Paper No. CB(2)2581/02-03(03))	
Payment of costs by DLA on behalf of an aided defendant or respondent		
(c) In the light of an observation made by a Justice of Appeal of the Court of Appeal in a case, the Administration to review whether the statutory provision in section 16C(1)(b)(ii) of the Legal Aid Ordinance (LAO) that neither DLA nor an aided defendant should be liable for costs may cause injustice to the successful plaintiff not in receipt of legal aid (para. 22).	(c) The statutory provision is intended to protect a legally aided defendant and the legal aid fund against costs in excess of the amount of his contribution. It is up to a plaintiff to decide if he wants to commence proceedings against someone who is not good for costs because of impecunious financial position. If a plaintiff chooses to do so, there is a real possibility that he will not be able to recoup costs from the defendant. Notwithstanding the concern expressed by the Justice of Appeal, both the Court of Appeal and the Court of Final Appeal uphold the rationale for section 16C(1)(b)(ii). (paras. 11-16 of Annex II to LC Paper No. CB(2)2581/02-03(03))	
Application for legal aid		
(d) The Administration to consider making full use of section 9(d) of LAO, which empowers DLA to refer an application	(d) DLA has extensively invoked the statutory provision in obtaining advice from legal practitioners and other experts including medical practitioners where such	

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for legal aid to counsel to investigate and advise on any question of law arising out of the application. (para. 27)	advice is required to facilitate the processing of legal aid applications. (paras. 17-18 of Annex II to LC Paper No. CB(2)2581/02-03(03))	
Appeal against decision of DLA to refuse to grant legal aid		
(e) The Administration to consider putting in place a more effective and transparent appeal mechanism. (paras. 29 - 31)	(e) LAD had reviewed the procedure for handling appeals under 26 of LAO in consultation with the Legal Aid Services Council and the Judiciary in 2000. Moreover, under Rule 12(3) of the Legal Aid in Criminal Cases Rules, the court which handles the appeal may exercise discretion to grant legal aid on its own initiative, notwithstanding DLA has refused the application. (paras. 19-25 of Annex II to LC Paper No. CB(2)2581/02-03(03))	
Fees and costs payable to counsel and solicitors		
(f) The Administration to review the relevant provisions of the Legal Aid (Scale of Fees) Regulation in relation to situations where fees payable to counsel acting for an aided person are disallowed on taxation. (paras. 32 - 33)	(f) There are provisions requiring an assigned solicitor to inform counsel forthwith of any disallowance or reduction of counsel's fees on taxation, and provisions for review of a taxation if counsel is dissatisfied with the decision of a taxing master.Cases where counsel's fees are totally disallowed	
	Cases where counsel's fees are totally disallowed because the solicitor instructing him should have done	

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	the work of the counsel should be rare. For work undertaken by counsel which should have been done by the solicitor, it is not unusual for the taxing master to allow the counsel's fees to be paid and tax off the costs charged by the solicitor in respect of the same item of work or to allow the counsel's fees to be transferred, in whole or in part, to the common fund costs which may then fall to be borne either by the aided person concerned or the legal aid fund (paras. 26-28 of Annex II to LC Paper No. CB(2)2581/02-03(03)).	
VIII. Legal aid in criminal proceedings		
(a) At present, the granting of legal aid in civil cases is under LAO, whereas that for criminal cases is under the Legal Aid in Criminal Cases Rules of the Criminal Procedure Ordinance (Cap. 221). The Administration should review the present arrangement (para. 34).	(a) The Administration is not aware of any practical problem with the existing arrangement (para. 59 - 60 of LC Paper No. CB(2)2581/02-03(03)).	
(b) LAD should instruct leading counsel to represent aided persons in criminal cases (para. 35(a)).	(b) LAD usually only assigns senior counsel to represent aided persons in appeal cases and occasionally in trials where the cases are of exceptional difficulty or complexity. Whether counsel appearing for the prosecution is a senior counsel is one of the factors but not the decisive factor in LAD's consideration whether	

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	senior counsel should be assigned to act for an aided person in any case. (para. 30 of Annex II to LC Paper No. CB(2)2581/02-03(03)).	
(c) The Administration to consider extending the power of judges to grant legal aid and exemption from means test and payment of contribution to cover criminal cases involving lengthy sentences of imprisonment (para. 35(b)).	 (c) Judges cannot grant legal aid if LAD has refused legal aid on means, except in respect of murder, treason or piracy with violence cases. Under Rule 13 of the Legal Aid in Criminal Cases Rules, a judge has power to grant legal aid and exemption from means test and payment of contribution in cases involving these three categories of offences. Since means assessment is one of the two cardinal criteria for granting legal aid, the exception of waiving means test should be very restrictive and continue to be confined to the above types of offences (paras. 61-63 of LC Paper No. CB(2)2581/02-03(03)). 	
(d) It is not appropriate for the Judiciary to have a role in assessment of fees payable to assigned lawyers under Rule 21(2) of the Legal Aid in Criminal Cases Rules if a case is certified by a judge to be one of exceptional length or complexity. The Administration should consider the possibility to allow fees to be agreed in advance with the assigned lawyers (para. 35(c)).	(d) All fees payable to counsel and solicitors are assessed by LAD and not by the Judiciary. Fees are determined by DLA having regard to the work actually and reasonably done. It is not possible or practicable for the fees to be agreed before the work is actually done and its complexity properly assessed. It is also not possible to know before a trial is conducted or an appeal heard whether the judge would certify the case to be of exceptional length or complexity. LAD sees no merits at all in changing the present rules	

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	to allow fees to be agreed with individual assigned lawyers in advance (paras. 31-32 of Annex II to LC Paper No. CB(2)2581/02-03(03)).	
IX. Legal aid for alternative schemes		
(a) The Administration should consider restructuring the legal aid regime to provide "unbundled legal assistance", i.e. with private lawyers providing advice and assistance at key points in the proceedings, to help unrepresented litigants (paras. 23 - 24).	(a) The Administration will keep in view further development in respect of the Civil Justice Reform as regards measures to help unrepresented litigants (paras. 65 of LC Paper No. CB(2)2581/02-03(03)).	The Panel is of the view that unbundled legal assistance would assist unrepresented litigants. It would also assist LAD in assessing the merits of a case at different stages of the proceedings and accordingly decide whether legal aid should continue to be granted.
(b) One of the proposals arising from the Civil Justice Reform consultation exercise is to empower DLA to resort to alternative dispute resolution (ADR) as a condition of granting legal aid. The Administration should consider whether legal aid can be granted for mediation, instead of mediation in the course of litigation under Part I of schedule 2 to LAD) (paras. 25 - 26).	(b) The Administration shall consider the best way forward once the Working Party on Civil Justice Reform has finalized the report and its recommendation regarding ADR schemes in the light of the public views received. The Administration shall also study the findings and the final evaluation on the three-year Pilot Scheme on Family Mediation in considering its implications on the provision of legal aid services. The evaluation report is expected to complete in August 2003. (paras. 66-68 of LC Paper No. CB(2)2581/02-03(03)).	

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X. Other issues		
(a) The Administration to consider the following suggestions to improve the operation of legal services (para. 36) -	(a) The Administration's response is detailed in paras. 33 - 42 of Annex II to LC Paper No. CB(2)2581/02-03(03).	
(i) more transparent and user-friendly legal aid services;		
(ii) mechanism to monitor services provided by LAD's in-house lawyers and private legal practitioners;		
(iii) client-based legal aid services; and		
(iv) putonghua training for LAD staff.		

Council Business Division 2
Legislative Council Secretariat
16 October 2003