

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 2nd meeting
held at the Legislative Council Chamber
on Friday, 19 November 2004, at 2:30 pm**

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Hon CHAN Kam-lam, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Martin LEE Chu-ming, SC, JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LEUNG Yiu-chung
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum
Hon LAU Chin-shek, JP
Hon LAU Kong-wah, JP
Hon LAU Wong-fat, GBS, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon Andrew CHENG Kar-foo
Hon Timothy FOK Tsun-ting, GBS, JP

Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Frederick FUNG Kin-kee, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon LI Kwok-ying, MH
Dr Hon Joseph LEE Kok-long
Hon Daniel LAM Wai-keung, BBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon WONG Ting-kwong, BBS
Hon TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG
Hon KWONG Chi-kin
Hon TAM Heung-man

Members absent:

Dr Hon David LI Kwok-po, GBS, JP
Hon SIN Chung-kai, JP
Hon CHOY So-yuk
Hon Albert CHAN Wai-yip
Hon MA Lik, JP
Hon LEUNG Kwok-hung

Public officers attending:

Mr Frederick MA Si-hang, JP	Secretary for Financial Services and the Treasury
Mr Alan LAI Nin, GBS, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Miss Elizabeth TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mrs Fanny LAW, GBS, JP	Permanent Secretary for Education and Manpower

Miss Vivian LAU

Deputy Secretary for Education and
Manpower (6)

Mrs Elaine CHAN

Controller, Student Financial Assistance
Agency

Clerk in attendance:

Ms Pauline NG

Assistant Secretary General 1

Staff in attendance:

Miss Becky YU

Chief Council Secretary (1)1

Mrs Mary TANG

Senior Council Secretary (1)2

Ms Caris CHAN

Senior Legislative Assistant (1)1

Mr Frankie WOO

Legislative Assistant (1)2

Action

Item No. 1 - FCR(2004-05)29

**RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE MADE ON
27 OCTOBER 2004**

The Chairman put the item to vote. The Committee approved the proposal.

Item No. 2 - FCR(2004-05)30

HEAD 173 – STUDENT FINANCIAL ASSISTANCE AGENCY

◆ Subhead 228 Student financial assistance

2. The Chairman introduced the attending officials and advised that the Permanent Secretary for Education and Manpower (PSEM) would have to leave by 3:15 pm to attend another scheduled appointment. Mr Albert CHENG said that the Secretary for Education and Manpower (SEM) should have attended if PSEM could not stay through the meeting. PSEM explained that SEM could not attend the meeting due to other prior commitments. She herself also had to attend the tenth graduation ceremony of the Hong Kong Institute of Education as the Guest of Honour in that afternoon. The invitation was accepted well before the dates of Finance Committee (FC) meetings for the current Legislative Council session were fixed. Mr CHENG held the view that if both SEM and PSEM had prior commitments, consideration should be given to deferring the proposal to a later meeting. The Chairman added that it was important that the Bureau Secretaries should attend meetings as far as possible as they were held accountable for their respective policies.

3. The Chairman drew members' attention to a supplementary information note circulated to members before the meeting. The supplementary information was provided by the Administration in response to the request from the Panel on Education when it discussed the proposal on 8 November 2004. Dr YEUNG Sum, Chairman of the Panel on Education, briefed members on the deliberation of the Panel. He said that there was concern that the merging of the Cross-net Travel Subsidy Scheme (CTSS) and the Student Travel Subsidy Scheme (STSS) would affect 22 000 CTSS applicants who would have their travel subsidy reduced under the proposed two-tier subsidy arrangement. As such, the Administration was requested to consult the parent organizations on the proposal.

4. PSEM said that the travel subsidy schemes were substantially enhanced in 2001 to ensure that students were not deprived of education for lack of financial means. Both schemes were means-tested and the same eligibility criteria were applicable to other forms of student financial assistance, such as assistance on textbooks and miscellaneous expenses, senior secondary fee remission and examination fee remission. The purpose of the proposed merging of CTSS and STSS was meant to rationalize the two schemes by standardizing the subsidy arrangement. Pursuant to the Panel's request, the Administration had met with parent representatives of the Committee on Home-School Co-operation, the Hong Kong Parents Association and 15 district-based federations of Parent-Teacher Associations/Parents Associations. The parent representatives were requested to complete a questionnaire at the end of the meeting. Of the 29 questionnaires returned, 22 were supportive of the proposal, four were in favour of the existing arrangements, two had reservations on the proposal while one had no comment. Some of the representatives had asked for a review of the eligibility criteria for travel subsidy schemes as the existing means test might not be able to address the needs of students from low-income families. As the review would take time to complete, PSEM urged members to approve the proposal first so that the merger could be implemented for the 2004/05 school year for the benefit of needy students. The Administration would report the outcome of the review to the Panel in due course.

Impact on the 22 000 students affected by the merger

5. While agreeing to the removal of the cross-net requirement under CTSS, Mr CHEUNG Man-kwong held the view that recipients of student travel subsidy schemes should not suffer financial losses as a result of changes to the schemes. He was concerned about the 22 000 CTSS applicants whose travel subsidy would be reduced by an average of \$50 a month or \$600 a year under the proposed two-tier subsidy arrangement. The families so affected might not realize the difference this year as they would still be provided with full-rate grant for 2004/05 school year as part of the transitional arrangement. However, if the means test revealed that they should only be entitled to half-rate grant for the 2005/06 school year, they would realize that their subsidy would be reduced by \$600 a year. He therefore enquired if the 22 000 CTSS applicants were consulted on the proposal and if so, whether they were prepared to accept the resultant reduction in subsidy.

6. PSEM said that existing beneficiaries were unlikely to welcome any proposals to reduce their travel subsidies. She added that in rationalizing the student travel subsidy schemes, it was inevitable that some applicants might benefit from the exercise while others might lose out. She questioned whether members were suggesting that existing interests must be protected in all circumstances, which would be a new principle and, if so, this would need to be debated by the public. She stressed that the proposed merger was meant to remove the existing anomaly whereby students aged 12 or above would receive half-rate grant if the household income exceeded the specified level whereas those under 12 would receive full-rate grant for the same level of household income. An analysis showed that about 95% of the applicants would have their subsidy reduced by less than \$100 per month, or \$1,000 a year, under the proposed two-tier arrangement. The impact was small. In cases involving exceptional and unforeseen financial hardship, school principals would continue to recommend cases to the Student Financial Assistance Agency (SFAA) for special consideration of a full or half-rate subsidy having regard to the particular circumstances of the cases. This provision for discretionary awards under the current system would help to ensure that financial assistance will be made available to those genuinely deserving cases.

7. Mr Albert CHENG could not agree with PSEM that the reduction in subsidy was insignificant as \$100 per month would mean a lot to low income families, particularly those with a number of schooling children. He pointed out that for a family of four with a total household income of \$8,000, further reduction in travel subsidy would aggravate their financial hardship. He considered it necessary for the Administration to conduct a survey to ascertain the impact of the proposed merger on the 22 000 affected families.

8. PSEM explained that the eligibility criteria for the travel subsidy schemes applied to all local full-time students from primary to undergraduate level who lived beyond 10 minutes' walking distance from schools/institutions. The same principle should apply to all students so that there was no disparity between students with the same eligibility. The 22 000 CTSS applicants were like any other students and there was no reason to treat them more favourably. In the light of members' concern about low income families, the Administration was prepared to review the income eligibility and to report the outcome to the Panel on Education. In this respect, Ms Audrey EU remarked that the crux of the problem was not about previous benefits being taken away but the propriety of setting the income limit at \$8,000 for a household of four. In response, PSEM reminded members that the existing eligibility criteria were approved by FC in December 2001.

Review of eligibility criteria

9. While welcoming the Administration's undertaking to conduct a review of the eligibility criteria, Dr Fernando CHEUNG hoped that this could be completed as soon as possible so that more reasonable income limits could be applied next year. He added that apart from the Panel on Education, the Subcommittee to Study the Subject of Combating Poverty to be set up should also be informed of the outcome of the review. PSEM advised that the review would take time as the

Administration would need to research into the background and the basis of the present income limits and to assess whether the income limits should be set according to basic needs, or relative poverty as some people had suggested. Besides, adjustment of income limits would have to be discussed with other relevant Bureaux as this might affect their policy areas as well. She assured members that the Administration would explain the outcome of the review to the Subcommittee to Study the Subject of Combating Poverty if so requested.

10. Mr LEE Cheuk-yan pointed out that the income limits for the travel subsidies were even more stringent than that of the Comprehensive Social Security Scheme (CSSA). The Deputy Secretary for Education and Manpower 6 (DS(EM)6) explained that it was inappropriate to draw a direct comparison of the income limits for CSSA and travel subsidies, which were about \$9,000 and \$8,000 respectively, as the entitlement to CSSA was also subject to other factors. In response to Ms Audrey EU's enquiry on the time-table for the review, PSEM said that subject to no further complications, the Administration would endeavour to complete the review within one year.

11. Mr Jasper TSANG said that Members of the Alliance for Betterment of Hong Kong (DAB) were in support of the proposed merger which aimed to rationalize the inequality existed under the present subsidy arrangement whereby students aged below 12 who attended Direct Subsidy Scheme schools and private schools were not eligible for travel subsidy. The level of subsidy between students aged 12 or above and those aged below 12 was also different. He further pointed out that as the existing two travel subsidy schemes were meant to provide financial assistance to the needy families, applicants had to be means tested. It was therefore reasonable that the same eligibility criteria should apply to all applicants, including the 22 000 CTSS students and the 60 000 students aged below 12 who would benefit from the relaxed criteria.

12. In response to the Chairman, Mr TSANG stated that there was a need to rationalize the income limits and eligibility criteria for the various schemes. However, as such an exercise would take time, he considered that the rationalization should start with the review of the eligibility criteria for the travel subsidy schemes.

13. Given that the primary objective of CTSS was to assist needy primary students aged below 12 who had to attend public sector schools outside their residing Primary One Admission (POA) Net, Mr CHEUNG Man-kwong remained concerned about the impact on the CTSS applicants, in particular the 22 000 affected students. Although the Administration had consulted some of the parent associations, they might not represent the views of these CTSS applicants. The affected families might have chosen the schools outside their residing POA on the understanding that full-rate subsidy was available. They might not be aware of the effect of the proposal until after their subsidies were cut by half in the next school year.

14. PSEM responded that some families had taken up cross-net schools despite the availability of school places within their POA Net. Primary students who currently applied for CTSS were required to undergo a means test in order to be eligible for the travel subsidy. Even if their family circumstances had not changed, they would still be subject to the two-tier arrangement under STSS, hence possible reduction to half-rate grant, after they reached the age of 12.

Discretionary awards

15. While acknowledging that the proposed merger would benefit more students, Ms Miriam LAU expressed regret that some 22 000 CTSS applicants would have their subsidy reduced. Noting that cases involving exceptional and unforeseen financial hardship would receive discretionary awards upon recommendation by school principals, she enquired about the circumstances under which such awards would be granted. She said that Members of the Liberal Party held the view that discretion should be exercised flexibly to ensure that financial assistance would be made available to those genuinely deserving cases.

16. PSEM informed members that under the proposed two-tier arrangement, a four-member household with a monthly income between about \$8,000 to about \$21,500 would receive half-rate grant while those with monthly income of below \$8,000 would receive full-rate grant. The Controller of SFAA said that exceptional and unforeseen circumstances referred to cases such as sickness or unemployment of the bread-winner. School principals would give a recommendation on whether a full or half-rate subsidy should be granted having regard to the particular circumstances of the case.

17. Ms Miriam LAU further enquired about the number of students who had been granted full or half-rate subsidy as a result of exceptional and unforeseen circumstances and whether they would continue to receive the same after the proposed merger. DS(EM)6 advised that the discretionary awards were applicable to all other SFAA-administered student financial assistance schemes for primary and secondary students. Over the past year, SFAA had approved about 3 000 applications for discretionary awards. Of these, over 800 applications were for student travel subsidies where awards of full or half-rate grant were given depending on the particular circumstances of the cases. PSEM added that SFAA seldom rejected any applications for discretionary awards since these had been screened and recommended by school principals. In view of members' concern about the effect of the proposed merger on the 22 000 affected students, PSEM agreed to notify them of the possible changes to their travel subsidy in the next school year so that they might consider applying for the discretionary awards.

18. Dr Fernando CHEUNG concurred that there was a need to notify the 22 000 affected families, in particular those with household income below \$10,000 which were not eligible for CSSA and might have difficulty in coping with the reduction in subsidy. Dr CHEUNG opined that these families should also be advised on the means through which they could apply for discretionary awards to tide over the financial hardship resulting from the proposed merger. PSEM said that it might not

be appropriate to notify the 22 000 affected applicants through their schools since the applicants might not want to disclose their financial situation. Instead, the Administration would encourage school principals to adopt a more flexible approach towards the needs of low-income families.

19. Ms Audrey EU enquired about whether and how discretion would be exercised for those applicants who failed to meet the eligibility criteria for the travel subsidies. PSEM reiterated that the proposed merger was meant to rationalize the travel subsidies to make it fairer and more equitable. The provision of discretionary awards to students under exceptional and unforeseen circumstance was a long-standing practice which dated back to 1950s, long before the financial assistance schemes were introduced. If members considered that the 22 000 CTSS applicants should not be affected by the proposed merger, additional funding might need to be sought from the FC to make up the shortfall.

20. Mr WONG Kwok-hing pointed out that since the proposed merger would reduce the subsidy of the 22 000 applicants by an average of \$50 a month, the total amount of funding involved was only \$11 million per year. Considering that approval would be given upon application for discretionary awards and the administration work involved, the Administration should simply extend the full-rate grant to the 22 000 CTSS applicants. PSEM said that EMB had earmarked some \$12 million to allow the 22 000 CTSS applicants to continue to receive the full-rate grant in the 2004/05 school year. This was meant to be a transitional arrangement and the level of subsidy would be adjusted with effect from the 2005/06 school year in accordance with the new arrangement which would be applied across the board. (PSEM left the meeting at this point.)

21. Mr Ronny TONG enquired whether the circumstances of the 22 000 affected students were regarded as exceptional and unforeseeable, hence satisfying the criteria for recommendation by school principals for discretionary awards. The Controller of SFAA advised that where the affected families indicated there was financial hardship resulting from the reduction in subsidy, they could apply for discretionary awards through their school principals. The latter were aware of the criteria under which they might recommend discretionary awards. The Administration was prepared to provide further guidelines to school principals authorizing them to recommend applications for discretionary awards that might be submitted by the 22 000 applicants.

22. Dr YEUNG Sum noted that it was a common practice within the civil service that new salary structure would only apply to new recruits but not existing staff. He hoped that the same "grandfathering" arrangement would apply to the travel subsidy schemes so that the 22 000 CTSS applicants who were entitled to full-rate grant before the proposed merger could still enjoy the same rate until they completed their primary education. This would ensure that the existing recipients would not become worse off after the proposed merger. DS(EM)6 reaffirmed that SFAA would issue guidelines to school principals requesting them to give favourable consideration to applications from the 22 000 CTSS students for discretionary awards. SFAA would approve these applications upon recommendation of the school principals.

23. Mr LEE Cheuk-yan however pointed out that it might be unfair to those who did not submit their applications. The Chairman echoed that the Administration ought to take into account the feelings of tender aged students who might be reluctant to submit their applications for subsidy. The Controller of SFAA said that a letter could be sent to the parents of the 22 000 CTSS applicants informing them of the reduction in travel subsidies in advance and reminding them to submit applications for discretionary awards. Mr LEE said that if the Administration was prepared to approve the discretionary awards, it might as well grant them the full-rate subsidies without the need for application. DS(EM)6 said that if a full-rate subsidy was granted to the 22 000 CTSS applicants without application, there would be disparity in treatment for children of the same family.

24. Mr LEUNG Yiu-chung opined that the provision of more travel subsidies would encourage students to take part in more extra curricular activities. He remained of the view that the level of subsidies to existing recipients should be maintained after the proposed merger. DS(EM)6 said that the last revision of travel subsidies and other student financial assistance schemes was agreed upon in December 2001. Circumstances might have changed over the years and the Administration was prepared to review the eligibility criteria. DS(EM)6 added that the 22 000 CTSS applicants would not be affected in the 2004/05 school year as they would continue to receive full-rate grant. Requests for financial assistance from these families in the 2005/06 school year would be favourably considered. A high degree of flexibility would be exercised in the provision of discretionary awards to these families. Even if all the 22 000 CTSS applicants applied for the discretionary awards, there would be sufficient quota to cater for the needs of all of them.

25. Mr CHAN Kam-lam said that DAB Members would support the proposed merger which would benefit an additional 60 000 students. While welcoming the review of the eligibility criteria and the exercise of discretion on exceptional cases, he stressed that it was equally important that public resources were well spent. He did not consider that recipients of benefits ought to continue to be entitled to the benefits, especially if the granting of benefits was subject to means test.

26. Mr CHEUNG Man-kwong said that the size of the affected students would decrease year after year. The total funding required for granting full-rate subsidy to all existing eligible students was no more than \$42 million. Since the Administration was already agreeable to providing \$12 million for the one-year transitional period, the additional funding required was about \$30 million, which would be granted to the students anyway if they applied for discretionary grants. He therefore could not see the reason why the 22 000 students could not be exempted from application.

27. Expressing similar view, Mr Martin LEE enquired about the financial capability of the Government in absorbing the additional expenditure if a “grandfathering” arrangement were to apply to the travel subsidies, i.e. existing recipients not to be affected. The Secretary for Financial Services and the Treasury said that the proposed merger was not intended to achieve savings or reduce the budget deficit but to rationalize the provision of travel subsidies to needy students.

In fact, the merger of the two subsidy schemes would incur additional expenditure. Since the Education and Manpower Bureau (EMB) was operating within the allocation given to it under the envelope system, it remained a policy decision on the part of EMB as to whether the funding arising from the “grandfathering” arrangement could be absorbed within its vote.

28. Mr Frederick FUNG said that it would appear that EMB had the resources to extend the full-rate grant to the 22 000 CTSS applicants if was prepared to do so. Mr CHEUNG Man-kwong said that the additional funding of \$30 million was to be drawn down over a period of four to five years. The impact on EMB’s budget was therefore quite minimal.

29. In light of members’ concern, DS(EM)6 said that the Administration was prepared to exceptionally provide the 22 000 affected students with full-rate grant until they reached 12 years of age if they continued to meet the requirements for half-rate grant. However the families would be informed that they should only be eligible for half-rate grant but in view of the particular circumstances of their cases, a full-rate grant would be provided as an exceptional arrangement. Application for discretionary awards through the school principals would no longer be required. Members welcomed the Administration’s decision.

30. The Chairman put the item to vote. The Committee approved the proposal.

31. The meeting was adjourned at 4:15 pm.