

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 4th meeting
held at the Legislative Council Chamber
on Friday, 15 December 2006, at 3:00 pm**

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Hon CHAN Kam-lam, SBS, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Martin LEE Chu-ming, SC, JP
Dr Hon David LI Kwok-po, GBS, JP
Hon Fred LI Wah-ming, JP
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, GBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai, JP
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 Miriam LAU Kin-yee, GBS, JP
Hon CHOY So-yuk, JP
Hon Andrew CHENG Kar-foo
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 Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon LI Kwok-ying, MH, JP
Dr Hon Joseph LEE Kok-long, JP
Hon Daniel LAM Wai-keung, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon WONG Ting-kwong, BBS
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG
Hon KWONG Chi-kin
Hon TAM Heung-man

Members absent:

Hon Albert HO Chun-yan
Dr Hon LUI Ming-wah, SBS, JP
Hon Margaret NG
Hon James TO Kun-sun
Dr Hon Philip WONG Yu-hong, GBS
Hon LAU Wong-fat, GBM, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Vincent FANG Kang, JP
Hon MA Lik, GBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung

Public officers attending:

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| 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 Amy TSE, JP | Deputy Secretary for Financial Services and the Treasury (Treasury) 1 |
| Mr Alfred FOK | Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch) |

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| Mr FUNG Hing-wang, JP | Commissioner for Census and Statistics |
| Ms Cora HO | Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) ³ |
| Mr SIU Yiu-choi | Senior Statistician (Development) |
| | Census and Statistics Department |
| Ms Carol YIP, JP | Deputy Secretary for Health, Welfare and Food (Elderly Services and Social Security) |
| Mr D C CHEUNG | Principal Assistant Secretary for Health, Welfare and Food (Elderly Services and Social Security) |
| | Assistant Secretary for Health, Welfare and Food (Elderly Services and Social Security) |
| Miss Cherie YEUNG | Deputy Director of Social Welfare (Administration) |
| Miss Nancy LAW, JP | Chief Social Security Officer |
| Mr CHENG Chok-man | Social Welfare Department |
| Mr Kenneth NG | Senior Statistician |
| | Social Welfare Department |
| Professor Arthur LI, GBS, JP | Secretary for Education and Manpower |
| Mr Raymond WONG, JP | Permanent Secretary for Education and Manpower |
| Mr Chris WARDLAW | Deputy Secretary for Education and Manpower (5) |
| Miss Vivian LAU, JP | Deputy Secretary for Education and Manpower (6) |
| Mr Tony TANG | Principal Assistant Secretary (Quality Assurance) |
| | Education and Manpower Bureau |
| Mr LI Wing | Controller |
| | Student Financial Assistance Agency |

Clerk in attendance:

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| Ms Pauline NG | Assistant Secretary General 1 |
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Staff in attendance:

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| Miss Becky YU | Chief Council Secretary (1)1 |
| Mrs Mary TANG | Senior Council Secretary (1)2 |
| Ms Alice CHEUNG | Senior Legislative Assistant (1)1 |
| Mr Frankie WOO | Legislative Assistant (1)2 |

Item No. 1 - FCR(2006-07)26

**RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE
MADE ON 22 NOVEMBER 2006**

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

Item No. 2 - FCR(2006-07)27

HEAD 26 – CENSUS AND STATISTICS DEPARTMENT

♦ **Subhead 700 General non-recurrent**

2. The Chairman informed members that the Panel on Financial Affairs (FA Panel) was consulted on the Administration's proposal to host the 59th Session of the International Statistical Institute (ISI) in Hong Kong in 2013 at its meeting on 6 November 2006.

3. Mr CHAN Kam-lam, Chairman of the FA Panel, said that the Panel noted that before a formal bid was submitted for hosting the 59th ISI Session by February 2007, there was a need to seek the Finance Committee (FC)'s acceptance in principle of rough estimate of costs based on the experience of previous ISI Sessions. If the bid was successful, the Administration would make a separate submission on the financial commitments for hosting the event to FC for approval when the details were finalized by 2009-2010. There were queries on whether there were standard policy guidelines/criteria on the hosting of an international event initiated by a non-government and/or professional organization. The Administration's response was set out in the discussion paper and additional information on the proposal was also tabled at the meeting.

(Post-meeting note: The additional information paper was circulated to members under LC Paper No. FC19/06-07.)

4. Dr YEUNG Sum said that he would support the proposal which would not only provide for an exchange of experience in the development of quality statistical services, but also raise the international profile of Hong Kong.

5. The Committee approved the proposal.

Item No. 3 - FCR(2006-07)28

HEAD 170 – SOCIAL WELFARE DEPARTMENT

- ♦ **Subhead 179 Comprehensive social security assistance scheme**
- ♦ **Subhead 180 Social security allowance scheme**

6. The Chairman informed members that the Panel on Welfare Services (WS Panel) was consulted on the proposal at its meeting on 13 November 2006.

7. Miss CHAN Yuen-han, Chairman of the WS Panel, said that the Panel did not object to the proposed revision of standard payments under the Comprehensive Social Security Assistance (CSSA) Scheme and the Disability Allowance (DA) under the Social Security Allowance (SSA) Scheme to take account of inflation. However, concerns were raised on the methodology to adjust the standard payment rates under the CSSA and SSA Schemes and the inadequacy of the payment levels to meet the basic and essential needs of CSSA households. The Subcommittee on the Review of CSSA Scheme formed under the Panel would follow up on the review of the standard payment rates under the CSSA and SSA Schemes.

Level of standard payment rates

8. Mr LEE Cheuk-yan opined that the adjustment mechanisms for welfare allowances were outdated, particularly with regard to CSSA. While the purpose of the CSSA Scheme was to provide a safety net of last resort for needy families to meet their basic and essential needs, he doubted if the present level of assistance, which was based on a survey conducted in 1996 on the basic and essential needs of CSSA households (the 1996 Review), was sufficient to achieve the intended purpose. He pointed out that a recent study conducted by the Hong Kong Council of Social Service (HKCSS) had revealed that findings of the 1996 Review were outdated and not in step with present-day circumstances. He considered it necessary for the Health, Welfare and Food Bureau (HWFB) to conduct an updated survey of the basic and essential needs to reflect the actual situation.

9. The Deputy Secretary for Health, Welfare and Food (Elderly Services and Social Security) (DS(ES)/HWFB) responded that the types of basic needs adopted in the study of HKCSS, which included religious ritual commodities and expenses for attending funerals and banquets, were beyond the scope of basic needs. She also clarified that HWFB had all along been mindful of the need to adjust the standard rates of CSSA to keep pace with price changes. Following a survey conducted in 1998, an upward adjustment had been made to the standard rate for the elderly under the CSSA Scheme to cater for the needs of the elderly to take Chinese medicines and read newspapers, etc. In 2005, the monthly community living supplement was payable to severely disabled persons who required constant attendance from others in their daily life but were not receiving such care in a government or subvented residential institution. In August 2006, the Administration completed the Household Expenditure Survey on CSSA households and the outcome of which had also been made available to HKCSS. DS(ES)/HWFB reiterated that the Administration had

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been monitoring the situation to ensure that the standard rates, which were subject to a regular review mechanism to take account of price changes, were sufficient to meet the basic and essential needs of CSSA households.

10. Mr LEE Cheuk-yan said that past adjustments to the standard CSSA payments were piecemeal in nature. The study released by the Administration in August 2006 focused on household expenses and not the basic and essential needs of CSSA recipients. There was a need for the Administration to conduct a more comprehensive study on the basic and essential needs of CSSA households and to consult the public on the issue. Expressing similar views, Dr Fernando CHEUNG pointed out that basic and essential needs varied with time. By way of illustration, access to the internet was not an essential need for students in the past but it had become so nowadays. There was hence a need to conduct an updated review of the essential items which should be included under the CSSA Scheme and to take account of their price changes in the annual adjustment cycle. While he would accept that the standard CSSA payments should be adjusted in line with the Social Security Assistance Index of Prices (SSAIP), he questioned why the said arrangement was not adhered to in 1999 when the standard payments were drastically reduced.

11. Mr Albert CHAN also expressed concern about the eligibility criteria for CSSA and the levels of standard payments, which in his view were insufficient to meet the basic and essential needs of CSSA households, thereby putting their living standards below the poverty line. Despite the proposed increase of 1.2% in the standard payments under CSSA and SSA Schemes, this would not be of much relief to the needy families. He was dissatisfied that the Government had failed to provide an objective criterion for setting out the levels of payments. Mr LEUNG Yiu-chung shared other members' views on the need to update the 1996 Review which was conducted 10 years ago. The update should be based on the needs rather than the expenditure patterns of CSSA households.

12. DS(ES)/HWFB said that studies on the expenditure patterns of CSSA households were carried out every five years. Reviews would be conducted as appropriate on requests for additional expenses to meet the basic needs of households and so far, the CSSA payments were found to be able to meet the intended purpose. In addition to the standard CSSA payments, recipients were entitled to special grants to meet their basic and essential needs, including those relating to travelling and removal expenses, which were subject to review from time to time. Reviews would be conducted as appropriate on the basic and essential needs of CSSA households. As to whether access to the internet should be regarded as an essential need for students, DS(ES)/HWFB said that the Education and Manpower Bureau had included in its provisions for 2005-2006 and 2006-2007 funding for the computer recycling project in an attempt to make available computers to needy students. The Deputy Director of Social Welfare (Administration) (DDSW) added that apart from the 1996 Review on CSSA Scheme and the annual adjustment mechanism, a separate survey, namely, the Household Expenditure Survey (HES) on CSSA Households, was conducted every five years for collecting information on and examining the latest expenditure pattern of CSSA households. From time to time, comparisons were also

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made with the expenditure and income levels of corresponding non-CSSA households. For instance, drawing from the results of the 2004-05 HES on CSSA Households and the General Household Survey, it was found that the average monthly CSSA payments were generally higher than the income levels of the non-CSSA households in the lowest 25% income groups, and as such the payments were sufficient to meet basic and essential needs.

13. Mr Albert CHAN however considered it inappropriate for the Administration to make reference to those in the lowest income groups who were often exploited by their employers. He stressed the need to set suitable CSSA payment levels in order to maintain a reasonable living standard for the recipients. DS(ES)/HWFB said that the levels of CSSA payments had been discussed at length by the WS Panel. She reiterated that the CSSA payments were meant to provide a safety net of last resort for needy families so that they could meet their basic and essential needs. Apart from the CSSA Scheme, a number of schemes rendering housing, education and medical assistance were also provided to needy families. The comparison between the standard CSSA payments and the salaries of low income groups was meant for reference purposes.

14. As regards the adjustment mechanism, DS(ES)/HWFB said that the inflation forecast methodology for adjusting social security payments was introduced in 1989. The methodology for adjusting CSSA and SSA standard payments on a projected rate of inflation to avoid putting CSSA recipients in the position of only catching up with past inflation. As discrepancies between the forecast inflation and the actual outturn were inevitable, the established principle was that if the forecast increase in SSAIP proved to be different from the actual increase, the differences would be taken into account in calculating the adjustment of the following year. In the past where there was an under-estimate, the difference was invariably made up in the subsequent year's increase. Adjustments, however, had not been made where there was an over-estimate. The problem and its subsequent impact was pointed out by the Director of Audit (D of A) in 1999. As the deviations from the stated annual inflationary adjustment mechanism had a significant impact on Government expenditure, D of A considered that the Administration should adhere to the stated annual inflation adjustment in future. The inflationary adjustments to CSSA and SSA standard payment rates had since been based on the actual price movements in the previous year. Dr Fernando CHEUNG however pointed out that the downward adjustment in standard payment rates in 1999 was not related to the changes in adjustment methodology in 1999. He would follow up the issue at the meetings of WS Panel.

15. Mr Frederick FUNG concurred with other members that there was a need to review the standard payment rates of CSSA which were outdated and no longer able to reflect the present-day circumstances. He held the view that the 1.2% upward adjustment in standard payment rates had only taken into account the price movements in the previous year but not the expected inflation this year. Mr FUNG suggested to take account of both, by averaging out the actual price movements in the previous year and adding an amount equivalent to, say, half of the forecast inflation.

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DS(ES)/HWFB said that the present adjustment mechanism had provided for flexibility such that approval for additional inflationary adjustments to the standard payments rates ahead of the new adjustment cycle could be sought if movements in SSAIP and other economic indicators pointed to persistent high inflation. Nevertheless, the concerns raised by members could be followed up at the meeting of the Subcommittee on the Review of CSSA Scheme to be held the following week. In reply to Mr FUNG's further enquiry on the criteria on exercising flexibility in adjusting standard CSSA payment rates, the Principal Assistant Secretary for Health, Welfare and Food (Elderly Services and Social Security) explained that the Administration would monitor SSAIP on a monthly basis and would seek approval for additional inflationary adjustments if the SSAIP and other economic indicators pointed to persistent high inflation.

Old Age Allowance (OAA)

16. While supporting the revision in standard payments under the CSSA Scheme to take account of inflation, Mr WONG Kwok-hing queried why no similar adjustments were made to OAA under the SSA Scheme for those aged between 65 to 69 and those aged 70 and above which had remained at \$625 and \$705 per month respectively. He considered it necessary that the same treatment should apply to all the standard payments as otherwise the Administration would be seen to be discriminating against the elderly. He also pointed out the need to lift the permissible annual absence limit of OAA. Mr Albert CHAN echoed that he would support for increase in OAA along with the standard CSSA and SSA payments since many elderly people were relying on OAA to support their living.

17. In response, DS(ES)/HWFB assured members that there was no discrimination against the elderly and in fact, special attention had been given to them under the present welfare policy. Owing to the overshoot in previous adjustments and the persistent drop in SSAIP from 1999 to 2003, there was room for a downward adjustment of OAA by 9.7%. However, the Administration had not adjusted the OAA downwards but maintained the allowance at the same level. If the elderly had financial difficulties in meeting their basic needs, they could choose to apply for CSSA.

18. Mr WONG Kwok-hing was not satisfied with the Administration's response. He opined that as OAA was meant as a token of appreciation to the elderly, it did not matter if the allowance was slightly overpaid. With the upward adjustment of standard CSSA and SSA payments to take account of inflation, it was only proper that OAA should be similarly adjusted. Besides, the elderly would find it hard to accept if no upward adjustments were made to OAA in line with other standard payments, particularly when the Government had a budget surplus. DDSW explained that during the period from 1999 to 2003 when there was a persistent drop in SSAIP, the standard CSSA and DA payments had been adjusted downwards in 2003 to take account of deflation. However, it was decided that OAA should remain frozen at the prevailing level until it had caught up with inflation. DS(ES)/HWFB added that apart from the route of providing financial assistance under CSSA and OAA, a

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number of welfare services for the elderly would also be enhanced to strengthen the support to the elderly. By way of illustration, additional resources had been earmarked in 2006-2007 for the Infirmary Care Supplement and the Dementia Supplement to enhance care services for the elderly. The Secretary for Financial Services and the Treasury supplemented that there were established mechanisms for adjustment of OAA, which was largely non-means tested with only age and residency requirements. As no downward adjustment to OAA had been made despite the overshoot in previous adjustments, it would not be unfair for not making upward adjustment to OAA in line with the present inflation. The OAA standard payments rates should therefore be kept at prevailing levels until inflation in subsequent years caught up.

19. Mr LEUNG Kwok-hing noted that in order for the elderly to be eligible for CSSA, their children living with them were required to make a declaration that they were not supporting their parents financially. As a result, some elderly parents were ineligible for the standard CSSA payments, and OAA had become their sole source of income. To take account of the plight of elderly recipients, the Administration was urged to increase OAA and abolish the declaration requirement. DS(ES)/HWFB said that many regarded OAA as a token of appreciation to the elderly. The allowance would provide the elderly with some financial assistance, but was not meant to be an allowance to meet their basic and essential needs. Those who were relying solely on OAA to support their living and basic needs could choose to apply for CSSA. Besides, the declaration requirement was only meant to assess the financial condition of the recipients.

20. Miss TAM Heung-man said that while members would not object to the proposed increase of standard CSSA and SSA payments to take account of inflation, they were concerned about how the revised rates were arrived at and whether the payment levels were sufficient to meet the basic and essential needs of CSSA households. It was hoped that a more comprehensive review should be made on the standard CSSA payments. She also held the view that elderly OAA recipients might not be aware about their eligibility for CSSA payments.

21. Mr James TIEN said that Members of the Liberal Party were supportive of the proposal which aimed to increase the standard CSSA and SSA payments in line with inflation. They also supported that no changes should be made to OAA during times of deflation. He added that deliberations on welfare policies should best be followed up by the WS Panel.

22. Miss CHAN Yuen-han shared members' views about the inadequacy of OAA, the unfairness associated with the adjustment methodology and the declaration requirement, all of which had been discussed at length by the WS Panel but further review was necessary. This had explained the need for setting up the Subcommittee on the Review of CSSA Scheme.

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Special grants

23. Dr Fernando CHEUNG enquired if there would be similar inflationary adjustments to the special grants, namely, the education allowance and the rental allowance (which had been reduced by 15% in 2003). The Senior Statistician, Social Welfare Department explained that using 2001-2002 as the base year, the maximum rent allowance in 2006 was still ahead of the private rental market and there was room for a downward adjustment by 13.1% based on statistics up to October 2006.

24. Mr LEUNG Yiu-chung was concerned that the meal allowance for students taking lunch away from home, amounting to \$195 per month or less than \$10 per day (based on 20 school days per month), might not be sufficient to provide growing children with nutritious meals. In fact, some of the needy students did not have enough means to pay for their meals at school. The Chief Social Security Officer, Social Welfare Department explained that each child receiving CSSA was already provided with standard rates ranging from \$1,295 to \$1,620 per month to meet his/her basic needs including food costs. The meal allowance was an additional subsidy for full-day students who had to take meals outside during school days. Special grants for school-related expenses, which was a flat-rate grant amounted to \$3,810 per school term for students in lower secondary schools, were separately provided for since these were not a part of the standard CSSA payments.

25. While supporting the proposal, Dr YEUNG Sum requested that administrative improvements should be made to expedite the reimbursement of special grants for school-related expenses for needy families as they had to pay upfront for these expenses. There was also a need to monitor the SSA Scheme to prevent possible abuse. DDSW said that arrangements had been made for the early disbursements of special grants for school-related expenses before the commencement of school term. Additional payments would be considered upon production of the relevant receipts if the actual expenses exceeded the amount of the flat-rate grant. As regards efforts to prevent possible abuse of the SSA Scheme, DDSW said that the Administration would endeavour to monitor the Scheme within its available resources, including manpower resource, and step up education and publicity in this respect. Dr YEUNG stressed that education and publicity programmes should be focused on the positive role of the CSSA Scheme to help needy families to re-integrate into the community rather than subsidizing them.

26. Mr Albert CHAN said that the CSSA Scheme was inherently flawed by nomenclature. The reference to "assistance" under the Scheme would create a bad labelling effect on the recipients. In fact, some of the eligible applicants had declined to apply for CSSA because they did not wish to be so labelled. DS(ES)/HWFB said that the Administration would welcome any suggestions for renaming the CSSA Scheme if such was found to have a negative labelling effect.

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

Item No. 4 - FCR(2006-07)29

**HEAD 156 – GOVERNMENT SECRETARIAT : EDUCATION AND
MANPOWER BUREAU**

♦ **Subhead 000 Operational expenses**

♦ **Subhead 700 General non-recurrent**

HEAD 173 – STUDENT FINANCIAL ASSISTANCE AGENCY

♦ **Subhead 228 Student financial assistance**

28. The Chairman informed members that the Panel on Education was consulted on the proposal at its meetings on 13 and 21 November 2006.

29. Mr Jasper TSANG, Chairman of the Panel on Education, said that while the Panel generally welcomed the proposed introduction of a Pre-primary Education Voucher Scheme (PEVS) to provide direct fee subsidy for parents to meet towards school fees for pre-primary education in eligible kindergartens (KGs), there were concerns about confining the eligibility of the Scheme to local non-profit-making (NPM) KGs and the lack of a recommended salary scale for KG teachers/principals. Questions were also raised on the proposed transitional arrangements for the Scheme, which might restrict parents' choice and create unfair competition between NPM KGs and private independent (PI) KGs. The Administration was urged to collaborate with the pre-primary sector on the formulation of salary scales to provide career development paths for pre-primary teachers and to upgrade the quality of pre-primary education.

30. Dr YEUNG Sum said that Members of the different political parties had indicated their support for the PEVS at the meetings of the Panel on Education and he was pleased that the Administration had finally submitted the proposal to FC for funding approval. However, by confining the eligibility of the PEVS to NPM KGs, the Administration had restricted parents' choice. In fact, many middle-class families had expressed disappointment over the PEVS because they would not be able to benefit from it if they chose to enrol their children in PI KGs.

31. Mr LEUNG Yiu-chung said that members supported the funding proposal with reluctance. This was because not all children receiving pre-primary education could benefit from the PEVS and there was a lack of salary scales for KG teachers. Besides, the Education and Manpower Bureau (EMB) had indicated to KG operators that there could not be any further progress on the Scheme if the five basic principles of the PEVS were not adhered to. Under such circumstances, KG operators would have no choice but to accept the proposal. He further criticized the Secretary for Education and Manpower (SEM) for adopting the "all or none" approach and threatened members that the Administration would withdraw the proposal if it was not supported, which in his view was bureaucratic. Given that the PEVS was completely new and there had not been adequate public consultation, more time should be devoted to discuss the Scheme. He hoped that such culture should not be allowed to nurture in implementing education policies in future.

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32. SEM said that the proposed PEVS was introduced for a good cause, and that he was not sure why some members had kept criticising the proposal. He also could not agree that the proposal was worked out in haste because EMB had been working on this for a whole year. The PEVS was intended for the benefit of parents and it had taken a longer time for the Administration to submit the proposal to FC because EMB had to further consult KG operators in response to members' request.

33. Mr LEE Cheuk-yan said that while the proposal was for a good cause, there was a need for thorough discussion by members with a view to improving and implementing it in a fair and reasonable manner. He hoped that SEM would be more receptive to members' views given the significant financial commitment of \$2 billion for the Scheme. He said that he would prefer assistance to be offered to all children receiving pre-primary education rather than in the form of the PEVS, which was subject to much controversy, particularly when it was only applicable to NPM KGs. If the PEVS had to be implemented, it should be best to extend it to all pre-primary children irrespective of whether they were enrolled in PI KGs or NPM KGs. He also failed to understand why no salary scales were stipulated for KG teachers and principals, which would provide them with certainty of pay levels.

34. SEM responded that while he would welcome more discussion on the PEVS further to the consultation conducted thus far, it would be in the best interest of students for the Scheme to come into operation with effect from the 2007/08 school year. He stressed that public money should be put to its best use to enhance the quality of pre-primary education.

Transitional arrangements

35. Ms Audrey EU said that while Members of the Civic Party supported the funding proposal, they had reservation on some of the conditions under the PEVS. She pointed out that parents would only be allowed to choose between PI KGs or NPM KGs for the first year in 2007-2008. They would not be able to benefit from the PEVS if their children enrolled in PI KGs in the 2008/2009 school year. Besides, the non-recurrent commitment of \$70 million to provide a one-off grant to all KGs to support school development was only meant for the 2006/2007 school year. She opined that the proposed transitional arrangements would only extend the problems by one year.

36. Mr CHEUNG Man-kwong echoed that the transitional arrangements would only procrastinate the problem without resolving it because parents who chose to send their children to PI KGs in 2008/2009 school year would not be able to benefit from the PEVS. The Scheme would need to be reviewed after it was implemented for some time. Mr WONG Kwok-hing asked if the Administration would consider extending the transitional period from three to five years.

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37. SEM explained that as a matter of policy, the PEVS should not cover PI KGs, and that the three-year transitional arrangements were meant to assist parents whose children had already enrolled in PI KGs for the 2007/2008 school year. They would continue to enjoy the voucher until their children had completed pre-primary education in the same PI KGs. For parents who were to make an informed decision to enroll their children in PI KGs in or after the 2008/2009 school year, they would not benefit from the PEVS.

38. Mr Frederick FUNG held the view that the PEVS should be extended to all pre-primary children irrespective of whether they were enrolled in PI KGs or NPM KGs. In this way, parents would be given a free choice in deciding which KGs they would like their children to attend.

Measures to assist PI KGs to convert to NPM status

39. Mr WONG Kwok-hing expressed concern that there might be a negative labeling effect on PI KGs not joining or not eligible for the PEVS, despite their contributions to pre-primary education. He enquired if additional measures would be put in place to assist PI KGs to convert to NPM status. SEM said that as a positive step to encourage PI KGs to operate on a NPM basis and benefit from the proposed PEVS, the Administration would provide a one-off facilitation grant for them to apply by August 2007. The grant would be capped at \$30,000 per PI KG and offered on a reimbursement basis to meet the necessary legal and accounting/auditing costs incurred from the conversion. The Inland Revenue Department would be asked, if necessary, to expedite the conversion process, but it would be for the PI KGs to take the initiative to file an application in the first place.

Recurrent expenditure of PEVS

40. Ms Audrey EU noted that, despite the proposed extension of the PEVS to PI KGs under the transitional arrangements, the commitment of the PEVS remained at \$2 billion. The Deputy Secretary for Education and Manpower (6) (DSEM) explained that the recurrent expenditure of PEVS was based on the assumption that about 90% of all children in the relevant age cohorts would come forward for a voucher and that this assumption remained unchanged irrespective of the number of PI KGs that would be converted to NPM KGs. However, if 100% of the children in the relevant age cohorts applied for the PEVS, an additional expenditure of about \$300 million would be incurred.

41. Noting that the Administration was exploring the feasibility of subsuming the amount for rents, rates and government rents into the voucher value after the 2011/2012 school year, Dr YEUNG Sum expressed concern about the adequacy of funding for NPM KGs which had all along been applying to EMB for reimbursement of rents, rates and government rents. Dr Fernando CHEUNG opined that a "no worse off" approach should be adopted in considering such feasibility for the benefit of NPM KGs. He requested the Administration to provide an undertaking in this respect. SEM responded that a review of the reimbursement of rents, rates and

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government rents would be carried out after the PEVS had come into operation. DSEM added it might not be proper to provide an undertaking at this stage when the review had yet to be conducted.

Formulation of salary scales for pre-primary teachers

42. On behalf of Members of the Alliance for Betterment and Progress of Hong Kong, Mr Jasper TSANG said that they were supportive of the proposal because most of the education groups with whom they met were in support of the implementation of PEVS in the 2007/08 school year. However, there was a need for the Administration to assist those PI KGs which were willing to convert to NPM status and to formulate salary scales for pre-primary teachers with a view to enhancing the quality of pre-primary education.

43. Mr Tommy CHEUNG said that Members of the Liberal Party supported PEVS and hoped that it would apply to PI KGs and NPM KGs alike. They were aware of the request of the pre-primary education sector for the setting up of normative salary scales for pre-primary teachers and would request the Administration to collaborate with the pre-primary sector in formulating the salary scales.

44. Dr Fernando CHEUNG said that he would welcome the provision of assistance to pre-primary education, and the introduction of the PEVS was a step in the right direction. However, he was not entirely satisfied with the principles of the Scheme, notably the absence of salary scales for pre-primary teachers and the lack of education subsidy for children aged between two to three, who comprised about 25% of the total number of children studying in KGs.

45. Mr CHEUNG Man-kwong said that the proposal was unnecessarily delayed by the Administration. At the Panel meeting on 21 November 2006, the five major political parties had already indicated their support for the proposal. The submission of this financial proposal to FC should not have delayed until this meeting. Mr CHEUNG recapped some of the points which had been raised and would require further consideration by the Administration. These included the proposal of allowing KGs to enjoy full discretion in determining teacher salaries, which in his view was not conducive to professional upgrading and stability of teachers. Hence, the Administration should reconsider providing salary scales for KG teachers and principals with professional qualifications, as otherwise it would dampen their desire for professional upgrading. As regards the proposed requirement for KGs to take part in the PEVS to enhance transparency of their operations by disclosing details such as salary range of teachers, Mr CHEUNG considered that in addition to the highest and lowest salary range, clearer breakdowns of the different salary ranges for teaching staff should be provided. This would facilitate monitoring of the finances of NPM KGs. Given that all KGs would be subject to a quality assurance mechanism such that only KGs meeting the prescribed standards might redeem the voucher starting from 2012/2013 school year, he considered that various features of the mechanism, such as the standards and implementation details, should be subject to public consultation as these had not been fully discussed under the PEVS.

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Mr CHEUNG requested to state for the record his views as follows -

- (a) There was a need to formulate the salary scales for KG teachers; and
- (b) A five-year transitional period for PI KGs under the PEVS rather than a three-year period should be provided.

His views were shared by Dr YEUNG Sum.

46. SEM said that the Administration agreed that pre-primary teachers should be reasonably remunerated, and that the Administration would encourage the pre-primary education sector to formulate its own salary scales.

Professional upgrading of KG teachers and principals

47. Ms Audrey EU considered it necessary that teacher development programmes should be continued for the benefit of students and teachers alike. She enquired whether the amount of voucher dedicated towards teacher development, amounting to \$3,000 per student in eligible KGs, would also apply to students who were recipients of CSSA Scheme. DSEM said that efforts would be made to explore with Social Welfare Department the feasibility of extending the proposed PEVS to children on CSSA. Meanwhile, the existing arrangements would continue for a maximum of two years until end of the 2008/2009 school year. As regards the subsidy dedicated towards teacher development, equivalent to \$3,000 per student in receipt of the voucher in the initial year of operation of the PEVS, DSEM explained that there would be sufficient funding for teacher development given that a KG with a total enrolment of 180 eligible students would have about \$1.8 million for teacher development over a period of five years. The funds could be used to reimburse course fees, appoint supply teachers to substitute for teachers on training or provide school-based professional development programmes. SEM added that in the year 2000, a set of objective and professional performance targets had been set for all KGs in Hong Kong.

48. With the harmonization of pre-primary services provided by childcare centres and KGs, Mr CHEUNG Man-kwong said that there was a need to look into the assistance rendered to children aged between two and three years as well as the provision of training opportunities for their teachers, who were not given equitable treatment as their counterparts who were teaching children aged three to six. His views were shared by Dr YEUNG Sum. SEM said that there were very few teachers who were teaching children aged two to three only. Most of them would be teaching children aged three to six as well and they would benefit from the professional development programmes provided to pre-primary teachers under the Scheme.

Child Care Centre Fee Remission Scheme (KCFRS)

49. Dr Fernando CHEUNG enquired about the financial assistance to the needy students under KCFRS after the introduction of the PEVS. DSEM explained that the

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actual fee remission for a student would be the difference between the actual fee charged by eligible KGs (capped at \$25, 400 per student per annum for whole-day KG classes, or \$16, 000 for half-day classes) and the voucher value dedicated towards fee subsidy for that school year. Needy students attending whole-day classes in eligible KGs would continue to receive a subsidy for meal charges. If parents chose to enroll their children in eligible KGs which charged more than the fee ceilings, they would have to top up the difference as per the existing practice.

50. As students who chose to attend PI KGs or NPM KGs which were not eligible under the proposed PEVS would no longer be eligible for the fee remission under KCFRS, Miss TAM Heung-man enquired if this arrangement would encourage more PI KGs to convert to NPM KGs. SEM said that it was the Administration's intention to assist and encourage PI KGs to convert to NPM KGs.

51. Mr CHEUNG Man-kwong said that there was a need for public consultation if it was subsequently decided that KCFRS would be abolished following the implementation of the PEVS as some parents might not be able to afford the tuition fees if these exceeded the value of the vouchers. Ms Audrey EU was also concerned about the impact of possible replacement of KCFRS by the PEVS since needy families might have to pay the school expenses on their own.

52. The Chairman said that the views put forward by members should be followed up by the Panel on Education.

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

54. The meeting was adjourned at 5:00 pm.

Legislative Council Secretariat

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