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Finance Committee of the Legislative Council

**Minutes of the 25th meeting
held at the Legislative Council Chamber
on Monday, 14 July 2008, at 4:35 pm**

Members present:

Hon TAM Yiu-chung, GBS, JP (Chairman)
Hon Emily LAU Wai-hing, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Hon LEE Cheuk-yan
Hon Martin LEE Chu-ming, SC, JP
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon CHAN Yuen-han, SBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, SBS, JP
Hon Howard YOUNG, SBS, JP
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon CHOY So-yuk, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, MH
Hon Jeffrey LAM Kin-fung, SBS, JP

Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon Fernando CHEUNG Chiu-hung
Hon WONG Ting-kwong, BBS
Hon KWONG Chi-kin
Hon Mrs Anson CHAN, GBM, JP

Members absent:

Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Dr Hon LUI Ming-wah, SBS, JP
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon Bernard CHAN, GBS, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai, SBS, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Dr Hon YEUNG Sum, JP
Hon LAU Chin-shek, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Andrew CHENG Kar-foo
Hon Albert CHAN Wai-yip
Hon LEE Wing-tat
Hon LI Kwok-ying, MH, JP
Dr Hon Joseph LEE Kok-long, JP
Hon Daniel LAM Wai-keung, SBS, JP
Dr Hon KWOK Ka-ki
Hon CHEUNG Hok-ming, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG, JP
Hon TAM Heung-man

Public officers attending:

Professor K C CHAN, SBS, JP	Secretary for Financial Services and the Treasury
Mr Stanley YING, 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)
Miss Denise YUE, GBS, JP	Secretary for the Civil Service
Mr Andrew WONG, JP	Permanent Secretary for the Civil Service
Mr Chris SUN	Acting Deputy Secretary for the Civil Service 2
Dr York CHOW Yat-ngok, SBS, JP	Secretary for Food and Health
Mrs Stella HUNG, JP	Permanent Secretary for Food and Health (Food)
Ms Olivia NIP, JP	Deputy Secretary for Food and Health (Food)
Ms Alice LAU, JP	Deputy Director of Food and Environmental Hygiene (Environmental Hygiene)
Dr LIU Kwei-kin	Assistant Director (Agriculture) Agriculture, Fisheries and Conservation Department
Mr Joshua LAW, JP	Permanent Secretary for Constitutional and Mainland Affairs
Mr Howard CHAN	Deputy Secretary for Constitutional and Mainland Affairs
Mr Alan SIU, JP	Deputy Secretary for Commerce and Economic Development (Communications and Technology)
Mr FREE Brett McEwan	Assistant Director of Information Services (Publicity and Promotions) 4
Ms Cynthia LIU Chiu-fun	Assistant Director of Leisure and Cultural Services (Performing Arts)
Mr Patrick CHAN	Director, Hong Kong Economic and Trade Affairs, Shanghai Constitutional and Mainland Affairs Bureau

Clerk in attendance:

Mrs Constance LI	Assistant Secretary General 1
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Staff in attendance:

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

The Chairman advised that the current meeting was held to deal with agenda items carried over from the last meeting scheduled for the same day at 2:30 pm.

Item No. 4 - FCR(2008-09)37

2008-09 CIVIL SERVICE PAY ADJUSTMENT

2. Members continued discussion of the item. Noting that civil servants in the middle and lower salary bands were also facing the problem of rising living costs, Miss CHAN Yuen-han enquired if consideration could be given to further increasing the percentages of pay adjustments to take into account the increasing inflationary rate. The Secretary for the Civil Service (SCS) said that a decision on the civil service pay adjustment was taken by the Chief-Executive-in-Council only two to three weeks ago, and the decision had taken account of the latest situation on cost of living and other relevant factors such as the net pay trend indicator, the state of the economy, changes in the cost of living, the Government's fiscal position, the pay claims of the staff sides, and the state of the civil service morale. In reply to Miss CHAN's further enquiry on whether a comprehensive review of the civil service pay adjustment would be made, SCS explained that under the improved civil service pay adjustment mechanism, civil service pay was checked against the prevailing market situation on a regular basis through three different kinds of surveys. These consisted of a pay trend survey every year to ascertain the year-on-year pay adjustment movements in the private sector; a starting salaries survey every three years to compare civil service starting salaries with those of the private sector requiring similar academic qualifications and/or experiences; and a pay level survey every six years to ascertain whether civil service pay was broadly comparable with private sector pay.

3. Dr Fernando CHEUNG asked if consideration could be given to requiring Government contractors to apply pay adjustments similar to the civil service pay to their staff. SCS advised that contract staff were not part of the civil service, but she would relay Dr CHEUNG's concern to the respective Bureau with outsourcing arrangements for consideration.

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

Item No. 5 - FCR(2008-09)39

**HEAD 22 – AGRICULTURE, FISHERIES AND CONSERVATION
DEPARTMENT**

◆ Subhead 700 General non-recurrent

New item “Ex-gratia payments to live poultry farmers, wholesalers and related transporters and one-off grants to assist affected live poultry farm, wholesale and transport workers under the buyout package”

HEAD 49 – FOOD AND ENVIRONMENTAL HYGIENE DEPARTMENT

◆ Subhead 700 General non-recurrent

New item “Ex-gratia payment and compensation to live poultry retailers and one-off grant to assist affected live poultry retail workers under the buyout package”

5. The Chairman informed members that the Panel on Food Safety and Environmental Hygiene (FSEH Panel) was consulted on the proposal of offering ex-gratia payments (EGP) and financial assistance to the live poultry farmers/retailers for surrendering their Livestock Keeping Licences/live poultry tenancies at its meeting on 27 June 2008.

6. Mr Tommy CHEUNG, Chairman of FSEH Panel, said that while the Panel could not reach a consensus on the proposal, it did not object to the proposal now under consideration. In the course of the Panel deliberation, members raised concern about the threshold for the buyout package which required a 90% participation rate from retailers in the live poultry trade. The Panel urged the Administration to consider lowering the threshold, and to exercise greater flexibility by offering the buyout package and EGP to the entire trade, taking into account the predicament of the live poultry trades and the value of retaining certain famous brands of these farms. Consideration should also be given to providing compensation and financial assistance to suppliers of day-old chickens and chicken feed, who were part of the poultry supply chain and whose business would be inevitably affected if farmers, wholesalers and retailers ceased their business. Mr CHEUNG added that Mr Albert CHAN and Mr WONG Yung-kan had requested the Administration to study the impact of closure of live poultry stalls in public markets on the business of other stalls in those markets. Miss CHAN Yuen-han had also requested that the one-off grant of \$35,000 to affected workers should be increased to a level equivalent to six months' salary, and that the grant should not be used to offset the severance payments and gratuities to be paid by their employers under the Employment Ordinance (Cap. 57).

7. Mr Tommy CHEUNG stated his view that Members belonging to the Liberal Party would not object to the funding proposal despite their support for the continuation of the live poultry business, because the live poultry trades had become increasingly difficult to sustain with the precautionary measures taken to guard against the H5N1 virus. He however stressed the need for the Administration to exercise more flexibility in granting EGP and compensation to the live poultry trades. He also hoped that with the implementation of the ban on the overnight stocking of live poultry at the retail level, the sale of live chickens could continue in public markets to satisfy the cravings of those who preferred freshly slaughtered chickens.

The proposed buyout package

8. Noting that the proposed buyout package to the entire live poultry trade would only be offered if 85% of the retailers accepted the package, Mr WONG Kwok-hing and Dr Philip WONG asked whether the triggering percentage of 85% had to be

strictly adhered to, and whether the Administration could exercise greater flexibility in implementation. The Secretary for Food and Health (SFH) said that the triggering percentage was arrived at based on an earlier submission from the trades that about 85% of the live poultry retailers were prepared to accept the buyout package, if offered.

9. Mr WONG Yung-kan said that Members belonging to the Democratic Alliance for Betterment and Progress of Hong Kong (DAB) were supportive of the funding proposal. Noting that retailers and farmers/wholesalers/transporters would be given one month (i.e. by 24 July 2008) and three months (i.e. by 24 September 2008) respectively to apply for the buyout package, Mr WONG was concerned about the situation where farmers who continued their business until 24 September 2008 would have no way to dispose of their chickens because retailers would have ceased business by 24 July 2008. SFH said that based on the feedback from the live poultry retail trade, about 85% of the retailers would choose to accept the buyout package while 15% would continue their business. This would provide the avenue through which chicken farmers could dispose of their livestock. If it was found that a large number of chickens would need to be disposed of by 24 September 2008, consideration would be given to extending the time limit for retailers to cease business by one more month.

10. Mr Vincent FANG was concerned that if 85% of the live poultry retailers opted for the buyout package, it was unlikely that the remaining 15% retailers would be able to absorb the daily sale quota of 38 000 live chickens for local consumption. The selling price of live chickens would inevitably surge following the implementation of the buyout package. SFH said that the number of chickens to be offered for sale would depend on the sales capacity of the remaining stalls and market demand.

11. Ms LI Fung-ying was concerned that the live poultry trades were only given three months to decide on the closure of business under the buyout package. She asked if the time limit could be flexibly imposed, or extended up to six months. SFH advised that the proposed one-month limit for retailers was set in response to the trade's request, as some retailers preferred to make an early decision on whether to quit the trade and accept the buyout package. Meanwhile, the proposed three-month limit for farmers/wholesalers/transporters aimed at allowing more time for them to assess business viability following the development at the retail level before exercising their option.

12. Ms LI Fung-ying enquired if live poultry retailers who had opted for the buyout package could re-start their business after a period of time. SFH said that the threat of the outbreak of avian influenza would not disappear and there was a need to segregate live poultry from humans. In the long term, there would be no sale of live poultry in public markets. The Administration had therefore decided not to issue or renew licences for keeping and trading live poultry. The Deputy Director of Food and Environmental Hygiene (Environmental Hygiene) (DDFEH) added that following the launch of the Voluntary Surrender Scheme (VSS) in 2004, no new permission for

sale of live poultry had been granted to market stalls and fresh provision shops. Existing fresh provision shop licences with such permissions were not transferable and could only be succeeded by direct family members for continuation of business.

13. Dr Philip WONG enquired whether the 15% retail traders who chose to continue their retailing business in the meantime could receive any compensation if they later decided to cease business. SFH said that those who chose to stay in the live poultry trade would be made aware of the risks of further outbreaks of avian influenza in Hong Kong. Should there be an outbreak, other than the statutory compensation (i.e. a maximum of \$30 per bird slaughtered), no EGP or financial assistance would be provided to them. If central slaughtering was to be implemented eventually, the formulae adopted in the previous VSS for the live poultry trade in 2004 and 2005 would apply should there be any EGP or financial assistance to be offered to the trade.

14. Mr LEUNG Kwok-hung opined that retailers who chose to remain in business but later decided to cease their business should also be given compensation in order to encourage them to cease their business. He asked if the buyout package would still be implemented if only 80% of live poultry retailers accepted the package. SFH said that the Administration's intention was to ban overnight stocking of live poultry at retail level. It was the retailers who suggested a buyout scheme in view of the difficulties in sustaining their operations following the implementation of the new measure of no overnight stocking of live poultry at retail outlets. As such, it would be up to the retailers to decide whether they would accept the buyout package.

15. Mr Tommy CHEUNG considered it necessary for the Administration to exercise some flexibility in implementing the buyout package, particularly for those live poultry stall holders who were bound by rental contracts in private markets and markets managed by the Link Management Limited. SFH said that when working out EGP and financial assistance under the buyout package, the Administration had taken into account the situation where traders had to cease business within a short period of time and would be permanently out of the live poultry trade. As a result, a higher amount of EGP than those under VSS was offered under the buyout package. Besides, retail stall holders who opted for the buyout package could still continue their business selling other food items, such as chilled chicken or fish.

16. Suspecting that the recent avian influenza was caused by smuggled chickens, Mr Vincent FANG held the view that the Customs and Excise Department (C&ED) should step up efforts to guard against the smuggling of live poultry. Mr LEUNG Kwok-hung also raised concern about the party to be held responsible in the event of an outbreak of avian influenza caused by smuggled chickens. SFH said that C&ED and other relevant authorities had made joint efforts to prevent smuggling of live poultry into Hong Kong. He called upon the trades to report any smuggling of live poultry to the Government.

17. Mr WONG Yung-kan stressed the need to ensure the cleanliness of the remaining retail stalls and farms engaged in live poultry business, to prevent avian influenza. SFH said that with the banning of overnight stocking of live poultry at the retail level, any unsold chicken would be slaughtered and the cages could be thoroughly cleansed and disinfected daily to avoid accumulation of virus in the environment of the retail outlets.

Live poultry retailers

18. While agreeing that precautionary measures against avian influenza should be taken, Miss CHAN Yuen-han did not consider it appropriate to eradicate the entire live poultry retail trade. She requested that at least one live chicken retail stall should be allowed to be retained in each market, and that a "through train" mode of chicken supply, i.e. dispatching live chickens from local farms directly to the wholesale markets and retail outlets, should be worked out to satisfy the needs of those who preferred freshly slaughtered chickens from local chicken farms. She pointed out that the local chicken from branded farms were usually of a better quality and able to meet higher health standards. SFH said that all chickens supplied in Hong Kong, irrespective of whether they were from Mainland or local farms, had to meet the required health standards. As a long-term measure to prevent the outbreak of avian influenza, the policy objective was to achieve segregation of live poultry from humans. While freshly slaughtered chicken would still be available in the markets, they should not be slaughtered at the retail outlets. Following approval of the funding proposal, the Administration would know by 24 September 2008 (i.e. the expiry of the buyout package) the number of live poultry retailers, farmers, wholesalers and transporters who chose to remain in the live poultry business.

19. Mr Tommy CHEUNG was concerned that the attractiveness of wet markets would diminish if there was no live poultry for sale. He requested the Administration to undertake to conduct an impact assessment on the closure of live poultry stalls in wet markets after the implementation of the buyout package. Expressing similar concern, Ms Emily LAU considered it necessary for the Administration to closely monitor the impact of withdrawal of live poultry stalls from public markets on the business of other stalls in the markets. SFH said that it would be difficult to assess the impact of withdrawal of live poultry stalls on other stalls, as their business would depend on a number of factors. He pointed out that at present, there were markets operating without live poultry stalls and doing very good business. DDFEH added that the current review of the policy on wet markets would consider all factors that might affect viability and explore ways to improve the attractiveness of wet markets. SFH said he would also consider members' suggestion of conducting such a study following the implementation of the buyout package. Mrs Anson CHAN welcomed the review of the policy on wet markets. She hoped that the review would come up with measures to sustain the competitiveness of wet markets to avoid monopolization by supermarket chains.

Live poultry farmers

20. Mr Alan LEONG said that it was hoped that live chickens would still be available for sale after implementation of the buyout package. He would support the “through train” approach of dispatching live chickens from local farms directly to the wholesale markets and retail outlets. He enquired if licences to sell chickens could be provided to local farmers. SFH said that it was an existing arrangement for local farmers to dispatch their chickens for sale to the wholesale market first. Following the implementation of the buyout package, we would have a clear picture on the number of local farms remaining in operation and would uphold the new measure of prohibiting overnight stocking of live poultry at all retail outlets with a view to enhancing our ability to arrest any possible future spread of avian influenza virus in Hong Kong. Meanwhile, efforts would be made to ensure a steady supply of live, chilled and frozen chickens.

21. Mrs Anson CHAN noted that live poultry farmers were dissatisfied that their compensation was based on the size of farm structures but not the farms area while compensation for wholesalers was based on the stall size. SFH said that the calculation of EGP for farmers was based on the same method used in previous VSS. The amount of EGP payable to each farmer would depend on the sizes of various farm structures, such as chicken sheds, storage and cage areas. The Assistant Director of Agriculture, Fisheries and Conservation (Agriculture) explained that the size of farm structures for the rearing of live poultry rather than the size of farm premises was used to calculate EGP because other parts of the premises could be used for purposes other than chicken-rearing. He added that the calculation of EGP followed the current formulae approved by the Finance Committee for poultry farmers and farm buildings affected by land resumption and clearance for public works projects. The same approach was also adopted in the previous VSS. The prevailing rates at which the application was approved would be used for working out the payment. An enhanced additional lump sum payment would also be included taking account of the overall infrastructure and facilities in relation to biosecurity, such as disinfectant pool, bird-proof nets, solid farm gate and solid partitions. These facilities were requirements specified in the licensing conditions and farmers were required to renew and upkeep these facilities in good operating order while holding the licence.

22. Mr Tommy CHEUNG pointed out that local live poultry farmers would find it difficult to continue chicken farming given the present limit imposed on the supply of day-old chickens. Local restaurants also suffered because of difficulty in having ready supplies of live chickens from local farms. SFH said that there was over-stocking of mature chickens in farms, and the farmers would need to dispose of these mature chickens before the supply of day-old chickens from the Mainland could be resumed. Meanwhile, there were also hatching facilities in some local farms which could supply day-old chickens. The matter would be further assessed after the implementation of the buyout package.

Live poultry workers

23. Mr Fred LI said that Members belonging to the Democratic Party supported the funding proposal. He however noted that local workers of the live poultry retailers were concerned that they might not get the one-off grant, as most of them were paid by cash on a daily basis and there was no documentary proof of their employment. He wondered whether the live poultry wholesalers also had the same problem. Ms Emily LAU enquired whether declarations by employers and employees could be accepted as proof of employment. SFH said that the one-off grant of \$35,000 aimed at assisting affected local workers of the live poultry industry who were engaging in the trade when the buyout package was rolled out, irrespective of whether they had received any grant under other similar schemes before. Relevant documentary evidence, such as Mandatory Provident Fund records, employment contracts, salary payment records, a declaration by the worker regarding his employment in the live poultry farm, wholesale and retail trade or transport trade, would be accepted for the purpose. In the latter case, the employer would also need to make a declaration confirming the applicant's employment. In case the employer had difficulties in making a declaration, relevant registered trade unions could assist in certifying the worker's employment in the live poultry trade. DDFEH added that the Administration recognized that some local workers had difficulties in providing documentary evidence to prove their employment. Other than the above-mentioned evidence, the Administration was prepared to accept, as proof of employment, the returns filed by employers when they applied for the surrender of permission to sell live poultry if the names of employees working for them were shown in the application form. Workers who had difficulties in proving their employment in the live poultry trade could approach relevant registered trade unions for assistance. The Chairman added that vaccination records of live poultry workers could also serve as proof of employment.

24. Mr WONG Kwok-hing said that the Hong Kong Federation of Trade Unions had made efforts to resolve the problems in this respect. They had urged the Administration to set up a separate account for the one-off grant to ensure that this would not be used to offset severance payments and gratuities to be payable by employers. The Administration would hold back 30% of EGP to the employers concerned, who could only get the amount after they had discharged their responsibilities and obligations to their employees. The relevant registered trade unions would also endeavour to assist the workers in providing evidence of employment, regardless of whether such workers were their members. Moreover, to assist the affected workers in finding employment after their employers had ceased business, the Administration was requested to consider allowing these operators and workers to operate vacant market and hawker stalls.

25. In reply to Ms Emily LAU's enquiry, SFH said that apart from the one-off grant, appropriate assistance as well as retraining would be available to the affected workers. A number of retraining courses were provided free of charge to the affected workers by the Vocational Training Council.

26. While supporting the funding proposal, Mr Abraham SHEK was concerned about the livelihood of the affected workers who might not be able to find employment despite the retraining offered. He considered that the one-off grant of \$35,000 would not be able to sustain these workers for a long time, and without a job, they might have to rely on Comprehensive Social Security Assistance. He enquired how the one-off grant of \$35,000 was arrived at, and whether further assistance would be granted if these workers could not get employment. SFH said that the one-off grant of \$35,000 was equivalent to about three months of the average salary of a semi-skilled worker, according to the pay statistics in 2007. As some of the live poultry workers' salary was lower than the average semi-skilled worker, the provision of one-off grant of \$35,000, which was almost twice the amount offered in VSS in 2004 and 2005, was considered appropriate. Employers in the live poultry trade were expected to discharge their full responsibilities to their employees under the Employment Ordinance, while free training courses would be provided to affected workers to facilitate them in finding another job. They would receive an allowance subject to satisfactory attendance and completion of the training courses.

27. Mr Vincent FANG held the view that live poultry wholesalers and transport workers were made scapegoats for the spread of avian influenza. He considered that the one-off grant to be offered should be increased to enable them to survive for a reasonable period of time. SFH said that the one-off grant provided to workers under the buyout package was much more generous than that under VSS in 2004 and 2005. Those workers who were laid off at the last VSS schemes but were re-employed in the poultry trade would also be eligible for compensation in the present buyout package.

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

Item No. 6 - FCR(2008-09)38

HEAD 144 – GOVERNMENT SECRETARIAT: CONSTITUTIONAL AND MAINLAND AFFAIRS BUREAU

♦ Subhead 700 General non-recurrent

New Item “HKSAR’s Participation in the World Exposition 2010 Shanghai China”

29. The Chairman informed members that the Panel on Commerce and Industry (C&I Panel) was consulted on the proposal at its meeting on 17 June 2008.

30. On behalf of Mr Vincent FANG, Chairman of C&I Panel, Mr Andrew LEUNG reported that the Panel noted that the Administration had worked out details regarding the technical requirements, activity programmes and manpower requirements after seeking further information from the Organiser of the World Exposition 2010 Shanghai China (Shanghai Expo). The revised non-recurrent cost estimate of \$210.5 million represented a reduction of 10% from the original estimate of \$234.2 million. While supporting the revised non-recurrent commitment in principle, the Panel had urged the Administration to strengthen cooperation with the business

sector, with a view to enhancing Hong Kong's image and promoting broader commercial interests to both the Mainland and international audience.

31. Mr LEUNG Kwok-hung enquired about the reasons for Hong Kong to participate in the Shanghai Expo. The Permanent Secretary for Constitutional and Mainland Affairs (PSCMA) said that the Shanghai Expo, the theme of which was "Better City, Better Life", would provide an excellent opportunity to publicize Hong Kong as a city of quality living and creativity. The Deputy Secretary for Commerce and Economic Development (Communications and Technology) (DS/CED(CT)) added that Hong Kong was chosen as one of the 55 cities to participate in the Shanghai Expo after a vetting process by a group of international organizations.

32. Mr CHAN Kam-lam said that DAB Members supported the proposal and Hong Kong's active participation in the Shanghai Expo as this would provide an opportunity to showcase Hong Kong's strengths and attractions. He hoped that through the participation in Shanghai Expo, which was expected to attract many participants from all over the world, Hong Kong would be able to promote its image as a city of quality living and creativity.

Cost estimates

33. Given the considerable non-recurrent expenditure of about \$210.5 million, Dr Fernando CHEUNG enquired what economic benefits would be brought to Hong Kong by participating in the Shanghai Expo. PSCMA said that in the Administration's reply to the Finance Committee dated 3 June 2008, the Government Economist had set out the economic benefits to be brought about by inbound tourists who stopped over Hong Kong en route for the Shanghai Expo. The additional income to be generated was estimated at between \$288 million (main scenario) to \$432 million (high scenario). Ms Emily LAU expressed concern that the Administration might have over-estimated the economic benefits for participating in the Shanghai Expo, as in the case of the Beijing Olympics 2008.

34. Mr LEUNG Kwok-hung sought elaboration on the cost breakdown for participating in the Shanghai Expo. Ms Emily LAU also enquired whether the 10% reduction in non-recurrent commitment in the current proposal was attributable to the downsizing of the exhibition lot for individual participants of Urban Best Practices Area Exhibition (UBPA Exhibition) from 800 to 600 square metres. PSCMA said that in its discussion paper for the C&I Panel meeting on 17 June 2008, the Administration had set out the cost breakdown on the non-recurrent expenditure for participating in the Shanghai Expo, including the proposed cost reductions. Based on the revised estimates, the total non-recurrent cost was reduced by 10% from \$234.2 million to \$210.5 million. The contingency cost had also been reduced by 18.2%. As regards the cost estimate for the UBPA exhibition, it was reduced by 12% from \$77.2 million to \$67.9 million. Other expenditure, such as the operating expenses of the HK Pavilion and UBPA exhibitions, logistical support and provision for non-civil service and locally-engaged staff, had also been reduced by 12.7% from \$35.5 million to \$31 million. PSCMA added that the five-day Hong Kong Week

with an opening and closing ceremony would be one of the highlights during the exposition. There would be about three to five complementary activities per day, including parades, exhibitions, a fashion show, movie shows and cultural and performing arts performances. Souvenirs and publicity, such as special television/radio programmes, advertisements, web site developments for participation in the "Expo Shanghai Online", documentary video, press tours, and distribution of souvenirs and promotional leaflets, would also be organized. The cost for the related activities had been reduced by 8.6%, from \$70 million to \$64 million.

35. Ms Emily LAU enquired whether the estimated capital works expenditure of \$145.4 million could be further reduced following the reduction in size of each UBPA exhibition lot. PSCMA explained that the capital works expenditure was related to the construction of the HK Pavilion, which had been endorsed by the Public Works Subcommittee at an earlier meeting. Though the size of each exhibition lot for individual participants of UBPA Exhibition had been reduced in order to accommodate more participants, the scale of development of the HK Pavilion had remained unchanged. DS/CED(CT) added that the cost of building materials to be used for each exhibition lot had been reduced following the reduction in size of the lot for the UBPA exhibition. The estimated expenditure for participation in the UBPA exhibition would therefore be reduced by \$9.3 million from \$77.2 million to \$67.9 million. Ms LAU enquired whether the structure of the HK Pavilion could be transported back for exhibition in Hong Kong after the Shanghai Expo and if so, the estimated cost for the transportation. PSCMA explained that while some of the key components of the exhibits could be retained and transported back for exhibition in Hong Kong, it was not feasible to restore some parts of the structure, such as the foundation and fixtures after demolition. A decision would have to be made after the Shanghai Expo on the exhibits which could be transported back to Hong Kong or retained in Shanghai for exhibition purposes.

36. In response to Ms Emily LAU's further enquiry on whether the cost estimates had included the savings arising from internal redeployment of resources, PSCMA confirmed that the reduction of estimated expenditure for the Expo-related activities from \$70 million to \$64 million was made possible through internal redeployment of resources by relevant bureaux/departments/Hong Kong Tourism Board. The estimated expenditure on souvenirs and publicity had also been reduced to \$20 million.

Applications of smart cards in the UBPA Exhibition

37. Ms Emily LAU expressed concern that the new application of smart card technologies to be included in the UBPA Exhibition, such as the use of smart cards to facilitate the rollout of elderly health care voucher and to provide reliable access to electronic health records of patients, had not been implemented in Hong Kong. DS/CED(CT) said that it was the Administration's intention to broaden the use of smart cards in the fields of health care, environment and education. The Administration would provide progress reports to C&I Panel on the application of smart cards in facilitating the rollout of elderly health care voucher, providing reliable

access to electronic health records of patients, encouraging green citizen behaviour and enhancing school administration, communication with parents and students' learning in due course.

38. Noting that the Octopus Card would be used as the main UBPA exhibit, Dr Fernando CHEUNG expressed concern that the Government would be seen to help advertise and promote the use of Octopus Card, which was run by a commercial enterprise. He found it unacceptable for the Government to spend over \$200 million for showcasing Hong Kong and advertising the Octopus Card without much economic return for Hong Kong. DS/CED(CT) said that apart from the Octopus Card, there would be other smart cards in use in Hong Kong which would be exhibited at the UBPA exhibition. To enrich the content of UBPA exhibits, a Steering Committee had been set up under the Commerce and Economic Development Bureau to develop new smart card systems for use in the field of health care, environment and education in the next two years.

39. Mr LEUNG Kwok-hung opined that since the Octopus Card Company would benefit from Hong Kong's participation in UBPA exhibition, the Company should be asked to pay back to the Government the promotional expenses. PSCMA said that commercial sponsorships, including that of the Octopus Card Company, would be sought for Hong Kong's participation in the Shanghai Expo, and the details would be reported to the C&I Panel in due course. He added that the Autotoll system was another smart card in use in Hong Kong.

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

41. The Chairman said that as members had completed consideration of all the items on the agenda of the meeting, the additional meeting scheduled for 15 July 2008 would not be held. The next meeting of the Finance Committee would be held on 18 July 2008 at 9:00 am.

42. The meeting was adjourned at 6:35 pm.