

Legislative Council Panel on Constitutional Affairs

**Subsidy Rate of the Financial Assistance for Candidates and the
Election Expense Limits for the 2008 Legislative Council Election**

Introduction

This paper seeks Members' views on the following proposals on the subsidy rate of the financial assistance for candidates and election expense limits for the 2008 Legislative Council ("LegCo") Election –

- (a) the subsidy rate of the financial assistance scheme for candidates in LegCo elections should be increased from \$10 per vote to \$11 per vote; and
- (b) the election expense limits for both geographical constituency ("GC") and functional constituency ("FC") elections should be increased by 5%.

(A) Financial Assistance Scheme

Background

2. Financial assistance for election candidates was first introduced in the 2004 LegCo Election with the aim of encouraging more public-spirited candidates to participate in the LegCo elections and of cultivating an environment to facilitate the development of political talent in Hong Kong. Under the current scheme, candidates who were elected or who received 5% of valid votes or more are eligible for financial assistance. The subsidy rate is set at \$10 per vote, capped at 50% of the actual election expenses of the candidates. For the 2004 LegCo Election, the Registration and Electoral Office ("REO") received 47 applications for financial assistance from the candidates. The total amount of subsidy was around \$14 million.

Proposal

3. The current subsidy rate of \$10 per vote was first adopted in the financial assistance scheme for the 2004 LegCo Election. Based on the amount of election expenses declared by candidates in the 2004 LegCo Election, the election expense per vote was around \$20. From 2004 to February 2008, there has been inflation of 9.2%. In view of the inflation since 2004, we propose to increase the subsidy rate by 10% from \$10 per vote to \$11 per vote for the 2008 LegCo Election. When we consulted the LegCo Panel on Constitutional Affairs on 18 February 2008 on election expense limits (see paragraph 5 below), generally Members were of the view that the Administration should consider increasing the subsidy rate.

(B) Election Expense Limits

Background

4. In the 2004 LegCo Election, the election expense limits for the five GCs were as follows –

<u>GC</u>	<u>Election Expense Limit</u>
Hong Kong Island	\$2,000,000
Kowloon East	\$1,500,000
Kowloon West	\$1,500,000
New Territories East	\$2,500,000
New Territories West	\$2,500,000

The election expense limits for the FCs were as follows –

<u>FC</u>	<u>Election Expense Limit</u>
Heung Yee Kuk, Agriculture and Fisheries, Insurance, and Transport FCs (“the designated FCs”)	\$100,000
FCs with not more than 5,000 registered electors	\$160,000
FCs with 5,001 to 10,000 registered electors	\$320,000
FCs with over 10,000 registered electors	\$480,000

Previous Panel Discussion

5. We consulted the Panel on 18 February 2008 vide LC Paper No. CB(2)1054/07-08(03). At the meeting, members had diverse views on election expense limits. Some members considered that the expense limits should be abolished or increased whereas some members did not support an increase to the expense limits.

Considerations

6. Based on the proposal in paragraph 3 that the subsidy rate for the financial assistance scheme would be increased by 10%, we should consider increasing the election expense limits as the two elements are related.

7. For the 2004 LegCo GC elections, 25 candidate lists claimed financial assistance successfully. Two aspects are worth noting –

- (a) the amount of financial assistance received by 10 of them was capped by 50% of their actual election expenses¹. Based on the 2004 election figures, even if the subsidy rate was increased to \$11 per vote, these 10 lists would not have benefited from the increase as they would still be capped by 50% of their actual election expenses;
- (b) furthermore, if the subsidy rate was set at \$11 per vote, five more lists would have their amount of financial assistance receivable capped by 50% of their election expenses.

Therefore, if we are to increase the subsidy rate, we should also increase the election expense limits at the same time, so that candidates would have more room within their election expense limits to promote their candidacy. Furthermore, the increase of population by 6.9% since 1998 and the current inflationary trend would support an increase in the election expense limits.

¹ Amongst the other 15 lists, the amount received by 12 lists was capped by the product of their valid votes and the \$10 per vote subsidy rate. The amount received by the three remaining candidate lists was capped by the difference between their actual election expenses and the election donations they received (this formulation has ceased and will not apply in the 2008 LegCo election).

Proposals

(a) GC Elections

8. While we propose to increase the rate of subsidy by 10%, given that the population only increased by 6.9% since 1998, we propose a modest increase of the election expense limits by 5%. The GC election expense limits under this proposal will be as follows –

<u>GC</u>	<u>Election Expense Limit</u>
Hong Kong Island	\$2,100,000
Kowloon East	\$1,575,000
Kowloon West	\$1,575,000
New Territories East	\$2,625,000
New Territories West	\$2,625,000

(b) FC Elections

9. As for FC elections, we also propose to increase the election expense limits by 5% as follows –

<u>FC</u>	<u>Election Expense Limit</u>
Heung Yee Kuk, Agriculture and Fisheries, Insurance, and Transport FCs (“the designated FCs”)	\$105,000
FCs with not more than 5,000 registered electors	\$168,000
FCs with 5,001 to 10,000 registered electors	\$336,000
FCs with over 10,000 registered electors	\$504,000

Financial Implications

10. The proposals of increasing the rate of subsidy of the financial assistance scheme by 10% and the GC and FC election expense limits by 5% may lead to an increase in the amount of election expense incurred by the eligible candidates / lists of candidates in the 2008 LegCo Election. Hence, in

certain circumstances, the amount of financial assistance payable to LegCo election candidates may also increase. As the effects of these two proposals are linked, and the financial assistance payable will depend on a number of factors, such as the number of candidates, votes obtained by each candidate, actual election expenses of candidates, etc., we cannot assess with complete accuracy the financial implications of the proposals at this stage. Assuming that the number of candidates and votes obtained by each candidate in the 2008 LegCo Election is the same as those in the 2004 LegCo Election and that the election expenses incurred by candidates increase by 5% as compared to the 2004 LegCo Election figures, the additional amount of financial assistance for the eligible candidates would be about \$1 million, i.e. a 7% increase to the total amount of financial assistance of about \$14 million payable in the 2004 LegCo Election. However, the way candidates plan and run their election campaigns in the 2008 LegCo Election may change and the above figure is for illustrative purpose only.

Advice Sought

11. Members are invited to comment on the proposals regarding the subsidy rate of the financial assistance scheme for candidates and the election expense limits for the 2008 LegCo Election as set out in paragraphs 3 and 8 to 9 respectively.

Constitutional and Mainland Affairs Bureau
April 2008