

**立法會**  
**Legislative Council**

LC Paper No. CB(1)423/07-08  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/FA/1

**Panel on Financial Affairs**

**Minutes of meeting**  
**held on Monday, 5 November 2007 at 10:45 am**  
**in the Chamber of the Legislative Council Building**

**Members present** : Hon CHAN Kam-lam, SBS, JP (Chairman)  
Hon Ronny TONG Ka-wah, SC (Deputy Chairman)  
Hon James TIEN Pei-chun, GBS, JP  
Hon Albert HO Chun-yan  
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP  
Dr Hon David LI Kwok-po, GBM, GBS, JP  
Hon James TO Kun-sun  
Hon SIN Chung-kai, SBS, JP  
Hon Emily LAU Wai-hing, JP  
Hon Abraham SHEK Lai-him, SBS, JP  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon Andrew LEUNG Kwan-yuen, SBS, JP  
Hon CHIM Pui-chung  
Hon TAM Heung-man

**Members attending** : Hon LEE Cheuk-yan  
Hon WONG Kwok-hing, MH  
Hon LEUNG Kwok-hung

**Members absent** : Hon Bernard CHAN, GBS, JP  
Hon WONG Ting-kwong, BBS

**Public officers attending** : Agenda Item IV  
  
Mr John C TSANG, JP  
Financial Secretary

Mr Stanley Y H YING, JP  
Permanent Secretary for Financial Services and the  
Treasury (Treasury)

Mr KC KWOK, BBS, JP  
Government Economist

Mr Freely K CHENG  
Administration Assistant to Financial Secretary

Agenda Item V

Mr Kenneth CHENG  
Principal Assistant Secretary for  
Financial Services and the Treasury (Treasury)(Revenue)

Mrs Mimi BROWN TSANG Mui-fan  
Deputy Commissioner of Rating and Valuation

Mr Michael Scott TANNER  
Rating Adviser  
Rating and Valuation Department

**Clerk in attendance:** Miss Polly YEUNG  
Chief Council Secretary (1)5

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

Ms Annette LAM  
Senior Council Secretary (1)3

Ms Rosalind MA  
Senior Council Secretary (1)8

Ms Sharon CHAN  
Legislative Assistant (1)8

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Action

**I. Confirmation of minutes of meeting and matters arising**

(LC Paper No. CB(1)104/07-08 — Minutes of meeting on 11 October 2007)

The minutes of the meeting held on 11 October 2007 were confirmed.

**II. Information papers issued since the last meeting**

(LC Paper No. CB(1)2067/06-07(01) — Second quarterly report of 2007 on "Employees Compensation Insurance — Reinsurance Coverage for Terrorism"

LC Paper No. CB(1)2286/06-07 — Half-yearly Economic Report 2007 and the press release

LC Paper No. CB(1)2296/06-07 — Securities and Futures Commission Quarterly Report (April to June 2007)

LC Paper No. CB(1)2337/06-07 — Process Review Panel for the Securities and Futures Commission Annual Report to the Financial Secretary for 2006

LC Paper No. CB(1)2341/06-07 — Mandatory Provident Fund Schemes Statistical Digest — June 2007

LC Paper No. CB(1)2379/06-07(01) — Press release on "Deposit Protection Scheme operates smoothly in the first year" provided by the Hong Kong Deposit Protection Board

LC Paper No. CB(1)28/07-08(01) — Third quarterly report of 2007 on "Employees Compensation Insurance — Reinsurance Coverage for Terrorism"

LC Paper No. CB(1)182/07-08(01) — Eighth progress report on the operation of the Loan Guarantee Scheme for Severe Acute Respiratory Syndrome Impacted Industries)

2. Members noted that the above papers had been issued for the Panel's information.

### **III. Date of next meeting and items for discussion**

(LC Paper No. CB(1)145/07-08 (01) — List of outstanding items for discussion

LC Paper No. CB(1)145/07-08 (02) — List of follow-up actions

LC Paper No. CB(1)172/07-08 (01) — Letter dated 31 October 2007 from Hon Emily LAU (Chinese version only)

LC Paper No. CB(1)172/07-08 (02) — Section 5A of the Exchange Fund Ordinance (Cap. 66)

#### Discussion items for the meeting in December 2007

3. Members agreed to discuss the following items at the next meeting scheduled for 3 December 2007 and to advance the starting time of the meeting to 10:00 am:

- (a) Briefing by the Financial Secretary on Hong Kong's latest overall economic situation; and
- (b) Operation of Octopus Cards and EPS payment system in Hong Kong.

#### The appointment and tenure of office of the Monetary Authority

4. The Chairman referred to the letter dated 31 October 2007 from Ms Emily LAU suggesting that the Panel should discuss the subject of the appointment and tenure of office of the Monetary Authority (MA). In this connection, the Chairman advised that an extract of section 5A of the Exchange Fund Ordinance (EFO) (Cap. 66) relating to the statutory basis for the appointment of MA had been issued to members for reference. The Chairman invited members' views on Ms LAU's suggestion.

5. Referring to recent press reports about the correspondences between the Governance Sub-Committee of the Exchange Fund Advisory Committee and the Financial Secretary (FS) on the tenure of office of the incumbent Chief Executive of the Hong Kong Monetary Authority (HKMA), Ms Emily LAU considered that the public and the legislature should be given a full account of the relevant facts and developments of the subject. She was concerned that while HKMA was an integral part of the Government, its expenditure and staffing arrangements had not been subject to the same degree of public scrutiny as other government departments. She suggested that the Panel should discuss the subject as soon as possible, including

whether the appointment of MA should be subject to a fixed tenure of office and a retirement age.

6. Mr Abraham SHEK considered that the subject in question was primarily an administrative and personnel matter, rather than a policy issue. As such, it would suffice for the Administration to provide further information on the subject. Mr SHEK therefore disagreed with Ms LAU's suggestion to bring up the subject for discussion at the Panel. Ir Dr Raymond HO shared Mr SHEK's view that discussion of the subject at a Panel meeting would not be necessary.

7. Mr SIN Chung-kai supported Ms LAU's suggestion. Pointing out that the chairmen or chief executives of a number of regulatory bodies in Hong Kong were subject to fixed tenures of office, Mr SIN considered that the subject was closely related to the Administration's policy in the appointment of heads of regulatory or statutory bodies. Mr CHIM Pui-chung concurred and opined that there was a need for the Administration to critically re-examine the current appointment mechanism. Mr Ronny TONG pointed out that transparency in the Administration's policy and decision-making process in the appointment of key personnel was crucial to inspiring investors' confidence and maintaining Hong Kong's position as an international financial centre (IFC). Mr TONG considered that discussion at a Panel meeting would facilitate the exchange of views between Members of the Legislative Council (LegCo) and the Administration on the appointment mechanism of MA.

8. Noting the presence of FS at the meeting, Mr Jeffrey LAM suggested that FS be invited to comment on or respond to press reports on the appointment and tenure of MA. While reminding members that the subject had not been included on the agenda for the meeting, the Chairman nevertheless invited FS to give some brief comments, if he so wished. In the regard, FS assured members that if there were changes at the senior level of public officers, the Administration would make public announcements at the appropriate time. He further advised that the relevant procedures and legal basis for the appointment of MA were clearly provided in section 5A of EFO and he did not see any need for changes to the existing arrangements.

9. Given that members had different views on whether the Panel should discuss the subject at one of its meeting, the Chairman said that a decision should be made through the casting of vote. The Chairman put to vote Ms Emily LAU's proposal that the Panel should discuss the appointment and tenure of office of MA. Of the members present, six members voted for and two voted against the proposal. As the proposal was passed by the Panel, Ms Emily LAU enquired about the proposed timing for discussion. In this connection, the Chairman inform members that he and the Deputy Chairman would have an informal meeting with the Secretary for Financial Services and the Treasury on 9 November 2007 to discuss the Panel's workplan for the 2007-2008 session. He and the Clerk would work out the meeting arrangements in consultation with the Administration.

*(Post-meeting note: At the Chairman's instruction, the item was included in the Panel's list of outstanding items for discussion.)*

#### **IV. The 2008-2009 Budget consultation**

(LC Paper No. CB(1)145/07-08(03) — Information pack for the Financial Secretary's consultations on the 2008-09 Budget (tabled at the meeting and issued to members on 6 November 2007))

##### Briefing by the Financial Secretary

10. At the invitation of the Chairman, FS gave a power-point presentation on the background information for the 2008-2009 Budget consultation. He highlighted the following points:

- (a) On economic principles and strategy, the Government would adhere to the principle of "Big Market, Small Government". It would exercise fiscal prudence by keeping expenditure within the limits of revenue and follow the principle of "from welfare to self-help" to create job opportunities and tackle poverty. The Government would capitalize on the -growth of the Mainland economy and secure an essential role in the nation's development. It was important to enhance Hong Kong's status as an IFC and to develop trade, logistics, shipping, aviation and tourism. There was also a need to strengthen the competitiveness of Hong Kong to rise to the challenge of competition in the region.
- (b) On economic performance and prospects, the Hong Kong economy had been growing at an above-trend pace for 15 quarters in a row, with a 6.1% growth in Gross Domestic Product (GDP) in real terms for the first half of 2007 over a year earlier. Consumer price inflation remained moderate with an increase of 1.5% in the Composite Consumer Price Index (CCPI) during January to September 2007. As regards the latest forecast for 2007, it was anticipated that the Hong Kong economy would attain a growth of 5% to 6% in real terms and CCPI inflation would likely range from 1.8% to 2%.
- (c) On government financial position, significant improvement was recorded with the consolidated surplus for 2006-2007 topping \$58.6 billion. Premised on an economic growth of around 4.5% a year, the government accounts were forecast to continue to be in surplus in the coming five years to 2011-2012. Fiscal reserves by end-March 2008 were forecast to be \$394.7 billion, equivalent to 19 months of government expenditure or 25.7% of GDP. The figure would rise

gradually to \$587.9 billion by end-March 2012, equivalent to 24 months of government expenditure or 30.2% of GDP.

- (d) On government expenditure, spending in education, social welfare, health and security together accounted for about 68.4% of the Government's total recurrent expenditure in the 2007-2008 Original Estimates. The Chief Executive (CE) had committed in the 2007-2008 Policy Address that the share of health care expenditure should be increased from the present 15% to 17% in 2011-2012. The issue in question was which policy areas should the expenditure be cut back. The total recurrent government expenditure had increased by some \$47.8 billion or 30% over the past ten years, with the growth in recurrent spending on education (35.2%) and social welfare (80.3%) outpacing other policy areas. The Government would continue to earmark an average of \$29 billion for public works project. As a result of the Government's commitment to pressing ahead ten large-scale infrastructure projects as announced in CE's Policy Address, it was likely that capital works expenditure would rise gradually in the coming years.
- (e) On the revenue side, Profits and Salaries Taxes remained the major sources of government revenue which accounted for 39.2% of total government revenue in the 2007-2008 Original Estimates. The next largest single source of revenue was land premium, which accounted for 14.1% of the total. Heavy reliance on income taxes would highly expose Hong Kong's public finances to variation in global economic cycles and external shocks. Moreover, the revenue from land premium had been volatile as there had been fluctuations between 3% and 25% over the past ten years.
- (f) Over the past ten years, government revenue oscillated between \$170 billion and 290 billion. On the other hand, there was a degree of rigidity in government spending. The share of tax revenue contributed by the top 100 000 taxpayers were estimated to be 61.9% in 2007-2008 and the share contributed by this group was 61.4% in 2005-2006. The top 800 taxpaying corporations out of more than 70 000 corporations contributed about 65% of the Profits Tax revenue in 2005-2006. During the nine-month public consultation on tax reform launched in July 2006, the majority of the public did not accept Goods and Services Tax as the main option to address the problems of a narrow tax base in Hong Kong. The Government would continue to study options for broadening the tax base and would engage the public in discussing these options at a suitable time in the future.

Discussion

*Returning wealth to the people of Hong Kong*

11. Mr WONG Kwok-hing opined that given the improved financial position of the Government, tax relief measures should be introduced in accordance with the "ability-to-pay" principle so as to alleviate the hardship of low-income groups and address the problem of working poverty. In this connection, Mr WONG urged the Government to increase the personal allowance for Salaries Tax back to the 2002-2003 level. To mitigate the impact of inflation on the livelihood of the Comprehensive Social Security Assistance (CSSA) recipients, Mr WONG also suggested that the Administration should review and increase the rates of CSSA. He opined that residents in remote areas such as Tin Shui Wai and Tung Chung faced employment difficulties as there were limited job opportunities in the areas and the costs of transportation to other districts were high. He therefore urged the Administration to devise measures to relieve the hardship faced by residents in these districts.

12. Ms Emily LAU expressed similar concern. Referring to the Administration's written reply to her question raised at the Council meeting on 31 October 2007 on the inflation problem, Ms LAU noted that the combined effect of a number of fiscal measures introduced by the Administration since early 2007 had served to lower the increase in CCPI for 2007 as a whole by about one percentage point. Ms LAU nevertheless remained concerned about the adequacy of these measures and enquired whether the Administration would implement additional measures such as increasing the subsidy under the Transport Support Scheme and the Health Care Voucher Scheme, as well as the rates of CSSA. Miss TAM Heung-man expressed similar views.

13. FS said that the Administration was keenly aware of the need to provide assistance to low-income groups so as to address the problem of working poverty. He nevertheless pointed out that adjustments to the rates of CSSA to keep up with inflation would continue to be made in accordance with the established mechanism. FS advised that according to current indications, inflation for 2007 as a whole would range from 1.8% to 2%. As the percentage was already net of the 1% offset by the combined effect of the various fiscal measures introduced in 2007, the Administration acknowledged that inflation would be a key concern in the coming years and was examining measures to address the concern. FS noted members' suggestions and welcomed further suggestions in this regard.

14. Referring to the proposed reduction in the rate of corporate Profits Tax announced in CE's Policy Address, Mr LEE Cheuk-yan queried why such measures were announced before the commencement of the current Budget consultation exercise. He also doubted why the Administration had not given any positive response to ongoing calls for increasing the amount of Old Age Allowance (OAA) or CSSA. Mr LEE opined that to tackle working poverty in accordance with the principle of "from welfare to self-help", the Administration should consider the



suggestion of the Hong Kong Confederation of Trade Unions to make reference to the negative tax regime in overseas jurisdictions such as the United States to provide financial assistance to low-income families.

15. Mr Albert HO echoed Mr LEE's view about the suggestions of increasing OAA and negative tax regime to tackle the problem of poverty. Mr HO suggested that to encourage CSSA recipients to work, the Administration should relax the current restrictions on disregarded earnings. Moreover, financial assistance should be provided to low-income non-CSSA recipients to encourage self-reliance. To alleviate unemployment on one hand, and to tackle the problem of illegal building structures in the territory on the other, Mr HO suggested that the Administration should consider allocating additional resources for removal of illegal structures on private buildings and recover the costs from the owners concerned after the removal.

16. Mr SIN Chung-kai opined that the proposed tax relief measures announced in the 2007-2008 Policy Address benefited mostly the high-income groups and taxpaying corporations but not other sectors of the community. He urged the Administration to increase government expenditure in different policy areas and to increase the personal allowance for Salaries Tax. In this connection, Mr SIN was concerned that notwithstanding the Government's stated objective of keeping public expenditure below 20% of GDP, the actual percentage had fallen much below 20% as a result of slow increase in government expenditure and strong economic growth in recent years.

17. In response, FS advised that the proposed corporate Profits Tax rate reduction would help to maintain the competitiveness of Hong Kong, given that other jurisdictions in the region had provided tax incentives to attract investment. FS stressed that the Administration was committed to returning wealth to the people of Hong Kong while maintaining its competitiveness. FS noted members' suggestions on the various relief measures and advised that the Administration would consider them further. While the Hong Kong economy had sustained above-trend growth in the past year or so and as a result, had driven down government expenditure as a percentage of GDP, FS pointed out that for prudent management of public finances, the Government should not proceed to increase recurrent government expenditure substantially on the basis of strong GDP growth recorded for only one or two years.

18. On Mr LEE Cheuk-yan's further request for the Government to undertake to increase OAA and CSSA, FS said that he was not in a position to give a firm response to initiatives in specific policy area in the context of the Budget consultation. He nevertheless assured members that the Administration would formulate welfare measures and examine their financial implications before finalizing the implementation details. Mr LEE expressed great dissatisfaction that the Government had responded positively and promptly to the calls of the business sector but had avoided any commitment on welfare and relief measures for the benefit of disadvantaged social groups.

19. To return wealth to the people and to minimize the long-term impact of tax concession, Miss TAM Heung-man suggested that FS should consider granting one-off tax relief or rebate, such as waiving Rates, in the 2008-2009 Budget. Referring to the tax relief measures announced in CE's Policy Address, Miss TAM considered that the Administration should also provide tax relief measures for the middle class, such as lowering the marginal tax rates and broadening salaries tax bands. Miss TAM also pointed out that the business sector had all along urged the Administration to enhance the corporate tax regime to attract investment from overseas corporations. Possible measures in this regard included providing tax concession or incentives for innovative industries and introducing a group tax relief and loss carry-back system under the corporate tax regime. Mr James TIEN echoed Miss TAM's view about providing group tax relief to encourage business development.

20. In response, FS advised that while the Administration would be prepared to examine various suggestions to enhance the tax regime, it was also important for the Administration to abide by the important principle of maintaining Hong Kong's simple and low taxation regime so as not to undermine the international competitiveness of Hong Kong.

21. Noting from Chart 27 of the information pack that the share of health care expenditure should be increased from the present 15% to 17% in 2011-2012 as committed by CE in this year's Policy Address, the Chairman opined that the Administration should explore means to increase the cost-effectiveness of its policy initiatives instead of offsetting the increased expenditure by cutting back expenditure in other policy areas. In this connection, he recapped a proposal of the Democratic Alliance for the Betterment and Progress of Hong Kong that the Administration should devise appropriate health-care financing measures, such as tax deduction for taking out health insurance policies. While welcoming the suggestions, FS said that he would invite the Secretary for Food and Health to take these into consideration when devising the health-care financing measures.

*Welfare for the elderly*

22. Pointing out that inflation was on the rise as the economy improved, Mr WONG Kwok-hing expressed concern about the well-being of the elderly and called on the Administration to increase the existing OAA. Mr WONG was of the view that to assist the elderly, the current residency requirements under CSSA Scheme and OAA Scheme should also be relaxed. Moreover, he considered that the total value of \$250 vouchers to be issued to senior citizens annually under the trial Health Care Voucher Scheme was highly insufficient. In this regard, the Chairman added that consideration might be given to allowing the elderly to use such vouchers in the Mainland so as to increase the cost-effectiveness of the Scheme. FS took note of the views and suggestions for further examination when preparing 2008-2009 Budget.

*Level of fiscal reserves*

23. Noting that the fiscal reserves was forecast to rise from a level equivalent to 19 months (by end-March 2008) to 24 months (by end-March 2012) of government expenditure, Ir Dr Raymond HO opined that the Government should deploy its abundant resources to increase the recurrent expenditure by at least 10%. In response, FS advised that according to the forecast in February 2007, the consolidated surplus in 2007-2008 would reach \$25.4 billion. While the Government would consider ways of returning wealth to the people by suitably deploying the surplus to fund and upgrade public services and facilities, FS stressed that maintaining adequate fiscal reserves would be crucial for coping with economic downturns or setbacks caused by external factors, and for strengthening the ability of the Exchange Fund (EF) in maintaining the stability and integrity of Hong Kong's monetary and financial systems. As to Ir Dr Raymond HO's further enquiry on the appropriate level of fiscal reserves, FS said that in principle, it would be desirable to maintain as much reserves as possible in the light of recent volatilities in the financial markets and global economic uncertainties.

24. Ms Emily LAU considered that the Government's fiscal position had improved significantly, taking into account the accumulated surplus of EF in the region of \$500 billion and the amount of fiscal reserves forecast to reach \$394.7 billion by end-March 2008. Ms LAU opined that by referring only to the fiscal reserves in the Budget consultation, the Administration had not presented the full picture of its fiscal position to the public. In reply, FS highlighted that the accumulated surplus of EF was maintained for achieving the monetary policy objective of maintaining a stable exchange value of the currency of Hong Kong and not for meeting government expenditure. Ms LAU maintained her view that it was unreasonable for the Government to maintain such a huge amount of accumulated surplus in EF without utilizing the resources to fund public expenditure and without presenting its fiscal position fully and clearly to the public.

25. Mr James TIEN pointed out that the total assets of EF comprised about \$1300 billion as at end September 2007. Hence, even after discounting the forecast of \$394.7 billion of fiscal reserves, the remainder would still top \$900 billion. He queried whether it was justifiable to maintain such a high level of assets in EF for achieving the policy objective of maintaining a stable exchange value for the Hong Kong currency. In this connection, Mr TIEN called on FS to transfer part of the surplus in EF to the general revenue to make available additional resources to meet increased recurrent spending on relief measures for the benefit of the community, in particular disadvantaged groups.

26. In reply, FS assured members that as a result of its improved fiscal position, the Administration was actively considering measures which could benefit different sectors of the community in accordance with the principle of returning wealth to the people where affordable. As to the appropriate level of reserves to be maintained, FS reiterated his remark that in principle, given the recent volatilities of the financial markets, it would be prudent to maintain as much reserves as possible.

27. Referring to Charts 22, 26 and 32 of the information pack, Mr James TIEN queried why the consolidated surplus for 2007-2008 was only \$25.4 billion with a total government revenue of \$273.8 billion and a total recurrent government expenditure of \$205.6 billion. In response, the Permanent Secretary for Financial Services and the Treasury (Treasury) clarified that the consolidated surplus of \$25.4 billion was commuted by deducting, from total revenue of \$273.8 billion, recurrent expenditure of \$205.6 billion and other Government expenditure. In this regard, Mr TIEN remarked that the Administration should improve the presentation of various figures in the information pack to facilitate members' perusal.

#### *Capital works expenditure*

28. Mr WONG Kwok-hing was concerned that despite the Administration's pledge of earmarking \$29 billion a year for spending on capital works projects, there had been underspending in the past few years. In this connection, he noted with concern from Chart 30 of the information pack that the capital works expenditure for 2007-2008 still fell far below \$29 billion. Pointing out that the construction industry had been suffering from an acute unemployment problem notwithstanding general improvement in the labour market, Mr WONG enquired about the Administration's measures to ensure and achieve full spending of the annual provision of \$29 billion earmarked for capital works projects in the coming years, in particular the implementation of the ten large-scale infrastructure projects highlighted in CE's Policy Address.

29. Ir Dr Raymond HO expressed similar concern about capital works spending and the employment hardship faced by construction workers. Noting that the Finance Committee had granted approval for increasing the financial ceiling for the delegated authority for minor works projects from \$15 million to \$21 million, Ir Dr HO urged the Administration to take forward more projects within the said price range as they were generally labour intensive and could help to alleviate the unemployment problem in the construction industry.

30. In response, FS advised that capital works expenditure tended to be cyclical in nature and the peak spending period in 2003-2004 and 2004-2005 coincided with the construction phase of several mega projects. As the preparatory work for the next batch of mega projects was still underway, it was envisaged that capital works expenditure would only pick up in the coming years when implementation was in full swing. FS re-assured members that the Administration was committed to taking forward capital works projects in an expeditious manner, where practicable.

#### *Measures to cope with economic uncertainties*

31. In the light of recent weakening of the US dollar which had resulted in the depreciation of Hong Kong dollar under the Link Exchange Rate (LER) System, Mr CHIM Pui-chung opined that the Administration should review the existing arrangement under the LER and explore the feasibility of including the Euro dollar

and RMB, in addition to US dollar, as the anchor currencies. Mr CHIM was of the view that the continuous appreciation of RMB would have an adverse impact on the prices of imports and people's livelihood, as well as the operating costs of business. In this connection, FS reiterated the Government's position that there was no plan to change the existing arrangement under the LER System which had operated effectively all along.

32. Mr Ronny TONG expressed concern about the impact of the over-heated stock market on inflation. Noting that the surge in stock prices had attracted some people to give up their jobs for full-time participation in the stock market, Mr TONG expressed concern about the possible detriment to Hong Kong's reputation as an IFC in the event of extensive withdrawal of funds involved in speculative activities. The Chairman remarked that Mr TONG's concerns about stock market activities could be further deliberated at other forum.

33. In response, FS advised that the Administration was keenly aware of the impact of consumer price inflation on people's livelihood. The Administration would monitor the situation closely and strive to contain the impact of inflation through measures to enhance Hong Kong's productivity and competitiveness, such as education, training and retraining. As regards the surge in stock prices, FS pointed out that markets worldwide were experiencing volatilities and Hong Kong was no exception. He shared Mr Ronny TONG's view that excessive participation in speculative investment in the stock market was not a healthy phenomenon. FS advised that regular stress-tests were conducted to assess the ability of market participants and investors to cope with risks. He did not think that the current situation should give rise to a regulatory concern. Responding to Mr Ronny TONG's concern about the widely reported imposition of an upper limit (i.e. 30%) on Mainland funds investing in the Hong Kong market, FS said that as far as he knew, the Mainland authorities had not made any official policy decision to cap the percentage of funds investing in Hong Kong.

#### *Revenue-related issues*

34. Mr LEUNG Kwok-hung said that in light of the surge in stock transactions in the recent months, the Government could easily achieve an increase in revenue by increasing the stamp duty levied on stock transactions even by a small percentage of, say, 0.01%. He was of the view that given the attractiveness of the Hong Kong market, investors would unlikely withdraw their capital in the face of a slight percentage increase in stamp duty. The additional revenue so derived could be deployed for poverty relief measures. While noting Mr LEUNG's suggestion, FS nevertheless pointed out that it was a global trend to abolish stamp duty on stock transactions and the Administration had in fact received views calling for the reduction/abolition of stamp duty.

**V. Proposal to convert the Rating Adviser (D2) post from a one-rank specialist grade to the mainstream Valuation Surveyor grade**

(LC Paper No. CB(1)145/07-08(04) — Administration's paper on re-grading of the Rating Adviser post in the Rating and Valuation Department )

Presentation by the Administration

35. At the invitation of the Chairman, the Deputy Commissioner of Rating and Valuation (DC/RVD) briefed members on the proposed re-grading of the existing Rating Adviser (RA) post of the Rating and Valuation Department (RVD) from a permanent one-rank grade D2 specialist post to a mainstream Valuation Surveyor grade post, also pitched at D2. She pointed out that the role of the RA post had expanded over the recent years to include overseeing RVD's overall information technology development, the strategic direction of computer-assisted mass appraisal for the modernization of valuation practice and business processes, the annual General Revaluation exercise involving more than 2.3 million assessments each year, as well as the development of a Property Information System for RVD and the Land Registry to align their respective property records and the development of e-billing. As the expanded responsibilities of the RA post had become largely comparable to those of an Assistant Commissioner of Rating and Valuation (ACRV), the re-grading of the specialist post to a mainstream Valuation Surveyor grade post which would provide greater flexibility in planning professional staff's career development and the Department's succession plan was considered appropriate and necessary.

Discussion

36. In response to Hon SIN Chung-kai and Hon Emily LAU's enquiries, DC/RVD confirmed that RVD's existing establishment would remain unchanged and that no additional expenditure would be incurred as the proposed creation of the permanent ACRV post at D2, if approved, would be offset by the deletion of the permanent D2 RA post with effect from the same date. She said that the proposed re-grading would provide greater flexibility in the deployment of manpower resources and better promotion prospect for the post holder.

37. Noting that members had no further questions on the proposed re-grading, the Chairman concluded that the Panel supported the submission of the proposal to the Establishment Subcommittee for consideration on 12 December 2007.

**VI. Any other business**

38. There being no other business, the meeting ended at 12:30 pm.

Council Business Division 1  
Legislative Council Secretariat  
11 December 2007