

# OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 25 February 2009

The Council met at Eleven o'clock

## MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE JASPER TSANG YOK-SING, G.B.S., J.P.

THE HONOURABLE ALBERT HO CHUN-YAN

IR DR THE HONOURABLE RAYMOND HO CHUNG-TAI, S.B.S., S.B.ST.J.,  
J.P.

THE HONOURABLE LEE CHEUK-YAN

DR THE HONOURABLE DAVID LI KWOK-PO, G.B.M., G.B.S., J.P.

THE HONOURABLE FRED LI WAH-MING, J.P.

DR THE HONOURABLE MARGARET NG

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHAN KAM-LAM, S.B.S., J.P.

THE HONOURABLE MRS SOPHIE LEUNG LAU YAU-FUN, G.B.S., J.P.

THE HONOURABLE LEUNG YIU-CHUNG

DR THE HONOURABLE PHILIP WONG YU-HONG, G.B.S.

THE HONOURABLE WONG YUNG-KAN, S.B.S., J.P.

THE HONOURABLE LAU KONG-WAH, J.P.

THE HONOURABLE LAU WONG-FAT, G.B.M., G.B.S., J.P.

THE HONOURABLE MIRIAM LAU KIN-YEE, G.B.S., J.P.

THE HONOURABLE EMILY LAU WAI-HING, J.P.

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE TIMOTHY FOK TSUN-TING, G.B.S., J.P.

THE HONOURABLE TAM YIU-CHUNG, G.B.S., J.P.

THE HONOURABLE ABRAHAM SHEK LAI-HIM, S.B.S., J.P.

THE HONOURABLE TOMMY CHEUNG YU-YAN, S.B.S., J.P.

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE FREDERICK FUNG KIN-KEE, S.B.S., J.P.

THE HONOURABLE AUDREY EU YUET-MEE, S.C., J.P.

THE HONOURABLE VINCENT FANG KANG, S.B.S., J.P.

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE LEE WING-TAT

DR THE HONOURABLE JOSEPH LEE KOK-LONG, J.P.

THE HONOURABLE JEFFREY LAM KIN-FUNG, S.B.S., J.P.

THE HONOURABLE ANDREW LEUNG KWAN-YUEN, S.B.S., J.P.

THE HONOURABLE ALAN LEONG KAH-KIT, S.C.

THE HONOURABLE LEUNG KWOK-HUNG

THE HONOURABLE CHEUNG HOK-MING, S.B.S., J.P.

THE HONOURABLE WONG TING-KWONG, B.B.S.

THE HONOURABLE RONNY TONG KA-WAH, S.C.

THE HONOURABLE CHIM PUI-CHUNG

PROF THE HONOURABLE PATRICK LAU SAU-SHING, S.B.S., J.P.

THE HONOURABLE KAM NAI-WAI, M.H.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE STARRY LEE WAI-KING

DR THE HONOURABLE LAM TAI-FAI, B.B.S., J.P.

THE HONOURABLE CHAN HAK-KAN

THE HONOURABLE PAUL CHAN MO-PO, M.H., J.P.

THE HONOURABLE CHAN KIN-POR, J.P.

THE HONOURABLE TANYA CHAN

DR THE HONOURABLE PRISCILLA LEUNG MEI-FUN

DR THE HONOURABLE LEUNG KA-LAU

THE HONOURABLE CHEUNG KWOK-CHE

THE HONOURABLE WONG SING-CHI

THE HONOURABLE WONG KWOK-KIN, B.B.S.

THE HONOURABLE WONG YUK-MAN

THE HONOURABLE IP WAI-MING, M.H.

THE HONOURABLE IP KWOK-HIM, G.B.S., J.P.

THE HONOURABLE MRS REGINA IP LAU SUK-YEE, G.B.S., J.P.

DR THE HONOURABLE PAN PEY-CHYOU

THE HONOURABLE PAUL TSE WAI-CHUN

DR THE HONOURABLE SAMSON TAM WAI-HO, J.P.

**MEMBER ABSENT:**

THE HONOURABLE LI FUNG-YING, B.B.S., J.P.

**PUBLIC OFFICERS ATTENDING:**

THE HONOURABLE HENRY TANG YING-YEN, G.B.S., J.P.  
THE CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE JOHN TSANG CHUN-WAH, J.P.  
THE FINANCIAL SECRETARY

THE HONOURABLE WONG YAN-LUNG, S.C., J.P.  
THE SECRETARY FOR JUSTICE

THE HONOURABLE MICHAEL SUEN MING-YEUNG, G.B.S., J.P.  
SECRETARY FOR EDUCATION

THE HONOURABLE STEPHEN LAM SUI-LUNG, J.P.  
SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS

THE HONOURABLE AMBROSE LEE SIU-KWONG, I.D.S.M., J.P.  
SECRETARY FOR SECURITY

DR THE HONOURABLE YORK CHOW YAT-NGOK, S.B.S., J.P.  
SECRETARY FOR FOOD AND HEALTH

THE HONOURABLE DENISE YUE CHUNG-YEE, G.B.S., J.P.  
SECRETARY FOR THE CIVIL SERVICE

THE HONOURABLE TSANG TAK-SING, J.P.  
SECRETARY FOR HOME AFFAIRS

THE HONOURABLE MATTHEW CHEUNG KIN-CHUNG, G.B.S., J.P.  
SECRETARY FOR LABOUR AND WELFARE

PROF THE HONOURABLE K C CHAN, S.B.S., J.P.  
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

THE HONOURABLE MRS CARRIE LAM CHENG YUET-NGOR, J.P.  
SECRETARY FOR DEVELOPMENT

THE HONOURABLE EDWARD YAU TANG-WAH, J.P.  
SECRETARY FOR THE ENVIRONMENT

THE HONOURABLE EVA CHENG, J.P.  
SECRETARY FOR TRANSPORT AND HOUSING

THE HONOURABLE MRS RITA LAU NG WAI-LAN, J.P.  
SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT

PROF LAU SIU-KAI, J.P.  
HEAD, CENTRAL POLICY UNIT

**CLERK IN ATTENDANCE:**

MS PAULINE NG MAN-WAH, SECRETARY GENERAL

**TABLING OF PAPERS**

The following papers were laid on the table pursuant to Rule 21(2) of the Rules of Procedure:

- No. 67 — Education Scholarships Fund  
Audited Statement of Accounts together with the Auditor's Report and Trustee's Report on Administration of the Fund for the year ended 31 August 2008
- No. 68 — Estimates  
for the year ending 31 March 2010  
Volume IA - General Revenue Account  
Volume IB - General Revenue Account
- No. 69 — Estimates  
for the year ending 31 March 2010  
Volume II - Fund Accounts

**WRITTEN ANSWERS TO QUESTIONS****Reunification and Anniversary Gifts from the Mainland**

1. **MRS REGINA IP** (in Chinese): *President, since 1997, the Central Government, various provinces, cities, autonomous regions and municipalities on the Mainland have presented a number of reunification and anniversary gifts with native characteristics to the Hong Kong Special Administrative Region Government. In this connection, will the Government inform this Council:*

- (a) *of the current maintenance condition of such gifts and whether they are separately or centrally kept;*
- (b) *of the storage place, the degree of damage and whether it is publicly displayed at present, in respect of each gift; and*
- (c) *given that the Government plans to develop a cultural institution with museum functions entitled M+ in the West Kowloon Cultural*

*District (WKCD), whether it will consider handing over all the aforesaid gifts to M+ for management, and setting up an exhibition gallery for commemorating Hong Kong's reunification with China to centrally display such gifts for public appreciation; if it will not, of the reasons for that?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Chinese): President,

(a) and (b)

The reunification and anniversary gifts presented by the Central Government, various provinces, cities, autonomous regions and municipalities on the Mainland to the Government of the Hong Kong Special Administrative Region are in good condition. Most of them are displayed at various venues in Hong Kong for public viewing.

In respect of each gift, the storage place, the current condition and whether it is publicly displayed is shown in the Annex.

(c) In accordance with the Recommendation Report of the Consultative Committee on the Core Arts and Cultural Facilities of the WKCD, the proposed museum in the WKCD will focus on 20th — 21st century visual culture. Moving image, popular culture, design as well as visual art (including ink art) have been proposed as the four initial broad groupings. The Museum Committee of the Board of the West Kowloon Cultural District Authority (the WKCD Authority) is responsible for taking forward the development of the proposed museum in the WKCD. The Committee will examine in detail the museum collection strategy and contents of museum collection. In addition, the WKCD Authority will gauge the community's aspirations and expectations on the WKCD as a whole and the design and user requirements of the arts and cultural facilities (including the museum) through a public engagement exercise. The target of stage 1 public engagement exercise will include stakeholders in the arts and cultural sector as well as

members of the public. The WKCD Authority will have due regard to the views from different parties in formulating its museum collection strategy.

## Annex

Reunification and anniversary gifts  
presented by the Central Government, various provinces, cities,  
autonomous regions and municipalities  
on the Mainland to the Hong Kong SAR Government

<i>Presenting party</i>	<i>Name of gift</i>	<i>Storage place</i>	<i>Current condition</i>	<i>Whether it is publicly displayed at present</i>
Central Government	People's Bauhinia (Forever Blooming)	Golden Bauhinia Square	In good condition	Yes
Central Government	People's Painting (Magnificent China) #	Hong Kong Convention and Exhibition Centre	In good condition	Yes
Jiangsu	Suzhou embroidery (Return Journey)			
Anhui	Iron picture (The Sunlight Shining Forever)			
Hubei	Gilded bronze sculpture (The Yellow Crane Returns)			
Tibet Autonomous Region	Tapestry (High Mountains and Long Rivers)			
Shaanxi	Sculpture (Shaanxi Celebrating Hong Kong's Return)			
Qinghai	Tapestry (The Surging Tide in Qinghai Lake Welcoming Hong Kong's Return)			
Xinjiang Uygur Autonomous Region	Woollen tapestry (Rejoicing over Hong Kong's Return)			
Chongqing	Sculpture (Auspicious Coloured Ribbons)	Hong Kong International Airport Terminal	In good condition	Yes
Hebei	Crystal bottle painted inside (National Jubilation)	Revenue Tower	In good condition	Yes
Inner Mongolia Autonomous Region	Sculpture (Steeds Galloping Towards the Future)	Tsuen Wan Government Offices	In good condition	Yes
Shanghai	Jade (crystal) carving (The Pujiang People Celebrating Hong Kong's Return)	Cheung Sha Wan Government Offices	In good condition	Yes



<i>Presenting party</i>	<i>Name of gift</i>	<i>Storage place</i>	<i>Current condition</i>	<i>Whether it is publicly displayed at present</i>
Liaoning	Lacquer ware sculpture (Spirit of the Chinese Nation)	Hong Kong Museum of History	In good condition	Non-scheduled display *
Central People's Government	Miniature of the Bauhinia (Forever Blooming)	Hong Kong Heritage Museum	In good condition	Non-scheduled display *
Beijing	Cloisonne vases (Worldwide Jubilation)			Yes
Shanxi	Wood carving (Yingxian County Wooden Pagoda)			Non-scheduled display *
Jilin	Giant inkstone (Songhua and Bauhinia All Rooted in China)			
Heilongjiang	Vase (Bauhinia Blossoming Once Again in Spring)			
Hainan	Shell carving (The Whole World Sharing the Joy)			
Gansu	Tao River inkstone (Dragons Originated from the Same Root and All Soaring to the Sky)			
Henan	Porcelain vases (Henan Elephants Presenting Treasure)	Hong Kong City Hall Library	In good condition	Yes
Yunnan	Bronze vase (Auspicious Bird)	Hong Kong Central Library	In good condition	Yes
Sichuan	Redwood carving (Sichuan Joining Celebrations with Hong Kong)	Hong Kong Cultural Centre	In good condition	Yes
Guangdong	Jade carving (Smooth Sailing)	Block 3, Hong Kong	In good condition	Yes
Ningxia Hui Autonomous Region	Helan stone carving (Return from Herding)	Housing Authority Headquarter		Yes
Shandong	Redwood screen (The Towering Mount Tai Greets Hong Kong's Return)	Wang Tau Hom Customer Service Centre, Housing Department	In good condition	Yes
Guangxi Zhuang Autonomous Region	Wood Carving (Bridge of Unity)	Hong Kong Museum of History	In good condition	Non-scheduled display *
	Painting (Plum Blossoms Celebrating Hong Kong's Return) ^	Central Government Offices	In good condition	Placed at the Central Government Offices
Tianjin	Tapestry (The Great Wall)	North Point Government Offices	In good condition	Yes

<i>Presenting party</i>	<i>Name of gift</i>	<i>Storage place</i>	<i>Current condition</i>	<i>Whether it is publicly displayed at present</i>
Fujian	Lacquered screen (The Fraternal Feelings of the Fujian People Towards Hong Kong)	Queensway Government Offices	In good condition	Yes
	Apple-shaped vase (Two Dragons Playing with a Pearl) ^	Central Government Offices	In good condition	Placed at the Central Government Offices
Zhejiang	Wood carving (Sailing Back)	Homantin Government Offices	In good condition	Yes
Guizhou	Silk and batik decorated Redwood screen (Mountains Singing in Joyful Celebration of Hong Kong's Return)	Shatin Government Offices	In good condition	Yes
	Framed decoration (Auspicious Framed Decoration from the Minorities of Guizhou) ^	Central Government Offices	In good condition	Placed at the Central Government Offices
Jiangxi	Porcelain patchwork (Bauhinia Returns to the Embrace of the Peony)	Sai Kung Government Offices	In good condition	Yes
Hunan	Embroidered screen (Spring in Dongting Lake)	Kwai Chung Customs House	In good condition	Accompanied by staff
	Underglaze vase (National Beauty and Heavenly Fragrance) ^	Central Government Offices	In good condition	Placed at the Central Government Offices

Notes:

# First Anniversary Gift

^ Tenth Anniversary Gift

\* Hong Kong Museum of History and Hong Kong Heritage Museum will, depending on the display arrangements, exhibit relevant reunification gifts from time to time for public viewing.

## Continuing Education Fund

2. **MR WONG YUK-MAN** (in Chinese): *President, at present, adults enrolled in approved continuing education and training courses may apply for subsidies from the Continuing Education Fund (CEF). Each applicant may only obtain such subsidy once in a lifetime, with the amount capped at 80% of the course fees or HK\$10,000, whichever is the less. It is noted that master degree*

*and postgraduate diploma courses, the fees of which (especially the self-financed ones) are very high, are not included in the list of approved courses. As a result, many of those who aspired to pursue further studies have given up the idea. In this connection, will the Government inform this Council:*

- (a) whether it will increase the maximum amount of subsidy receivable by each applicant and extend the scope of CEF to cover higher education courses;*
- (b) what mechanism is in place to monitor the quality of the approved courses; and*
- (c) what mechanism is in place to safeguard CEF against deception by unscrupulous people?*

**SECRETARY FOR LABOUR AND WELFARE** (in Chinese): President,

- (a) and (b)

The Government set up the \$5 billion CEF in 2002 to encourage the local population to pursue continuing education. Hong Kong residents aged between 18 and 65 are eligible applicants under the CEF. They may claim reimbursement of 80% of the fees of any CEF registered course upon successful completion of the course, up to a ceiling of \$10,000 for each applicant.

Separately, individuals pursuing eligible continuing and professional education courses provided in Hong Kong by registered schools, non-local universities and professional and recognized training bodies may apply for loans to meet their tuition fees under the Non-means-tested Loan Scheme administered by the Student Financial Assistance Agency. The maximum amount of the loan is the tuition fees payable for the academic year.

The current cap on the amount of subsidy receivable by each applicant under the CEF is considered appropriate, and the

Administration has no plan to introduce any change. Learners with financial needs may apply for loans under the Non-means-tested Loan Scheme to help pay their tuition fees.

The future direction of the CEF was fully considered in a review of the CEF completed in May 2007 which concluded that further expansion of the CEF should tie in with, and support, the development of the Qualifications Framework (QF). Before the QF was launched in May 2008, education and training courses falling within eight specified domains might be registered as reimbursable courses under the CEF after having been assessed by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ). The eight domains are business services, financial services, logistics, tourism, creative industry, design, language<sup>1</sup>, and interpersonal and intrapersonal skills for the workplace.

Upon the implementation of the QF in May 2008, all new courses are required to undergo a formal accreditation exercise and be uploaded onto the Qualifications Register before they could be registered under the CEF. Courses designed in accordance with the Specifications of Competency Standards developed by the respective Industry Training Advisory Committees under the QF but falling outside the eight specified domains may also be registered under the CEF.

Course providers may apply for registration of their courses or modules of a programme, including those at post-graduate level, under the CEF if they are able to meet the above registration requirements. Courses registered under the Fund are subject to audit inspections by the HKCAAVQ to ensure that they are operated in full compliance with the conditions of approval of the CEF.

Note:

<sup>(1)</sup> At present, languages courses in English, Chinese (written), Putonghua, French, German, Japanese, Korean and Spanish are eligible for registration under the CEF.

- (c) Apart from audit inspections conducted by the HKCAAVQ on course contents as mentioned above, the Office of the Continuing Education Fund (OCEF) also monitors the operation of course providers under the CEF. In addition to authentication of students' attendance records, course assessment results and other reimbursement related matters, the OCEF also conducts surprise inspections to ensure that course providers fully comply with the conditions of approval of the CEF. A warning will be issued to the course provider in case of any non-compliance. If the breach is serious or repetitive in nature, the Administration will consider de-registering the concerned course(s) from the list of CEF reimbursable courses to safeguard the interests of learners. In case of any suspected criminal activities, such as deception or bribery, the Administration will immediately refer the case to the relevant law enforcement agencies for follow-up.

### **Provision of Outreaching Sex Education for Non-Chinese Speaking Students**

3. **MR LEE CHEUK-YAN** (in Chinese): *President, at present, the two major units providing outreaching sex education in schools are the Adolescent Health Programme under the Department of Health (DH), and the Family Planning Association of Hong Kong (HKFPA). However, I have learnt that, due to resource constraints, they cannot provide such services in languages other than Chinese, and non-Chinese speaking students are therefore unable to benefit from the services. In this connection, will the Government inform this Council whether:*

- (a) *it has assessed if the above situation constitutes a breach of the provisions in the Race Discrimination Ordinance (Cap. 602); and*
- (b) *it has any plan to provide outreaching sex education for non-Chinese speaking students (including allocating additional resources to HKFPA for organizing sex education seminars in English and producing more sex education resource materials in English); if so, of the details of the plan; if not, the reasons for that?*

**SECRETARY FOR FOOD AND HEALTH** (in Chinese): President, sex education is an important subject in moral and civic education. Currently, the primary and secondary school curricula have already included sex education and relevant topics. Besides, the DH and HKFPA also provide sex education services, such as outreaching sex education workshops and seminars.

My reply to the two parts of the question is as follows:

(a) and (b)

At present, the Adolescent Health Programme under the DH provides "Sex Education Workshops" (the Workshops) for Form 1 to Form 7 secondary school students, teaching them the correct values and knowledge about sex. The Workshops are designed mainly in Chinese and are usually conducted in Cantonese. Nevertheless, the DH will organize Workshops for schools which admit non-Chinese speaking students upon demand, supplemented by teaching materials with English translation and simultaneous interpretation. We consider that the existing arrangements can adequately meet the needs of different schools and students in Hong Kong, and constitute no breach to the Race Discrimination Ordinance. Besides, the DH also plans to translate the entire series of Workshops into English, which will be launched in the 2009-2010 academic year.

The DH has contacted individual schools with religious background or ethnic minority students before with regard to the provision of outreaching sex education services. However, some considered it more appropriate for the schools themselves to provide sex education for their students. The DH will continue to monitor the demand of schools for outreaching sex education services.

According to the HKFPA, its outreaching school sex education programmes are mainly conducted in Cantonese, but programmes in English will be provided for non-Chinese speaking students upon requests from individual schools. In addition, the HKFPA's sex education website and teaching materials are bilingual. At present, the outreaching school sex education services of HKFPA are not

subvented by the Government. The HKFPA will consider providing the appropriate sex education services having regard to the needs of the community.

### **Provision of Community Facilities on Vacant Government Sites**

4. **MR IP KWOK-HIM** (in Chinese): *President, after last month's meeting of the Task Force on Economic Challenges, the Chief Executive said that the Lands Department had compiled a list of vacant government sites throughout the territory which might be made available for short-term use by non-governmental organizations, and that if the sites were for use in community projects and support of District Councils (DCs) and government departments had also been obtained, the sites would only be charged a nominal rent. In this connection, will the Government inform this Council:*

- (a) *of the information about the aforesaid vacant sites (including the location, area, and the community purposes for which the sites have been/are to be approved); and*
- (b) *what plans are in place to foster the effective utilization of the aforesaid vacant sites by various DCs, so as to increase community facilities and create more employment opportunities?*

**SECRETARY FOR DEVELOPMENT** (in Chinese): President, as announced by the Financial Secretary in the 2008-2009 Budget speech, the Government will adopt a more proactive and flexible approach in the use of land resources, and one of the measures is for the Lands Department to liaise with DCs and study ways of putting vacant government land not needed in the short term to better use, for example, beautifying it or converting it to other temporary public use.

My reply to the two-part question is as follows:

- (a) The Lands Department has already prepared a "List of Vacant Government Sites". About 1 000 vacant Government sites which

have no imminent use are on the list. They are of different sizes and shapes and distributed within the 18 districts throughout the territory. Since July last year, the District Lands Offices of the Lands Department have been providing, either directly or through the District Management Committees, information about the vacant sites that can be put to temporary beautification or public use in each district to the District Officers and District Social Welfare Officers concerned. At present, over 10 such government sites have been used for purposes like organic farms, temporary cycling parks, venues for school activities, non-commercial storage yards or amenity areas, and so on. While some of the projects involved are directly implemented and sponsored by the DCs, the sites in respect of some other projects are rented by community organizations, welfare agencies and schools, for a period ranging from one to three years. Also, the Sha Tin District Lands Office is now processing an application from a community organization for a short term tenancy of a vacant government site for parking bicycles and providing community service, and so on. We will seek the views of DCs on announcing the details of vacant government sites that are available for short-term use in their districts.

- (b) Meanwhile, the Lands Department has adopted a simplified procedure to process the applications for the use of the 1 000 vacant government sites, and has authorized District Lands Officers to approve such applications following consultation with the departments concerned, without referring such applications to the District Lands Conferences, so that applicants could put the relevant sites to use as early as possible. After the third meeting of the Task Force on Economic Challenges held on 22 January 2009, the Chief Executive mentioned that interested parties with good proposals could contact the District Officers concerned who will make their best endeavours to follow up and co-ordinate, so as to facilitate their use of such sites for increasing local economic activities and creating new job opportunities.



**Illegal Discharge of Firecrackers and Fireworks**

5. **MR WONG YUNG-KAN** (in Chinese): *President, regarding illegal discharge of firecrackers and fireworks, will the Government inform this Council:*

- (a) *of the number of reports of illegal discharge of firecrackers or fireworks received in each of the past three years, the number of persons convicted for such acts, and the penalties imposed on them;*
- (b) *of the quantities of firecrackers and fireworks seized in each of the past three years, the number of persons convicted of the related offences, and the penalties imposed on them; and*
- (c) *whether measures are taken to curb the smuggling of firecrackers and fireworks into Hong Kong whenever the Chinese New Year is approaching; if so, of the details of measures; if not, the reasons for that?*

**SECRETARY FOR HOME AFFAIRS** (in Chinese): President, my reply to the three parts of the question is as follows:

- (a) The number of reports of illegal discharge of firecrackers or fireworks received by the police in the past three years is as follows:

<i>Year</i>	<i>Number of reports</i>
2006	92
2007	124
2008	60

In respect of the above cases, a total of three people were arrested, of whom one was prosecuted and fined \$300 upon conviction.

- (b) The quantity of firecrackers and fireworks seized by the police and the Customs and Excise Department (C&ED) in the past three years is as follows:

<i>Year</i>	<i>Quantity of firecrackers and fireworks (kg)</i>
2006	9 037
2007	340
2008	192

In respect of the above cases, the police and C&ED successfully prosecuted 30 people. The penalties imposed included fines ranging from \$250 to \$5,000; and imprisonment ranging from seven days to four months.

- (c) The C&ED regularly takes action to intercept the illegal import of firecrackers or fireworks at land control points, the airport and at sea. The department steps up its enforcement efforts in this respect during the Chinese New Year.

The police also take measures on a regular basis to curb and combat the illegal import of firecrackers or fireworks. Before the Chinese New Year, the police step up enforcement, publicity and education efforts in this respect, for example, through enhanced intelligence gathering, patrols and enforcement action; calling upon community organizations to drive home the message that it is illegal to discharge firecrackers or fireworks without a licence; and encouraging the public to report such activities.

### **Pharmaceutical Products Containing Chloroform**

6. **MR PAUL CHAN** (in Chinese): *President, I have received complaints that a particular brand of medicated oil containing chloroform (that is, trichloromethane) may cause skin irritation or burns, or even intoxication of users, and the Canadian Government prohibits the sale of the product in that country. However, as the chloroform content of the product does not exceed 0.5%, the sale, supply, labelling and storage of the product are not subject to the restrictions imposed by the Pharmacy and Poisons Ordinance (Cap. 138) on pharmaceutical products containing substances listed in the First Schedule to the Pharmacy and Poisons Regulations. In this connection, will the Government inform this Council whether:*

- (a) *it had received reports from the public in the past five years that symptoms of irritated or burnt skin or intoxication appeared after using pharmaceutical products containing chloroform; if so, of a breakdown of such cases by the name of the products involved, their chloroform content and the age group of the members of public affected;*
- (b) *the Government had made reference to the practices in other places when setting the above statutory ceiling on chloroform content; if so, whether it knows the number of places where non-prescription pharmaceutical products containing chloroform are totally banned and list the places where non-prescription pharmaceutical products containing chloroform are allowed according to the statutory ceiling on chloroform content prescribed; and*
- (c) *it had reviewed the above statutory ceiling on chloroform content in the past five years; if it had, of the details; if not, the reasons for that?*

**SECRETARY FOR FOOD AND HEALTH** (in Chinese): President,

- (a) The Department of Health (DH) has not received any report from the public in the past five years on symptoms of irritated or burnt skin or intoxication after using pharmaceutical products containing chloroform.

(b) and (c)

Currently, the DH regulates the sale and supply of pharmaceutical products in Hong Kong in accordance with the registration system under the Pharmacy and Poisons Ordinance. The system seeks to ensure that the pharmaceutical products registered in Hong Kong have been assessed to have met the required standards of safety, efficacy and quality. In setting the regulatory standards, the DH will make reference to the standards and experience of other advanced countries.

According to the DH's information, the use of chloroform as preservative in pharmaceutical products is allowed in the United Kingdom (UK) and Australia with its content ceiling capped at 0.5%. The use of chloroform in pharmaceutical products in the United States and Canada is totally banned.

In accordance with the DH's standard, the chloroform content in pharmaceutical products should not exceed 0.5%. Such requirement is similar to that adopted in UK and Australia.

### **Regulation of Developments in Country Parks and Marine Parks**

7. **MR ALBERT HO** (in Chinese): *President, regarding the regulation of developments in country parks and marine parks, will the Government inform this Council:*

- (a) *as it has been reported that in recent months, some people have felled trees in Tai Lam Country Park on the pretext of agricultural land rehabilitation, and the area of the land involved (part of it being Government land) is close to 20 000 sq m, whether the authorities have followed up the case; if so, of the details (including whether prosecution has been instituted against any person);*
- (b) *of the number of complaints received by the authorities about illegal felling of trees in country parks and marine parks, the area of land damaged, the respective numbers of persons who were prosecuted and convicted, as well as the penalties imposed on those convicted, in the past three years;*
- (c) *in respect of each country park and marine park, of the total area of private lands and the area of such lands being covered by development permission area plans/outline zoning plans made under the Town Planning Ordinance (Cap. 131);*
- (d) *whether private lands in country parks and marine areas are subject to the regulation of the Country Parks Ordinance (Cap. 208) (CPO)*

*and Marine Parks Ordinance (Cap. 476) (MPO); if not, of the existing ordinances which govern the change of the use of such lands;*

- (e) of the number of complaints about illegal change of the use of land within country parks and marine areas received by the Agriculture, Fisheries and Conservation Department (AFCD) in the past five years; among such complaints, the number of those involving unlawful acts, as well as the respective numbers of those in which the persons concerned were prosecuted and convicted;*
- (f) whether, in the past decade, the Director of Agriculture, Fisheries and Conservation, as the Country and Marine Parks Authority (the Authority), had requested under section 16 of CPO the Director of Lands, as the Land Authority, to exercise the powers conferred by that section to have any use or proposed use of any land within the precincts of a country park that would substantially reduce the enjoyment and amenities of the country park discontinued; if so, of the details of each case;*
- (g) of the number of new private development projects within marine parks approved in the past five years by the Authority in writing under section 10 of MPO, together with the nature of such projects; and*
- (h) whether, in the past five years, the Government had assessed if the existing CPO and MPO were effective in protecting the ecology of the lands concerned; if so, of the assessment results?*

**SECRETARY FOR THE ENVIRONMENT** (in Chinese): President, my reply to the eight parts of the question is as follows:

- (a) The AFCD found on 15 November 2008 that evacuation and plant removing works were carried out on a piece of land near Tin Fu Tsai inside Tai Lam Country Park. The area of the land involved is approximately 13 000 sq m (1.3 hectares), most of which is private

land except some 400 sq m of Government land. Investigation on the above works conducted by the Lands Department has concluded that there was no breach of the lease conditions of the private land. However, the AFCD has put up warning signs and stone column barriers on the Government land. Inspections have also been carried out twice a day on the Government land where no offences have been further spotted. Our investigation so far has not collected sufficient evidence to support prosecution. That notwithstanding, the AFCD will continue to monitor the development of the case.

- (b) From 2006 to 2008, the Government has received 26 complaints about illegal felling of trees in country parks, with a total of 127 trees felled. There were three conviction cases in relation to the illegal tree felling activities over the said period and the fines involved were \$1,450 in total.

The AFCD did not receive any complaint about illegal felling of trees in marine parks over the said period.

- (c) Most of the private land inside country parks is old scheduled agricultural lots recorded in Block Government Leases and has been deserted for a long time. At present, there is no private land inside marine parks.

<i>Country Parks/ Marine Parks</i>	<i>The area of country park/ marine park (hectare(s)) (a)</i>	<i>The area of private lands being covered by (a) (hectare(s)) (b)</i>	<i>The area of lands within (b) being covered by development permission area plans/outline zoning plans made under the Town Planning Ordinance (hectare(s)) (c)</i>
Country Park			
Shing Mun	1 400	0.68	0
Kam Shan	337	0	0
Lion Rock	557	0.92	0
Aberdeen	423	0.85	0.85
Tai Tam and Tai Tam (Quarry Bay Ext)	1 585	0.12	0
Sai Kung East	4 477	51.82	1.35
Sai Kung West and Sai Kung West (Wan Tsai Ext)	3 123	78.25	13.49

<i>Country Parks/ Marine Parks</i>	<i>The area of country park/ marine park (hectare(s)) (a)</i>	<i>The area of private lands being covered by (a) (hectare(s)) (b)</i>	<i>The area of lands within (b) being covered by development permission area plans/outline zoning plans made under the Town Planning Ordinance (hectare(s)) (c)</i>
Plover Cove and Plover Cove (Ext)	5 224	109.96	0
Lantau South	5 640	24.35	7.08
Lantau North and Lantau North (Ext)	4 560	3.68	0
Pat Sin Leng	3 125	103.05	0.19
Tai Lam	5 370	59.31	0.31
Tai Mo Shan	1 440	15.82	0.18
Lam Tsuen	1 520	5.04	0
Ma On Shan	2 880	23.16	2.31
Kiu Tsui	100	1.01	0
Shek O	701	0.03	0.03
Pok Fu Lam	270	0.30	0.30
Clear Water Bay	615	1.02	0
Lung Fu Shan	47	0	0
Marine Park/Marine Reserve			
Hoi Ha Wan	260	0	0
Yan Chau Tong	680	0	0
Sha Chau and Lung Kwu Chau	1 200	0	0
Tung Ping Chau	270	0	0
Cape D'Aguiar Marine Reserve	20	0	0

- (d) Private land in country parks is subject to the regulation of "Control of use of land in country park" (that is, section 16 of the CPO), while the development of private lands in marine parks is regulated by sections 10 and 21 of the MPO.
- (e) Between 2004 and 2008, the AFCD received two complaints about illegal change of the use of land within country parks. One was about an unauthorized structure in Kam Shan Country Park, which has been demolished. The other was about an unauthorized structure in Sai Kung East Country Park, and the demolition work is nearing completion under the joint operation of the AFCD and District Lands Office/Sai Kung.

The AFCD did not receive any complaint about illegal change of the use of land within marine parks between 2004 and 2008.

- (f) In the past decade, the Director of Agriculture, Fisheries and Conservation, as the Authority, invoked section 16 of the CPO once to raise objection to an application of change of the use of private land within Plover Cove Country Park. The details of the case are summarized in the following table:

<i>Year</i>	<i>Country Park</i>	<i>Location</i>	<i>Proposed Use</i>	<i>The Authority's Advice</i>
2008	Plover Cove	Tai Mei Tuk	Building nine village houses on agricultural land	The Authority objected to the application because the development proposal involved the clearing of a large number of trees within the site

- (g) In the past five years, the Authority did not approve any new private development projects under section 10 of the MPO.
- (h) According to the results of the AFCD's biodiversity surveys, of the species-groups surveyed and analysed, over 95% of the common local terrestrial and fresh water species are habitants in Hong Kong's protected areas (mainly country parks). Findings of regular coral checks and fishing surveys conducted in marine parks also show that the ecology of marine parks is better than that of outside-park areas. We therefore consider that the existing CPO and MPO are effective in protecting the ecology of the territory.

### **Television Announcements in Public Interest on CSSA Scheme**

8. **MR LEUNG YIU-CHUNG** (in Chinese): *President, the Government released in 2007 two television (TV) announcements in the public interest (APIs) on the Comprehensive Social Security Assistance Scheme (CSSA Scheme), entitled "Welfare cheats are liable to prosecution" and "Strive to move from welfare to self-reliance" respectively. In this connection, will the Government inform this Council:*

- (a) *of the date on which each API was first broadcast, and whether they are still broadcast at present; if they are not, of the dates on which*



*they went off the air; if they are, whether there is any plan to discontinue their broadcast;*

- (b) of the respective numbers of times each API has been broadcast on various types of media so far, with a breakdown by the different hours of a day;*
- (c) of the production cost of each API;*
- (d) whether it has assessed the effectiveness of the APIs and received any comments on them; if it has conducted such an assessment and received such comments, of the details; and*
- (e) whether it has any plan to produce new APIs on the CSSA Scheme; if so, of the details?*

**SECRETARY FOR LABOUR AND WELFARE** (in Chinese): President, the CSSA Scheme provides a safety net for those who cannot support themselves financially. It is designed to bring their income up to a prescribed level to meet their basic needs. The CSSA Scheme is a non-contributory social security scheme funded entirely by general revenue. Since it involves a very large amount of public funds, we must act with prudence and caution to ensure the sustainability of this safety net.

The number of CSSA fraud cases substantiated after investigation by the Social Welfare Department (SWD) and the number of suspected CSSA fraud cases reported by the public have increased steadily over the past few years. In view of this, the SWD decided to promote public education on the matter. To better grasp the focus of publicity, the SWD commissioned The Hong Kong Polytechnic University to conduct a public opinion survey in September 2006. The findings of the survey showed that most of the respondents supported that the SWD should produce TV APIs with the themes of encouraging self-reliance and combating CSSA frauds. In this connection, the SWD produced two TV APIs in 2007 on the aforesaid themes as a response to public concern on the CSSA Scheme.

My reply to the questions in *seriatim* is as follows:

- (a) The two TV APIs, entitled "Strive to move from welfare to self-reliance" and "Welfare cheats are liable to prosecution", were broadcast in turn starting from 4 June 2007 and ceased broadcast on 15 October 2007 and 4 March 2008 respectively.
- (b) The APIs had been broadcast on major TV Channels. Details are given in Annex.
- (c) The two TV APIs and the related radio APIs were produced as a package at a total production cost of \$740,000.
- (d) When the broadcasting of its TV APIs was arranged, the SWD took into account the views of the public and various sectors of the community and strived to achieve a balance to ensure that the APIs could achieve the most favourable outcome. The aim of producing the two TV APIs is to disseminate to the public the positive message that CSSA should be rendered to those with genuine needs. The public might have different perceptions of the TV APIs owing to the influence of various subjective or objective factors.
- (e) At present, the SWD has no plan to produce new TV APIs on the CSSA Scheme. However, it will, through various means, continue to encourage able-bodied unemployed CSSA recipients to "move from welfare to self-reliance" and make every effort to guard against fraud and abuse of CSSA.

Annex

#### Information on Broadcasts of TV APIs on CSSA Scheme

<i>Title</i>	<i>Distribution of Broadcasts</i>		<i>Total Number of Broadcasts</i>
	<i>Prime Time<sup>(1)</sup></i>	<i>Non-Prime Time</i>	
Welfare cheats are liable to prosecution	264	962	1 226
Strive to move from welfare to self-reliance	44	146	190

Note:

- (1) The prime time is from 6 pm to 12 midnight daily.

**Measures to Assist Tourism Industry**

9. **MR PAUL TSE** (in Chinese): *President, it is learnt that the financial tsunami has dealt a severe blow to the tourism industry. In this connection, will the Government inform this Council whether it will:*

- (a) *consider waiving the travel agents' licence fee this year;*
- (b) *immediately review the existing mechanism under which travel agents shall pay levies to the Travel Industry Council of Hong Kong (TIC) upon receipt of outbound tour fares from travellers, and consider lowering the rate of levy; and*
- (c) *in view of the huge reserve of the Travel Industry Compensation Fund at present, suspend the collection of levies from travel agents in respect of the Fund, and extend the coverage of the Fund to cover those travellers who purchase only air tickets from travel agents, so that travellers will use the service with ease?*

**SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT** (in Chinese): President, we are very concerned about the challenges faced by the travel trade under the financial tsunami and have been liaising closely with the trade to provide all practical assistance. In November last year, the Government enhanced the small and medium-sized business (SMEs) Loan Guarantee Scheme, and launched the Special Loan Guarantee Scheme in December. Both Schemes applied to the travel trade. In light of the problems faced by the trade, we have specially arranged a meeting between representatives of the travel agents and the banks to facilitate mutual understanding of their respective mode of operation and needs. The Hong Kong Export Credit Insurance Corporation also organized a workshop for the travel trade on various support programmes and services available to travel agents, including insurance services designed specifically for inbound travel agents.

The Hong Kong Tourism Board (HKTB) has also adjusted its marketing strategy by strengthening co-operation with high-growth source markets, as well as exploring new promotional windows to cater for the needs, spending power

and preferences of different visitor segments, so as to maintain Hong Kong's appeal to visitors. To alleviate the financial burden of the travel trade, the HKTB introduced a number of concessionary measures, including discount or waiver on fees for industry partners who take part in its overseas promotional activities and the Quality Tourism Services Scheme in 2009.

At the Liaison and Co-ordinating Meeting of Hong Kong, Guangdong and Macao in Jointly Taking Forward the Implementation of "The Outline of the Plan for the Reform and Development of the Pearl River Delta" on 19 February 2009, Hong Kong, Guangdong and Macao agreed to work together to further develop and promote "multi-destination" travel itineraries. The Government of the Hong Kong Special Administrative Region will also propose to the Central People's Government that the various tourism measures piloted in Shenzhen should be extended to other cities in the Guangdong Province. These measures will create more business opportunities for the travel trade.

My reply to the different parts of the question is as follows:

- (a) Similar to most other government licence fees, the travel agents' licence fee is drawn up on the basis of the user-pay principle, and aims to recover the cost of the services provided. The proposed waiver of the travel agents' licence fee requires careful consideration.
  
- (b) and (c)

At present, travel agents are liable to pay levies which comprise two parts: the contribution to the TIC (the Council levy) and that to the Travel Industry Compensation Fund (the Fund levy). The Council levy is to meet part of the TIC's operational expenses. The Fund levy is to provide protection to outbound travellers joining package tours against defaults of travel agents, as well as financial assistance to outbound travellers who died or are injured in accidents while travelling abroad on package tours. In accordance with the Travel Agents Ordinance (Cap. 218), the rates of the two levies, both at 0.15% or 0.3% in total of every outbound fare paid, are determined by the Secretary for Commerce and Economic Development. With the authorization of the Travel Industry Compensation Fund

Management Board (the Board), the TIC is responsible for collecting both levies from travel agents. This mechanism is well known to and accepted by the travel trade and consumers and has been operating smoothly for many years. No review is called for.

The current Council levy represents 69% of the TIC's overall expenses in the 2007-2008 financial year. Lowering the rate of the Council levy will affect the TIC's daily regulatory work and also impact adversely consumer protection and the quality of tourism services in Hong Kong.

As for the Fund levy, the Board regularly commissions a professional actuarial consultant to conduct professional assessment on the level of the Fund's reserve to ensure that the Fund's balance will be sufficient to meet its commitments in *ex gratia* payments. The Board, after taking into account the recommendations of the consultant, the operating environment of the travel trade and the views of the travel industry, plans to shortly conduct consultation on proposals including the level of the Fund levy and *ex gratia* payments. It will consider the views collected during the consultation before submitting proposals to the Government.

Expanding the coverage of the Fund to travellers who purchase only air tickets from travel agents will affect the operating cost of the trade as well as the financial position and levy rate of the Fund. To protect the travellers, the TIC has, since April 2007, put in place an arrangement requiring travel agents who are wholesalers of air tickets to honour tickets issued by their ticket retailing agents when the latter default. The TIC therefore considers that there is no need at present to expand the coverage of the Fund to purchase of single item of air tickets.

### **Monitoring Operation of Small Group Homes**

10. **MR WONG SING-CHI** (in Chinese): *President, recently, a sex crime occurred in a small group home (SGH) operated by a non-governmental*

*organization (NGO) which involved a 15-year-old girl being alleged of having indecently assaulted a 10-year-old boy staying at the same institution. Regarding the monitoring of the operation of such institutions by the Social Welfare Department (SWD), will the Government inform this Council:*

- (a) of the number of reports received by the authorities in the past three years of crimes in SGHs, broken down by the type of offence involved as well as the gender and age group of the children involved;*
- (b) of the average ratio of boys to girls as well as the average staff-to-child ratio in various SGHs at present;*
- (c) whether each SGH must have a resident social worker; if so, of the details; if not, the reasons for that;*
- (d) whether NGOs operating SGHs are required to draw up guidelines on regulating the behaviour of children staying at such institutions; if so, how the SWD monitors the implementation of such guidelines; if not, of the reasons for that; and*
- (e) whether the SWD has deployed staff to regularly inspect various SGHs; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR LABOUR AND WELFARE** (in Chinese): President,

- (a) Except for the incident quoted in the question, the SWD has not received any report on crimes committed in SGHs in the past three years.
- (b) and (c)

At present, some SGHs are for either boys or girls only, whereas some admit children of both sexes. The boy-to-girl ratio of the latter type of SGHs is 1:1.

In planning for SGHs, the SWD normally locates three homes in close proximity. They can provide a total of 24 places and are supervised by 11 staff members, including one social worker.

(d) and (e)

According to the "Funding and Service Agreements" drawn up between the SWD and the NGOs operating SGHs, the NGO must meet all the "Service Quality Standards" which stipulate, among other things, that the SGH must have proper policies and procedures to ensure that services are provided in a safe environment and service users are free from abuse. The NGO must evaluate the service unit regularly to ensure that it complies with the relevant policies and procedures, and must also submit an assessment report to the SWD on an annual basis.

To provide more efficient, customer-focused, accountable and output-driven welfare services, the SWD and subvented NGOs have jointly introduced a Service Performance Monitoring System (SPMS). Under SPMS, the SWD conducts random spot checks on subvented service units (including SGHs) to evaluate their service quality and performance. For instance, the SWD will review the relevant policies and procedures and their implementation, inspect the service units and collect views directly from staff members and service users on the services provided. Where reports are received from service users, parents, staff members or members of the public indicating that there are loopholes in the safety measures of individual service units, the SWD will conduct unannounced inspections to check whether the service units concerned can effectively ensure the safety of service users and whether improvements have to be made.

### **Building Developments in Mid-Levels**

11. **MR KAM NAI-WAI** (in Chinese): *President, since 1972, the Government has implemented an administrative moratorium (the Moratorium) to restrict*

*building developments in Mid-Levels to ease traffic congestion. On the other hand, a property developer plans to merge three sites on Seymour Road, Castle Road, and Castle Steps of Mid-Levels West for developing a residential skyscraper. In this connection, will the Government inform this Council:*

- (a) of the latest situation of implementing the Moratorium in the vicinity of Seymour Road;*
- (b) given that the Office of The Ombudsman had pointed out in its direct investigation report published in September 2006 that the government departments concerned had not effectively implemented the Moratorium and suggested that if the need for the continuation of the Moratorium was established, the authorities "should give clear guidelines to the bureaux and departments concerned for proper implementation and close co-operation in co-ordination", whether the Government has formulated such guidelines as suggested; if so, of the application of the guidelines in the vicinity of Seymour Road; and*
- (c) given that the completion of the above skyscraper may increase the traffic load at Mid-Levels, affect the view of nearby buildings and heighten the residential density of the area, whether the Government has formulated remedial measures and how it ensures the full implementation of the Moratorium in the future?*

**SECRETARY FOR DEVELOPMENT** (in Chinese): President, in June 1972, the Government introduced the Moratorium, an administrative measure to restrict building development in Mid-Levels, to ease traffic congestion in the area. The Moratorium was introduced on traffic grounds. Based on the traffic assessment and the extent of development known then, it was concluded that for the Mid-Levels area, all further sales of Government land and all further modifications of Government leases to permit more intensive development should be deferred. The Moratorium, still in force, is only one of a comprehensive range of measures that the Government has taken over the past 30 years in tackling traffic congestion in the area.



Our reply to the Honourable KAM Nai-wai's question is as follows:

(a) and (b)

In response to The Ombudsman's Investigation Report on the Administration of the Mid-Levels Moratorium released on 14 September 2006, the Government has pointed out that:

"The Mid-Levels Moratorium was never intended to prohibit developments/redevelopments in the Mid-Levels area, but to restrict developments/redevelopments to what is permissible under the existing leases. As for leases that are unrestricted in terms of development rights, the Government cannot unilaterally impose a limit so long as the proposed redevelopment complies with the Outline Zoning Plan (OZP) and the Buildings Ordinance. It has to be pointed out that the Mid-Levels Moratorium, being administrative in nature, cannot override private property rights. The Lands Department must respect the development rights as permitted under the lease."

Implementation of the Moratorium, like the implementation of many other public policies, involves various bureaux and departments. The Transport and Housing Bureau is the policy co-ordinator and the Lands Department is responsible for implementation of the Moratorium, that is, to defer all sales of Government land in that area and restrict development intensity to what is permissible under the existing leases. All along, the relevant bureaux and departments have been working closely to implement the Moratorium.

According to our information, the Buildings Department had not issued any occupation permit for developments in the vicinity of Seymour Road between September 2006 and January 2009. The Department nevertheless approved a total of 14 building plans (there were more than one building plans for some sites) and all the leases of the sites involved are unrestricted. The Moratorium is therefore not applicable to controlling the development of these sites.

- (c) The piece of land in the vicinity of Seymour Road is primarily zoned "Residential (Group A)" on the Mid-Levels West OZP to reflect the existing high intensity residential development. In recent years, redevelopment in the area tends to result in taller buildings. To avoid the continuation of such a situation or buildings incompatible with the environment, to preserve the existing ridgeline and the view of Victoria Harbour, and for better control over building height in the area, the Town Planning Board (TPB) incorporated building height restrictions in a number of land use zones on the Mid-Levels West OZP in early 2008. In addition, restrictions on maximum plot ratio were imposed for various land use zones on the OZP, including "Residential (Group B)" and "Residential (Group C) 6-8" zones, so as to preserve the characteristics of the existing buildings and ensure that the development in the area will not overload the proposed road system and other infrastructure.

With respect to the proposed residential development by the Swire Properties Ltd at Seymour Road, Castle Road and Castle Steps, notwithstanding the Town Planning Appeal Board's approval of the relevant planning application on 25 February 2008 following the decision of the Court of First Instance on 15 November 2007, the TPB lodged an appeal to the Court of Appeal against the decision of the Court of First Instance. The case was heard between 3 and 5 December 2008 pending the judgment of the Court.

Meanwhile, the Transport Department is conducting a traffic study for the Mid-Levels area. One of the objectives of the study is to identify feasible transport and traffic measures to alleviate traffic problems in the area. The study is expected to be completed in the middle of this year. The Planning Department will refer to the findings of the study in its review of the relevant OZPs.

### **Outlying Island Ferry Services**

12. **MS MIRIAM LAU** (in Chinese): *President, it is learnt that as the road and railway networks have been improving gradually in recent years, and the outlying island ferry piers in Central have been moved to a more remote location,*

*the number of passengers of outlying island ferry routes has continued to decrease. The ferry operators concerned are facing operating hardship caused by a persistent decrease in fare box revenue and a continuing increase in operating expenses. In this connection, will the Government inform this Council:*

- (a) of the respective patronage of various outlying island ferry routes in the past five years;*
- (b) given that the existing and proposed connecting transport facilities and pedestrian linking facilities around the ferry piers in Central are quite far away from the outlying island ferry piers, whether the Government will extend these facilities to Central Pier No. 1 or introduce new measures, so as to assist the ferry operators concerned in alleviating the problem of the decline in patronage as a result of the ferry piers being remotely located;*
- (c) given that the authorities have proposed in the Urban Design Study for the New Central Harbourfront (the Study) to include Central Piers No. 4 to 6 as part of the comprehensive development area (CDA), refurbish Pier No. 7 and reconstruct Pier No. 8, why the Government has not considered the option of a comprehensive development of Central Piers No. 1 to 10 under the same concept; and*
- (d) apart from implementing the proposals in the Study (including the addition of a floor at Central Piers No. 4 to 6 for use by the ferry operators concerned for commercial or retail purposes), what new measures the Government has put in place to assist the ferry operators concerned in increasing non-fare box revenue, so as to subsidize their ferry operations for the sustainable development of the ferry services (for example, whether it will enhance the revitalization of the areas around the outlying island ferry piers in Central, and set up open air cafes or holiday art markets to make the areas a new landmark, so as to increase the pedestrian flows to the ferry piers)?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Chinese): President,

- (a) The patronage of major outlying island routes in the past five years is as follows:

<i>Route</i>	<i>2004</i> <i>(millions)</i>	<i>2005</i> <i>(millions)</i>	<i>2006</i> <i>(millions)</i>	<i>2007</i> <i>(millions)</i>	<i>2008</i> <i>(millions)</i>
Central-Yung Shue Wan	2.42	2.44	2.60	2.64	2.77
Central-Sok Kwu Wan	0.30	0.29	0.32	0.32	0.36
Central-Mui Wo	2.40	2.33	2.34	2.40	2.31
Central-Peng Chau	1.79	1.75	1.80	1.90	1.88
Central-Cheung Chau	6.41	6.45	6.72	6.98	7.27

- (b) The patronage of major outlying island routes was stable in the past five years with some routes recording growth.

At present, bus terminals, bus stops and green minibus stops are located within a walking distance of approximately two to five minutes from the Central Piers. Ferry passengers may use the pedestrian footbridge outside Central Piers No. 3 and 4 and that outside the new Star Ferry pier building at Central Pier No. 7 to connect to the Central pedestrian footbridge system.

The Study being carried out by the Planning Department also proposes to enhance pedestrian connectivity to the pierside.

- (c) In accordance with the approved Central District Outline Zoning Plan, Central Piers No. 4 to 6 and the adjacent area have been zoned as "CDA". Apart from proposing different design concepts for the key sites, the Study also examines the design of the Central Piers area as Pierside Corridor including a pier walk with boardwalks and seatings along the harbourfront, to enhance the vitality of and pedestrian flow along the pierside. Under this integrated design proposal, future uses of individual piers will also be proposed. For instance, alfresco dining, retail and other waterfront-related uses have been proposed for the "CDA" adjoining Central Piers No. 4 to 6.

- (d) The Government understands the difficulties facing ferry operations and the need for the services by the residents of the outlying islands. To help reduce the operating costs of these outlying island ferry services, the Government has been implementing various measures including taking over pier maintenance responsibility, waiving fuel duty, reimbursing pier rentals and exempting vessel licence fees for ferry services under the Elderly Concessionary Fares Scheme, having obtained the Town Planning Board's approval to allow ferry operators to sublet premises at piers for commercial and retail activities and streamlining the subletting approval procedures to help generate non-fare box revenue for cross-subsidizing the ferry operation so as to alleviate pressure for fare increase.

The Government is also working on retrofitting Central Piers No. 4 and 6 with fire prevention facilities so that ferry operators can sublet pier premises for more diversified commercial and retail activities. The works will commence shortly and is expected to be completed by the end of 2009. The Government has also started planning for the construction of an additional floor at Central Piers No. 4 to 6. Ferry operators could use that floor for commercial or retail activities to generate more non-fare box revenue, so as to cross-subsidize the ferry operation.

### **Recycling of Used Clothing**

13. **MS AUDREY EU** (in Chinese): *President, it has been reported that since the onset of the financial tsunami, the quantities of used clothing collected by non-profit-making organizations and recyclers have decreased substantially when compared with those in the past. In this connection, will the Government inform this Council:*

- (a) *whether it knows the total quantities of used clothing collected last year, and a breakdown by the type of clothing (that is, men's clothing, women's clothing and children's clothing); if so, of the details; if not, the reasons for that;*

- (b) *of the measures it adopted last year for encouraging participation by the public in used clothing collection activities; and*
- (c) *whether it has studied the introduction of new measures to encourage more non-profit-making organizations to participate in the used clothing collection work, so as to create more employment opportunities?*

**SECRETARY FOR THE ENVIRONMENT** (in Chinese): President,

- (a) According to the export figures compiled by the Census and Statistics Department, the quantity of used clothes and other used textile products exported in 2008 amounted to 5 533 tonnes, representing a drop of 1 190 tonnes (about 18%) against the export of 6 723 tonnes in 2007. The Government has not conducted any territory-wide survey on the recycling of used clothes by category and therefore no breakdown by the type of used clothes is available.

The above export figures cover used clothes and other used textile products exported from Hong Kong but not used clothes reused or recycled locally. Therefore, the figures do not fully reflect the recycling of used clothes in Hong Kong. They are for reference only.

- (b) Currently the public can participate in recycling used clothes through various channels. At source, we have launched the Programme on Source Separation of Domestic Waste (the Programme) which covers about 1 000 housing estates in the territory. Waste separation facilities are provided on each floor or within the estate to facilitate separation of waste at source by residents. The types of recyclables include used clothes, waste paper, metals, plastics, used computers and electrical appliances. In addition, the Government launched the Community Used Clothes Recycling Bank Scheme in 2006. Under the Scheme, Community Used Clothes Recycling Banks (Recycling Banks) are placed at suitable locations (for example, entrances to community halls/community centres, sitting-out areas, parks, sports centres and libraries) in the 18

districts throughout the territory. Four non-profit making organizations experienced in used clothes collection were appointed as scheme managers. Other non-profit making organizations may apply to the scheme managers for operating the Recycling Banks. At present, over 180 Recycling Banks are placed in all districts throughout the territory under the Scheme. On top of this, many recyclers engaged in recovering used clothes provide recovery service for the public.

- (c) Apart from promoting the Programme to facilitate the separation of used clothes and recyclables at source for recycling, the Government offers, through the Environment and Conservation Fund, funding support to non-profit making district organizations for launching wideranging projects aimed at waste reduction and recycling. This also helps create more employment opportunities. We have briefed various District Councils and the Hong Kong Council of Social Service on the operation of the Fund to encourage more organizations to launch waste reduction projects with the funding support of the Fund.

### **Occupational Retirement Schemes**

14. **MR CHEUNG KWOK-CHE** (in Chinese): *President, regarding the occupational retirement schemes (ORSs) joined by staff of non-governmental organizations (NGOs) under the Social Welfare Department (SWD), will the Government inform this Council whether it knows:*

- (a) *the respective current numbers of NGO staff who are members of registered schemes and exempted schemes under the Occupational Retirement Schemes Ordinance (Cap. 426) (the Ordinance) and, among them, the respective numbers of staff who will reach the specified normal retirement age in the coming 12 months;*
- (b) *the number of ORSs which give their members the option to keep the balances in the schemes upon their retirement and to withdraw benefits at any time; and the total number of members of such schemes; and*

- (c) *the number of ORSs which stipulate that the trustee shall pay the full amount of the balances to the member concerned on the date of his retirement, and the total number of members of such schemes; given that the financial tsunami has caused huge losses to many retirement schemes, whether the Government will require or encourage NGOs or trustees to provide ways by which retiring staff can have the flexibility mentioned in (b) above?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Chinese): President, ORSs are retirement schemes operated by employers for their employees on a voluntary basis. As at 31 December 2008, there were a total of 7 222 ORSs with 462 084 participating scheme members, including 5 129 registered schemes and 2 093 exempted schemes.

The Mandatory Provident Fund Schemes Authority (MPFA) discharges its duties as the Registrar of Occupational Retirement Schemes under the Ordinance to register the schemes concerned and maintain ongoing monitoring of their operation to ensure that the schemes are properly regulated, including their financial soundness. However, the MPFA is not involved in handling the data of individual scheme members. In addition, as ORSs are voluntary in nature, the contents and operational details of individual schemes are generally devised by respective employers according to their specific needs and objectives. The MPFA does not maintain information concerning individual members and the respective terms and conditions of all the 7 000-plus ORSs, including the number of staff of non-government welfare organizations subvented by the SWD who participated in ORSs, the time when the concerned staff will reach the retirement age and the arrangements for individual members to withdraw their retirement benefits under the respective ORSs, and so on. The SWD does not have such information either. Under the lump sum grant subvention system, non-government organizations may determine their staffing structure and salaries flexibly and are not required to report the personal particulars or remuneration package of their staff (including retirement benefits) to the SWD.

In principle, the work arrangements and terms of employment (including retirement benefits) of individual institutions, including non-government organizations, should be decided by respective employers and employees with



regard to relevant legislative requirements. Since the Ordinance does not impose any limitation on when a retiring employee may withdraw his retirement benefits, the Government will not require or encourage any organizations or trustees to amend the contents and operational details of their schemes. The Government, however, has been encouraging employers to strengthen communication with their employees so as to develop and promote a harmonious employer-employee relationship. Where necessary, the Government will assist both sides to resolve differences and reach consensus through negotiation.

### **Protection of Bank Deposits**

15. **MS STARRY LEE** (in Chinese): *President, under the existing Deposit Protection Scheme (DPS), in case of failure of a member bank, each affected depositor is entitled to compensation up to a maximum of HK\$100,000. On 14 October last year, the Government announced that following the principles of DPS, all customer deposits held in authorized institutions in Hong Kong would be fully guaranteed (full guarantee measure) with immediate effect until the end of 2010. However, it has been reported that when opening an integrated account for customers, some banks will provide "secured overdraft facility" for such account even though the customers have not requested for it. As such, deposits in the account will be treated as security, regardless of whether the customer has used the facility. According to the principles of DPS, deposits held as security are not protected by DPS and the full guarantee measure. In this connection, will the Government inform this Council whether it knows:*

- (a) *the types of bank accounts which are not protected by DPS and the full guarantee measure;*
- (b) *which banks provide integrated account service at present; the total number of such accounts and, among them, the respective numbers of those with overdraft facility and secured overdraft facility, as well as the respective total amounts of deposits in such accounts; and*
- (c) *since the implementation of the full guarantee measure, what measures various banks have taken to ensure that customers of integrated account with "secured overdraft facility" understand that*

*their deposits are not protected by DPS and the full guarantee measure, as well as the respective numbers of enquiries and requests for cancellation of overdraft facility received by the banks?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Chinese): President, the Administration's detailed response to the question is as follows:

- (a) Under the DPS launched since September 2006, eligible deposits placed with the DPS members, regardless of the currency in which they are denominated, would be entitled to a compensation up to a maximum of HK\$100,000. Eligible deposits include all common types of deposits such as current accounts, savings accounts and time deposits with a maturity not exceeding five years. However, time deposits with a maturity exceeding five years, structured deposits (such as equity-linked and foreign exchange-linked deposits), secured deposits, bearer instruments (such as bearer certificates of deposits) and offshore deposits, as well as financial products other than deposits such as bonds, stocks, warrants, mutual funds, unit trusts and insurance policies, are not protected under the DPS.

On 14 October 2008, the Government announced the use of the Exchange Fund to guarantee customer deposits held with all Authorized Institutions in Hong Kong with immediate effect until the end of 2010, following the principles of the DPS (Full Guarantee Measure). The types of eligible deposits covered by the Full Guarantee Measure are the same as those covered by the DPS.

- (b) Neither the Hong Kong Monetary Authority (HKMA) nor the Hong Kong Deposit Protection Board (HKDPB) possesses the relevant information, including the number of banks providing integrated account service, the number of integrated accounts, the number of integrated accounts with overdraft facilities and secured overdraft facilities respectively, and the respective total amounts of deposits in such accounts.
- (c) According to the guideline issued by the HKMA in December 2008, banks should write to depositors holding unprotected deposits by the

end of May 2009, setting out which deposits held by these depositors are not protected under the Full Guarantee Measure. The relevant requirement is also applicable to unprotected deposits held in integrated accounts.

Recently, there has been some public concern on whether deposits held in integrated accounts would be pledged without the knowledge of the customers concerned, making the deposits unprotected under the Full Guarantee Measure. While the arrangements under the contractual terms of different banks may vary, automatic offering of credit facilities to customers holding integrated accounts and charging all deposits under the relevant accounts for credit facilities is not a common practice. A major bank which has adopted this practice has already agreed to change the arrangement, and will notify all affected customers in this month.

The HKMA also issued a circular on 5 February 2009 to all Authorized Institutions, requiring them to inform holders of all integrated accounts under their purview by letter or email as soon as practicable of whether any secured credit facilities are offered under the types of integrated accounts held. This arrangement will enable depositors to know whether their deposits have been pledged and therefore become unprotected under the Full Guarantee Measure. In addition to banks' notification to customers, both the HKMA and the HKDPB have stepped up effort to educate the public and publicize the types of unprotected deposits through such means as TV Announcements in the Public Interest, newspaper advertisements, information leaflets, press release and "Viewpoint" articles published on the website of the HKMA, with a view to further increasing the awareness of the public regarding eligible deposits under the DPS and the Full Guarantee Measure.

With respect to the figures concerning the respective numbers of enquiries and requests for cancellation of overdraft facilities received by banks as mentioned in the question, neither the HKMA nor the HKDPB has the relevant information.

**Student Health Service Implemented by Department of Health**

16. **DR JOSEPH LEE** (in Chinese): *President, regarding the Student Health Service (SHS) implemented by the Department of Health (DH), will the Government inform this Council:*

- (a) *of the number of health education talks organized for secondary and primary schools by the Student Health Service Centres (SHSCs) under DH in each of the past three years, and the numbers of participating schools and students each year;*
- (b) *of the numbers and percentages of secondary and primary school students who received services provided by SHSCs in each of the past three years;*
- (c) *why the Junior Health Pioneer Workshops (the Workshops) organized by DH only targets Primary 3 students who have joined the SHS, instead of all primary school students;*
- (d) *of the numbers of talks and activities organized under the Adolescent Health Programme (AHP) implemented by DH in each of the past three years, and the numbers and percentages of participating schools and students each year; and*
- (e) *whether talks on health promotion had been organized at the district level for secondary and primary schools as well as pre-primary institutions in the past three years; if so, of the number of talks organized each year and the number of participants; if not, whether it will consider organizing such talks; if not, of the reasons for that?*

**SECRETARY FOR FOOD AND HEALTH** (in Chinese): *President,*

- (a) The DH organizes health talks in its 12 SHSCs. Students may attend the talks through arrangements made by their schools, or by themselves or in the company of their parents. Hence, the DH usually counts the attendance at the health talks in terms of the

number of participants instead of the number of schools. The number of health talks organized by the DH in its SHSCs and the number of participants in the past three academic years are as follows:

	<i>2005-2006 academic year</i>	<i>2006-2007 academic year</i>	<i>2007-2008 academic year</i>
No. of health talks	32 571	30 499	24 814
No. of participants	817 299	771 286	596 214

- (b) The number of secondary and primary students participating in the SHS and their percentage in the total secondary and primary student population in the past three academic years are as follows:

	<i>2005-2006 academic year</i>	<i>2006-2007 academic year</i>	<i>2007-2008 academic year</i>
Total primary student population	429 684	411 615	384 837
No. of primary students participating in the SHS	404 173	392 742	371 076
Percentage of primary students participating in the SHS	94.1%	95.4%	96.4%
Total secondary student population	474 998	468 565	474 398
No. of secondary students participating in the SHS	351 881	373 037	380 945
Percentage of secondary students participating in the SHS	74.1%	79.6%	80.3%

- (c) The DH's Workshops were first introduced in the 2007-2008 academic year as subject talks for Primary Three students to help them understand the harmful effects of smoking, abuse of psychotropic substance and excessive drinking, and stand firm against any ill temptations. The number of participating Primary Three students accounted for about 85% of the total number of Primary Three students in Hong Kong in the 2007-2008 academic year.

The service targets of the Workshops are Primary Three students aged eight to nine who are slightly older than Primary One and Two students. They generally have some knowledge of tobacco, alcohol and drugs, and may even have exposure to such ill temptations. Making them aware of the harmful effects of tobacco, alcohol and drugs as early as possible would help equip them with refusal skills.

- (d) The number of talks and activities organized for secondary students under the AHP of the DH; the number of participating schools; the number of participating students and their percentage in the total number of secondary schools and secondary student population in the past three academic years are as follows:

	<i>2005-2006 academic year</i>	<i>2006-2007 academic year</i>	<i>2007-2008 academic year</i>
No. of secondary schools in Hong Kong	569	579	576
No. of secondary schools participating in the AHP	346	350	340
Percentage of participating secondary schools	60.8%	60.4%	59.0%
Total secondary student population	474 998	468 565	474 398
No. of secondary students participating in the AHP	122 037	119 575	101 843
Percentage of participating secondary students	25.7%	25.5%	21.5%
No. of talks and activities organized	15 219	13 075	11 508

Besides, the Hong Kong Jockey Club Charities Trust, Education Bureau and Social Welfare Department have jointly organized the "Positive Adolescent Training through Holistic Social Programmes" (the Scheme) since the 2005-2006 academic year. Also targeting young people, the Scheme aims to develop their competence in various aspects, promote their bonding with others, and develop healthy beliefs and clear values in them.

- (e) From 2006 to 2008, the DH organized 3 259 talks on health promotion at the district level for secondary and primary schools as well as pre-primary institutions, with a total number of 24 840 participants.

## Route 8

17. **MR CHAN HAK-KAN** (in Chinese): *President, the vehicular traffic flow on the Shatin to Cheung Sha Wan section of Route 8 has been low since its commissioning on 21 March last year. Moreover, there are still neither franchised bus nor public light bus (PLB) routes passing through that road section at present. In this connection, will the Government inform this Council:*

- (a) *of the respective average daily vehicular traffic flow of Lion Rock Tunnel (LRT), Shing Mun Tunnel (SMT), and Tate's Cairn Tunnel (TCT) each month since the commissioning of the aforesaid road section and their trends; whether the commissioning of the aforesaid road section has the effect of diverting traffic;*
- (b) *of the projected increase in the average daily vehicular traffic flow on the aforesaid road section after the commissioning of the entire Route 8;*
- (c) *whether it will consider lowering the tolls for the aforesaid road section, so as to attract more motorists to use that road section;*
- (d) *whether it will discuss with franchised bus companies and green minibus operators the arrangement for certain existing bus and PLB routes to pass through the aforesaid road section; if so, of the routes involved, and whether it will request the franchised bus companies to offer bus-bus interchange concessions to the passengers concerned; if not, the reasons for that; and*
- (e) *whether it knows if the franchised bus companies and green minibus operators have plans to introduce new bus and PLB routes destined for West Kowloon and the Central and Western District respectively, which pass through the aforesaid road section?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Chinese): President, my replies to the five parts of the question are as follows:

- (a) Details of the average daily vehicular traffic flow of LRT, SMT and TCT since the commissioning of the section of Route 8 between Sha Tin and Cheung Sha Wan (the Section) in March 2008 (up to January 2009) are set out in the Annex. The average daily vehicular traffic flow of the Section is also provided for reference. Since the commissioning of the Section, the LRT, SMT and TCT have seen a decrease of 6.6%, 5.5% and 11.2% respectively in their average daily vehicular traffic flow over the corresponding period in the previous year (that is, March 2007 to January 2008). It shows that the Section has begun to provide a diversionary effect since its commissioning and has helped alleviate traffic congestion at other tunnels.
- (b) The average vehicular traffic flow of the Section was around 19 400 vehicles per day in January 2009, representing an increase of about 43% over the figure at the initial stage of commissioning. Upon the commissioning of the entire Route 8 subsequent to the completion of the section between Cheung Sha Wan and Tsing Yi in late 2009, we expect a rise of about 15% to 20% in the overall vehicular traffic flow, if the overall economic condition, traffic flow to/from the airport, and the overall passenger and freight traffic are within the expected level. The Transport Department (TD) anticipates a further increase when drivers gradually become familiar with the entire Route 8.
- (c) In determining the existing toll rate of the Section (that is, a flat toll of \$8 for all vehicle types), we have taken into consideration a number of key factors including the cost, strategic position of the route, tolls of alternative routes, public acceptability and affordability, traffic implications of the toll level, as well as views and comments of the public and the Legislative Council in discussing the toll level of the Section. The current toll rate of Route 8 has taken into account public concerns about the increasing



cost of living including traffic expenses, and should be largely affordable and acceptable to the general public. We do not plan to adjust the toll rate of Route 8 at this moment.

- (d) The TD has been exploring the possibility of diverting existing bus and minibus routes to the Section. The TD notes that such diversion might affect some of the existing passengers, as the diverted routes might not cover some of the existing en-route stops. In addition, the diversion might increase the journey distance of some routes and hence the travelling time of passengers.

Taking into account the abovementioned considerations, as well as passenger demand, traffic conditions, coverage of existing public transport networks and impact on the operational efficiency of public transport networks, the TD's current preliminary plan is to divert cross harbour route 373A (Wah Ming — Wan Chai (Hong Kong Convention and Exhibition Centre)) to run the Section. Compared with diversion of other routes, the diversion of this route would have a relatively smaller impact on existing passengers and en-route stops, and is considered more practicable. The TD will explore with the Traffic and Transport Committee of the North District Council the feasibility of this plan. Since this diversion plan only involves one bus route, it does not include bus-bus interchange scheme. The TD has no plan to divert green minibus routes to ply Route 8 at the current stage.

- (e) At the moment, franchised bus companies do not have any plan to introduce new bus routes plying the Section to Kowloon West, or Central and Western District of Hong Kong Island.

For green minibus services, taking into account that there are adequate public transport services between Sha Tin and West Kowloon as well as Central and Western District of Hong Kong Island, the TD has no plan to introduce green minibus routes plying Route 8 at the current stage.

LRT, SMT, TCT and the Section  
Average Daily Vehicular Traffic Flow  
(March 2007 to January 2008 and March 2008 to January 2009)

	<i>Average Daily Vehicular Traffic Flow</i>							
	<i>LRT</i>		<i>SMT</i>		<i>TCT</i>		<i>the Section</i>	
	<i>2007-2008</i>	<i>2008-2009</i>	<i>2007-2008</i>	<i>2008-2009</i>	<i>2007-2008</i>	<i>2008-2009</i>	<i>2007-2008</i>	<i>2008-2009</i>
March	91 512	86 493	53 887	51 964	56 560	55 321	N. A.	13 613
April	87 871	84 929	52 830	49 666	54 016	55 989	N. A.	15 174
May	89 019	83 848	52 922	48 032	55 568	54 672	N. A.	16 495
June	89 573	81 355	54 428	47 187	57 007	53 319	N. A.	16 745
July	88 503	82 245	53 837	48 203	55 862	54 114	N. A.	18 146
August	87 569	80 054	54 693	46 455	56 259	51 953	N. A.	18 073
September	91 153	84 004	55 621	48 680	57 877	55 367	N. A.	20 001
October	90 130	83 118	54 628	46 930	56 733	52 877	N. A.	19 580
November	92 064	84 929	56 076	47 036	58 121	53 284	N. A.	20 253
December	91 648	86 533	55 088	47 351	57 601	51 175	N. A.	20 806
January	90 900	86 631*	54 941	50 575*	57 470	50 694*	N. A.	19 411*

Note:

\* Provisional figures subject to confirmation.

### Upgrading Works for Lam Kam Road

18. **MR CHEUNG HOK-MING** (in Chinese): *President, on the 11th of this month, a fatal traffic accident occurred on an inclined section of Lam Kam Road near Ling Wan Monastery, arousing concern about the road safety of that road section. On the other hand, people and residents from the district have told me that the Highways Department (HyD) plans to defer by one year the works to upgrade the remaining sections of Lam Kam Road, which have originally been scheduled to commence at the end of 2010. In this connection, will the Government inform this Council:*

- (a) *of the number of traffic accidents which occurred on Lam Kam Road and the resultant casualties in each of the past three years;*

- (b) *why HyD plans to defer the commencement of the upgrading works, the updated implementation timetable and estimated expenditure of the works, as well as what measures it will take to reduce traffic accidents before the works are completed; and*
- (c) *whether it will actively consider expediting commencement of the works, so as to improve the road safety of the road section concerned; if it will not, of the reasons for that?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Chinese): President, Lam Kam Road is a single two-lane road connecting Tai Po and Yuen Long. Improvements to the section of Lam Kam Road between Lam Kam Road Interchange and Kadoorie Farm were completed in the mid-1990s, with traffic lanes of the road section of about 6.5 kilometres (km) long widened to the standard. As for the remaining section of Lam Kam Road between Kadoorie Farm and Kam Tin Road, the traffic lanes thereof are not up to the current standards. The Government has planned to upgrade this section to meet the current standards, under the Public Works Programme (PWP) item "Upgrading of remaining sections of Kam Tin Road and Lam Kam Road" (the Project). The HyD commenced the preliminary design of the Project in 2007 and is now conducting ground investigations and relevant impact assessments. The HyD will begin the relevant statutory and administrative procedures later with a view to commencing the Project in early 2011.

For the various parts of the question by Mr CHEUNG Hok-ming, our reply is set out below:

- (a) The figures of traffic accidents and casualties on Lam Kam Road from 2006 to 2008 are listed in the following two tables:

Section between Lam Kam Road Interchange and Kadoorie Farm

	2006	2007	2008
Number of accidents	15	11	18
Casualties			
Fatal	0	0	0
Serious	3	4	0
Slight	16	14	22

## Section between Kadoorie Farm and Kam Tin Road

	2006	2007	2008
Number of accidents	9	6	8
Casualties			
Fatal	0	0	0
Serious	0	0	0
Slight	11	6	10

- (b) The Project was upgraded to Category B under the PWP in 2007. Construction works were originally scheduled to start before end 2010. However, in the course of conducting the geotechnical assessments under the preliminary design, it came to HyD's attention that extensive slope works were required to ensure that the roadside slopes would meet the current safety standards. As such, the HyD had to broaden the study area of the environmental impact assessment (EIA) made in accordance with the Environmental Impact Assessment Ordinance (Cap. 499), and the time for the EIA was thus lengthened. According to the current progress, the Project will have its commencement date slightly put back to early 2011.

The Project involves improving sections of Kam Tin Road of about 3.9 km long and Lam Kam Road of about 1.3 km long. Both sections are single two-lane carriageways. To maintain the roads for traffic on both directions, the works will be phased and are expected to take five years to complete. The estimated project cost is about \$200 million.

Before construction works start, the Transport Department (TD) and the HyD will continue to consider and implement short-term improvement measures (such as laying anti-skid materials on the roads, installing crash barriers and adding traffic warning signs) based on the actual road condition, in order to reduce the chance of accidents occurring. Moreover, during the construction period, the Administration will devise temporary traffic arrangements (TTAs) and set up a site traffic liaison group comprising representatives of the Police, TD, HyD and other concerned parties. The liaison group will closely monitor the relevant TTAs and ensure their smooth operation.

- (c) The HyD has completed the preliminary design for the Project and will shortly consult the Yuen Long District Council and the Pat Heung Rural Committee. It will proceed thereafter with the statutory and administrative procedures required before the commencement of the construction works, including the public exhibition of the EIA report, gazettal of the scheme under the Roads (Works, Use and Compensation) Ordinance (Cap. 370) and seeking funding approval from the Legislative Council after authorization. We will shorten the time necessary for the above procedures as much as possible for the early commencement of the works.

### **Re-examining Priority for Introduction of Bills and Policy Proposals**

19. **MR FREDERICK FUNG** (in Chinese): *President, at the Question and Answer Session of this Council on 15 January this year, the Chief Executive stated that, in order to address the impact of the financial tsunami, every responsible government would re-examine the priority for policies currently in sight and defer dealing with those policies which were neither urgent nor related to countering the financial tsunami. In this connection, will the Government inform this Council:*

- (a) *as the Legislative Programme submitted to this Council by the Government last October indicated that the Government intended to introduce 27 bills into this Council in the current legislative session, and four of the bills have been introduced so far, whether the Government will introduce the remaining bills into this Council within the current legislative session as scheduled; if not, whether it is due to the above reason; and*
- (b) *of the "policies in sight" originally scheduled for implementation this and next year, and the original implementation timetable; apart from the public consultation on constitutional development, of the other policy proposals the implementation of which will be deferred after re-examination, and the justifications for the deferral?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Chinese): President,

- (a) In October 2008, the Administration provided the Legislative Council with the 2008-2009 Legislative Programme, setting out the 27 bills that the Administration intended to introduce into Legislative Council in the current legislative session. Among them, five were intended for introduction in the first half of the legislative session (that is, between October 2008 and February 2009) and the remainder were intended for introduction in the second half of the legislative session (that is, between March and July 2009).

In the first half of the current legislative session, the Administration has submitted four bills, three of which are on schedule (that is, the Public Health and Municipal Services (Amendment) Bill 2008, the Road Traffic (Driving-offence Points) (Amendment) Bill 2009 and the Disciplined Services Legislation (Miscellaneous Amendments) Bill 2009) while one (that is, the Adaptation of Laws Bill 2009) was submitted earlier than scheduled. The number is reasonably proximate to that provided in the Legislative Programme submitted to Legislative Council in October 2008. The two bills which have not been introduced into Legislative Council as scheduled are the Building Management (Amendment) Bill and the Domestic Violence (Amendment) Bill. For the Building Management (Amendment) Bill, when the Administration consulted the Panel on Home Affairs on the statutory declaration requirement, panel Members noted that the public had different views on retaining the existing statutory requirement and requested the Administration to explore administrative measures to assist members of management committee to observe the existing requirement. In the light of Members' views, the Administration will first study the relevant administrative measures. As for the Domestic Violence (Amendment) Bill, when the Government consulted the Panel on Welfare Services on the proposed amendments as scheduled last December, panel Members held different views on the proposals. The Panel subsequently conducted two public hearings in January this year during which various deputations and members of the public were invited to express their views on the proposed amendments. The Administration is carefully considering the

views expressed by various parties in drafting the bill. It remains the target of the Administration to introduce the relevant amendments into Legislative Council within the 2008-2009 legislative session.

As in the past, we will review the Legislative Programme in the middle of the legislative session. Upon completion of the mid-session review, the Administration will follow the usual practice of providing Legislative Council with an updated Legislative Programme, setting out the bills that the Administration intends to introduce into Legislative Council in the second half of the legislative session (that is, between March and July 2009).

- (b) The Chief Executive announced on 15 January 2009 the decision to slightly postpone the public consultation on the two electoral methods for 2012 to the fourth quarter of this year so that the community could focus its efforts on dealing with economic issues arising from the financial tsunami. Bureaux will continue to make preparation on policy proposals under their respective purview and review from time to time according to prevailing circumstances. In case of major changes in the timing of policy proposals, the Administration will brief Legislative Council in accordance with the existing mechanism.

### **Enhancing Efficiency in Utilization of Roads**

20. **MR JAMES TO** (in Chinese): *President, regarding enhancement of efficiency in utilization of roads, will the Government inform this Council:*

- (a) *given that in her reply to a question raised by a Member of this Council on 21 November 2007, the Secretary for Transport and Housing advised that the two key services (that is, the Intelligent Road Network (IRN) and the Public Transport Information Service (PTIS)), to be provided by the Transport Information System (TIS) under development by the Transport Department (TD), were expected to be available to the public in phases starting from the latter half of last year, why such services have not yet been launched, and when the services are expected to be launched;*

- (b) *given that TD had advised on 18 January 2007 that the works to install six sets of journey time indicators in advance of the critical traffic divergent points at the approach roads on Kowloon to the road-harbour crossings were expected to be completed in the middle of this year, of the current progress of the works; whether it will make the indicators available for use in phases based on the progress of the works;*
- (c) *given that the Transport and Housing Bureau had advised in April last year that it would conduct a comprehensive traffic study for West Kowloon (including making recommendations on the road network for the district), and the first phase of the study would be completed in December last year, why the results of the study have not yet been announced, and when they are expected to be announced; and*
- (d) *whether it had conducted studies or had drawn up plans in relation to the development of an intelligent transport system (ITS) last year; if so, of the details?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Chinese): President,

My replies to the four parts of the question are as follows:

- (a) Installation of the TIS was completed last year. The TD is now fine-tuning TIS, linking TIS with related systems of other departments for data exchange, as well as conducting internal testing and data update. ITS provides two services, namely the PTIS and the IRN. They are expected to be available to the public and the industry in phases starting from the second and third quarter of 2009 respectively.

Value-added service providers in the private sector, including telecommunication companies, fleet and freight operators, as well as logistic and IT organizations, can make use of the IRN information to develop applications of the ITS, such as car navigation, fleet management systems and personalized information services for the public. Public transport passengers can make use of the PTIS to search for their optimum routes based on distance, fare and number



of interchanges, while motorists can, through the Internet, search for their optimum driving routes on the digitized map based on options such as distance, time and toll.

- (b) The project of extending the Journey Time Indication System (JTIS) to Kowloon commenced in October 2008 for completion and operation in early 2010. As the time taken for pre-qualification of tenderers was longer than expected, the extension works cannot be completed in 2009 as scheduled.

JTIS collects vehicle speed data on journeys passing through the three road harbour crossings for analysis by the central computer. The journey time indicators will display the estimated time for passing through individual crossings. Since JTIS as a whole can function effectively only after passing through all the tests, the completed indicators cannot be put into service early to allow operation of JTIS in phases.

- (c) The Comprehensive Transport Study for West Kowloon, including on the road works and pedestrian networks that will be constructed to cope with the future developments in the area, and the questions of how these facilities will work out in a co-ordinated manner, is expected to complete in mid 2009. Before implementing the related works projects and associated traffic management measures, the Government will consult the public and the Yau Tsim Mong District Council (YTMDC). The TD, in collaboration with the Highways Department and the MTR Corporation Limited, has scheduled to consult YTMDC on 26 February 2009 on part of the new transport infrastructure.
- (d) The TD commissioned the Feasibility Study on Deploying Advanced Technologies in Incident Management in 2007 for completion in mid 2009. In the light of the Study's findings, the TD will decide on ways to further use advanced technologies to enhance the capacity of incident management. The TD will also review the development strategy of ITS in due course to maximize traffic flow, enhance safety and performance of local road networks, as well as facilitate dissemination of traffic and transport information.

In the meantime, the TD is planning the following works projects for ITS development:

- Installation of an additional journey time indicator in the Eastern District;
- Study on the installation of speed map panels at five locations in the New Territories to show road traffic condition ahead with graphic images; and
- Gradual extension of the existing Internet Traffic Speed Map, which covers major roads on the Hong Kong Island, Kowloon and the New Territories South, to all strategic roads across the territory.

## **BILLS**

### **First Reading of Bills**

**PRESIDENT** (in Cantonese): Bill: First Reading.

### **APPROPRIATION BILL 2009**

**CLERK** (in Cantonese): Appropriation Bill 2009.

*Bill read the First time and ordered to be set down for Second Reading pursuant to Rule 53(3) of the Rules of Procedure.*

### **Second Reading of Bills**

**PRESIDENT** (in Cantonese): Bill: Second Reading.

### **APPROPRIATION BILL 2009**

**FINANCIAL SECRETARY** (in Cantonese): President, I move that the Appropriation Bill 2009 be read the Second time.

Since my .....

(Mr WONG Yuk-man held up a placard)

**PRESIDENT** (in Cantonese): Financial Secretary, please hold on. Mr WONG Yuk-man, please put down the placard that you are holding.

(Mr WONG Yuk-man put down the placard)

**PRESIDENT** (in Cantonese): Financial Secretary, please go on.

**FINANCIAL SECRETARY** (in Cantonese): President, since my first Budget last year, the global financial environment has changed dramatically. The financial crisis triggered by the US sub-prime mortgage problem is the most severe for the world economy since the Great Depression in the 1930s. This once-in-a-century financial turmoil has spread from the financial markets to the real economy, leading to a synchronized global recession. Being a small open economy, Hong Kong will inevitably be hit by the turmoil and our economy will slide into recession.

At times such as this, we need far-sightedness and courage. We also need to be strategic in our thinking and have the ability in problem solving so as to arrest as best we can the knock-on effects of the financial crisis. More importantly, we need to use our expertise to anticipate the development of the financial turmoil by taking countermeasures and making judgment in light of circumstances. We are responding with measures to ease the liquidity crunch in the financial system, relieve financing difficulties faced by enterprises, and bolster the community's confidence.

I will be responsive to social problems arising from the economic downturn, including unemployment, reduced incomes, and the negative wealth effect of lower property and stock values. I will provide a full, clear and honest account of our economic prospects. Through clear appreciation of the troubles we face together, we will endure and overcome them together.

To our citizens, having a job is of the utmost importance. In a financial crisis, having a secure job is like an anchor that provides stability to a ship in rough seas. The best way to preserve jobs is to improve our economy. Therefore, while we need to create more employment opportunities in the near future, we should concentrate on promoting medium and long-term development, strengthen our economic foundations, bolster our existing strengths and tap new opportunities during this worldwide economic slump. The financial turmoil has impacted on the life of many citizens. Until the turmoil subsides, we need to help those with new or added burdens so that they can overcome the present difficulties.

In preparing this Budget, I have been guided by three principles. First, in response to the economic recession and rising unemployment, I have given priority to measures that are effective in creating jobs and supporting employment. Second, I have sought measures that can increase the overall competitiveness of our economy and enhance the quality of life for our society. Third, to foster a return to healthy growth in the economy, I have sought measures that promote a more sustainable economic development, tap new opportunities, and provide new economic drivers to benefit Hong Kong in the long run.

In this Budget, I will explain the short, medium and long-term strategies to be adopted by the Government, adhering to the principles of prudent management of public finances and acting in the interest of our citizens:

- In the short term, I will introduce more measures to strengthen the employment programme we have implemented since last September to counter the financial crisis;
- For the medium and long term, I will spell out measures to grasp opportunities in the Mainland, consolidate our strengths in financial services, promote tourism and implement infrastructure projects. The aim is to help Hong Kong recover from the current financial crisis and enjoy healthy economic growth again; and
- At the same time, we will continue to sustain endeavors to develop a more caring society, provide assistance to the disadvantaged, build a more cohesive community and enhance the quality of life for every citizen.

Troubled times have come, but I am confident that with tenacity and wisdom we can weather this financial storm and put Hong Kong back on course again as a vibrant city of opportunity.

As a result of the financial crisis and a slow-down in the global economy, Hong Kong's economy suffered a heavy blow in the latter half of 2008. Gross Domestic Product (GDP) growth fell successively from 7.3% in the first quarter, to 4.3% in the second quarter, 1.7% in the third quarter, and minus 2.5% in the fourth quarter. For 2008 as a whole, GDP grew by 2.5%, lower than the trend growth rate over the past 10 years. (Chart 1)

On the trading front, because of sluggish overseas markets and the global credit crunch, growth in Hong Kong's exports of goods decelerated last year, recording an increase of only 2% in real terms. Consumer sentiment has worsened visibly. The drop in asset prices and bleaker economic prospects saw private consumption expenditure grow by only 1.8% in 2008, a marked slow-down from the rapid growth in 2007.

Towards the end of last year, enterprises took a more cautious approach to investment and staff recruitment. Gross domestic fixed capital formation dipped 0.3% for the whole year. After falling to a 10-year low of 3.2% in the middle of last year, unemployment reversed to an uptrend. The latest figure is 4.6%. The financial crisis also caused a rapid decline in the property market towards the end of last year. Negative equity cases increased to more than 10 000 in the fourth quarter. This represents 2% of the total number of residential mortgages. (Chart 2)

As a result of a surge in world food prices, local inflation went up for most of last year. The rise in private housing rental earlier on, resulting from an increase in demand, also brought inflationary pressure. With the fall in global food and energy prices and the decline in consumer demand in the second half of last year, the inflationary pressure on Hong Kong eased off notably by the end of last year.

The Budget that I presented last year and the package of relief measures announced by the Chief Executive in July 2008 helped lower headline inflation. The International Monetary Fund also agreed that these measures had provided a timely stimulus to the economy and protected vulnerable groups from the

consequences of high food prices and the effects of economic downturn. The average inflation rate as measured by the Composite Consumer Price Index for 2008 was 4.3%. If there had not been relief measures, the inflation rate would have been 5.6%. (Chart 3)

2009 will be a very difficult year. Both external trade and domestic demand are expected to remain subdued. I forecast a decrease in GDP by 2% to 3% for 2009, the first negative growth for a whole year since the Asian financial crisis in 1998. With the economy sinking into recession, the employment situation is expected to deteriorate further. As regards inflation, given weaker demand and a significant drop in global commodity prices starting from the second half of last year, I forecast that the headline inflation rate in 2009 will ease to 1.6%.

In the midst of a worldwide economic downturn, we all hope for a full recovery as soon as possible. Given the fluid economic situation and the varying effects of stimulus measures being taken around the world, it is likely that the global economy will take some time to return to normal. It is hard to predict accurately now when recovery will come about. I shall provide an update on the overall economic condition in the middle of this year.

I estimate that operating expenditure for 2008-2009 will be \$260 billion. As it covers the costs of various one-off measures to provide relief and to leave wealth with the people, operating expenditure for 2008-2009 will be higher than that for 2007-2008 by 27%.

As regards operating revenue, although I have taken into account in my last Budget a number of tax concessions, the lagging effect of the rapid economic growth in 2007-2008 led to higher-than-expected revenues from profits tax and salaries tax this year. Besides, the impact of the financial crisis on tax revenue has yet to be fully reflected in 2008-2009. Therefore, I estimate that operating revenue for 2008-2009 will be \$278 billion, \$28.6 billion higher than the original estimate.

For capital revenue, land premium is estimated at \$16.9 billion, which is \$26.2 billion lower than the original estimate of \$43.1 billion, a decrease of 73% over 2007-2008.

For capital works expenditure, excluding the \$21.6 billion endowment to the West Kowloon Cultural District Authority, the revised estimate for expenditure on government works projects for 2008-2009 is \$23 billion, \$1.2 billion higher than the original estimate of \$21.8 billion and an increase of 12% over the \$20.5 billion spent in 2007-2008. I expect an even larger increase in capital works expenditure in 2009-2010.

Overall, I forecast a surplus of \$18 billion in the Operating Account and a deficit of \$4.9 billion in the Consolidated Account for 2008-2009. This deficit, equivalent to 0.3% of our GDP, is close to the deficit of \$7.5 billion in the original estimate. This can be regarded as achieving fiscal balance. Fiscal reserves are forecast to stand at \$488 billion by end March 2009.

In last year's Budget, I stated my principles of management of public finances. These are: managing public finances prudently by keeping expenditure within the limits of revenues, maintaining a low and simple tax regime, and following the direction of "Market Leads, Government Facilitates". I also explained three basic principles that I have strictly adhered to, that is, pragmatism, commitment to society, and sustainability. These underlying principles serve the overall interests of Hong Kong.

I believe that public finances should be managed in such a way to respond to people's needs and aspirations. In face of economic recession, while keeping to our fiscal policies, I will make good use of the Government's resources to assist our citizens in overcoming their difficulties, with a view to breaking the vicious economic cycle and minimizing the negative effects of the economic downturn.

Last year I put forward a package of measures to leave wealth with the people. During economic downturn, public finance can play a more effective role. Adopting more proactive fiscal policies is not to stifle the vitality of the market, but to give fuller play to the Government's role as a facilitator. I will pragmatically review the various economic segments and decisively inject impetus into the economy, in order to bolster market confidence and provide a better environment for enterprises to play to their strengths. I will also be sensitive to the needs of different sectors of the community and provide the necessary assistance.

The global financial situation has deteriorated rapidly since last September. We have taken the following multi-pronged, strategic measures.

- First, last September we introduced a series of measures to ensure the stability of financial institutions and the market to bolster public confidence in our financial systems. These measures included the provision of liquidity assistance to the banking system, provision of full deposit guarantee according to the principles of the Deposit Protection Scheme and the establishment of a Contingent Bank Capital Facility;
- Second, in November and December last year, we introduced new measures in two phases to address the funding needs of small and medium enterprises (SMEs). In the first phase, we allowed greater flexibility in the use of the loans under the SME Loan Guarantee Scheme and extended the guarantee period for the Working Capital Loan. In the second phase, we set up a Special Loan Guarantee Scheme whereby the Government's guarantee ratio was increased to 70% and the guarantee commitment to \$100 billion to help SMEs to solve their cashflow problems. Since the launch of these measures, the Government had approved more than 3 000 applications, involving loans of over \$6 billion;
- Third, after the meetings of the Task Force on Economic Challenges, the Chief Executive announced a series of measures to preserve employment, including the provision of more than 60 000 employment opportunities this year through expediting works projects, the recruitment of civil servants and creating temporary and other posts. The Government also sought co-operation between the public and private sectors, including universities, statutory bodies and local and international Chambers of Commerce to create employment and internship opportunities; and
- Fourth, after introducing a Renminbi four-trillion stimulus package last November, in December the Central Government introduced 14 measures to support our financial stability and economic development. We are maintaining close liaison with the Central Government and relevant mainland authorities to ensure maximum benefit of these opportunities for our businesses and employment.



President, in my last Budget I proposed a number of fiscal measures to ease inflationary pressure and to prepare for the expected economic slow-down starting at the end of 2008. In mid-July last year, the Chief Executive announced 10 additional measures to improve people's livelihood. This \$57 billion relief package — equivalent to 3.4% of 2008 GDP — helped ease the burden of the grassroots and the middle class and achieved our goal to relieving the hardship being faced by the people. Some of these measures, such as the lowering of the standard rate, the electricity charge subsidy and food assistance, will continue to benefit the citizens in 2009-2010.

Jobs are important to social stability. I agree with the view that Government's efforts to sustain employment should not focus on a few sectors. They should benefit all businesses. Preserving jobs is my primary objective in preparing this Budget. We will not reduce expenditure because of the economic downturn and reduction in revenue. We will adopt counter-cyclical measures and government expenditure will exceed \$300 billion next year. This will help ease the pressure of economic contraction, boost domestic demand and increase employment opportunities.

We will also introduce some targeted measures to provide various types of jobs and internship opportunities. These measures fall into four groups:

First, I will earmark \$400 million non-recurrent funding for the Labour Department to enhance and integrate its various employment programmes to provide training and employment opportunities. We will raise the levels of subsidy to employers as an incentive for them to hire middle-aged people and disabled persons, and extend the subsidy period. It is estimated that these measures will benefit 44 000 people in the next two years.

Second, I will provide \$13 million additional funding for the Labour Department to adopt a more proactive approach in providing employment assistance to those made redundant during the financial crisis. This assistance will include contacting the affected employees and providing them with priority referral and job matching services so that they can find suitable jobs as soon as possible. In addition, we will organize more job fairs to provide them with a wide range of employment information.

Third, to address the influx of graduates into the labour market in the middle of the year, we have approached and received positive feedback from

University Grants Committee funded institutions and self-financing universities, the Hong Kong Chinese Enterprises Association and relevant chambers of commerce on measures to relieve employment difficulties for these graduates. We will launch an "Internship Programme for University Graduates" in the middle of the year. The programme will provide interested graduates with opportunities to work as interns and receive training in local or mainland enterprises for six to 12 months. It will broaden the horizon of our graduates and help them gain experience, as well as nurture talent for the industrial and business sectors. I have earmarked about \$140 million for subsidizing the internships and meeting other related expenses under the programme. We expect the programme to benefit about 4 000 graduates.

Fourth, I will provide an additional \$1.1 billion non-recurrent funding to provide various types of jobs. The measures include:

- (a) introducing a two-year "Operation Building Bright" campaign for maintenance of 1 000 dilapidated buildings, including those without owners' corporations. This will be done in co-operation with the Hong Kong Housing Society and the Urban Renewal Authority. I will earmark \$700 million and the two organizations will each provide funding of \$150 million to assist owners of these buildings to carry out repair and improvement works. Elderly owner-occupiers will be eligible for a full subsidy of maintenance costs subject to a ceiling of \$40,000, while non-elderly owners will enjoy an 80% subsidy capped at \$16,000. The campaign will create 10 000 jobs in the next two years;
- (b) earmarking \$100 million to assist organizers to host more attractive events in the areas of arts, culture and sports over the next three years to further promote Hong Kong as an events capital of Asia. This will help attract more tourists, stimulate consumption and promote economic development. It is expected that such activities will create some 2 800 jobs;
- (c) allocating \$78 million to promote and organize community involvement activities under the theme of "Green, Cultural, Dynamic Games" and to publicize the 2009 East Asian Games. This year also marks the 60th anniversary of the founding of the People's

Republic of China. We will join with various sectors of the community to organize a number of celebration activities, including art and cultural performances, exhibitions and youth exchange programmes. These activities will create about 260 jobs in project co-ordination, publicity and promotion;

- (d) earmarking \$63 million to conduct a one-year education programme to teach Internet users, especially young students, how to use the Internet appropriately and safely. It is expected that this programme will create about 500 jobs; and
- (e) allocating an additional \$130 million to carry out works to enhance energy efficiency of government buildings and public facilities. It is expected that this measure will create some 200 jobs while helping to improve the quality of public buildings.

Besides creating jobs directly, the above measures will also provide training and job opportunities specifically to those in need, including young people, graduates, women, the middle-aged and the disabled. These measures will entail a provision of \$1.6 billion and create about 62 000 jobs and internship opportunities in the next three years.

To address our present challenges, as well as taking concrete and timely steps to increase employment and give fresh impetus to the economy, we must formulate strategies for the long-term development of Hong Kong. We must lay a better foundation for the next generation.

The citizens expect us to take action to overcome the challenges posed by the financial turmoil. The drastic economic changes have fostered new roles for the Government. We must seize the opportunities for economic development. We will adopt a positive approach and formulate specific and effective policies. In the process, the Government will work more closely with the community and act as a more proactive market facilitator in economic development when necessary. For example, with increasing economic integration between Hong Kong and the Mainland, the two economies have established a very close relationship, and it is necessary for Hong Kong to reposition itself in the national plan. The past practice of enterprises moving ahead of the Government may not

always suit the development trend. We must have greater involvement in both regional economic planning and national strategic positioning. The Government will play an increasingly important role as a "champion".

We are not departing from market principles. We should not intervene when the market is functioning properly. This does not mean we are going down an interventionist route. We will review pragmatically the future directions for Hong Kong's economic development and provide a suitable platform for sustainable economic growth where necessary. There are times when the market fails and government action is called for. In considering government measures, we need to take into account whether they are in the interests of the community, provide a platform for long-term social development, and enhance the overall competitiveness of Hong Kong.

We will tap business opportunities and promote economic development more proactively. For example, we will promote employment training and encourage universities and business chambers to work with the Government to provide internship opportunities for university graduates. So is the promotion of green economy. My key strategies for sustaining the development of our economy include:

- (a) Promoting development of the regional economy and continuing economic integration with the Mainland;
- (b) Consolidating our role as a financial, business support and professional services, logistics and tourism hub;
- (c) Reaching into new economic territory such as new technology-based economy, creative economy and green economy, to enhance Hong Kong's long-term competitiveness; and
- (d) Investing in the future by implementing infrastructure projects.

The interaction between Hong Kong and the Mainland has been evolving over the past 30 years. Today the two economies are highly integrated. My confidence in Hong Kong's future is buttressed by our advantage in having the Mainland as our hinterland. To effectively and speedily implement and follow up the "Outline of the Plan for the Reform and Development of the Pearl River

Delta" (the Outline) published by the National Development and Reform Commission in January this year, Guangdong and Hong Kong have agreed to focus on four priority areas of co-operation, namely: the financial industry; service industries; infrastructure and town planning; and, innovation and technology. At the same time, both sides have proposed to incorporate the concept of transforming the Pearl River Delta (PRD) region into a green and quality living area into the national 12th Five-year Plan.

At their first co-ordination meeting, senior officials from the Guangdong, Hong Kong and Macao governments discussed specific actions to implement the Outline and regional co-operation initiatives. The meeting reached consensus on major areas of work. We will seek to identify economic opportunities in keeping with the Greater PRD region's effort to upgrade its industries. We will capitalize on the opportunities presented by the Outline to increase co-operation among the three places on all fronts so as to set directions and targets that are most beneficial to the long-term development of the Greater PRD region.

As a financial, trading and services centre for the region, Hong Kong must strengthen infrastructural link with the Mainland. We will expedite the study and implementation of various major cross-boundary infrastructure projects, including the Hong Kong-Zhuhai-Macao Bridge, the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Hong Kong-Shenzhen Airport Rail Link, and the Liantang/Heung Yuen Wai Boundary Control Point.

The SAR Government supports the full implementation of the "Three Direct Links" across the Taiwan Strait. Although the implementation may weaken certain intermediary roles of Hong Kong in the short term, I believe that in the medium and long term this will further liberalize the trade flows between the Mainland, Taiwan, Hong Kong and Macao. Hong Kong will maintain its strategic position and reap greater economic benefits from the "Three Direct Links". I have set up an inter-departmental steering committee to study and co-ordinate overall strategy and action plans on closer economic and trade ties with Taiwan.

The Taipei Office of the Hong Kong Trade Development Council commenced operation in late 2008. It will step up efforts to promote trade and service industries in Taiwan. Moreover, we are encouraging the industrial and business sectors and Taiwan businessmen in Hong Kong to set up a Hong

Kong-Taiwan Business Co-operation Committee to provide opportunities for direct exchanges between enterprises from both places and to foster closer co-operation in areas such as trade, investment and tourism.

Hong Kong and Macao have always had a close relationship and both governments aim to strengthen our ties further. Co-operation and liaison between the two SARs are now being enhanced by meetings between Hong Kong and Macao jointly chaired by me and Macao's Secretary for Economy and Finance. The publication of the Outline has provided more opportunities for co-operation between the two places. We consider there is a need to strengthen our links with Macao in economic and other areas, especially in tourism and convention business, cross-boundary infrastructure and economic development in order to achieve synergy through complementing each other's strengths.

Despite the impact of the global financial crisis and other external factors, we still enjoy a number of advantages, including a sound institutional framework, a large pool of talent, solid commercial fundamentals, and a favourable geographical location. We will continue to capitalize on our strengths and to enhance the four pillar industries, namely financial services, logistics, tourism, and business support and professional services.

Human capital is the most valuable resource for our pillar industries and sustaining our economic edge. We will continue to invest heavily in education to develop human capital. The estimated expenditure on education will be \$61.7 billion for 2009-2010, which accounts for the largest share of government expenditure.

As a world city, Hong Kong must nurture biliterate talent and equip the younger generation with the abilities of self-learning, innovation and coping with changes. In preparation for the new senior secondary academic structure to be introduced this September, we have earmarked about \$7.5 billion to provide professional support to secondary schools and support tertiary institutions in preparing new courses and carrying out infrastructure projects. Upon full implementation of the new structure, an additional annual recurrent funding of about \$2 billion will be required to meet the new demand of secondary and tertiary education. We plan to invest around \$950 million in the next few years to implement measures supporting the medium of instruction arrangement for

secondary schools and the teaching and learning of English in primary schools. We also plan to invest an additional \$21 million each year starting from the next financial year to promote national education, so as to offer more opportunities for teachers and students to join mainland exchange programmes and study trips.

Measures to promote the co-operation between Guangdong, Hong Kong and Macao will foster economic development, creating ample business opportunities for the logistics and other service industries of Hong Kong. At the end of last year, I led a business delegation, travelling by land from Nanning in Guangxi through the Friendship Gate to Hanoi in Vietnam. The purpose of the visit was to increase our understanding of economic conditions and the business environment in these areas. We explored business opportunities particularly in logistics and professional services. We will enhance sea, air and land transport networks, including allocating additional resources for air traffic control and enhancing our Shipping Register service, thereby reinforcing Hong Kong's status as a regional logistics hub. We will also strive to introduce more liberalization measures for early and pilot implementation in the Guangdong Province under CEPA for service industries in support of the service sectors where we have a competitive edge, and continue to work closely with relevant organizations to give our business sectors greater support in expanding access in the Mainland and overseas markets.

Since the outbreak of the financial crisis, the global financial industry has been facing great changes. All economies have been seeking a new balance between financial innovation and effective supervision. During this period of global financial change, we must capitalize on our strengths and improve our supervisory framework. This will benefit both Hong Kong and our nation.

Financial services are high value-added industries and are closely inter-related with other professional services. A highly efficient and robust financial industry provides a financing channel for all businesses, increases their competitiveness, and indirectly creates a large number of jobs in other industries. We will seize the moment to improve the efficiency, supervision and transparency of the financial market, strengthen our competitiveness and prepare ourselves for increasing financial co-operation with the Mainland.

Last November, as a member of the Chinese delegation, I had the opportunity to attend the G-20 Leaders Summit on Financial Markets and the

World Economy held in Washington D.C. After the meeting, the leaders issued a statement outlining direction for reforming the international financial system and relevant action plans. They are expected to meet again in London this April to review the progress of reform and discuss related economic issues. We will participate in the preparation work for the London Summit. I hope that the Summit can achieve results in restoring market confidence, promoting global economic growth and taking forward the reform of the international financial system.

To consolidate Hong Kong's position as an international financial centre, we will further develop and increase financial co-operation with emerging markets. Particular measures are needed to improve Hong Kong's regime as a platform for the growing area of Islamic finance. Since the structure of most Islamic financial products involves the sale and re-purchase of assets, such transactions may entail tax liabilities in Hong Kong. Therefore, we plan to submit to the Legislative Council in 2009-2010 a proposal to create a level playing field for Islamic financial products *vis-a-vis* conventional ones. The proposal will include making changes to or clarifications of the arrangements for stamp duty, profits tax and property tax.

The Lehman Brothers Minibonds Incident has exposed certain problems of banks in conducting securities business. After considering reports prepared by the Hong Kong Monetary Authority and the Securities and Futures Commission, we have drawn up an Action Plan for conducting consultation on the recommendations and implementing the related measures in phases so as to further improve our regulatory framework and enhance investor protection.

We are now working with the regulatory bodies to implement the initial phase of improvement measures. These include the introduction of new administrative guidelines or codes to strengthen the regulation of the business operation and conduct of financial intermediaries. Some of these improvement measures have already been implemented immediately. Further measures will be implemented after the regulatory bodies have completed their consultations. We are also considering action for the next phase and preparing for consultations on certain subjects relating to structural adjustment of our financial regulatory framework. We will also take into account the views of the Legislative Council Subcommittee to Study Issues Arising from Lehman Brothers-related Minibonds and Structured Financial Products, which will help us formulate the relevant



legislative proposals. We will seriously and pragmatically review and implement the relevant measures in light of Hong Kong's unique background and needs, global financial development trends, recommendations of international financial institutions (including the G-20 and the Financial Stability Forum) and views from various sectors of the community.

Promoting the development of the bond market is important to reinforcing Hong Kong's position as an international financial centre. This can provide more diversified investment products and avenues for financing to attract more overseas capital, enhancing stability of our financial system. The Government has been working on this. Apart from providing the necessary financial infrastructure and relevant tax incentives, we have offered investors more choices through issuing different types of bonds. To promote the further and sustainable development of our bond market, we intend to implement a programme to issue government bonds.

I would like to emphasize that the aim of the government bond programme is to promote the further development of our bond market and to provide more choices to both institutional and individual investors. In view of the current investment market conditions and low interest rates, we believe that there is demand for quality bonds. The sums raised will be credited to a fund to be established under the Public Finance Ordinance. The fund will not be treated as part of the fiscal reserves and will be managed separately. We will seek the views of the trade on details of the bond programme later and make necessary adjustments at the implementation stage having regard to market needs. We will put forward to the Legislative Council as soon as possible the resolutions for issuing bonds under the programme and for establishing the fund. We will also examine, in consultation with relevant sectors, whether there is room for further improvement in the existing financial infrastructure and mechanisms, so as to promote the development of bond products.

Agreements for the avoidance of double taxation with major economies will help improve the business environment and facilitate flows of trade, investment and talent between Hong Kong and the rest of the world. They help reduce tax burdens on individuals and enterprises and eliminate uncertainties over tax liabilities. They also enhance Hong Kong's position as an international business and financial centre. To this end, I signed the fifth agreement of this kind with Vietnam during my visit there last December.

In recent years, our major trading partners have raised the requirements on the exchange of tax information under such agreements. Our existing legislation has not kept pace with this development. To further extend our network of such agreements, we consulted the industry in mid-2008 on liberalizing the arrangements for the exchange of tax information. I believe that the business and professional community generally agrees that Hong Kong should align its arrangements for the exchange of tax information with international standards so that we can enter into such agreements with more economies. We plan to put forward relevant legislative proposals by the middle of this year.

Tourism is important to our economy and currently employs a workforce of over 170 000. In face of the current economic difficulties and competition from other regions, we should take proactive action to facilitate the continuous development of tourism. This will stimulate growth and create employment in our service industries including retail, catering and hotel industries.

From the launch of the Individual Visit Scheme in July 2003 up till the end of last year, over 35 million mainlanders had visited Hong Kong under the scheme, serving as an important stimulus for our various consumer industries. Last December, the Central Government announced additional measures to further facilitate mainland residents to visit Hong Kong under the scheme, covering over 8.6 million residents of Shenzhen. As a next step, we will, in collaboration with the Guangdong and Macao governments, seek to extend the coverage of the pilot liberalization measures from Shenzhen to the rest of Guangdong Province.

We have worked with the Hong Kong Tourism Board (HKTB) to adjust promotion strategies. We will develop new tourism products and step up promotion in high-growth source markets. These include Japanese seniors, the young Taiwanese and Indian families. The governments of Hong Kong and Japan have designated 2009 as "Hong Kong-Japan Tourism Exchange Year" to promote Hong Kong's diversified tourism products to Japan and arouse Japanese visitor interest in Hong Kong. The Government has also decided to finance the construction of the Kai Tak cruise terminal. Work is expected to commence this year. The project is expected to create over 3 000 jobs in the next few years. We are actively discussing with The Walt Disney Company the expansion of Hong Kong Disneyland and any capital realignment of the joint-venture company involved. We hope that agreement will soon be reached on a proposal that will both make Hong Kong Disneyland more attractive as well as serve the overall interests of Hong Kong.

The market has responded favourably to my announcement of the exemption of wine duties last year. Wine trading, distribution and other related businesses have all shown notable growth. In the 10 months ending last December, the total value of imported wine reached \$2.6 billion, an increase of 82% over the same period in 2007. To make the most of this development as well as the release of the Michelin Guide Hong Kong Macao, we will step up the promotion of Hong Kong as an Asian wine and gourmet centre through the "World of Food and Wine" Festival, to be organized jointly by the HKTB and famous wine producers in this October. We have signed co-operation agreements with a number of winegrowing trading partners. These agreements cover investment promotion, trade shows and manpower training. They will reinforce Hong Kong's status as a regional hub for wine distribution and trading. We will actively encourage wine traders intending to access the Asian market to participate in wine fairs in Hong Kong and to set up business here.

To upgrade the software and the hardware for developing these industries, I chair a cross-sector steering committee to co-ordinate measures by various departments. Such measures include facilitating immigration clearance for frequent business travellers, and enhancing co-ordination between government departments, overseas offices and non-government organizations. In addition, the HKTB set up the dedicated MEHK (Meetings and Exhibitions Hong Kong) Office last November for overseas promotion campaigns and one-stop support services. The atrium link extension of the Hong Kong Convention and Exhibition Centre (HKCEC) will be completed in the first half of this year. This will increase the HKCEC's dedicated exhibition space by 40%.

Faced with the global financial crisis, governments around the world are reviewing their strategies for economic development. There have also been calls for the Government to promote diversification of our economy. During an economic downturn, as well as addressing immediate needs, it is vital that we are far-sighted in encouraging high value-added economic activities that open up new sectors for sustainable economic growth. I will elaborate on our way forward in promoting technology-based, creative and green economies.

Promoting the use of technology is a long-term task. We will continue on the path towards a high value-added and knowledge-based economy. We will promote the development of new technologies to enhance the competitiveness of Hong Kong through the provision of infrastructure, manpower training, co-operation with the Mainland and other economies and funding schemes.

Last year, the SAR Government and the Shenzhen Municipal Government and DuPont, a US enterprise, started working together to set up DuPont's Solar Energy Thin Film Photovoltaic Research and Industrial Platform in the Hong Kong Science Park and its manufacturing facilities in Shenzhen. This is the first major technology project under the framework of the "Shenzhen-Hong Kong Innovation Circle". It has attracted other solar energy photovoltaic research institutes to apply for admission to the Science Park. DuPont has also started to collaborate with the Nano and Advanced Materials Institute, one of our five research and development centres, in conducting further research on photovoltaic solar energy technology.

We will continue to work with Shenzhen to attract more overseas enterprises with this modality to conduct scientific research in Hong Kong. To further co-operation in various areas under the framework of the "Shenzhen-Hong Kong Innovation Circle", the two governments will formulate an action plan for the next three years on top of the annual joint funding for co-operative research projects of the two places. In co-operation with the Guangdong Provincial Government, the SAR Government will continue to explore other areas of technological development to enhance the overall research capacity of the PRD region and facilitate the upgrading and restructuring of Hong Kong enterprises in the region.

The Hong Kong Science Park promotes innovation and technology by providing advanced laboratories and research and development facilities in a quality environment. By assisting technology start-ups through incubation programmes, it creates conditions for business development, which in turn furnishes new business and job opportunities. Phases 1 and 2 of the Science Park have been commissioned. More than 250 local and overseas research institutes have set up their offices in the Science Park, providing a total of over 6 000 technology-related jobs. With annual turnover of \$60 billion to \$70 billion, these institutes have made significant contributions to enhancing the competitiveness of our industries and broadening the base of our economy.

We have reserved two purpose-built laboratory buildings in Science Park Phase 2 to support biotechnology research. The buildings will be commissioned in April this year. Biotechnology has potential for wide applications. Our universities are well-positioned to develop this technology. A number of world renowned biotechnology companies have been conducting technological research in Hong Kong, building up a sound foundation for development. In addition to

the key development areas of electronics, precision engineering and information technology, biotechnology will become a new cluster in the Science Park.

To continue to support development of Hong Kong's research capacity effectively in response to economic restructuring and enterprises' demand for scientific research facilities, and to foster the strategic development of Guangdong/Hong Kong co-operation, the Science Park is exploring the feasibility of and the development plans for Phase 3 of the Park. We will study Science Park's report and will decide on appropriate next steps.

Economic restructuring and industrial transformation have brought challenges and opportunities to Hong Kong. The Government has always been an active facilitator, providing a level playing field and a suitable environment for the industrial sector to play to its strengths. We have given appropriate support to such areas as research, product development and manpower training. This enables the industrial sector to make the best use of new high technology to further develop high value-added industries.

Drawing on the successful experience of our three industrial estates in supporting the development of special industries, we are studying ways to enhance the functions of the industrial estates. We are also reviewing the existing mix of industries within these estates and exploring future market opportunities, including the introduction of new industries, to ensure that the development of our industrial estates keeps pace with the times and brings the best economic benefit to Hong Kong. It is expected that the study will be completed in the third quarter. We will consider the potential and feasibility of developing a fourth estate.

We will increase the number of calls for Innovation and Technology Fund (ITF) applications each year and expand the funded technology areas. We have also relaxed the criteria for the Internship Programme under the ITF to allow more local talent to participate in such projects. We have also raised the grant ceiling for each project funded under the Small Entrepreneur Research Assistance Programme to \$4 million to enhance the competitiveness of enterprises in product and service research.

The Finance Committee has approved .....

(Mr WONG Yuk-man left his seat, holding a placard)

**PRESIDENT** (in Cantonese): Mr WONG Yuk-man, please return to your seat. Mr WONG Yuk-man ..... Financial Secretary, please pause for a while.

(Mr WONG Yuk-man put the placard on the table in front of the President's podium and read out what was written on the placard)

**MR WONG YUK-MAN** (in Cantonese): Hoarding tens of billions of reserve, neglecting the plight of a million poor people.

(Mr WONG Yuk-man walked towards the seat of the Financial Secretary, while the Clerk and security staff tried to stop him)

**PRESIDENT** (in Cantonese): Mr WONG Yuk-man, please return to your seat immediately.

(Mr WONG Yuk-man defied the President's instruction and attempted to grab the speech of the Financial Secretary but in vain)

**MR WONG YUK-MAN** (in Cantonese): What's the point of reading it out?

(Mr WONG Yuk-man swiped away the objects on the Financial Secretary's desk with his hands)

**PRESIDENT** (in Cantonese): Mr WONG.

(Mr WONG Yuk-man pushed over the stand and tore off a page from the speech in the hands of the Financial Secretary)

**MR WONG YUK-MAN** (in Cantonese): What's the point of you reading it out? What's the point?

**PRESIDENT** (in Cantonese): I order you to leave the Chamber at once.

**MR WONG YUK-MAN** (in Cantonese): What's the point? What's the point?

(Surrounded and escorted by the security staff, Mr WONG Yuk-man returned to his seat. Mr WONG Yuk-man then sat down)

**PRESIDENT** (in Cantonese): Mr WONG, you must leave at once.

(At this juncture, Mr LEUNG Kwok-hung walked towards the seat of the Financial Secretary)

**MR LEUNG KWOK-HUNG** (in Cantonese): What's the point, reading out this stuff?

(Mr LEUNG Kwok-hung leaned forward and said something to the Financial Secretary, in the course of which he hit the stand on the desk and the stand fell off, and he held up a bowl)

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung.

**MR LEUNG KWOK-HUNG** (in Cantonese): This rice bowl's for you.

(Mr LEUNG Kwok-hung smashed the bowl)

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, you leave the Chamber at once.

**MR LEUNG KWOK-HUNG** (in Cantonese): This is a broken rice bowl.

(The Clerk, the security staff and stewards tried to escort Mr LEUNG Kwok-hung away, while Mr LEUNG Kwok-hung kept on speaking aloud)

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, please stop causing the disturbance, and leave the Chamber at once. Clerk.

(Mr Albert CHAN stood up and yelled loudly)

**MR ALBERT CHAN** (in Cantonese): SAR Government saves the market, but not the people. Shame on it.

**PRESIDENT** (in Cantonese): Clerk.

**PRESIDENT** (in Cantonese): Mr Albert CHAN.

(Mr LEUNG Kwok-hung kept on yelling loudly)

**MR ALBERT CHAN** (in Cantonese): Shame ..... Shame .....

**PRESIDENT** (in Cantonese): I order Mr WONG Yuk-man, Mr LEUNG Kwok-hung and Mr Albert CHAN to leave the Chamber at once.

(Mr LEUNG Kwok-hung, Mr WONG Yuk-man and Mr Albert CHAN defied the President's instruction and kept on yelling loudly in the Chamber)

**MR LEUNG KWOK-HUNG** (in Cantonese): Is there unemployment relief? Is there .....

**PRESIDENT** (in Cantonese): I suspend the meeting now.

11.50 am

Meeting suspended.

11.55 am

Council then resumed.



**PRESIDENT** (in Cantonese): Council now resumes. Financial Secretary.

**FINANCIAL SECRETARY** (in Cantonese): President, the actions of Mr WONG Yuk-man and Mr LEUNG Kwok-hung just now have affected the proceedings of the Legislative Council. This is regrettable, and it is not what the public would wish to see. I hope Members can fully observe the Rules of Procedure, and refrain from pointless acts playing to the gallery.

(Dr Margaret NG stood up)

**DR MARGARET NG** (in Cantonese): President, maybe .....

**PRESIDENT** (in Cantonese): Financial Secretary, will you .....

**DR MARGARET NG** (in Cantonese): President, some may agree, or disagree, with the Financial Secretary's remarks just now. But I have a point of order. May a public officer or Member comment in a public forum or in this Council on the manner in which the President enforces the Rules of Procedure?

**PRESIDENT** (in Cantonese): Dr Margaret NG, if a Member thinks that I have failed to enforce the Rules of Procedure in relation to an incident which happened at a Council meeting, he may raise a point of order. Do you wish to raise a point of order?

**DR MARGARET NG** (in Cantonese): President, my question is: May the Financial Secretary, without raising a point of order, make any comment on the incident just now?

**PRESIDENT** (in Cantonese): According to the established practice of this Council, the President will not intervene in the content of the speech of a public

officer as long as it is not in breach of any rules. In this connection, I do not think the content of the Financial Secretary's speech just now is not in order.

**PRESIDENT** (in Cantonese): Financial Secretary.

(Mr LAU Kong-wah raised his hand)

**PRESIDENT** (in Cantonese): Mr LAU Kong-wah.

**MR LAU KONG-WAH** (in Cantonese): President, I think the several Members have gone too far with their actions just now, and they warrant condemnation. I have a question for the President. Did you rule just now that the three Members could not return to the Chamber again to disrupt the order in the Chamber?

**PRESIDENT** (in Cantonese): Mr LAU Kong-wah, I made it very clear just now. In accordance with the Rules of Procedure, I ordered the three Members to leave immediately for the remainder of the meeting today. Financial Secretary.

**FINANCIAL SECRETARY** (in Cantonese): President, let me start again from the part on Research Grants.

We will increase the number of calls for Innovation and Technology Fund (ITF) applications each year and expand the funded technology areas. We have also relaxed the criteria for the Internship Programme under the ITF to allow more local talent to participate in such projects. We have also raised the grant ceiling for each project funded under the Small Entrepreneur Research Assistance Programme to \$4 million to enhance the competitiveness of enterprises in product and service research.

The Finance Committee has approved the establishment of an \$18-billion Research Endowment Fund, and we will also progressively provide 800 additional places for postgraduate research programmes in three years starting from the 2009-2010 academic year. These will help increase our research

capacity and competitiveness, and attract outstanding researchers, educators and more high value-added enterprises to Hong Kong.

Creativity is an important element for enhancing productivity and competitiveness. As a pluralistic international metropolis, Hong Kong offers fertile ground for the growth of creative industries. At present, Hong Kong has approximately 32 000 creative industry-related establishments. They contribute over \$60 billion annually to our GDP. The Chief Executive announced in his Policy Address the integration of existing government resources to set up a dedicated office to co-ordinate work on the development of a creative economy and give more effective support to this important sector. It is expected the office will be set up in the middle of this year. Currently, the Film Development Fund and the DesignSmart Initiative provide effective support to the film and design industries respectively. I will earmark \$300 million for the development of other creative industries in the coming three years.

We will promote the use of design and nurture more local talent to drive the development of the design industry, incorporate the elements of design and creativity into education, promote the development of the local film industry through the Film Development Council's efforts to expand markets for Hong Kong films in the Mainland and Southeast Asia, and provide financial support to further incubate more digital entertainment companies. We will also develop creative industries with strong local characteristics through the promotion of culture and art.

We will continue to promote the accomplishments of our creative industries in the Mainland and overseas. Our participation in the World Expo to be held in Shanghai in 2010 will provide a particularly good opportunity to promote the updated Brand Hong Kong and demonstrate our quality of life and the characteristics of our innovative city. Hong Kong has also been selected to take part in the Urban Best Practices Area Exhibition, where we will showcase our success in the extensive use of smartcard technology in Hong Kong under the theme "Smart Card, Smart City, Smart Life".

Through my invitation to a renowned local cartoonist to produce the comic "Tomorrow — Future for Today" to promote the Budget, and through the use of new modes of electronic media to invite public opinions, I have signalled the

Government's commitment to make use of local creative industries as well as my commitment to greater public participation in the Budget process.

With increasing demands for a better living environment, promoting investments and economic activities that protect the environment and save energy will put the overall economy on a more sustainable path. Promoting a "green economy" will enhance Hong Kong's overall competitiveness as well as making it a more liveable city. We must boost efforts to help people and enterprises expand the opportunities of a green economy.

Under the Outline, we will co-operate with the Guangdong Provincial Government to take forward the concept of transforming the PRD region into a green and quality living area. We will extend the existing areas of co-operation to other domains in order to turn the region into a cluster of high-tech, low-pollution and low-energy-consumption cities. We will further develop regional high-tech recycling industries, and encourage enterprises to adopt advanced technologies for cleaner production, energy saving and emission reduction. On the basis of the Memorandum of Understanding on energy co-operation signed by the HKSAR Government and the National Energy Administration, we will encourage energy enterprises of the two places to increase their co-operation in the supply of electricity and natural gas as well as the construction of related infrastructure.

In recent years, there have been breakthroughs in the technology for electric vehicles. Automobile manufacturers are actively exploring using new generation batteries to develop electric vehicles with longer travel range that can better satisfy drivers' needs. The door is opening to wider use of such vehicles, which are more energy efficient and emit no exhaust gas. Automobile manufacturers expect that new generation electric vehicles will be put on the market in the coming few years after technical problems such as battery capacity have been solved.

Promoting the use of electric vehicles will create additional business opportunities. In 2006, the Government established the Hong Kong Automotive Parts and Accessory Systems R&D Centre. Through the research efforts of local universities, some local companies have started to produce electric vehicles for sale in the UK market. We hope that the industrial sector can grasp this opportunity to develop and produce parts and accessory systems for electric

vehicles in collaboration with the Centre. Moreover, the Government will study the feasibility of jointly promoting electric vehicles with manufacturers. We will be actively involved in vehicle tests conducted in Hong Kong with a view to introducing electric vehicles into our market early. We will also consider introducing such vehicles into government fleet when the related technology has matured and the vehicles are available on the market.

To further promote the use of electric vehicles, I propose to extend the exemption for electric vehicles from First Registration Tax, which is due to expire on 31 March 2009, for a further five years instead of three years as in the past.

Re-charging facilities are crucial for the wider use of electric vehicles. We will examine the feasibility of providing re-charging facilities in government multi-storey car parks and explore ways of encouraging the business sector, including property developers and private car park operators, to set up such facilities. I will lead a steering committee to study the wider use of electric vehicles in Hong Kong. The committee will carry out in-depth studies and make recommendations from the perspectives of economic development, town planning, industry, technology, environmental protection and transport to take this important first step towards cleaner, more efficient transport technology.

Buildings account for some 90% of our total electricity consumption. Much needs to be done to improve energy efficiency in buildings. We will allocate about \$450 million to carry out minor works in government buildings in the next two years to install energy efficient lighting systems, retrofit plumbing with water saving devices and incorporate energy efficient features in air-conditioning, elevator and escalator systems.

The Environment and Conservation Fund has agreed to allocate \$450 million for private building owners to conduct energy-cum-carbon audits and energy efficiency improvement projects. We expect to subsidize over 1 600 projects. This will also create business opportunities for related sectors. I call on the owners of private buildings to make good use of the funding scheme to improve energy efficiency.

Government initiatives and efforts of the community are of equal importance. With the support of the Construction Industry Council, the Hong Kong Green Building Council will soon be established. The Council will comprise representatives of the construction industry and professional sectors. It will help raise public awareness of green buildings and facilitate exchange and technological co-operation between Hong Kong and the rest of the world. We welcome the establishment of the Council, and will support its work.

A key strategy of this Government is to promote economic growth through infrastructural development. Over the past 20 months, we have made good progress in implementing the Chief Executive's initiative of undertaking 10 major infrastructure projects to enhance our overall competitiveness and in carrying out other major projects. We estimate that capital works expenditure for 2009-2010 will be as high as \$39.3 billion.

During the past 10 years, works completed by the public sector only accounted for about 30% to 50% of overall construction output. Government infrastructure projects cannot support all economic activities and provide all employment opportunities in the construction industry. To better co-ordinate development projects involving policies handled by different government departments, we will soon set up a Development Opportunities Office under the Development Bureau to provide an effective platform where bureaux and departments can jointly assess the benefits brought by proposed projects and provide co-ordinated enquiry services. I would like to stress that this mechanism will not replace the existing statutory procedures, public consultation and regulation. To engage the public at the earliest stage on these private development projects, we will re-organize the existing Land and Building Advisory Committee by appointing new members from the community, together with representatives of various trade bodies, to contribute their ideas to the work of the Office.

The Development Opportunities Office will also provide one-stop consultation and co-ordination services for community infrastructure projects. After the second meeting of the Task Force on Economic Challenges, the Chief Executive announced that government departments should provide more active support to charitable and voluntary organizations considering extension or relocation plans. We have subsequently received about 10 community building

proposals. Depending on the specific needs of individual projects, we will consider the provision of non-recurrent funding.

The 2008-2009 Application List provided the market with a variety of commercial/residential sites and "hotel use only" sites. Because of the economic downturn, there were few applications to trigger sites for sale for the whole year. So far we have only sold one small residential site. Although this has affected our land revenue for the year, it proves that a market-driven land sale mechanism can better reflect and respond to economic changes. We have reviewed the development parameters of certain sites to better respond to the aspirations of the community for lower development density. We will adhere to the principles of certainty, clarity and consistency in preparing the Application List for the next year. We will extend the pilot measures for "hotel use only" sites for another year. At the same time, the Lands Department will continue to explore practicable ways to streamline the lease modification process and update premium assessment in light of market conditions.

During the Budget consultation, a number of people said that when addressing the challenges ahead, we must at the same time strive to strengthen our community and improve the quality of life. I share this view. This is indeed our commitment to the community. As citizens of Hong Kong, we take pride in our sophisticated infrastructure and good city management, and how we have together built Hong Kong into a liveable, cultured and vibrant city.

Developing Hong Kong into a city of quality is our pledge to the citizens. We will continue to invest in the hardware of urban construction, and also constantly upgrade the software such as urban management and heritage conservation. It is our common wish to make Hong Kong a better place to live in. We will revitalize historic buildings, build a greener city of low-energy consumption, and make our harbourfront more enjoyable.

These efforts to build a city of quality must be rooted in the community. We will continue to allocate \$600 million annually to all 18 District Councils to organize community involvement programme suited to each district's characteristics and to carry out district minor works that meet district needs.

The renewal of old areas aims to improve the living environment, re-structure land use for providing community facilities, and meet future

development needs. Any redevelopment project is bound to face challenges in such areas as property acquisition and compensation, and the preservation of the characteristics and community networks of the old areas. Therefore, redevelopment cannot, and should not, be the only or the mainstream option. In last year's Budget, I encouraged various sectors of the community to participate in the review of the Urban Renewal Strategy. We recently completed Stage 1 of the review. In the remaining stages, we will continue to explore with the public the future direction for urban renewal in Hong Kong with an open mind.

To address the problem of dilapidated buildings, we have, together with the Urban Renewal Authority and the Hong Kong Housing Society, adopted various measures over the years to help owners to meet their obligations to maintain their buildings. In my last Budget, I earmarked \$1 billion to implement the "Building Maintenance Grant Scheme for Elderly Owners", providing a maximum subsidy of \$40,000 to each eligible elderly owner. So far about 2 000 elderly people have benefited from the Scheme.

We are determined to tackle the problem of dilapidated buildings. We will introduce new legislation on mandatory building and window inspection by the end of this year, and implement a new minor works control system that facilitates building maintenance next year. As regards the special operation to remove 5 000 abandoned signboards announced by the Chief Executive after the meeting of the Task Force on Economic Challenges, the Buildings Department will commence the operation with the support of District Councils and Fire Safety Ambassadors in the districts from 1 March.

Heritage conservation is essential to the quality of the city. With the support of new heritage conservation policies and additional resources, much has been done in the past 20 months. The Development Bureau has just announced the results of the first batch of historic buildings under the Revitalizing Historic Buildings Through Partnership Scheme. I hope that the Legislative Council will give early funding approval for these six revitalization projects, which are conducive to the development of local arts and culture, tourism, education, the creative economy and Chinese medicine.

The capital cost of these projects is approximately \$500 million, which is about half of the fund earmarked for the scheme. To enable more historic buildings owned by the Government to benefit from the scheme, I propose to



earmark an additional sum under the Capital Works Reserve Fund to bring the total amount of uncommitted funds under the scheme back to \$1 billion so that applications can be invited for the second batch of historic buildings in the first half of this year as scheduled. To encourage private owners to conserve historic buildings graded by the Antiquities Advisory Board, and given that the Board will soon complete the grading of some 1 440 historic buildings, I have increased the provision for maintenance grants and raised the ceiling of financial support for each application.

Creating continuous waterfront promenades on both sides of the Victoria Harbour and improving connectivity between the harbourfront and inland areas is an on-going effort. The Legislative Council has approved the creation of a directorate post to head a task group on harbourfront enhancement, and has set up a subcommittee under the Panel on Development. Next year, we will start work on temporary waterfront promenades in North Point and Kwun Tong. We will also provide additional funding to facilitate the work of the Harbourfront Enhancement Committee to conduct research and organize public participation activities, with a view to developing harbourfront sites into prime leisure spots.

We are committed to promoting greening and have been maximizing greening opportunities in public works projects. In the coming year, the Greening Master Plan projects undertaken by the Civil Engineering and Development Department will cover the whole of Hong Kong Island and urban Kowloon. In addition, we will provide landscaping features on 500 old slopes and carry out greening work on the rooftops of 40 government buildings through additional funding for minor works. We will also subsidize schools and other non-profit-making organizations through the Environment and Conservation Fund to carry out greening work. Since our capital injection into the Fund last year, it has provided funding of \$29 million to support greening works for about 100 buildings. We will continue to streamline the vetting process and encourage district and eligible organizations to make good use of the Fund to improve the environment.

Arts, culture and sports can promote social development and enhance people's quality of life. The Legislative Council has approved funding of \$150 million for the Arts and Sport Development Fund recently to strengthen the related work.

Hong Kong will host the 2009 East Asian Games. Hong Kong people will have the opportunity to witness first-hand the competitions among elite athletes from East Asia. We hope that more local athletes can join this major sports event to gain experience in international competitions and win medals for Hong Kong. To this end, I will allocate about \$20 million to strengthen our athletes' preparation.

To further support community sports, we have earmarked \$50 million in the Sir David Trench Fund for Recreation to finance new facilities and equipment for district sports associations and National Sports Associations in the next three to four years.

Regarding arts and culture, the West Kowloon Cultural District will provide an environment conducive to the development of Hong Kong as an international art and cultural metropolis, and will enrich our cultural life. It will also bring economic benefits to Hong Kong, promoting creative industries and attracting visitors.

We are committed to bringing art into the community. The Home Affairs Bureau and the Hong Kong Arts Development Council will provide local artists and art bodies with direct funding of about \$330 million next year. We will also increase the recurrent subvention for the Hong Kong Academy for Performing Arts to more than \$193 million to strengthen training programmes.

Cantonese opera is a gem of Lingnan culture. Hong Kong has preserved the essence of Cantonese opera which should be developed further. The Legislative Council has approved funding of about \$186 million for the conversion of the Yau Ma Tei Theatre and the Red Brick Building into a Xiqu Activity Centre to provide performing and practising venues for small-scale Cantonese opera performances and budding artists. We have also injected \$20 million into the Cantonese Opera Development Fund and will invest about \$33 million in 2009-2010 to further support the research and promotion of Cantonese opera.

To provide more opportunity for people to use library facilities and to encourage more reading, the Leisure and Cultural Services Department will standardize the opening days of their 33 major and district libraries to seven days a week from 1 April, with opening hours increased by about 10 hours to 71 hours a week.

The Legislative Council has approved funding of \$93 million to upgrade and enhance the Multimedia Information Systems of public libraries. This will help meet future demand and provide more effective and advanced library information services to the community.

As I mentioned in my first Budget, with an ageing population, healthcare presents the greatest challenge to the stability of our long-term public finances. After completing the first stage public consultation on healthcare reform in 2008, the Food and Health Bureau is now preparing for the second stage public consultation. In health care service reform, we have already set up the Working Group on Primary Care to put forward specific proposals on enhancing primary care. We have also implemented a number of pilot projects based on the concept of "money follows patient". These include the Influenza Vaccination Subsidy Scheme and the Elderly Health Care Voucher Pilot Scheme. These projects have laid the foundation for the enhancement of healthcare services through public-private partnership.

The Government will honour its pledge to increase healthcare expenditure to 17% of recurrent expenditure by 2012. When the supplementary financing arrangements are finalized after consultation for implementation, we will draw an amount of \$50 billion from the fiscal reserves to implement the reform, irrespective of what the final arrangements are.

In the next few years, we will make use of increased healthcare resources to strengthen services and take forward service reform. I will increase the recurrent subvention for the Hospital Authority over the next three financial years by about \$870 million a year. In other words, the annual subvention in 2011-2012 will be approximately \$2.6 billion higher than at present. I have also earmarked some \$840 million for the next three financial years to implement various complementary measures to strengthen primary care services and the support to chronic patients, promote public-private partnership, and develop a territory-wide electronic health record system.

As the public is attaching increasing importance to food safety, we are taking measures to support the development of food testing services, such as the provision of reputable accreditation services for private laboratories. This will help Hong Kong to develop into a food testing hub in the region.

Separately, for public health reasons, I propose to increase tobacco duty by 50% with immediate effect. The duty on cigarettes will increase from around \$0.8 to about \$1.2 per stick. We will also continue to step up our efforts on smoking cessation, as well as on publicity and enforcement in tobacco control.

I firmly believe that public resources should be used where appropriate. Although our fiscal position in the coming year is unlikely to be robust, we will continue to spend to meet our commitments to the community, particularly the middle class and disadvantaged groups, and at the same time to alleviate economic contraction.

The relief measures announced in the last Budget and by the Chief Executive in July 2008 will continue to alleviate people's hardship in the coming year. For example, expenditure on electricity charges subsidy in 2009-2010 is estimated at \$4.7 billion. The subsidy should enable people to spare more money for consumption, which in turn will stimulate the economy. Other measures such as the Building Maintenance Grant Scheme for Elderly Owners, short-term food assistance services and half fare concessions for students will continue to help ease the burden of the elderly, lower-income groups and parents.

Over the past few months, I have heard many say that the Government should not reduce expenditure for the disadvantaged during economic downturns and should instead provide them with appropriate support in difficult times. I will propose budget measures to assist the disadvantaged groups, enhance their quality of life and promote social harmony.

I am aware that some parents may not be able to take care of their young children because of work or other reasons. I have talked with parents participating in the pilot Neighbourhood Support Child Care Project and with home-based child carers. They generally support the Project. I vividly remember a grandmother recounting in tears the pressure of babysitting two young grandchildren and her wish for help in times of need. I spoke to a transport worker who took his child to meet his babysitter in a park every day so that the child could receive the care of the babysitter while playing, and could hence get familiar with the babysitter more easily. The painstaking efforts of the father, the loving care of the babysitter and the spirit of mutual help in the neighbourhood have all left a deep impression on me.

We have, since last October, implemented the pilot Neighbourhood Support Child Care Project in six locations with higher demand for child care services, namely, Tung Chung, Sham Shui Po, Kwai Chung, Tuen Mun, Yuen Long and Kwun Tong. We encourage neighbours to take care of each other's young children. This can foster a closer community relationship, and provide more flexible child care services in addition to the regular ones. We plan to extend the project in March this year to other districts to meet the needs of more families.

Strengthening elderly care is one of our core areas in building a caring community. To encourage our senior citizens to lead an enriched life, the Elderly Commission has tried, in the form of "cross-sectoral collaboration and inter-generational integration", to encourage self-help and mutual help among elders at the community level through the "Neighbourhood Active Ageing Project" in the past two years. The project facilitates the establishment of neighbourhood support networks between the elderly and local volunteers, enabling elders to become a new driving force in the community. I fully support this meaningful project, and will allocate an additional provision of \$5 million in the next financial year to establish new networks in each district.

Research shows that learning has positive effect on elders' physical and mental well-being. The Elder Academy Scheme promoted by the Elderly Commission has been extended to seven tertiary institutions and 78 primary and secondary schools. They serve as an effective platform to promote lifelong learning through inter-generational interaction between the elderly and students. I propose to establish an Elder Academy Development Foundation, co-sponsored by the Government and various sectors, to ensure the sustainable development of this scheme. To this end, I will allocate \$10 million. I believe that the Chinese tradition of "education for all" should be broadened to "education for all ages".

We are in the digital era. We must not overlook the needs of the elderly on this front. The Government will co-ordinate the setting up of a dedicated portal for the elderly in the coming year to provide one-stop information service on elderly services and the silver hair market. Through this new portal and various computer courses offered by the Elder Academies, the elderly will enhance their computer knowledge and their ability to use digital services, expanding their circles of life through the Internet.

We will provide additional recurrent funding of about \$37 million to residential care homes taking care of infirm elders and those with dementia. In addition, I will increase recurrent funding by about \$55 million to provide a total of 650 additional subsidized residential care places through the Enhanced Bought Place Scheme and two new contract homes.

The Government attaches great importance to meeting the learning needs of women at the grassroots level. In 2004 the Women's Commission launched the Capacity Building Mileage Programme to encourage women of different backgrounds and educational levels to pursue lifelong learning and develop a positive mindset and outlook on life. Since the launch of the programme, the number of enrolments has exceeded 28 000, while large audiences have been reached through radio programmes. I will allocate \$20 million in the coming three years to expand the programme and provide fee remissions to women with financial difficulty so as to encourage more women to pursue continuous learning and self-development.

I will provide additional recurrent funding of about \$19 million to enhance the care for persons with disabilities and provide the necessary training, including the provision of 156 additional residential places, 30 additional day training or vocational rehabilitation service places and 54 additional pre-school rehabilitation service places. To strengthen transport services for persons with disabilities, I will also provide additional funding of about \$7.7 million to increase the number of Rehabuses to 115 by acquiring six new buses and replacing four old ones.

I understand that some families face great pressure as a result of the economic downturn. To further support families in need and victims of domestic violence, I will provide additional recurrent funding of about \$25 million to increase the number of social workers and clinical psychologists dealing with domestic violence cases. We will also further develop batterer intervention programmes and strengthen support for crisis centres and refuge centres for women.

To support the enhanced psychiatric outpatient, rehabilitation and oncology services given by the Hospital Authority in recent years, I will provide funding for 10 additional medical social workers. This will allow more timely services to be provided to patients and their families. The first integrated community centre for mental wellness in Tin Shui Wai will be set up next month. It will provide one-stop community support and rehabilitation services to local residents.

The Community Investment and Inclusion Fund, established in 2002, provides financial support to community organizations in the development of social capital through cross-sectoral collaboration and community participation. Over 180 projects subsidized by the Fund in all 18 districts have delivered notable results in capacity building, enhancement of interpersonal relationship and development of community networks. So far about 60% of the \$300 million under the Fund has been committed. I will closely monitor the spending situation and make an injection when necessary to ensure that the Fund can continue to perform its social function.

Members of the public expect the Government to sense the public pulse and share their burden. Although it is expected that a larger deficit will occur in 2009-2010, for the long-term interests of the community as a whole and having regard to the Government's financial position, I have decided to introduce some one-off revenue concessions.

First of all, I propose to waive rates for the first two quarters of 2009-2010, subject to a ceiling of \$1,500 per quarter for each rateable tenement. It is estimated that about 90% of domestic properties and 60% of non-domestic properties will be subject to no rates in these two quarters. This proposal will cost the Government approximately \$4.2 billion.

Moreover, I have decided to provide a 20% rental reduction for most government properties and short term tenancies of government land for three months. This proposal will benefit more than 17 000 tenants. Details of the concession will be announced shortly by relevant departments. It is estimated that this proposal will cost the Government about \$83 million.

Last July the Chief Executive announced a freeze on government fees and charges related to people's livelihood for one year. I have decided to extend the freeze until 31 March 2010.

I propose a one-off tax reduction of 50% of salaries tax and tax under personal assessment for 2008-2009, subject to a ceiling of \$6,000. The reduction will be reflected in the taxpayer's final tax payable for 2008-2009. This proposal will cost the Government about \$4.1 billion and benefit all 1.4 million taxpayers.

I now give a brief account of the 2009-2010 estimates. I have adopted a counter-cyclical fiscal strategy and set total government spending at \$301.6 billion. While operating expenditure for 2009-2010 will be slightly lower than that for 2008-2009 as the latter includes the costs of a number of one-off measures, it is higher than actual expenditure in 2007-2008 by 19.2%. In comparison, the GDP for 2009 is forecast to increase by only 1.8% over 2007. I forecast a deficit of \$9.8 billion in the Operating Account and a deficit of \$30.1 billion in the Capital Financing Statement. This results in a deficit of \$39.9 billion in the Consolidated Account, equivalent to 2.4% of our GDP. Fiscal reserves are estimated at \$448.1 billion by end March 2010, equivalent to 18 months of government expenditure.

For the medium term, I estimate that the annual average growth rate will be 3.5% in real terms for the period 2010-2013, while the inflation rate forecast will average 2%. I forecast a deficit in the Operating Account for the next three years, and followed by a return to surplus in our Operating Account in 2012-2013, with a further increase in surplus in the subsequent year.

As regards capital revenue and spending, I will continue to invest heavily in infrastructure so as to counter the financial crisis, create employment and enhance the long-term competitiveness of Hong Kong. With the major infrastructure projects entering their construction peaks and an expected decrease in land revenue, I forecast a capital financing deficit for some time in the future. Our annual capital works expenditure will be at a very high level over the next few years, and may reach \$50 billion. This will pose challenges to the construction industry. We will pay close attention to the construction industry's capacity to avoid bunching of projects causing tension in the supply of construction workers and cost fluctuations.

In this time of economic turbulence, the preparation of this year's Budget has been a great challenge. Following the principles of prudent financial management and keeping expenditure within the limits of revenues as stipulated in Article 107 of the Basic Law, I have prepared a Budget that is in the best interests of the public. In light of the current economic environment and needs of the community, I hold to the view that expenditure for next year should be maintained at a high level despite a fall in revenue. Although this will lead to a deficit in 2009-2010, requiring us to draw on the fiscal reserves, I consider it



appropriate. The Government should show its commitments to the community during exceptional times. In the medium term, with the recovery of the economy and our control of operating expenditure, I forecast that the consolidated deficit will gradually decline and we will largely achieve fiscal balance by 2013-2014. I estimate that the fiscal reserves will be about \$390 billion by end March 2014, equivalent to 14 months of government expenditure.

	2009–2010 (\$ billion)	2010–2011 (\$ billion)	2011–2012 (\$ billion)	2012–2013 (\$ billion)	2013–2014 (\$ billion)
Operating revenue	234.2	235.3	253.7	273.5	290.0
Operating expenditure	244.0	249.4	258.1	267.1	276.4
Operating surplus/(deficit)	(9.8)	(14.1)	(4.4)	6.4	13.6
Capital revenue	27.5	44.3	52.1	53.7	56.3
Capital spending (including payments from the Capital Investment Fund)	54.1	55.2	69.6	68.9	71.2
Repayment of government bonds and notes	3.5	-	-	-	-
Capital financing deficit	(30.1)	(10.9)	(17.5)	(15.2)	(14.9)
Consolidated deficit	(39.9)	(25.0)	(21.9)	(8.8)	(1.3)
- as a percentage of GDP	2.4%	1.5%	1.2%	0.5%	0.1%
Fiscal reserves	448.1	423.1	401.2	392.4	391.1
- as number of months of government expenditure	18	17	15	14	14
- as a percentage of GDP	27.2%	24.6%	22.3%	20.9%	19.9%
Public expenditure	319.4	326.8	350.0	358.7	370.9
- as a percentage of GDP	19.4%	19.0%	19.5%	19.1%	18.9%

President, since reunification, we have gone through a number of economic crises, such as the Asian financial turmoil in 1997 and 1998, and the major downturn triggered by the SARS outbreak in 2003. Some people inevitably feel worried and upset when facing difficulties. However, timely and effective policies, coupled with the collective wisdom and efforts of Hong Kong people, allowed us to overcome these challenges and scale new heights each time.

In my last Budget, I said that "Ready to Face, Dare to Hope" best described the conviction of Hong Kong people. Hong Kong people are ready to face the realities and challenges of today, and dare to hope for our future. By working hard, we will reap the rewards of our efforts and eventually overcome difficulties. It is this belief that gives us the courage to stand up to challenges and, because of this confidence, we can boldly embrace tomorrow.

The current financial turmoil is severe and unsettling, and is wreaking terrible damage. Some people feel uncertain about the future; some are anxious about their investment loss; and some are worried about their jobs. I feel their anxiety, and share their concerns. As before, we will face these challenges together. We will do our best to keep abreast of this evolving crisis, and introduce effective measures to lessen its impact.

We must dare to face this financial turmoil and must believe we can overcome it. The people of Hong Kong have weathered tough times before and will weather them again. During the SARS outbreak, our healthcare workers showed dedication and displayed commendable professionalism. In hazardous firefighting operations, our firefighters carry out their mission with the spirit of self-sacrifice. This is what we all know as the "Hong Kong Spirit" and this is what gives me confidence to say that Hong Kong will overcome this current crisis.

In this Budget, we have announced initiatives that will create about 62 000 jobs and internship opportunities. We will invest heavily to foster a caring society. We will introduce measures to sustain economic development and maintain our economic vibrancy.

The current financial turmoil is undoubtedly a severe test that poses challenges to individuals, families, enterprises, societies and governments. At this crucial moment, it is with no small amount of trepidation that I, as Financial Secretary, am serving the citizens and braving the storm with you under the weight of a challenging mission. In meeting the challenges ahead, we should also realize that the Government cannot solve all problems. Jobs created by the Government are no substitute for jobs created in the private sector. Effective help for the disadvantaged also requires community support and involvement. Economic development requires us all to go beyond our current strengths and advantages to create new economic drivers. All of this requires us to play our part. With confidence in ourselves and in our abilities, we can create the future that we want. We can rebuild wealth and competitiveness, and we can realize our goal of building a caring community.

A German theologian said, "The ultimate test of a moral society is the kind of world that it leaves to its children". I hope that our children will inherit a society that upholds our conviction in meeting future challenges while daring to hope for a better tomorrow.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the Appropriation Bill 2009 be read the Second time.

In accordance with Rules 67 and 71 of the Rules of Procedure, the debate on the Second Reading of the Appropriation Bill 2009 is now adjourned, and the Estimates are referred to the Finance Committee for examination before the debate on the Bill resumes.

#### **NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 11.00 am on Wednesday, 4 March 2009.

*Adjourned accordingly at twenty minutes to One o'clock.*

Chart 1

**Gross Domestic Product**

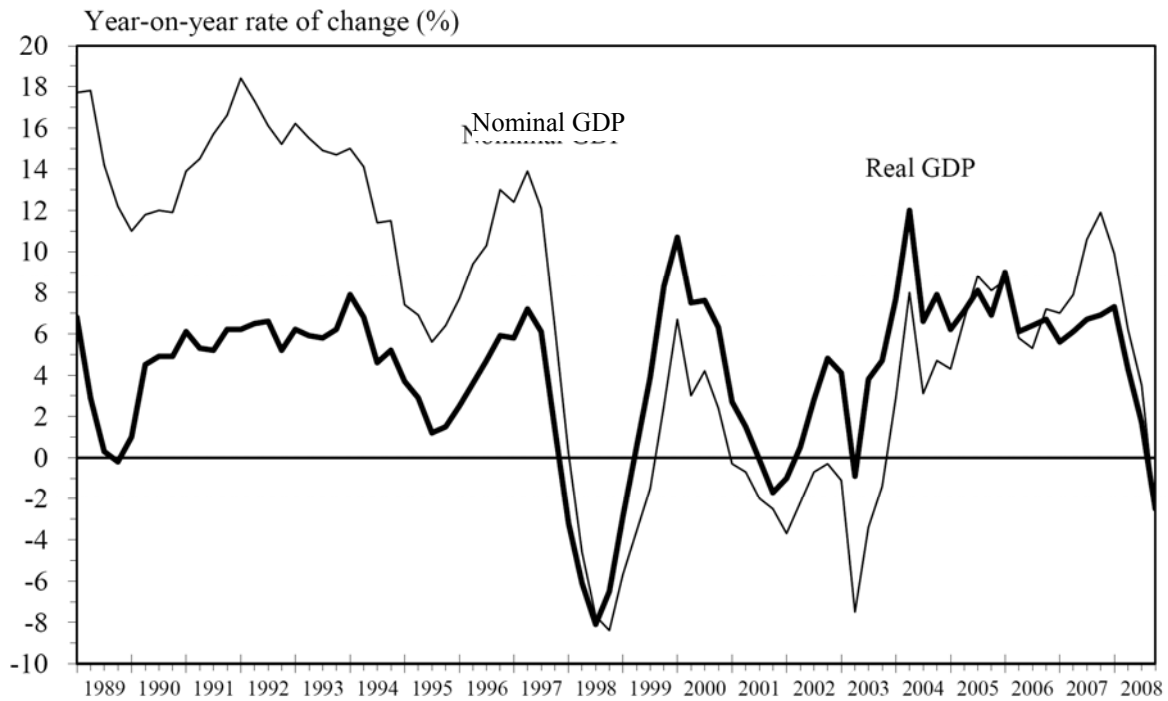


Chart 2

**Unemployment Rate**

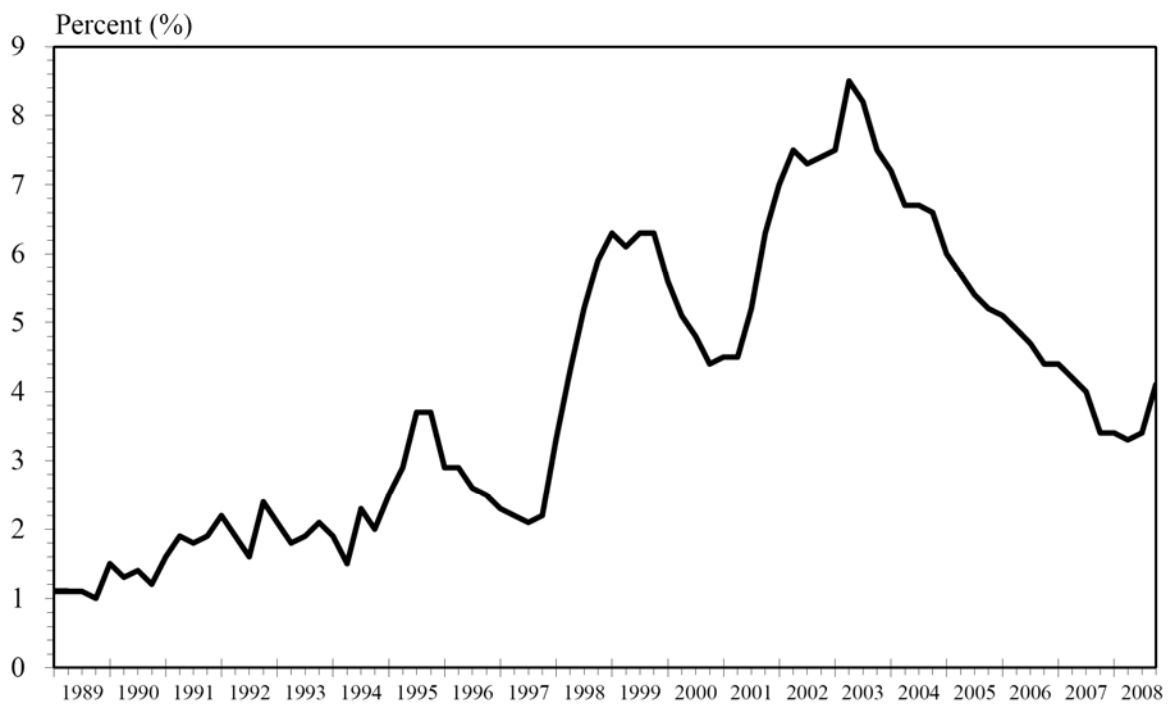
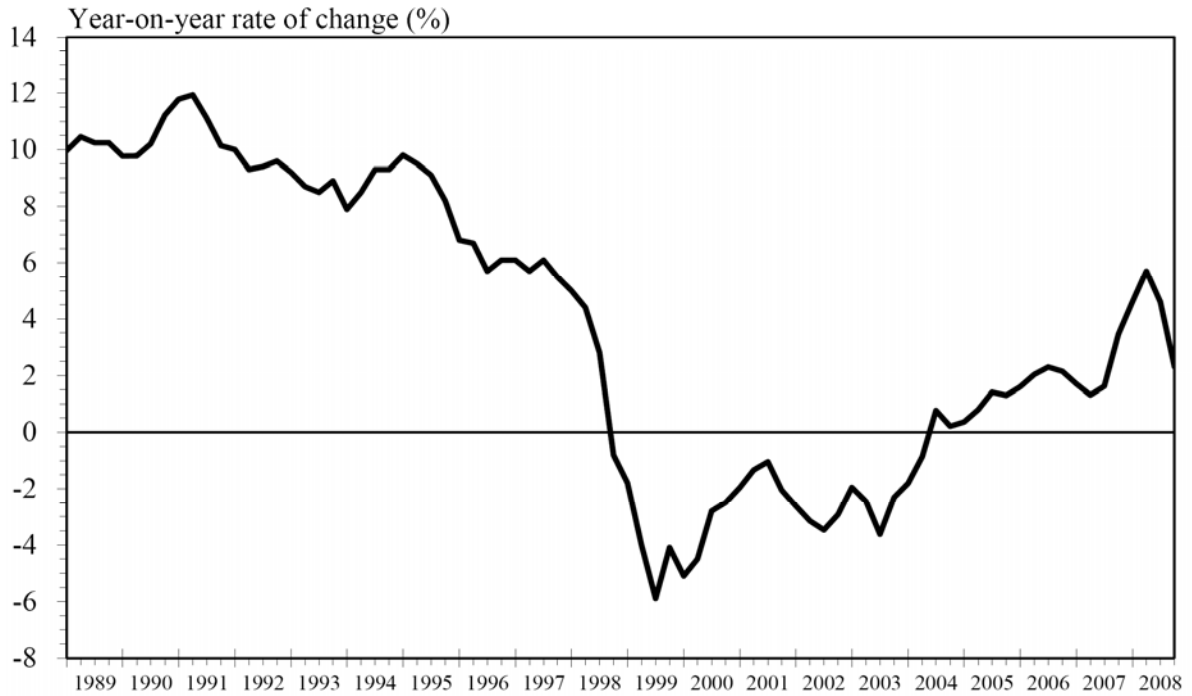


Chart 3

**Composite Consumer Price Index**



**Tax reduction enjoyed by taxpayers by income group after implementation of the proposed one-off reduction of salaries tax and personal assessment tax**

Income in 2008–09	No. of taxpayers	Average amount of tax reduction (\$)	Average percentage of tax reduction
\$108,001 to \$200,000	424 000	470	50%
\$200,001 to \$300,000	345 000	2,200	47%
\$300,001 to \$400,000	226 000	3,840	33%
\$400,001 to \$600,000	211 000	5,270	19%
\$600,001 to \$900,000	98 000	5,990	9%
\$900,001 and above	96 000	6,000	2%
Total	1 400 000	—	—

*Supplement***DUTY RATE OF TOBACCO**

	<b>Present</b> <i>(\$ per 1 000 sticks)</i>	<b>Proposed</b> <i>(\$ per 1 000 sticks)</i>
Cigarettes	804	1,206
	<i>(\$ per Kg)</i>	<i>(\$ per Kg)</i>
Cigars	1,035	1,553
Chinese prepared tobacco	197	296
All other manufactured tobacco except tobacco intended for the manufacture of cigarettes	974	1,461

## EFFECT OF THE GENERAL REVALUATION OF RATES ON MAIN PROPERTY CLASSES

<i>Property Type</i>	<i>2009–10</i>		
	<i>Average Increase/Decrease in Rateable Value<sup>(6)</sup></i>	<i>New Average Rates Payable<sup>(7)</sup></i>	<i>Increase/Decrease<sup>(8)</sup></i>
	<i>%</i>	<i>\$ per month</i>	<i>\$ per month</i>
Small Domestic Premises <sup>(1)</sup> (Private)	-2	263	-5
Medium Domestic Premises <sup>(1)</sup> (Private)	-1	664	-6
Large Domestic Premises <sup>(1)</sup> (Private)	+1	1,809	+15
Public Domestic Premises <sup>(2)</sup>	-3	143	-4
<b>All Domestic Premises<sup>(3)</sup></b>	-1	289	-4
Shops and Commercial Premises	less than 0.5	1,918	+1
Offices	+2	2,328	+34
Industrial Premises <sup>(4)</sup>	less than 0.5	752	-1
<b>All Non-domestic Premises<sup>(5)</sup></b>	less than 0.5	2,025	-5
<b>All Properties</b>	-1	520	-4

- (1) Domestic units are classified by relation to saleable areas, as follows –
- |                 |  |                               |
|-----------------|--|-------------------------------|
| Small domestic  | up to 69.9m <sup>2</sup>               | (up to 752 sq. ft.)           |
| Medium domestic | 70m <sup>2</sup> to 99.9m <sup>2</sup> | (753 sq. ft. - 1 075 sq. ft.) |
| Large domestic  | 100m <sup>2</sup> and over             | (1 076 sq. ft. and above)     |
- (2) Including Housing Authority and Housing Society rental units.
- (3) Including car parking spaces.
- (4) Including factories and storage premises.
- (5) Including miscellaneous premises such as hotels, cinemas, petrol filling stations, schools and car parking spaces.
- (6) The rateable values for 2009–10 reflect the changes in open market rental values between 1 October 2007 and 1 October 2008.
- (7) The effect of the proposed rates concession in 2009–10 has not been taken into account.
- (8) The effect of rates concession in 2008–09 has not been taken into account.



*Supplement*

**EFFECT OF THE GENERAL REVALUATION OF  
GOVERNMENT RENT ON MAIN PROPERTY CLASSES**

<i>Property Type</i>	<i>2009–10</i>		
	<i>Average Decrease in Rateable Value<sup>(6)</sup></i>	<i>New Average Rent Payable</i>	<i>Decrease</i>
	<i>%</i>	<i>\$ per month</i>	<i>\$ per month</i>
Small Domestic Premises <sup>(1)</sup> (Private)	-3	147	-4
Medium Domestic Premises <sup>(1)</sup> (Private)	-2	368	-8
Large Domestic Premises <sup>(1)</sup> (Private)	-1	865	-8
Public Domestic Premises <sup>(2)</sup>	-3	87	-3
<b>All Domestic Premises<sup>(3)</sup></b>	-2	157	-4
Shops and Commercial Premises	-1	1,048	-10
Offices	less than 0.5	2,709	-11
Industrial Premises <sup>(4)</sup>	less than 0.5	454	-2
<b>All Non-domestic Premises<sup>(5)</sup></b>	-1	1,065	-9
<b>All Properties</b>	-2	262	-4

(1) Domestic units are classified by relation to saleable areas, as follows –

Small domestic	up to 69.9m <sup>2</sup>	(up to 752 sq. ft.)
Medium domestic	70m <sup>2</sup> to 99.9m <sup>2</sup>	(753 sq. ft. - 1 075 sq. ft.)
Large domestic	100m <sup>2</sup> and over	(1 076 sq. ft. and above)

(2) Including Housing Authority and Housing Society rental units.

(3) Including car parking spaces.

(4) Including factories and storage premises.

(5) Including miscellaneous premises such as hotels, cinemas, petrol filling stations, schools and car parking spaces.

(6) The rateable values for 2009–10 reflect the changes in open market rental values between 1 October 2007 and 1 October 2008.

## ECONOMIC PERFORMANCE IN 2008

1. Estimated rates of change in the Gross Domestic Product and its expenditure components and in the main price indicators in 2008:

	(%)
(a) Growth rates in real terms of:	
Private consumption expenditure	1.8
Government consumption expenditure	2.0
Gross domestic fixed capital formation	-0.3
<i>of which:</i>	
Building and construction	0.3
Machinery, equipment and computer software	0.6
Total exports of goods	2.0
Imports of goods	1.9
Exports of services	5.6
Imports of services	3.2
<b>Gross Domestic Product (GDP)</b>	<b>2.5</b>
<i>Per capita GDP, in real terms</i>	1.7
<i>Per capita GDP at current market prices</i>	HK\$240,600 (US\$30,900)
(b) Rates of change in:	
<b>Composite Consumer Price Index</b>	<b>4.3</b>
<b>GDP Deflator</b>	<b>1.4</b>
<b>Government Consumption Expenditure Deflator</b>	<b>5.2</b>
(c) <b>Growth rate of nominal GDP</b>	<b>3.9</b>

*Supplement*

2. Annual growth rates in real terms of re-exports and domestic exports based on external trade quantum index numbers:

	<i>Re-exports</i> (%)	<i>Domestic exports</i> (%)
2006	11	1
2007	10	-20
2008	4	-22
<i>Share in the value of total exports of goods in 2008</i>	97	3

3. Annual growth rates in real terms of retained imports by type:

	<i>Retained imports</i>					
	<i>Total</i> (%)	<i>Consumer goods</i> (%)	<i>Foodstuffs</i> (%)	<i>Capital goods</i> (%)	<i>Raw materials and semi-manufactures</i> (%)	<i>Fuels</i> (%)
2006	8	14	2	28	-17	5
2007	12	6	7	11	18	9
2008	-1	12	13	7	-30	-4

4. Annual growth rates in real terms of retained imports of capital goods by type:

	<i>Retained imports of capital goods</i>				
	<i>Total</i> (%)	<i>Office equipment</i> (%)	<i>Industrial machinery</i> (%)	<i>Construction machinery</i> (%)	<i>Telecommunications equipment</i> (%)
2006	28	32	3	34	39
2007	11	-5	-5	6	26
2008	7	0	6	57	14

5. Annual growth rates in real terms of exports of services by type:

*Exports of services*

	<i>Total</i> (%)	<i>Trade-related</i> <i>services</i> (%)	<i>Transportation</i> <i>services</i> (%)	<i>Travel</i> <i>services</i> (%)	<i>Finance,</i> <i>insurance,</i> <i>business and</i> <i>other services</i> (%)
2006	10	9	8	6	19
2007	14	9	13	14	24
2008	6	6	2	6	9

6. Hong Kong's visible and invisible trade balance in 2008 reckoned on GDP basis <sup>(Note 1)</sup>:

(HK\$ billion)

Total exports of goods	2,844.0
Imports of goods	3,024.1
<b><i>Visible trade balance</i></b>	<b>-180.1</b>
Exports of services	719.9
Imports of services	357.3
<b><i>Invisible trade balance</i></b>	<b>362.6</b>
<b><i>Combined visible and invisible trade balance</i></b>	<b>182.5</b>

Note 1 Preliminary figures.

*Supplement*

7. Annual averages of the unemployment and underemployment rates and growth in labour force and total employment:

	<i>Unemployment rate (%)</i>	<i>Underemployment rate (%)</i>	<i>Growth in labour force (%)</i>	<i>Growth in total employment (%)</i>
2006	4.8	2.4	1.1	1.9
2007	4.0	2.2	1.6	2.4
2008	3.5	1.9	1.0	1.6

8. Annual rates of change in the Consumer Price Indices:

	<i>Composite CPI (%)</i>	<i>CPI(A) (%)</i>	<i>CPI(B) (%)</i>	<i>CPI(C) (%)</i>
2006	2.0	1.7	2.1	2.2
2007	2.0	1.3	2.2	2.7
2008	4.3	3.6	4.6	4.7

**ECONOMIC PROSPECTS FOR 2009**

Forecast rates of change in the Gross Domestic Product and prices in 2009:

	(%)
<b>Gross Domestic Product (GDP)</b>	
<i>Real GDP</i>	<b>-2 to -3</b>
<i>Nominal GDP</i>	-1.5 to -2.5
<i>Per capita GDP, in real terms</i>	-2.8 to -3.8
<i>Per capita GDP at current market prices</i>	HK\$232,500-234,900 (US\$29,800-30,100)
<b>Composite Consumer Price Index</b>	
<i>Headline Composite Consumer Price Index</i>	<b>1.6</b>
<i>Underlying Composite Consumer Price Index</i>	<b>1.5</b>
<b>GDP Deflator</b>	<b>0.5</b>

## Appendix A

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**SECTION I – FORECASTING ASSUMPTIONS AND BUDGETARY CRITERIA**

1 A number of computer-based models are used to derive the Medium Range Forecast (MRF). These models use a wide range of assumptions about the factors affecting each of the components of Government's revenue and expenditure. Some are economic in nature (the general economic assumptions) while others deal with specific areas of Government's activities (the detailed assumptions). These are supported by studies of historical and projected trends.

**General Economic Assumptions***Real Gross Domestic Product (real GDP)*

2 GDP is forecast to decrease by between 2% to 3% in real terms in 2009. We have used the mid-point of this range forecast in deriving the MRF. For planning purposes, in the four-year period 2010 to 2013, the trend growth rate of the economy in real terms is assumed to be 3.5% per annum.

*Price change*

3 The GDP deflator, measuring overall price change in the economy, is forecast to increase by 0.5% in 2009. For the four-year period 2010 to 2013, the GDP deflator is assumed to increase at a trend rate of 1% per annum.

4 The Composite Consumer Price Index (CCPI), measuring inflation in the consumer domain, is forecast to increase by 1.6% in 2009. Eliminating the effects of various one-off measures introduced in the 2008-09 and 2009-10 Budgets, the underlying CCPI is forecast to increase by 1.5% in 2009. For the ensuing period 2010 to 2013, the trend rate of increase for the underlying CCPI is assumed to be 2% per annum.

*Nominal Gross Domestic Product (nominal GDP)*

5 Given the assumptions on the rates of change in the real GDP and the GDP deflator, the GDP in nominal terms is forecast to decrease by between 1.5% to 2.5% in 2009, and the trend growth rate in nominal terms for the period 2010 to 2013 is assumed to be 4.5% per annum.

**Detailed Assumptions**

6 The MRF incorporates a wide range of detailed assumptions on expenditure and revenue patterns over the forecast period, taking the following, amongst other factors, into account –

- estimated cash flow of capital projects,
- forecast completion dates of these capital projects and their related recurrent consequences in terms of staffing and running costs,
- estimated cash flow arising from new commitments and policy initiatives,
- the expected pattern of demand for individual services,
- the trend in yield from individual revenue sources, and
- new revenue/expenditure measures in the 2009-10 Budget.

**Budgetary Criteria**

7 In addition to the above forecasting assumptions, there are a number of criteria against which the results of forecasts are tested for overall acceptability in terms of budgetary policy.

8 The following covers the more important budgetary criteria –

- *Budget surplus/deficit*

The Government aims to achieve balance in the consolidated and operating accounts. The Government needs, over time, to achieve an operating surplus to partially finance capital expenditure.

- *Expenditure policy*

The general principle is that, over time, expenditure growth should not exceed the growth of the economy. The Government aims to keep public expenditure at or below 20% of GDP. Capital expenditure, by its nature, will fluctuate from year to year.

- *Revenue policy*

Account is taken of the need to maintain, over time, the real yield from revenue.

- *Fiscal reserves*

The Government aims to maintain adequate reserves in the long run.



## Appendix A—Contd.

## SECTION II – THE MRF FOR 2008–09 TO 2013–14

9 The current MRF (Note a) is summarised in the following table which indicates the forecast financial position of the Government –

Table 1

(\$ million)	Original Estimate	Revised Estimate	Estimate	Forecast			
	2008–09	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14
<b>Operating Account</b>							
Operating revenue (Note b & f)	212,269	240,387	206,703	215,155	235,366	254,347	274,689
Less: Operating expenditure (Note c)	255,700	259,991	244,000	249,400	258,100	267,100	276,400
Deficit before investment income	(43,431)	(19,604)	(37,297)	(34,245)	(22,734)	(12,753)	(1,711)
Investment income (Note b)	37,091	37,562	27,494	20,108	18,348	19,116	15,264
<b>Operating surplus/(deficit) after investment income</b>	<b>(6,340)</b>	<b>17,958</b>	<b>(9,803)</b>	<b>(14,137)</b>	<b>(4,386)</b>	<b>6,363</b>	<b>13,553</b>
<b>Capital Financing Statement</b>							
Capital revenue (Note d)	53,138	25,832	23,506	41,416	39,429	41,587	44,436
Asset sales (Note d)	87	68	85	77	10,475	10,298	10,270
	53,225	25,900	23,591	41,493	49,904	51,885	54,706
Less: Capital spending (Note e)	56,289	54,321	53,466	54,684	68,952	68,229	70,562
Deficit before investment income/interest expenses	(3,064)	(28,421)	(29,875)	(13,191)	(19,048)	(16,344)	(15,856)
Investment income (Note d)	5,315	9,036	3,944	2,832	2,149	1,776	1,536
Less: Interest expenses (Note e & f)	754	754	642	576	577	576	577
<b>Surplus/(deficit) after investment income/interest expenses</b>	<b>1,497</b>	<b>(20,139)</b>	<b>(26,573)</b>	<b>(10,935)</b>	<b>(17,476)</b>	<b>(15,144)</b>	<b>(14,897)</b>
Less: Repayment of bonds and notes (Note e & f)	2,700	2,700	3,500	-	-	-	-
<b>Capital financing deficit after bond repayment</b>	<b>(1,203)</b>	<b>(22,839)</b>	<b>(30,073)</b>	<b>(10,935)</b>	<b>(17,476)</b>	<b>(15,144)</b>	<b>(14,897)</b>
<b>Consolidated Account</b>							
Fiscal reserves at 1 April	484,939	492,914	488,033	448,157	423,085	401,223	392,442
Operating surplus/(deficit)	(6,340)	17,958	(9,803)	(14,137)	(4,386)	6,363	13,553
Capital financing surplus/(deficit) before bond repayment	1,497	(20,139)	(26,573)	(10,935)	(17,476)	(15,144)	(14,897)
<b>Consolidated deficit</b>	<b>(4,843)</b>	<b>(2,181)</b>	<b>(36,376)</b>	<b>(25,072)</b>	<b>(21,862)</b>	<b>(8,781)</b>	<b>(1,344)</b>
Less: Repayment of bonds and notes	2,700	2,700	3,500	-	-	-	-
<b>Consolidated deficit after bond repayment</b>	<b>(7,543)</b>	<b>(4,881)</b>	<b>(39,876)</b>	<b>(25,072)</b>	<b>(21,862)</b>	<b>(8,781)</b>	<b>(1,344)</b>
<b>Fiscal reserves at 31 March</b>	<b>477,396</b>	<b>488,033</b>	<b>448,157</b>	<b>423,085</b>	<b>401,223</b>	<b>392,442</b>	<b>391,098</b>
As number of months of government expenditure	18	19	18	17	15	14	14
As a percentage of GDP	27.7%	29.1%	27.2%	24.6%	22.3%	20.9%	19.9%
Outstanding debts at 31 March							
Toll Revenue Bond	2,098	1,932	-	-	-	-	-
Other government bonds and notes	14,750	14,750	11,250	11,250	11,250	11,250	11,250

## Notes –

## (a) Accounting policies

- (i) The MRF is prepared on a cash basis and reflects forecast receipts and payments, whether or not they relate to operating or capital transactions.
- (ii) The MRF includes the General Revenue Account and the Funds (Capital Investment Fund, Capital Works Reserve Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund).

## (b) Operating revenue

- (i) The operating revenue has taken into account the revenue-concession measures proposed in the 2009-10 Budget, and is made up of –

	2008–09 Revised Estimate	2009–10 Estimate	2010–11 Forecast	2011–12 Forecast	2012–13 Forecast	2013–14 Forecast
(\$ million)						
Operating revenue before investment income	240,387	206,703	215,155	235,366	254,347	274,689
Investment income	37,562	27,494	20,108	18,348	19,116	15,264
Total	277,949	234,197	235,263	253,714	273,463	289,953

- (ii) Investment income under the Operating Account includes investment income of the General Revenue Account which is credited to revenue head Properties and Investments and investment income of the Land Fund. The rate of investment return for 2009 is 6.8% and for 2010 to 2013 is assumed to be in the range of 4.3% to 5.3% a year.

## (c) Operating expenditure

This represents expenditure charged to the Operating Account of the General Revenue Account. The levels of operating expenditure in 2009-10 to 2013-14 represent the expenditure guideline for these years.

## (d) Capital revenue

- (i) The breakdown of capital revenue is –

	2008–09 Revised Estimate	2009–10 Estimate	2010–11 Forecast	2011–12 Forecast	2012–13 Forecast	2013–14 Forecast
(\$ million)						
General Revenue Account	4,001	2,870	3,927	684	528	528
Capital Works Reserve Fund	17,047	16,634	33,366	34,539	36,639	39,240
Capital Investment Fund	1,811	872	812	770	802	821
Disaster Relief Fund	2	-	-	-	-	-
Innovation and Technology Fund	18	-	-	-	-	-
Loan Fund	1,992	2,131	2,259	2,324	2,444	2,606
Lotteries Fund	961	999	1,052	1,112	1,174	1,241
Capital revenue before asset sales and investment income	25,832	23,506	41,416	39,429	41,587	44,436
Asset sales	68	85	77	10,475	10,298	10,270
Investment income	9,036	3,944	2,832	2,149	1,776	1,536
Total	34,936	27,535	44,325	52,053	53,661	56,242

## Appendix A—Contd.

- (ii) For the purpose of the MRF, the annual land premium included under the Capital Works Reserve Fund is assumed to be around 1% of GDP in 2009-10 and 2% from 2010-11 onwards.
- (iii) Investment income under the Capital Financing Statement includes investment income of the Funds except Land Fund (i.e. Capital Investment Fund, Capital Works Reserve Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Loan Fund and Lotteries Fund).

*(e) Capital spending*

The breakdown of capital spending is –

	2008–09 Revised Estimate	2009–10 Estimate	2010–11 Forecast	2011–12 Forecast	2012–13 Forecast	2013–14 Forecast
(\$ million)						
General Revenue Account	2,508	3,523	3,970	3,970	3,970	3,970
Capital Works Reserve Fund	47,166	43,884	44,558	59,525	58,885	61,651
Capital Investment Fund	209	380	535	250	250	250
Disaster Relief Fund	345	-	-	-	-	-
Innovation and Technology Fund	659	1,278	1,465	993	1,018	1,044
Loan Fund	2,492	2,592	2,935	3,044	3,592	3,250
Lotteries Fund	942	1,809	1,221	1,170	514	397
Capital spending before interest on and repayment of government bonds and notes	54,321	53,466	54,684	68,952	68,229	70,562
Interest expenses	754	642	576	577	576	577
Repayment of bonds and notes	2,700	3,500	-	-	-	-
Total	57,775	57,608	55,260	69,529	68,805	71,139

*(f) Government bonds and notes*

Interest expenses and repayment of bonds and notes are only in respect of the global bond issue and not the Toll Revenue Bond. The interest expenses and repayment of the Toll Revenue Bond are charged directly against the net toll revenue of the concerned tunnels and bridges. The toll revenue thus forgone has been taken into account in forecasting government operating revenue.

### SECTION III – RELATIONSHIP BETWEEN GOVERNMENT EXPENDITURE/PUBLIC EXPENDITURE AND GDP IN THE MRF

10 For monitoring purposes, expenditure of the Trading Funds and the Housing Authority (collectively referred to as “other public bodies”) is added to Government’s own expenditure in order to compare total public expenditure with GDP.

#### Government Expenditure and Public Expenditure in the Context of the Economy

Table 2

(\$ million)	Original Estimate	Revised Estimate	Estimate	Forecast			
	2008–09	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14
Operating expenditure	255,700	259,991	244,000	249,400	258,100	267,100	276,400
Capital expenditure	56,694	54,866	53,728	54,725	69,279	68,555	70,889
<b>Total government expenditure</b>	312,394	314,857	297,728	304,125	327,379	335,655	347,289
Other public bodies expenditure	19,688	19,745	21,631	22,656	22,642	23,092	23,610
<b>Total public expenditure (Note a)</b>	332,082	334,602	319,359	326,781	350,021	358,747	370,899
<b>Gross Domestic Product (calendar year)</b>	1,725,625	1,678,514	1,644,734	1,718,747	1,796,692	1,878,172	1,963,347
<b>Growth in GDP (Note b)</b>							
Nominal terms		3.9%	-2.0%	4.5%	4.5%	4.5%	4.5%
Real terms		2.5%	-2.5%	3.5%	3.5%	3.5%	3.5%
<b>Growth in government expenditure (Note c)</b>							
Nominal terms		34.1%	-5.4%	2.1%	7.6%	2.5%	3.5%
Real terms		28.5%	-6.0%	-0.7%	6.7%	0.5%	0.9%
<b>Growth in public expenditure (Note c)</b>							
Nominal terms		32.6%	-4.6%	2.3%	7.1%	2.5%	3.4%
Real terms		27.0%	-5.2%	-0.4%	6.2%	0.5%	0.8%
<b>Public expenditure as a percentage of GDP</b>	19.2%	19.9%	19.4%	19.0%	19.5%	19.1%	18.9%

Notes –

- (a) Public expenditure comprises government expenditure (i.e. all expenditure charged to the General Revenue Account and financed by the Government’s statutory funds excluding Capital Investment Fund), and expenditure by the Trading Funds and the Housing Authority. It does not include expenditure by those organisations, including statutory organisations, in which the Government has only an equity position, such as the Airport Authority and the MTR Corporation Limited. Similarly, advances and equity investments from the Capital Investment Fund as well as repayment of government bonds and notes are excluded as they do not reflect the actual consumption of resources by the Government.
- (b) For 2009-10, the GDP growth in nominal terms of -2% represents the mid-point of the range forecast of nominal GDP growth at -1.5% to -2.5% for the calendar year 2009. Similarly, the growth in real terms of -2.5% represents the mid-point of the range forecast of real GDP growth at -2% to -3% for 2009.
- (c) The growth rates refer to year-on-year change. For example, the rates for 2008–09 refer to the change between revised estimate for 2008–09 and actual expenditure in 2007–08. The rates for 2009–10 refer to the change between the 2009–10 estimate and the 2008–09 revised estimate, and so forth.

## Appendix A—Contd.

11 Table 3 shows the relationship amongst the sum to be appropriated in the 2009-10 Budget, government expenditure and public expenditure. It also shows the effect of the Budget revenue measures on the overall fiscal position for 2009-10.

**Relationship between Government Expenditure  
and Public Expenditure in 2009-10**

(\$ million)

Table 3

Components of expenditure and revenue	Appropriation	Government expenditure and revenue			Public expenditure
		Operating	Capital	Total	
<b>Expenditure</b>					
General Revenue Account					
Operating					
Recurrent	227,603	227,603	-	227,603	227,603
Non-recurrent	16,397	16,397	-	16,397	16,397
Capital					
Plant, equipment and works	2,023	-	2,023	2,023	2,023
Subventions	1,500	-	1,500	1,500	1,500
	247,523	244,000	3,523	247,523	247,523
Transfer to Funds	15,409	-	-	-	-
Capital Works Reserve Fund	-	-	44,526	44,526	44,526
Innovation and Technology Fund	-	-	1,278	1,278	1,278
Loan Fund	-	-	2,592	2,592	2,592
Lotteries Fund	-	-	1,809	1,809	1,809
Trading Funds	-	-	-	-	3,837
Housing Authority	-	-	-	-	17,794
	262,932	244,000	53,728	297,728	319,359
<b>Revenue (before Budget revenue measures)</b>					
General Revenue Account					
Taxation		188,947	80	189,027	
Other revenue		41,683	2,790	44,473	
		230,630	2,870	233,500	
Land Fund		11,196	-	11,196	
		241,826	2,870	244,696	
Capital Works Reserve Fund		-	18,361	18,361	
Capital Investment Fund		-	928	928	
Civil Service Pension Reserve Fund		-	1,377	1,377	
Disaster Relief Fund		-	3	3	
Innovation and Technology Fund		-	251	251	
Loan Fund		-	2,302	2,302	
Lotteries Fund		-	1,443	1,443	
		241,826	27,535	269,361	
<b>Deficit before Budget revenue measures</b>		(2,174)	(26,193)	(28,367)	
<i>Less: Effect of Budget revenue measures</i>		(7,629)	-	(7,629)	
<b>Deficit after Budget revenue measures</b>		(9,803)	(26,193)	(35,996)	
<i>Less: Advances and equity investments from the Capital Investment Fund</i>		-	380	380	
<i>Repayment of bonds and notes</i>		-	3,500	3,500	
<b>Consolidated deficit</b>		(9,803)	(30,073)	(39,876)	

Appendix A—Contd.

**SECTION IV – ESTIMATES OF CONTINGENT LIABILITIES**

**12** The Government's contingent liabilities as at 31 March 2008, and estimates of these should they remain unsettled as at 31 March 2009 or 31 March 2010, are provided below as supplementary information to the MRF –

(\$ million)	2008	At 31 March 2009	2010
Guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance	12,787	15,163	17,962
Guarantee provided under the Special Loan Guarantee Scheme	-	58,350	100,000
Guarantees provided under loan guarantee schemes for small and medium enterprises	4,089	4,118	4,118
Possible capital subscriptions to the Asian Development Bank	2,295	2,295	2,295
Guarantee provided for commercial loan of the Ocean Park Corporation	-	786	1,388
Litigation	42	44	44
Total	<u>19,213</u>	<u>80,756</u>	<u>125,807</u>

## Appendix B

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*Note:* Expenditure figures for 2008-09 and before as shown in Sections II, III and V have been adjusted to align with the cost-neutral transfers between policy area groups adopted in the 2009-10 estimate.

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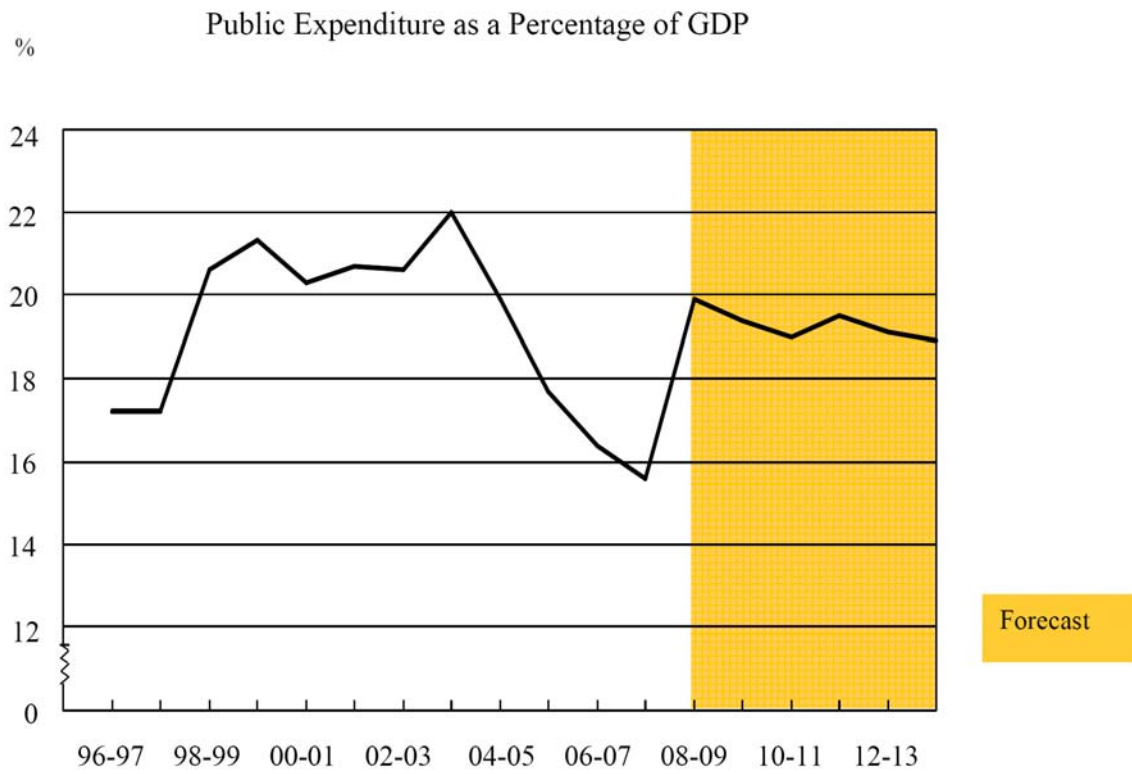
## SECTION I – THE ESTIMATES IN THE CONTEXT OF THE ECONOMY

## Relationship between Government Expenditure and Public Expenditure in 2009–10 and GDP

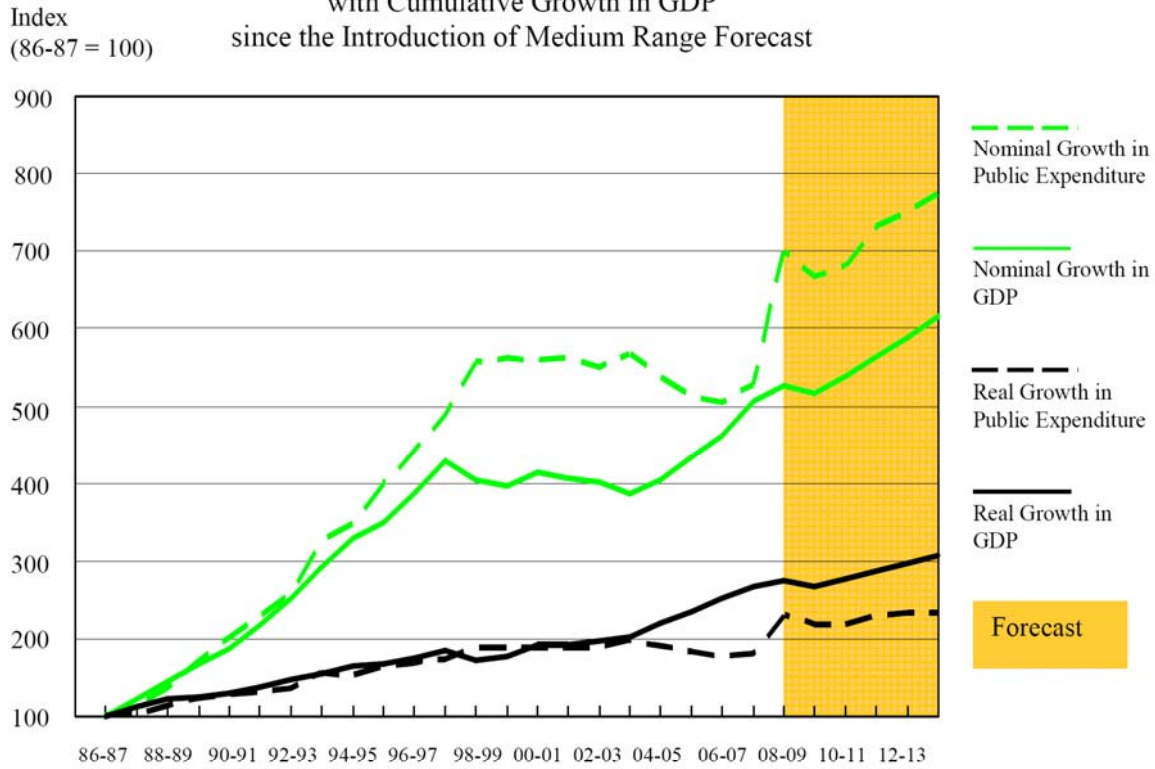
	<b>2009–10 Estimate \$m</b>
General Revenue Account	
Operating	244,000
Capital	3,523
	<hr/> 247,523
Capital Works Reserve Fund	44,526
Innovation and Technology Fund	1,278
Loan Fund	2,592
Lotteries Fund	1,809
Government Expenditure	<hr/> 297,728
Trading Funds	3,837
Housing Authority	17,794
Public Expenditure	<hr/> 319,359
GDP	1,644,734
Public Expenditure as a % of GDP	19.4%



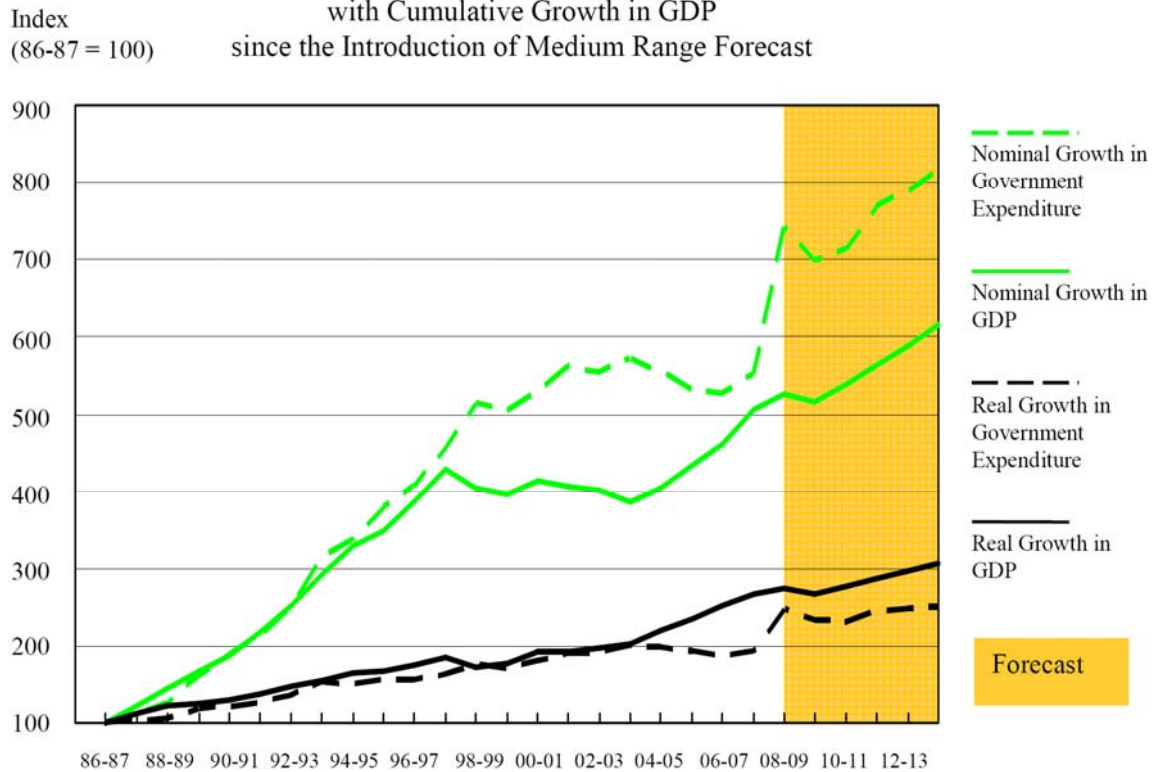
Appendix B—Contd.



Comparison of Cumulative Growth in Public Expenditure with Cumulative Growth in GDP since the Introduction of Medium Range Forecast



Comparison of Cumulative Growth in Government Expenditure with Cumulative Growth in GDP since the Introduction of Medium Range Forecast



Appendix B—Contd.

## SECTION II – ANALYSIS OF RECURRENT PUBLIC/GOVERNMENT EXPENDITURE BY POLICY AREA GROUP

## Recurrent Public Expenditure : Year-on-Year Change

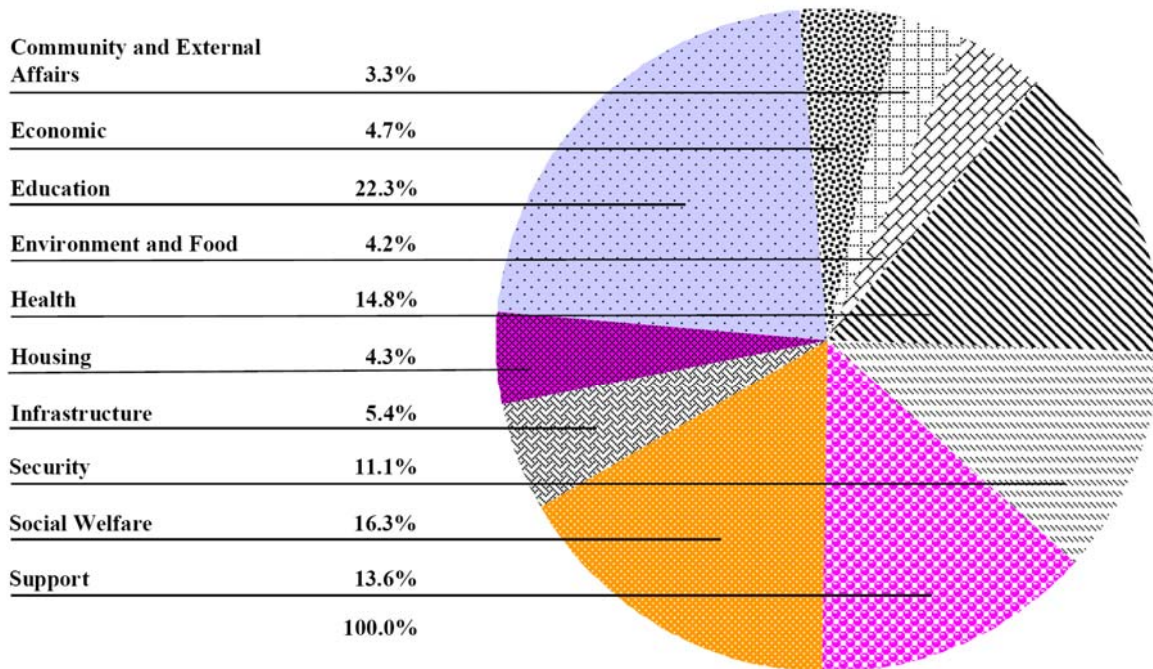
	2008–09 Original Estimate \$m	2008–09 Revised Estimate \$m	2009–10 Estimate \$m	Increase/Decrease over 2008–09 Original Estimate	
				in Nominal Terms %	in Real Terms %
Education	51,106	50,314	53,817	5.3	1.1
Social Welfare	37,758	39,151	39,259	4.0	-6.4
Health	32,586	33,883	35,692	9.5	4.7
Security	25,375	25,933	26,847	5.8	1.2
Infrastructure	12,046	12,145	13,024	8.1	1.9
Economic	10,766	10,863	11,246	4.5	0.5
Housing	9,951	9,997	10,370	4.2	1.1
Environment and Food	9,265	9,210	10,345	11.7	8.7
Community and External Affairs	7,555	7,568	8,060	6.7	4.1
Support	31,597	30,342	32,778	3.7	1.5
	228,005	229,406	241,438	5.9	0.9

Appendix B—Contd.

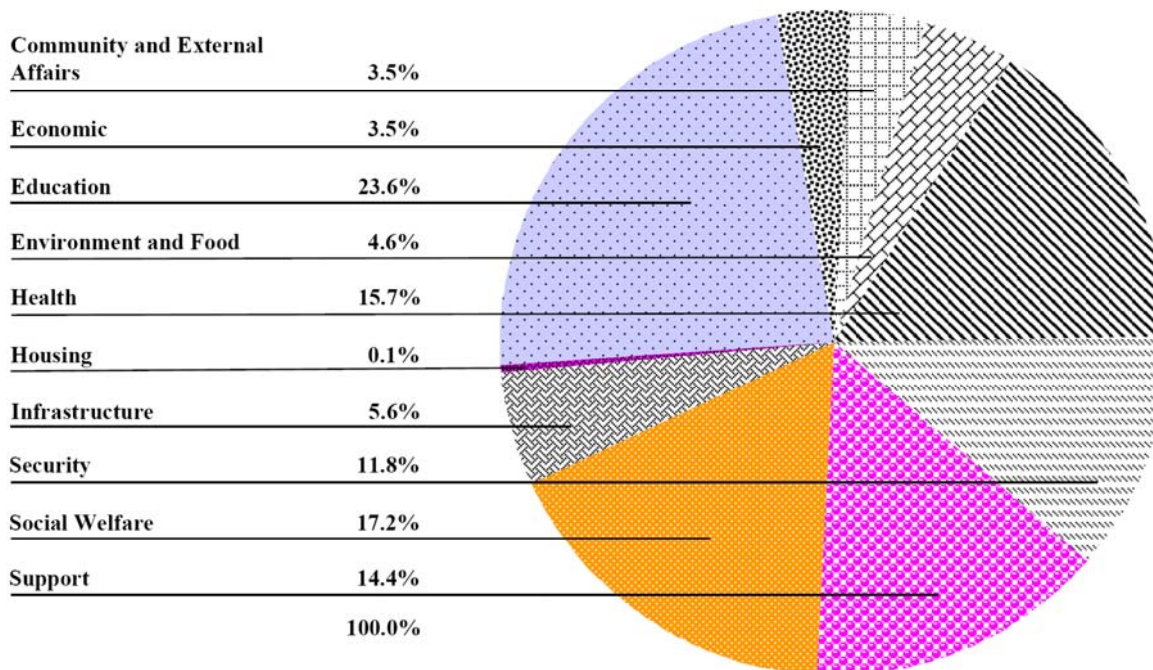
**SECTION II – ANALYSIS OF RECURRENT PUBLIC/GOVERNMENT EXPENDITURE BY  
POLICY AREA GROUP**
**Recurrent Government Expenditure : Year-on-Year Change**

	2008–09 Original Estimate \$m	2008–09 Revised Estimate \$m	2009–10 Estimate \$m	Increase/Decrease over 2008–09 Original Estimate	
				in Nominal Terms %	in Real Terms %
Education	51,106	50,314	53,817	5.3	1.1
Social Welfare	37,758	39,151	39,259	4.0	-6.4
Health	32,586	33,883	35,692	9.5	4.7
Security	25,375	25,933	26,847	5.8	1.2
Infrastructure	11,842	11,928	12,810	8.2	2.0
Environment and Food	9,265	9,210	10,345	11.7	8.7
Community and External Affairs	7,555	7,568	8,060	6.7	4.1
Economic	7,374	7,330	7,797	5.7	2.2
Housing	189	191	198	4.8	-
Support	31,597	30,342	32,778	3.7	1.5
	<u>214,647</u>	<u>215,850</u>	<u>227,603</u>	<b>6.0</b>	<b>0.9</b>

**Percentage Share of Expenditure by Policy Area Group  
 Recurrent Public Expenditure : 2009-10 Estimate**



**Percentage Share of Expenditure by Policy Area Group  
 Recurrent Government Expenditure : 2009-10 Estimate**



Appendix B—Contd.

**SECTION III – ANALYSIS OF TOTAL PUBLIC/GOVERNMENT EXPENDITURE BY POLICY AREA GROUP**

**Total Public Expenditure : Year-on-Year Change**

	2008–09 Original Estimate \$m	2008–09 Revised Estimate \$m	2009–10 Estimate \$m	Increase/Decrease over 2008–09 Original Estimate in Nominal Terms %	in Real Terms %
<b>Education</b>	77,275	75,935	61,665	-20.2	-23.1
<b>Social Welfare</b>	39,248	40,255	41,608	6.0	-4.0
<b>Infrastructure</b>	25,177	24,844	39,663	57.5	53.3
<b>Health</b>	35,828	36,848	38,420	7.2	2.8
<b>Security</b>	28,368	28,200	30,625	8.0	3.7
<b>Economic</b>	26,560	25,315	20,300	-23.6	-25.3
<b>Housing</b>	16,968	18,300	18,004	6.1	3.4
<b>Community and External Affairs</b>	32,571	38,613	14,248	-56.3	-57.0
<b>Environment and Food</b>	12,440	12,384	14,121	13.5	10.9
<b>Support</b>	37,647	33,908	40,705	8.1	6.1
	<u>332,082</u>	<u>334,602</u>	<u>319,359</u>	<u>-3.8</u>	<u>-7.6</u>

Appendix B—Contd.

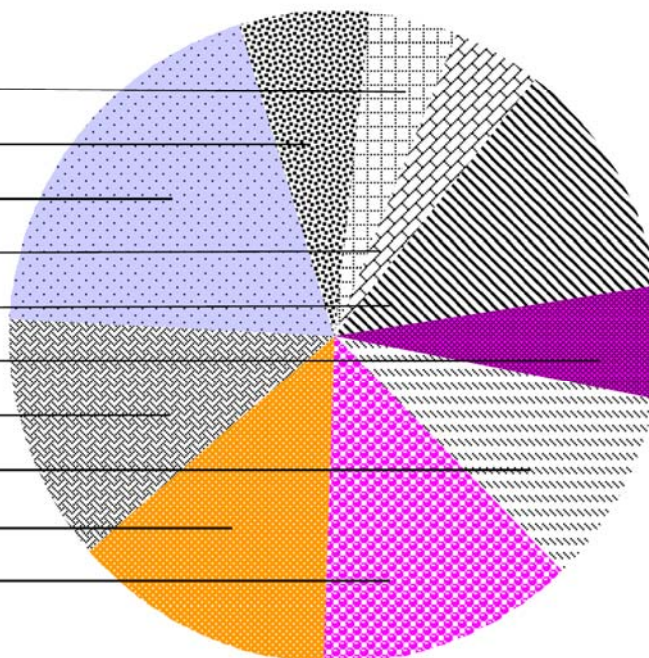
## SECTION III – ANALYSIS OF TOTAL PUBLIC/GOVERNMENT EXPENDITURE BY POLICY AREA GROUP

## Total Government Expenditure : Year-on-Year Change

	2008–09 Original Estimate \$m	2008–09 Revised Estimate \$m	2009–10 Estimate \$m	Increase/Decrease over 2008–09 Original Estimate	
				in Nominal Terms %	in Real Terms %
Education	77,275	75,935	61,665	-20.2	-23.1
Social Welfare	39,248	40,255	41,608	6.0	-4.0
Infrastructure	24,937	24,598	39,373	57.9	53.7
Health	35,828	36,848	38,420	7.2	2.8
Security	28,368	28,200	30,625	8.0	3.7
Economic	22,880	21,402	16,753	-26.8	-28.1
Community and External Affairs	32,571	38,613	14,248	-56.3	-57.0
Environment and Food	12,440	12,384	14,121	13.5	10.9
Housing	1,200	2,714	210	-82.5	-83.4
Support	37,647	33,908	40,705	8.1	6.1
	<u>312,394</u>	<u>314,857</u>	<u>297,728</u>	-4.7	-8.4

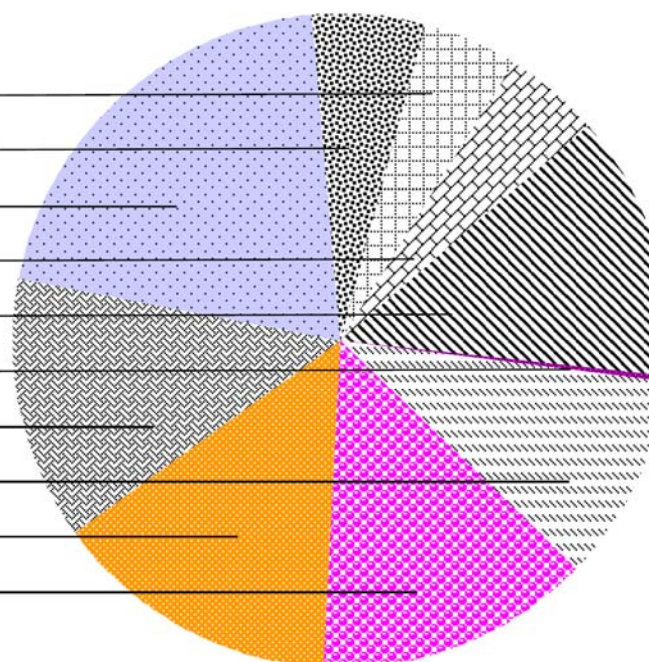
**Percentage Share of Expenditure by Policy Area Group  
Total Public Expenditure : 2009-10 Estimate**

Community and External Affairs	4.5%
Economic	6.4%
Education	19.3%
Environment and Food	4.4%
Health	12.0%
Housing	5.6%
Infrastructure	12.4%
Security	9.6%
Social Welfare	13.0%
Support	12.8%
	100.0%



**Percentage Share of Expenditure by Policy Area Group  
Total Government Expenditure : 2009-10 Estimate**

Community and External Affairs	4.8%
Economic	5.6%
Education	20.7%
Environment and Food	4.7%
Health	12.9%
Housing	0.1%
Infrastructure	13.2%
Security	10.3%
Social Welfare	14.0%
Support	13.7%
	100.0%





**SECTION IV – MAJOR CAPITAL PROJECTS TO BEGIN IN 2009–10**

Capital projects to start in 2009–10 include –

	<b>Project Estimates \$ million</b>
<b>Infrastructure</b>	<b>100,595</b>
— Central – Wan Chai Bypass and Island Eastern Corridor Link	
— Centre Street Escalator Link, stage 1	
— Detailed design for Tsuen Wan Bypass, widening of Tsuen Wan Road between Tsuen Tsing Interchange and Kwai Tsing Interchange and associated junction improvement works	
— Development of Government Helipad at the Hong Kong Convention and Exhibition Centre	
— Disposal of contaminated sediment – dredging, management and capping of sediment disposal facility at Sha Chau	
— Drainage improvement in Northern New Territories – package B (remaining works)	
— Elevated walkway across Tong Ming Street and Tong Tak Street, Tseung Kwan O	
— Expansion of Tai Po water treatment works and ancillary raw water and fresh water transfer facilities	
— Greening master plans for Hong Kong Island and Kowloon East and West – studies and works	
— Hang Hau Tsuen Channel at Lau Fau Shan	
— Hong Kong Section of Guangzhou–Shenzhen–Hong Kong Express Rail Link – construction	
— Hong Kong Section of Hong Kong–Shenzhen Airport Rail Link – design	
— Hong Kong–Zhuhai–Macao Bridge – detailed design and site investigation for Hong Kong Boundary Crossing Facilities, and funding support for preliminary design and site investigation for the Main Bridge	
— Improvement to Sham Tseng Interchange, road improvement works in association with the proposed realignment of Ngau Tau Kok Fourth Street and Fifth Street and construction of nearby footbridge links, and traffic improvements to Tuen Mun Road Town Centre section	
— Kai Tak development – stage 1 infrastructure works for developments at the southern part of the former runway and at north apron area of the former Kai Tak Airport for public housing and government office developments, and detailed design and site investigation for Kai Tak approach channel, Kwun Tong typhoon shelter improvement works and remaining infrastructure works for developments at the former runway	
— Liantang/Heung Yuen Wai Boundary Control Point and associated works – investigation and preliminary design	
— Ma On Shan Development – road, drainage and sewerage works at Whitehead and Lok Wo Sha phase 1	
— Mainlaying along Fanling Highway and near She Shan Tsuen – stage 1	
— Planning and engineering study on development of Lok Ma Chau Loop – consultants’ fees and site investigation	
— Review studies on Hung Shui Kiu new development area – consultants’ fees and site investigation	
— Revitalising Historic Buildings Through Partnership Scheme	
— Ring mains for Cheung Sha Wan salt water supply system	
— Salt water supply to Northwest New Territories – remaining works	
— Speed map panels in the New Territories	
— Trunk Road T2 – investigation and design	
— Tseung Kwan O further development – infrastructure works at Town Centre South and Tiu Keng Leng, and infrastructure works for Tseung Kwan O stage 1 landfill site	
— Uprating of Wan Chai salt water supply system	
— West Island Line – funding support	
— Widening of Tolo Highway between Island House Interchange and Tai Hang	

Appendix B—Contd.

	<b>Project Estimates \$ million</b>
<b>Environment and Food</b>	<b>24,176</b>
— Control of water pollution at Jordan Valley box culvert	
— Conversion of aqua privies into flushing toilets – phase 6	
— Harbour Area Treatment Scheme, stage 2A – construction of the sewage conveyance system and upgrading of Stonecutters Island sewage treatment works and preliminary treatment works	
— Re-provisioning of Wo Hop Shek Crematorium	
— Retrofitting of noise barriers on Fanling Highway from MTR Fanling Station to Wo Hing Road and from Po Shek Wu Road to MTR Fanling Station	
— Sewage upgrading works and associated works in Kam Tin, Kowloon City, Mui Wo, North District, Tolo Harbour, Tuen Mun and Yuen Long	
— Tai Po sewage treatment works, stage 5 phase 2B	
— Upgrading of Pillar Point sewage treatment works	
<b>Community and External Affairs</b>	<b>7,892</b>
— Conversion of Yau Ma Tei Theatre and Red Brick Building into a Xiqu Activity Centre	
— Cycle tracks connecting North West New Territories with North East New Territories	
— Development of a bathing beach at Lung Mei, Tai Po	
— Improvement works for Mong Kok Stadium	
— Lam Tin North Municipal Services Building	
— Public library and indoor recreation centre in Area 3, Yuen Long	
— Redevelopment of Kwun Tong Swimming Pool Complex and Kwun Tong Recreation Ground, and Victoria Park Swimming Pool Complex	
— Relocation and expansion of Hong Kong Maritime Museum	
— Sports centre and community hall in Area 101, Tin Shui Wai	
— Swimming pool complex in Area 1 (San Wai Court), Tuen Mun	
<b>Education</b>	<b>7,323</b>
— Baptist University Road campus development of the Baptist University of Hong Kong	
— Centralised general research lab complex (block 1) in Area 39 and two integrated teaching buildings of The Chinese University of Hong Kong	
— Innovation Tower and Phase 8 development of The Hong Kong Polytechnic University	
— New Academic Building of The Hong Kong University of Science and Technology	
— Phases 1 and 2 of Centennial Campus of The University of Hong Kong	

Appendix B—*Contd.*

## **SECTION V – TRENDS IN PUBLIC EXPENDITURE : 2004–05 TO 2009–10**

### **Introduction**

**1** This section presents trends in public expenditure over the period 2004–05 to 2009–10. The analysis includes expenditure by the Government, the Trading Funds and the Housing Authority.

**2** Details of individual heads of expenditure contributing to a particular policy area are provided in an index in Volume I of the 2009–10 Estimates. This index further provides details by head of expenditure of individual programmes which contribute to a policy area.

## Appendix B—Contd.

## Recurrent Public Expenditure by Policy Area Group 2004–05 to 2009–10

Policy Area Groups	Actual				Revised Estimate	Estimate
	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10
	%	%	%	%	%	%
<b>Education</b>	22.0	22.2	22.0	22.1	21.9	22.3
<b>Social Welfare</b>	15.5	15.9	16.0	16.0	17.1	16.3
<b>Health</b>	14.7	14.6	14.7	14.9	14.8	14.8
<b>Security</b>	11.2	11.1	11.1	11.4	11.3	11.1
<b>Infrastructure</b>	5.5	5.6	5.4	5.4	5.3	5.4
<b>Economic</b>	4.9	5.1	5.0	5.0	4.7	4.7
<b>Housing</b>	5.0	5.3	5.1	4.4	4.4	4.3
<b>Environment and Food</b>	3.7	3.7	3.9	4.0	4.0	4.2
<b>Community and External Affairs</b>	3.2	3.3	3.3	3.3	3.3	3.3
<b>Support</b>	14.3	13.2	13.5	13.5	13.2	13.6
	100.0	100.0	100.0	100.0	100.0	100.0
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Total Recurrent Public Expenditure</b>	205,426	200,710	203,162	212,121	229,406	241,438

## Appendix B—Contd.

## Total Public Expenditure by Policy Area Group 2004–05 to 2009–10

Policy Area Groups	Actual				Revised Estimate	Estimate
	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10
	%	%	%	%	%	%
<b>Education</b>	21.2	22.2	21.5	21.3	22.7	19.3
<b>Social Welfare</b>	12.9	13.6	13.9	13.8	12.0	13.0
<b>Infrastructure</b>	12.0	11.0	9.7	9.0	7.4	12.4
<b>Health</b>	12.5	12.9	13.3	13.3	11.0	12.0
<b>Security</b>	9.9	10.1	10.4	11.1	8.4	9.6
<b>Economic</b>	4.9	5.1	5.3	5.3	7.6	6.4
<b>Housing</b>	7.0	6.3	6.1	5.7	5.5	5.6
<b>Community and External Affairs</b>	3.1	3.2	3.3	3.3	11.6	4.5
<b>Environment and Food</b>	4.0	3.9	4.2	4.8	3.7	4.4
<b>Support</b>	12.5	11.7	12.3	12.4	10.1	12.8
	100.0	100.0	100.0	100.0	100.0	100.0
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Total Public Expenditure</b>	257,137	244,982	241,744	252,395	334,602	319,359

## SECTION VI— KEY TO CLASSIFICATION OF EXPENDITURE

## Index of Policy Area Groups

Policy Area Group	Description by Policy Area	Reference (Note)
Community and External Affairs	District and Community Relations	19
	Recreation, Culture, Amenities and Entertainment Licensing	18
Economic	Air and Sea Communications and Logistics Development	3
	Commerce and Industry	6
	Employment and Labour	8
	Financial Services	1
	Information Technology and Broadcasting	17
	Manpower Development	34
	Posts, Competition Policy and Consumer Protection	4
	Public Safety	7
Travel and Tourism	5	
Education	Education	16
Environment and Food	Agriculture, Fisheries and Food Safety	2
	Environmental Hygiene	32
	Environmental Protection, Conservation, Power and Sustainable Development	23
Health	Health	15
Housing	Housing	31
Infrastructure	Buildings, Lands, Planning and Heritage Conservation	22
	Land and Waterborne Transport	21
	Water Supply	24
Security	Administration of Justice	12
	Anti-corruption	13
	Immigration Control	10
	Internal Security	9
	Legal Administration	11
	Legal Aid	20
Social Welfare	Social Welfare	14
	Women's Interests	33
Support	Central Management of the Civil Service	26
	Complaints Against Maladministration	30
	Constitutional and Mainland Affairs	28
	Intra-Governmental Services	27
	Revenue Collection and Financial Control	25
	Support for Members of the Legislative Council	29

*Note:* The Policy Area Reference corresponds with that used in the Index of Policy Areas in the Estimates of Expenditure.

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**GLOSSARY OF TERMS**


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Note: Terms shown in *bold italic* are defined elsewhere in the glossary.

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**Capital expenditure.** This comprises all expenditure charged to the Capital Account of the General Revenue Account, the Capital Works Reserve Fund (including interest on government bonds and notes but excluding repayment of the bonds and notes), Disaster Relief Fund, Innovation and Technology Fund, Loan Fund and Lotteries Fund. Unlike *capital spending*, it excludes advances and equity investments from the Capital Investment Fund and repayment of government bonds and notes charged to the Capital Works Reserve Fund. Major items are highlighted below –

*General Revenue Account*

equipment, works and capital subventions of a minor nature

*Capital Works Reserve Fund*

acquisition of land  
 capital subventions  
 computerisation  
 interest and other expenses on government bonds and notes  
 major systems and equipment  
 Public Works Programme expenditure

*Disaster Relief Fund*

relief to disasters that occur outside Hong Kong

*Innovation and Technology Fund*

projects promoting innovation and technology upgrading in manufacturing and service industries

*Loan Fund*

loans made under various development schemes supported by the Government  
 loans to schools, teachers, students, and housing loans to civil servants, etc.

*Lotteries Fund*

grants, loans and advances for social welfare services

**Capital financing surplus/deficit.** The difference between *capital revenue* and *capital spending*.

**Capital revenue.** This comprises certain revenue items in the General Revenue Account and all receipts credited to the Funds (except Land Fund), as highlighted below –

*General Revenue Account*

disposal proceeds of government quarters and other assets  
 estate duty  
 loan repayments received  
 recovery from Housing Authority

*Capital Investment Fund*

dividends from investments  
 interest on loans  
 investment income  
 loan repayments received  
 proceeds from sale of investments

*Capital Works Reserve Fund*

investment income  
land premia  
recovery from MTR Corporation Limited

*Civil Service Pension Reserve Fund*

investment income

*Disaster Relief Fund*

investment income

*Innovation and Technology Fund*

investment income  
loan repayments received  
proceeds from sale of investments

*Loan Fund*

interest on loans  
investment income  
loan repayments received  
proceeds from sale of loans

*Lotteries Fund*

auctions of vehicle registration numbers  
investment income  
loan repayments received  
share of proceeds from the Mark Six Lottery

**Capital spending.** The aggregate of *capital expenditure*, advances and equity investments from the Capital Investment Fund, and repayment of government bonds and notes charged to the Capital Works Reserve Fund.

**Consolidated surplus/deficit.** The difference between *government revenue* and *government spending*.

**Fiscal reserves.** The accumulated balances of the General Revenue Account and the Funds, including the net proceeds from issuance of bonds and notes and after deducting their repayments charged to Government's accounts.

**Government expenditure.** The aggregate of *operating expenditure* and *capital expenditure*. Unlike *government spending*, it excludes advances and equity investments from the Capital Investment Fund, and repayment of government bonds and notes charged to Government's accounts. Also, unlike *public expenditure*, it excludes expenditure by the Trading Funds and the Housing Authority.

**Government revenue.** The aggregate of *operating revenue* and *capital revenue*.

**Government spending.** The aggregate of *government expenditure*, advances and equity investments from the Capital Investment Fund, and repayment of government bonds and notes charged to the Capital Works Reserve Fund.

**Operating expenditure.** All expenditure charged to the Operating Account of the General Revenue Account.



## Appendix C—Contd.

**Operating revenue.** This comprises all revenue credited to the General Revenue Account (except those items which are treated as *capital revenue*) and the Land Fund, as highlighted below –

*General Revenue Account*

- duties
- finances, forfeitures and penalties
- investment income
- rents and rates
- royalties and concessions
- taxes
- utilities, fees and charges

*Land Fund*

- investment income

**Operating surplus/deficit.** The difference between *operating revenue* and *operating expenditure*.

**Public expenditure.** *Government expenditure* plus expenditure (operating and capital) by the Trading Funds and the Housing Authority.

**Transfer to Funds.** It is not counted as expenditure or spending under the General Revenue Account. In fact, all transfers between the General Revenue Account and the Funds are merely internal transfers within Government's accounts and do not form part of the revenue, expenditure or spending.