

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 11th meeting
held at the Legislative Council Chamber
on Friday, 20 February 2009, at 3:00 pm**

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Prof Hon Patrick LAU Sau-shing, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, JP
Dr Hon Margaret NG
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, SBS, JP
Hon LAU Kong-wah, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Miriam LAU Kin-yea, GBS, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Dr Hon Joseph LEE Kok-long, JP
Hon Jeffrey LAM Kin-fung, SBS, JP

Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king
Dr Hon LAM Tai-fai, BBS, JP
Hon CHAN Hak-kan
Hon Paul CHAN Mo-po, MH, JP
Hon CHAN Kin-por, JP
Hon Tanya CHAN
Dr Hon Priscilla LEUNG Mei-fun
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon WONG Sing-chi
Hon WONG Kwok-kin, BBS
Hon WONG Yuk-man
Hon IP Wai-ming, MH
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon PAN Pey-chyou
Hon Paul TSE Wai-chun
Dr Hon Samson TAM Wai-ho, JP

Members absent:

Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Andrew CHENG Kar-foo
Hon Timothy FOK Tsun-ting, GBS, JP
Hon LI Fung-ying, BBS, JP

Public officers attending:

Professor K C CHAN, SBS, JP	Secretary for Financial Services and the Treasury
Mr Stanley YING, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Bernadette LINN, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) ¹

Ms Elsie YUEN	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Patrick HO, JP	Deputy Secretary for Financial Services and the Treasury (Financial Services) ²
Ms Henden YU, JP	Chief Operating Officer (Enforcement), Mandatory Provident Fund Schemes Authority
Mr Stephen LAM Sui-lung, JP	Secretary for Constitutional and Mainland Affairs
Mrs Carrie LAM CHENG Yuet-ngor, JP	Secretary for Development
Mr Joshua LAW Chi-kwong, JP	Permanent Secretary for Constitutional and Mainland Affairs
Mr MAK Chai-kwong, JP	Permanent Secretary for Development (Works)
Mr FUNG Pak-yan	Deputy Director of Social Welfare (Services)
Mr Howard CHAN Wai-kee	Deputy Secretary for Constitutional and Mainland Affairs (2)
Mr David TONG Sek-por	Principal Assistant Secretary for Development (Works) ⁴
Mr Ivan LEE Kwok-bun	Principal Assistant Secretary for Constitutional and Mainland Affairs (7)
Mr Daniel CHENG Chung-wai	Principal Assistant Secretary for Education (Further Education)
Miss Pamela LAM Nga-man	Principal Assistant Secretary for Food and Health (Health) ¹
Miss Winnie TSE Wing-yee	Principal Assistant Secretary for Home Affairs (Civic Affairs) ³

Clerk in attendance:

Mrs Constance LI	Assistant Secretary General 1
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Staff in attendance:

Ms Anita SIT	Chief Council Secretary (1) ⁴
Mr Simon CHEUNG	Senior Council Secretary (1) ⁵
Ms Alice CHEUNG	Senior Legislative Assistant (1) ¹
Mr Frankie WOO	Legislative Assistant (1) ²

Item No. 1 - FCR(2008-09)62**HEAD 148 - GOVERNMENT SECRETARIAT: FINANCIAL SERVICES AND THE TREASURY BUREAU (FINANCIAL SERVICES BRANCH)****• Subhead 700 General non-recurrent****New Item "Payment of special contributions into Mandatory Provident Fund accounts of eligible persons"**

Mr LEUNG Yiu-chung expressed disappointment with the Administration's refusal to treat the special contributions of \$6,000 as voluntary contributions into the Mandatory Provident Fund (MPF) accounts of eligible persons, and as such, workers would not be able to withdraw the sum to meet their immediate financial need until they reached the age of 65. He pointed out that the average yearly returns from the MPF investments had been as low as 0.78% per annum in the past eight years. In 2008, the return rate had even slipped to -14.25%. In view of the global financial crisis, he envisaged that the proposed injection of \$9 billion into the MPF accounts of eligible persons would yield very poorly. He also pointed out that for various reasons, some low-income workers would not be able to benefit from the injection. He requested the Administration to withdraw the funding proposal and revise the proposal taking into account the factors he had raised. Mr LEUNG said that if his request was not acceded to, he and some other members would stage a "walk-out" protest to express their grievance about the proposed MPF injection arrangements.

2. The Deputy Secretary for Financial Services and the Treasury (Financial Services)2 (DS(FS)2) advised that the objective of the present proposal was to enhance the long-term retirement protection for the lower-income working people. It should be noted that a host of other measures had already been in place to relieve the financial hardship of the needy in the community. As regards the returns to MPF investments, he advised that even taking into account the impact of the financial tsunami in 2008, the accumulative returns to the MPF investments since the implementation of the MPF System in 2000 up to end 2008 had been positive.

3. Mr Frederick FUNG expressed strong reservations about the proposal. He criticized that while the Administration claimed that the proposed \$6,000 MPF special contributions would enhance the retirement protection for workers, employers were allowed to use the accrued benefits derived from the employers' contributions to offset long service payments or severance payments, thereby reducing the accrued benefits of MPF scheme members upon their retirement. He opined that eligible MPF account holders should have a say on the use of the special contribution of \$6,000.

4. DS(FS)2 advised that there had been thorough discussions at the Legislative Council (LegCo) Panel on Financial Affairs and the relevant Bills Committee in 2008 before the decision on the existing arrangements was taken. As

regards the offsetting arrangements mentioned by Mr FUNG, he advised that the arrangements had undergone lengthy discussions before enactment of the MPF legislation. He clarified that the offsetting arrangements for employers' contributions would not apply to the proposed \$6,000 special contributions. In response to Mr FUNG's further question on whether the Administration would guarantee a positive return exceeding inflation for the \$6,000 special contributions, DS(FS)2 said that the special contributions would be subject to the existing regulatory framework as applied to the mandatory contributions of MPF account holders.

5. Mr LEE Cheuk-yan said that over the past year, he had repeatedly urged the Administration to devise alternative arrangements whereby workers would have the choice of withdrawing the \$6,000 any time to meet their financial need. He criticized the Administration for being unwisely adamant that workers were not allowed to withdraw the sum until they reached the age of 65. Regarding the offsetting arrangements, he said that he had opposed to the arrangements at the time of the enactment of the legislation on establishment of the MPF System. He criticized that it would be hypocritical for the Administration not to abolish the offsetting arrangements, which were detrimental to employees' interests, while prohibiting employees from withdrawing the \$6,000 special contributions until they reached the age of 65.

6. DS(FS)2 said that he did not agree with Mr LEE's comments on the Administration's decision to uphold the preservation requirements of the \$6,000 special contributions.

7. Ms Cyd HO said that the economy had further deteriorated since the Administration announced the proposal in early 2008, and the Administration should conduct a critical review of the proposal to ensure that the huge sum of public funds would be well spent. She criticized that the present proposal would only benefit the investment sector and would render little help to workers, many of whom were under tremendous economic hardship. She further said that if the Administration was not prepared to modify the present proposal, it should set up an unemployment insurance fund to offer immediate assistance to those in genuine hardship.

8. DS(FS)2 said that he was not in a position to respond to Ms HO's suggestion of setting up an unemployment insurance fund, which was a separate issue outside the scope of the present funding proposal.

9. Mr LEUNG Kwok-hung criticized the Administration for refusing to amend the proposal by designating the \$6,000 special contributions as voluntary contributions instead of mandatory contributions as presently proposed. He also expressed disappointment that members belonging to the Democratic Party (DP) did not join hands with other pan-democratic members in urging the Administration to revise the proposal. Referring to the recent remarks of some senior Government officials and the Chief Executive of the Hong Kong Monetary Authority that the worst time was yet to come, he asked why the Administration insisted on putting the

\$9 billion public funds in the hands of investment fund managers instead of in the hands of workers.

10. DS(FS)2 reiterated that the present proposal aimed to improve the long-term retirement benefits of the lower-income working people, adding that a variety of other relief measures had already been introduced to benefit different sectors of the community.

11. Mr Paul TSE said that while he did not support the MPF System, he would support any measure to render immediate assistance to workers under the present economic situation. He considered it important that a proposal such as the present one that had undergone careful consideration by LegCo and with the relevant legislation passed should not be rebutted lightly. He did not consider that the onslaught of the financial tsunami should warrant radical changes to the proposal. He would support the present proposal, and at the same time urge the Administration to devise other additional relief measures. Other issues pertinent to the features of the MPF System could be further discussed in other appropriate forums.

12. Dr Joseph LEE expressed support for the funding proposal, and appealed to the Administration to set aside another \$9 billion for implementing various relief measures for those in need.

13. Mr WONG Yuk-man criticized the Administration for being unwisely stubborn and reluctant to change the proposal in the light of changing circumstances. He considered the present proposal not worth supporting because public funds were not used wisely. He urged the Administration to demonstrate sincerity in relieving the hardship of Hong Kong people, and devise various measures to revitalize the economy and provide direct and immediate support for the poor.

14. Mr James TO clarified the position of DP on the Administration's proposal. He said that DP was in support of the MPF System as the system could provide retirement protection to the working population to a certain extent in the long-run. As regards the present proposal, while DP agreed to enhance the retirement protection of the lower-income working people, it had suggested to the Administration that flexibility be allowed for workers to withdraw the \$6,000 injection to meet their short-term financial need. Nonetheless, members belonging to DP would not vote down the proposal if the Administration did not accept DP's suggestion. Mr James TO added that DP had been studying various measures to enhance retirement protection, and would continue to explore means to address the financial hardship faced by the people of Hong Kong at this time of economic downturn.

15. The Chairman put the item to vote. At this juncture, Mr CHEUNG Kwok-che, Mr Frederick FUNG, Ms Cyd HO, Mr LEE Cheuk-yan and Mr LEUNG Yiu-chung walked away from the meeting venue.

16. The Committee approved the funding proposal with 40 members voting for it and three members voting against it. The individual results were as follows --

For:

Ir Dr Raymond HO Chung-tai
Dr Margaret NG
Mr CHEUNG Man-kwong
Mrs Sophie LEUNG LAU Yau-fun
Mr WONG Yung-kan
Mr LAU Wong-fat
Mr TAM Yiu-chung
Ms Audrey EU Yuet-mee
Mr LEE Wing-tat
Mr Jeffrey LAM Kin-fung
Mr Alan LEONG Kah-kit
Mr WONG Ting-kwong
Mr KAM Nai-wai
Dr LAM Tai-fai
Mr Paul CHAN Mo-po
Miss Tanya CHAN
Dr LEUNG Ka-lau
Mr IP Wai-ming
Mrs Regina IP LAU Suk-yee
Mr Paul TSE Wai-chun
(40 members)

Mr Fred LI Wah-ming
Mr James TO Kun-sun
Mr CHAN Kam-lam
Dr Philip WONG Yu-hong
Mr LAU Kong-wah
Ms Miriam LAU Kin-yee
Mr Abraham SHEK Lai-him
Mr WONG Kwok-hing
Dr Joseph LEE Lok-long
Mr Andrew LEUNG Kwan-yuen
Mr CHEUNG Hok-ming
Prof Patrick LAU Sau-shing
Ms Starry LEE Wai-king
Mr CHAN Hak-kan
Mr CHAN Kin-por
Dr Priscilla LEUNG Mei-fun
Mr WONG Kwok-kin
Mr IP Kwok-him
Dr PAN Pey-chyou
Dr Samson TAM Wai-ho

Against:

Mr Albert CHAN Wai-yip
Mr WONG Yuk-man
(3 members)

Mr LEUNG Kwok-hung

Item No. 2 - FCR(2008-09)66

HEAD 53 - GOVERNMENT SECRETARIAT: HOME AFFAIRS BUREAU

• Subhead 700 General non-recurrent

Item 892 Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas

17. Mr LAU Wong-fat, Chairman of the Panel on Development, reported that the Panel had discussed the participation of the Hong Kong Special Administrative Region (HKSAR) in the second stage of the post-quake reconstruction work on 3 February 2009. Panel members expressed concern whether there would be effective monitoring of the reconstruction projects supported by HKSAR, and asked the Administration to provide supplementary information. They also sought information on the configuration of the section of the Provincial Road 303 from

Yingxiu to Wolong, and a comparison of the cost estimates of the reconstruction projects supported by Hong Kong with those of similar reconstruction projects in Sichuan undertaken by other provinces. Panel members also requested the Administration to provide information on the participation of Hong Kong's professionals and overseas experts in the reconstruction projects. The Administration had provided supplementary information in response to the Panel's requests.

Project management and monitoring

18. On the hiring of supervision engineers to supervise the reconstruction projects, Mr CHEUNG Man-kwong enquired whether it was possible to recruit professionals from Hong Kong for these jobs. As regards the commissioning of "independent professional consultants" to assist in carrying out site inspections, he enquired about the number of these consultants and details of their appointment, and how they would work with the relevant Sichuan authorities.

19. In response, the Secretary for Development (SDEV) advised that the reconstruction works supported by HKSAR would meet the latest requirements set by the Mainland authorities. The "Cooperation Arrangement on the Support of Restoration and Reconstruction in the Sichuan Earthquake Stricken Areas" (the Arrangement) signed by the Hong Kong and Sichuan Provincial Governments clearly defined the responsibilities of the two governments, the technical standards for reconstruction support work and the project management arrangements. The reconstruction projects funded by HKSAR would be implemented on a project-by-project basis. For each project, the Sichuan side would prepare a feasibility study report. Based on the report and the principles specified in the Arrangement, the HKSAR Government would sign a "project cooperation arrangement" with the Sichuan Provincial Government specifying the project nature, scale, scope, people to be served, seismic resistance design standard, estimated project programme and ceiling of HKSAR's financial commitment. The project cooperation arrangement would form the basis for the two sides to monitor project progress systematically, and to ensure that the works were carried out in compliance with the Mainland laws and regulations. The tendering exercise for each reconstruction project would be conducted in accordance with the relevant laws and regulations of the Mainland. The Hong Kong side could have access to the tender documents, and could provide views on different aspects of the reconstruction projects.

20. On project monitoring on-site, SDEV said that qualified supervision engineers would be engaged by the Sichuan side to supervise every reconstruction project supported by HKSAR to ensure that the reconstruction projects were implemented according to required technical standards. The cost of engaging the supervision engineers was included in the project cost. The Arrangement provided that the Hong Kong side might, at regular or irregular intervals, conduct site inspections to check the progress, quality of the materials used as well as the use of the allocated funds. As a measure to further strengthen project monitoring, the

Administration would commission independent professional consultants who should possess rich experience in both Hong Kong and Mainland in the relevant fields, to conduct on-site inspections at important stages and vet documents on quality management provided by the Sichuan side, to ensure that the reconstruction projects met the prescribed technical standards and project milestones. The Permanent Secretary for Development (Works) (PS(W)) added that the arrangement of engaging independent professional consultants was a new attempt, and detailed arrangements as to how these consultants would work with the Sichuan side would need to be worked out with the Sichuan authorities.

21. Mr LEE Wing-tat said that with only five full-time staff members in the Development Bureau attending to the reconstruction projects in Sichuan, he was worried that there was inadequate manpower to monitor the quality of works. He was concerned about the independence of the Mainland's supervision engineers, and was worried that the quality of the reconstruction projects might be compromised, since too many reconstruction projects had to be completed within a short time frame. Noting that the preliminary estimate of the costs for employing independent professional consultants would be about HK\$10 million, he said that he would not place high hopes on the effectiveness of the monitoring work of these consultants.

22. PS(W) advised that the Central Government had promulgated a series of laws, rules and regulations to strengthen project management and monitoring for the reconstruction work in Sichuan. In the Mainland, supervision engineers were listed personnel with proven qualifications and experience in the field. As for the construction agents, the arrangement was that only those with a higher level of qualifications would be engaged for the projects. He stressed that the engagement of independent professional consultants was a further measure to safeguard the quality and standards of the reconstruction projects supported by HKSAR.

23. Mr LEE Wing-tat enquired whether the HKSAR Government or the Mainland authorities would take action against the party/parties concerned in case the reconstruction works went wrong. The Secretary for Constitutional and Mainland Affairs (SCMA) said that in accordance with Section 75 of Chapter Eight of the Regulations on Post-Wenchuan Earthquake Rehabilitation and Reconstruction (Annex 3 of the Progress Report of HKSAR's Reconstruction Support Work), the construction, surveying, design and supervision units engaged in the reconstruction works could be held liable for major safety consequences caused by the lowering of works standards. Prosecution action or imposition of penalty would be taken by the Mainland authorities concerned. The Cooperation Arrangement (Annex 4 to the Progress Report) also prescribed that the Sichuan side would bear any legal responsibilities that might arise from the reconstruction projects.

24. Acknowledging the importance of the independent professional consultants in monitoring reconstruction projects, Prof Patrick LAU requested the Administration to provide details on the appointment of consultants and how they would monitor and ensure compliance with prescribed standards by the reconstruction

Admin projects. Mr CHEUNG Man-kwong requested the Administration to provide the reports of the independent professional consultants on project monitoring to LegCo on a half-yearly basis. SDEV said that the Administration would report the progress of the reconstruction projects supported by HKSAR to the LegCo Panel on Development on a half-yearly basis.

25. Mr Albert CHAN said that the League of Social Democrats was in support of the post-quake reconstruction works and had raised \$0.5 million for the Hong Kong Red Cross to provide assistance to the earthquake victims. However, he was gravely concerned that, due to rampant corruptive practices in the Mainland, it would not be easy to ensure that the reconstruction works would meet the prescribed standards. Mr WONG Yuk-man expressed similar concern and enquired what measures would be taken to ensure that the funds allocated for reconstruction works would not end up in the pockets of corrupt government officials. Mr LEUNG Kwok-hung said that he was disappointed that no one had been held liable for the loss of human lives during the Sichuan earthquake caused by the existence of a large number of "tofu-dreg" projects. As the Mainland had spent billions on the Beijing Olympic Games 2008 and had huge fiscal reserves, he was reluctant to vote in favour of the present funding proposal. He considered that it was of paramount importance that effective monitoring systems would be devised to prevent corrupt practices in the Mainland.

26. Mr Paul TSE said that to safeguard the quality and standards of the reconstruction projects, HKSAR should devise a mechanism to exercise control in project funding. Should the projects fail to meet the prescribed standards, the Administration should withhold the funds.

27. SCMA responded that the Mainland authorities had promulgated a series of laws, rules and regulations after the earthquake to tighten up regulation of the reconstruction works including the seismic resistance requirements, construction standards, work quality supervision responsibilities, management and monitoring, tendering arrangements and legal liabilities, etc. The Arrangement had laid down an effective framework for managing and monitoring the reconstruction projects supported by HKSAR. There would be stringent control over the tendering and management of projects, and the Hong Kong side was allowed to have access to tender documents and to conduct site inspections to the reconstruction works, when necessary. He assured members that the overall financial commitment of HKSAR would not exceed \$10 billion. PS(W) added that the reconstruction projects would be implemented on a project-by-project basis. Based on the project cooperation arrangement signed by both sides for each project, the HKSAR would be able to monitor the progress and quality of these projects by referring to the agreed details specified in the arrangement.

Provincial Road 303 from Yingxiu to Wolong

28. Noticing that HKSAR would be funding the reconstruction of the Provincial Road 303 between Yingxiu and Wolong, Mr Albert CHAN urged the

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Administration to exercise vigilance in safeguarding the quality and standards of the road, since sub-standard works could result in casualties and undermine the image of HKSAR. He considered that international experts with rich experience in road construction projects in earthquake-prone areas should be invited to assist in vetting the designs of this reconstruction project. PS(W) thanked Mr CHAN for his views and advised that the highly complicated topography did pose a challenge to the planning and design work for the reconstruction of Provincial Road 303. He advised that many Hong Kong consultants already had international recognition and experience, and he undertook to provide information on the involvement of Hong Kong consultants and expert(s) in vetting the design of the project after the meeting.

(Post-meeting note: The relevant supplementary note (LC Paper No. FC79/08-09(01)) provided by the Administration was issued to members on 16 March 2009.)

Support for people suffering from disabilities

29. Mr WONG Kwok-hing said that the present proposal was worth supporting. The earthquake had induced immense suffering to many people in the Mainland, and people with disabilities would require long-term support in meeting their rehabilitation, social welfare and employment needs. He enquired about the details of the support rendered to these people in the reconstruction projects funded by HKSAR.

Admin

30. SCMA advised that the Administration had paid due attention to the needs of the earthquake victims with disabilities. Under the first stage reconstruction support work, the Administration had set aside funds to construct four integrated social services centres and nine hospitals or medical facilities. Of the 70 odd projects being planned for the second stage, more than 10 projects would fall within these two categories. Mr WONG Kwok-hing requested the Administration to provide further information and statistical figures relating to the medical, rehabilitation, social welfare and employment support for people with disabilities in the projects funded by HKSAR, and to keep track of the actual effectiveness of these projects in future. SCMA agreed to include the relevant information in the Administration's future reports to LegCo on HKSAR's reconstruction support work in Sichuan.

Involvement of Non-Governmental Organizations (NGOs)

31. Mr Alan LEONG said that the Civic Party was very much concerned with the HKSAR's involvement in the post-quake reconstruction support work in Sichuan. He commented that NGOs played an important role in the reconstruction support work in the rural areas, and urged the Administration to provide support to NGOs in Hong Kong to take part in the reconstruction projects and other support work in the rural areas. He opined that the HKSAR could borrow the experience of Taiwan in setting up a special trust to vet the proposals from NGOs in Hong Kong.

32. SCMA responded that a sum of \$87 million had been set aside for the NGOs from Hong Kong to implement first stage reconstruction support projects in Sichuan. As for the second stage, a sum of \$150 million would be provided for different NGOs to initiate support projects. In reply to Mr LEONG, he confirmed that Hong Kong's NGOs had to pair up with a local authority or organization in undertaking a post-quake relief project, and the project should be in line with the overall reconstruction plan of the Sichuan authorities.

Other views

33. Mr IP Kwok-him said that the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) supported the Administration's funding proposal. DAB had raised \$7.0 million in aid of the earthquake victims. He hoped that with the concerted efforts of all parties concerned, earthquake victims could return to their normal lives in the near future.

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

35. The meeting was adjourned at 4:55 pm.

Legislative Council Secretariat

22 June 2009