

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 20th meeting
held at the Legislative Council Chamber
on Friday, 29 January 2010, 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
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, SBS, JP
Dr Hon Margaret NG
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 Andrew CHENG Kar-foo
Hon Timothy FOK Tsun-ting, GBS, JP
Hon TAM Yiu-chung, GBS, JP
Hon LI Fung-ying, BBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Dr Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon CHEUNG Hok-ming, GBS, JP

Hon WONG Ting-kwong, BBS, JP
Hon CHIM Pui-chung
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon CHAN Hak-kan
Hon CHAN Kin-por, JP
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 IP Wai-ming, MH
Hon IP Kwok-him, GBS, JP
Dr Hon PAN Pey-chyou
Hon Paul TSE Wai-chun
Dr Hon Samson TAM Wai-ho, JP

Members absent:

Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon Miriam LAU Kin-yee, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Starry LEE Wai-king
Dr Hon LAM Tai-fai, BBS, JP
Hon Paul CHAN Mo-po, MH, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP

Public officers attending:

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)
Miss Janet WONG Wing-chen, JP	Commissioner for Innovation and Technology
Mr Davey CHUNG Pui-hong	Assistant Commissioner for Innovation and Technology

Professor YUE On-ching	Science Advisor, Innovation and Technology Commission
Mr TSANG Tak-sing, JP	Secretary for Home Affairs
Ms Mimi LEE Mei-mei, JP	Deputy Director of Home Affairs (1)
Mr Kesson LEE Kei-shun, JP	Assistant Director of Home Affairs (1)

Clerk in attendance:

Mrs Constance LI	Assistant Secretary General 1
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Staff in attendance:

Ms Anita SIT	Chief Council Secretary (1)5
Mr Fred PANG	Council Secretary (1)5
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Christy YAU	Legislative Assistant (1)1

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Item No. 1 - FCR(2009-10)48

**HEAD 155 – GOVERNMENT SECRETARIAT:
INNOVATION AND TECHNOLOGY COMMISSION
Subhead 700 General non-recurrent
New Item “Research and Development Cash Rebate Scheme”**

The Chairman said that members were invited to consider and approve the creation of a new commitment of \$200 million for setting up a Research and Development Cash Rebate Scheme (the Scheme).

2. At the invitation of the Chairman, Mr Vincent FANG, Chairman of the Panel on Commerce and Industry (CI Panel), reported that the Administration briefed the CI Panel on the Scheme at the Panel meetings on 20 October 2009 and 15 December 2009. Panel members supported in principle the setting up of the Scheme which was innovative and could encourage enterprises to increase their investment in research and development (R&D). The Scheme would also help generate more employment opportunities for university graduates and broaden the scope of R&D deliverables that could be commercialized. At the Panel's request, the Administration agreed to monitor the operation of the Scheme on an annual basis in addition to conducting a full review after three years. Some Panel members asked the Administration to provide statistics on the respective R&D investment made by the Government and the private sector in Hong Kong, together with a comparison with other places and examples of successful R&D results launched in the market. The

Administration had included the requested information in the paper provided for the Finance Committee (FC).

Scope of application of the Scheme

3. Ms Cyd HO referred to paragraph 28 of the Administration's paper which mentioned that the Task Force on Economic Challenges (TFEC) had made a series of recommendations in June 2009 to further develop the six economic areas where Hong Kong enjoyed clear advantages, with "education services" being one of the six economic areas. In relation to education services, she enquired whether cash rebate would only be provided to those R&D projects dedicated to results that could be commercialized. She queried whether the commercialization of R&D results in education services was in conflict with the Government's education policy. Mr Wong Kwok-hing said that he fully supported the proposal and enquired how the \$200 million funding would be allocated to the six economic areas.

4. The Commissioner for Innovation and Technology (CIT) explained that paragraph 28 of the paper aimed to set out the background of the proposal. The objective of the proposed Scheme was to induce the private sector to increase R&D investment, which would be conducive to the development of the economic area of "innovation and technology". The proposed \$200 million funding would be applied to the economic area of "innovation and technology". As regards academic research projects, CIT advised that those research projects were relatively up-stream in nature, and were mainly funded by the University Grants Committee.

5. Mr Wong Kwok-hing opined that the Administration should have a comprehensive plan to further develop the six economic areas. Pointing out that there was general criticism about the low level of R&D investment in Hong Kong, he supported the present proposal but urged the Administration to closely monitor the Scheme and seek further funding if the proposed commitment of \$200 millions was found insufficient to bring "innovation and technology" into full play. He also sought information on the initiatives and funding for further development of the other economic areas identified by TFEC.

6. CIT advised that the Administration would consider seeking further funding for the Scheme if it proved to be effective in inducing private sector R&D investment. She further advised that the Hong Kong Council for Testing and Certification, which was established in September 2009, was expected to make recommendations on a three-year market-oriented development plan for the testing and certification industry in six months' time for consideration by the Chief Executive. The Council would look into ways of enhancing the testing and certification industry and shaping up Hong Kong as a testing and certification hub in the region.

7. The Chairman asked the Permanent Secretary for Financial Services and the Treasury (Treasury) (PS/FST) whether he could provide information on the initiatives to develop the other economic areas identified by TFEC. PS/FST replied that the economic areas involved a wide spectrum of Government policies and

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initiatives. The policy bureaux concerned would update Members on the relevant initiatives at appropriate forums in future. Some initiatives about the six economic areas would be included in the 2010-2011 Budget.

Promoting R&D investment in Hong Kong through the Scheme

8. Referring to Enclosure 3 of the Administration's paper which set out the respective gross R&D expenditure in Hong Kong and some other countries/economies from 2005 to 2007, the Chairman remarked that Hong Kong lagged behind other places in terms of both R&D expenditure contributed by the public sector and by the private sector, and enquired about the reasons for such a phenomenon. CIT admitted that Hong Kong had a relatively low level of R&D investment compared to other countries, even after taking into account the point that in the latter, there was often R&D expenditure relating to national defence. She assured members that the Administration would continue to explore new measures to step up R&D investment in the aspects of human resources and hardware and software infrastructure, with a view to improving the innovation and technology capability of Hong Kong.

9. Ms Audrey EU said that the Civic Party supported the funding proposal. Noting that the R&D investment in Hong Kong was lower than that in other countries/economies, she asked whether the Administration had set a target level of R&D investment to be progressively met by a certain date, or adopted a benchmark with reference to the R&D investment in a particular country, for evaluating the adequacy of R&D investment in Hong Kong.

10. CIT said that while the Administration could not commit to a target level of R&D investment at this stage, the Administration recognized the need and had made considerable efforts to step up R&D investment and bolster the commercialization of R&D results. The Administration did not expect every project receiving government funding would finally succeed. However, the Administration would continue to liaise closely with the trades, including the chambers of commerce, on ways to enhance the prospects for transforming R&D results into either commodities or components of other products. The Administration had also been in liaison with the academia, and the industrial and research sectors, to work out a mechanism to co-ordinate their inputs to enhance the applicability of R&D results. From the longer term perspective, the Administration was also studying ways to leverage on Hong Kong's geographical proximity to the Greater Pearl River Delta to pursue technology collaboration with the Mainland.

11. Mr TAM Yiu-chung said that the Democratic Alliance for the Betterment and Progress of Hong Kong supported the funding proposal. He opined that the proposed 10% cash rebate was rather low but it at least indicated the Government's intention to give impetus to the growth of R&D in Hong Kong. Some university professors and scholars had reflected to him that the universities in Hong Kong were staffed with scientific research personnel who could produce high standard R&D results. The Guangdong province was also willing to co-operate with them on R&D. He hoped that the Administration would make efforts to facilitate the conversion of

their R&D results into applications in industries. He further remarked that raising Hong Kong's innovation and technology capability would open up new opportunities for economic development in Hong Kong. The Administration should consider giving further impetus to the growth of R&D when the Scheme was reviewed next time.

12. CIT said that the Administration was studying ways to facilitate the transfer of R&D results achieved by research personnel in local universities to applications in industries. She also affirmed that the Administration would review the proposed 10% cash rebate arrangement at a later stage based on the implementation experience of the Scheme.

13. The Chairman asked whether the Administration had any plan to cooperate with the Mainland on R&D. CIT advised that the Administration had taken the advantage of Hong Kong's geographical proximity and had signed an agreement with the Shenzhen authority on "Shenzhen-Hong Kong Innovation Circle" to enhance and implement technology collaboration. The Administration had been co-operating with Shenzhen to pursue some R&D collaboration projects. The Science Advisor, Innovation and Technology Commission (SA/ITC) supplemented that the education and research institutions in both cities were invited every year to submit proposals for R&D projects jointly initiated by the two cities, and the R&D projects were pursued through collaboration between the selected institutions from the two cities. The institutions in Hong Kong received funding support from the Innovation and Technology Fund (ITF) and the institutions in Shenzhen received grants from the Shenzhen government. SA/ITC cited an example that an education institution in Hong Kong and a university in Guangdong province had worked jointly on a project for the development of electric vehicles. They were each responsible for developing certain parts which were then assembled and integrated for testing. Mr TAM Yiu-chung remarked that the Administration should make on-going effort to seek more R&D collaboration with the Mainland.

14. Mr Andrew LEUNG and Mr Jeffrey LAM shared the concern that the level of R&D investment in Hong Kong was much lower than that in other economies. Mr Andrew LEUNG said that over the past decade, the Federation of Hong Kong Industries had kept urging the Administration to invest more in R&D. The Economic Synergy had also proposed to the Administration to provide tax concessions for those companies which had made financial commitments to R&D, and the Administration had partially accepted the proposal by introducing the present cash rebate scheme. He opined that the impact of cash rebate was not enough to boost Hong Kong's R&D investment up to a level comparable to that of its neighbouring trading partners. Nevertheless, he would still support the Scheme which was a step forward for Hong Kong's innovation and technology development. Mr LEUNG opined that in determining R&D investment, one should not place too much emphasis on the chance of success of R&D projects. A case in point was the "Zhongguancun" in Beijing, which was an important R&D centre in the Mainland. Through the centre, the authorities provided funding to support R&D projects regardless of their chance of success and their potential of earning profits, as it was believed that the funding

support would nurture a pool of talents who would play an important role in sustaining innovation and technology development in the long run.

15. CIT responded that compared with the approach of granting tax concessions, the Scheme could benefit more enterprises which had committed to R&D research, because under the Scheme, companies would still enjoy cash rebate on their R&D investments even though they did not need to pay profits tax. Mr Andrew LEUNG responded that though he did not agree to CIT's view on tax concessions, he would still support the funding proposal.

16. Mr Jeffrey LAM stated that both the Hong Kong General Chamber of Commerce and Economic Synergy supported the funding proposal. He opined that investment in R&D projects should be encouraged to nurture and attract R&D talents who were much needed in Hong Kong. In the absence of government funding support in the past, only large corporations could afford investment in R&D. The Scheme would incentivize some small and medium sized enterprises (SMEs) or R&D companies to invest in R&D projects. Moreover, commercialization of R&D results would also generate employment opportunities in manufacturing the commodities developed. The sale of the commodities could also generate profits and lead to more profit taxes. As the commitment of \$200 million under the Scheme was modest compared to the R&D expenditure in other countries like Israel or Singapore, Mr LAM urged the Administration to monitor the effectiveness of the Scheme in encouraging private sector investment in R&D and make adjustments to the Scheme as and when appropriate.

17. CIT responded that the Administration would closely monitor the operation of the Scheme and the response from the industry, and would report to the CI Panel in due course.

18. The Chairman referred members to Enclosure 3 of the Administration's paper and asked whether the Administration could provide information on the R&D expenditure of other countries excluding the part spent on national defence, to enable a fair comparison with the R&D expenditure of Hong Kong. The Chairman also requested the Administration to provide the R&D expenditure of Israel. CIT agreed to provide the information on R&D expenditure of Israel after the meeting but said that there would be difficulty to split the R&D expenditure on national defence of other countries from their total R&D expenditure.

(Post meeting note: The information on the R&D expenditure of Israel provided by the Administration was issued to members vide FC paper No. 72/09-10 on 19 February 2010.)

Ratio between public and private sector investment in R&D

19. Mr LEE Wing-tat questioned the need for the Government to commit as much as \$200 million to subsidize these R&D projects as the private enterprises should be more than willing to invest in R&D projects if they were commercially

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viable. He opined that the proposed Scheme was not consistent with the Government policy of “big market, small government”.

20. CIT advised that under the Scheme, enterprises would receive the cash rebate only after they had actually invested in R&D projects. Since the capital invested in the projects came from the market, the cash rebate arrangement was in line with the policy of “big market, small government”. CIT further advised that the ratio of private to public R&D expenditure in Hong Kong was about 50:50 which was lower than the ratio of some 70:30 in other developed countries. The Scheme aimed at inculcating a research culture among enterprises in Hong Kong. In future, the Administration would also explore ways to bring in more foreign investments in local R&D projects.

21. Mr LEE Wing-tat asked whether the R&D results of those projects funded by the Innovation and Technology Fund (ITF) had been transformed into commercially viable commodities since these projects were supported by public money.

22. CIT advised that some examples of commercialization and technology transfer of projects funded under ITF were provided in Enclosure 4 of the Administration’s paper. SA/ITC elaborated that one of the commercialized deliverables was Advanced and Affordable Magnetic Resonance Imaging system (MRI system) which was developed by the Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) under its RF Coil project. A local company has commissioned ASTRI to transform the MRI system into low field MRI machines for sale in the market. Another example was the development of the light-emitting diode technology by ASTRI for thermal management, optical and control platforms. The technology had been licensed to a local company in 2007, and the company applied the technology to produce a lamp product called MR16 for sale in the market. The third example was a research conducted by ASTRI on the technology of antenna.

23. CIT further advised that ITF was established about 10 years ago to provide funding support for R&D projects undertaken by local research institutions. Government support was required to induce private sector to invest in R&D projects as they generally had a lower rate of success. There were two main funding modes under ITF, the platform projects and collaborative projects. For platform projects, at least 10 % of the project cost was sponsored by enterprises and the remaining project cost by ITF. For collaborative projects, private sector and ITF each contributed 50 % of the project investment. Since collaborative projects would mostly contain stronger market potential, the Administration was conducting a comprehensive review on the possibility of increasing the level of contribution afforded by the private sector.

24. LEE Wing-tat queried why the level of government funding support for platform projects was much higher than that to collaborative projects. CIT explained that the technologies under research in platform projects were usually in their early stage. The participating enterprises would not own the intellectual property right of

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the R&D results. However, as the R&D results would be made public and promulgated to interested parties, the community at large would benefit from the results one way or another. For collaborative projects, the industry partners would be entitled to own the intellectual property rights of the R&D results. For both funding modes, the enterprises concerned would be entitled to 10% cash rebate of their investment in R&D projects under the Scheme.

25. Mr LEE Wing-tat expressed concern that for platform projects, if the projects failed, taxpayers would incur loss of up to 90% of the project cost, and the participating enterprises might not care too much about the success of the projects given their small investment in the projects. Mr LEE added that while he personally had some reservations about the funding arrangements for platform projects under ITF, the Democratic Party would still support the proposal given that the 10% cash rebate would be based on the actual investment made by the enterprises concerned.

26. At the request of Mr LEE Wing-tat, the Administration agreed to provide information on the income generated from commercialization of R&D results of the projects funded under the ITF.

(Post meeting note: The information provided by the Administration on the income generated from commercialization of R&D results of the projects funded under the ITF was issued to members vide LC Paper No. FC72/09-10 on 19 February 2010.)

27. Mr LEE Wing-tat enquired whether information about the R&D projects supported by ITF, such as their deliverables, the types of commodities developed and sale turnover through the commercialisation of R&D results, was available on the Government website. The Assistant Commissioner for Innovation and Technology (ACIT) advised that at present, ITC website made available some information on approved ITF projects including the names of R&D projects and the amount of government funding allocated to them. Mr LEE opined that the public should have access to the information about the results of the R&D projects and the income generated by those R&D results. He urged the Administration to provide relevant information on the relevant government website. CIT agreed to consider Mr LEE's suggestion together with other initiatives for enhancing the operation of ITF in consultation with relevant stakeholders and sectors. In reply to Mr LEE, she said that it was necessary to consider the impacts on intellectual property rights and the norms in the industrial and academic sectors.

Admin 28. CIT agreed to follow up Mr LEE's suggestion and revert to the Finance Committee in due course.

29. Ms Audrey EU enquired about the criteria for approval of funding for platform projects under ITF. She said that though some members held the view that primary consideration should be given to nurturing R&D talents rather than the likelihood of success in approving funding for these projects, she considered it imperative for the Administration to address the general concern of taxpayers about

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possible collusion between the Government and the business sector. She asked the Administration to give examples of platform projects that justified the provision of public funding amounting to as much as 90% of the project cost.

30. Regarding the project vetting process, ACIT explained that in the case of an open platform project undertaken by university research personnel to enhance some current technologies of production, the research team would need to secure industry contributions of at least 10% of the estimated project cost. The university would be required to disclose the results of the project so that any enterprises could consider adopting these results for application in their products or further development where appropriate. Ms Audrey EU asked whether the university was expected to act as a gatekeeper by examining the merit of the project proposed and would only submit the project for funding support under ITF after it had determined that the project was worth pursuing. ACIT advised that university research personnel was required to apply for ITF funding support through the university which had designated units, e.g. research development or technology transfer offices to scrutinize and co-ordinate the applications. Staff of the Innovation and Technology Commission (ITC) would then examine the R&D proposals. If required, ITC would invite local or overseas experts to give comments on the applications. At the final vetting stage, an evaluation committee comprising representatives from the academia and the industrial sectors with relevant expertise would examine the applications taking into account various factors of the projects under application, including the market potential and the prospects for commercialization of R&D results.

31. Dr PAN Pey-chyou said that the Hong Kong Federation of Trade Unions supported the proposal, as the Scheme would be conducive to promoting private investment in R&D. He had moved a motion on promoting R&D in Hong Kong for debate at a recent Council meeting. Noting from the Administration's paper that, a portion of the cash rebate under the Scheme would be provided to the enterprise concerned before completion of an eligible R&D project, Dr PAN asked how the Administration would handle the situation where the enterprise concerned could not complete the project eventually.

32. CIT said that the cash rebate would be 10% of the private sector investment which constituted at least 50% of the total project cost for ITF collaborative projects or 100% for non-ITF projects. To help protect government funding, a two-phase payment approach would be adopted for these two types of projects. The participating enterprise would receive the first instalment of 50% of the cash rebate after the actual project expenditure incurred exceeded 50% of the project estimate. The enterprise would not receive the cash rebate balance until the project was completed. The two-phase payment approach would not apply to ITF platform projects. An enterprise contributing to ITF platform projects would receive the full cash rebate after it had made full payment of its pledged financial contribution.

33. Dr PAN Pey-chyou asked whether the Administration would ask the enterprise concerned to return the first instalment of cash rebate payment if the project

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could not be completed eventually. CIT advised that the Administration would not ask for the return of the cash rebate disbursed because the enterprise concerned would have actually incurred the required level of R&D expenditure to be entitled to the first instalment of cash rebate. In reply to Dr PAN's further enquiry, CIT advised that the Administration would consider the past records of the enterprises and research institutions concerned when they applied for joining the Scheme.

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

Item No. 2 - FCR(2009-10)49

HEAD 63 – HOME AFFAIRS DEPARTMENT
Subhead 000 Operational expenses

35. The Chairman said that under this item, members were invited to consider and approve the recurrent financial implications arising from the proposed grant of an honorarium to Village Representatives (VRs) with effect from 1 April 2010. The Home Affairs Department (HAD) had consulted the Panel on Home Affairs on the proposal on 11 December 2009.

36. At the invitation of the Chairman, Mr IP Kwok-him, Chairman of the Panel on Home Affairs (HA Panel), reported that the Administration had consulted the Panel about the proposal at its meeting on 11 December 2009. Panel members in general supported the proposal and considered that the honorarium, which was a nominal amount of \$2,000 granted to each VR per quarter, was a form of recognition of VR's services in the rural community. However, some members opined that the Administration should consider extending the arrangement to the elected representatives of voluntary bodies such as Mutual Aid Committees (MACs) and statutory organizations such as Owners' Corporations (OCs) which were carrying out duties similar to those performed by VRs. At the Panel meeting, the Administration expressed appreciation for the contributions made by OCs and MACs towards the local communities especially in the domain of building management. The present proposal for granting an honorarium to VRs was based on the consideration that the election of VRs was held in accordance with the Village Representative Election Ordinance (Cap. 576) (VREO) and was conducted under the supervision of the Electoral Affairs Commission. The election of VRs was distinct from the arrangements of forming MACs or OCs. The Panel subsequently agreed to further discuss enhancing the support for MACs at its meeting to be held in April 2010.

Declaration of interest

37. Ms LI Fung-ying declared interest that she was an Executive Councillor of Heung Yee Kuk. She said that she would support the proposal.

38. Mr LAU Wong-fat declared that he was a VR.

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39. Mr CHEUNG Hok-ming declared that he was a Vice-Chairman of Heung Yee Kuk but had no direct or indirect interest in the proposal.

Timing for review of the amount of honorarium

40. Mr CHEUNG Hok-ming said that he supported the proposal. He commented that as the elections of VRs had been held in accordance with VREO since 2003, and the duties and responsibilities of VRs were defined in the legislation, VRs should have been granted an allowance or honorarium since 2003. He did not find it acceptable for the Administration to review the amount of honorarium as late as 2015 simply because the small amount of the honorarium did not justify more frequent reviews and adjustments. He considered that more frequent reviews, say once a year or every two years, would not incur significant administrative cost since adjustments would simply be based on the movements of the Consumer Price Index (A) (CPI(A)). He enquired whether the Administration would advance the next review.

41. The Secretary of Home Affairs (SHA) said that it would be more appropriate for the Administration to review the honorarium in 2015 as the honorarium was only nominal in nature and the inflation rate had been fairly stable. However, the Administration was ready to adjust the timing of the next review if there was a very significant change in the CPI(A) during any interim year. Mr CHEUNG Hok-ming reiterated his view that there should be more frequent reviews of the honorarium amount even if the Administration considered that the adjustment would be small. SHA noted Mr CHEUNG's suggestion.

Granting honorarium to other organizations

42. Mr WONG Kwok-hing said that he supported the funding proposal, but requested the Administration to also review the amount of allowance granted to MACs. He considered that the quarterly allowance of \$1,000 currently granted to each MAC was inadequate to cover its daily expenses, and some MAC members had to pay for the expenses themselves.

43. SHA said that as he had previously explained to the HA Panel, while the Administration recognized the services and contributions of MACs to the local communities, they were different in nature from VRs whose functions were prescribed in statute. He assured members that the Administration was willing to consider enhancing the support for MACs but the issue should be considered separately from the proposed honorarium for VRs.

44. Mr WONG Kwok-hing urged the Administration to review the provision of allowance for MACs as soon as possible. The Chairman enquired about the time schedule of the review. SHA advised that he could not provide the review timeframe but the Administration would actively consider the issue which would be further discussed by the HA Panel in April 2010.

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45. Mr LEE Wing-tat said that the Democratic Party considered the functions performed by MACs, OCs, Owners' Committees and Area Committees were similar to those undertaken by VRs to a large extent, and the difference between them was just the geographical locations they served. The Democratic Party would not support the current proposal because the Administration did not give any assurance of taking on board the suggestion of providing allowances to MACs, OCs, Owners' Committees and Area Committees on the ground that VRs were elected in accordance with a statute but representatives of those other organizations were not. The Democratic Party held the view that the proposed honorarium arrangement should apply to all those organizations or it should not be introduced at all.

46. SHA responded that he was aware of the stance of the Democratic Party on the proposal. He reiterated that the Administration appreciated the services provided by community organizations like MACs but had to point out that representatives of these organizations were different in nature from VRs. VRs were returned by public election in accordance with the VREO and they carried out statutory duties as in the case of Members of the Legislative Council and members of the District Councils. The Chairman sought clarification from SHA whether the Administration would consider providing financial support to those organizations mentioned by Mr LEE Wing-tat. SHA replied that the Administration would actively consider ways to enhance the support for MACs to facilitate their servicing of the public.

47. Mr WONG Yung-kan stated his support for the proposal and remarked that some VRs needed to work very hard in performing their duties for the villages they represented. He then pointed out that members of some rural committees also included representatives of fishermen and enquired whether the Administration would consider granting an honorarium to the fishermen representatives in the next review of the honorarium for VRs in 2015.

48. SHA explained that fishermen representatives sitting on rural committees were elected according to the relevant guidelines issued by HAD and they were not elected under VREO. Before considering the granting of an honorarium to the fishermen representatives, the Administration needed to consider whether the election of such representatives should be provided for in legislation.

49. Mr WONG Yung-kan opined that since both VRs and fishermen representatives were members of rural committees, they should be treated the same. The Administration should look into the arrangements for the election of fishermen representatives if the lack of statutory backing was the reason that the Administration could not grant any honorarium to the fishermen's representatives. Legislative amendments should be considered if necessary. SHA took note and said this would be considered at a suitable juncture in future.

50. Mr IP Kwok-him said that the Democratic Alliance for the Betterment and Progress of Hong Kong supported the proposal. He pointed out that VRs were returned by election in accordance with the VREO and they had a clear role of

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representing the inhabitants or residents of their villages to handle village affairs. The honorarium granted to VRs was different in nature from the membership fee collected by MACs and the management fee charged by OCs. The latter fees were used to support the operation of the organizations concerned rather than the performance of statutory duties by elected representatives as the VRs. He however concurred with other members that the Administration should enhance the support for OCs and MACs. Mr IP also pointed out that MACs were different from OCs in that the latter could make use of the management fees collected to afford daily expenses or administrative costs to maintain operation and urged the Administration to consider increasing the allowance currently granted to MACs. SHA noted the comments of Mr IP. The Chairman enquired whether the Administration would submit a concrete proposal on ways to enhance the support for MACs to the HA Panel. SHA advised that the Administration would discuss the matter with the Panel in April 2010.

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

52. The meeting was adjourned at 4:07 pm.

Council Business Division 1
Legislative Council Secretariat
20 May 2010