

立法會
Legislative Council

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by the Administration)

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**Notes of the meeting of the Finance Committee
for briefing members on the Estimates of Expenditure and budget proposals
on Thursday, 25 February 2010, at 10:45 am
in the Chamber of the Legislative Council Building**

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
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, SBS, JP
Dr Hon Margaret NG
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Kam-lam, SBS, JP
Hon LEUNG Yiu-chung
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, SBS, JP
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, 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 WONG Ting-kwong, BBS, JP

Hon Ronny TONG Ka-wah, SC
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king
Hon CHAN Hak-kan
Hon Paul CHAN Mo-po, MH, JP
Hon CHAN Kin-por, JP
Dr Hon Priscilla LEUNG Mei-fun
Hon CHEUNG Kwok-che
Hon IP Wai-ming, MH
Hon IP Kwok-him, GBS, JP
Dr Hon PAN Pey-chyou
Hon Paul TSE Wai-chun

Members absent:

Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon CHEUNG Hok-ming, GBS, JP
Hon CHIM Pui-chung
Dr Hon LAM Tai-fai, BBS, JP
Dr Hon LEUNG Ka-lau
Hon WONG Sing-chi
Hon WONG Kwok-kin, BBS
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon Samson TAM Wai-ho, JP

Public officers attending:

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| Mr John TSANG, JP | Financial Secretary |
| 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 Clement LEUNG, JP | Deputy Secretary for Financial Services and the Treasury (Treasury)2 |

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| Ms Doris HO | Deputy Secretary for Financial Services and the Treasury (Treasury)3 |
| Ms Shirley LAU, JP | Principal Assistant Secretary for Financial Services and the Treasury (Treasury) |
| Mrs Helen CHAN, JP | Government Economist |
| Mr Freely CHENG | Administrative Assistant to Financial Secretary |
| Ms Jessie WONG | Administrative Assistant to Secretary for Financial Services and the Treasury |

Clerk in attendance:

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| Mrs Constance LI | Assistant Secretary General 1 |
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Staff in attendance:

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| Ms Anita SIT | Chief Council Secretary (1)5 |
| Mr Noel SUNG | Senior Council Secretary (1)4 |
| Miss Joanne FONG | Senior Council Secretary (1)7 |
| Ms Alice CHEUNG | Senior Legislative Assistant (1)1 |
| Mr Frankie WOO | Senior Legislative Assistant (1)3 |
| Ms Christy YAU | Legislative Assistant (1)1 |

Action

The Chairman welcomed Professor K C CHAN, Secretary for Financial Services and the Treasury (SFST) and his colleagues to the meeting. She informed members that Mr John TSANG, the Financial Secretary (FS), would arrive at 11:30 am.

2. SFST gave a Powerpoint presentation on the 2010-2011 Budget and briefed members on the following --
 - (a) special measures amounting to over \$20 billion to provide relief and to consolidate economic recovery, and other major expenditure initiatives;
 - (b) major revenue initiatives;
 - (c) estimates of government revenue for 2010-2011;
 - (d) estimates of recurrent government expenditure on various policy area groups for 2010-2011; and

- (e) Medium Range Forecast covering the five years from 2010-2011 to 2014-2015.

(Post-meeting note: The notes of the Powerpoint presentation (LC Paper No. FC74/09-10(01) were issued to members via Lotus Note on 26 February 2010.)

Tackling the risk of asset-price bubbles

3. Mr Albert HO noted that for the purpose of increasing residential land supply, the Government would put up some urban residential sites on the Application List for sale by auction or tender in the coming two years if these sites had not been triggered for auction. He considered that in order to take timely action to tackle the risk of asset-price bubbles, the Administration should put up those sites for auction/tender if those sites had not been triggered after six to nine months, instead of two years.

4. SFST responded that the Application List system had proved to be effective in handling land sale, and measures would be taken to further improve the system. The Secretary for Development would explain the improvement measures to the public shortly.

5. Mr Albert HO queried why the Administration proposed to increase the rate of stamp duty only for transactions of properties valued more than \$20 million, and why only buyers of properties valued more than \$20 million would be disallowed to defer payment of stamp duty. He opined that the requirement for immediate payment of stamp duty should be applied across the board to all property transactions in order to curb speculation activities. He also opined that the Government should consider resuming the construction of Home Ownership Scheme (HOS) flats in face of the heated property market.

6. Mr James TO asked whether the Administration had conducted a systematic analysis of property transaction cases before taking a decision to increase the stamp duty rate for properties valued more than \$20 million. As regards the initiative of revitalizing the HOS secondary market, Mr TO asked whether the Administration had analysed the occupancy situation of HOS flats and made assessment of the number of HOS flats that would be available for sale in the secondary market.

7. SFST responded that the proposed increase in stamp duty and the disallowance of deferment of payment of stamp duty for properties valued more than \$20 million targeted at the property market segment where there had been marked upsurge in prices and notable speculation activities in recent months. The proposed measures were also in line with those introduced by the Hong Kong Monetary Authority to tighten the control on the granting of mortgage loans for properties valued more than \$20 million. The Government would closely monitor the development in the property market and would introduce further measures, where

justified, to prevent asset-price bubbles. As regards the revitalization of the HOS secondary market, SFST advised that the objective of the measure was to increase the supply of medium and low-priced flats. The relevant policy bureau was working out the arrangements with the Housing Authority.

8. Mr Vincent FANG said that he supported the initiatives to ensure a healthy and stable development of the property market, and enquired whether the Urban Renewal Authority (URA) would concentrate on the development of small and medium sized flats in implementing redevelopment projects so as to meet the strong demand of citizens for this type of residential flats.

9. FS responded that the Government was reviewing the Urban Renewal Strategy in collaboration with URA and would engage the public in the process. The issue of whether URA's redevelopment projects should focus on the development of small and medium sized flats would be considered during the review. FS pointed out that URA's redevelopment plan for the Ma Tau Wai area would focus on the development of small and medium sized flats.

10. Mr LEE Wing-tat considered that the Administration had not introduced effective measures to stabilize the property market. He opined that in order to stabilize the heated property market, the Administration should ensure the provision of about 20 000 private residential units each year, put on auction or tender those sites on the Application List that had not been triggered for auction for a year, and prohibit developers from offering second mortgages to property buyers.

11. FS clarified that the Administration would within two years put up several urban residential sites on the Application List for sale by auction or tender, if they had not been triggered. The Administration might put up those sites for auction or tender within a shorter period having regard to the market situation. The Secretary for Development would provide more details of the arrangement at a press conference later. FS stressed that the Administration had to act prudently to prevent public policies from causing wild fluctuations in property price, as such fluctuations would have profound impact on the economy, thousands of flat owners and the public.

12. Ms Audrey EU enquired about the indicators on which the Administration had based for assessing whether asset-price bubbles had formed, and the measures to be taken to tackle the risk. Ms EU asked why the Administration did not consider introducing legislation to regulate the sale of residential properties in order to tackle effectively the existing problems such as unreasonable floor numbering and developers providing misleading information regarding the saleable areas and developments in the vicinity of the properties concerned.

13. FS responded that based on available information, asset-price bubbles had not yet emerged but measures had been included in the Budget to prevent the emergence of such bubbles. The Administration would monitor a number of factors such as the overall economic situation, flow of capital, supply of residential flats,

speculation activities on the property market, and affordability of residential properties to general households, etc. The Administration would also closely monitor changes in market interest rates as these would have a direct impact on the property market. Regarding measures to regulate the sale of residential properties, FS said that he would discuss with the relevant Bureau and consider introducing regulatory measures as and when necessary.

Old buildings and industrial buildings

14. While expressing appreciation for the Administration's quick response in redeveloping the site of the collapsed building and the nearby buildings in Ma Tau Wai, Dr Priscilla LEUNG expressed concern about the rehousing arrangements for residents in the affected areas. She asked whether public housing units in the Ma Tau Wai area or in neighbouring districts would be provided to the affected residents. Dr LEUNG opined that given the large number of old buildings in the territory aged over 30 years or more, the Administration should map out an overall re-development plan for old buildings and comprehensive rehousing arrangements for affected residents.

15. SFST responded that the Development Bureau had announced the plan for redevelopment of the Ma Tau Wai area, and would respond to Members' further questions on related issues at the relevant special Finance Committee meeting for examination of the Estimates.

Revitalization of industrial buildings

16. Prof Patrick LAU opined that in revitalising old industrial buildings, the Government should adopt a holistic approach and draw up plans for renovating the ancillary facilities in the areas concerned. To provide impetus to the initiative, he enquired whether the Administration had plans to relocate government offices to old government industrial buildings and/or private industrial buildings. FS responded that the Government was studying the feasibility of relocating certain government offices to industrial buildings.

Development of remote districts

17. Mr Paul TSE asked whether the Administration would consider using tax incentives to encourage large corporations to move their offices from the busy commercial districts to the remote districts such as Tuen Mun and Tin Shui Wai, so as to create more job opportunities and promote business activities in the remote districts.

18. In response, SFST said that the provision of tax incentives might not be effective in encouraging sizable corporations to set up their offices in remote districts, as these corporations would take into consideration many factors in selecting the location for their offices. To sustain economic development, the Government would aim at providing suitable sites and related facilities for different business sectors.

Developing the economy

19. Pointing out that the Singapore government had recently revamped its taxation system to provide more tax concessions for enterprises for productivity and innovation enhancement, Mr Paul CHAN suggested that the Administration set up an expert working group to consider ways to promote the creativity and innovation industries through tax concessions. SFST took note of the suggestion.

20. Mr IP Kwok-him opined that the Administration should introduce more measures to boost the economy so as to increase job opportunities and alleviate poverty. Mr IP expressed concern that while overseas countries invested heavily in initiatives to boost economic development, only \$7.7 billion was provided in Hong Kong for recurrent government expenditure on the "Economic" policy area, and no tax incentives were introduced to encourage development in this area. He called on the Administration to step up investment in innovation, science and technology development to enhance Hong Kong's capability for further economic development.

21. SFST responded that the Government's initiatives to boost the economy were included under various programme areas, such as the development of the major infrastructure projects to create more jobs, provisions for education and technology research, provision of land for the six priority industries, and further development of the Hong Kong Science Park. Given that the overall leasing rate of the two phases of the Hong Kong Science Park was close to 85%, the Administration would seek Finance Committee's approval in 2010-2011 for the Phase 3 development of the Hong Kong Science Park at an estimated cost of some \$4.9 billion.

22. Mr CHAN Kin-por pointed out that Singapore and Shanghai had stepped up efforts in alluring international conglomerates to set up their regional headquarters in the country/city, and this would result in businesses moving out of Hong Kong. He opined that the Administration should take proactive measures to enhance Hong Kong's competitiveness. FS took note of Mr CHAN's view.

23. Ms Miriam LAU said that she agreed that the long-term solution to unemployment and poverty was to promote economic growth and provide opportunities for wealth creation in the community. While the policy direction depicted in the Budget was correct, the steps proposed were grossly inadequate. For instance, the Budget had not included concrete measures on nurturing of professionals and talents for the six industries, and for the development of green economy. Ms LAU enquired about the provisions for nurturing of professionals and talents for industries, promotion of tourism, and training of the middle-age group in areas such as information technology and language to enhance their chance of finding jobs.

24. FS responded that for the purpose of promoting the development of industries, the Government would optimise the use of land resources and provide the necessary financial support, including strengthening manpower training for industries,

and for new initiatives drawn up by the relevant Bureaux. FS stressed that the Government had already introduced a number of training and re-training programmes to help the middle-aged to find jobs.

25. While expressing support for the initiatives for promoting the development of the six priority industries, Mr Vincent FANG asked what measures the Administration would take to foster the development of the four traditional pillar industries. FS responded that the Administration had always paid close attention to the further development of the four pillar industries and would introduce measures to foster their development as and when appropriate.

26. Noting that three new themed areas would be developed in the Hong Kong Disneyland, Mr WOMG Yung-kan enquired whether the Administration would consider developing other new tourist spots to attract more visitors. SFST responded that the Government had developed other new tourist attractions to foster the tourism industry, such as the Noah's Ark in Ma Wan, the Hong Kong National Geopark, and the 1881 Heritage at the former Marine Police Headquarters Historic Compound.

27. Mr WONG Yung-kan said that he had earlier moved a motion for debate in the Council urging the Government to formulate effective measures to promote the development of fishing activities in Hong Kong. As Hong Kong was surrounded by the sea with convenient transport facilities, development of fishing activities could promote tourism, as evidenced by the experience in other countries. SFST responded that the Tourism Commission would note Mr WONG's view. The Chairman advised that the issue could be raised with the relevant Bureau at the special Finance Committee meetings for examination of the Estimates.

28. Ir Dr Raymond HO expressed concern about the investment in research and development (R&D) in Hong Kong. Referring to paragraph 98 in FS's Budget Speech which stated that with the concerted effort of the Government and the industry, the contribution of business organizations to the total expenditure on R&D in Hong Kong increased from 24 % in 1999 to 43 % in 2008, he sought information on the total expenditure on R&D in Hong Kong in 1999 and 2008, and the respective contributions of the Government and the private sector on R&D in these two years.

(Post-meeting note: The Administration's response was circulated to members vide LC Paper No. FC77/09-10 on 12 March 2010.)

Alleviating poverty

29. Mr Paul TSE opined that instead of introducing relief measures in a piecemeal and one-off manner in the annual Budget, the Administration should demonstrate long-term commitment to tackle the problem of poverty. He asked whether the Administration would consider setting up a fund with the additional revenue generated from the increase in the stamp duty for properties valued more than \$20 million to implement measures for alleviating poverty.

30. SFST responded that the Government had long-term commitment to enhance the services and financial assistance to help the needy, as reflected by the continued increase over the years in government expenditure on public healthcare, welfare services, education, etc. Apart from the one-off relief measures, the Government had included in the 2010-2011 Budget additional provisions for strengthening various services such as those provided by the Hospital Authority and for promoting mental health. As stamp duty collections would be credited into the General Revenue Account from which provisions for Government expenditure would be made, it was not necessary to set up a separate fund for the proposals.

31. Mr Ronny TONG opined that instead of distributing surplus funds indiscriminately to different groups irrespective of their income, the Administration should target at the most needy people in devising relief measures. He said that relief measures introduced in the Budget would not benefit those needy people who were not living in public housing estates or owning a flat, not paying salaries tax and not receiving assistance from the Comprehensive Social Security Assistance scheme. While he concurred with FS that the long term strategy of the Administration for poverty alleviation was to develop the economy and invest in education, he considered that provisions for education were not adequate. For example, the Administration had not responded to the call for more publicly-funded tertiary education places. He further said that the Administration had not set priorities correctly. While the Administration would spend about \$3 billion on anti-drug initiatives, the total expenditure on enhancing the School-based After-School Learning and Support Programmes, subsidies for Internet access charges for students from low-income families and the Matching Grant Scheme for tertiary institutions amounted to only about \$1.5 billion.

32. FS responded that the relief measures introduced in the Budget were aimed at the most needy in the community. Over the past years, the Government had put in additional resources in areas such as education, healthcare, housing and welfare services to improve the living conditions of the whole community and to enhance the services and financial assistance for the needy. Particular attention was given to education and re-training in order to promote social mobility. To provide additional tertiary education places, the Government had made available a site for development of a self-financing tertiary institution.

33. Dr PAN Pey-chyou expressed concern that apart from some short-term relief measures, the Budget had not included any long-term initiatives to assist the low income people, especially when increasing number of people, including those with tertiary education, were falling into the low-income group with continual reduction in their income. Dr PAN asked whether the Administration would consider providing direct subsidies, such as transport support allowance and tax concessions, to assist the low income groups.

34. FS responded that when the economy continued to improve, the whole community, including the low income group, would benefit. The Government's strategy for poverty alleviation was therefore to boost the economy and invest in education. The investment in education, infrastructure projects and social welfare were aimed to enhance Hong Kong's overall competitiveness and upgrade the capabilities of Hong Kong people to meet the challenges in face of social and economic changes. On the suggestion of providing tax concessions for different target groups, FS pointed out that the simple and low taxation system of Hong Kong had proved to be instrumental in upholding and developing Hong Kong's economy. Any changes to the taxation system would therefore need to be considered carefully.

35. Mr LEE Cheuk-yan opined that the Budget lacked vision and innovation for solving the deep-rooted social problems such as the disparity between the rich and the poor. The purported strategy of developing the economy in order to alleviate poverty would not be successful as the low income people had not been able to share the fruits of economic prosperity. The Administration also had not accurately targeted at the most needy when "handing out candies". He urged the Administration to adjust the "Big Market, Small Government" principle and take measures to achieve a fairer distribution of wealth in the community.

36. FS responded that the Government had all along strived to promote the development of the economy so that people in different strata would benefit. A substantial portion of public expenditure had been devoted to the provision of social services and the principle of "Big Market, Small Government" had proved to be effective in sustaining Hong Kong's development.

37. Ms Cyd HO opined that the provision of more public housing would help alleviate poverty. Instead of introducing one-off relief measures, the Administration should make use of the fiscal surplus to provide more public rental housing (PRH) units, which would also help create job opportunities and stabilise property prices.

38. In response, FS said that the Housing Authority would review the strategy for provision of PRH. He stressed that the PRH Waiting List system had been designed to meet the needs of different types of applicants and had proved to be a fair system for allocation of PRH units. The Housing Authority had to put in additional resources in order to meet the target of allocating public housing to eligible persons on the waiting list within three years.

39. Ms Cyd HO pointed out that while on average an eligible applicant could be allocated with a PRH unit within three years, some single applicants had to wait for up to 10 years. She asked whether the 2011 Census would collect information regarding the living conditions of households and their average expenses on accommodation. The Government Economist advised that the 2009-10 Household Expenditure Survey and the 2011 Census would provide updated information on those aspects.

40. Mr CHEUNG Kwok-che suggested that the some \$15 billion earmarked for the proposed relief measures should be redeployed for the creation of jobs, so as to assist the unemployed and the low income groups, and to narrow the disparity between the rich and the poor. He remarked that the funds would be sufficient to provide about 100 000 jobs with a monthly salary of \$6,000 for two years.

41. FS advised that it was the private sector that should provide the majority of job opportunities, although the Government would at extraordinary times put up special short-term measures to create additional job opportunities for relief purposes. FS pointed out that the unemployment rate had dropped from 5.4% in mid-2009 to 4.9% at the end of 2009, and the major infrastructure projects to be implemented in 2010 would further provide a large number of job opportunities.

42. Mr CHEUNG Kwok-che pointed out that the unemployment rate of young people aged between 15 and 24 was alarmingly high. He asked what assistance would be provided to this group of young people, especially the first-time job seekers, to find jobs. FS said that there were ongoing special programmes to assist young people aged between 15 and 24 to find jobs. The Government would identify more ways to create more job opportunities and help young people to find jobs.

43. Mr CHEUNG kwok-che and Mr Frederick FUNG called on the Administration to reconvene the Commission on Poverty. Mr FUNG pointed out that the majority of the 53 recommendations made by the Commission on Poverty had not yet been implemented. The 24 indicators showing the poverty situation in various districts had worsened over the years, and the Administration should step up its efforts to tackle the problem. He asked whether the Government would introduce measures to assist the unemployed in the 40 to 60 age group with low skills and low education qualification to find jobs.

44. FS advised that the Commission on Poverty was formed for a limited period, and its recommendations were being followed up by a dedicated team in the Labour and Welfare Bureau as an on-going programme. A mechanism was in place to co-ordinate the work of various Government bureaux/departments to tackle poverty. He would relay Members' views and concerns to the Labour and Welfare Bureau and the Administration was prepared to consider further proposals to deal with the poverty problem.

45. Mr IP Wai-ming expressed disappointment that the Administration had not drawn up any long term measures to tackle the problem of unemployment. He said that as some employers offered extremely low pay, many job vacancies had not been filled. The offer of a \$5,000 bonus to employees under the Pilot Employment Navigator Programme (PENP) would not help solve the unemployment problem in the long run, as the wages offered by employers were low and there was a manpower mismatch problem.

46. FS responded that the PENP was designed to encourage employees to continue to work for the same employer for three months and more. In the long term, more job opportunities would be created with the development of the economy and the poverty problem would be alleviated. In this connection, initiatives that were pragmatic, proactive and conducive to society's overall development would be considered.

Relief measures

47. Noting that the business registration fees would be waived for one year, Mr WONG Yung-kan asked whether the Administration would consider freezing or waiving government fees and charges and also the rentals for public market stalls.

48. SFST responded that most government fees and charges were set based on the "users pay" principle. The Deputy Secretary for Financial Services and the Treasury (Treasury)² supplemented that the relevant Legislative Council (LegCo) Panel was following up on the issue of rentals for public market stalls.

49. While expressing support for the initiative to waive the business registration fee for one year, Mr Vincent FANG enquired whether the Administration would consider also waiving the licence fees for hawkers for one year, say up to a limit of \$2,000. FS replied that he would consider Mr FANG's suggestion in consultation with the relevant Bureau.

50. Ms LI Fung-ying said that despite repeated calls from LegCo Members and the public in the past two fiscal years for introducing relief measures for those needy people who did not own any property, were not living in PRH or receiving assistance from the Comprehensive Social Security Assistance scheme, and earning an income below the level for salaries tax payment, the Administration had not included any measure in this year's Budget to help this group of people. Anticipating inflation in costs in the coming year, Ms LI asked whether the Administration would consider freezing those government fees and charges that affected people's livelihood in 2010-2011.

51. FS reiterated that people in different strata of the community would benefit from the additional resources put in by the Government in areas such as housing, education, welfare services, healthcare, etc. Inflationary pressure was expected to be moderate in 2010-2011, although there were concerns about the price increases in food items imported from the Mainland. The Government would consider carefully any fee revision proposal that might affect people's livelihood.

52. Dr Priscilla LEUNG commented that the Budget lacked measures to help the middle income people, and doubted the effectiveness of the increase in stamp duty for properties valued more than \$20 million in suppressing property prices. She asked whether the Administration would consider introducing measures to help the middle income people, such as extending the period of tax allowance for mortgage

payments, granting loans for starting new businesses and for purchasing homes. As for small and medium sized enterprises (SMEs), she asked whether the Administration would consider waiving the rents for lessees of commercial units in public markets and public housing estates, and whether the Special Loan Guarantee Scheme would be extended beyond 2010.

53. Mr CHAN Kin-por opined that as the middle income group had contributed substantially to Government revenue and the development of the economy, it was appropriate for the relief measures introduced in the Budget to cover this group. He considered that such relief measures should be direct and straight-forward so as to minimise the administrative costs.

54. SFST responded that the Budget had included both one-off and long-term measures to alleviate the burdens of the middle income group. These measures included concessions in salaries tax and rates. The Government had also introduced measures to stabilise property prices, and was closely monitoring the risk of asset-price bubbles.

Transport support allowance

55. Noting that the review of the Transport Support Scheme would only be completed by the end of 2010, Mr WONG Kwok-hing expressed concern that if the allowance was withdrawn after the review, the existing recipients might be forced to give up their jobs because of the high travelling expenses for going to work in urban areas. Mr LEE Cheuk-yan shared Mr WONG's concern. He opined that the Administration should lift the one-year limit for receiving the transport allowance and extend the scheme to cover all 18 districts.

56. FS responded that the review of the Transport Support Scheme focused on the provision of transport allowance to people earning low income and who needed to take cross-district journeys to work. Pending completion of the review, existing parameters of the Scheme would remain unchanged.

Promoting the development of higher education

57. While welcoming the Administration's initiative to reserve a site of 100 000 square metres for establishment of a self-financing tertiary institution, Mr CHEUNG Man-kwong asked whether the Administration would consider providing "study vouchers" of about \$50 000 per year for qualified students to study in the planned self-financing tertiary institution. He explained that the institution would need such funding support if it was to provide quality tertiary education on par with that of the existing publicly-funded universities.

58. In response, FS said that the main objective of the initiative was to provide more choices of tertiary institutions for students. As private tertiary institutions would have a different mode of operation, they were expected to find ways to finance

their operation. The Administration would consider appropriate ways to assist the existing and future self-financing tertiary institutions as and when necessary.

59. Noting that the Administration expected the business sector to fulfil their social responsibilities in building a caring society, Prof Patrick LAU asked what incentives would be provided to encourage private enterprises to fulfil their social responsibilities, such as contributing to the establishment of a private university.

60. FS said that the Matching Grant Scheme (MGS) had effectively promoted the development of the institutions and helped foster a philanthropic culture. The Budget had allocated \$1 billion to launch the fifth MGS to support the diversified development of higher education. FS added that many private enterprises in Hong Kong were fully aware that in fulfilling their social responsibilities, they were fostering the development of the economy of Hong Kong, which in turn would benefit the whole society.

Taxation

61. Noting that there would be an operating surplus of about \$19 billion for 2009-2010, Mr Paul CHAN enquired about the discrepancy between the estimated and the actual revenue from salaries and profits taxes and the reasons for such discrepancy. SFST responded that as a result of the Government's measures to cope with the challenges of the global financial crisis, the economy had recovered better than envisaged, leading to higher revenue from salaries and profits taxes as well as from stamp duties and land premium.

62. Mr Paul CHAN remarked that the relevant sectors had urged that depreciation tax allowance be granted for machinery and plants used under the "import processing" arrangement. He asked whether the Administration would raise with the Joint Liaison Committee on Taxation for a review to work out a feasible arrangement for granting the depreciation allowance in justified cases. SFST responded that any amendment to section 39E of the Inland Revenue Ordinance (Chapter 112) relating to the granting of depreciation allowance would have significant implication on Hong Kong's tax system, and the Administration would consult the Joint Liaison Committee on Taxation on the issue.

Retirement protection

63. Mr CHAN Kin-por opined that in view of the aging population and the fact that the Mandatory Provident Fund Schemes were unlikely to be able to support people's living after retirement, the Administration should immediately look into the feasibility of introducing a comprehensive pension scheme for the whole community, and consult the public in due course. Otherwise, the Government would have to shoulder an increasingly heavy burden in taking care of the aged in future. FS took note of Mr CHAN's view.

Provision for Legislative Council By-election

64. Noting that the Budget had included a provision of \$159 million for organizing the LegCo By-election, Mr WONG Kwok-hing urged the Administration to remove the provision from the Estimates 2010-2011 and put up a separate funding application for the By-election, so that Members could discuss in detail the proposed funding. Mr WONG commented that the provision could be better utilized for helping the low income people.

65. Ms Audrey EU said that the LegCo By-election could also generate job opportunities, and the By-election would not happen if the Administration was prepared to cancel the seats for the functional constituencies in LegCo.

66. In response, FS said that the Government had a constitutional responsibility to provide funding for the By-election, and appropriate provisions had been included in the Estimates for the purpose.

Fiscal reserves

67. Ir Dr Raymond HO pointed out that under the Medium Range Forecast in the Budget, the fiscal reserves would drop from \$483 billion (equivalent to 28.3% of Gross Domestic Product (GDP) or 18 months of Government expenditure) in 2010-2011 to \$468.7 billion (equivalent to 21.7% of GDP or 15 months of Government expenditure) in 2014-2015. He asked whether FS had adopted any guidelines on the level of the fiscal reserves to be maintained.

68. FS responded that the Government did not consider it necessary to lay down absolute values as guidelines for the level of fiscal reserves. As Government expenditure had grown faster than the rates of GDP growth in the past few years, a higher level of fiscal reserves would enable the Government to meet the challenges in case of economic downturn/crises. At the request of the Chairman, FS agreed to provide a written explanation on the issue.

(Post-meeting note: The Administration's response was circulated to members vide LC Paper No. FC77/09-10 on 12 March 2010.)

69. The meeting ended at 1:00 pm.

Legislative Council Secretariat

5 August 2010