

立法會 *Legislative Council*

LC Paper No. CB(2)893/12-13
(These minutes have been seen
by the Administration)

Ref : CB2/PL/HA

Panel on Home Affairs

Minutes of meeting
held on Monday, 18 February 2013, at 8:30 am
in Conference Room 2 of the Legislative Council Complex

Members present : Hon MA Fung-kwok, SBS, JP (Chairman)
Dr Hon Kenneth CHAN Ka-lok (Deputy Chairman)
Hon WONG Kwok-hing, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon CHEUNG Kwok-che
Hon IP Kwok-him, GBS, JP
Hon Claudia MO
Hon Steven HO Chun-yin
Hon Frankie YICK Chi-ming
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon CHAN Chi-chuen
Hon LEUNG Che-cheung, BBS, MH, JP
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon CHIANG Lai-wan, JP
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen

Members attending : Hon James TO Kun-sun
Hon CHAN Yuen-han, SBS, JP
Hon KWOK Wai-keung
Hon Martin LIAO Cheung-kong, JP
Hon TANG Ka-piu

**Public Officers : Item IV
attending**

Ms Florence HUI, SBS, JP
Under Secretary for Home Affairs

Ms Gracie FOO, JP
Deputy Secretary for Home Affairs (1)

Miss Winnie TSE
Principal Assistant Secretary for Home Affairs
(Civic Affairs) 3

Ms Shirley KWAN
Principal Assistant Secretary for Financial Services and
the Treasury (Treasury) (R)

Ms Y Y TSE, JP
Assistant Commissioner (3) of Inland Revenue

Item V

Mr TSANG Tak-sing, GBS, JP
Secretary for Home Affairs

Mrs Pamela TAN, JP
Director of Home Affairs

Mr Jack CHAN
Deputy Director of Home Affairs (2)

Mr Eric HUI
Assistant Director of Home Affairs (2)

Item VI

Mr TSANG Tak-sing, GBS, JP
Secretary for Home Affairs

Ms Gracie FOO, JP
Deputy Secretary for Home Affairs (1)

Ms Kitty YU
Principal Assistant Secretary for Home Affairs
(Civic Affairs) 1

Clerk in attendance : Ms Alice LEUNG
Chief Council Secretary (2) 2

Staff in attendance : Mr Bonny LOO
Assistant Legal Adviser 3

Miss Josephine SO
Senior Council Secretary (2) 2

Miss Jasmine TAM
Council Secretary (2) 2

Miss Emma CHEUNG
Legislative Assistant (2) 2

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I. Confirmation of minutes
(LC Paper No. CB(2)610/12-13)

The minutes of the meeting held on 18 January 2013 were confirmed.

II. Information paper(s) issued since the last meeting
(LC Paper Nos. CB(2)583/12-13(01) and CB(2)628/12-13(01))

2. Members noted that the following papers had been issued since the last meeting -

- (a) Administration's progress report on the outstanding leisure and cultural service projects of the former Municipal Councils; and
- (b) Administration's information paper on a proposal to build a sports centre in Area 4, Tsing Yi.

3. Regarding the Administration's information paper referred to in paragraph 2(b) above on the proposed construction of a sports centre in Area 4, Tsing Yi, members agreed that there was no need to discuss the proposal at the Panel meeting on 22 March 2013. The Chairman reminded members that the Administration would submit the proposal to the Public Works Subcommittee ("PWSC") for consideration on 8 May 2013 and seek funding approval from the Finance Committee ("FC") on 7 June 2013 respectively.

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III. Date of next meeting and items for discussion

(LC Paper Nos. CB(2)612/12-13(01) and (02))

4. Members agreed to discuss the following two items at the next regular meeting to be held on Friday, 22 March 2013, at 8:30 am -

- (a) Measures to enhance museum services; and
- (b) Development of public library services.

IV. Two-way Commingling

(LC Paper No. CB(2)612/12-13(03) and CB(2)604/12-13(01))

5. At the invitation of the Chairman, Under Secretary for Home Affairs ("USHA") briefed Members on the Administration's proposals to amend the Betting Duty Ordinance (Cap. 108) ("BDO"), which involved technical amendments that would facilitate the conduct of two-way commingling on horse race betting, details of which were set out in its paper.

Effects of implementing two-way commingling

6. Mr IP Kwok-him said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong would have reservations in supporting any proposals/measures which might encourage gambling. On the present proposals which aimed at facilitating the conduct of two-way commingling on horse race betting, he was gravely concerned about whether the proposed arrangements would encourage more people to participate in gambling activities. He enquired whether it was the prevailing international norm and practice for local and non-local bets to be managed as a "commingled pool".

7. Sharing a similar concern, the Chairman sought elaboration on the Administration's view, as stated in its paper, that the implementation of two-way commingling on horse race betting would not lead to an increase in betting opportunities.

8. In response, USHA explained that under a commingling arrangement, the participating jurisdictions followed the same dividend distribution rates for the bet type(s) concerned. This would reduce the possibility of illegal bookmakers taking advantage of arbitrage of odds differences as a result of the existence of multiple separate pools in various jurisdictions in respect of the same bet type on the same race, thus discouraging off-shore and illegal bookmaking activities. The size of bets in a commingled pool was typically

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larger than that in a separate pool, thereby offering more stable odds to bettors. There might be concerns that a larger and more stable bet pool as a result of an outbound commingling arrangement would mean increased attractiveness of non-local races to Hong Kong bettors, and outbound commingling might entice those Hong Kong bettors currently not interested in non-local races to also bet on such races. In the view of the Administration, no additional gambling opportunities would be introduced after Hong Kong Jockey Club ("HKJC")'s implementation of two-way commingling arrangement on horse race betting as the proposed legislative proposal only involved technical amendments to the current taxation regime. According to the industry's understanding, only a small group of enthusiastic racing fans and major bettors were interested in non-local races, as betting on such races required good knowledge of the races and the competing jockeys and horses. Furthermore, there was a language barrier for the majority of the grass-root local bettors. The time difference between Hong Kong and some of the host countries was another deterrent factor. That said, to ensure that the implementation of the outbound commingling arrangement would not lead to proliferation of betting opportunities, the Administration would restrict it to the existing scale of non-local simulcast races on which HKJC might accept bets, i.e. 10 races on local race days and 15 simulcast days on non-local race days for each racing season.

9. USHA further pointed out that at present, BDO did not provide for a separate and specific taxation structure for the purpose of levying betting duty on local bets that were handled in an outbound commingled pool. In the absence of a specific taxation structure for the outbound commingling arrangement, the current taxation structure which levied progressive betting duty rates would create uncertainty to HKJC's non-local partners. As a matter of fact, no outbound commingling arrangement had ever been carried out by HKJC. This was one of the reasons leading to the diminution of inbound commingling activities, as non-local partners of HKJC would expect Hong Kong to offer outbound commingling while conducting inbound commingling as a total package. USHA stressed that the legislative proposals did not contradict the Government's long-standing policy of not encouraging gambling.

10. On the question of international norm and practice, USHA said that many licenced horse race betting conductors in overseas countries, such as Singapore, Ireland, Australia, New Zealand, the United Kingdom and the United States of America, adopted the commingling arrangement to manage the local and non-local bets under a commingled pool. Hong Kong was an exception where all non-local bets placed on Hong Kong races were, at the moment, placed in separate pools managed by non-local partners of HKJC.

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11. In response to Mr LEUNG Che-cheung's and Ms Cyd HO's enquiries as to whether the proposed commingling arrangements and taxation adjustments would be extended to apply to authorized football betting, USHA replied in the negative and stressed that the current legislative proposals only aimed at facilitating the conduct of two-way commingling on horse race betting.

12. Noting the Administration's full acceptance of HKJC's view that the implementation of the proposed commingling arrangements would not lead to an increase in betting opportunities, the Deputy Chairman considered it inappropriate for the Administration to come to a concluded view merely based on arguments of the proponent of the proposal. He suggested that the Administration should commission an independent consultant to conduct a study, in order to find out whether and, if yes, how the proposed implementation of two-way commingling would impact on the general public in terms of promoting the growth of gambling culture. He further sought explanation on the "fair trade" practice commonly adopted worldwide as referred to in the Administration's paper.

13. USHA responded that there had been discussions in the community about the proposals for facilitating the conduct of two-way commingling since the proposals were first put forward by HKJC in 2007. While the proposed technical amendments to the current taxation regime would enable HKJC to enhance its competitiveness to attract non-local partners in entering into inbound commingling arrangement with it, the non-local partners of HKJC would expect Hong Kong to offer outbound commingling while conducting inbound commingling as a total package (i.e. allowing both outbound and inbound commingling) under the principle of reciprocity and international practice of fair trade.

14. Dr LAM Tai-fai declared that he was a voting member of HKJC and also a racehorse owner. He held the view that the conduct of two-way commingling on horse race betting would not encourage the growth of gambling culture. Rather, it could help reduce the possibility of illegal bookmakers taking advantage of arbitrage of odds differences as a result of the existence of multiple separate pools in various jurisdictions in respect of the same bet type on the same race, and therefore would be conducive to the eradication of off-shore and illegal bookmaking activities. Furthermore, a larger and more stable bet pool as a result of the two-way commingling arrangement should help divert part of the betting money on unauthorized activities back to the authorized channels, thereby increasing government revenue from betting duty and benefiting the Hong Kong community at large. While concurring with Dr LAM's view that the two-way commingling arrangement would not encourage gambling, Mr CHAN Chi-chuen opined

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that the Administration's explanation had failed to allay Members' worries in this respect.

15. Mr Tony TSE and Mr Frankie YICK also declared interests as members of HKJC. They subscribed to the view that the conduct of two-way commingling on horse race betting could help combat off-shore and illegal bookmaking activities. On the question of whether the commingling arrangement would lead to the growth of gambling culture, Mr TSE agreed that the Administration should consider conducting a critical review to assess the impact of the new commingling arrangements.

16. In response, USHA reiterated the Administration's view that the implementation of two-way commingling on horse race betting would not lead to an increase in betting opportunities, with reasons as provided in paragraphs 8 and 9 above.

17. Dr LAM Tai-fai noted that HKJC allowed underage family members of racehorse owners to enter racecourses at race meetings to watch horse racing at designated boxes, and to join the photo-taking with the winning horses at the turf. Dr LAM was worried that it might encourage children and young people to participate in gambling. He hoped that HKJC would put a stop to this arrangement. USHA said that Dr LAM's concern would be relayed to HKJC for consideration.

18. Mr WONG Kwok-hing said that gambling should not be encouraged and he therefore did not support the legislative proposals under discussion. He noted with grave concern that the number of problem and pathological gamblers seeking assistance from the four counselling and treatment centres operated with the funding support of the Ping Wo Fund had been on the rise, from over 5 400 cases in 2008 to over 8 000 cases in 2011. He asked about the measures taken by the Administration to prevent problem and pathological gambling from deteriorating. He also considered that the Administration should consider lifting the age limit for placing bets on gambling activities authorized by the Government from 18 to 21, in order to prevent the development of addictive behaviour in gambling among young people. Mr Frankie YICK echoed with Mr WONG, saying that the Government should allocate more resources to further enhance the support for problem and pathological gamblers.

19. In response, USHA advised that the Administration had all along been pursuing a responsible gambling policy and monitoring the impact of authorized betting on the community. Regarding the assistance provided to problem and pathological gamblers, the Administration established the Ping Wo Fund in 2003 to finance preventive and remedial measures against

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problem and pathological gambling. The major ambits of the Fund were to finance the following measures -

- (a) research and studies conducted by academic institutes into gambling-related issues/problems;
- (b) public education and other measures to prevent or alleviate problems relating to gambling; and
- (c) counselling, treatment and other remedial or support services for problem and pathological gamblers and those affected by them.

20. Ms Cyd HO considered that given the controversial nature of the current proposals, it was necessary for the Administration to consult widely and engage the public, including religious bodies, before taking a decision on the matter. USHA responded that the proposals on two-way commingling arrangement were first raised by HKJC in 2007. The Betting and Lotteries Commission had since 2009 met with HKJC at a number of its meetings to study the proposals and the subject was discussed again at its meeting in February 2013. As the Commission comprised members of the religious sector, the views of the sector concerned should have been taken on board.

The proposed reduction of betting duty rates

21. Mr WU Chi-wai noted that the current progressive betting duty rates on the net stake receipts of local bets on non-local races were from 72.5% to 75%. As described in paragraph 16 of the Administration's paper, there would be a decrease of \$12 million in betting duty receipts under the proposed betting duty arrangement for Hong Kong bets on non-local races, due to reduction in tax base after reflecting certain portion of the increased product fees and the proposed flat duty rate of 72.5%. He enquired about the rationale for applying a lower betting duty rate at 72.5% and allowing the deduction of a higher amount of fees payable by HKJC to its non-local partners for the betting duty calculation.

22. USHA explained that the proposal of charging a flat rate at 72.5% and allowing deduction of a certain percentage of the fees to be paid by HKJC to its non-local partners for the purpose of calculating the amount of betting duty charged sought to provide a larger degree of certainty for HKJC's negotiations with its non-local partners. It should be noted that HKJC had been accepting bets of Hong Kong bettors on some prestigious non-local races and managing such local bets in separate pools. Under the current simulcast arrangement, the Government received betting duty on these separate pools of local bets in the same manner as local bets placed on local

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races in accordance with BDO.

23. Mr James TO declared that he was also a member of HKJC. He expressed concern about the possible downside risks of allowing two-way commingling on horse race betting to HKJC and Hong Kong bettors, in particular, whether the new arrangements would put HKJC in a very vulnerable position and at the risk of suffering substantial financial loss. Given the complexity of the matter which involved adjusting odds by HKJC in response to the changing market conditions, determining the split of gross margin between HKJC and its non-local partners, calculation of betting duty and the charging of profits tax, he hoped that the Administration could provide Members with more information (including examples for illustration) in this respect.

24. USHA responded that according to the prevailing international norm and practice, betting duty would only be levied at source, viz. by the jurisdiction where the bet was made. The legislative proposals were to avoid double taxation, and to align with international practice of reciprocity and fair trade. The objective of the proposed taxation adjustments/structure under consideration was to facilitate the conduct of two-way commingling on horse race betting. USHA said that at present, the Government did not receive any betting duty from non-local bets placed on Hong Kong races because no inbound commingling arrangement existed. All non-local bets placed on Hong Kong races were now placed in separate pools managed by non-local partners of HKJC whereby profits tax was charged on the royalty income earned by HKJC under such arrangements. As explained in paragraph 9 above, no outbound commingling arrangement had ever been conducted by HKJC in the absence of a specific taxation structure for such arrangement. USHA added that the Administration would be willing to further discuss the matter with Mr TO should he consider it necessary.

25. In response to Mr James TO's and Mr CHAN Chi-chuen's enquiries as to whether the Administration had estimated the effect of the proposed commingling arrangements on the size of horse race bets to be received by HKJC, USHA explained that the proposed arrangements mainly served to facilitate the management of "separate betting pools" which already existed in various jurisdictions as a "commingled pool" in future. Given the fact that the numbers of local horse races conducted by HKJC and non-local simulcast races on which HKJC might accept bets within a racing season would remain unchanged, the Administration did not envisage a substantial increase in the total size of horse race bets arising from the new commingling arrangements.

26. The Chairman and Mr Tony TSE asked about the impact of the proposed commingling arrangements and taxation adjustments on

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government revenue. USHA advised that given that the Government currently received no betting duty from non-local bets on local races, the proposed elimination of the betting duty for non-local bets under an inbound commingling arrangement would not have any material impact on government revenue. Under the current proposal, some of HKJC's existing royalty income earned out of separate pools of non-local bets placed on local races would be replaced by HKJC's share of gross margin between HKJC and its partners in other jurisdictions under the inbound commingling arrangement in future to which the charging of profits tax would apply. HKJC also envisaged that this proposal would enhance its competitiveness to attract non-local partners to enter into commingling arrangements with HKJC, thus generating more taxable profits for HKJC.

The proposed guarantee

27. In reply to Mr IP Kwok-him's enquiry on how to determine the quantum of the proposed guarantee, USHA said that for the purpose of protecting government revenue, the Administration proposed a fixed sum of \$175 million a year, which was the average of the preceding three years' betting duty receipts (i.e. from 2009-2010 to 2011-2012 racing seasons) arising from Hong Kong bets on non-local races simulcast by HKJC. In the view of the Administration, it was reasonable to pitch the guaranteed amount at the existing level of betting duty receipts arising from the current simulcast arrangements.

28. The Deputy Chairman expressed concern about the arrangement after the expiry of the three-year guarantee period and whether the existing number of non-local simulcast races in a racing season would be increased in future.

29. Mr LEUNG Che-cheung expressed concerns about the manpower situation of HKJC telebet centres and the workload of staff at the telebet centres. He held the view that HKJC should, in anticipation of increased revenue to be generated from authorized betting activities, improve the salary and benefits of its staff, particularly those working at the telebet centres. USHA said that Mr LEUNG's views and concerns would be relayed to the management of HKJC.

V. District Administration

(LC Paper Nos. CB(2)612/12-13(04) and (05))

30. Secretary for Home Affairs ("SHA") briefed Members on the Administration's paper which set out the major enhancement measures on the District Administration Scheme announced in the 2013 Policy Address and

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the Administration's proposal to create a new block allocation for the Signature Project Scheme ("SPS") for shared use by the Home Affairs Department ("HAD") Headquarters and all 18 District Offices ("DOs") in support of the requisite preparatory work before proposals on the SPS projects were submitted to PWSC and/or FC for funding approval.

Objective and nature of the SPS projects

31. The Deputy Chairman recalled that at the last Panel meeting, the Administration had stressed the needs for District Councils ("DCs") to devise the SPS projects which could cater for the overall needs of individual districts as well as being sustainable with lasting impact. He sought the Administration's elaboration on the expected objective and nature of the SPS projects to be initiated by DCs.

32. Mr TANG Ka-piu declared that he was a member of Islands DC. Pointing out that Islands DC covered a wide area and the residents were scattered in different parts of the district, he considered that Islands DC should be allowed to have greater flexibility in the planning of signature projects in the light of its special circumstances. He also hoped that the Administration would consider pursuing those proposals, which were put forward by DC members for DCs' consideration under SPS but were not selected for implementation, with the funding under the central vote.

33. SHA responded that the objective of SPS was mainly to provide a larger amount of resources to DCs for implementing large-scale and sustainable projects to address the needs of the districts. It was the aim of the Government to make the best use of community wisdom in going for SPS. Should there be proposals not selected for SPS but with strong local support, the Administration would be willing to consider.

34. Miss CHAN Yuen-han declared that she was a member of Wong Tai Sin DC. She considered that to facilitate DCs to resolve differences on project(s) to be implemented and to ensure the effective implementation of the District Administration Scheme, the Administration should give directions to DCs on what the SPS projects and how these projects should be taken forward. She also held a strong view that more powers formerly exercised by the two Municipal Councils should be delegated to DCs and the Administration should conduct a comprehensive review of the District Councils Ordinance (Cap. 547) ("DCO") to achieve this end. The Deputy Chairman and Mr WU Chi-wai echoed with Miss CHAN, adding that the Administration should conduct a review of DCO with a view to enhancing the roles and functions of DCs. To assist DCs in identifying the SPS project(s) that could best meet the aspirations of local communities, Mr WU

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suggested that the Administration should provide yardsticks for DCs for evaluating the proposals.

35. In response to Members' views, SHA said that as DCs would have the full discretion to utilize the fund allocated under SPS, it was for individual DCs to decide on the process of evaluation.

Timeframe and funding for the projects

36. The Deputy Chairman, Dr Helena WONG and Mr CHEUNG Kwok-che noted with concern that the Administration had set 31 March 2013 as the earliest target for DCs to submit their proposals to HAD. They enquired whether there was a specific deadline for submission of proposals. Dr WONG further asked whether DCs were required to carry out and complete their signature projects before the end of the current DC term.

37. SHA explained that 31 March 2013 was only an indicative target which was set with a view to facilitating the conduct of preliminary studies and employment of non-civil service contract ("NCSC") staff for the preparatory and support work, so that funding approval could be sought as early as possible. The Administration appreciated that some DCs might need more time to deliberate on the matter before submitting their proposal(s) to HAD. He stressed that DCs were allowed a high degree of flexibility in planning and formulating their proposals and hence could submit their project proposals when they were considered mature for detailed investigation and planning for implementation. SHA further said that the Administration recognized the difficulty in setting a definite timetable as the implementation progress would depend on the nature and scale of the SPS projects taken forward by DCs. While the Administration did not prescribe that the projects should be completed within the current DC term, it was hoped that the projects could be commenced or even accomplished as far as practicable.

38. In reply to Dr Helena WONG's enquiry, SHA advised that the Administration was prepared to brief the relevant Panels on the SPS projects submitted by DCs if members considered it necessary to do so, before the funding proposals were submitted to PWSC and FC for consideration.

39. In response to Mr IP Kin-yuen's and Mr IP Kwok-him's enquiries, Director of Home Affairs ("DHA") advised that all SPS projects would be subject to a lower limit of \$30 million and an upper limit of \$100 million, and DCs were required to follow the established procedures to seek funding approval from the Legislative Council ("LegCo") for implementation of individual SPS projects. In gist, if an SPS project had a works component, it would be submitted to FC for funding approval upon obtaining PWSC's

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endorsement. For the works-related components of SPS projects costing \$30 million or less, they would be funded by the proposed block allocation to be established under the Capital Works Reserve Fund. For projects that were non-works in nature or the non-works components of any SPS projects costing more than \$10 million, they would be submitted directly to FC for funding approval. If the non-works component of an SPS project cost \$10 million or less, the Administration would follow the established mechanism to seek funding approval under delegated authority from within the Government.

40. Mr WONG Kwok-hing asked about the arrangements for the management and maintenance of the SPS projects initiated by DCs. SHA advised that -

- (a) for projects with works components to be managed and maintained by government departments, the management and maintenance responsibilities should be agreed upon by the bureaux and departments concerned and the necessary recurrent expenditure approved by the Financial Services and the Treasury Bureau ("FSTB") before consulting the Panel and seeking funding approval from PWSC and/or FC;
- (b) where the project was to be operated, managed and maintained by a government department, an application should be made to FSTB for the provision of the agreed recurrent expenditure;
- (c) where necessary, the partner organizations, which would operate, manage and/or maintain the project after its commissioning might apply for funding to meet initial start-up costs and recurrent consequences for up to two years after project commissioning. The relevant requirement should be included in the submission to PWSC/FC; and
- (d) for non-works components of the projects, the allocation should be one-off and time-limited, and any associated management responsibilities should not incur any long-term recurrent consequences.

41. Mr KWOK Wai-keung declared that he was a member of Eastern DC. Mr KWOK said that as the Eastern District had a large population size when compared to other districts, he hoped that the \$1.8 billion funding earmarked for the SPS projects could be apportioned among 18 districts with reference to the population size of individual districts. Ms Cyd HO considered that to

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ensure fairness and equity, the total sum of \$1.8 billion should be apportioned having regard to the population and area sizes of the 18 districts.

42. Mr TANG Ka-piu expressed concern about the manpower support in HAD Headquarters and 18 DOs for undertaking the requisite preparatory work prior to seeking funding approval of individual SPS projects by LegCo. Sharing similar concern, Mr WU Chi-wai urged the Administration to review whether the staffing resources, particularly in the grade of Liaison Officer, presently allocated for supporting DCs to perform their functions was adequate.

43. SHA responded that \$200 million would be centrally reserved for use by HAD Headquarters and 18 DOs for financing preliminary studies and consultancies and employment of NCSC staff for carrying out the preparatory and supporting work. The funding support was ad hoc and one-off in nature. He added that HAB was aware of the need of DOs and DC Secretariats for more staffing resources to support DCs to perform their work. However, the overall manpower plan and deployment of government resources were centrally determined.

44. In response to Mr YIU Si-wing's enquiry, DHA advised that of the \$200 million reserved for use by HAD Headquarters and 18 DOs, around 35% of the fund would be set aside for conducting preliminary studies and consultancies and 58% for employing NCSC staff in DOs or strengthening the central team to be established at HAD to process proposals and provide support on the implementation of projects. The remaining 7% of the fund was for public engagement activities to be co-ordinated by HAD such as promotional and publicity activities to encourage public participation in the projects.

Monitoring of the signature projects

45. Ms Claudia MO and Mr IP Kin-yuen enquired about the measures to be adopted by the Administration to ensure that the proposals formulated by DCs had been properly thought out and the selection of partner organization was conducted in a fair and transparent manner. Dr Helena WONG considered that a mechanism should be put in place to prevent individual DC members from making use of the SPS projects to gain political capital for themselves, such as building up personal reputation or networks with district organizations. Mr CHEUNG Kwok-che considered it of paramount importance for DCs to uphold the principles of transparency and fairness in the initiation, planning, selection of partner organizations, delivery as well as monitoring of all SPS projects. In his view, the Administration should

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request all DCs to conduct district consultation before deciding on whether or not a proposal should be pursued under SPS.

46. While concurring with the need to prevent any possible transfer of interests, Mr IP Kin-yuen asked whether any monitoring mechanism was in place to govern, inter alia, the declaration of interests by DC members and the selection of partner organizations.

47. Mr Christopher CHUNG declared that he was a member of Eastern DC and Mr WONG Kwok-hing also said that he had been an elected DC member for some 17 years. Mr Christopher CHUNG, Mr WONG Kwok-hing and Mr KWOK Wai-keung considered that LegCo Members should have confidence in DCs that the latter would perform their duties in good faith from project inception to completion/delivery, including consulting the stakeholders on project proposals, monitoring project implementation, and evaluating the effectiveness of the projects. Whilst welcoming the Administration's introduction of SPS which, in their view, would improve district administration, they agreed that a monitoring mechanism should be in place for compliance by 18 DCs in implementing signature projects. Mr WONG further suggested that the advice of the Independent Commission for Corruption should be sought to ensure that the decision-making, tendering and implementation processes were fair and intact.

48. Mr IP Kwok-him declared that he was returned from the District Council (First) functional constituency. Echoing the views of Mr Christopher CHUNG and Mr WONG Kwok-hing, he stressed that Members should respect DCs' decisions on the SPS projects to be pursued and submitted for PWSC's and FC's approval. He pointed out that DC members were also required to follow strictly the procedures for declaration of interests.

49. In response to the views and concerns expressed by Members, SHA and DHA made the following points -

- (a) the objective of SPS was mainly to provide a larger amount of resources to DCs for implementing large-scale and sustainable projects to meet the specific needs of their districts. SPS projects might include works and/or non-works components which should bring a visible and lasting impact on the districts;
- (b) the Administration expected that SPS projects to be proposed by DCs would include the element of public engagement, and the decision making process was fair and open. DCs were responsible for engaging their stakeholders in the districts when drawing up their SPS projects;

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- (c) DCs would also be responsible for implementing their SPS projects, monitoring progress and evaluating effectiveness. DCs would be required to put in place a control and monitoring mechanism to ensure that the projects partnered with or delivered by non-profit-making organizations would be sustainable, transparent and that public funds were used properly. In this respect, the Administration had formulated a set of operation guidelines for the reference of DCs; and
- (d) as explained at the last Panel meeting, project proposals under SPS were subject to LegCo's monitoring.

50. DHA further advised that HAD had formulated detailed operational guidelines on SPS, setting out the rules and principles in respect of the engagement of consultants and contractors as well as the monitoring of project implementation and delivery for compliance by the 18 DCs in taking forward signature projects. Apart from this, a Steering Committee to be chaired by herself with representatives from relevant bureaux/departments would be set up under HAD to oversee the implementation of SPS projects in 18 districts.

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51. At the request of Mr Christopher CHUNG, the Administration agreed to provide the Panel with the rules/operational guidelines as mentioned by DHA in paragraph 50 above.

52. Mr LEUNG Che-cheung declared that he was the Chairman of Yuen Long DC. He said that given the experience gained in the implementation of the District Minor Works Programme, DCs would have the ability to discharge their duties effectively and impartially. While expressing support for the Administration's initiatives to strengthen the District Administration Scheme, he also shared some Members' view that the Administration should ensure that residents in the district were fully consulted and their views had been taken into consideration in the project proposals pursued by DCs.

53. In response, SHA reiterated that it was the plan of the Administration to delegate certain work and responsibilities to DCs so that they could assist in delivering district services and promoting district development. While DCs would be given full discretion in the use of funds totalling \$1.8 billion earmarked for SPS, they should assume the responsibility to engage the relevant stakeholders in the districts when drawing up their SPS projects.

54. Ms Cyd HO and Mr Christopher CHUNG expressed a similar view that DC members were ultimately accountable to the public for SPS projects pursued by individual DCs. To enhance transparency and public

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participation, Ms HO suggested that DCs should be required to make available on the Internet all information pertaining to their SPS projects for public access.

55. The Deputy Chairman expressed worries that it would become an excuse for DCs as well as the Administration to shirk responsibility if there was no clear delineation of responsibilities in respect of public engagement and consultation. He considered it necessary for Members to have more information about the consultation exercises conducted by DCs on project proposals to be implemented under SPS.

Promotion of arts and culture by DCs at the district level

56. The Chairman expressed concern about the inadequacy of resources for DCs to promote arts and culture in 18 districts. He considered the existing annual provision of \$320 million and the proposed injection of an additional \$20.8 million a year for all DCs to organize or finance Community Involvement programmes and activities at the district level far from sufficient. The Administration should provide more resources and support to local arts groups to facilitate their further development. He urged the Government to increase the funding support to local sports teams/organizations, including district football teams, so as to facilitate their development.

57. SHA responded that while the additional provision of \$20.8 million, on top of the \$320 million recurrent funding, was mainly for enhancing DCs' role in the promotion of district arts and culture, the Administration would continue to bid for additional resources for community sports development in Hong Kong. Regarding the Chairman's concern about the promotion and development of local football, SHA advised that the Administration had commissioned a consultancy study a few years ago on the long-term strategy of football development in Hong Kong. Issues such as the development of district football teams and funding support for these teams as they progressed to professional leagues were covered in the study. The Administration would further consider Members' views in taking forward the recommendations in the consultancy report.

58. In reply to Mr CHEUNG Kwok-che's enquiry, SHA advised that it was for DHA to decide how the additional \$20.8 million should be shared among the 18 districts with due regard to the principle of fairness.

59. On the promotion of Cantonese opera, Mr WONG Kwok-hing reiterated his view that the Government should consider preserving the Sunbeam Theatre as a permanent performance venue for traditional

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Cantonese Opera. However, the allocation of \$100 million for the Eastern DC to carry out signature projects should not be used for such purpose.

VI. Youth Hostel Scheme

(LC Paper Nos. CB(2)612/12-13(06) and (07))

60. SHA briefed Members on the latest developments of the Youth Hostel Scheme ("YHS") to be taken forward with the support of non-governmental organizations ("NGOs"), as detailed in the Administration's paper.

Objectives of YHS

61. Whilst expressing support for the Government's initiatives to develop youth hostels, Mr WONG Kwok-hing opined that the provision of 200-odd hostel units through the two pilot projects as mentioned in the Administration's paper was inadequate to address the long existed housing shortage problem. Given that there were at present over 200 000 people waiting for allocation of public rental housing ("PRH") units and over 50% of them were young people, he considered that the Administration should actively consider making use of vacant government premises and schools for conversion to youth hostels to meet the needs of youths. Echoing his view, Miss CHAN Yuen-han and Mr Steven HO considered that to address the housing problem faced by the young people, the Administration should set a specific target for YHS in the long term, including the number of hostel units to be built and the target group(s) to be assisted by the Government through the Scheme.

62. Expressing concern about the number of hostel units offered under YHS, the Deputy Chairman, Dr Helena WONG, Mr Steven HO and Mr YIU Si-wing sought information on the number of other projects still under discussions between the Administration and NGOs, as well as the estimated demand for hostel units from young people of the target age group in the next few years. Mr HO and Mr YIU also asked about the measures to be taken by the Government should the demand for hostel units exceed the number of units available for allocation.

63. In response, SHA said that the Administration had the relevant information on the number of youths queuing up for PRH in hand and thus was aware of the potential demand for youth hostel units. He explained that the aims of YHS were to unleash the potential of under-utilized sites in the hands of NGOs and provide some relief to the current shortage of housing accommodation for young people who wished to live away from home. The Scheme was intended to be a measure to meet the aspirations of some

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working youths aged 18 to 30 by giving them an alternative to having their own living space for a period of time. While the youth hostels were not meant to provide a permanent accommodation, the Scheme would provide these young tenants with an opportunity to accumulate savings to meet their aspirations for future development. The young tenants would ultimately need to make their own plans and arrangement to solve their long-term housing needs.

64. While welcoming the Scheme if it was to improve the living conditions of youths, Mr CHAN Chi-chuen said that he did not agree with the current policy objective underpinning the introduction of YHS to encourage youths to accumulate savings to buy their own flats. Mr KWOK Wai-keung held the view that the implementation of YHS would be more effective if the Government could take a more active role than relying on NGOs in the identification of suitable sites for hostel development and the planning of projects.

Eligibility criteria

65. The Deputy Chairman and Dr Helena WONG considered the eligibility criteria under YHS, in particular the interface with PRH, too stringent. They asked about the rationale for not allowing hostel tenants to continue queuing for PRH once allocated a hostel unit.

66. In response, SHA reiterated the objectives of YHS as explained in paragraph 63 above. He said that ever since the initiative on YHS was first announced, HAB had been discussing with NGOs which had indicated an interest in participating in the Scheme. Given that the initiative had been initiated by the Government to meet the policy objectives, it was decided that the Government would support the full capital costs of building the hostels. NGOs welcomed this as they would not have adequate financial means to embark on large-scale construction works and it would be extremely difficult for them to raise the necessary funds. As admission to youth hostels was highly subsidized by the Government, it was considered inappropriate for hostel tenants to continue queuing for PRH.

67. In reply to Mr CHEUNG Kwok-che's enquiry, SHA explained HAB's view that if the youths were not applying for a singleton PRH on their own, but were applying with their families, their application should not be affected just because of the youths' choice to live in a youth hostel for a period of time.

Rental and tenancy period

68. Mr CHAN Chi-chuen considered that the Administration's proposal of

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not requiring tenants to undergo income and asset limit tests upon renewal of tenancy was against the principle of facilitating the turnover of hostel units. Noting that YHS was open for applications from one-person and two person households, he sought information on the definition of the term of "two-person household".

69. Mr CHEUNG Kwok-che noted that the Government recommended that the Net Operation Floor Area ("NOFA") of each hostel unit should be in the range of 15-20 square metres (single or double room) and the rental should not exceed 60% of the market rent of flats with similar size in the nearby areas. He was particularly concerned about whether NGOs would maintain the rental of their hostels at an affordable level and adhere to the principle of "frugality" in working out the detailed design and communal facilities of the hostels. Sharing a similar concern over the rental levels of youth hostels, Mr KWOK Wai-keung considered that it was more appropriate for the Government to set a standard level of rental, which should be maintained at a low and affordable level, for compliance by NGOs.

70. Deputy Secretary for Home Affairs (1) advised that the recommended NOFA was determined after discussion with the participating NGOs. While the Administration was prepared to shoulder the total construction cost, the estimated cost of individual projects would vary having regard to site-specific factors including project scale and communal facilities provided therein.

71. There being no other business, the meeting ended at 11:02 am.