

# **立法會**

## ***Legislative Council***

LC Paper No. FC142/13-14  
(These minutes have been  
seen by the Administration)

Ref : CB1/F/1/1

### **Finance Committee of the Legislative Council**

**Minutes of meeting**  
**on Thursday, 27 February 2014, at 11:00 am**  
**in the Conference Room 1 of the Legislative Council Complex**

#### **Members present:**

Hon NG Leung-sing, SBS, JP (Chairman)  
Hon Emily LAU Wai-hing, JP (Deputy Chairman)  
Hon LEE Cheuk-yan  
Hon James TO Kun-sun  
Hon CHAN Kam-lam, SBS, JP  
Hon LEUNG Yiu-chung  
Hon Abraham SHEK Lai-him, GBS, JP  
Hon Tommy CHEUNG Yu-yan, SBS, JP  
Hon Frederick FUNG Kin-kee, SBS, JP  
Hon Vincent FANG Kang, SBS, JP  
Hon WONG Kwok-hing, BBS, MH  
Hon Jeffrey LAM Kin-fung, GBS, JP  
Hon Andrew LEUNG Kwan-yuen, GBS, JP  
Hon WONG Ting-kwong, SBS, JP  
Hon Cyd HO Sau-lan  
Hon Starry LEE Wai-king, JP  
Dr Hon LAM Tai-fai, SBS, JP  
Hon CHAN Kin-por, BBS, JP  
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP  
Hon WONG Kwok-kin, BBS  
Hon IP Kwok-him, GBS, JP  
Hon Mrs Regina IP LAU Suk-yee, GBS, JP  
Hon Paul TSE Wai-chun, JP

Hon Alan LEONG Kah-kit, SC  
Hon LEUNG Kwok-hung  
Hon Albert CHAN Wai-yip  
Hon WONG Yuk-man  
Hon Claudia MO  
Hon Michael TIEN Puk-sun, BBS, JP  
Hon James TIEN Pei-chun, GBS, JP  
Hon Steven HO Chun-yin  
Hon Frankie YICK Chi-ming  
Hon WU Chi-wai, MH  
Hon YIU Si-wing  
Hon Gary FAN Kwok-wai  
Hon MA Fung-kwok, SBS, JP  
Hon Charles Peter MOK  
Hon CHAN Chi-chuen  
Hon CHAN Han-pan  
Dr Hon Kenneth CHAN Ka-lok  
Hon CHAN Yuen-han, SBS, JP  
Dr Hon KWOK Ka-ki  
Hon KWOK Wai-keung  
Hon Dennis KWOK  
Hon Christopher CHEUNG Wah-fung, JP  
Dr Hon Fernando CHEUNG Chiu-hung  
Hon SIN Chung-kai, SBS, JP  
Dr Hon Helena WONG Pik-wan  
Hon IP Kin-yuen  
Hon Martin LIAO Cheung-kong, JP  
Hon POON Siu-ping, BBS, MH  
Dr Hon CHIANG Lai-wan, JP  
Hon Christopher CHUNG Shu-kun, BBS, MH, JP  
Hon Tony TSE Wai-chuen

**Members absent:**

Hon Albert HO Chun-yan  
Dr Hon LAU Wong-fat, GBM, GBS, JP  
Hon TAM Yiu-chung, GBS, JP  
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN  
Hon Ronny TONG Ka-wah, SC  
Hon CHAN Hak-kan, JP

Dr Hon LEUNG Ka-lau  
Hon CHEUNG Kwok-che  
Hon LEUNG Che-cheung, BBS, MH, JP  
Hon Kenneth LEUNG  
Hon Alice MAK Mei-kuen, JP  
Dr Hon Elizabeth QUAT, JP  
Hon TANG Ka-piu  
Ir Dr Hon LO Wai-kwok, BBS, MH, JP  
Hon CHUNG Kwok-pan

**Public officers attending:**

Mr John TSANG, GBM, JP	Financial Secretary
Professor K C CHAN, GBS, JP	Secretary for Financial Services and the Treasury
Ms Elizabeth TSE Man-yee, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Ms Mable CHAN, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 2
Mr T K YEUNG	Deputy Secretary for Financial Services and the Treasury (Treasury) 3
Mrs Helen CHAN, JP	Government Economist
Mr Arthur AU	Administrative Assistant to the Financial Secretary
Mr Raymond SY	Administrative Assistant to Secretary for Financial Services and the Treasury
Mr Charlix WONG	Principal Assistant Secretary for Financial Services and the Treasury (Treasury) (H)
Ms Shirley KWAN	Principal Assistant Secretary for Financial Services and the Treasury (Treasury) (R)
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)

**Clerk in attendance:**

Mr Andy LAU

Assistant Secretary General 1

**Staff in attendance:**

Mr Derek LO

Chief Council Secretary (1)5

Mr Daniel SIN

Senior Council Secretary (1)7

Mr Ken WOO

Senior Council Secretary (1)5

Mr Frankie WOO

Senior Legislative Assistant (1)3

Ms Christy YAU

Legislative Assistant (1)7

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Action

**Item No. 1 – BRIEFING BY THE FINANCIAL SECRETARY AND THE SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY ON THE 2014-2015 BUDGET**

The Chairman welcomed Mr John TSANG, Financial Secretary ("FS"), Professor K C CHAN, Secretary for Financial Services and the Treasury ("SFST"), and his colleagues to the meeting.

Introduction by Financial Secretary

2. FS said that the Budget for 2014-2015 would provide resources of some \$25 billion for implementation of some 160 initiatives which would benefit different sectors of the community.
3. FS estimated that the total government expenditure would be around \$411.2 billion in 2014-2015. He anticipated that there would be a consolidated surplus of \$9.1 billion in the financial year.
4. FS said that the geopolitical uncertainties in many parts of the world were still a cause for concern in the coming year. However, the faster economic growth in the Mainland provides crucial support to the local economy. FS forecasted that the Hong Kong economy would grow by 3% to 4% in real terms in 2014, which would be higher than the 2.9% growth in 2013. The global economic growth and inflation were moderate, and the rise in local rental costs had slowed. As such, FS forecasted that the average underlying inflation rate would be 3.7% in 2014, which would be lower than the inflation rate of 4% in the previous year.

Briefing by Secretary for Financial Services and the Treasury

5. SFST gave a presentation on the 2014-2015 Budget and briefed members on the following:

- (a) Hong Kong's competitiveness as the major themes of the 2014-2015 budget, i.e. bolstering Hong Kong's position as an international hub; promotion of industries; keys and limits to development and fiscal sustainability;
- (b) one-off relief measures to be implemented in 2014-2015;
- (c) estimates of government revenue for 2014-2015;
- (d) estimates of recurrent government expenditure on various policy area groups for 2014-2015;
- (e) trend of the fiscal reserves; and
- (f) Medium Range Forecast covering the five years from 2014-2015 to 2018-2019.

6. In view of the number of members who had indicated intention to speak, the Chairman directed that members' speaking time, including the Administration's reply, should not exceed four minutes.

Information technology development

7. Mr Charles MOK said that FS's proposed initiatives related to promoting information technology ("IT") development in Hong Kong were in the right direction, although they should be implemented on a bigger scale. For example, more efforts should be given to attracting overseas IT companies to expand their business in Hong Kong, and the Administration should provide suitable land at a reasonable cost for setting up data centres.

8. Mr Charles MOK commended the Administration for making available financial data and budgetary information in machine-readable format to facilitate more thorough analysis by the public. He said that this practice should continue and a wider range of data should be made publicized in future budget exercises.

9. Mr Charles MOK expressed concern that the proposed enrichment programmes for secondary schools which were outstanding in IT education

might widen the digital divide with the less well performing schools. He suggested that the Administration should put more resources to improve IT education in general. Mr IP Kin-yuen raised a similar comment.

Supporting grassroots and improving the welfare of the community

10. Mr Albert CHAN criticized that the Budget lacked measures from which the grassroots community would benefit. He also criticized FS for having consistently under-estimated government revenue, which resulted in accumulating huge amount of surplus over the past few years. Mr Albert CHAN commented that FS's budgets had been heavily slanted towards the commercial sector, especially property developers, who benefited substantially from measures such as rate waiver. The People Power had been pressing the Administration to rebate \$10,000 to every Hong Kong citizens, but to no avail. Mr CHAN said that the Administration's fiscal policy had deepened the inequality between the rich and the poor in Hong Kong.

11. FS said that the one-off relief measures, which were a small part of the Budget, were intended to be counter-cyclical; the amount of resources that should be used as hand-outs in a financial year depended on the prevailing economic circumstances at that time.

12. At this juncture, Mr Albert CHAN and Mr CHAN Chi-chuen left their seats, approached FS and threw objects towards him. The Chairman ruled that the two members' conduct was grossly disorderly, and ordered the two members to withdraw immediately for the remainder of the meeting.

13. Mr LEE Cheuk-yan criticized FS for putting disproportionate amount of public resources on implementing infrastructure and capital projects vis-a-vis improvements to education, social welfare and healthcare services. Mr LEE commented that FS regarded the vulnerable community as a burden, and was reluctant to commit resources to supporting this sector of the population. Mr LEE also criticized that FS's warning about the emergence of structural deficit in seven to 15 years' time. He did not find FS's analyses credible as FS had a bad reputation of consistently overestimating the fiscal deficits in the past few years resulting in a huge amount of surplus.

14. FS responded that structure deficit was projected by the Working Group on Long-Term Fiscal Planning ("the Working Group") taking into account the economic growth trends and demographic changes. He said that, contrary to Mr LEE Cheuk-yan's remarks, about 75% of the total Government expenditure was on recurrent services; non-recurrent expenditure and capital expenditure such as expenditure on infrastructure and public works projects

was only about 25% of the total Government expenditure. This reflected the Administration's continued commitment in promoting the welfare and quality of public services for people in Hong Kong.

Labour issues

15. Mr Andrew LEUNG supported FS's budgetary measures which aimed at strengthening Hong Kong's long-term competitiveness. He said that development of local talents would help improve young people's upward mobility which, in the long run, contributed towards increasing the government's income tax revenue when these talents were took up high-paid jobs.

16. Mr Andrew LEUNG noted that the Administration forecast that some 210 000 public rental housing ("PRH") units and 70 000 Home Ownership Scheme ("HOS") units were expected to be completed in the coming few years. Meanwhile, many infrastructure projects would be coming on stream. Mr LEUNG expressed concern on whether there were sufficient construction workers to meet the manpower demand in the construction sector.

17. FS said that, while efforts would be made to address the shortage of construction workers, it was also necessary to protect local workers' interests. He appealed to employers and employees to engage in rational discussion and arrive at pragmatic solutions. Increase in workers' wages as a result of tight labour supply would push up inflation, and would, in turn, affect the community as a whole.

18. Mr Tommy CHEUNG commented that it was not practical to expect the employer and employee sides to arrive at a consensus in addressing the labour shortage problem while the Government stayed aloof. Mr CHEUNG said that Hong Kong had reached full employment, and employers had genuine difficulties in recruiting sufficient local workers. Little could be achieved if the employer side was entirely left on its own to try to reach a compromise with trade unions on importation of labour. In his view, the Administration must take on a policy role on that matter.

19. FS said that employers and employees were most familiar with the characteristics of their trades and were, therefore, in the most appropriate position to engage in rational dialogue and identify practical measures to tackle the labour shortage problem.

Setting up of the Future Fund

20. Dr Priscilla LEUNG supported the Budget which included measures that would benefit the middle-class. She also supported the concept of setting up a "Future Fund". Dr LEUNG suggested that some on-going Government services, such as elderly care, should be developed into revenue generating operations. She suggested that the Administration should encourage young people to shoulder part of their parents' health insurance contribution, and that the Administration should provide rental subsidy to people awaiting public housing allocation.

21. FS explained that the setting up of a "Future Fund" was proposed by the Working Group. He had asked the Working Group to develop more concrete implementation details. FS emphasized that the Future Fund, if materialized, should mainly be used to finance non-recurrent projects rather than to supplement recurrent expenditure.

22. Mr IP Kwok-him considered that the Budget was pragmatic as provisions were earmarked for implementing the Chief Executive's pledges as highlighted in the Policy Address, while FS could still to achieve a small surplus in 2014-2015. Mr IP asked how the "Future Fund" concept was originated.

23. FS said that in 2002, during the economic downturn, the Administration was in very stringent budgetary conditions, and had missed out the opportunity to launch several infrastructural projects which were important to sustain Hong Kong's long-term economic growth. Based on this experience, the Administration considered it prudent to set up the proposed Future Fund to buffer against future economic hardships, so that steady resources could be made available for continuous investment in necessary capital projects.

24. Ms Cyd HO noted that the Future Fund was intended to be used primarily on developing infrastructure. She commented that if the Government's objective of building new infrastructure was to generate internal demand to stimulate economic growth, it would be prone to developing projects that were not cost-effective. Ms HO suggested that the Administration should instead allocate \$50 billion to set up a fund to implement comprehensive retirement protection scheme for the people of Hong Kong.

25. Mr WONG Kwok-kin and Miss CHAN Yuen-han commented that to address the problem of the ageing population in Hong Kong, the



Administration should use the proposed Future Fund to improve the retirement protection benefits rather than to use it on infrastructure projects. FS said that the Administration was conscious of the issues associated with the ageing population and was examining long-term options. Relevant measures had been highlighted in the Budget, and there was quite significant increase in the expenditure on elderly services.

26. Mr WONG Kwok-kin said that infrastructural developments could be financed by issuing bonds or debts. Miss CHAN Yuen-han said that apart from promoting traditional industries, the Administration should introduce measures to support the development of new industries and new economic activities, such as the innovation and creative industries. FS replied that infrastructure included facilities such as hospitals and elderly care facilities, which would also benefit the ageing community. He said that it was not appropriate to use the Future Fund to finance recurrent activities and that financing infrastructure projects through debts would mean shifting the burden to future generations.

#### One-off relief measures

27. Mr LEE Cheuk-yan criticized that the proposed waiver of rates for two quarters in 2014-2015 was counterproductive. He commented that large corporations holding many real estate properties were the biggest beneficiaries of the measure, but they did not really need it. On the other hand, the amount of rates to be waived under this measure was not sufficient to ease the situation of many elderly people who relied solely on the meagre rental income from their single properties. Mr LEE considered that these single-property owners should justify a full year's rates waiver. Ms Cyd HO made similar comments.

28. Mr WONG Kwok-hing urged FS to review the proposed increase of tax allowances for maintaining dependent parents or grandparents as the amount was too small. Mr SIN Chung-kai said that many middle-class taxpayers considered that the Administration's proposed adjustment of tax allowances in this year's Budget rather arbitrary. Mr SIN asked if the Administration would introduce a more transparent mechanism in determining the level of tax allowance in a financial year.

29. FS said that the Administration considered many factors during the Budget preparation process to come up with proposals including increases in tax allowances. Key factors for consideration included the prevailing economic circumstances, various short, medium and long-term factors and their impact on government revenue, and the trend of government expenditure.

FS said that it was difficult to prescribe a rigid formula for determining the levels of tax allowance for a particular Budget.

30. Mr WONG Kwok-hing asked whether the \$1,800 subsidy granted to each residential electricity account under the 2013-2014 Budget could be rolled over until the subsidy was exhausted. FS said that only less than 10% of the recipients had not used up the subsidy; recipients could offset electricity tariff by the subsidy until 2016. FS said that the Administration would monitor the situation and consider necessary follow-up measures nearer the expiry of the subsidy.

31. FS explained that the Administration's commitment in improving people's livelihood should be reflected in the size of the estimated recurrent expenditure. He said that the estimated recurrent expenditure in 2014-2015 would, for the first time, exceed \$300 billion. The expenditure on one-off measures was small compared with the overall Government expenditure.

32. Mr Frederick FUNG commented that the Administration had sufficient resources to implement more one-off relief measures. If the income from the planned land sales of the Kai Tak Development was to be taken into account, Mr FUNG expected that the surplus in 2014-2015 could reach about \$30 billion. Mr FUNG queried whether the Administration had deliberately underestimated the income from land sales of around \$70 billion in 2014-2015, since the area of land that would be sold implied by this level of land sale proceeds would not be sufficient to meet the Administration's housing supply target for the year.

#### Fees and charges review

33. Mr Tommy CHEUNG said that the Liberal Party had submitted recommendations to the Administration in supporting small and medium enterprises ("SMEs"). However, the Administration's response had not been forthcoming. Worse still, the Administration had dropped the waiver of business registration charge this year, and planned to increase various government fees and charges, many of which would aggravate the burden of SMEs. Mr CHEUNG said that rather than trying to recover the cost of providing services to the public, the Administration should contain administration costs by reducing the size of the civil service.

34. Ms Cyd HO cautioned the Administration against increasing revenue by increasing water charges as water supply was a basic public utility. Ms HO commented that the Administration should instead levy a tax on share dividends.

Public finance management

35. Mr CHAN Kam-lam supported FS's public finance management approach of "containing expenditure growth, preserving revenue base and saving for the future". He noted from the Budget's medium range forecast that the Government projected a surplus in the operating account to be attained in the coming few years, and the size of the reserve would continue to grow. These projections contradicted with the Work Group's assertion that Hong Kong would experience a structural deficit as early as in seven years' time.

36. Mr IP Kwok-him enquired about the reason of projecting a \$28 billion consolidated deficit in 2015-2016 when there was an estimated operating surplus of \$3.4 billion. Mr SIN Chung-kai queried the reason for the sharp increase \$63.8 billion in the estimated operating expenditure from \$325 billion in 2014-2015 to \$388.8 billion in 2015-2016.

37. FS explained that one of the major reasons for the projected deficit in 2015-2016 was the need to incur expenditure on capital works projects, which was expected to reach a peak in that year, as well as the commitment of \$50 billion for the health care financing initiative, which partly explained the sharp increase in operating expenditure as pointed out by Mr SIN Chung-kai.

38. Dr CHIANG Lai-wan commented that the Budget did not have tangible measures to strengthen Hong Kong's competitiveness. She also commented that the Chief Executive's Policy Address had laid out visions to promote various industries and services but the Budget did not specify corresponding support measures. She queried whether the plans outlined in the Policy Address were not yet ready for implementation.

39. Dr CHIANG Lai-wan noted that according to the Basic Law, "the Hong Kong Special Administrative Region should "follow the principle of "keeping expenditure within the limits of revenues in drawing up its budget". The Administration also adopted the principle that public expenditure should be kept below 20% of its Gross Domestic Product ("GDP"). She asked since when the Administration had adopted the 20% benchmark and whether the limit had become obsolete. Dr CHIANG also queried whether the current Budget had made provisions to meet the expenditure for cost overruns in public works projects.

40. FS said that the Administration believed that the market was more efficient in the allocation of resources. The market should be allowed to operate freely without the direct interference or participation of the Government in economic activities. The Government would facilitate

economic development through provision of land and maintaining orderly conduct of market activities.

41. Ms Emily LAU commented that the disparity between the rich and the poor was becoming more and more serious in Hong Kong. Now that the Administration had drawn up a poverty line, but even with a huge reserve and having accumulated a substantial amount of fiscal surplus, the Administration was doing little to improve the services and facilities to help the vulnerable community of the society. Ms LAU noted that the Working Group had recommended the containment of public expenditure around 20% of GDP, which she considered too low. She queried whether the Working Group had taken into consideration the views of Members during the previous debates on the matter. Ms LAU suggested that members of the Working Group should be invited to discuss their recommendations with Members.

42. FS said that the Working Group based its recommendations on the economic data gathered by the Government. The Administration would formulate policies in the light of the Working Group's analyses.

43. Mr Michael TIEN said that the Working Group predicted that, as the growth rate of government expenditure exceeded that of the government revenue at 4.5 per cent per annum, a structural deficit would surface in 15 years' time. He commented that the Administration should continue to promote the economy, so that the Government could have more income from the increase in tax revenue as corporations and individual income grew. However, Mr TIEN criticized that many of the principal officials did not have the knowledge and expertise in developing new industries such as fisheries, agriculture or environmental protection. He commented that the government structure and organization was not conducive to promoting economic development.

44. Mr WU Chi-wai said that FS had stated the need to contain expenditure growth. However, he commented the Administration was not as well-disciplined in restraining expenditure on public works projects as compared with recurrent spending. Mr WU commented that the Administration had not managed and prioritized public works projects properly. As a result, these projects were implemented concurrently and competed for construction workers who were already in short supply. As a result, project costs increased sharply. Mr WU considered it unfair that the cost overruns of public works projects would inevitably reduce the amount of resources available for improving the welfare of the community.

45. In response to members' comments that the Administration preferred capital projects to increasing recurrent spending, FS pointed out that the ratio of recurrent expenditure versus capital expenditure was around 8:2. The Administration exercised prudence in the use of public resources both in respect of recurrent services and non-recurrent projects. He stressed that public works projects were vital to the long-term growth of Hong Kong and were launched on basis of need. Once commenced, these projects should not be terminated or deferred solely because of cost variation.

46. Mr Frederick FUNG noted that the Government's reserve was equivalent to the expenditure of 22 months of Government operation. He said that the Administration should only maintain a reserve sufficient for 12 months' operation. The extra resources should gradually be released for poverty eradication as well as promoting new industries, which were important for the long-term growth of Hong Kong and could provide opportunities for upward mobility of young people.

47. Mr Alan LEONG commented that the public was generally not satisfied with the 2014-2015 Budget, as it did not inspire hope among people of Hong Kong. In particular, the Working Group's expectation that Hong Kong might face a structural deficit in seven to 15 years' time conveyed a grim message to the community that the Administration did not have practical and credible measures to create wealth in the long term.

48. Mr Alan LEONG said that FS's Budget only reinforced the Administration's reluctance to commit to improve welfare and various public services. Mr LEONG queried how the Administration could salvage people's confidence in the Budget and what concrete measures the Administration would introduce to support the middle class and the SMEs.

49. FS responded that the analysis of the Working Group provided a warning to the Government to carry out careful fiscal planning for the future to safeguard Hong Kong against falling into a structural deficit.

50. Mr LEUNG Kwok-hung commented that FS had already set the direction before appointing members to the Working Group. He also commented that, as observed from the Working Group's report, the recommendations were only based on inferences and not on facts, and FS conveniently adopted the views of the Working Group to circumvent the more pressing issues of introducing relief measures to help those in need.

51. Mr LEUNG Kwok-hung said that the Administration should allocate \$50 billion to set up a fund for implementing a retirement protection scheme for all people in the community.

52. FS reiterated that the Working Group comprised experts who conducted their analyses impartially and independently. There was no political or policy consideration in the Working Group's deliberation.

53. Dr Fernando CHEUNG said that the Administration was hoarding an enormous amount of resources but was reluctant to spend them on measures and services to help those in need. Dr CHEUNG analyzed that since 2003, the Administration had been accumulating fiscal surplus by an average of \$47 billion each year. The Administration had now accumulated some \$470.6 billion in surplus, but it still tried to convince the community that it lacked resources to improve public services. On the other hand, the Administration allocated a vast amount of public resources on infrastructure development and public works projects. Dr CHEUNG criticized the Administration for being irresponsible, and queried whether there was a "structural surplus" rather than a structural deficit in Hong Kong.

54. FS did not agree that there was a "structural surplus". He said that infrastructure development was important in sustaining Hong Kong's long-term growth. Apart from financing public works projects, the recurrent spending had also increased over the years for improving the quality and quantity of public services for the community.

#### Promoting tourism industry

55. Mr YIU Si-wing said that the reception facilities in Hong Kong were inadequate to handle tourists who were projected to reach 70 million a year by 2017. At present, tourists were mostly concentrated in a few hotspots, causing inconvenience to the local community. Mr YIU asked if FS would allocate resources to implement measures to help divert tourists to other attractions.

56. FS said that the Administration had recognized the problem of overcrowdedness in certain tourist spots. The relevant Bureau would engage the tourism sector in identifying necessary measures to divert tourists from major tourist hotspots, and to attract more high value-added tourists to Hong Kong. FS said that the Administration would consider allocating resources if and when feasible and detailed measures were formulated.

Education and health services

57. Mr IP Kin-yuen commented that education was the key to strengthening Hong Kong's competitiveness, but the estimated expenditure on education in the coming financial year was reduced to 20.7% of the total estimated Government expenditure, the lowest in many years.

58. Mr IP Kin-yuen commented that resources commitment on education services should be considered as an investment. The government expenditure on pre-primary education was only about 0.14% of Hong Kong's GDP, as compared with about an average of 0.71% among countries of the Organisation for Economic Co-operation and Development. Mr IP queried whether the Government would allocate more resources to support the development of pre-primary education services.

59. Dr Helena WONG said that the number of undergraduate places was still inadequate to meet the needs of students who had attained university entry qualifications. On the other hand, about 80% of research graduate places, to which the Government had to subsidize as much as \$500,000 each, were taken up by overseas students. Only a small proportion of overseas students would remain in Hong Kong after completion of their studies. Dr Helena WONG criticized that the Administration's approach in financing higher education was not cost-effective. She suggested that the Administration should reduce the number of non-local graduate places and divert the resources to expand undergraduate programmes for local students. She also suggested that the Administration should review the modes of subsidies for non-local graduates.

60. Dr Helena WONG also commented that the resources made available for provision of medical services were not being used properly. As a result, frontline medical and healthcare services were seriously under-staffed, while top management of the Hospital Authority enjoyed exorbitant remuneration.

Housing development

61. Mr Abraham SHEK commended FS for adhering steadfastly to the principle of Article 107 of the Basic Law in formulating the Budget for this year. He said that the Budget was a pragmatic plan to materialize the vision and pledges laid out in the Chief Executive's Policy Address. Mr Abraham SHEK said that the Administration envisaged that 470 000 housing units would be coming on stream in the coming ten years, of which 60% or some 280 000 units would be PRH and HOS units. Assuming that the cost of each subsidized housing unit was around \$1 million, some \$280 billion would be

needed to meet the public housing construction target. Mr Abraham SHEK asked how the Administration would finance this huge construction programme. Mr Andrew LEUNG expressed a similar query.

62. FS acknowledged that considerable amount of funding was needed for the public housing construction programme. The Administration would commence discussion with the Housing Authority in identifying sustainable financing options.

63. The Chairman said that special meetings of the Finance Committee would be convened between 31 March 2014 and 4 April 2014 to examine the estimates of expenditure.

64. The meeting was adjourned at 12:59 pm.

Legislative Council Secretariat  
11 August 2014