

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 27th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 23 January 2015, at 5:10 pm**

Members present:

Hon Tommy CHEUNG Yu-yan, SBS, JP (Chairman)
Hon CHAN Kin-por, BBS, JP (Deputy Chairman)
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon LEUNG Yiu-chung
Hon TAM Yiu-chung, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon WONG Kwok-hing, BBS, MH
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
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, JP
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon CHAN Hak-kan, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon WONG Kwok-kin, SBS
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 NG Leung-sing, SBS, JP
Hon Steven HO Chun-yin
Hon YIU Si-wing
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon Kenneth LEUNG
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Dennis KWOK
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon CHUNG Kwok-pan
Hon Tony TSE Wai-chuen, BBS

Members absent:

Hon Albert HO Chun-yan
Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon Ronny TONG Ka-wah, SC
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che

Hon Frankie YICK Chi-ming
Hon WU Chi-wai, MH
Hon Gary FAN Kwok-wai
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Alice MAK Mei-kuen, JP
Dr Hon Helena WONG Pik-wan
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Public officers attending:

Professor K C CHAN, GBS, JP	Secretary for Financial Services and the Treasury
Ms Elizabeth TSE Man-ye, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Professor Sophia CHAN Siu-chee, JP	Under Secretary for Food and Health
Mr Christopher WONG Kwok-bun, JP	Deputy Secretary for Food and Health (Food) 1
Mr Mickey LAI Kin-ming	Assistant Director of Agriculture, Fisheries and Conservation (Fisheries)
Mr CHAN Kim-hung	Senior Fisheries Officer (Fisheries Supporting Services)
	Agriculture, Fisheries and Conservation Department

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
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Staff in attendance:

Mr Derek LO	Chief Council Secretary (1)5
Mr Daniel SIN	Senior Council Secretary (1)7
Mr Raymond SZETO	Council Secretary (1)5
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Michelle NIEN	Legislative Assistant (1)5

Miss Yannes HO

Legislative Assistant (1)6

Action

Item No. 1 – FCR(2014-15)45
LOAN FUND
HEAD 262 – PRIMARY PRODUCTS
Subhead 101 Fisheries Loans

Motion to adjourn discussion on the item

The Committee continued the debate on the motion moved by Mr LEE Cheuk-yan that discussion on the item FCR(2014-15)45 be then adjourned pursuant to paragraph 39 of the Finance Committee Procedure ("FC Procedure").

2. Mr WONG Yuk-man, Mr LEUNG Kwok-hung and Mr Frederick FUNG spoke on the motion. In gist, these members were not opposed to the proposal under discussion; rather, they expressed opposition against the Administration's decision to withdraw the four items FCR(2014-15)41 to 44 to make way for the items on the establishment of Innovation and Technology Bureau, i.e. FCR(2014-15)36 and FCR(2014-15)37. These members also expressed disagreement with the Administration's arrangement to include the withdrawn items in the upcoming 2015-2016 Estimates of Expenditure, as they considered that Members would be deprived of the opportunity to scrutinize these items in detail. These members criticized the Administration for exacerbating the rift between the Government and the Legislative Council.

3. The Administration did not have comments in response to the motion.

4. Mr LEE Cheuk-yan requested to withdraw the motion that he had moved to adjourn discussion on the item FCR(2014-15)45. The Chairman ordered that the meeting be suspended for 10 minutes so that he could consider the relevant procedural advice.

5. The meeting was suspended at 5:24 pm and resumed at 5:41 pm.

6. At the invitation of the Chairman, the Clerk explained that the FC Procedure did not provide for the withdrawal of a motion moved pursuant to paragraph 39 of the FC Procedure. Paragraph 37 of the FC Procedure provided that subject to the decisions of the Committee made from time to time, Rules 29 to 35 of the Rules of Procedure ("RoP") should apply, with necessary modifications, to the proceedings of the Committee in dealing with motions.

Rule 35(2) of RoP provided that a motion or an amendment might be withdrawn at the request of the mover by leave of the Council or committee of the whole Council before the question was put thereon, if there was no dissenting voice. A motion or amendment which had been so withdrawn might be proposed again if, in the case of a motion, the notice required by the RoP was given. The Chairman further said that if a motion was withdrawn according to Rule 35(2) of RoP, it could be moved again but if the motion was put to vote and was negatived, it could not be moved again.

7. As Mr IP Kwok-him said that he disagreed with the withdrawal of the motion, the Chairman put to vote the motion that the discussion on item FCR(2014-15)45 be then adjourned. As members requested, the Chairman ordered a division and the division bell was rung for five minutes. The Chairman announced that one member voted in favour of, and 39 voted against the motion. The voting results of individual members were as follows –

For:

Mr LEE Cheuk-yan
(1 member)

Against:

Mr James TO Kun-sun
Mr LEUNG Yiu-chung
Mr Frederick FUNG Kin-kee
Prof Joseph LEE Kok-long
Mr Andrew LEUNG Kwan-yuen
Ms Starry LEE Wai-king
Mr CHAN Hak-kan
Mr IP Kwok-him
Mr Paul TSE Wai-chun
Mr LEUNG Kwok-hung
Mr WONG Yuk-man
Mr Michael TIEN Puk-sun
Mr NG Leung-sing
Mr YIU Si-wing
Mr CHAN Chi-chuen
Mr Kenneth LEUNG
Mr SIN Chung-kai
Mr Martin LIAO Cheung-kong
Ir Dr LO Wai-kwok
Mr Tony TSE Wai-chuen
(39 members)

Mr CHAN Kam-lam
Mr TAM Yiu-chung
Mr WONG Kwok-hing
Mr Jeffrey LAM Kin-fung
Ms Cyd HO Sau-lan
Dr LAM Tai-fai
Mr CHAN Kin-por
Mrs Regina IP LAU Suk-yee
Mr Alan LEONG Kah-kit
Mr Albert CHAN Wai-yip
Ms Claudia MO
Mr James TIEN Pei-chun
Mr Steven HO Chun-yin
Mr MA Fung-kwok
Mr CHAN Han-pan
Dr Fernando CHEUNG Chiu-hung
Dr Elizabeth QUAT
Dr Ann CHIANG Lai-wan
Mr CHUNG Kwok-pan

8. The Chairman declared that the motion was negatived.
9. The Committee resumed the deliberation on the item.

Applications for the one-off loan

10. Mr LEUNG Yiu-chung expressed concern that the underestimation of the loan demand by the Administration had resulted in the present shortfall of loan capital in the Fisheries Development Loan Fund ("FDLF"). In the light of insufficient funding and the looming deadline for loan applications, owners of inshore trawlers might make hasty decisions in applying for the loan. Assistant Director of Agriculture, Fisheries and Conservation (Fisheries) ("ADAFC(F)") said that the Administration's estimation of the number of one-off loan applications was based on the projected needs of the respective trawler types and among them inshore trawlers were most affected by the trawl ban. Part of the proposed injection to the FDLF was set aside to provide loans for owners of these trawlers, who submitted applications on or before 31 March 2015. Notwithstanding, these owners could still apply for the one-off loans between 1 April 2015 and 31 December 2015 on a first-come-first-serve basis together with other competing demands if there were provisions available in the FDLF. Deputy Secretary for Food and Health (Food)1 ("DSFH(F)1") clarified the basis of estimating the loan demand and said that some loan applications had already been processed with existing resources.

11. Mr LEE Cheuk-yan asked whether the Administration would extend the deadline for applications for the one-off loan from inshore trawlers which was 31 March 2015. Under Secretary for Food and Health ("USFH") replied that having consulted the Panel on Food Safety and Environmental Hygiene, the Administration had proposed to extend the deadline for applications to 30 June 2015.

12. Mr Alan LEONG asked whether the recent oil price slump would affect the calculation of the amount of loan for eligible applicants and the provision to be earmarked for the FDLF. DSFH(F)1 said that the lowering of fuel price would help reduce the operating cost for trawling in distant waters so that operators of trawlers might be more inclined to expand their operations. However, since the one-off loan could be repaid over a period of 14 years, short-term fluctuations in oil price would not have a significant effect in operators' consideration of applying for the loan.

13. Mr CHAN Chi-chuen enquired about the details about the processing of loan applications. USFH and ADAFC(F) said that loans that had already been approved would be paid out immediately. It normally took one to two

months to process the loan applications. In response to Mr CHAN, DSFH(F)1 said that there were 12 approved loan applications and about 10 applications pending approval.

Loans for development of sustainable fisheries-related operations

14. Mr WONG Yuk-man considered that the Administration had not been successful in achieving the stated objective of the FDLF in encouraging fishermen and owners of fish collectors to switch to more sustainable fisheries operations and other fisheries-related operations, and in carrying out projects that would reduce fuel consumption or carbon footprint of their operations as well as for the development of aquaculture business since trawling nowadays remained a major part of the fisheries industry. Mr WONG urged the Administration to provide more training aquaculture development as well as business skills to fishermen who were affected by the trawl ban and wanted to switch to other fisheries operations.

15. Mr LEUNG Kwok-hung, Mr Alan LEONG and Mr LEUNG Yiu-chung asked the Administration why only \$30 million out of the \$810 million sought was earmarked for development of aquaculture business. Mr LEONG expressed concern about the Administration's tendency to underestimate the number of loan applications. ADAFC(F) said that the proposed provision was based on the number of loan applications received to date, and there were other funding initiatives, such as the Sustainable Fisheries Development Fund ("SFDF"), for financial assistance to fishermen wishing to switch to more sustainable fisheries operations.

16. Mr LEUNG Kwok-hung asked whether the Administration had assessed the use of loans by fishermen to build new trawlers or to switch to more sustainable fisheries operations. ADAFC(F) said that the loan applicants were free to choose whether they were to continue with trawl fishing or to switch to sustainable aquaculture business, and the Administration would provide assistance as appropriate. The Administration understood that some fishermen were so accustomed to operating trawlers that they found it difficult to switch to other types of operations.

Interest rates and bad debt of the one-off loan

17. Noting that the bad debt ratio of FDLF was 1.5% and considering trawling operations outside Hong Kong waters might attract a greater risk of bad debt, Mr SIN Chung-kai asked whether the Administration had assessed the bad debt ratios of different modes of fishing. ADAFC(F) said that the bad debt ratio of 1.5% was a historical figure since the FDLF had come into

operation. Improvements in the design of trawler vessels in recent years had significantly reduced the risks in relevant fishing operations.

Ex-gratia allowance for fishermen affected by the trawl ban

18. Mr Albert CHAN expressed disagreement with the Administration's policy to provide an ex-gratia allowance ("EGA") to affected trawlers during the passage of the 2011 trawl ban, as opposed to regular subsidies.

19. Ms Claudia MO asked about the details of the EGA for trawl vessel owners and the reason for the disparity in EGA amounts which ranged from \$150 000 to over \$6 million. USFH said that the Administration had provided EGA and a one-off loan to trawl vessel owners affected by the trawl ban. Owners could also participate in the voluntary buy-out and surrender their inshore trawl vessels to the Government at market price. ADAFC(F) supplemented that applications for EGA were processed by an inter-departmental working group ("IWG") within the Government. IWG had processed 269 applications from owners of inshore trawlers and over 700 from owners of larger trawlers. Owners of inshore trawlers, deemed most affected by the trawl ban in Hong Kong waters, received EGA according to criteria set out by the IWG, and owners of larger trawlers received a fixed EGA at \$150,000 per trawler.

20. Ms Claudia MO enquired about the progress of the Fishermen Claims Appeal Board ("FCAB") in processing appeals made by fishermen regarding their applications for the EGA. ADAFC(F) said that FCAB was still considering the relevant appeals and the results were not available yet.

Development of sustainable fisheries

21. Mr WONG Yuk-man expressed regret towards the Administration's ineffectiveness in promoting sustainable fisheries and in implementing the SFDF as the local aquaculture business produced insignificant supply of fish. USFH said that the aim of the SFDF was to help the local fishing community move towards more sustainable or high value-added operations so that the trade could enhance its overall competitiveness and rise to new challenges. In order to strike a balance between maximizing the yield of fish culture zones and conservation of sustainable fishery resources, the Administration had issued additional licences to operators at O Pui Tong, Wong Wan and Sham Wan Fish Culture Zone. ADAFC(F) supplemented that the Administration had also provided technical support and training to operators of aquaculture business. Citing examples from other cities such as Tokyo, Mr WONG called on the

Administration to step up relevant efforts with a view to developing a fish market with seafood eateries to serve as a tourist attraction.

22. Mr Stephen HO said that the Administration's calculation of local fish supply could have excluded fish unloaded by Hong Kong vessels in Mainland ports. He noted that the Hong Kong and Macao Floating Fishermen's Business Office of Guangdong had been collaborating with Mainland universities to provide training opportunities to Hong Kong fishermen, and urged the Administration to step up its training efforts and to consider providing subsidies to the fishery industry.

23. Citing the dwindling number of fishermen in Hong Kong, Mr LEUNG Kwok-hung criticized that the Administration's policies to assist the fishery industry were ineffective.

24. Mr Albert CHAN said that operators in the fishery industry had encountered various difficulties in their operations such as the trawl ban and more recently reclamation projects long the coastal waters. He opined that instead of providing loans through the FDLF, the Administration should provide subsidies to the fishery industry similar to those it provided to other industries, such as the IT industry. Ms Claudia MO shared Mr CHAN's view that the Administration should provide subsidies to the fishery industry to promote its sustainable fishery development.

25. USFH said that the FDLF had been providing loans to the fishery industry for a long time. The Administration had implemented the SFDF for subsidizing projects related to fishery development. Moreover, the Agriculture, Fisheries and Conservation Department offered various funds and training programmes to fishermen helping them to switch to more sustainable fisheries operations and other fisheries-related operations. The Department carried out projects that will reduce fuel consumption or carbon footprint of fishery operations.

26. Mr LEE Cheuk-yan and Ms Cyd HO both expressed concern about the sustainability of fishing yields for fishermen operating outside Hong Kong waters. Mr LEE said that given the large demand for fish, the fisheries resources at the South China Sea might be harmed by overfishing. Ms HO said that according to the Report of the Committee on Sustainable Fisheries published by the Administration, overfishing had resulted in a decline in fisheries resources and subsidies to the fisheries industry might not be conducive to sustainable fisheries development. She asked why the Administration would, in providing financial assistance to fishermen on revamping trawlers, turn back from its commitment to curb overfishing.

USFH said that the Administration was promoting various policies aimed at striking a balance between development of the fisheries industry and sustainable fisheries. ADAF(C) supplemented that for instance, the Administration had set up a registration system in 2011 to control the number of fishing vessels operating in Hong Kong. For fishing vessels operating in the South China Sea, the Mainland also had policies to limit the number and horsepower of fishing vessels. Ms Cyd HO urged the Administration to review the scope of its assistance schemes for the fishery industry. DSFH(F)¹ said that the current loan provisions reflected the industry's demand for building new trawler vessels.

27. The meeting was adjourned at 7:10 pm.

Legislative Council Secretariat

20 May 2015