

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 57th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 29 April 2016, at 5:10 pm

Members present:

Hon CHAN Kin-por, BBS, JP (Chairman)
Hon CHAN Kam-lam, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Hon James TO Kun-sun
Hon Emily LAU Wai-hing, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Vincent FANG Kang, 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 Cyd HO Sau-lan, JP
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon CHAN Hak-kan, JP
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon NG Leung-sing, SBS, JP

Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, JP
Hon YIU Si-wing, BBS
Hon Gary FAN Kwok-wai
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 LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Hon KWOK Wai-keung
Hon Dennis KWOK
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Dr Hon Helena WONG Pik-wan
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Alvin YEUNG Ngok-kiu

Members absent:

Hon LEE Cheuk-yan
Hon LEUNG Yiu-chung
Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon WONG Ting-kwong, SBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, SBS
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon WONG Yuk-man
Hon James TIEN Pei-chun, GBS, JP
Hon WU Chi-wai, MH

Dr Hon KWOK Ka-ki
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon IP Kin-yuen
Hon TANG Ka-piu, JP
Hon CHUNG Kwok-pan
Hon Tony TSE Wai-chuen, BBS

Public officers attending:

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
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Vincent LIU, JP	Deputy Secretary for the Environment
Miss Noel PUN	Assistant Secretary for the Environment (Electricity Reviews)
Mr YUNG Lap-yan	Deputy Law Officer (Civil Law), Department of Justice
Mrs Cherry TSE LING Kit-ching, JP	Permanent Secretary for Food and Health (Food)
Miss Hinny LAM Shuk-yee	Principal Assistant Secretary for Food and Health (Food) ³
Dr LEUNG Siu-fai, JP	Director of Agriculture, Fisheries and Conservation
Dr LIU Kwei-kin, JP	Assistant Director of Agriculture, Fisheries and Conservation (Agriculture)

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 Ken WOO	Senior Council Secretary(1) ⁵
Mr Keith WONG	Council Secretary(1) ⁵

Mr Raymond SZETO
Mr Frankie WOO
Miss Yannes HO

Council Secretary(1)6
Senior Legislative Assistant (1)3
Legislative Assistant (1)6

Action **Item No. 3 – FCR (2016-17)10**
RECOMMENDATION OF THE ESTABLISHMENT SUBCOMMITTEE
MADE ON 20 JANUARY 2016

EC(2015-16)11

HEAD 137 – GOVERNMENT SECRETARIAT: ENVIRONMENT BUREAU

Subhead 000 – Operational expenses

HEAD 92 – DEPARTMENT OF JUSTICE

Subhead 000 – Operational expenses

The Committee continued with the deliberation from the previous meeting on the same day.

Public engagement

2. Dr Kenneth CHAN expressed concern about the transparency of the negotiation between the Administration and the power companies on a new set of Scheme of Control Agreements ("SCAs"). He enquired about the Administration's plan to consult the public in the future, and asked whether the Administration would participate in public engagement activities organised by the community to listen to the views of the public. Mr Albert CHAN expressed similar requests, and urged the Administration to take the initiative to invite external professionals to help in the drafting of the agreements.

3. Dr Fernando CHEUNG remarked that the Consumer Council had expressed views on the regulation of the electricity market which pointed out that sound regulation should be transparent and allow extensive public engagement. However, the Administration had not made any improvements in response to such views.

4. Deputy Secretary for the Environment ("DSE") and Deputy Law Officer (Civil Law), Department of Justice said that many views were received from the public during the earlier public consultation exercise on the review of the future development of the electricity market. The Administration would continue to listen to public views and would engage external professionals to

give advice on a need basis, whilst the relevant negotiation would be undertaken by the Administration.

Manpower arrangement

5. In view of the thin manpower under the proposed arrangement, Mr Albert CHAN queried whether the Administration could secure the best deal for the interest of the public in the course of negotiation with the power companies.

6. DSE said that a team comprised of non-directorate officers from various professions would provide support to the proposed post. External expert advisers would also be commissioned to provide input when necessary.

Permitted rate of return and tariff calculation

7. Dr Fernando CHEUNG and Mr Gary FAN criticized that in ensuring the level of return for the power companies, the existing SCAs had, in effect, shifted all the risks of rising costs onto the consumers, which was not desirable at all.

8. DSE remarked that the permitted rate of return recommended by the consultant commissioned by the Administration was around 6% to 8%. The Administration would base on the consultant's recommendation in negotiating with the power companies on the permitted rate of return under the new SCAs.

9. Mr Gary FAN queried that even if the permitted rate of return could be lowered from the existing 9.99% to 8%, given that the power companies would soon commence the construction of natural gas power plants to implement the fuel mix for electricity generation proposed by the Government, profits of the power companies would eventually go up instead of going down because those new power plants would add to the average net fixed assets for calculating the permitted rate of return. He urged the Administration to modify the calculation formula of the permitted rate of return by reducing the proportion of average net fixed assets of the power companies.

10. In response, DSE pointed out that enhancing the fuel mix for electricity generation was to address the aspiration of the community for emission reduction and environmental protection, which was also the trend of development around the world. As advised in the consultancy study, the Administration would further negotiate with the power companies for a reasonable calculation formula of the permitted rate of return.

Fuel Clause Recovery Account ("FCRA") and Tariff Stabilization Fund ("TSF")

11. Noting that the rolling balance of the FCRA and TSF of the power companies kept rising, Mr Gary FAN queried that the power companies had all along overestimated fuel cost in order to charge excessive tariff. He urged the Administration to impose regulation in the new set of SCAs, such as requiring the power companies to update the fee level under the Fuel Clause Charge every month.

12. DSE said that the purpose of setting up the FCRA and TSF was to reduce tariff fluctuations. Due to the downward movements of fuel prices in the market recently, it was normal for the FCRA to witness a rise in its balance. However, the balance of the FCRA could be used to alleviate the pressure of tariff increase once fuel prices in the market resumed an upward movement, or the increased usage of natural gas had caused a significant rise in the fuel cost. Nevertheless, the Administration would conduct a review on the existing operation of the FCRA and TSF in the course of its negotiation with the power companies on the new set of SCAs.

Energy efficiency and conservation

13. Ms Emily LAU enquired about the measures taken by the Administration to press the power companies to play a more significant role in the promotion of energy efficiency and conservation. Expressing similar concern, Mr Gary FAN queried about the adequacy of the measures taken by the Administration.

14. DSE replied that the Administration had set up energy saving targets for government buildings and had also encouraged various sectors to set up such targets. The Administration was also exploring measures to encourage the power companies to promote energy efficiency and conservation, such as putting in place a reward and penalty scheme to provide greater incentives for the power companies to devote more efforts in promoting energy efficiency and conservation, as well as requesting the power companies to set up an energy conservation fund to induce customers' participation in energy conservation.

Opening up the electricity market

15. Mr Gary FAN criticized the Administration's lack of effort in taking forward the opening up of the electricity market.

16. DSE remarked that the Administration had conducted a public consultation on the proposal of transmitting electricity from the Mainland to

Hong Kong. It was found that conditions for opening up the electricity market were still lacking in Hong Kong. However, opening up the electricity market would still remain as a long-term development objective. The Administration would also conduct an in-depth study on the arrangements for introducing new electricity suppliers when the requisite market conditions were met.

17. There being no other questions from members, the Chairman put the item to vote. The Chairman declared that the Committee approved the item.

Item No. 4 – FCR (2016-17)11

HEAD 22 – AGRICULTURE, FISHERIES AND CONSERVATION DEPARTMENT

Subhead 700 – General non-recurrent

New Item – "Sustainable Agricultural Development Fund"

18. The Chairman said that this item invited members to approve the creation of a new commitment of \$500 million for setting up the Sustainable Agricultural Development Fund ("SADF"). The Panel on Food Safety and Environmental Hygiene of the Legislative Council was consulted by the Food and Health Bureau on the proposal at its meetings on 13 January 2015 and 8 March 2016.

19. Mr Tommy CHEUNG, Chairman of the Panel on Food Safety and Environmental Hygiene, reported that the Panel had discussed the proposal at its meeting on 8 March 2016. Members in general supported the proposal. However, they raised concerns about the scope of funding support, the amount of funding and the application procedure of the SADF. The Administration advised that according to the proposal of the SADF, the maximum grant that an applicant might receive would initially be capped at \$30,000 under the Farm Improvement Scheme ("FIS"). With respect to funding applications under the SADF for projects involving larger-scale equipment, each case would be evaluated and considered having regard to its actual circumstances. In addition to providing direct grants to local farmers for acquisition of farming equipment and materials to help them improve their farming efficiency and productivity, SADF would explore further measures to encourage landowners to rent out their fallow farmland for rehabilitation of agricultural land. The Administration would also provide funding support to non-governmental organizations ("NGOs") or farming organizations for promoting research and development that could facilitate the application of technology to agricultural production, and for implementing projects which aimed at promoting leisure farming that was ancillary to commercial crop producing farms.

20. Mr Tommy CHEUNG indicated the Liberal Party's support for the item.

Objective of setting up SADF

21. Miss CHAN Yuen-han enquired about the Administration's policy objective of setting up the SADF.

22. Mr Albert CHAN criticized the Administration for not making sufficient effort in promoting agricultural policies and its failure to look after the actual needs of farmers.

23. Ms Claudia MO, Ms Cyd HO, Mr Alvin YEUNG, Dr Fernando CHEUNG and Mr LEUNG Kwok-hung pointed out that the recent conflict caused by land resumption in Ma Shi Po Village had precisely reflected the plight faced by the local agricultural industry. Yet the Administration had not stepped in to resolve the issue. They queried whether the Administration was sincere in promoting the development of the agricultural industry and supporting small farmers.

24. In response to the above concerns raised by members, Permanent Secretary for Food and Health (Food) ("PSFH(F)") stressed that the Administration was sincere in revitalizing the agricultural industry, and thus set up the SADF to provide funding for various schemes, with a view to achieving the objectives of facilitating the modernization of the industry, enhancing productivity, supporting small farmers, strengthening manpower training and attracting young people to join the industry. Meanwhile, the funding made available by the SADF would also facilitate agricultural rehabilitation, promote research and development of new products and new farming practices. Moreover, the Administration was proactively promoting the New Agricultural Policy ("NAP"), under which one of the important features was the development of Agricultural Priority Areas. All these initiatives demonstrated the Administration's determination in protecting farmland. She further added that the relevant feasibility study was expected to commence within 2016-2017.

25. Mr KWOK Wai-keung suggested that the Administration provide funding support under the SADF to improve the supply chain of agricultural products, promote sales channels and strengthen publicity programmes.

26. Mr Steven HO urged the Administration to consider providing funding support under the SADF to assist the seed trade and florists.

27. PSFH(F) noted members' views. Director of Agriculture, Fisheries and Conservation ("DAFC") added that the Administration would explore the implementation of initiatives such as developing programmes and organizing more farmers' markets to promote local agricultural products. The Administration welcomed projects related to the above efforts to apply for funding under the SADF.

28. Mr Michael TIEN expressed concern about how the SADF could enhance the technology level of the local agricultural industry.

29. DAFC advised that the SADF would provide support for projects aimed at improving farming technologies, such as pest control technology, which would benefit all local farmers.

30. Mr Albert CHAN and Ms Emily LAU queried that the Administration's political goal behind setting up the SADF was to reward the voters of the Agriculture and Fisheries subsector who had supported the incumbent Chief Executive in the Chief Executive election.

31. PSFH(F) clarified that the Administration's objective of setting up the SADF was to facilitate modernization, mechanization and sustainable development of the agricultural industry. There was absolutely no political goal. To allay public concerns, the SADF had put in place mechanisms to ensure proper use of the funding. For instance, double benefits were forbidden. Funded projects were also transparent in the sense that their applicants, amounts of funding support and features of the projects would be uploaded to websites for public inspection.

Performance indicators

32. Noting that the local agricultural industry accounted for a very low percentage of Hong Kong's Gross Domestic Product, Ms Emily LAU enquired whether the Administration would set an indicator for enhancing the productivity of the agricultural industry with a view to assessing the effectiveness of the SADF. Mrs Regina IP expressed similar concern.

33. PSFH(F) remarked that since the policy of revitalizing the agricultural industry had just been launched, the development potential of the market was not fully revealed. The Administration considered that at present there was a lack of basis for setting a productivity indicator for the agricultural industry. DAFC added that apart from the quantity of output, the indicator for agricultural development should also include the quality of agricultural products. With the funding support of the SADF, the Administration hoped that both the

quality and the packaging of agricultural products could be enhanced. Mr Steven HO said that he agreed to the direction of work of the Administration.

Eligibility

34. Mrs Regina IP expressed support for the item and asked whether only local farmers or organizations were eligible to apply for funding support under the SADF.

35. PSFH(F) advised that local farmers or relevant organizations were eligible to apply for grants under the SADF. Overseas organizations who wished to apply for funding support were required to incorporate in Hong Kong as a company or body and provide evidence to prove their business connections with Hong Kong. In addition to farmers, organizations (such as academic institutions) related to the overall agricultural development were also eligible to apply for funding to implement projects beneficial to the development of the entire industry.

36. Dr Fernando CHEUNG queried that the matching arrangements under the SADF were not conducive to funding applications from small farmers.

37. Mr Steven HO, Miss CHAN Yuen-han and Mr CHAN Kam-lam expressed concern as to whether the application procedure of the FIS under the SADF was too complicated.

38. PSFH(F) advised that the application procedure of the FIS was very simple. Applicants were only required to select suitable farming equipment from a pre-drafted list before grants could be given. The Administration would also assist individual farmers to submit applications.

39. Given that the implementation period of the FIS was three years during which applications should be made on a one grant per farm basis, with the maximum grant capped at \$30,000, Mr Steven HO and Miss CHAN Yuen-han were concerned that the grant was not conducive to helping individual farmers enhance productivity. They urged the Administration to consider relaxing the application restrictions as well as extending the scheme to allow farmers to apply for further grants on a need basis after three years.

40. PSFH(F) and DAFC said that the FIS was a one-off funding scheme. The Administration set the relevant application restrictions in the hope of striking a balance between the proper use of public funds and taking care of the

agricultural industry. Nevertheless, the SADF Advisory Committee would, in handling the applications, consider the features of individual applications and make flexible arrangements. For instance, if a number of agricultural communities jointly applied for the shared use of large-scale agricultural equipment not included on the list, the SADF might provide the relevant grant. Moreover, the cap at \$30,000 was the maximum level of grant for individual farmers under the FIS. Other schemes under the SADF, such as projects that would improve or promote farm mechanization and automation, or other modernized practices that would benefit the entire industry would not be subject to the restriction. The Administration could approve projects not exceeding \$15 million, while projects exceeding \$15 million would be submitted to the Finance Committee ("FC") for consideration. The Administration would not rule out the possibility of seeking further funding approval in the future with a view to strengthening the implementation of the scheme.

41. As the Administration proposed that only projects applying for SADF funding of an amount over \$15 million would be required to submit to the FC for approval, Ms Emily LAU queried that by adopting such a practice, the Administration was circumventing the FC.

42. PSFH(F) remarked that the Administration had made reference to the arrangements of funding approval of various funds under the Administration before setting such cap.

Hydroponics

43. Ms Claudia MO was concerned that the Administration intended to develop hydroponics in industrial buildings by capitalizing on the funding made available by the SADF.

44. PSFH(F) said that the Administration was studying whether it was feasible to set up hydroponic farms in industrial buildings without changing the land use. Mr Albert CHAN queried the feasibility of developing hydroponic farms in industrial buildings as the land cost involved was too high.

Supply of farmland

45. Mr Albert CHAN, Ms Cyd HO, Dr Fernando CHEUNG, Dr Helena WONG and Mr LEUNG Kwok-hung criticized that setting up the SADF was not conducive to resolving the problem of insufficient farmland. Dr Helena WONG suggested imposing a tax on vacant sites to combat the acts of hoarding and leaving agricultural land fallow. Ms Cyd HO urged the Administration to use the funding under the SADF to acquire agricultural land for farming.

46. Mr Steven HO, Mrs Regina IP, Mr KWOK Wai-keung and Miss CHAN Yuen-han expressed concern about the problem of insufficient farmland. They pointed out that if the Bureau concerned did not provide any assistance, the problem of insufficient farmland would not be resolved.

47. Mr LEUNG Che-cheung opined that the Administration could consider acquiring land of agricultural use in Yuen Long South.

48. PSFH(F) and DAFC said that the Administration had confidence in securing suitable land to put the NAP into implementation. Led by the Food and Health Bureau, together with the support of the Development Bureau and the Planning Department, the Administration was proceeding in full swing the identification of land for agricultural development. Although the funding under the SADF would not be used for the purpose of land resumption, the Administration would acquire land for the development of the Agri-Park under the NAP. Meanwhile, the Administration was in the course of identifying a suitable site.

49. Mr Alvin YEUNG noted that the Administration planned to provide funding under the SADF to NGOs or farming organizations for implementing projects aimed at facilitating landowners to release their farmland and promoting agricultural rehabilitation of fallow agricultural land. He enquired about the details of such initiative.

50. DAFC said that the Administration found that a certain number of landowners intended to lease out their farmland but were unwilling to negotiate the tenancy matters with a number of small farmers at the same time. As such, the Administration considered that with funding made available by the SADF, NGOs or farming organizations could serve as an intermediary to facilitate landowners to release land resources. Moreover, with the funding support of the SADF, NGOs or farming organizations responsible for the projects could also carry out soil improvement and enhancement of irrigation facilities in the farmland concerned, and help farmers upgrade their farming skills and develop new farming techniques. The details of implementation would be worked out after the Advisory Committee was established.

Other views

51. Mr LEUNG Che-cheung remarked that the development of greenhouse farming required the construction of farm structures, which would be subject to the approval of the Buildings Department. He enquired about the assistance given by the Administration to farmers in this regard.

52. DAFC replied that the Agriculture, Fisheries and Conservation Department had already worked in collaboration with the Lands Department to provide one-stop services to facilitate farmers to apply for the construction of farm structures. However, if the farm structure to be constructed was larger than a certain size, it would need to go through a more complicated vetting procedure due to safety considerations.

53. At 7:26 pm, the Chairman declared that the meeting be adjourned.

54. The meeting was adjourned at 7:26 pm.

Legislative Council Secretariat

18 August 2016