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Finance Committee of the Legislative Council

Minutes of the 16th meeting
held at Conference Room 1 of the Legislative Council Complex
on Thursday, 28 February 2019, at 11:00 am

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon CHAN Chun-ying, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, BBS, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP

Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, JP
Hon HO Kai-ming
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan
Dr Hon Pierre CHAN
Hon Tanya CHAN
Hon CHEUNG Kwok-kwan, JP
Hon HUI Chi-fung
Hon LAU Kwok-fan, MH
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon Gary FAN Kwok-wai
Hon AU Nok-hin
Hon Vincent CHENG Wing-shun, MH
Hon Tony TSE Wai-chuen, BBS
Hon CHAN Hoi-yan

Members absent:

Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Mrs Regina IP LAU Suk-yea, GBS, JP
Dr Hon CHIANG Lai-wan, SBS, JP
Hon CHUNG Kwok-pan

Dr Hon Junius HO Kwan-yiu, JP
Hon SHIU Ka-chun
Hon LUK Chung-hung, JP

Public officers attending:

Mr Paul CHAN, GBM, GBS, MH, Financial Secretary
JP

Mr James LAU, JP Secretary for Financial Services and
the Treasury

Ms Alice LAU, JP Permanent Secretary for Financial
Services and the Treasury (Treasury)

Mr Andrew AU, JP Government Economist

Ms Carol YUEN, JP Deputy Secretary for Financial
Services and the Treasury (Treasury) 1

Mr Andrew LAI, JP Deputy Secretary for Financial
Services and the Treasury (Treasury) 2

Mr Raistlin LAU, JP Deputy Secretary for Financial
Services and the Treasury (Treasury) 3

Dr Edward CHENG Principal Assistant Secretary for
Financial Services and the Treasury
(Treasury) (H)

Mr Willy TSOI Administrative Assistant to Financial
Secretary

Ms Sara TSE Administrative Assistant to Secretary
for Financial Services and the Treasury

Clerk in attendance:

Ms Anita SIT Assistant Secretary General 1

Staff in attendance:

Ms Angel SHEK Chief Council Secretary(1)1

Ms Ada LAU Senior Council Secretary (1)7

Miss Bowie LAM Council Secretary (1)1

Mr Frankie WOO Senior Legislative Assistant (1)3

Miss Yannes HO Legislative Assistant (1)7

Item 1 — Briefing by the Financial Secretary and the Secretary for Financial Services and the Treasury on the 2019-2020 Budget

Opening remarks by the Financial Secretary

At the invitation of the Chairman, the Financial Secretary ("FS") briefed members on the 2019-2020 Budget. He said that the Budget was a slightly expansionary budget, serving to boost Hong Kong's economy to a certain extent. Taking into account the resources required for implementing various initiatives proposed in the Policy Address, the Budget would provide new resources of about \$150 billion in total ready for use.

2. FS said that as a small and totally open economy, Hong Kong had come under the impact of complicated and rapid changes in the global political and economic landscape over the past year, as evidenced by a notable slackening of economic growth in recent months. Given the public and the business community's concerns about the economic outlook, the Budget was formulated along the direction of supporting enterprises, safeguarding jobs, stabilizing the economy and strengthening livelihoods on the premise of ensuring healthy public finances. Adopting forward-looking and strategic financial management principles, the Budget proposed a series of measures to nurture industries, support enterprises, improve people's livelihood and invest for the future. In terms of supporting enterprises, the Budget proposed a number of initiatives to ease the burden on enterprises, help them tide over the liquidity problem, provide them with support for enhancing efficiency through the application of technology and enable them to explore new markets and new business opportunities. Regarding people's livelihood, the Budget proposed a series of one-off relief measures to alleviate people's financial burden.

3. FS highlighted the salient points of the Budget and the relevant initiatives as follows:

- (a) developing the economy: facing a new situation, new landscape and new norm of global politics and economics, the Administration would optimize the use of resources and policy initiatives to consolidate and enhance the industries currently enjoying competitive edges including the financial services industry, while also nurturing new industries such as those relating to innovation and technology ("I&T"), with a view to expanding the market coverage and identifying new areas and momentum of growth for Hong Kong's economic

development;

- (b) improving healthcare services: the Budget proposed a series of measures, including increasing the salaries and allowances of healthcare workers, upgrading medical equipment, expanding the subsidy of drug treatments and pushing ahead with primary healthcare services, to boost morale and retain talents, thereby improving Hong Kong's public healthcare services as a whole and benefitting the public;
- (c) building a liveable city: further to various municipal improvement initiatives proposed in last year's Budget, this year's Budget had earmarked a substantial amount of additional resources for the areas of arts and culture, sports, environmental protection, etc., such as providing funding to the Leisure and Cultural Services Department for hosting world-class performing arts programmes, taking forward further harbourfront enhancement initiatives, extending the public electric vehicle charging networks and refurbishing public toilets under the management of the Food and Environmental Hygiene Department, so as to enhance people's quality of life and make Hong Kong a more ideal place for living; and
- (d) building a caring society: the Budget had earmarked a substantial amount of additional resources to provide more welfare facilities, strengthen elderly services, enhance the existing rehabilitation services, as well as child and youth services, and introduce support measures for the needy.

Briefing by the Secretary for Financial Services and the Treasury

4. The Secretary for Financial Services and the Treasury briefed members on the following in relation to the Budget:

- (a) key strategies of the Budget, including striking a proper balance between developing the economy and safeguarding people's livelihood, building capacity for Hong Kong by investing for the future, as well as introducing tax measures strategically to enhance competitiveness and stabilize tax revenue;
- (b) economic indicators between 2017 and 2019, including changes in real Gross Domestic Product ("GDP") growth,

nominal GDP growth and underlying Composite Consumer Price Index;

- (c) 2018-2019 revised estimates, including the latest estimates on revenue and expenditure, consolidated surplus and balance of fiscal reserves;
- (d) 2019-2020 estimates, including revenue and expenditure, consolidated surplus and balance of the Accounts of the Government;
- (e) growth trend of the Government's overall expenditure and nominal GDP since 2014-2015;
- (f) 2018-2019 government revenue and estimates of recurrent expenditure of policy area groups;
- (g) changes in fiscal reserves since 1997-1998; and
- (h) medium range forecast from 2019-2020 to 2023-2024, including operating and capital surpluses/deficits, balance of the consolidated account and balance of fiscal reserves.

[*Post-meeting note:* The presentation materials tabled by the Government at the meeting (LC Paper No. FC127/18-19) had been uploaded to the website of the Legislative Council ("LegCo").]

Overall views on the Budget

5. Mr LEUNG Che-cheung expressed support for the Budget. He commended the Budget for allocating a substantial amount of resources on education and social welfare, which would have a positive effect in terms of nurturing future talents and caring for the disadvantaged in society. Mr Christopher CHEUNG also commended the Budget for being people-based and catering to various needs of the society. Ir Dr LO Wai-kwok welcomed FS's move to take on board the 50-odd aspirations and suggestions made by the Business and Professionals Alliance for Hong Kong. He described the Budget as "advancing steadily" as specific measures had been proposed to promote Hong Kong's I&T development, support small and medium enterprises ("SMEs"), ease the burden of the middle class, improve healthcare and elderly services, etc., thereby benefiting the industrial and business sector, the middle class and the grassroots. Mr Tony TSE considered that while measures proposed under the Budget could cater for both economic development and people's

livelihood, the Budget as a whole was too conservative and not ambitious enough. Mr Gary FAN, however, held that the Budget was giving too much emphasis on infrastructure and neglecting people's livelihood. Compared with the extravagant spending on infrastructural development, the expenditure on livelihood matters was just a drop in the bucket. Ms Claudia MO queried that given its key directions of implementing the Greater Bay Area development and developing I&T, the Budget was "according priorities to State strategies". Although there was still a great disparity between the rich and the poor in Hong Kong, the Government was only doling out piecemeal hand-outs in terms of the resources deployed for social welfare and poverty relief.

6. FS said that he did not agree that the Budget was giving too much emphasis on infrastructure and neglecting people's livelihood because the Government had been increasing the recurrent expenditure on social welfare and education, while major infrastructure projects planned for the coming few years, including those on land and housing, transport as well as hospital development, were all implemented to meet people's needs. Permanent Secretary for Financial Services and the Treasury (Treasury) ("PS(Tsy)") supplemented that about 72% of the Government's total estimated expenditure of some \$600 billion in 2019-2020 was recurrent in nature, of which over 60% was spent on measures directly related to people's livelihood. Taking into account the growth trend of recurrent expenditure from the 2013-2014 to 2018-2019 revised estimates, the expenditures on the three major areas of social welfare, healthcare and education had all shown remarkable increases, serving to demonstrate the Administration's sustained financial commitment to improving people's livelihood.

7. FS stressed that Hong Kong was a small and totally open economy and had all along upheld the principle of free market economy. He pointed out that of the 199 paragraphs in the Budget speech, there were only two paragraphs on the Greater Bay Area development. He considered that the Greater Bay Area could provide a favourable market for Hong Kong to further develop the I&T industries through leveraging on its leading I&T enterprises.

Relief measures

8. Mr LEUNG Che-cheung, Mr WU Chi-wai and Mr LEUNG Yiu-chung called on the Administration to continue implementing the Caring and Sharing Scheme ("the Scheme"), so that cash handouts would be provided to eligible persons. Mr LEUNG Yiu-chung considered that so long as improvements were made to the administrative arrangements,

the public would still welcome the Administration's move to implement the Scheme again. Mr LEUNG Che-cheung opined that the Administration was financially capable of giving cash handouts to all people in Hong Kong, and he believed that such a move would be conducive to creating a favourable social and economic atmosphere. However, Mr CHAN Chi-chuen said that he was against the implementation of the Scheme and requested the Administration to give direct cash handouts to all people in Hong Kong. Mr WU and Mr CHAN pointed out that although the Administration had stressed time and again that the expenditure on relief measures accounted for more than 70% of the budget surplus, about 3 million low-income earners who were neither taxpayers, property owners nor recipients of Comprehensive Social Security Assistance ("CSSA") or other welfare benefits were still being excluded. They criticized the Budget for failing to properly balance the interests of different parties, such that the aforesaid group was prevented from sharing the fruits of economic success. Mr WU considered that working on the basis of the existing Scheme, it would not incur much additional administrative costs if cash handouts were given to those people who could not benefit from the relief measures. He also suggested that having regard to the reduced budget surplus this year, the Administration could lower the amount payable to each eligible person from \$4,000 to \$3,000.

9. In response, FS pointed out that during the Budget consultation, the Administration received many views opposing the re-introduction of the Scheme. The Administration also hoped to conduct a comprehensive review upon completion of the Scheme. Thus it was not appropriate to implement similar schemes again at this stage. That said, even if the Scheme was to be re-introduced to share the fruits of economic success with the people, the relevant eligibility criteria such as the age limit, income level, amount of rates and tax concessions might be different from those of last year, rendering its implementation not simply a matter of adjusting the amount of payment. Regarding some Members' request for the Administration to consider giving cash handouts to all people in Hong Kong, FS stressed that the Administration would not consider the suggestion as such a move was not in line with the new fiscal philosophy of the current-term Government.

10. Mr CHAN Chun-ying was concerned that a structural fiscal deficit might appear in Hong Kong should adverse economic factors all emerge at the same time, and what would be the Administration's criteria for deciding the amount of expenditure deployed for relief measures in the absence of a budget surplus. In response, FS pointed out that the Administration would decide on the allocation of budget surplus, taking into account the economic environment, the Government's affordability and the expectation

of society. Should there be an economic downturn in future resulting in the reduction or even absence of a budget surplus, the Administration would decide whether countercyclical measures should be introduced to alleviate people's burdens and stimulate the economy.

11. Mr KWOK Wai-keung and Ms Alice MAK were concerned that with the Administration's earlier decision to raise the eligible age for elderly CSSA to 65, people aged between 60 and 64 who were affected by the new elderly CSSA age limit could not receive an additional one month payment of Employment Support Supplement ("ESS") under the Budget. Mr KWOK pointed out that as ESS only involved a monthly payment of \$1,060 to each recipient, the relevant expenditure was quite limited. He requested FS to give an undertaking forthwith that an additional one month payment of ESS would be given to new CSSA recipients aged between 60 and 64, together with the additional one month payment of CSSA. They asked whether the suggestion would involve any amendment to the Budget.

12. FS said that while the suggestion made by Members to provide an additional one month payment of ESS to CSSA recipients aged between 60 and 64 did not require any amendment to the Budget given the limited amount of provision involved and had nothing to do with the availability of resources, the relevant policy bureaux had their own considerations, and the Labour and Welfare Bureau ("LWB") had already been consulted before the Budget was announced. PS(Tsy) said that while the Administration appreciated Members' concerns, it had all along adopted a policy-led approach, under which resources would be deployed to dovetail with the relevant policies, rather than having the formulation of policies dictated by resource deployment. In past budgets involving additional payments to recipients of CSSA, elderly benefits and disability allowance, the standard rates had always been adopted as the basis. The current exercise was no different from those past cases. It was understood that the relevant policy bureau was now following up on Members' concerns, including conducting a comprehensive review on various grants and supplements under the CSSA system. Upon completion of the review and formulation of the relevant policies, the Administration would give full support in terms of resource allocation.

13. Regarding the Budget's proposal to provide a one-off grant of \$2,500 to each student in need to support their learning, Ms Starry LEE said that some middle-class families were dissatisfied that they could not benefit from the proposal. She asked whether the Administration could expand the scope of subsidy to cover all primary and secondary students in Hong Kong. In response, FS pointed out that as previously indicated by the Education Bureau, it would be administratively difficult to provide the

aforesaid grant to all primary and secondary students in Hong Kong. Hence, the Administration did not intend to expand the scope of subsidy to cover all primary and secondary students.

Healthcare expenditure

14. Ms Starry LEE and Ms Alice MAK said that they welcomed the Budget's proposal to allocate additional resources on healthcare services. They were particularly concerned about the Budget's proposal to provide additional recurrent funding of \$700 million for the Hospital Authority ("HA") to improve the remuneration package of healthcare workers and retain talents. Ms LEE queried that improving the remuneration package of healthcare workers could not resolve various long-standing problems such as the shortage of healthcare manpower, the long waiting time of patients and the Drug Formulary ("DF")'s inadequacy in meeting the demands of patients. She called on the Administration to relax the relevant restriction so that qualified overseas registered doctors could practise in Hong Kong. Ms MAK criticized HA's earlier pay rise proposal for the staff of allied healthcare supporting grades as ridiculous because under the proposal, the salary of existing staff who had worked in HA's hospitals for years would be lower than that of newly recruited staff. The proposal was not only unfair to the existing staff, but it might also trigger a wave of resignations among allied healthcare supporting staff. She asked what measures would be taken by the Administration to monitor HA to ensure the proper use of the \$700 million additional funding.

15. FS advised that he would relay the aforesaid views to the Food and Health Bureau ("FHB"). He believed that HA's management issues would be followed up by the Secretary for Food and Health who would also instruct and supervise HA in the handling of the relevant issues.

16. Ms Starry LEE stated that she was dissatisfied that the Budget had only deployed an additional recurrent subvention of \$400 million for HA to expand the scope of DF, with a view to including more drugs for patients. She said that as relayed by many middle-class people, there were many different kinds of diseases, and new drugs coming into the market from time to time, making it difficult for them to afford the drug expenses. Separately, apart from drugs for treating critical illnesses, old types of drugs for treating general illnesses caused more side effects. She thus called on the Administration to deploy more resources under the public healthcare stabilization fund to expand the scope of DF.

17. FS said that he was aware of the expensive drug costs borne by middle-class people who were inflicted with critical illnesses. With the

provision of an additional \$400 million recurrent subsidy to expand the scope of DF as proposed in the Budget, HA's total expenditure on drugs would increase to \$6 billion in 2019-2020. HA could discuss the matter with the Government again if it considered that more additional resources were still required. The Administration would deploy more additional resources, taking into account HA's needs. Moreover, HA had already increased the frequency of the exercise for including self-financed drugs in the safety net to twice a year.

Elderly, rehabilitation and child care services

18. Dr Fernando CHEUNG and Mr LEUNG Yiu-chung criticized the Budget for not deploying adequate resources to strengthen support for community care services. Dr CHEUNG criticized the Government for being a miser and neglecting the needs of frail elderly persons or people with disabilities. He pointed out that according to information provided by the Social Welfare Department, there were now over 10 000 frail elderly persons or people with disabilities on the waiting list for integrated home care services ("IHCS"), with an average waiting time as long as 18 months. Yet the Budget had not deployed additional resources to meet the relevant demand. He considered that all persons on the waiting list could be provided with IHCS if only the Administration would earmark an additional \$600 million of funds in this regard. If the Administration could provide another \$200 million of funds, the carers would be able to hire professionally trained personnel to take care of the frail elderly persons or people with disabilities at home on a part-time basis. Mr LEUNG was concerned that apart from the proposal to provide 300 subsidized day care places for the elderly in the next two years, nothing had been mentioned in the Budget about other support services, such as increasing the number of respite service places, strengthening home care services and providing support for carers. He also pointed out that at present, there were more than 30 000 persons on the waiting list for residential care places, and over 2 000 persons would join the waiting list every year. The Budget's proposal to provide more than 500 additional residential care places for the elderly in the next two years was just a drop in the bucket and could hardly meet the demand.

19. FS stressed that the Budget had already deployed resources to fully support various policies of LWB in relation to poverty relief, elderly care, youth services, services for people with disabilities, etc. If there were views from Members that had yet to be addressed in the present Budget, the Administration would continue to study them and take follow-up actions accordingly. PS(Tsy) supplemented that overall speaking, the total expenditure deployed by the Administration on social welfare in

2019-2020 was \$97.2 billion (representing a year-on-year increase of 7%) of which \$84.3 billion was recurrent in nature (representing a year-on-year increase of 5.2%); and if compared with 2014-2015, the rate of increase in recurrent expenditure was a staggering 55.3%. In addition, the Administration would increase the provisions on strengthening community support and care services for frail elderly persons or people with disabilities in 2019-2020 and 2020-2021 by \$142 million and \$252 million respectively.

20. Mr Michael TIEN considered that the Budget's proposal to provide an additional annual recurrent provision of \$52 million for increasing professional and supporting manpower for the Neighbourhood Support Child Care Project and raising the incentive payments to carers was inadequate. He pointed out that at present, there were only about 1 800 home-based child carers, but as many as 13 000 families had applied for such services. The amount of additional resources was far from adequate in terms of encouraging more people to join the profession of home-based child carers, let alone enhancing the quality of services. He suggested that reference be made to the profession of domestic helpers, so that home-based child carers would be covered under the Qualifications Framework to promote professional development of home-based child carers.

21. FS expressed agreement with the view that the Government should strive to enhance child care services. He pointed out that in line with the proposal in the Policy Address, LWB had proposed initiatives to strengthen child care services along the direction of integrating care and development. The Budget had already deployed resources to fully support the relevant initiatives.

Welfare facilities

22. Mr Gary FAN, Mr Vincent CHENG, Mr Alvin YEUNG and Dr CHENG Chung-tai expressed concern about the Budget's proposal to allocate \$20 billion for the purchase of 60 properties for accommodating more than 130 welfare facilities. They asked what the Administration's criteria for purchasing the relevant properties were and how the related work would be monitored. Mr FAN considered that given the Administration's plan to purchase 60 properties with \$20 billion, each property would cost more than \$300 million on average, which was a hefty price to pay. He queried that as the Administration had openly stated its intention to purchase vacant premises in shopping malls, it could seemingly smack of transferring benefits to owners or investors of shop premises. He asked why the Administration had not given priority to accommodating

such welfare facilities in existing vacant government sites or vacant school premises. Mr YEUNG was concerned that the relevant owners might sell their properties to the Government at a higher price, thus resulting in improper use of public funds. Mr Vincent CHENG opined that the Administration's proposal was an innovative idea and a new approach, but as private properties were involved, the Democratic Alliance for the Betterment and Progress of Hong Kong held that the matter should be handled in a prudent manner. He pointed out that many old districts had an acute shortage of welfare facilities, including elderly centres and child care centres. When deciding on the provision of welfare facilities at a district level, the Administration should consider whether specific districts had a shortage of the relevant welfare facilities. He and Dr CHENG Chung-tai were both concerned whether the Government could buy back shopping malls under the Link Real Estate Investment Trust to accommodate such welfare facilities. Mr LEUNG Che-cheung supported the Administration's proposal for he considered that such a move could help address the shortage of welfare facilities.

23. FS advised that it was nothing new for the Government to purchase properties for accommodating welfare properties. A number of properties were purchased in 1995 to relieve the shortage of welfare facilities. He explained that at present, society had a keen demand for welfare facilities, but the Government did not have sufficient suitable sites to construct such facilities. Hence, LWB had proposed to purchase private non-residential properties for the provision of welfare facilities, and the Budget had made available necessary resources for the purpose. FS stressed that the Government would consult LegCo on the said \$20 million provision in due course. He pointed out that the Administration would establish a set of stringent property acquisition procedures, and professional staff of the Government Property Agency would also tender advice and implement specific proposals for acquiring the relevant properties. PS(Tsy) supplemented that when assisting LWB in purchasing the required properties in the future, the relevant government departments would consider various factors, including the market situation, whether the use of public funds was value for money, whether the purchase could fulfill the policy objectives and operational needs, etc. Regarding the location of welfare facilities, FS said that when acquiring the properties, the Administration would consider the demand and shortfall of the welfare facilities concerned in various districts, and LWB had yet to select any specific locations. PS(Tsy) supplemented that as the welfare facilities concerned would serve the elderly, the disabled or users of child care centres, the Administration would also give holistic consideration to factors such as the floor numbers and accessibility of the premises, as well as operational constraints when determining the locations.

24. Mr Vincent CHENG suggested that apart from purchasing private properties, the Administration could consider adopting the "single site, multiple use" model in multi-storey development, so that more welfare facilities could be provided. FS advised that the Administration was now promoting the "single site, multiple use" development mode. Upon identification of a suitable site, the Administration would explore the feasibility of providing different kinds of facilities on the same site concurrently, taking into account the views of different departments.

Support for enterprises

25. Ir Dr LO Wai-kyok stated support for the Budget's proposal to waive rates for four quarters of 2019-2020 because it could benefit SME tenants. Nonetheless, he considered that the Budget was weak in stimulating the economy. He asked what countermeasures would be taken by the Administration in the event of a further downturn of the economy in the future. He was also of the view that the Administration should consider the demands of different stakeholders objectively before introducing measures to benefit the public.

26. FS said that the Budget had proposed various measures to help SMEs improve their operational efficiency and explore new markets, including raising the funding ceiling for each enterprise under the Technology Voucher Programme, increasing the funding ceiling per enterprise under the Dedicated Fund on Branding, Upgrading and Domestic Sales and introducing enhancement measures to the SME Financing Guarantee Scheme. The two-tiered profits tax rates regime implemented since 2018-2019 could also benefit SMEs. He stressed that the Government would closely monitor both external and internal economic conditions and introduce further support measures as appropriate to assist local enterprises when necessary.

Financial services industry

27. Mr Christopher CHEUNG and Mr CHAN Chun-ying welcomed various measures proposed by the Budget, including the establishment of the Academy of Finance and the issuance of virtual banking licences, to enhance the overall competitiveness of the financial services industry. Mr CHEUNG commended the Administration for the directions stated in the Budget of linking up financial development in Hong Kong and the Greater Bay Area, as well as deepening mutual access between the capital markets of the two places (including increasing the quotas for mutual access and extending the Bond Connect to cover southbound trading). He

held that such development directions were correct. He asked whether, apart from southbound trading, the Administration would consider allowing Mainland and Hong Kong investors to invest in each other's financial products under the mutual market access approach or developing hedging financial instruments linked to China A shares, so as to strengthen Hong Kong's role as the risk management centre and financing centre in the region.

28. FS advised that China A shares had already been included in international indices such as MSCI and FTSE Russell, and its weighting had been increasing. Thus, he believed that more foreign investors would invest in the Mainland markets through channels in Hong Kong. He pointed out that as most index funds involved passive assets allocation, proactive promotion of mutual access between Hong Kong and the Mainland could lead to an increasing amount of capital inflow to the Mainland market through Hong Kong, while the increasing demand for offshore risk management products would allow Hong Kong to become an offshore risk management centre for foreign investors investing in the Mainland markets.

29. Mr CHAN Chun-ying considered that the Administration should ensure the robustness of financial infrastructures, so as to address various security issues faced by SMEs in connection with financing, account opening and consumer credit database. He asked whether the Administration would consider funding the establishment of a central credit database. In response, FS pointed out that given the earlier incidents relating to the leakage of credit records of members of the public, the Administration was considering how best to handle the relevant issues. To his understanding, the Hong Kong Monetary Authority ("HKMA") was studying various matters relating to the establishment of a central credit database.

Innovation and technology

30. Mr Charles Peter MOK commended the Administration for introducing practical measures in the Budget to promote I&T development. For example, the Administration was making good investment by setting aside a dedicated provision of \$16 billion for universities funded by the University Grants Committee ("UGC") to enhance or refurbish campus facilities, in particular providing additional facilities essential for research and development activities, deploying \$500 million to implement the IT Innovation Lab in Secondary Schools Programme and earmarking \$5.5 billion for the development of Cyberport 5. Separately, initiatives such as extending the funding period of both the Researcher Programme

and the Postdoctoral Hub Programme, increasing the monthly allowance for researchers, regularizing the Technology Voucher Programme and raising the funding ceiling for enterprises would help support the I&T industry.

31. Mr Charles Peter MOK further said that although the Administration had allocated close to \$100 billion for promoting I&T development in the past years, the most disadvantaged groups in the industry, including SMEs undergoing restructuring as well as I&T personnel in general, had yet to be benefitted. Citing the example of Singapore, he pointed out that the Singaporean government had deployed \$20-odd billion to help I&T personnel in terms of skills upgrading and restructuring in the middle of their careers. However, similar programmes had yet to be introduced in Hong Kong. He also criticized government departments for the unsatisfactory employment terms of information technology contract staff. He asked FS whether measures would be introduced to help I&T personnel in terms of skills upgrading and restructuring and to improve the employment terms of relevant contract staff in the government. He was also concerned that the Budget did not contain any measures for removing barriers in I&T-related legislation and asked whether the Administration had any plans in this regard.

32. FS advised that Hong Kong's future development would mainly be driven by the twin powerhouses of the financial services industry and I&T, with the former being a traditional industry where Hong Kong enjoyed a competitive edge and the latter being an industry requiring nurturing. He pointed out that this year's Budget did not contain as many new I&T initiatives as in previous years because a substantial amount of resources had already been allocated by the Government in this regard in the past two to three years. At present, the Administration would focus on implementing various initiatives formulated previously. As regards assisting the restructuring of I&T personnel in the middle of their careers, he said that the relevant policy bureaux would explore practical measures to assist them. On the improvement of I&T-related legislation, FS pointed out that relevant reviews were being conducted by the Policy Innovation and Co-ordination Office.

Tourism

33. Mr YIU Si-wing said that he supported the Budget's proposal to allocate an additional sum of \$353 million to the Hong Kong Tourism Board for promoting Hong Kong's tourism. He noted that as announced in the Budget, the Administration would include seven commercial sites in the 2019-2020 Land Sale Programme, capable of providing a total floor

area for a maximum of about 2 900 hotel rooms. He pointed out that in the past two years, Hong Kong's overall hotel occupancy was over 90%, yet the number of hotel rooms had only increased by 5%. The Budget's proposed increase of hotel rooms was too conservative, failing to meet the demand of overnight visitors. He asked whether the Administration would make available additional commercial sites or introduce other measures to ease the shortage of hotel rooms.

34. In response, FS pointed out that there were previous cases involving the wholesale conversion of industrial buildings into hotels, while the Policy Address had proposed to reactivate the revitalization scheme for industrial buildings. The Administration would observe the effectiveness of the relevant policy after its implementation before studying ways to increase the provision of hotel rooms.

35. Mr LAM Cheuk-ting was concerned that the Budget had placed too much emphasis on the promotion of tourist hotspots, while leaving the livelihood issues caused by parallel traders unaddressed, including increasing rentals and commodity prices, as well as traffic congestion in the affected districts. He suggested that the Administration should consider building a shopping mall next to the Lo Wu MTR Station for Mainland visitors, so that they would have no need to go shopping in the urban areas of Hong Kong and hence, avoiding an adverse impact on the lives of local residents.

36. In response, FS pointed out that while the building of a shopping mall was a commercial decision, there might not be any suitable land next to the Lo Wu MTR Station for the purpose. He mentioned that there was a shopping mall operated by the private sector in the vicinity of Lok Ma Chau with Mainland visitors as target customers. He undertook that he would ask the relevant departments to study the feasibility of Mr LAM's suggestion.

Building the city

37. Mr Tony TSE opined that the Budget had not given overall consideration in respect of building the city. Citing the establishment of the Urban Forestry Support Fund as an example, he pointed out that many aspects were involved in landscape design, but the initiatives to be launched thereunder were too unitary with emphasis solely placed on tree management, while lacking support for the development of other aspects. He held that apart from ensuring proper strategic planning and building capacity, FS should, as Chairman of the Steering Committee on Land Supply, coordinate the work of various departments so as to build Hong

Kong into an ideal city for living, working and travelling. FS said that having regard to the public's concern about tree protection in recent years, the Government had proposed to establish the Urban Forestry Support Fund. He pointed out that other initiatives such as harbourfront enhancement were involved in building the city.

Harbourfront enhancement

38. Dr Priscilla LEUNG welcomed the Administration's move to earmark \$6 billion for developing new harbourfront promenades and open space as well as improving harbourfront facilities. However, she held that improvement of hardware facilities alone was not enough because the effectiveness of harbourfront enhancement work would be seriously undermined if there was an odour problem at the harbourfront due to inferior water quality. She called on the Administration to deploy additional resources to improve water quality. FS said that he would relay Dr LEUNG's views to the relevant policy bureaux.

Refurbishment of public toilets

39. Mr YIU Si-wing and Mr Tony TSE gladly noted that the Budget had set aside an additional sum of \$600 million to refurbish about 240 public toilets, but they considered that the refurbishment process of five years was too long and asked whether the implementation schedule could be compressed to three years. They also called on the Administration to further address the hardware problems of about 800 public toilets over the territory, ensure the provision of proper ancillary facilities and strengthen inspection and management of public toilets.

40. FS agreed that improvement of toilet facilities and proper repair and maintenance of public toilets after refurbishment were equally important. He would approach FHB to see whether the progress of refurbishment could be expedited and relay Members' views to FHB for follow-up.

41. Mr Tony TSE was concerned about the procurement and tendering of professional services for the refurbishment of public toilets. He called on the Administration not to bundle all projects into a single tender, or else the participation of SMEs and young professionals would be excluded, which was tantamount to depriving them of the opportunities to utilize their innovative ideas and gain experience. FS said that the Administration would gladly allow SMEs and professionals to take part in the tendering exercise for the refurbishment of public toilets.

Campus facilities

42. Mr IP Kin-yuen said that the higher education sector welcomed the Budget's proposal to set aside a dedicated provision of \$16 billion for UGC-funded universities to enhance or refurbish campus facilities. However, the education sector was disappointed that nothing had been mentioned in the Budget about kindergarten education, primary education and special education. He criticized the Budget for not having any measures to address the problems faced by some primary and secondary schools in respect of dilapidated campuses or inadequate facilities. He asked whether FS would propose measures to address problems such as the peeling ceiling and water seepage in the campuses. He pointed out that campuses could be improved in many ways. Apart from direct relocation, campuses could be renovated and repaired in-situ.

43. FS pointed out that as the deployment of resources for kindergarten and primary education had already been announced in the Policy Address, the Budget had not set out the same content again, but resources had been made available accordingly. In terms of improving the facilities in campuses of primary and secondary schools, FS advised that the Administration had all along allocated resources to improve campus facilities. At present, many schools had relayed their greatest problem as the lack of suitable sites for relocating their campuses. Subject to the availability of suitable sites, the Administration would assist the schools concerned to relocate their campuses.

Bringing back of the Housing Reserve

44. Mr CHAN Chun-ying expressed concern about the Budget's proposal to bring back the current accumulated balance of \$82.4 billion of the Housing Reserve to the fiscal reserves. Given FS's optimistic economic forecast in the next two years, he asked why FS had not proposed to bring back a greater portion of the Housing Reserve at times of an economic downturn, but instead decided that the money to be brought back would be spread over four years starting from 2019-2020. Dr CHENG Chung-tai criticized that while the Administration had set up a number of funds under different names when there were fiscal surpluses, including the Housing Reserve and the Future Fund, it now proposed that the Housing Fund be brought back to the fiscal reserves when a government budget deficit was around the corner, seemingly to create an illusion that the Government was in a sound fiscal position. He also considered that no clear criteria had been given for bringing back the money and queried why

it was the Housing Reserve, and not other funds, that was to be brought back.

45. FS explained that to avoid any public misunderstanding that the Government was window-dressing its financial position through bringing back, he decided that the money of the Housing Reserve to be brought back to the fiscal reserves would be spread over four years. He had also pointed out clearly that had it not been for bringing back the Housing Reserve, a slight deficit would surface in the Government's accounts in 2019-2020. PS(Tsy) supplemented that the Housing Fund and the Future Fund were completely different in nature. The Housing Reserve was kept separately from the fiscal reserves, while the Future Fund had always been an integral part of the fiscal reserves. Taking into account views about keeping the Housing Reserve outside of the fiscal reserve might not fully reflect the Government's financial position, while there was no urgent need to draw on the Housing Reserve for the time being, the Budget had proposed to set aside \$82.4 billion for the development of public housing and bring back the Housing Reserve to the fiscal reserves, so as to better reflect the Government's fiscal robustness.

Future Fund

46. Regarding the Future Fund, it was pointed out in the Budget speech that the Government "would invite several experienced persons in the financial services sector to give advice on the Fund's investment strategies and portfolios". Mr Kenneth LEUNG enquired about the following:

- (a) what the criteria for inviting experienced persons in the financial services sector were;
- (b) whether the aforesaid persons would give advice to FS or the Exchange Fund Advisory Committee ("EFAC");
- (c) whether the aforesaid persons would join EFAC as members or give advice through other channels;
- (d) whether the Future Fund would seek higher returns by investing in projects with higher risks, such as those for the construction of canals and high-speed rails in South America under the Belt and Road Initiative; and
- (e) what percentage of reserves under the Future Fund would be set aside for investment with higher returns.

47. In response, FS said that the Government had already invited several experienced persons in the financial services sector, namely, Dr Victor Fung, Prof Lawrence LAU, Mr Norman CHAN and Mr Peter WONG, to give advice on the Fund's investment strategies, and they would give him advice directly. Regarding the amount of investment, a decision had yet to be made. The Administration would decide on the matter after considering the views tendered by the several experts. FS pointed out that when choosing investment items under the Future Fund, consideration would be given to the investment risks and return involved and whether the investment items could further strengthen Hong Kong's advantages and reinforce Hong Kong's position as a financial, commercial and I&T centre, etc.

48. FS further said that at present, the Future Fund had a balance of over \$200 billion. About half of the balance was placed under the Long-Term Growth Portfolio of the Exchange Fund, and the other half under the Investment Portfolio of the Exchange Fund. As it was not envisaged that the balance of the Future Fund would be deployed in the near future, HKMA could place the balance to alternative asset investments with lower liquidity but higher expected returns.

Other concerns

49. Mr LEUNG Yiu-chung said that he was dissatisfied with the lack of measures in the Budget to safeguard the working class. Notwithstanding the increasing number of industrial accidents involving injury and death of workers, as well as cases involving sudden death caused by overexertion at work, the Administration had turned a blind eye to the situation.

50. Dr Priscilla LEUNG was concerned about the lack of measures in the Budget to provide employment support for elderly job seekers. She suggested that the Administration should allocate resources from the Future Fund to establish a "Silver Hair Economic Development Fund" to support able-bodied retirees to rejoin the labour force. PS(Tsy) said that the Budget was drawn up for the purpose of resource allocation to support policies that were mature and ready for implementation. It was understood that LWB was studying the matter on elderly employment. If there was a need for resource deployment in the future, the policy bureaux concerned would maintain close communication and follow up the matter.

51. Mr Vincent CHENG welcomed the Budget's proposal to set aside \$2 billion to support non-governmental organizations in constructing transitional housing in response to social demand. He hoped that the Administration would commence work as soon as possible by formulating

the target number of transitional housing units to be constructed, so as to increase housing supply in the short term to benefit the grassroots (especially those living in subdivided units). In response, FS pointed out that the Transport and Housing Bureau had already set up a task force to coordinate and provide support for the construction of transitional housing. The Administration would take forward related work expeditiously.

52. Mr Gary FAN was concerned that the Chief Secretary for Administration had mentioned in a blog post last October that the Administration would spend as much as \$1,000 billion on infrastructural development in the next 10 years. He sought an explanation from the Administration on the amount of funds to be deployed for projects relating to reclamation and construction of artificial islands under Lantau Tomorrow. FS advised that the Administration would seek funding approval from LegCo later for conducting preliminary studies on Lantau Tomorrow and its near-shore reclamation projects.

53. The meeting ended at 1:04 pm.