

LETTERHEAD OF PLANNING, ENVIRONMENT & LANDS BUREAU

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來函檔號 YOUR REF.:

Tel:2848 2606

Fax:2530 5264

16 October 1998

Clerk to the LegCo Panel on

Environmental Affairs

LegCo Secretariat

3/F, Citibank Plaza

Garden Road

Hong Kong

(Attn:Mrs Mary Tang)

Dear Mrs Tang,

LegCo Panel on Environmental Affairs

TES Scheme

Further to my letter of 21 September 1998, I am pleased to inform you that I am now in a position to give you the Administration's view on the Panel's proposal for setting up a loan scheme to facilitate small restaurants in their appeals.

As we have pointed out at the Panel meeting on 30 July, we are preparing amendments to the relevant legislation and to the Technical Memorandum to simplify the appeal procedure and to extend the validity of the appeal outcomes to three years, so that the costs can be substantially reduced. We, therefore, have reservation on the need to set up the proposed loan scheme. Our other considerations are set out below :

- (a) As restaurants are commercial premises operating on a profit-making basis, government would not subsidise their activities

including appeals. This means that we would seek for an interest return from the loan and seek to recover in full any administration costs incurred as well. Taking the interest and administration costs into account, the proposed loan scheme would not be commercially attractive vis-a-vis loans which restaurant operators could easily obtain from the private sector.

- (b) As the government is lending money from the public purse, the loan would have to be secured so as to safeguard the government from default on the debt. To further safeguard government's interest in case of changes in the ownership of or winding up of the restaurant in question, the terms and conditions to be attached to such loan would likely be numerous and stringent. This again would render the scheme even more unattractive and expensive to operate.
- (c) Given the availability of commercial loan, government would be seen as competing with the private sector in setting up such a loan scheme.

In view of the above, we do not consider it worthwhile or cost-effective to establish the loan scheme as proposed by the Panel.

Thank you for your attention.

Yours sincerely,

(Danny Tsui)
for Secretary for Planning,
Environment and Lands