

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 14th meeting
held at the Legislative Council Chamber
on Friday, 16 June 2000, at 2:30 pm**

Members present:

Hon Ronald ARCULLI, JP (Chairman)
Hon CHAN Kam-lam (Deputy Chairman)
Hon David CHU Yu-lin
Hon HO Sai-chu, SBS, JP
Hon Cyd HO Sau-lan
Hon Edward HO Sing-tin, SBS, JP
Hon Albert HO Chun-yan
Hon Michael HO Mun-ka
Ir Dr Hon Raymond HO Chung-tai, JP
Hon LEE Wing-tat
Hon LEE Cheuk-yan
Hon Eric LI Ka-cheung, JP
Hon LEE Kai-ming, SBS, JP
Dr Hon David LI Kwok-po, JP
Dr Hon LUI Ming-wah, JP
Hon NG Leung-sing
Prof Hon NG Ching-fai
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon MA Fung-kwok
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching
Hon Christine LOH
Hon CHAN Kwok-keung
Hon CHAN Yuen-han
Hon Bernard CHAN
Hon CHAN Wing-chan

Dr Hon LEONG Che-hung, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, JP
Hon LEUNG Yiu-chung
Hon Gary CHENG Kai-nam, JP
Hon SIN Chung-kai
Hon Andrew WONG Wang-fat, JP
Dr Hon Philip WONG Yu-hong
Hon WONG Yung-kan
Hon Jasper TSANG Yok-sing, JP
Hon Howard YOUNG, JP
Dr Hon YEUNG Sum
Hon YEUNG Yiu-chung
Hon LAU Chin-shek, JP
Hon LAU Kong-wah
Hon Mrs Miriam LAU Kin-yee, JP
Hon Ambrose LAU Hon-chuen, JP
Hon Emily LAU Wai-hing, JP
Hon CHOY So-yuk
Hon Andrew CHENG Kar-foo
Hon SZETO Wah
Hon Timothy FOK Tsun-ting, SBS, JP
Hon LAW Chi-kwong, JP
Hon TAM Yiu-chung, GBS, JP
Hon FUNG Chi-kin
Dr Hon TANG Siu-tong, JP

Members absent:

Hon Kenneth TING Woo-shou, JP
Hon James TIEN Pei-chun, JP
Hon Martin LEE Chu-ming, SC, JP
Hon Fred LI Wah-ming, JP
Hon LAU Wong-fat, GBS, JP

Public officers attending:

Mrs Carrie LAM, JP
Mrs Philomena LEUNG

Mr T K CHEUNG, JP
Mr Edmond K M HO

Deputy Secretary for the Treasury
Principal Assistant Secretary for the
Environment and Food (B3)
Deputy Director of Drainage Services
Principal Environmental Protection
Officer of Environmental Protection
Department

Mr LAM Kam-kwong	Principal Assistant Secretary for Education and Manpower
Mrs Bernadette LAI	Assistant Commissioner for Labour
Mr LAI Ka-tong	Senior Labour Officer of Labour Department
Mr Thomas CHOW	Deputy Secretary for the Environment and Food
Mr Howard CHAN	Principal Assistant Secretary for the Environment and Food (B1)
Mr C W TSE	Assistant Director of Environmental Protection
Mrs Judy LI	Assistant Commissioner for Transport
Mrs MA LO To-wan, Mary	Principal Executive Officer of Transport Department
Mr HO Wing-him, JP	Deputy Secretary for Health and Welfare
Mrs Marion LAI, JP	Deputy Director of Social Welfare (Administration)
Mrs Patricia CHU, JP	Deputy Director of Social Welfare (Services)
Ms Anissa WONG, JP	Deputy Secretary for the Civil Service
Mr Thomas CHAN	Principal Assistant Secretary for the Civil Service

Clerk in attendance:

Ms Pauline NG	Assistant Secretary General 1
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Staff in attendance:

Miss Polly YEUNG	Chief Assistant Secretary (1)3
Ms Sarah YUEN	Senior Assistant Secretary (1)4

Item No. 1 - FCR(2000-01)29

**RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE
MADE ON 24 MAY 2000**

At members' request to vote on PWSC(2000-01)30 separately, the Chairman put FCR(2000-01)29, except PWSC(2000-01)30, to the vote. The Committee approved the proposal.

PWSC(2000-01)30

276DS

**Sha Tin sewage treatment
works stage 3 extension**

2. Referring to the proposed extension works to increase the treatment capacity of Sha Tin sewage treatment works (STSTW), both Mr LAW Chi-kwong and Miss CHOY So-yuk questioned why the treated effluent had to be discharged into Victoria Harbour, instead of being diverted to the treatment works under the Strategic Sewage Disposal Scheme (SSDS) for collective treatment to obviate the need for upgrading the STSTW.

3. In response, the Deputy Director of Drainage Services (DDDS) explained that the inclusion of STSTW in the collective treatment system under SSDS was not viable for the following reasons -

- (a) Since 90% of the SSDS tunnels had already been constructed, their capacity could not be further increased to accommodate the additional large quantity of sewage from Sha Tin. There would be a need to construct an additional deep tunnel at Wong Tai Sin to divert sewage from Sha Tin to the treatment plant at Stonecutters Island and the latter's capacity would need to be increased by at least 30%, involving large-scale works and possibly reclamation. Moreover, the current discharge system connecting Sha Tin and Tai Po was only designed for transporting treated waste water. If it were to transport untreated sewage instead, improvement works would be necessary. Even after improvements, whenever maintenance works were undertaken on the system, untreated sewage would need to be directly discharged into Tolo Harbour, thus causing great damage to the environment.
- (b) The aforesaid works would incur an additional cost of some \$4 billion, much higher than the financial commitment presently sought. Moreover, it would also be a great waste if the high-standard treatment works at Sha Tin and Tai Po, which together had a value of around \$3 billion, would have to be closed down.
- (c) At present, the STSTW was already operating beyond its design capacity, so there was an urgent need to increase the capacity of the STSTW to meet the needs of a population of up to one million in the Sha Tin and Tai Po areas and to raise its treatment capability to meet new criteria for discharge into embayed water bodies. If the STSTW could not be upgraded by 2004, it would only be able to treat 65% of the sewage produced in its catchment area.

4. The Principal Environmental Protection Officer cautioned that if untreated sewage was discharged into Tolo Harbour, red tides might recur in Tolo Harbour and efforts by the Environmental Protection Department to reduce red tides in the area would become futile.

5. Dr Raymond HO also conveyed the majority view of the engineering profession that it was inappropriate to strain the capacity of the Stonecutters treatment plant with additional sewage from Sha Tin, especially as the level of treatment at STSTW would be level II upon upgrading, whereas SSDS did not provide level II treatment and would be reviewed by an International Review Panel (IRP).

6. Mr LAW Chi-kwong enquired why the STSTW project had not been included in the scope of the SSDS review in the first place if treated effluent from STSTW was also discharged into the Victoria Harbour. In reply, the Principal Assistant Secretary for the Environment and Food (B3) (PAS(EF)B3) explained that the SSDS was essentially targeted at the collection, treatment and discharge of sewage from the main urban areas along Victoria Harbour, while the STSTW was part of the sewage collection and treatment system serving Sha Tin and Ma On Shan. They were therefore different projects.

7. Miss Emily LAU cautioned that the present project might become abortive if the IRP put forward a recommendation to integrate the discharge of treated effluent from Sha Tin and Tai Po with collecting and treating sewage system for the urban areas. In response, PAS(EF)B3 clarified that the IRP was invited to make recommendations on the most sustainable way forward for the development of the sewage system for the main urban area only. DDDS added that even if the IRP had recommended a higher level of treatment before discharge into Victoria Harbour, the recommended level would unlikely be higher than level II, which the STSTW would be able to achieve after upgrading.

8. As regards the quality of the treated effluent from Sha Tin and its impact on the water quality in Victoria Harbour, PAS(EF)B3 assured members that after completing the extension work of the STSTW, the effluent discharged from Sha Tin would meet the necessary standards. DDDS also confirmed that the STSTW project would cover improvement works including the addition of nitrification and disinfection facilities.

9. The item was put to vote and approved by the Committee.

Item No. 2 - FCR(2000-01)30

LOAN FUND

NEW HEAD "EMPLOYEES COMPENSATION ASSISTANCE FUND"

♦ **New Subhead "Bridging loan to Employees Compensation Assistance Fund Board"**

10. On behalf of Members of the Hong Kong Confederation of Trade Unions, Mr LEE Cheuk-yan expressed support for the proposal. He however commented that the need for the proposed bridging loan of \$60 million to the Employees Compensation Assistance Fund Board (ECAFB) was mainly due to the failure of employers to take out employees' compensation insurance for their employees. He therefore urged the Administration to take active steps to enforce compliance on the part of employers and further queried the deterrent effect of the existing level of penalties for non-compliance.

11. The Principal Assistant Secretary for Education and Manpower (PAS(EM)) informed members that in 1999, the Labour Department (LD) had taken out over 900 prosecutions under the Employees' Compensation Ordinance (ECO) and over 800 cases were convicted. As regards penalties, the Employees' Compensation (Amendment) (No.2) Bill 2000 proposed to raise the maximum fine from \$25,000 to \$100,000.

12. Mr HO Sai-chu expressed support for the present proposal. He nevertheless enquired whether the Administration had any other plans to improve the financial position of ECAFB apart from increasing the levy rate for ECAFB from 1% to a level ranging from 2.9% to 4.4% as proposed by the consultant.

13. In response, PAS(EM) confirmed that the said range of increase was only a recommendation of the consultant and that the Administration had not reached a decision on the matter. He assured members that the Administration would explore all other options, and was discussing with the Finance Bureau and Department of Justice on some members' suggestion raised at a recent meeting of the Manpower Panel to step up prosecutions and to inject some of the income derived from fines imposed under ECO into the Employees Compensation Assistance Fund (ECAAF).

14. In reply to Mr Bernard CHAN's enquiry about the quantum of common law damages for employees' compensation cases and whether the ECAF would be able to cope with such payment, PAS(EM) reported that the common law damages awarded by the court in three cases since 1995-96 exceeded \$10 million per case. On the basis of such precedent rulings, the consultant had forecast that the amount of common law damages awarded by the court would remain high. The consultant had therefore recommended, inter alia, to cap the payment from the Fund at \$4 million for each case. PAS(EM) further

explained that as the maximum statutory compensation payable under ECO was about \$2.1 million, the said ceiling would enable the Fund to cover statutory compensation in full with the remaining amount for part of the common law payment, if any. The Administration had estimated that some 95% of the claims could be met in full under such an arrangement. In this regard, the Chairman remarked that should the proposed cap be adopted, the Administration might consider introducing a provision to the effect that the employer should obtain insurance cover in excess of the \$4 million.

15. Miss Margaret NG pointed out that based on her own experience, with the exception of a few cases, the quantum of common law damages awarded by the court in connection with personal injury cases was on the decrease. Mr. Bernard CHAN however referred to reports from the insurance industry that in the past nine years or so, the level of common law damages awarded by the court was on an upward trend. In this connection, the Chairman said that the court appeared to have made reference to rulings in overseas jurisdictions in determining such damages.

16. In response to Miss NG's concern about excessive litigation costs, PAS(EM) explained that under the existing legislation, ECAFB could not take an active role in legal proceedings, and that was the reason for one of the consultant's recommendations to empower ECAFB to take a more active role in legal proceedings where it was known that the employer was likely to default compensation payment. He also said the consultant had pointed out that whilst timely intervention by ECAFB might save legal cost, additional administrative cost would be incurred.

17. Miss CHAN Yuen-han said that Members of the Democratic Alliance for Betterment of Hong Kong (DAB) and the Hong Kong Federation of Trade Unions (FTU) would support the present proposal. However, she was concerned about the long-term viability of the ECAF and asked whether the Administration would also consider the suggestion of setting up a centralized employees' compensation fund.

18. In response, PAS(EM) advised that apart from the Employees Compensation Assistance Scheme (ECAS), there were also the Pneumoconiosis Compensation Scheme and the Occupational Deafness Compensation Scheme to deal with compensation for work-related injuries. The Administration considered that it might not be practicable to subsume the three different Schemes under a centralized scheme. He reiterated the Government's policy stance announced two years ago against pursuing such an option.

19. In reply to Mr CHAN Wing-chan's enquiry about the repayment of the bridging loan, PAS(EM) advised that the \$60 million was only the upper limit of the loan amount to help ECAFB to tide over its cash flow problem until end-

July 2001 when the reform package of ECAS was expected to take effect and the financial position of the Fund would be improved. It was not anticipated that this amount would be exceeded.

20. The Committee approved the proposal.

Item No. 3 - FCR(2000-01)31

HEAD 44 - ENVIRONMENTAL PROTECTION DEPARTMENT

♦ Subhead 700 General other non-recurrent

New Item "One-off grant to encourage diesel taxi owners to replace their vehicles with liquefied petroleum gas taxis"

21. Mrs Miriam LAU stated her support for the proposal to provide a one-off grant to encourage diesel taxi owners to replace their vehicles with liquefied petroleum gas (LPG) vehicles. However, she expressed disappointment at the proposed disbursement timetable according to which the grant would be made available to all diesel taxis replaced before or during 2001, but only to those diesel taxis of six years old or younger replaced in 2002 and 2003. In her view, all diesel taxi owners should be eligible for the grant until end 2002 instead of end 2001, and owners of diesel taxis of six years old or younger should be eligible for the grant until end 2005 instead of end 2003. She highlighted the hardship faced by the taxi trade as follows -

- (a) The LPG taxi incentive scheme could not start until end 2000 or early 2001 due to the limited supply of LPG taxis and the shortfall in LPG filling capacity. As such, if owners of diesel taxis of or above seven years old would only be eligible for the grant until end 2001 as proposed, they would in effect only be given one year to switch to LPG taxis and this was unreasonable. Moreover, because of the limited supply of LPG taxis, many owners of diesel taxis of seven years old or older had recently spent a large sum of money to overhaul their taxis so as to reduce their harmful emissions.
- (b) Some taxi owners whose diesel taxis were negative assets would have difficulty in securing a loan for a replacement taxi even though they wanted to switch to LPG taxis. Since the Administration had already stated that no assistance would be given to them, they should be allowed more time to raise the money for the switch.
- (c) It was estimated that a total of nearly 2 000 new diesel taxis meeting Euro II emission standards were purchased in 1998, 1999 and 2000. These relatively environmentally friendly taxis

would only be about four years old by 2003 and it would be a waste to require them to be replaced by LPG taxis in 2002 and 2003 instead of allowing them to reach their normal serviceable lifespan of seven years. It was also unfair to penalize these taxi owners who had taken the initiative to switch to the more environmentally friendly Euro II diesel taxis in the face of inadequate supply of LPG taxis.

22. Mrs Miriam LAU further pointed out that taxi owners welcomed the provision of a one-off grant and were most willing to switch to LPG taxis because this could save up to \$30,000 to \$45,000 a year on fuel cost. However, the terms and conditions of the disbursement of the proposed grant lacked flexibility and created unfairness. She urged the Administration to seriously consider relaxing the deadlines for replacement. Her concerns were shared by Mr Edward HO, Mrs Selina CHOW and Mr CHAN Wing-chan.

23. In response, the Deputy Secretary for the Environment and Food (DS(EF)) advised that although the objective of requiring diesel taxis of more than six years old to be replaced by LPG taxis before or during 2001 in order to be eligible for the grant was to encourage early replacement of these diesel vehicles, the Government had not ruled out the possibility of extending the deadline as it had already undertaken to review the implementation of the programme in mid 2001 and consider then if there was any case for extending the deadline.

24. As regards the request to extend the deadline from end 2003 to end 2005 for owners of diesel taxis below seven years old to apply for the grant, DS(EF) pointed out that the objective of the scheme was to encourage taxi owners to replace their diesel vehicles with LPG vehicles as early as possible instead of waiting for the diesel vehicles to reach their normal retirement age. Moreover, the present timetable also tied in with the target of the All Party Clean Air Alliance Working Group to replace all diesel taxis by 2004. He added that the emissions of respirable suspended particulates (RSP) from LPG taxis were significantly lower even compared to those of Euro II diesel taxi.

25. Noting that LPG taxis could only reduce up to 25% of RSP and 6% of nitrogen oxides emitted by vehicles, Miss Emily LAU enquired whether there were similar plans to encourage other vehicles to switch to cleaner alternatives to reduce harmful emissions. In reply, DS(EF) confirmed that a trial of LPG and electric light buses was under way and subject to the results of the trial, financial incentives for conversion would be considered.

26. On the rate of setting up LPG filling stations to tie in with the proposed disbursement timetable, DS(EF) said that according to information of the Transport Department, the number of diesel taxis of or above seven years old which were required to switch to LPG taxis by end 2001 in order to be eligible

for the grant was only about 9 600, but there should be adequate refilling capacity for about 12 000 LPG taxis by mid 2001 according to plan. DS(EF) further pointed out that while there were 160 petrol filling stations as compared to about 40 LPG filling stations by end 2001, it should be noted that petrol filling stations served all types of vehicles, while some LPG stations were dedicated to LPG vehicles only. In this regard, Mr Howard YOUNG commented that if the progress of the conversion scheme was good, oil companies might be more willing to provide LPG facilities at their existing stations.

27. Mrs Miriam LAU queried whether the Administration would genuinely review the implementation of the programme for taxis of seven years old or above if such a review would only be conducted with sole regard to the rate of setting up LPG filling stations and not the difficulties faced by the taxi trade in replacing their diesel vehicles. Mr Edward HO shared Mrs LAU's concern and said that in conducting the review, the Administration should also examine the underlying reasons if the replacement progress was not as good as expected.

28. In response, DS(EF) assured members that the review would cover all relevant aspects of implementation, which included the remaining number of diesel taxis of seven years old or above, the progress of replacement and whether there was a need to extend the deadline for applying for the grant. The Chairman nevertheless referred to paragraph 8 of the discussion paper which seemed to indicate that the decision on whether to extend the deadline would hinge on the availability of LPG filling stations rather than the replacement rate. The Chairman suggested that to reflect its intention more accurately, the Administration should provide a supplementary note to confirm that the review would cover all relevant aspects of programme implementation. DS(EF) agreed to provide the supplementary information after the meeting.

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29. In this connection, Miss Emily LAU enquired about the deadline for the import of diesel taxis and for diesel taxis to run on the road. DS(EF) advised that the Administration's plan was to stop the registration of new diesel taxis with effect from 1 January 2001, and to prohibit diesel taxis of seven years old or above from running on the road after 2003, while no diesel taxis would be allowed to run on the road after 2005. The total ban would be achieved by not renewing the vehicle licences of the diesel taxis after their expiry. However, he pointed out that such measures would need to be implemented by legislation for which approval by the Legislative Council would be required.

30. In this connection, the Chairman doubted whether the enactment of laws to ban diesel taxis on the road without compensation might amount to deprivation of private property in contravention of the relevant articles in the Basic Law. In reply, the Principal Assistant Secretary for the Environment and Food (B1) (PAS(EF)B1) reported that according to preliminary legal

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advice, such proposed legislation should not have any Basic Law implications but the Administration would carefully study the legal issues involved when formulating the legislative proposal. The Chairman suggested that the legal opinion should be provided for reference. Miss Emily LAU shared the Chairman's concern and said that the Basic Law implications of the proposed legislation should be thoroughly examined having regard that the diesel taxi owners concerned would suffer losses as a result of the Administration's action.

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31. Mr Andrew WONG cautioned that if only diesel taxis, but not other vehicles such as the existing Government fleet which comprised largely diesel vehicles, were targeted at and prohibited from using the road, there might also be Basic Law implications. PAS(EF)B1 agreed to take into account the point raised by Mr WONG when formulating the relevant legislative proposals.

32. On how issues related to diesel taxis were to be handled, Mrs Selina CHOW considered that the Administration should be more appreciative of the practical problems faced by the taxi trade. She further said that to avoid creating hard feelings and confrontation, instead of merely imposing deadlines and restrictions, more incentives should be offered to owners of diesel taxis to switch to LPG taxis. Mrs Miriam LAU also pointed out that it was unfair to offer the same amount of grant for replacement of diesel taxis with LPG taxis regardless of the taxis' age. Miss Emily LAU also agreed with the need to make the conversion scheme more attractive to induce compliance and hence, improve the environment.

33. In reply, DS(EF) advised that in general, the proposed grant of \$40,000 coupled with fuel cost savings of up to \$45,000 a year as a result of the low LPG price achieved by a pricing formula should provide sufficient incentives for owners to replace their diesel taxis. In fact, many taxi owners were calling for the early implementation of the replacement scheme. As for newer taxis, he recapitulated that the deadline for the owner of a taxi commissioned in 1999 to apply for the grant was end 2003, by which time the taxi would already be nearly five years old and due for overhaul. Its replacement would be a reasonable step to take.

34. Mr Howard YOUNG pointed out that if business was not good, taxis would travel less mileage and hence, the saving on fuel cost resulting from mileage might not be as great as \$45,000. He also enquired whether, in calculating the cost difference between the operation of diesel taxis and that of LPG taxis, the Government had taken into account the fact that LPG taxis might need to travel longer distances to the nearest LPG filling stations due to the latter's scarcity.

35. In response, DS(EF) advised that the amount had been worked out from figures derived from the pilot scheme conducted in late 1997 and early 1998. Although business might have slackened thereafter, diesel price was still three times of that of LPG and the price of a LPG taxi was also roughly \$20,000 cheaper than that of a diesel taxi. DS(EF) further advised that there were no figures on fuel cost for travelling to filling stations because the 30 taxis in the pilot scheme ran on different routes and the distances to the nearest filling stations also varied.

36. The Chairman enquired if consideration had been given to implementing a scale grant under which the earlier a diesel taxi was replaced by a LPG taxi the greater the amount of the grant would be. In response, Mrs Miriam LAU said that the All Party Clean Air Alliance Working Group had once proposed a scale system but the Administration seemed not prepared to discuss any option other than the one currently proposed. At this stage, it would be too late to pursue a scale system. DS(EF) clarified that the scale system proposed by the Working Group was related to the provision of low-interest loans and not grants. He also reported that the Administration had also looked into the feasibility of a scale grant, but because of its complexity and for the sake of avoiding possible unfairness and delay, the option had not been further pursued.

37. Mrs Miriam LAU was not convinced of the Administration's explanation and still stressed the need to offer additional financial assistance to owners of negative-asset diesel taxis who had difficulty in securing a loan for the LPG taxi. Mr LEUNG Yiu-chung also appreciated the predicament of these taxi owners and requested the Administration to provide an estimate on the number of such owners. In reply, DS(EF) said that the estimate was difficult to make because the financial situation of individual taxi owners could be affected by many factors, not just the value of the taxi licence. PAS(EF)B1 supplemented that according to the relevant banks and financial institutions, most of them would adopt a flexible approach in considering applications for loans for replacement taxis. As such, apart from looking at the financial situation and loan repayment record, the institutions would also take into account the lower operating costs of LPG taxis and the resultant improvement in the owners' loan repayment abilities. He understood that the majority of taxi owners should have no serious problem securing such loans.

38. Mr Andrew WONG proposed that to help taxi owners secure loans for LPG taxis, a viable option might be to raise from the bank two separate mortgages, one on the taxi licence and the other on the LPG taxi. At his request to explore this proposal with the banks, PAS(EF)B1 said that generally speaking, banks were already considering the loan application for a LPG taxi separately from that for a taxi licence. Mr WONG further suggested that the Administration should consider providing loan guarantees to the taxi owners. PAS(EF)B1 responded that if banks regarded some taxi loan accounts as high

credit risks, banks would consider it not prudent to grant additional loans.

39. Mr CHAN Wing-chan proposed that the Administration should provide low-interest loans to these taxi owners. The Chairman, Mrs Selina CHOW and Mr Edward HO supported his proposal. DS(EF) however emphasized that the Administration did not consider it justified to use public funds to assist owners of taxis whose taxi licence had dropped in value. Moreover, as understood from banks and financial institutions, the number of negative-asset taxis had already dropped to the present 2 000. Mrs Miriam LAU however pointed out that according to the taxi trade, the number should be some 3 000.

40. The Chairman and Mr Edward HO opined that it might be acceptable to use public funds to offer low-interest loans to taxi owners to enable them to switch to LPG taxis because of the resultant improvements to the environment and the benefits to the whole community. On the other hand, it would not be in any party's interest if taxi owners who had difficulty in securing a loan for a replacement taxi were left to run their diesel taxis on the road until banned. Mr LEUNG Yiu-chung commented that the proposed one-off grant was already a form of financial assistance using public funds.

41. As for the amount of public money involved if the Government was to provide the proposed low-interest loans, PAS(EF)B1 estimated that around \$200 million would be required. Mr LEUNG Yiu-chung considered that the figure might have been over-estimated since the Government should base its estimate on the differential between the prevailing loan interest rate and a low-interest rate. He also opined that the Government had not tried its best to ascertain the number of negative-asset taxi owners who might need the loans and make a realistic assessment. Mr Edward HO shared Mr LEUNG's view.

42. DS(EF) drew members' attention to the fact that banks were unwilling to disclose details of their clients and that they would not be in a position to say whether an application would be successful unless it had been filed with all relevant details for examination. In this regard, the Chairman reiterated his concern that the chance of taxi owners whose taxis were negative assets to secure a new loan for a replacement taxi would be slim if the differential between the market price of the taxi licence and the loan being applied for was great.

43. Mr Andrew WONG enquired about the implications of not approving the present proposal at this meeting and asked if the Administration would discuss among themselves for about five minutes on whether or not to incorporate members' views in the present proposal. Mrs Miriam LAU however urged the Committee to approve the proposal at this meeting without further delay, and at the same time to urge the Administration to critically review the disbursement timetable.

44. As the Administration did not make any indication on his suggestion, Mr Andrew WONG took it to mean that the Administration was not prepared to consider members' views before the proposal was voted on. He requested that this position be put on record.

45. The Chairman put the proposal to vote. The Committee approved the proposal. Mr Andrew WONG and Mr LEUNG Yiu-chung voted against the proposal. Mrs Miriam LAU also requested to put on record her objection to the disbursement timetable and her call for its early review.

Item No. 4 - FCR(2000-01)32

HEAD 170 - SOCIAL WELFARE DEPARTMENT

- **Subhead 149 General departmental expenses**
- **Subhead 178 Programme and training expenses of institutions**
- **Subhead 179 Comprehensive social security assistance scheme**
- **Subhead 411 Social welfare services (grants)**
- **Subhead 700 General other non-recurrent**

New Item "Intensive Employment Assistance Fund"

46. Miss CHAN Yuen-han stated that Members of FTU and DAB supported the proposal in principle. On the proposed recruitment of 103 temporary "Employment Assistance Co-ordinators" (EA Co-ordinators) on non-civil service contract terms, she was concerned about the qualifications and experience of the EA Co-ordinators in social work and queried why the Administration would not consider outsourcing the work to non-government organizations (NGOs) in the welfare sector. In view of the specialized nature of the duties of the EA Co-ordinators, Mr LEE Kai-ming considered that the Administration should give priority to candidates with social work qualifications.

47. In reply, the Deputy Director of Social Welfare (Administration) (DD(SW)(Adm)) gave the following explanation -

- (a) The minimum academic qualification for the EA Co-ordinators was Form 6 standard. However, given the prevailing labour market conditions and the recent recruitment experience for the Social Security Field Units (SSFUs), the Administration believed that there would be a good chance of recruiting persons over and above the minimum requirements. The Social Welfare Department (SWD) would also provide necessary training to the appointees to facilitate their uptake of duties. The Administration would nevertheless consider the suggestion of giving priority to candidates possessing social work qualifications.

- (b) The proposed extended Active Employment Assistance (AEA) programme would cover some 28 000 recipients under the Comprehensive Social Security Assistance (CSSA) scheme in all parts of Hong Kong. It would be more effective to make use of the existing 38 SSFUs, where the EA Co-ordinators would be stationed, to deliver a wide range of services. In view of the heavy caseload and the scope of services required, it was doubtful whether any of the existing NGOs would be well-resourced to undertake the territory-wide AEA programme.
- (c) SWD had already established effective links, including interconnected computer systems, with related bodies such as the Health and Welfare Bureau, Employees Retraining Board and LD. If NGOs were commissioned for the work, they would have to set up these support facilities afresh.
- (d) Outsourcing the AEA programme to NGOs, instead of providing the services under SWD, might not be conducive to safeguarding the confidentiality of information on CSSA recipients.

48. Miss Cyd HO opined that if the extension of the AEA programme was submitted as a separate funding request, it would unlikely be approved because irrespective of the resources allocated, the CSSA recipients would stand a very low chance of securing employment due to the lack of jobs with reasonable wages. She also referred to the Administration's plan to evaluate the effectiveness of the new initiatives covered in the present proposal in three years' time and asked whether a mid-term review would be conducted.

49. In response, the Deputy Secretary for Health and Welfare (DS(HW)) confirmed that the operation of the new initiatives would be monitored on an on-going basis and the Administration would have no objection to conducting a review in a shorter period of time. In this connection, the Chairman advised that the Panel on Welfare Services could follow-up the review in due course.

50. Mr LEE Cheuk-yan queried the Administration's commitment in providing additional employment related assistance to help and encourage unemployed CSSA recipients to seek work. He considered the employment of 103 non-civil servant EA Co-ordinators grossly inadequate for the purpose and reiterated his view that the EA Co-ordinators would likely deter unemployed CSSA recipients from applying for CSSA rather than assisting them to find employment. Miss Emily LAU also cast doubt on the effectiveness of the proposed service to be rendered by the EA Co-ordinators.

51. In response, DS(HW) reiterated that the employment of 103 EA Co-ordinators was only part of a package of new measures to promote self-reliance. Other initiatives included the setting up of an Intensive Employment

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Assistance Fund and commissioning NGOs to provide tailor-made intensive employment assistance etc. Through bi-weekly interviews, the EA Coordinators would seek to promote greater initiative and readiness on the part of the CSSA recipients to seek employment. In this regard, the Chairman advised the Administration to provide further information on the cases involved in the 21% decrease in the number of CSSA unemployment cases.

52. Miss Emily LAU sought clarification on the 21% decrease in the number of CSSA unemployment cases vis-à-vis the 10% placement rate of AEA participants. In reply, DD(SW)(Adm) advised that the two percentages were not comparable. The 21% decrease referred to the drop in the number of CSSA unemployment cases and there might be many possible reasons for unemployed persons not to apply for CSSA, such as subsequently finding employment or strengthened investigation. The 10% represented the placement rate of unemployed CSSA recipients who had participated in the AEA programme. DS(HW) added that at present, the AEA programme was only available to new unemployed cases applying for CSSA and some existing unemployed cases who had received CSSA for a long time.

53. As regards Miss Emily LAU's concern about the low level of monthly allowance payable to participants under the proposed special job attachment programme, DD(SW)(Adm) clarified that the attachment programme aimed at assisting the unemployed CSSA recipients to re-join the workforce and to re-adjust themselves to working life. The monthly allowance of \$1,805 was paid to cover their basic expenses such as meals and transportation.

54. The Committee approved the proposal.

Item No. 5 - FCR(2000-01)33

HEAD 120 - PENSIONS

♦ Subhead 015 Public and judicial service pension benefits and compensation

Ex-gratia payment for management-initiated retirement scheme

55. Mr CHEUNG Man-kwong pointed out that whilst some heads of department/bureau who had committed major blunders could remain in service, senior civil servants who had not committed any serious misconduct might be directed to retire early under the management-initiated retirement (MIR) scheme simply because they were unable to meet the changing needs of the organization. He considered the proposed arrangement grossly unfair and illogical and queried whether the Administration had a target list of officers.

56. Miss Emily LAU referred to top-level management in the Department of Justice and the Housing Department and said that whilst the public might support the present proposal in principle, they might also query the Government's lack of sanction on top-level civil servants for their serious blunders.

57. Mr CHAN Kwok-keung was also gravely concerned about the lack of fairness of the MIR scheme and its impact on the morale of the civil service. Mr LEE Cheuk-yan did not support the present proposal and pointed out that unlike other exit avenues where the circumstances, such as non-performance and serious misconduct, were explicitly specified, the circumstances under which the MIR scheme could be invoked were highly ambiguous and subject to arbitrary judgement. He was gravely concerned that the proposed scheme would be subject to abuse and would have a negative labelling effect on individual officers.

58. In response, the Deputy Secretary for the Civil Service (DS(CS)) advised that existing exit avenues were limited to specific circumstances relating to serious misconduct, non-performance, medical condition or staff surplus situation. However, as the civil service, like private-sector organizations, also needed to respond to the changing environment, the MIR scheme was to provide an additional exit avenue to cater for situations where individual officers could not meet the changing needs of the organization. DS(CS) stressed that the MIR scheme would primarily serve as a management tool and was not targeted at individual officers.

59. On concerns about fairness and the appeal mechanism, DS(CS) confirmed that procedural safeguards had been incorporated in the detailed procedures. The MIR scheme could only be initiated by policy secretaries or heads of department. The officer concerned would be informed of the management's recommendation and the reasons. His views or representation would be conveyed to a high-level panel chaired by the Chief Secretary for Administration, with members comprising the Financial Secretary and the Secretary for the Civil Service and other senior officials to consider and approve each case. The advice of the Public Service Commission would also be required for each case. An officer who was aggrieved by the management's decision to retire him could ultimately make representations to the Chief Executive under section 20 of the Public Service (Administration) Order.

60. On the existing exit mechanisms, DS(CS) explained that officers could be compulsorily retired on medical grounds, for disciplinary reasons, due to poor performance or as a result of abolition of office. In addition, it was provided in Civil Service Regulation (CSR)383(b) that an officer might be compulsorily retired to facilitate improvement in the organization in order to effect greater economy or efficiency. The proposed MIR scheme would be

implemented in accordance with the said CSR383(b) as an exit avenue to cater for management needs.

61. Miss Margaret NG recognized that there might be practical difficulties under the existing system to compulsorily retire civil servants whose performance could not meet changing needs. However, she was keen to ensure that the proposed MIR scheme would eventually lead to a more competent and accountable civil service.

62. In response, DS(CS) pointed out that the MIR scheme was part of the Civil Service Reform announced in March 1999 to provide an exit mechanism to help create space at the senior echelons for injection of new blood where necessary, and to maintain the quality of senior management.

63. Mr Howard YOUNG commented that the proposed MIR scheme was only a small step forward in public sector reform. He stated that whilst Members of the Liberal Party would support the proposal, they were not very satisfied with the proposed grant of ex-gratia payment to retire the officers under the MIR scheme as incompetent staff in private-sector organizations were normally asked to quit without any ex-gratia payment.

64. In this connection, the Chairman pointed out that even if the present proposal was not approved by Finance Committee (FC), the Administration was still at liberty to implement the MIR scheme since it had been approved by the Chief Executive in Council, except that the officers concerned would not receive the proposed ex-gratia payment of six months' salary.

65. On the need to effect an ex-gratia payment under the MIR scheme, DS(CS) advised that officers on permanent and pensionable establishment had a reasonable expectation to serve until their normal retirement, except under specified circumstances such as serious misconduct or abolition of office. Hence, the Administration considered that officers to be compulsorily retired under the MIR scheme should be granted an ex-gratia payment as a form of compensation.

66. Mr LEE Kai-ming questioned why the Administration had still put forward the present proposal despite the objection of the staff sides to the MIR scheme. In response, DS(CS) pointed out that whilst there was objection in principle from the staff sides, the majority of departmental and grade management and some individual officers supported the MIR scheme as a management tool to facilitate organizational improvement.

67. Mr Albert HO queried whether the existing problem was so serious as to warrant the introduction of the MIR scheme and asked whether the Administration would consider other options such as demotion instead of compulsory retirement. He cautioned that the MIR scheme would give rise to

instability and a decline in morale among senior civil servants. Mr HO and Miss Emily LAU sought clarification on the objective criteria, if any, for invoking the scheme so as to ensure fairness.

68. In response, DS(CS) advised that the MIR scheme was a necessary management tool as there had been feedbacks from heads of department/grade that some officers were incapable of progressing further after a certain stage. She reiterated that the MIR scheme would not give rise to unfairness as procedural safeguards had been built into the scheme. DS(CS) further assured members that before initiating the MIR scheme, the management would examine other viable arrangements. On the option of demotion, DS(CS) cautioned that it might not be acceptable to the officer concerned and might give rise to other management problems.

69. As regards the criteria for considering the cases, DS(CS) stressed that each case had to be considered on its merits. As far as officers in the General Grades were concerned, posting difficulty was a factor. As for departmental grades, consideration might be given to whether the officer concerned possessed the necessary drive and potentials to keep pace with the department's future direction. She also emphasized that the heads of department/grade would be required to justify their recommendations with objective findings.

70. On some members' queries about the financial implications of the present proposal which were not specified in the discussion paper, DS(CS) advised that the present proposal sought FC's approval to grant an ex-gratia payment in the amount of six months' salary to officers compulsorily retired under the MIR scheme. At the present stage, it was not possible to estimate the financial outturn which would depend on the number of retirees and their final substantive monthly salary.

71. Dr LUI Ming-wah supported the present proposal as he considered that the MIR scheme would provide an effective management tool to bring about improvement in the civil service. He pointed out that although the retirees would be granted an ex-gratia payment upfront, there would be longer-term savings in not having to retain their service until their normal retirement age. Nevertheless, Dr LUI urged the Administration to continue initiating further reforms comparable with those in the private sector. In this regard, the Chairman suggested that the issue should be followed up at the Public Service Panel, if necessary.

72. The Chairman put the proposal to vote. 24 members voted for the proposal, 17 voted against and none abstained :

For:

Mr David CHU Yu-lin

Dr Raymond HO Chung-tai

Mr HO Sai-chu

Mr Eric LI Ka-cheung

Dr LUI Ming-wah
Prof NG Ching-fai
Mrs Selina CHOW LIANG Shuk-yee
Mr Bernard CHAN
Dr LEONG Che-hung
Dr Philip WONG Yu-hong
Mr Jasper TSANG Yok-sing
Mr YEUNG Yiu-chung
Mr Ambrose LAU Hon-chuen
Mr TAM Yiu-chung
(24 members)

Mr NG Leung-sing
Miss Margaret NG
Mr MA Fung-kwok
Mr CHAN Kam-lam
Mrs Sophie LEUNG LAU Yau-fun
Mr WONG Yung-kan
Mr Howard YOUNG
Mrs Miriam LAU Kin-yee
Miss Emily LAU Wai-hing
Dr TANG Siu-tong

Against:

Miss Cyd HO Sau-lan
Mr Michael HO Mun-ka
Mr LEE Cheuk-yan
Mr Fred LI Wah-ming
Mr CHEUNG Man-kwong
Miss CHAN Yuen-han
Mr LEUNG Yiu-chung
Mr LAU Chin-shek
Mr SZETO Wah
(17 members)

Mr Albert HO Chun-yan
Mr LEE Wing-tat
Mr LEE Kai-ming
Mr James TO Kun-sun
Mr CHAN Kwok-keung
Mr CHAN Wing-chan
Dr YEUNG Sum
Mr Andrew CHENG Kar-foo

73. The Committee approved the proposal.

74. The Committee was adjourned at 5:20 pm.