

立法會
Legislative Council

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cleared by the Chairman)

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Legislative Council
Panel on Financial Affairs

Minutes of Meeting held on
Monday, 5 June 2000 at 10:45 am
in the Chamber of the Legislative Council Building

Members present : Hon Ambrose LAU Hon-chuen, JP (Chairman)
Hon James TIEN Pei-chun, JP
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon NG Leung-sing
Hon Ronald ARCULLI, JP
Hon CHEUNG Man-kwong
Hon Bernard CHAN
Hon SIN Chung-kai
Hon Jasper TSANG Yok-sing, JP
Hon Emily LAU Wai-hing, JP
Hon FUNG Chi-kin

Non-Panel Members attending : Hon Kenneth TING Woo-shou, JP
Hon David CHU Yu-lin
Hon LEE Wing-tat
Hon LEE Kai-ming, SBS, JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon CHAN Yuen-han
Hon CHAN Wing-chan
Hon CHAN Kam-lam
Hon Mrs Sophie LEUNG LAU Yau-fun, JP
Hon LEUNG Yiu-chung
Hon WONG Yung-kan
Dr Hon YEUNG Sum
Hon CHOY So-yuk

Members absent : Hon Eric LI Ka-cheung, JP (Deputy Chairman)
Hon Martin LEE Chu-ming, SC, JP
Dr Hon David LI Kwok-po, JP
Hon James TO Kun-sun
Hon HUI Cheung-ching
Dr Hon Philip WONG Yu-hong
Hon Timothy FOK Tsun-ting, SBS, JP

Public officers attendance : Mr Donald TSANG Yam-kuen, JP
Financial Secretary

Mrs Carrie LAM
Acting Secretary for the Treasury

Mr K Y TANG
Government Economist

Mr Philip YUNG
Administrative Assistant to Financial Secretary

Clerk in attendance : Ms LEUNG Siu-kum
Chief Assistant Secretary (1)4

Staff in attendance : Ms Pauline NG
Assistant Secretary General 1

Ms Connie SZETO
Senior Assistant Secretary (1)1

I Confirmation of minutes of previous meetings
(LC Paper Nos. CB(1) 1696/99-00 and 1753/99-00)

The minutes of meetings held on 13 April and 2 May 2000 were confirmed.

II Information paper issued since last meeting
(LC Paper No. CB(1) 1627/99-00 -- Information paper on the New Directors' Index System in the Companies Registry)

2. Members noted the captioned information paper issued since the last meeting.

III Special meeting on 15 June 2000 and items for discussion
(LC Paper Nos. CB(1) 1757/99-00(01) and (02))

3. The Chairman reminded members that a special meeting had been scheduled for 15 June 2000 at 4:30 pm for the Finance Bureau and Financial Services Bureau to consult members on the fees and charges proposed for revision under their respective purview.

IV Report of the Panel for submission to the Legislative Council
(LC Paper No. CB(1) 1757/99-00(03))

4. Members endorsed the captioned draft report to be submitted to the Legislative Council on 21 June 2000.

V Briefing by the Financial Secretary on Hong Kong's latest economic situation
("First Quarter Economic Report 2000" and LC Paper No. CB(1) 1757/99-00(04) -- Briefing material tabled at the meeting)

Briefing by the Financial Secretary

5. At the Chairman's invitation, the Financial Secretary (FS) briefed members on Hong Kong's latest economic situation, including recent development in external trade, domestic consumption, employment and the property market, as well as factors affecting Hong Kong's sustained recovery.

6. ES said that the economy showed clear signs of recovery in 1999 after it had bottomed out in the third quarter of 1998. The Gross Domestic Product (GDP) leaped by 14.3% in real terms in the first quarter of 2000 over a year earlier, the strongest growth since 1987. Compared with the fourth quarter of 1999, the growth in real terms, after taking into account the seasonally adjustment factor, stood at 5.4%, the highest since 1986. The robust rebound in GDP was characterized by a continued surge in total exports and a sharp pick-up in both consumption and investment demand.

7. ES said that the first quarter saw a 23% year-on-year increase in export of goods. Exports to markets in Asia, USA, the European Union and the Mainland had all recorded double-digit growth. Exports of services grew by 16%, mainly as a result of the notable growth of 13% in tourist arrivals over 1999. Locally, consumer spending grew distinctly in the first quarter of 2000 over a year earlier by 8.3% in real terms. This could be attributed to the price cuts offered by retailers, as well as increased tourist spending. As regards investment spending, the gross domestic fixed capital formation returned to positive growth at a rate of 5.6% in real terms, as a result of the sharp rise in machinery and equipment acquisition.

8. On the labour market, ES noted that the unemployment rate had dropped to 5.5% and would continue to fall as government efforts to tackle this problem and the economic rebound continued. Besides, the actual wages of the working population had remained stable. Even though they might not get pay rises, they were not worse off because the Composite Consumer Price Index had actually fallen. With the decline in consumer prices, overall labour earnings had increased in real terms.

9. ES was cautiously optimistic on Hong Kong's economic outlook in 2000. He envisaged that the economy would proceed on the path of recovery, particularly in the wake of China's imminent accession to the World Trade Organization (WTO), which would open up new business opportunities. Hong Kong's external trade was set to benefit most in this respect. The Government would, however, need to keep a close watch on the interest rate trend in the U.S. and the stability of its stock market. Whether Japan would sustain its recovery would impact on the economic performance of Hong Kong as well. Taking all the factors into account, the Government had revised the earlier forecast of real GDP growth rate for 2000 from 5% to 6%.

Discussion with members

Unemployment problem

10. Some members pointed out that despite the economic indicators suggesting an impressive growth in the first quarter of 2000, the general public had not felt the effect of the economic recovery. They were doubtful of the sustainability of this economic revival. Mr LEE Cheuk-yan expressed concern about the high unemployment rate, which was particularly serious among the low-skilled labour, and the continual fall in wages in the general workforce.

11. ES said that the Government was fully aware of the concerns in the community. It was understandable that the community had yet to feel the full strength of the economic rebound, given the still high unemployment and underemployment rates, as well as the quiet property market. Nevertheless, the unemployment rate had dropped rather significantly, from 6% in the fourth quarter of 1999 to 5.5% in the first quarter of 2000. ES explained that employment growth usually lagged behind economic performance and the unemployment situation would ease only some time after the economy had picked up. He pointed out that in the past two years, the growth of total labour force had outpaced employment growth. But total employment had been on the rise. In the first quarter of 2000, total employment went up by 3.6% while the total labour force increased only by 2.8%. If this trend continued, the unemployment situation would improve. The Government would keep pressing ahead with measures to ease unemployment and create job opportunities. With an increasing demand for a better-educated labour force, the Government would continue to ensure the provision of retraining programmes to upgrade the skills of the workforce. He expected the employment situation to improve more quickly toward the end of 2000.

Residential property market

12. Mr Albert HO and Mr SIN Chung-kai pointed out that the general public was concerned about the continued decline in the residential property market. Mr SIN Chung-kai further asked whether the Government would consider withholding the construction of Home Ownership Scheme (HOS) flats in order to boost housing demand in the private market.

13. ES replied that the Government recognized the serious public concern about the declining property prices which were turning more properties into negative assets. He said the sluggish property market was a result of the Asian financial crisis, coupled with an abundant supply of flats in the pipeline, moderation in employment earnings and the successive increases in interest rates. The property markets in other Asian economies were too in doldrums. ES believed that given the huge population in Hong Kong and the continuing demand for housing, in the long run, the property market would pick up again with continued economic growth and improved employment situation. He added that the fall in property prices in recent months had not undermined the asset quality of banks and the banking sector had remained stable.

14. ES said that there was limited room for the Government to intervene in the private residential market. At the moment, keen competition for residential mortgage business was helping to reduce the burden on homeowners. The provision of HOS flats was under the purview of the Housing Authority (HA). Recently, HA had announced plans to slow down the construction of these flats. Given its healthy financial status, HA should not have problems in funding other public housing projects even when the construction of HOS flats slowed down.

15. Mr CHEUNG Man-kwong expressed concern about the increasing public dissatisfaction towards the Government as a result of the declining standard of living, which might turn into social unrest. ES said that he noted the continuing hardship during economic recovery, and that the Government would continue to provide help and relief as appropriate.

Measures to address public concerns

16. In order to relieve the hardship of the general public, some members urged the Government to consider freezing the increase in fees and charges for government services and public utilities, as well as maintaining the expenditure level on welfare services. It should also consider slowing down the contracting out of government services and the process of containing the size of civil service so as to alleviate unemployment problem. Mrs Selina CHOW queried the increase in costs incurred in the provision of government services. She opined that the Government should review its cost structure so as to reduce the pressure for fee increases. She further opposed to the introduction of any form of consumption-based tax which would dampen consumer spending and adversely affect the retailing sector.

17. ES responded that the Government was mindful of the need to make sufficient provisions for welfare services for the needy. At the same time, there was a need to revise the fees and charges for government services in order to maintain the fiscal balance of the Government and adhere to the 'user-pays' principle. He stressed that the Government had adopted a pragmatic approach and taken into account the views of Legislative Council Members on the matter. Consequently, revision of those fees and charges which did not impact directly on people's livelihood and general business activities would be dealt with first. Such revisions would be implemented in phases over a number of years.

18. On the cost effectiveness of providing government services, ES stressed the Government's commitment to control and contain cost by implementing the Enhanced Productivity Programme and other efficiency improvement measures. For example, the Administration was reviewing the necessity to retain all fee-bearing services. Where appropriate, non-essential services and unnecessary regulatory measures would be dispensed with. ES added that the Administration was formulating proposals to contain the size of the civil service. There was no intention to introduce large-scale staff redundancy scheme.

Hong Kong's competitiveness

19. Ms Emily LAU expressed concern about high rentals for commercial premises in Hong Kong vis-à-vis those of neighbouring economies. She opined that they would have adverse impact on Hong Kong's competitiveness.

20. ES said that commercial rents were a matter of market forces. They had picked up in the first quarter in 2000 amid the strong rebound in the economy. ES said that downward adjustments in residential property prices and wages after the Asian financial turmoil had sharpened the competitiveness of Hong Kong. Hong Kong's strengths lay in its high value-added service-based sectors, such as banking, insurance, financial service and information technology, which would not be easily surpassed by its neighbouring economies.

Interest rates movement

21. On Mr NG Leung-sing's enquiry about the movement of local interest rates, ES said that under the Linked Exchange Rate system, interest rates in Hong Kong generally had to move in tandem with those in the United States. Nonetheless, with the easing of inflationary pressure in the US, the market predicted that the US interest rates might peak soon, thus relieving the pressure on local interest rates.

Helping business

22. In response to Mr CHAN Kam-lam's question on measures to attract foreign investment and to provide better services to business operating in Hong Kong, ES stressed that the Trade and Industry Bureau (TIB) and other departments

had been working hard in this regard. He had announced in the 2000-01 Budget a series of initiatives including setting up a dedicated agency under TIB to promote foreign investment in Hong Kong, and reorganising the Industry Department and Trade Department to ensure the delivery of one-stop services to the business sector.

23. The Chairman thanked FS for briefing the Panel.

VI Any other business

24. There being no other business, the meeting ended at 11:40 am.

Legislative Council Secretariat
21 July 2000