

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 4th meeting
held at the Legislative Council Chamber
on Friday, 19 December 2003, at 2:30 pm

Members present:

Hon NG Leung-sing, JP (Deputy Chairman)
Hon Kenneth TING Woo-shou, JP
Hon James TIEN Pei-chun, GBS, JP
Dr Hon David CHU Yu-lin, JP
Hon Cyd HO Sau-lan
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, JP
Hon LEE Cheuk-yan
Hon Martin LEE Chu-ming, SC, JP
Dr Hon Eric LI Ka-cheung, GBS, JP
Dr Hon David LI Kwok-po, GBS, JP
Hon Fred LI Wah-ming, JP
Hon Margaret NG
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching, JP
Hon CHAN Kwok-keung, JP
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, JP
Hon CHAN Kam-lam, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai
Hon Andrew WONG Wang-fat, JP
Hon WONG Yung-kan

Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum
Hon YEUNG Yiu-chung, BBS
Hon LAU Wong-fat, GBS, JP
Hon Miriam LAU Kin-yea, JP
Hon Ambrose LAU Hon-chuen, GBS, 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
Dr Hon LAW Chi-kwong, JP
Hon TAM Yiu-chung, GBS, JP
Dr Hon TANG Siu-tong, JP
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, JP
Hon Henry WU King-cheong, BBS, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Michael MAK Kwok-fung
Hon Albert CHAN Wai-yip
Hon LEUNG Fu-wah, MH, JP
Dr Hon LO Wing-lok, JP
Hon WONG Sing-chi
Hon Frederick FUNG Kin-kee
Hon IP Kwok-him, JP
Hon LAU Ping-cheung
Hon Audrey EU Yuet-mee, SC, JP
Hon MA Fung-kwok, JP

Members absent:

Dr Hon Philip WONG Yu-hong, GBS (Chairman)
Dr Hon LUI Ming-wah, JP
Hon Mrs Selina CHOW LIANG Shuk-yea, GBS, JP
Hon James TO Kun-sun
Hon LAU Chin-shek, JP
Hon LAU Kong-wah, JP

Public officers attending:

Mr Alan LAI Nin, GBS, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Miss Elizabeth TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr K K LAM	Principal Executive Officer (General), Financial Services and the Treasury Bureau (Treasury)
Mrs Marion LAI, JP	Deputy Secretary for Commerce, Industry and Technology (Communications and Technology)
Mr Tony LI	Principal Assistant Secretary for Commerce, Industry and Technology (Communications and Technology)
Mr Patrick HO	Financial Controller of Office of the Telecommunications Authority
Mrs Pamela TAN, JP	Director of Home Affairs
Mr Isaac CHOW, JP	Deputy Director of Home Affairs
Mr LEE Kam-chung, JP	Assistant Director of Home Affairs
Mr David LEUNG	Senior Administrative Officer of Home Affairs Department
Prof Arthur LI Kwok Cheung, GBS, JP	Secretary for Education & Manpower
Ms Irene YOUNG	Principal Assistant Secretary for Education and Manpower
Mr Michael STONE, JP	Secretary-General, University Grants Committee

Clerk in attendance:

Ms Pauline NG	Assistant Secretary General 1
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Staff in attendance:

Miss Becky YU	Chief Council Secretary (1)1
Mrs Mary TANG	Senior Council Secretary (1)2
Ms Caris CHAN	Senior Legislative Assistant 1
Mr Frankie WOO	Legislative Assistant 2

Action

In the absence of the Chairman, Mr NG Leung-sing, Deputy Chairman, took over the chair for the meeting.

Item No. 1 - FCR(2003-04)47

HEAD 55 – GOVERNMENT SECRETARIAT : COMMERCE, INDUSTRY AND TECHNOLOGY BUREAU (COMMUNICATIONS AND TECHNOLOGY BRANCH)

◆ **Subhead 700 General other non-recurrent**

Hosting of the International Telecommunication Union TELECOM WORLD 2006

2. The Chairman informed members that the Panel on Information Technology and Broadcasting (ITB Panel) was consulted on the proposal at its meeting on 23 October 2003.

3. Mr SIN Chung-kai said that the ITB Panel supported in principle the hosting of the International Telecommunication Union (ITU) TELECOM WORLD 2006 (World 2006) in Hong Kong having regard to its significant contribution to the economy of Hong Kong. Members of the Democratic Party were also supportive of the proposal. As the Member representing the Information Technology Functional Constituency, he urged members to support the proposal as well.

4. While acknowledging that the hosting of international events would likely bring about economic benefits to Hong Kong, Mr Albert CHAN pointed out that past experience, as in the case of “Hong Kong Harbour Fest”, showed that unforeseen circumstances might adversely affect the success of these events. He was concerned that once the in-principle approval was given, the Administration would be given the green light to proceed with the World 2006 at all costs. As the public might have to bear the consequential costs, there was a need for the Administration to apprise members of any possible unforeseen circumstances that might occur in hosting the event. The Deputy Secretary for Commerce, Industry and Technology (Communications and Technology) (DS(CIT)) said that having successfully hosted the ITU TELECOM Asia in 2000 and 2002 which were highly acclaimed by ITU, the Administration was confident that it could successfully host the World 2006 as well, albeit on a much larger scale. While the Administration did not envisage any unforeseen problems in hosting the event, it would work closely with ITU in meeting its requirements.

5. Mr Albert CHAN expressed doubt over the Administration’s assurance as the same was also given to the Disney Project which later turned out to be beset with problems. To enhance public confidence in the success of hosting the World 2006, he considered it necessary for a proper management system to be worked out. DS(CIT) said that if Hong Kong was successful in its bid to host the event, it would set up a secretariat to be headed by an officer at directorate grade (D2 level) with 38 other staff to be employed for varying periods depending on the work to be performed. In response to Mr James TIEN, DS(CIT) advised that it would be feasible for part of the staff to be seconded from other Government departments, but they would also recruit staff from the private sector with experience in promoting and organizing international events. These staff would be offered short-term

contracts for periods ranging from nine to 27 months, depending on the individuals' duties and responsibilities. If the staff to be seconded from other departments would not incur cost to the Secretariat, as might be the case in some, if not all, of these seconded staff, the \$15 million estimated expenditure for the Secretariat might not need to be incurred in full.

6. Mr Howard YOUNG expressed support for the proposal, which was welcomed by the tourism industry given the economic benefits it would bring to Hong Kong. He however drew the Administration's attention to the need for good co-ordination in hosting the event, particularly with regard to the provision of adequate hotel facilities for incoming visitors. Mr CHAN Kam-lam said that while Members of the Democratic Alliance for Betterment of Hong Kong were supportive of hosting the event in Hong Kong, he was also concerned if there were enough hotel facilities to accommodate all the visitors. According to the Administration, the event would attract 100 000 visitors to Hong Kong.

7. DS(CIT) advised that by 2006, there would be an overall supply of more than 50 000 hotel rooms in Hong Kong, which would far exceed ITU's minimum requirement to reserve 6 000 hotel rooms for the event. She added that prior support of the hotel industry had been obtained. This included the offer of discounted hotel rates to overseas visitors attending the event which would add attraction to the event. The Administration would continue liaising with the hotel industry to ensure successful hosting of the event. Mr James TIEN expressed concern that the overall supply of 50 000 hotel rooms would not be adequate to accommodate the 100 000 overseas visitors as some of the visitors would not be sharing rooms. DS(CIT) said that not all the 100 000 overseas visitors would be coming to Hong Kong at the same time and some of the visitors from the Mainland might only be spending a short while in Hong Kong.

8. Noting that the ITU TELECOM WORLD event had all along been held in Geneva, Ms Emily LAU enquired why ITU chose to organize the event outside its home base in 2006. She also asked how Hong Kong could actively lobby the ITU Secretariat and the TELECOM Board to enlist their support for Hong Kong's bid given that there was yet no stated bidding process or timetable. DS(CIT) explained that ITU TELECOM World had all along been held in Geneva. However, it was generally felt among participants that the hotel rates and venue costs in Geneva were too high. It was the first time that ITU formally put TELECOM World up for bidding, hence there was no stated bidding procedure or time-table for World 2006. In view of the benefits which hosting the event would bring, Hong Kong expressed interest in bidding for it and the Central People's Government submitted to ITU in March 2003 an expression of interest on our behalf. As far as she was aware, Istanbul and Geneva had also made a presentation to the ITU TELECOM Board at World 2003 in October 2003. The TELECOM Board would meet separately to review the bids and make recommendations to the Secretary to ITU for a decision in early 2004.

9. Ms Emily LAU was of the view that Istanbul and Geneva should not be able to compete with Hong Kong given the former's political situation and the latter's high hosting cost. DS(CIT) said that these two cities were keen in bidding for the event and had made much effort in their lobbying work. There were a few more cities which had indicated interest in hosting the event but as far as she knew, they had not made presentation to the ITU TELECOM Board. She added that the Administration had been actively lobbying ITU TELECOM Board members who were telecom corporations with representative offices in Hong Kong. The Central People's Government had also given Hong Kong its support in bidding for the event.

10. Ms Emily LAU noted that the venue for holding WORLD 2006 would be at Phase I of the International Exhibition Centre (IEC) which was still under construction. Mr James TIEN also expressed concern about the progress of the construction work lest the venue might not be ready in time for the event in 2006. DS(CIT) assured members that the contract for the construction works of IEC Phase I was awarded in August 2003 for completion in December 2005. As World 2006 was to be held in late 2006, the venue would be ready in time for the event. Besides, the contractors would strive to meet the construction deadline to enable the venue to be available for this highly prestigious event to help launch IEC to the world.

11. Having regard to the commercial nature of IEC, Ms Emily LAU questioned whether it was fair for the Administration to propose IEC to ITU as the venue for hosting the event lest this might give rise to complaints against unfair competition from other venue providers. Given that the demand for exhibition space for World 2006 would be subject to global economy and performance of the information and communications technology (ICT) industry sector at the time, Ms LAU opined that Hong Kong might need to show its ability to meet the demand for additional exhibition space through, for example, the use of other existing exhibition facilities in the city centre. DS(CIT) explained that IEC was the only venue in Hong Kong that could meet the stringent requirements set out by ITU. While IEC should be able to meet the general demand, additional spaces could be made available at other in town convention/exhibition facilities where necessary. In fact, the ITU TELECOM Asia 2000 and 2002 were both held in the Wanchai Convention Centre.

12. In response to Mr CHAN Kam-lam's question, DS(CIT) clarified that the estimated expenditure of \$70 million was meant to deliver the host government obligations as required by ITU. These would include the setting up of a Hong Kong China Secretariat to liaise with ITU for overall planning and execution, social receptions, publicity, hospitality services, transportation, security and technology support. While the sum of \$70 million should be able to cover the expenses to meet these obligations, it was not intended that the Government should underwrite the costs of hosting the event if the expenditure exceeded the estimated budget. The Administration had already secured some commercial sponsorships and would continue its efforts to secure more sponsorships in an attempt to reduce the total cost.

13. On the expenditure for social receptions, DS(CIT) advised that the host government had the obligations to hold a press luncheon for 2 500 persons for the media covering the international event, which was expected to draw a large press and media contingent from all over the world.

14. Noting that a World Youth Forum would be organized where some 380 talented university students selected from ITU's member states would be given a chance to have interactive dialogue with leaders of ICT sector, members considered that Hong Kong should select its own students to attend the Forum based on nominations from local tertiary institutions. DS(CIT) confirmed that students from Hong Kong's tertiary institutions would participate at this Forum.

15. The Committee approved the proposal.

Item No. 2 - FCR(2003-04)48

HEAD 63 – HOME AFFAIRS DEPARTMENT

♦ **Subhead 000 Operational expenses**

♦ **Subhead 700 General other non-recurrent**

Modifications to the remuneration for Members of the District Councils

16. The Chairman said that members were invited to approve modifications to the remuneration package for District Councils (DC) members with effect from 1 January 2004. He advised that the subject was discussed by the Panel on Home Affairs on 28 November 2003.

17. Ms Cyd HO, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Miss CHOY So-yuk and Mr Andrew CHENG declared interest as DC members for the 2004-07 term.

18. Mr IP Kwok-him, Chairman of the Panel on Home Affairs, highlighted the salient points raised during deliberation of the Panel. He said that there were three different types of views on the adjustment mechanism of the Operating Expenses Allowance (OEA) as follows -

- (a) OEA should be adjusted annually according to the movement of Consumer Price Index (A) (CPI(A)), be it an inflation year or a deflation year, as recommended by the Independent Commission on Remuneration for Members of the District Councils for the Hong Kong Special Administrative Region (the Commission);

- (b) only upward adjustment of OEA, if any, should be allowed whereas any downward adjustment of OEA should be deferred to the subsequent term and made according to the accumulative deflationary effect as in the present case; and
- (c) adjustment of OEA, be it upward or downward, should be deferred to the subsequent term according to the accumulative inflationary or deflationary effect, as the case might be.

As the Member representing the District Council Functional Constituency, Mr IP said that he had conducted a survey to gauge the views of DC members on the adjustment mechanism. Of the 83 respondents, 50.6% accepted the Commission's recommendation, 21.7% supported status quo for the entire four-year term while 27.7% considered that only upward adjustment should be allowed. While he personally felt that the current level of OEA was insufficient to support the service of DC members, Mr IP said that Members of the Democratic Alliance for the Betterment of Hong Kong were in support of the adjustment mechanism recommended by the Commission.

19. Mr Andrew WONG however held the view that the existing adjustment mechanism, under which any downward adjustment of OEA would be deferred until such was offset by upward adjustment in subsequent inflation years, was more appropriate to meet the contractual obligations of DC members and hence should be maintained. Mr Tommy CHEUNG said as the Panel could not reach a consensus on the adjustment mechanism, Members of the Liberal Party were inclined to support the mechanism recommended by the Commission which was in line with that for LegCo Members.

20. Mr LEE Cheuk-yan was opposed to the Administration's proposal of adjusting the amount of OEA annually according to the movement of CPI(A), be it an inflation year or a deflation year. He was concerned that any downward adjustment of OEA might cause financial difficulties for DC members to meet their contractual obligations under, in particular, employment contracts which carried fixed financial commitments during the contractual period. As a result, DC members might have to cut staff salary.

21. The Director of Home Affairs (DHA) explained that the proposed adjustment mechanism formed part of the recommendations of the Commission. The Commission noted that the existing adjustment mechanism, which allowed any downward adjustment of OEA in a deflation year to be deferred to a subsequent inflation year, had attracted public criticism that DC members would never have to face any reduction OEA in deflation years. Moreover, such an arrangement was not in line with that for LegCo Members under which revisions were made in both inflation and deflation years. The Commission therefore recommended that for the 2004-07 DC term, the amount of OEA should be revised annually according to the movement of CPI(A), be it an inflation year or a deflation year. She added that

apart from staff remuneration, OEA also included operating expenses, such as rentals of office accommodation which had dropped 10% to 30% over the past few years, depending on the districts. The savings of which could be used to cover other expenses. Mr LEE Cheuk-yan however pointed out that new DC members who had to establish new ward offices might not be able to benefit from such savings.

22. Mr CHAN Kam-lam asked if consideration had been given to providing a separate grant for new DC members to establish ward offices and for those re-elected to maintain their existing offices. DHA advised that the Commission recognized that more expenses would be incurred when setting up a new ward office. It had therefore proposed that OEA for DC members should be provided on an annual basis rather than on a monthly basis. This would provide greater flexibility for DC members to submit larger claims, subject to the upper limit of OEA, during particular month(s) within a year as required for establishing new ward offices.

23. Ms Emily LAU supported the adjustment mechanism recommended by the Commission which was in line with that for LegCo Members. She however considered that there was a need to review the current level of OEA as it was insufficient to support the service of DC members, particularly when the number of people serviced by each DC member had increased. To help ascertain the adequacy of OEA, DC members should be allowed to submit, for record purpose, all claims even if they exceeded the OEA limit. This would enable the Commission to understand how much had actually been incurred in discharging their DC duties. To avoid any public misunderstanding, Ms LAU suggested that OEA should be renamed as it was in fact not an allowance but reimbursement of the expenses incurred in performing the public service. Consideration should also be given to providing certain amount of OEA upfront to DC members to alleviate their financial burden as in the case of LegCo Members. She further pointed out that the one-off reimbursable Information Technology (IT) and Other Support Grant of \$10,000 was far from enough to provide the necessary IT support for the entire four-year term.

24. DHA advised that the total number of DC seats had increased by 10 taking into account the population growth. As a result, the number of people serviced by each DC member would remain at around 17 000 as before. She also agreed to look into the nomenclature for OEA to better reflect its nature as well as the need to provide certain amount of OEA upfront to DC members. In fact, the Administration had prepared a list of items which should be allowed for reimbursement under OEA for the avoidance of doubt. As regards the review of OEA level, DHA said that it would not be appropriate for the Administration to interfere with the operation of the Commission given its independent status. She nevertheless undertook to relay Ms LAU's suggestions to the Commission for consideration as soon as practicable.

25. Mr LEUNG Yiu-chung opined that there should be standing arrangements for the Commission to meet regularly to discuss matters. He then enquired about the criteria which the Commission had adopted in determining the level of OEA. The Deputy Director of Home Affairs explained that the Commission was tasked to carry a review of the remuneration package for DC members before the start of the new DC term and make recommendations to the Government. Following a review of the role and functions of DCs by the Home Affairs Bureau in July 2001, the Commission was set up to look into the remuneration package of DC members to ascertain if this could truly reflect their work. Taking into account views expressed by DC members, the nomenclature of OEA had been adopted and the OEA level had also been increased from \$10,000 to \$17,000. The current review was conducted for the new DC term. During the past two years, the Commission had examined a wide range of issues related to the remuneration package for DC members of the new term taking into account views collected by the Administration through different channels. The Assistant Director of Home Affairs added that while there was no pre-determined formula for calculating OEA, reference had been made to prevailing situations such as pay and rental trends as well as past reimbursement records of OEA. At members' request, the Administration undertook to provide details on the reimbursable OEA claimed broken down by membership type (appointed or elected) and known political party affiliation.

26. The Committee approved the proposal.

Item No. 3 - FCR(2003-04)49

HEAD 190 – UNIVERSITY GRANTS COMMITTEE

♦ Subhead 000 Operational expenses

Total recurrent funding requirement of the University Grants Committee-funded institutions for the 2004/05 academic year

27. The Chairman informed members that the Panel on Education was consulted on the proposal at its meetings on 1 and 9 December 2003.

28. Mr YEUNG Sum declared interest as a staff member of The University of Hong Kong. He said that Members of the Democratic Party were opposed to the funding proposal and he called upon other members to object against the proposal as well. He pointed out that the 10% efficiency savings requested by the Financial Secretary to reduce the budget deficit coupled with the previous university funding cuts over the past years had already given rise to serious financial impacts on the University Grants Committee (UGC)-funded institutions. As a result, a number of austerity measures, including the conversion of publicly-funded sub-degree programmes into self-financing ones, and the reduction in subsidies for associate degree programmes and master degrees programmes, had been introduced. These measures would not only adversely affect the quality of education but also the morale of staff and students. The proposed funding cuts would inevitably

aggravate the situation and cause irreparable damage to the university education system. He urged the Secretary for Education and Manpower (SEM) to discuss further with the Chief Executive or the Financial Secretary on the merits of the present proposal and to re-open dialogue with the university heads.

29. SEM expressed appreciation for members' concern about university education. He pointed out that the heads of the eight universities had accepted the funding proposal. He had also consulted the Panel on Education and was not aware of any objection to the proposal. Nevertheless, in view of members' reservation over the funding cuts, the Administration was prepared to withdraw the proposal. He agreed to discuss with the Financial Secretary, university heads and UGC before considering the way forward.

30. Ms Miriam LAU asked whether the proposal had had the support of the Panel on Education. Mr YEUNG Yiu-chung, Chairman of the Panel on Education, said that when the proposal was discussed by the Panel at its meeting on 9 December 2003, members only raised some questions on the proposal and no voting had taken place. Mr CHEUNG Man-kwong confirmed that this was the case. Ms LAU said that in future, the Administration should endeavour to ascertain members' stance before submitting the proposal to the Finance Committee.

31. The proposal was withdrawn.

32. The Chairman informed members that, on the request of the Administration, the next meeting of the Finance Committee originally scheduled for 16 January 2004 had been advanced to be held on 7 January 2004 at 9:00 am to discuss, among other items, the urgent proposal to enhance the infection control facilities in six public hospitals.

33. The meeting was adjourned at 4:05 pm.