

For information

**LEGISLATIVE COUNCIL PANEL ON
PLANNING, LANDS AND WORKS**

**Start-up Loan to the Proposed
Construction Workers Registration Authority**

PURPOSE

This paper informs Members of the Administration's proposal to seek the approval of the Finance Committee (FC) to provide a start-up loan of \$23.4 million from the Loan Fund to the proposed Construction Workers Registration Authority (CWRA) to meet the anticipated deficit in the initial years of its operation upon establishment.

JUSTIFICATION

2. For implementing a mandatory registration system for construction workers, the Construction Workers Registration Bill was introduced into the Legislative Council on 19 March 2003. The Bill is now under scrutiny by a Bills Committee. Subject to passage of the Bill, an independent statutory CWRA will be set up to administer the Construction Workers Registration Ordinance.

3. To alleviate the burden of construction workers in paying the registration/renewal fees, a levy will be imposed on construction works to provide the major source of funding for the CWRA and the running costs of the proposed registration system. Based on the previous experience in the imposition of levy on construction works under other ordinances, the full-year effect of the levy income will take about five years to build up.

As such, a loan is required for the CWRA to meet the deficit in the initial years upon its formation.

THE PROPOSAL

4. We propose that a loan in the total amount of \$23.4 million be provided from the Loan Fund to the CWRA in the initial years upon passage of the Construction Workers Registration Bill and the establishment of CWRA. Interest for the loan will be charged at the Government's "no-gain-no-loss" interest rate*, in line with the principle that the CWRA should be financed by the construction industry.

5. Assuming that the CWRA can be established in July 2004, it is estimated that the CWRA will drawdown the loan in three years from 2004-05 to 2006-07 and repay the loan by nine annual equal instalments together with the accrued interest from 2009-10.

6. The Administration in conjunction with the CWRA would closely monitor the financial situation of the latter and would consider increasing the levy and/or the registration fees if it is found necessary to do so to restore the financial viability of CWRA.

FINANCIAL IMPLICATIONS

7. The proposal to grant a start-up loan at Government's "no-gain-no-loss" interest rate would not give rise to additional financial implications for the Government.

BACKGROUND

8. In response to requests from the construction industry, the then Construction Advisory Board decided in July 1999 to set up a Working Group to study the proposal for implementing a construction workers registration system.

* The "no-gain-no-loss" interest rate is currently set at 2.174% below the average best lending rate of the note-issuing banks.

9. In view of the envisaged benefits of a registration system including ensuring quality of construction works through skill certification of workers, making available more reliable manpower data to facilitate manpower planning and training and fostering a quality culture in the construction industry, the Administration endorsed the recommendations of the Working Group and decided to implement a mandatory registration system for construction workers by way of legislation.

WAY FORWARD

10. Subject to the passage of the Construction Workers Registration Bill, we intend to put up the loan proposal to FC in May/June 2004 for approval.

Environment, Transport and Works Bureau
April 2004