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, 16 December 2005, at 2:30 pm

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Hon CHAN Kam-lam, SBS, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Martin LEE Chu-ming, SC, JP
Dr Hon David LI Kwok-po, GBS, JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, SBS, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon SIN Chung-kai, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Dr Hon YEUNG Sum
Hon LAU Chin-shek, JP
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon CHOY So-yuk, JP

Hon Andrew CHENG Kar-foo
Hon Timothy FOK Tsun-ting, GBS, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon LI Kwok-ying, MH
Dr Hon Joseph LEE Kok-long
Hon Daniel LAM Wai-keung, BBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon MA Lik, GBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG
Hon KWONG Chi-kin
Hon TAM Heung-man

Members absent:

Hon LEUNG Yiu-chung
Hon Howard YOUNG, SBS, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Alan LEONG Kah-kit, SC
Hon CHEUNG Hok-ming, SBS, JP
Hon CHIM Pui-chung

Public officers attending:

Mr Frederick MA Si-hang, JP	Secretary for Financial Services and the Treasury
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 Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Ms Eva CHENG, JP	Commissioner for Tourism
Miss Patricia SO	Assistant Commissioner for Tourism
Mr Martin GLASS, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)2
Miss Glenda CHAN	Principal Economist Financial Secretary's Office
Dr Allan ZEMAN, GBS, JP	Chairman of the Board (Ocean Park Corporation)
Mr Tom MEHRMANN	Chief Executive (Ocean Park Corporation)
Mr Matthias LI	Executive Director (Ocean Park Corporation)
Ms Salina YAN	Deputy Secretary for Health, Welfare and Food (Elderly Services and Social Security)
Miss Nancy LAW, JP	Deputy Director of Social Welfare (Administration)
Mr D C CHEUNG	Principal Assistant Secretary for Health, Welfare and Food (Elderly Services and Social Security)
Mr CHENG Chok-man	Chief Social Security Officer 1 Social Welfare Department
Mr LAI Shiu-bor	Chief Social Security Officer 2 Social Welfare Department
Mr Kenneth NG	Senior Statistician Social Welfare Department

Clerk in attendance:

Ms Pauline NG	Assistant Secretary General 1

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)1
Mr Frankie WOO	Legislative Assistant (1)2

Item No. 1 - FCR(2005-06)34

RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE MADE ON 23 NOVEMBER 2005

Referring to PWSC(2005-06)28 on the "Development of Chinese medicine clinics in the public sector", Mr WONG Kwok-hing enquired if consideration could be given to increasing the daily quota of services at the existing Chinese medicine clinics. As Mr WONG had not given prior notice for discussion of the item, the Chairman said that representatives of the Administration had not been invited to attend the meeting to answer members' questions. She therefore requested the Administration to provide a written response to Mr WONG's question.

2. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 2 - FCR(2005-06)35

LOAN FUND
HEAD 274 – TOURISM
- **New Subhead "Loan for the Ocean Park Redevelopment Plans"**

3. The Chairman informed members that the Panel on Economic Services (ES Panel) was consulted on the proposal at its meeting on 28 November 2005. She also drew members' attention to a supplementary information note on the attendance figures and the proposed funding arrangement for Ocean Park which was tabled at the meeting.

(*Post-meeting note*: The supplementary information note was subsequently circulated to members vide FC18/05-06.)

4. Mr Patrick LAU declared interest as one of the board directors of Ocean Park Corporation (OPC).

5. Mr James TIEN, Chairman of ES Panel, said that the Panel was supportive of the proposal in principle, but was concerned about the impact of the increased patronage of Ocean Park after its redevelopment on the traffic within the Southern District. In this connection, the Administration was urged to proceed with the construction of South Island Line East (SIL(E)) as soon as possible in order to meet the anticipated traffic growth in the Southern District. The Panel had also discussed the option of financing the redevelopment through issuance of bonds by OPC. Details of the discussion were set out in the minutes of Panel meeting on 28 November 2005 circulated under LC Paper No. CB(1)528/05-06.

Action

Financing arrangements

6. Referring to the paper and the supplementary information note, the Chairman asked the Administration to clarify the extent of funding support on the part of the Government. She enquired if the subordinated loan or the guaranteed loan would be correspondingly reduced where the actual project cost was lower than the cost estimate of $5.55 billion. The Deputy Secretary for Financial Services and the Treasury (Treasury)2 (DS(Tsy)2) said that under normal circumstances, OPC would not draw down the full extent of the loan if the project cost was below the cost estimate as it would not be in the interest of OPC to borrow more than what was required. The Commissioner for Tourism (CT) added that the project cost was capped at $5.55 billion. OPC Chairman said that OPC was aware that $5.55 billion was the ceiling, and that it would not spend more than the said amount, nor would it expect to seek further funding from the Finance Committee (FC). In the event that the actual project cost was less than the cost estimate, OPC would procure a smaller amount of loan.

7. Noting that the Government would provide a subordinated loan of $1,387.5 million under the Loan Fund to OPC for a period of 25 years at a fixed interest rate of 5% per annum, Mr SIN Chung-kai enquired about the basis upon which the interest rate was arrived at. DS(Tsy)2 said that the fixed interest rate for the subordinated loan was set at a "no gain no loss" rate for the Government. It was also in line with the previous "Ocean Park Lowland Redevelopment Fund" offered to OPC some years ago, and comparable to other Government loans to non-profit making organizations, such as the Housing Society, as well as the estimated rate of return from the Exchange Fund.

Projections on revenue and patronage

8. Dr KWOK Ka-ki said that as a frequent patron of Ocean Park, he would welcome the proposed redevelopment. Noting that the redevelopment plans were based on an optimistic estimate that the number of visitors would increase from 3.4 million in 2007-08 to over 5 million by 2010-11 and over 7 million by 2021-22, he was concerned about the financial outlay of the Park if the patronage and revenue fell below the estimates. He also noted that the redevelopment cost of Ocean Park, amounting to $5.55 billion, was exclusive of the tourism development of Southern District and Aberdeen and enquired about the total capital investment if the latter was to be included.

9. In response, CT confirmed that the redevelopment cost of $5.55 billion had not included the tourism development of Southern District and Aberdeen, nor the cost of developing hotels within Ocean Park which would require amendments to the Ocean Park Corporation Ordinance (Cap. 388) to allow OPC to operate hotels. The projections on patronage and revenue were based on very conservative estimates and had not taken into account the increased patronage arising from the development of hotels within the Ocean Park. The three proposed hotels would be built using

different themes, one of which being the Fishermen Wharf. For the Aberdeen tourism development project, TC would further consult and brief the ES Panel on the development when the planning parameters had been worked out. The OPC Chairman affirmed that the projections on attendance were based on prudent estimates. While agreeing with CT that the attendance would drop during the construction period in 2007-08, this was not expected to drop significantly since there would be minimal interference of the services and entertainment programmes offered by Ocean Park, particularly when new attractions would continue to be launched. The attendance was expected to rise in 2008-09 to about 4.2 million with the completion of Phase I. As regards the provision of hotels within Ocean Park, OPC Chairman advised that this was still under study, but OPC would unlikely be operating the hotels. Consideration would be given to engaging an experienced hotelier to finance and operate them.

10. Dr KWOK Ka-ki then enquired if the proceeds from operating the hotels would be ploughed back to OPC for repayment of the loan for the redevelopment of the Park. CT said that details on the funding arrangements for the hotels had yet to be worked out. In the event that the patronage and revenue projections for the Park were lower than expected, the repayment period would be extended. The Executive Director, OPC (ED,OPC) said that a study on the different repayment options had been made. Based on the repayment periods of 15 years for commercial loans and 25 years for Government loans, it was expected that Ocean Park would be able to repay the loan within 16 years. In the event that the attendance decreased by 13%, based on a conservative estimate, the repayment period would have to be extended to 22 years.

11. Mr Bernard CHAN said that he would like to express his staunch support for the proposal on behalf of Members of the Alliance. He said that he and his family had enjoyed patronizing the Ocean Park and would go there almost weekly using the annual passes which he found most useful and value for money. As a frequent visitor of the Park, he was more concerned about the overcrowding of the Park, particularly over the weekend, and the crowd control of spectators at the end of major shows. He held the view that instead of accommodating three hotels within the Park, consideration should be given to providing land for two hotels, thereby leaving more space for the redevelopment of the Park for the enjoyment of the public.

12. CT said that the total development area of the Park would be increased from about 30 hectares to 43.8 hectares upon redevelopment. As regards the three hotels, CT advised that they would be situated in different locations. One of them would be located near the entrance to the Park while the one with a Fishermen Wharf theme would be located at the Waterfront near the Tai Shue Wan. There would be only one hotel situated within the Park. OPC Chairman added that upon redevelopment of the Ocean Park, the number of attractions would be increased from 35 to 70, the number of shows from four to 12, the number of exhibits from nine to 18 and the number of rides from 21 to 36. According to a consultancy study, there would be enough attractions as well as space to cater for the needs of the visitors which were expected to reach 38 600 per day in 2010. On average, 50% of the visitors were Mainland

tourists, 40% were locals and the remaining were mostly tourists from Southeast Asia or other countries. Although the Park was highly patronized, particularly during weekends and public holidays, it was not overly crowded. Besides, there was always a good atmosphere with the crowds. Mr Bernard CHAN reiterated that there should be suitable crowd control so that visitors would be able to enjoy themselves.

13. The Chairman enquired about the extent of competition which Ocean Park had experienced since the opening of Hong Kong Disneyland (HKD). OPC Chairman said that in working out the financial projections for Ocean Park, OPC had used a worst case scenario that its attendance would drop with the opening of HKD. However, it turned out that the attendance of Ocean Park was above the projected figures despite the opening of HKD in September 2005. So far, Ocean Park was doing very well as some of the visitors were visiting both parks.

Engagement of consultants

14. Mr LEUNG Kwok-hung enquired about the basis upon which the capital costs for the redevelopment project was derived, the means through which consultants were engaged to work out the cost estimates, and the assessment which had been made to ensure the accuracy of the estimates. He said that FC should closely monitor the cost estimates to prevent any over-spending of public money. Given that 50% of the visitors to Ocean Park were Mainland tourists, he expressed concern that such percentage could not be sustainable in the long run as many similar attractions have since been introduced in the Mainland, which might draw away a significant number of tourists from Ocean Park. CT advised that the breakdown on the capital costs was worked out by engineering and surveying consultants engaged by OPC. In examining the financial arrangements for the redevelopment project, the Administration had also appointed a financial adviser to examine the cost estimates for the works and was satisfied that these were reasonable. Upon approval of the funding arrangement by FC, OPC would proceed with the detailed design of the redevelopment project and award the works contracts through open tender. A more detailed breakdown on the capital cost of $5.55 billion could then be provided.

15. ED,OPC further explained that the engagement of engineering and surveying consultants to work out the capital cost estimates had gone through the Park's tendering process, the guidelines for which had been approved by the Board of Directors of OPC, and prepared with the assistance of the Independent Commission Against Corruption. It was also worth to note that there were not too many such consultants available in Hong Kong and some of them had taken part in the estimates for public construction projects. To facilitate members' understanding,

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Mr LEUNG Kwok-hung requested the Administration to provide the tendering guidelines and the minutes of meetings related to the consultancy studies. CT said that while the guidelines could be made available to members for reference, it might not be appropriate to disclose the minutes of the meetings as these might contain commercially sensitive information. Besides, the disclosure of tender information might prejudice future tenders of OPC. To address Mr LEUNG Kwok-hung's concerns about the impartiality of the tendering procedure, Mrs Sophie LEUNG said that it might be necessary for OPC to provide a written explanation on the tendering arrangements.

Transport infrastructure

16. While supporting the proposal since the redevelopment of Ocean Park would attract more tourists and boost the tourism industry, Dr YEUNG Sum was concerned that the present transport infrastructure in the Southern District could not cope with the growing traffic demand. At present, the Deep Bay Road was already very congested and the Aberdeen Tunnel had to be closed periodically during peak hours. He sought the views of the OPC Chairman and CT on whether the provision of SIL(E) would complement the development of tourism and if so, whether they would pursue with the Government for its construction.

17. OPC Chairman agreed that the provision of SIL(E) would not only provide a convenient means of transportation for visitors, but also link up Ocean Park and HKD through a half-hour ride. With the provision of premium hotels in Ocean Park, visitors would tend to stay longer and visit both parks, thereby creating a win-win situation for Hong Kong. CT noted that while the provision of SIL(E) was welcome from a tourism point of view, the Administration had already pointed out at the meeting of the ES Panel on 28 November 2005 that, apart from promoting tourism, there were other factors which had to be taken into consideration in the provision of railway infrastructure. The Environment, Transport and Works Bureau had been examining the economic and transport performance of the proposed SIL, the financial implications, the impact of the new rail on road-based public transport modes, the changing community needs and the changes in the relevant planning parameters. It would review the way forward for SIL taking into account all factors, including the redevelopment of Ocean Park as well as the results of the review of the planning of tourism and commercial development in the Southern District to be completed by the Planning Department by the end of 2005. A decision on the way forward for SIL was expected to be made in the first quarter of 2006.

Job opportunities

18. Mr WONG Kwok-hing was pleased to note that the Ocean Park would be developed as the "People's Park". He enquired about the number and types of jobs which would be created as a result of the proposed redevelopment. CT advised that the redevelopment project would directly and indirectly generate some 2 600 to 4 000 additional full-time jobs upon the opening of Phase I in 2008-09, rising to some 11 300 to 12 800 in 2021-22. While a smaller fraction of the jobs created would be at management level, the majority of the jobs would be frontline. The Chief Executive, OPC (CE,OPC) supplemented that the redevelopment project would bring about significant economic benefits to Hong Kong as OPC would be doubling its workforce between now and the redevelopment of the Park. Mr WONG commended OPC for its efforts in bringing about job opportunities to the local workforce and he

hoped that it would set a good example for others to follow.

19. Mr LAU Chin-shek enquired if OPC was prepared to employ persons with disabilities as he was aware that HKD had declined to do so. Mr Albert CHENG said that HKD was at variance with its parent company in the United States which did have a quota on the number of disabled employees. He hoped that OPC would also set an employment quota for the disabled. CE,OPC advised that the operation of Ocean Park was in compliance with the Disability Discrimination Ordinance (Cap. 487), and that the disabled had been given a fair chance of employment. OPC Chairman also agreed to look into the suggestion of introducing an employment quota for employing the physically disabled. To facilitate members' understanding, Admin OPC was requested to advise whether it had plans to employ more persons with disabilities in future and the number of disabled persons currently employed by OPC.

20. Mr Abraham SHEK congratulated the Chairman and the Board of OPC for a job well done as their efforts would indeed help make Hong Kong a tourist centre. He said that Members of the Legislative Council had requested HKD to provide job opportunities for the disabled but in vain. He hoped that OPC would not fail Members in this respect and would provide not equal but more job opportunities for the disabled. OPC Chairman assured members that OPC would do whatever it could to provide employment opportunities for the disabled. Mr SHEK said that he would like to pass on this message to HKD so that it could follow suit.

Care for the elderly and underprivileged

21. Mr Fernando CHEUNG expressed support for the proposed redevelopment of the Ocean Park and remarked that Ocean Park had all along been providing a barrier-free access for the benefit of the physically disabled and he hoped that redevelopment of the Park would adopt a universal design to take into account the needs of all. He enquired if there were plans to enable all walks of life to enjoy the facilities being offered by the Park. OPC Chairman assured members that Ocean Park would be made the "People's Park" for the enjoyment of all, including the old and disabled, so its design would cater for the needs of all and would be easily accessible, even by wheelchairs. The shops and restaurants within the redeveloped park would be increased in number and size with a view to enhancing the appeal. Apart from free admission for seniors, annual passes would continue to be issued upon redevelopment of the Park so that holders could enjoy the facilities as often as they liked. There were also a number of events/programmes which would allow the needy families to participate. Mr CHEUNG considered that a standing arrangement should be introduced to enable the needy families to enjoy the facilities offered by the Ocean Park. CE,OPC said that a number of programmes were held jointly between OPC and the Community Chest as well as other charity organizations for the disabled and underprivileged children. These programmes would continue to be organized after the redevelopment of the Park.

22. Mr Albert CHENG said that he supported the funding for the redevelopment of Ocean Park. He however held the view that more concessions should be granted to the underprivileged. He said that the annual passes were too expensive and the underprivileged had found these quite unaffordable. He therefore concurred with Mr Fernando CHEUNG on the need for a policy to enable access of the underprivileged to Ocean Park and enjoy the facilities there. OPC Chairman said that OPC would continue to find ways to help the underprivileged. He pointed out that although Ocean Park was a non-profit making organization, it would still need to operate on prudent financial principles to ensure repayment of the loans. He nevertheless noted members' requests and would seriously look into the issue. The Chairman enquired about the number of underprivileged children who had benefited from the programmes organized by OPC. CE,OPC said that over 10 000 underprivileged children had participated in the programmes held in 2005. About 20 000 tickets were issued to the Community Chest in May 2005 for the benefit of underprivileged children. The charity event held in November 2005 were attended by over 4 000 children. He added that tickets at a concessionary price of $20 were also offered to welfare qualified groups.

23. Mr LAU Chin-shek indicated his support for the proposal and appreciation for the OPC Chairman's efforts in redeveloping the Ocean Park. He enquired if OPC would consider reverting back to the earlier arrangement where free admission was given to those aged 60 or above, as against the present arrangement where only those aged 65 or above could be entitled to free admission. ED,OPC said that the age requirement for free admission to the Ocean Park was set with reference to the concessionary arrangements of other public organizations. Mr LAU said that as Ocean Park purported to be a "People's Park", it should lower the age requirement for the benefit of the elderly. In the light of the member's suggestion, OPC Chairman agreed to review the age requirements for free admission to the Park and would revert back to members in due course.

24. Mr LEUNG Kwok-hung held the view that each Hong Kong citizen should be given a chance to visit Ocean Park for free. OPC Chairman said that he would want everyone to have a chance to visit the Ocean Park, but there was still a need to look at the commercial side. He would endeavour to identify ways so that more people could enjoy the facilities being offered by the Park.

25. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 3 - FCR(2005-06)36

Head 170 – SOCIAL WELFARE DEPARTMENT
- **Subhead 179 Comprehensive social security assistance scheme**
- **Subhead 180 Social security allowance scheme**

26. The Chairman informed members that the Panel on Welfare Services (WS Panel) was consulted on the proposal at its meeting on 14 November 2005.

27. Dr Fernando CHEUNG, Chairman of WS Panel, said that at the meeting on 14 November 2005, the Administration presented its proposal to revise the rates of standard payments under the Comprehensive Social Security Assistance (CSSA) Scheme and the Disability Allowance (DA) under the Social Security Allowance (SSA) based on the actual price movements of Social Security Assistance Index of Prices (SSAIP) in the previous year. Members of the Panel held the view that the proposed 0.4% adjustment was too low and not able to meet the needs of the old and the disabled, particularly when Hong Kong had re-entered an inflationary cycle after prolonged deflation. The recipients would find the proposed adjustment mechanism based on the actual price movements of SSAIP in the previous year not acceptable. At the Panel meeting, Mr LEE Cheuk-yan moved and members, except Mr James TIEN who abstained, passed a motion urging the Administration to reinstate the forecast methodology used before 2001 to adjust CSSA/SSA rates. According to the Administration, if movements in the SSAIP and other economic indicators pointed to persistent high inflation, consideration could be given to seeking funding approval from the FC for additional inflationary adjustments to the standard payment rates ahead of the new annual adjustment cycle. Dr Fernando CHEUNG said that the Subcommittee on Review of the CSSA Scheme (the Subcommittee) formed under the WS Panel would continue to pursue with the Administration on the reinstatement of the forecast methodology to adjust the standard payment rates under CSSA/SSA Schemes.

28. The Deputy Secretary of Health, Welfare and Food (Elderly Services and Social Security) (DS(HWF)) said that the proposed 0.4% adjustment to the standard payments under CSSA Scheme and DA under SSA Scheme had reflected the actual SSAIP movement since the last CSSA rate adjustments. The Administration had been monitoring the SSAIP movement and keeping the Subcommittee informed of the circumstances. As regards the forecast methodology of adjusting CSSA/SSA rates, DS(HWF) said that this was first introduced in 1989, but in view of the forecast errors and the resultant impacts on public spending over the years, it was decided that from 1999-2000 onwards, reference should made to the actual changes in SSAIP when adjusting the CSSA/SSA standard payment rates.

29. Mr Albert HO was concerned that the use of SSAIP movements for the past 12 months in adjusting the CSSA/SSA standard payment rates would incur a lag time of 15 months because three months were required to compile and approve the figures. This would adversely affect the livelihood of the poor in times of continuous inflation. He held the view that the use of SSAIP movements in 1999-2000 aimed at addressing the discrepancies between forecast and actual SSAIP movements arsing from a continuous period of unprecedented deflation brought about by the Asian financial crisis. However, this was only an isolated case and was not expected to recur, particularly when Hong Kong had re-entered an inflationary phase. He therefore considered it necessary for the Administration to accede to the WS Panel's request for the reinstatement of the forecast methodology, which could better meet the basic needs of the poor in times of inflation. Besides, even if the forecast methodology might have over-estimated SSAIP, this would unlikely result in a significant impact on

public spending. He opined that greater flexibility should be accorded to the adjustment mechanism to ensure that the basic needs of the poor would not be compromised. He added that the proposal of shortening the adjustment cycle from 12 to six months was not practicable since the evaluation of SSAIP movements took time.

30. Referring to Enclosure 2 to the information paper setting out the annual inflation adjustment for CSSA/SSA standard payment rates from 1989-90 to 1998-99, the Deputy Secretary for Financial Services and the Treasury (Treasury)1 pointed out that when the forecast inflation from 1989-90 to 1990-91 was less that the actual outturn, the difference was invariably made up in the subsequent year's increase. However, when there was an over-estimate on the forecast from 1993-94 to 1998-99, adjustments had not been made correspondingly. The forecast errors and the resulting impacts on public spending were noted by the Director of Audit (D of A). In his audit investigation into the administration of CSSA/SSA Schemes from late 1998 to early 1999, D of A commented that the combination of the over-estimation of SSAIP and the deviations from the stated annual inflationary adjustment mechanism in the past years had a significant impact on Government expenditure. To this end, the Administration had decided to adhere to the stated annual inflation adjustment mechanism in future in view of its certainty and objectivity.

31. Mr LEE Cheuk-yan said that the annual adjustment would not be as low as 0.4% if the Administration had taken on board the motion passed by the WS Panel on 14 November 2005. He failed to understand why the Government was so generous in its provisions to increase the staff establishment of the Chief Executive's Office and yet it was so mean to the recipients of CSSA/SSA Schemes. Miss CHAN Yuen-han said that the proposed increase of the CSSA/SSA standard payments by a mere 0.4% had put members in a difficult situation because objection to the proposal would deprive CSSA/SSA recipients of the adjustments albeit unreasonably low. She added that members had all along had reservations about the basis for calculating SSAIP which had failed to take account of certain expenses, such as those relating to travelling which were necessary for the unemployed to seek jobs.

32. DS(HWF) explained that CSSA payments had included both standard rates and supplements. Following the 1996 Review of the CSSA Scheme (1996 Review), the standard rates of specific categories of recipients, including able-bodied adults were adjusted upward. Special diet and travelling supplements were also provided to the old, the sick and the disabled while supplements for meals, travelling and textbooks were provided for needy school children. In 1998, the CSSA standard rates for the elderly were further revised upwards. An additional supplement of $100 per month for the severely disabled not living in institutions was introduced in November 2005. The Administration would continue to closely monitor the needs of the elderly and the underprivileged and would make adjustments to CSSA/SSA rates as and when necessary. Miss CHAN Yuen-han held the view that previous adjustments to CSSA/SSA rates were attributed to the persistent and continuous

efforts of members and welfare groups. She added that the level of adjustment would be much higher if travelling expenses were taken into account.

33. Referring to the proposed rates of standard payments under the CSSA/SSA Schemes in the Administration's paper, Mr WONG Kwok-hing noted that of the 30 items, 11 had increased by $5, nine by $10, four by $15, but no change to six items. Given that the 0.4 % increase was applicable across the board to all items under the CSSA/SSA Schemes, he questioned why no adjustments were made to those six items. DS(HWF) explained that no changes were made to items, including the monthly single parent supplement ($225) and the monthly community living supplement ($100), because the 0.4% increase was rounded up to the nearest $5. No adjustment was made to the Old Age Allowance because of the overshoot in previous years. In fact, the persistent drop in SSAIP from 1999 to 2003 had provided room for further downward adjustment by 10.7 %. As regards the Long Term Supplement (LTS) for family comprising five or more members, DS(HWF) pointed out that the 1996 Review had revealed that the annualized expenditure on replacement of major durable items by larger families (i.e. those with five or more members) was much less than the corresponding annual LTS and was in effect not significantly different from that of families with two to four members. The 1996 Review concluded that the LTS rate for such larger households should be frozen at the then newly revised 1996-97 level until it equated with that for families with two to four members. As the LTS rate for families with five or more members was subsequently frozen in 1997-98, it was proposed that the LTS rate for a family with five or more members should remain unchanged in this exercise.

34. Mr WONG Kwok-hing said that he found it hard to support the proposal because the Administration was too mean. He pointed out that the welfare payments were provided to help the poor. For the needy, an extra $5 would mean a lot to them. He therefore considered the current arrangement of rounding the amount of payment to $5 for administrative convenience inappropriate. The forecast methodology could have been implemented fairly if a proper administrative mechanism was in place. In response, DS(HWF) agreed to consider rounding up the figures to the nearest dollar in the next review of payments under CSSA/SSA rates for the benefit of the needy. If the said arrangement was adopted for the present adjustment, the rate of some of the items might be reduced after rounding to the nearest dollar.

35. Regarding the Administration's response on the rationale for not adjusting LTS for families comprising five or more members in line with SSAIP movements, Dr Fernando CHEUNG pointed out that LTS was not applicable to able-bodied persons but to those who were old, disabled or medically certified to be in ill-health and who have received CSSA for 12 months or more. The needs of these persons would not be reduced because of the size of the families. He therefore found it hard to accept that the LTS for larger families had to be frozen especially when this supplement had already been significantly reduced in 1999. Dr CHEUNG considered it inappropriate to apply the finding of a review conducted in 1996 rigidly to the current adjustment exercise. He also questioned if the 1996 Review was still

valid in today's situation. The Chief Social Security Officer 2 said that the decision to freeze LTS for larger households was made following the 1996 Review and was approved by FC. The purpose of the freeze was to equate the level of LTS for larger households with that of families with two to four members. DS(HWF) reiterated that the 1996 Review had revealed that annual expenditure of larger families with five or more members was in effect not significantly different from that of families with two to four members. Dr Fernando CHEUNG opined that the present LTS rate for larger families was based on an unscientific calculation and would need to be reviewed.

36. Mr Ronny TONG enquired about the adjustment mechanism and the time frame for the next review of the standard payments under CSSA/SSA Schemes. DS(HWF) said that the payments were adjusted annually taking into account SSAIP movements and inflation. The Administration would consult the WS Panel and the Subcommittee before seeking approval from FC on the proposed adjustments. She said that the SSAIP movements were expected to be quite stable in the near future, but in the event of persistent inflation, consideration could be given to seeking approval for inflationary adjustments to the standard payments rates before the annual review. The present 0.4% adjustment had reflected the SSAIP movements since the last CSSA rate adjustments. The Chairman said that members were more concerned about the fairness of the adjustment mechanism of CSSA/SSA payments, in particular the LTS for larger households. DS(HWF) said that the CSSA/SSA Schemes were regularly monitored by WS Panel and the Subcommittee. Mrs Sophie LEUNG held the view that FC should focus on the present proposal, which was meant to seek approval for the revised rates for standard CSSA/SSA payments, rather than policy issues which should be followed by the WS Panel and the Subcommittee.

37. Mr Abraham SHEK said that he would have no choice but to support the proposal because recipients concerned would not be able to benefit from the adjustments if the proposal was not approved. He hoped that the Administration would adopt a people-oriented approach in implementing CSSA/SSA Schemes, particularly when the economy had recovered. The Chairman said that the Administration should review the basis of calculating CSSA/SSA payments and revert to the WS Panel as soon as possible. DS(HWF) said that with the approval from FC, the Administration would make the adjustment to the rates of CSSA/SSA payments accordingly for the benefit of recipients. It would continue to take into account the needs of the elderly and the underprivileged in implementing the CSSA/SSA Schemes.

38. The Chairman put the item to vote. The Committee approved the proposal.

39. The meeting was adjourned at 4:30 pm.

Legislative Council Secretariat
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