

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 13th meeting
held at the Legislative Council Chamber
on Friday, 16 June 2006, 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
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, SBS, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai, JP
Hon WONG Yung-kan, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-ye, 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 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 Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
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 CHIM Pui-chung
Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG
Hon KWONG Chi-kin
Hon TAM Heung-man

Members absent:

Hon Albert HO Chun-yan
Hon Martin LEE Chu-ming, SC, JP
Dr Hon David LI Kwok-po, GBS, JP
Hon James TO Kun-sun
Dr Hon Philip WONG Yu-hong, GBS
Hon LAU Chin-shek, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Albert CHAN Wai-yip
Hon MA Lik, GBS, JP
Hon CHEUNG Hok-ming, SBS, JP

Public officers attending:

Mr Alan LAI Nin, GBS, JP

Miss Amy TSE, JP

Mr Alfred FOK

Permanent Secretary for Financial Services
and the Treasury (Treasury)
Deputy Secretary for Financial Services and
the Treasury (Treasury) 1
Principal Executive Officer (General),
Financial Services and the Treasury Bureau
(The Treasury Branch)

Mr WONG Chee-keung, JP	Director of Drainage Services
Mr MAK Ka-wai	Chief Engineer/Consultants Management of Drainages Services Department
Dr Malcolm James BROOM	Assistant Director (Water Policy) of Environmental Protection Department
Mr Eddy CHAN, JP	Acting Permanent Secretary for Health, Welfare and Food (Food and Environmental Hygiene)
Mr Vincent LIU	Principal Assistant Secretary for Health, Welfare and Food (Food and Environmental Hygiene)
Mrs Stella HUNG, JP	Director of Agriculture, Fisheries and Conservation
Dr LEUNG Siu-fai	Assistant Director (Fisheries) of Agriculture, Fisheries and Conservation Department
Mr Philip YUNG, JP	Deputy Secretary for Commerce, Industry and Technology (Commerce and Industry)
Miss Viola CHAN	Principal Executive Officer (Administration) of Commerce and Industry Branch
Mr Arthur HO	Deputy Secretary for Constitutional Affairs
Mr Edwin LAU	Assistant Secretary (Constitutional Affairs) of Constitutional Affairs Bureau

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 Alice CHEUNG	Senior Legislative Assistant (1)1
Mr Frankie WOO	Legislative Assistant (1)2

Action

The Chairman reminded members that the meeting on 9 June 2006 was cancelled due to Black Rainstorm Signal. The present meeting was held to deal with the unfinished business.

Item No. 1 - FCR(2006-07)13

RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE MADE ON 10 MAY 2006

2. The Chairman put FCR(2006-07)13 except PWSC(2006-07)13 to the vote. The Committee approved the proposal.

PWSC(2006-07)13 61DR Northeast New Territories village sewerage phase 2

3. Noting that the approved project estimate (APE) for the proposed sewerage project was substantially increased by 30%, Mr Abraham SHEK questioned why such an increase had not been envisaged at the planning stage. The Director of Drainage Services (D of DS) explained that the APE of the project had increased by \$38 million mainly because the number of houses which required connection works had increased by 270, resulting in additional works for extension of sewers from 13 to 18 kilometres. The higher-than-expected tendered price, the inflation over the past few years as well as the disruption to the progress of works due to local villagers' concerns and requests during construction had also contributed to the increase in APE.

4. In response to Mr Abraham SHEK's further enquiry on whether the villagers were adequately consulted on the project, D of DS said that a survey was carried out at the planning and design stage during which villagers were apprised of the need for the proposed project and were requested to give consent to house connection works within their premises. Based on the feedback from villagers and further discussion with village representatives, there were 880 village houses which required connection works by the Government. The proposed village sewerage project was the first of its kind to be conducted on such a large scale. During construction, some villagers who had not given consent to the connection works during the survey had requested for connection, and provided information to substantiate their claims that their village houses existed before mid-1995. After reviewing the records and the information provided, the number of houses that required house connection works increased from 880 to 1 150.

5. Ms Audrey EU noted that members were informed of the need to increase APE by the Drainage Services Department earlier. While the proposed increase was not welcome, she was prepared to accept it this time given the particular circumstances. It was hoped that the village sewerage projects could be carried out expeditiously in the unsewered villages with a view to improving the sanitary conditions of the villages.

6. Ir Dr Raymond HO said that the Administration should learn from the present experience and endeavour to consult villagers before proceeding with drainage projects. D of DS took note of Ir Dr HO's view and agreed that more efforts should be made to communicate with villagers concerned.

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

Item No. 2 - FCR(2006-07)14

LOAN FUND

HEAD 262 - PRIMARY PRODUCTS

- ♦ **Subhead 101 Fisheries Loans**
- ♦ **New Subhead “Fish Marketing Organization Loan Fund – fishing moratorium loan scheme”**

8. The Chairman informed members that the Panel on Food Safety and Environmental Hygiene (FSEH Panel) was consulted on the proposal at its meeting on 26 May 2006.

9. Mr Fred LI, Chairman of FSEH Panel, said that while the Panel generally raised no objection to the proposed fisheries loans at the Panel meeting on 26 May 2006, Mr Tommy CHEUNG had reservations about the proposal. Concerns on loan capital and interest rates as well as the provision of direct grant and interest-free loans were also raised. In this connection, the Administration had provided a supplementary information paper on the operation of the Fisheries Development Loan Fund (FDLF) and the Fish Marketing Organization Loan Fund (FMOLF) (LC Paper No. CB(2) 2307/05-06 issued on 7 June 2006).

Objectives of the fisheries loans

10. Mr Tommy CHEUNG pointed out that he was not against any scheme to provide financial assistance to a trade to help it tide over difficult periods. However, as the Government was selective in deciding on which trade should be offered financial help, he had the obligation to examine vigilantly the way public money was utilized in this particular proposal. He had expressed reservation about the proposal because very low interest rates were offered to fishermen and there was no guarantee that the loans would be used to develop sustainable fisheries or related operations or to reduce trawling or other unsustainable fishing operations in Hong Kong waters. In response to his enquiry about the interest rates applicable to the loans, the Assistant Director (Fisheries) of Agriculture, Fisheries and Conservation Department (ADAFC) said that under the existing arrangement, fishermen might borrow loans under FDLF at 6% simple rate. To assist fishermen to switch to more sustainable fisheries or related operations, a 2.5% compound interest rate had been proposed. The lower interest rate would provide the needed incentive for fishermen to switch to more sustainable fisheries operations which would in turn help address the over-fishing problem and conserve fisheries resources. Mr CHEUNG questioned the rationale for adopting a high interest rate of 6% for FDLF when the interest rate was quite low in previous years. The Permanent Secretary for Financial Services and the Treasury (Treasury) explained that the interest rate applicable to earlier FDLF loans was 6% simple rate, equivalent to 4.15% compound rate. The present proposal was to reduce the compound interest rate from 4.15% to 2.5% to provide incentive to encourage the switch to more sustainable fisheries operations.

11. Mrs Sophie LEUNG enquired about the number of fishing trawlers in operation and the extent to which illegal fishing methods were adopted. She also enquired whether legislation would be introduced to ban trawling activities in designated areas. ADAFC said that while there were about 1400 trawlers in Hong Kong, not all of them were operating within Hong Kong waters and most of them would prefer to operate within the South China Sea. Prosecution had been taken against illegal fishing methods and communication channels had been established with the Guangdong authorities to combat illegal fishing activities. The Administration was considering the feasibility of banning trawling activities in designated areas for the conservation of fisheries resources. As the proposal would have impact on the fishing trades, a working group had been set up to work out the implementation details with the trades.

12. While agreeing that incentives should be provided to assist trawler fishermen to switch to more sustainable fisheries operations, Mr Tommy CHEUNG pointed out that some fishermen might make use of these low interest loans to finance other loans, thereby defeating the original purpose of the loans. He also expressed concern that taxpayers' money had been used to subsidize the fisheries industry through the provision of low-interest loans of only 2%, when the market rate was now close to 6%. The Principal Assistant Secretary for Health, Welfare and Food (Food and Environmental Hygiene) (PAS(F&EH)) explained that only loan proposals which would result in the reduction of fishing efforts in Hong Kong waters say switching from trawling to non-trawling operations or from fishing to non-fishing operations, such as aquaculture or fish transportation, would be considered. As such, the low-interest loans could not be used to finance other loans. He added that the lower 2.5% interest rate would only apply to new loan applications involving the switch to more sustainable fisheries operations. The current 6% interest rate would apply to existing loans in accordance with the terms of the loan agreements.

13. Mr Tommy CHEUNG found the differential interest rates both unfair and unreasonable. He failed to see the rationale for introducing a lower interest rate of 2.5% to subsidize the fishing industry using taxpayers' money. He enquired if the lower interest rate would only be applicable to trawler fishermen who applied for the switch to non-trawling operations. The Acting Permanent Secretary for Health, Welfare and Food (Food and Environmental Hygiene) (PSHWF(F&EH)) said that judging from the small number of loan applications under FDLF (two in 2004/05 and one in 2005/06), the 6% interest rate had not been able to promote fishing development. After discussion with the fishing trades, it was considered necessary to introduce a lower interest rate to encourage the switch from trawling to non-trawling operations to conserve fisheries resources. He supplemented that the provision of loans was meant to assist the industry, which had faced much difficulty in its operation, and should not be regarded as a form of subsidy since loans had to be repaid. Besides, loan applications would only be approved if applicants agreed to use the loans to switch to non-trawling operations. Loan applications for other purposes, such as repairing trawlers or purchasing new trawlers, would not be approved. ADAFC added that loans were not only confined to trawler fishermen, but also applicable to other fishermen who chose to switch from fishing to non-fishing

operations, such as aquaculture or fish transportation, as long as the change would result in the reduction of fishing efforts in Hong Kong.

14. Mr Tommy CHEUNG was not convinced of the Administration's response. He pointed out that many other trades, including the live poultry trades, were also facing similar operational difficulties, but were not equitably provided with low-interest loans using taxpayers' money. PSHWF(F&EH) reiterated that the policy objective of the loans was to provide the needed incentive to assist trawler fishermen to switch to more sustainable fisheries operation in order to conserve fisheries resources. The proposed provision of low-interest loans at 2.5% compound rate was considered an acceptable arrangement. Mr CHEUNG said that while he was not opposed to the provision of loans for trawler fishermen to switch to more sustainable fisheries operation, he failed to see the need to extend the loans to other fishermen who were in need of financial assistance. PSHWF(F&EH) explained that as aquaculture provided one of the opportunities for capture fishermen to switch to other sustainable development, helping the fish farmers develop their sustainable aquaculture operations would certainly provide more incentive for the capture fishermen to turn to this business, thereby reducing pressure on the depleting fisheries resources.

15. Miss TAM Heung-man enquired if it was the Government's policy to encourage fishermen to switch to more sustainable fisheries and related operations, thereby reducing the number of fishermen fishing in Hong Kong waters. PSHWF(F&EH) explained that the Government's policy was to make use of the loan funds to encourage fishermen, in particular trawler fishermen who exerted the greatest pressure on local fishing resources, to switch to sustainable fisheries and related operations. He added that the fishing policy was meant to conserve local fisheries resources and the Government had earlier proposed a series of measures to protect the marine ecology, including the introduction of licencing system for fishing vessels, the setting up of fisheries protection areas and, if necessary, the introduction of closed season. After discussion at the FSEH Panel, a working group had been set up to consult relevant parties on details of the proposals.

16. Mr WONG Yung-kan declared interest that he was in charge of a number of fishermen associations. He said that fisheries loans were needed as fishermen were facing a very difficult operating environment due to soaring fuel prices, which accounted for almost 80% of the operating cost. By way of illustration, the price of diesel had increased from \$500 per barrel (200 litres) last year to \$860 per barrel this year. Members of the Democratic Alliance for Betterment and Progress of Hong Kong would therefore support the proposed creation of a new commitment of \$60 million to provide loans to help fishermen tide over the annual fishing moratorium, as well as the proposed capital injection of \$190 million into FDLF to assist fishermen to switch to more sustainable fisheries or related operations with a view to protecting the fishery resources. He urged members to support the proposal.

17. Miss CHOY So-yuk said that while the fishing industry in Hong Kong had great potential of development, it had not been given the assistance it deserved from the Government, apart from the provision of loans. She pointed out that the Taiwanese Government had successfully revived its fishing industry through a series of measures. As such, she would support for more assistance to be given to the fishing industry, similar to that offered to small and medium enterprises and high technology industries. Mr LEUNG Kwok-hung shared the view that the fishing industry should be given the needed assistance. Mr Albert CHENG said that the proposed injection would assist in relieving the unemployment situation in the fishing industry. He would also support greater efforts to develop Hong Kong's fishing industry as in the case of Japan and Taiwan.

Operation of FDLF and FMOLF

18. Miss TAM Heung-man asked how long the proposed increase in capital of FDLF and FMOLF was expected to last and whether further funding approval would be sought from the Finance Committee (FC). PSHWF(F&EH) said that the last injection of \$100 million into the Fund was made in 1997. It was expected that the proposed injection of \$190 million into FDLF would last for quite some time. The Administration would keep track of the disbursement of funds and conduct reviews accordingly. Frequent injections into the Fund were not anticipated.

19. The Chairman noted that the Government had recently received nine loan applications of over \$70 million from fishermen to develop fisheries or related operations. However, the remaining balance of FDLF (\$28 million) and the special loan scheme under FMOLF (\$20 million) was not sufficient to meet the demand. She was concerned that further funding would be sought with the increase in loan demand. She also enquired about the policy governing the funding of loans. The Director of Agriculture, Fisheries and Conservation (DAFC) clarified that FDLF and FMOLF were two separate loan funds. FMOLF was initially set up by the Fish Marketing Organization (FMO) to provide loans for fishermen for production and development purposes. It had also set aside \$20 million to set up a special loan scheme for sustainable development of fisheries operations. Meanwhile, FDLF was a revolving loan fund established to promote sustainable development of the fishing industry. PSHWF(F&EH) added that FMO operated on a self-financing basis and its main source of revenue was from the levy of commission and fees for the wholesale services and facilities provided. Surplus earnings were ploughed back into the fishing industry, including the provision of loans under FMOLF to fishermen for production and development purposes. Regarding the nine loan applications referred to, PSHWF(F&EH) said that four of them involved loans of more than \$10 million. In the event that FMOLF had insufficient funds to meet some of these loan applications, the applicants concerned could apply for loans under FDLF, which would have to be approved by FC if the loan amount as recommended by the Fisheries Development Loan Advisory Committee exceeded \$10 million.

20. Referring to the supplementary information note on the operation of FDLF and FMOLF, PAS(F&EH) said that FDLF aimed at assisting trawler operators to switch to other sustainable fisheries operations. On the assumption that applicants would apply in groups of three for loans of an average amount of \$2.15 million, it was assumed that there would be about 93 applications comprising some 280 or 20% of fishermen in the first three years. It was anticipated that there would be a continuous need for loan assistance from fishermen to pursue alternative mode of operations, and that there would be about 30 more applications from some 90 fishermen for 2009-10 and 2010-11. As regards the loans for fish farmers, it was expected that a total of 160 fish farmers or 10% each of pond fish farmers and mariculture farmers would apply for fund to develop sustainable aquaculture in the first three years. There would be 24 loan applications for 2009-10 and 2010-11.

21. Noting that none of the 42 loans issued under FDLF since 1997 had been written off, Mr Howard YOUNG enquired about the repayment terms for the loans. ADAFC said that loans under FDLF were repaid by installments on a quarterly basis over a maximum repayment period of 14 years. While repayment of FDLF loans was progressing very well with no written-off cases, there were recent applications from borrowers for re-structuring of loan repayment and/or delayed repayment as a result of the soaring fuel prices and decreased fisheries resources. On Mr YOUNG's further enquiry on the penalty for late repayment, ADAFC advised that there was no penalty for such at present, except that the borrowers would have to pay additional interest on the late repayment.

22. Mr Tommy CHEUNG enquired about the two written-off cases under FMOLF. DAFC said that the special loan scheme under FMOLF was meant to assist fishermen to tide over the moratorium period and assistance would not be needed if they were able to maintain good fish catch. In general, fishermen maintained a good record in the repayment of fisheries loans. Of the two written-off cases under FMOLF, one of the loan borrowers was deceased while the other was missing.

23. Mr Tommy CHEUNG enquired if further funding would be sought if the low-interest loans were well received. PSHWF(F&EH) said that as the last injection into FDLF was made almost 10 years ago in 1997, it was expected that the proposed injection of \$190 million would be able to last for quite some time. PAS(F&EH) added that it was estimated that the proposed funding injection would last for at least five years, the exact duration would depend on the loan demand.

Fishing moratorium

24. Miss TAM Heung-man enquired whether other forms of direct financial subsidy, apart from fisheries loans, could be provided on a discretionary basis to fishermen who were in need of financial assistance during the moratorium period. PSHWF(F&EH) explained that the fishing moratorium was meant to allow time for smaller fishes to grow. Fishermen who faced genuine financial hardship during the moratorium period could apply for loans under FMOLF. If necessary, they could also seek welfare assistance. The provision of loan assistance together with the

requirement for loan borrowers not to fish in Hong Kong waters during the moratorium period would assist in conserving local fisheries resources and the marine environment for the overall interest of Hong Kong people. As such, it would be more appropriate to provide loans rather than grants to fishermen to tide over the moratorium period.

25. Mrs Sophie LEUNG asked if fishermen were aware that the purpose of the moratorium was to conserve fisheries resources. ADAFC explained that the moratorium had been introduced in the South China Sea by the Mainland authority since 1999 and local fishermen were well aware of its purpose. However, the moratorium could not be relied upon as the only means to conserve fisheries resources and more efforts were needed.

26. Mr CHEUNG Man-kwong said that he would support the proposal since fishing industry was facing a very difficult operating environment these days. The fisheries loans were necessitated as a result of poor fish catch arising from marine pollution and there was also a need to tide over the moratorium period.

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

Item No. 3 - FCR(2006-07)15

HEAD 144 – GOVERNMENT SECRETARIAT : CONSTITUTIONAL AFFAIRS BUREAU

- ◆ **Subhead 000 Operational expenses**

HEAD 96 – GOVERNMENT SECRETARIAT : OVERSEAS ECONOMIC AND TRADE OFFICES

- ◆ **Subhead 000 Operational expenses**

28. The Chairman informed members that the Panel on Commerce and Industry (CI Panel) was consulted on the proposal at its meeting on 16 May 2006.

29. Mrs Sophie LEUNG, Chairman of CI Panel, said that the Administration had adequately explained the basis for determining the Rent Allowance and the reimbursement arrangements for officers posted to the new Hong Kong Economic and Trade Offices in Shanghai, Chengdu and Berlin. The Panel was supportive of the proposal.

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

31. The meeting was adjourned at 3:40 pm.