



Legislative Council
of the
Hong Kong Special Administrative Region
Finance Committee

Report on the examination
of the Estimates of Expenditure 2006-07

June 2006

Finance Committee

*Report on the examination of the
Estimates of Expenditure 2006-07*

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CONTENTS

Chapter		Page
I	Introduction	1-2
II	Communications and Technology	3-9
III	Commerce and Industry	10-17
IV	Financial Services	18-23
V	Public Finance	24-31
VI	Civil Service	32-37
VII	Home Affairs	38-49
VIII	Central Administration and Other Services	50-59
IX	Economic Development	60-71
X	Labour	72-78
XI	Constitutional Affairs	79-85
XII	Education and Manpower	86-97
XIII	Housing	98-103
XIV	Planning and Lands	104-111
XV	Security	112-122
XVI	Food Safety and Environmental Hygiene	123-128
XVII	Health, Welfare and Women	129-147
XVIII	Administration of Justice and Legal Services	148-155
XIX	Works	156-161
XX	Environment	162-167
XXI	Transport	168-176

Appendix		Page
I	Programme of the special meetings of the Finance Committee	177-179
II	Summary of written and supplementary questions and requests for additional information	180-181
III	Attendance of members and public officers at the special meetings of the Finance Committee	182-201
IV	Speaking notes of Policy Secretaries	202-263

Chapter I : Introduction

1.1 At the Legislative Council meeting on 22 February 2006, the Financial Secretary of the Hong Kong Special Administrative Region Government introduced the Appropriation Bill 2006. Following the adjournment of the Bill at Second Reading and in accordance with Rule 71(11) of the Rules of Procedure, the President of the Legislative Council referred the Estimates of Expenditure to the Finance Committee for detailed examination before the Bill was further proceeded with in the Council.

1.2 The Finance Committee set up under Rule 71(1) of the Rules of Procedure comprises all Members of the Council except the President. The Committee held 19 sessions of special meetings over four days from 13 to 16 March 2006 to examine the Estimates. The purpose of these special meetings was to ensure that the Administration was seeking a provision no more than was necessary for the execution of the policies of the Government for 2006-07.

1.3 To facilitate the smooth conduct of business, members of the Committee were invited to submit written questions on the Estimates and a total of 2 415 written questions were received and forwarded to the Administration for replies. Both the hard and the electronic copies of the written replies by the Controlling Officers were also forwarded to members prior to the special meetings for reference. The replies can also be browsed at the Council's website.

1.4 Each session of the special meetings from 13 to 16 March 2006 was dedicated to a specific policy area and attended by the respective Director of Bureau and his/her key Controlling Officers. The schedule of the 19 sessions is given in **Appendix I**. At the start of each session, the Director of Bureau/Controlling Officer concerned gave a brief presentation on the spending priorities and provisions sought under his/her programme areas. The Chairman then invited members to put questions to the Administration. A full record of the proceedings of the 19 sessions is given in Chapters II to XXI. Questions which were not dealt with and requests for further information were referred to the Administration for written replies after the meetings while broad policy issues raised during the meetings were referred to the respective panels for follow up, where necessary.

1.5 A total of 134 supplementary questions and requests for additional information were referred to the Administration for reply after the special meetings. The majority of the written replies to these questions were forwarded to members prior to resumption of the Second Reading debate on the

Chapter I : Introduction

Appropriation Bill 2006 on 22 and 23 March 2006. A summary of the number of the questions and additional requests for information is given in **Appendix II**.

1.6 The attendance of members and public officers at the special meetings is given in **Appendix III**. The speaking notes of respective Director of Bureaux or Controlling Officers at the special meetings are contained in **Appendix IV**.

1.7 This report, published in both Chinese and English, is presented to the Legislative Council on 28 June 2006 in accordance with Paragraph 53 of the Finance Committee Procedure.

Chapter II : Communications and Technology

2.1 At the Chairman's invitation, the Secretary for Commerce, Industry and Technology (SCIT), Mr Joseph W P WONG, briefed members on the key areas of work of the Communications and Technology Branch of the Commerce, Industry and Technology Bureau for the new financial year (Appendix IV-1).

Information Security

2.2 Noting that the estimated expenditure for the Government to continue its work in keeping up the awareness of bureaux/departments (B/Ds) on information technology (IT) security was only \$1.3 million, Mr SIN Chung-kai enquired whether the amount would include conducting security audit by independent experts. Referring to the recent leakage on the Internet the personal information of some 20 000 persons who had lodged complaints with the Independent Police Complaints Council (IPCC), Mr SIN pointed out that while the case was an isolated incident, recurrence of similar problems to the information systems in other B/Ds would reduce the credibility of the Government. Mr SIN enquired whether the Office of the Government Chief Information Officers (OGCIO) would take action to conduct security audits and enhance information security among B/Ds, in particular those which possessed and managed the personal data of the general public.

2.3 The Deputy Government Chief Information Officer (Operation) (DGCIO(O)) advised that in addition to publishing guidelines on IT security, OGCIO had been facilitating the acquisition of information security services by B/Ds. The information security services, which included risk assessment and audit services, were available for acquisition under the prevailing standing offer agreements. He also explained that under the \$1.3 million provision, OGCIO would organize a series of activities to provide central support and services to B/Ds to enhance their awareness on IT security. Security audits for B/Ds would be funded separately.

2.4 Noting the Administration's explanation, Mr SIN enquired about information on the number of security audits, if any, conducted by B/Ds in the past few years. To prevent recurrence of similar incidents, he suggested that security audits should be conducted for Government's information systems containing personal data as soon as practicable.

Chapter II : Communications and Technology

2.5 In response, DGCI(O) said that OGCI(O) had recommended to B/Ds that security audits should be conducted regularly at two-year intervals and upon commissioning of major systems. As far as he understood, more than a hundred security assessment and related projects had been carried out by B/Ds, drawing services from the standing offer agreements in the past few years. The budget of \$1.3 million mentioned referred only to the resources earmarked for the awareness and promotional activities to be done by OGCI(O). SCIT undertook to follow up Mr SIN's suggestion and where necessary, allocate additional funding to enhance the information security of individual B/Ds.

2.6 The Chairman requested the Administration to confirm whether IPCC had acquired information system security audit services under the standing offer agreements in the past and details of the standing offer agreements.

Indecent front covers of certain leisure and entertainment magazines

2.7 Mr Fred LI noted that the number of articles classified as Class II (Indecent) and Class III (Obscene) articles by the Obscene Articles Tribunal were far fewer in 2005 than in 2004. However, complaints against indecent and obscene photographs and captions on the front covers of certain leisure and entertainment magazines made by parents and social workers had increased substantially in 2005, in particular in latter half of the year. He sought the Administration's explanation on the opposite trends.

2.8 The Commissioner for Television and Entertainment Licensing (C for T&EL) explained that persistent joint enforcement operations with the Police against shops selling indecent/obscene VCDs/DVDs in 2004 had led to a substantial decrease in the number of these shops and the quantity of articles seized and scrutinized in 2005. She stressed that the Administration was very concerned about the complaints against magazines with indecent/obscene covers. It had submitted over 40 leisure and entertainment magazines suspected to be in contravention of the Control of Obscene and Indecent Articles Ordinance (COIAO) (Cap. 390) for classification by the Obscene Articles Tribunal in 2005 and 13 of them had been convicted in accordance with COIAO.

2.9 Mr Fred LI was unconvinced. He was also disappointed to note the small number of magazines that had been submitted for classification. Noting that the number of joint enforcement operations had reduced in 2005, Mr LI was concerned whether this was due to the lack of resources. He considered that the

Chapter II : Communications and Technology

Administration should conduct more inspections to ensure that magazines with indecent front covers would be sealed with opaque wrappers so that they could not be sold to people under the age of 18.

2.10 C for T&EL explained that the target of the joint enforcement operations was shops selling indecent/obscene VCDs/DVDs and not newspaper stands/retail outlets. Subsequent to the rigorous raids in 2004, the number of video shops in question had become less. However, in enforcing COIAO, the number of inspections conducted by the Television and Entertainment Licensing Authority (TELA) in 2005 was 78 383, which was far more than 74 873 in 2004. Nevertheless, she assured members that TELA would continue to step up the enforcement of COIAO.

Research and Development centers for innovation and technology

2.11 Mr Jeffrey LAM declared that he was a member of the Vetting Committee of Innovation and Technology Fund (ITF). He reflected the views of the commerce and industry sectors that in Hong Kong's transition to service industry, the Government should help strengthen the capability of the sectors in research and development (R&D). Mr LAM recalled that at the relevant Finance Committee meeting, the Administration had highlighted that the export of products in relation to automotive parts and accessory systems had amounted to over \$10 billion to justify the establishment of a R&D centre in this area. Mr LAM pointed out that people outside the specific industries might not be aware about the development of the identified technology focus areas. He urged the Innovation and Technology Commission (ITC) to ensure that adequate promotion and publicity would be carried out to enhance public's awareness of the development of different R&D centres such as by publicizing more information at its website.

2.12 The Commissioner for Innovation and Technology (C for I&T) remarked that the new R&D centers would make use of the local research strengths to provide services and support to the production and service industries in the Pan-Pearl River Delta Region. The development of the R&D centers had been widely supported by the industries upon extensive consultation in the past two years. Some of them had even indicated financial support for individual R&D centres. It was expected that the R&D centres would commence operation by April 2006. On promotion, C for I&T advised that ITC had set up a pavilion to introduce the work of the five R&D centres at the Innovation and Design Expo

Chapter II : Communications and Technology

held in November 2005 and the China Hi-Tech Fair held in October 2005. It would continue to introduce the R&D centres to potential partners in the Mainland, the United States, Europe, the United Kingdom and Japan to attract Mainland and overseas research institutes for joint ventures. On general publicity, C for I&T highlighted the Innovation Festival 05 which aimed to build public awareness and cross-sector synergy in nurturing Hong Kong into a City of Innovation. It offered a series of events and activities, including the Innovation Expo 05, to promote an innovation and technology culture in the community. He said that the same festival and the Hong Kong Student Science Project Competition would also be held in 2006 to foster an innovative culture and build a knowledge-based community. In addition, ITC had set up an “Innotech” portal which offered a convenient and interactive platform where useful resources on innovation and technology could be accessed online.

Radio Television Hong Kong

Digital audio broadcasting

2.13 Noting that in 2005-06, technical trials for digital audio (DA) broadcasting conducted by the Radio Television Hong Kong (RTHK) had incurred \$780,000, Mr SIN Chung-kai was concerned about the level of resources required for RTHK to implement DA broadcasting, if so decided.

2.14 Notwithstanding that RTHK had been conducting technical trials for DA broadcasting, the Director of Broadcasting (D of B) pointed out that RTHK was not fully equipped to support DA broadcasting across the board. As there was currently no clear policy on whether and if so when DA broadcasting would be taken forward, RTHK had not worked out the detailed provision for full implementation. D of B further said that due to Hong Kong’s rough geographical environment with many high-rise buildings, for each FM service, seven FM transmitting sites using different FM frequencies were needed to provide adequate coverage. DA broadcasting test transmitters at two sites plus trial points for DA broadcasting reception were set up for the public to experience the high sound quality using this technology. The overall results of the tests on DA broadcasting were satisfactory. The technology was mature and sound quality was significantly improved. D of B also highlighted that the latest development in Digital Multimedia Broadcasting (DMB), which was another Eureka 147-based application, in Korea had attracted a lot of attention, and that the Mainland authority had recently issued several licences for DA broadcasting

Chapter II : Communications and Technology

and DMB. D of B believed that the development of DA broadcasting and DMB in different markets would stimulate its progress of implementation in Hong Kong.

2.15 Given that there was no clear policy on the development of DA broadcasting, and that RTHK had already spent some \$2 million in 2003-2005 on DA broadcasting testings, Mr SIN Chung-kai considered that it was not justified or meaningful for RTHK to conduct further tests. Echoing Mr SIN's view, the Chairman enquired about the objectives of conducting the tests.

2.16 In response, D of B recalled that in line with the Government's policy, RTHK had added FM broadcast services some 40 years ago when the technology of the latter became mature. RTHK was now preparing to implement DA broadcasting which was recognized as the next wave in the development of broadcasting technology. In 2005-06, RTHK planned to conduct the trial at the Castle Peak transmission station to ascertain whether there would be any cross-boundary interference.

2.17 On the technical standard used for technical trials, D of B highlighted that the DAB standard (Eureka 147) was highly regarded by international industry players. A World DAB forum had been formed with a view to encouraging the use of DAB. D of B said that a major obstacle in the development of DAB had been the affordability of DAB receivers to general consumers. As the price of a DAB receiver now lowered to HK\$300 to HK\$400 in Europe, D of B believed that DAB would become a widely adopted and mainstream standard while the DMB standard actively developed by South Korea might flourish in commercial applications as it could also receive video and text signals.

2.18 In reply to the Chairman's enquiry about the Government's policy on DA broadcasting, the Permanent Secretary for Commerce, Industry and Technology (Communications and Technology) (PSCT) highlighted that all along, the Administration had adopted a market-led approach in the development of DA broadcasting in Hong Kong. The Administration believed that consumers' interest would be best served when DA broadcasting service was introduced at a time when the service was commercially viable and the receivers were affordable to the general public. PSCT pointed out that emergence of competing wireless technologies delivering audio or multimedia contents had made the prospect of DA broadcasting uncertain. In addition to terrestrial DA broadcasting services, digital radio was available via coaxial cable, satellite, the 3G mobile platform, and

Chapter II : Communications and Technology

as online radio via wireless or fixed Internet connection in many countries. Hence, consumers might not be willing to buy a digital receiver when supplementary digital radio services were already accessible via their existing electronic devices. Moreover, given new wireless transmission technologies were capable of carrying multimedia services, operators would invest in infrastructure to provide multimedia services that had bigger market potential instead of sound-only digital radio services. In addition to DMB service launched by South Korea for reception by hand-helds, US and some European countries were also conducting trials of similar multimedia application using the MediaFLO technology and DVB-H standard respectively. Nevertheless, PSCT assured members that while taking stock of international and Mainland development of DA broadcasting, the Administration was mindful that Hong Kong's competitive edge laid in adopting at the right time the best proven technology, both in terms of technicality and market acceptability. In reply to the Chairman, PSCT said that the technical trials conducted by RTHK provided useful data to assist the Administration in assessing the technical standards used. For instance, the information on cross-boundary interference or otherwise might affect reception quality and consumers' drive in acquiring a digital reception device.

Merged broadcasting

2.19 Noting that RTHK had merged some of its programmes being broadcast in several of its channels apparently to save resources, the Chairman enquired the rationale of leaving some channels idling while certain community groups were seeking avenues to broadcast their programmes.

2.20 D of B said that according to the listenership surveys conducted over the years, listeners normally expected to listen to music programmes in mid-nights. It was the usual practice of RTHK to merge broadcast of the same music programmes by RTHK 3 and 4 in late hours. Owing to reduction in annual provision for 2005-06, RTHK had increased its hours of merged broadcasting during weekend evenings, under which the same programme were broadcast by the four RTHK Chinese channels to reduce cost. D of B confirmed that RTHK would not increase merged programme hours in 2006-07 since the recurrent provision for the year was slightly higher than that of 2005-06. As such, programme output would be brought back to the 2004-05 level, i.e. 2 sets of programmes would be produced and broadcast by the four Chinese channels in late hours during weekends.

Chapter II : Communications and Technology

Content licensing

2.21 Noting that RTHK had licensed its programme content for marketing to generate revenue, Mr SIN Chung-kai enquired about the income thus brought in 2005-06, and the number of programme hours to be involved and expenditure incurred in 2006-07.

2.22 D of B advised that RTHK had generated about \$3 million to \$4 million revenue for the Government by licensing its programme content in 2005-06. The Administration planned to license about 300 hours of selected television programmes in 2006-07. While the tendering process would soon commence, D of B estimated that an additional revenue of some \$5 million to \$6 million might be raised. The related expenditure to be incurred in 2006-07 would be broadly the same as in 2005-06 which was in the region of \$250,000.

Chapter III : Commerce and Industry

3.1 At the Chairman's invitation, the Secretary for Commerce, Industry and Technology (SCIT), Mr Joseph W P WONG, briefed members on the key areas of work of the Commerce and Industry Branch of the Commerce, Industry and Technology Bureau for the new financial year (Appendix IV-2).

Support for small and medium enterprises and industries

3.2 Mr Jeffrey LAM expressed support for the Mentorship Programme for small and medium enterprises (SMEs). Noting that 145 SMEs and 113 mentors had participated in the 2005-06 Programme and the Trade and Industry Department (TID) would review the effectiveness of the 2005-06 Programme when it ended in August 2006, Mr LAM enquired whether the review could be undertaken ahead of August 2006 so that planning for the next round of the Programme could start at an early stage. He also suggested that the review should include quantitative assessments of the benefits brought about by the Programme, for example, in terms of improvement of business and job opportunities.

3.3 The Director-General of Trade and Industry (DG of TI) replied that TID aimed at completing the review by July/August 2006. He advised members that the Mentorship Programme had received favourable feedback from both the participants and the mentors. In view of the positive response and the high cost-effectiveness of the Programme, the Administration intended to launch another round of the Mentorship Programme in 2006-07. The planning for the 2006-07 Programme would commence soon, despite that the review of the 2005-06 Programme had yet to be completed.

3.4 DG of TI further informed members that the purpose of the Mentorship Programme was to provide a useful platform for SMEs to benefit from the experience of their mentors in areas such as marketing, customer relations, access to sources of finance, managing growth, formulation and execution of business plans, etc. The feedback from participants in the Programme, some of whom were entrepreneurs of SMEs facing stagnant growth, indicated that the Programme had assisted them significantly in enhancing business and competitiveness. He added that the review would include an assessment of the economic benefits which the Programme had brought about to the industries. The Administration would report to the relevant Panel on the results of the review in due course.

Chapter III : Commerce and Industry

3.5 Mr Jeffrey LAM further indicated support for the four SME funding schemes (i.e. SME Loan Guarantee Scheme, SME Export Marketing Fund, SME Training Fund and SME Development Fund (SDF)) which had benefited SMEs in various areas. Noting that applications for SDF could be submitted all year round instead of twice a year with effect from January 2006, he asked how many applications had been received so far.

3.6 DG of TI clarified that applications for SDF were invited from interested trade organizations, not from individual SMEs. He advised that so far, about 600 applications had been received, of which about 80 approvals had been granted. The Administration would continue to seek support to the funding schemes from the industries and strengthen publicity on the schemes.

Commercial relations

3.7 Mr Jeffrey LAM enquired about the support available to local businesses, particularly SMEs, in assisting them to establish operations in the Mainland, taking advantage of the implementation of Phase III of the Mainland and Hong Kong Closer Economic Partnership Agreement (CEPA III).

3.8 The Acting Permanent Secretary for Commerce, Industry and Technology (PSCI(Atg)) responded that SMEs were a major target of the support given to Hong Kong enterprises operating in the Mainland, making use of the opportunities afforded by CEPA. The support was provided through TID, the Office of the Government of the Hong Kong Special Administrative Region (HKSAR) in Beijing, and the Hong Kong Economic and Trade Office (ETO) in Guangdong. The support included collecting and disseminating up-to-date information on the implementation of CEPA, trade policies and legislation and economic development in the Mainland, establishing liaison with relevant Mainland authorities responsible for commerce and trade, and assisting Hong Kong businessmen encountering difficulties in starting business in the Mainland, etc. PSCI(Atg) further advised that the Guangdong ETO was compiling up-to-date information with a view to facilitating Hong Kong businessmen, including SMEs, to set up and develop business in Guangdong province.

3.9 Mr Jeffrey LAM requested the Administration to consider increasing the resources of the ETOs in the Mainland to enhance their role in assisting Hong Kong enterprises, particularly SMEs, to gain access to the Mainland market, capitalizing on the CEPA arrangements. In response, SCIT informed members

Chapter III : Commerce and Industry

that the Administration would set up two additional ETOs in the Mainland (namely in Shanghai and Chengdu). It would keep the resource situation under review in the light of operational experience.

3.10 Mr WONG Ting-kwong pointed out that many Hong Kong shoes manufacturers in the Mainland had expressed grave concern about the prohibitive anti-dumping tariffs recently imposed by the European Union (EU) on certain items produced in the Mainland for export to the EU countries. He asked whether and how the Administration could provide assistance to such local manufacturers.

3.11 DG of TI said that as anti-dumping tariff was an issue of trade sanction, it would have to be dealt with by the countries concerned at an inter-governmental level. The HKSAR Government, through its representative offices in the Mainland, including ETOs, would disseminate trade-related information to local manufacturers in the Mainland and advise them on relevant matters, including, for example, the appropriate steps to take to deal with investigations by the importing countries which imposed the trade sanction.

3.12 In response to Mr Vincent FANG's view that information on trade protection measures imposed by overseas countries on the Mainland should be adequately disseminated to Hong Kong producers in the Mainland who might be affected by the measures, DG of TI said that TID closely monitored the trade measures against the Mainland and disseminated up-to-date information to the industry players and investors through various means, including the TID's website and commercial information circulars issued to the industries. ETOs also gathered information on specific trade protection measures taken by overseas trading partners which might be of interest to Hong Kong. DG of TI undertook to provide supplementary information on the various channels through which information on trade protection measures imposed by overseas trading partners were disseminated for members' reference.

Promotion of Hong Kong brands

3.13 Noting that the total estimated expenditure for implementing the DesignSmart Initiative and setting up research and development centres (R&D centres) in 2006-07 was \$95 million, Mr Andrew LEUNG enquired whether the amount would be sufficient for developing and promoting Hong Kong brands.

Chapter III : Commerce and Industry

3.14 In response, DG of TI explained that the DesignSmart Initiative and the R&D centres were examples of the measures adopted to encourage local industries to move towards original design manufacturing and original brand manufacturing. There were other initiatives to promote Hong Kong brands, such as through the Style Hong Kong exhibitions staged by the Trade Development Council (TDC). As such exhibitions formed an integral part of TDC's work, it was not possible for the Administration to specify the exact expenditure. The promotion efforts of TDC had spanned over Hong Kong as well as other places, including the Mainland. DG of TI further pointed out that with the implementation of CEPA III, products of Hong Kong which met the CEPA rules of origin could be exported to the Mainland tariff free. For example, the relaxation of the rules of origin for local watches under CEPA had enabled the Hong Kong watch industry to enjoy the zero tariff treatment, which assisted the industry significantly in developing brand name products.

3.15 SCIT added that the Government adopted a market-led approach in formulating policies on trade facilitation, providing an enabling environment with the requisite infrastructural support conducive to helping industries to pursue their own business goals. The DesignSmart Initiative and the promotion activities organized by TDC, for example, were implemented in collaboration with the industries to promote Hong Kong brands and the results had been very encouraging. The Administration would continue to engage in constructive dialogue with the industries and business sectors and consider how best to facilitate the development of brand name goods.

3.16 Mr Andrew LEUNG said that there were successful examples of local products developing into famous brand names both locally and overseas. He considered that there was room for the Government to further strengthen co-operation with the industries and put in more resources to help promote local brands. The Administration took note of Mr LEUNG's views.

Investment promotion

3.17 Mr WONG Ting-kwong noted from SCIT's speaking note that the Administration would continue to attract direct investments from overseas and the Mainland to Hong Kong, and InvestHK's target for 2006 was to assist 240 foreign and Mainland companies to invest in Hong Kong. He expressed the view that while inward investment was of great benefit to Hong Kong's economy, the Administration should not lose sight of the need to assist local manufacturers in

Chapter III : Commerce and Industry

the Mainland who found it necessary to relocate their production back to Hong Kong. In his view, such relocation would help Hong Kong's industries to diversify and improve local job opportunities. He pointed out that a lot of local manufacturers in the Mainland had indicated intention to shift their production back to Hong Kong to avoid the anti-dumping tariff imposed by EU on certain Mainland products.

3.18 DG of TI commented that the decision of Hong Kong manufacturers in the Mainland to relocate their production to Hong Kong would largely hinge on cost considerations. Taking shoe-production as an example, the Mainland was a major exporting country, and most of the production processes in Hong Kong had already moved to the Mainland because of the high labour intensiveness of production. The Administration understood that the major problems which deterred production to be relocated to Hong Kong were difficulties in hiring manual workers as well as the high labour and land cost in Hong Kong. In the views of the Administration, it would be more appropriate, in the context of business strategy, for the local industries to expand into new markets for their products, particularly the fast developing markets outside Europe. In this connection, ETOs and the various overseas TDC offices were ready to offer the best possible assistance to help the industries to develop their business.

3.19 SCIT supplemented that the Administration was constantly keeping track of the need to provide necessary infrastructural facilities and services and implement supportive policies to assist industries to establish and expand their operations. Such measures included, among others, the implementation and expansion of the Importation of Labour Schemes, provision of land for the establishment of Industrial Estates and the Science and Technology Parks.

3.20 Mr SIN Chung-kai noted that according to the statistics published by the Census and Statistics Department (C&SD), the top five sources of foreign investment in terms of the stock of inward direct investment at the end of 2004 remained largely unchanged, with the British Virgin Islands (BVI) topping the list (HK\$ 1,029.3 billion). Mr SIN pointed out that a lot of companies registered in BVI were local companies operating in Hong Kong. He considered that the information released by C&SD might have created a distorted picture of foreign direct investment in Hong Kong.

Chapter III : Commerce and Industry

3.21 The Acting Director-General of Investment Promotion advised that for the foreign and mainland companies assisted by InvestHK, the investors in question would be asked to fill in a questionnaire through which the places of origin of their companies will be ascertained. C&SD also compiled statistics on the number of regional offices set up by these foreign establishments in Hong Kong. She further informed members that in 2005, InvestHK had assisted 232 companies to set up or expand operations in Hong Kong. In terms of place of origin of these companies, the United States remained the largest source of investment, followed by the Mainland, Japan, the United Kingdom and Australia.

Intellectual property rights and consumer protection

3.22 Referring to the Administration's written reply to his question on measures to tackle Internet piracy and other computer crimes relating to infringements of intellectual property rights (IPR), Mr SIN Chung-kai queried whether the estimated expenditure of \$3.63 million on salary provision for the two Anti-Internet Piracy Teams in the Customs and Excise Department (C&ED) was justified, taking into account the degree of effectiveness of the work of the Teams. Mr SIN pointed out that despite the rampant copyright infringing activities on the Internet which were seriously threatening the movie/music industries, so far only one major case had been successfully prosecuted in Hong Kong, namely the case in which a person was prosecuted for illegal distribution of copyright movies on the Internet through peer-to-peer Bit Torrent (BT) software.

3.23 The Commissioner of Customs and Excise (C of C&E) responded that crack-down on Internet piracy was not an easy task as it was difficult to trace the source of the infringing activity, and where the source was found to be outside Hong Kong, C&ED would be hand-tied in taking actions, apart from referring the information to the enforcement agencies of the jurisdictions concerned. The BT case was one of utmost significance because in no other places had the offence been successfully prosecuted before. After the conclusion of the prosecution, many overseas customs and excise authorities had strengthened exchanges and experience sharing with C&ED on combating IPR infringements and Internet piracy. C&ED had also closely monitored the situation of uploading/downloading activities on the Internet and found that the frequency had drastically reduced by 60-80% in comparison with the situation prior to the prosecution.

Chapter III : Commerce and Industry

3.24 C of C&E further advised that apart from enforcement action, C&ED also participated in collaboration with the Intellectual Property Department (IPD) in publicity and education programmes to promote public awareness of the importance of IPR protection. These activities included the introduction of “E-auctioning with Integrity” Scheme, which aimed to promote co-operation between IPR owners and operators of e-auction sites on the Internet in speedy removal of infringing items on local e-auction sites. In 2006-07, C&ED would also launch a joint campaign with IPD, the copyright industry and 11 youth uniformed organizations to mobilize youngsters to combat infringing activities on the Internet. The estimated expenditure for the joint campaign was \$0.5 million.

3.25 Mr WONG Ting-kwong considered that the estimated expenditure of \$0.5 million might not be enough if the campaign was to achieve effective results. He said that the Administration should consider increasing resource provisions to strengthen publicity and education on combating infringing activities on the Internet. SCIT took note of Mr WONG’s views and responded that the Administration would review the resource situation as and when appropriate. C of C&E added that apart from Government provisions, the Administration also invited co-operation and contributions from different sectors in the community in promoting IPR and combating infringing activities.

3.26 Mr SIN Chung-kai noted that in 2005, some 12 000 investigations were conducted into suspected IPR infringements offences. 1 497 persons were prosecuted during the year, resulting in 1 292 persons being convicted. However, there was no breakdown of statistics of such persons by trade or occupation. He asked whether such information could be collated.

3.27 C of C&E explained that C&ED had not previously compiled such statistics. In view of Mr SIN’s request, C of C&E undertook to examine how such information could be captured and start collating the statistics as soon as practicable.

3.28 In reply to Mr Ronny TONG’s enquiry on the estimated expenditure and work plan for 2006-07 with respect to the consultation on the effective protection of copyright in the digital environment, the Deputy Secretary for Commerce, Industry and Technology (Commerce & Industry) (DS(CI)2) said that the Administration planned to publish a consultation document within 2006 after it had completed an internal study of the issues involved and the relevant overseas

Chapter III : Commerce and Industry

legislation. The manpower and departmental expenditure required for the consultation would be absorbed within existing resources.

Proposed electronic advance road cargo information system

3.29 Mr WONG Ting-kwong sought the Administration's advice on the progress of consultation on its proposal to establish an electronic advance road cargo information system.

3.30 DS(CI)2 informed members that the Administration had consulted stakeholders, including shippers, freight forwarders and cargo vehicle drivers, on the proposal and revised the operational aspects taking into consideration stakeholders' views. The Administration was now soliciting further feedbacks from stakeholders on the latest revisions. The Administration would hold further discussions with the stakeholders in the light of their views and concerns. As the proposal was still being formulated, the Administration had not set aside a specific amount of resources for implementation in 2006-07. The Administration would proceed with the preparatory work for acquisition of the resources and the system development as soon as possible if the proposal was supported by the major stakeholders.

3.31 C of C&E said that advance submission of road cargo information in electronic format would enable Customs to receive cargo information and perform risk profiling well before trucks arrived at land boundary control points (LBCPs). It would reduce the chance of legitimate shipments being stopped for inspection and enable trucks not identified for inspection to proceed through LBCPs smoothly and speedily. Hence, it was believed that the proposed system would improve the efficiency of customs clearance at LBCPs. The Administration expected that with the implementation of the system, the number of vehicles stopped for inspection could be reduced by half.

3.32 SCIT said that the Administration would report to the relevant Panel on the progress in the development of the proposal.

Chapter IV : Financial Services

4.1 At the Chairman's invitation, the Secretary for Financial Services and the Treasury (SFST), Mr Frederick MA, briefed members on the proposed budget and major areas of work in respect of financial services in 2006-07 (Appendix IV-3).

Resource allocation for the Financial Services Branch

4.2 Mr Ronny TONG noted that there would be a net increase of two directorate posts and two non-directorate posts in the Financial Services Branch in 2006-07 and sought information on the details of the additional manpower requirements, such as the duties of the posts.

4.3 In reply, the Permanent Secretary for Financial Services and the Treasury (Financial Services) (PSFS) advised that two supernumerary posts of one Administrative Officer Staff Grade B and one Administrative Officer Staff Grade C for five and four years respectively would be required to take forward the rewrite of the Companies Ordinance (Cap. 32) (CO). The directorate staffing proposal had got the endorsement of the Establishment Subcommittee (ESC) and was approved by the Finance Committee. Major tasks involved in the rewrite exercise included conducting research into the existing provisions of CO, as well as the comparable provisions and recent developments in company law in other major common law jurisdictions; consulting the stakeholders and the general public; drafting the new Companies Bill; and assisting the Legislative Council (LegCo) to scrutinize the Bill. Members might refer to the job descriptions of the supernumerary directorate posts in the ESC proposal for details of the responsibilities. As for the non-directorate posts to be created in 2006-07, PSFS explained that these included Executive Officer posts to assist in implementing the proposal of turning the Office of the Commissioner of Insurance into an agency independent of the Government. These additional non-directorate posts would form a task force to assist in the implementation of the proposal, such as the appointment of consultants to conduct studies on the regime of the new organization.

4.4 Responding to Mr Ronny TONG's concern about the expenses for the rewrite of CO, PSFS explained that the estimated expenditure for the exercise (including cost for the additional posts and the estimated additional expenditure for the engagement of external consultant(s)) as set out in the ESC proposal, would be below \$100 million.

Outsourcing of bankruptcy cases

4.5 With the anticipated decline in the number of bankruptcy cases in 2006 in the light of improvement in Hong Kong's economy and the proposed arrangement to outsource these cases to private-sector insolvency practitioners (PIPs), Miss TAM Heung-man queried why there was still an increase in the expenditure for the Official Receiver's Office (ORO) in 2006-07.

4.6 The Official Receiver (OR) explained that following the passage of the Bankruptcy (Amendment) Bill 2004 in July 2005, preparation for the related subsidiary legislation was underway. It was expected that arrangements for the outsourcing of self-petition summary bankruptcy cases to PIPs would commence in the third quarter of 2006. Nevertheless, given the statutory bankruptcy period of four years, considerable staff input from ORO would still be required in the coming 18 months or so until end of 2007 in reviewing and administering the some 50 000 bankruptcy orders handed down by the court in 2002 and 2003.

4.7 Responding to Miss TAM Heung-man's further enquiry on reducing the manpower requirements of ORO through outsourcing more bankruptcy cases, OR advised that ORO could only outsource self-petition summary bankruptcy cases to PIPs under the provisions of the Bankruptcy (Amendment) Ordinance. OR also pointed out that while it was the Administration's intention to make wider use of outsourcing as soon as possible, ORO would not be able to control the inflow of work or come up with more precise estimates on the number of bankruptcy cases in 2006-07 as this would hinge on the economic condition of Hong Kong.

4.8 Mr LEE Wing-tat expressed concern about the benefits of the scheme of outsourcing bankruptcy cases, particularly in terms of the efficiency in processing of these cases. In this connection, Mr LEE enquired whether the average timeframe for processing bankruptcy cases would be reduced through outsourcing and the amount of savings achieved.

4.9 In reply, OR explained that the existing scheme of outsourcing insolvency cases did not cover personal insolvency cases but only cases for liquidation of companies. The scheme for outsourcing personal insolvency cases would be implemented when the subsidiary legislation under the Bankruptcy (Amendment) Ordinance would be finalized, which was expected to be in the third quarter of 2006. As to the timeframe for processing insolvency cases, OR

Chapter IV : Financial Services

advised that this would vary according to the circumstances of each case. Hence, it would be difficult to give a timeframe reference applicable to all cases in general. On the savings achieved through outsourcing, OR said that with the implementation of competitive tendering system in September 2000, the subsidy provided by the Government had reduced from the maximum of \$60,000 per case (as provided in the Government's agreement with the then Hong Kong Society of Accountants) to the average subsidy of \$29,000 per case. The amount of subsidy had further reduced to an average of \$2,900 to \$3,000 per case at present. He pointed out that the subsidy would only be payable by the Government in the event that the asset in the liquidated company was insufficient to pay the liquidator's remuneration.

Development of innovation activities

4.10 Noting that a provision of \$3.4 million was estimated for the Census and Statistics Department (C&SD) to conduct an annual survey for collecting data on innovation activities, Mr Jeffrey LAM questioned how the findings of the survey could be put to effective use. In particular, Mr LAM enquired whether the Innovation and Technology Commission (ITC) would use the data collected for fostering an innovation and technology culture in the community and promoting technological entrepreneurship, in particular among the small and medium enterprises.

4.11 The Commissioner for Census and Statistics advised that the survey was conducted annually to collect data on innovation activities, including research and development, in the business sector for reference in innovation and technology policy formulation and evaluation in Hong Kong. The survey was commissioned by ITC and the expenditure for the survey was charged to ITC. Upon completion of the survey, C&SD would provide a survey report to ITC for reference in policy formulation. Any interested members of the public, including the small and medium enterprises, might purchase printed copies of the survey report from the Government. Moreover, complimentary copies of the report were provided to the LegCo Library and available to individual LegCo Members upon request.

Development of financial services industry

4.12 Referring to the Financial Secretary (FS)'s Budget Speech, Mr WONG Ting-kwong noted that the financial services industry was regarded as

Chapter IV : Financial Services

a key pillar of Hong Kong's economy and the main area for development. Mr WONG enquired about the new initiatives and resource provision to facilitate the development of the industry in 2006-07.

4.13 SFST advised that the Administration had been taking forward a number of initiatives to promote the development of the financial services industry. For instance, Hong Kong would host a Pan-Pearl River Delta Financial Services Forum on 23 March 2006 to highlight Hong Kong's role as the prime capital formation and global investment platform for the Mainland. With the legislative amendments for abolishing the estate duty and exempting offshore funds from profits tax, Hong Kong's competitiveness as an international financial centre would be strengthened and international investors would be attracted to invest in the financial markets and make use of the services provided by the financial institutions in Hong Kong. The Administration would also proceed with the rewrite of CO. Other initiatives in the pipeline included proposed amendments to the Securities and Futures Ordinance (Cap. 571) to give statutory backing to major listing requirements and the proposed establishment of the Financial Reporting Council (FRC) to enhance the oversight of auditors and quality of financial reporting. The FRC Bill was being scrutinized by LegCo and the Administration looked forward to the implementation of the proposal with the support of Members.

4.14 Noting the ample business opportunities for Hong Kong enterprises and professionals made available under the Closer Economic Partnership Arrangement with the Mainland and the new Qualified Domestic Institutional Investors (QDII) policy, Mr WONG Ting-kwong sought information on measures to enhance the benefits of these arrangements to the Hong Kong economy. SFST explained that the merits and timing for further implementation of QDII would be subject to consideration by the Mainland authorities. Nevertheless, SFST pointed out that the exemption of offshore funds from profits tax would help to attract Mainland investors in using Hong Kong as an investment platform. SFST assured members that the Hong Kong Special Administrative Region Government would make every effort to leverage on the opportunities under the initiatives introduced by the Mainland, such as QDII.

Work and transparency of regulatory authorities

4.15 Noting the variety of new financial products evolving in the market, such as derivative warrants, Mr LEE Wing-tat was concerned about the education

Chapter IV : Financial Services

and protection for the investing community. SFST explained that the Securities and Futures Commission (SFC) as the market regulator and the Hong Kong Exchange and Clearings Limited (HKEx) as the exchange controller would jointly oversee the introduction of financial products in the market. SFST assured members that the Administration attached importance to promoting investor education and ensuring that financial products available in the market would be conducive to the healthy development of Hong Kong as an international financial centre. To keep abreast of the latest developments in regulatory activities, FSTB maintained regular discussions with SFC and HKEx.

4.16 Given the statutory secrecy provision binding SFC from disclosing information relating to investigations that did not result in enforcement actions, Mr LEE Wing-tat questioned the transparency of SFC in handling complaints received from the public. Mr LEE pointed out that under the present mechanism, complainants would have no knowledge of whether or not their complaints had been followed up by SFC. He enquired whether SFST had addressed the concern of the community on the transparency of SFC through discussion with the latter on the handling of complaints.

4.17 In response, SFST explained that SFC was an independent statutory body and the principal regulator of Hong Kong's securities and futures markets. Its work was overseen by the SFC Board. The Government, while maintaining regular discussions with SFC, did not involve itself in the day-to-day regulatory functions of SFC. SFST appreciated members' concern about the transparency of SFC and pointed out that as a standing practice, SFC would present its annual budget to the Panel on Financial Affairs (FA Panel) before the commencement of the financial year. Moreover, SFST pointed out that it was rather common for complainants to copy their written submissions to SFC to FSTB. As such, FSTB was aware of the complaints and would expect SFC to reply to the complainants on the follow up actions taken.

4.18 On transparency and accountability of regulatory bodies, the Chairman and Mr SIN Chung-kai both expressed concern about the control over the Hong Kong Monetary Authority (HKMA). They doubted the rationale for the budget of HKMA, which was primarily a Government body financed entirely by the Exchange Fund, to be exempted from the resource allocation mechanism applicable to other Government bodies and not subject to the scrutiny of LegCo. Mr Ronny TONG shared their view. Mr SIN pointed out that instead of providing the estimates of expenditure before the commencement of a financial

Chapter IV : Financial Services

year, HKMA only published a statement of its actual expenditure in its annual report. Mr SIN considered that HKMA should follow the practice of SFC to present its annual budget to the FA Panel for discussion and to solicit views and comments from Members on revenue/expenditure estimates and other related matters. He considered that there was no transparency in the current arrangement.

4.19 In response, SFST undertook to convey members' concern about disclosure of HKMA's annual budget to FS. He also explained that in accordance with the Exchange Fund Ordinance (Cap. 66) (EFO), FS appointed the Monetary Authority to assist him in the performance of his functions under EFO. The Executive Director (Banking Development), HKMA (ED(BD), HKMA) explained that FS was aware of LegCo Members' concern about the disclosure of HKMA's annual budget. In fact, he had requested the Governance Sub-Committee (GSC) of the Exchange Fund Advisory Committee (EFAC) to review the question in the context of HKMA's 2004 Annual Report. FS, on the advice of EFAC and GSC, had approved the proposal to disclose information on HKMA's administrative budget starting from the 2004 Annual Report. He assured members that SFST and he himself would be most prepared to convey Members' view on disclosure arrangements to FS as well as GSC. Responding to Mr SIN Chung-kai's further enquiry on the timing for disclosure of HKMA's 2006 budget, ED(BD), HKMA advised that major components of the administrative budget for 2006 would be included in HKMA's 2005 Annual Report.

4.20 Mr Ronny TONG suggested that the subject on disclosure of HKMA's annual budget be followed up by the FA Panel and FS should be invited to a meeting of the Panel for discussion of the subject. Mr SIN Chung-kai expressed strong dissatisfaction about the current disclosure arrangement, despite slight improvements made in HKMA's 2004 Annual Report for disclosure of the administrative budget of HKMA for the current financial year. After discussion, it was agreed that the matter would be referred to the FA Panel for further discussion with FS, HKMA and the Chairman of GSC.

Chapter V : Public Finance

5.1 At the Chairman's invitation, the Secretary for Financial Services and the Treasury (SFST), Mr Frederick MA, highlighted major initiatives in public finance under his purview in 2006-07 (Appendix IV-4).

Accuracy of budgetary forecast

5.2 Mr SIN Chung-kai pointed out that the Financial Secretary (FS), in his Budget Speech delivered on 22 February 2006, stated that a surplus of \$4.1 billion would be achieved in the Consolidated Account in 2005-06. However, the Government announced on 28 February 2006 that a net surplus of \$19.6 billion was recorded for the first 10 months of 2005-06 up to the end of January 2006. Given the great discrepancy between the two figures, Mr SIN enquired what concrete measures would be put in place by the Administration to improve the accuracy of the forecast in the Budget so as to avoid misleading the public to be too pessimistic about the Government's fiscal position.

5.3 In response, SFST explained that the figure quoted in the Budget Speech was worked out on the basis of the revised estimates for 2005-06. As the preparation of the annual estimates involved voluminous financial data of over 200 revenue items and some 80 expenditure heads, bureaux and departments were required to submit in November/December 2005 the revised estimates for 2005-06 together with the draft estimates for 2006-07. When working out the revised estimates for 2005-06, bureaux and departments were required to assess, according to their best knowledge in November 2005, their resource requirements up to the end of March 2006. However, given the need to cater for unanticipated expenditure, such as legal costs, bureaux and departments had earmarked provisions for such purposes. If such expenditure was subsequently not incurred, there would be a discrepancy between the revised estimates prepared in November and the actual figures.

5.4 Given that the discrepancy between \$4.1 billion and \$19.6 billion was not small, Mr SIN Chung-kai urged the Administration to critically review how the accuracy of its revised estimates could be improved. In this connection, he pointed out that a number of parties outside the Government had estimated in January and February 2006 that the surplus for 2005-06 would be between \$10 billion and \$20 billion, which was even more accurate than the figure quoted in the Budget Speech. SFST said that while he was not in a position to comment on the estimates made by outside parties, he believed that bureaux and departments had critically reviewed the funding position of the revenue and

Chapter V : Public Finance

expenditure heads/subheads under their control in making the assessment of the revised estimates for 2005-06.

5.5 Mr Ronny TONG enquired whether the Government was prepared to revise its estimated surplus for 2005-06. He was concerned that if the Government was not going to do so, it would give rise to the question of why the net surplus would reduce from \$19.6 billion as at end-January 2006 to \$4.1 billion as at end-March 2006. SFST said that the surplus in January 2006 was mainly due to the revenue from profits tax and salaries tax, and the Government would announce its latest fiscal position for March at the end of April 2006.

Revenue and financial control

5.6 Referring to the Medium Range Forecast for 2006-07 to 2010-11, Mr LEE Wing-tat expressed concern on whether the reduction in the share of public expenditure in Gross Domestic Product from 18.2% in 2006-07 to 16.1% in 2010-11 would have any impact on government services. Given the substantial reduction in public expenditure over the past few years and the Government's improved fiscal position, Mr LEE considered it not justified to further reduce public expenditure. In his view, the Government should provide sufficient provisions for bureaux/departments to maintain their existing services and implement new initiatives.

5.7 In response, SFST pointed out that the figures in the Medium Range Forecast were projected figures which would be subject to review having regard to prevailing circumstances in the next five years. If the Hong Kong economy grew as forecast, the Government would increase its expenditure, including expenditure on capital works projects, over the next few years to enhance the quality of government services. As set out in Section III of Appendix A to the 2006-07 Budget Speech, there would be a steady increase in the estimated total government expenditure from 2006-07 to 2010-11. SFST assured members that the Administration would monitor the developments in the next few years, and review its expenditure guidelines annually to ensure that the Government would continue to manage its public finances prudently and keep expenditure within limits.

Studies on Goods and Services Tax

5.8 Noting that the Administration had appointed a consultant to conduct a study on Goods and Services Tax (GST) in 2004-05 at a fee of \$4.2 million and made a provision of \$7.5 million in 2006-07 for appointing the same consultant to conduct further study on the same subject, Mr Vincent FANG enquired about the differences between the scopes of the two consultancy studies. The Chairman and Miss TAM Heung-man expressed concern that over \$10 million would be spent on consultancy studies on the GST.

5.9 In response, the Permanent Secretary for Financial Services and the Treasury (Treasury) (PSTsy) advised that the consultancy study conducted in 2004-05 mainly focused on the principles of and rationale behind the implementation of GST and the relevant experience of other economies. To assist the Administration in its public consultation on the subject, the same consultant was appointed and its work would focus on the details of implementation of GST in Hong Kong, including the preparation of a consultation document for public consultation in mid-2006.

5.10 To facilitate the public and the retailers to have a better understanding of the principles of and rationale behind the implementation of GST in Hong Kong, Mr Vincent FANG considered that the Administration should publish the report of the consultancy study conducted in 2004-05. The Chairman shared his view. PSTsy pointed out that as various issues were covered by the consultancy study conducted in 2004-05, a full report was not prepared for publication. However, the conclusions of the study would be incorporated into the consultation document on GST which would be released for public consultation.

5.11 Noting that GST was recommended by the Advisory Committee on New Broad-based Taxes, Mr Vincent FANG enquired whether the Advisory Committee had recommended other alternative options. PSTsy advised that the Advisory Committee had, in its Final Report to the Financial Secretary in February 2002, set out its assessment on a number of tax base broadening options. Having regard to the principles of neutrality, fairness, effectiveness, efficiency, certainty and simplicity, flexibility, international competitiveness, and revenue stability, the Advisory Committee concluded that GST was the only new tax with the long-term capacity to broaden Hong Kong's tax base which was not incompatible with its external competitiveness.

Chapter V : Public Finance

5.12 While GST was the only option recommended by the Advisory Committee on New Broad-based Taxes, Miss TAM Heung-man was concerned whether the Administration had explored alternative options to broaden the tax base to cater for the situation that the implementation of GST was not supported by the public and Legislative Council (LegCo) Members. SFST pointed out that as mentioned by FS in his Budget Speech, the Administration would consult the public on the details of the proposal on the implementation of GST in Hong Kong, and would prepare a report after the conclusion of the consultation period and submit its proposals for consideration by the Government of the next term. At the present stage, it had not yet been decided as to whether GST should be implemented in Hong Kong.

5.13 Referring to the Estimates of Expenditure for the Treasury Branch of the Financial Services and the Treasury Bureau for 2006-07, the Chairman pointed out that the Treasury Branch had indicated that it would identify further revenue options with a view to broadening the tax base and increasing revenue. Responding to the Chairman's enquiry on what the term "further revenue options" referred to, PSTsy explained that it referred to revenue options, such as the adjustment of marginal tax rate of salaries tax.

Feasibility study on the proposed merger of two railway corporations

5.14 Mr Jeffrey LAM noted that a provision of \$7 million had been earmarked in 2006-07 for the appointment of financial consultants to carry out feasibility study of the merger of MTR Corporation Limited and Kowloon-Canton Railway Corporation (KCRC). Given that consultancy studies had previously been conducted on the proposed merger, Mr LAM enquired about the scope and content of the proposed feasibility study, and the timetable for the merger.

5.15 SFST pointed out that as the Chief Executive had stated in his 2005-06 Policy Address, the two railway companies had entered the final stage of discussion on their merger. The Administration would facilitate the implementation of the merger as far as practicable. However, there was no concrete timetable for the merger at the present stage. PSTsy also pointed out that since the proposed merger involved a number of highly complex issues, the Administration considered it necessary to engage consultants to continue to provide professional advice on the financial and other aspects of the proposed merger. At Mr Jeffrey's LAM's request, PSTsy undertook to provide information about the scope and content of the proposed feasibility study; the

Chapter V : Public Finance

scope and content of previous consultancy studies conducted on the proposed merger; and the expenses incurred.

5.16 Given the grave public concern about the recent corporate governance issues of KCRC, the Chairman enquired whether the proposed feasibility study would cover the division of functions and responsibilities between the Chairman and the Chief Executive Officer of the merged corporation. SFST advised that the subject was not within the scope of the proposed feasibility study. If the Administration considered it necessary to review the scope of the study, it would do so as and when appropriate.

Asset disposal and securitization programme

5.17 Noting that a provision of \$13 million had been earmarked in 2006-07 for financial advisory services in relation to the implementation of the asset disposal and securitisation programme, Mr Ronny TONG enquired about the assets covered by the programme. In response, PSTsy advised that the Administration was studying a number of proposals, including the proposals to dispose of the Government's non-means tested student loan portfolio and the Government's remaining shares in Tradelink, and the proposal on the privatization of the Airport Authority. Depending on the progress of the study, the Administration would work out the items to be included in the asset disposal and securitization programme, and consider the need to appoint consultants to provide professional advice on the implementation of the programme.

5.18 Given the strong objections raised by members of the Panel on Education and Panel on Financial Affairs on the proposal to dispose of the Government's non-means tested student loan portfolio, Mr Ronny TONG queried the need for the Administration to continue to study the proposal. The Chairman shared Mr TONG's view. PSTsy said that the Administration was fully aware of Members' concerns about the proposal and was considering whether and how the concerns could be addressed. The Administration would report to the two Panels on further developments, if any, in due course.

5.19 The Chairman considered that the Administration should, in studying its various proposals, take into account the views of LegCo Members and the public and refrain from engaging consultants on very controversial proposals which were unlikely to gain the support of Members and the public.

Government Financial Management Information System

5.20 Noting that the project for the replacement of the Government Financial Management Information System (GFMIS) could not be completed as scheduled, Miss TAM Heung-man enquired about the cause of the delay. In response, the Director of Accounting Services (DAS) said that since the GFMIS replacement project under the previous contract had experienced delays during the build and test phase and the scheduled rollout could not be delivered, the contract was terminated in May 2005. The project was put to re-tender in September 2005 and the new contract commenced in February 2006. As a result, the date for completion of the project had been rescheduled to 2008. In response to Miss TAM's further enquiry, DAS said that the previous contract might go into litigation.

5.21 Miss TAM Heung-man expressed concern about the impact of the rescheduling of the project on departmental operations, and the costs incurred for the upgrade of the hardware and software of the existing GFMIS so as to ensure that the service of the existing system could be extended where necessary. DAS advised that the upgrading arrangement had been made whereby the service of the existing system could be extended where necessary, and the rescheduling should not cause any disruptions to departmental operations. As normal system maintenance, the existing system had been periodically upgraded and the provision of the current upgrade had been made in the Budget of 2005-06.

Workflow Management System

5.22 Referring to the Workflow Management System (WMS) to be implemented by the Inland Revenue Department (IRD) in 2006-07, Mr WONG Ting-kwong enquired about the cost-effectiveness of the system and whether a dedicated team would be required for its implementation.

5.23 The Commissioner of Inland Revenue (CIR) advised that WMS was a computerization project for automating the distribution of tasks within IRD and controlling and monitoring the workflow. It would enable IRD to effectively track and monitor case actions through electronic means to ensure that performance pledge targets were met, and to improve the Department's overall responsiveness to requests from the public, such as those relating to tax assessment objections, tax holdover claims, etc. CIR also pointed out that WMS would be operated by the existing staff of IRD, and it would involve a

Chapter V : Public Finance

non-recurrent expenditure of \$9.7 million for system development. It was estimated that 14 posts of Clerical Assistant could be saved upon full implementation of the system, which would achieve annual cost savings of some \$1 million. Since the implementation of WMS could enhance the efficiency of work of IRD and achieve cost-savings in the long run, the project was considered to be cost-effective.

5.24 Given that the tasks of IRD, such as those relating to tax assessment objections and tax holdover claims, involved massive personal data, the Chairman urged IRD to ensure information security so as to safeguard the interests of taxpayers. CIR pointed out that IRD attached great importance to information security in the development of WMS. As WMS was an internal system of IRD, external parties should not be able to retrieve information from the system. Nevertheless, IRD would closely monitor the implementation of the system.

Clearance of backlog of reassessments

5.25 Referring to the Rating and Valuation Department (RVD)'s plan to employ three temporary staff in 2006-07 to clear the backlog of reassessments due to alterations of tenements and resulting objections, Mr Howard YOUNG enquired about the reasons for the backlog. The Commissioner of Rating and Valuation advised that with the recovery of the economy, the number of cases involving alterations of tenements had increased in recent years and the number of objection cases had also increased correspondingly. As reassessments were required for such cases, a large number of cases had been built up and needed to be cleared. RVD therefore planned to employ three temporary staff to clear the backlog once and for all, and it was not necessary to create permanent posts for the purpose.

Management of government works projects

5.26 Mr WONG Kwok-hing expressed concern about the serious wage arrears problem in the construction industry, including the works projects of the Housing Department and Architectural Services Department (Arch SD). In this connection, Mr WONG requested the Administration to provide information on the concrete measures for implementing the initiatives to protect labour rights as stipulated in paragraph 29 of the 2006-07 Budget Speech, including measures to prevent wage arrears, and the timetable for implementing the measures.

Chapter V : Public Finance

5.27 The Director of Architectural Services (D Arch S) advised that the Government attached great importance to the protection of labour rights. To address the problem of wage arrears identified in multi-layering subcontracting of government works projects, the Environment, Transport and Works Bureau (ETWB) was implementing a pilot scheme under which a number of conditions were imposed on several works projects of Arch SD for a trial period of 18 months (including the condition that the wages of workers should be paid by autopay). So far, the pilot scheme had been implemented smoothly and no problem of wage arrears was identified in the works projects involved. As regards the problem of wage arrears in some other works projects of Arch SD, the department had checked whether the main contractors concerned had implemented the required control measures and if not, they would attract a bad record which would have impact on their bidding for works projects of Arch SD in future.

5.28 Mr WONG Kwok-hing was pleased to note that Arch SD recognized the problem of wage arrears involved in government works projects. However, he considered that as the pilot scheme had been implemented for a period of time, it should be extended to all government works projects so as to safeguard the rights of workers. In this connection, Mr WONG urged the Administration to provide a concrete timetable so as to facilitate Members to decide whether or not to support the Appropriation Bill 2006 when the Second Reading debate on the Bill resumed on 29 March 2006.

5.29 SFST considered it inappropriate to link the problem of wage arrears in government works projects with the Appropriation Bill 2006. Given that wage arrears was a complex problem which required inter-departmental study and co-ordination, it would take time for the Administration to resolve the problem. As such, the Administration was unable to commit a concrete timetable at the present stage. In this connection, D Arch S advised that ETWB would review the pilot scheme in due course and decide whether it should be extended to all government works projects. At the Chairman's request, SFST agreed to convey Mr WONG Kwok-hing's views and concerns to the Secretary for Environment, Transport and Works, and the Secretary for Economic Development and Labour, for their response in the relevant sessions of the special meetings of the Finance Committee.

Chapter VI : Civil Service

6.1 At the Chairman's invitation, the Secretary for the Civil Service (SCS), Miss Denise YUE, briefed Members on the progress made by the Civil Service Bureau (CSB) in controlling public expenditure, and provided an update on, inter alia, the progress of reduction of civil service establishment, development of an improved civil service pay adjustment mechanism and review of the fringe benefit type of civil service allowances (Appendix IV-5).

Reduction of civil service establishment

6.2 Pointing out that there was a significant gap of some 5 800 posts between the civil service establishment which stood at about 162 800 and the actual strength of around 157 000, Mr LEE Cheuk-yan questioned whether it was due to the general recruitment freeze for the civil service since April 2003.

6.3 In response, SCS explained that a gap between the establishment and strength of the civil service would exist at any one time. The major reasons were as follows:

- (a) Time gap for arrangements to fill vacancies arising from departure of civil servants due to natural wastage;
- (b) Leave reserve posts to accommodate officers on final leave before retirement made up for part of the civil service establishment but these posts would not be counted as vacancies to be filled by posting or by recruitment; and
- (c) Operational reserve posts included in the civil service establishment to accommodate officers attending training or exchange programmes lasting for some time.

At Mr LEE Cheuk-yan's request, SCS undertook to provide information on the figures of civil service establishment and strength, and if practicable, a breakdown of the difference between the two according to the above three major reasons. She further explained that as the expenditure on personal emoluments was allocated to the relevant bureaux/departments as part of their operating expenditure, CSB would not be able to provide the breakdown in terms of the expenditure on staff costs.

Chapter VI : Civil Service

6.4 While the Administration had reported achievement in the reduction of civil service establishment from the peak of 198 000 in 2000 to about 162 800 in early 2006, Mr Albert CHAN was of the view that the reduction had been achieved through stringent administrative measures such as outsourcing and voluntary retirement (VR) schemes. Mr CHAN pointed out that given the small amount of monthly pension, some VR-takers had to take up employment with contract service providers under outsourcing to support their families at pay levels of only about one third of their previous pay for similar jobs in the civil service. Given the recent improvement in the fiscal position, Mr CHAN urged the Administration to give due consideration to the hardship of civil servants at the middle and lower ranks in taking forward any measures for containing the size of the civil service.

6.5 In reply, SCS stressed that in achieving the target of reduction of the civil service establishment, the Administration had strictly adhered to the principle that no civil servants would be made redundant. She recognized that the accomplishment of the target was a result of the continuous efforts made by civil servants in enhancing productivity through streamlining, re-engineering while upholding the quality of public service under stringent resource provision. As to the implementation of the VR schemes, SCS explained that applications were submitted by individual civil servants on a voluntary basis. As such, it would be the individual decision of VR-takers to participate in the schemes and they should have taken into serious consideration their family circumstances before submitting the applications. She further explained that if a pensionable VR-taker was re-employed by the government as a NCSC staff, he or she would be subject to suspension of his/her monthly pension if he or she worked for longer than a certain number of working hours within a prescribed period of time. SCS pointed out that in accordance with the principle of “Big Market, Small Government”, the Administration would consider outsourcing the provision of public service to private sector service providers, where practicable.

Employment of non-civil service contract (NCSC) staff and temporary jobs in the public sector

6.6 Mr WONG Kwok-hing pointed out that in reducing the civil service establishment to the present level of about 162 800, bureaux/departments had been employing some 15 000 NCSC staff on short-term contracts to meet operational needs. Pointing out that a number of NCSC staff had been serving in their posts continuously for seven to eight years with repeated renewal of

Chapter VI : Civil Service

short-term contracts, Mr WONG was concerned about the hardship of these staff who had no job security, no increment or pay increase. Mr WONG requested the Administration to review the NCSC Staff Scheme and examine the long-term operational need of the posts filled by NCSC staff so that long-term employment could be offered to the staff concerned. Mr KWONG Chi-kin also requested the Administration to review the implementation of the NCSC Staff Scheme. Mr KWONG was of the view that under the general recruitment freeze for the civil service in the past few years, bureaux/departments (for example the Leisure and Cultural Services Department) had employed large number of NCSC staff to meet their operational needs.

6.7 In response, SCS explained that the NCSC Staff Scheme provided flexibility to bureaux/departments to employ staff outside the civil service on fixed-term contracts up to three years to meet service needs that were short-term, part-time or the mode of delivery was subject to change or under review. SCS recapped that similar concerns had been raised at the meeting of the Panel on Public Service (PS Panel) in February 2006. CSB had undertaken to provide information and brief the PS Panel on the subject at the meeting in March 2006. On the length of continuous service of NCSC staff, SCS advised that the relevant statistics would be provided in the information paper for the relevant Panel meeting in March. In brief, the length of service of about 85% of NCSC staff was less than five years.

6.8 Responding to Mr KWONG Chi-kin's concern that NCSC staff continuously employed for six years or more should be considered for appointment on the prevailing permanent civil service terms, SCS clarified that the appointment of NCSC staff and the civil service appointment system were two separate systems. Under the new civil service entry system introduced in June 2000, recruits would be appointed to basic ranks in civil service grades on three-year probationary terms, to be followed by a three-year agreement terms, before they would be considered for appointment on the prevailing permanent terms. Nevertheless, when introducing the NCSC Staff Scheme in 1999, the Administration had clearly stated that NCSC staff were not part of the civil service and were employed on terms different from the civil service.

6.9 In response to Mr WONG Kwok-hing's concern about the job security of staff taking up temporary jobs in the public sector, SCS explained that there were a number of temporary jobs created to help the unemployed enter/re-enter the labour market as well as to meet operational needs. The

Chapter VI : Civil Service

majority of the staff taking up these temporary jobs were employed by non-governmental organizations and/or through service providers under outsourcing contracts. Only about 1 200 such jobs were directly offered by government bureaux/departments.

Training for civil servants

6.10 Noting the direct expenditure incurred for 19 Hong Kong Special Administrative Region (HKSAR) participants in the civil service exchange programme with the Mainland in 2005-06, Mr Howard YOUNG was concerned whether the small amount of expenditure per participant per day (about \$300 only on assumption of three months' exchange programme) would be adequate. As the expenditure was mainly on traveling, rental and living expenses, Mr YOUNG enquired about the type of accommodation arranged for the HKSAR officers concerned. He was concerned whether the current accommodation arrangement would reduce the incentive of HKSAR officers to participate in the programme given the small number of HKSAR participants compared with those from the Mainland.

6.11 In reply, the Deputy Secretary for the Civil Service (3) (DS(CS)3) advised that in general, rented apartments rather than hotel rooms would be arranged for HKSAR participants in the attachment programme. For other training programmes, accommodation might be provided by the receiving units in the Mainland, such as student hostels of Mainland universities. In response to Mr Howard YOUNG's enquiry on the accommodation arrangements for Mainland officials attached to Hong Kong, DS(CS)3 said that the concerned Mainland provincial and municipal authorities would arrange accommodation for their staff, such as staff quarters in Hong Kong.

Medical and dental treatment for civil servants

6.12 Noting that 220 applications for payment and reimbursement of expenses on drugs/equipment/services had been rejected in the first three quarters of 2005-06, Ms LI Fung-ying enquired about the criteria for assessing the applications. Ms LI pointed out that she had received complaints from serving and retired civil servants suffering from chronic illness about rejection of their applications for reimbursement of expenses on drugs prescribed by Hospital Authority (HA) doctors. Pointing out that these applicants had been taking the same prescriptions for many years from the clinics of HA, Ms LI queried whether

Chapter VI : Civil Service

the entitlements of the serving and retired civil servants had in effect been reduced following the introduction of the HA Drug Formulary. Mr KWONG Chi-kin shared Ms LI's view.

6.13 In response, the Deputy Director of Health (DD of Health) said that under the existing policy, serving and retired civil servants and other eligible persons might apply to the Government for payment and reimbursement of expenses on drugs/equipment/services which formed an essential part of the medical treatment as prescribed and certified by the attending HA doctors on medical grounds, but were not available in HA or were chargeable by HA. Applications which did not fulfill the stated criteria would be rejected. Applications would also be rejected for reimbursement of medical expenses incurred by the applicants who had chosen to use the services provided by private practitioners where such services were available in HA, or where the treatment and/or prescription were not chargeable by HA. DD of Health assured members that the introduction of the HA Drug Formulary had no impact on the medical benefits of serving or retired civil servants. Pointing out that approval would be granted subject to fulfillment of the stated criteria for payment and reimbursement in individual application, DD of Health agreed to follow up the complaints received by Ms LI Fung-ying and Mr KWONG Chi-kin upon provision of information on the cases.

Managing cases of misconduct in the civil service

6.14 Referring to the breakdown on disciplinary cases by departments in 2004 and 2005, Mr CHEUNG Man-kwong noted with concern the significantly large number of cases in two departments, i.e. the Food and Environmental Hygiene Department (FEHD) and the Housing Department (HGD). Pointing out that the number of disciplinary cases in these two departments in 2004 and 2005 constituted 37% of the total number of cases in all bureaux and departments, Mr CHEUNG enquired about the reasons for this and whether and how improvements could be made in this regard.

6.15 In response, DS(CS)3 observed that the number of disciplinary cases on which the Public Service Commission (PSC) had tendered advice did not represent the total number of such cases in all bureaux/departments. This was so because disciplinary cases involving certain categories of staff in the disciplined services departments fell outside the ambit of PSC. Accordingly, the number of disciplinary cases in FEHD and HGD accounted for a percentage share (of the

Chapter VI : Civil Service

service-wide total) lower than what the PSC figures might otherwise suggest. DS(CS)3 said that experience suggested that the main contributing factors for the larger number of disciplinary cases in the two departments included their larger size of establishment and greater number of frontline staff. SCS agreed that the Administration should look into the causes underlying the higher number of disciplinary cases in these two departments, including liaising with the relevant Heads of Department concerned to examine details of the disciplinary cases as well as measures for improvement, where practicable.

6.16 Mr CHEUNG Man-kwong enquired about the rationale in determining the level of punishment, in particular, the reason for imposing fines on convicted officers who had been awarded the punishment of compulsory retirement. In reply, DS(CS)3 said that the gravity of the misconduct was the primary factor for deciding the level of punishment. In cases where the disciplinary authority considered that compulsory retirement did not fully reflect the serious view that the Administration had taken of the gravity of the misconduct, fines might also be imposed on the officers concerned. He added that officers retired under compulsory retirement would still be entitled to receive pension payment when they reached the normal retirement age.

6.17 At Mr CHEUNG Man-kwong's request, SCS undertook to provide the number of disciplinary cases dealt with by PSC in 2004 and 2005 involving officers of FEHD and HgD, with breakdown by the following:

- (a) The seven categories of misconduct (i.e. criminal convictions, unauthorized absence/unpunctuality/abscondment, negligence/failure to perform duties or follow instructions/supervisory accountability/insubordination, improper claim of allowance/reimbursement, falsified attendance of work records/provision of false information, unauthorized loans and other misconduct) set out in the Administration's written reply to a Member's question on the Estimate of Expenditure 2006-07; and
- (b) The level of punishment, following formal disciplinary action against the concerned officers.

Chapter VII : Home Affairs

7.1 At the Chairman's invitation, Dr Patrick C P HO, the Secretary for Home Affairs (SHA), briefed Members on several priority areas of the Home Affairs Bureau (HAB) in the new financial year (Appendix IV-6).

Civic education

7.2 Mr WONG Kwok-hing sought information on the promotion of the concept of corporate citizenship and the resources earmarked for promoting civic education. Mr WONG considered it important to involve the Economic Development and Labour Bureau and the Labour Advisory Board. In this way, any efforts to promote corporate citizenship would have the support of trade unions, business enterprises and employers who could serve as the co-organizers or collaborators so as to enhance the overall effectiveness of civic education.

7.3 In response, SHA advised that the concept of corporate citizenship aimed at encouraging the senior management of business enterprises to work jointly with their employees to fulfil their civic responsibility when undertaking business in Hong Kong. HAB would conduct a comprehensive survey to find out how corporate social responsibility was positioned in Hong Kong. In fact, corporate citizenship was one of the key elements of civic education which also included the enhancement of social harmony and national education. In the new financial year, HAB would work closely with other policy bureaux and government bodies, such as the Committee on the Promotion of Civic Education, to implement a series of activities to promote civic education. The estimated total expenditure involved was about \$10 million, of which one-third had been earmarked to subsidize community organizations for organizing activities on civic education through the Annual Community Participation Scheme while the remaining two-thirds had been earmarked for launching publicity and promotional programmes as well as study on civic education conducted by HAB. As regards the involvement of trade unions and employers in the promotion of corporate citizenship, SHA said that Mr WONG's suggestion would be taken into consideration upon implementation of the measures.

Subvention to non-government organizations

7.4 Noting the expenditure on programmes and activities organized by the Equal Opportunities Commission (EOC), Miss TAM Heung-man queried the efficacy of these programmes and activities, particularly with regard to sex discrimination and sexual orientation discrimination. She commented that HAB

Chapter VII : Home Affairs

should set up a mechanism for EOC to evaluate the results of such events to ensure their set objectives had been achieved in a cost-effective manner.

7.5 In response, the Deputy Secretary for Home Affairs (1) (DS(HA)1) advised that EOC was a statutory body responsible for implementing the Sex Discrimination Ordinance (Cap. 480), the Disability Discrimination Ordinance (Cap. 487) and the Family Status Discrimination Ordinance (Cap. 527) to promote equal opportunities and to render unlawful discrimination on grounds of sex, disability and family status. EOC was a statutory body independent of the Government and it enjoyed full autonomy in its operations and finance. Nevertheless, there was a monitoring system whereby EOC should submit reports to HAB four times a year. Although local communities participated from time to time in EOC's publicity and education programmes to promote equal opportunities for people of different sexual orientation and gender identity, it was still inappropriate for HAB to interfere with the organizing of such programmes.

7.6 In relation to Miss CHAN Yuen-han's concern about the small number of complaints investigated by EOC on issues involving possible discriminatory acts in 2004 and 2005, DS(HA)1 stressed that EOC would only undertake an investigation into a complaint of which the aggrieved person was discriminated against unlawfully because of his or her sex, marital status, pregnancy, disability or family status. EOC would organize more activities to promote issues related to anti-discrimination ordinances, particularly the concept of equal pay for work of equal value in the context of gender equality.

7.7 In response to Mr LI Kwok-ying's enquiry on the objectives of the Hong Kong Academy for Performing Arts (HKAPA) and the nature of its estimated provision earmarked for each financial year, the Deputy Secretary for Home Affairs (3) replied that under the Hong Kong Academy for Performing Arts Ordinance (Cap. 1135), the objectives of HKAPA were to foster and provide for training, education and research in the performing arts and related technical arts. The core of HKAPA's teaching programmes was its full-time degree and non-degree courses. The Government provided annual recurrent subvention to HKAPA to enable it to develop and promote its teaching programmes as well as to implement projects such as the migration of the HKAPA's information infrastructure to an e-campus environment and the upgrading of the current Student/Finance/Human Resources System. The Council of HKAPA, which was a statutory body and whose members were appointed by the Chief Executive of the Hong Kong Special Administrative Region (HKSAR), was responsible for

Chapter VII : Home Affairs

drawing up HKAPA's own budget and ensuring that the Government's subvention was properly spent on implementing HKAPA's programmes and projects.

7.8 Miss CHOY So-yuk expressed concern about the decrease in the number of underprivileged or people with disabilities and young people at risk participating in the programmes of the Outward Bound School (OBS) from 2003-04 to 2005-06. The Deputy Secretary for Home Affairs (Special Duties) (DS(HA)(SD)) undertook that the Administration would liaise with the organizations concerned with a view to understanding the reasons for their lack of interest in participating in OBS activities and, where needed, stepping up the promotion of its programmes.

7.9 In view of the incident relating to the leakage on the Internet of personal data of people who have complained against the Police, Mr Albert HO considered that the Privacy Commissioner's Office (PCO) should conduct a review of the handling of personal data by public organizations with a view to enhancing security measures of their database systems containing large amount of personal data of the public. He opined that legislative amendments might also be required to impose criminal liability on the party concerned in the event of leakage of personal data due to negligence. In this connection, he enquired whether the Administration would provide resources for PCO to look into the issue.

7.10 DS(HA)1 advised that at present there were adequate statutory provisions to ensure PCO could exercise its powers to enforce compliance with the Personal Data (Privacy) Ordinance (PD(P)O) (Cap. 486) by all data users. PCO could initiate investigation and enforcement action on cases related to the contravention of requirement under PD(P)O, including such incident relating to the leakage of personal data due to negligence. In response to Mr Albert HO's enquiry, DS(HA)1 said that PCO could utilize the funding from its general reserve for conducting further reviews of the issue if considered necessary. The Administration would also consider allocating adequate resources to strengthen the work of PCO in the particular area as and when appropriate.

Youth development

7.11 Mr WONG Ting-kwong sought information on the effectiveness of the youth exchange programmes, namely the International Youth Exchange Programme and the Community Participation Scheme for Organizing Study

Chapter VII : Home Affairs

Tours to the Mainland. DS(HA)1 advised that the International Youth Exchange Programme was a regular two-way exchange programme which was directly organized by HAB through co-operative arrangements with four overseas participating organizations in the United Kingdom, Ireland, Japan and Singapore. The exchange programme was operated on the principle of reciprocity, i.e. the receiving party would bear the costs of accommodation, meals, local transport and other programme expenses whereas the visiting party would bear the cost of airfare and travel insurance. For the Hong Kong youth delegates, all related expenses were met by HAB, except the delegates' own personal expenses.

7.12 As regards the Community Participation Scheme for Organizing Study Tours to the Mainland, DS(HA)1 advised that the event was jointly funded by HAB and the charity donation from the Board of Management of the Chinese Permanent Cemeteries, and was organized by HAB. Sponsorship to the successful applicant organizations was on a subsidized basis against a set of funding criteria which had been laid down in the application form. Youth participants among different sectors of society, including ethnic minorities and young people from less well off families such as recipients of the Comprehensive Social Security Assistance Scheme, found it enlightening as the scheme could enable them to enhance their understanding on the history, culture, heritage, education and the full picture of developments in their motherland. The event also entrenched patriotic feelings and foster a greater sense of belonging among the young people of Hong Kong towards China.

7.13 The Permanent Secretary for Home Affairs (PSHA) supplemented that there were 72 and 106 youth delegates participated in the International Youth Exchange Programme respectively in 2005 and 2006 while more than 7 000 young people had been sponsored for joining the Study Tours to the Mainland.

Provision of community facilities

7.14 Mr Patrick LAU expressed concern about the late completion of the Tseung Kwan O Sports Ground (TKOSG) project. He commented that as TKOSG would be the main venue for holding the 2009 East Asian Games, its construction had to be completed as soon as possible. In reply, the Deputy Director of Leisure and Cultural Services (Leisure Services) clarified that the Public Works Subcommittee had endorsed the approval for an increase in approved project estimate of the TKOSG project at its meeting on

Chapter VII : Home Affairs

15 February 2006. Subject to the approval of the Finance Committee (FC) on 24 March 2006, the Administration would arrange to commence the project for completion within 36 months. Testing of TKOSG's equipment and facilities would be conducted by the National Sports Associations for six months before the commencement of the 2009 East Asian Games to be held in October/November 2009. He assured members that the Administration would endeavour to shorten the construction time required for the project.

7.15 In relation to Mr Patrick LAU's concern about the schedule of the implementation of the sports stadium project at Kai Tak, DS(HA)(SD) clarified that the Administration would arrange to commence the project for completion by 2013 upon the implementation of the development plan for South East Kowloon in 2010.

7.16 Mr Albert CHAN was dissatisfied that the resources spent on the leisure and cultural services (LCS) projects had correspondingly reduced from about \$1.6 billion in 2000 to \$1 billion in 2006. He also expressed concern about the prolonged delay in the provision of leisure and recreational facilities for the residents in new towns, such as Tin Shui Wai. He pointed out that the provision of a public library in Tin Shui Wai, which had been originally scheduled for commencement in 2001, was long awaited by local residents. Despite the availability of a vacant site in Tin Shui Wai for the provision of a public library, the Administration had been spending some \$7 million each year to rent premises at a shopping mall in Tin Shui Wai to serve as a temporary library. He criticized the Administration for failing to prioritize the implementation of LCS projects in accordance with the pressing needs of the local communities.

7.17 The Deputy Director of Leisure and Cultural Services (Administration) responded that the Administration had given due regard to the needs for LCS facilities in all districts, including new towns such as Tin Shui Wai. In this connection, 25 LCS projects for priority implementation had been identified. While most of the projects had been scheduled for commencement before 2007-08, the implementation of the remaining ones had to be deferred to 2009 because of the difficulties in attaining the optimal plot ratio in the proposed projects. The Administration had briefed members of the Subcommittee to Follow Up the Outstanding Leisure and Cultural Services Project of the Former Municipal Councils on details of the projects, including the "Tin Shui Wai Public Library cum Indoor Recreation Centre" project which would be commenced in mid 2008. In relation to the increasing population in Tin Shui Wai North, the

Chapter VII : Home Affairs

Administration had deployed more resources for the planning of a series of recreational facilities to ease the demand in this area. These facilities included the provision of a 7-a-side soccer pitch together with four basketball courts scheduled for commencement in mid 2006 as well as the provision of elderly fitness stations, a volleyball court and children's play area at the "District Open Space Area 107 Tin Shui Wai" scheduled for commencement in early 2007. Meanwhile, the Administration would endeavour to arrange for the commencement of the early stage planning of the recreation centre in Area 101, Tin Shui Wai. The Chairman said that Members who wished to follow up the progress of the above projects should attend the meeting of the Subcommittee to be held on 30 March 2006.

7.18 In response to Miss CHAN Yuen-han's enquiry about the reason for not commencing the construction works of the community hall at Yau Tong, the Deputy Director of Home Affairs (1) clarified that the superstructure and fitting-out works of the community hall were entrusted to the Housing Department as part of the Housing Authority (HgA)'s Yau Tong Estate redevelopment programme. The piling works had been completed in April 2004 while the superstructure works had not yet commenced due to HgA's decision in early 2004 to suspend the development scheme for a review to maximize land utilization to allow the community hall to form part of an integrated development instead of being a stand-alone development.

7.19 Miss TAM Heung-man referred to the vacancy rate of community halls (CHs) which had exceeded 20%, and enquired why there were still complaints from the public about the difficulty in hiring CHs. She urged the Administration to review the use of CHs to address the mismatch between the demand and supply of time-slots for bookings by hirers. In reply, the Director of Home Affairs (DHA) advised that the usage rates of the community centres (CCs) and CHs were worked out on the basis of the total available time-slots which included non-peak hours, such as mealtimes and early mornings. The booking requests for multi-purpose halls in CCs and CHs located in densely-populated areas during peak hours always exceeded the available capacity. The Administration had explored the feasibility of utilizing existing resources in different districts to provide venues for community activities such as using school halls outside their normal opening hours. However, the rental charges for some of the venues were higher than those for community halls.

Chapter VII : Home Affairs

7.20 In relation to Miss TAM Heung-man's concern about the monopoly of use of some CHs by certain organizations because of their long-term bookings, DHA clarified that the use of CHs was generally determined on a first-come-first-served basis. There was already a designated management committee in each District Council (DC) to monitor the utilization of CCs and CHs and district representatives had been appointed to sit on these committees. She assured members that the Administration would continue to review the use of CHs from time to time and liaise with the respective DCs and local organizations with a view to ensuring the bookings of time-slots during peak-hours could meet the district demand.

7.21 Mr Patrick LAU pointed out that not all projects would use up to 100% of the project commitments. He enquired whether it was feasible to use the unspent amount for projects not yet upgraded for commencement of works due to the financial constraints. PSHA advised that upon completion of works and settlement of contract accounts, any unspent amount of the funding allocated for a particular project would stay in the Capital Works Reserve Fund. The project estimate for each category A project was approved by FC and all allocated funds for the project were listed under the relevant project votes. Any unspent amount of a project vote would not be allowed to be used for other projects in accordance with the established funding procedure.

7.22 Mr KWONG Chi-kin sought information on the staffing requirement for the opening of the Dr Sun Yat-sen Museum in 2007. The Director of Leisure and Cultural Services (DLCS) advised that at present, three contract staff, including two Assistant Curators II and one Technical Officer, had been employed to assist in the planning of the new Museum. Following the commissioning of the museum, one Assistant Curator I and one Municipal Services Assistant, as part of the establishment of the Museum of History, would be employed to look after the day-to-day operation of the Museum. The long-term staffing needs would be reviewed in light of operational experience after its opening in early 2007. At Mr KWONG's request, the Administration undertook to brief the relevant staff unions on staffing arrangements.

7.23 Miss CHOY So-yuk called on the Administration to provide legislation for the operation of museums. This would facilitate the setting up of private museums and the lending and donation of high quality exhibits for display in Hong Kong. SHA assured members that there was no difficulty for world-class exhibits to be displayed in Hong Kong through the Leisure and

Chapter VII : Home Affairs

Cultural Services Department (LCSD) which was responsible for the planning and management of museums. The Government took out insurance for all exhibits in accordance with the law. DLCS stressed that currently all public museums were operated by a government department and the exchange with other museums (including loans of exhibits) could be arranged rather smoothly. However, whether legislation was required for the proper operation and management of private museums ought to be examined carefully. The Administration would give due consideration to Miss CHOY's views in formulating policies on museum management in future.

7.24 Miss CHAN Yuen-han noted that financial provisions were still provided for projects which were completed a long time ago, e.g. Ko Shan Theatre and Shun Lee Tsuen Recreation Ground which were completed in 1996 and 1999 respectively. She enquired about the reason for making such a provision. PSHA advised that as the contractors of these projects became liquidated after completion of the improvement works, a provision of \$100,000 was included in the Estimates for each of these projects to settle any possible payment required by the liquidator.

7.25 Miss CHAN enquired whether the provision to settle outstanding payments should also cover arrears of wages of workers employed for the project, in particular those workers under the public housing construction works. In response, the Deputy Secretary for Financial Services and the Treasury (Treasury)¹ clarified that it was the normal practice for respective Directors of Bureaux and their Controlling Officers to include a provision of \$100,000 for the finalization of contract accounts following the completion of a project. The provision was not used to settle outstanding wages claimed by workers of insolvent employers.

7.26 The Chairman invited Miss CHAN Yuen-han to raise her follow-up questions under Session 12 – Housing of the special meetings of FC.

2008 Olympic Equestrian Events

7.27 In response to Mr Patrick LAU's enquiry about the Administration's plan for promoting the 2008 Olympic Equestrian Events, DS(HA)(SD) advised that the Equestrian Committee had set up an executive body in the form of a limited company to implement the organization work for the Equestrian Events. In collaboration with LCSD, the company would commence publicizing the 2008

Chapter VII : Home Affairs

Olympic games and the Equestrian Events, including the promotion of the community participation in late 2006 or early 2007.

Arts and sport development

7.28 Mr LAU Kong-wah referred to the recent changes in the development of the West Kowloon Cultural District Development Project and enquired about the Administration's plan to encourage innovation and creativity in arts and culture, in particular its support to new performing youth groups to allow them to showcase their talents in performing arts. SHA reassured members that it was the Government's policy to expedite the development of a range of arts and cultural facilities in West Kowloon. In the past, funding had mainly been provided to the more established arts groups. Nevertheless, the Government had also been providing support to budding performing arts groups through the establishment of the Hong Kong Arts Development Council to allow all new and established arts groups to have a fair share of the Government funding. The Government also encouraged the established arts group to organize more training and experience-sharing activities for the younger groups. In addition, the Government would shortly be putting forward to FC a proposal to set up a Development Fund with a funding of \$40 million to support arts and sport development.

7.29 As regards the agreements signed with neighbouring cities in Pan-Pearl River Delta on sports exchange and co-operation, Miss CHOY So-yuk suggested that Fujian be included as one of the cities. SHA advised that a similar request had already been received from the Fujian authorities. The Government welcomed every opportunity to strengthen the co-operation with other local authorities of the Mainland so as to realize fully the economic benefits and create synergy in sports development.

Rural Public Works

7.30 Noting that about 88% of the planned Rural Public Works (RPW) projects were completed in 2005, Mr LI Kwok-ying enquired about the reason for the delay in completing the remaining projects. DHA advised that it was due to local objections, various land ownership and technical problems which required time and villagers' co-operation to resolve. She assured members that the Administration had earmarked enough resources for completion of the remaining projects.

Chapter VII : Home Affairs

7.31 Mr LI Kwok-ying expressed concern about the delay of some RPW projects due to landlords' refusal to surrender their land. He opined that there should be separate funding for land resumption under the RPW programme. In response, DHA clarified that the RPW programme was only confined to small-scale projects while public works projects involving land resumption would be dealt with under the Capital Works Programme which required funding approval from FC. At present, the Administration had no plan to review the RPW programme to include projects with land resumption.

Staff to handle matters related to the abolition of the estate duty

7.32 Mr Albert HO questioned why it was necessary to create additional posts to set up a new unit in HAB to handle matters related to the abolition of the estate duty while there should be surplus staff in the Inland Revenue Department (IRD) following the enactment of the Revenue (Abolition of Estate Duty) Ordinance. DS(HA)1 advised that with the abolition of the estate duty on 11 February 2006, an Estate Beneficiaries Support Services Unit would soon be established under HAB to take over the delivery of the support services from IRD in end 2006. Some of the IRD's staff would be deployed to HAB to fill the newly created posts while the rest of them would be redeployed to other posts within IRD. As an interim arrangement, support services would still be delivered by IRD's Estate Duty Office.

Maintenance payment

7.33 Noting the Administration's actions to strengthen the legislative and administrative measures to assist maintenance payees, Miss CHOY So-yuk opined that a survey on the proposal to set up a maintenance board to collect maintenance payments should be conducted in parallel with the thematic survey on the enforcement of maintenance orders commissioned by HAB.

7.34 In reply, DS(HA)1 said that the inter-departmental working group concerned had studied carefully the operation and effectiveness of overseas intermediary bodies and concluded that the proposed maintenance board would not bring any significant benefits over and above those that could be achieved by improving the existing system of collecting payments and enforcing maintenance orders. In this connection, the Administration would continue its work in preparing legislative amendments to address the problem of maintenance payers deliberately evading the servicing of judgement summons.

Review of advisory and statutory bodies

7.35 Miss CHOY So-yuk pointed out that most of the non-official members of the district-based advisory committees had served in the same posts for nearly 12 years. She opined that a review mechanism should be set up by HAB to ensure that all bureaux and departments strictly observed the “six-year rule” in the appointment of non-official members to these advisory bodies. She also considered that HAB should report the progress of the review of advisory and statutory bodies (ASBs) to the Panel on Home Affairs on a regular basis.

7.36 DS(HA)1 advised that the “six-year rule” and “six-board rule” were general guidelines for making appointments to ASBs. All bureaux and departments had been reminded to observe these rules as far as possible and the situation was improving. However, some of the bureaux/departments might, on occasions, consider it difficult to comply with the “six-year rule” as certain office-holders were traditionally appointed to a particular committee due to technical considerations. The Administration would continue to take appropriate measures to ensure a healthy turnover of ASBs members in the district-based advisory committees. In response to Miss CHOY So-yuk, PSHA stressed that the Administration had to further examine the issue in view of the background history and special circumstances of the district-based advisory committees. Grave concern expressed by representatives of local districts regarding the stringent rules applied to these committees would also be taken into consideration. The Administration would submit its report focusing on that particular issue to the Panel on Home Affairs in due course. The Chairman suggested that the Panel should hold a meeting to discuss the matter as soon as possible.

Remuneration package for District Council members

7.37 Mr LEE Wing-tat opined that DC members should be subject to auditing requirement when public money was involved. In this connection, the ambit of the operating expenses allowance (OEA) in the existing remuneration package for DC members should be expanded to include the auditing fees. As the high fee of auditor’s report would impose additional financial burden on DC members, they should be allowed to pool resources to centrally co-ordinate the audit for their offices within the same political party and appoint an auditor for this purpose for the sake of cost-effectiveness.

Chapter VII : Home Affairs

7.38 DHA advised that the Administration had already discussed with DCs about the proposal to include the auditing fees in the ambit of OEA for the current DC term and would submit the proposal to the Independent Commission on Remuneration for Members of District Councils of HKSAR for endorsement in due course. In response to Mr LEE, she assured members that the Administration would conduct a review as soon as practicable whether additional financial resources for DC members should be sought for the conduct of compliance audit in the long term.

Staffing of Independent Commission Against Corruption

8.1 Mr James TO noted that the job market had improved considerably and asked whether there was any increase in the number of serving staff of the Independent Commission Against Corruption (ICAC) quitting the Commission to join other government departments or corporations. Mr TO was concerned about the staffing situation and staff wastage of ICAC.

8.2 In response, the Commissioner, Independent Commission Against Corruption (C, ICAC) reported that 97 and 89 officers had left ICAC in 2005 and 2004 respectively for various reasons, including resignation and retirement. Most of them had joined the private sector while a small number had joined other government departments. Their vacancies had been/would be filled by internal promotion and open recruitment. To meet the job demands, ICAC would strengthen the professional training provided to its staff.

8.3 Regarding the Interception of Communications and Surveillance Bill recently introduced into the Council, Mr James TO enquired about the implications on the manpower of ICAC if the Bill was enacted and came into operation. C, ICAC said that ICAC would keep a close watch on the enactment of the Bill to better assess the likely impact of the Bill on its operations. As could be foreseen at this stage, after enactment of the Bill, some enforcement actions would require prior authorization of the court. This would to a certain extent affect the work of ICAC. However, he did not envisage that additional manpower would be required.

Transport support for low-income earners and unemployed persons

8.4 Mr LEE Cheuk-yan referred to the scheme of short-term transport support scheme (the scheme) for residents of Yuen Long, Islands and North Districts (the three Districts) who were financially needy and who had completed full-time or placement-tied courses with the Employees Retraining Board (ERB). He enquired about the Administration's rationale for limiting financial support to persons who had completed ERB courses while excluding other low-income earners in the three Districts. He suggested that the scheme should be extended to benefit all low-income earners living in remote areas who needed to commute long distance to their workplaces.

Chapter VIII : Central Administration and Other Services

8.5 In response, the Secretary to the Commission on Poverty (Secy, CoP) advised that the Commission on Poverty (CoP) had studied possible measures to assist the unemployed and low-income earners through discussion with the low-income earners and non-governmental organizations (NGOs). The present proposal was in fact based on suggestions by NGOs which noted that while needy unemployed persons receiving retraining at ERB were provided with a subsidy for the duration of the training, there was no subsidy to help them meet the travel costs for attending job interviews. The scheme would help residents in the three Districts to meet traveling expenses for attending job interviews and/or for commuting to work during the first month of employment before they could receive their first month's wages. ERB had been entrusted with the administration and management of the scheme as it had a readily available mechanism to reach the potential beneficiaries. The training bodies were also well-placed to process the applications of their retrainees and disburse the travel subsidy. As a pilot initiative, the scheme would be implemented on a trial basis in the three Districts for one year. Subject to the outcome of the review of the pilot project, the Administration would consider the feasibility of extending the scheme to other remote areas.

8.6 Mr Frederick FUNG considered that the scope of the proposed support scheme too restrictive as only those who had completed designated ERB courses would be eligible. He suggested that the Administration should draw a poverty line so that those whose income fell below the threshold should be entitled to receiving the transport subsidy. He queried whether a budget of \$2.7 million would be sufficient for the trial scheme to meet the demand of eligible applicants in the three Districts.

8.7 In this regard, Secy, CoP advised that since the proposed scheme was a new pilot initiative, it was difficult to make an accurate projection on the number of beneficiaries or total funds needed under the scheme at this stage. According to the existing data, there were about 6 700 persons residing in the three Districts who had completed full-time ERB courses in 2005. The Administration's preliminary estimate was that the trial scheme would benefit no less than 1 500 retrainees, and that for budgetary purpose, a total of \$2.7 million had been reserved for implementing the scheme for one year from April 2006.

8.8 Mr Frederick FUNG drew the Administration's attention to the handling and assessment of hardship cases by the Housing Authority (HgA) in which the beneficiary families were required to report their latest income and

Chapter VIII : Central Administration and Other Services

asset status three years after moving into public rental housing flats. He urged the Administration to make reference to the assessment mechanism adopted in HgA's latest rent review consultation exercise in drawing up the eligibility criteria for the transport support. He further suggested that the Administration could consider using the median monthly household income, as advocated by the LegCo Subcommittee to Study the Subject of Combating Poverty, to ascertain the population of low-income earners who would be eligible for the transport support. Based on the information of the Census and Statistics Department, there were 51 000 persons with a monthly income below 50% of the median monthly household income residing in the three Districts. Mr FUNG estimated that assuming a maximum allowance at \$1,500 for each person, the total expenditure would be around \$77 million. He also put forward an alternative suggestion that half of the actual transport expenses would be reimbursed for low-income earners living in the three Districts and Tuen Mun up to one year without placing a ceiling on the total reimbursable amount. If this suggestion was adopted, the annual expenditure would be around \$300 million.

8.9 In response, Secy, CoP explained that in considering whether the scope of the scheme should be extended, it would be necessary to examine the eligibility criteria and the implementation mechanism in order to prevent abuse and to ensure cost-effective administration. Statistically, median monthly household income fluctuated. The threshold and household distribution at 50% of the median income were also subject to fluctuation. The resultant fluctuations and uncertainty would have implications on the eligibility, payment and verification of claims, as well as related administrative costs. She noted that the HgA mechanism referred to would have impact mostly on the level of rent that a sitting tenant would need to pay, and would rarely affect his eligibility for continued occupation of the HgA flat. In contrast, eligibility was the crux in deliberating on the issue of travel subsidy. Nevertheless, she said that the Administration would make reference to arrangement adopted by HgA. Secy, CoP further pointed out that in examining whether the scope of the scheme should be expanded, due regard needed to be given to other policy considerations. For example, some members of the public held the view that the transport support was a form of income support which should not be confined to remote areas only. Nevertheless, the Administration would continue the dialogue with relevant parties with a view to coming up with an effective mechanism which could provide justified assistance while minimizing the risk of abuse.

Chapter VIII : Central Administration and Other Services

8.10 On the administrative cost for implementing the trial scheme, Mr Frederick FUNG queried the estimated cost of \$320,000, which amounted to around 12% of the \$2.7 million project budget. In response, Secy, CoP clarified that ERB absorbed all additional work from its existing resources and the entirety of the \$320,000 was payable not to ERB but to the training bodies which would be responsible for delivering the scheme. The training bodies would also be given the discretion to disburse the transport support as an allowance or interest-free loan having regard to the financial situation of the applicants.

8.11 In response to members' enquiry on whether provision had been made in the 2006-07 Budget to cater for the additional expenditure arising from any expansion of the scope of the scheme, Secy, CoP advised that \$9.45 million had been earmarked for item 823 "Initiatives to enhance incentive to work" of the General Non-recurrent Expenditure under Head 142 – Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary. That commitment could be used to meet costs of proposals seeking to enhance work incentives, including a possible expansion of transport support.

The Legislative Council Commission

8.12 Mr WONG Ting-kwong noted that in 2006-07, the Legislative Council (LegCo) Secretariat would further enhance young people's understanding of the work of LegCo and their political awareness by enriching the civic education programmes of LegCo. He enquired about the manpower implications of this initiative and whether additional resources had been earmarked.

8.13 The Secretary-General, Legislative Council Secretariat (SG, LegCo) advised members that the LegCo Secretariat had applied for the creation of two additional posts, one for a Senior Public Information Officer and another for a Public Information Officer, at an annual expenditure of \$1.48 million in the recent Resource Allocation Exercise to strengthen the civic education programmes of LegCo. However, the bid was unsuccessful. To meet the growing demand for guided tours of LegCo Building from schools and non-profit-making organizations, enhanced training was provided for as many of the existing staff members of the Public Information Office as possible to conduct the tours. Notwithstanding, not all requests could be entertained. Owing to insufficient manpower, the Secretariat had turned down nine and 37 requests for guided tours in the 2003-04 and 2004-05 legislative sessions respectively. In the 2005-06 session, 49 requests had so far been declined. To provide more opportunities for

Chapter VIII : Central Administration and Other Services

students and young people to know about the work of LegCo there were plans to increase, the present time slots for guided tours from two to three per working day, in so far as circumstances could permit. To strengthen activities in this area, SG, LegCo further said that subject to the approval of The LegCo Commission, the LegCo Secretariat would bid for additional resources in the coming Resource Allocation Exercise.

8.14 Regarding teachers' feedbacks on the teachers' workshops, SG, LegCo said that the workshops were initially planned to be held twice a year to introduce to teachers the services provided by the LegCo Secretariat for students. As this was a new initiative, feedbacks were yet to be ascertained.

Legal aid service

8.15 Ms Margaret NG declared that she had been assigned cases by the Legal Aid Department (LAD). Noting that eight posts, including two Legal Aid Counsel posts, would be deleted in 2006-07, she enquired how the Department would cope with the additional workload and whether this would mean that the existing staff had to take up more duties.

8.16 In this connection, the Director of Legal Aid (DLA) assured members that the deletion of posts under LAD's Manpower Plan was not a reflection of any reduction in legal aid service. He further advised that manpower savings could be achieved by various means, such as outsourcing of cases by the Litigation Division and re-engineering the work processes of the Department. For example, the assessment of applications for legal aid would not start until all relevant information had been received from the applicants. The referral system with the Labour Department had been streamlined and the Labour Department would not refer employees of insolvent employers to apply for legal aid to commence bankruptcy or winding-up proceedings in certain types of cases.

8.17 Ms Margaret NG expressed concern that staff of the Litigation Division might be subject to excessive workload. If this was the case, she was worried that the counsels might be vulnerable to errors. At Ms NG's request, the Administration agreed to provide details of the work process of re-engineering in LAD in the light of its Manpower Plan in 2006-07 and details of the maximum caseload for each counsel in LAD.

Chapter VIII : Central Administration and Other Services

8.18 Ms Margaret NG enquired about the reason for the increase in the amount of costs not recovered in respect of finalized cases from 2003-04 to 2004-05, and expressed concern about the impact of unrecovered costs on the legal aid recipients of the relevant cases.

8.19 In response, DLA confirmed that the amount of costs which could not be recovered had increased from \$45 million in 2003-04 to \$53 million in 2004-05, mainly because the defendants in the legal proceedings who were ordered by the Court to pay costs faced financial hardship and were unable to pay the costs. The majority of such cases were matrimonial and insolvency cases. With the improvement in the economy, a lower amount of unrecovered costs of \$28 million had been recorded in the first 11 months in 2005-06. If the aided persons were successful in securing certain assets, these cases could be subject to first charge and some costs might be recovered. Otherwise, the costs not recovered would have to be written off.

8.20 For cases in which the costs had not been recovered for the past three years, the Administration agreed to provide an annual breakdown of such cases by:

- (i) their nature (e.g. matrimonial, bankruptcy and insolvency cases, etc);
- (ii) the number of cases in which the legal aid recipients had to bear the costs; and
- (iii) the number of cases subject to first charge.

8.21 Ms Margaret NG noted that for civil cases, LAD had set a target of three months from the date of application for processing the applications. Referring to previous discussion on domestic violence at another committee meeting at which the victims said that they had not sought legal aid to apply for an injunction order due to the long processing time, she asked whether the processing of urgent cases could be expedited.

8.22 DLA explained that the processing time would depend on many factors, some of which were not within the control of LAD, such as timely receipt of advice from barristers, medical or expert reports, and supplementary evidence from applicants. He nevertheless highlighted that for certain urgent or

Chapter VIII : Central Administration and Other Services

emergency cases, the applications could be approved on the date of application. DLA agreed to provide details on how the Department would process urgent emergency applications (such as application for injunction order by domestic violence victims) within a shorter timeframe than the normal three months from the date of application; and how the Department had publicized/would publicize this service to the public.

8.23 Mr LEE Cheuk-yan noted that in 2005, there were 762 applications relating to insolvency matters and among them, 12 applicants had been refused legal aid for not passing the means test. He opined that since these insolvency cases could meet the merits test, the applicants concerned should be granted legal aid even if they could not pass the means test. This could save the resources on the part of LAD in processing such cases, as well as assist the applicants, mostly workers of insolvent employers, to claim their entitlements.

8.24 In response, DLA stated that under the existing Legal Aid Ordinance (Cap. 91), legal aid could only be granted upon both tests on merits and means being satisfied. There was no statutory provision which allowed DLA to waive either test. In this connection, Mr LEE Cheuk-yan urged the Administration to consider the feasibility of amending the relevant legislation so that workers who were owed wages and who had applied for legal aid to initiate proceedings against their insolvent employers could be exempted from the means test.

The Ombudsman

8.25 Mr Howard YOUNG noted that the Office of the Ombudsman would supplement full-time staff by engaging temporary and part-time officers to allow flexibility to meet fluctuations in workload typical of its operation. He asked from where the Office could find temporary and part-time staff who were familiar with the operation of the Government and the complaint handling mechanism of the Ombudsman.

8.26 The Ombudsman said that the temporary officers, who were mostly at the rank of Senior Investigation Officer or Investigation Officer, were mainly deployed on investigation work, including preparation of investigation reports. As the staff taking up these posts were required to be familiar with the procedures and operation of the Office of the Ombudsman and the Government, these temporary officers were mainly ex-staff of the Office of the Ombudsman who had retired or who had returned to Hong Kong after emigration. In response to the

Chapter VIII : Central Administration and Other Services

Chairman's enquiry, the Ombudsman advised that all staff in the Office of the Ombudsman were appointed on contract terms. At present, they were not subject to any restriction on taking up employment after leaving employment with the Office. For retired civil servants employed by the Office of the Ombudsman, their pensions would be suspended during their employment with the Office.

Central Policy Unit

8.27 Mr LEE Cheuk-yan referred to the consultancy studies commissioned by the Central Policy Unit (CPU) in 2006-07. For the eight consultancy projects which had been committed, he sought justification for commissioning a study on "Jianxi-Hong Kong co-operation in building a base for transfer of industries" (the Jianxi-Hong Kong Study). Mr LEE also requested for details of the study on "the Political and economic relationship and interaction between Hong Kong and Taiwan" (the Hong Kong and Taiwan Study) and the reasons for commissioning the Fujian Institute of Asian Affairs Studies to conduct the Hong Kong and Taiwan Study. He expressed concern about the relevance and benefits of these study projects to the Government's policy-making.

8.28 The Deputy Head, Central Policy Unit (DH, CPU) stated that the Administration would welcome suggestions from Members on research topics. He explained that there were different reasons for choosing these topics. Some were requests from bureaux and departments. For example, the reports on "study on social enterprise and anti-poverty: the case of work-integrated services" and "a study on social enterprises in comparative perspective" were commissioned by CoP. The need for the Jianxi-Hong Kong Study had arisen from the Pan-Pearl River Delta Regional Cooperation Agreement (the Agreement) to conduct a preliminary bilateral study with the Jianxi Government, one of the members under the Agreement, to explore mutual co-operation between Hong Kong and Jiangxi. It was funded by the two Governments involved. Subsequent studies would also be undertaken in collaboration with other members under the Agreement. The Hong Kong and Taiwan Study aimed at studying Hong Kong's economic and political relationship with Taiwan. The Fujian Institute of Asian Affairs Studies was appointed to conduct the study because it was renowned for its knowledge and research on Taiwan affairs.

8.29 While raising no objection to studies conducted under the auspices of the Agreement, Mr LEE Cheuk-yan expressed concern about the scope of the studies. He also remarked that the criteria for deciding to undertake the studies

Chapter VIII : Central Administration and Other Services

were not transparent, and that it was not known which Government departments were responsible for making the decision to undertake the studies.

8.30 In response, DH, CPU advised that CPU and the Constitutional Affairs Bureau were responsible for discussing with other members under the Agreement to conduct the preliminary bilateral studies. On whether the report of the Jianxi-Hong Kong Study would be made public, DH, CPU said that, as internal data were involved, it had been specified in the agreement between the two sides that the report would not be released to the public.

Economic forecasting model

8.31 Mr Frederick FUNG sought details on the project to review and enhance the macro-econometric model used by the Economic Analysis and Business Facilitation Unit in producing the Government's short and medium-term economic forecasts, including the cost and the accuracy of the model.

8.32 In response, the Government Economist explained that the objective of the project was to set up a macro-econometric model and to refine it on a regular basis by inputting the up-to-date economic data at quarterly intervals. The estimated expenditure for 2006-07 of around \$1 million was mainly for the engagement of a part-time researcher to conduct on-going tests on the model. Regarding the accuracy of the model, he pointed out a number of factors could affect the growth in the economy and hence the accuracy of the forecast generated by the model. Citing the example of the 2005 growth forecast, he pointed out that the Government had forecast in early 2005 a rate which was more optimistic than that forecast by other institutions. The outturn growth rate of 8.6% however was even higher than the predicted growth rate generated by the model. In reply to the Chairman, the Government Economist said that there was no objection to disclosing the model to the public.

(Post-meeting note: The Administration had written to confirm that the outturn growth rate of the economy for 2005 was 7.3%.)

8.33 Ms Margaret NG opined that since the studies conducted or commissioned by the Administration were publicly-funded, they should be made known to the public, unless there were strong justifications otherwise. Her view was shared by the Chairman who considered that, as a general rule, the findings of the studies commissioned by CPU and other Government departments should be

Chapter VIII : Central Administration and Other Services

made public. Even if the studies involved confidential or sensitive information and could not be disclosed at the time of publication, these studies should eventually be made public when the relevant confidential or sensitive nature of the information lapsed over time. In this regard, DH, CPU said that the reports of the studies could only be released to the public with the consent of the commissioning departments or bureaux. In 2005, 14 studies had been released to the public, representing about 50% of the studies commissioned by CPU.

Chapter IX : Economic Development

9.1 At the Chairman's invitation, the Secretary for Economic Development and Labour (SEDL), Mr Stephen IP, briefed members on the overall policy objective and responsibility of the Economic Development Branch of the Economic Development and Labour Bureau (EDLB), its funding provision and work priorities in the coming year (Appendix IV-7).

Tourism

Central Police Station Compound

9.2 Referring to the Administration's plan to diversify Hong Kong's tourism products to meet the varying needs of visitors, Dr KWOK Ka-ki noted that the preservation of heritage had become one of such products. He pointed out that historic sites and buildings, such as the Central Police Station (CPS) Compound, had their historical values and they appealed to both local and overseas visitors. Dr KWOK enquired about the projects included for development into heritage tourism attractions and the resources earmarked for such purposes in the 2006-07 Estimates.

9.3 The Commissioner for Tourism (C for Tourism) advised that through a series of public consultation sessions and open days at CPS and the Victoria Prison, the Administration had obtained useful views on the future use of the CPS site. The Government was carefully examining the views collected before deciding on the way forward. On the development of other heritage tourism projects, C for Tourism said that with the upcoming commissioning of the Kam Tong Hall, which was being turned into a museum dedicated to Dr Sun Yat-sen, efforts would be made to beef up the current Sun Yat-sen Historical Trail. Preparatory work in relation to these two projects would be absorbed by redeployment of the existing resources.

9.4 Dr KWOK Ka-ki shared the view expressed by some parties that by involving the private sector in developing the CPS site, attention might be directed to the financial, hence commercial, value of the project. Given the historic value of built heritage and the success of the activities held in respect of the CPS Compound, he considered that the Administration should consider funding the project direct to preserve cultural heritage instead of developing it for commercial purposes.

Chapter IX : Economic Development

9.5 SEDL assured members that the Administration was mindful of the public consensus to preserve built heritage. The Administration would consider the views from all interested parties with an open mind before deciding on the way to develop the project. In reply to the Chairman, SEDL explained that while EDLB had taken the lead to play a co-ordination role for the project, the Home Affairs Bureau and the Antiquities and Monuments Office had been actively participating in the project.

Hong Kong Disneyland

9.6 Mr WONG Kwok-hing noted that following the grand opening of the Hong Kong Disneyland (HKD), the provision and manpower support allocated for its development had been reduced. As the new theme park to be built in Shanghai would likely be much larger than HKD, Mr WONG was concerned whether the Administration had any plans to enhance the attraction of HKD and if so, the level of provision allocated for it to meet the anticipated competition.

9.7 SEDL explained that the possibility of developing another Disneyland park in Shanghai had been reported for some years. The Walt Disney Company (TWDC) had recently clarified that it had not entered into any agreement with Shanghai yet. SEDL pointed out that according to the agreement between the Government and TWDC, there was no restriction on the development of other Disney theme parks in other parts of the Mainland or, likewise, other theme parks in Hong Kong. Highlighting the benefits of a healthy competition, SEDL stressed that the development of other theme parks in the vicinity would only provide an incentive for HKD to enhance its competitiveness. For example, in Phase 1 development of HKD, three new games were in the pipeline for completion by mid-2006.

Enhancement projects

9.8 Ms LI Fung-ying noted that it was anticipated that some 800 job vacancies would be made available after implementing the five enhancement projects of existing tourism attractions and other facilities to be implemented in 2006-07. She sought further breakdown information on the number of jobs that had been and will be created; and the number of temporary and permanent jobs.

Chapter IX : Economic Development

9.9 C for Tourism undertook to provide the required information after the meeting. She explained that the jobs were created through the works contractors of the enhancement projects. There would be further job opportunities in the tourism and related trades, such as the retail and service sectors, after the completion of the projects.

9.10 Given that the Government had decided to take forward the “Lei Yue Mun Waterfront Enhancement Project” about two years ago and an overall consultation had been conducted in end 2005, Miss CHAN Yuen-han was surprised to learn that the Government planned to conduct further public consultation in early 2007 upon completion of the preliminary design. Miss CHAN noted that the scope of works under the project included the construction of a public landing facility, breakwater and seawall by the Civil Engineering and Development Department, and the construction of a viewing platform and waterfront promenade as well as streetscape enhancement by the Architectural Services Department. She queried whether the involvement of two different departments had necessitated further consultation. Miss CHAN highlighted that local residents, mid-stream industry players and small operators handling waste resources were all very concerned about the future of the existing loading/unloading areas for goods. She was worried that in the end, the Government would earmark the area for cargo handling due to economic consideration.

9.11 SEDL assured members that the Administration had met with the industry players concerned and undertaken to allow the existing operation to continue for the next three years. However, over a longer term, it was necessary to conduct a comprehensive review of the use of the area in terms of its economic value and the employment opportunities created in developing the loading/unloading area for goods. The Administration considered it appropriate to allow the public to participate in the development of the project and express their views at different stages.

9.12 C for Tourism advised that action was in hand to engage consultants to carry out impact assessments on marine works and design of the viewing platform and waterfront promenade of the project. The project design was scheduled to be completed in end 2006 for public consultation in early 2007.

Chapter IX : Economic Development

9.13 Miss CHAN Yuen-han was dissatisfied with the Administration's response and questioned why further consultation was necessary for such a small project. The Chairman requested the Administration to explain the need for further consultation in writing.

Quality Tourism Services Scheme

9.14 Noting that the Hong Kong Tourism Board (HKTb) was studying the feasibility of extending the Quality Tourism Services Scheme (QTS) Scheme to licensed tourist guesthouses and the grooming service industry, Mr Vincent FANG enquired about the participation of the taxi service industry in the QTS Scheme. He considered that taxi drivers who had impressed upon tourists in the first instance should be accredited for their excellent service standards.

9.15 The Executive Director of HKTb (ED, HKTb) remarked that the QTS Scheme was launched in 1999 and HKTb would expand the scope of the Scheme to cover more tourism-related sectors. Under the "Hospitable Hong Kong" campaign, HKTb had worked with the Transport Department and the taxi service industry to encourage taxi drivers to display hospitality when receiving tourists. ED, HKTb further said that the plan on tourist guesthouses aimed to set requirements for the level of service of guesthouses under the Scheme, thereby providing budget-type visitors with a choice of quality accommodation at a lower cost. In respect of the grooming service industry, according to the survey conducted by HKTb, about 10% of the visitors expressed that they would patronize hair salons when they next visited Hong Kong. Expansion of the Scheme to this industry would help raise its overall service standards. In reply to Mr Vincent FANG on the resources allocated for the purpose, ED, HKTb said that the Government had earmarked a subvention of \$30 million over a two-year period to expand the scope of the QTS Scheme to cover more tourism-related sectors and increase tourism awareness of the Scheme by stepping up targeted promotion and publicity in key markets, such as the Mainland and North Asia.

HKTb's performance

9.16 Mr Albert CHAN noted that out of the total provision of \$928.6 million allocated to EDLB in 2006-07 for a wide range of policies under its Economic Development portfolio, about 80% (\$739.3 million) was allocated to HKTb. He questioned the justification for allocating such a large proportion of

Chapter IX : Economic Development

the provision to HKTB, the work emphasis of which was primarily on attracting visitors from outside Hong Kong. However, HKTB could not claim credit for the increase in visitor arrivals as this was the result of many factors and not just the effort of HKTB alone. Mr CHAN considered that the marketing efforts of HKTB might have benefited the upper market and well-known tourism attractions. Places which were once popular tourist attractions, such as South Lantau and Cheung Chau Island, had been left to survive on their own. Owing to the lack of Government's efforts in promoting tourism development in these places, the number of visitors had significantly dropped in recent years and many shops had to be closed down. Referring to HKTB's plan to spend \$3 million on a consultancy study on the development of Silver Mine Cave, Mr CHAN considered that the provision would benefit more people if it could be re-allocated for promoting the tourism development of these areas.

(post-meeting note: HKTB had clarified that they had no plan to commission a study on the development of Silver Mine Cave)

9.17 Highlighting tourism as an important economic pillar in Hong Kong, C for Tourism remarked that tourism performance in the last year was impressive. Visitor numbers from long-haul markets, including Europe, the American, Australia and New Zealand, all recorded double-digit growth. As many tourists from these long-haul markets were interested in visiting the cultural and built heritage in Hong Kong, HKTB had plans to launch promotion of traditional Chinese festival tours in April/May 2006 in outlying islands, such as Cheung Chau. In view of resource constraint, C for Tourism explained that the Administration would prioritize the development of tourism attractions according to the needs of local residents and visitors.

9.18 On the increase of 8.3% in subvention for HKTB in 2006-07, C for Tourism explained that the \$24.5 million in question was in fact provision carried forward from the balance of an additional funding provided to HKTB in 2005-06 to, inter alia, launch the thematic global marketing campaign named "2006 Discover Hong Kong Year" to tie in with the opening of a series of new tourism attractions. As two new attractions, namely the Hong Kong Wetland Park and the Ngong Ping 360, would be opened in May/June 2006, HKTB had reserved \$24.5 million to launch timely promotional programmes in 2006-07 to ensure that there would be enhanced promotional effects upon the opening of the attractions. On the use of funds by HKTB, C for Tourism assured members that there was an established and stringent mechanism in vetting and approving

Chapter IX : Economic Development

HKTB's annual business plan and budget by the respective committees set up under the Board of HKTB.

9.19 In reply to the Chairman's enquiry on policy to revive tourism in less developed areas of Hong Kong, SEDL pointed out that apart from Government's facilitation measures, stakeholders in these areas should also strive to promote tourism development through various means. Nevertheless, SEDL remarked that the attractiveness and appeal of existing tourism spots and facilities would be increased following a series of enhancement works carried out in different districts.

9.20 Mr SIN Chung-kai also questioned HKTB's budget and performance indicators. He noted that whenever HKTB's budget was questioned, the economic benefits of tourism were often referred to as a means to justify the ever-increasing expenditure. Mr SIN echoed Mr Albert CHAN's view that tourism performance, such as visitor arrivals, was the result of many factors and not just the effort of HKTB alone. He noted from the First Quarter Economic Report 2005 published by the Government that tourism expenditure was \$29.3 billion in 2003, contributing only 2.5% to the local economy, while the figure quoted in SEDL's speech had exceeded \$100 billion. Mr SIN questioned this disparity and considered that EDLB had not monitored the performance of HKTB adequately.

9.21 SEDL pointed out that tourism expenditure had exceeded \$100 billion last year. This corresponded well with a record high of visitor arrivals of over 23 million. C for Tourism supplemented that the figure was calculated on the basis of the recommended methodology of the World Tourism Organization. She said that in measuring the marketing effectiveness, HKTB had conducted surveys among departing visitors with a view to understanding their satisfaction level, spending and length of stay in Hong Kong etc. Nevertheless, the Chairman requested the Administration to provide written information on how it had arrived at the figure.

9.22 Mr LEE Wing-tat sought information on HKTB's actual expenditure in 2005-06 and its estimate for 2006-07. C for Tourism advised that the annual report of HKTB detailing its work and expenditure would be presented to the Council soon while information on its workplan and budget for the coming year could be provided to the Panel on Economic Services.

Competition policy

9.23 Mr Ronny TONG was disappointed to note that under Subhead 700 General non-recurrent Item 015 “Enhancing public awareness of the work of the Competition Policy Advisory Group (COMPAG)”, less than \$100,000 had been spent in 2005. The provision had mainly been used for maintaining and updating the COMPAG website, producing publicity materials to promote awareness of competition issues and converting an interactive game into CD-ROMs for distribution to all primary schools in Hong Kong. He considered that primary students, rather than practitioners in commercial sectors, were selected as the target participants of publicity showed that the Administration was not keen at all in promoting fair competition.

9.24 The Permanent Secretary for Economic Development and Labour (Economic Development) (PSED) explained that Item 015 was one of the specific initiatives under Subhead 700 General non-recurrent Items. Apart from Item 015, the Administration had undertaken a series of initiatives to promote public awareness of competition issues. For instance, it had deployed internal resources to, inter alia, maintain liaison with trade and industry organizations to promote adherence to the COMPAG Guidelines and to support the operation of the COMPAG’s Secretariat.

9.25 Mr Ronny TONG was unconvinced and considered that the Administration should have provided more detailed information to his question (serial no. SV16). Mr TONG asked about the initiatives to be undertaken to promote fair competition in 2006-07, the target participants of its work and the provisions involved.

9.26 PSED remarked that in 2006-07, COMPAG would continue to receive and investigate competition-related complaints, review the effectiveness of initiatives to promote competition, consider new initiatives, publish the annual report, update the information on its website and maintain liaison with trade and industry organizations to promote adherence to the COMPAG Guidelines. On the level of provision to be involved, PSED explained that as in the past, EDLB would deploy internal resources to promote public awareness of competition issues. The staffing expenses required for the above works were included in the provision under Head 145 Programme (3) relating to competition policy and could not be separately itemized.

Chapter IX : Economic Development

9.27 At the request of the Chairman, the Administration agreed to provide information on the work of COMPAG for 2005-06 and details of its work plan for 2006-07 and the expenditures involved for each of the two years.

Power

9.28 Mr LEE Wing-tat enquired whether the Administration had conducted any internal study to examine the relationship between the reliability of electricity supply and additional tariffs, if any, that had to be shouldered by the customers. He was concerned that if the power companies had to increase investment to maintain an excess generation capacity so as to ensure a supply reliability of 99.99%, the study might help ascertain the optimal level of supply reliability under which the need to increase tariff, if any, would be minimized.

9.29 The Deputy Secretary for Economic Development and Labour (Economic Development)² confirmed that there was no direct causal relationship between a supply reliability of 99.99% and the costs of investment/tariff rate. He advised that reliable and safe power supply hinged on the adequacy of electricity facilities and management of the power systems. Following international practice, the power systems in Hong Kong were planned and built in compliance with a set of well-established planning criteria and engineering standards. The management and maintenance of the power systems, besides investments in fixed assets, contributed to the high standard in supply reliability.

9.30 The Director of Electrical and Mechanical Services advised that in monitoring the supply reliability of the power companies, the Administration had established a series of power system planning criteria, e.g. Loss of Load Probability which was a widely accepted probabilistic planning method to evaluate whether there was sufficient generation capacity to meet the maximum demand on a year-round basis.

9.31 The Chairman requested the Administration to provide further information on the power system planning criteria used in monitoring the supply reliability of the power companies, and to provide the study report, if any in relation to supply reliability.

Port, Maritime and Logistics Development

9.32 Noting that the Guangdong Provincial authorities had agreed to extend the operating hours at selected inland customs points, Mr Jeffrey LAM sought information on the detailed arrangement. The Deputy Secretary for Economic Development and Labour (Economic Development)³ (DS(ED)³) informed members that according to the cargo volume and practical needs of different regions, the operating hours at selected inland customs points had been extended for two to two-and-a-half hours to start from 7:00/8:00 am and end at 11:00/11:30 pm. In 2006-07, the Administration would continue discussions with the Guangdong Provincial authorities to further extend the operating hours of four inland customs points at Dongguan.

9.33 Notwithstanding the relaxation of the “four-up-four-down” rule and “one-truck-one-driver” rule, and the extension of the operating hours at selected inland customs points, Ms Miriam LAU was concerned that these measures could not help truck drivers lower their cross-boundary trucking costs as intended. Given that the logistics sector was an important economic pillar of Hong Kong, she requested the Administration to consider devising more practical measures.

9.34 DS(ED)³ remarked that the Administration was fully aware of the impact of cross-boundary trucking cost on the competitiveness of the logistics industry in Hong Kong. The relaxation and extension measures mentioned earlier aimed at providing more flexibility to enable individual truckers to operate two, instead of one, cross-boundary truckings per day. These measures would enhance more efficient use of the existing resources and thus lower costs. DS(ED)³ further advised that in 2006-07, the Administration would conduct a pilot project on on-board trucker information system to further enhance trucking efficiency through advanced technologies, such as global positioning system and fleet management system.

9.35 Ms Miriam LAU was unconvinced and pointed out that it might take more than a year to launch the on-board trucker information system. As truck drivers were now facing difficult operating environment, Ms LAU urged the Administration to devise more practical measures, such as reducing licence fees or minimizing trucker inspection requirements, to help lower cross-boundary trucking costs.

Chapter IX : Economic Development

9.36 Ms Miriam LAU further noted that the provision for programme (2) Air and Sea Communications and Logistics Development for 2006-07 was \$2.1 million (4.8%) less than the revised estimate for 2005-06. She was very concerned about the Government's diminishing efforts to promote Hong Kong as an international logistics hub to other parts of the world.

9.37 SEDL and DS(ED)3 advised that the Administration was keen to step up promotion of Hong Kong logistics advantages and role as an ideal gateway to the Mainland to overseas and the Mainland industry players. In 2006-07, some \$5 million would be allocated through deployment of internal resources for the purpose. The Administration would consult the Hong Kong Logistics Development Council, the Hong Kong Maritime Industry Council and the Hong Kong Port Development Council and their respective project groups on the detailed implementation of the initiatives and promotion activities. Nevertheless, SEDL assured members that the Administration would earmark sufficient provision to fund the promotion activities.

9.38 Noting that the Hong Kong-Shenzhen Western Corridor was scheduled to open in late 2006 while the Stonecutters Bridge connecting Container Terminal 9 with other terminals in Kwai Chung would be completed by 2008, Mr Jeffrey LAM was worried that the two-year gap between the commissioning of the two transport infrastructures might bring about serious congestion to Kwai Chung and Yuen Long. While he had reflected his concern to the Environment, Transport and Works Bureau, Mr LAM urged the relevant bureaux/departments (B/Ds) concerned to work more closely to commission the two infrastructural projects in a more timely manner to enhance connectivity.

9.39 DS(ED)3 said that the Administration fully appreciated the importance of the availability of transport infrastructures to logistics development. EDLB would work closely with the relevant B/Ds in the transportation arrangement in Kwai Chung during the period between the commissioning of the Hong Kong-Shenzhen Western Corridor and the Stonecutters Bridge.

Civil Aviation

9.40 Noting that the Civil Aviation Department (CAD) would work with its Mainland and Macao counterparts to identify the optimal design of air routes, flight procedures and interfacing among the three authorities, and an additional \$1 million would be allocated in 2006-07 to engage overseas expertise to assist in

Chapter IX : Economic Development

this exercise, Mr WONG Ting-kwong sought further details on the improvements in respect of flight operation and air traffic control.

9.41 The Director-General of Civil Aviation (DG of CA) remarked that in the past two years, CAD had been maintaining close co-ordination with adjacent air traffic control authorities. In 2006-07, CAD would work with its Mainland and Macao counterparts to standardize the design of air routes and flight procedures. On the allocation of additional \$1 million for the study, DG of CA explained that the funds would be used to engage overseas experts to evaluate the design of air routes and flight operation procedures in different scenarios, such as increasing flight frequency, simulated by CAD's fast-time simulator. The Government would then discuss the data and outcome of the study with its Mainland and Macau counterparts to identify the optimal design of air routes and flight procedures with a view to improving the efficiency of air traffic management in the Pearl River Delta region. On flight operation and air traffic control, DG of CA said that to cope with an estimated annual increase of 6% to 7% of flight movements, CAD had strived to enhance its efficiency by improving air traffic control, updating equipment and facilities as well as strengthening manpower support with a view to meeting flight operation demand by 2009-10.

9.42 On improving the efficiency of air traffic management, Mr Howard YOUNG was concerned whether the study to standardize air routes would also examine air traffic efficiency in terms of the duration of time spent by aircrafts in landing/taking off as well as the volume of fuel thus used. He reflected the views of the industry players that due to the need in hovering and waiting before landing, the fuel wasted as a result cost as much as hundreds of million per year.

9.43 DG of CA acknowledged that aircrafts would consume much more fuel when flying low and in landing/ taking off. The CAD would strive to identify the optimal design of air routes and flight procedures to reduce the duration of time for aircrafts to take off from or land in Hong Kong.

9.44 Noting from print media report that the General Administration of Civil Aviation of China was prepared to consider the Government's proposal to further liberalize its air service regime, Mr WONG Ting-kwong sought more details about the liberalization measures. He urged the Administration to spare no effort in negotiating for more agreements for air cargo services with a view to strengthening Hong Kong's position as a regional logistics centre.

Chapter IX : Economic Development

9.45 SEDL said that he was not in a position to comment on the media report as negotiation for air service agreements would commence shortly. He assured members that the Government would continue to pro-actively implement progressive liberalization policy in air services by concluding more new air service agreements and expanding the current arrangements with the Mainland so as to enable more airlines to access the Mainland market.

Chapter X : Labour

10.1 At the invitation of the Chairman, the Secretary for Economic Development and Labour (SEDL), Mr Stephen IP, briefed members on the key measures of the Economic Development and Labour Bureau (EDLB) to improve employment, promote labour relations, protect employees' rights and benefits, and enhance occupational safety and health in 2006-07 (Appendix IV-8).

Employment services

10.2 Mr LEE Cheuk-yan noted with concern that among the 26 947 placements secured for able-bodied job-seekers through direct employment service of the Labour Department (LD) in 2005, nearly 25% received monthly salary not exceeding \$5,000. He pointed out that such low income was one of the reasons for the rising problem of poverty among low-waged workers. He questioned whether LD had put in any measures to ensure that job-seekers' interests were protected. In response, the Permanent Secretary for Economic Development and Labour (Labour) (PSL) said that LD was mindful of exceptionally low wages offered for jobs advertised in its employment service. LD would draw to the attention of employers if the offered wages were found out of line with the market wage level. There were cases where LD had declined registration of job vacancies which offered unacceptably low wages. On Mr LEE's suggestion that LD should consider providing minimum wages for different types of jobs for employers' reference so as to protect the interest of job-seekers, PSL said that the suggestion might not be practicable as wage levels varied with a host of factors, such as job nature, working places and working hours, etc. He assured members that LD had adopted objective criteria, such as average market wage level, in considering wages offered for job vacancies. By way of illustration, the average market wage level for full-time cleansing workers was about \$4,000 to \$5,000 per month and for part-time domestic helpers, was about \$40 to \$50 per hour. A full-time job for university graduates with a monthly salary below \$4,000 would be regarded out of line with market rates.

10.3 Mr SIN Chung-kai opined that LD should strive to canvass different varieties of job vacancies to cater for the different needs of job-seekers. PSL advised that the some 430 000 private sector vacancies were registered with LD in 2005, which consisted of a large variety of jobs at different skill and wage levels. LD was very encouraged by the patronage of employers who offered high quality jobs to meet the needs of job-seekers. He re-iterated that LD would continue to step up efforts on employment services with a view to assisting job-seekers to find suitable jobs.

10.4 In response to Mr SIN Chung-kai's enquiry about employment services specifically targeted at the unemployed youths, PSL said that activities, including job fairs and counseling service, were organized for youths. A job fair specifically targeted at youths was recently held in Tuen Mun where some 2 500 job vacancies were offered with monthly salaries ranging from \$5,000 to \$7,000. PSL added that LD would continue to organize job fairs in 2006-07 to bring more employment opportunities to young people, in particular, those living in remote areas.

(Post-meeting note: The Administration has subsequently advised that the number of job vacancies offered in the Tuen Mun job fair was about 3 000.)

10.5 Miss CHAN Yuen-han noticed that some 430 000 private sector vacancies were received by LD in 2005 and another 11 821 were provided through the 11 large-scale job fairs held in the New Territories. Although the Administration had claimed that these job fairs had achieved good placement results, she was concerned about placement results and the wages offered for the rest of the vacancies. PSL clarified that in respect of the 430 000 vacancies received in 2005, LD had successfully placed over 113 000 job-seekers into jobs. As the remaining vacancies were filled by the employers concerned through other channels, LD did not have information on the final wages offered for these vacancies.

10.6 Miss CHAN Yuen-han pointed out that despite the recovery of Hong Kong's economy in recent years, unemployment problem remained a concern of the community, and the problem was particularly serious for workers with low skill and low education attainment. She expressed concern whether LD had put in place measures to strengthen employment services targeted at these workers. For instance, Miss CHAN enquired how vacancy information obtained by LD could be made available to participants of the Support for Self-reliance Scheme (SSR Scheme) launched by the Social Welfare Department (SWD). PSL stressed that LD had been assisting job-seekers through various fronts. He re-iterated that to help job-seekers to secure employment, LD planned to organize 13 major and 50 district-based job fairs in 2006-07. Moreover, to bring more employment opportunities to job-seekers living in remote areas, a new job centre each in Yuen Long and North District would be set up in the latter half of 2006 to provide comprehensive employment services for the two districts and vicinity areas. As regards employment assistance for participants of SSR Scheme, PSL advised that

Chapter X : Labour

vacancy search terminals were installed at the Social Security Field Units of SWD to facilitate participants in obtaining LD's vacancy information in a convenient manner. With a view to providing comprehensive employment services to SSR Scheme participants, LD's job centres were co-located with offices of SWD in North Kowloon, Tuen Mun and some districts in Hong Kong Island.

10.7 Ms LI Fung-ying sought information on the operation of the Special Incentive Allowance for Local Domestic Helpers (LDHs) since its inception, including the number of claimants and the amount of allowance granted. Noting the good response to the scheme, Ms LI asked if consideration would be given to extending it to cover other elementary workers in need of assistance, such as cleansing workers who usually earned about \$3,000 to \$4,000 a month. In response, PSL said that among the \$60 million earmarked for the scheme, about \$24 million had been granted to more than 6 000 LDHs so far. In view of the favourable response to the scheme, LD extended the claim period for all eligible LDH claimants from one year to two and the "unsocial hours" to cover the entire Saturday and Sunday in December 2005 with a view to facilitating LDHs. He supplemented that a review of the scheme would be conducted in the latter half of 2006 covering the resource provision and operational aspects. As regards Ms LI's suggestion of extending the scheme, SEDL undertook to consider the feasibility for taking it forward in 2007-08.

Employees' rights and benefits

10.8 Mr LEUNG Yiu-chung noted with concern about the large number of labour disputes/claims involving arrears of wages in 2004 and 2005. He pointed out that due to ineffective enforcement of awards of the Labour Tribunal (LT) on employers to pay outstanding wages, employees had encountered huge difficulty in recovering owed wages, in particular, when the employers had become insolvent. Moreover, while employees could resort to the Protection of Wages on Insolvency Fund (PWIF), the claim process was complicated and lengthy, and the financial assistance would not cover all of the owed wages. Mr LEUNG enquired about the measures which the Administration had and would put in place and the provision concerned to tackle wage offences and assist employees to claim outstanding wages in 2006-07.

10.9 In reply, SEDL said that the Panel on Manpower (the Panel) had been monitoring issues relating to arrears of wages and discussing measures to help employees in this respect. The Administration had adopted proactive and

pre-emptive strategies to tackle wage offences at source. EDLB, in conjunction with the Judiciary, was examining measures to effect awards of LT in an effective manner. The Administration would report progress to the Panel in due course. PSL added that to prevent unscrupulous employers from abusing PWIF for the purpose of evading their wage liabilities, LD had employed seven veteran former police officers to strengthen the capacity in intelligence gathering and evidence collection relating to wage offences. This arrangement had proved to be successful in preventing wage defaults from developing into claims for PWIF. In addition, with the launch of a pilot exercise codenamed Operation COMBAT, LD had proactively forestalled employers of problematic restaurants from evading their wage liabilities and hence abusing PWIF. As a result, the number of applications for PWIF had registered a significant decrease from over 13 000 in 2004 to some 9 000 in 2005, representing a fall of more than 27%. A total of 1 086 applications for PWIF were received in the first two months of 2006 and the number had dropped by 23% when compared to the same period in 2005. As such, there had been continuous improvement in the financial position of PWIF. At present, PWIF had an accumulated surplus of \$358.4 million and registered an average surplus of some \$20 million a month. To help employees applying for PWIF assistance, the procedures for claiming PWIF had been streamlined and all eligible applications had been approved. At present, payment to PWIF applicants was effected within three weeks after receipt of the application.

10.10 Sharing the concern of Mr LEUNG Yiu-chung, Mr WONG Kwok-hing referred to the labour dispute of a recent case where the problem of deferred payment of workers' wages first appeared in May 2005, and queried why the Administration had not taken action, such as taking legal proceedings against the employer in order to protect the interest of workers. He also enquired about the measures taken and to be taken by the Administration to help workers concerned to claim their outstanding wages. In reply, SEDL agreed that there was a need to enhance the management of public works projects and monitoring of the sub-contractor and worker registration systems with a view to preventing the problem of arrears of wages. He said that besides LD's site inspections, relevant bureaux/departments also joined hands to devise new measures to clamp down on non-payment of wages by contractors. In this regard, to enhance the security of wage payments to workers, the Environment, Transport and Works Bureau had been implementing a trial scheme on some construction projects requiring contractors to pay wages to workers through auto-pay to the workers' designated bank accounts. He added that relevant bureaux/departments would be looking into further measures to tackle the problem of non-payment or

deferred payment of workers' wages in the construction industry. The Chairman urged the Administration to expedite progress in this area and report to the relevant Panels as early as practicable. In this connection, Mr WONG requested the Administration to provide supplementary information on the measures taken and to be taken to safeguard the rights and interests of employees in respect of non-payment of wages engaged in public works projects, including assistance provided to workers, the possibility of taking out prosecution against the company for non-payment of wages. Regarding the case referred to by Mr WONG Kwok-hing, PSL stressed that LD had been assisting workers concerned to recover their outstanding wages as far as practicable. After LD's mediation and conciliation, over 300 construction workers had already recovered their outstanding wages amounting to over \$4 million. However, an insolvency petition was filed and 11 workers were yet to cash their cheques and therefore failed to recover their outstanding wages. The Administration had commenced full investigation into suspected wage offences. If there was sufficient evidence, the Administration would have no hesitation in undertaking prosecution procedures against the parties concerned. Besides, five workers had already confirmed that they were willing to testify in court.

10.11 In reply to the enquiry raised by Mr WONG Kwok-hing and the Chairman about the provision in 2006-07 for tackling wage offences relating to non-payment of wages, PSL advised that the staff cost for engaging the team of seven former police officers for conducting inspections and proactive investigation of problematic establishments involved \$1.8 million. He added that in 2006-07, the Administration would keep up its efforts targeting at wage offences concerning public works projects. It would continue to collaborate with trade unions in enhancing workers' awareness of their rights and reporting of possible wage abuses promptly. PSL advised that, coupled with the commencement of the Employment (Increase in Penalty for Offences under Section 63C) Ordinance 2006 on 30 March 2006 to raise the maximum penalty for wage offences to a fine of \$350,000 and imprisonment of three years, the Administration envisaged that these measures would tackle wage defaults effectively.

10.12 Miss CHAN Yuen-han was appreciative of the Government's efforts to protect the interests of grassroot workers by providing a standard employment contract in April 2005 for use by all contractors of government services that employed mostly non-skilled workers in order to prevent these workers from being paid less than the amount committed by the contractors in the

Chapter X : Labour

tender offers. Miss CHAN sought information on whether provision was reserved in 2006-07 for ensuring contractors' compliance with the requirement. In response, PSL said that while the procuring departments had the responsibility to monitor the contractors for compliance with the contract requirements, LD had been taking rigorous enforcement efforts to protect workers' statutory rights and benefits. By increasing the number of inspectors from six to 18 for inspecting workplaces of non-skilled workers, the number of inspections and successful prosecutions on non-compliance had raised to a record high of 786 and 73 respectively in 2005, representing a surge of 30% and 18 times over the figures in 2004. A total of 141 inspections had been conducted with 11 successful prosecutions made in the first two months of 2006.

(Post-meeting note: The Administration had subsequently advised that the number of inspections conducted in the first two months of 2006 was 134 and the number of successful prosecutions was 13.)

10.13 Miss CHAN Yuen-han pointed out that under the Employment Ordinance (EO) (Cap. 57), an employee would be regarded as employed under a "continuous contract" and be entitled for benefits, such as contributions for Mandatory Provident Fund from the employers, if he or she was employed for a period of four weeks or more with a minimum of 18 hours of work per week within the period, i.e. commonly known as the "4-18" provision. Miss CHAN expressed concern that with the prevalence of part-time and free-lance jobs in the market, more employees had fallen outside the scope of the "4-18" provision. Miss CHAN asked if the Administration would review EO to enhance the protection of employees' rights and interests. PSL advised that the Census and Statistics Department was conducting a special statistical survey to facilitate LD in undertaking a review of the "4-18" provision. Subject to the availability of the survey findings by the end of 2006, LD would complete the said review and consult the Labour Advisory Board (LAB) on any legislative proposal to address the possible loopholes. This was expected to take a year's time. PSL said that the Administration would then report the results of the review and the recommendations of the LAB to the Panel as soon as possible.

Safety and health at work

10.14 Mr LEE Cheuk-yan noted that among the 2 160 patients who sought consultation at the Kwun Tong Occupational Health Clinic in 2005, 1 814 patients had been found suffering from diseases or injuries caused by, related to or

aggravated by work. He further noted that 1 679 out of the 1 814 patients, representing 93%, had musculoskeletal disorder. Mr LEE noticed that not all of the 1 814 patients were classified as having occupational injuries or diseases for the purpose of the Employees' Compensation Ordinance (ECO) (Cap. 282) and enquired why this was the case. Moreover, in view of the prevalence of musculoskeletal disorder among workers, Mr LEE opined that the Administration should consider including the illness as an occupational disease. In this respect, the Deputy Commissioner for Labour (Occupational Safety and Health) (DC(OSH)) explained that not all injuries or diseases caused by, related to or aggravated by work were regarded as occupational injuries or diseases prescribed in the Second Schedule of ECO. In determining whether a worker was suffering from an occupational injury or disease, the worker had to undergo objective medical tests and meet the statutory requirement. As for the musculoskeletal disorder, DC(OSH) advised that the illness might be caused by a lot of reasons, some of which not related to work. He supplemented that the number of diseases or injuries caused by work went down by about 30% to about 256 in 2004 as compared to 364 in 2002. Upon further enquiry by Mr LEE, DC(OSH) said that among the 256 patients who were confirmed with diseases or injuries caused by work, some were having musculoskeletal disorders. In this connection, PSL re-iterated the Administration's commitment to improving occupational safety and health. He advised that to promote the prevention of musculoskeletal disorder at work, LD would step up publicity and education programmes targeting at office workers and employees in the catering industry in 2006-07.

Chapter XI : Constitutional Affairs

11.1 At the Chairman's invitation, the Secretary for Constitutional Affairs (SCA), Mr Stephen LAM, highlighted the priority work of the Constitutional Affairs Bureau (CAB) and the Registration and Electoral Office in 2006-07 (Appendix IV-9).

Constitutional development

District Council election

11.2 Mr LEE Wing-tat enquired if the growth in population in districts like Tung Chung and Tseung Kwan O would have any impact on the financial implications of District Council (DC) elections. He also enquired if the subsidy of \$10 per vote for elected candidates (or those who received 5% of valid votes or more) for the Legislative Council (LegCo) elections would also apply to the DC elections and if so, whether such provisions would be included in the forthcoming Estimates.

11.3 In response, SCA said that the financial implication of each additional DC seat was about \$0.4 million. The main consideration for the creation of an additional seat in a particular district which had experienced population growth was whether the needs of the district could be served by the current number of DC members. It would be unfair to the existing DC members as well as prospective candidates if frequent changes were made to the demarcation of districts. Apart from Tung Chung and Tseung Kwan O where there would be additional DC seats, no changes were proposed to the number of seats in the other 16 districts. As regards the subsidy of \$10 per vote which was introduced for the 2004 LegCo elections, SCA said that the subsidy had served its intended purpose of encouraging participation in LegCo elections. The number of candidates and the number of votes in the 2004 LegCo elections had achieved a record high. In the forthcoming DC Review, careful consideration would be given to the extension of the financial assistance scheme to the 2007 DC elections. Mr LEE said that he would strongly support the extension of the scheme to DC elections as the financial commitment of the proposed extension, which he estimated at less than \$20 million, would provide much needed encouragement to the candidates.

Chapter XI : Constitutional Affairs

Election Committee subsector election

11.4 Referring to the provision of \$73.8 million for the preparation and conduct of the 2006 Election Committee (EC) subsector election under the Estimate for 2006-07, Mr TAM Yiu-chung enquired about the means of arriving at the estimate, how such compared with that of last year and whether any improvement would be made to the election arrangements. SCA said that the estimate for 2006 EC subsector election was based on the latest situation and could not be compared with the arrangements for the last election in 2000. This was because the preparation and conduct of the last EC subsector election had coincided with the LegCo election in 2000, as a result of which some of the resources were pooled to serve both elections. The Chief Electoral Officer added that the expenses for the last EC subsector election were subsumed under the LegCo election in 2000 and such had amounted to \$270 million. According to the breakdown of expenses, the 2000 EC subsector election had incurred about \$15 million, excluding staff costs. As for the coming EC subsector election in December 2006, the estimated expenses of \$73.8 million would include expenses associated with voter registration to be carried out in April 2006, and the staff costs for conducting the election. In view of the large number of seats for each EC subsectors, a computerised optical mark recognition system would be used for the counting of votes.

District Council Review

11.5 Noting that a pilot scheme would be introduced to allow a number of DCs to participate in the management of selected district facilities, Mr WONG Kwok-hing enquired about the details of the scheme, including the estimated provisions and the type and number of selected district facilities involved. SCA said that the pilot scheme was meant to implement the initiatives as set out in the 2005 Policy Address which would allow DCs to assume responsibility for the management of some district facilities such as libraries, community halls, leisure grounds, sports venues and swimming pools, which were currently managed by the Home Affairs Department and the Leisure and Cultural Services Department. As provisions had already been made respectively by the relevant departments for the management of these facilities, no additional resources were required to implement the pilot scheme. Any additional provisions for the improvement works to these facilities would be submitted as minor works projects, if they cost less than \$15 million. Further details of the scheme would be worked out taking into account the outcome of the DC Review

Chapter XI : Constitutional Affairs

which would be conducted in the first half of 2006. Meanwhile, the pilot scheme could be implemented in around late 2006 after analysis of the views gathered.

11.6 As regards which five DCs would be participating in the pilot scheme, SCA said that this had yet to be decided but it was possible that one DC would be chosen from each of the five LegCo elections geographical constituencies. He further said that the public and the 18 DCs would be consulted on the Review and factors, such as population mix, availability of facilities within the districts and their representativeness, would be taken into account in making the selection.

Political appointment system

11.7 Noting that the Administration would be holding public consultation on how and when to implement the proposals on the development of the political appointment system, Mr Ronny TONG questioned whether consultation had ever been held on the justifications for the political appointment system itself. He also sought details on the provisions and plans for public consultation. SCA explained that the present thinking was that a small number of positions dedicated to political affairs would be created under the political appointment system to strengthen the support for politically appointed Principal Officials. More information on the development of the political appointment system would be set out in the consultation document. The Administration would take into account the outcome of public consultation before deciding on the way forward. The consultation would be conducted using existing resources and it was hoped that the system would have the support from the community.

Mainland Affairs

Establishment of Economic and Trade Offices in the Mainland

11.8 Ms LI Fung-ying referred members to the indicator for “providing practical assistance to Hong Kong residents in distress in the areas within Guangdong Economic and Trade Office (GDETO)’s coverage, including handling of cases involving the detention of Hong Kong residents” which had been set at 1025 under the Estimates for 2006-07. She understood that this was based on the average number of requests for assistance in 2004 and 2005 from Hong Kong residents originating from the five provinces/regions to be covered by GDETO. She pointed out that since an additional sum of \$12.54 million would be provided in 2006-07 to meet expenses arising from expansion of the functions and

Chapter XI : Constitutional Affairs

geographical coverage of GDETO, a more aggressive target should have been set instead of maintaining the indicator at the average figure of past years. SCA said that the increased provisions would allow for the stationing of four Hong Kong Immigration Officers and one Hong Kong Trade Officer in GDETO, together with the recruitment of some local staff. As most of the requests for assistance from Hong Kong residents in distress originated from Guangdong, there should be a great demand for the service with the expansion of GDETO. The indicator would be initially based on the average number of requests for the past years but would be revised in subsequent years taking into account the actual demand for services.

11.9 The Director, Hong Kong Economic and Trade Affairs, Guangdong (D, GDETO) said that currently, requests for assistance from Hong Kong residents in the Mainland were handled by the Hong Kong Immigration Department and the Hong Kong Special Administrative Region Government (HKSARG) Beijing Office (the Beijing Office). With the setting up of the Immigration Team in GDETO in April 2006, GDETO would be providing direct assistance to Hong Kong residents in distress from the five provinces/regions under the coverage of GDETO. Therefore, its service indicator would have to be set based on past experience, i.e., the number of requests for assistance being handled by the Immigration Department and the Beijing Office in areas under the coverage of GDETO. As the numbers of such requests were 1 000 in 2004 and 1 600 in 2005, it was estimated that about 1 025 cases would be handled by the Immigration Team of GDETO from April to December 2006. On the nature of requests for assistance, D, GDETO said that while no analysis had been made on the nature of requests from the five provinces under the coverage of GDETO, past experience indicated that about 50% of the cases involved commercial disputes while the rest were mostly in relation to traffic accidents and the loss of travel documents.

11.10 Mr WONG Ting-kwong said that he was given to understand that Taiwanese businessmen operating in Guangdong were more united and as such, they were often able to obtain better deals from the Mainland Government as compared to Hong Kong businessmen. He enquired if GDETO could be able to offer assistance in uniting the Hong Kong businessmen in Guangdong so that they could be able to benefit from their association with each other. D, GDETO said that there were about 86 000 Hong Kong businessmen who were operating business in Guangdong. In order to strengthen communication and promote solidarity among the Hong Kong businessmen, GDETO had encouraged Hong Kong business associations to hold monthly lunch gatherings. Each association

Chapter XI : Constitutional Affairs

would be requested to raise three issues of concerns at their gatherings so that GDETO could be apprised of the difficulties which were faced by these businessmen and could try to provide the necessary assistance.

11.11 While welcoming the expansion of the functions and geographical coverage of GDETO, Miss CHOY So-yuk was of the view that there was a need to speed up the establishment of Economic and Trade Offices (ETOs) in the Mainland. She opined that in addition to the establishment of ETOs in Chengdu and Shanghai, there would be a need to establish ETOs in Shenzhen and Fujian which were frequented by Hong Kong residents. She said that her office in Fujian had been receiving a lot of requests for assistance from Hong Kong residents in distress in Fujian. SCA said that as the ETOs in Chengdu and Shanghai would be established within this year, the need to establish more ETOs would be reviewed taking into account the progress of trade developments. He informed members that a number of offices had been set up in Guangdong, Dongguan and Shenzhen by the Hong Kong Federation of Trade Unions (HKFTU), and GDETO would seek to cooperate with HKFTU in resolving the problems faced by Hong Kong residents in distress.

11.12 Miss CHOY So-yuk however said that while GDETO might be able to render assistance to Hong Kong residents in distress in Shenzhen given its proximity, those in Fujian would have difficulties in reaching GDETO within a short time. Therefore, she would request that more ETOs in Fujian and other cities be provided now that the Administration had been able to maintain a healthy budget. SCA explained that as the present provisions would allow for the establishment of ETOs in Chengdu and Shanghai, the need for establishment of more ETOs in the Mainland would be reviewed taking into account their effectiveness and the service demand.

11.13 In response to Dr LUI Ming-wah, SCA explained that the additional provision of about \$70.6 million for CAB would be used mainly for the establishment of ETOs in Chengdu and Shanghai and the expansion of GDETO.

Beijing Office

11.14 Mr WONG Ting-kwong enquired about the expenses associated with publicity and promotional events incurred by the Beijing Office. The Acting Director, Beijing Office (D, BJO) explained that the estimates of expenditure associated with publicity and promotional events were \$4.3 million and

Chapter XI : Constitutional Affairs

\$4.5 million in 2005-06 and 2006-07 respectively. These events would include visits, exhibition, theme specific seminars featuring various professional services, and liaison with local Government and business sectors. The Beijing Office had organized the “Hong Kong Week” in Hebei and Hubei in 2005. Visits and promotional activities would be organized in 2006-07 in selected provinces, cities and autonomous regions in consultation with the relevant bureaux and departments. As a further means of promotion, media representatives from the different regions in the Mainland would be invited to Hong Kong so that they could report back on the latest development of Hong Kong.

11.15 On Mr WONG Ting-kwong’s further enquiry about the management cost in respect of the new premises occupied by the Beijing Office, D, BJO said that as the Beijing Office had just been moved to its new premises in late September 2005, the exact cost of maintaining the Office had yet to be worked out but would likely be in the range of \$150,000 per month. A more exact figure could be provided in the Estimate for 2007-08 after the Office had been in operation at the new premises for about a year.

Taiwan affairs

11.16 Mr CHEUNG Man-kwong welcomed the open approach in the handling of Taiwan affairs where visits of official delegations as well as delegations from non-governmental organizations were both received by the Administration. He enquired whether there was any difference in the way of receiving Taiwan delegates of different political affiliation. He said that, given the hindrance on the three direct links between Taiwan and the Mainland, whether the HKSARG would try to strengthen trade relations with Taiwan by setting up an ETO in either Taipei or Tainan, since a number of ETOs had already been set up in many major cities in the Mainland like Shanghai and Chengdu. SCA said that HKSARG received Taiwan delegates from different political parties and visit arrangements were made to facilitate exchanges. The Taiwan delegates received included legislative/municipal councilors, students and professionals from Taiwan, and a delegation from Taipei who visited Hong Kong during the outbreak of the Severe Acute Respiratory Syndrome to observe the quarantine arrangements. HKSARG had placed great importance on its trade relations with Taiwan, which was its fourth largest trading partner, and it welcomed Taiwan to attend major events like the meeting of the World Trade Organization held in Hong Kong. Trade relations had also been established by the relevant departments and these were expected to continue. By way of illustration, the Hong Kong Trade

Chapter XI : Constitutional Affairs

Development Council had engaged consultants in Taiwan while Invest Hong Kong had paid business visits to Taiwan. As to whether an ETO would be set up in Taiwan, SCA said that this would depend on the progress of development.

11.17 Mr CHEUNG Man-kwong was pleased to note that HKSARG had been receiving Taiwan delegates from different political parties. He said that given the close trade relationship between Taiwan and Hong Kong, there were justifications for setting up an ETO in Taiwan as this would not only be conducive to the development of the three direct links but would also give rise to a lot of business opportunities. SCA said that the Central People's Government had set out policies governing the establishment of cross-strait trade relations. HKSARG would support the establishment of the three direct links and would get prepared for such development.

Chapter XII : Education and Manpower

12.1 At the invitation of the Chairman, the Secretary for Education and Manpower (SEM), Professor Arthur LI, briefed members on the Government's expenditure on the policy areas of education and manpower in the coming financial year (Appendix IV-10).

Education

Pre-primary education

12.2 Noting that research studies had confirmed that the provision of quality pre-primary education would help enhance the all-round development of students, Dr YEUNG Sum expressed concern over the imbalanced funding allocation between pre-primary and secondary/higher education. By way of illustration, the expenditure on pre-primary education in 2005-06 (revised estimate) only comprised 2.7% of the total expenditure on education whereas the expenditures on secondary and higher education were 34.7% and 25.9% respectively. Given that pre-primary education in Hong Kong was neither provided nor subsidized by the Government, Dr YEUNG said that Members of the Democratic Party held the view that more resources should be allocated to pre-primary education for the benefit of students.

12.3 SEM advised that while the percentage share of expenditure on pre-primary education seemed to be relatively small, the actual amount was quite high given the substantial base figure. On the suggestion of allocating more resources to pre-primary education, SEM said that any increase in one area of expenditure would have to be offset by corresponding reduction in other areas, such as primary, secondary or tertiary education, which might not be easy for the community to come to a consensus.

12.4 Dr YEUNG Sum opined that the current policy on pre-primary education was not in line with modern education theory that quality early childhood education would help students in learning from kindergarten to university. He remained of the view that the Administration should review the policy on pre-primary education, and that more resources should be allocated to pre-primary education. As regards the need for an increase in one area of expenditure on education to be offset by another area, Dr YEUNG pointed out that no reduction would be required if the Administration was prepared to increase the overall spending on education. It was therefore useful to compare the overall spending on education in Hong Kong to neighbouring cities. He requested the

Chapter XII : Education and Manpower

Administration to provide information on the respective shares of Gross Domestic Product by education in Taiwan, Japan, South Korea and Singapore.

12.5 Mr CHEUNG Man-kwong noted that in the 2005-06 school year, only 23.8% of kindergarten teachers were holders of Certificate in Early Childhood Education. This compared unfavourably with Macau where all kindergarten teachers had completed certificate programme and one-third of them were holders of Bachelor Degree. Despite the fact that Hong Kong had already lagged behind Macau, he was disappointed that the percentage share of fully subsidized training places for kindergarten teachers had shrunk from 80% to 20%. Given the high tuition fees for training courses which ranged from \$10,000 to \$70,000, Mr CHEUNG was concerned that kindergarten teachers might have difficulty in paying for the training expenses without subsidy from the Government, bearing in mind that some of these teachers only received a modest monthly salary of around \$3,000 to \$4,000. He therefore urged the Administration to increase the resources allocated to pre-primary education, particularly in the provision of more fully subsidized training places for kindergarten teachers to enhance their training opportunities.

12.6 In response, SEM recognized the importance of training for teachers. In this connection, the Administration would conduct a comprehensive review of pre-primary education, including training for kindergarten teacher in the 2005-06 school year. The provision of more subsidized training places would be considered in the context of the review.

Primary education

12.7 Ms Audrey EU Yuet-mee noted that of the 75 primary schools eligible for joining the Small Class Teaching Scheme for schools with high concentration of disadvantaged students (the Scheme), only 29 schools were given approval to join the Scheme. The relatively low participation rate might defeat the policy intent of the Scheme to enable more schools to implement small class teaching. To this end, she called on the Administration to consider relaxing the student profile criterion (i.e. 40% or more of the Primary 1 to Primary 3 students receiving Comprehensive Social Security Assistance or full grant under the Student Financial Assistance Scheme) to enable more schools to join the Scheme. SEM said that the Administration was conducting a second-round study on the effectiveness of small class teaching and the question of whether the student profile criterion should be relaxed would be considered after the study taking into account financial considerations.

Chapter XII : Education and Manpower

12.8 Ms Audrey EU opined that the study and the review of the student profile criterion for the Scheme were two separate issues. She reiterated that the objective of the Scheme was to provide more assistance to disadvantaged students, and hence the Administration should consider relaxing the student profile criterion to enable more schools to participate in the Scheme. The Chairman shared Ms EU's view that greater flexibility should be exercised to allow more schools to join the Scheme so as to fully utilize the existing resources. SEM undertook to consider Ms EU's suggestion and would provide a written response after the meeting.

12.9 Noting that 16 eligible schools had opted not to join the Scheme, Ms Audrey EU enquired if this was due to the complicated application procedure or the labelling effect. The Permanent Secretary for Education and Manpower (PSEM) said that they opted not to join the Scheme mainly because they did not have sufficient intake of students for splitting into small classes of 20 to 25 students each under the Scheme.

Special education

12.10 Dr Fernando CHEUNG Chiu-hung noted that according to the information provided by the Administration, the estimate for special education in 2006-07 was 1% lower than the original estimate in 2005-06 because of the mainstreaming of the three skills opportunity schools. Dr CHEUNG pointed out that the Administration had undertaken to conduct a review to ascertain whether the mainstreaming for these schools, which started three years ago, was an appropriate move. However, instead of carrying out the review, the Administration was asking these schools to change to mainstream school and continue to admit students with special education needs in addition to ordinary students. He considered such an arrangement unacceptable as it put these schools in a difficult situation. He held the view that changing to a mainstream school was not an option for these schools since most of their students had special education needs and could not be able to sit for public examinations as their counterparts in normal mainstream schools. He therefore urged the Administration to carry out the scheduled review for these schools as soon as possible.

Chapter XII : Education and Manpower

12.11 In response, PSEM said that it was initially intended that all skills opportunity schools should be mainstreamed. However, it was noted that some parents might still prefer skills opportunity schools to mainstream school for their children with special education needs. Besides, skills opportunity schools operating only a small number of classes might not be able to provide enough subjects for students to choose after mainstreaming. In view of these reasons, the Administration was reviewing the propriety of mainstreaming these skills opportunity schools in consultation with the school sponsors to ascertain whether they would wish to merge with other mainstream schools or remain as special schools to serve students with special education needs. PSEM said that the Administration would come to a conclusion after the review.

12.12 Given that the three skills opportunity schools were well received by students with special education needs, Dr Fernando CHEUNG urged the Administration to allow these schools to remain as special schools. PSEM said that the objective of mainstreaming of skills opportunity schools was to help students with special education needs to integrate into the mainstream education system. She also pointed out that as these schools had admitted ordinary students as well as students with special education needs following the mainstreaming exercise, they would have students sitting for the public examinations in future. Besides, it was too early to conclude that students of these schools were not able to sit for public examinations since they had only started mainstreaming for a few years. PSEM stressed that it was necessary for the Administration to complete the review before coming to a conclusion on the need for retaining the skills opportunity schools.

12.13 Dr Fernando CHEUNG called on the Administration to provide a timetable for the review. He also noted that despite the drop in the number of students in special schools in the 2003-04 to 2005-06 triennium, the average unit cost per school place for different types of disabilities, except hearing impairment, was not on a rise but decreasing which was contrary to the theory of economy of scale. The drop in the average unit cost for certain types of special schools was in fact quite substantial. For instance, the average unit cost per school place for mild intellectual disability in 2005-06 had dropped by almost 7% when compared with that in 2003-04. He enquired about the rationale behind the anomaly.

12.14 PSEM explained that the drop was mainly attributable to two factors. Firstly, the accumulated civil servants pay adjustment of 6% had resulted in the reduction of average unit cost per school place. Secondly, some students with

Chapter XII : Education and Manpower

disabilities were admitted to mainstream schools following the implementation of the Integrated Education Programme. Besides, the overall decline in student population in Hong Kong had prompted the Administration to pack under-enrolled classes in some schools, thereby containing the growth of average unit cost per school place.

12.15 Dr Fernando CHEUNG was skeptical that the drop in the average unit cost might be due to the expansion of class size in special schools. He noted that in the past, classes in special schools, particularly those for students with severe disabilities, were usually small in size with four to five students. However, he was given to understand that special schools were required to expand the class size in recent years. As a result, the average unit cost per school place had dropped. Dr CHEUNG was gravely concerned that the expansion of class size might compromise the quality of education as it would be more difficult for a teacher to take care of each student. He urged the Administration to review the situation. In response, PSEM stressed that it was not the Administration's policy to require special schools to expand their class size beyond the existing policy targets. However, in some cases, students might be pooled together in a class due to insufficient intake of the schools.

Higher education

12.16 Dr YEUNG Sum recalled that when the funding proposal on the recurrent grant for the University Grants Committee (UGC)-funded institutions for the 2005-06 to 2007-08 triennium was examined by the Finance Committee (FC) in February 2005, the Administration had undertaken that a 0-0-0 model was feasible if the healthy state of economy could sustain. Given that there would be a surplus of more than \$10 billion in 2005-06, he enquired if the Administration could confirm that it would uphold the 0-0-0 arrangement, and that there would be no funding cut for higher education. In response, SEM said that the Administration would conduct a review of the "0-0-X" funding arrangement before mid-2006 and would revert to the Panel on Education in due course.

12.17 Miss CHAN Yuen-han noted that following the recommendation of the Higher Education Review conducted by UGC, the Administration decided that in general, sub-degree programmes should be run on a self-financing basis. As a result, a lot of sub-degree students had complained about the high tuition fees. As only \$185 million could be saved by reducing the number of the approved sub-degree places in 2006-07, Miss CHAN called on the Administration to

Chapter XII : Education and Manpower

critically review the self-financing policy taking into account the plight of students.

12.18 SEM said that based on the phased conversion plan agreed by UGC and the relevant institutions, sub-degree programmes not meeting the specified criteria would be withdrawn by phases starting from the 2004-05 academic year. However, sub-degree programmes which required high start-up and maintenance costs or access to expensive laboratories and equipment, courses which met specific manpower needs, and those that could be regarded as endangered species would continue to be publicly funded. The policy objectives of the self-financing policy were to help achieve a more equitable distribution of public resources, and to ensure that the scarce resources would be invested on students rather than on individual institutions. As such, the savings arising from the phasing out of publicly-funded sub-degree places would be ploughed back into the sub-degree sector through enhancement of financial assistance for students. The Panel on Education would be briefed on the progress in mid 2006.

Vocational training

12.19 Miss CHAN Yuen-han noted with grave concern that in 2005-06, only two short courses were offered to 23 trainees of ethnic origin. She pointed out that in some districts like Tin Shui Wai, the demand for training courses from ethnic minority groups was very high, but there were insufficient supply of training places. She considered it necessary for the Administration to review the training needs of ethnic minority groups. She also enquired about the basis upon which the number of training courses for ethnic minority groups were worked out by the Vocational Training Council (VTC).

12.20 The Executive Director, VTC (ED,VTC) explained that the two short courses were offered to 23 Nepalese trainees to enhance their employability in food and beverage services industry. Given the surging demand of the ethnic minority groups, VTC had planned to increase the student modules to 420 in 2006-07. The associated expenditure would increase from \$2.2 million in 2005-06 to an estimate of \$7.4 million in 2006-07. With the funding increase in 2006-07, the provision of training places should be adequate to meet the demand. ED,VTC assured members that VTC would maintain close liaison with the ethnic minority groups and would review the situation when necessary. SEM supplemented that the Government would consider allocating more resources in this regard should the demand arise.

Chapter XII : Education and Manpower

12.21 Miss CHAN Yuen-han opined that apart from adult workers, there was also a training need for the non-engaged youths of ethnic minority groups. She enquired if the Administration had provided any training programmes for them. ED,VTC confirmed that a one-year Foundation Diploma course in hospitality had been tailor-made for 36 Secondary 5 leavers of ethnic minority groups in 2005-06.

Student Assistance Scheme

12.22 Mr CHEUNG Man-kwong noted with concern about the high rate of default payment of the non-means tested loan schemes (NTLS). On average, one out of eight NTLS recipients, as against one out of 20 under other assistance schemes, had failed to repay their loans. The number of bankruptcy applications under NTLS was also higher than that of other schemes. He enquired about the reasons for the higher default payment and bankruptcy rates under NTLS.

12.23 The Controller, Student Financial Assistance Agency (SFAA) agreed that up to end of January 2006, the rate of default payment of 8.77% under NTLS for Post-secondary Students was higher than that of 7.83% under the Financial Assistance Scheme for Post-secondary Students. The higher rates of default payment under NTLS might be attributed to the fact that no collateral was required for loans offered under NTLS. The wider scope of NTLS covering various courses might also have contributed to the higher default payment and bankruptcy rates.

12.24 Mr CHEUNG Man-kwong was not convinced of the Administration's response. He asked if the higher default payment under NTLS was the result of high interest rate which loan recipients might have difficulty to cope with. He also questioned if the higher bankruptcy rate was due to the fact that associate degree graduates were unable to secure a job to repay the loan and hence had no choice but to apply for bankruptcy. Mr CHEUNG considered it necessary for the Administration to look into the causes of the higher default payment and bankruptcy rates under NTLS with a view to mapping out measures to tackle the problem.

12.25 PSEM recalled that when the Continuing Education Fund (CEF) was approved by FC in 2001, members suggested that lifelong learning should cover a wide range of programmes, and that the Administration should also facilitate adult learners to pursue lifelong learning. Indeed, adult learners might apply for

Chapter XII : Education and Manpower

NTLS to cover any continuing education courses, including part-time evening courses. The figures on defaulters did not differentiate between degree or associate degree students. In fact, most of the 5 678 defaulters under NTLS were working adults. To address the problem, SFAA was looking into the reasons for the higher default payment and bankruptcy rates under NTLS. At members' request, the Administration undertook to provide further information on the reasons behind the higher default payment and bankruptcy rates under the non-means tested loan schemes, breakdown of default cases by student category, and measures which it would take to tackle the problem.

12.26 Mr Albert CHAN noted with concern that for 2003-04 to 2005-06 (up to March 2006), the number of non-reimbursement of tuition fees to claimants upon completion of the courses under CEF had surged from 13 to 240. The reasons for rejection were mainly of an administrative nature, such as the claim was submitted after the validity period for reimbursement or the course commenced before submission of application etc. In view of the increasing trend of non-reimbursement over the past three years, he was concerned that the number of rejected cases would rise again in the coming year. Noting that the average amount of claim was as high as \$8,000, Mr CHAN opined that non-reimbursement could cause financial hardship to claimants. He considered that the Administration should relax the criteria for reimbursement to minimize the financial losses of claimants.

12.27 Given that only 240 out of 63 000 (or 0.372%) reimbursement applications were rejected, SEM considered that the number of non-reimbursement of tuition fees was not high. The rise in the number of rejected cases was only a reflection of the substantial increase in the total number of applications. Besides, there were reasons other than administrative reasons for rejecting these applications, as set out in the Administration's reply.

12.28 While acknowledging that the percentage of rejected cases might be low, Mr Albert CHAN reiterated that non-reimbursement of tuition fees could cause great difficulty to the claimants concerned since most of them were not well off and were trying to improve their living through continuing education. As most of the rejected cases were not related to deception, such as false declaration, he urged the Administration to exercise greater flexibility in considering applications for reimbursement of tuition fees to ensure that the intended objective of CEF of encouraging lifelong study could be achieved. SEM stressed that the Administration had to abide by the established requirements for reimbursement since public expenditure was subject to the scrutiny of the Legislative Council.

Chapter XII : Education and Manpower

Unspent provision on education

12.29 Given the high percentages of unspent provision in respect of expenditure on student financial assistance/loans to students/schools/institutions and capital works over the past three financial years, Ms Audrey EU enquired about the rationale behind the significant discrepancies between the estimate and actual expenditure and the use of such unspent provision.

12.30 PSEM explained that the discrepancy in respect of capital works expenditure was usually caused by slippage of works, thereby resulting in deferment of payment. As regards the expenditure on student financial assistance/loans to students/schools/institutions, it was difficult to predict the number of applications and the Administration normally would err on the side of being conservative so as to ensure that sufficient funds were available to entertain all eligible applications throughout the school year. PSEM supplemented that a portion of the unspent provision had been transferred during the relevant years to finance new non-recurrent or capital education initiatives, including grant to the Language Fund. The remaining portion would be returned to the Treasury. To facilitate members' understanding on the use of the unspent provision, the Administration was requested to provide further information on the amount of unspent provision in the years of 2002-03, 2003-04 and 2004-05, specifying whether there was any transfer of the unspent provision to finance other items of expenditure and if so, the names of those items and the amount transferred.

Manpower

Manpower development

12.31 Mr LEE Cheuk-yan said that there was a general consensus in the community on the need to upgrade the quality of the local workforce to effectively cope with competition brought by globalization. A quality workforce was more than a deciding factor in economic development. It also helped created social harmony. In this connection, the Government had undertaken to place special emphasis on education, training and retraining. These included the establishment of a Qualifications Framework (QF) to enhance the capability and competitiveness of the workforce. Mr LEE however held the view that the Administration had not done enough, particularly in respect of resource allocation, to enhance training opportunities for employees. By way of illustration, the Employees Retraining Board (ERB) had refrained from using the annual income

Chapter XII : Education and Manpower

of \$1.1 billion from the levy on employers of foreign domestic helpers to provide more training opportunities on the ground that a judicial review of the levy was still underway. As a result, only \$300 million were spent on retraining work. Mr LEE was not convinced that the provision of training opportunities should be pegged to the judicial review as these were too separate issues. Besides, the Administration was confident about the legality of levy when it was first introduced, but now it seemed that the Administration was not optimistic that it would prevail over the judicial review. He considered that regardless of the outcome of the judicial review, the Administration should increase the resources for employees training programmes. He also enquired about the amount of levy collected over the past years.

12.32 SEM explained that the High Court had indeed dismissed the case, but the plaintiff had lodged an appeal to the Court of Appeal. Under the existing legal regime, the plaintiff was entitled to lodge an appeal to the Court of Final Appeal for a final decision if the case was dismissed by the Court of Appeal. Hence, the levy would become an additional funding to ERB only if the court eventually ruled in favour of the Government in the judicial review. As the Government had to act according to law, it would not be legitimate or justified for ERB to make use of the levy before the judicial review was settled. While agreeing that the use of the levy would be subject to the outcome of the judicial review, Mr LEE Cheuk-yan considered that the Government could make use of the income from the levy to provide training for employees if the Financial Secretary (FS) agreed to underwrite the expenses incurred. In reply, SEM considered it unfair to request FS to make such a commitment in the Budget.

Employees retraining

12.33 Mr WONG Kwok-hing noted that the number of part-time placement-tied training places for Local Domestic Helpers (LDHs) was substantially reduced from 1 000 in 2005-06 to 500 in 2006-07. According to the Administration, the reduction was due to a considerable decrease in the demand for the course. He however pointed out that the Administration had failed to take into consideration the training needs in some new towns. By way of illustration, he had received many complaints about the inadequate supply of training places for LDHs from residents in Tung Chung which had a population of nearly 80 000. Mr WONG therefore urged the Administration to review the policy and provide more training places in new towns like Tung Chung.

Chapter XII : Education and Manpower

12.34 The Executive Director, ERB (ED,ERB) clarified that ERB had only reduced the training places for the part-time placement-tied courses for LDHs due to its unpopularity after a year of implementation. The number of full-time placement-tied training places for LDHs, however, remained unchanged. ERB had since deployed the resources saved from the reduction of the training places for the part-time placement-tied courses to provide more skill training courses, such as cookery and home elderly care, to assist learners to enhance their employability. ED,ERB added that ERB acknowledged the increasing training needs in new towns and had opened new service centres in Tung Chung as well as the New Territories North and West districts. He assured members that ERB would closely monitor the situation and increase the training places to meet the needs of new towns when necessary.

Qualifications framework

12.35 Mr LEUNG Yiu-chung noted that the Hong Kong Council for Academic Accreditation (HKCAA) had been entrusted by the Government to develop a quality assurance (QA) mechanism to underpin QF. Upon completion of the development work, HKCAA, being a self-financing body, was expected to meet the recurrent expenditure in implementing the QA mechanism from its income. To this end, HKCAA might have to raise its fees, including accreditation fees, to meet the expenditure. This might in turn result in higher tuition fees which might not be affordable to trainees.

12.36 The Deputy Secretary for Education and Manpower (1) (DS(EM)(1)) explained that while HKCAA was a self-financing body, the Government would provide a one-off grant to HKCAA to cover the initial start-up costs for the QA mechanism to ensure that these costs would not be passed onto the accreditation fees. Instead of focusing on institutional review of universities and institutions of higher education, which had resulted in higher accreditation fees, HKCAA would adopt a new approach of “fitness for purpose” to split the accreditation work into different stages. As accreditation fees would be charged on the basis of individual accreditation work instead of institutional review, this would substantially lower the cost of accreditation.

Chapter XII : Education and Manpower

12.37 Mr LEUNG Yiu-chung remained concerned about the possible rise in accreditation fees in future. He pointed out that while the proposed QF was not a mandatory system, employers might tend to require employees to possess certain qualifications under QF. If the associated accreditation fees were too high, employees might be reluctant to take part in the accredited programmes, which would in turn affect their career advancement. He enquired about the estimated expenses for completing an accredited programme.

12.38 In response, DS(EM)(1) said that employees were only required to bear part of the expenses while the education or training providers were also required to share part of the accreditation costs. He emphasized that QF was not a mandatory system and should not have bearings on employees' career advancement.

Chapter XIII : Housing

13.1 At the Chairman's invitation, the Secretary for Housing, Planning and Lands (SHPL), Mr Michael SUEN, briefed members on the Housing, Planning and Lands Bureau's major initiatives in relation to housing and the associated expenditure for the year 2006-07 (Appendix IV-11).

Review of staff establishment

13.2 Given the transfer of squatter clearance and control duties from the Housing Department (HgD) to the Lands Department (LanD) with effect from 1 April 2006 (the transfer), Mr CHAN Kam-lam enquired about the justification for maintaining 15 non-directorate grade staff in HgD for carrying duties related to clearance. The Permanent Secretary for Housing, Planning and Lands (Housing) (PSH) explained that while LanD would be responsible for squatter control and clearance duties after the transfer, HgD would be responsible for rehousing eligible households affected by clearances (including enforcement actions against illegal roof top structures), natural disasters and other emergency incidents. To carry out this function, HgD would set up a Clearance Housing Unit (CHU) consisting of 15 staff. On Mr CHAN's enquiry about the work target of CHU in 2006-07, PSH advised that in 2005-06, HgD had demolished some 1 000 squatter houses, 750 roof top squatter structures and rehoused about 2 400 occupants involved. It was envisaged that CHU would handle some 1 500 cases for allocation of public rental housing (PRH) and 900 cases for interim housing arising from clearance operations, natural disasters and other emergency incidents in 2006-07.

13.3 Mrs Selina CHOW considered the establishment of 15 staff for CHU on the high side. In reply to her query on the provision of \$9.5 million for CHU, the Deputy Director of Housing (Corporate Services) (DD of H(CS)) explained that the 15 staff had all along been under the establishment of HgD and the related expenditure covered by Head 62 under the previous Programme "Squatter clearance and squatter control". There was no net increase in establishment or expenditure. The provision of \$9.5 million for CHU would cover staff cost and other operating expenses and would continue to be charged to Head 62. As regards expenditure in relation to squatter control and clearance duties after the transfer, the Director of Lands advised that it would be charged to Head 91 under the Programme "Land Administration".

Chapter XIII : Housing

13.4 Mr Patrick LAU expressed concern on the Housing Authority (HgA)'s plan to further delete about 380 posts in 2006-07. DD of H(CS) advised that the proposed deletion formed part of the HgA's overall target of reducing 3 500 posts between October 2002 and March 2007. He added that about 50% of the posts to be deleted in 2006-07 were civil service posts and the rest were posts under the establishment of HgA. He assured members that the deletion would be achieved mainly through natural wastage. Mr LAU requested the Administration to provide a breakdown on the number of posts to be deleted in 2006-07 by type and rank.

Provision of public rental housing

13.5 Despite improvement in the financial position of HgA resulting from the divestment of retail and car-parking facilities in 2005, with the cessation of the production of Home Ownership Scheme (HOS) flats, Dr YEUNG Sum was concerned how HgA could finance the construction of PRH so as to maintain the average waiting time (AWT) for applicants on the waiting list at around three years. In this connection, Dr YEUNG expressed concern that HgA would make use of the recent review of domestic rent policy to increase PRH rents in order to meet expenditure for the construction of PRH. In response, SHPL explained that apart from the proceeds from the divestment exercise, the sale of surplus HOS flats starting from 2007 would generate revenue for HgA. It was envisaged that with prudent management of resources, HgA would be able to support the PRH programme for the coming 10 years. SHPL said that, if necessary, HgA would explore various means to broaden its sources of revenue, including for example, seeking additional funds from the Government. In this connection, Dr YEUNG Sum indicated support for the Government to consider injecting funds to HgA so as to avoid drastic increases in PRH rents, which in his view, would have negative impact on social stability. In response, SHPL stressed that HgA had no intention to increase PRH rents through the current review of domestic rent policy. Indeed, rental income would merely meet the recurrent expenditure for operating PRH, but not the capital cost for the construction of PRH.

13.6 In view of improvement in the financial position of HgA, Mr Abraham SHEK asked if consideration would be given to reducing AWT to below three years. SHPL advised that while AWT was around six to eight years in the latter half of the 1990s, it had already been substantially reduced to less than three years at present. He pointed out that the community had generally accepted an AWT of around three years. He stressed that further reduction in AWT could bring about immense financial pressure for HgA.

Chapter XIII : Housing

13.7 Noting that HgA had maintained over \$40 billion of financial reserve, Mr SIN Chung-kai considered that HgA had the financial strength to construct more PRH, and that adequate resources were available for an annual construction of 25 000 to 30 000 PRH units. Apart from reducing AWT to two or two and a half years to meet the housing needs of the less privileged class, Mr SIN pointed out that expedition in PRH programme would help address the serious unemployment problem in the construction sector. Mr Albert CHAN disagreed that an AWT of three years was the general consensus of the community and remarked that from the perspective of applicants on the waiting list, AWT should be as short as possible. In reply, SHPL stressed HgA's commitment to providing affordable rental housing to those in genuine need. Pointing out that one in three and one in six of the Hong Kong population were living in PRH and HOS flats respectively, SHPL said that about half of the population were indeed benefiting from subsidized housing provided by HgA. On Mr SIN Chung-kai's comment that HgA should provide details of its plans for construction of PRH, SHPL re-iterated that HgA had put in place a comprehensive PRH construction programme for the coming five years taking into account the availability of resources and the need for meeting the housing needs of the public.

13.8 Sharing the view that PRH was a form of social welfare for the less privileged people, Mr Albert CHENG expressed support for HgA to continue with its PRH programme. He further remarked that had the retail and car-parking facilities not been sold at a pathetic price, HgA would have more financial resources for meeting its recurrent and construction expenditure of PRH. SHPL disagreed to Mr CHENG's view that HgA had sold its retail and car-parking facilities at an unreasonably low price.

13.9 Mr WONG Kwok-hing enquired about HgD's role and function in monitoring the construction and operation of PRH. In particular, Mr WONG was concerned about the manpower deployed for the supervision and inspection of construction works, including staffing provision for undertaking site inspections, the frequency of site inspections, the actual number of inspections made, and the follow-up actions taken against contractors for slippage in works progress, such as the number of warning letters issued to and penalties imposed on contractors concerned. On the operation and management of PRH, PSH explained that HgD as the executive arm of HgA had been closely supervising and inspecting construction sites. Apart from making regular site inspections, resident site staff was also stationed in each construction site to closely monitor the day-to-day site activities. PSH undertook to provide more detailed

Chapter XIII : Housing

information on the roles and functions of HgD in the construction and management of the public housing programme after the meeting.

13.10 Mr Patrick LAU enquired about HgD's work in carrying out inspections and maintenance works for aged PRH estates and asked whether consideration would be given to redeveloping estates found in dilapidated conditions. PSH advised that HgD had already embarked on a programme to conduct comprehensive structural investigation on PRH estates aged around 40 years or more. The investigation reports for two aged estates would be submitted to HgA within March 2006.

Appeal mechanism against termination of rental tenancy

13.11 Noting the increase in number of appeals against termination of tenancy received by the Appeal Panel (Housing) in recent years, Mrs Selina CHOW expressed concern about the increase in caseload and the waiting time for hearing and enquired about measures to speed up the processing of appeals. In reply, DD of H(CS) said that due to substantial increase in the number of appeals in recent years, the average waiting time for hearing of appeals had been lengthened to about eight months in 2005. He added that at the end of 2005, there were 2 276 unheard appeals. Nonetheless, according to past experience, some 30% to 40% of the appeals were withdrawn before the hearing took place mainly because issues involved in the appeals had been resolved. To address the concern about the long waiting time for hearing the appeals, DD of H(CS) said that HgD had adopted measures, including giving priority to urgent cases or cases attracting great public concern such as appeals relating to the Marking Scheme, and increasing the number of hearing days each month by appointing more members to the Appeal Panel (Housing) and strengthening staffing support. At present, each member of the Appeal Panel (Housing) on average participated in one to two hearing days in a month. The Appeal Panel secretariat would also seek to arrange for simple cases to be heard in one hearing day in order to enhance operational efficiency.

13.12 Mrs Selina CHOW noted with concern the increasing number of appeals involving late payment of rents. She was concerned that the appeal mechanism might be abused by PRH tenants as a means to defer rent payments. DD of H(CS) said that in order to strengthen enforcement against domestic rent arrears, HgD had tightened up the grace period for late payment of rents from four consecutive months to three consecutive months, after which a Notice to Quit

Chapter XIII : Housing

would be issued to the tenants concerned. While this measure had to a certain extent attributed to the rise in the number of appeals in recent months, it had been quite effective in addressing the problem of domestic rent arrears. To tackle the problem of rent arrears involving tenants receiving Comprehensive Social Security Assistance (CSSA), the Social Welfare Department would directly remit rents for households receiving CSSA to HgD in the near future.

13.13 Mrs Selina CHOW considered that HgD should devise measures to address the concern about possible abuse of the appeal mechanism by PRH tenants in order to defer rent payments. She further requested the Administration to provide supplementary information on statistics on domestic rent arrears for the years 2004-05 and 2005-06, the number of appeal cases received involving domestic rent arrears in these two years together with the results of the hearing on the cases including the number of allowed and disallowed cases, and measures taken or to be taken to avoid possible abuse of the appeal mechanism by tenants as a means to defer rent payments.

Supply of private housing

13.14 Mr Albert CHAN expressed concern about insufficient supply of private residential flats in the coming few years as a result of the decline in number of applications under the Application List system (ALS) and for modification of land lease. Pointing out that continuous monitoring of the property market conditions and arranging for the sale of government land through ALS were among the major activities of the Housing, Planning and Lands Bureau in 2006-07, Mr CHAN enquired whether the Administration would consider resuming scheduled land auctions and if so, the provision for undertaking related work in 2006-07. In order to facilitate participation of small and medium developers in land auctions, Mr CHAN further opined that more small and medium lots should be put up for sale at auctions. In response, SHPL advised that while the Administration was considering the suggestion of resuming scheduled land auctions of a limited scale for commercial sites, it had no plan to resume land auctions for residential development at present. SHPL stressed that developers could acquire land for residential development through a number of channels, including ALS, private redevelopment, modification of land lease, and participation in property development projects undertaken by the two railway corporations and the Urban Renewal Authority. He pointed out that ALS was a market-oriented mechanism ensuring an adequate land supply to support the healthy and stable development of the property market. The Application List

Chapter XIII : Housing

for 2006-07 to be announced before 1 April 2006 would include land of different sizes to meet the demand of various developers. As regards the concern about unsatisfactory market response to ALS, SHPL explained that while developers had their own considerations in deciding whether to make applications under ALS, the system was a fair and transparent mechanism that suited the market. He assured members that the Administration would continue to monitor the prevailing market conditions closely and consider introducing further measures to improve ALS where necessary. Regarding discussion with developers on modification of land lease, SHPL pointed out that the number of applications had increased in the previous year indicating positive response from developers. Upon request of Mr CHAN, SHPL undertook to provide information on the breakdown in respect of number of applications made and successful cases for modification of land lease and ALS for the years 2004-05 and 2005-06.

Chapter XIV : Planning and Lands

14.1 At the Chairman's invitation, the Secretary for Housing, Planning and Lands (SHPL), Mr Michael SUEN, briefed members on the major initiatives and expenditure on planning and lands for the coming year (Appendix IV-12).

Protection of the Victoria Harbour

14.2 Regarding the allocation of resources to protect and enhance the Victoria Harbour, Dr KWOK Ka-ki noted that in 2005-06, apart from staff cost, the expenditure incurred was some \$1.2 million for public engagement activities and support for meetings and activities of the Harbour-front Enhancement Committee (HEC) and its subcommittees. He expressed concern that the Administration had not deployed sufficient resources for the protection of the Harbour. He asked what the Administration had done and would do in response to the views of HEC on the use of the waterfront areas from Kennedy Town to North Point.

14.3 The Permanent Secretary for Planning and Lands (Planning and Lands) (PSPL) said that protection of the Harbour was already an internalized value of the whole Administration. HEC had formulated a set of Harbour Planning Principles and assisted the Administration by giving comments on proposed works projects along the waterfront of the Harbour. With regard to the funding of waterfront enhancement projects, she advised that the Administration would seek the necessary resources for carrying out these projects after the relevant plans had been mapped out. The Administration had constructed a waterfront promenade costing about \$10 million at the West Kowloon Reclamation, and HEC had completed a design brief for the ferry piers in Central. Public consultation on the waterfront enhancement works in Wan Chai Development Phase II was in progress.

Buildings

14.4 Mr WONG Kwok-hing noted the Administration's plan to extend the Joint Office model, a pilot scheme which had been conducted in Shamshuipo for one year, to the whole territory for handling water seepage complaints with an additional provision of \$80 million to implement a three-year programme starting from April 2006. He enquired if the provision of \$80 million would cover the expenditure for purchasing new equipment items, such as infra-red equipment, for identifying the source of water seepage. He also enquired about the reasons for allocating a budget of \$12 million each year for outsourcing the investigation work to private consultancy firms.

Chapter XIV : Planning and Lands

14.5 The Director of Buildings advised that after the pilot Joint Office in Shamshuipo had started operation, there had been a rise in the success rate of identifying the source of water seepage. New methods, such as the use of fluorescent dye and infra-red equipment, had been adopted in identifying the source of water seepage. He explained that the additional provision of \$80 million was to cover the operating cost of the expanded Joint Office for a three-year period from 2006-07 to 2008-09. The annual operating cost of the programme was estimated to be around \$26 million, out of which about \$14 million would be the staff cost for operating four regional Joint Offices and \$12 million for outsourcing the investigation work to private consulting firms. He explained that the outsourcing of investigation work would enable the Administration to tap the knowledge of the private sector in various methods of identifying the source of water seepage and thus enhancing the future work of the Joint Offices. Mr WONG Kwok-hing requested the Administration to provide information on the number of infra-red equipment items purchased, the expenditure incurred and whether the number of equipment items purchased could cover the needs of the whole territory.

Urban renewal

14.6 Miss CHAN Yuen-han noted that in 2006-07, the Government would undertake a review of the Urban Renewal Strategy (URS) with public consultation. She enquired about the objective of the review and asked whether the future direction would give more emphasis on preservation of buildings with architectural or historical significance, instead of focusing on redevelopment. She also asked whether it would be the Government or the Urban Renewal Authority (URA) to provide the manpower resources for the review. She was concerned that URA staff might not be able to conduct the review objectively and with the necessary breath of perspective.

14.7 PSPL advised that the existing holistic “4R” approach to urban renewal, i.e. redevelopment, rehabilitation, preservation of buildings with architectural or historical significance within project areas, and revitalization of old districts, would remain the fundamental direction of URA’s work. Over the past years, URA had already put in a lot of efforts on preservation of heritage buildings and revitalization of old districts. PSPL advised that the Housing, Planning and Lands Bureau (HPLB) was working closely with URA on the preparation of the review, which would allow extensive participation by the public and relevant stakeholders. The detailed staffing arrangements would be worked out at a later stage.

Chapter XIV : Planning and Lands

14.8 Miss CHAN Yuen-han commented that for many past urban renewal projects, there had been strong demands from local communities and concern groups to preserve the unique character of the areas concerned upon redevelopment. However, URA had not given due consideration to these views as illustrated by the urban renewal projects in Wan Chai and Kowloon City. She urged the Government and URA to be more receptive to public views in formulating the strategy for future urban renewal projects.

14.9 Mr Alan LEONG shared the concern of Miss CHAN Yuen-han. He considered it regrettable that due to financial constraints and the need to balance its books, URA had not been able to distinguish itself from real estate developers in carrying out urban renewal projects which were forward-looking and could serve as models in meeting the aspirations of the public. While acknowledging that there was a need to gain further experience in urban renewal, he considered that there was urgency in carrying out the URS review and the Administration should expedite the matter.

Land administration

14.10 Mr Alan LEONG recalled that at a meeting of the Panel on Planning, Lands and Works in early 2005, SHPL agreed to conduct a review of the current policy on lease modification to permit change of use for sites previously granted by private treaty. He enquired about the progress of the review. In reply, PSPL said that the review was already at the final stage and the Administration would report the outcome of the review to the Panel within one month.

14.11 Miss TAM Heung-man enquired how the setting up of the proposed Central Action Team (CAT) in the Lands Department (LanD) could strengthen land control work and whether inefficiency was the cause of the long response time at present. In reply, the Director of Lands explained that the squatter control and clearance functions of the Housing Department (HGD) would be transferred to LanD on 1 April 2006. CAT would be set up using part of the resources transferred from HGD to tackle land control work, including squatter control and clearance, for the whole territory. Owing to the need to make some adjustments to the functions of CAT to take into account the views of the staff concerned, the establishment of CAT would be deferred. The Administration would conduct another round of consultation with the staff concerned on the revised CAT proposal, and CAT would be formed after consensus had been reached with the staff concerned. Although the establishment of CAT was

Chapter XIV : Planning and Lands

deferred, the transferred staff would still be deployed to perform squatter control and assist in land control work in LanD. With the transfer of the squatter control and clearance functions from HgD to LanD, the effectiveness and efficiency of the Government's land control work would be enhanced because there would no longer be demarcation of responsibilities between two departments in land control work. Performance indicators in respect of land control work would be reviewed after CAT had been established.

Development of the Frontier Closed Area

14.12 Regarding the Study on Land Use Planning for the Frontier Closed Area (FCA), Mr LI Kwok-ying enquired about the respective proportions of private land and Government land in the area to be released from FCA for development. He asked whether stakeholder groups, such as Heung Yee Kuk (HYK), would be consulted. As the rights of indigenous villagers might be affected, he suggested that the Administration should handle the matter with great prudence. The Director of Planning said that the study was scheduled to commence in the first half of 2006 after the new boundary of FCA was defined. The scope of the study would include identifying the ownership of the land plots released from the existing FCA. There would be public consultation and HYK and other stakeholder groups would be consulted in the study process. He assured members that the Administration would be very prudent in taking forward the matter.

West Kowloon Cultural District

14.13 As the Administration had decided not to pursue the West Kowloon Cultural District (WKCD) project under the Invitation for Proposals (IFP) process, Mr Albert CHAN asked how the Administration could ensure that, hereafter, the planning and implementation of the project would be in line with the views and aspirations of the public, and which policy bureau would take the lead in taking forward the project.

Chapter XIV : Planning and Lands

14.14 Mr Abraham SHEK and Dr YEUNG Sum noted that in the 2006-07 Estimates of Expenditure, provision was made for the creation of three supernumerary directorate posts in HPLB for the WKCD project, and that part of the additional provision of \$3.7 million for the Planning Department was earmarked for the expenses relating to the WKCD project. They queried whether the provisions would still be required after the IFP process for the WKCD project had been discontinued.

14.15 PSPL advised that all along, HPLB and the Home Affairs Bureau (HAB) had been working hand-in-hand on the WKCD project under the guidance of a steering committee chaired by the Chief Secretary for Administration, and HPLB had been taking a coordinating role. Following the Administration's announcement that the Government would not pursue the IFP process on 21 February 2006, the Administration would set up a consultative committee, with the support of three advisory groups, to re-examine with a view to re-confirming, if appropriate, the need for the proposed Core Arts and Cultural Facilities in WKCD. HAB would provide inputs on the cultural aspects and HPLB would contribute to the planning and other aspects under the purview of HPLB to facilitate the work of the consultative committee. SHPL and PSPL assured members that the Administration would take forward the project in full speed to meet the public's aspirations for early implementation of the project. To ensure that views of the public would be fully taken into account in planning the facilities to be provided in WKCD, extensive public consultation would be conducted in taking forward the project.

14.16 PSPL further advised that as the 2006-07 Estimates of Expenditure were prepared before the decision of not pursuing the IFP process was made, the estimated provisions in 2006-07 for the work relating to the WKCD project would need to be adjusted. The details would be worked out when the work plan of the consultative committee and the advisory groups had been mapped out. If the existing resources from HAB and HPLB could cope with the work, no additional staffing would be needed. The Administration would be happy to brief the relevant Panel or committee of the Legislative Council on the detailed work plans and resource requirements in due course.

14.17 Members queried whether it was appropriate to include the aforementioned additional provisions in the Estimates of Expenditure given the important changes in respect of the WKCD project. PSPL explained that the purpose of the budgetary exercise was to make provisions only and posts would

Chapter XIV : Planning and Lands

only be created if necessary according to the established procedures. She also pointed out that although the WKCD project would be taken forward using a new approach, resources would still be required for undertaking public consultation, research work on the public-private-partnership mode of development and legislative work for the establishment of the proposed statutory body, etc.

14.18 The Deputy Secretary for Financial Services and the Treasury (Treasury)¹ (DS(Tsy)¹) supplemented that it was a usual practice for bureaux and departments to earmark provisions in the Estimates of Expenditure for new posts in anticipation of the work requirements in the coming year. This however did not mean that the posts would automatically be created upon the enactment of the Appropriation Bill. The Creation of directorate posts was subject to the scrutiny and approval of the Establishment Subcommittee and the Finance Committee, while creation of non-directorate posts was also subject to stringent examination in accordance with the established procedures within the Administration.

Infrastructure projects

14.19 Mr Patrick LAU noted that the estimated expenditure in 2006-07 for the projects under Head 707 - New Towns and Urban Area Development was \$2 billion while the revised estimated expenditure in 2005-06 was \$2.5 billion. He enquired about the reasons for the reduction in expenditure in 2006-07. The Director of Civil Engineering and Development explained that the reduction in the estimated expenditure to \$2 billion in 2006-07 was due to the completion or partial completion of a number of major projects, such as the grade-separated interchange in Tseung Kwan O, Road T3 in Sha Tin, Route 9 (Tsuen Wan section) and some roadworks in Yuen Long. The peak construction period for those projects had already passed. All projects planned for commencement or completion in 2006-07 were on schedule except for the project 7704CL – “Engineering infrastructure works for Pak Shek Kok development, stage 2A”, the completion date of which had been deferred from March 2007 to August 2007. He also advised that there were new projects in the pipeline under Head 707, and the expenditure level of each project would vary at different implementation stages.

14.20 Mr Patrick LAU referred to the provision of \$29 billion a year on average over the next five years for infrastructural projects as stated in the 2006-07 Budget, and asked whether unspent funds for a year would be carried forward to the following year. DS(Tsy)¹ advised that the \$29 billion was an

Chapter XIV : Planning and Lands

average annual provision that the Administration expected to spend on infrastructural projects over the next five years. Unlike recurrent spending, the expenditure on these projects spread over a certain number of years and the expenditure on a project fluctuated from year to year depending on the actual progress of works. The Chairman requested the Administration to elaborate on the provision for infrastructural projects over the next five years by providing a breakdown by the type of projects and the apportionment of the provision between committed projects and projects under planning.

Green buildings

14.21 Mr LEE Wing-tat expressed concern on the possible loss in Government revenue due to exemption of green features from Gross Floor Area (GFA) and Site Coverage (SC) calculations in buildings under the policy to promote the construction of green and innovative buildings. He asked whether the Administration would undertake a critical review of the policy. SHPL pointed out that the Administration had consulted and obtained the support of the Legislative Council before the implementation of the policy. The policy, which was implemented in February 2001, aimed at providing incentives to developers to construct buildings which would enhance the living environment of the occupants. With the experience gained from the past few years of operation, the Administration already had a plan to conduct an internal review of the policy. The current plan was to complete the review by the end of 2007.

14.22 Mr LEE Wing-tat considered it necessary to expedite the review as loopholes, if any, of the policy would only lead to further exploitation by developers. He asked whether the long time required for the review was due to insufficient resources, and whether the engagement of a consultant to undertake the review would help. PSPL confirmed that the Administration had sufficient internal resources to conduct the review. She explained that the whole construction cycle would require at least three years. In conducting the review, the Administration would need some time to look into the actual situation of the green buildings completed after the implementation of the policy, but the Administration would expedite the review as far as possible. She also remarked that it was important to maintain certainty in Government's policy, which should not be changed abruptly without a thorough review. For the policy in question, she assured members that each application for exemption had been and would be carefully vetted in accordance with the criteria laid down in the relevant practice notes issued by the concerned Government departments. SHPL added that what

Chapter XIV : Planning and Lands

was at issue might be the extent to which exemption from GFA and SC calculations should be granted in each case. At this stage, it would be presumptuous to conclude that there were loopholes under the policy or there had been abuse of the policy.

14.23 Dr YEUNG Sum shared Mr LEE's concern and they requested the Administration to provide a list of projects where green features had been exempt from GFA and SC calculations since the implementation of the policy; and details on the green features involved and the respective figures of GFA and SC exemption for each project. The Chairman also requested the Legislative Council Secretariat to retrieve information on past discussions on the subject at meetings of the Council and various committees and forward the information to members for reference.

Chapter XV : Security

15.1 At the Chairman's invitation, the Secretary for Security (S for S), Mr Ambrose LEE, briefed members on the major initiatives and expenditure on security for the coming year (Appendix IV-13).

Unauthorized disclosure of information from the Independent Police Complaints Council's (IPCC) database

15.2 Mr James TO said that following the unauthorized disclosure of information from IPCC's database, there was a need to take remedial measures to prevent future recurrences and to regain public confidence. He enquired about the role of the Security Bureau (SB) and the Police in this respect. As it had come to his notice that there had been other cases involving unauthorized disclosure of personal information on the Internet, he considered it necessary that the Privacy Commissioner for Personal Data (PCPD) should step up enforcement actions to curb such activities.

15.3 In response, S for S said that IPCC was an independent body which did not operate under the auspices of SB nor the Police. He said that SB and the Police were both concerned about the information leak as it involved confidential information about police complaints. He had personally contacted the Chairman of IPCC expressing concern over the incident. Given the independence of IPCC, it was inappropriate for SB to intervene, particularly when the case was still under investigation. However, SB would be willing to assist by giving advice on the security of information and providing the necessary resources to prevent recurrences. At present, information technology (IT) staff of SB had been assisting IPCC in its remedial actions.

15.4 The Secretary, IPCC (Secy, IPCC) said that since the revelation of the information leak by the South China Morning Post on 10 March 2006, IPCC held an urgent meeting on 11 March 2006 to discuss measures to deal with the situation. A special Task Force had been set up to investigate how the confidential information from IPCC's database could have been placed on the Internet and to work out remedial measures. Another urgent meeting was held by IPCC on 13 March 2006 to discuss the initial findings of the investigation and the remedial measures worked out by the Task Force. A hotline had been set up by IPCC to receive complaints from affected parties and to offer assistance as necessary. Meanwhile, two subcommittees had been set up by IPCC, one chaired by the Chairman and the other by a Vice Chairman, to hold meetings with the affected persons in an attempt to allay their concerns. PCPD was conducting an

Chapter XV : Security

investigation into the matter and relevant information had been provided by IPCC Secretariat to facilitate his investigation into the incident. Members of the public had been warned by PCPD to refrain from making unauthorized access to personal data which were made available on the Internet. They were also forewarned of the penalties associated with breaches of personal privacy. IPCC would try its best in conjunction with the Administration to provide assistance to the affected persons as appropriate.

15.5 Mr James TO opined that, as a matter of courtesy, IPCC should notify the 20 000 affected complainants whose identity had been revealed on the Internet so that they could be alerted to the incident. Remedial actions should be expedited to prevent unauthorized disclosure of confidential information on the Internet. Secy, IPCC said that Mr TO's request for notifying the 20 000 affected complainants would be reflected to IPCC members for consideration. IPCC had appealed to Internet service providers to assist in the deletion of any confidential information which might still be found on the Internet. The assistance of SB, Police and relevant departments was sought in the prevention of unauthorized disclosure of confidential information. As regard the resource implications for the remedial measures, Secy, IPCC said that extra funding would be sought from SB as no provisions had been made in the Estimates for 2006-07.

15.6 Ms Audrey EU was of the view that the unauthorized disclosure of information was more of a security problem than a breach of personal privacy. The fact that confidential information from IPCC's database had been posted on the Internet unnoticed for two years and was discovered through a random search of the Internet reflected the need for tightened control on data security, especially when database management had been contracted out to service providers. As there were a number of other cases involving unauthorized disclosure of personal data on the Internet, she enquired if resources could be made available to develop measures, such as provision of guidelines and/or staff training as well as spot checking, to prevent future recurrences.

15.7 S for S advised that the protection of personal privacy was within the ambit of the Secretary of the Home Affairs (SHA) and he undertook to reflect members' concern about the need to step up protection of personal privacy to SHA. Meanwhile, the Police would continue to take enforcement actions against hacking. The Chairman said that SHA should be requested to provide sufficient resources for the protection of personal data. Ms EU remained of the view that the unauthorized disclosure of personal data should be regarded as a security

Chapter XV : Security

breach and therefore resources should have been provided by SB to protect the security of information.

15.8 Mr SIN Chung-kai said that he had also raised a similar question with the Secretary for Commerce, Industry and Technology at the special meeting of the Finance Committee (FC) on 13 March 2006 and was given to understand that a provision of \$1.3 million had been made to the Office of the Government Chief Information Officer to improve the awareness of bureaux/departments on IT security.

15.9 Miss CHOY So-yuk said that further to the information leak from IPCC's database, there was a need to review the security of information, particularly that of a sensitive nature. She said that the Immigration Department (ImmD) had been able to maintain tight security on its identity card system and its experience should be shared with other departments. S for S reiterated that IPCC was an independent organization and its operation, including deployment of resources, was independent from SB and the Police. As with the Smart Identity Card project, major projects of SB were contracted out to service providers through competitive tendering and tight security was maintained to ensure that there was no information leak. Meanwhile, SB and ImmD would be pleased to share experience with IPCC on the security of information.

15.10 Miss CHOY So-yuk enquired if the service providers were given guidelines on the security of information. Secy, IPCC said that specific provisions relating to the security of information had not been included in the terms of the contracts between IPCC and its service providers, although the contracts set out the nature of the information to be handled by the service providers. She further said that the incident might involve human error in database management, which might involve staff members of IPCC Secretariat and the service providers. She was not in a position to reveal further details about the incident as investigation was on-going and legal advice was being sought. She assured members that a review would be made on database management with a view to strengthening the security of information.

15.11 Mr James TO said that the existing provisions in preventing disclosure of sensitive information should be tightened, particularly in respect of officers leaving or retiring from disciplined forces. The tightened measures should apply not only to directorate officers but all other ranks to prevent them from making use of the sensitive information they obtained during their service to

facilitate future employment in the private sector, for example, in the case of police officers taking employment in detective agencies and debt collection companies. S for S said that there were secrecy obligations under the Civil Service Regulations governing the departure of civil servants. He would need to seek the advice of the Secretary for the Civil Service on Mr TO's proposal of tightening these secrecy provisions in respect of departing/retiring officers of disciplined forces. Relevant staff associations would have to be consulted on the proposal as this might impose restrictions on their employment after departure/retirement from disciplined forces.

Interception of Communications and Surveillance Bill

15.12 The Chairman questioned why no provisions were sought in the Estimates for 2006-07 for the implementation of the Interception of Communications and Surveillance Bill (the Bill) which had just been introduced into the Legislative Council. S for S said that in the short term, the Administration would be relying on the existing resources in dealing with the introduction of the Bill as it was still in the process of estimating the provisions needed for its implementation. In the long-term, approval for additional resources for the implementation of the Bill would be sought from FC as necessary.

Control of triad activities

15.13 Mr Albert CHAN expressed concern about triad control over the operation of red minibuses. He said that the problem was becoming more serious, particularly in New Territories West, resulting in an increasing number of violent crimes and extortion cases. The resultant increase in passenger fares arising from triad control had also affected the general public. He enquired if additional provisions would be made to resolve the problem. The Commissioner of Police (CP) said that the operation of red minibuses had all along been closely monitored by the Police on account of its possible association with triads, which profited through collection of protection fees. As a result of the conduct of under-cover activities over the years, the Police had been able to penetrate into triad activities and had successfully disbanded many triad operations. Unfortunately, new triad operations continued to emerge and more efforts were needed to tackle the problem, which could be by way of curbing the source of financing of triad activities. While no additional provisions had been made to combat triad control over the operation of red minibuses, the assistance of various

Chapter XV : Security

police operational units would be sought where necessary. As a long-term solution to the problem, the Transport Department (TD) intended to replace red minibuses with green minibuses. S for S said that where justified, the Police could apply for more resources from relevant bureaux to combat triad control over red minibus operation.

15.14 Mr Albert CHAN said that there might be a need for joint action with TD to combat triad control over red minibus operation. S for S said that there had all along been cooperation with the Transport Division of the Environment, Transport and Works Bureau (ETWB) in combating the problem. While ETWB was in charge of the policy aspects of minibus operation, the Police was responsible for enforcement actions against triad control and there had been regular exchanges between them.

Domestic violence

15.15 Ms Audrey EU was concerned that there had not been sufficient resources allocated to strengthen Police's capability in handling domestic violence and child abuse. She supported that consideration should be given to the setting up of a one-stop service under the Police and/or the Social Welfare Department (SWD) in every district to cater for the needs of victims of domestic violence, similar to that provided to victims of sexual abuse. CP said that domestic violence was a key concern of the Police and a lot of resources had been invested in 2005-06 to provide training in the handling of domestic violence cases and to improve the database management of such cases. Cooperation had been sought from SWD and non-government organizations in dealing with domestic violence cases and a Chief Inspector of Police was assigned in charge of such coordination on a district basis. Referrals would be made to SWD and other welfare organizations as appropriate and the system had been working well. In a recent review of Police policies, it was decided that professional training in dealing with domestic violence cases would be provided to police officers. Staff who had received such training would be assigned to deal with domestic violence cases, in addition to other duties. This would enable an effective use of resources while ensuring that domestic violence cases could be handled in a more professional manner.

15.16 Dr YEUNG Sum said that a recent study on domestic violence in Hong Kong by the University of Hong Kong revealed that there were about 80 000 children who were subject to abuse and 160 000 families which suffered

Chapter XV : Security

from domestic violence. The number of such cases was much more than what was recorded by the Police. This was a cause for concern because it showed that a large number of families suffering from domestic violence had not been given the needed assistance. While he was pleased to note that measures had been taken by the Police to enhance the assistance provided to victims, he requested that more resources be given to improve the situation. CP said that the Police had been maximizing its existing resources to tackle domestic violence by providing training to police officers in handling these cases. If the situation called for the setting up of a specialized unit to deal with domestic violence cases, consideration could be given to the provision of resources for the purpose. He agreed that the staff handling domestic violence cases should be more sensitive to the needs of victims and where necessary, assistance from female staff would be sought. The more complicated cases would be referred to a higher level of authority for handling.

15.17 Mr Albert HO referred to a recent case of battered spouse who was denied assistance by the Police, despite the victim's repeated requests for assistance. He supported that more resources should be provided to train police officers engaged in dealing with domestic violence which was worsening these days. He said that the Police should make reference to a list of indicators adopted by the London Metropolitan Police in deciding on how domestic violence cases should be handled and how they should be differentiated. CP said that the Police had been making reference to overseas experience as well as studying reports on ways to improve the handling of domestic violence cases. Police officers had been given training on the handling of such cases using existing resources. It was contemplated that further training would be provided to address specific domestic violence situations.

Assistance to Hong Kong residents in distress outside Hong Kong

15.18 Mr WONG Kwok-hing enquired about the resources provided in enhancing the assistance to Hong Kong residents in distress outside Hong Kong, as there was an increasing number of Hong Kong residents residing and doing business in the Mainland. Regarding the use of the 24-hour assistance hotline number 1868 (the 1868-hotline), he enquired if consideration could be given to providing a direct-dial hotline for use in the Mainland to facilitate Hong Kong residents in distress. The Director of Immigration (D of Imm) said that with the increase in the number of requests for assistance from Hong Kong residents in distress outside Hong Kong, additional resources had been provided to the

Chapter XV : Security

Assistance to Hong Kong Residents Unit (AHU). As a result, the establishment of AHU had been increased by nine posts, i.e., one Senior Immigration Officer and eight Immigration Officers. It was observed that the number of requests for assistance had increased with the change of the hotline number from an eight-digit number to 1868 since August 2005. Staff members of AHU were sent to assist Hong Kong residents stranded overseas in serious disasters, for example, the Tsunami in 2004, the explosion in London in 2005 and the traffic accident in Egypt in 2006. Meanwhile, an Immigration Team comprising four immigration service officers would be stationed in the Hong Kong Economic and Trade Office in Guangdong when it commenced operation in April 2006. The stationing of the Immigration Team in Guangdong would facilitate AHU in the provision of immediate assistance to Hong Kong residents in distress in Guangdong. The number of the 1868-hotline was easy to remember, and it would be helpful to residents who were in distress outside Hong Kong. D of Imm said that he was aware that the 1868-hotline was a local number, and residents in distress outside Hong Kong would need to use international direct dialing and to input the country code before reaching AHU. If a telephone number in the Mainland was to be used in place of the 1868-hotline, there would be a need to provide telephone answering service in the Mainland and to explore the feasibility of identifying a telephone number which could apply to all provinces in the Mainland. Therefore, it was considered more convenient to provide a single 1868-hotline which would provide worldwide services to all Hong Kong residents in distress outside Hong Kong. The number of requests for assistance received by AHU in 2005 was 4 201. In response to members, the Administration would provide the number of requests for assistance received by AHU from Hong Kong residents in distress outside Hong Kong in 2004.

15.19 Mr WONG Kwok-hing enquired if resources would be provided to promote the use of the 1868-hotline. D of Imm said that travel agencies had been requested to notify their clients about the availability of the 1868-hotline should they need assistance from AHU outside Hong Kong. Travel agencies had agreed to cooperate and would do so by including the hotline number in their information pamphlets to their clients. The services of the 1868-hotline could be expanded in the event of a major disaster to cater for the needs of a large number of requests for assistance from Hong Kong residents in distress outside Hong Kong. The Chairman said that consideration could be given to publicizing the 1868-hotline at the various Control Points.

Chapter XV : Security

15.20 Miss CHOY So-yuk said that many Hong Kong residents who were in distress in the Mainland would not wish to approach security forces in the Mainland for assistance but would instead prefer to report their cases to the Hong Kong Police upon their return. In this connection, she enquired if the Administration would consider setting up a liaison office in Shenzhen to provide the needed assistance to Hong Kong residents in distress. S for S said that approval would need to be sought from the Central People's Government if a liaison office was to be set up in the Mainland. He stressed that it was a matter of principle that a Hong Kong resident in distress outside Hong Kong and who was a victim of a crime should report it to the local Police. It would not be appropriate for the Hong Kong Police to intervene on account that the Hong Kong resident did not want to approach the local Police. Besides, it would be more effective if the crime could be reported promptly to the local Police so that actions could be taken on the spot. If a Hong Kong resident was dissatisfied with the way in which the case was handled, he/she could file a complaint to the Hong Kong Police upon his/her return to Hong Kong for further follow-up actions through the established channels.

15.21 Miss CHOY So-yuk said that back in the 1960's, Hong Kong residents who left for Southeast Asian countries to earn their living would often have to assume a false non-Chinese identity to avoid discrimination under the local anti-Chinese policies. These former Hong Kong residents would have difficulties in returning to Hong Kong for settlement on their assumed identities. She enquired if resources could be provided to resolve the problem faced by these former Hong Kong residents. S for S said that applications for entry of these former Hong Kong residents would be processed in line with the prevailing residence policies, provided that they were able to satisfy residency requirements. However, those who were making applications on a false identity or returning Hong Kong using a false passport would not be allowed entry to Hong Kong. D of Imm added that former Hong Kong residents who claimed to have a right of abode in Hong Kong could substantiate their claims through proofs of their former residence in Hong Kong, but the onus of proof would rest with the applicant.

Immigration clearance at Control Points

15.22 Mr LAU Kong-wah noted with concern that a large number of visitors had been kept waiting for five to six hours for clearance at the Lok Ma Chau (LMC) Control Point last Saturday on 11 March 2006. This was a clear warning signal that the operation of LMC Control Point was over-stretched. The

Chapter XV : Security

problem would become worse with extension of the Individual Visit Scheme to five more cities in the Mainland. The situation would persist even with the commissioning of the LMC Spur Line and the Hong Kong-Shenzhen Western Corridor on account of the relatively high train fares of the former and the location of the latter which would mainly benefit travellers to and fro Futian and Huanggang. Since the passenger clearance time for Mainland visitors was much longer than that of local residents, Mr LAU enquired whether and when the use of the e-Channels would be extended to Mainland visitors, as no provisions seemed to have been made in this respect to relieve the work pressure at the LMC Control Point.

15.23 D of Imm said that the estimates for 2006-07 had included provisions for the creation of 49 posts for passenger clearance, although not all of them would be serving the LMC Control Point. There were space constraints within the LMC Control Point and the space had already been maximized for the provision of 50 immigration clearance counters. The number of passengers cleared on 11 March 2006 at the LMC Control Point was 161 339, which was the second highest number in the record of the LMC Control Point. Since last Saturday was neither a public holiday nor part of the Golden Week, there was no clue as to why there was such an upsurge in the number of passengers, which had actually exceeded the peak period during the Lunar New Year. An additional 12 e-Channels (six for incoming passengers and six for outgoing passengers) would be provided at the LMC Control Point. Construction works for the expansion of LMC Control Point to accommodate the additional e-Channels were in progress and these would be ready for use before the Easter holidays, making available a total of 23 e-Channels for use by Hong Kong Smart Identity holders. The additional provision would no doubt increase the efficiency of the LMC Control Point. At present, about 29% to 30% of local residents were using e-Channels for immigration clearance.

15.24 As regard the proposal of extending the use of e-Channels to Mainland visitors, D of Imm said that as this would involve a change of Mainland travel documentation which would need to be approved by the Central People's Government, further discussion would have to be held with the authorities but any such changes would inevitably take time. Meanwhile, further cooperation would be sought from the Mainland authorities on measures to facilitate passenger clearance.

Chapter XV : Security

15.25 Mr SIN Chung-kai shared the concern about the long queuing time at the Control Points at LMC and Lo Wu and enquired if consideration could be given to installing signboards showing the queuing time at each Control Point such that travellers could be made aware of the time they would need to spend in awaiting clearance. Television sets should also be installed in the waiting hall for the amusement of waiting passengers. D of Imm said that while provisions had not been made for the suggested installations, he would try to see if further provisions could be sought for the purpose. He also advised that most travellers would prefer to use the LMC Control Point as the fare for the buses serving LMC, which was only \$7 per journey, was much more competitive than the train fares to Lo Wu, which explained the reason for the over-congestion at LMC Control Point.

Ambulance service

15.26 Mr LEE Cheuk-yan questioned the adequacy of the proposed increase of 43 posts in the ambulance service of the Fire Services Department (FSD) in the Estimates for 2006-07. He said that there had been an approximate 17% growth in demand for ambulance service in the past five years but the manpower resources had only been increased by about 4%. The disproportionate increase in manpower resources might have undermined the quality of ambulance service, leading to inability to meet the target response time of 12 minutes. He also sought the Administration's views on the whether the request by the Ambulancemen's Union for independence from FSD was associated with the increased demand for ambulance service which was not met by a corresponding increase in manpower.

15.27 In reply, S for S said that the Administration had attached much importance to the provision of ambulance service as it was associated with the safety of the community. Therefore, there had been growth in its provisions for manpower resources despite the stringent financial position in FSD and other departments in the past years. The Director of Fire Services said that FSD had strived to maintain the quality of service within available resources. Owing to teething problems, the performance target could not be met in the initial implementation of the Third Generation Mobilizing System (TGMS) in 2005. However, with the recent improvements made to TGMS, the performance targets had been met for the past two months. Through publicity programmes conducted in November 2005, the number of ambulance calls had dropped, resulting in a 6% decrease in the demand for ambulance service for the past two months. He said that FSD had been working closely with SB on measures to

improve ambulance service. Apart from the increase in manpower resources, publicity efforts would be made to remind the public to avoid abusing the use of ambulance service. The feasibility of referring non-urgent cases to other agencies for necessary actions would also be explored. These combined efforts would help reduce the demand for ambulance service and would relieve the work pressure of ambulance staff.

Overcrowding relief in penal institutions

15.28 Mr Albert HO enquired if additional resources would be provided to relieve overcrowding in penal institutions in Hong Kong. The Commissioner of Correctional Services said that the old Lai Chi Kok staff married quarters would be converted into a new female institution, namely the Lai Chi Kok Correctional Institution, providing 650 penal places upon its opening in July 2006. Among these, 438 would be used to relieve the shortfall of penal places resulting from the decommissioning of the Victoria Prison and 212 would be used as additional places for relieving prison overcrowding. A new three-storey building would be constructed inside the Lai Chi Kok Reception Centre to provide 144 additional penal places to relieve overcrowding. Meanwhile, the former Chi Ma Wan Drug Addiction Treatment Centre and Chi Lan Rehabilitation Centre had been converted into a new institution called the Chi Sun Correctional Institution in 2005, providing 96 additional penal places. As a long-term measure, the Lo Wu Correctional Institution (LWCI) would be redeveloped into a cluster of three institutions with a total of 1 400 penal places. Among these, 1 218 would be additional places which would contribute to relieving prison overcrowding. The public consultation on the LWCI project had been completed and no objection had been raised. The Panel on Security would be consulted on the project in April 2006 and funding approval would be sought from FC in July 2006. Subject to funding approval, construction would commence in mid-2007 for completion by the end of 2009. Funding for the additional manpower resources associated with the operation of LWCI would be sought at a later stage. Apart from the redevelopment of LWCI, other long-term prison development options were being explored. Initially, the redevelopment potential of the existing institutions at Chi Ma Wan had been identified and further studies would be conducted.

Chapter XVI : Food Safety and Environmental Hygiene

16.1 At the Chairman's invitation, the Secretary for Health, Welfare and Food (SHWF), Dr York CHOW, briefed members on the major initiatives and expenditure on food safety and environmental hygiene for the coming year (Appendix IV-14).

Staffing provision

16.2 Given the volume and complexity of work under the portfolio of Health, Welfare and Food Bureau (HWFB) and the heavy workload of SHWF, Miss CHOY So-yuk asked whether additional staffing support at the top policy-making echelon was required. SHWF said that the Establishment Subcommittee had endorsed the proposed creation of an additional post of Permanent Secretary in HWFB to oversee the food safety and environmental hygiene portfolio.

Food safety

Centre for Food Safety

16.3 Mr WONG Kwok-hing sought elaboration on the details of the establishment of a new Centre for Food Safety (CFS). SHWF advised that CFS would be set up under the Food and Environmental Hygiene Department (FEHD) in mid 2006. The policy intent was to enhance food safety control functions. In the coming year, the focus would be on, inter alia, the development of a regulatory framework for fisheries products by reviewing overseas regulatory regimes and practices for aquatic and marine products as well as the implementation of the Labelling Scheme for Nutrition Information. CFS would be responsible for the import control of live food animals from the Mainland and audit inspections to Mainland farms exporting food animals to Hong Kong to ensure compliance with agreed import protocols. It would also be responsible for liaising with international food regulatory authorities and food traders for the effectiveness of exercising control at source.

16.4 Mr Fred LI noted with concern the reduction of more than 7 000 checks for food labels in 2005 as compared to that in 2004 and enquired the measures to improve the situation. The Director of Food and Environmental Hygiene (DFEH) advised that the reduction was mainly due to the deployment of health inspectors dedicated for checking food labels to step up food surveillance and control work in the light of a series of food incidents in 2005. With the

Chapter XVI : Food Safety and Environmental Hygiene

additional provision of 71 posts in 2006-07 for enhancement of food safety work, it was expected that the number of checks for food labels would return to the level in 2004.

16.5 Noting that the estimate for additional provision for enhancement of food safety efforts and creation of 71 posts in 2006-07 was \$46.7 million, Mr Vincent FANG enquired how the Administration could ensure that CFS was able to meet public aspirations and enhance risk assessment and communication capabilities.

16.6 DFEH explained that the additional provision was to cover the expenses incurred from the creation of the 71 new posts and additional departmental expenditure arising from sampling and laboratory test in relation to food surveillance and strengthening of pest control work. The 71 posts were mainly for enhancing the existing food safety regulatory regime, such as food surveillance at import, wholesale and retail levels, improving efficiency in handling the growing number of food incidents and complaints on prepackaged food. CFS would maintain regular liaison with international food institutions in both the Mainland and overseas countries on the latest development in food standards and contingency plans. It would also disseminate information to the public and food trade more frequently through different channels regarding concern on food safety.

16.7 Dr KWOK Ka-ki held the view that CFS was set up for administrative convenience only. He opined that in designing the new structure for CFS, reference should be made to overseas experience and experts from outside the civil service, in particular those with overseas experience in food safety regulation, should be appointed as consultants to ensure that CFS was equipped with the necessary expertise and experience in food safety control.

16.8 DFEH advised that the additional 71 posts would include professional staff, such as scientific officers, veterinarians and chemists, to carry out food safety control. Serving health inspectors with expertise and knowledge in food safety and public health were also able to take up the new duties in CFS. FEHD had in 2005 recruited one officer under contract terms to work on food safety standards. There are plans to recruit two more officers of the same rank in the coming year. FEHD would continue to examine the need for 20 more additional posts, including veterinarians and field officers for agriculture and fisheries in the light of operational need.

Chapter XVI : Food Safety and Environmental Hygiene

16.9 Mr WONG Kwok-hing enquired about the number of food samples to be tested in 2006. DFEH said that to enhance food surveillance, it was estimated that 63 000 samples would be taken for testing with the setting up of CFS. The Administration would continue to examine the need or otherwise for additional resources in the light of operational needs.

Genetically modified food

16.10 Mr Fred LI noted that Greenpeace had released a recent laboratory testing result showing that unknown genetically modified (GM) elements were found in the papaya samples from one of the farms in Fanling. Since the related papaya seeds, which were originated from the Mainland, were provided by the Agriculture, Fisheries and Conservation Department (AFCD), he enquired about the measures which the Administration had taken to tackle the problem. His concern was shared by Miss CHOY So-yuk.

16.11 The Director of Agriculture, Fisheries and Conservation said that AFCD was conducting an in-depth investigation into the incident. Meanwhile, effort would be stepped up to detect GM seeds, including papaya seeds. In response to Mr Fred LI's enquiry on whether financial provision had been set aside for the regulation of GM food with the establishment of CFS, SHWF said that while no additional funding had been earmarked in this respect, the Administration would keep a close watch on the development of GM food products and would continue to examine the need for additional resources in the next financial year.

Use of disposable plastic containers

16.12 In response to Miss CHOY So-yuk's concern about the health risk of using styrofoam lunch boxes in schools, the Administration undertook to provide information on a study conducted by FEHD in collaboration with the Consumer Council on this subject.

Agriculture and Fisheries

16.13 Noting that the Administration had launched a Voluntary Surrender Scheme (VSS) to encourage poultry retailers to surrender their licences to the Government, Mr Fred LI asked if provision would be earmarked for a similar surrender scheme for pig farmers in 2006-07. SHWF said that the Finance

Chapter XVI : Food Safety and Environmental Hygiene

Committee had approved the creation of non-recurrent commitments of about \$600 million for the Government to introduce an incentive package to provide ex gratia payment to up to 3 000 live poultry retailers so as to encourage them to participate in VSS. So far, about \$100 million had been granted to the live poultry retailers who had surrendered their licences or tenancies. SHWF added that no financial provision had been earmarked for a similar scheme for pig farmers.

16.14 Mr Vincent FANG noted with concern the poor response to VSS. DFEH said that as the deadline for application for VSS had been extended to August 2006, many live poultry retailers still adopted a wait-and-see approach and did not want to make a decision until nearer the end of the application period.

16.15 Dr KWOK Ka-ki enquired about details of the development of a medium-sized poultry slaughtering plant and its projected expenditure. SHWF advised that \$1.3 million had been tentatively earmarked for engaging a consultant to prepare the tender document for the project.

Deterrent against cruelty to animals

16.16 Miss CHOY So-yuk enquired about the legislative timetable to increase the relevant penalties to deter against cruelty to animals. SHWF said that the Administration would need more time to consult the relevant parties before the legislative proposal was introduced into the Legislative Council. He also assured members that AFCD would look into issues related to the welfare of animals, including licensing, microchipping and sterilization of cats and dogs at a later stage.

Environmental hygiene

Regulatory control over food premises

16.17 Dr Joseph LEE enquired if performance indicators had been set for the enhanced measures on the prevention and control of food incidents. DFEH said that while there were no pre-set performance indicators, FEHD had been working closely with the Department of Health in the investigation of food poisoning cases involving food premises. In addition to the regular food surveillance programme, FEHD would strengthen the education and publicity on food safety practices to further enhance the awareness and knowledge of the trade and the general public in preventing food poisoning.

Chapter XVI : Food Safety and Environmental Hygiene

16.18 Noting that there had been a sharp decrease in the number of inspections for food premises over the past few years, Mr Tommy CHEUNG asked if this was attributed to the deployment of health inspectors to other duties. DFEH explained that about 15% of the health inspector posts had been deleted following the civil service voluntary retirement scheme. In order to better target FEHD's resources at high risk food premises, the frequency of inspection for low to medium risk food premises had been reduced, resulting in a lower total number of inspections since 2005.

16.19 Mr Tommy CHEUNG said that unlike their counterparts in the United States who often devoted their time to educate food operators, health inspectors in Hong Kong mainly focused on inspection and probably prosecution against non-compliance. He urged the Administration to step up education for food operators by health inspectors in the course of inspection. DFEH said that the Administration attached great importance to education on food hygiene. It should be the normal practice for health inspectors to explain to the food operators during inspections the hygiene requirements which were necessary to ensure food safety. As regards Mr CHEUNG's suggestion about the organization of educational visit-cum-inspection for each food operator, DFEH said that the Administration would look into the issue in consultation with the food trade.

16.20 While acknowledging that the Administration had stepped up enforcement against illegal shop extension, such as seating-out accommodation, Mr LEE Wing-tat said that he had received complaints about noise nuisance caused by restaurants late at night, particularly those located on the ground floors of residential buildings. Despite the actions taken by the Administration in recent years, the situation remained unsatisfactory. He opined that additional resources should be allocated for the review of the existing legislation to tackle the problem in consultation with the District Councils. SHWF said that while legislative amendment might be feasible, the Administration would need to strike a balance between the commercial interests and the maintenance of peace and order in residential areas.

Management of public markets

16.21 Regarding the extension of the trial scheme on the contracting-out of market management in 2006-07, Ms LI Fung-ying enquired about the estimated savings in manpower upon implementation of the scheme and its possible impact on civil servants in future. DFEH said that it was estimated that about 55 civil

Chapter XVI : Food Safety and Environmental Hygiene

service posts would be saved and the affected staff would be gainfully redeployed in the department. He reiterated the Government's policy that no civil servants would be forced to become redundant due to outsourcing. While the purpose of the contracting-out scheme was to enhance the effective management of public markets, this would only be considered taking into account the progress of natural wastage of staff.

Recycling bins for used clothing

16.22 Miss CHOY So-yuk noted with concern the lack of control over private recycling bins for used clothing on streets. While the Lands Department (LanD) reserved the right to limit the collection to once a day, these recycling bins were left in the streets unattended, causing obstruction and creating environmental problems. She opined that additional resources should be allocated to FEHD so that it could take a proactive role in the management of these recycling bins on streets. SHWF responded that the management of such bins fell under the purview of LanD. Nevertheless, concerted efforts would be made by both LanD and FEHD if need arose.

Chapter XVII : Health, Welfare and Women

17.1 At the invitation of the Chairman, the Secretary for Health, Welfare and Food (SHWF), Dr York CHOW, briefed members on the major initiatives and expenditure on health and welfare for the coming year (Appendix IV-14).

Health care reform and review of public medical fees

17.2 Dr YEUNG Sum expressed concern about the impact of the possible increase in public medical fees on the general public, particularly the middle class who were outside the government's social security safety net. Quoting a newspaper report that the Hospital Authority (HA) could only recover around \$100 out of the daily cost of \$3,000 for a public hospital bed, Dr YEUNG opined that in the long term, this kind of health care financing mode might not be viable. However, if the Administration intended to recover a higher percentage of costs from patients by increasing the public medical fees, the middle class would have no choice but to take out health insurance and rely more on the health services in the private sector. Highlighting the financial burden of the middle class, Dr YEUNG enquired how the Administration could resolve the problem and address the needs of the middle class for public health services.

17.3 SHWF said that in considering the future reform of the public health care system, the Administration would consider each and every possible option for financing. It would take into account the affordability of the general public and ensure that people in need would not be excluded from the safety net. On the suggestion of lowering the subsidy rate for a public hospital bed, he said that the current subsidy rate of 97% was on the high side. In revising the fees for the public health care services, the Administration would ensure that low-income earners and patients with chronic illness would receive the necessary treatment. Any increase in public health care services fees would have to be taken into account the affordability of different classes of people. Dr YEUNG Sum remarked that it would be beyond the middle class's affordability even for a contribution of 5% of their monthly salary to finance the public health care system or for the purpose of taking out health insurance in order to use the services.

17.4 Mr LEE Cheuk-yan opined that before the implementation of any increase in public medical fees, the Administration should fully consult the Legislative Council and the public on the way forward for the future public health care financing mode. He also enquired about the basis of the budget prepared by HA for 2006-07 and whether a projected rate of increase in public medical fees had been included in the budget.

Chapter XVII : Health, Welfare and Women

17.5 SHWF said that the study on health care financing options was still underway. It was expected that the health care financing proposals would be completed in mid 2006 and the Panel on Health Services (the HS Panel) would be consulted in due course. Regarding medical fee adjustment proposals, the Administration would ensure that any proposed increase would not affect those in need, in particular the middle class and low-income earners. The Chief Executive/Hospital Authority (CE/HA) added that the 2006-07 budget for HA was prepared on the assumption that no major changes were made to medical fees.

17.6 Dr Fernando CHEUNG asked about the details and the completion date of HA's review of public medical fees. Miss CHAN Yuen-han also referred to the on-going review of public medical fees and the study on health care financing options, and remarked that the Administration should not increase any public medical fees prior to a thorough discussion on the proposed health care financing mode.

17.7 In response, SHWF said that the review of public medical fees would address the long-term need of the public health care system, taking into account the affordability of different classes in the community. The Administration intended to report to the HS Panel on the findings of the review in 2006. SHWF clarified that the review of public medical fees and health care financing study were inter-related and were done in parallel. Pending the deliberations of the health care financing mode, the Administration was not prepared to propose any increase in public medical fees.

Funding for Hospital Authority

17.8 Dr KWOK Ka-ki declared interest as a Board member of HA. Notwithstanding the announcement by the Financial Secretary that the HA's one-off grant of \$650 million in previous year would be converted to recurrent funding, and that additional recurrent funds would be increased by \$300 million per annum over the following three years, Dr KWOK remarked that these additional funding resources had already been earmarked for different services and projects. He considered that the Administration had not allocated sufficient resources to HA to cater for its services, let alone the imminent commissioning of the redeveloped Pok Oi Hospital and the new oncology block at Princess Margaret Hospital. Further extra resources might be required for settling the overtime payment claims by public doctors and adjusting the salaries of HA staff to boost their morale. He sought details about the HA's additional funding for 2006-07.

Chapter XVII : Health, Welfare and Women

17.9 SHWF clarified that the \$650 million was originally a one-off grant in 2005-06 relating to infection control and procurement of isolation facilities and equipment which would be spent over a period of few years. The Administration decided to convert this grant to recurrent funding from 2006-07 onwards. The additional \$300 million recurrent fund was for HA to provide new services in 2006-07. On fund allocation, the HA Board was free to allocate the resources to different hospitals and clusters, taking into account patients' needs and services to be provided. CE/HA added that the budget for 2006-07 was being finalized and would be endorsed by the HA Board shortly. The budget would aim at addressing various issues, such as the increase in operational costs and the need to achieve a balanced budget against the provision of new services. Provisions would also be made for revising the remuneration packages of staff to boost their morale.

17.10 Given that hospital services were heavily subsidized by public fund, Mr Albert HO said that HA should examine how it could recover the operating costs of its services from patients who had taken out private health insurance as the related medical expenses would be borne by insurers. He enquired about the difficulties faced by HA in doing so. He also enquired whether the Administration had considered other measures to increase HA's income.

17.11 SHWF said that the Administration had considered Mr HO's suggestion but found it not feasible to implement. He pointed out that since the coverage of existing health insurance plans was not wide enough to cover all types of illness, there might be situations whereby an insurer would refuse to reimburse the medical expenses incurred by an insured. On the other hand, SHWF also said that the existing billing system of HA could not support the selective charging of different categories of patients on different rates. Instead of targeting at specific categories of patients who might be covered by insurance plans, the Administration would consider the overall cost-effectiveness of its services to ensure efficient use of resources.

Resources for New Territories West

17.12 Given the huge population of more than one million in the New Territories West (NTW), which included Tuen Mun and Yuen Long areas, Mr Albert HO considered that HA had not allocated adequate resources to the NTW hospital cluster, particularly in respect of specialist services. As a result, patients had to wait for months before they could receive specialist services or they were forced to switch to other districts for treatment, thereby incurring extra

Chapter XVII : Health, Welfare and Women

travelling expenses. He urged HA to review the situation and allocate more resources to the NTW hospital cluster.

17.13 CE/HA said that with the increase in Government funding, new resources would be provided to the NTW hospital cluster. The redeveloped Pok Oi Hospital would also come into service soon. SHWF added that upon the completion of the redevelopment project, hospital beds in Pok Oi Hospital would increase from 350 to 612. Further, a new rehabilitation block would be provided at Tuen Mun Hospital, providing an additional 512 beds. SHWF also said that while some patients might choose to receive treatment at their own residential district, some might prefer to visit doctors or clinics at other districts. The Administration would monitor the situation and discuss with HA whether there was a need to redeploy resources within different hospital clusters to cater for the changing demands.

17.14 Noting that the doctor per 1 000 population ratio of the NTW hospital cluster was 0.51, which was the lowest among the eight clusters in the territory, Dr KWOK Ka-ki expressed concern that shortage of resources would create unnecessary pressure among medical personnel.

17.15 The Director (Professional Services & Medical Development) (D(PS&MD)) advised that there was a slight increase in the budget allocation to the NTW hospital cluster for 2006-07. To tie in with the completion of the redeveloped Pok Oi Hospital in late 2006 and the opening of the new rehabilitation block at Tuen Mun Hospital in 2008, additional resources would be provided in 2007-08. She clarified that the doctor per 1 000 population ratio was not directly comparable among different hospital clusters as some doctors were involved in providing special services which were concentrated in specific centres only. Further, as some patients might choose to receive treatment in other districts, it would not be appropriate to make a direct comparison in terms of doctor to population ratio without taking the relevant factors into consideration. At the request of Dr KWOK Ka-ki, the Administration agreed to see if it was possible to provide the number of doctors, nurses and allied health staff, excluding those who were involved in the provision of special services, and the relevant medical staff to population ratio in the respective hospital clusters for 2005-06 and 2006-07.

Chapter XVII : Health, Welfare and Women

17.16 On the re-allocation and re-deployment of resources to the NTW hospital cluster, CE/HA further said that the budget for HA for the coming financial year was being finalized. In deciding the budget, the HA Board would take into account the resource requirements, including the commissioning of the redeveloped Pok Oi Hospital and the new rehabilitation block at Tuen Mun Hospital.

Manpower resources of the Hospital Authority

17.17 Dr Joseph LEE declared interest as a member of the HA Board. Apart from expressing concern about the shortage of nurses, he was also worried that HA and the Administration would not be able to recruit 500 additional qualified nurses in 2006-07 as the employment terms of nurses in the public sector were less competitive than the private sector. He enquired about the details of the recruitment plan and measures to maintain the existing service quality under such circumstances.

17.18 SHWF said that the Administration had confidence in recruiting sufficient nurses in 2006-07 to fill up the vacancies as there would be 600 nurse graduates in the coming year. D(PS&MD) supplemented that HA had been successful in recruiting nurses in the private sector. If HA could not recruit 500 nurses from the 600 graduates in 2006-07, HA would consider recruiting part-time nurses to relieve the manpower shortage.

17.19 In response to Miss CHAN Yuen-han's enquiry on the employment terms of the additional 300 doctor trainees in 2006-07, D(PS&MD) explained that the new doctor trainees were employed on contract terms. Separately, HA had planned to extend the duration of the employment contracts of serving medical staff and the new contract terms would take effect on 1 April 2006.

Preventive service

Elderly health centres

17.20 Noting the popularity of elderly health centre (EHC) services with some 37 400 members and some 28 000 applications for enrolment as EHC members in 2005, Mr LI Kwok-ying considered that the Administration should increase the relevant provision to cater for the rising demand rather than reducing the expenditure for the clinic services provided by EHCs. This could enhance

Chapter XVII : Health, Welfare and Women

primary health care to the elderly and help relieve the financial burden of the elderly to visit private medical practitioners.

17.21 The Director of Health (D of Health) said that there were 18 EHCs providing elderly members primarily with health assessment, physical check ups, counselling, health education and curative treatment. He clarified that the resources allocated to EHCs for 2006-2007 were essentially the same as that of the previous year. However, due to shortage of nurses to fill up some vacant posts, the estimate for salaries was suitably adjusted downward to reflect the situation. Regarding the demand for EHC services, he admitted that EHC services were well received by the elderly. However, with an average cost of about \$1 000 per attendance, and given limitation in public resources, the Administration could not expand the service in a continuous manner. While EHC services had a role to play in preventive care of the elderly, its value was limited in terms of screening for early detection of disease purpose. In most cases, visiting members of EHCs were already fully aware of their own illnesses. Given the huge demand for EHC services, it was not practical to solely rely upon EHCs to address the health care needs of the elderly. There was a need to involve other stakeholders in providing primary health care to the elderly. The Administration had also considered lengthening the waiting time for regular health assessment and physical check ups so as to allow more new members to join EHCs but the existing members would have reservation on the proposal.

Health care policy on preventive service

17.22 Referring to the popularity of EHC services, Dr Fernando CHEUNG opined that preventive service was an important area of work in the public health care system. Effective preventive service would reduce the total health care expenses to be borne by the community. He urged the Administration and HA to adopt a forward-looking approach and place greater emphasis on preventive service. He also enquired about the Administration's work on disease prevention.

17.23 D of Health said that the Administration agreed to the importance of preventive service and had been putting substantial resources on health promotion, or primary prevention, rather than just secondary prevention, ie screening for early detection of disease as it would be a more cost-effective means to prevent diseases. The Administration would consider the overall health impact of public health measures and continue to provide a range of public health services for the

Chapter XVII : Health, Welfare and Women

community with the objective of preventing diseases from occurring rather than just early detection of diseases.

17.24 In considering the high cost for curative service, Mr LEE Wing-tat considered that it would be more appropriate to deploy extra resources to enhance promotive and preventive services. For the purpose of evaluation, he requested the Administration to conduct a cost-benefit analysis in respect of preventive and curative services, and prepare an itemized budget in terms of the related services.

17.25 SHWF said that the Administration would protect and promote the health of the community through promotive, preventive, curative and rehabilitative services. On preventive service, he said that the Administration would work with various stakeholders, including private medical practitioners, non-governmental organizations (NGOs) with Government subsidy, to take forward the related initiatives. He then cited two examples to illustrate the case. First, a working group was formed under the Department of Health to recommend measures on prevention of non-communicable chronic diseases. Second, an education programme was launched to address the obesity problem of the youth and children.

17.26 Instead of presenting the estimates of expenditure in terms of programme areas, Mr LEE Wing-tat opined that the Administration should strive to split the expenditure items in terms of preventive and curative services for evaluating the cost-effectiveness of its services.

17.27 SHWF replied that it would be more effective to focus on specific programmes launched by the Administration which served as an effective indicator for monitoring purpose. For example, one of the initiatives this year was to improve cancer care through an enhancement to the cancer registry. With early detection of different types of cancers coupled with early diagnosis and effective treatment, these could lower the hazard of the disease and improve the quality of life of patients. As such, it would be difficult, if not impossible, to present the expenditure items in terms of preventive and curative services which would be too broad for comparison. D(PS&MD) added that resources allocated to HA would be put into effective use. HA would also work hand-in-hand with counterparts in the health sector for the provision of secondary preventive service. For example, HA funded a programme and worked with NGOs on providing secondary prevention on major illnesses or accidents, such as high blood pressure and fall prevention among the elderly. This secondary prevention work should be cost-effective.

The Samaritan Fund and private purchased medical items

17.28 Noting that there were 4 260 applications for the Samaritan Fund (the Fund) at a total amount of \$126.4 million and more than 2 000 applications on heart disease operation (percutaneous transluminal coronary angioplasty) had been approved in 2005-06, Mr LEE Cheuk-yan enquired the reason why the expenditure for the heart disease operation was not fully borne by HA. He expressed concern whether the Fund would be viable in the long term to meet the increasing number of applications and expenditure and enquired about the general financial situation of the Fund.

17.29 Noting that the expenditure on privately purchased medical items (PPMIs) purchased by HA on behalf of its patients had increased from \$163 million in 2003-04 to \$212 million in 2004-05, Dr Fernando CHEUNG expressed concern that if this trend continued, the Fund would not be viable in the long term. He asked whether the Administration would review the use of the Fund.

17.30 SHWF said that HA had provided financial assistance through the Fund to needy patients who required PPMIs which were not covered by the medical fees in public hospitals/clinics. In 2005-06, grants of \$250 million were injected into the Fund and in 2006-07 an additional \$10 million would be put into the Fund. HA also organized activities to raise private donations for the Fund. He projected that the Fund could meet the expenditure in 2006-07 and the Administration would review the long-term use of the Fund in due course. In response to Mr LEE Cheuk-yan's further enquiry, SHWF advised that the \$10 million funding for 2006-07 would be allocated from the expenditure envelope within the Health, Welfare and Food Bureau. If the Fund could not cover the expenditure for the applications, the Administration would consider ways to meet the shortfall. D(PS&MD) added that the Fund could merely meet the expenditure in 2005-06 and HA would try to solicit more private donations for the Fund. With the increase in new medical items, the Government and HA would need to review the use of the Fund.

17.31 Dr Fernando CHEUNG said that with the advance in technology, the list of medical items that required patients to purchase would increase and the Fund would not provide a solution for all needy patients in the long term. He was worried that some patients could not afford to buy the new medical items. He enquired about the details of the mechanism for determining whether a

Chapter XVII : Health, Welfare and Women

particular device would be included in the PPMI list. In response, the Administration agreed to provide details of the mechanism and criteria for determining whether a new drug or new medical item should be classified as a PPMI item.

Community outreach health services

17.32 Dr Joseph LEE noted that the Administration had promoted rehabilitation in a non-hospital setting but given the shortage in community nurses and related hardware facilities, he enquired how the Administration could implement the community rehabilitation programmes under such circumstances at a cost-effective manner.

17.33 D(PS&MD) replied that in the light of the overall shortage in nurses, HA had planned to increase the number of community nurses gradually. However, with the limited supply in newly qualified nurses, HA would have to decide the best deployment of nurses at hospitals and in the community. To relieve the pressure and workload of community nurses, a number of efficiency enhancement measures had been implemented, such as decentralization of service centres, use of hand-held electronic device for documentation and improved provision of transport services. HA also co-operated with the Social Welfare Department and NGOs to implement community rehabilitation for patients discharged from hospitals.

17.34 Dr YEUNG Sum noted that community nurses had provided outreach health services at homes of the elderly. He asked whether the Administration would consider providing similar outreach services by doctors as a means to promote rehabilitation in a home environment.

17.35 SHWF said that it was the intention of the Administration to encourage home care as a delivery of care services to the elderly. However, in view of resource constraints, it was not possible to deploy doctors to visit the homes of the elderly. The Administration would consider strengthening the community nurses or home-based welfare services for the elderly. The private sector would also assist in providing health care services for the elderly. In the long term, a sustainable health care financing option was necessary to implement a quality and accessible health services for the elderly.

Childhood and youth obesity

17.36 Miss CHAN Yuen-han queried whether the Administration had effective measures to tackle the childhood and youth obesity problem. Apart from the \$3 million additional allocation for the campaign in 2006-07, she asked whether the Administration would consider regulating the food provided by lunch suppliers to students and sold at the tuck shops at schools. She opined that the Administration should strengthen education for parents on the provision of appropriate food for their children.

17.37 SHWF advised that the Administration's education and promotion plan on the childhood and youth obesity problem was not just confined to schools, but also targeting at the public, the parents and the catering industry. D of Health added that the Administration had adopted a comprehensive strategy to educate students on the choice of food starting from an early age and to provide an environment which was conducive for the parents to deal with the students' obesity problem. The school management would be encouraged to specify in future agreements with school tuck shops and lunch box suppliers to increase the variety of healthy food. An environment with more choices of healthy food was necessary as the children's dietary habit was influenced by the people and the environment they had close interaction with. At present, the Administration had no plan to monitor and regulate lunch box suppliers and tuck shop operators but would work with schools and the food supply industry in the promotion work. The Administration would consider further measures, including regulating the food provided by lunch box suppliers, to tackle the problem if necessary.

Welfare

17.38 While acknowledging that the expenditure on welfare was on a rise, Mr LEE Cheuk-yan noted with concern that funding for non-governmental organizations (NGOs) had been reduced by 9.3% over the past few years. He recalled that when the Lump Sum Grant (LSG) package for the welfare sector was introduced in 2000, the Administration had undertaken that the benchmark level of funding for personal emoluments for each NGO based on its recognized establishment of the various service units on 1 April 2000 would remain unchanged. However, the more than 10% cutback implemented during the past five years to achieve the Enhanced Productivity Programme (EPP) and efficiency savings (ES) had left the welfare sector with no choice but to cut the salaries of their staff.

Chapter XVII : Health, Welfare and Women

17.39 In response, SHWF said that NGOs were not required to achieve efficiency savings this year. He added that to address the welfare sector's concern that LSG might not provide sufficient funds to meet their contractual commitments to existing staff, the Administration had introduced separate assistance, including the Tide-over Grant and the Special One-off Grant, to provide NGOs with the financial resources to enhance their human resource practices with a view to consolidating their service re-engineering and organization restructuring, without compromising their service quality. The Administration would continue to work closely with the sector in this regard. The Director of Social Welfare (DSW) supplemented that given the fiscal deficits over the past few years, it was incumbent upon all sectors, including the welfare sector, to achieve efficiency savings to ensure sustainability of future development. However, some NGOs were exempted from EPP and ES, and did not have a reduction of 9.3%. For NGOs joining LSG with snapshot salary above the benchmark, they received the snapshot salary, which would only be reduced annually to reach the benchmark in steps of 2% per annum starting from 2006-07. For those below the benchmark, they would receive the benchmark in one step provided that their service was already fully commissioned. Such arrangements had already been agreed with NGOs when they joined LSG. Moreover, the implementation of the 2% annual reduction was postponed to 2008-09 after consultation with the welfare sector.

Social security

17.40 Dr YEUNG Sum noted that due to deflation, the standard rates of the Comprehensive Social Security Assistance (CSSA) had been reduced in 2003. With the recent economic recovery and the anticipated inflation, he urged the Administration to seriously consider adjusting the standard rates back to the 2003 level. SHWF explained that the CSSA standard rates were reviewed annually to take account of prices changes with reference to the movement of the Social Security Assistance Index of Prices (SSAIP). In fact, the Finance Committee (FC) approved at its meeting on 16 December 2005 the proposal to increase the CSSA standard rates by 0.4% with effect from 1 February 2006 due to inflation. If movements in SSAIP and other economic indicators pointed to persistent high inflation, consideration could be given to seeking approval for additional inflationary adjustments to the standard rates ahead of the new annual adjustment cycle.

Chapter XVII : Health, Welfare and Women

17.41 Dr Fernando CHEUNG said that the CSSA standard rates had been reduced in 1999 and 2003 on grounds of drop in wages and deflation respectively. The CSSA standard rates were drastically reduced by 11.1% in 2003. He was particularly concerned about the long term supplement (LTS) for families comprising five or more members, which had been significantly reduced in 1999 but was not adjusted in line with SSAIP in the last review. He could not accept that the Administration should use the results of 1996 Review of the CSSA Scheme to freeze the rate of LTS for larger households. He opined that freeze was based on an unscientific assumption that the annualized expenditure on replacement of major durable items by larger families was not significantly different from that of families with two to four members. There was also question on the validity of the 1996 Review in today's situation. He then made reference to the recent survey conducted by the Hong Kong Council of Social Service (HKCSS) which revealed that the existing CSSA payments were no longer able to meet the present needs of recipients, particularly the elderly, children and the disabled which were said to be 9%, 19% and 27% lower than that of an ordinary non-CSSA recipient respectively. He therefore urged the Administration to conduct a comprehensive review of the adjustment mechanism of CSSA.

17.42 In response, SHWF said that the existing adjustment mechanism had been working well in ensuring a basic livelihood of recipients. For instance, the current CSSA standard rate for a four-member household was about \$9,000. Apart from CSSA, other types of assistance, such as public housing, health care, education and welfare services, were made available to the needy. The Social Welfare Department (SWD) could also exercise discretion to help those with genuine need but were not able to meet the relevant eligibility criteria. DSW supplemented that CSSA payments included both standard rates and supplements. The rates were adjusted annually according to the movement of SSAIP, which was specially compiled by the Census and Statistics Department (C&SD) on a monthly basis to measure inflation according to the expenditure pattern of CSSA households. In addition to annual adjustment, C&SD would conduct a household expenditure survey for CSSA households every five years. The aim was to update SSAIP in light of relative importance of individual items of goods and services consumed by CSSA households, to ensure that SSAIP could reflect more accurately the expenditure pattern of CSSA households and the impact of price changes on the purchasing power represented by the CSSA standard rates. The latest household expenditure survey had been just completed and the findings were being analyzed. The Administration would review the CSSA rates based

Chapter XVII : Health, Welfare and Women

on findings of the survey. The Panel on Welfare Services would be consulted after completion of the analysis. As regards the HKCSS survey, DSW said that he was not in a position to comment on this as SWD had yet to receive the final report of the survey.

17.43 Dr Fernando CHEUNG however pointed out the CSSA payment of \$9,000 for a four-person household included a rent allowance of about \$4,000. If the rent allowance was discounted, the remaining CSSA payment for each person was about \$1,400, which could hardly meet their basic needs. He maintained the view that the Administration should conduct a comprehensive review of the adjustment mechanism. Mr LEE Cheuk-yan agreed that a comprehensive review was necessary to take account of the changing circumstances, such as the prevalence of e-homework for children nowadays, to ensure the adequacy of the assistance levels. As the problem of disparity of wealth deepened in Hong Kong, Mr LEUNG Kwok-hung held the view that the Administration should increase the CSSA standard rates to meet the needs of CSSA recipients. He further pointed out that the expenditure of 10% of Gross Domestic Product (GDP) on education and welfare in Hong Kong was too low as compared to other overseas jurisdictions.

(Post-meeting note: The Administration had written to confirm that the average monthly rent allowance of a four-person household in December 2005 was \$1,820 for living in public housing estates and \$2,702 for private housing. The Maximum Rent Allowance for a four-person household at present is \$3,545.)

17.44 DSW explained that the Administration had to take into account the impact on non-CSSA recipients when reviewing CSSA. He pointed out that as housing expenses accounted for a major household expenditure in Hong Kong, it was only logical to include rental expenditure as part of the CSSA payments. On the provision of equipment to facilitate students to complete e-homework, DSW said that there was provision in schools with support from the Education and Manpower Bureau. He stressed that the Administration had to ensure that the social security system was sustainable while maintaining an effective safety net for the needy and avoiding welfare dependency and promoting welfare to work to build up the resilience of those who could work.

Chapter XVII : Health, Welfare and Women

17.45 As regards public expenditure on social welfare in Hong Kong, SHWF advised that this was based on historical trend taking into account the state of prevailing public finances. As the subject straddled a number of policy areas, he was not in a position to comment on this. The Deputy Secretary for Financial Services and the Treasury (Treasury) 1 added that for a meaningful comparison, one had to look at the revenue side as well. In Hong Kong, the total tax income only accounted for 18.5% of GDP as opposed to some 30% to 40% in overseas countries. In spite of the low tax regime, Hong Kong had been able to sustain a robust welfare system. The public expenditure on welfare in Hong Kong compared favourably with most countries worldwide.

17.46 Given the increased public concern about abuse of CSSA, Dr YEUNG Sum noted that some eligible applicants were reluctant to apply for CSSA. As CSSA was meant to assist the needy, he considered that the Administration should step up publicity and civic education to encourage those who were eligible and with genuine need to come forward.

17.47 SHWF explained that CSSA was put in place to provide a safety net for non-able-bodied persons, such as the elderly and the disabled, as well as able-bodied persons who faced short-term financial difficulties. Publicity had been stepped up to encourage those in genuine need to apply for CSSA through the established channels, including social workers of integrated family service centres and medical social workers. DSW supplemented that the problem of abuse of CSSA was not very serious given that there were only some 600 such cases in 2004-05. In fact, the number of CSSA cases had remained more or less the same despite the revival of economy which meant that those in genuine need were already covered under the safety net of CSSA. Effort would be made to discourage the abuse of CSSA which was indeed an offence in law.

17.48 While acknowledging that the number of unemployment CSSA cases had dropped during the period from 2004 to 2006, Mr TAM Yiu-chung noted that the number of low earnings CSSA cases for the same period had increased. He asked if this was because some unemployed CSSA recipients were able to find jobs, but the salaries were too low that they still had to rely on CSSA. To this end, he asked if the Administration would consider increasing the maximum level of monthly disregarded earnings to provide greater incentive for the CSSA recipients to re-join the workforce and move towards self-reliance. Expressing similar concern on the rising number of CSSA recipients in the low earnings category, Mr LEUNG Kwok-hung also urged the Administration to review the prevailing policy to help these recipients to regain self-reliance.

Chapter XVII : Health, Welfare and Women

17.49 SHWF replied that the provision of disregarded earnings was intended to provide an incentive for CSSA recipients to find full-time employment. At present, earnings from employment up to a maximum of \$2,500 per month would be disregarded from calculation of the CSSA payment. DSW said that the Administration was reviewing the provision of disregarded earnings under the CSSA Scheme, including the level of disregarded earnings and the period which the recipients had been on CSSA, and would revert to the Welfare Services Panel after consultation with the Social Welfare Advisory Committee.

17.50 Noting that \$4.5 million would be earmarked to strengthen employment assistance at the district level through the provision of a one-off incentive of \$1,500 to help long-term unemployed CSSA recipients move into work, Mr Ronny TONG questioned why the plan was only limited to those in Tsuen Wan/Kwai Tsing, Tung Chung and Tin Shui Wai districts, and whether consideration would be given to extending the plan to other remote districts, such as Yuen Long, Tuen Mun and Sheung Shui. DSW explained that the District Employment Assistance Trial projects were intended for two years to provide a comprehensive package of employment assistance to long-term unemployed CSSA recipients. The Tsuen Wan/Kwai Tsing, Tung Chung and Tin Shui Wai districts were chosen because of the high number of long-term unemployed CSSA recipients in these districts. The three trial projects would serve a total of 300 unemployed CSSA recipients. The Administration would consider extending these projects to other districts if they were proved to be effective.

17.51 As the one-off incentive of \$1,500 for 300 participants only accounted for \$0.45 million, Mr Ronny Tong enquired about the use of the remaining fund of \$4.5 million. DSW advised that the remaining fund would be allocated to the three NGOs concerned to provide training and placement service for the participants.

Family services

17.52 On sexual violence, Dr KWOK Ka-ki expressed grave concern that the Administration had repeatedly declined to subsidize the operation of a Rape Crisis Centre (Rainlily), which was set up in 2000 to provide one-stop service for female victims of sexual violence. Without Government subsidy, which was only estimated at about \$2.2 million per annum, Rainlily might have to close down albeit its services had been highly regarded by the medical profession. He noted that there was allegation that the Administration intended to replace Rainlily

Chapter XVII : Health, Welfare and Women

with its own services. If this was the case, he urged the Administration not to do so as this would not be supported by members.

17.53 In reply, SHWF said that it was the Government's policy to provide a continuum of preventive, supportive and counselling services for needy families through the Integrated Family Service Centres (IFSCs) which were formed by pooling existing resources from family services centres/counselling units, family support and resource centres, family support networking teams, family life education units etc. Under the LSG arrangement, NGOs operating IFSCs could deploy their resources flexibly to provide social services meeting the district need. While the Administration was committed to building up close partnership with NGOs to provide social services, including those for victims of sexual violence, at the district level, it would not compromise its policy intent for individual organizations. DSW added that a review of the delivery mode on services provided for victims of sexual violence was underway and would be completed by mid-2006. Regarding funding for Rainlily, DSW said that it was currently sponsored by the Community Chest.

17.54 Noting that an additional \$30 million would be earmarked to strengthen family support in 2006-07, Ms LI Fung-ying enquired about the details of the funding allocation and the manpower resources involved. In reply, DSW said that additional funding would be deployed to launch a Family Support Programme (FSP) in IFSCs/Integrated Services Centres (ISCs), Family and Child Protective Services Units (FCPSUs) as well as Psychiatric Medical Social Service Units (MSSUs). The aim of the programme was to identify and reach out to needy families at an early stage. While the implementation scope and details, including funding and manpower arrangement, had yet to be worked out with the service providers concerned, it was hoped that volunteers, including those who had gone through similar problems or crises before, could also be recruited as family support persons.

17.55 Ms LI Fung-ying further enquired about the difference between FSP and the services currently provided by IFSCs/ISCs, FCPSUs and MSSUs. She was concerned about possible duplication of resources for the provision of similar services. DSW advised that at present outreaching service had to be strengthened to reach out to needy families. The additional resources under FSP aimed to facilitate these centres and units to actively identify needy families with a view to providing timely services to them.

Rehabilitation

17.56 Dr Fernando CHEUNG noted that despite the provision of additional 120 places in supported hostel, there were still some 380 applicants on the waiting list for the places. The situation would be further aggravated as some 280 new applicants would be added to the waiting list as a result of the implementation of the Standardized Assessment Tool in January 2005. Demand for places in other services was also surging. He enquired about the plan which the Administration would put in place to meet the needs of people with disabilities (PWD).

17.57 In response, SHWF acknowledged the surge in demand for places of various services, but stressed that the Administration could not meet the need in one go given the difficulty in securing premises for new service units. Notwithstanding, the Administration was committed to increasing the number of places and the quality of services. DSW assured members that SWD would continue fighting for resources for the provision of services to PWD. He however pointed out that not all applicants on the waiting list required residential care. It was estimated that about 15% of applicants could remain in the community with some form of support. To this end, efforts would be made to enhance the provision of day care centre and community support services.

17.58 Given that 85% of PWD would require residential care places, Dr Fernando CHEUNG opined that the Administration should endeavour to earmark suitable sites for new service units in the planning of new towns with a view to meeting the need of PWD. SHWF said that it was the Administration's intention to provide residential care places near the homes of PWD so that their family members could visit them more frequently. As such, efforts had been made with the Housing Department to identify suitable premises within new and existing public rental housing (PRH) estates for the provision for residential care places. However, tenants were quite reluctant to accept such an idea. DSW added that as it would normally take a few years to develop service units in new estates, the Administration would also explore the feasibility of using vacant premises to provide services for PWD.

17.59 The Chairman opined that PRH tenants had to be made aware of the provision of residential care centres within their PRH estates well in advance with a view to soliciting their acceptance. Miss CHAN Yuen-han recalled that the proposal to develop a Down's syndrome centre in Tung Tau Estate in 1996 was met with strong opposition from tenants. Following the incident, the

Chapter XVII : Health, Welfare and Women

Administration had been requested to make early planning for new service units and to consult tenants concerned. She was disappointed at the little progress over the past 10 years.

17.60 While welcoming the Administration's proposal to enable social enterprises to expand their business activities under the Enhancing Employment of People with Disabilities through Small Enterprise Project (the Project) and to facilitate participation by social enterprises in tenders for government contracts, Miss CHAN Yuen-han asked if consideration would be given to extending the project to the unemployed so that they could form cooperative societies and bid for Government contracts, such as cleaning and management of car-parking facilities.

17.61 SHWF replied that the Project was meant to help the disabled in joining the labour market. Hence, a social enterprise had to engage more than 60% disabled people in order to be eligible for participation in the Project. Given the success of the Project, the Administration intended to relax the existing 60% threshold to enable social enterprises to expand their businesses for the benefit of both unemployed and disabled persons. DSW added that there was general support for the proposed relaxation, and that the promotion of social enterprises not targeted at helping the disabled persons would be further taken up by the Commission on Poverty.

17.62 Given the need for overwhelming rebus service, Miss CHAN Yuen-han was disappointed that the Administration only planned to replace eight rebuses and procure three additional rebuses in 2006-07. The Chairman recalled that at the special FC meeting on 13 April 2005, the Administration was requested to keep a log of telephone booking for rebus service to ascertain the demand for the service. She enquired about the progress made in this regard.

17.63 In reply, the Commissioner for Transport (C for T) said that at present, there were 92 rebuses providing a total of about 550 000 passenger trips a year. He however pointed out that not all PWD would require rebus service. Only those with mobility difficulties, including wheelchair users, might need such service as 42% of the existing franchised buses were equipped with special features (e.g. foldable ramp) to make them accessible to PWD. As regards the records of rebus service orders, C for T said that there were two lists on point to point scheduled and on dial-a-ride services respectively. With regard to the

Chapter XVII : Health, Welfare and Women

former service which was operated by the Hong Kong Society for Rehabilitation, there were 45 PWD on the waiting list at the moment. With the forthcoming addition of three new rehabuses, it was expected that the number of applicants on the waiting list would be reduced to 31. On the other hand, there were about 300 000 passenger trips carried by the dial-a-ride service in 2005 and about 6 600 calls could not be entertained, representing 8% of the total number of calls received.

Women

17.64 Referring to the report entitled “Women’s Safety in Hong Kong: Eliminating Domestic Violence” published by the Women’s Commission in January 2006, Miss CHAN Yuen-han noted with concern that the Administration intended to absorb the workload associated with 21 recommendations put forward in the report by the existing resources of HWFB. Given the limited resources, she doubted if these recommendations could be effectively implemented. As the Chairman of the Subcommittee on Strategy and Measures to Tackle Family Violence formed under the Welfare Services Panel, she also expressed disappointment that the Subcommittee had to defer its meeting date as the Administration was unable to provide an information paper on time. She doubted if the Administration had taken women’s interests seriously.

(Post-meeting note: In response to Miss CHAN Yuen-han’s comment, the Administration issued a letter to the Clerk to the Subcommittee on Strategy and Measures to Tackle Family Violence on 17 March 2006 to clarify the reasons for deferring the meeting.)

17.65 In reply, SHWF stressed that the Administration attached great importance to women’s interests. In fact, the provision for promoting women’s interest in the 2006-07 would be increased. He added that in the motion debate on domestic violence on 8 March 2006, he had explained the follow-up actions the Administration had taken on the recommendations made by the Review Panel on Family Services to prevent the recurrence of the Tin Shui Wai family tragedy as well as the recommendations put forward in the report of the Women’s Commission. In addition to the on-going initiatives, a multi-disciplinary approach, including amendments to the existing legislative framework, would be adopted to tackle domestic violence in partnership with stakeholders.

Chapter XVIII : Administration of Justice and Legal Services

18.1 At the Chairman's invitation, the Judiciary Administrator (JA), Miss Emma LAU, and the Secretary for Justice (SJ), Mr WONG Yan-lung, highlighted the key programme areas within their respective purviews for the year 2006-07 (Appendices IV-15a and IV-15b).

Resource Centre for Unrepresented Litigants

18.2 Mr Howard YOUNG noted that the expenditure on production of videos and brochures on the Resource Centre for Unrepresented Litigants (the Centre) had fluctuated sharply, from \$820,000 in 2004 to \$120,000 in 2005 and \$200,000 (estimated) in 2006 respectively. He enquired about the reasons for the discrepancies.

18.3 In response, JA said that upon the establishment of the Centre in December 2003, large quantities of videos and publications had to be produced to publicize the work of the Centre and the services provided to the users. This accounted for the significant expenditure on production of such publicity materials in 2004. The expenses were substantially reduced in 2005, and were expected to increase marginally in 2006 as compared to 2005, as only minor supplements and update of the information would need to be made. She added that new publicity materials would be produced if considered necessary.

18.4 Ms Audrey EU asked whether any survey had been conducted which could reflect the degree of satisfaction of users and the need for service improvements of the Centre. JA replied that a User Satisfaction Survey had been undertaken and it was found that the respondents were generally satisfied with the services provided by the Centre. She further advised that a Consultative Committee, chaired by a High Court Judge and comprising representatives from the legal profession and community sectors, was reviewing the operation of the Centre and would make recommendations on the future development of the Centre. The review was expected to be completed by end 2006. JA undertook to provide a supplemental reply to Ms Audrey EU's enquiries after the meeting.

Waiting times for court cases

18.5 Ms Audrey EU said that despite that the Judiciary had pledged to take measures to keep the waiting times for hearing of cases at various levels of courts within targets, an appeal case recently handled by her was adjourned, at the first hearing, to December 2006. She considered that the target of reducing the

Chapter XVIII : Administration of Justice and Legal Services

waiting times was achieved only in respect of first hearings, and not in adjournment cases. Ms EU requested the Judiciary Administration to provide information on the average waiting times at various levels at courts in adjournment cases, i.e. the waiting time from the date of first hearing to the date of adjournment.

18.6 JA said that to her understanding, the Judiciary had not maintained such information. She nevertheless agreed to provide some relevant information if available.

Vacancies of judicial posts in the Court of First Instance and District Courts

18.7 In reply to Ms Margaret NG's enquiry, JA said that there were presently four vacant judicial posts in the Court of First Instance (CFI) and six in the District Courts. She added that appointments of judges and judicial officers were made by the Chief Executive on the recommendation of the Judicial Officers Recommendation Commission.

Resource implications on the Judiciary arising from the proposed legislative framework on interception of communications and covert surveillance

18.8 Referring to the legislative proposals in the Interception of Communications and Surveillance Bill, which included the establishment of a Panel of Judges (comprising three to six CFI Judges) to assume the function of authorizing all interception of communications and covert surveillance operations, Ms Audrey EU and Mr LI Kwok-ying enquired about the financial implications on the Judiciary arising from such judicial authorizations. On this issue, the Chairman informed members that she had made similar enquiries to the Secretary for Security very recently, who advised that the Administration would ensure that adequate resources would be made available to the Judiciary but detailed estimated provisions had yet to be worked out.

18.9 JA responded that the Judiciary's position on the need for additional resources if the Judiciary was to undertake the responsibility for handling applications for judicial authorizations had been made known to the Administration and explained in a paper provided for consideration of the Panel on Security at a recent Panel meeting. She recapped that given the repercussions on judicial resources, the Judiciary considered it necessary to create additional posts of CFI Judges and support staff. On the assumption that a Panel of only

Chapter XVIII : Administration of Justice and Legal Services

three Judges for judicial authorizations was initially required, a maximum of three CFI posts was needed. However, on the assumption that the number of applications was unlikely to take up three full-time CFI Judges, the Judiciary's position was that a minimum of one additional CFI Judge post, and probably two, would be required.

18.10 Ms Margaret NG said that taking into account the fact that CFI was already under-established with judicial vacancies, there might not be enough substantive CFI Judges available to act as members of the Panel of Judges. She expressed concern that the establishment of the Panel of Judges would mean a significant reduction in the judicial manpower of substantive CFI Judges and hence might compromise the quality of the Judiciary's work in administering justice.

18.11 JA reiterated that the Judiciary had made its stance clear to the Administration that adequate resources must be provided to the Judiciary to enable it to perform the duties resulting from the enactment of the legislative proposals, and that the Judiciary must ensure that its essential judicial work would not be adversely affected. As explained in the paper provided by the Judiciary Administration to the Panel on Security, the Administration's attention had been drawn to the need for additional substantive CFI Judges, because the diversion of CFI Judges to undertake the work of judicial authorization could not be compensated by engaging Deputy Judges to handle the work originally performed by the substantive Judges.

18.12 JA further pointed out that in the legislative proposals, the Administration had also proposed to establish an independent oversight authority entitled the Commissioner on Interception of Communications and Surveillance (the Commissioner) to monitor law enforcement agencies' compliance with the provisions of the legislation. The Commissioner was proposed to be a serving judge or a retired judge not below the level of CFI. If the Commissioner was a retired judge, it would not have any impact on judicial resources. However, in the event that a serving judge was appointed as the Commissioner, this would create a further impact on judicial resources.

18.13 Mr James TO said that he expected that the enactment of the Interception of Communications and Surveillance Bill would also create additional workload to the Department of Justice (D of J), which was responsible for providing legal advice to law enforcement agencies on covert surveillance

Chapter XVIII : Administration of Justice and Legal Services

operations. In his view, to enhance public confidence, D of J should proactively provide support in advising law enforcement agencies to ensure that their conduct would be in full compliance with the law. He remarked that D of J should carefully consider the resource requirements for the satisfactory performance of its advisory function.

18.14 Acknowledging Mr TO's views, SJ said that D of J would carefully assess the resource implications, subject to the final enactment of the legislation. He assured members that D of J would provide the best possible support to the Government in full recognition of the requirements in the law. The Deputy Director of Public Prosecutions (DDPP) added that at present, D of J was already assuming the duty of advising law enforcement agencies on covert operations and related legal and prosecution issues. He expected that with the enactment of the new legislation on interception of communications and covert surveillance operations, Government Counsel (GC) would face heavier workload, including increased court attendance in representing for the Government.

Caseload and resources of Department of Justice

18.15 Mr Albert CHAN noted that the number of civil proceedings involving the Government was on an increasing trend, rising from 13 587 in 2003 (as at 31 December) to 14 942 in 2004 and 16 188 in 2005, while the expenditure for the past three years had decreased, from \$168 million in 2003-04 to \$152 million in 2004-05 and \$138 million in 2005-06. Moreover, the number of GC was decreasing, from 286 in 2004 (as at 1 March) to 276 in 2005 and 269 in 2006. He expressed concern about the capacity of D of J to handle the caseload effectively without sacrificing quality.

18.16 SJ replied that GC in D of J had experienced increasing work pressure in recent years but pointed out that the number of litigation cases was not the sole determinant of workload because cases varied in length and complexity. He stressed that regardless of its workload, D of J would ensure that the quality of work would not be compromised. The Director of Administration and Development (DA&D) said that the numbers of GC quoted above were the prevailing figures as at 1 March. The numbers were affected by factors, such as temporary leave of absence of GC and short-term vacancies etc. The permanent establishment of GC in D of J in fact remained steady in the past few years.

Chapter XVIII : Administration of Justice and Legal Services

18.17 Referring to SJ's opening statement in which it was mentioned that civil proceedings would continue to increase and D of J expected that 2 727 new civil proceedings of varying complexity would arise in 2006, Mr LEUNG Kwok-hung sought information on the number of judicial review proceedings following the reunification, which had raised constitutional law and human right issues. On the enquiry, the Deputy Law Officer (Civil Law) undertook to provide relevant statistics for members' reference.

18.18 Mr LEUNG Kwok-hung further asked whether SJ had advised the Chief Executive and the policy bureaux that no Government policies should contravene the Basic Law and human right provisions. SJ responded that his duty was to advise the Government that its conduct and policies should be in conformity with the law, including the Basic Law.

18.19 The Chairman noted that the total number of civil litigation cases current on 31 December 2005 were 16 188. 1 258 civil proceedings were brought by the Government and 1 345 were brought against the Government. She asked about the corresponding figures prior to 2005. In response, DA&D advised that civil litigation cases as at 31 December 2004 was 14 942. 1 313 civil proceedings were brought by the Government, while 1 962 were brought against the Government.

18.20 Referring to a recent news tabloid containing some sensational coverage of several senior officers in D of J and their social life, Ms Audrey EU asked whether this would affect the internal staff deployment of D of J. In response, SJ said that there was well-established mechanism for staff deployment and staff succession planning in D of J, which were decided on the basis of ability, experience and operational needs. In principle, the officers' conduct in their private social life should be treated fairly and should not be interfered with if it did not affect their performance in their official capacity and their personal integrity.

Performance target of advice for law enforcement agencies

18.21 Ms Audrey EU noted that D of J had promulgated a performance target of "advice for law enforcement agencies on whether charges should be laid given within 14 working days upon receipt of request, or for a complex case, interim reply within 14 working days", and the overall compliance rate in the past

Chapter XVIII : Administration of Justice and Legal Services

years had remained at over 95%. She enquired about the reasons for failure to meet the target in the remaining cases.

18.22 DDPP replied that for the vast majority of requests submitted for legal advice on whether charges should be laid, advice could be given within 14 working days. However, for some highly complex cases, such as large commercial crime cases with on-going investigations, it would take a longer period for the Prosecutions Division of D of J to advise on. He added that most of the cases within the 5% difference for which the performance target was not achieved could in fact be dealt with within a month, and the more complicated cases could be dealt with within six months.

18.23 Ms Audrey EU asked whether the above-mentioned performance target applied to all requests submitted to the Prosecutions Division for legal advice, and if not, the percentage and breakdown of cases not bound by the performance target. She also enquired whether a performance target applied in respect of civil service disciplinary cases.

18.24 DA&D said that civil service disciplinary cases were handled by the Civil Division of D of J. She undertook to provide a co-ordinated response to the questions raised by Ms Audrey EU after the meeting.

Law drafting

18.25 Ms Audrey EU pointed out that the manpower in the Law Drafting Division (LDD) of D of J had remained relatively unchanged in the past few years. She expressed concern about a shortage of experienced GC with good law drafting skill, hence affecting the quality of drafting work.

18.26 DA&D advised that as at 1 March 2006, there were nine GC vacancies in LDD which had yet to be filled because of the general civil service recruitment freeze. However, D of J had obtained special approval to conduct an exercise in 2005 to recruit GC, and had just made offers to 22 selected candidates. Some of the selected candidates might be placed to work in LDD, and they would be provided with on-going training programmes to improve their professional skills.

Court Prosecutor Grade

18.27 On the staffing position of the Court Prosecutor (CP) grade, which reflected 10 vacancies as at 1 March 2006, Ms Margaret NG asked whether the vacancies would be filled, and if so, whether they would be filled by professionals qualified for legal practice. In Ms NG's view, as the work of CPs involved conducting prosecutions in court, and there was an abundant supply of legally qualified professionals, the CP posts should be filled by qualified lawyers so that the quality of prosecution work could be improved.

18.28 DA&D replied that due to the civil service recruitment freeze, a decision had not been made as to whether it was justified to seek special approval to fill all, or some, of the vacancies. She added that in the course of 2006-07, three CP posts were planned to be deleted, hence the number of vacant posts would be reduced to seven.

18.29 SJ responded that he would carefully consider Ms Margaret NG's views. He said that as a senior counsel and head of D of J, he was fully aware that it was in the interest of the public and the legal profession that young legal professionals should have more opportunities to sharpen their skills and experience in prosecutions work. That being the case, he also had to take into account other aspects of public interest so that a fine balance could be struck in the provision of legal services. Consideration had to be given, among others, to the cost-effectiveness of engaging people qualified for legal practice to undertake the work of CPs. He pointed out that in 2006, CPs undertook about 13 000 court days for conducting prosecutions in the Magistrates' Courts, involving cost of about \$30 million. Had the work been briefed out to Fiat Counsel, the cost would have risen to about \$70 million. In his view, the existing system of engaging CPs to conduct prosecutions in Magistrates' Court was operating satisfactorily. In fact, D of J had received favorable feedback from judges about the high quality of work performed by CPs, and some adverse comments about inexperienced counsel on fiat. SJ further advised that of the 98 existing CPs, 45 had in fact obtained legal qualifications, and four were professionally qualified for legal practice.

18.30 Ms Margaret NG said that she could not accept the view that staff with no legal qualifications but charged with the duty of prosecuting in court could undertake the work as good as legally qualified counsel. She maintained the view that steps should be taken to gradually replace existing CPs with

Chapter XVIII : Administration of Justice and Legal Services

professionals qualified for practice as lawyers so that the quality of prosecution could be improved. Noting that some Government departments had their own in-house prosecution units, Ms NG suggested that CPs might be deployed to these departments to undertake prosecution-related duties requiring less legal professional skills, such as managing departmental summonses.

18.31 SJ noted Ms Margaret NG's suggestion but remarked that departmental prosecution units had their own departmental prosecuting staff. He considered that it would not be appropriate for D of J to dictate changes to the existing system in view of the policy and operational implications.

Chapter XIX: Works

19.1 At the Chairman's invitation, Dr Sarah LIAO, the Secretary for the Environment, Transport and Works (SETW), briefed members on the main initiatives in respect of the Policy Area: Works, and the related estimates in 2006-07 (Appendix IV-16).

Measures to expedite the Capital Works Programme

19.2 Noting the Administration's pledge to continue investing an average of \$29 billion per annum on infrastructure projects in the coming five years, Mrs Selina CHOW sought details on the Administration's plan to expedite the implementation of mega projects in meeting the target, including the expansion of Hong Kong Disneyland to meet the anticipated competition from the theme park under construction in Shanghai. In reply, the Permanent Secretary for the Environment, Transport and Works (Works) (PSW) stressed the Administration's commitment to expediting the delivery of capital works projects. He advised that the mega projects which would commence work in the next two years included Stages 2 and 3 of the Water Mains Replacement and Rehabilitation programme, Reconstruction and Improvement of Tuen Mun Road and Trunk Road T4 at Sha Tin. The Administration also hoped that consensus could soon be reached on the planning and design of major projects like the Wan Chai Development Phase II (WDII), Central-Wan Chai Bypass (CWB) and Kai Tak Development (KTD), so that the delivery process could be speeded up. Moreover, the Administration was striving to take forward the project for construction of link road between Hong Kong-Zhuhai-Macao Bridge (HZMB) and North Lantau Highway, and the Tamar Site Development. As for the infrastructure development of Hong Kong Disneyland, PSW said that apart from the new attraction Autopia, scheduled to be completed in 2006, new infrastructure would be developed in phases. He supplemented that reclamation for the Phase 2 development of Hong Kong Disneyland was underway and scheduled for completion in 2008. The Administration would further discuss with The Walt Disney Company on the actual commencement of Phase 2 development taking into account visitors' demand and the optimization of Phase 1 facilities.

19.3 Pointing out that HZMB and KTD had been dragged on for a long time, Mrs Selina CHOW enquired about the specific measures to expedite the progress of the projects. In reply, SETW said that while the Environment, Transport and Works Bureau (ETWB) had made efforts to advance the necessary preparatory works in relation to the projects, their actual commencement would hinge on the finalization of planning and design details, as well as completion of

Chapter XIX: Works

the related reclamation works which were under the purview of the Housing, Planning and Lands Bureau (HPLB). Regarding Mrs CHOW's concern about co-ordination between the two bureaux in taking forward mega projects, SETW assured members that the two bureaux had been maintaining close liaison in this area. For example, in the case of KTD, there was thorough discussion between the two bureaux on the need for decking the Kai Tak Nullah.

19.4 Ir Dr Raymond HO enquired about the reasons for the Administration's failure to meet the expenditure target of \$29 billion for capital works projects in previous few years. PSW explained that due to progressive completion of some mega projects and delay in commencement of others, overall spending on capital works projects might moderate slightly in the short term. Rising community expectation for in-depth consultation/participation in the planning and design of WDII, CWB, and KTD had prolonged the implementation process, resulting in a lower expenditure of \$26.7 billion in 2005-06. Nevertheless, the overall expenditure on capital works projects had remained stable during the five-year period from 2001-02 to 2005-06, with an average of \$28.86 billion per annum, which was very close to the pledged amount of \$29 billion. SETW supplemented that the expenditure in 2003-04 alone stood at \$31.4 billion.

19.5 In reply to Ir Dr Raymond HO's suggestion that ETWB should advance the planning and design of related ancillary facilities, such as the East Kowloon Line for KTD in order to expedite the delivery of mega projects, PSW confirmed that it was also ETWB's objective to speed up the delivery of works projects through streamlining of procedures. To facilitate the early commencement of various mega projects, the number of consultancies for site investigation, preliminary design, etc awarded in 2005 had doubled that of 2004. PSW added that with the funding approval of \$5.5 billion for the 21 works-related block allocations under the Capital Works Reserve Fund in 2006-07, a number of minor works were already in the pipeline. In addition, the Administration would endeavour to expedite implementation of projects aimed at providing leisure and cultural facilities, including outstanding projects of the former Municipal Councils. 15 such projects were underway and another 50 projects with estimated cost of \$2.6 billion would commence works within late 2006 and late 2007. With the above efforts, the Administration envisaged that expenditure on capital works would pick up in 2006-07. Ir Dr HO was pleased to note the progress, in particular the expedition of labour-intensive minor works, which would help to create employment for construction workers.

Chapter XIX: Works

19.6 Mr Albert CHAN echoed the concern about the Administration's slow progress in taking forward major infrastructural projects. In response, SETW pointed out that while ETWB was responsible for both the planning and implementation of infrastructural and engineering works under its purview, the planning of projects, such as building of schools and hospitals, was undertaken by the respective bureaux/departments concerned. Works for these projects could only commence after details of the planning and designs were finalized. In this regard, the Deputy Secretary for Financial Services and the Treasury (Treasury)¹ explained that the Financial Services and the Treasury Bureau was responsible for evaluation and review of individual project proposals during the annual resource allocation exercise to ensure cost-effective use of resources. ETWB, on the other hand, was responsible for monitoring progress of works projects with secured funding. Mr CHAN requested the Administration to review its working mechanism so as to improve the co-ordination within the Government to ensure that the commitment of \$29 billion each year for capital works could be fully utilized. As regards whether ETWB could consider expediting rail projects, including the Shatin to Central Link and the Northern Link (NOL), in order to boost expenditure on capital works projects, SETW clarified that the Public Works Programmes did not include rail projects. She however assured members that both NOL and the Island West Line were under active examination and the decisions on the proposals would be made very soon.

19.7 In reply to Mr LEE Wing-tat's concern about underspending of allocation for capital works projects, PSW advised that the Administration had been monitoring projects closely to keep track of their progress and expenditure level through various channels, including steering committees set up for individual mega projects, the Public Works Programme Information System, high-level work meetings and regular review reports. Through these efforts, the Administration was able to keep underspending of allocation to below 2% in the past few years. Indeed, there was no underspending in 2003-04, and underspending in 2004-05 and 2005-06 was only 1.3% and 1% respectively.

19.8 While welcoming the Administration's initiative to expedite the delivery of minor works to create employment for construction workers, Mr Albert CHAN stressed the need to ensure cost-effectiveness in implementing the projects. Referring to a minor works project in the New Territories to upgrade an old bridge dated back to the Qing Dynasty where the Administration had not taken into account the views put forward by the Antiquities and Monuments Office and put asphalt on the surface of the bridge, Mr CHAN

Chapter XIX: Works

stressed the need to involve participation of the local community and consult expert views of relevant departments in taking forward minor works projects where appropriate. While taking note of Mr CHAN's view, SETW advised that views on the planning and designs of minor works projects could be reflected to the relevant bureaux/departments during the planning stage of the projects concerned.

The problem of wage arrears in public works projects

19.9 Miss CHAN Yuen-han expressed concern about the worsening situation of wage arrears in the construction sector as evidenced by recent labour disputes involving hundreds of workers employed by contractors of public works projects. Given that the Government was a major employer in the construction industry, Miss CHAN noted that the Administration had taken the initiative to try out a series of control measures in some projects, including installation of a computerized smart card system at construction sites to keep records of workers' attendance and arranging for bank auto-payment in respect of wages and Mandatory Provident Fund contributions, etc. In this connection, Miss CHAN enquired about the Administration's plan to put the control measures to full implementation in all public works projects.

19.10 In reply, SETW said that as the control measures might affect the operation of the industry, it was necessary to obtain the consensus from all parties concerned before full implementation. To ascertain the viability of these measures, she advised that ETWB had already introduced two pilot projects with a third one coming up in September 2006. PSW supplemented that the initial plan was to introduce the control measures to all Government works projects by the end of 2006 when the mandatory Construction Workers Registration System (CWRS) was fully rolled out so as to complement the implementation of the computerized smart card system at construction sites for keeping records of workers' attendance.

19.11 Pointing out that there were still controversies over CWRS which would take time to resolve, Miss CHAN Yuen-han urged that the smart card system for construction workers should be introduced as soon as possible to address the problem of wage arrears. With a view to enhancing protection for construction workers against wage arrears, Miss CHAN further urged that consideration should be given to implementing the control measures to all public works projects as early as practicable and including provisions in works contracts

Chapter XIX: Works

requiring contractors to pay their workers wages as committed in their tender offers. In response, SETW advised that when CWRS was fully in place, the workers' registration smart cards could be utilized for the purpose of tightening up site and contract management in tackling the problem of wage arrears. Nevertheless, she assured members that the Administration would consider advancing the introduction of those control measures to all government works projects which were found workable in the trial contracts in order to address public concern about wage arrears.

19.12 Mr TAM Yiu-chung expressed reservation on the effectiveness of the control measures. He pointed out that wage dispute was a common problem in works projects awarded to the lowest bids. In order to tackle the problem of wage arrears at source, Mr TAM suggested that consideration should be given to withholding a portion of contract payments for paying workers' overdue wages. In response, SETW emphasized that ETWB had been making the best endeavour to prevent wage arrears in Government works projects. She further advised that among 2 588 cases of wage arrears in the construction sector, only 3%, i.e. 78 cases, involved ETWB's projects. SETW pointed out that the problem of wage arrears was basically a labour dispute. Concerned workers could apply for ex-gratia payment from the Protection of Wages on Insolvency Fund (PWIF). The Administration was aware of the difficulties encountered by workers during the process, such as the lengthy time taken to process applications, and the absence of winding up petition filed against the contractor concerned thus the contractor was not regarded as insolvent and PWIF mechanism would not be triggered. SETW advised that the relevant bureaux/departments, the construction industry and the labour sector, were working together to explore measures, including possible legislative amendments, to address the above concerns.

Construction Workers Registration System

19.13 Mr TAM Yiu-chung expressed concern about the complicated registration procedures of CWRS and asked whether consideration would be given to extending the registration deadline to facilitate construction workers, otherwise unregistered workers would be prohibited from working in construction sites. In response, the Deputy Secretary for the Environment, Transport and Works (Works)² advised that since CWRS was launched in December 2005, with concerted efforts of the Administration, LegCo Members, the labour sector and the Construction Workers Registration Authority, the registration procedures had

Chapter XIX: Works

already been streamlined and the system was operating smoothly. The Administration was confident that the registration process could be completed before the end of 2006. He further took note of Mr TAM's suggestion of extending the registration deadline and undertook to consider the need of doing so where necessary.

Allocation for safety regulation of power supply infrastructure

19.14 Mr James TO referred to a project undertaken by The CLP Power Hong Kong Limited in Sycamore Street, Tai Kok Tsui (TKT) involving laying of underground high voltage electricity cables. The residents in the neighbourhood had raised serious concern about, in particular, the effects of electromagnetic fields (EMF) on health. In this regard, Mr TO sought details on the Administration's work in regulating the safety of power supply infrastructure and associated provision. In reply, the Director of Electrical and Mechanical Services (DEMS) advised that the two power companies were required to ensure their infrastructure was in compliance with international safety standards. For instance, in meeting the said standards, high voltage electricity cables should be properly shielded and laid deep underground so that EMF level would be kept within safety limits. There were also standards on the minimum distance between high voltage overhead lines and residential development. To address residents' concerns about the said project in TKT, Mr TO suggested that the Administration should monitor EMF level of the project and inform residents of the results. DEMS agreed to consider Mr TO's suggestion.

Chapter XX: Environment

20.1 At the Chairman's invitation, Dr Sarah LIAO, the Secretary for the Environment, Transport and Works (SETW), briefed members on the main initiatives of the programmes under the Policy Area: Environment (Appendix IV-17).

Energy conservation

20.2 Ms Audrey EU said that since magistracy lawcourts were known for their under-performance in energy conservation, she questioned why only one government office and one magistracy lawcourt would be receiving energy audits in 2006. She also enquired if the energy audit surveys would be made available to the public. The Director of Electrical and Mechanical Services (DEMS) said that the Energy Efficiency Office (EEO) of the Electrical and Mechanical Services Department (EMSD) was responsible for promoting energy efficiency and conservation. There were on-going energy audit surveys conducted by EEO on government offices until the responsibility of conducting energy audit surveys was transferred to the heads of departments. As a result, it would be up to government departments to appoint contractors to conduct energy audit surveys or, alternatively, they could choose to engage EMSD's services under the EMSD Trading Fund at their own cost. A number of departments had since engaged EMSD's services in conducting energy audits as it was the Administration's target to conserve 1.5% of energy consumption every year. Meanwhile, EMSD had randomly selected individual buildings to conduct energy audits so as to spot check the performance of government departments in energy conservation.

20.3 Ms Audrey EU enquired if any comparison had been made on the performance of different departments in energy conservation. She also enquired about the efforts which would be made to improve the energy efficiency of old buildings. DEMS said that to improve energy efficiency of buildings, energy-efficient lighting and cooling systems would be used while improvements would be made to the ventilation of buildings. EEO would keep track of the performance of different departments in energy conservation. It would also identify the reason for sudden increases in energy consumption of government departments, which might be attributable to extended hours of operation as in the case of the 24-hour border crossing. In response to members, DEMS agreed to advise which government office and magistracy lawcourt would energy audits be carried out in 2006 and to provide a written response to members' request for publicizing the annual reports on the energy efficiency of government departments.

Chapter XX: Environment

20.4 Noting that a provision of \$70 million had been set aside for implementing energy saving and renewable energy projects in government buildings, Miss CHOY So-yuk enquired how the provision would be used. DEMS said that the provision of \$70 million would be used to implement minor projects to improve the energy efficiency of government buildings and these would include, among others, replacement of air-cooled air-conditioning systems with more energy-efficient water-cooled air-conditioning systems, retrofit of more energy-efficient lighting systems and installation of automatic lighting on/off control systems. EMSD would expect to continue to receive an annual provision of \$70 million for the next four years and to install energy efficiency measures in all government buildings by then.

20.5 Miss CHOY So-yuk enquired if resources could be made available for the conduct of consultancy studies on the use of mandatory/voluntary measures to conserve energy as these would likely be more effective in lowering energy consumption. DEMS said that the public had been advised to take measures to conserve energy but there was as yet no mandatory requirement to do so. While provisions had not been made for the conduct of consultancy studies on energy conservation measures in the Estimate for 2006-07, Miss CHOY's suggestion of promoting energy conservation would be further pursued. He also informed members that cooperation had been sought from property management companies on energy conservation.

Waste

Waste separation and recycling

20.6 While expressing support for the provision of the EcoPark, Miss CHAN Yuen-han was of the view that there was a need to provide waste collection centres on a district basis to facilitate waste recycling and reuse. She also enquired about the timetable for implementing the various waste recycling measures. SETW said that it would not be feasible to provide centralized waste collection centres on a district basis given the nuisances associated with such operation. Domestic wastes from housing estates were being collected at the refuse collection centres provided by the Food and Environmental Hygiene Department for transfer to Waste Transfer Stations. Provisions had been made for short-term tenancies for the development of environmental industries. However, given the environmental impact associated with the operation of recycling industries, objections from the neighbouring community would need to

Chapter XX: Environment

be resolved before consideration could be given for such developments. The EcoPark would act as a valuable resource for the development of advanced, value-added environmental industries.

20.7 The Permanent Secretary for the Environment, Transport and Works (Environment)/Director of Environmental Protection (PSE/DEP) said that a territory-wide programme on source separation of waste had been launched in Hong Kong. The programme aimed to make it more convenient for residents to separate domestic waste at source by encouraging and assisting property management companies to provide waste separation facilities on each floor of the building. Recyclables were separated within each housing estate and sold to recyclers direct without having to be transported to a central location for additional sorting. Meanwhile, 30 short-term tenancies providing a total of 5.8 hectares of land had been awarded to recyclers for the development of recycling operations. A list of housing estates participating in the programme on source separation of waste had been set out in the Administration's reply under serial number ETWB(E)054.

Producer Responsibility Schemes

20.8 Noting that resources would be spent in the development of Producer Responsibility Schemes (PRS) which would place responsibility for waste disposal on the part of producers, Mr Vincent FANG opined that it would be more cost-effective if efforts were made to recycle re-usable materials instead as this would save a lot of resources. The Deputy Director of Environmental Protection (DDEP) (2) said that the Environmental Protection Department had commissioned two studies and five pilot projects for developing PRSs. While the waste recovery rate in Hong Kong was 43% per year, over 90% of recyclable wastes were exported to other places. There was a need to develop a market for recyclable wastes so as to generate a circular economy and the provision of the EcoPark, waste charging and waste separation facilities were steps in this direction. On the assistance to be provided to recycling operations, DDEP(2) said that resources would be invested in studies to assist recyclers in their recycling operations. Meanwhile, recyclers could apply for funding under the Innovative Technology Fund (ITF) and other funding schemes for small and medium enterprises. SETW said that ITF had been funding a number of the recycling projects and these included recycling of waste tyres and integration of thermal treatment of municipal solid waste with cement manufacture.

Air

Air quality objectives

20.9 Mr TAM Yiu-chung said that he was aware that the air quality objectives adopted by the Beijing environmental authorities were in terms of the number of clear days in a year. He enquired about the efforts taken by the Hong Kong Special Administrative Region Government (HKSARG) and the Guangdong Provincial Government (GPG) in improving regional air quality and the progress of conversion of vehicles to Euro IV emission standards in Guangdong.

20.10 In response, DDEP (3) said that the previous targets of “percentage of time with all monitoring stations complying with short-term air quality objectives” and “monitoring stations complying with long-term air quality objectives” had been replaced by new targets of “number of days with air pollution index not exceeding 100” and “annual average air pollution index” which were easier to understand and would better reflect changes in air quality from year to year. The annual average air pollution index, the target of which was 50, had been reached in 2005 and was expect to be reached in 2006. Unlike the Mainland, the number of clear days was not used as an air pollution index in Hong Kong as this was more related to weather conditions.

20.11 SETW said that while the Beijing authorities had been trying hard to tighten vehicle emission standards, HKSARG had been introducing Euro IV emission standards for newly registered vehicles since 1 January 2006, in tandem with the European Union. On the efforts made by GPG to reduce the vehicle emissions in Guangdong, the DDEP (4) said that while the Central People’s Government would be implementing National III motor vehicle emissions standards (on a par with Euro III ones) in 2007, the Guangdong Environmental Protection Bureau had been actively pursuing the advancement of such implementation in the Pearl River Delta (PRD) cities to 2006 with efforts being made to upgrade the quality of petrol to tie in with the new emission standards.

Regional air quality

20.12 With reference to the 2010 emission reduction targets which were agreed between HKSARG and GPG, Mr LEE Wing-tat was concerned that the air monitoring stations in Guangdong were mostly stationed in rural areas which did

Chapter XX: Environment

not reflect the actual situation in urban areas. SETW said that the air monitoring stations were strategically located in the PRD Region to reflect the air quality in the region.

20.13 As air quality could be improved more effectively if resources were invested in the PRD Region to assist in the implementation of emission reduction measures, Mr LEE Wing-tat enquired about the feasibility of setting up a matching fund to encourage Hong Kong industrialists in the PRD Region to invest in emission reduction measures. SETW said that an emissions trading scheme would be a better means to encourage polluting industries to invest in emission reduction measures. Asking Hong Kong industrialists in the PRD Region to invest in emission reduction measures would reduce their competitiveness when their non-Hong Kong counterparts were not subject to the same requirement. Meanwhile, details of the Emissions Trading Pilot Scheme for Thermal Power Plants in the PRD Region were expected to be finalized in 2006.

Use of environmentally friendly vehicles and fuels

20.14 Mr Jeffrey LAM said that as the Administration had indicated that it would consider using petrol/electric hybrid vehicles more extensively and introducing measures to promote their use by the public, he questioned why consideration had not been given to such when there were already eight hybrid models from parallel importers. He recalled that when liquid petroleum gas (LPG) vehicles were first introduced, the Administration had put in place an incentive scheme to encourage the switch despite that there were only two available LPG models and a limited number of LPG filling stations. He sought the Administration's explanation on the policy of encouraging the use of these environmentally friendly hybrid vehicles. PSE/DEP said that while there were altogether 13 hybrid models which had been introduced worldwide, there was only one model which was available for sale in Hong Kong. There were also other hybrid models from parallel importers but these were not imported to Hong Kong on a large scale. The Government had purchased five hybrid vehicles and had embarked on a comparative study on their emission performance, cost-effectiveness, reliability and fuel efficiency.

20.15 Mr Jeffrey LAM supported the provision of incentives to encourage the switch to the more environmentally friendly hybrid vehicles which had proven emission performance. SETW said that while justifications for the

Chapter XX: Environment

introduction of an incentive scheme to encourage the switch to hybrid vehicles had to be discussed with the Secretary for Financial Services and the Treasury, it was worth to note that such incentive scheme might benefit distributors rather than consumers given that there was only one hybrid model available for sale in Hong Kong, which had been selling very well in the local market. As the hybrid vehicles were well received by the public, the distributors had actually increased the price. The Administration would be keeping track of the demand for hybrid vehicles and had requested manufacturers to increase the supply of hybrid vehicles to Hong Kong.

20.16 Ms Miriam LAU enquired about the specific measures to encourage the use of cleaner vehicles, fuels and technologies and whether the outcome of studies on these measures could be made available to the public. DDEP(3) said that there had been on-going feasibility studies on the use of biodiesel and liquid/compressed natural gas. While studies had been performed on biodiesel, the Japanese vehicle manufacturers were unable to provide biodiesel vehicles which met maintenance requirements in Hong Kong. SETW added that members would be apprised of the outcome of feasibility studies if positive progress had been made. Ms Miriam LAU was however of the view that members should have access to these studies irrespective of their outcome. In response, the Administration undertook to provide the outcome of feasibility studies on the use of biodiesel.

Chapter XXI : Transport

21.1 At the Chairman's invitation, Dr Sarah LIAO, the Secretary for the Environment, Transport and Works (SETW), briefed members on the part of the 2006-07 Estimates which related to the transport portfolio (Appendix IV-18).

The possible merger between the Kowloon-Canton Railway Corporation and the MTR Corporation Limited

21.2 Mr LAU Kong-wah expressed concerns about the impact of the recent crisis concerning the senior management of Kowloon-Canton Railway Corporation (KCRC) on staff morale, and increased uncertainties surrounding the possible merger between KCRC and the MTR Corporation Limited (MTRCL). Against such circumstances, Mr LAU asked whether the Administration would consider expediting the merger and sought details on the obstacles to be overcome in the merger discussions. While agreeing that there was a need to expedite the merger, SETW pointed out that it was no easy task to achieve a consensus between the two railway corporations over the possible merger. Nonetheless, the Administration had been stepping up efforts to expedite tripartite discussions which were already in the final stage. It was the Administration's intention to put forward the relevant proposal for consultation with the Legislative Council (LegCo) within two months. With LegCo's support, drafting of the relevant legislative amendments would proceed expeditiously. As regards details of the discussions, SETW said that it would be inappropriate to disclose the details at this stage lest prejudicing the discussions.

21.3 On the resources for undertaking the various tasks related to the possible merger, members noted that the Environment, Transport and Works Bureau (ETWB) and the Financial Services and the Treasury Bureau had included provisions of \$4.3 million and \$7 million under Head 158 and Head 147 respectively for the purpose in the 2006-07 Estimates. Mr LAU Kong-wah sought details on the use of the provisions. The Permanent Secretary for the Environment, Transport and Works (Transport) (PST) advised that the provision of \$4.3 million was to support a dedicated team comprising six staff members (including two at directorate level). The provision would cover the expenditure of the team for a period of 10 months. Should the merger discussions take longer time to complete, additional funding would be sought to extend the team's service. As for the provision of \$7 million, it was used for engaging consultants to advise on the relevant aspects of the merger, such as financial and legal matters, and the impact of the fare adjustment mechanism on the public and the merged corporation.

Chapter XXI : Transport

21.4 In the light of the recent KCRC crisis, Mr TAM Yiu-chung highlighted the importance for the Administration to draw up contingency plans to deal with possible management problems of the merged corporation. He enquired whether the provision of \$7 million under Head 147 would cover formulation of such contingency measures to ensure the satisfactory performance and safe operation of railway service to protect the interest of the public.

21.5 Mr Andrew CHENG pointed out that the recent KCRC crisis and railway service accidents had aroused considerable public concern about the Administration's monitoring of the two railway corporations in providing safe and efficient railway service. He concurred that there was an urgent need for the Administration to step up and review work in this area. Where necessary, Mr CHENG considered that ETWB should seek more resources to support its work. For instance, additional resources would be required to take forward suggestions to strengthen the manpower of the Hong Kong Railway Inspectorate (HKRI) team to include more senior level staff members, and to set up a dedicated committee headed by a rail commissioner to task with monitoring the railway service.

21.6 SETW advised that at present the two railway corporations had put in place their own contingency plans for handling emergencies, including disruption in services caused by technical failure or strikes, with a view to minimizing the negative impact on the public. She assured members that the Administration had taken steps to enhance monitoring of railway service as early as after the East Rail incident involving the problem of cracks in the underframe equipment of trains happened in December 2005. ETWB was actively considering various measures, including the reinforcement of the HKRI team and use of advanced technology to improve railway service monitoring, etc. SETW took note of members' views and agreed to consider deploying more resources for enhancing the monitoring mechanism on railway service.

Pedestrian schemes

21.7 Noting that a provision of only \$11.2 million was earmarked for implementing pedestrian schemes in 2006-07, Mr Patrick LAU expressed concern on the adequacy of the provision, and sought details of the schemes, in particular, whether planting of trees, resurfacing of pavements, and lighting improvement would be included in the scope to enhance the overall environment of the concerned area. Referring to the plan to make the existing trial pedestrian

Chapter XXI : Transport

scheme in Mongkok permanent, Mr LAU asked why the Highways Department (HyD) had not made provision for implementing the plan in 2006-07.

21.8 In response, the Director of Highways (D of Hy) explained that the Planning Department and the Transport Department (TD) were responsible for formulating the pedestrian schemes and HyD was to assist in implementing the schemes. On the scope of pedestrian schemes, D of Hy advised that minor works, such as widening and resurfacing sections of streets, inspecting/clean of street name plates, and improving of railings to facilitate pedestrian use etc., were included. The provision of \$11.2 million was considered sufficient for the programme. D of Hy supplemented that HyD had earmarked a separate provision of \$15 million under Head 60 - Programme 4 Technical Services in 2006-07 for carrying out streetscape enhancement, greening, better lighting fixtures and landscape works over the territory under 13 projects.

21.9 As regards the pedestrian scheme in Mongkok, D of Hy advised that a certain part of Mongkok had already been designated for pedestrian use. The Commissioner for Transport (C for T) added that the objectives of pedestrian schemes were to encourage walking and hence reducing the demand for motorized transport, and to improve road safety as well as the quality of the urban environment. In implementing pedestrian schemes, sometimes there were objections from the District Councils (DCs) concerned. The Police also complained about street management problems in some districts. For these reasons, pedestrian schemes were often implemented on a limited scale by designating certain areas for pedestrian use or restricting vehicular traffic only during certain hours of a day or certain days of a week. Improvement works for pedestrian schemes were usually relatively small scale, such as improving street signs and traffic calming.

21.10 Highlighting the importance to improve Hong Kong's urban environment to enhance its status as a cosmopolitan city, Mr Patrick LAU considered that additional resources should be allocated for undertaking district-wide tree planting and greening projects, and beautification schemes. C for T assured members that the Administration recognized the need to improve Hong Kong's urban environment. In pursuing the initiative at district level, TD would make its best endeavours to secure the support of DCs. SETW and D of Hy further clarified that major works to improve the urban environment were mainly conducted in the context of the Greening Master Plans (GMPs) under the Policy Area of Works. GMP included large-scale greening works seeking to

Chapter XXI : Transport

improve the environment of the entire district, beautify cityscape and promote different district identities. Funding had already been sought for conducting GMPs in selected urban districts. GMPs for Central and Tsim Sha Tsui had been completed and related works would commence soon. GMPs for Mong Kok and Yau Ma Tei would be pursued with consultation of the concerned DCs in 2006-07.

Staffing resources for Transport Department

21.11 Ms Miriam LAU noted that TD had planned to delete 35 posts and create 12 posts in 2006-07 resulting in a net reduction of 23 posts. Pointing out that TD had to handle ever increasing number of complex traffic issues, Ms LAU expressed concern about the impact of reduction in staff establishment on TD's work. Furthermore, with the majority of the deleted posts in the lower and middle ranks, and additional posts in the upper ranks, Ms LAU questioned the justifications for this arrangement, and expressed concern about how posts at the senior ranks would be filled.

21.12 C for T explained that to meet the ever-increasing public expectations, continued efforts had to be made to improve the quality of his Department's services by streamlining business processes and reprioritizing work so as to enhance operational efficiency and productivity. He assured members that in reducing its staff establishment, the baseline was that service quality should not be compromised. The manpower plan for 2006-07 would cater for the need to strengthen TD's supervisory structure in order to monitor more effectively the outsourcing of services and the performance of the non-civil service contract staff. The senior posts proposed to be created would be filled by internal promotion or open recruitment, as appropriate. In particular, open recruitment would be considered for filling the Transport Officer posts as it was not a designated grade under the Voluntary Retirement Scheme.

21.13 Ms Miriam LAU highlighted concern expressed by private driving instructors (PDIs) about the long waiting time taken by candidates to take driving tests, and questioned the plan to delete one Driving Examiner (DE) I and four DE II posts, which might aggravate the situation and hence affect PDIs' business. C for T said that TD had reviewed the demand for driving test services and concluded that the service level and performance pledges could be maintained with a smaller staff establishment through more efficient staff deployment. Therefore, the planned deletion of the DE posts concerned should not adversely affect the service quality.

Road safety

21.14 Referring to the Panel on Transport (the Panel)'s earlier call for the Administration to expand the Driver Improvement Scheme (DIS) so as to minimize drink driving and red light jumping, Ms LI Fung-ying questioned why the provision for the item in 2006-07 was less than the revised estimate in 2005-06. PST advised that the provision for DIS was mainly used for publicity activities to promote safe driving and the Driving Improvement Course (DIC) to drivers. As DIC was self-financing with the cost fully recovered from course fees paid by participants, there was no direct relationship between the provision for DIS and the number of participants of DIC. C for T supplemented that while the Administration acknowledged the effectiveness of DIC, it also recognized the importance of publicity and education measures in enhancing road safety. The Administration considered the provision for DIS in 2006-07 sufficient in meeting the expenditure needs of the scheme. Moreover, the Administration was also mindful of the need to enhance cost-effectiveness in implementing DIS.

21.15 Mrs Selina CHOW considered that the provision of red light cameras (RLCs) at road junctions was effective in preventing red light jumping, and enquired about the Administration's plan to install RLCs at more junctions. In response, SETW explained that to enhance cost-effectiveness, the Administration had adopted an approach to identify major road junctions, accident-prone junctions and red light jumping blackspots for installation of RLCs. As installation works involved road excavations, to minimize nuisance caused to the general public, a target was set each year in respect of the number of RLCs for installation. A progressive installation programme would also facilitate the adoption of latest model of RLCs. Nonetheless, SETW assured members that the Administration would conduct annual review of the installation programme and increase the number of RLCs where necessary. On the progress of the installation programme, the Deputy Secretary for the Environment, Transport and Works (Transport)³ advised that currently RLC housings were installed at 111 road junctions, and 28 RLCs were deployed to operate at these junctions in rotation, i.e. at a rough ratio of 1:4. With funding obtained in 2005 for the RLC expansion project, more RLCs would be installed in phases between April and October 2006 to increase the total number to 96 to operate in 131 junctions, thus improving the ratio of RLCs and junctions to 1:1.4. The Administration would consider seeking additional funding in 2007-08 to further extend the installation programme to cover more junctions.

Intelligent transport systems

21.16 Pointing out that the Administration had been studying the feasibility of introducing the global positioning system (GPS) in Hong Kong for five years to help disseminate traffic information to motorists and enhance traffic management, Mrs Selina CHOW expressed concern about the slow progress in taking forward the project. While appreciating the difficulties posed by the high building density in Hong Kong on the application of GPS, Mrs CHOW pointed out that other metropolitan cities, like Tokyo, was able to put in place similar systems. Mrs CHOW urged that the Administration should expedite the progress of the project so that Hong Kong would not lag behind other world cities. She considered that where appropriate, concerted efforts from relevant departments should be sought.

21.17 C for T responded that GPS was not a new technology and such services were already available locally mainly for fleet management purposes. The Fire Services Department had also adopted GPS technology recently which was also on trial by the franchised bus companies. As far as TD was concerned, a journey time indication system (JTIS) had been implemented for some years to measure and inform motorists of the estimated journey time for travelling from Hong Kong Island to Kowloon via the three cross harbour tunnels through tracking the position and speed of a fleet of nearly 100 buses equipped with GPS probes. Digital journey time indicators were installed at critical traffic diversion points, viz. Gloucester Road eastbound, Canal Road Flyover northbound and Island Eastern Corridor westbound to enable motorists to make an informed choice on the route to be taken based on the latest traffic situation. The performance of JTIS was satisfactory despite some signal interruptions in the crossings. TD would explore new and commercially viable technologies in the context of installing a JTIS on the Kowloon side of the harbour crossings. In order to extend the application of GPS to car navigation, it was necessary to develop the Transport Information System (TIS) first, which was a centralized data warehouse for the collection, processing and dissemination of comprehensive transport information by digitizing transport and traffic data for access by the public via the Internet. In this context, an Intelligent Road Network would be developed to provide a platform for value-added services, such as navigation by means of GPS, and to provide accurate and updated traffic information to the general public. With TIS in place, the private sector could develop and provide such value-added services to motorists. Unfortunately, the contractor awarded TIS contract in 2003 had failed to complete the project on schedule by

Chapter XXI : Transport

December 2004. Thus, the contract had been terminated in February 2005. It was planned to award a new TIS contract within the next few months with a view to completing the project by the end of 2007.

21.18 On Mrs Selina CHOW's enquiry about the timing for implementing GPS for car navigation in Hong Kong, C for T re-iterated that in view of the geographical constraints in Hong Kong, e.g. narrow roads and high building density, development of a system enabling vehicle navigation by GPS was more technically challenging than other places. He envisaged that it might need two to three more years. TD would continue to explore means to maximize the use of GPS in Hong Kong. Currently, TD was discussing with the mobile network operators, the Wireless Development Centre and the Office of the Government Chief Information Officer on arrangements to disseminate real-time traffic information captured by its close-circuit television systems to mobile phone (mainly 3G) users. In this connection, Mrs CHOW re-iterated her concern and expressed disappointment that it would take some eight years to complete the project and urged the Administration to expedite the progress.

Provision of transport infrastructure in Northwest New Territories

21.19 Mr TAM Yiu-chung pointed out that Tuen Mun residents had expressed grave concern about the possible impact of the impending commissioning of the Hong Kong-Shenzhen Western Corridor (HKSWC) on the traffic load on Tuen Mun Road. Noting that the feasibility studies for the Tuen Mun Eastern Bypass and the Tuen Mun Western Bypass would be completed in mid 2006 and end of 2006 respectively, Mr TAM urged the Administration to start preparatory work for the projects, such as preliminary design and consultation with the Tuen Mun DC (TMDC) and LegCo as soon as possible, so that the projects could be taken forward expeditiously to meet the needs of residents in Northwest New Territories.

21.20 In response, the Deputy Secretary for the Environment, Transport and Works (Transport)¹ (DS(T)1) advised that the two bypasses were projects among the various highway packages proposed in the Northwest New Territories Traffic and Infrastructure Review 2004 (the 2004 Review), under which the Administration had examined in detail the traffic implications of the commissioning of HKSWC on the transport infrastructure in Northwest New Territories. The Administration had reported the results of the 2004 Review to the Panel and explained that the existing road networks in Northwest New

Chapter XXI : Transport

Territories, together with road projects and traffic management measures that had been and would be implemented, should be able to cope with the traffic demand in the region, including the additional traffic that HKSWC would bring about, up to 2016. Notwithstanding that the decision on the way forward for the two bypass projects was yet to be made, the Administration had commenced the necessary feasibility studies for the two projects. The Administration was also aware of the concern of local residents and their expectation to see an early decision to take forward the two bypass projects. To this end, the Administration would continue to monitor development in traffic demand in Northwest New Territories upon the commissioning of HKSWC and keep the implementation programme under review. Based on the current plan, a decision on which highway package to pursue would need to be made in 2007-08. It would also make regular report to the Panel and TMDC. On Mr TAM's request to brief members on the findings of the two feasibility studies, DS(T)1 advised that the Administration had undertaken earlier to revisit the subject and report to the Panel around mid 2006. The Administration would brief the Panel on the progress of the two feasibility studies in that context.

21.21 Unconvinced of the results of the 2004 Review, Mrs Selina CHOW emphasized that transport planning should be supply-oriented instead of demand-led, and urged the Administration to expedite preparation for the two bypass projects so that construction works could commence once the decision to take forward the projects were made. In response, SETW re-iterated that it was necessary to keep pace with development in traffic demand in planning transport infrastructure ahead and make adjustment where necessary. She added that commissioning of the feasibility studies had already demonstrated the Administration's efforts in planning ahead. While preparation like feasibility studies could be conducted in advance to facilitate projects, other works, such as preliminary design and land resumption, could only begin after the decision to take forward the projects was made.

Provision of MTR South Island Line

21.22 Mrs Selina CHOW stressed the need for the Administration to make an early decision on the proposed South Island Line (SIL) so as to facilitate the working out of the relevant financing arrangements. In response, SETW clarified that financing of railway projects was not covered in the budget of ETWB. The Deputy Secretary for Financial Services and the Treasury (Treasury)¹ advised that railway projects requiring capital injection would be considered by the Capital Investment Fund.

Chapter XXI : Transport

21.23 In reply to Mrs Selina CHOW on when a decision on SIL would be made, DS(T)1 advised that it was the Administration's intention to review the way forward for SIL in the light of the result of the Planning Department's review of tourism and commercial developments in Southern District. Owing to delay in the completion of the said review, the results were only available in late February 2006. The Administration was studying the results and considering the way forward for SIL taking into account its transport, economic and financial performance on MTRCL. Moreover, the Administration was urged in a motion passed by LegCo at the Council meeting on 11 January 2006 to examine the implications of SIL on other public transport modes. As such, it was envisaged that examination of the need of SIL would be completed around the second quarter of 2006, whereupon the Administration would report to the Panel.

Appendix I

Programme of special meetings of Finance Committee to examine the Estimates 2006-07 from 13 to 16 March 2006

<u>Session No.</u>	<u>Government Representative</u>	<u>Date</u>	<u>Time</u>
1.	Secretary for Commerce, Industry and Technology • Communications and Technology	13 March	9:00 am – 9:45 am
2.	Secretary for Commerce, Industry and Technology • Commerce and Industry	13 March	9:50 am - 10:50 am
3.	Secretary for Financial Services and the Treasury • Financial Services	13 March	11:00 am – 11:45 am
4.	Secretary for Financial Services and the Treasury • Public Finance	13 March	11:50 am - 12:35 pm
5.	Secretary for the Civil Service	13 March	2:15 pm – 3:00 pm
6.	Secretary for Home Affairs	13 March	3:05 pm - 4:50 pm
7.	Director of Administration Commissioner, Independent Commission Against Corruption The Ombudsman Director of Audit Private Secretary to Chief Executive Secretary General, Legislative Council Secretariat	13 March	4:55 pm – 5:55 pm

<u>Session No.</u>	<u>Government Representative</u>	<u>Date</u>	<u>Time</u>
8.	Secretary for Economic Development and Labour • Economic Development	14 March	2:15 pm - 3:15 pm
9.	Secretary for Economic Development and Labour • Labour	14 March	3:20 pm – 4:20 pm
10.	Secretary for Constitutional Affairs • Constitutional Affairs • Beijing Office	14 March	4:25 pm - 5:10 pm
11.	Secretary for Education and Manpower	14 March	5:15 pm – 6:30 pm
12.	Secretary for Housing, Planning and Lands • Housing	15 March	9:00 am - 9:45 am
13.	Secretary for Housing, Planning and Lands • Planning and Lands	15 March	9:50 am – 10:50 am
14.	Secretary for Security	15 March	11:00 am - 12:30 pm
15.	Secretary for Health, Welfare and Food (i) Food Safety and Environmental Hygiene (ii) Health (iii) Welfare and Women	15 March	2:15 pm – 3:30 pm 3:35 pm – 4:50 pm 5:00 pm – 6:15 pm

<u>Session No.</u>	<u>Government Representative</u>	<u>Date</u>	<u>Time</u>
16.	(i) Judiciary Administrator (ii) Secretary for Justice	16 March	2:15 pm - 3:15 pm
17.	Secretary for the Environment, Transport and Works • Works	16 March	3:20 pm – 4:05 pm
18.	Secretary for the Environment, Transport and Works • Environment	16 March	4:10 pm - 5:10 pm
19.	Secretary for the Environment, Transport and Works • Transport	16 March	5:15 pm - 6:15 pm

**Summary of written and supplementary questions
and requests for additional information**

<u>Session No.</u>	<u>Director of Bureau/Controlling Officer</u>	<u>No. of written questions</u>	<u>No. of supplementary questions</u>	<u>No. of requests for additional information (verbal)</u>
1.	Secretary for Commerce, Industry and Technology • Communications and Technology	71	3	1
2.	Secretary for Commerce, Industry and Technology • Commerce and Industry	65	9	4
3.	Secretary for Financial Services and the Treasury • Financial Services	29	2	-
4.	Secretary for Financial Services and the Treasury • Public Finance	103	8	1
5.	Secretary for the Civil Service	60	-	2
6.	Secretary for Home Affairs	223	4	-
7.	Director of Administration	43	3	4
	Commissioner, Independent Commission Against Corruption	10	-	-
	The Ombudsman	5	-	-
	Director of Audit	6	1	-
	Private Secretary to Chief Executive	8	-	-
	Secretary General, Legislative Council Secretariat	2	-	-
8.	Secretary for Economic Development and Labour • Economic Development	142	3	6
9.	Secretary for Economic Development and Labour • Labour	89	5	1

<u>Session No.</u>	<u>Director of Bureau/Controlling Officer</u>	<u>No. of written questions</u>	<u>No. of supplementary questions</u>	<u>No. of requests for additional information (verbal)</u>
10.	Secretary for Constitutional Affairs • Constitutional Affairs • Beijing Office	72 4	1 -	- -
11.	Secretary for Education and Manpower	184	7	4
12.	Secretary for Housing, Planning and Lands • Housing	23	1	1
13.	Secretary for Housing, Planning and Lands • Planning and Lands	148	6	3
14.	Secretary for Security	149	-	2
15.	Secretary for Health, Welfare and Food (i) Food Safety and Environmental Hygiene (ii) Health (iii) Welfare and Women	648	35	3
16.	(i) Judiciary Administrator (ii) Secretary for Justice	15 13	- -	2 3
17.	Secretary for the Environment, Transport and Works • Works	49	5	1
18.	Secretary for the Environment, Transport and Works • Environment	121	1	2
19.	Secretary for the Environment, Transport and Works • Transport	133	-	-
	Total :	2,415	94	40

**Attendance of members and public officers at the
special meetings of the Finance Committee
from 13 to 16 March 2006**

**Meeting held in the morning of 13 March 2006 (Sessions 1 - 4)
9:00 am to 12:35 pm
Legislative Council Chamber**

Members present :

Hon Emily LAU Wai-hing, JP (Chairman)
Hon Fred LI Wah-ming, JP
Hon Margaret NG
Hon James TO Kun-sun
Hon Bernard CHAN, JP
Hon SIN Chung-kai, JP
Hon Howard YOUNG, SBS, JP
Hon LAU Chin-shek, JP
Hon CHOY So-yuk, JP
Hon Abraham SHEK Lai-him, JP
Hon Vincent FANG Kang, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon WONG Ting-kwong, BBS
Hon TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Albert Jinghan CHENG
Hon TAM Heung-man

Public officers attending :

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 (Treasury)

Session 1 - Communications and Technology

Mr Joseph WONG, GBS, JP	Secretary for Commerce, Industry and Technology
Mr Francis HO, JP	Permanent Secretary for Commerce, Industry and Technology (Communications and Technology)
Mrs Marion LAI, JP	Deputy Secretary for Commerce, Industry and Technology (Communications and Technology)
Mr Maurice LOO	Administrative Assistant to Secretary for Commerce, Industry and Technology
Mr Howard DICKSON	Government Chief Information Officer
Mr Stephen MAK, JP	Deputy Government Chief Information Officer (Operation)
Mr Anthony WONG, JP	Commissioner for Innovation and Technology
Mr CHU Pui-hing, JP	Director of Broadcasting
Mr AU Man-ho, JP	Director-General of Telecommunications
Ms Lorna WONG, JP	Commissioner for Television and Entertainment Licensing

Session 2 - Commerce and Industry

Mr Joseph WONG, GBS, JP	Secretary for Commerce, Industry and Technology
Mr Philip YUNG, JP	Acting Permanent Secretary for Commerce, Industry and Technology (Commerce and Industry)/Deputy Secretary for Commerce, Industry and Technology (Commerce and Industry) ¹
Miss Mary CHOW, JP	Deputy Secretary for Commerce, Industry and Technology (Commerce and Industry) ²
Miss Viola CHAN	Principal Executive Officer (Administration) of Commerce, Industry and Technology Bureau (Commerce and Industry)
Mr Maurice LOO	Administrative Assistant to Secretary for Commerce, Industry and Technology
Mr Raymond YOUNG, JP	Director-General of Trade and Industry
Ms Ophelia TSANG	Acting Director-General of Investment Promotion
Mr Timothy TONG, JP	Commissioner of Customs and Excise
Mr Stephen SELBY, JP	Director of Intellectual Property

Session 3 - Financial Services

Mr Frederick MA, JP	Secretary for Financial Services and the Treasury
Mr Kevin HO, JP	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Mrs Sarah KWOK, JP	Deputy Secretary for Financial Services and the Treasury (Financial Services) 1
Mr Albert LAM	Deputy Secretary for Financial Services and the Treasury (Financial Services) 2
Mr Richard YUEN, JP	Commissioner of Insurance
Mr E T O'CONNELL	Official Receiver
Mr Gordon JONES, JP	Register of Companies
Mr Raymond LI, JP	Executive Director (Banking Development) Hong Kong Monetary Authority
Mr FUNG Hing-wang, JP	Commissioner for Census and Statistics
Mr Raymond NG	Senior Executive Officer (Financial Services)
Mrs Avia LAI	Administrative Assistant to Secretary for Financial Services and the Treasury

Session 4 - Public Finance

Mr Frederick MA, JP	Secretary for Financial Services and the Treasury
Mr Alan LAI, GBS, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Mr Martin GLASS, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 2
Ms Amy TSE	Deputy Secretary for Financial Services and the Treasury (Treasury) 3
Mrs Alice LAU, JP	Commissioner of Inland Revenue
Mrs Lucia LI, JP	Director of Accounting Services
Mr Kenneth PANG, JP	Commissioner of Rating and Valuation
Mr Timothy TONG, JP	Commissioner of Customs and Excise
Mr Tommy YUEN	Acting Director of Government Logistics
Ms Maria KWAN, JP	Government Property Administrator
Mr C H YUE, JP	Director of Architectural Services
Mr K K NG	Assistant Director of Architectural Services (Property Services)
Mr Alan WONG, JP	Commissioner for Transport
Mr Stephen IP	Assistant Commissioner for Transport (Administration and Licensing)
Mrs Avia LAI	Administrative Assistant to Secretary for Financial Services and the Treasury

Clerk in attendance:

Ms Pauline NG

Assistant Secretary General 1

Staff in attendance:

Miss Becky YU

Miss Salumi CHAN

Ms Debbie YAU

Mr Paul WOO

Ms Rosalind MA

Mr Justin TAM

Chief Council Secretary (1)1

Chief Council Secretary (1)5

Senior Council Secretary (1)1

Senior Council Secretary (1)3

Senior Council Secretary (1)8

Council Secretary (1)3

**Attendance of members and public officers at the
special meetings of the Finance Committee
from 13 to 16 March 2006**

**Meeting held in the afternoon of 13 March 2006 (Sessions 5 - 7)
2:15 pm to 5:55 pm
Legislative Council Chamber**

Members present :

Hon Emily LAU Wai-hing, JP (Chairman)
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon Margaret NG
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum
Hon LAU Chin-shek, JP
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon CHOY So-yuk, JP
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, BBS, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon LI Kwok-ying, MH
Hon WONG Ting-kwong, BBS
Hon CHIM Pui-chung
Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG
Hon KWONG Chi-kin
Hon TAM Heung-man

Public officers attending :

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 (Treasury)

Session 5 - Civil Service

Miss Denise YUE, GBS, JP	Secretary for the Civil Service
Mr Andrew WONG, JP	Permanent Secretary for the Civil Service
Miss Jennifer MAK, JP	Deputy Secretary for the Civil Service (1)
Mr K S SO	Deputy Secretary for the Civil Service (2)
Mr Christopher WONG	Deputy Secretary for the Civil Service (3)
Mr W H CHEUK, JP	Director of General Grades
Mrs Stella AU YEUNG	Secretary, Public Service Commission
Mrs Lucia LI, JP	Director of Accounting Services
Ms Michelle LI	Secretary-General, Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service
Dr T H LEUNG, JP	Deputy Director of Health
Mr SUI Wai-keung	Principal Executive Officer (Management) of Civil Service Bureau

Session 6 - Home Affairs

Dr Patrick HO, JP	Secretary for Home Affairs
Mrs Carrie LAM, JP	Permanent Secretary for Home Affairs
Mr Stephen FISHER, JP	Deputy Secretary for Home Affairs (1)
Ms Esther LEUNG	Deputy Secretary for Home Affairs (3)
Mr Thomas TSO, JP	Deputy Secretary for Home Affairs (Special Duties)
Mrs Pamela TAN, JP	Director of Home Affairs
Mr Gary YEUNG, JP	Deputy Director of Home Affairs (1)
Mr Isaac CHOW, JP	Deputy Director of Home Affairs (2)
Ms Anissa WONG, JP	Director of Leisure and Cultural Services
Mr Alan SIU, JP	Deputy Director of Leisure and Cultural Services (Leisure Services)
Mr CHUNG Ling-hoi, JP	Deputy Director of Leisure and Cultural Services (Culture)
Ms Kitty CHOI, JP	Deputy Director of Leisure and Cultural Services (Administration)

Mr TONG Fu-keung	Chief Executive Officer (Licensing) of Television and Entertainment Licensing Authority
Mr TSE Man-shing	Assistant Director of Home Affairs (Administration)
Mr CHEUNG Hing-wah	Assistant Director of Social Welfare (Youth and Corrections)
Mr Ricky CHUI	Assistant Director of Leisure and Cultural Services (Finance)
Miss Yvonne CHOI, JP	Director of Information Services
Mr MAK Kwok-wah	Deputy Director of Information Services (2)
Mr Roger LAI, JP	Director of Electrical and Mechanical Services

Session 7 - Central Administration and Other Services

Mrs Susan MAK, JP	Acting Director of Administration
Mr Benjamin CHEUNG	Director of Legal Aid
Mr William CHAN	Deputy Director of Legal Aid (Policy and Administration)
Mr David PAO	Deputy Head, Efficiency Unit
Mr KWOK Kwok-chuen, BBS, JP	Government Economist
Mr Albert LAI, JP	Deputy Head, Central Policy Unit
Mr Wilfred WU	Principal Executive Officer (Administration), Administration Wing
Mrs Cherry TSE, JP	Secretary to the Commission on Poverty
Mr Benjamin TANG, JP	Director of Audit
Ms Celia CHEUNG	Departmental Secretary, Audit Commission
Ms CHANG King-yiu, JP	Permanent Secretary, Chief Executive's Office
Mr Jock TAM Wai-yuen	Chief Executive Officer (Administration), Chief Executive's Office
Mr Raymond WONG Hung-chiu	Commissioner, Independent Commission Against Corruption
Mr Ryan WONG Sai-chiu, IDS	Director of Investigation/Government Sector, Independent Commission Against Corruption
Mrs Betty CHU FU Kam-lui	Assistant Director/Administration, Independent Commission Against Corruption
Mr Ricky FUNG, JP	Secretary-General, Legislative Council Secretariat
Mr Joseph KWONG	Accountant, Legislative Council Secretariat
Ms Alice TAI, JP	The Ombudsman
Mr Y C MOK	Chief Executive Officer, Office of The Ombudsman

Clerk in attendance:

Ms Pauline NG

Assistant Secretary General 1

Staff in attendance:

Miss Polly YEUNG

Ms Connie SZETO

Ms Rosalind MA

Ms YUE Tin-po

Mr Anthony CHU

Chief Council Secretary (1)3

Chief Council Secretary (1)6

Senior Council Secretary (1)8

Senior Council Secretary (C)3

Council Secretary (1)2

**Attendance of members and public officers at the
special meetings of the Finance Committee
from 13 to 16 March 2006**

**Meeting held in the afternoon of 14 March 2006 (Sessions 8 - 11)
2:15 pm to 6:30 pm
Legislative Council Chamber**

Members present :

Hon Emily LAU Wai-hing, JP (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 Martin LEE Chu-ming, SC, JP
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 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 Chin-shek, 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 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 Jeffrey LAM Kin-fung, SBS, JP

Hon Andrew LEUNG Kwan-yuen, SBS, JP
 Hon Alan LEONG Kah-kit, SC
 Dr Hon KWOK Ka-ki
 Dr Hon Fernando CHEUNG Chiu-hung
 Hon WONG Ting-kwong, BBS
 Hon TONG Ka-wah, SC
 Hon CHIM Pui-chung
 Hon Patrick LAU Sau-shing, SBS, JP
 Hon Albert Jinghan CHENG
 Hon KWONG Chi-kin

Public officers attending :

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 (Treasury)

Session 8 - Economic Development

Mr Stephen IP, GBS, JP	Secretary for Economic Development and Labour
Ms Sandra LEE, JP	Permanent Secretary for Economic Development and Labour (Economic Development)
Mr Wilson FUNG, JP	Deputy Secretary for Economic Development and Labour (Economic Development) 1
Mr Howard LEE	Deputy Secretary for Economic Development and Labour (Economic Development) 2
Miss Janice TSE	Deputy Secretary for Economic Development and Labour (Economic Development) 3
Ms Eva CHENG, JP	Commissioner for Tourism
Mr Roger TUPPER, JP	Director of Marine
Mr Norman LO, AE, JP	Director-General of Civil Aviation
Mr C Y LAM, JP	Director of the Hong Kong Observatory
Mr Roger LAI, JP	Director of Electrical and Mechanical Services
Mr Allan CHIANG, JP	Postmaster General
Mr John CHAI, JP	Director of Civil Engineering and Development
Mr Timothy TONG, JP	Commissioner of Customs and Excise

Ms Clara CHONG	Executive Director Hong Kong Tourism Board
Mrs Grace LEE	Deputy Executive Director Hong Kong Tourism Board
Mrs Pamela CHAN, BBS, JP	Chief Executive Consumer Council
Miss Pamela LAM	Administrative Assistant to Secretary for Economic Development and Labour

Session 9 - Labour

Mr Stephen IP, GBS, JP	Secretary for Economic Development and Labour
Mr Matthew CHEUNG, JP	Permanent Secretary for Economic Development and Labour (Labour)/ Commissioner for Labour
Mrs Jennie CHOR, JP	Deputy Commissioner for Labour (Labour Administration)
Mr Fred TING, JP	Deputy Commissioner for Labour (Occupational Safety and Health)
Miss Pamela LAM	Administrative Assistant to Secretary for Economic Development and Labour

Session 10 - Constitutional Affairs and Beijing Office

Mr Stephen LAM, JP	Secretary for Constitutional Affairs
Mr Clement MAK, SBS, JP	Permanent Secretary for Constitutional Affairs
Mr Joseph LAI, JP	Deputy Secretary for Constitutional Affairs (1)
Ms Yolanda ONG	Senior Executive Officer (Constitutional Affairs)
Mr LAM Man-ho	Chief Electoral Officer
Mr Patrick NIP, JP	Acting Director, Beijing Office
Mr Manfred WONG	Senior Executive Officer, Beijing Office
Mr Peter LEUNG, JP	Director, Hong Kong Economic and Trade Affairs, Guangdong
Mr Arthur HO, JP	Head, Hong Kong Guangdong Cooperation Coordination Unit

Session 11 - Education and Manpower

Professor Arthur LI, GBS, JP Mrs Fanny LAW, GBS, JP	Secretary for Education and Manpower Permanent Secretary for Education and Manpower
Mr Edward YAU, JP	Deputy Secretary for Education and Manpower (1)
Mr M Y CHENG, JP	Deputy Secretary for Education and Manpower (3)
Miss Vivian LAU	Deputy Secretary for Education and Manpower (6)
Mrs Lily TSANG, JP	Principal Assistant Secretary for Education and Manpower (Finance)
Mr LI Wing	Controller, Student Financial Assistance Agency
Dr Carrie WILLIS	Executive Director, Vocational Training Council
Dr S S KWONG	Executive Director, Employees Retraining Board
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
Ms Connie SZETO	Chief Council Secretary (1)6
Mrs Mary TANG	Senior Council Secretary (1)2
Ms Debbie YAU	Senior Council Secretary (1)1
Ms Guy YIP	Council Secretary (1)1
Mr Justin TAM	Council Secretary (1)3

**Attendance of members and public officers at the
special meetings of the Finance Committee
from 13 to 16 March 2006**

**Meeting held in the morning of 15 March 2006 (Sessions 12 - 14)
9:00 am to 12:30 pm
Legislative Council Chamber**

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
Hon LEE Cheuk-yan
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon James TO Kun-sun
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, JP
Hon SIN Chung-kai, JP
Hon WONG Yung-kan, 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 Abraham SHEK Lai-him, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Hon Audrey EU Yuet-mee, SC, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon LI Kwok-ying, MH
Dr Hon Joseph LEE Kok-long
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
Dr Hon KWOK Ka-ki
Hon CHEUNG Hok-ming, SBS, JP
Hon WONG Ting-kwong, BBS

Hon CHIM Pui-chung
Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG
Hon TAM Heung-man

Public officers attending :

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 (Treasury)

Session 12 - Housing

Mr Michael SUEN, GBS, JP	Secretary for Housing, Planning and Lands
Mr Thomas CHAN, JP	Permanent Secretary for Housing, Planning and Lands (Housing)
Mr TAM Wing-pong, JP	Deputy Secretary for Housing, Planning and Lands (Housing)
Mr Kenneth MAK, JP	Deputy Director of Housing (Corporate Services)
Mrs Doris MA	Assistant Director of Housing (Independent Checking Unit)
Mr Patrick LAU, JP	Director of Lands
Mr CHEUNG Hau-wai, JP	Director of Buildings
Mr Kenneth PANG, JP	Commissioner of Rating and Valuation

Session 13 - Planning and Lands

Mr Michael SUEN, GBS, JP	Secretary for Housing, Planning and Lands
Mrs Rita LAU, JP	Permanent Secretary for Housing, Planning and Lands (Planning and Lands)
Mr Robin IP, JP	Deputy Secretary for Housing, Planning and Lands (Planning and Lands) 1
Ms Olivia NIP, JP	Deputy Secretary for Housing, Planning and Lands (Planning and Lands) 2
Miss AU King-chi, JP	Deputy Secretary for Housing, Planning and Lands (Planning and Lands) 3
Mr Patrick LAU, JP	Director of Lands
Mr CHEUNG Hau-wai, JP	Director of Buildings
Mr Bosco FUNG, JP	Director of Planning

Mr Roger LAI, JP

Director of Electrical and Mechanical Services

Mr John CHAI, JP

Director of Civil Engineering and Development

Session 14 - Security

Mr Ambrose LEE, IDSM, JP

Secretary for Security

Mr Stanley YING, JP

Permanent Secretary for Security

Mr YUE Fung-lin

Principal Management Services Officer (Security) of Security Bureau

Mr LEE Ming-kwai

Commissioner of Police

Mr LAI Tung-kwok, IDSM

Director of Immigration

Mr KWOK Jing-keung, FSdsm, JP

Director of Fire Services

Mr PANG Sung-yuen, CSdsm, JP

Commissioner of Correctional Services

Mr Timothy TONG, JP

Commissioner of Customs and Excise

Captain Brian Y M BUTT

Controller, Government Flying Service

Mr Robert CHAN, JP

Chief Staff Officer, Civil Aid Service

Dr CHAN Yiu-wing

Chief Staff Officer, Auxiliary Medical Service

Mrs Brenda FUNG

Secretary, Independent Police Complaints Council

Mr Norman LO, AE, JP

Director-General of Civil Aviation

Ms Kitty YU

Acting Commissioner for Narcotics

Clerk in attendance:

Ms Pauline NG

Assistant Secretary General 1

Staff in attendance:

Ms Anita SIT

Chief Council Secretary (1)4

Ms Connie SZETO

Chief Council Secretary (1)6

Mrs Mary TANG

Senior Council Secretary (1)2

Mr WONG Siu-ye

Senior Council Secretary (1)7

**Attendance of members and public officers at the
special meetings of the Finance Committee
from 13 to 16 March 2006**

**Meeting held in the afternoon of 15 March 2006 (Session 15)
2:15 pm to 6:15 pm
Legislative Council Chamber**

Members present :

Hon Emily LAU Wai-hing, JP (Chairman)
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon Martin LEE Chu-ming, SC, JP
Hon Fred LI Wah-ming, JP
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, JP
Hon SIN Chung-kai, JP
Hon WONG Yung-kan, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum
Hon LAU Chin-shek, JP
Hon CHOY So-yuk, JP
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Frederick FUNG Kin-kee, 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 Jeffrey LAM Kin-fung, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon TONG Ka-wah, SC
Hon Albert Jinghan CHENG
Hon TAM Heung-man

Public officers attending :

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 (Treasury)

Session 15 - Food safety and environmental hygiene, Health, Welfare and Women

Dr York CHOW, SBS, JP	Secretary for Health, Welfare and Food
Mrs Carrie YAU, JP	Permanent Secretary for Health, Welfare and Food
Miss Peggy LEUNG	Head of Planning and Resource Management
Mr Shane SOLOMON	Chief Executive/Hospital Authority
Dr Vivian WONG, JP	Director (Professional Services and Medical Development), Hospital Authority
Dr P Y LAM, JP	Director of Health
Dr T L TING, JP	Government Chemist
Mr Gregory LEUNG, JP	Director of Food and Environmental Hygiene
Mrs Stella HUNG, JP	Director of Agriculture, Fisheries and Conservation
Mr Andy CHAN	Administrative Assistant to Secretary for Health, Welfare and Food
Ms Linda LAI, JP	Deputy Secretary for Health, Welfare and Food (Family and Women)
Mr Paul TANG, JP	Director of Social Welfare
Mr FUNG Pak-yan	Assistant Director for Social Welfare (Development)
Mr Alan WONG, JP	Commissioner for Transport
Mr Don HO	Assistant Commissioner/Management and Paratransit Transport Department

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
Mr Andy LAU	Chief Council Secretary (1)2
Ms YUE Tin-po	Senior Council Secretary (C)3
Ms Guy YIP	Council Secretary (1)1
Mr Anthony CHU	Council Secretary (1)2

**Attendance of members and public officers at the
special meetings of the Finance Committee
from 13 to 16 March 2006**

**Meeting held in the afternoon of 16 March 2006 (Sessions 16 - 19)
2:15 pm to 6:15 pm
Legislative Council Chamber**

Members present :

Hon Emily LAU Wai-hing, JP (Chairman)
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP
Hon James TO Kun-sun
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
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 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 Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, JP
Hon LEE Wing-tat
Hon LI Kwok-ying, MH
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
Hon CHIM Pui-chung
Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG

Public officers attending :

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 (Treasury)

Session 16 - Judiciary administration and Legal administration

Mr WONG Yan-lung, SC, JP	Secretary for Justice
Mr James O'NEIL	Acting Solicitor General
Ms Annie TAM, JP	Director of Administration and Development
Mr John READING, SC	Deputy Director of Public Prosecutions
Miss Emma LAU, JP	Judiciary Administrator
Mr Augustine CHENG, JP	Deputy Judiciary Administrator (Operations)
Ms Ada CHUNG	Deputy Law Officer (Civil Law)
Miss Florence HO	Assistant Judiciary Administrator (Corporate Services)

Session 17 - Works

Dr Sarah LIAO, JP	Secretary for the Environment, Transport and Works
Mr Y C LO, JP	Permanent Secretary for the Environment, Transport and Works (Works)
Mr Clement CHEUNG, JP	Deputy Secretary for the Environment, Transport and Works (Works) ¹
Mr C S WAI, JP	Deputy Secretary for the Environment, Transport and Works (Works) ²
Mr C H YUE, JP	Director of Architectural Services
Mr John CHAI, JP	Director of Civil Engineering and Development
Mr C K WONG, JP	Director of Drainage Services
Mr Roger LAI, JP	Director of Electrical and Mechanical Services
Mr CHAN Chi-chiu, JP	Director of Water Supplies
Mr C K MAK, JP	Director of Highways

Session 18 - Environment

Dr Sarah LIAO, JP	Secretary for the Environment, Transport and Works
Mr K K KWOK, JP	Permanent Secretary for the Environment, Transport and Works (Environment)/ Director of Environmental Protection

Dr Michael CHIU, JP	Deputy Director of Environmental Protection (1)
Mr Raymond FAN	Deputy Director of Environmental Protection (2)
Mr Roy TANG	Deputy Director of Environmental Protection (3)
Mr Esmond LEE	Deputy Director of Environmental Protection (4)
Mr S P LAU, JP	Acting Director of Agriculture, Fisheries and Conservation
Mr John CHAI, JP	Director of Civil Engineering and Development
Mr C K WONG, JP	Director of Drainage Services
Mr Roger LAI, JP	Director of Electrical and Mechanical Services

Session 19 - Transport

Dr Sarah LIAO, JP	Secretary for the Environment, Transport and Works
Mr Joshua LAW, JP	Permanent Secretary for the Environment, Transport and Works (Transport)
Mr Thomas CHOW, JP	Deputy Secretary for the Environment, Transport and Works (Transport)1
Miss Cathy CHU	Deputy Secretary for the Environment, Transport and Works (Transport)2
Ms Annie CHOI	Deputy Secretary for the Environment, Transport and Works (Transport)3
Mr Alan WONG, JP	Commissioner for Transport
Mr C K MAK, JP	Director of Highways
Mr Brian W GROGAN, JP	Acting Deputy Commissioner for Transport/Planning and Technical Services

Clerk in attendance:

Ms Pauline NG	Assistant Secretary General 1
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Staff in attendance:

Mrs Mary TANG	Senior Council Secretary (1)2
Mr Paul WOO	Senior Council Secretary (1)3
Ms Sarah YUEN	Senior Council Secretary (1)6

**Presentation by Secretary for Commerce, Industry and Technology
at the special meeting of the Finance Committee
on Monday, 13 March 2006**

Chairman,

I would like to brief Members on the key areas of work of the Communications and Technology Branch of the Commerce, Industry and Technology Bureau for the new financial year.

Telecommunications

2. One of the major initiatives in the coming year is the hosting of the International Telecommunication Union TELECOM WORLD 2006, a momentous event which will put Hong Kong under international limelight of the information and communications technology world. It is anticipated that some 900 exhibitors and around 60 000 visitors will be attracted to the event and bring about a total revenue of \$900 million for the tourism and business sectors.

3. To contain the problem of unsolicited electronic messages, we are consulting the public on the legislative proposals and we aim at introducing the Unsolicited Electronic Messages Bill to the Legislative Council within this year.

4. With the rapid convergence at the technological and market levels in the electronic communications sector, it is necessary to set up a unified regulator for broadcasting and telecommunications to facilitate the development of the industries and to protect the interests of the customers. Hence, we have started the consultation on our proposal to set up a unified regulator by merging the Broadcasting Authority and the Telecommunications Authority.

Broadcasting

5. In respect of broadcasting, we are actively collaborating with the two free-to-air terrestrial TV broadcasters in preparing for commencement of digital broadcasting in 2007. We will soon mount publicity campaigns to raise the consumers' awareness of how and when to switch over to digital television.

6. Moreover, the Committee on Review of Public Service Broadcasting established in January has started operation and the Government is in full support of the work of this independent committee. We expect the recommendations of the Committee would map out a comprehensive policy and specific arrangements for public service broadcasting in Hong Kong. I reiterate that the Government looks forward to the Committee's recommendations with an open mind.

Film

7. We will continue to facilitate the development of the film industry. The newly-established Film Development Committee will commission a consultant to conduct a strategic study on the future development of the film industry. Since the \$20 million Film Development Fund was re-launched last April to finance projects conducive to the development of the film industry, we have received an encouraging number of applications, some of which were approved.

Information Technology

8. Regarding information technology, we have kicked off a new round of the Digital 21 Strategy review. Our plan is to consult the public on the draft Strategy in late 2006 and promulgate the updated version in early 2007.

9. To facilitate the development of the industry, we will also implement a series of measures as follows –

- (a) To organise the Hong Kong ICT Awards 2006 in collaboration with the industry and academia with a view to developing an internationally recognized branding of local ICT products and services.
- (b) To launch a pilot scheme under which ownership of the intellectual property created in new government IT systems will be vested in the contractors in order to facilitate technology transfer and industry development for the generation of economic benefits.
- (c) To continue to support the digital entertainment industry through the Digital Entertainment Industry Support Centre and the Digital Entertainment Incubation cum Training Centre at the Cyberport.
- (d) To continue collaborating with the industry to extend the sector-specific programmes for driving e-commerce and IT adoption by the SMEs.

E-Government

10. Thanks to the Finance Committee for approving a provision of \$170.8 million earlier this month, we are able to launch a new one-stop government portal (OSP) later this year for providing “citizen-centric” government services that meet and anticipate citizens’ needs.

11. We will also embark on a number of electronic joined up initiatives involving different departments in the coming two years.

Innovation and Technology

12. With respect to innovation and technology, we would establish R&D Centres in the areas of nanotechnology and advanced materials, textile and clothing, automotive parts and accessory systems, logistics and supply chain management enabling technologies, and information and communications technologies. \$2.6 billion has already been reserved under the Innovation and Technology Fund to fund the establishment of these R&D Centres, their operation costs for the first five years and their R&D programmes. The R&D Centres are expected to commence operation shortly.

13. We also strive to strengthen cooperation in science and technology with the Mainland. We shall continue to implement the “Guangdong/Hong Kong Technology Cooperation Funding Scheme” in 2006 to encourage research institutions and enterprises in the Greater Pearl River Delta region to conduct collaborative R&D projects.

14. To promote wider use of design and innovation in industries, we are implementing the DesignSmart Initiative, with \$250 million of funding allocation. One of the initiatives involves the Hong Kong Science and Technology Parks Corporation and the Hong Kong Design Centre combining forces to establish the InnoCentre to provide a whole range of support services. Operation of the Centre will be in full swing in the third quarter of this year.

15. Thank you.

**Presentation by Secretary for Commerce, Industry and Technology
at the special meeting of the Finance Committee
on Monday, 13 March 2006**

Chairman,

I would like to introduce briefly the key areas of the work of the Commerce and Industry Branch of the Commerce, Industry and Technology Bureau in the new financial year.

Doha Development Agenda

2. The Sixth Ministerial Conference of the World Trade Organization was successfully held in Hong Kong last year. As an active Member of WTO, we will continue to participate constructively in the multilateral trade negotiations under the Doha Development Agenda in accordance with the timetable set out in the Hong Kong Ministerial Declaration. We will continue to work closely with all WTO Members to attain the target of completing the negotiations by the end of this year so as to bring about further liberalization in international trade, including lowering tariffs and reducing barriers to trade in services, for the benefit of Hong Kong.

Strengthening Hong Kong's representation in Europe

3. Apart from the Mainland and the U.S., the European Union is Hong Kong's largest trading partner. To strengthen Hong Kong's relations with the 25 EU-member states and other European countries, and to assist Hong Kong businessmen in capitalising on business opportunities in these countries, we plan to establish a new Economic and Trade Office (ETO) in Berlin in the third quarter this year. We will shortly invite the Establishment Subcommittee to recommend to the Finance Committee the necessary internal redeployment of a directorate post to implement the proposal.

Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)

4. CEPA, which is now in its third year of implementation, has brought about significant economic benefits to Hong Kong. The merchandise trade between Hong Kong and the Mainland has now been fully liberalized. We have also secured substantial preferential market access for our services industries in a total of 27 services sectors. We will continue to work closely with the Mainland authorities to ensure the smooth and effective implementation of CEPA. We will also continue to actively promote the opportunities under CEPA among local and overseas business communities.

Strengthening Economic Cooperation with the Mainland

5. The HKSAR Government will set up two new ETOs in Chengdu and Shanghai later this year, and the current coverage of Guangdong ETO will be expanded to include Guangxi, Fujian, Jiangxi and Hainan. The strengthening of the HKSAR Government's network in the Mainland will facilitate the enhancement of economic and trade relationship with our Mainland counterparts. We will continue to work closely with the other "9+2" members under the Pan Pearl River Delta Regional Cooperation Framework Agreement with a view to maximising economic efficiency and promoting Hong Kong as a hub for foreign enterprises to tap the Mainland market.

Promotion of Inward Investment

6. We will continue to attract and retain direct investments from overseas and the Mainland to Hong Kong so as to consolidate Hong Kong's position as the leading international business centre in Asia. Invest Hong Kong's target for 2006 is to assist 240 foreign and Mainland companies to invest here. To achieve this target, Invest Hong Kong will promote Hong Kong's investment environment and advantages in the Mainland more actively, and continue to join hands with Guangdong Province and the Pearl River Delta cities in organizing overseas promotional events to highlight the combined strength of Hong Kong and these areas.

Support for Small and Medium Enterprises (SMEs)

7. The Government attaches great importance to providing SMEs with the necessary support. Since the launch of the SME Funding Schemes, more than 48 000 SMEs have directly benefited from the Schemes, involving a total guarantee and grant of over \$8.1 billion. We will continue to work closely with the Small and Medium Enterprises Committee to monitor the operation of the Schemes.

Protection of Intellectual Property Rights

8. We are committed to protecting intellectual property rights to facilitate the development of a knowledge-based economy in Hong Kong. To this end, we are preparing legislative amendments to improve the Copyright Ordinance so as to ensure that our copyright protection and exemption regime can reflect the latest social and technological developments. We will soon submit the amendment bill to the Legislative Council for its scrutiny. We will continue to take vigorous enforcement actions against piracy and counterfeiting activities, including piracy activities in the digital environment. Effective enforcement actions must be complemented by efforts to educate the public. Our efforts in this aspect have been highly acclaimed locally and internationally. This year, the Intellectual Property Department and Customs will continue to join forces with intellectual

property rights-holders to roll out public education programmes. These programmes will be targeted at the general public, SMEs and the youth with a special focus on the illegal distribution of infringing copyright works over the Internet.

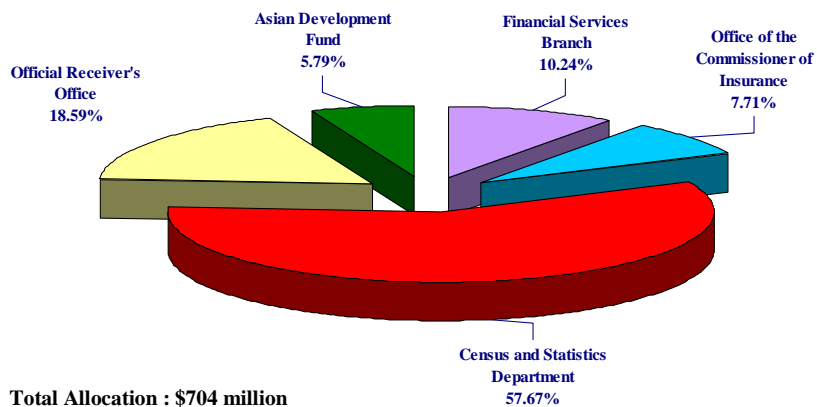
Facilitating Trade

9. We will continue with our work in facilitating trade. Having consulted the stakeholders concerned, we have commenced the procedures to amend the necessary legislation for mandating the electronic submission of cargo manifests in respect of ocean and river modes of transport in mid June 2006 in order to enhance the overall efficiency of submission and processing of trade related documents. We will also continue to work on a revised proposal for electronic submission of advance cargo information for cross-boundary vehicles and to monitor closely global developments in anti-terrorism measures and their possible impact on the trading of Hong Kong goods.

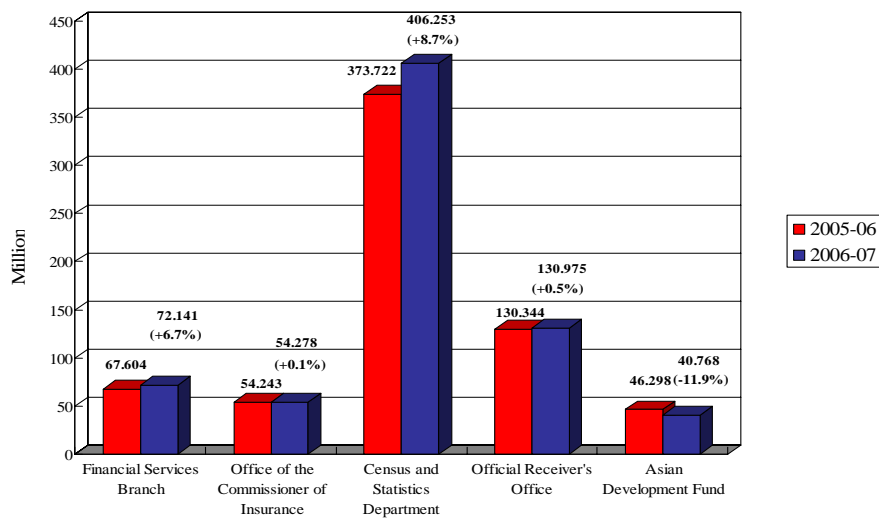
10. Thank you.

**Presentation by Secretary for Financial Services and the Treasury
at the special meeting of the Finance Committee
on Monday, 13 March 2006**

**2006-07 Financial Year
Distribution of Funds among
Financial Services Branch, departments under its purview and
Asian Development Fund**



**Financial Services Branch, departments under its purview and
Asian Development Fund
(Comparison of Original Estimate 2005-06 and Estimate 2006-07)**



2006-07 Financial Year
Major Policy Initiatives of Financial Services Branch

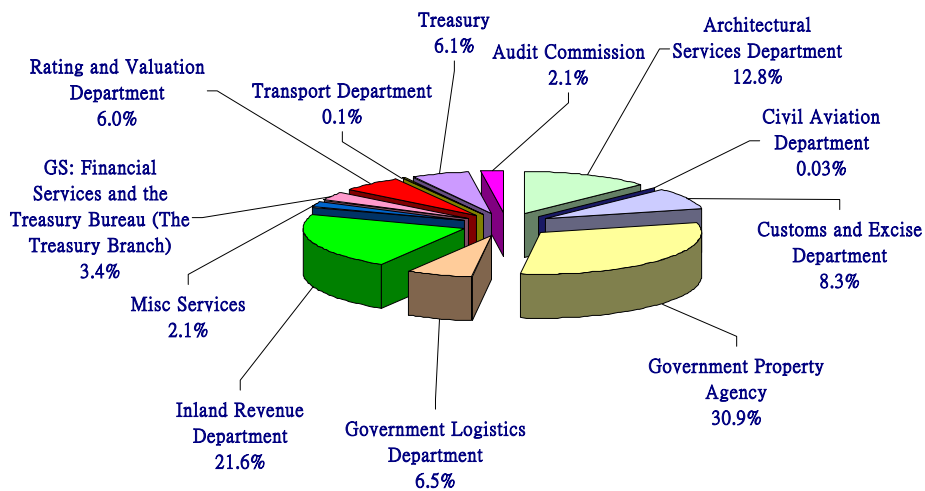
- Enhancing our position as a major international financial centre and the premier capital formation centre for the Mainland
 - * Promoting Asset Management
 - * Enhancing Regulatory System
 - * Enhancing Corporate Governance
 - * Strengthening Investor Protection
 - * Promoting Bond Market Development
 - * Strengthening the Pan-Pearl River Delta Region Cooperation

Financial Services Branch
Bills being scrutinized by / to be introduced into LegCo in
2005-06 Legislative Year

- Securities and Futures (Amendment) Bill 2005
- Financial Reporting Council Bill
- Securities and Futures (Amendment) Bill 2006
- Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2006
- Securities and Futures (Financial Resources) (Amendment) Rules 2006
- Securities and Futures (Levy) (Amendment) Order 2006

**Presentation by Secretary for Financial Services and the Treasury
at the special meeting of the Finance Committee
on Monday, 13 March 2006**

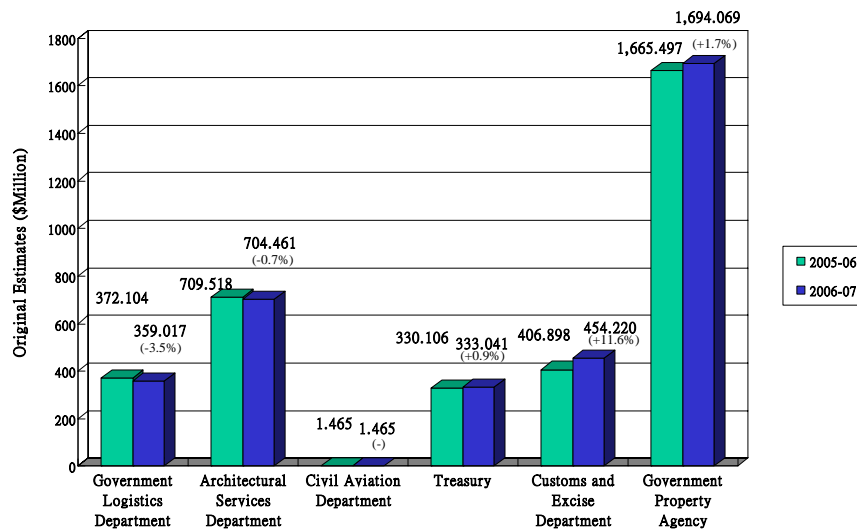
Envelope Allocation for Operating Account in 2006-07 to
the Treasury Branch and its Departments



Total Allocation: \$5,488 million

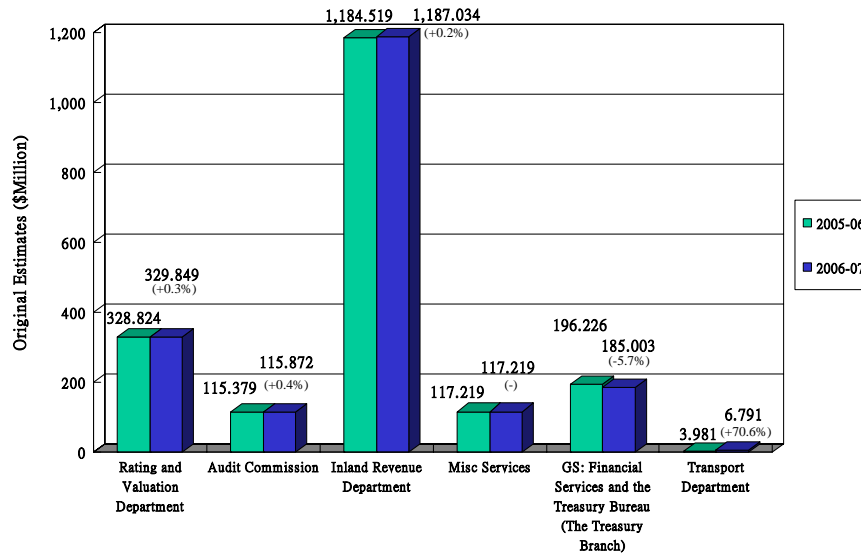
1

**Comparison between Original Estimates for Operating Account in
2005-06 and 2006-07**



2

**Comparison between Original Estimates for Operating Account
in 2005-06 and 2006-07 (Cont'd)**



3

Major Tasks

- Upholding the principles of prudent management of public finance and keeping expenditure within the limits of revenues in allocation of resources.
- Goods and Services Tax
 - Public consultation to be conducted in mid-2006

4

**Presentation by Secretary for the Civil Service
at the special meeting of the Finance Committee
on Monday, 13 March 2006**

Madam Chairman and Members,

The Financial Secretary reaffirmed in his Budget Speech 2006/07 his targets to keep fiscal accounts in balance and the share of public expenditure in Gross Domestic Product at 20 per cent or below over the next few years. He appreciated the civil service for realizing the various saving initiatives which helped to achieve lower expenditure than in the preceding year.

2. The civil service is committed to supporting the Government's initiatives to reduce public expenditure. Today, I am going to give an update on the progress made by the Civil Service Bureau in controlling and rationalizing public expenditure.

3. First, **the reduction of civil service establishment.** The Chief Executive has reiterated in his 2005/06 Policy Address the Government's target set in 2003 to reduce the civil service establishment to around 160 000 by 2006/07. To facilitate the implementation of this initiative, in addition to relying on natural wastage, we introduced the Second Voluntary Retirement Scheme and a general civil service recruitment freeze. Together with bureaux' and departments' effort in reengineering and reorganization, we continue to make progress on this front. The civil service establishment has been reduced from 165 000 in March 2005 to about 162 800. This represents a reduction of over 17% from the peak of 198 000 at the beginning of 2000. We anticipate that the establishment will be further reduced to around 161 900 by March 2007. In the year ahead, we shall continue to work closely with bureaux and departments to contain the size of the civil service establishment. For vacancies which have to be filled on exceptional grounds, exemption from the recruitment freeze will be granted on a case-by-case basis. Since April 2003, approval has been given for 22 bureaux/departments to fill over 4 300 posts through open recruitment.

4. Due to new circumstances and developments which have arisen following implementation of the Voluntary Retirement Schemes (e.g. the establishment of new Economic and Trade Offices, and the outbreak of SARS, dengue fever, Japanese B Encephalitis, avian flu, etc., which calls for a strengthening of the public health system and food safety control framework), we are currently examining the need to apply some flexibility to allow a limited number of VR grades to resume open recruitment prior to the expiry of the recruitment freeze in March 2008. We will consult the Panel on Public Service when we have completed our examination.

5. **Second, the development of an improved civil service pay adjustment mechanism.** In 2005, we commissioned a consultant to conduct a pay level survey for the civil service and a consultative group comprising staff representatives has been formed for this exercise. We have since been actively engaging civil service staff bodies and individual staff representatives to take part in the groundwork of the survey, specifically in a job inspection process to gather detailed information about civil service jobs included in the survey field. This process facilitates the identification of broadly comparable private sector jobs from which pay data will be collected. We shall continue to ensure that the pay level survey is conducted in a professional, independent and credible manner. When the survey findings are available, we shall consider the application issues bearing in mind the principle that the pay of serving staff should not be further reduced below the level at 1997. We aim to complete the exercise in a timely manner while taking full account of staff views in the process.

6. **Third, the review of the fringe benefit type of civil service allowances.** We consulted the staff side on a package of change proposals in September 2005; we also sought the views of the advisory bodies on civil service salaries and conditions of service on this matter early this year. We aim to finalize the proposals soon and consult the Panel on Public Service before seeking the approval of the Finance Committee as necessary. Our target is to implement the change proposals as early as possible in 2006.

7. With the streamlining of the civil service establishment and the adjustment of civil service pay in the past few years, it is worth noting that civil service pay and staff-related expenses at \$64.6 billion account for about 31% of the operating expenditure of the Government in the 2006/07 estimates, as against \$71.3 billion and 36% in 2001/02.

8. Madam Chairman, despite the initiatives to reduce staff-related expenses, we are committed to providing civil servants of all levels with training resources that would equip them with updated skills and knowledge necessary for providing quality service to the public. For example, in keeping with the increasing interaction between Hong Kong and the Mainland, we will continue to provide training opportunities on national studies, such as through classroom and e-learning programmes, to ensure that our officers are kept abreast of the latest political, social and economic developments in the Mainland. In addition, we are conscious of the need to promote continuous learning amongst civil servants. In the coming year, we will further enrich the range and content of the learning and reference materials available on our e-learning platform for civil servants. We will continue to work closely with departments to support them in their Human Resources Development and Management efforts, focusing on special training needs such as in contract management, customer service and performance management.

9. Madam Chairman, Members will no doubt appreciate that civil servants have displayed a high standard of professionalism and continued to provide quality service for the community while coping with reduced resources. With the support of the community and the Council, my colleagues and I will continue to improve the civil service management system so as to enable the civil service to render quality public service to the community.

**Presentation by Secretary for Home Affairs
at the special meeting of the Finance Committee
on Monday, 13 March 2006**

Chairman,

As Members will realize, the Home Affairs Bureau covers a wide range of policy and programme areas with resources accounted for under a total of seven Heads of Expenditure. My respective Controlling Officers have provided answers to 223 written questions from Members accounting for the use of resources under their purview. They are here to respond to any further questions that Members may wish to raise. I would like to take a few minutes to brief members on several priority areas of the Home Affairs Bureau (HAB) in the new financial year. These are sports development, community building and civic education and the District Councils Review.

Sports Development

2. The 2009 East Asian Games marks an important milestone in sports development in Hong Kong and I am grateful for LegCo's support in the appropriation of funds for this major event. The East Asian Games will be the first ever multi-sports international games to be hosted in Hong Kong. It will facilitate our sports development, and strengthen Hong Kong's position as a major sports events capital in the region. To oversee the planning and preparation of the Games, we have set up a cross-sector Planning Committee. Drawing reference from the institutional set-up for organizing major games elsewhere, and hoping to host the East Asian Games in a more flexible and pro-active approach, we have also formed the East Asian Games Company comprising members from different sectors. The Government is firmly committed to supporting the event. We will continue to work closely with the local sports sector and the community in the coming years to make the event a success.

3. While planning for the East Asian Games proceeds in the coming year, the year 2006 is an important year for our athletes competing in the 2006 Asian Games to be held in Doha. Significant additional resources of some \$70 million have been included in the 2006-07 Estimates to enhance the elite athlete training programmes of the Hong Kong Sports Institute Limited in anticipation of the Doha Asian Games as well as the 2008 Beijing Olympics and the 2009 East Asian Games. In fact, this is the single expenditure item with the biggest year-on-year growth in my portfolio in 2006-07.

4. Apart from devoting considerable resources, we are also committed to maintaining a steady funding provision for elite sports training and development through adopting the “athlete-centred” principle. On top of the recurrent subvention to the Hong Kong Sports Institute Limited for supporting elite training, the HAB has earmarked a total of \$9 million as an additional “booster” through provision of direct incentive to eligible Hong Kong Sports Institute scholarship athletes who are going to compete in the 2008 Olympic Games and 2009 East Asian Games. In addition, a further sum of \$40 million under Arts and Sports Development Fund has been earmarked for these upcoming major sports games. I look forward to Members’ continued support for our efforts to enhance sports development in Hong Kong.

Community Building and Civic Education

5. Fostering harmony in the community is the common wish of the people of Hong Kong. To this end, the HAB will strengthen its community building work through various programmes targeting young people, new arrivals, ethnic minorities, etc. For example, the HAB and the Committee on the Promotion of Civic Education (CPCE) have been working in close partnership to promote civic education outside schools. This year, we will focus on promoting the concepts of **“Harmonious Society”**, **“National Education”** and **“Corporate Citizenship”**. To achieve the objectives, we will implement the following measures -

- Through the annual Community Participation Scheme, we will provide financial subsidy to community organisations for organising activities on the theme of “Harmony and Integration”. We will also continue to promote the concept of “civility” by launching publicity and promotional programmes and producing publications on civic education with a view to building an integrated civil society.
- We set up a Working Group on National Education comprising members from the CPCE and the Commission on Youth in mid-2004 with an aim to strengthen the promotion of national education in Hong Kong. Since then we have organised a series of promotional activities, including a survey on the sense of national identity and pride of Hong Kong people, television announcements in the public interest, an international symposium and the Community Participation Scheme for Organising Study Tours to the Mainland, etc. We will continue to launch promotional programmes that meet with the aspirations of the public and changes in the society. In particular, we aim to help promote public understanding on the contemporary history of China and its political situation, so as to give them a full picture of developments in our motherland.

- Hong Kong is an international financial and business centre with a working population of over three million. Therefore, the promotion of “Corporate Citizenship” or “Corporate Social Responsibility” will help promote civic education to the adult population (particularly the working population) and build a sustainable civil society. To this end, we organised a Corporate Citizenship Seminar last year and will conduct a large-scale survey this year to find out how well Hong Kong companies are aware of and practising “Corporate Social Responsibility”. The findings will be taken into account for preparation of a handbook or charter on “Corporate Citizenship”.

6. We will continue to strengthen cooperation with civic education committees/organisations at district level, and will consolidate the inputs of the education sector, the media and the professionals so as to enhance the overall effectiveness of civic education.

District Councils Review

7. With a view to enhancing our work in districts, the Chief Executive has stated in the 2005-06 Policy Address that Government would allow each DC to assume responsibility for the management of some district facilities. Specifically, the executive departments will follow the decisions of the DC in managing such facilities, within the limits of their existing statutory powers and resources available. A working group set up for the DCs review is working out an implementation plan for this initiative.

8. In the context of preparing for the review, we have listened to the views of Legislative Council Members, DC Chairmen and Vice Chairmen as well as various interested parties. The working group has conducted preliminary studies on the role, functions and composition of DCs and is formulating the proposals for public consultation. It remains our objective to commence formal public consultation as soon as possible.

Conclusion

9. Chairman, this concludes my opening remarks. My colleagues and I will be happy to answer any questions that Members may wish to raise. Thank you.

**Presentation by Secretary for Economic Development and Labour
at the special meeting of the Finance Committee
on Tuesday, 14 March 2006**

Chairman,

Policy Responsibilities

The overall policy objective of the Economic Development Branch (EDB) of the Economic Development and Labour Bureau is to ensure that we have good infrastructure to support the economic development of Hong Kong. Our policy responsibility covers tourism, logistics, port and maritime development, civil aviation, energy, competition policy, consumer protection, postal service and meteorological service, etc.

Funding Provision

In 2006-07, the proposed allocation to EDB's policy portfolio is **\$2,730 million**. This represents 1.3% of the Government's total operating expenditure. The proposed allocation is about **\$60 million** (about 2.2%) more than the revised estimates (\$2,670 million) for last year. The increase in allocation is mainly for the development and promotion of tourism.

Work Priorities in the Coming Year

Tourism

Tourism performance in the last year was impressive – visitor arrivals reached a new high of over 23 million and the tourism expenditure exceeded \$100 billion. The Mainland market grew steadily and continued to be our number-one source market; other long-haul markets, including Europe, the Americas, Australia and New Zealand, all recorded double-digit growth. The outlook this year continues to be optimistic. We expect to have steady growth in both visitor arrivals and tourism receipts.

In respect of major tourism projects, the Hong Kong Disneyland was opened last September, and helps strengthen our position as the preferred destination for family visitors. "A Symphony of Lights" was awarded the world's largest permanent light and sound show by Guinness World Records last November. Phase II of the show was launched last Christmas covering 33 buildings on both sides of the Victoria Harbour. It continues to be well received by locals and visitors.

We are now preparing for the opening of “Ngong Ping 360” (comprising Ngong Ping Skyrail and Village) and the Hong Kong Wetland Park, which are expected to be completed by the middle of this year. At the same time, we are giving full support to the redevelopment of the Ocean Park and will strive to ensure the works commence as scheduled this year. The redevelopment will turn the 28-year-old Ocean Park into a world-class marine-themed attraction. The Ocean Park Corporation has also proposed to develop hotels in the Ocean Park so as to enhance its attractiveness and induce visitors to stay longer. We will examine the proposal including the institutional arrangement, financial and legal issues involved.

To enhance Hong Kong’s position as a regional cruise hub, we are committed to developing a new cruise terminal as soon as possible. We invited Expressions of Interest in November last year to gauge market reaction on the timely development of a new cruise terminal. Six suggestions were received, and the Government is at the final stage of the evaluation. We will announce the results and the way forward for the development of a new cruise terminal shortly.

To meet the demands of different visitors, we will endeavour to diversify our tourism products. The “Northern New Territories Green Tourism Development Programme” is being implemented by phases. The basic improvement works in the Plover Cove and Tolo Channel area will commence shortly and are scheduled for completion in 2007. The Hong Kong Tourism Board (HKTB) will promote, on a trial basis, a new island-hopping itinerary in the northeastern waters in the middle of this year.

In addition, we will continue to implement the Tourism District Enhancement Programme to enhance and sustain the attractiveness of Hong Kong’s existing attractions. The Tsim Sha Tsui Promenade Beautification Project is expected to be completed this year; the improvement works at the Stanley waterfront and the Peak as well as the construction of a new public transport interchange in Tsim Sha Tsui East will be completed next year. Projects under planning include the development of a piazza in Tsim Sha Tsui, enhancement of the footbridges in Tsim Sha Tsui East, development of themed tourism in Aberdeen to complement the redevelopment plan of the Ocean Park, and enhancement of the tourist facilities along the Lei Yue Mun waterfront.

On tourism promotion, the HKTB has designated this year as “Discover Hong Kong Year”. A series of worldwide promotional activities targeting consumers, the trade as well as the media will be launched to attract more visitors to Hong Kong this year. Strategic promotion targeting family and business visitors will also continue, leveraging on new tourism products and mega events to stimulate growth in tourist arrivals and tourism spending. In addition, the HKTB will also enhance the Quality Tourism Services Scheme with a view to providing better protection to consumers.

Port, Maritime and Logistics Development

The robust exports of Southern China have brought opportunities and challenges to Hong Kong's port and logistics development. In face of rapid growth of neighbouring ports and their lower operational costs, it is imperative for Hong Kong to upgrade the efficiency and quality of our services and enhance our competitiveness to offset the impact of the cost differentials.

On port and maritime development, the Hong Kong port handled 22.4 million twenty-foot equivalent units last year, an increase of 2% over 2004.

To enhance the competitiveness of Hong Kong port and the maritime industry, we have implemented a series of measures including streamlining the port entry procedures by introducing a multiple entry permit, reducing the port fees and charges, enhancing the mid-stream cargo handling capacity by establishing more services anchorages and introducing a six-month annual tonnage fee reduction for Hong Kong registered ships. Some of these measures came into operation on 1 February this year; the rest will be in place later this year after the necessary legislative procedures are completed.

We have been working closely with the industry to implement the recommendations of the study on "Hong Kong Port - Master Plan 2020". We have engaged consultants to update the Port Cargo Forecast to work out the optimal timing for the construction of Container Terminal 10 and conduct an ecological, fisheries and water quality study at Northwest Lantau to assess the environmental suitability of this location for development of container terminals. The studies will be completed by the end of this year and early 2007 respectively.

The Hong Kong Shipping Register (HKSR) continues to grow at a steady pace. The HKSR crossed the 30 million GT mark (over 1 090 vessels) on 8 January this year and is one of the top ten shipping registers in the world.

On logistics, Hong Kong enjoys highly efficient information flow, and has a comparative advantage in e-logistics development. To strengthen our leading edge in the region, we have developed the Digital Trade and Transportation Network (DTTN) system. Launched in December last year, the system provides a neutral and secure platform for more efficient, reliable and cost-effective data exchange along the supply chain.

Good progress has been made in our discussion with the Guangdong authorities in respect of licensing, regulation and customs clearance to enhance efficiency of freight flow and to reduce cross-boundary trucking cost.

To promote the strengths of Hong Kong as a regional logistics hub and the gateway to China, the LOGSCOUNCIL has sent a delegation to the Pan-Pearl River Delta Modern Logistics Development Forum in Chengdu in July last year,

followed by two promotion visits in September last year and January this year to reach out to industry players in Europe and the US to attract them to use the premium logistics services of Hong Kong.

We would monitor what is needed for market development and continue to engage the industry to identify measures to raise the competitiveness of our port and our logistics services to a higher level so as to strengthen our role as an international maritime centre and the preferred international logistics hub in Asia.

Civil Aviation

On civil aviation, we will continue to pro-actively implement our progressive liberalisation policy in air services by concluding more new air services agreements and expanding existing traffic arrangements. We will continue to expand our aviation network by increasing the frequencies of flights and number of destinations.

Furthermore, we will review our air traffic management system and formulate development strategy to support the continued growth and development of the civil aviation industry.

Energy

The current Scheme of Control Agreements between the Government and the two power companies will expire in 2008. We launched the Stage I Consultation Exercise early last year to seek public views on the future development of our electricity market.

After considering the views received and the results of our further studies, we released the Stage II Consultation Paper in December last year. It has included proposals to substantially lower electricity tariff while ensuring safe and reliable electricity supply. It also contains a series of measures to encourage the two power companies to reduce emissions, and to prepare for further opening up our electricity market.

Our Stage II Consultation Exercise will end on 31 March this year. We shall further review and improve our proposals in the light of the views received, and discuss with the two power companies the post-2008 regulatory arrangements.

Competition Policy

Last year the Competition Policy Advisory Group (COMPAG) appointed an independent committee (the Committee) to review the existing competition policy and the Group's composition, terms of reference and

operations. The Committee will complete its review in the middle of this year. We will inform the Legislative Council and the public of the outcome of the review.

We are happy to answer questions from Members.

**Presentation by Secretary for Economic Development and Labour
at the special meeting of the Finance Committee
on Tuesday, 14 March 2006**

Chairman,

The estimate of expenditure for the Labour Department (LD) in 2006-07 is \$975.6 million, which is \$36.4 million (or 3.9%) higher than the revised estimate for 2005-06. Of this, 37.8% (\$368.8 million) will be spent on employment service.

2. The unemployment rate has dropped to a 52-month low of 5.2%. Despite this, we will keep up our efforts in enhancing our employment service. We will also strive to promote labour relations, combat illegal employment and wage offences, protect employees' rights and benefits, and improve occupational safety and health.

Improving Employment

3. Unemployment is our long-term challenge as the restructuring of our economy and mismatch of labour will continue to bring employment pressure to bear on low-skilled workers. We will make continued efforts in promoting our economic development so that more jobs will be created. The market created some 240 000 new jobs in the last two years. Total employment has been rising steadily to a high of 3.43 million. Last year, the LD received close to 430 000 private sector vacancies, and successfully placed over 113 000 job-seekers into jobs. Both figures are all-time highs. Last month, the Department received 43 173 private sector vacancies (an all-time high for the month of February) and placed 8 250 job-seekers in employment.

4. Last year, we held 12 large-scale and 46 district-based job fairs. As these job fairs can meet employers' needs flexibly and help job-seekers secure employment, we will organize more such activities this year. To strengthen our employment service in remote areas, the LD will set up a new job centre each in Yuen Long and North District. The two centres are expected to come on stream in the latter half of this year.

5. Apart from these, the Manpower Development Plan for the Textiles and Clothing Industry launched in January this year provides training and employment services for local workers who are interested in entering or re-entering the textiles and clothing industry.

6. We will also continue to run the “Youth Pre-employment Training Programme” (YPTP) and the “Youth Work Experience and Training Scheme” which, together, provide through-train pre-employment and on-the-job training service for youths. The two programmes will offer no less than 17 000¹ training places in total this financial year. YPTP trainees can enroll in a wider variety of job-specific skills training courses and the workplace attachment allowance has been increased from \$1,000 to \$2,000.

7. For the middle-aged, we are helping them through the “Employment Programme for the Middle-aged” and our comprehensive employment service. We relaxed the scheme rules of the “Special Incentive Allowance Scheme for Local Domestic Helpers” late last year to promote the local domestic helpers market. Besides, we will continue to assist those having special difficulties in securing employment through the “Work Orientation and Placement Scheme” and the “Work Trial Scheme” launched last year. We will continue our efforts in providing job-seekers of different age groups with comprehensive assistance in employment.

Promoting Labour Relations

8. Good labour relations are vital to our social stability and economic prosperity. Last year, the number of labour disputes and claims mediated by the LD dropped 9% from that of 2004, the lowest since 1998. This shows that labour relations has continued to improve. Last year, only 0.03 working day per 1 000 salaried employees was lost due to strikes, which is one of the lowest figures in the world, indicating that labour relations in Hong Kong are generally harmonious. For labour disputes and claims mediated by the LD, the settlement rate reached nearly 70% (69.8%), the highest since 1994.

9. Last year, we adopted proactive strategies in clamping down at source on employers evading their wage liabilities. This had the effect of preventing wage defaults from developing into claims on the Protection of Wages on Insolvency Fund (PWIF). The number of applications received by the PWIF registered a decrease of 27% when compared to 2004. The financial position of the PWIF has been improving too. Currently, the accumulated surplus of the PWIF stands at a healthy \$358.4 million.

10. For the coming year, we will continue with our promotional work in enhancing harmonious labour relations and workplace co-operation. We will organise a large-scale award scheme to encourage good human resources practices, and a large-scale seminar on tripartite co-operation. We will also produce a bulletin on selected court cases to raise public awareness of the Employment Ordinance. We will continue to closely co-operate with the nine industry-based tripartite committees to further promote good labour relations.

¹ YPTP : 12 000 placements, YWETS : 5 000 placements.

Protecting Employee's Rights and Benefits

11. To protect the employment opportunities of local workers, the Administration will continue to step up enforcement against illegal workers and their employers. Last year, the LD, together with the Police and Immigration Department, launched 176 joint operations. This year, the Government will enhance intelligence exchanges with the Mainland, strengthen co-operation among law enforcement departments, and launch more publicity campaigns. Our aim is to clamp down on illegal employment activities at all levels, targeting in particular employers of illegal workers.

12. On the protection of employee's rights and benefits, we will keep up our efforts in tackling wage offences. Last year, the LD secured convictions of a record high of 587 summonses relating to employers' failure to pay wages — an increase of 16.5% over 2004. We will continue to adopt proactive strategies to tackle wage offences.

13. To protect the interests of elementary workers, the Administration promulgated in April 2005 a new standard employment contract for use by all contractors of government services that employed mostly non-skilled workers in order to prevent these workers from being paid less than the amount committed by the contractors in their tender offers, and to provide further protection of the workers' rights. To tie in with the adoption of the new contract, the LD has, through internal redeployment, enhanced its inspections to the workplaces of government service contractors. All procuring departments will also closely monitor the performance of their service contractors.

Enhancing Occupational Safety and Health

14. The Administration is committed to improving occupational safety and health. The number and rate of occupational injuries have been falling steadily since 1998. Compared with 1998, the number of occupational injuries went down by 30% to approximately 44 000 in 2004. The injury rate per 1 000 employees over the same period also decreased more than 30% from 26.7 to 18.1. Among various industries, the safety performance of the high-risk construction industry continued to make notable improvement. The number of industrial accidents for the construction industry in 2004 stood at 3 800, representing a hefty drop of 80% from approximately 19 600 in 1998. The accident rate per 1 000 workers over the same period also dropped from 247.9 to 60.3, down by over 70%. As indicated by the overall trend for the same period, the number of confirmed occupational diseases had also been decreasing steadily. With a view to enhancing the Department's occupational health service in the New Territories, we will set up a new occupational health clinic in North District.

15. We will continue to actively promote safety and health at work through enforcement, publicity and education. Last year, we focused our enforcement and promotional efforts on the accident-prone sectors with a view to raising the occupational safety and health awareness of the stakeholders. For this financial year, we are targeting our efforts at scaffolding work (particularly truss-out scaffolds) and the catering industry.

16. Chairman, we are happy to take questions from Members.

**Presentation by Secretary for Constitutional Affairs
at the special meeting of the Finance Committee
on Tuesday, 14 March 2006**

Chairman,

Estimate of the Constitutional Affairs Bureau

Our main priorities in the coming year will be on two fronts, namely constitutional development and Mainland affairs.

2. In 2006-07, the Constitutional Affairs Bureau (CAB) is allocated \$135.7 million, which is about \$70.6 million (or 108.4%) more than the revised estimate for 2005-06. The additional provisions will be used mainly to meet the expenses in several areas.

- ★ Firstly, establishing Economic and Trade Offices (ETOs) in Chengdu and Shanghai will incur expenditure of \$21.71 million and \$29.94 million respectively.
- ★ Secondly, an additional sum of \$12.54 million will be needed to meet the expenses arising from expansion of the functions and geographical coverage of the ETO in Guangdong (GDETO).
- ★ Thirdly, we need extra staff to deal with the administrative and resource management matters of the Mainland ETOs, and this requires additional expenditure of \$1.81 million.

Constitutional Development

Discussion on roadmap for attaining universal suffrage

3. Despite sustained lobbying efforts by the Government towards the end of last year, eventually the constitutional package for 2007/08 did not acquire the support of two-thirds of the Legislative Council (LegCo) Members. Our hope of taking forward the constitutional development did not come to fruition. However, the Government will not put aside work on constitutional development. We will continue to explore issues relating to universal suffrage through the Commission on Strategic Development. We will conclude discussions on the concepts and principles of universal suffrage by the middle of this year, and we plan to round up discussions on the design of systems for electing the Chief Executive (CE) and LegCo by universal suffrage in early 2007. We will publish these conclusions and report them to the Central Authorities.

2007 Chief Executive Election

4. Separately, we introduced into LegCo the amendment bill relating to the 2007 CE election last week. The SAR Government will work closely with the Bills Committee to be set up shortly.

District Council Review

5. As regards the review of the District Councils (DCs), we will enable DCs to participate in the management of selected district facilities, starting with facilities of the Home Affairs Department and the Leisure and Cultural Services Department. The preparation work for the review has reached its final stage. We will issue a consultation document within the first half of the year to seek the views of the public. Thereafter, we will introduce a pilot scheme to allow a number of DCs to participate in the management of selected district facilities. Subject to the outcome of the pilot scheme, we will then decide how to implement the proposal on a full scale.

Further development of political appointment system

6. Furthermore, we will collect public views on the further development of the political appointment system around the middle of this year. Specifically, we propose to create within the Government a small number of new positions dedicated to political affairs to provide support to Principal Officials, and to further strengthen the traditions of a politically neutral and professional civil service.

7. As we would like to devote a longer period of time for the development and refinement of the entire set of proposals, and in particular, to allow adequate time for consultation with civil servants, the proposals will not be put into implementation in the near future. We expect that the earliest opportunity would be around mid-2007.

Mainland Affairs

Mainland Affairs Liaison Office

8. Now I will turn to Mainland affairs. In the past eight years or so, policy bureaux have already established effective communication channels with their counterparts in the Mainland (particularly with ministries and departments of the Central Government). Thus, regional cooperation will be the priority of the Mainland Affairs Liaison Office (MALO) in future.

Regional cooperation

9. Years of hard work between the two sides have yielded good progress in Hong Kong/Guangdong cooperation. In future, we will apply further efforts to promote cooperation with other regions, in particular the Pan-Pearl River Delta (PPRD) regional cooperation.

10. To take forward PPRD regional cooperation, our future strategy is to strengthen “three flows”.

- ★ Firstly, flow of people. We will promote proactively the extension of the Individual Visit Scheme to another six PPRD provincial capitals, with the hope of putting this proposal in place around the middle of the year.
- ★ Secondly, cargo flow. To expand the flow of cargo, it is essential to enhance the infrastructural and transportation linkages between HKSAR and the ten PPRD provinces/regions. We are working closely with Guangdong and the relevant Central Authorities to explore the feasibility of various projects, including the Guangzhou-Shenzhen-Hong Kong Rail Link and the Hong Kong-Zhuhai-Macao Bridge.
- ★ Thirdly, capital flow. As at the end of last year, of the 335 Mainland companies listed in Hong Kong, 89 came from the PPRD region. We have the capacity to attract more Mainland enterprises to get listed in Hong Kong. The SAR Government will host a forum in Hong Kong next week to promote Hong Kong’s financial services to the PPRD provinces/regions.

Shanghai and Chengdu ETOs

11. The establishment of ETOs in Shanghai and Chengdu in the second half of the year will further improve Hong Kong’s representation in the Mainland. The two ETOs, together with the Beijing Office and GDETO, will cover the 31 provinces/regions/municipalities in the Mainland. In addition to performing the trade promotion function to the best of their abilities, the offices will also assist in taking forward cooperation initiatives relating to Hong Kong according to the respective areas covered by the ETOs.

12. With effect from April, the functions of the GDETO will be enhanced to provide assistance to Hong Kong residents in distress. Broadly speaking, there are two types of assistance sought by Hong Kong residents in the Mainland. The first category involves incidents of loss of money or identity documents or accidents. In practice, the majority of distress cases belong to this category. According to the experience of the Beijing Office, colleagues in the Immigration

Department have been able to handle most of such cases properly within the limits of their powers. In future, the Beijing Office and GDETO will provide assistance to Hong Kong residents in an equally professional manner.

13. The second category involves cases relating to commercial disputes. Depending on the circumstances of the complainants, the four offices will refer the cases to the relevant authorities for follow-up, or provide complainants with information on the legal services and judicial proceedings in the Mainland.

Taiwan Affairs

14. On the handling of Taiwan affairs, our current approach is very open. We welcome from Taiwan the visits of official delegations, as well as delegations of non-governmental organisations. We are prepared to make arrangements for their visits and to facilitate exchanges. Last year, we received delegations of city councillors, students and professionals from Taiwan. In the coming year, we will continue to promote exchanges in this area, and maintain liaison with the Taiwan organisations in Hong Kong.

Promotion of Basic Law

15. This year, we have reserved \$7 million for organising activities to promote the Basic Law. Together with the provisions of other bureaux and departments, the HKSAR Government as a whole will set aside some \$10 million for Basic Law promotion.

16. We are prepared to cooperate with different community bodies in organising the promotional activities.

Estimate of the Registration and Electoral Office

17. For 2006-07, we propose to allocate \$174.1 million to the Registration and Electoral Office. There has been a more significant increase in the allocation, as preparations for a number of elections will commence this year.

18. The provisions set aside for organising the Election Committee subsector elections and the CE election in the current financial year will be about \$87 million.

19. Chairman, I have completed my briefing. My colleagues and I will be pleased to respond to Members' questions.

**Presentation by Secretary for Education and Manpower
at the special meeting of the Finance Committee
on Tuesday, 14 March 2006**

Chairman,

The total expenditure for the two policy areas of education and manpower development for the financial year 2006-07 is estimated at about \$58 billion, comprising recurrent expenditure of \$48.8 billion and non-recurrent expenditure of \$9.2 billion.

Education

2. On education, the total expenditure for the coming financial year will be about \$56.5 billion, accounting for 23% of the total Government expenditure and representing an increase of 1.6% as compared with the revised estimate for 2005-06. Of this total, \$47.9 billion or 85% is recurrent in nature. The growth in recurrent expenditure is 7.1%.

3. As in previous years, education remains the largest spending area of the Government, both in terms of total expenditure and recurrent expenditure.

4. During 2006-07, we will provide additional resources for various policy initiatives to strengthen the support for schools and teachers. Specifically, we will –

- implement specialised teaching in all primary schools with the provision of 0.1 additional teacher per class, effectively achieving the class-to-teacher ratio of 1:1.5 for whole-day primary schools;
- improve the student guidance personnel-to-class ratio from 1 per 24 classes or above to 1 per 18 classes or above;
- provide additional teachers by phases at junior levels of the secondary schools which have admitted Band Three and /or the weakest 10% students; and
- make the second-tranche injection into the Language Fund to strengthen the teaching and learning of English in secondary schools and support the wider use of Putonghua in teaching the Chinese Language subject in primary and secondary schools.

5. To provide a stable working environment for the teachers, we have also decided –

- turning the five-year post of Primary School Curriculum Leader to permanent establishment; and
- making the basic Capacity Enhancement Grant a permanent provision.

6. The new academic structure for senior secondary education and higher education will remain top focus of the education sector. We have already started the preparation for the new academic structure. We will keep a close dialogue with the school sector and the tertiary institutions to ensure smooth implementation.

Manpower Development

7. The total expenditure on manpower development for 2006-07 will be about \$1.5 billion, representing an increase of 6.4% as compared with the revised estimate for 2005-06. The increase is mainly due to a higher level of estimated expenditure for reimbursement of course fees under the Continuing Education Fund.

8. We will continue to implement various initiatives in 2006-07, including the Continuing Education Fund and the Skills Upgrading Scheme, to encourage lifelong learning, so as to meet the manpower development needs of the community. We will also continue to set up Industry Advisory Committees by phases to develop specifications for competency-standards for different industries.

9. Chairman, my colleagues and I will be happy to answer questions from Members.

**Presentation by Secretary for Housing, Planning and Lands
at the special meeting of the Finance Committee
on Wednesday, 15 March 2006**

Madam Chairman,

I would like to brief you on the major activities and estimated expenditure on housing in the coming year.

Major Activities

2. First of all, the Government will continue to maintain the policy of facilitating the free operation of the residential property market so as to create a stable environment for home ownership and investment. To enhance transparency and to make information on the market situation available to prospective home buyers, we will continue to release statistics on private housing supply in the primary market regularly. We will also closely monitor the operation of the self-regulatory regime instituted by the real estate sector for the sale of uncompleted flats.

3. Second, in the area of public rental housing, the Housing Authority will continue to put in adequate resources to maintain the average waiting time for public rental housing at around three years. Following listing of The Link REIT and conclusion of the judicial review concerning public housing rent, the uncertainties bearing on the Housing Authority's financial position in the past have been cleared up. The Housing Authority's financial situation has improved and should be sustainable in the short to medium term. It will continue to manage its funds prudently to maintain a sufficient working capital to meet its recurrent and construction expenditure while fulfilling its policy commitments.

4. With a more stable financial position, the Housing Authority will launch the Total Maintenance Scheme at a cost of \$6.3 billion over the next five years to carry out inspections and maintenance works in all public rental flats. Meanwhile, a programme to enhance the support and care services for visually impaired residents in public housing estates, which will cost about \$110 million, will also be implemented. To enhance our assistance to tenants beset with financial difficulties, the Housing Authority has also relaxed the eligibility criteria for the Rent Assistance Scheme. These targeted measures are aimed at helping public housing tenants in genuine need. On a separate front, a three-month public consultation on the Housing Authority's domestic rent policy commenced on 9 March. The aim of the consultation exercise is to formulate a more flexible rent adjustment mechanism that reflects better tenants' affordability and promotes

the long-term sustainability of the public housing programme. The issue will be considered at the coming meeting of the Legislative Council Panel on Housing on 17 March. The policy on public housing rent is an important subject carrying far-reaching implications. We will listen widely so as to work out an acceptable proposal that serves the best interest of our community.

Public Expenditure on Housing

5. The public expenditure on housing in 2006-07 will be about \$15.82 billion, representing 6% of the total public expenditure. The Housing Authority accounts for \$15.66 billion or 99% of the expenditure, which will be mainly used for the construction and management of public rental housing. Of the remaining 1%, \$89 million is allocated to the Housing Department from the General Revenue to meet the Government's expenditure on four programme areas, namely, matters related to the private housing market, application of statutory building control over Housing Authority's sold and divested properties, provision of administrative support to the Appeal Panel (Housing) and rehousing eligible families affected by clearance and natural disasters.

6. To achieve efficiency savings, the Housing Authority has been striving to streamline its organisation structure and re-engineer its business processes with a view to achieving a reduction of about 3 500 posts between October 2002 and March 2007. By the end of this month, a total of 3 117 posts (including more than 20 directorate posts) will have been deleted. The resulting reduction in civil service establishment is 22%, which exceeds the target reduction of 10% set by the Government. The Housing Authority plans to further delete about 380 posts, thereby meeting the target of downsizing the overall establishment by 30%. The achievement of the above target will bring an annual savings of around \$1.3 billion in payroll costs.

Conclusion

7. In conclusion, the Housing Authority is committed to ensuring the availability of adequate resources and sites for the development of a sustainable public housing programme. Looking ahead, the Government will continue to implement a clear, comprehensive and consistent housing policy to foster the healthy development of the residential property market. The Government will also ensure rational use of scarce housing resources to meet the needs of the society.

8. My colleagues and I will be pleased to take questions from Members. Thank you.

**Presentation by Secretary for Housing, Planning and Lands
at the special meeting of the Finance Committee
on Wednesday, 15 March 2006**

Madam Chairman,

I wish to take this opportunity to brief Members on our work in the Buildings, Lands and Planning policy area in the coming year and our main focus on priority tasks.

Land Supply

2. On land supply, our policy objective is to provide sufficient land to meet the development needs of our community. In drawing up the Application List, we will make available, for application by developers, sites located in various districts, for different uses and of various sizes. To ensure that the Application List meet the market needs, we sought the views of the Real Estate Developers' Association late last year on sites for inclusion in the list. We value their input and will take into account their views where feasible and appropriate. As the 2006-07 Application List will be announced shortly, I do not propose to go into details here. Application List aside, developers may acquire land through various means, including purchasing land in the private market, acquiring and assembling existing properties for redevelopment, seeking lease modification for sites in hand for development and participating in property development projects of the two railway corporations and the Urban Renewal Authority. We will monitor the situation closely and co-ordinate the tendering of railway property development projects.

Planning for Hong Kong

3. Strategic town planning provides an important framework for the future development of Hong Kong. To this end, we have embarked on the HK2030 : Planning Vision and Strategy Study. The Study is approaching its final stage. We shall formulate a planning strategy for the future development of Hong Kong. It aims to broadly assess the land requirement, location, timing, the necessary infrastructure and environmental impacts of various developments in the next 20 to 30 years.

West Kowloon Cultural District

4. As for the development of the West Kowloon Cultural District (WKCD), as the Chief Secretary for Administration briefed the Legislative Council last

month, our first and foremost task would be to re-examine, on the original planning basis for the facilities, with a view to re-confirming the need for the Core Arts and Cultural Facilities therein and to formulate an alternative development approach for taking forward the project. To this end, the Government is establishing a new consultative setup to listen to the views of the arts and cultural sector as well as the entertainment and tourism industries, with a view to re-confirming the need for the performance venues and museums in the WKCD. Our objective of developing a world-class integrated arts, culture and entertainment district remains unchanged.

Building Safety and Maintenance

5. Encouraging owners to properly maintain their buildings, remove unauthorized building works (UBWs) and ensure building safety will continue to be our key area of work in the coming year. To further step up the work of Buildings Department (BD) in ensuring public safety, we have allocated \$830 million for five years starting from 2006-07 to further combat UBWs and enhance enforcement.

6. In order to address the building neglect problem in the long run, we launched a public consultation on Mandatory Building Inspection in October last year. Today is the last day of the consultation period. We have so far received more than 200 written submissions. In addition, the Government and some organizations have separately conducted telephone surveys during the consultation period. The views received from different channels have pointed to a general community consensus for mandating owners to inspect their buildings. There is also a majority view that owners should bear the necessary cost of building repair. In the coming months, we will consolidate and analyze the views received in formulating the basis to take forward the scheme.

Urban Renewal

7. We will prepare for the review of the Urban Renewal Strategy (URS) in 2006/07. This is a complex subject involving a great number of stakeholders. We consider it necessary to allow more time for the URA to accumulate adequate operational experience in order to carry out the URS review effectively. We and the URA will consult different sectors of the community with a view to ensuring that our urban renewal efforts will better meet the community's aspirations.

Expenditure on Buildings, Lands and Planning

8. To implement the policies on Buildings, Lands and Planning, we estimate that the public expenditure for this policy area in 2006-07 will be \$8,909 million, representing 3.4% of the total public expenditure. Compared with 2005-06, the allocation from my Operating Expenditure Envelope to the policy areas of Building, Lands and Planning in 2006-07 has been increased by \$258 million from \$2,954 million to \$3,212 million, i.e. an increase of 8.7%.

9. In the coming year, our group of departments will continue to pursue our various policy initiatives and to adopt measures including re-engineering and re-prioritising so as to enhance the value of our services to the community. We shall review and simplify land lease conditions. We shall also examine possible ways to centralize the inspection and enforcement functions of our departments, with a view to further enhancing service delivery.

10. My colleagues and I will be happy to answer any questions that Members may wish to raise. Thank you, Madam Chairman.

**Presentation by Secretary for Security
at the special meeting of the Finance Committee
on Wednesday, 15 March 2006**

Chairman,

- In the draft Estimates for the new financial year (2006/2007), the allocation on the security policy area group is \$27.1 billion, representing 11% of the total government expenditure. The two policy areas of Internal Security and Immigration Control under my responsibility will account for \$23.2 billion, which is 2.1% higher than my allocation of \$22.7 billion for the current financial year.
- With the recovery of the economy, the Government's financial situation has improved. However, we are fully committed to using our resources cost-effectively to introduce new or enhanced services. We will continue to ensure that Hong Kong remains a secure and safe city. I will briefly highlight some of the new services or enhancements.

Law and Order

- In 2005, the overall crime figure registered a decline of 4.8% and the violent crime figure remained the same. This is a pleasing result, but the Police will as always remain vigilant. The major operational targets identified by the Commissioner of Police for 2006 include combating violent crimes, triad-related cases, "quick-cash" crimes, terrorism, trafficking and abuse of dangerous drugs and offences related to visitors, tourists and illegal immigrants.

Immigration Control/ Customs Services

- We will continue to improve our services through the use of technology. Apart from expanding the automated passenger and vehicle clearance systems in phases, we have also proposed legislative amendments to enable the Immigration Department to maintain birth, death and marriage registration records and process related applications electronically. This will enable the public to submit certain immigration-related applications electronically.
- To meet increases in cross-boundary traffic and to cater for the opening of new control points for the Hong Kong-Shenzhen Western Corridor, Lok Ma Chau Spur Line and SkyPlaza, we have earmarked some \$281 million involving 1 457 posts for the departments concerned.

- To meet the public demand for a more diversified service, we have secured the necessary legislative amendments to enable the appointment of civil celebrants of marriages. We expect that the first batch of civil celebrants will be appointed by May this year.
- The Individual Visit Scheme has been extended gradually and currently covers 38 Mainland cities¹. Since its implementation in July 2003, more than 11 million Mainland residents have visited Hong Kong under the Scheme, bringing considerable benefits to the tourism, retail and related sectors. The Individual Visit Scheme will be extended to more Mainland cities, details of which will be announced in due course by the Mainland authorities. The HKSAR Government will take all necessary corresponding measures to facilitate entry of IVS visitors for sightseeing and leisure in Hong Kong.
- The Admission of Mainland Talents and Professionals Scheme and the Capital Investment Entrant Scheme were implemented in July and October 2003 respectively. As at end-January, we have received 11 344 applications from Mainland talents and professionals out of which 9 457 have been approved. 624 applicants have been granted formal approval for residence in Hong Kong under the Capital Investment Entrant Scheme. Their total investment in Hong Kong amounts to some HK\$4.5 billion, or on average HK\$7.24 million per entrant which exceeds the minimum requisite amount of HK\$6.5 million. Another 157 applicants granted approval-in-principle were allowed to enter Hong Kong as visitors to procure the necessary investment under the Scheme.
- To attract topnotch talent to come to Hong Kong for long-term development, we will introduce the Quality Migrant Admission Scheme by June this year. Under the Scheme, applicants will be required to meet a set of “must-meet” requirements before they may apply under the Scheme. Having met the “must-meet” requirements, applicants will be assessed based on a points test which takes into account factors including age, academic/professional qualifications, working experience, language proficiency, etc. There is no need for successful applicants to obtain a prior job offer in Hong Kong before they are granted entry into Hong Kong. An initial annual quota of 1 000 will be set. We will review the scheme one year after its operation and decide whether the scheme should continue or improvements should be made.
- Having regard to the international trend for enhanced passport security, we will introduce HKSAR e-passport with biometric identifier in early 2007 to safeguard and promote travel convenience enjoyed by HKSAR passport holders and to tie in with the first tide of applications for renewal of HKSAR passports issued in 1997.

¹ 21 cities in Guangdong, Beijing, Shanghai, 3 cities in Fujian, 3 cities in Jiangsu, 3 cities in Zhejiang, Tianjin, 15 districts in Chongqing, Chengdu, Jinan, Shenyang and Dalian.

Public Safety

- On emergency ambulance service, we are looking into possible options for better meeting the demands, which have been on the rise in recent years. Apart from stepping up publicity to promote the appropriate use of emergency ambulance service, we have been reviewing the modes of service delivery to ensure that emergency ambulance service resources are put to better use. This includes studying the feasibility of adopting a medical priority dispatch system in Hong Kong. At the same time, we will continue to review the resources for emergency ambulance service, such as the commissioning of a new ambulance depot at Kowloon Tong, and open recruitment of 97 ambulance staff in 2006/2007.
- We have earmarked \$31M for the procurement and replacement of fire appliances, ambulances and equipment to enhance our fire-fighting and rescue capabilities. We will also hire 207 fire services staff by open recruitment in 2006/2007.

Custody and Rehabilitation of Offenders

- To address the problems of overcrowding and outdated facilities in our penal institutions, we will seek funding approval later this year to redevelop the Lo Wu Correctional Institution.
- We will also continue to work in partnership with various sectors of the community to help rehabilitated offenders re-integrate into society. To that end, CSD will continue to organize public education and publicity activities to appeal for community acceptance and support for rehabilitated offenders.
- CSD will also start to implement an integrated procedure to improve the overall management and rehabilitation of offenders. This involves systematic evaluation of the reoffending risks and rehabilitation needs of offenders, and implementation of management measures and matching programmes for addressing such risks and needs.

Countering the Menace of Drugs

- On drug treatment and rehabilitation, we will roll out the Fourth Three-year Plan on Drug Treatment and Rehabilitation Services in Hong Kong (2006-2008) and continue to monitor the progress of the licensing scheme for drug treatment centres. For 2006-07, we will develop measures to strengthen the community primary health care support for drug treatment and rehabilitation services and map out strategies to facilitate rehabilitated persons to re-integrate into society. On preventive education, the Hong Kong Jockey Club Drug InfoCentre will continue to serve as a platform for anti-drug educational and publicity activities.

Combating Money Laundering and Terrorist Financing

- At the international level, we will continue to participate actively in the work of the Financial Action Task Force on Money Laundering and the Asia/Pacific Group on Money Laundering and contribute towards the global fight against money laundering and terrorist financing. Within Hong Kong, we shall continue our preparatory work to put in place the revised Recommendations of the Financial Action Task Force with a view to further enhancing our own regime and meeting the latest international standards.

Chairman, this concludes my opening remarks. My colleagues and I will be happy to answer questions from Members.

**Presentation by Secretary for Health, Welfare and Food
at the special meeting of the Finance Committee
on Wednesday, 15 March 2006**

Chairman and Honorable Members,

The work of the Health, Welfare and Food Bureau is intimately linked with people's livelihood. We provide health and medical care services to safeguard public health and enable a safety net to take care of the under-privileged. We provide family, youth, elderly and rehabilitation services to address the needs of the needy. We regulate medicine to ensure public health. We conduct food surveillance for safe food consumption. Besides, we work together with the Women's Commission to promote the well being of women.

2. In this year's Budget, the total recurrent expenditure of our Bureau is \$69 billion. Health expenditure accounts for \$29.9 billion. Welfare expenditure amounts to \$34.6 billion. The rest of \$4.5 billion is allocated to the food and environmental hygiene portfolio. This represents an increase over \$1 billion in our major recurrent allocation, comprising the \$650 million one-off funding granted to the Hospital Authority last year which is now converted to recurrent funding. Of this new money, around \$950 million is allocated to the health area, around \$100 million goes to welfare, and \$32 million is made available for food and environmental hygiene work. These new resources would enable us to enhance the quality of our services for the community. There are four key areas in our many tasks for this year.

- (i) of paramount importance is to prevent and control the outbreak of avian influenza. This is to ensure that Hong Kong will continue to be an international city safe in public health. Our focus is to prevent human infection and infection of local poultry. This would be balanced against our community's gastronomic penchant for fresh poultry meat;
- (ii) to strive to set up the Centre for Food Safety by the middle of this year to enhance protection for public health through strengthening the existing food safety regulatory functions;
- (iii) to continue discussion with this Council on the "2005 Smoking (Public Health) (Amendment) Bill", with a view to having the bill passed within the current legislative session. The legislation would by phases make illegal smoking in indoor public places such as restaurants and indoor work places with effect from 1 January 2007, significantly reducing hazards of second-hand smoking;

- (iv) to consult the public on health care financing by the middle of this year. The consultation seeks to build consensus on which a strong foundation for the implementation of a new health care financing scheme can be laid. This is most essential to ensure quality health care in the midst of ever rising health care expenditure.

3. As Members present are Members of the Panel on Health Services and the Panel on Food Safety and Environmental Hygiene, I would first give an account of the work programmes under these two policy areas. Later, I would turn to welfare when the Members of the Panel on Welfare Services join the meeting.

Food and Environmental Hygiene

4. On food safety and environmental hygiene side, our priorities in 2006-07 include -

Addressing Avian Influenza Problem

5. Over the past year, the whole world still came under the threat of avian influenza. In view of this, we have launched a range of measures to reduce the risk of local avian influenza outbreaks, including banning backyard poultry keeping so as to reduce the risk of poultry infected by avian influenza.

6. We also noted that there was a confirmed human case of H5N1 infection in Guangzhou, Mainland. To reduce contact between humans and live poultry as well as the duration of live poultry staying in the markets, we decided on 5 March to suspend import of live poultry, day old chicks and pet birds from Guangdong Province for three weeks for the authorities to conduct a full investigation. Subject to confirmation that there is no other human infection case and no avian influenza outbreak in the farms of Guangdong Province, we will resume import of live poultry from Guangdong to Hong Kong.

7. In the future, we will continue to implement effective measures to reduce the risk of local avian influenza outbreaks. We will maintain the number of maximum licensing capacity of local chicken farms at 2 million. We are fully aware that this would have an impact on the trade. As such, we have since July 2004 made available nearly \$600 million by phases to help voluntary exit of the trade for switches to other business. This covers farmers, wholesalers, retailers and transporters.

8. For the longer term, we are actively identifying a site in the New Territories that is relatively far from residential areas but in proximity to poultry farms for the development of a poultry slaughtering plant. This would help achieve our policy objective of separating live poultry from humans. It is expected that it would take three years for completion.

Food Safety

9. We plan to establish a Centre for Food Safety. The Centre will be established under FEHD. The arrangement is intended to address the growing public expectation for better food quality and safety standards. The Establishment Sub-committee of the Legislative Council has approved the relevant proposal on 8 February this year. The proposal will be submitted to the Finance Committee of the Legislative Council for consideration on 7 April. I hope that Members will support our proposal. If everything goes well, we hope to start the work in establishing the Centre for Food Safety in mid 2006.

10. Furthermore, we will introduce legislation for implementing nutrition labeling scheme within 2006-07 after consulting the industry. A study on regulating the safety of seafood and aquatic products is also well underway. We will consult the Legislative Council, the industries concerned and the public in due course.

Health

11. In 2006-07, expenditure on health accounts for 15% of the total recurrent government expenditure, and over 40% of the total recurrent provision of the Health, Welfare and Food Bureau. In respect of health and hospital services, 27 Legislative Council Members have raised a total of 190 questions, this reflects Members' concerns over health issues.

Health and Hospital Services

12. The new Chief Executive of the Hospital Authority has taken up his position in March, meanwhile new resources are provided to the Hospital Authority this year. Apart from converting an amount of \$650 million one off funding (which is due to lapse at the end of March) into recurrent funding, additional recurrent provision of \$300 million is provided for in the coming year's budget with additional recurrent \$300 million in each of the following two years. Such arrangement would help to alleviate the stringent financial condition of the Hospital Authority and would provide more certainty to the Authority in respect of its resources, enabling it to make longer term financial arrangements.

13. Looking ahead, the Hospital Authority faces substantial challenges: meeting public expectations, responding to increases in service demands, enhancing efficiency, improving staff morale, amongst others. All these cannot be achieved overnight. With new resources and new leadership, we hope developments will take a new aspect in the Hospital Authority.

Healthcare Financing

14. In 2006-07, we estimate that the total expenditure devoted by the Government and the public on public and private medical services would amount to more than \$60 billion. We all knew that coupling with the advancement of medical technology and an aging population, we would no longer be able to pay off future public and private medical expenditures if merely relying on taxation revenue and personal income. The Health and Medical Development Advisory Committee chaired by me is exploring into other healthcare financing options. It is expected that initial recommendations would be available for public consultation mid this year.

Social Welfare

Social Security

15. Recurrent government expenditure on Social Welfare in 2006-07 is \$34.6 billion, an increase of \$2.3 billion compared to the Revised Estimate of 2005-06. It amounts to 17.3% of total recurrent government expenditure, which ranks second following the fund allocated to Education.

16. In the past few years while the Government was under fiscal constraints, expenditure in many areas had been reduced. However, recurrent expenditure on welfare was increased every year and has doubled during the past decade. Having disregarded the growth in expenditure relating to the Comprehensive Social Security Assistance (CSSA) Scheme and other social security schemes, the expenditure on welfare has increased by more than 90%, which far exceeded the growth in the government expenditure over the same period (39.6%). In the coming year, public expenditure on welfare including the non-recurrent items will amount to \$36.2 billion.

17. The Government has never slackened in its commitment and care for the disadvantaged groups. With the growing welfare budget and heavily subsidized public health, housing and education, we have already built up a comprehensive safety net.

18. Government recurrent expenditure on social security has almost doubled from 6.3% in 1994-95 to 12.2% in 2005-06. We must ensure the sustainability of our welfare system. Our emphasis will be to strengthen the support services, thereby increasing the social capital of different people with different needs to face adversities and thrive.

Elderly Services

19. The resources we will invest in the elders will also increase. In 2006-07, Government's estimated expenditure on social security for the elders and services for the elderly (not including public housing or public health services) will amount to \$16.5 billion, representing an increase of 4.7% comparing with the 2005-06 Revised Estimate.

20. It is the wish of many of our elders to "age in place". We would take forward our vision of "ageing in place" with the additional \$20 million recurrent expenditure to strengthen home care services for elders in need by providing cleaning, meal delivery and escort services.

Family Support Programme

21. The Chief Executive has pledged in his Policy Address in October 2005 to further strengthen families and our support to them. Despite the full array of existing services available for our families, there remain needy families who are unwilling to seek help. To increase connection with these families and to address their problems at an early stage, an additional recurrent funding of \$30 million is allocated to launch a Family Support Programme (FSP) in Integrated Family Service Centres/Integrated Services Centres (ISCs), Family and Child Protective Services Units (FCPSUs) and Psychiatric Medical Social Services Units (MSSUs) in 2006-07. Also, we have allocated additional resources to strengthen and extend family education to promote the values, ethics and individual responsibility needed for family harmony.

Comprehensive Child Development Service

22. The Administration attaches much importance to early childhood development. With an emphasis on early identification and early intervention of problems, the pilot Comprehensive Child Development Service (CCDS) was launched in Sham Shui Po in July 2005. It has been extended to Tin Shui Wai, Tuen Mun and Tseung Kwan O in January 2006. An additional \$20 million has been earmarked to improve the pilot CCDS and gradually extend the service to the other communities in Hong Kong by phases. We aim at conducting a full review of the pilot run in the third quarter of 2006.

Rehabilitation

23. To achieve the policy objective of facilitating people with disabilities to fully integrate into society, we will provide convalescent and continuing rehabilitation day services to discharged patients with mental, neurological or physical impairment, and will strengthen training and support services for family members and carers of people with disabilities through various rehabilitation services programmes. We will also launch a Visiting Medical Practitioner Scheme to enhance the basic medical care for people with disabilities living in residential rehabilitation service centres.

Women's Interest

24. The total provision for promoting women's interest in 2006-07 amounts to \$19.8 million, representing an increase of 17.2% in real terms over 2005-06.

25. In the past five years, the Women's Commission, with full support by the Government, has made good progress in promoting women's interests. In 2006-07, we will continue to support the Women's Commission to promote family-friendly employment policies and practices, to explore initiatives to nurture caring families through promotion of quality parenting education, and to promote a multi-disciplinary approach to tackle domestic violence in partnership with stakeholders, amongst other on-going initiatives.

26. Chairman, this concludes my opening remarks. My colleagues and I will be happy to answer questions from Members.

**Presentation by Judiciary Administrator
at the special meeting of the Finance Committee
on Thursday, 16 March 2006**

The Judiciary has the constitutional responsibility to administer justice fairly and impartially. Its role is to maintain an independent and competent judicial system, which upholds the rule of law, safeguards the rights and freedoms of individuals and commands domestic and international confidence. In the financial year 2006-07, a total provision of \$952.7 million is sought to enable the Judiciary to achieve its objectives.

Budgetary Arrangements for the 2006-07 Draft Estimates

2. Over the past few years, in the face of the budgetary constraints facing the Hong Kong Government, the Judiciary had adopted various measures to achieve savings. These included shelving of capital projects, merging of Magistrates' Courts, reducing the number of temporary judges at all levels, leaving some judicial posts vacant, and streamlining of tasks and procedures in the Judiciary Administration. The inevitable consequence of budgetary constraints over a period of time had resulted in the lengthening of waiting times at various levels of courts.

3. In early 2005, the Judiciary reviewed the situation and considered that the long waiting times were unacceptable, particularly for the High Court and the Magistrates' Courts. The Judiciary raised the question that the provision of adequate resources to the Judiciary would have to be addressed to ensure that the quality of administration of justice would not be compromised as a result of budgetary constraints. In order, therefore, that the resource requirements of the Judiciary could be considered at an early stage, the Judiciary agreed with the Administration that our resource requirements for 2006-07 would be submitted to the Administration, in August 2005, prior to the Administration drawing up the operating expenditure envelope for the Judiciary. This was done.

4. The draft Estimates of 2006-07 for the Judiciary, amounting to \$952.7 million, represents an increase of \$59.8 million, or 6.7%, over our revised estimates for 2005-06. This would provide adequate resources for the Judiciary to embark on plans of not to close the Tsuen Wan Magistrates' Courts in January 2006 as originally planned, defreezing the recruitment of judges and judicial officers (JJOs), the appointment of more deputy JJOs to cope with the judicial work, and the redeployment and engagement of more support staff to provide support to the increased level of judicial services.

5. Indeed, the Judiciary has already started to take action in the latter half of 2005-06 to provide additional temporary judicial resources to the courts and to provide additional support staff and services for the courts' operation. In November 2005, we have also started the recruitment exercise of Permanent Magistrates. In 2006-07, we would continue to provide additional temporary judicial resources and launch the recruitment exercises for District Judges and High Court Judges. In addition, the Judiciary has planned to engage about 25 staff on a temporary basis to support the Deputy Judges and Judicial Officers.

6. The Judiciary considers that the above budgetary arrangements are working satisfactorily, and the Administration has been helpful in the process.

Waiting Times

7. As mentioned above, the Judiciary has been monitoring the waiting times at various levels of courts and has taken measures to redeploy judicial resources over the last six months to the pressure areas with a view to keeping them reasonably within targets. There are emerging indications that the measures are becoming effective.

8. In 2005, in the Court of First Instance of the High Court, the average waiting times of the Criminal and Civil Fixture Lists were 193 days and 233 days respectively. These have been significantly reduced during the last six months, standing at 157 days for the Criminal Fixture List and 172 days for the Civil Fixture List.

9. At the Magistrates' Courts, the waiting time was about three months in early 2005. Over the last six months, the average waiting times were about 37 days for charge cases with defendants in custody and 63 days for those with defendants on bail.

10. We are aware that there may be fluctuations in the waiting times from time to time, but the above developments are encouraging.

Civil Justice Reform

11. In 2005, the Steering Committee on Civil Justice Reform has been working on the amendments to the relevant primary and subsidiary legislation. The amendment exercise is well underway. We would be ready to consult the legal profession on the draft legislation shortly. We have also started the study on the application of the Civil Justice Reform to the District Court and will be consulting the profession. Further, the Steering Committee is also working on formulating an information technology enhancement strategy to support the reformed procedures.

Conclusion

12. The Judiciary will continue to explore areas for further improvements to enhance access to justice and to provide quality services to court users and members of the public.

13. Thank you.

**Presentation by Secretary for Justice
at the special meeting of the Finance Committee
on Thursday, 16 March 2006**

Chairman and Members, Good Afternoon,

The Department of Justice has an important mission, which is to uphold the rule of law, to provide efficient and effective legal service to the Government and to maintain and improve the present legal system. Our work is delivered through five programmes, namely: Prosecutions, Civil, Legal Policy, Law Drafting and International Law. I would like to highlight some of our major areas of work in these five programmes to help put our estimates of expenditure for 2006-07 in context.

Programme 1 - Prosecutions

2. Article 63 of the Basic Law provides that the Department of Justice shall control criminal prosecutions, free from any interference. In the year ahead, we will continue to prosecute cases firmly and fairly, in accordance with our established and published prosecution policy guidelines. Public expectations of prosecutors are high, and we shall further promote the standards of prosecution.

3. Recent developments in case law have refined the ambit of the duty of disclosure imposed upon those involved in the conduct of cases. The Prosecutions Division is liaising with the law enforcement agencies to ensure that their internal guidelines conform to the requirements of the law and adequately reflect the latest legal developments. This exercise is proceeding apace.

4. Prosecutors in different places must work constructively together to promote high standards of criminal justice, and to counter transnational crime in all its forms. Through our membership of the International Association of Prosecutors, we will contribute directly to prosecutorial thought and action at the global level.

Programme 2 – Civil

5. The Civil Division provides litigation support and advisory services to Government bureaux and departments as may be required on a wide range of civil law issues. In 2005 we experienced a challenging year in terms of volume and complexity of work.

6. On the Civil Litigation side, we expect the trend of increasing workload will continue in 2006. During 2005, 1,258 civil proceedings were brought by the Government, and 1,345 civil proceedings were brought against the Government. Major litigation handled in the year included judicial review proceedings raising constitutional law and human rights issues, common law claims in connection with Civil Service Regulations, highly complex Government rent appeals and insider dealing inquiries. Many of these cases will continue into 2006, and we expect that 2,727 new civil proceedings of varying complexity will arise in 2006.

7. Turning to the advisory side, the workload is expected to remain at the same level of 2005. Some of the more significant projects involving commercial elements and requiring substantial legal advice in the year included the implementation of the Hong Kong Disneyland, the proposed merger of the two railway corporations, the proposed development of the West Kowloon Cultural District and the cruise terminal, as well as the proposed Hong Kong-Zhuhai-Macao bridge. The demand for legal advice and requests for drafting and vetting of commercial documents in relation to those projects will continue in 2006. Other matters, including amendments to the Companies Ordinance, the revision and extension of the Scheme of Control Agreements with the two power companies, etc. will also require significant legal inputs in 2006.

Programme 3 – Legal Policy

8. The Closer Economic Partnership Arrangement (CEPA) III took effect on 1 January this year. It enables practitioners to enjoy greater flexibility in forming associations with Mainland law firms and, subject to certain exceptions, to maintain their practice in Hong Kong while simultaneously practising as lawyers in the Mainland. The legal professional bodies acknowledge that CEPA has had a positive impact on their provision of legal services in the Mainland. The Department will continue to work closely with the legal profession on the implementation of CEPA and on further liberalisation of the Mainland legal services market. I also have plans to visit Beijing to discuss with the Ministry of Justice and other relevant departments further steps that can be taken to enhance mutual legal understanding between Hong Kong and the Mainland.

9. I am pleased to inform members that two of our projects, which are the consultancy study in respect of the demand for and supply of legal and related services and the bilingual community legal information website, have been progressing smoothly. We are also preparing draft amendments to the Arbitration Ordinance, and taking steps to implement the Law Reform Commission's proposals regarding domicile and privity of contract.

Programme 4 – Law Drafting

10. In terms of the volume of legislation published in the Gazette, the output of the Law Drafting Division grew considerably in 2005. The total

number of pages (both in English and Chinese) of bills and subsidiary legislation gazetted rose from 2,796 in 2004 to 3,484 in 2005. We expect a slight increase in the numbers of bills and of subsidiary legislation gazetted in 2006.

11. Continuing effort will be made to help our draftsmen to enhance their law drafting skill. Our in-house mentorship programme, where six directorate counsel each take on two or three non-directorate counsel as his or her mentors, is an ongoing initiative. In the past year, two Senior Government Counsel were attached to the legislative drafting offices in the UK and Canada in order to gain wider drafting experience. Funds have been reserved for a couple of similar attachments in 2006-07.

Programme 5 – International Law

12. In the coming year, the International Law Division will continue to provide advice on international law issues, negotiate international agreements or contribute as legal advisers in negotiations and handle requests for international legal co-operation to bring benefits to the HKSAR. We will also continue to handle and co-ordinate requests to and from the HKSAR concerning surrender of fugitive offenders, mutual legal assistance and transfer of sentenced persons.

Expenditure

13. Our financial provision for the whole Department for 2006-07 is \$879.6M which is 2.7% (or \$23M in dollar terms) higher than our revised estimated expenditure for 2005-06 (which is \$856.6M). We will endeavour to provide a cost effective service within this financial provision.

14. We will continue our practice of briefing out cases to private sector lawyers if deemed necessary and appropriate. Our total provision for briefing-out expenditure in 2006-07 is \$165.6M. This represents a 4.5% increase (or \$7.2M in dollar terms) over the corresponding revised estimates of \$158.4M for 2005-06.

Staffing

15. Despite the general civil service recruitment freeze, we have obtained special approval to conduct an exercise in 2005 to recruit Government Counsel. We have just made offers to the 22 selected candidates, and we look forward to welcoming them later in the year. We will organise a familiarisation programme to help the newly recruited Government Counsel to settle into their jobs. Ongoing training programmes will be provided to them and to existing counsel to sharpen their professional skills.

Conclusion

16. I hope I have given you an overview of the major work in the Department in the coming year. My colleagues and I will be pleased to provide any further information Members may require on our estimated expenditure for 2006-07.

17. Thank you.

**Presentation by Secretary for the Environment, Transport and Works
at the special meeting of the Finance Committee
on Thursday, 16 March 2006**

Chairman,

I am pleased to attend the Special Finance Committee meeting today to brief Members on the estimated expenditure relating to public works in the 2006-07 financial year.

Capital Works Programme

Our public works projects have been progressing smoothly in the 2005-06 financial year, with major items including infrastructure for the Hong Kong Disneyland, infrastructure for the back-up area of Container Terminal No. 9, widening of Yuen Long Highway, Deep Bay Link, and Hong Kong – Shenzhen Western Corridor, etc.

As for the 2006-07 financial year, on-going mega infrastructure projects will include Route 8, Central Reclamation Phase III and the co-located boundary crossing facilities at Shekou, Shenzhen. Furthermore, Stage 2 of the Water Mains Replacement and Rehabilitation programme will commence works in early 2007. We are also devoting all efforts to pursue other projects in the pipeline, such as the connection between Hong Kong – Zhuhai – Macao Bridge and North Lantau Highway, Kai Tak development, Central – Wan Chai Bypass, and Hong Kong West Drainage Tunnel. To boost the creation of new jobs, we will also expedite the delivery of some leisure/cultural projects and minor works in various districts.

Wages Arrears and Subcontracting in the Construction Industry

Apart from creating more job opportunities, Government as a major employer in the construction industry has the utmost responsibility to tackle the problem of wage arrears. In fact, we have formed a working group with the industry to try out a series of control measures including installation of a computerized smart card system at construction sites to keep records of workers' attendance; requirement for all site workers to enter into written employment contracts with their employers; arranging for bank auto-payment in respect of wages and Mandatory Provident Fund (MPF) contributions; requirement for main contractors to submit copies of wage/MPF payment records; employment of designated staff to handle complaints on arrears of wages/MPF contributions; as well as imposition of a limit on the number of subcontracting layers for selected trades and components of works.

Given that these measures may affect to some extent the operation of the industry, consensus must be obtained from all concerned parties before full implementation. To this end, we have introduced these measures in two pilot projects, and will also try them out in the third one later this year. In view of the public concern, we will consider to advance the introduction of measures with proven effectiveness to more public works projects.

Construction Workers Registration System

To alleviate the problems of wage arrears and employment of illegal workers, one of the key measures is the mandatory Construction Workers Registration System formally launched on December 29 last year. Government will continue to communicate and work jointly with the Construction Workers Registration Authority and trade unions on simplifying the registration procedures and improving other arrangements, in order that the registration system could be fully rolled out as soon as possible.

Establishment of the Construction Industry Council

For the long term, both Government and members of the industry look towards an early establishment of the Construction Industry Council (CIC) for the concerted efforts to elevate the quality and changing the traditional culture, which will then enhance our productivity and expertise. The scrutiny of the Bill is now in the final stage. We have reached consensus with the Bills Committee on expanding CIC's functions, developing a model for nomination and appointment of members, increasing the seats for the labour sector as well as refining the mechanism for declaration of interest, etc. When the remaining details including the transitional arrangements have been sorted out, the formation of the CIC will proceed at full speed.

Greening Policy

Chairman, the citizens of Hong Kong are becoming more and more concerned about the living environment in recent years, and so we must now pay more attention to landscaping and greening works when planning and implementing public works projects. During last two years, we have planted some 30 million trees, shrubs and annuals. As for the next year, we will focus our efforts on increasing greened areas with coherent themes and plant species to promote different district identities. For instance, we have completed the Greening Master Plans for Tsim Sha Tsui and Central in mid-2005 with their respective themes of Jade Necklace and Heart of Gold. The related greening works will commence in May 2006 for completion in early 2007. As regards the Greening Master Plans for Sheung Wan/Wan Chai/Causeway Bay and Mong Kok/Yau Ma Tei, we are actively discussing with council members on different modes of implementation so as to increase the participation of the local community.

Decking of Nullahs

On the other hand, for citizens residing nears nullahs, our prime task in beautifying the environment is to complete on schedule the decking of the open nullahs, at a total cost of around \$1.2 billion. The works for three of these projects have commenced smoothly. We envisage to finish decking eight nullahs in 2007 while the remaining eight will be completed progressively in the following years, benefiting the community as a whole.

Total Water Management

Lastly, I wish to mention briefly the progress on the Total Water Management programme. Since the population of Hong Kong and the neighbouring areas is ever-increasing and coupled with the effects of rapid industrialization, we must plan ahead to ensure that we have a sustainable water supply system. On conservation of water, apart from promoting rational utilization of water and protection of water resources through public education, we have expedited the replacement and rehabilitation of water mains to help reduce leakage. On expansion of water resources, we will continue to conduct researches on reclaimed water and new water resources. These include the pilot scheme at Ngong Ping for the use of reclaimed water, which will commence operation soon, as well as the study on desalination by reverse osmosis technology. After gathering data from the various pilot schemes, we will map out a long-term water resources management strategy and implementation plan in the third quarter of next year.

Chairman, I, as well as the Permanent Secretary and the Works Directors, will be pleased to answer any questions the Honourable Members may have.

**Presentation by Secretary for the Environment, Transport and Works
at the special meeting of the Finance Committee
on Thursday, 16 March 2006**

Chairman,

I am delighted to attend the special meeting of the Finance Committee today to brief Members on the part of the 2006-07 Estimates which relates to the environmental protection and conservation portfolio.

2. The allocation for the policy area of environmental protection and conservation in the 2006-07 financial year is about \$5.7 billion, representing an increase of about \$416 million or 7.5% in real terms over the revised estimate for last year.

3. Of the total allocation of \$5.7 billion, the operating expenditure is about \$4.2 billion, which is \$284 million or 6.9% in real terms more than the revised estimate for last year. The additional allocation will mainly be for the Civil Engineering and Development Department to implement the scheme on cross-boundary delivery of public fill. As regards the number of posts, there will be a net reduction of 4 posts in the Environmental Protection Department in 2006-07.

4. The provision for capital expenditure in 2006-07 is about \$1.5 billion, which is \$131 million more than the revised estimate for last year, representing an increase of 9.4% in real terms.

5. I will now outline the priority areas under the environmental protection and conservation portfolio in the coming year.

Improving Air Quality

6. The Government is very concerned about the air quality of Hong Kong. To improve air quality, we will continue to take vigorous measures on three fronts to make sustained improvement in air quality.

7. As power plants remain the largest source of air pollution in Hong Kong, our priority task is to reduce emissions from power plants. To fully achieve the emissions reduction targets by 2010, we have asked the power companies to accelerate the timing of emissions reduction projects, increase the use of ultra-low sulphur coal and use natural gas for power generation as much as possible. We will progressively tighten the emissions caps during the renewal of the power

companies' Specified Process Licences. In the "Future Development of the Electricity Market in Hong Kong Stage II Consultation", the Government has made a number of proposals, such as to link the permitted rate of return on all fixed assets of the power companies to their achievement of the emissions caps stipulated in the licences issued under the Air Pollution Control Ordinance; to provide financial incentives to encourage the power companies to reduce their emissions to levels below those required in the licences; to subject emissions reduction facilities to the lowest rate of return (i.e. lower than all other assets); to give a higher rate of return for renewable energy infrastructure; to institute a standard arrangement for renewable energy users to connect to the grid for backup supply and to extend the arrangement to cover renewable energy systems with capacities above 200kW.

8. Secondly, we are making efforts to further reduce the emission of air pollutants in Hong Kong. To reduce vehicle emissions, the Government has adopted Euro IV emission standards for all newly registered vehicles since 1 January 2006 in tandem with the European Union.

9. Thirdly, we will continue to tackle the regional air pollution problem. Both the governments of Hong Kong and Guangdong would like to see early improvement in regional air quality. Both sides are committed to achieving the emissions reduction targets by 2010 (as announced in April 2002) as scheduled through the continued implementation of the Pearl River Delta (PRD) Regional Air Quality Management Plan. Moreover, we will continue to work on the Emissions Trading Pilot Scheme for Thermal Power Plants in the PRD region with the Guangdong Environmental Protection Bureau. Details of the scheme are expected to be finalised in 2006, so that prospective power plants can identify their trading partners and draw up emissions trading contracts. The two governments will continue to work closely with a view to achieving the emissions reduction targets by 2010.

Treatment of Solid Waste

10. Treatment of solid waste is an environmental issue that we must face and deal with quickly. One of the key elements in this regard is how we manage municipal solid waste. In December 2005, we published "A Policy Framework for the Management of Municipal Solid Waste (2005-2014)". The policy framework sets out the strategy and measures to address the municipal solid waste in Hong Kong over the next decade. The thrust of the strategy is to use simple, yet effective, economic tools that will create incentives for the community to recycle more and discard less, in line with the "polluter pays" principle. The community has generally reacted positively and various green groups welcome and support the direction for managing municipal solid waste as proposed in the policy framework. They consider that it can help to address our pressing waste problem.

11. We aim to introduce umbrella legislation in 2006 for implementing the Producer Responsibility Schemes for products such as electrical and electronic equipment, vehicle tyres and plastic shopping bags. On the EcoPark, Phase I will be ready for lease to tenants by the end of 2006 for construction works. The operation of the EcoPark will be in line with the Government's waste management approach, such as giving priority to businesses related to the targets of the Producer Responsibility Schemes.

Harbour Area Treatment Scheme

12. To improve the water quality in Victoria Harbour, we are taking forward the second stage of the Harbour Area Treatment Scheme, which, coupled with the improvement to all sewer facilities in Hong Kong, will tackle pollution at source. While the Government will bear the construction cost, the public has to pay for the operating costs of sewage treatment in line the "polluter pays" principle. This will reduce taxpayers' long-term subsidy on the operation of sewage treatment facilities, and encourage households and businesses to reduce pollution. In December 2005, the Finance Committee of the Legislative Council approved the funding of \$166.5 million for the preliminary planning and design of the tunnel conveyance system, the environmental impact assessment and site investigations of the Harbour Area Treatment Scheme Stage 2A. We are now reviewing the existing sewage charging scheme in accordance with the "polluter pays" principle, so that the costs will be fairly shared among the public and the relevant sectors. We expect the proposal to be finalized shortly, and we will submit the proposal on revised charges to the Council in the first half of this year.

Conclusion

13. I hope Members will continue to support our policies and measures to protect the environment and conserve our ecological resources, which will further improve our living environment and competitiveness as a world city.

14. Chairman, I, together with the Permanent Secretary and colleagues, would be pleased to answer Members' questions on this part of the Estimates.

**Presentation by Secretary for the Environment, Transport and Works
at the special meeting of the Finance Committee
on Thursday, 16 March 2006**

Chairman,

I am delighted to attend the special meeting of the Finance Committee today to brief Members on the part of the 2006-07 Estimates which relates to the transport portfolio.

2. The allocation for the policy area of transport in the 2006-07 financial year is about \$9.08 billion, representing a decrease of about \$1.67 billion or 15.64% in real terms over the revised estimate for last year.

3. Of the total allocation of \$9.08 billion, the operating expenditure is about \$3.05 billion, which is \$110 million or 3.35% in real terms more than the revised estimate for last year. The additional allocation will mainly be used for a number of services, including:

- (a) providing professional support in respect of processing land compensation claims and land matters for various railway projects;
- (b) taking over the maintenance of public piers from Economic Development and Labour Bureau;
- (c) strengthening the vegetation maintenance service for roadside slopes and high speed roads; and
- (d) pressing ahead with other transport-related tasks such as implementation of various road safety measures as well as the recommendations of the Task Force on Emergency Transport Co-ordination, etc.

As regards the number of posts, there will be a net reduction of 23 and 22 posts in Transport Department and Highways Department respectively in 2006-07.

4. The provision for capital expenditure in 2006-07 is around \$6.03 billion, which is about \$1.78 billion less than the revised estimate for last year, representing a decrease of 22.80% in real terms. The decrease is mainly due to a net decrease in expenditure for highway projects as a result of the

completion in this financial year of a number of mega projects such as the Hong Kong section of the Hong Kong-Shenzhen Western Corridor and Deep Bay Link. In addition, various major projects such as Castle Peak Road Improvements between Area 2 and Sham Tseng, and between Sham Tseng and Ka Loon Tsuen in Tsuen Wan, are approaching completion and there is therefore a reduction in their cashflow requirements.

5. I will now outline the priority areas under the transport portfolio in the coming year:

- (a) We will implement various cross-boundary transport infrastructure projects with a view to providing more and better boundary crossings to support the ever-increasing regional economic cooperation between Hong Kong and the Mainland. In the light of the current works progress, the Shenzhen section of the Hong Kong-Shenzhen Western Corridor and the main works of the boundary crossing facilities at Shekou can be completed end of this year. The target is to seek to commission the Hong Kong-Shenzhen Western Corridor in the first half of next year. Before its commissioning, we will firm up with the Mainland authorities the relevant regulatory arrangements for cross-boundary vehicles. In addition, we will monitor closely the progress of the Sheung Shui to Lok Ma Chau Spur Line, and will make preparation for its commissioning next year. We will also proceed with further planning work for the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the advance work for the Hong Kong-Zhuhai-Macao Bridge.
- (b) On local transport infrastructure, we will monitor the construction of the Kowloon Southern Link for commissioning in 2009. We will also actively pursue the planning of the Shatin to Central Link, the Northern Link and the West Island Line, and assess the viability of the South Island Line. We will at the same time proceed with the planning for the Central Kowloon Route and the widening of Gascoigne Road Flyover, and continue to implement the various highway projects under construction, including Castle Peak Road Improvements for completion in phases between this year and next year, and Route 8 for completion in phases from 2007 to 2008.
- (c) On public transport services, we will, in conjunction with Financial Services and the Treasury Bureau, seek to complete the negotiations with MTR Corporation Limited on the transaction terms for a possible merger between the two railway corporations and make an announcement as soon as possible.

- (d) On road safety, we will further enhance road safety by means of legislation, enforcement as well as publicity and education. We will also introduce a voluntary registration scheme for vehicle mechanics to enhance the standard of the vehicle maintenance trade.
- (e) On traffic management, we will spare no effort in implementing the recommendations of the Task Force on Emergency Transport Co-ordination, with a view to enhancing the efficiency and coordination in handling traffic and transport emergencies, and disseminating traffic information to the public through different channels in a timely manner.
- (f) Finally on the environment side, we will continue to work closely with franchised bus companies on the deployment of environmentally friendly buses along busy corridors to help improve air quality.

6. Chairman, I, together with the Permanent Secretary for Transport, the Director of Highways and the Commissioner for Transport, would be pleased to answer Members' questions on this part of the Estimates.