

# **OFFICIAL RECORD OF PROCEEDINGS**

**Wednesday, 24 February 2010**

**The Council met at Eleven o'clock**

## **MEMBERS PRESENT:**

THE PRESIDENT

THE HONOURABLE JASPER TSANG YOK-SING, G.B.S., J.P.

THE HONOURABLE ALBERT HO CHUN-YAN

IR DR THE HONOURABLE RAYMOND HO CHUNG-TAI, S.B.S., S.B.ST.J., J.P.

THE HONOURABLE LEE CHEUK-YAN

DR THE HONOURABLE DAVID LI KWOK-PO, G.B.M., G.B.S., J.P.

THE HONOURABLE FRED LI WAH-MING, S.B.S., J.P.

DR THE HONOURABLE MARGARET NG

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHAN KAM-LAM, S.B.S., J.P.

THE HONOURABLE MRS SOPHIE LEUNG LAU YAU-FUN, G.B.S., J.P.

THE HONOURABLE LEUNG YIU-CHUNG

DR THE HONOURABLE PHILIP WONG YU-HONG, G.B.S.

THE HONOURABLE WONG YUNG-KAN, S.B.S., J.P.

THE HONOURABLE LAU KONG-WAH, J.P.

THE HONOURABLE LAU WONG-FAT, G.B.M., G.B.S., J.P.

THE HONOURABLE MIRIAM LAU KIN-YEE, G.B.S., J.P.

THE HONOURABLE EMILY LAU WAI-HING, J.P.

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE TAM YIU-CHUNG, G.B.S., J.P.

THE HONOURABLE ABRAHAM SHEK LAI-HIM, S.B.S., J.P.

THE HONOURABLE LI FUNG-YING, B.B.S., J.P.

THE HONOURABLE TOMMY CHEUNG YU-YAN, S.B.S., J.P.

THE HONOURABLE FREDERICK FUNG KIN-KEE, S.B.S., J.P.

THE HONOURABLE AUDREY EU YUET-MEE, S.C., J.P.

THE HONOURABLE VINCENT FANG KANG, S.B.S., J.P.

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE LEE WING-TAT

DR THE HONOURABLE JOSEPH LEE KOK-LONG, S.B.S., J.P.

THE HONOURABLE JEFFREY LAM KIN-FUNG, S.B.S., J.P.

THE HONOURABLE ANDREW LEUNG KWAN-YUEN, S.B.S., J.P.

THE HONOURABLE CHEUNG HOK-MING, G.B.S., J.P.

THE HONOURABLE WONG TING-KWONG, B.B.S., J.P.

THE HONOURABLE RONNY TONG KA-WAH, S.C.

THE HONOURABLE CHIM PUI-CHUNG

PROF THE HONOURABLE PATRICK LAU SAU-SHING, S.B.S., J.P.

THE HONOURABLE KAM NAI-WAI, M.H.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE STARRY LEE WAI-KING

DR THE HONOURABLE LAM TAI-FAI, B.B.S., J.P.

THE HONOURABLE CHAN HAK-KAN

THE HONOURABLE PAUL CHAN MO-PO, M.H., J.P.

THE HONOURABLE CHAN KIN-POR, J.P.

DR THE HONOURABLE PRISCILLA LEUNG MEI-FUN

DR THE HONOURABLE LEUNG KA-LAU

THE HONOURABLE CHEUNG KWOK-CHE

THE HONOURABLE WONG SING-CHI

THE HONOURABLE WONG KWOK-KIN, B.B.S.

THE HONOURABLE IP WAI-MING, M.H.

THE HONOURABLE IP KWOK-HIM, G.B.S., J.P.

THE HONOURABLE MRS REGINA IP LAU SUK-YEE, G.B.S., J.P.

DR THE HONOURABLE PAN PEY-CHYOU

THE HONOURABLE PAUL TSE WAI-CHUN

DR THE HONOURABLE SAMSON TAM WAI-HO, J.P.

**MEMBER ABSENT:**

THE HONOURABLE TIMOTHY FOK TSUN-TING, G.B.S., J.P.

**PUBLIC OFFICERS ATTENDING:**

THE HONOURABLE HENRY TANG YING-YEN, G.B.M., G.B.S., J.P.  
THE CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE JOHN TSANG CHUN-WAH, J.P.  
THE FINANCIAL SECRETARY

THE HONOURABLE WONG YAN-LUNG, S.C., J.P.  
THE SECRETARY FOR JUSTICE

THE HONOURABLE MICHAEL SUEN MING-YEUNG, G.B.S., J.P.  
SECRETARY FOR EDUCATION

THE HONOURABLE STEPHEN LAM SUI-LUNG, G.B.S., J.P.  
SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS

THE HONOURABLE AMBROSE LEE SIU-KWONG, G.B.S., I.D.S.M., J.P.  
SECRETARY FOR SECURITY

DR THE HONOURABLE YORK CHOW YAT-NGOK, G.B.S., J.P.  
SECRETARY FOR FOOD AND HEALTH

THE HONOURABLE DENISE YUE CHUNG-YEE, G.B.S., J.P.  
SECRETARY FOR THE CIVIL SERVICE

THE HONOURABLE TSANG TAK-SING, J.P.  
SECRETARY FOR HOME AFFAIRS

THE HONOURABLE MATTHEW CHEUNG KIN-CHUNG, G.B.S., J.P.  
SECRETARY FOR LABOUR AND WELFARE

PROF THE HONOURABLE K C CHAN, S.B.S., J.P.  
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY



THE HONOURABLE MRS CARRIE LAM CHENG YUET-NGOR, J.P.  
SECRETARY FOR DEVELOPMENT

THE HONOURABLE EDWARD YAU TANG-WAH, J.P.  
SECRETARY FOR THE ENVIRONMENT

THE HONOURABLE EVA CHENG, J.P.  
SECRETARY FOR TRANSPORT AND HOUSING

THE HONOURABLE MRS RITA LAU NG WAI-LAN, J.P.  
SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT

PROF LAU SIU-KAI, J.P.  
HEAD, CENTRAL POLICY UNIT

**CLERK IN ATTENDANCE:**

MS PAULINE NG MAN-WAH, SECRETARY GENERAL

(Some Members were still whispering among themselves after the President had entered the Chamber)

**PRESIDENT** (in Cantonese): I can still feel some festive mood of the Chinese New Year. *(Laughter)*

## TABLING OF PAPERS

The following papers were laid on the table pursuant to Rule 21(2) of the Rules of Procedure:

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
Prisons (Amendment) Order 2010 .....	13/2010
Immigration (Places of Detention) (Amendment) Order 2010 .....	14/2010
Immigration (Treatment of Detainees) (Amendment) Order 2010 .....	15/2010
Smoking (Public Health) Ordinance (Amendment of Schedule 2) Order 2010 .....	16/2010
Occupational Deafness (Compensation) (Amendment) Ordinance 2010 (Commencement) Notice .....	17/2010

## Other Papers

- No. 68 — Education Scholarships Fund  
Audited statement of accounts together with the Auditor's report and Trustee's report on the administration of the Fund for the year ended 31 August 2009
- No. 69 — Audited statement of accounts and report on activities of the Hong Kong Examinations and Assessment Authority for the year ended 31 August 2009

- No. 70 — Hong Kong Arts Development Council Annual Report 2008/09
- No. 71 — Li Po Chun Charitable Trust Fund  
Signed and audited financial statements together with the Auditor's report and report by the Trustee on the Administration of the Fund for the year ended 31 August 2009
- No. 72 — Estimates  
for the year ending 31 March 2011  
Volume IA — General Revenue Account  
Volume IB — General Revenue Account
- No. 73 — Estimates  
for the year ending 31 March 2011  
Volume II — Fund Accounts

Report No. 5/09-10 of the House Committee on Consideration of Subsidiary Legislation and Other Instruments

## WRITTEN ANSWERS TO QUESTIONS

### Implementation of Transport Information System

1. **DR SAMSON TAM** (in Chinese): *President, regarding the utilization of the Road Traffic Information Service (RTIS) and the Public Transport Enquiry Service (PTES) of the Transport Information System (TIS) which was developed by the Transport Department (TD), will the Government inform this Council:*

- (a) *whether the authorities have compiled statistics on the average monthly utilization rate of the aforesaid two services since their introduction; if they have, of the details; if not, the reasons for that;*
- (b) *whether the authorities have received complaints from members of the public about the aforesaid two services; if they have, of the number of complaints and the details of them; and*

- (c) *given that it has been reported that the TD is currently unable to provide real-time traffic information for the public and the trades concerned, whether the authorities will expeditiously provide such real-time information services, so as to improve and promote the development of an intelligent transport system in Hong Kong; if they will, of the details; if not, the reasons for that?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Chinese): President, my reply to the three parts of the question is as follows:

- (a) and (b)

The TD is committed to promoting the development of Intelligent Transport Systems (ITS) as well as research and development of TIS to provide more transport and traffic information to the public via the Internet. The pilot versions of the RTIS and PTES were launched in February and April 2009 respectively.

The pilot version of RTIS provides on the Internet an integrated platform for the dissemination of real-time traffic information including special traffic news, traffic closed-circuit television (CCTV) images and traffic speed map to facilitate the choosing of optimum driving routes by motorists. During the pilot period, in every month, about 5 000 visitors and 6 000 hits were registered on average. The TD has not received any comments or complaints from users. In light of the experience during the pilot, the TD is now studying the possibility of introducing a Personal Digital Assistant (PDA) version of the RTIS and upgrading the search function for roads on the traffic speed map in order to facilitate the obtaining of information via mobile devices and more convenient search of the traffic speeds of individual roads. The relevant services are expected to launch formally in the second half of 2010.

The pilot version of PTES provides a multi-modal public transport route point-to-point search service with map display and fare information for members of the public to enquire the optimum modes and routes of public transport. During the pilot period, in every month, about 45 000 visitors and 730 000 hits were registered on average. The TD has received 52 comments or complaints from users, covering mainly user interface, stop/station and map

information, suggested routes and system capacity, and so on. In light of these comments, the TD has enhanced the system capacity, updated information on the routes and maps, and improved certain functions and computation programs of the system. It plans to formally launch the relevant enquiry service in the first half of 2010.

- (c) Since the Government mapped out the blueprint for the development of ITS in Hong Kong in 2001, the TD has been maintaining contact with the transport industry, academia and related organizations to keep abreast of technological developments and market demand. The TD has also been proactively applying new technologies to enhance the dissemination of transport information. For example, it has been supplying real-time traffic information of CCTV images to mobile network operators since 2007, and it plans to launch the PDA version of the RTIS this year. The TD is also considering to provide more traffic information to value-added services providers in the private sector, such as telecommunication companies, fleets and freight operators, vehicle manufacturers, as well as logistics and IT organizations. The aim is to help them develop applications of the ITS, including car navigation, fleet management systems and personalized information services, so that better and quicker traffic information may be provided to benefit members of the public.

### **Appointment of Legislative Council Members to Advisory and Statutory Bodies**

2. **MR LEE CHEUK-YAN** (in Chinese): *President, will the Government inform this Council of the appointment of individual Legislative Council Members of the current term to advisory and statutory bodies (ASBs) as at the end of last year (including the names and types of ASBs, the tenure of their appointments, as well as their respective rates of attendance at meetings of such ASBs)?*

**SECRETARY FOR HOME AFFAIRS** (in Chinese): President, as at 31 December 2009, 39 persons who were Legislative Council Members of the current term were appointed on personal basis by the Government as non-official members of ASBs. They took up 107 posts of non-official members of the ASBs. Please refer to the Annex for the information provided by relevant bureaux.

## Annex

## Details of Legislative Council Members appointed to Advisory and Statutory Bodies (ASBs)(As at 31 December 2009)

<i>Legislative Council Members appointed by the Government as non-official members of ASBs</i>	<i>Name of ASBs</i>	<i>Type</i>	<i>Duration of present term (in number of years)</i>	<i>Attendance since first appointment to the ASBs(%)</i>	<i>Remarks</i>
Hon CHAN Kam-lam	Advisory Committee on Corruption of the ICAC	Non-statutory	2	4 (44.4%)	
Hon CHAN Kam-lam	Deposit-taking Companies Advisory Committee	Statutory	1.5	8 (66.7%)	
Hon CHAN Kam-lam	Securities and Futures Commission	Statutory	2	27 (73%)	
Hon CHAN Kam-lam	Travel Industry Compensation Fund Management Board	Statutory	2	6 (85.7%)	
Hon CHAN Kin-por	Health and Medical Development Advisory Committee	Non-statutory	2	13 (86.7%)	
Hon CHAN Kin-por	Insurance Advisory Committee	Statutory	2	10 (100%)	
Hon CHAN Kin-por	Mandatory Provident Fund Schemes Advisory Committee	Statutory	2	9 (90%)	
Hon Paul CHAN Mo-po	Commission on Strategic Development	Non-statutory	3	13 (72.2%)	
Hon Paul CHAN Mo-po	Consumer Council	Statutory	2	7 (50%)	
Hon Paul CHAN Mo-po	Governing Committee of the Beat Drugs Fund Association	Non-statutory	2	9 (69.2%)	
Hon Paul CHAN Mo-po	Legal Aid Services Council	Statutory	2	28 (100%)	
Hon Paul CHAN Mo-po	West Kowloon Cultural District Authority (WKCD) Board	Statutory	2	6 (85.7%)	
Hon Tanya CHAN	Advisory Committee on Travel Agents	Statutory	2	2 (100%)	
Hon Tanya CHAN	Board of the Urban Renewal Authority	Statutory	3	9 (100%)	
Hon Tommy CHEUNG Yu-yan	Advisory Committee on Admission of Quality Migrants and Professionals	Non-statutory	2	11 (73.3%)	
Hon Tommy CHEUNG Yu-yan	Business Facilitation Advisory Committee	Non-statutory	2	9 (75%)	
Hon CHEUNG Kwok-che	Lump Sum Grant Steering Committee	Non-statutory	2	9 (100%)	
Hon CHEUNG Hok-ming	District Council, Tai Po	Statutory	4	10 (83.3%)	

<i>Legislative Council Members appointed by the Government as non-official members of ASBs</i>	<i>Name of ASBs</i>	<i>Type</i>	<i>Duration of present term (in number of years)</i>	<i>Attendance since first appointment to the ASBs(%)</i>	<i>Remarks</i>
Hon CHEUNG Hok-ming	Fisheries Development Loan Fund Advisory Committee	Non-statutory	1	0 (0%)	Note(1)
Hon Audrey EU Yuet-mee	Commission on Strategic Development	Non-statutory	3	15 (78.9%)	
Hon Vincent FANG Kang	Airport Authority	Statutory	3	21 (70%)	
Hon Vincent FANG Kang	Fight Crime Committee	Non-statutory	2	12 (63.2%)	
Hon Vincent FANG Kang	Hong Kong Housing Authority	Statutory	2	2 (66.7%)	
Hon Vincent FANG Kang	Operations Review Committee of the ICAC	Non-statutory	2	29 (72.5%)	
Hon Frederick FUNG Kin-kee	Commission on Strategic Development	Non-statutory	3	5 (55.6%)	
Hon Frederick FUNG Kin-kee	Equal Opportunities Commission	Statutory	2	4 (100%)	
Ir Dr Hon Raymond HO Chung-tai	Airport Authority	Statutory	3	5 (71.4%)	
Ir Dr Hon Raymond HO Chung-tai	Commission on Strategic Development	Non-statutory	3	7 (77.8%)	
Hon Albert HO Chun-yan	ICAC Complaints Committee	Non-statutory	2	4 (66.7%)	
Hon Albert HO Chun-yan	Mandatory Provident Fund Schemes Advisory Committee	Statutory	2	5 (50%)	
Hon IP Kwok-him	Board of the Urban Renewal Authority	Statutory	3	20 (87%)	
Hon IP Kwok-him	Governing Committee of the Beat Drugs Fund Association	Non-statutory	2	7 (87.5%)	
Hon IP Kwok-him	Hong Kong Housing Authority	Statutory	2	75 (80.6%)	
Hon IP Kwok-him	Standing Committee on Disciplined Services Salaries and Conditions of Service	Non-statutory	1	11 (78.6%)	
Hon Mrs Regina IP LAU Suk-yee	Commission on Strategic Development	Non-statutory	3	8 (88.9%)	
Hon Mrs Regina IP LAU Suk-yee	Steering Committee for Research Themes under the Research Endowment Fund	Non-statutory	3	2 (100%)	
Hon Jeffrey LAM Kin-fung	Advisory Committee on Corruption of the ICAC	Non-statutory	2	8 (88.9%)	

<i>Legislative Council Members appointed by the Government as non-official members of ASBs</i>	<i>Name of ASBs</i>	<i>Type</i>	<i>Duration of present term (in number of years)</i>	<i>Attendance since first appointment to the ASBs(%)</i>	<i>Remarks</i>
Hon Jeffrey LAM Kin-fung	Hong Kong Trade Development Council	Statutory	2	31 (93.9%)	
Hon Jeffrey LAM Kin-fung	Standing Commission on Civil Service Salaries and Conditions of Service	Non-statutory	2	4 (57.1%)	
Hon Jeffrey LAM Kin-fung	West Kowloon Cultural District Authority (WKCD) Board	Statutory	2	7 (100%)	
Dr Hon LAM Tai-fai	Council of The Hong Kong Polytechnic University	Statutory	3	13 (61.9%)	
Dr Hon LAM Tai-fai	District Council, Sha Tin	Statutory	4	13 (92.9%)	
Dr Hon LAM Tai-fai	Independent Police Complaints Council	Statutory	2	7 (58.3%)	
Dr Hon LAM Tai-fai	Textiles Advisory Board	Non-statutory	1	18 (78.3%)	
Hon Miriam LAU Kin-ye	Commission on Strategic Development	Non-statutory	3	1 (50%)	
Hon Miriam LAU Kin-ye	Council of the Hong Kong Baptist University	Statutory	3	16 (80%)	
Hon Miriam LAU Kin-ye	Hong Kong Logistics Development Council	Non-statutory	2	15 (78.9%)	
Hon Miriam LAU Kin-ye	Hong Kong Maritime Industry Council	Non-statutory	2	11 (84.6%)	
Hon Miriam LAU Kin-ye	Hong Kong Port Development Council	Non-statutory	2	7 (87.5%)	
Prof Hon Patrick LAU Sau-shing	Board of Ocean Park Corporation	Statutory	2	12 (38.7%)	
Prof Hon Patrick LAU Sau-shing	Council of The Open University of Hong Kong	Statutory	2	11 (84.6%)	
Prof Hon Patrick LAU Sau-shing	Hong Kong Housing Authority	Statutory	2	39 (50.6%)	
Prof Hon Patrick LAU Sau-shing	Security and Guarding Services Industry Authority	Statutory	2	26 (81.3%)	
Hon Emily LAU Wai-hing	Business Facilitation Advisory Committee	Non-statutory	2	9 (75%)	
Hon LAU Wong-fat	Municipal Services Appeals Board	Statutory	3	-	Note(2)
Hon LEE Cheuk-yan	Commission on Strategic Development	Non-statutory	3	11 (57.9%)	
Dr Hon Joseph LEE Kok-long	Commission on Strategic Development	Non-statutory	3	7 (77.8%)	
Dr Hon Joseph LEE Kok-long	Estate Agents Authority	Statutory	2	6 (100%)	



<i>Legislative Council Members appointed by the Government as non-official members of ASBs</i>	<i>Name of ASBs</i>	<i>Type</i>	<i>Duration of present term (in number of years)</i>	<i>Attendance since first appointment to the ASBs(%)</i>	<i>Remarks</i>
Dr Hon Joseph LEE Kok-long	Hong Kong Housing Authority	Statutory	2	20 (57.1%)	
Dr Hon Joseph LEE Kok-long	Hospital Authority	Statutory	2	50 (72.5%)	
Dr Hon Joseph LEE Kok-long	Independent Police Complaints Council	Statutory	2	20 (55.6%)	
Dr Hon Joseph LEE Kok-long	Nursing Council of Hong Kong	Statutory	3	21 (91.3%)	
Hon Starry LEE Wai-king	Energy Advisory Committee	Non-statutory	2	6 (46.2%)	
Hon Starry LEE Wai-king	Town Planning Board	Statutory	2	60 (66.7%)	
Hon LEE Wing-tat	Commission on Strategic Development	Non-statutory	3	16 (84.2%)	
Hon Alan LEONG Kah-kit	Hong Kong Housing Authority	Statutory	2	2 (66.7%)	
Hon Andrew LEUNG Kwan-yuen	Commission on Strategic Development	Non-statutory	3	9 (81.8%)	
Hon Andrew LEUNG Kwan-yuen	CreateSmart Initiative Vetting Committee	Non-statutory	2	-	Note(3)
Hon Andrew LEUNG Kwan-yuen	Greater Pearl River Delta Business Council	Non-statutory	2	16 (66.7%)	
Hon Andrew LEUNG Kwan-yuen	Mandatory Provident Fund Schemes Authority	Statutory	2	3 (42.9%)	
Hon Andrew LEUNG Kwan-yuen	Vocational Training Council	Statutory	2	17 (100%)	
Dr Hon Priscilla LEUNG Mei-fun	Process Review Panel for the Securities and Futures Commission	Non-statutory	1.75	1 (50%)	
Hon Mrs Sophie LEUNG LAU Yau-fun	Financial Reporting Council	Statutory	3	14 (73.7%)	
Hon Mrs Sophie LEUNG LAU Yau-fun	ICAC Complaints Committee	Non-statutory	2	3 (50%)	
Hon LI Fung-ying	Advisory Committee on Admission of Quality Migrants and Professionals	Non-statutory	2	11 (73.3%)	
Hon LI Fung-ying	Mandatory Provident Fund Schemes Authority	Statutory	2	7 (36.8%)	
Hon LI Fung-ying	Manpower Development Committee	Non-statutory	2	8 (88.9%)	
Hon LI Fung-ying	Vocational Training Council	Statutory	2	1 (50%)	
Hon Fred LI Wah-ming	Action Committee Against Narcotics	Non-statutory	2	8 (40%)	

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Hon Fred LI Wah-ming	Consumer Council	Statutory	2	11 (73.3%)	
Hon Fred LI Wah-ming	Fisheries Development Loan Fund Advisory Committee	Non-statutory	1	1 (100%)	
Hon Fred LI Wah-ming	Hong Kong Housing Authority	Statutory	2	26 (74.3%)	
Dr Hon PAN Pey-chyou	Manpower Development Committee	Non-statutory	2	1 (100%)	
Hon Abraham SHEK Lai-him	Commission on Strategic Development	Non-statutory	3	11 (57.9%)	
Hon Abraham SHEK Lai-him	Independent Police Complaints Council	Statutory	2	9 (75%)	
Hon Abraham SHEK Lai-him	Vetting Committee of the Professional Services Development Assistance Scheme	Non-statutory	2	4 (25%)	
Dr Hon Samson TAM Wai-ho	Advisory Committee on Code of Practice for Recognized Certification Authorities	Non-statutory	2	-	Note(4)
Dr Hon Samson TAM Wai-ho	CreateSmart Initiative Vetting Committee	Non-statutory	2	-	Note(5)
Dr Hon Samson TAM Wai-ho	Digital 21 Strategy Advisory Committee	Non-statutory	2	13 (72.2%)	
Dr Hon Samson TAM Wai-ho	Hong Kong Productivity Council	Statutory	2	18 (100%)	
Dr Hon Samson TAM Wai-ho	Small and Medium Enterprises Committee	Non-statutory	2	11 (68.8%)	
Dr Hon Samson TAM Wai-ho	Steering Group on the Promotion of Innovation and Design	Non-statutory	-	5 (71.4%)	Note(6)
Hon TAM Yiu-chung	Commission on Strategic Development	Non-statutory	3	1 (50%)	
Hon James TO Kun-sun	Board of the Urban Renewal Authority	Statutory	3	8 (88.9%)	
Hon Paul TSE Wai-chun	Equal Opportunities Commission	Statutory	2	2 (50%)	
Hon Paul TSE Wai-chun	Tourism Strategy Group	Non-statutory	1	3 (100%)	
Hon WONG Kwok-kin	Board of the Urban Renewal Authority	Statutory	3	7 (77.8%)	
Hon WONG Kwok-kin	Commission on Strategic Development	Non-statutory	3	11 (68.8%)	

<i>Legislative Council Members appointed by the Government as non-official members of ASBs</i>	<i>Name of ASBs</i>	<i>Type</i>	<i>Duration of present term (in number of years)</i>	<i>Attendance since first appointment to the ASBs(%)</i>	<i>Remarks</i>
Hon WONG Kwok-kin	Hong Kong Housing Authority	Statutory	2	1 (33.3%)	
Hon WONG Kwok-kin	Mandatory Provident Fund Schemes	Statutory	2	4 (57.1%)	
Hon WONG Ting-kwong	Hong Kong Export Credit Insurance Corporation Advisory Board	Statutory	2	9 (56.3%)	
Hon WONG Ting-kwong	Mandatory Provident Fund Industry Schemes Committee	Statutory	2	11 (100%)	
Hon WONG Ting-kwong	Mandatory Provident Fund Schemes Authority	Statutory	2	23 (82.1%)	
Hon WONG Ting-kwong	Skills Upgrading Scheme Steering Committee	Non-statutory	-	1 (100%)	Note(7)
Hon WONG Ting-kwong	Small and Medium Enterprises Committee	Non-statutory	2	9 (56.3%)	
Hon WONG Yung-kan	Country and Marine Parks Board	Statutory	2	5 (55.6%)	
Hon WONG Yung-kan	Local Vessel Advisory Committee	Statutory	2	3 (37.5%)	

Note(1) As at 31 December 2009, only one Committee meeting had been conducted since the member concerned was appointed. Business of the Committee is sometimes transacted by circulation of papers.

Note(2) Each appeal is heard by an Appeals Board comprising the Chairman/Vice-chairman and two panel members selected from a pool of panel members. Unlike meetings of other ASBs which are normally open to all members on a regular basis, Municipal Services Appeals Board (MSAB) hearings are held on a need basis only and confined to one Chairman/Vice-chairman and two members each time. It is impractical to indicate attendance rate of individual MSAB member.

Note(3) "Attendance" not applicable. The Committee does not have plenary meetings. As Vice-chairman, Hon Andrew LEUNG presided over the vetting meetings held in September and December 2009.

Note(4) The purpose of the Advisory Committee on Code of Practice for Recognized Certification Authorities (ACCOP) is to advise the Government Chief Information Officer (GCIO) on major matters related to the Code of Practice for Recognized Certification Authorities (Code of Practice), in particular in respect of the review and amendment to the Code of Practice. As there was no such major matter since the member concerned was appointed, it was not necessary to convene an ACCOP meeting during that period. If there are any matters necessitating the review/amendment of the Code of Practice in future, the GCIO will convene an ACCOP meeting.

Note(5) "Attendance" not applicable. The Committee does not have plenary meetings. As Vice-chairman, Hon Samson TAM presided over the vetting meeting held in October 2009.

Note(6) "Duration of present term" not applicable. The appointment was made on an open-ended basis.

Note(7) "Duration of present term" not applicable. The appointment was made on an open-ended basis. The work of the Steering Committee will be completed upon depletion of funding for the Scheme (approximately in 2011).

**Operation Building Bright**

3. **MR TAM YIU-CHUNG** (in Chinese): *President, a number of District Council (DC) members have relayed to me that in their districts, many old buildings without owners' corporations (OCs) were nominated by DCs as Category 2 target buildings under Operation Building Bright (OBB) in May last year as these buildings had become dilapidated because of the lack of maintenance, but reply from the Government is still pending. In this connection, will the Government inform this Council:*

- (a) *of the respective numbers of nominations of Category 2 target buildings made by the five DCs of Yuen Long, Tsuen Wan, Kwai Tsing, Tuen Mun and Islands since the implementation of OBB last year; and among the buildings nominated, of the number of those that had been included as Category 2 target buildings; the reasons for not including some of the nominated buildings as Category 2 target buildings, together with the names of such buildings;*
- (b) *which buildings had been included as Category 2 target buildings respectively in the five DC districts in (a) to date;*
- (c) *given that some local people have pointed out that some of the old buildings which were not approved to be included as Category 2 target buildings are in an even poorer state of dilapidation than some of the Category 1 target buildings, whether the Government will set up a mechanism for residents of these old buildings to seek a review to enable them to obtain subsidies for carrying out repair works expeditiously, so as to enhance the safety of buildings; if so, of the specific measures; if not, the reasons for that; and*
- (d) *given that OCs were formed in the past six months for some of the old buildings which were not approved to be included as Category 2 target buildings, whether the Government will allow these OCs to submit applications for their buildings to be included as Category 1 target buildings; if so, of the specific measures; if not, the reasons for that?*

**SECRETARY FOR DEVELOPMENT** (in Chinese): President, the OBB was formally launched on 7 May 2009. Category 2 target buildings under the OBB are buildings with difficulties in co-ordinating repair works, such as buildings without OCs. The category includes buildings which have failed to comply with the statutory repair orders issued by the Buildings Department (BD). Besides, we have also invited the Legislative Council and DCs to nominate buildings as Category 2 target buildings. The Steering Committee of the OBB (the Steering Committee) comprising representatives from the BD, Hong Kong Housing Society (HKHS) and Urban Renewal Authority (URA) has selected suitable buildings as Category 2 target buildings according to the eligibility criteria of the Operation, the conditions of the buildings and associated information.

The BD has in total received 513 nominations as Category 2 target buildings, among which 510 nominations were from 14 DCs and three from Legislative Council Members. Among the nominations, 329 buildings have been included under the OBB: the Steering Committee has assessed the condition and relevant information of the nominated buildings and included 263 nominated buildings as Category 2 target buildings. As for the remaining nominated buildings, 66 buildings have earlier submitted applications to participate as Category 1 target buildings and these cases are being assisted by the HKHS and URA. The BD has earlier on notified the DC Chairmen of the respective districts the selection results for their own districts.

The reply to the four-part question is as follows:

(a) and (b)

The five DCs in Yuen Long, Tsuen Wan, Kwai Tsing, Tuen Mun and Islands have in total suggested nominations covering 145 buildings, among which 79 buildings have been included in the OBB: 49 buildings of which have been included as Category 2 target buildings; and another 30 have earlier submitted applications for participating as Category 1 target buildings and they are being assisted by the HKHS and URA. The remaining 66 buildings have been inspected by the BD and assessed by the Steering Committee. These buildings have not been included as Category 2 target buildings because they do not meet the relevant eligibility criteria of the OBB, such as the age of the building is below 30 years, the

condition of the building does not warrant the issuance of statutory repair orders, and so on.

To facilitate the DCs to follow up with the buildings in their respective districts, the BD wrote to the DC Chairmen of the respective districts on 9 December 2009 informing the DCs of the list of nominated buildings of their own districts which are eligible for inclusion as Category 2 target buildings. The total numbers of nominated buildings which have been included as Categories 1 and 2 target buildings in the aforementioned five districts are tabulated by districts as follows:

<i>District</i>	<i>Number of Buildings Nominated by DC</i>	<i>Number of Nominated Buildings Included as Category 1 Target Buildings</i>	<i>Number of Nominated Buildings Included as Category 2 Target Buildings</i>
Yuen Long	62	8	2
Tsuen Wan	72	17	47
Kwai Tsing	8	5	0
Tuen Mun	2	0	0
Islands	1	0	0
Total	145	30	49

- (c) In respect of the selection of Category 2 target buildings, we have promulgated objective and clear standards and eligibility criteria before the launch of the OBB. The whole selection and scrutiny process is conducted by the Steering Committee in an impartial manner in accordance with the clearly established selection procedures. The BD also inspects buildings and issues statutory repair orders in accordance with the established requirements and procedures of the Department. If the residents have any enquiries or questions on the selection results, or wish to request a review, they may contact the BD.
- (d) The first phase application period for the OBB has already been closed. Based on our estimation so far, after completion of the works in respect of all eligible applications for Category 1 target

buildings and selected Category 2 target buildings, there will still be some uncommitted funds available out of the \$2 billion for further deployment. As we indicated at the meeting of the Legislative Council Panel on Development on 26 January, a more precise estimate on the uncommitted funds will be available when more buildings have finalized their scope of repair works as well as the maintenance budget. We are contemplating how best to make use of the remaining funds to assist more target buildings. We will continue to monitor the implementation of the OBB, and plan to report further to the Panel on Development in mid-2010 the latest progress of the OBB and our plan. In mapping out our next steps, we will bear in mind the suggestions received from stakeholders regarding the eligibility criteria for the OBB, the lead time needed for building owners to make preparations, the availability of building professionals and contractors in the market as well as the need to suitably spread out building repair works to be conducted in Hong Kong.

### **Claims Relating to Traffic Accidents Involving Government Vehicles**

4. **MR CHAN KIN-POR** (in Chinese): *President, under the Motor Vehicles Insurance (Third Party Risks) Ordinance (Cap. 272), the Government is not required to take out third party risks insurance for its vehicles. At present, the Government itself takes on the compensation liability in traffic accidents involving government vehicles. In this connection, will the Government inform this Council:*

- (a) *of the total number and types of government vehicles as at the end of December last year; and*
- (b) *of the total amount of compensation paid by the Government to third parties (including compensation for personal injuries and property damages) in relation to traffic accident claims involving government vehicles in each of the past five years, the number of claims to which the Government did not make compensation and the reasons for that, as well as the administration costs and remuneration expenses of government officials involved in handling such claims?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Chinese): President,

- (a) The number of government vehicles broken down by vehicle types as at the end of December 2009 is appended below:

<i>Vehicle Type</i>	<i>Number of Vehicles</i>
Bus	539
Car	1 245
Cross Country Vehicle	182
Motorcycle	561
Truck	362
Passenger/Goods Van	1 688
Specialized Vehicle	1 766
Total	6 343

- (b) In respect of traffic accidents involving government vehicles and third parties, the total amount of compensation paid in the past five years (that is, 1 January 2005 to 31 December 2009) for personal injuries and property damage is appended below:

<i>Year</i>	<i>Amount (\$ Million)</i>
2005	6.00
2006	6.56
2007	5.66
2008	4.85
2009	3.73

The Government did not make compensation in respect of 49 cases due to the following reasons:

- The claimants withdrew their claims after serving the initial claims applications.
- The claims had been time-barred (that is, they were outside the limitation period during which a court action could have been brought) by the time the claims were made by the claimants and the claims were rejected on such basis.



- The claims concerned damage which was due to the fault of parties other than the Government (that is, third parties) and the Government was not legally liable to make compensation or was entitled to full indemnification from third parties.
- The claims were disputed by the Government on liability and were ultimately dismissed by the Courts.
- The Government denied liability in respect of the claims and there had not been further actions or steps taken by the claimants.

Handling traffic accident claims is part of the day-to-day duties for the departments concerned. The required resources are covered by existing departmental provisions and the departments concerned have not made separate assessment on the administrative costs thus involved.

### **Supply and Demand of Teachers**

5. **MR CHEUNG MAN-KWONG** (in Chinese): *President, recently, I have received complaints from surplus teachers that even though they are "registered teachers" who have undergone teacher training and have ample teaching experience, they have encountered great difficulties in securing a teaching post as classes are being reduced in both primary and secondary schools due to the dwindling number of school-aged children in recent years; yet, the Education Bureau has, at the same time, permitted university graduates without any teacher training to be employed as "permitted teachers" by schools. Such surplus teachers are of the view that at a time when the number of classes is being reduced, the authorities' arrangement of leaving trained teachers unemployed and allowing teachers without training to take up teaching posts is wasting the resources used on teacher training. In this connection, will the Government inform this Council:*

- (a) *of the respective numbers of applications received by Education Bureau for teacher registration in respect of employment of "permitted teachers" in primary and secondary schools in each of*

*the school years from 2007-2008 to 2009-2010, the reasons for such applications, as well as the numbers of applications granted and the reasons there for;*

- (b) whether the authorities will inform the schools that priority shall be given to "registered teachers" when recruiting teachers in the new school year, so as to ensure a steady development of the teaching profession; and*
- (c) whether the authorities will review the existing policy, so as to ensure that the authorities will not approve, except for very special reasons, the employment of "permitted teachers" by schools during the difficult period of the number of classes being reduced, in order not to waste the resources used on teacher training?*

**SECRETARY FOR EDUCATION** (in Chinese): President,

- (a) From the 2007-2008 to 2009-2010 school years, the numbers of applications received and approved in respect of the employment of permitted teachers to fill the posts of the teaching staff establishment in aided primary and secondary schools are as follows:

	2007-2008		2008-2009		2009-2010*	
	<i>Applied</i>	<i>Approved</i>	<i>Applied</i>	<i>Approved</i>	<i>Applied</i>	<i>Approved</i>
Aided primary schools	25	25	14	14	3	3
Aided secondary schools	216	216	143	142	40	40
Total	241	241	157	156	43	43

Note:

\* Figures as at 1 January 2010

In making an application, schools have to confirm that no suitable registered teacher is available for employment. The Education

Bureau, after taking the school's operational need into consideration, will issue a permit to teach on condition that the candidate meets the relevant requirements set out in the Education Ordinance and Education Regulations, including holding the required academic qualifications, and there is no record showing that the relevant candidate is unfit to teach.

(b) and (c)

Regarding the issue of teachers' employment mentioned in the question, we have all along clearly requested schools to employ teachers with professional training qualification as far as possible to ensure the quality of education, and to conduct recruitment exercises in a fair, open and impartial manner. The guidelines on the appointment of teachers are set out in the Codes of Aid and the School Administration Guide.

In practice, given the different conditions and requirements of different vacancies, in addition to the applicants' academic qualifications and teacher training received, schools will also consider the latest subject knowledge and skills required for the posts, applicants' qualities and overall performance, working experience, and their competence to teach the subjects concerned, and so on, in order to select the most suitable candidates. A small number of schools may not be able to recruit suitable trained teachers for various reasons (such as subject mismatch, lack of suitable candidates due to the remoteness of the school, applicants' unsatisfactory performance during interviews and below par working performance in the past, and so on), and therefore have to apply for approval to employ permitted teachers.

To ensure the quality of education, we have been actively encouraging serving untrained teachers to undergo professional training as soon as possible. To this end, there are relevant arrangements under the existing system. For instance, those who have completed appropriate teacher training may receive incremental credits based on the recognized professional qualifications. Untrained teachers will not be allowed to proceed beyond the salary

bar for their rank, nor will they be eligible for promotion. As a matter of fact, the vast majority of primary and secondary teachers have acquired professional qualifications and the untrained teachers in general will seek to undergo training as soon as possible.

The Education Bureau has been closely monitoring the impact of the student population decline on the school sector, and has introduced various relief measures to facilitate school development and to stabilize the teaching force. We will also review these measures from time to time in the light of the actual development.

In view of the decreasing number of permitted teachers employed by schools in recent years, and having regard to the difficulties encountered by individual schools in teacher recruitment and their genuine operational needs, it may not be appropriate to prohibit schools from employing permitted teachers at this stage. However, we will step up efforts in reminding schools to appoint trained teachers as far as possible, including stating clearly in the guidelines on teacher appointment on the web-based School Administration Guide that priority should be given to trained teachers and reiterating this message in relevant circulars in future.

### **Assistance for Hong Kong Courier Companies Operating on the Mainland**

6. **MR WONG TING-KWONG** (in Chinese): *President, recently, some members of the courier service industry have relayed to me that the new Postal Law of the Mainland stipulates that from 1 October 2009 onwards, foreign companies are prohibited from investing in courier service business involving delivery of letters on the Mainland. As Hong Kong courier companies operating the business concerned on the Mainland are regarded as foreign companies, their business on the Mainland has suffered a heavy blow, and quite a number of companies are under the threat of closure. Such members have indicated that quite a number of Hong Kong enterprises operating on the Mainland often use the courier service provided by such companies to facilitate their "front shop and back plant" mode of operation in the two places, and closure of the courier business concerned will have enormous economic impact. Such members have also indicated that they hope the Hong Kong Special Administrative Region*

*(SAR) Government could expeditiously discuss with the Mainland under the Hong Kong Closer Economic Partnership Arrangement (CEPA) the inclusion of courier service in the scope of CEPA. In this connection, will the Government inform this Council:*

- (a) whether the authorities will follow up the aforesaid situation; and*
- (b) given that under CEPA at present, meetings of the Joint Steering Committee are held annually between the Mainland and the SAR Government to discuss the implementation of various liberalization measures under CEPA, whether the authorities will consider taking the initiative to propose including courier service in the scope of CEPA, with a view to allowing service providers from Hong Kong to operate the related business on preferential terms on the Mainland; if they will, of the details; if not, the reasons for that?*

**SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT** (in Chinese): President,

(a) and (b)

The Standing Committee of the National People's Congress passed the Postal Law of the People's Republic of China (the new Postal Law) on 24 April 2009, and announced that it would come into effect from 1 October 2009. The new Postal Law prohibits foreign companies (including Hong Kong enterprises) from investing in and operating express delivery service for letters within the Mainland (that is, the entire process of the express service from collection of the letters to delivery takes place within the Mainland). Hong Kong courier enterprises can, however, still operate express delivery service for letters between the Mainland and Hong Kong; express delivery service for parcels within the Mainland and cross-border express delivery service for parcels in accordance with the law.

The State Post Bureau subsequently published a notice on 30 September 2009, which stipulates that enterprises not meeting the statutory requirements for operating express delivery service for

letters would have to meet the relevant requirements for their business, and obtain a permit to operate such service before 30 September 2010. In other words, enterprises which are now operating express delivery service for letters but yet to meet the conditions under the new Postal Law may continue to operate temporarily during the grace period until 30 September 2010.

The SAR Government has all along been closely monitoring the launch of the Postal Law and its impact on the local trade. Since mid-2009, the SAR Government has been in contact with the trade and has been actively liaising with the relevant Mainland authorities to gain a better understanding of the implementation of the new Postal Law, and to reflect concerns on the impact on Hong Kong enterprises. The SAR Government will continue to keep in touch with the Hong Kong courier industry. Apart from directly reflecting the industry's concerns and requests to the Mainland authorities, the SAR Government has proposed to include the service concerned under CEPA so as to enable Hong Kong service providers to operate express delivery service for letters which is outside the monopoly of the China Post Group. The SAR Government will continue to discuss with the Mainland authorities with a view to reaching a settlement.

### **Expertise in Slope Stabilization and Maintenance in Hong Kong**

7. **DR DAVID LI:** *President, the Administration advised at the meeting of the Public Works Subcommittee on 4 November 2009 that all high-priority government man-made slopes would be stabilized upon completion of the 10-year Extended Landslip Preventive Measures (LPM) programme by 2010. It has been learnt that some two-thirds of the man-made slopes in Hong Kong are government slopes, and some 18 000 man-made slopes are privately owned. As part of the Extended LPM programme, safety-screening studies were carried out on private slopes, and the number of Dangerous Hillside Orders (DHOs) served on owners of private slopes each year had increased sharply in the past decade. In this connection, will the Government inform this Council:*

- (a) *of the number of DHOs served each year since the implementation of the Extended LPM programme in 2000 and, among them, the number of orders which had been fully complied with, the number of persons convicted of non-compliance and the main reasons for non-compliance;*
- (b) *of the respective numbers of professional personnel and works personnel employed in the Government and in the private sector for slope maintenance work in Hong Kong at present;*
- (c) *of the transferability of the geotechnical and other skills learned during the Extended LPM programme to other engineering and construction work for use;*
- (d) *whether it has assessed if the major infrastructure projects being undertaken by the Government will result in a significant increase in demand for geotechnical, slope stabilization and maintenance expertise from the private sector; and*
- (e) *whether it knows if Hong Kong has developed any export capability in slope stabilization and maintenance services; if so, of the value of such services being exported each year during which the Extended LPM programme was being implemented?*

**SECRETARY FOR DEVELOPMENT:** President, the Extended LPM Programme to deal with all known high-risk man-made slopes affecting major roads and developments will be completed by 2010. To dovetail with the Extended LPM Programme, the Geotechnical Engineering Office (GEO) of the Civil Engineering and Development Department has promulgated the implementation of the Landslip Prevention and Mitigation (LPMit) Programme to start works in 2010 to deal with those potentially problematic man-made slopes of moderate risk. Under the LPMit Programme, the Government will upgrade government man-made slopes when the risk-ranking warrants them necessary, conduct safety-screening studies for private man-made slopes, and implement risk mitigation works for natural hillside catchments. Meanwhile, the Government will continue to check the design and construction of all new slopes, undertake regular maintenance of government slopes to prevent deterioration, promote

public awareness and education of landslide risks, issue landslip warnings and provide emergency response to landslides.

My reply to the five points raised in the question is as follows:

- (a) The annual numbers of DHOs served since the implementation of the Extended LPM Programme in 2000, are given in the table below:

<i>Year</i>	<i>No. of DHOs issued</i>	<i>No. of DHOs fully complied with</i>
2000	155	125
2001	265	161
2002	220	167
2003	131	86
2004	160	80
2005	168	76
2006	144	46
2007	140	30
2008	140	9
2009	141	0
Total	1 664	780

Among the DHOs served in the past 10 years, we have initiated 13 prosecution cases amongst which seven persons/companies pleaded guilty in the Court for non-compliance with the orders, five cases were subsequently withdrawn and one case is pending outcome.

Normally, the Buildings Department (BD) would allow seven months for a DHO to be complied with by the owner. However, the owner may apply for extension of time when he has good reasons to do so. If a DHO turns into non-compliance, a warning letter will be issued to the owner followed by prosecution action or default works action by the BD. Generally, default works actions will take about 49 months to complete, that is, five months to appoint default works consultant to design the slope repair works and 44 months for the actual design and construction of the slope repair. For those DHOs that are not yet complied with, they are still at various stages



of compliance actions such as improvement works by the owners in progress, appeal by the owners pending outcomes, prosecution actions and default works actions being taken by the BD.

The main reason for non-compliance of DHOs is that some owners do not have the capability to organize the repair works by themselves or they refuse to comply with the orders because of financial reasons. To assist owners with financial difficulties, the current Comprehensive Building Safety Improvement Loan Scheme of the Government could provide loans to individual owners for improving the safety of their private slopes.

- (b) Currently, the total numbers of professional personnel and non-professional personnel employed in the Government for slope works in Hong Kong are about 190 and 470 respectively. These personnel are deployed in the GEO for slope control and enhancement works as well as in seven departments, including Agriculture, Fisheries and Conservation Department, Architectural Services Department, Drainage Services Department, Highways Department, Housing Department, Lands Department and Water Supplies Department for slope maintenance works. The Government does not have the figures of professional and non-professional personnel employed currently in the private sector for slope maintenance works in Hong Kong.
- (c) Over the years, the GEO has accumulated rich knowledge gained from the LPM works. The Office has published a number of guidance documents to promulgate good practices in slope related works for reference by geotechnical practitioners both within and outside government. In addition, the GEO has organized local and international seminars/workshops in conjunction with professional bodies and universities to exchange knowledge and experience in slope engineering. Consultants and contractors, who have been involved in the LPM works, have applied their geotechnical engineering knowledge on other engineering and construction projects.

- (d) In August 2007, the Government commissioned a consultancy study to review the manpower situation of the local construction industry, and to develop manpower strategies. The study findings showed that apart from tunneling work, the local market could cope with the increase in demand in the field of geotechnical engineering. As for tunneling specialists, we expect international consultants and contractors could fill in any shortage in supply.
- (e) The GEO managed LPM works have provided local and overseas consultants and contractors with a wealth of geotechnical engineering knowledge which covered slope stabilization and maintenance services. These personnel have provided similar services outside Hong Kong in Mainland China, Taiwan, Malaysia and Korea. The Government does not have statistics on the value of such services exported each year.

### **Driving a Motor Vehicle Under Influence of Medicines or Drugs**

8. **MR CHAN HAK-KAN** (in Chinese): *President, recently, there were several traffic accidents allegedly caused by drivers who have taken drugs, but the existing legislation has not empowered the police to require such drivers to provide body fluid specimens for drug testing. In this connection, will the Government inform this Council:*

- (a) *of the total number of traffic accidents in the past 12 months which involved drivers who have taken medicines or drugs; among such accidents, the number of cases in which the drivers involved were convicted, as well as the highest penalty imposed;*
- (b) *according to the existing guidelines of the police, whether the police has the authority to require drivers who are suspected of driving after taking medicines or drugs to stop driving immediately;*
- (c) *what short-term measures the authorities have put in place to combat the situation of drivers driving after taking medicines or drugs;*

- (d) *whether it will consider amending the legislation to empower the police to require drivers involved in traffic accidents to provide body fluid specimens for drug testing; if so, when the relevant work will commence and the specific procedure of drug testing; if not, the reasons for that; and*
- (e) *whether the authorities will consider including the behaviour of drug driving in the scope of the study and consultation to be conducted on the compulsory drug testing scheme; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Chinese): President, my reply to the various parts of the question is as follows:

- (a) According to records of the police, there were four traffic accidents involving drivers suspected of driving under the influence of drugs in the past 12 months.

Among the above cases, one case happened in May last year, while the other three in January this year. For the case that happened last year, the driver concerned was prosecuted for inhaling a dangerous drug and driving under the influence of drugs. The driver was given 18 months' probation, disqualified from driving for 24 months and mandated to attend the driving improvement course. With regard to the cases happened in January this year, the police have instituted prosecution against the drivers. The cases are pending trial.

- (b) If a police officer suspects that a driver is under the influence of alcohol or drugs, he will require the driver to stop the vehicle and take a screening breath test to ascertain whether he is under the influence of alcohol. The police officer will also observe the driver closely and record his behaviour. If the test result indicates that the driver has not consumed alcohol or the alcohol level in his body does not exceed the prescribed limit, and the police officer has reasonable cause to suspect that the driver is under the influence of drugs, he will ask the driver whether he has taken drugs. The police officer

will also search the driver and the vehicle concerned to ascertain whether the driver is in possession of dangerous drugs. If the driver admits that he has taken drugs, or the police officer finds dangerous drugs when searching the vehicle or the driver, the police officer will arrest the driver. If necessary, the police officer will, with the driver's consent, take the driver to a doctor for detailed examination.

- (c) The police closely monitor incidents involving drug driving, and have given instructions to front-line police officers reminding them of the relevant procedures. In fact, if drug driving is involved in an accident or an accident with personal injury or fatality, the relevant driver may be charged with dangerous driving, or causing death by dangerous driving.

Separately, we will step up publicity reminding drivers to watch out for drug label warnings, such as "This drug may cause drowsiness" or "Do not drive after taking this drug", before taking any drugs. A person must not drive if he has to take drugs which may affect driving, and should use other transport modes instead.

The Government will continue to follow the five-pronged strategy to combat the drug problem by launching more vigorous anti-drug initiatives on education and publicity, treatment and rehabilitation, legislation and enforcement, external co-operation, and evidence-based research.

- (d) We understand the public concern about traffic accidents caused by motorists who drive under the influence of drugs, particularly narcotics. Since a wide range of drugs are available in the market and reaction to drugs varies among individuals, it is difficult to ascertain the effect of each type of drug on driving behaviour. Therefore, imposing a regulation on all drug types and setting standards for all of them involves highly complex issues. We plan to accord priority to dangerous drugs such as ketamine and heroin.

Having the means to differentiate a motorist who drives under the influence of drugs is a prerequisite for combating drug driving effectively. We have been following overseas studies and

legislation on drug driving closely. In recent years, some countries have introduced different ways to ascertain whether a driver is driving under the influence of drugs. For example, in the United Kingdom, field impairment tests were introduced to test the driver's sensory and motor reactions or check his pupils in assessing whether he is under the influence of drugs; some Australian State Governments have introduced rapid testing devices for testing oral fluid to ascertain initially whether a driver has taken certain drugs before conducting further tests (for example, blood test). For the time being, the rapid test devices used in Australia is only for testing the drugs of abuse commonly found there. We are looking for rapid test devices which can identify drugs commonly abused in Hong Kong (such as ketamine), and their reliability.

We will draw reference from overseas experience in considering the feasibility of various test methods and which method is more suitable under Hong Kong's circumstances. We will also study how the legislation should be amended to better facilitate the enforcement actions and evidence collection by the police, including the need for heavier penalties to deter drug driving. We hope to formulate some initial proposals for public consultation in around mid-2010.

- (e) At present, drug driving is governed by the Road Traffic Ordinance (Cap. 374). As mentioned above, we are now studying how best the relevant legislation may be strengthened and hope to formulate initial proposals for public consultation in around mid-2010. The compulsory drug testing proposal being examined by the Narcotics Division mainly targets youth drug abuse. The proposal aims to enhance the deterrent effect through compulsory testing to prevent the problem from deteriorating, and identify as early as possible young drug abusers and provide them with drug treatment and rehabilitation services. The proposal does not focus on drug driving, and the relevant arrangements and considerations are also different. The Security Bureau plans to explore the matter with stakeholders and initiate consultation with the public on specific options in 2010.

**Work-at-height Safety**

9. **MR IP WAI-MING** (in Chinese): *President, according to the figures of the Construction Industry Council, among the fatal industrial accidents which occurred between January and November 2009, 18 belong to the category of "Fall of Person from Height", representing 81.8% of the total number of such accidents. Quite a number of members of the trade have pointed out that work-at-height activities in the construction industry is dangerous with high mortality rate in accidents, but the Factories and Industrial Undertakings Ordinance (FIUO) (Cap. 59) and the Construction Sites (Safety) Regulations (CSSR) (Cap. 59, sub. leg. I) only stipulate that proprietors and contractors of construction sites have "general duties" to ensure the safety of employees and should take "adequate steps" to prevent any person on the construction sites from falling from a height of 2 m or more, with no provision regulating work-at-height safety. In this connection, will the Government inform this Council:*

- (a) of the respective numbers of inspections conducted by the Labour Department on procedures and safety measures for work-at-height activities in each of the past five years, as well as the number of cases of non-compliance uncovered;*
- (b) of the number of improvement notices (INs) involving work-at-height activities issued to proprietors or contractors of construction sites by the authorities in each of the past five years, and whether it knows the average number of days they took to take improvement measures upon receipt of the notices;*
- (c) of the number of suspension notices (SNs) involving work-at-height activities issued to proprietors or contractors of construction sites in each of the past five years, as well as the average number of days for which the proprietors or contractors were required to suspend the works, and whether it knows the average number of days they took to take improvement measures upon receipt of the notices;*
- (d) of the number of prosecutions instituted under section 6A of FIUO against proprietors or contractors of construction sites in each of the*

*past five years, the nature of such cases as well as the number of convictions; and*

- (e) *whether the authorities will consider making reference to the practice of the United Kingdom and enacting dedicated legislation on work-at-height safety (including work procedures and safety measures), so as to safeguard the safety of workers; if they will not, of the reasons for that?*

**SECRETARY FOR LABOUR AND WELFARE** (in Chinese): President, the Government attaches great importance to safeguarding and promoting occupational safety and health of the workforce. "Fall of person from height" is a major source of serious and fatal industrial accidents in the construction industry. The Labour Department (LD) therefore accords a high priority to the safety of workers in work-at-height activities in its enforcement, education and publicity work.

My reply to the five parts of the question is as follows:

- (a), (b) and (c)

LD officers regularly conduct surprise inspections to construction sites to ensure compliance by proprietors, contractors or site personnel with various aspects of the occupation safety legislation, including the CSSR (Cap. 59I) and relevant regulations under the FIUO (Cap. 59). Since work-at-height is an integral part of construction activities, observation of work procedures and safety measures in the area also forms an inseparable part of site inspections by LD officers.

Where anomalies are observed during site inspections, LD officers will take appropriate enforcement actions against the proprietors or contractors, including issuing written warnings, serving INs or SNs and initiating prosecutions, where appropriate.

The numbers of the LD's inspections to construction sites, warnings issued, and INs/SNs relating to unsafe work-at-height activities issued to proprietors or contractors of construction sites in the five years between 2005 and 2009 are set out in the following table.

<i>Year</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
No. of inspections to construction sites*	49 786	48 550	45 795	47 917	50 801
No. of written warnings issued <sup>#</sup>	13 432	12 368	13 091	13 078	12 372
No. of INs related to unsafe work-at-height activities issued	450	427	468	371	362
No. of SNs related to unsafe work-at-height activities issued	107	108	113	115	89

Notes:

\* The total number of construction site inspections: inspection of procedures and safety measures relating to work-at-height forms an integral part of site inspections. Therefore, it is not possible to provide separate figures on inspection concerning work-at-height.

<sup>#</sup> Written warnings were those issued in respect of various breaches of work safety legislation.

The time required by proprietors or contractors of construction sites to rectify the risks involved in the SNs issued varies, and would hinge on the nature of risks involved and improvement measures required. During those five years, duty holders took an average of about 49 days to secure revocation of the SNs. The LD does not have information on the time taken by proprietors or contractors of construction sites to rectify INs issued but would follow up on irregularities in question closely to secure compliance.

- (d) Prosecutions taken against proprietors or contractors of construction sites under Section 6A of the FIUO were mostly related to failures to provide a safe system of work for persons employed by them. Over



the past five years, the numbers of summonses taken under the said section are as follows:

<i>No. of Summonses Heard</i>	2005	2006	2007	2008	2009
Under s. 6A of FIUO	59 (35)	35 (28)	64 (58)	52 (38)	74 (54)

Note:

Figures in brackets denote the numbers of summonses convicted.

- (e) The current legislative framework provides adequate safeguard for work-at-height safety at construction sites: Part VA of the CSSR and the Factories and Industrial Undertakings (Suspended Working Platforms) Regulation (SWPR) (Cap. 59AC) set out specific safety requirements for work-at-height activities.

Under Part VA of the CSSR, the contractor responsible for a construction site and any contractor who has direct control over any construction work shall, amongst others, safeguard any person working at a height against all hazardous conditions, take adequate steps to prevent any person from falling from a height of 2 m or more, and ensure the safety in the design, construction and maintenance of any scaffold, ladder or other means of support. Measures like the provision of a suitable working platform, safe access and egress, as well as proper fencing to a dangerous place shall be used to control hazardous conditions. A contractor who contravenes provisions under Part VA of the CSSR is liable to a maximum fine of \$200,000 and imprisonment for 12 months.

The SWPR governs the safe use of suspended working platforms. The owner of a suspended working platform shall, amongst other things, ensure its safety in design, construction, maintenance, anchorage and support, as well as testing and examination before use. An owner who contravenes provisions under the SWPR is liable to a maximum fine of \$200,000 and imprisonment for 12 months.

Complementary to the requirements of the CSSR and SWPR, the FIUO and the Occupational Safety and Health Ordinance (OSHO) (Cap. 509) also set out the general duties of an employer to provide and maintain systems of work that are safe and without risks to health. This includes systems of work related to work-at-height activities at construction sites. The Commissioner for Labour may, under the OSHO, serve INs or SNs on employers or contractors to secure prompt rectification of irregularities, or to remove imminent risks of death or serious bodily injury to workers, and would include risks related to work-at-height.

Since the current legislative framework has provided for adequate control on work-at-height safety to protect the safety of workers, we have no plan to make separate legislation for this particular aspect.

### **Irrigation Needs of Golf Courses in Hong Kong**

10. **DR DAVID LI:** *President, in connection with the irrigation needs of golf courses in Hong Kong, will the Government inform this Council whether:*

- (a) *it knows if the existing man-made features (including the reservoir, the irrigation lake and desalination plant) at the Jockey Club Kau Sai Chau Public Golf Course in Sai Kung met all the irrigation needs of the golf course in the past two years; if not, whether the Water Supplies Department (WSD) supplied water to the golf course for irrigation purposes; if so, of the total amount of water supplied in each of the past two years, and the rate at which such supply was charged;*
- (b) *it knows if other golf courses in Hong Kong have alternative or dedicated sources of water supply which significantly reduce or eliminate the need of drawing water from the WSD; and*
- (c) *it has formulated any policy or entered into any agreement to encourage the development and continued use of alternative or dedicated sources of water supply for irrigation of golf courses; if so, of the details?*

**SECRETARY FOR DEVELOPMENT:** President, fresh water is a precious and scarce natural resource. Under the Waterworks Regulation, drawing water from the supply system for use in lawn or playground without the permission of the Water Authority is not allowed. The WSD will supply water for irrigation purpose, only when the user proves that there is no other alternative source for watering.

My reply to the three points raised in the question is as follows:

- (a) We can confirm that the WSD is not supplying water to the Jockey Club Kau Sai Chau Public Golf Course for irrigation purpose and has not received any such application. We believe that through its own means, the Club has been meeting the Golf Course's irrigation needs.

(b) and (c)

On the supply of water for irrigation purposes in golf courses, our current policy is that permission would only be given if there is no practical alternative. In such case, permission would only be given on concessionary basis when the territory is on full supply, subject to adequacy of the local water supply and distribution system. Such permission will be withdrawn if, in the opinion of the Water Authority, the supply situation requires it. According to the WSD's record, no golf courses in Hong Kong have permission to use tap water for irrigation purpose. Similar to Jockey Club Kau Sai Chau Public Golf Course, many other golf courses have developed their own dedicated sources of water supply such as reservoirs, desalination plants, underground water collection systems, non-saline effluent from nearby wastewater treatment plant, and so on.

### **Agreements on Avoidance of Double Taxation**

11. **DR LAM TAI-FAI** (in Chinese): *President, at the meeting of this Council on 3 February of this year, I raised a written question regarding the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal*

*Evasion with respect to Taxes on Income (Arrangement) signed by the authorities of the Mainland and Hong Kong on 21 August 2006. In connection with the reply given by the Secretary for Financial Services and the Treasury, will the Government inform this Council:*

- (a) given that the Inland Revenue Department (IRD) relayed to the State Administration of Taxation (SAT) the proposal of the trade to relax the 183-day threshold only in October 2009, whether the authorities will relay the proposal of the trade to the SAT again within this year; if they will, of the specific arrangement; if not, the reasons for that;*
- (b) given that quite a number of members of the trade have relayed to me that, with the Hong Kong Special Administrative Region coming directly under the Central People's Government and the close connection between the two places, the Mainland's relation with Hong Kong in areas of politics, economy and geographical location, and so on, is different from that with other tax jurisdictions, and therefore it is not necessary to adopt across the board the 183-day threshold, whether the Hong Kong SAR Government will relay the view of the trade to the Mainland authorities; if it will, of the details; if not, the reasons for that;*
- (c) why the authorities allow the IRD not to record the numbers of default cases or holdover applications involving Mainland residents; whether Hong Kong's revenue from salaries tax will decrease because the IRD does not record the number of such cases; if it will not, of the reasons for that;*
- (d) whether the Government has assessed the amount of salaries tax forgone each year as a result of the 183-day threshold, and whether this will have an impact on the operation of the existing Mandatory Provident Fund;*
- (e) given that the Government said in its reply that Hong Kong residents may present their cases to the IRD if they consider that the way the Mainland tax authority has taxed them is not in accordance with the Arrangement and, if necessary, the IRD may invoke the mutual*

*agreement procedures, of the details of the mutual agreement procedures; whether the Government has conducted any publicity to enable the public to know the details of such procedures; whether Hong Kong residents have requested the IRD to invoke the mutual agreement procedures to resolve the double taxation issue since the implementation of the Arrangement; if they have, of the details; if not, the reasons for that;*

- (f) how the authorities at present ascertain if Mainland residents are staying in Hong Kong for work, so as to determine whether such persons have worked in Hong Kong for more than 183 days and therefore are subject to salaries tax;*
- (g) whether it has collected data in the past three years to reflect how the 183-day threshold under the Arrangement is conducive to the integration and economic development between the two places; if it has, of the details; if not, the reasons for that;*
- (h) whether it has assessed if the relaxation of the threshold concerned under the Arrangement to 183 days is already sufficient to facilitate integration and economic development between the two places; if it has, of the details; if not, the reasons for that;*
- (i) whether it has assessed how the 183-day threshold will affect the income and patronage of the Guangzhou-Shenzhen-Hong Kong Express Rail Link upon its commissioning;*
- (j) given that the Government said in its reply that it had received two suggestions proposing to relax the threshold to 260 and 270 days respectively, of the name of the persons or organizations who made these two proposals; why the Government did not keep records of similar proposals made by individual business associations, and when it will start keeping records; and*
- (k) of the detailed justifications for the Government's view that a total removal of the 183-day threshold is not reasonable?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Chinese): President,

(a) and (b)

The IRD of Hong Kong and the SAT meet annually to discuss the implementation of the Arrangement. The IRD will relay to the SAT specific suggestions from the trade concerning the relaxation of the 183-day threshold or other issues relating to the implementation of the Arrangement.

- (c) The IRD deals with default cases or holdover applications impartially, regardless of taxpayers' nationalities. As such, there is no need to keep separate records by reference to the different nationalities of taxpayers.
- (d) Before the Arrangement was in place, a Hong Kong resident might be taxed by the Mainland authority as long as he worked in the Mainland for over 90 days. The 183-day threshold under the current Arrangement is already a major relaxation of the time limit. Therefore, there is no tax foregone for Hong Kong as a result of this threshold. Moreover, the length of stay of Hong Kong employees in places outside Hong Kong and whether they pay taxes in Hong Kong will not affect the operation of the Mandatory Provident Fund.
- (e) If a Hong Kong taxpayer wants to invoke the mutual agreement procedure under the Arrangement, he may present his case to the IRD. Details of the mutual agreement procedure can be found in the Departmental Interpretation and Practice Notes No. 44 (Revised) issued by the IRD in August 2008, which could be downloaded from the IRD website. The IRD has not received any such application since the implementation of the Arrangement.
- (f) In determining whether a Mainland resident is exercising employment in Hong Kong, the IRD will take into account all relevant facts, including the person's actual activities in Hong Kong, his employment contract and information from his employer or related enterprise. If it is confirmed that the person has stayed in Hong Kong for more than 183 days for work, the IRD may tax him

regardless whether he has actually spent every day working during the period.

(g), (h) and (i)

As mentioned in my reply on 3 February this year to Dr LAM Tai-fai's written question, the purpose of the 183-day threshold is to provide a fair and certain basis for allocating taxing rights between the Mainland and Hong Kong. As far as this purpose is concerned, we do not consider it necessary to carry out the assessments mentioned in the questions.

- (j) According to our record, apart from Dr LAM Tai-fai, Mr Andrew LEUNG also suggested to the Government at a Legislative Council meeting the relaxation of the 183-day threshold. Individual members of business associations have made similar suggestions during discussions with the Administration on various occasions. As a wide range of suggestions are received through these channels, we are unable to compile statistics on different proposals. The Administration pays close attention to all public views regarding tax policy, and will consider these views carefully.
- (k) Hong Kong adopts a territorial principle of taxation, and thus does not impose taxes according to residency. If the 183-day threshold were lifted, those Hong Kong residents working in the Mainland on a long-term basis would not have to pay tax in either jurisdiction. Such double non-taxation is unreasonable.

### **Concessionary Interchange Schemes for Green Minibus**

12. **MR KAM NAI-WAI** (in Chinese): *President, at the Traffic and Transport Committee meeting of the Southern District Council on 23 November last year, some operators of green minibus (GMB) indicated that due to the restrictions imposed by the Octopus system on the number of interchange routes, they found it difficult to introduce Octopus concessionary interchange schemes for GMB routes in the Southern District on schedule. In this connection, will the Government inform this Council:*

- (a) *whether it knows the reasons for the aforesaid problem of the Octopus system and whether there are other restrictions imposed on the interchange schemes (for example, a cap on the daily person-times using the schemes);*
- (b) *of the total number of GMB routes offering Octopus concessionary interchange schemes in Hong Kong at present; whether it knows if any GMB operator has aborted the plan to introduce interchange schemes due to the aforesaid reason in the past three years, and if the Octopus Cards Limited (OCL) has, in preparation for launching bus-bus, GMB-GMB, bus-rail and GMB-rail concessionary interchange schemes, carried out improvement work on its software and hardware so as to increase the number of interchange routes which can be supported by the Octopus system; if so, of the details; and*
- (c) *given that the Government has all along encouraged public transport operators to introduce more concessionary interchange schemes, whether the Government will discuss with OCL and ask the company to solve the aforesaid problem, so as to tie in with the introduction of various concessionary interchange schemes by GMB operators?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Chinese): President, at present, there are 56 and 44 GMB routes offering concessionary fares for passengers interchanging with railways or other GMB routes respectively.

According to information obtained by the Transport Department from the GMB trade, in the past three years, only the GMB operator serving the Southern District as mentioned in the question has been unable to expand its concessionary interchange schemes first launched in July 2009 because it is using Octopus card reader/writers of relatively lower information storage capacity. To facilitate its operational development, the operator concerned has been discussing closely with the OCL in order to solve the related problem as soon as possible. In parallel, we have urged the OCL to accord priority to the above case with a view to expediting the implementation of the proposed additional GMB concessionary interchange schemes for the benefit of the public.



**Provision by Hospital Authority of Medical Reports in Chinese to Patients**

13. **MR LEE WING-TAT** (in Chinese): *President, some public hospital patients have relayed to me that at present, medical reports issued by the Hospital Authority (HA) on patients' requests are written in English, but many patients cannot read English and when they need medical services while residing or working on the Mainland, it is also often difficult for the health care personnel there to trace their medical histories and treatments received in the past on the basis of such medical reports. In this connection, will the Government inform this Council:*

- (a) *whether it knows the reasons why the HA provides medical reports only in English to patients;*
- (b) *given that the majority of the population in Hong Kong are Chinese, some of whom can read Chinese only, and when they request for medical reports, no Chinese version of the reports is provided by the HA, whether the authorities have assessed if the HA has violated the section on safeguarding patients' right to information under the Patients' Charter; if they have, of the assessment results; and*
- (c) *given that when Chinese was initially made an official language in Hong Kong, it was specified in some legal documents and contracts prepared in English that the English version should prevail in case ambiguity arose between the Chinese and English versions, whether HA will make reference to this practice and provide Chinese medical reports on patients' requests?*

**SECRETARY FOR FOOD AND HEALTH** (in Chinese): President, in general, health care professionals will clearly explain the medical conditions and methods of treatment to patients during the course of treatment, and the HA will also issue patients with a medical report on request. My reply to various parts of the question is as follows:

- (a) English is the most commonly used language around the world in the profession of western medicine. English is also the medium of instruction for training of local medical professionals. The medical

terminology adopted in clinical record and medical reports are mainly in English and in Latin or Greek for certain common medical terms. It follows that the local medical professionals who received training in western medicine would mainly use English when preparing clinical record and medical reports. The same practice has been adopted in both public and private hospitals in Hong Kong. Western medical practitioners in the Mainland have also received training on English terms in the profession. There are no obstacles in the communication between medical professionals in Hong Kong and the Mainland.

It should be pointed out that the main function of medical reports and patients' records is to record and report on patients' clinical conditions, so that the most suitable treatment can be provided to the patients. As English is the common language under the western medicine system, medical reports and patients' record in English can reflect more accurately patients' conditions for communication among medical practitioners and for the purpose of patient referrals.

(b) and (c)

Patients can request the health care professionals to explain the contents of their medical reports and patients' right to information is thereby protected. As for the occasional requests for provision of medical reports in other languages, the HA will source the information on translation services in the market and provide it to patients in need for reference.

### **Legislative Council By-elections**

14. **MS STARRY LEE** (in Chinese): *President, regarding some Legislative Council Members of individual political parties in Hong Kong launching the so-called "five geographical constituencies (GCs) referendum campaign" by way of resigning from offices and then standing for the by-elections, the Hong Kong and Macao Affairs Office of the State Council released a statement on 15 January this year, pointing out that the Basic Law of the Hong Kong Special*

*Administrative Region (SAR) does not provide for a "referendum" mechanism, and the SAR does not have the authority to create such. It stressed that conducting such so-called "referendum" does not conform with the legal status of the SAR. It is a fundamental contravention of the Basic Law and the relevant decision of the Standing Committee of the National People's Congress. At the Question and Answer Session of this Council on 14 January, the Chief Executive also said that conducting any form of so-called "referendum" in Hong Kong would have no legal basis or effect whatsoever and would not be recognized by the SAR Government. As the Members concerned have formally resigned from offices, will the Government inform this Council:*

- (a) of the contingency measures the Government has put in place to handle the situation of Legislative Council voting down the application for funds needed for the by-elections;*
- (b) whether the SAR Government will review the publicity arrangements for the by-elections so as to prevent members of the public from mistaking that the SAR Government endorses the statement that the by-elections are a "referendum"; if it will, of the details; if not, the reasons for that; whether it will consider not to make any arrangement for senior officials to vote and call on electors to vote before the media on the polling day; and*
- (c) whether the authorities will consider amending the law to impose certain restrictions on Members who resign from offices and then stand for the by-elections; if it will, of the details; if not, the reasons for that?*

**SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS:** (in Chinese): President,

- (a) According to section 36(1)(a) of the Legislative Council Ordinance (Cap. 542), the Electoral Affairs Commission must arrange for a by-election to be held when the Clerk to Legislative Council makes a declaration as to the existence of a vacancy in the membership of the Legislative Council. Section 12 of the Electoral Affairs

Commission Ordinance (Cap. 541) specifies that all expenses properly incurred by the Commission, a member of the Commission or the Chief Electoral Officer in the performance of any function under that or any other Ordinance shall be payable out of the general revenue. We believe that Members understand that the Administration is obliged to discharge this statutory responsibility.

- (b) The SAR Government emphasizes that the Legislative Council by-election for the five GCs is aimed at filling the vacancies in the membership of the Legislative Council. The Basic Law does not provide for any referendum mechanism. Conducting any form of so-called "referendum" in Hong Kong will have no legal basis or effect under the Basic Law and the legislation of Hong Kong, and will not be recognized by the Government. The position of the SAR Government in this respect is very clear.

We will organize the forthcoming Legislative Council by-election in accordance with the law and plan to allocate \$3 million for publicity work in order to inform electors of the arrangements for the by-election. The publicity expenses for the Legislative Council by-election for one GC in 2007 was around \$700,000. Given that part of the publicity work (for example, production and publication of advertisement) may apply to all five GCs and does not require separate arrangements for individual GCs, we anticipate that the provision of \$3 million will be able to cover the publicity work for the five GCs.

The Chief Executive and his team of Principal Officials will decide on their own at a later stage on matters relating to voting in the by-election. All registered electors, including civil servants, will decide on their own with regard to the issue of voting in the by-election.

- (c) We note that there are views in the community which do not endorse the resignation of several Members in order to initiate the so-called "referendum campaign" via the by-election. There are views that the local legislation should be amended to avoid the recurrence of similar situations. The SAR Government has just completed the

public consultation exercise on the two electoral methods for 2012 and is carefully examining views received during the consultation exercise. There are views that restrictions should be imposed on Members who resign from their office and then stand for the by-elections. We would analyse these proposals carefully when considering amendments to the relevant local legislation. Consideration would be given as to whether these proposals comply with the Basic Law; whether the proposed restrictions are reasonable restrictions from the legal point of view; and whether those restrictions are practicable.

### **Compensation and Rehousing Arrangements for Choi Yuen Tsuen Villagers**

15. **MR FREDERICK FUNG** (in Chinese): *President, it has been learnt that some concern groups pointed out that although the funding proposals for the project of the Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL project) had been approved by the Finance Committee of this Council amid controversies, some villagers of Choi Yuen Tsuen (CYT) in Shek Kong, who are affected by land resumption and clearance of sites required under the XRL project, have still expressed their dissatisfaction over the arrangements for compensation for land resumption and clearance of sites, rehousing and continuing farming activities, and so on, proposed by the authorities, and some villagers even maintain their objection to land resumption and clearance. In this connection, will the Government inform this Council:*

- (a) *of the latest progress of the negotiation between the authorities and CYT villagers affected by the XRL project on the aforesaid compensation and rehousing arrangements, and so on; of the current number of households which have formally registered with the Government for accepting the compensation package, and the percentage of such number in the total number of households in CYT; and*
- (b) *whether it has estimated the number of households which would still refuse to accept the compensation package upon the expiry of the registration period at the end of February this year; what solutions the authorities have regarding the households' refusal to accept the*

*compensation package, whether the authorities will introduce more flexible arrangements for rehousing and continuing farming activities, and so on, so as to meet the requests of the villagers; and whether the Government has formulated measures to avoid any conflict that may arise from land resumption and prevent the villagers from sustaining any injury?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Chinese): President, to ensure passenger safety of the Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) and to meet its operational needs, we have to resume land at CYT, Shek Kong and its vicinity for the construction of an emergency rescue station and stabling sidings. In designing the alignment for the Hong Kong section of the XRL within the New Territories, the MTR Corporation Limited has examined in detail various site proposals and confirmed that the site selected will affect the smallest number of residents and achieve the most satisfactory effect in rescue and evacuation operations.

The Administration has offered a special *ex-gratia* rehousing package (the Package) to help CYT households meet their special rehousing needs. Under the Package, qualified households affected by land clearance for the Hong Kong section of the XRL may choose one of the following special assistance options:

- (i) an *ex-gratia* cash allowance (EGCA) of \$600,000; or
- (ii) an EGCA of \$500,000 and the opportunity to purchase a surplus Home Ownership Scheme flat without being subject to the Comprehensive Means Test.

To enhance the flexibility of the Package in providing assistance to households which have special rehousing needs but do not fully comply with the relevant eligibility criteria, the Secretary for Transport and Housing has been authorized to decide, at her discretion, whether such households can be entitled to the Special Assistance under the Package as if it is a qualified households, and whether or to what extent the amount of EGCA to be offered to the households should be reduced.

The Package and the compensation and rehousing arrangements available under existing policy will provide assistance to villagers affected in an appropriate and flexible manner. If villagers meet the relevant eligibility criteria, they may choose between agricultural resite to build houses for domestic purpose in vicinity to the farm land, purchasing Home Ownership Scheme flats without being subject to Comprehensive Means Test, renting or purchasing low rise private accommodations in the rural area, or rehousing to Public Rental Housing with priority, and so on.

My reply to the two parts of the question is as follows:

- (a) As at 20 February, over 140 households in CYT, a majority of the households, have registered with the Lands Department (LandsD). Applications from about 30 households have been processed. Two of them have collected the EGCA, while other villagers who are granted the EGCA may contact the LandsD at any time to arrange for collection of the cash allowance. The remaining applications are being processed, and villagers will be notified of the results of their applications progressively.
- (b) The registration period for applications for special assistance under the Package will expire by end of February. All affected villagers must register with the Administration so that we can process their applications and verify their eligibility promptly.

We have convened several resident forums in CYT to explain the Package in detail to villagers. We have visited individual households on a number of occasions to explain to them and in person the specific details of the Package, understand their needs and help them register. We have also operated a one-stop information centre in CYT to make it more convenient for villagers to register. We understand that the Heung Yee Kuk and relevant village representatives have been in close touch, especially on the discussion on how to assist villagers in identifying land for agricultural resite. In addition, we have published six issues of newsletter for CYT residents to explain the Package, provide frequently asked questions

and answers, and set out some sample cases in which the EGCA was granted (please see the ninth issue of the newsletter at Annex).

To help rehouse the affected villagers, we provide them with the Package. Together with the compensation and rehousing arrangements available under existing policy, villagers are provided with different choices.

On procedures, we will process the cases of affected villagers in a highly flexible way. For instance, under normal circumstances, an agricultural resite applicant has to be certified as a genuine farmer and submit a feasible farming plan providing information such as the location of the replacement agricultural site. The Government understands that the affected villagers may not be able to find replacement sites to continue farming within a short period of time and submit their farming plans to the relevant department for examining their feasibility. We will, therefore, adopt a two-step approach in processing the applications. The applicant may locate a private agricultural site and submit a farming plan to the Administration for approval after the applicant is certified as a genuine farmer.

We also understand that some villagers need cash to pay for the deposit for their new homes. Villagers who are granted the EGCA may contact the LandsD at any time to arrange for early collection of the cash allowance, so that they can sign the sale and purchase agreement immediately after identifying suitable accommodation. Moreover, when collecting their EGCA, we allow villagers to fix with the Government a convenient date for moving out since we know it will take time for the villagers to, among other things, go through the formalities of home purchase and have their new homes renovated. Generally speaking, the earlier the villagers register, the sooner the approval procedures can be completed, and the villagers can have more time to prepare for removal.

We will stay in close touch with the CYT residents, take note of their needs and do our best under the framework of the Package and existing policy to help them overcome difficulties in removal.



# 菜園村居民通訊



Issue 9

## Preface

Since the announcement of the “Ex-gratia Rehousing Package” which is exclusively applicable to villagers affected by land resumption and clearance under the XRL project, **the Government has approved some of the applications and has been informing the villagers of the results in batches. Some villagers have already received the ex-gratia cash allowance. For those who have been approved for the ex-gratia cash allowance may contact the Railway Development Section of the Lands Department for collection of the allowance. We set out several approved cases as samples in this issue for easy reference.**

**In February and May 2010, land owners will receive a proposal from the Government for ex-gratia land compensation calculated on the basis of the existing ex-gratia land compensation rate for Zone A.** The existing agricultural land compensation is \$526.8 per sq. ft while that for building land is \$1,041 per sq. ft plus professional valuation; the compensation rates will be reviewed in April 2010. The final compensation rate will be calculated based on whichever is higher.

Resumption notice has been posted in all districts affected by the resumption in the New Territories on 28 January 2010, and has been gazetted on 29 January 2010. The rights of ownership of all concerned land will be expired on 29 April 2010.

Having regard to the existing Squatter Control Policy, **the Government will not relocate Choi Yuen Tsuen.** The “Ex-gratia Rehousing Package” approved by the Executive Council and the Legislative Council did not provide for such an option, **and there is no room for the Government to negotiate on this subject.** The Government will implement the compensation and rehousing package as announced earlier and it would not be changed.

**The construction of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) has commenced,** and the land resumption and clearance for the XRL has been gradually arranging. Villagers who would like to apply for the “Ex-gratia Rehousing Package” should register with the Lands Department **on or before 28 February 2010.** The Government will continue to visit the affected households and provide assistance if necessary, while villagers are also welcomed to contact us directly.

Highways Department  
12 February 2010

## Crop Survey Begins

**The crop assessment and evaluation is underway, farmers who would like to have assessment on crops and permanent improvements of agricultural facilities (such as wells or water pipes), please contact Mr. Kam (Tel: 2683 9176) or Mr. Tam (2683 9179) of the Lands Department to arrange an inspection as soon as possible.**



At the agreed time, staff from the Lands Department will verify and register the identification of farmers, validate and mark the land resumption area, as well as record the location and size of the agricultural land. Field Officer from the Agriculture, Fisheries and Conservation Department will have a field inspection with the farmer to record information such as species, amount and condition of the plants, as well as field management, etc. A copy of these records will be given to the farmer right after the field inspection.

The Agriculture, Fisheries and Conservation Department will notify farmers of the completion of crop survey by mail. Afterwards, the farmers are free to handle the crops by all means.

**“Ex-gratia Rehousing Package” Cases**

Qualified Households meeting prescribed eligibility criteria will be offered an ex-gratia cash allowance of \$600,000, or an allowance of \$500,000 and priority to purchase surplus Home Ownership Scheme (HOS) flats in the New Territories that will be put up for sale in due course.

The basic principle of “Ex-gratia Rehousing Package” is to offer ex-gratia assistance to a qualified household residing in a qualified structure. If there are more than a household residing in a qualified structure, they will be treated as one unit for the purpose of the Special Assistance. A core family (consists of parent and dependent children) residing in more than one qualified structures will still be treated as one household for the purpose of the Special Assistance.

The Government is processing the applications from Choi Yuen Tsuen residents, some of the applications have already been approved and the ex-gratia allowance collected by the applicant. Sample cases are set out below to show, depending on actual circumstances, how more than one application from members of the same family will be handled:

**Approved Case I**

A three-generation family composes of parents, son, daughter-in-law and two grandchildren, counted as two core families and submitted two applications separately. The parent's family and the son's family residing in two separate domestic structures which both were registered in the 1982 Squatter Structure Survey. These two core families are also registered in the 1984/85 Squatter Occupancy Survey and fulfilled the relevant criteria. These two applications were approved and two ex-gratia cash allowances were given.

**Approved Case II**

Two brothers reside in a domestic structure which was registered in the 1982 Squatter Structure Survey, submitted two applications separately. Both brothers could provide proof of residing in the structure for 23 years and fulfilled the relevant criteria. However, two applicants were sharing one structure and could only be given one ex-gratia allowance.

**Approved Case III**

A mother and a daughter's family submitted two applications separately. Two applicants were registered in the 1984/85 Squatter Occupancy Survey. The daughter and her husband are residing in a 1982 registered domestic structure, but the mother is residing in a 1982 registered non-domestic structure. Two applications fulfilled the relevant criteria. The application from the daughter and husband was approved; although the mother's structure was not fully qualified, she was offered certain amount of discretionary ex-gratia allowance after considered by the Secretary for Transport and Housing (STH).

**Household failing to meet prescribed requirements may apply for discretionary handling**, such cases, with written representation if necessary, will be submitted to the Inter-departmental Advisory Panel (the Panel) comprising of representatives from the departments concerned for consideration. STH will decide on the cases based on the merits of individual applications and the advice given by the Panel. The purpose of discretion is to allow STH a greater flexibility in assisting residents who are in need but fail to meet relevant criteria. In principle, STH will handle these cases with greatest flexibility to provide necessary assistance to households as far as possible. Villagers may make reference to the following cases:

**Discretionary Offer Case I**

A singleton elderly household residing in a 1982 surveyed non-domestic structure fulfilled relevant criteria but the structure is not fully qualified. Certain amount of ex-gratia cash allowance was still offered after consideration by STH.

**Discretionary Offer Case I**

A household with parents and three dependent children residing in a 1982 surveyed non-domestic structure, but could only provide proof of living for 10 years. Certain amount of ex-gratia cash allowance was still offered after consideration by STH.

Please refer to previous issues for the compensation and rehousing package details, newsletters can be obtained from Choi Yuen Tsuen Service Centre, Tang Kwai Yau District Council's Office or the following Government Departments.

**Enquiries and Meeting Arrangement:**

Residents may also contact the staff of the following government departments by phone during office hour, or to arrange meetings:-

General Enquiries:	Specific Enquiries:
<b>Clearance Team, Lands Department</b> Mr. MAN Yuk Wa (Tel: 2664 5141) <b>Railway Development Section, Lands Department</b> Mr. KAN Ping Kwong (Tel: 2683 9176) <b>Railways Development Office, Highways Department</b> Mr. LEUNG Yuen Sing (Tel: 2762 3536)	<b>Housing Department</b> Mrs. YU POON Mei Kum (Tel: 2794 5225) <b>Agriculture, Fisheries and Conservation Department</b> Mr. SIU Kim Kwong (Tel: 2476 9662) <b>Social Welfare Department</b> Ms. WEI Wai Lin (Tel: 2478 1432)

**Government Resources Deployed for Meetings of Finance Committee held to Consider Funding Proposals for Project of Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link**

16. **DR JOSEPH LEE** (in Chinese): *President, on 8, 15 and 16 January 2010, the Finance Committee of this Council held meetings to consider the funding proposals for the project of the Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL project). In respect of the aforesaid meetings held on the three days, will the Government inform this Council of:*

- (a) *the total amount of resources deployed by the authorities for handling the XRL project, as well as the number of staff involved, their ranks and number of hours worked (listed out in table form); and*
- (b) *the manpower used by the police to maintain order, including the number of officers involved, their ranks and number of hours worked (listed out in table form)?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Chinese): President,

- (a) The Finance Committee of the Legislative Council held meetings on 8, 15 and 16 January 2010 to discuss the funding applications for the the XRL project. To respond to the enquiries in different areas as raised by Honourable Members, we invited representatives of the relevant departments/organizations to attend the meetings. The number of officers who attended the meetings over the three days, their ranks and number of hours worked are listed in the table below:

Number of Staff Attending Meetings of the Finance Committee  
held on 8, 15 and 16 January 2010, their Ranks and Hours Worked

<i>Date</i> <i>Rank</i>	<i>8 January 2010</i>	<i>15 January 2010</i>	<i>16 January 2010</i>
Bureau Secretary	2	2	2
Directorate Pay Scale Point (D) 8	1	1	1
D6	1	1	1
D4	2	2	2



<i>Rank \ Date</i>	<i>8 January 2010</i>	<i>15 January 2010</i>	<i>16 January 2010</i>
D3	2	0	0
D2	1	3	3
D1	3	3	3
Non-government staff <sup>(1)</sup>	5	4	4
Total (staff)	17	16	16
Total hours worked	6 hours 45 minutes <sup>(2)</sup> x 17 staff = 114 hours 45 minutes	6 hours 45 minutes <sup>(2)</sup> x 16 staff = 108 hours	9 hours <sup>(2)</sup> x 16 staff = 144 hours

Notes:

- (1) The non-government staff were representatives of the West Kowloon Cultural District Authority and the MTR Corporation Limited.
- (2) Hours worked were based on the hours of the meetings.

- (b) While facilitating the expression of views by participants of public assemblies, the police also have the responsibility to maintain public order, and at the same time strike a balance by ensuring the rights of other people to use public places or roads as well as their safety. In handling any public event, the police will deploy manpower flexibly and implement appropriate crowd management measures based on comprehensive risk assessment, with a view to ensuring that the event is conducted in a safe and orderly manner.

For the meetings of the Finance Committee held on 8, 15 and 16 January 2010, the police deployed officers to the Legislative Council Building and the vicinity where the public assemblies were held to maintain public order and to ensure that the meetings of the Finance Committee were held smoothly. The purpose was to ensure the safety of Members of the Legislative Council and others attending the Finance Committee meetings, as well as participants of the public assemblies and other members of the public outside the Building. The police deployed staff flexibly in light of the actual situation on the three days. The number of police officers deployed peaked at about 400, 500 and 1 200 over the three days respectively. The rank of field commander was Police Superintendent. The police have not maintained breakdowns on the ranks of officers on duty and the hours worked for each session.

**Local One-day Tours**

17. **MR PAUL TSE** (in Chinese): *President, it has been learnt that at present, local one-day tours are not required to be operated by licensed travel agents, and most of them are not escorted by guides holding tourist guide passes issued by the Travel Industry Council of Hong Kong (TIC). Besides, appropriate travel insurance is not taken out for such tours in general, and such tours do not fall within the scope of the Travel Industry Protection Fund. Quite a number of members of the trade have relayed to me that the aforesaid tours not only affect the livelihood of licensed travel agents and guides holding tourist guide passes, but also pose serious risks to the safety of travellers, as such tours fail to provide adequate professional services and protection. In this connection, will the Government inform this Council whether:*

- (a) it knows the number of local one-day tours organized in Hong Kong in each of the past three years and, the total number of travellers joining such tours; if it does not know, whether it will compile such statistics expeditiously;*
- (b) it has considered monitoring the aforesaid tours and requiring that they must be serviced by tourist guides holding tourist guide passes; if it has, of the progress; if not, whether it will consider doing so expeditiously; and*
- (c) it will require that the aforesaid tours must be operated by licensed travel agents and that appropriate travel insurance must be taken out, and whether it will include this kind of tours in the scope of the Travel Industry Protection Fund, so as to enhance protection for travellers?*

**SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT** (in Chinese): President, under the Travel Agents Ordinance (the Ordinance) (Cap. 218), anyone who carries on business as a travel agent and arranges local tours for inbound visitors (including one-day local tours) must obtain a travel agent licence. According to the requirements of the TIC, travel agents may only employ Tourist Guide Pass holders issued by the TIC to provide tourist guide services to inbound visitors.

Local tours that cater for local residents are not regulated under the aforementioned regime. This notwithstanding, the consumer rights of local residents who join local tours are generally protected and the relevant consumer protection laws apply. Furthermore, the Consumer Council will also offers advice and assistance to consumers when necessary.

My reply to the three-part question is as follows:

- (a) Apart from companies that operate local tours, many organizations, such as educational institutions, community groups, religious bodies and owners' corporations, and so on, also run local one-day tours in Hong Kong. The Administration does not have breakdowns in various local one-day tours or keep statistics on them.
- (b) As set out in the preamble above, the Government already regulates local one-day tours to a certain extent. As there are many local tours for local residents with various organizers, the nature of these local one-day tours are not entirely the same as general travelling and should not be directly compared with the latter. Furthermore, it may not be appropriate to require these local one-day tours to engage the service of accredited tourist guides. In particular, many of these local tours serve educational or socializing purposes. The organizers can work out the itineraries and designate suitable persons (for example, school teachers, interest classes instructors and social workers) to lead and brief the groups according to the participants' needs. To require such local tours to be served by accredited tourist guides will undermine the flexibility of tour organizers in designating the right persons to take care of tour members and increase the costs of these activities. Therefore, we do not consider it appropriate to impose stringent requirements on this aspect.
- (c) As mentioned above, the purpose, nature and requirements of local tours for local residents are different from tours for inbound visitors. So are services required. For this reason, we consider it inappropriate to extend the coverage of the Ordinance to local tours.

In respect of travel insurance, there is no statutory requirement to mandate travel agents or travellers (both inbound visitors and local residents travelling abroad) to take out travel insurance. The

existing travel insurance products are mainly for outbound travels. In the unfortunate event of local residents involving in accidents while taking part in local tours, they may use the service under our health care system. Furthermore, individual organizations or persons may have already purchased insurance to cover accidents. We therefore consider that it is not necessary to require the organizers of or local residents who participate in local tours to take out travel insurance.

As for the Travel Industry Compensation Fund (the Fund), its objective is to provide *ex gratia* payment in case of default by travel agents or emergency assistance to Hong Kong residents in case of accidents when travelling abroad (for example, expenses for compassionate visits to the place of accidents by their relatives and medical expenses incurred abroad). Therefore, we consider that it is not necessary to extend the coverage of the Fund to local tours for local residents.

### **Emissions from Non-franchised Buses**

18. **MS AUDREY EU** (in Chinese): *President, it has been learnt that at present, quite a number of non-franchised buses carry foreign travellers via the Cross Harbour Tunnel (CHT) every day to areas with high air pollution index such as Central, Wai Chai and Causeway Bay for sightseeing. In this connection, will the Government inform this Council:*

- (a) *whether it knows the average daily number of trips run by non-franchised buses carrying overseas visitors via CHT last year, and the average number of such trips run during peak hours;*
- (b) *of percentage of respirable suspended particulate and nitrogen oxide emissions from non-franchised buses in the total amount of the emissions concerned from all vehicles in Hong Kong last year; and*
- (c) *what new measures will be put in place by the authorities to reduce the air pollutants emitted by non-franchised buses?*

**SECRETARY FOR THE ENVIRONMENT** (in Chinese): President,

- (a) A survey conducted by the Transport Department in October 2009 found that on average non-franchised buses providing tour service operated about 1 960 trips via the Hung Hom Cross Harbour Tunnel from 6 am to 10 pm daily. About 860 of these trips were made during the peak periods from 7 am to 10 am and from 5 pm to 8 pm. The survey did not differentiate whether or not the passengers on board were overseas visitors.
- (b) The compilation of the vehicle emission inventory for 2009 (including non-franchised buses) will be completed around end of this year. However, in 2008, the respirable suspended particulates and nitrogen oxides emitted from non-franchised buses accounted for about 6% of the respective total vehicular emissions in Hong Kong.
- (c) Since 2000, the Government has been introducing new measures to reduce vehicular emissions with a view to improving roadside air quality. Key measures involving non-franchised buses include:
  - (i) the statutory emission standards for newly registered vehicles will be tightened whenever practicable. Our prevailing statutory vehicle emission standards are Euro IV, which are among the most stringent standards in Asia;
  - (ii) starting from April 2006, we have mandated all pre-Euro heavy duty vehicles, including non-franchised buses, to install particulate removal devices approved by the Environmental Protection Department to reduce particulate emissions;
  - (iii) a concessionary duty rate has been offered for Euro V motor diesel to encourage its usage by owners of commercial vehicles. Since 1 December 2007, all local commercial vehicles have been operating on Euro V diesel. We are preparing legislation to tighten the statutory specifications of motor diesel fuels to Euro V standards for implementation from 1 July 2010;



- (iv) in April 2007, we launched a 36-month incentive scheme to encourage vehicle owners to replace their Pre-Euro and Euro I diesel commercial vehicles by Euro IV vehicles or newer models. As at end 2009, about 50% of the eligible Pre-Euro and Euro I non-franchised buses (that is, 933 buses) joined the scheme;
- (v) since April 2008, we have offered a reduction in first registration tax to encourage the use of environment-friendly commercial vehicles. Currently 13 environment-friendly bus models are available for purchase by the non-franchised bus trade; and
- (vi) we are preparing legislation against idling vehicles with an aim to introduce it into the Legislative Council for scrutiny within this legislative year for early implementation to minimize the nuisance caused to the environment.

Moreover, from July to November 2009, the Government consulted the public on the proposed new Air Quality Objectives (AQOs) and the measures to achieve the new AQOs. Many of the measures seek to improve roadside air quality and are also applicable to non-franchised buses such as early retirement of old polluting vehicles, promoting the use of hybrid/electric or other environment-friendly vehicles with similar performance, establishing low emission zones, and so on. We are carefully examining the views collected to decide on how best to implement the proposals.

### **Suspension of Dissemination of Hang Seng Family of Indexes**

19. **MRS REGINA IP** (in Chinese): *President, the index system of Hang Seng Indexes Company Limited (HSIL) failed to disseminate the various Hang Seng indexes (HSI) through the trading and information systems of The Hong Kong Exchanges and Clearing Limited (HKEx) between about 10.00 am and 10.32 am on 22 January this year. There have been comments that apart from affecting the operation of the Hong Kong stock market that day, the incident had tainted Hong Kong's esteemed reputation as an international financial centre. Moreover, HSIL publicly pointed out after the incident that it was caused by data sequence errors, which was rare, and HSIL also indicated that all necessary*

*changes and comprehensive testing with regard to the problem had been carried out and considered that there would not be any problem. The comments have also pointed out that HSIL's remarks are unconvincing and have aroused concern about the reliability of the HSI system. In this connection, will the Government inform this Council:*

- (a) whether it has ascertained from HSIL:*
- (i) the reasons for overlooking the possibility of occurrence of the aforesaid incident during the analysis and designing stages of the index system; whether the software engineers had conducted a thorough testing on the index system at its development stage; if not, of the reasons for that; how HSIL ensures that the aforesaid comprehensive testing conducted on the index system had not missed out any part of the system; and*
- (ii) whether HSIL's analysts and designers have sufficient domain knowledge to perform their duties; and*
- (b) whether it knows if the aforesaid incident occurred because the continuous expansion of the trading market had given rise to information transmission situations, which were not expected when the index system was designed and, as a result, the system has become overloaded; if so, whether it has requested HSIL to conduct regular information technology audits so as to find out the weaknesses of the system and conduct system upgrade in a timely manner?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Chinese): President, the HSIL has investigated and reviewed the incident. HSIL and HKEx have each prepared an incident report. The Administration has forwarded the reports to the Legislative Council Panel on Financial Affairs for reference.

My replies to the sub-questions are as follows:

- (a) HSIL performs comprehensive systems tests and User Acceptance Tests for each of its system developments. According to HSIL's

incident report, the incident was caused by a rare incoming message sequence. Since the Real-Time Index System used a parallel data processing methodology, the "Out of Sequence" event following the pre-opening auction was rare, and had not been previously encountered or foreseen. HSIL have not seen any indication from the incident that the relevant personnel lacked the necessary knowledge to perform their duties.

- (b) According to HSIL, the occurrence of the incident was not related to market expansion or system capacity issues, but the rare incoming message sequence mentioned above. According to HSIL's incident report, HSIL is undertaking a comprehensive review of its system with a view to identifying any other potential points of failure, and if so, making the necessary changes.

While this incident inevitably affected the normal operation of the market, the contingency measures activated by HSIL and HKEx on 22 January 2010 helped to avoid significant disruption to the market. We believe improvements and enhancements proposed by HKEx and HSIL can help to further improve the contingency arrangements. The Securities and Futures Commission will work closely with HSIL and HKEx to follow up on these proposed changes.

### **Assistance and Support for Poor Children**

20. **MS EMILY LAU** (in Chinese): *President, in 2005, after consideration of the report of the Hong Kong Special Administrative Region (SAR) under the Convention on the Rights of the Child (the Convention), the United Nations Committee on the Rights of the Child (the Committee) announced its concluding observations with a number of recommendations. Paragraphs 72 and 74 of the concluding observations pointed out that "the Committee remains concerned at the existence of child poverty among vulnerable populations such as the unemployed, immigrants and single parent families", and recommended the Hong Kong SAR to "establish a poverty line and develop appropriate policies to combat child poverty which addresses widening income disparities while expanding access to social welfare benefits to all vulnerable populations including new immigrants". Regarding the implementation of the Convention and the recommendations in the concluding observations, will the executive authorities inform this Council:*

- (a) *of the recommendations in the concluding observations which have still not been accepted or implemented by the authorities to date; the reasons for such recommendations not being accepted or implemented; whether the authorities will give an account in this respect in their next report to be submitted to the Committee; and*
- (b) *of the respective numbers of children (that is, persons aged below 18, as defined in the Convention) living in poor families and receiving Comprehensive Social Security Assistance (CSSA) payments between 2005 and 2009; given that the Commission on Poverty (CoP) had made various recommendations on child and youth poverty problems, which of such recommendations have still not been implemented to date?*

**SECRETARY FOR LABOUR AND WELFARE** (in Chinese): President, assisting children and youth from a disadvantaged background has all along been a key aspect of the Government's poverty alleviation work. The Government's strategy is to address their specific needs and invest heavily in education and child development to increase social mobility and reduce inter-generational poverty. At the same time, through providing training and retraining to young people, we seek to enhance their skills and competitiveness.

My reply to the two parts of the question is as follows:

- (a) The Hong Kong SAR Government has been proactively implementing the recommendations of the Committee. At present, the Government provides financial support to help needy families meet their basic needs through the CSSA Scheme. The Government also provides a wide range of free or highly subsidized services in various areas, including social welfare, education, health care, housing, and so on. In 2009-2010, the Government's recurrent public expenditure in the policy areas of social welfare, education, health care and housing is expected to reach \$139.1 billion, representing 57.6% of the total recurrent public expenditure.

In recent years, the Government has introduced various new measures to address the needs of children and youth from a disadvantaged background. They include:

- (i) The Government has implemented the School-based After-school Learning and Support Programmes since 2005 to provide disadvantaged students with more opportunities to participate in after-school activities. The aim is to increase their learning effectiveness, broaden their learning experiences outside the classroom, and help them achieve a better understanding of, and develop a stronger sense of belonging towards, the community.
- (ii) Since 2005, the Government has launched in phases the pilot Comprehensive Child Development Service (CCDS) in four districts, namely, Sham Shui Po, Tin Shui Wai, Tuen Mun and Tseung Kwan O. Through cross-sectoral collaboration, the physical and mental development problems of children aged zero to five are identified and addressed as early as possible, with a view to reducing inter-generational poverty. CCDS has now been extended to other districts including Tung Chung, Yuen Long, Kwun Tong, Tsuen Wan and Kwai Tsing.
- (iii) The Government has launched the Pre-primary Education Voucher Scheme since the 2007-2008 school year, and has offered 12-year free education starting from the 2008-2009 school year. The Education Bureau also provides newly-arrived students (covering students aged up to 18) with school placement and support services, such as the full-time Initiation Programme and the Induction Programme, to help them integrate into the community and the local education system.
- (iv) The Government set up the \$300 million Child Development Fund (CDF) to support the long-term development of children from a disadvantaged background. The first batch of pioneer projects funded by the CDF was launched in December 2008, benefiting a total of 750 children. We will provide an addition 1 500 places in the first half of this year. We expect that the CDF will eventually benefit 13 600 disadvantaged children.
- (v) The Social Welfare Department subsidizes non-governmental organizations to provide diversified child care services for

parents who cannot take care of their children temporarily because of work or other reasons. Fee subsidy or waiver is available to help families encountering financial difficulties.

- (vi) Since September 2009, the Labour Department has enhanced and integrated the Youth Pre-employment Training Programme and the Youth Work Experience and Training Scheme to provide young people aged 15 to 24 with educational attainment at sub-degree level or below with comprehensive pre-employment and on-the-job training, as well as employment assistance. Besides, the Employees Retraining Board has collaborated with the Vocational Training Council to provide vocational training and foundation skills training under the pilot Youth Training Programme for non-engaged youths aged 15 to 20, and help trainees secure employment or refer them for further study upon completion of the courses.

As regards the Committee's recommendation of establishing a poverty line, the former CoP had deliberated fully the issue and took the view that in an affluent city like Hong Kong, poverty could not be understood simply by the concept of absolute poverty or the lack of ability to afford minimum subsistence, nor could we rely upon a single poverty line to measure income poverty. We must take into consideration the actual situation and needs of the poor and their families, including their access to essential services and opportunities such as housing, health care, education and employment, and so on.

The Government agrees with the former CoP, and hence has not adopted a single poverty line for Hong Kong. Rather, we have been adopting a set of 24 multi-dimensional poverty indicators that the former CoP recommended for examining the overall poverty situation in Hong Kong from different perspectives and understanding the needs of different social groups, including children and youth, working people and the elderly, as well as people in different districts. These indicators provide a basis for the formulation and evaluation of policies to assist the needy.

We will report to the Committee the progress of Hong Kong's work in assisting children from a disadvantaged background in the second report on the SAR under the Convention.

- (b) With reference to the indicators adopted by the former CoP, the number of persons aged below 18 living in households with income below average CSSA payment from 2005 to 2009 is as follows:

<i>Year</i>	<i>Number of persons</i>
2005	255 500
2006	227 400
2007	201 900
2008	180 600
2009 (January to September)	208 800 <sup>(1)</sup>

Source: General Household Survey, Census and Statistics Department

Note:

- (1) The 2009 whole-year figure is not yet available.

The number of CSSA recipients aged below 18 from 2005 to 2009 is as follows:

<i>Year</i>	<i>Number of persons</i>
2005 year-end	151 865
2006 year-end	141 962
2007 year-end	129 782
2008 year-end	120 265
2009 year-end	119 336

Source: Social Welfare Department

It is worth noting that while some people living in households with income below average CSSA payment do not receive CSSA, they can still enjoy a wide range of free or highly subsidized services provided by the Government in various areas, including housing, education, health care and social welfare.

After the former CoP concluded its work in 2007, the Government set up the inter-departmental Task Force on Poverty, headed by the Secretary for Labour and Welfare, to follow up on all the former CoP's recommendations and co-ordinate the Government's efforts on alleviating poverty. Among the 53 recommendations made by the former CoP, all the 12 recommendations relating to children and youth (for example, setting up the CDF, extending CCDS, launching the Special Training and Enhancement Programme to assist hard-core unemployed youth on CSSA, and so on) have been implemented.

## **BILLS**

### **First Reading of Bills**

**PRESIDENT** (in Cantonese): Bills: First Reading.

### **APPROPRIATION BILL 2010**

**CLERK** (in Cantonese): Appropriation Bill 2010.

*Bill read the First time and ordered to be set down for Second Reading pursuant to Rule 53(3) of the Rules of Procedure.*

### **Second Reading of Bills**

**PRESIDENT** (in Cantonese): Bills: Second Reading.

### **APPROPRIATION BILL 2010**

**FINANCIAL SECRETARY** (in Cantonese): President, I move that the Appropriation Bill 2010 be read a Second time.

This is my third Budget. In the past year, Hong Kong has gone through many ups and downs because of the adverse impact of the financial tsunami. The shocks to the global economy, in terms of their severity and scale, were more



profound than those experienced during the Asian financial turmoil in 1997 and 1998.

During the Asian financial turmoil, Asian currencies fluctuated wildly. Both the stock and property markets went down sharply. Nonetheless, the global economy still grew by 2.6% and global trade expanded by 4.5% in 1998. By contrast, the financial tsunami triggered by the United States sub-prime mortgage problem has swept across the entire world. The global economy shrunk by 1% and world trade plunged by 12%. This recession is the most severe since World War II.

In the face of this severe financial crisis, the Government implemented the strategy of "stabilizing the financial system, supporting enterprises and preserving employment" in the shortest possible time. The measures we took included providing liquidity to banks, a full deposit guarantee for depositors, loan guarantee schemes with a guarantee commitment of \$100 billion for small and medium enterprises (SMEs), and fiscal stimulus, job creation and relief measures amounting to \$87.6 billion. These measures provided impetus to our economy and restored people's confidence.

In the fourth quarter of 2009, our economy resumed positive growth after four consecutive quarters of year-on-year contraction — one quarter fewer than that during the Asian financial turmoil. At the worst part of this contraction, job losses were 43 000 — but that was only one third of those experienced during the Asian financial turmoil. The unemployment rate during this economic contraction was also lower than that during the previous crisis, and started to fall as early as in the third quarter of last year.

Although the current crisis is much more severe than the Asian financial turmoil, our economy has recovered more quickly this time. Both the job market and the overall economic performance indicate that our economic fundamentals are stronger than before and have shown greater resilience to withstand external shocks. The Government's timely strategy has yielded positive effects. More importantly, Hong Kong people have demonstrated once again their tenacity, confidence and ability to rise to challenges.

While we have come through the most difficult period of the financial tsunami, the external environment is still fraught with uncertainties and the foundations of the recovery are not yet firm. I am also concerned that some

people have yet to benefit from the economic recovery. Therefore, through this Budget, I will strive to achieve the three objectives of consolidating the recovery, developing our economy and building a caring society.

In his policy address, the Chief Executive outlined the future socio-economic challenges and development directions for Hong Kong. I will seek to implement the development blueprint set out in the policy address through the proper allocation of resources. The expenditure and revenue proposals of government departments and related organizations are detailed in the Estimates. I will elaborate on items about which the community are more concerned.

First of all, I will say a few words about our economic performance in 2009 and the economic outlook for 2010.

Gross Domestic Product (GDP) fell by 7.5% in the first quarter of 2009. But, as the Mainland economy returned to faster growth and the European and the United States economies began to stabilize, our economy improved in the second quarter and resumed year-on-year growth of 2.6% in the fourth quarter. For 2009 as a whole, GDP fell by only 2.7%. (Chart 1)

Amidst the severe plunge in global trade, Hong Kong's goods exports fell by 12.6% in real terms in 2009, the biggest annual drop on record. For investment, gross domestic fixed capital formation dipped by 2.2% for the whole year. We can, however, take some comfort in the fact that consumer sentiment was not seriously affected for most of last year. In 2009, private consumption expenditure dipped by only 0.3% and actually reverted to a year-on-year increase in the latter half of the year. Business sentiment also improved distinctly during the latter half of the year, with overall investment recording double-digit growth in the fourth quarter.

Employment is the Government's biggest concern. As the economy started to recover and our measures to preserve employment proved effective, employment conditions turned better from the middle of last year, with unemployment rate coming down to 4.9% lately. (Chart 2)

As the costs of doing business in Hong Kong came down and the average import prices softened as a result of the global recession, the inflation rate eased from the beginning of last year. Mild deflation was seen in the latter half of the year. The average inflation rate for 2009 as measured by the Composite

Consumer Price Index was 0.5%. Netting out the effects of the Government's one-off relief measures, the underlying inflation rate was 1%. (Chart 3)

I am cautiously optimistic about Hong Kong's economic prospects for 2010. The global economy has not yet regained its vigour. There remain a number of uncertainties and potential pitfalls in the external environment. While the European and the United States economies have returned to positive growth, their labour markets have yet to improve and their financial systems are still impaired. These economies may have undergone fundamental changes in their economic structures, and that will affect our future export performance.

It remains uncertain whether some of the economies can grow robustly after the effects of the huge stimulus measures have subsided. If all countries and central banks were to exit from these measures at the same time, the potential shocks to the global financial and economic scenes would be a cause for concern. Mounting protectionism is also being seen among countries. These potential problems may put us on a bumpy recovery path in the year ahead. As such, we have to remain vigilant against the risk of a possible relapse and prepare to maintain social and economic stability.

On the other hand, the return to a stronger growth in the Mainland economy may help offset the fragile recovery in overseas markets. I forecast GDP growth of 4% to 5% for the year. The employment situation is expected to improve further. Deflation has been arrested, and mild inflation is expected to return this year. I forecast that the underlying inflation rate for 2010 as a whole will average 1.5% while the average rate of headline inflation will be 2.3%. I note that commodity prices have generally rebounded and that food prices in the Mainland have also risen. If the United States dollar exchange rate remains soft and these price increases continue, it will add to imported inflation especially in the latter part of the year which in turn may impose a heavier burden on Hong Kong people.

While our economy is in its early stage of recovery, the road ahead may not be smooth. In the short term, we must carefully adjust the exceptional measures introduced to combat the financial tsunami and tackle the risk of asset-price bubbles. In the medium to long term, we must endeavour to promote sustained and steady socio-economic development.

Since 2008, the Government has implemented a number of measures under the strategy of "stabilizing the financial system, supporting enterprises and preserving employment". These exceptional measures were designed to counter the financial tsunami and would not be adopted lightly in normal circumstances. They should not and cannot be sustained over a long period of time, lest they impose a heavy burden on public finances and undermine market operation. Governments around the world are now making plans to exit from their exceptional measures. Some have already begun to progressively execute these plans. We should also prepare to adjust our exceptional measures at a suitable time.

In respect of the support measures for enterprises, I announced in October 2009 that the application period for the Special Loan Guarantee Scheme would be extended to end June 2010 to counter the credit crunch triggered by the global financial crisis. So far, loans worth more than \$68 billion have been approved by banks, benefiting over 16 000 enterprises and indirectly preserving jobs for 280 000 or so employees. I will closely monitor the pace of our economic recovery over the next few months and consider when to let the credit market resume normal operation.

On financial measures, the full deposit guarantee will remain in force until the end of this year. At the Asia Pacific Economic Cooperation Finance Ministers' Meeting last year, I discussed the issue of exit strategies with finance ministers in the region. The Hong Kong Monetary Authority (HKMA) has also established a tripartite working group with its counterparts in Singapore and Malaysia to work out suitable arrangements to exit from the deposit guarantee regimes. The HKMA and I will continue to communicate and co-ordinate with the other Governments, with the common objective of minimizing the impact of exiting from the deposit guarantee on the economy and the banking system. We have also completed a review on the existing Deposit Protection Scheme. We will introduce a bill in the current legislative year to ensure that, upon expiry of the full deposit guarantee, the public can benefit from a more suitable protection scheme.

Since the onset of the financial tsunami, a number of economies have introduced expansionary fiscal measures and eased their monetary policies, resulting in a surge in global liquidity. Large amounts of capital have been attracted into Asia, including Hong Kong, in a short period of time, stimulating investment activities in the asset markets. Since the fourth quarter of 2008, the

amount of inflow of funds has exceeded \$640 billion, increasing the potential risk of creating asset-price bubbles. We are also concerned that if capital flows were to reverse or interest rates rebound, asset prices would become more volatile. This in turn may affect the stability of our financial system and the recovery of the real economy.

The increased risk of a bubble forming in the property market has also aroused public concern about the difficulty in buying homes. The inflow of funds has fuelled an increase in the prices of luxury flats, which to some extent has affected the prices of small and medium-sized flats. This, together with a relatively low supply of flats in the past two years, has led some people to worry that their plans to buy a home may be frustrated. However, there are also suggestions that the Government should act prudently to prevent public policies from causing wild fluctuations in property prices. Hong Kong's residential property market is extremely sensitive. Any such fluctuations in property prices would have a profound impact on the economy, on hundreds of thousands of flat owners and on the public.

The Government is closely monitoring the situation in the property market. In January this year, the prices of some luxury flats returned to the peaks of the 1997 property boom, while prices of small and medium-sized flats were about 23% lower. Overall, property prices are 8% above their peaks before the financial tsunami. On average, the ratio of mortgage payment to household income in the current low-interest rate environment is reasonably healthy. According to figures from the fourth quarter of last year, the ratio of mortgage payment to median household income is around 38% for a 20-year mortgage on a flat with a saleable area of 45 sq m. This is lower than the average of 53% in the past 20 years.

While the local property market is still reasonably healthy, we must not lose sight of the increasing risk of a property bubble developing with the global economic recovery and the abundant liquidity in the international financial markets. The rise in property prices has picked up again after a slight moderation in the fourth quarter of last year, and turnover also increased. I am particularly concerned that some citizens may no longer afford their mortgage payments if the interest rates were to reverse to a more normal level. To ensure a healthy and stable development of the property market, I will implement measures in the following four aspects.

Our first set of measures will address the fundamental issue of flat supply. Over the past few months, real estate developers have been more active in applying for sale of sites on the Application List, lease modifications and land exchanges. In response to the Government's request, the MTR Corporation Limited (MTRCL) and the Urban Renewal Authority (URA) have also quickened the pace of bringing residential sites to the market to increase the supply of flats in the coming few years. In 2010, the number of private residential units completed will increase to 14 300. In the coming three to four years, we estimate that about 53 000 private residential units will come onto the market. To further increase the supply of flats, we will introduce the following measures.

While we believe that the Government should maintain the market-driven Application List system as its principal mechanism for the sale of government land, improvement measures should be implemented to increase residential land supply. In this connection, the Government has drawn up the Application List for 2010-2011 for application by the market. However, depending on market conditions, the Government will put up several urban residential sites in the List for sale by auction or tender in the coming two years if they have not been triggered.

In addition, we will liaise with the MTRCL and the URA to increase the supply of small and medium-sized residential flats in their West Rail property development projects and urban renewal projects respectively. We are also preparing to sell by open tender a site of about 1.2 hectares near the West Rail Long Ping Station in Yuen Long for private residential purpose, and will increase the supply of small and medium-sized flats by specifying in the land sale conditions requirements in terms of the minimum number of flats and the range of size of such units. The Secretary for Development will elaborate on these improvement measures when announcing the Application List for 2010-2011.

At present, there are more than 300 000 Home Ownership Scheme (HOS) flats. Over 60 000 are flats with premium paid and 250 000 or so are flats with premium not yet paid, and the two categories of flats can be put on sale in the open market and the HOS secondary market respectively. Mostly priced below \$2 million and situated in various districts of the territory, HOS flats can cater for the medium and low-priced property market. The Hong Kong Housing Authority will actively explore means to revitalize the HOS secondary market.

Second, we will increase the transaction cost of property speculation with appropriate tax measures so as to reduce the risk of creating a property bubble. I propose that with effect from 1 April this year the rate of stamp duty on transactions of properties valued more than \$20 million be increased from 3.75% to 4.25%, and buyers will no longer be allowed to defer payment of stamp duty on such transactions. In parallel, we will closely monitor the trading of properties valued at or below \$20 million. If there is excessive speculation in the trading of these properties, we will consider extending the measures to these transactions.

The Inland Revenue Department (IRD) has established procedures to track property transactions involving speculation and will follow up each case closely. If it is found that such transactions constitute a business, the IRD will levy profits tax on the persons or companies concerned for profits arising from such transactions.

Third, we will ensure transparency in property transactions and transaction prices to facilitate effective operation of the market. The Chief Executive announced in November 2009 three measures including shortening the lead time for developers to make public details of transactions, and requiring developers to list the price per square foot in saleable area of individual flats and adopt a reasonable floor numbering system. We will work to uphold fairness in market operation to ensure that both buyers and sellers can conduct informed transactions. We will not tolerate market players disseminating confusing information in an attempt to manipulate the market. I have asked the Secretary for Transport and Housing to enhance the regulation of property transactions to ensure that citizens can buy and sell properties in a fair and transparent market. The Bureau is now exploring further measures to strengthen the regulation of the sale of first-hand, uncompleted private residential flats.

Fourth, we will strive to prevent excessive expansion in mortgage lending so as to avert fuelling an asset-price bubble in the property market. Last October the HKMA issued guidelines to banks, lowering the loan-to-value ratio for mortgages on properties valued at \$20 million or above and requiring banks to process mortgage loan applications prudently. I have asked the HKMA to closely monitor the situation and take further measures when necessary to strengthen the prudent regulation of banks.

It is the policy objective of the Government to ensure a healthy and stable development of the property market. The above measures strike a balance between reducing the risk of a property bubble and preventing public policies from causing unnecessary fluctuations in the property market. It is very important to maintain this balance particularly at this point in time, in the face of uncertainties in the external environment. The Government and the regulatory bodies will continue to closely monitor the situation and take further measures when necessary.

In the early stage of recovery, the key to fostering sustained social and economic development is the ability to grasp the opportunities arising from the financial tsunami and consolidate our fundamentals. I will elaborate on the lessons learnt from the financial crisis on the Government's role, which can help us chart our way forward.

With economic globalization and advances in technology, any economic fluctuation or crisis will ripple through more rapidly and extensively. Being a small and open economy, Hong Kong will inevitably be affected.

The market mechanism remains the best means to make effective adjustments in a fast-changing age. The market is the aggregate of the choices of many participants. Their decisions should work more flexibly and efficiently than those made by the Government. Under the principles of "market leads, government facilitates" and "big market, small government", the Government will continue to create conditions for market development. These include maintaining the rule of law and a simple and low tax regime, nurturing talent, investing in infrastructure, and helping enterprises tap markets outside Hong Kong.

While acknowledging the importance of market mechanism, the Government will not be completely passive in regard to the adjustment of the economy and the allocation of resources. Where necessary, the Government will introduce measures to safeguard social stability and sustain the normal operation of the economy in the face of fluctuations in a fast-changing economic environment.

During an economic downturn, some people are trapped in difficulties for various reasons. Therefore, the Government adopted a pragmatic and flexible



approach and introduced expansionary measures during the financial crisis to stabilize the economy and safeguard the livelihood of our people. When our economy is in the early stage of recovery, it is still necessary for the Government to take measures to help those who have not benefited immediately from the recovery or adapted themselves to the new economic environment. Once the economy resumes steady growth, the Government should let our society and economic activities return to normal operation.

Our quick recovery from the financial tsunami is, to some extent, attributable to the Government's prompt deployment of huge fiscal resources to stabilize the economy. The intensity of several rounds of stimulus measures introduced since 2008 and involving a total of \$87.6 billion is unprecedented. This clearly demonstrates that maintaining adequate fiscal reserves is a prerequisite for the Government to fulfil the functions of ensuring social and economic stability.

Government revenue is highly susceptible to economic fluctuations. Flexibility in expenditure is very low. Over the years we have adopted the strategy of containing expenditure prudently and using our fiscal reserves as a buffer for deficits in individual years. As such, we are able to achieve a fiscal balance and keep expenditure within the limits of revenues over a period of time. The reserves required for the buffer can be substantial. Take the six years starting from 1998-1999 as an example. The five fiscal deficits that occurred in these years reduced our fiscal reserves by about \$200 billion — the equivalent of 40% of our fiscal reserves as at end March 1998.

Apart from providing a buffer, the fiscal reserves also generate revenue of tens of billions of dollars each year. In 2009-2010, for example, investment income accounted for 11% of total government revenue. Should the reserves continue to fall, the revenue from this source will drop accordingly. This will reduce the resources available for investing in projects to build our economy and improve people's livelihood.

Where necessary, I will draw on the fiscal reserves to implement measures for economic and social stability. However, I must act with prudence and replenish our reserves as and when appropriate. After the financial tsunami, we should appreciate more deeply the importance of adequate fiscal reserves. In the long run, an ageing population and a shrinking working population will further

narrow our tax base. More than ever, we need to prepare for the future by increasing our reserves to meet these challenges.

President, we are now in the early stage of recovery and our economic prospects are unclear. I will continue to help our citizens ride out the economic difficulties. At the same time, I will improve their quality of life through enhancing social mobility and essential services. My objectives are to consolidate the recovery, develop our economy and build a caring society.

First, I will give a brief account of the strategies and measures in relation to our economic development. In support of the development blueprint set out in the policy address, I will promote sustainable development of our economy by furthering regional co-operation, investing in infrastructure and promoting the development of various industries.

In my last Budget I pointed out that the Government would play the role as a "champion" in furthering economic integration. We will continue to make the best of Hong Kong's modernization and internationalization, and capitalize on the "China advantage".

Specifically, we can support the development strategy of the Mainland by further developing Hong Kong into a knowledge-based and high value-added economy. At the international level, the Mainland has been actively promoting quality growth and encouraging enterprises to reach out to the international market. Hong Kong can provide a platform for the Mainland's enterprises to expand overseas. We can also make use of our strengths to help these enterprises bring their management and technological standards closer to the international level. With our rich experience in international exchanges, we can assist the Mainland in building brand names and improving product image. Our service industries will emerge out of the process with broader scope and better standards. Our position as an international financial and commercial centre will also be reinforced.

At the national level, the Mainland economy is becoming more and more market-oriented, industrialized and urbanized. This plays a crucial role in China's sustainable development and creates excellent opportunities for Hong Kong. Hong Kong can assist by attracting foreign investment, facilitating international exchanges and providing quality services that are essential to the restructuring and upgrading of Mainland's economy. This will help promote

quality growth of the Mainland's economy. It will also increase the demand for Hong Kong services, thereby addressing the problem of our small local market.

At the regional level, Guangdong is one of the best developed regions in China. It is also the vanguard of our country's reform and liberalization, and its systems can most readily be aligned with international standards. Hong Kong and Guangdong enjoy geographical proximity, close cultural ties and a long history of co-operation, and yet differ greatly in such areas as resources and industrial structure. As such, there is ample room for the two places to increase co-operation. Hong Kong can speed up its integration with the Pearl River Delta (PRD) to increase the depth and breadth of the market in the region, creating synergy for the joint development of the two places.

We will take full advantage of the platform being provided under the National 12th Five-Year Plan (FYP). Our State leaders have indicated that in preparing the FYP, the Mainland authorities will keep the SAR Government informed of the planning progress and seek our views, so that we can have a full picture of China's situation and directions for development. We will capitalize on this opportunity. We will strengthen our liaison with the relevant Mainland departments and ministries as well as our direct working relationship with the National Development and Reform Commission, with a view to complementing in all respects the preparation of the National 12th FYP under the principle of "one country, two systems".

At the regional level, we are implementing the Outline of the Plan for the Reform and Development of the Pearl River Delta (the Outline) by drawing up a framework agreement for Hong Kong-Guangdong co-operation. This framework will translate the Outline's macro policies into concrete measures conducive to the development of both places, with a view to incorporating the related policies into the National 12th FYP. At the same time, we are actively working with Guangdong and Macao to formulate specific regional co-operation plans on building a quality living circle and on infrastructure development.

We are also in close liaison with the Guangdong Provincial Government and the Shenzhen Municipal Government to explore ways of promoting the development of service industries in Qianhai. This will allow us to tap the Greater PRD market, which has a population of 50 million, and in turn the Pan-PRD market, which has a population of more than 400 million. At the

Plenary meeting of the Hong Kong/Guangdong Co-operation Joint Conference last August, a letter of intent on co-operation was signed to set up an expert group to explore how best to leverage on Hong Kong's advantages as an international financial, trade and shipping centre, and to combine the strengths of the two places to promote the development of modern service industries in Qianhai. The present consensus is that the Shenzhen Municipal Government will assume the leading role in developing and managing Qianhai, and the SAR Government will render advice on planning and policy formulation.

To enhance the co-operation between Hong Kong and Taiwan, the SAR Government has decided to set up the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council (ECCPC). The ECCPC will discuss matters of mutual interest and enhance co-operation in various respects with its counterpart in Taiwan, the Taiwan-Hong Kong Economic and Cultural Co-operation Council (ECCC).

At the corporate level, the Hong Kong-Taiwan Business Co-operation Committee (BCC) comprising members of the local commercial sector and Taiwan businessmen in Hong Kong will be set up. The BCC will discuss with the Economic Co-operation Committee under the ECCC ways to foster co-operation between Hong Kong and Taiwan in trade and investment.

Hong Kong and Taiwan have been liaising closely on the establishment of the new co-operation platform to kick-start collaborations on various fronts, fostering mutually beneficial co-operation between the two places. Once the new platform is established, I hope to lead a delegation of ECCPC and BCC members to Taiwan to discuss issues on bilateral co-operation.

We will continue to invest heavily in infrastructure to promote economic development, create employment opportunities and enhance the long-term competitiveness of Hong Kong. In 2009-2010, capital works expenditure reached \$45.1. Construction works for the Hong Kong-Zhuhai-Macao Main Bridge, site formation works for the new cruise terminal, and the Central-Wan Chai Bypass project all began at end 2009. The works for the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link project also started in January this year.

The estimated capital works expenditure for 2010-2011 will increase to \$49.6 billion. Major works projects expected to start include the Kai Tak Cruise

Terminal Building and ancillary facilities, Hong Kong-Zhuhai-Macao Bridge Hong Kong boundary crossing facilities, Harbour Area Treatment Scheme Stage 2A, and Town Park, Indoor Velodrome-cum-Sports Centre in Area 45 of Tseung Kwan O. With many projects entering their construction peaks, I estimate that the capital works expenditure for each of the next few years will be at an all-time high of over \$50 billion.

With the implementation of various projects including "Operation Building Bright", the employment situation in the construction sector has improved significantly. The unemployment rate of the sector has dropped continuously from its peak of 12.7% last year to 7.4% recently. On the other hand, we will closely monitor the construction industry's delivery capacity to avoid the bunching of projects that may result in an upsurge in wages and construction costs, or calls from the market for the importation of labour.

We are also mindful of the ageing problem and possible skills mismatch in the construction workforce. Currently, the Construction Industry Council (CIC) strives to attract more people, especially young people, to join the construction industry through training and trade testing. Furthermore, the CIC aims to enhance the skills and competitiveness of in-service construction workers and to uplift the image of the industry through promotion and public education. Together with the industry, we will take the lead to introduce best practices in public works projects to further improve the safety, working environment and conditions in construction sites. I will also earmark \$100 million to support the CIC to strengthen the relevant work, and I expect that the CIC will increase its investment in tandem with this funding to provide the necessary incentives to attract more young people to join the construction industry and to improve the practice of the industry. We believe that these measures can help attract fresh blood to the industry and meet the manpower needs of future construction projects.

In his policy address, the Chief Executive pointed out the need to promote the development of innovation and knowledge-based industries. These include the four traditional pillar industries, namely financial services, tourism, trading and logistics, and professional services, and six industries where we enjoy clear advantages. The six industries are medical services, education services, environmental industries, testing and certification, innovation and technology, and cultural and creative industries.

In 2008, the private enterprises of these six industries made a direct contribution of 8% to the GDP and employed about 380 000 people, representing about 11% of the total workforce. The role of the Government is to provide a conducive environment for the development of these industries under the principle of "market leads, government facilitates". We will provide the necessary support in land resources, human capital and incentives to facilitate the diversification of industries under the market mechanism. The Government has started to roll out the initiatives put forth in the policy address, and I will provide the necessary financial support.

To promote the development of the six industries and inject new impetus into old industrial areas, the Chief Executive has put forward measures to revitalize old industrial buildings in his policy address. To facilitate the redevelopment or conversion of industrial buildings by owners, the Lands Department will set up a dedicated team on 1 April 2010 to process such applications centrally. Other departments involved will also exercise flexibility in considering applications for wholesale conversion of industrial buildings, taking into account the constraints of existing industrial buildings.

The Government will also take the lead in injecting impetus to the revitalization of industrial buildings. Where appropriate, we will consider making use of old industrial buildings in the relocation of our offices and facilities. For example, we have completed a study on relocating government departments in the three government office buildings at the Wan Chai waterfront. As and when appropriate we will relocate the departments concerned to other districts to free some land in the central business district. We will study the feasibility of making use of industrial buildings in drawing up the relocation plans. Moreover, we will consider relocating government offices currently accommodated in commercial office premises to industrial buildings upon expiry of their tenancies.

We are inviting expressions of interest to develop private hospitals on four reserved sites as announced in the policy address. The invitation will close at end March this year. We will formulate the land disposal arrangements in light of the response and views from the market.

Regarding education services, apart from the two urban sites and three sites in the New Territories reserved earlier, we will reserve a further site at the former Queen Hill's Camp in the New Territories to establish a self-financing tertiary

institution. We estimate that the site will provide a gross floor area of more than 100 000 sq m and is suitable for the development of a self-financing tertiary institution with boarding facilities. The institution is expected to provide some 8 000 self-financing degree places. We expect to launch an Expression of Interest exercise by the end of this year to invite development proposals from institutions and education bodies. Moreover, the Finance Committee of this Council approved early this month an additional \$2 billion loan commitment for post-secondary education providers to develop or refurbish campus premises. All these measures will help increase the number of places for tertiary education and facilitate the diversified development of the higher education sector, thereby strengthening Hong Kong's status as a regional education hub.

To support the development of the six industries, the Vocational Training Council (VTC) and various tertiary institutions have been offering programmes to nurture talent. For example, the VTC provided an additional 210 places in its higher diploma programmes on testing and certification as well as environmental and related studies in the 2009 academic year, and will provide 310 additional places in the 2010 academic year. Upon commissioning of its new campus in Tseung Kwan O in the 2010 academic year, the Hong Kong Design Institute will provide about 4 500 places for training design students. The Academy of Film recently established by the Hong Kong Baptist University, and the various design and creative media programmes to be launched at the end of this year by the Hong Kong campus of the Savannah College of Art and Design situated at the former North Kowloon Magistracy, will help nurture more creative talent for Hong Kong.

To get a better grasp of the manpower situation of the six industries, we will conduct another round of manpower projection in the first half of this year. The relevant Policy Bureaux will implement appropriate measures and ensure the provision of suitable training in light of the findings. We will ensure that there will be sufficient manpower and professionals to meet the development needs of the industries.

In addition, under the Qualifications Framework we have already set up industry training advisory committees for 13 sectors, covering about 30% of the labour force. These committees set out the skills, knowledge and outcome standards required of employees in those sectors to encourage training providers to design training courses that meet the needs of the sectors. We will further

promote the Qualifications Framework to enhance vocational education and training relevant to the industries.

Apart from being one of our most competitive industries, the financial services sector can best play a unique role in complementing the development of China. In the current financial crisis, the Mainland has emerged as a prominent economic power. With the emergence of a new economic order, our country will further integrate with the international financial community. Hong Kong can play a more important role in this process. The Chief Executive has already indicated in the policy address that we will develop offshore Renminbi (RMB) business and make Hong Kong a global financial centre and asset management centre, attracting capital and talent from within and outside the country. In the process, we will endeavour to meet the overall development needs of our country.

As our country's capital account has yet to be fully liberalized, developing offshore RMB business in Hong Kong is the best option for promoting the use and circulation of RMB outside the Mainland in an orderly manner. In December last year, Premier Wen Jiabao told the Chief Executive that the Mainland would continue to promote cross-border trade settlement in RMB in Hong Kong, explore ways of developing various businesses that would facilitate the circulation of RMB, and foster the development of RMB bond business in Hong Kong. We are grateful for this encouragement and support. In the long run, we hope that Hong Kong will become the first testing ground for all new measures relating to the liberalization of China's capital account and the regionalization and internationalization of RMB. The SAR Government will continue to actively take forward work in this regard.

Since the introduction of RMB trade settlement in July 2009, corporations in Hong Kong and other areas (for example, the ASEAN countries) can conduct trade settlement in RMB through banks in Hong Kong. We, together with the Mainland authorities, will continue to study the ongoing refinements to the RMB trade settlement services, and to promote the expanded use of RMB outside the Mainland. We will also continue to develop the RMB clearing platform in Hong Kong, thereby facilitating Hong Kong's development as a regional RMB settlement centre.

Last year, the amount of RMB bonds issued in Hong Kong reached RMB 16 billion, including RMB 6 billion of sovereign bonds launched in Hong Kong for the first time. This reflects the popularity of RMB investment



products in Hong Kong. We hope to further promote the development of RMB bond business in Hong Kong, such as expanding the issuance size of bonds and increasing the types of bond issuers and the classes of qualified investors. The recent elucidation by the HKMA has suggested that apart from approved Mainland entities, non-Mainland entities may also issue RMB bonds in Hong Kong. As long as the bond issuance does not entail cross-border flows of RMB funds into and out of the Mainland, the range of eligible issuers and issue arrangements can be determined in accordance with the applicable regulations and market conditions in Hong Kong. We also hope that RMB sovereign bonds will be issued on a regular basis in Hong Kong and that RMB-denominated investment products will be developed. With all of this, we hope to see RMB business scale new heights this year.

In the financial tsunami, the strong rebound of China's economy has spearheaded the overall economic recovery of Asia and created abundant investment opportunities in the region. Asia is now the bright spot in the eyes of global institutional investors. We believe that more institutional investors will give greater weight to Asia in their investment portfolios and choose to establish footholds in Asia as the platform for their investment. Equipped with world-class hardware and software, including a strong asset management foundation, and benefiting from a huge demand for wealth and asset management services in the Mainland, Hong Kong is well placed to become Asia's premier asset management centre.

I propose to introduce a number of measures to strengthen the competitiveness of the industry and attract more talent, capital and products to Hong Kong. First, I propose to extend the stamp duty concession in respect of the trading of exchange traded funds (ETFs). Currently, we waive the stamp duty for the trading of ETFs with no Hong Kong stock in their portfolios. ETFs with Hong Kong stocks, regardless of the weightings, are not entitled to this concession. With further integration of the financial markets in Asia, ETFs that track a basket of stocks in the region will become increasingly popular. To facilitate the development of ETFs, I propose to extend the concession to cover ETFs that track indices comprising not more than 40% of Hong Kong stocks. This will reduce the trading cost and promote the diversification and healthy growth of the ETF market.

As for the local bond market, currently a concessionary profits tax rate at 50% of the normal rate is applied to the interest income and profits derived from

qualifying debt instruments with a maturity period of less than seven years but not less than three years. I propose to extend this concession to cover qualifying debt instruments with a maturity period of less than three years. To better meet market requirements, we also plan to amend the provisions under the Inland Revenue Ordinance that require such debt instruments to be issued to the public in Hong Kong.

The Commissioner of Inland Revenue will further clarify the definition of "central management and control" to address the industry's concern about the residency requirement for directors of the management committee of offshore funds in their applications for profits tax exemption. This will help attract more fund managers to manage overseas funds in Hong Kong. I also propose to update the lists of recognized stock exchanges and futures exchanges under the Inland Revenue Ordinance so as to extend the application of tax exemption for offshore funds engaged in futures trading.

Our financial system is sound with strong fundamentals. While the current financial crisis did not cause systemic problems to our financial system, we will still take steps to further improve Hong Kong's financial regulatory system so as to strengthen investor protection.

The Government and regulators will continue to adopt a disclosure-cum-conduct based regulatory approach for the authorization and sale of structured financial products. This regulatory regime rests on two important pillars, namely information disclosure and suitability assessment. On this basis, we have worked out an action plan for phased implementation. The measures in the first phase, which focus on improving the sales practices for investment products, the professional conduct of intermediaries and investor education, have been implemented. For the longer-term measures, we are consulting the public on proposals to establish an "Investor Education Council" and a "Financial Dispute Resolution Centre". Our aim is to strengthen investor protection in every aspect, from investor education, authorization of investment products, disclosure requirements, sales practices, conduct of intermediaries to financial dispute resolution mechanism.

We have been fostering a continuous disclosure culture among listed companies. We are preparing for public consultation on a proposal to amend the Securities and Futures Ordinance to require timely disclosure of certain

price-sensitive information by listed companies. Our aim is to enhance the quality and transparency of the stock market.

To consolidate our position as a financial centre, we will also continue with the following work this year:

- (a) Launch the second phase consultation on the draft provisions of the Companies Bill to modernize the Companies Ordinance, so as to enhance corporate governance and facilitate business;
- (b) Conduct consultations on the establishment of an independent Insurance Authority and a Policyholders' Protection Fund; and
- (c) Study the introduction of a corporate rescue procedure, with a view to reducing corporate bankruptcy and preserving employment.

Last year, the financial tsunami and the human swine influenza dealt a heavy blow to tourism. Thanks to the support of the Mainland authorities and the concerted effort of the Government and the travel industry, total visitor arrivals have reverted to an upward trend since August. Total visitor arrivals in 2009 rose slightly to nearly 30 million, exceeding the total for 2008. As the economy recovers, we expect a further increase in the number of visitors.

Starting last April, Shenzhen permanent residents have been able to apply for an individual visit endorsement that allows them to make multiple visits to Hong Kong in one year. As at early February this year, the total number of trips made with this endorsement to visit Hong Kong exceeded 1.9 million. The response is encouraging. Arrangements for non-Guangdong residents living in Shenzhen to apply for individual visit endorsements in Shenzhen were also implemented last December.

We hope that these measures to help Shenzhen residents visit Hong Kong can be extended to cover more cities in the PRD region, and eventually all of Guangdong Province. As there are about 83 million permanent residents in Guangdong, the extension of these measures, if implemented, will bring considerable benefit to our tourism, retail and the related industries.

We will also develop new travel themes and products to attract returning visitors. More than \$25 million of funds in sponsorship of six arts, cultural and

sports events held in Hong Kong has been approved so far under the Mega Events Fund unveiled last year. The results of the second round applications will be announced shortly. These diversified mega events will enrich the experience of visitors, as well as add to the vibrancy of Hong Kong.

Last year saw the opening of a large number of new tourist attractions, as well as the addition of new features to existing ones. Noah's Ark in Ma Wan, the Hong Kong National Geopark, and the 1881 Heritage at the Former Marine Police Headquarters Historic Compound opened last year. A number of large scale attractions at Ocean Park are also coming on stream. All these have made Hong Kong's tourist attractions more diversified. Looking ahead, the first berth of the Kai Tak Cruise Terminal will come into operation in mid-2013. Hong Kong Disneyland has also embarked on an expansion plan to add three new themed areas over the next few years.

Businesses related to wine trading, distribution and auctions have grown considerably since 2008, when the Government scrapped wine duties and launched a series of facilitation measures. After recording an 80% increase in 2008, the total value of wine imports reached \$4 billion in 2009, marking a further growth of 41% year-on-year. According to information provided by the industry, Hong Kong has surpassed London to become the second largest wine auction centre in the world. To help the industry better grasp the business opportunities in the Mainland, we have just signed an agreement with the General Administration of Customs to provide facilitation measures for wines exported from Hong Kong to the Mainland. The measures will be implemented on a trial basis in Shenzhen in the second quarter of 2010. We will continue to explore other measures to strengthen Hong Kong's position as a regional wine trading and distribution hub which in turn will help boost employment.

Regarding promotional efforts, the first Wine and Dine Festival held in October last year was well received. The Hong Kong Tourism Board will stage the event again on an even larger scale this year. Building on the success of the last two years, the Hong Kong Trade Development Council will continue to organize the Hong Kong International Wine and Spirits Fair at the end of this year. Vinexpo, a renowned wine and spirits exhibition from France, will also be held in Hong Kong for the fourth time.

I will allocate \$20 million in the next two years to support the work of the Hong Kong Council for Testing and Certification set up last September, with a

view to enhancing the professional standards of the local testing and certification services as well as international recognition, thereby creating more business opportunities. I will also allocate an additional \$21 million in the next two years to the Hong Kong Accreditation Service to strengthen services to the industry.

The Hong Kong Council for Testing and Certification will shortly submit to the Chief Executive an industry development plan for the coming three years. The plan will make specific recommendations to increase the competitiveness of the industry, step up promotional effort in the Mainland and overseas, strengthen manpower support, and help the industry tap business opportunities in those areas with good potential. I will provide the necessary resources when required.

In my last Budget, I proposed to promote a "green economy" and introduced a series of measures, including Hong Kong-Guangdong co-operation in environmental protection, the use of electric vehicles and promotion of green buildings. In his policy address, the Chief Executive further announced the development of environmental industries as one of the six industries and put forth initiatives in respect of the Cleaner Production Partnership Programme, the Clean Development Mechanism Projects, and Government Green Procurement. These initiatives have already been rolled out. In the next financial year, I will give further support in the following areas.

To improve the water quality of Victoria Harbour, we have already allocated \$9.3 billion for the construction of sewage tunnels and ancillary works of Harbour Area Treatment Scheme Stage 2A project. We have proposed to put in an additional \$7.9 billion for the remaining works of the project. Furthermore, we will allocate \$5.1 billion to build in Tuen Mun an incinerator employing the latest high temperature incineration technology to process sewage sludge generated from the project and others. The water quality of Victoria Harbour will be greatly improved upon the completion of the project in 2014.

To encourage the transport sector to test out green and low-carbon transport technology, I propose to set up a \$300 million Pilot Green Transport Fund for application by the industry, initially by the public transport operators. I hope that this Fund will encourage the industry to introduce more innovative green technologies, such as the use of buses, public light buses, taxis, and ferries that employ green technologies, and help nurture the budding of green technology in Hong Kong.

The use of low-emission and energy saving transport will not only help improve roadside air quality, but also reduce carbon emissions and promote a low-carbon economy. I hope that the transport industry will actively try out innovative green technologies, contributing to better air quality and the health of people living in Hong Kong.

In 2007, the Government launched a scheme to subsidize the replacement of the more polluting pre-Euro and Euro I diesel commercial vehicles with newer models producing fewer emissions. The scheme will end this March. To continue to accelerate the phasing out of old diesel commercial vehicles, I will provide a 36-month subsidy scheme for the replacement of Euro II diesel commercial vehicles. The scheme will involve expenditure of about \$540 million.

I also propose to accelerate the tax deduction for capital expenditure on environment-friendly vehicles. Enterprises can enjoy a 100% profits tax deduction in the first year under the proposal. This will encourage the business sector to purchase more electric vehicles, hybrid vehicles and other environment-friendly commercial vehicles.

To promote the use of electric vehicles, I set up the Steering Committee on the Promotion of Electric Vehicles last April. The Committee has made a number of recommendations on the strategy and concrete measures for promoting electric vehicles. One of the recommendations is that the Government should take the lead in using more electric vehicles. We have procured 10 electric vehicles, and plan to purchase 10 to 20 such vehicles in each of the following few years. Besides, 10 electric motorcycles have been introduced into the police fleet. In the private sector, the two power companies have placed orders for over 20 electric vehicles. Furthermore, around 200 electric vehicles will be supplied to the local market in the next financial year. We expect to see wider use of electric vehicles in Hong Kong in the year ahead.

We have made good progress in increasing charging facilities for electric vehicles. We have built charging stations in nine government car parks and will build more than 20 such stations this year. Apart from these, the two power companies have started building 28 charging stations in various car parks. The Electrical and Mechanical Services Department has also issued guidelines on the installation of charging facilities in car parks to encourage operators of private car

parks to provide such facilities. The Government and the power companies will continue to expand the charging networks for electric vehicles.

Innovation and application of technology are the most effective ways to add value to products and services. In the past 10 years, the Government has been supporting the development of innovation and technology in Hong Kong by providing the necessary hardware and software. These include the construction of the Science Park and the Cyberport as well as the establishment of the Innovation and Technology Fund.

With the concerted effort of the Government and the industry, the contribution of business organizations to the total expenditure on research and development (R&D) in Hong Kong increased from 24% in 1999 to 43% in 2008. This reflects that the business community is increasingly aware of the importance of strengthening R&D. The number of R&D personnel in Hong Kong also more than doubled from about 10 000 in 1999 to some 22 000 in 2008.

To encourage business organizations to increase their investment in R&D and strengthen their co-operation with R&D institutions, the Legislative Council approved in January this year a funding of \$200 million to set up a "R&D Cash Rebate Scheme". We will launch the scheme in April this year.

The Hong Kong Science Park has become a scientific research hub in Hong Kong and the home to more than 300 science and technology companies from Hong Kong, the Mainland and around the world. Through the development of five areas — electronics, information technology and telecommunications, precision engineering, biotechnology and green technology — the Park has created a clustering effect for companies engaged in these technology fields. It also provides a range of professional and technological support services to SMEs, helping them flourish through the Incubation Programme.

At present, the overall leasing rate of the two phases of the Hong Kong Science Park is close to 85%. To further promote the development of innovation and technology, boost the development of green technology and attract more high-tech companies to establish a presence in Hong Kong, we have decided to implement the development of Science Park Phase 3. The project will entail an estimated expenditure of \$4.9 billion. Proposals covering the scope of development as well as financing arrangements will be announced later.

Construction works are expected to start next year for completion in phases between 2013 and 2016. We expect that an additional 4 000 R&D-related jobs or so will be provided upon completion, and that around 5 000 construction-related job opportunities will be created during the construction period.

Create Hong Kong was set up last year to support local creative industries. Apart from continuing to tap the Mainland market through CEPA, it will explore strategies to promote the development of creative industries. Further support to this sector will come from the revitalization of the former Hollywood Road Police Married Quarters, which will be converted into a centre for promoting creative industries. We will invite proposals from interested organizations shortly.

The \$300 million CreateSmart Initiative launched last June was well received by the industry. Some projects approved under the scheme have provided our young people with job opportunities to give play to their creativity. Highly resourceful and in tune with world trends, young people in Hong Kong enjoy a competitive edge in creative industries. I hope that the industry and our young people will make good use of the scheme and contribute to the development of creative industries in Hong Kong.

The World Expo to be held in Shanghai this May is a golden opportunity to showcase our creativity and to promote the revitalized Brand Hong Kong. Highlighting the theme of "Potential Unlimited", the Hong Kong Pavilion will display our advantages in connectivity and creativity. We will also take part in the Urban Best Practices Area Exhibition (UBPA), where we will demonstrate our achievements under the theme of "Smart Card, Smart City, Smart Life".

During the Expo, we will join hands with local creative industries to showcase our creativity and distinctiveness. For example, Create Hong Kong will support the local design sector in holding a six-month exhibition in Shanghai. During this period, a number of exchange forums on the Hong Kong design industry will be held to introduce our design talent to the Mainland business community. We are building a virtual pavilion and exhibition to enable people to visit, on the Internet, the Hong Kong Pavilion and Hong Kong's UBPA exhibition.

Under the existing tax arrangements, capital expenditure by enterprises to purchase patent rights and industrial know-how is deductible under profits tax.



To promote the wider application of intellectual property by enterprises and the development of creative industries, I propose to extend the deduction to cover registered trademarks, copyrights and registered designs. The Inland Revenue Department will formulate detailed proposals.

The Patent Application Grant under the Innovation and Technology Fund provides funding support to Hong Kong companies and inventors in their first patent applications so as to help them capitalize and protect their intellectual work. To further encourage creativity and innovation, we will raise the grant ceiling for each case from \$100,000 to \$150,000. The expenditure ceiling in respect of patent applications in R&D projects funded by the Innovation and Technology Fund will also be raised to \$150,000 correspondingly.

With economic development, we aim to build a prosperous and caring Hong Kong. Through spending in areas such as housing, health care and social welfare, we provide disadvantaged groups and people in difficulties with a basic safety net. We also invest heavily in education and training, and strengthen employment support services to enhance social mobility. Our estimated recurrent expenditure on education, health and social welfare for 2010-2011 will reach around \$130 billion, accounting for 56% of recurrent government expenditure. I will now briefly describe my major proposals on developing human capital, community building, health care, and care for people in need.

We have been investing heavily in education to develop our human capital. Recurrent expenditure on education has increased by 18% over the past 10 years. In 2010-2011, the estimated recurrent expenditure in this area will be \$52.2 billion, taking up the largest share of recurrent government expenditure. We will continue to take forward education reform initiatives such as the new academic structure for senior secondary and higher education, and small-class teaching in primary schools. We will also implement additional measures as follows.

We take a keen interest in the education and whole-person development of young people, especially needy students. I will significantly increase recurrent funding for the School-based After-school Learning and Support Programmes by \$100 million to \$175 million to enable schools and non-governmental organizations (NGOs) to organize after-school activities for needy students. This will provide further support to these students to improve their learning effectiveness, broaden their learning experience outside the classroom, and

increase their self-confidence and sense of belonging. A wide range of activities, including homework tutorials, cultural and art programmes, sports programmes, leadership training and volunteer services, will be offered. The additional funding will help our needy students be nurtured into capable individuals and reduce cross-generational poverty.

To narrow the digital divide, the policy address proposed that convenient and suitable Internet learning opportunities be provided for students in need through tripartite collaboration between the community, the business sector and the Government. In this digital age, web-based learning and research on the Internet have become an integral part of education. After studying the issue with the relevant bureaux, I propose to adopt a two-pronged approach to help primary and secondary school students from low-income families with Internet learning. We will grant them a subsidy for Internet access charges, and encourage the market to provide them with economical Internet services.

I propose to give a subsidy of \$1,300 for Internet access charges in the 2010 school year to each family receiving Comprehensive Social Security Assistance (CSSA) with children studying in primary or secondary schools. For each family with children studying in primary or secondary schools and eligible for student financial assistance, I propose to grant a full subsidy of \$1,300 or half subsidy of \$650 depending on the outcome of their means test. To offer an affordable option to students receiving the subsidies, we are also making preparations for a non-profit-making organization to collaborate with private service providers and community organizations to provide economical Internet services and computer hardware to low-income people in need. This will bring market forces into play and make our policy more cost-effective. The organization will also provide complementary services such as parent education and technical support. We will invite expressions of interest from interested non-profit making organizations. When the organization has begun to provide economical Internet services that meet learning needs, the subsidies for Internet access charges for subsequent school years will be suitably adjusted. I have earmarked \$500 million as the start-up capital for these two measures.

We are committed to fostering the development of higher education to complement our transformation into a knowledge-based economy. Since 2003, the Government has launched four rounds of the Matching Grant Scheme (MGS) to help institutions tap more funding sources to support institutional development. Institutions have so far secured additional resources of about \$10.8 billion,

comprising \$3.9 billion in government matching grants and \$6.9 billion in private donations. The scheme has effectively promoted the development of the institutions and helped foster a philanthropic culture.

In view of the success of the scheme, I propose to allocate \$1 billion to launch the fifth MGS. For the first time, this will cover all 12 degree-awarding institutions so as to support the diversified development of higher education.

To enable Hong Kong to maintain its competitiveness and embrace the opportunities brought by our economic integration with the Mainland, I propose to inject \$500 million into the Language Fund to further upgrade our biliterate and trilingual proficiency. Relevant initiatives include introducing or optimizing the school-based measures under the English Enhancement Scheme, and creating an environment conducive to learning English and Putonghua. We will also roll out school-based after-school support services to assist non-Chinese speaking students learn Chinese and adapt to the local curriculum as soon as possible for better integration into the community.

Regarding language proficiency in the workplace, the new resources will also be used to encourage employees to raise their standards of English and Putonghua. Such measures may include providing vocational language courses tailored to the needs of the industries, encouraging the development and use of self-learning platforms on the Internet, and organizing public education activities. We will, in addition, strengthen research on language education. We will invite the Standing Committee on Language Education and Research to put forward proposals for the above initiatives.

Last month, an old building at Ma Tau Wai Road, Hung Hom, collapsed. While the cause is still under investigation, the incident has aroused public concern over the problem of building safety. The responsibility for building maintenance rests with property owners. They must promptly carry out inspections and maintenance of their properties. In this connection, we hope that the legislative process of the relevant bill could be completed at the earliest possible time for the prompt implementation of the Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme.

In conjunction with the Hong Kong Housing Society (HKHS) and the URA, the Government has introduced a number of support measures in the past few years to provide property owners in need with technical and financial

assistance for carrying out building repair and maintenance works. Last year, I launched the \$2 billion "Operation Building Bright" campaign to provide one-stop assistance for the repair and maintenance of about 2 000 buildings aged 30 years or above.

To provide timely assistance to more owners of old buildings to repair their properties, I propose to allocate additional funding of \$500 million for "Operation Building Bright" to provide targeted assistance to those owners who cannot co-ordinate maintenance works on their own, including owners of dilapidated buildings without owners' corporations.

For aged buildings in disrepair in old areas, redevelopment is an option that can better improve the living environment of residents and protect public safety. To tackle the increasing number of old buildings, we need to review afresh the Urban Renewal Strategy and the role of the URA. The Development Bureau will complete the review of the Urban Renewal Strategy by the end of this year and map out new directions. In response to the redevelopment requests from owners of old buildings, we have also proposed to lower the compulsory sale application threshold for buildings aged 50 years or above from 90% to 80%.

In order to resolve the problem of old buildings in disrepair in the vicinity of the collapsed building on Ma Tau Wai Road, and to improve the living environment of the hundreds of households there and relieve their fears and worries, I have agreed to the URA taking forward immediately a redevelopment project at that location. It will cover old buildings in 33 street numbers on Ma Tau Wai Road, Hok Yuen Street and Chun Tin Street. The URA will embark on the necessary freezing survey today.

To provide the necessary support to the development of the West Kowloon Cultural District, I will allocate additional funding of \$486 million over the next five financial years. The funding will be used for measures such as art programme development, audience building and enhancement of art education and manpower training. We will support art groups and artists in developing their brand performances and step up the promotion of public art and popular cultural and art activities, with a view to integrating art into our community. At the same time, we will strengthen the promotion of arts in schools to develop young people's interest in arts and culture and their appreciation abilities in these areas. We will organize training programmes to provide training and internship opportunities for people who aspire to a career in arts and culture.

Cantonese opera has become our first item of world intangible cultural heritage. To further preserve it as an art form, I propose to draw \$69 million from the additional funding just announced and inject it into the Cantonese Opera Development Fund. In the next financial year, we will also request the Legislative Council to approve funding of approximately \$730 million for constructing an annex building with a medium-sized theatre and training facilities at the Ko Shan Theatre. I expect that the existing and the new theatres of the Ko Shan Theatre and the Yau Ma Tei Xiqu Activity Centre under construction will become dedicated venues that attract audience to watch Cantonese opera performances.

During the East Asian Games last year, Hong Kong athletes achieved unprecedented success. We will seize this opportunity to encourage various sectors of the community to give continued support to our athletes and to the development of sports programmes and facilities. We will also facilitate greater participation in sports and the organization of major sports events to increase public interest in sports.

To further promote the development of sports and arts, I propose to inject \$3 billion into the Arts and Sport Development Fund as seed money and use the annual investment return of the Fund to provide sustainable additional resources for subsidizing the long-term development of sports, culture and arts.

In response to the Government's anti-drug policy, I have already allocated additional funding of \$52 million in 2010-2011 to support anti-drug efforts of the departments concerned. Furthermore, to encourage the community to join hands in combating drug abuse, I propose to inject \$3 billion into the Beat Drugs Fund. The money, together with donations from different sectors, will yield a larger investment return to the Fund and enable it to increase its annual funding for the community to make an all-out effort in taking forward various anti-drug initiatives.

The Government has been investing substantial resources to enhance the quality of public medical and health services and to keep service charges at a low level. It is estimated that recurrent expenditure on health will reach around \$37 billion in 2010-2011, accounting for 16.1% of the recurrent government expenditure. We have pledged to further increase health expenditure to 17% of

the recurrent government expenditure by 2012. We will make efficient use of the additional funding to improve services and take forward the health care reform.

In my last Budget, I indicated that the recurrent subvention for the Hospital Authority (HA) over the three financial years starting from 2009-2010 would be increased by about \$870 million each year. Apart from increasing the recurrent subvention through this arrangement, we will also allocate additional funding to the HA in 2010-2011. Excluding the resources for procuring medical equipment and supplies, the additional funding provided to the HA in the next financial year will be \$1.24 billion in total. The HA will make use of the additional funding to strengthen services, including:

- (a) Strengthening the training of nurses to meet service growth and development needs. It is expected that 1 400 nurses will graduate in 2010, an increase of 40% over 2009, and the number will rise to 2 150 in 2012. We will also provide a total of 2 350 places in nursing programmes and training in the next two academic years, and 80 places in midwifery training in each of the next four years;
- (b) Strengthening the services provided for cancer, cataract and renal patients. A case management programme on cancer treatment will be introduced for 1 100 patients. Cataract surgeries will also be increased by about 40%. For renal patients, the HA will strengthen haemodialysis services and introduce a pilot programme on palliative care;
- (c) Incorporating eight drugs into the Hospital Authority Drug Formulary to enhance the efficacy in treating cancer and rare genetic diseases. The HA will also expand the clinical application of nine drug classes. It is estimated that a total of 38 200 patients will benefit from these two initiatives each year;
- (d) Setting up a specialist centre for joint replacement, which also provides comprehensive post-surgical care and rehabilitation support to patients. It is expected that the centre can handle 750 additional cases a year, an increase of about 40%;

- (e) Implementing various infection control measures to strengthen our preparedness against epidemic diseases such as human swine influenza; and
- (f) Improving medication safety in the HA through the newly established Drug Quality Assurance Office.

To address citizens' concern about medication safety, the Government will allocate additional funding of about \$40 million in the next financial year to enhance the regulation of drugs. The Food and Health Bureau has recently published its review findings on the regulatory regime of western pharmaceutical products and recommended dozens of improvement measures. To ensure medication safety and safeguard public health, the Government will propose legislative amendments and explore ways of implementing these measures and providing the necessary resource support.

The Working Group on Primary Care chaired by the Secretary for Food and Health has put forward a number of proposals to strengthen primary care services. These include extending the pilot project for strengthening the support to chronic patients, setting up community health centres or networks, and enhancing primary dental services and oral health promotion programmes, particularly those for the elderly. I will allocate a total of about \$600 million for the next three financial years to implement these proposals.

During the Budget consultation period, I heard suggestions to revise the value of health care vouchers under the Elderly Health Care Voucher Pilot Scheme and to adjust the age limit under the scheme. The Food and Health Bureau will consider these suggestions in its mid-term review of the pilot scheme later this year. Subject to the review findings, I will provide the necessary resources.

Many people suggested to me that tax deduction should be provided for private medical insurance premium or expenses. The Government is working out a supplementary health care financing option operating on a voluntary participation basis, containing insurance and savings components. We plan to consult the public on the option this year. In working out the option, we will consider how to make use of the \$50 billion earmarked in the fiscal reserves for implementing the health care financing reform, and take into account the suggestion on tax deduction.

For public health reasons, I increased tobacco duty substantially by 50% last year. This year I propose to abolish the duty-free concessions on tobacco products for incoming passengers. To facilitate law enforcement, small amounts of tobacco products for own consumption will be exempted. The Food and Health Bureau and Customs and Excise Department will announce the details. This measure will take effect on completion of the legislative process.

Studies by the World Health Organization (WHO) have clearly shown that increasing tobacco duty is an effective means of tobacco control. I am aware that tobacco duty in Hong Kong currently accounts for only about 60% of the retail prices of cigarettes, some way below the 75% recommended by the WHO. The retail prices of cigarettes in Hong Kong are also lower than those in some international cities. The Food and Health Bureau will closely monitor the effectiveness of the various tobacco control measures in the year ahead. I will consider a phased increase in Hong Kong's tobacco duty based on the Bureau's recommendations.

The Government has been providing a wide range of welfare services to the public, as well as a social security net to help those in need meet their living expenses and attain the goal of "moving from welfare to self-reliance". In the past 10 years, recurrent expenditure on social welfare has increased by over 50%, outpacing the expenditure increase in other policy area groups. In 2010-2011, recurrent expenditure on social welfare is estimated to be around \$40 billion, accounting for 17% of recurrent government expenditure. I will now set out the major initiatives.

According to the latest projection, the number of people aged 65 or above will rise sharply in the next 20 to 30 years. At present, on average, one in every eight persons in Hong Kong is 65 or over. By 2036, it will be one in every four persons. The demand for elderly care services will continue to grow substantially.

In view of this, we will strengthen residential care services to serve elderly people who cannot be taken care of at home, especially frail elderly people requiring nursing care. The policy address announced initiatives to speed up the provision of subsidized nursing home places and those offering a continuum of care. I will increase the recurrent funding by about \$160 million to provide over 1 000 additional places, an increase of more than 60% over the number of additional places announced in the last Budget. The Government will also



allocate \$5 million to launch a pilot scheme to provide residential care homes with visiting pharmacist services, with a view to enhancing the service quality of these institutions.

In the long run, elderly services must be well planned in a holistic manner. In January this year, the Elderly Commission released its consultancy study report on Residential Care Services for the Elderly. It pointed out that, with a rapidly ageing population, a longer life expectancy and a low tax regime, increasing the supply of subsidized residential care places alone will not be sufficient to meet the ever-growing demand for long-term care services of the elderly. The study recommends that the Government should target limited public resources at providing subsidized residential care services to the elderly most in need, and further develop community care services to help the elderly age in place.

We agree with the general direction of "ageing in place" advocated in the study report, which is in line with the Government's policy of "supporting ageing in the community as the core, institutional care as back-up". In tandem with the Elderly Commission's study on community care services, we will launch an elderly home care pilot scheme to provide more personalized home care services for the elderly who are waiting for nursing home places. I have earmarked \$55 million under the Lotteries Fund to implement this pilot scheme in Kowloon. The Social Welfare Department (SWD) will invite organizations with experience in elderly services to submit expressions of interest setting out their proposals on the service content and the modes of service delivery.

The Government will also increase recurrent funding by about \$9 million to provide 115 additional subsidized day care places for the elderly, and provide additional funding of about \$4 million to extend the District-based Scheme on Carer Training. These measures will help provide support to elderly people ageing at home.

I will provide additional recurrent funding of about \$100 million to enhance services for persons with disabilities. About \$60 million will be used to provide 268 additional subvented residential care places for persons with disabilities, 154 additional places for pre-school rehabilitation services and 260 additional places for day training and vocational rehabilitation services. About \$40 million will be used to strengthen such support services as physiotherapy and nursing care for elderly residents in subvented residential care homes for persons with intellectual disability. I will also provide additional funding of about

\$8 million to increase the number of Rehabuses to 119 by acquiring four new buses and replacing six old ones.

We will regulate the residential care homes for persons with disabilities through a statutory licensing scheme. Before the scheme is launched, we will introduce complementary measures to encourage operators of private residential care homes to improve their service quality, increase the provision of subsidized residential care places, and facilitate the market to develop residential care homes of different types and modes of operation. I have earmarked \$64 million under the Lotteries Fund to implement a pilot Bought Place Scheme for residential care homes for persons with disabilities. The SWD will finalize the operational details of the scheme as soon as possible.

Moreover, I will earmark \$163 million under the Lotteries Fund to implement a pilot scheme to provide persons with severe disabilities with home-based nursing care services, with a view to strengthening the community support to persons with disabilities and relieving the pressure on their family carers. The pilot scheme will be launched in Kwun Tong and Tuen Mun, where there are more persons with severe disabilities on the waiting lists for residential care home places.

In the next financial year, the HA will launch new programmes for patients with severe mental illness and common mental disorders, involving an expenditure of over \$100 million. Relevant measures include:

- (a) Piloting a case management programme in three districts to train health care workers as case managers to provide continuous and customized intensive support at the community level to persons with severe mental illness. The programme will be gradually extended to cover the whole territory. It is expected that the number of patients benefiting from the programme will increase from 5 000 in 2010-2011 to 16 000 in 2012-2013; and
- (b) Promoting collaboration between psychiatric specialist out-patient service and primary health care service to provide appropriate assessment and consultation services for patients with common mental disorders. This new measure is expected to benefit 7 000 patients in 2010-2011, and the number of beneficiaries will increase to 10 000 each year from 2011-2012 onwards.

I will also provide additional recurrent funding of about \$70 million to extend the service mode of the existing Integrated Community Centre for Mental Wellness in Tin Shui Wai to all 18 districts in Hong Kong. As for manpower, I will increase the recurrent funding by about \$6 million to recruit 14 additional psychiatric medical social workers, thereby increasing their number to over 210 to enhance the psychiatric medical social worker service.

As proposed in the policy address, the Government will launch a new programme to strengthen support for victims of domestic violence. The SWD will provide a subvention of about \$5 million each year to NGOs for operating the "Victim Support Programme". Under the programme, emotional support and relevant information on judicial proceedings and social support services will be provided to victims of spouse battering and child abuse cases, particularly those undergoing judicial proceedings. The programme is expected to be launched in the first half of this year.

To Hong Kong people, having a job is of utmost importance. Employment provides a source of steady income and protection for individuals and families. It is a key to social stability. Therefore, I have been paying great attention to the employment issue and adopting a two-pronged approach. First is promoting economic development. Only when the economy grows robustly can more employment opportunities be created. Second is providing suitable employment support and training to increase the competitiveness and employment motivation of job seekers so they can seize these new opportunities. I will therefore provide additional funding of \$173 million to implement the following measures to support job seekers.

The Labour Department (LD) will launch a two-year "Pilot Employment Navigator Programme". Under this programme, a cash incentive of \$5,000 will be payable to each person who has worked for a continuous period of three months after receiving the department's intensive employment counselling and job matching services. The programme will provide 11 000 places a year. It is designed to address the problem of manpower mismatch, fully utilize our labour productivity and encourage employment.

We will step up our efforts to help young people with special employment difficulties. The LD will launch a targeted employment programme under which NGOs will provide training and internship for 12 months to young people,

aged between 15 and 24 with low educational qualifications, who need special assistance because of emotional and behavioural problems or learning difficulties. The programme will provide about 500 places.

In my last Budget I provided additional funding of over \$400 million for the LD to strengthen its various employment and training services. These services will continue to benefit job seekers in 2010-2011.

During the Budget consultation period, there were many suggestions to extend the Transport Support Scheme, which aims at encouraging needy job seekers living in remote districts where job opportunities are fewer to "go out" and seek jobs or work across districts. The Labour and Welfare Bureau will complete by the end of this year a study on ways to reduce the burden of travelling expenses borne by the working poor in Hong Kong. The existing Transport Support Scheme will remain in force before the completion of the study. I will make suitable financial provisions depending on the findings of the study.

I firmly believe that only by pooling the efforts of various sectors of the community, by collaboration between the community, the business sector and the Government, can we effectively help disadvantaged groups and build a caring society. Since its inception in 2005, through funding support on a matching basis, the Partnership Fund for the Disadvantaged has been promoting tripartite partnership among the social welfare sector, the business sector and the Government in helping the disadvantaged, thereby enhancing social cohesion. So far, over \$100 million has been approved under the Fund. This, together with the matching donations from the business sector, supports NGOs to implement various welfare projects in conjunction with the business sector. Around 650 000 disadvantaged persons have benefited from these projects. In view of the favourable response from the community, I propose to inject \$200 million into the Fund to encourage further cross-sector collaboration to help the disadvantaged.

We have just gone through the worst time of the financial tsunami, but its impact on many people is not yet over. Some people have yet to enjoy a salary rise in line with the recovery, whose burden may be further increased by the emerging inflationary pressure, particularly rises in food prices. During the Budget consultation period, many people suggested that we should introduce

short-term measures to alleviate people's burdens. In addition, some were of the view that in the early recovery stage more consumer spending would contribute to consolidating the recovery. After taking into account our financial position, I propose a series of one-off measures as follows:

- (a) Paying two months' rent for around 700 000 public housing tenants. The Government will pay the base rent for tenants who are required to pay extra rent to the Hong Kong Housing Authority. For non-elderly tenants of the HKHS' Group B estates, the Government will pay two-thirds of their rent. This measure will involve expenditure of approximately \$1.8 billion;
- (b) Providing an extra allowance to CSSA recipients, equal to one month of the standard rate CSSA payments; and an extra allowance to Old Age Allowance and Disability Allowance recipients, equal to one month of the allowances. This proposal will also involve an additional expenditure of about \$1.8 billion;
- (c) Reducing 75% of salaries tax and tax under personal assessment for 2009-2010, subject to a ceiling of \$6,000. The reduction will be reflected in the taxpayer's final tax payable for 2009-2010. This proposal will cost the Government about \$4.5 billion and benefit all 1.4 million taxpayers;
- (d) Waiving rates for 2010-2011, subject to a ceiling of \$1,500 per quarter for each rateable property. It is estimated that about 90% of domestic properties and 60% of non-domestic properties will be subject to no rates in the year. This proposal will cost the Government approximately \$8.6 billion;
- (e) Waiving the business registration fees for one year. This proposal will cost the Government about \$1.8 billion; and
- (f) Providing an allowance of \$1,000 in the next school year to students in kindergartens, primary and secondary schools and tertiary institutions receiving CSSA or student financial assistance, so as to ease the financial burden on their parents of paying the expenses for the new school year. This proposal will involve an additional expenditure of about \$570 million.

To counter the financial tsunami, since 2008 we have introduced fiscal stimulus, job creation and relief measures amounting to \$87.6 billion. This will rise to nearly \$110 billion with this year's measures. Such measures, introduced on top of the current expenditure on health, housing, education and social welfare, are effective in stimulating the economy and safeguarding social stability and people's livelihood during the exceptional times of the financial tsunami. However, I must stress that these exceptional means employed at exceptional times cannot continue for long. Otherwise, they will affect the health of our public finances and dampen the enthusiasm for economic progress. I hope that these temporary measures will help our citizens tide over their present difficulties, assist our economy to regain its footing, and safeguard people's livelihood.

I will now give a brief account of the revised estimates for 2009-2010 and the estimates for 2010-2011.

In preparing the 2009-2010 Budget, I made an estimate of government revenue that reflected the downslide in the global economy and the highly volatile financial markets back then. However, the economy showed signs of gradual improvement from the second quarter of 2009, leading to better-than-expected revenues. The huge inflow of funds resulting from the global low-interest environment and the quantitative easing policy adopted by the many countries has given rise to hectic trading in both the stock and the property markets. As a result, revenue from stamp duties reaches \$40.5 billion, which is higher than the original estimate by \$15.5 billion. The revised estimate for operating revenue is \$255 billion. The revised estimate for land revenue is \$37.3 billion, more than double the original estimate. The revised total revenue is \$308.5 billion, \$46.8 billion higher than the original estimate.

The revised estimate for operating expenditure is \$236 billion, slightly lower than the original estimate. With a number of public works projects entering their construction peaks, capital expenditure is expected to reach \$55.2 billion, and total expenditure will amount to \$291.2 billion.

Overall, I forecast a surplus of \$19 billion in the Operating Account for 2009-2010. For the Consolidated Account, after repayment of government bonds, I forecast a surplus of \$13.8 billion, equivalent to 0.8% of our GDP. By 31 March 2010, our fiscal reserves will have increased to \$508.2 billion.

In 2010-2011, I will continue to invest in infrastructure, promote the development of our industries and adopt various measures to achieve the objectives of consolidating the recovery, developing our economy and building a caring society. Operating expenditure for 2010-2011 will be \$251.4 billion, an increase of 6.5% over 2009-2010.

Capital expenditure for 2010-2011 is estimated to be \$65.8 billion, including \$49.6 billion in capital works, which is an all-time high. I forecast that total government expenditure will reach \$317.2 billion, an increase of \$26 billion, or 8.9%, over 2009-2010. Public expenditure will be equivalent to 19.8% of our GDP.

I estimate that total government revenue for 2010-2011 will be \$292 billion. Earnings and profits tax, which will still be our major source of revenue, are estimated at \$123 billion.

Taking all these into account, I forecast a deficit of \$3.8 billion in the Operating Account and a deficit of \$21.4 billion in the Capital Account. This will result in a deficit of \$25.2 billion in the Consolidated Account, equivalent to 1.5% of our GDP. Fiscal reserves are estimated at \$483 billion by end March 2011, representing approximately 28% of our GDP and equivalent to 18 months of government expenditure.

At this early stage of recovery, we need to maintain government expenditure at a certain level to fortify the momentum of our domestic economy. Where affordable and without compromising our long-term financial integrity, I consider it necessary to continue to run a budget deficit in the next financial year so as to ensure a solid economic recovery without exerting excessive pressure on inflation.

For the medium term, with the gradual recovery of the global economy, I estimate that the annual trend growth rate will return to 4% in real terms for the period 2011-2014, while the underlying inflation rate forecast will average 3%. I forecast a surplus in the Operating Account for the period between 2011-2012 and 2014-2015, which will help meet the capital deficit arising from our enormous expenditure on infrastructure in these few years. The deficit in our Consolidated Account is expected to decrease gradually in the next few years, and we will achieve a balance by 2013-2014. I estimate that the fiscal reserves

will be around \$470 billion by end March 2015, representing approximately 22% of our GDP and equivalent to 15 months of government expenditure. The total deficit for the financial years between 2010-2011 and 2014-2015 is estimated to reach around \$40 billion.

President, the first decade of the 21st century is just behind us. The decade has seen several crises. We have come to realize the speed at which the global economic landscape is changing. Some worry that Hong Kong may be marginalized amidst the intense economic competition in the region and lag behind in the process of globalization. The successive crises have put many citizens under tremendous pressure. They argue that the mode of our economic development cannot achieve a fair distribution of wealth, thus causing problems of poverty and social immobility. Some people also query, from a values perspective, the suitability to Hong Kong of the mode of promoting economic growth through infrastructural development.

As Hong Kong is a small and open economy subject to external constraints, it is inappropriate for us to solve the unemployment and poverty problems through large-scale redistribution of wealth. If we adopt this approach, which focuses on providing high levels of welfare, we will have to overhaul our tax regime and tax rates, weaken wage elasticity and adjustment function of the market, and fundamentally change our well-established mode of economic operation. I don't believe this will be acceptable to our society at large. I believe that in the long run, the fundamental solution to the problems of unemployment and poverty is to promote overall economic growth so as to provide opportunities for wealth creation in the community.

We uphold the principle of "big market, small government" because we believe that the market mechanism is the most effective way to raise economic efficiency. However, the Government will intervene when the market is not functioning properly. Our investment in education, infrastructure and social welfare aims to enhance overall competitiveness and to upgrade the capabilities of our citizens so they can rise to social and economic changes, which will in turn enhance social mobility.

Our long-term strategy for poverty alleviation is to develop the economy and invest in education. Between 2004 and 2008, when our economy was on an upturn, the number of low-income earners decreased. Income levels generally



improved. Unemployment and underemployment rates fell. These show that the grassroots can also benefit from an economic boom. However, we also notice that in times of economic downturn, they bear the brunt of income reduction. Therefore, since 2008 we have introduced various short-term relief measures to help them meet their pressing needs.

Expenditure on education now takes up the largest share of recurrent government expenditure. Expenditure in this area has increased substantially over the past decade. This is because we believe that education and training are fundamental to enhancing social mobility. Quality human capital is the key to building a knowledge-based economy. Education plays a crucial role in personal development. An educator once said: "Education then, beyond all other devices of human origin, is the greatest equalizer of the conditions of men — the balance-wheel of the social machinery." Many success stories in Hong Kong have one common lesson — knowledge changes one's fate. I believe that continuous investment in education will yield continuous and improving returns for the community at large.

The context in which our public policies are framed has become complicated in recent years. Our citizens, with very high expectations of the Government, hope we can solve all problems in the shortest possible time. But some are concerned about over-expansion of the Government. I believe that the most important element in the relationship between the Government and the market, and between the economy and the community is to ensure an efficient government. An efficient government spends public money cost-effectively, uses public resources to promote our economic development and restructuring, promotes social advancement and improves our citizens' quality of life. Apart from a "big market" and a "small government", we have a dynamic "big community". We should make good use of our abundant social capital, and join hands to tackle social problems and pursue social justice and values.

In my view, a Government upholding market principles is by no means a ruthless Government. We promote economic development to benefit the community at large and not just a handful of rich people. When confronted with the poverty problem, the whole community has the collective responsibility to tackle it. The Government provides a favourable and vibrant market environment and economic setting for the business sector to play to their strengths. When some people cannot benefit from this, we expect that the

business sector will fulfil their social responsibility to build a caring society together.

We have been stressing the importance of economic development because we believe that a prosperous society is in the overall interests of Hong Kong. In promoting economic development, we are serving the interests of all sectors of the community and not individual classes. I believe that Hong Kong people love to live in a prosperous society, and in a prosperous and caring society even more.

I share people's deep anxiety about layoffs and pay cuts. Since reunification, the Asian financial crisis and the financial tsunami have brought hardship to our people. We have in response introduced a number of measures to improve the employment situation, thereby improving people's livelihood. In addition, we also introduced relief measures to alleviate their burden, even though this might cause a deficit for the time being. In the long run, we must maintain fiscal discipline to ensure that our children will not be burdened by our spending today. I believe this is what a responsible government should do.

The contributing factors in Hong Kong's poverty problem are many. They include the outward mobility of Hong Kong people, the socio-economic conditions of the migrant population, and structural changes of the local economy. There has been considerable discussion in the community on ways to alleviate poverty. Much remains to be done. Legislating for a statutory minimum wage, promoting employment and implementing relief measures are our priority tasks. When the community has reached a consensus on the relevant policies, we will provide the necessary financial resources.

We have been taking a pragmatic approach to economic development. Economic pragmatism has tided us over many difficult times in the past. In promoting economic growth, we will take into account changes in the external environment as well as the situation of Hong Kong. We will have regard to the prevailing circumstances, without rigidly adhering to any single ideology or dogma. These are basic ingredients of Hong Kong's sustainable development. As such, while we are the freest economy in the world, we are also reputed to be the biggest public housing provider. I am always prepared to introduce initiatives that are pragmatic, proactive and conducive to the overall development of our city.

Recent events in Hong Kong have shown that some citizens attach importance to the values underlying social development. I appreciate that different people hold different values and that this is perfectly normal in an open and diversified society. In implementing public policies, the Government listens to the views of people with different values, and takes into account the actual needs of the community. For example, while showing respect for conservation and local values, we should carefully consider the role that development plays in promoting economic growth and increasing job opportunities. In balancing different values and handling conflicts in the community, we should tread lightly on the differences by giving due consideration to all views.

President, Hong Kong has been through many changes in the past century. Politically, Hong Kong, formerly a British colony, was reunited with China as a Special Administrative Region with a high degree of autonomy. Economically, Hong Kong has been transformed from a local city engaged in manufacturing industries into a world city orientated to financial and service industries. It has also changed from an immigrant city to a civil society. We all love living here and have a strong sense of identity as Hong Kong people. It is a delight to see that citizens are attaching great value to their identity. I believe that as long as we maintain close communication with various sectors of the community and our policies can serve the interests of our people, Hong Kong will be able to sustain its economic and social development.

Hong Kong people have gone through many tough times before. In confronting crises and difficulties, we have displayed unity and solidarity. So long as we strive to enhance social cohesion and keep up the Hong Kong spirit, I have full confidence in the future of Hong Kong.

Thank you, President.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the Appropriation Bill 2010 be read the Second time.

In accordance with Rules 67 and 71 of the Rules of Procedure, the debate on the Second Reading of the Appropriation Bill 2010 is now adjourned, and the Estimates are referred to the Finance Committee for examination before the debate on the Bill resumes.

**MEMBERS' MOTIONS**

**PRESIDENT** (in Cantonese): Members' motions. Two proposed resolutions under the Interpretation and General Clauses Ordinance.

First motion: Extending the period for amending the Land (Compulsory Sale for Redevelopment) (Specification of Lower Percentage) Notice.

I now call upon Mr CHAN Kam-lam to speak and move his motion.

**PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE**

**MR CHAN KAM-LAM** (in Cantonese): President, in my capacity as Chairman of the Subcommittee on Land (Compulsory Sale for Redevelopment) (Specification of Lower Percentage) Notice (the Notice) (the Subcommittee), I move that the period for scrutinizing the subsidiary legislation be extended to 17 March 2010.

At the meeting of the House Committee on 29 January 2010, Members agreed to form a subcommittee to study the Land (Compulsory Sale for Redevelopment) (Specification of Lower Percentage) Notice.

In order to give the Subcommittee ample time for scrutinizing the Notice, I urge Members to support extending the period for scrutinizing the subsidiary legislation to 17 March 2010. Thank you, President.

**Mr CHAN Kam-lam moved the following motion:**

"RESOLVED that in relation to the Land (Compulsory Sale for Redevelopment) (Specification of Lower Percentage) Notice, published in the Gazette as Legal Notice No. 6 of 2010 and laid on the table of the Legislative Council on 27 January 2010, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 17 March 2010."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr CHAN Kam-lam be passed.

**PRESIDENT** (in Cantonese): Does any Member wish to speak?

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mr CHAN Kam-lam be passed. Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(No hands raised)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the motion passed.

**PRESIDENT** (in Cantonese): Second motion: Extending the period for amending the Census and Statistics (Annual Earnings and Hours Survey) Order.

I now call upon Ms LI Fung-ying to speak and move her motion.

## **PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE**

**MS LI FUNG-YING** (in Cantonese): President, I move the motion set out on the Agenda.

At the meeting of the House Committee on 29 January 2010, Members decided to form a subcommittee to study the Census and Statistics (Annual Earnings and Hours Survey) Order. To allow the Subcommittee ample time to complete the scrutiny work and report the results of deliberation to the House Committee, I, on behalf of the Subcommittee, move that the scrutiny period for examining the subsidiary legislation be extended to 17 March 2010. I urge Members to support the motion. Thank you, President.

**Ms LI Fung-ying moved the following motion:**

"RESOLVED that in relation to the Census and Statistics (Annual Earnings and Hours Survey) Order, published in the Gazette as Legal Notice No. 7 of 2010 and laid on the table of the Legislative Council on 27 January 2010, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 17 March 2010."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Ms LI Fung-ying be passed.

**PRESIDENT** (in Cantonese): Does any Member wish to speak?

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Ms LI Fung-ying be passed. Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(No hands raised)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the motion passed.

#### **NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 11.00 am on Wednesday, 3 March 2010.

*Adjourned accordingly at seven minutes to One o'clock.*

Chart 1

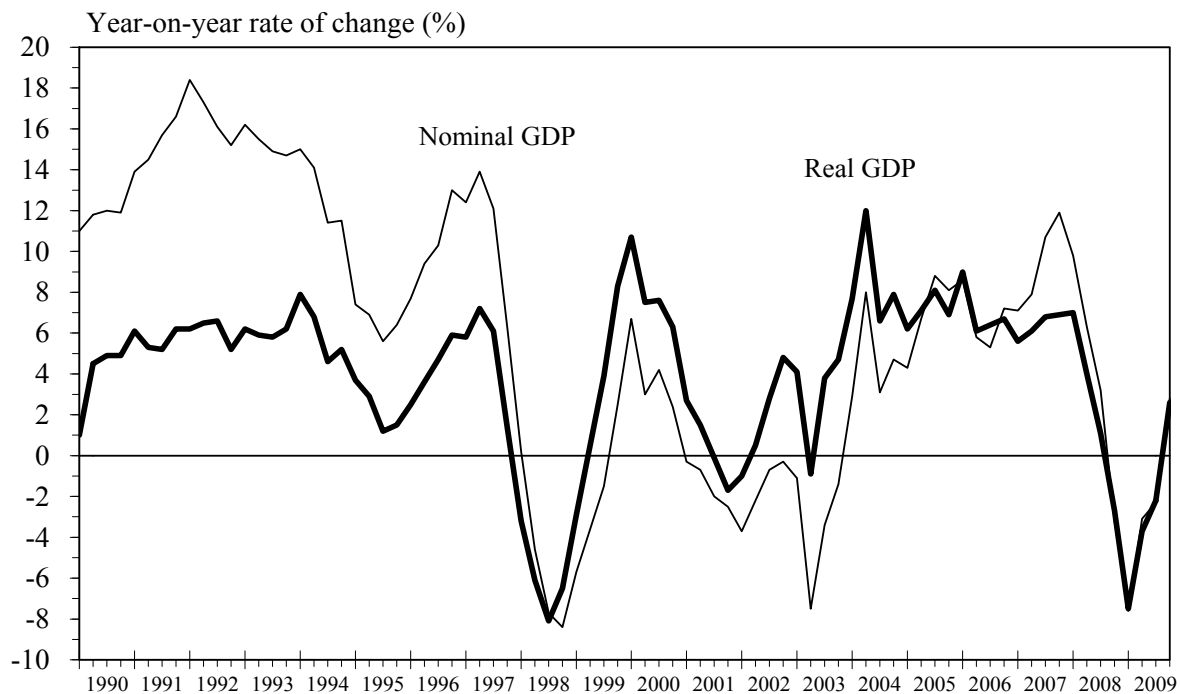
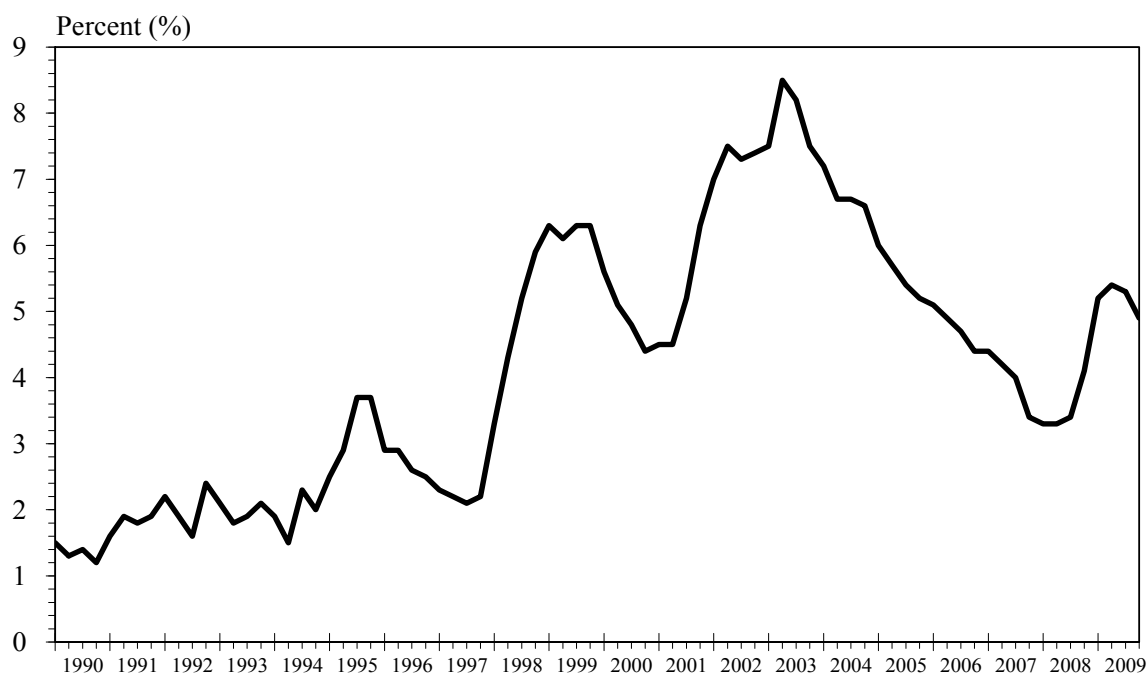
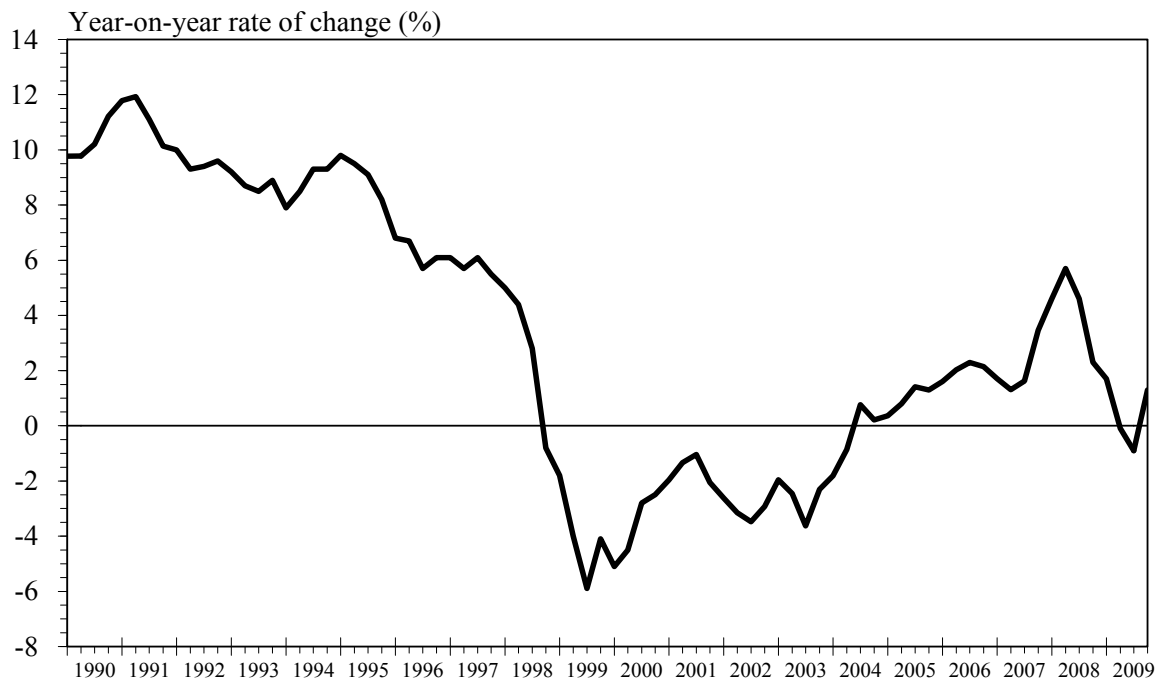
**Gross Domestic Product**

Chart 2

**Unemployment Rate**



**Chart 3****Composite Consumer Price Index**

*Supplement*

**Tax reduction enjoyed by taxpayers by income group after implementation of the proposed one-off reduction of salaries tax and personal assessment tax**

Income in 2009–10	No. of taxpayers	Average amount of tax reduction (\$)	Average percentage of tax reduction
\$108,001 to \$200,000	441 000	740	75%
\$200,001 to \$300,000	362 000	3,000	62%
\$300,001 to \$400,000	223 000	4,320	35%
\$400,001 to \$600,000	204 000	5,470	19%
\$600,001 to \$900,000	86 000	6,000	9%
\$900,001 and above	84 000	6,000	2%
Total	1 400 000	—	—

*Supplement***STAMP DUTY ON PROPERTY TRANSACTIONS****Comparison of present and proposed rates of stamp duty**

Property Consideration	Present Rate	Proposed Rate
Up to \$2,000,000	\$100	No change
\$2,000,001 to \$3,000,000	1.50%	No change
\$3,000,001 to \$4,000,000	2.25%	No change
\$4,000,001 to \$6,000,000	3.00%	No change
\$6,000,001 to \$20,000,000	3.75%	No change
\$20,000,001 and above	3.75%	4.25%

## EFFECT OF THE GENERAL REVALUATION OF RATES ON MAIN PROPERTY CLASSES

<i>Property Type</i>	<i>Average Increase/ Decrease in Rateable Value<sup>(6)</sup></i>	<i>2010-11</i>	
		<i>New Average Rates Payable<sup>(7)</sup></i>	<i>Increase/ Decrease<sup>(8)</sup></i>
	<i>%</i>	<i>\$ per month</i>	<i>\$ per month</i>
Small Domestic Premises <sup>(1)</sup> (Private)	+6	277	+15
Medium Domestic Premises <sup>(1)</sup> (Private)	+2	678	+15
Large Domestic Premises <sup>(1)</sup> (Private)	-3	1,744	-53
Public Domestic Premises <sup>(2)</sup>	+5	151	+7
<b>All Domestic Premises<sup>(3)</sup></b>	+3	298	+9
Shops and Commercial Premises	+3	2,011	+53
Offices	-2	2,297	-56
Industrial Premises <sup>(4)</sup>	+2	768	+15
<b>All Non-domestic Premises<sup>(5)</sup></b>	-1	1,978	-17
<b>All Properties</b>	+1	521	+5

(1) Domestic units are classified by relation to saleable areas, as follows –

Small domestic	up to 69.9m <sup>2</sup>	(up to 752 sq. ft.)
Medium domestic	70m <sup>2</sup> to 99.9m <sup>2</sup>	(753 sq. ft. - 1 075 sq. ft.)
Large domestic	100m <sup>2</sup> and over	(1 076 sq. ft. and above)

(2) Including Housing Authority and Housing Society rental units.

(3) Including car parking spaces.

(4) Including factories and storage premises.

(5) Including miscellaneous premises such as hotels, cinemas, petrol filling stations, schools and car parking spaces.

(6) The rateable values for 2010-11 reflect the changes in open market rental values between 1 October 2008 and 1 October 2009.

(7) The effects of possible rates concession in 2010-11 have not been taken into account.

(8) The effects of rates concession in 2009-10 have not been taken into account.

*Supplement*

# **EFFECT OF THE GENERAL REVALUATION OF GOVERNMENT RENT ON MAIN PROPERTY CLASSES**

<i>Property Type</i>	<i>Average Increase / Decrease in Rateable Value<sup>(6)</sup></i>	<i>2010–11</i>	
		<i>New Average Rent Payable</i>	<i>Increase/ Decrease</i>
	<i>%</i>	<i>\$ per month</i>	<i>\$ per month</i>
Small Domestic Premises <sup>(1)</sup> (Private)	+6	156	+9
Medium Domestic Premises <sup>(1)</sup> (Private)	+3	380	+12
Large Domestic Premises <sup>(1)</sup> (Private)	-2	842	-19
Public Domestic Premises <sup>(2)</sup>	+5	91	+4
<b>All Domestic Premises<sup>(3)</sup></b>	+4	160	+6
Shops and Commercial Premises	+3	1,113	+33
Offices	-6	2,529	-150
Industrial Premises <sup>(4)</sup>	+2	461	+9
<b>All Non-domestic Premises<sup>(5)</sup></b>	-1	1,035	-7
<b>All Properties</b>	+2	257	+5

(1) Domestic units are classified by relation to saleable areas, as follows –

Small domestic	up to 69.9m <sup>2</sup>	(up to 752 sq. ft.)
Medium domestic	70m <sup>2</sup> to 99.9m <sup>2</sup>	(753 sq. ft. - 1 075 sq. ft.)
Large domestic	100m <sup>2</sup> and over	(1 076 sq. ft. and above)

(2) Including Housing Authority and Housing Society rental units.

(3) Including car parking spaces.

(4) Including factories and storage premises.

(5) Including miscellaneous premises such as hotels, cinemas, petrol filling stations, schools and car parking spaces.

(6) The rateable values for 2010-11 reflect the changes in open market rental values between 1 October 2008 and 1 October 2009.

**ECONOMIC PERFORMANCE IN 2009**

1. Estimated rates of change in the Gross Domestic Product and its expenditure components and in the main price indicators in 2009:

(%)

- (a) Growth rates in real terms of:

Private consumption expenditure -0.3

Government consumption expenditure 2.0

Gross domestic fixed capital formation -2.2

*of which:*

Building and construction 0.0

Machinery, equipment and computer software -3.6

Total exports of goods -12.6

Imports of goods -9.7

Exports of services -0.7

Imports of services -4.0

**Gross Domestic Product (GDP) -2.7**

*Per capita GDP, in real terms* -3.0

*Per capita GDP at current market prices* HK\$233,200  
(US\$30,100)

- (b) Rates of change in:

**Composite Consumer Price Index 0.5**

**GDP Deflator 0.2**

**Government Consumption Expenditure Deflator 0.1**

- (c) **Growth rate of nominal GDP -2.5**

*Supplement*

2. Annual growth rates in real terms of re-exports and domestic exports based on external trade quantum index numbers:

	<i>Re-exports</i> (%)	<i>Domestic exports</i> (%)
2007	10	-20
2008	4	-22
2009	-11	-35
<i>Share in the value of total exports of goods in 2009</i>	98	2

3. Annual growth rates in real terms of retained imports by type:

	<i>Retained imports</i>					
	<i>Total</i> (%)	<i>Consumer goods</i> (%)	<i>Foodstuffs</i> (%)	<i>Capital goods</i> (%)	<i>Raw materials and semi-manufactures</i> (%)	<i>Fuels</i> (%)
2007	12	6	7	11	18	9
2008	-1	12	13	7	-30	-4
2009	-4	-9	7	-4	-10	23

4. Annual growth rates in real terms of retained imports of capital goods by type:

	<i>Retained imports of capital goods</i>				
	<i>Total</i> (%)	<i>Office equipment</i> (%)	<i>Industrial machinery</i> (%)	<i>Construction machinery</i> (%)	<i>Telecommunications equipment</i> (%)
2007	11	-5	-5	6	26
2008	7	0	6	57	14
2009	-4	-9	-31	63	5

5. Annual growth rates in real terms of exports of services by type:

*Exports of services*

	<i>Total</i> (%)	<i>Trade-related services</i> (%)	<i>Transportation services</i> (%)	<i>Travel services</i> (%)	<i>Finance, insurance, business and other services</i> (%)
2007	14	9	13	14	24
2008	5	4	3	6	7
2009	-1	-7	-2	8	3

6. Hong Kong's visible and invisible trade balance in 2009 reckoned on GDP basis <sup>(Note 1)</sup>:

(HK\$ billion)

Total exports of goods	2,494.7
Imports of goods	2,703.0
<b><i>Visible trade balance</i></b>	<b>-208.2</b>
Exports of services	670.0
Imports of services	344.1
<b><i>Invisible trade balance</i></b>	<b>325.9</b>
<b><i>Combined visible and invisible trade balance</i></b>	<b>117.7</b>

Note 1 Preliminary figures.



*Supplement*

7. Annual averages of the unemployment and underemployment rates and growth in labour force and total employment:

	<i>Unemployment rate (%)</i>	<i>Underemployment rate (%)</i>	<i>Growth in labour force (%)</i>	<i>Growth in total employment (%)</i>
2007	4.0	2.2	1.6	2.4
2008	3.6	1.9	0.5	1.0
2009	5.2	2.3	1.3	-0.5

8. Annual rates of change in the Consumer Price Indices:

	<i>Composite CPI (%)</i>	<i>CPI(A) (%)</i>	<i>CPI(B) (%)</i>	<i>CPI(C) (%)</i>
2007	2.0	1.3	2.2	2.7
2008	4.3	3.6	4.6	4.7
2009	0.5	0.4	0.5	0.6

**ECONOMIC PROSPECTS FOR 2010**

Forecast rates of change in the Gross Domestic Product and prices in 2010:

	(%)
<b>Gross Domestic Product (GDP)</b>	
<i>Real GDP</i>	<b>4 to 5</b>
<i>Nominal GDP</i>	4 to 5
<i>Per capita GDP, in real terms</i>	3.1 to 4.1
<i>Per capita GDP at current market prices</i>	HK\$240,500-242,800 (US\$30,800-31,100)
<b>Composite Consumer Price Index</b>	
<i>Headline Composite Consumer Price Index</i>	<b>2.3</b>
<i>Underlying Composite Consumer Price Index</i>	<b>1.5</b>
<b>GDP Deflator</b>	<b>0</b>

## Appendix A

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**SECTION I – FORECASTING ASSUMPTIONS AND BUDGETARY CRITERIA**

1 A wide range of assumptions on the factors affecting Government's revenue and expenditure are used to derive the Medium Range Forecast (MRF). Some assumptions are economic in nature (the general economic assumptions) while others deal with specific areas of Government's activities (the detailed assumptions).

**General Economic Assumptions***Real Gross Domestic Product (real GDP)*

2 GDP is forecast to increase by between 4% to 5% in real terms in 2010. We have used the mid-point of this range forecast in deriving the MRF. For planning purposes, in the four-year period 2011 to 2014, the trend growth rate of the economy in real terms is assumed to be 4% per annum.

*Price change*

3 The GDP deflator, measuring overall price change in the economy, is forecast to be zero in 2010. For the four-year period 2011 to 2014, the GDP deflator is assumed to increase at a trend rate of 2% per annum.

4 The Composite Consumer Price Index (CCPI), measuring inflation in the consumer domain, is forecast to increase by 2.3% in 2010. Eliminating the effects of various relief and stimulus measures introduced since the 2008-09 Budget, the underlying CCPI is forecast to increase by 1.5% in 2010. For the ensuing period 2011 to 2014, the trend rate of increase for the underlying CCPI is assumed to be 3% per annum.

*Nominal Gross Domestic Product (nominal GDP)*

5 Given the assumptions on the rates of change in the real GDP and the GDP deflator, the GDP in nominal terms is forecast to increase by between 4% to 5% in 2010, and the trend growth rate in nominal terms for the period 2011 to 2014 is assumed to be 6% per annum.

**Detailed Assumptions**

6 The MRF incorporates a wide range of detailed assumptions on expenditure and revenue patterns over the forecast period, taking the following, amongst other factors, into account –

- estimated cash flow of capital projects,
- forecast completion dates of these capital projects and their related recurrent consequences in terms of staffing and running costs,
- estimated cash flow arising from new commitments and policy initiatives,
- the expected pattern of demand for individual services,
- the trend in yield from individual revenue sources, and
- new initiatives in the 2010-11 Budget.

**Budgetary Criteria**

7 There are a number of criteria against which the results of forecasts are tested for overall acceptability in terms of budgetary policy.

8 The following covers the more important budgetary criteria –

— *Budget surplus/deficit*

The Government aims to achieve balance in the consolidated and operating accounts. The Government needs, over time, to achieve an operating surplus to partially finance capital expenditure.

— *Expenditure policy*

The general principle is that, over time, expenditure growth should not exceed the growth of the economy. The Government aims to keep public expenditure at or below 20% of GDP. Capital expenditure, by its nature, will fluctuate from year to year.

— *Revenue policy*

Account is taken of the need to maintain, over time, the real yield from revenue.

— *Fiscal reserves*

The Government aims to maintain adequate reserves in the long run.

## Appendix A—Contd.

## SECTION II – THE MRF FOR 2009–10 TO 2014–15

9 The current MRF (*Note a*) is summarised in the following table which indicates the forecast financial position of the Government –

Table 1

(\$ million)	2009–10 Revised Estimate	2010–11 Estimate	2011–12 Forecast	2012–13 Forecast	2013–14 Forecast	2014–15 Forecast
<b>Operating Account</b>						
Operating revenue ( <i>Note b</i> )	255,043	247,611	284,418	300,116	313,568	331,140
Less: Operating expenditure ( <i>Note c</i> )	236,027	251,400	261,500	272,000	282,900	294,200
<b>Operating surplus/(deficit)</b>	<b>19,016</b>	<b>(3,789)</b>	<b>22,918</b>	<b>28,116</b>	<b>30,668</b>	<b>36,940</b>
<b>Capital Account</b>						
Capital revenue ( <i>Note d</i> )	53,473	44,421	44,185	45,465	47,656	50,022
Less: Capital expenditure ( <i>Note e</i> )	55,162	65,809	80,190	80,422	78,251	71,699
<b>Capital deficit</b>	<b>(1,689)</b>	<b>(21,388)</b>	<b>(36,005)</b>	<b>(34,957)</b>	<b>(30,595)</b>	<b>(21,677)</b>
<b>Consolidated Account</b>						
Government revenue	308,516	292,032	328,603	345,581	361,224	381,162
Less: Government expenditure	291,189	317,209	341,690	352,422	361,151	365,899
<b>Consolidated surplus/(deficit) before repayment of bonds and notes</b>	<b>17,327</b>	<b>(25,177)</b>	<b>(13,087)</b>	<b>(6,841)</b>	<b>73</b>	<b>15,263</b>
Less: Repayment of bonds and notes ( <i>Note f</i> )	3,500	-	-	-	-	9,750
<b>Consolidated surplus/(deficit) after repayment of bonds and notes</b>	<b>13,827</b>	<b>(25,177)</b>	<b>(13,087)</b>	<b>(6,841)</b>	<b>73</b>	<b>5,513</b>
<b>Fiscal reserves at 31 March</b>	<b>508,191</b>	<b>483,014</b>	<b>469,927</b>	<b>463,086</b>	<b>463,159</b>	<b>468,672</b>
As number of months of government expenditure	21	18	17	16	15	15
As a percentage of GDP	31.1%	28.3%	26.0%	24.1%	22.8%	21.7%

## Appendix A—Contd.

## Notes –

## (a) Accounting policies

- (i) The MRF is prepared on a cash basis and reflects forecast receipts and payments, whether or not they relate to operating or capital transactions.
- (ii) The MRF includes the General Revenue Account and eight Funds (Capital Investment Fund, Capital Works Reserve Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund). It does not include the Bond Fund which is managed separately and the balance of which does not form part of the fiscal reserves.

## (b) Operating revenue

- (i) The operating revenue has taken into account the revenue measures proposed in the 2010-11 Budget, and is made up of –

(\$ million)	2009-10 Revised Estimate	2010-11 Estimate	2011-12 Forecast	2012-13 Forecast	2013-14 Forecast	2014-15 Forecast
Operating revenue before investment income	225,951	220,969	259,418	273,037	290,893	313,908
Investment income	29,092	26,642	25,000	27,079	22,675	17,232
Total	255,043	247,611	284,418	300,116	313,568	331,140

- (ii) Investment income under the Operating Account includes investment income of the General Revenue Account which is credited to revenue head Properties and Investments, and investment income of the Land Fund. The rate of investment return for 2010 is 6.3% and for 2011 to 2014 is assumed to be in the range of 4% to 6.3% a year.

## (c) Operating expenditure

This represents expenditure charged to the Operating Account of the General Revenue Account. The levels of operating expenditure in 2010-11 to 2014-15 represent the expenditure guideline for these years.

## (d) Capital revenue

- (i) The breakdown of capital revenue is –

(\$ million)	2009-10 Revised Estimate	2010-11 Estimate	2011-12 Forecast	2012-13 Forecast	2013-14 Forecast	2014-15 Forecast
General Revenue Account	7,070	1,886	963	676	639	624
Capital Investment Fund	1,191	1,120	1,043	1,074	1,036	868
Capital Works Reserve Fund	37,355	34,233	35,707	37,860	40,339	43,166
Disaster Relief Fund	9	-	-	-	-	-
Innovation and Technology Fund	41	-	-	-	-	-
Loan Fund	2,145	2,151	2,175	2,218	2,333	2,424
Lotteries Fund	955	981	1,014	1,048	1,083	1,119
Capital revenue before asset sales and investment income	48,766	40,371	40,902	42,876	45,430	48,201
Asset sales	171	183	191	185	180	174
Investment income	4,536	3,867	3,092	2,404	2,046	1,647
Total	53,473	44,421	44,185	45,465	47,656	50,022

## Appendix A—Contd.

- (ii) For the purpose of the MRF, the annual land premium included under the Capital Works Reserve Fund is assumed at 2% of GDP throughout the MRF period.
- (iii) Investment income under the Capital Account includes investment income of the Capital Investment Fund, Capital Works Reserve Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Loan Fund and Lotteries Fund.

(e) *Capital expenditure*

The breakdown of capital expenditure is –

(\$ million)	2009–10 Revised Estimate	2010–11 Estimate	2011–12 Forecast	2012–13 Forecast	2013–14 Forecast	2014–15 Forecast
General Revenue Account	2,912	4,152	3,970	3,970	3,970	3,970
Capital Investment Fund	341	1,823	689	1,030	250	250
Capital Works Reserve Fund	47,897	55,520	70,221	70,169	69,091	62,875
Disaster Relief Fund	106	-	-	-	-	-
Innovation and Technology Fund	771	970	1,061	1,067	1,117	1,045
Loan Fund	2,165	2,290	2,859	3,109	3,029	3,156
Lotteries Fund	970	1,054	1,390	1,077	794	403
Total	55,162	65,809	80,190	80,422	78,251	71,699

(f) *Repayment of bonds and notes*

Repayment of bonds and notes is only in respect of the global bond issue in 2004. Outstanding principal as at 31 March 2015 is estimated at \$1,500 million.

### SECTION III – RELATIONSHIP BETWEEN GOVERNMENT EXPENDITURE/PUBLIC EXPENDITURE AND GDP IN THE MRF

**10** For monitoring purposes, expenditure of the Trading Funds and the Housing Authority (collectively referred to as “other public bodies”) is added to government expenditure in order to compare public expenditure with GDP.

#### Government Expenditure and Public Expenditure in the Context of the Economy

Table 2

(\$ million)	2009–10 Revised Estimate	2010–11 Estimate	2011–12 Forecast	2012–13 Forecast	2013–14 Forecast	2014–15 Forecast
Operating expenditure	236,027	251,400	261,500	272,000	282,900	294,200
Capital expenditure	55,162	65,809	80,190	80,422	78,251	71,699
<b>Government expenditure</b>	<b>291,189</b>	<b>317,209</b>	<b>341,690</b>	<b>352,422</b>	<b>361,151</b>	<b>365,899</b>
Other public bodies expenditure	19,091	20,560	20,862	21,275	21,552	22,058
<b>Public expenditure (Note a)</b>	<b>310,280</b>	<b>337,769</b>	<b>362,552</b>	<b>373,697</b>	<b>382,703</b>	<b>387,957</b>
<b>Gross Domestic Product (calendar year)</b>	<b>1,633,535</b>	<b>1,707,044</b>	<b>1,810,137</b>	<b>1,919,456</b>	<b>2,035,376</b>	<b>2,158,298</b>
Nominal growth in GDP (Note b)	-2.5%	4.5%	6.0%	6.0%	6.0%	6.0%
Growth in government expenditure (Note c)	-6.8%	8.9%	7.7%	3.1%	2.5%	1.3%
Growth in public expenditure (Note c)	-6.3%	8.9%	7.3%	3.1%	2.4%	1.4%
<b>Public expenditure as a percentage of GDP</b>	<b>19.0%</b>	<b>19.8%</b>	<b>20.0%</b>	<b>19.5%</b>	<b>18.8%</b>	<b>18.0%</b>

Notes –

- (a) Public expenditure comprises government expenditure, expenditure by the Trading Funds and expenditure by the Housing Authority. It does not include expenditure by those organisations, including statutory organisations, in which the Government has only an equity position, such as the Airport Authority and the MTR Corporation Limited.
- (b) For 2010–11, the nominal GDP growth of 4.5% represents the mid-point of the range forecast of 4% to 5% for the calendar year 2010.
- (c) The growth rates refer to year-on-year change. For example, the rates for 2009–10 refer to the change between revised estimate for 2009–10 and actual expenditure in 2008–09. The rates for 2010–11 refer to the change between the 2010–11 estimate and the 2009–10 revised estimate, and so forth.



## Appendix A—Contd.

11 Table 3 shows the relationship amongst the sum to be appropriated in the 2010-11 Budget, government expenditure and public expenditure.

**Relationship between Government Expenditure  
and Public Expenditure in 2010-11**

Table 3

(\$ million)	Appropriation	Government expenditure and revenue			Public expenditure
		Operating	Capital	Total	
<b>Expenditure</b>					
General Revenue Account					
Operating					
Recurrent	229,645	229,645	-	229,645	229,645
Non-recurrent	21,755	21,755	-	21,755	21,755
Capital					
Plant, equipment and works	2,320	-	2,320	2,320	2,320
Subventions	1,832	-	1,832	1,832	1,832
	255,552	251,400	4,152	255,552	255,552
Transfer to Funds	30,047	-	-	-	-
Capital Investment Fund	-	-	1,823	1,823	1,823
Capital Works Reserve Fund	-	-	55,520	55,520	55,520
Innovation and Technology Fund	-	-	970	970	970
Loan Fund	-	-	2,290	2,290	2,290
Lotteries Fund	-	-	1,054	1,054	1,054
Trading Funds	-	-	-	-	3,828
Housing Authority	-	-	-	-	16,732
	285,599	251,400	65,809	317,209	337,769
<b>Revenue</b>					
General Revenue Account					
Taxation		194,666	70	194,736	
Other revenue		41,867	1,816	43,683	
		236,533	1,886	238,419	
Land Fund		11,078	-	11,078	
		247,611	1,886	249,497	
Capital Investment Fund		-	1,221	1,221	
Capital Works Reserve Fund		-	35,829	35,829	
Civil Service Pension Reserve Fund		-	1,363	1,363	
Disaster Relief Fund		-	2	2	
Innovation and Technology Fund		-	215	215	
Loan Fund		-	2,449	2,449	
Lotteries Fund		-	1,456	1,456	
		247,611	44,421	292,032	
<b>Deficit</b>		(3,789)	(21,388)	(25,177)	

Appendix A—*Contd.***SECTION IV – ESTIMATES OF CONTINGENT LIABILITIES**

**12** The Government's contingent liabilities as at 31 March 2009, and estimates of these should they remain unsettled as at 31 March 2010 or 31 March 2011, are provided below as supplementary information to the MRF –

(\$ million)	2009	At 31 March 2010	2011
Guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance	17,120	21,545	23,835
Guarantees provided under loan guarantee schemes for small and medium enterprises	4,053	4,918	6,718
Guarantees provided under the Special Loan Guarantee Scheme	3,248	59,600	70,800
Possible capital subscriptions to the Asian Development Bank	2,070	2,070	2,070
Guarantees provided under a commercial loan of the Ocean Park Corporation	1,190	1,388	1,388
Litigation	23	22	23
Total	27,704	89,543	104,834

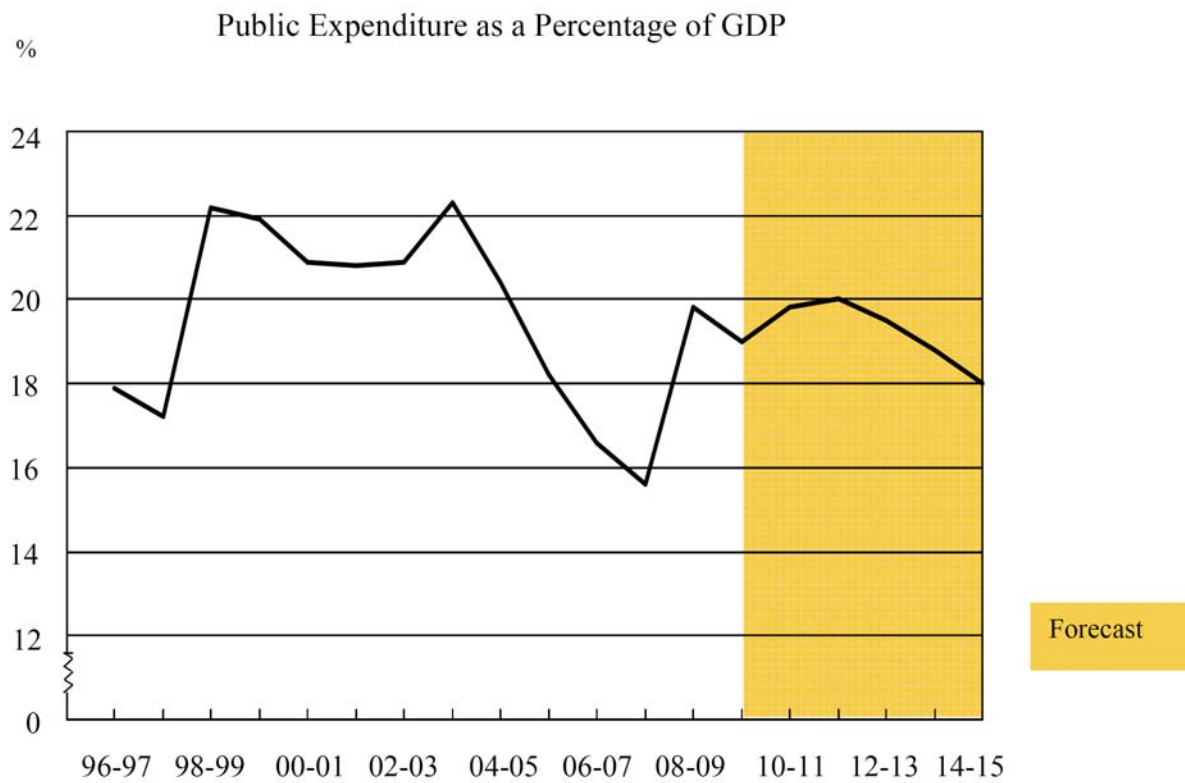
## Appendix B

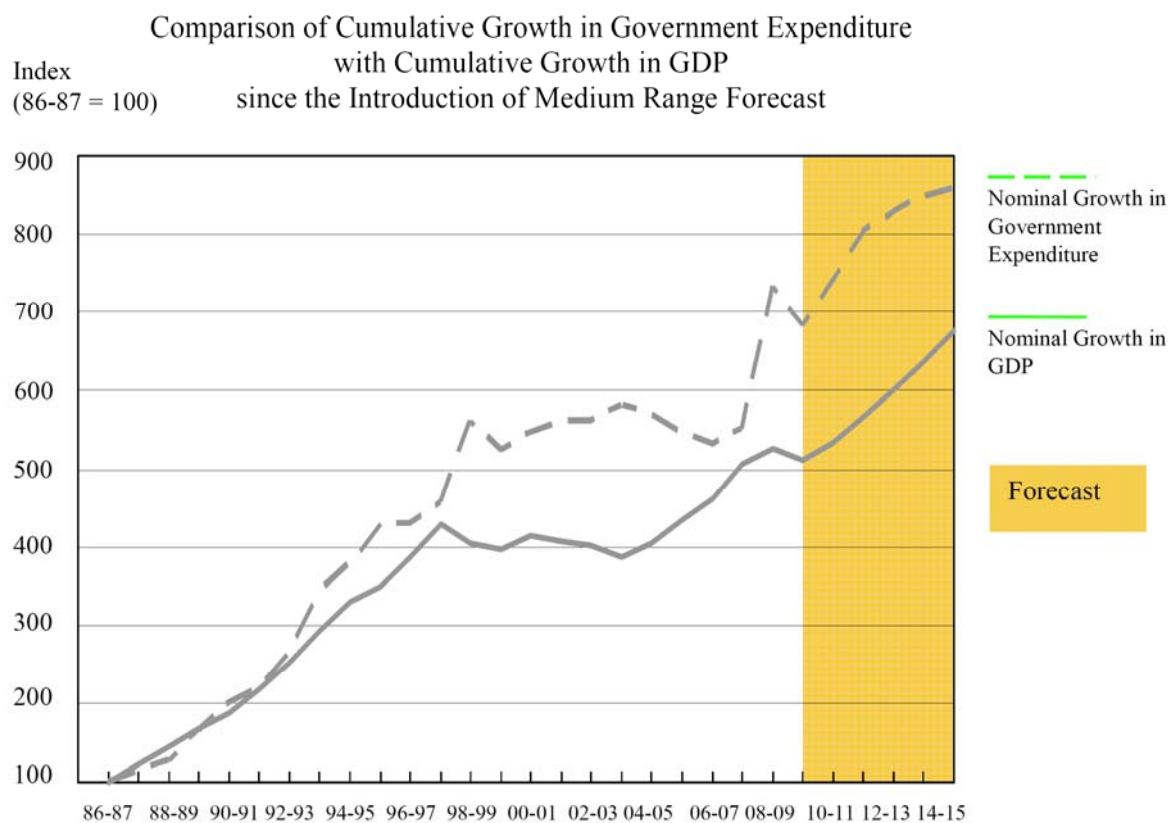
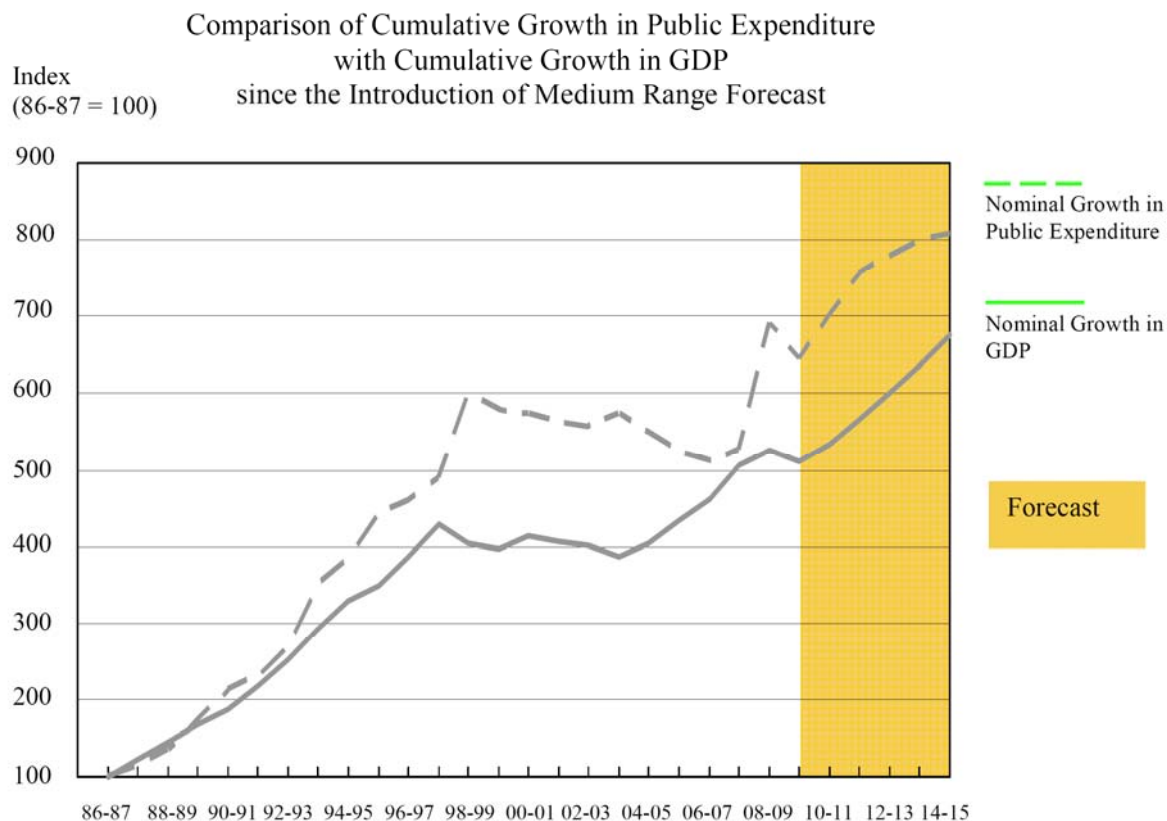
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Appendix B—*Contd.***SECTION I – THE ESTIMATES IN THE CONTEXT OF THE ECONOMY****Relationship between Government Expenditure and Public Expenditure in 2010–11 and GDP**

	<b>2010–11 Estimate \$m</b>
General Revenue Account	
Operating	251,400
Capital	4,152
	<hr/> 255,552
Capital Investment Fund	1,823
Capital Works Reserve Fund	55,520
Innovation and Technology Fund	970
Loan Fund	2,290
Lotteries Fund	1,054
	<hr/> 317,209
Government Expenditure	
Trading Funds	3,828
Housing Authority	16,732
	<hr/> 337,769
Public Expenditure	
	<hr/>
GDP	1,707,044
Public Expenditure as a % of GDP	19.8%

## Appendix B—Contd.





## Appendix B—Contd.

**SECTION II – ANALYSIS OF RECURRENT PUBLIC/GOVERNMENT EXPENDITURE BY  
POLICY AREA GROUP****Recurrent Public Expenditure : Year-on-Year Change**

	2009–10 Original Estimate \$m	2009–10 Revised Estimate \$m	2010–11 Estimate \$m	Increase/Decrease over 2009–10 Revised Estimate in Nominal Terms %	in Real Terms %
<b>Education</b>	53,817	51,260	<b>52,159</b>	<b>1.8</b>	<b>2.6</b>
<b>Social Welfare (Note)</b>	39,259	39,688	<b>39,687</b>	<b>0.0</b>	<b>0.2</b>
<b>Health</b>	35,692	35,356	<b>36,923</b>	<b>4.4</b>	<b>5.4</b>
<b>Security</b>	26,847	26,856	<b>27,968</b>	<b>4.1</b>	<b>5.1</b>
<b>Infrastructure</b>	15,425	15,182	<b>15,565</b>	<b>2.5</b>	<b>1.8</b>
<b>Economic</b>	11,246	10,934	<b>11,137</b>	<b>1.9</b>	<b>2.2</b>
<b>Housing</b>	10,370	10,043	<b>10,402</b>	<b>3.6</b>	<b>2.8</b>
<b>Environment and Food</b>	10,345	9,820	<b>10,274</b>	<b>4.6</b>	<b>5.2</b>
<b>Community and External Affairs</b>	8,060	7,951	<b>8,136</b>	<b>2.3</b>	<b>2.8</b>
<b>Support</b>	30,377	28,591	<b>31,210</b>	<b>9.2</b>	<b>9.1</b>
	<u>241,438</u>	<u>235,681</u>	<u><b>243,461</b></u>	<b>3.3</b>	<b>3.8</b>

*Note –*

To give a better picture of the long term trend of recurrent expenditure on social welfare, one-off additional payments to recipients under Comprehensive Social Security Assistance and Social Security Allowance Schemes will be provided for under non-recurrent expenditure from 2010-11. If such payments were to be excluded also from the 2009-10 revised estimate to provide a like-to-like comparison, the 2010-11 estimate would be 4.6% and 4.8% higher in nominal and real terms respectively.

Appendix B—Contd.

## SECTION II – ANALYSIS OF RECURRENT PUBLIC/GOVERNMENT EXPENDITURE BY POLICY AREA GROUP

### Recurrent Government Expenditure : Year-on-Year Change

	2009–10 Original Estimate \$m	2009–10 Revised Estimate \$m	2010–11 Estimate \$m	Increase/Decrease over 2009–10 Revised Estimate in Nominal Terms %	in Real Terms %
<b>Education</b>	53,817	51,260	<b>52,159</b>	<b>1.8</b>	<b>2.6</b>
<b>Social Welfare</b> <i>(Note)</i>	39,259	39,688	<b>39,687</b>	<b>0.0</b>	<b>0.2</b>
<b>Health</b>	35,692	35,356	<b>36,923</b>	<b>4.4</b>	<b>5.4</b>
<b>Security</b>	26,847	26,856	<b>27,968</b>	<b>4.1</b>	<b>5.1</b>
<b>Infrastructure</b>	15,211	14,985	<b>15,377</b>	<b>2.6</b>	<b>1.9</b>
<b>Economic</b>	7,797	7,589	<b>7,716</b>	<b>1.7</b>	<b>2.4</b>
<b>Housing</b>	198	193	<b>195</b>	<b>0.9</b>	<b>2.1</b>
<b>Environment and Food</b>	10,345	9,820	<b>10,274</b>	<b>4.6</b>	<b>5.2</b>
<b>Community and External Affairs</b>	8,060	7,951	<b>8,136</b>	<b>2.3</b>	<b>2.8</b>
<b>Support</b>	30,377	28,591	<b>31,210</b>	<b>9.2</b>	<b>9.1</b>
	<u>227,603</u>	<u>222,289</u>	<u><b>229,645</b></u>	<b>3.3</b>	<b>3.8</b>

*Note –*

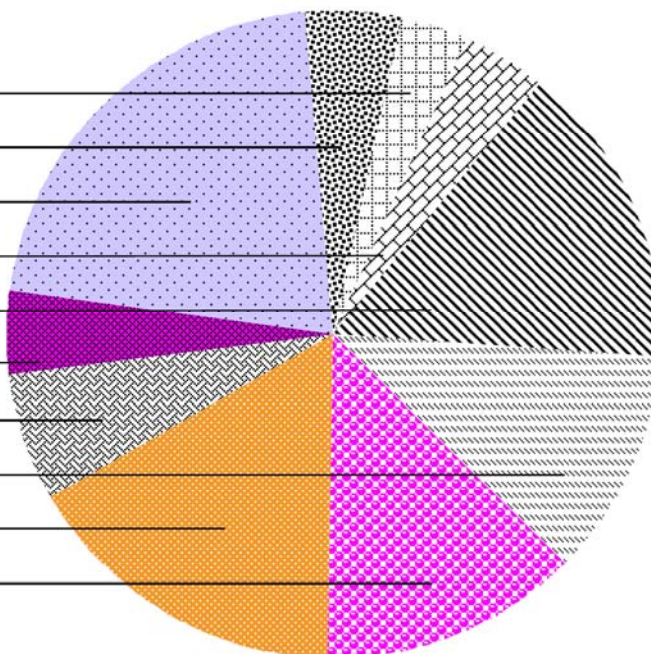
To give a better picture of the long term trend of recurrent expenditure on social welfare, one-off additional payments to recipients under Comprehensive Social Security Assistance and Social Security Allowance Schemes will be provided for under non-recurrent expenditure from 2010-11. If such payments were to be excluded also from the 2009-10 revised estimate to provide a like-to-like comparison, the 2010-11 estimate would be 4.6% and 4.8% higher in nominal and real terms respectively.



## Appendix B—Contd.

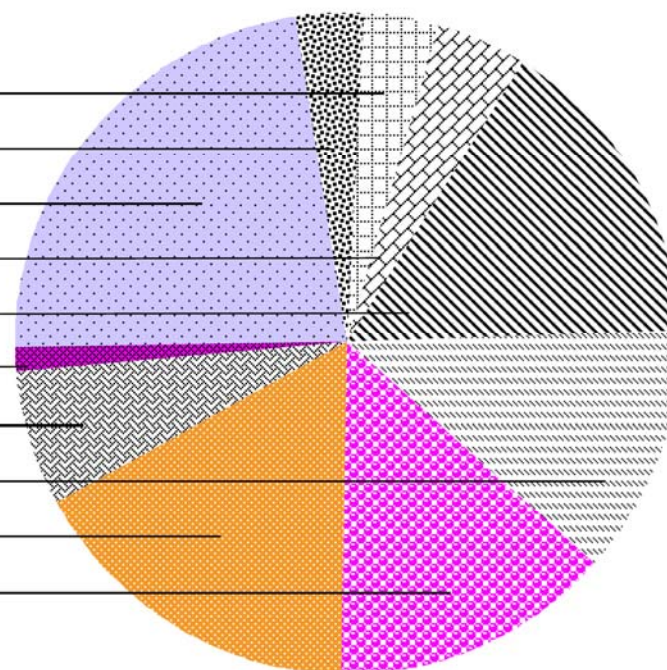
**Percentage Share of Expenditure by Policy Area Group**  
**Recurrent Public Expenditure : 2010-11 Estimate**

Community and External Affairs	3.3%
Economic	4.6%
Education	21.4%
Environment and Food	4.2%
Health	15.2%
Housing	4.3%
Infrastructure	6.4%
Security	11.5%
Social Welfare	16.3%
Support	12.8%
	100.0%



**Percentage Share of Expenditure by Policy Area Group**  
**Recurrent Government Expenditure : 2010-11 Estimate**

Community and External Affairs	3.5%
Economic	3.3%
Education	22.7%
Environment and Food	4.5%
Health	16.1%
Housing	0.1%
Infrastructure	6.7%
Security	12.2%
Social Welfare	17.3%
Support	13.6%
	100.0%



Appendix B—Contd.

## SECTION III – ANALYSIS OF TOTAL PUBLIC/GOVERNMENT EXPENDITURE BY POLICY AREA GROUP

## Total Public Expenditure : Year-on-Year Change

	2009–10 Original Estimate \$m	2009–10 Revised Estimate \$m	2010–11 Estimate \$m	Increase/Decrease over 2009–10 Revised Estimate in Nominal Terms %	in Real Terms %
Education	61,665	58,766	63,701	8.4	8.9
Social Welfare	41,608	40,958	43,495	6.2	6.3
Health	38,420	38,655	40,501	4.8	5.5
Security	30,625	29,812	34,405	15.4	16.1
Infrastructure	44,390	47,409	49,986	5.4	3.3
Economic	20,680	18,828	18,434	-2.1	-2.1
Housing	18,004	17,322	18,768	8.3	6.8
Environment and Food	14,121	13,619	17,417	27.9	27.0
Community and External Affairs	14,248	14,144	15,118	6.9	6.5
Support	35,978	30,767	35,944	16.8	16.5
	<u>319,739</u>	<u>310,280</u>	<u>337,769</u>	8.9	8.6

Appendix B—Contd.

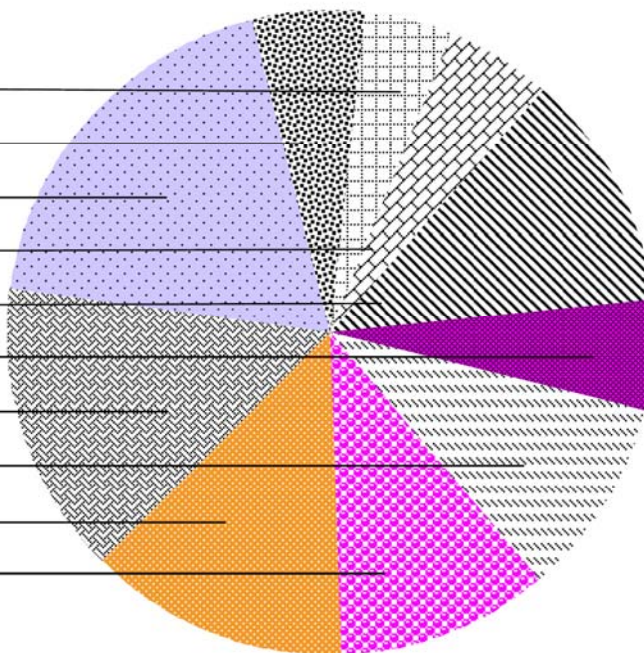
## SECTION III – ANALYSIS OF TOTAL PUBLIC/GOVERNMENT EXPENDITURE BY POLICY AREA GROUP

## Total Government Expenditure : Year-on-Year Change

	2009–10 Original Estimate \$m	2009–10 Revised Estimate \$m	2010–11 Estimate \$m	Increase/Decrease over 2009–10 Revised Estimate in Nominal Terms %	in Real Terms %
Education	61,665	58,766	63,701	8.4	8.9
Social Welfare	41,608	40,958	43,495	6.2	6.3
Health	38,420	38,655	40,501	4.8	5.5
Security	30,625	29,812	34,405	15.4	16.1
Infrastructure	44,100	47,173	49,708	5.4	3.2
Economic	17,133	15,297	14,885	-2.7	-2.6
Housing	210	1,998	2,035	1.9	1.9
Environment and Food	14,121	13,619	17,417	27.9	27.0
Community and External Affairs	14,248	14,144	15,118	6.9	6.5
Support	35,978	30,767	35,944	16.8	16.5
	<u>298,108</u>	<u>291,189</u>	<u>317,209</u>	8.9	8.8

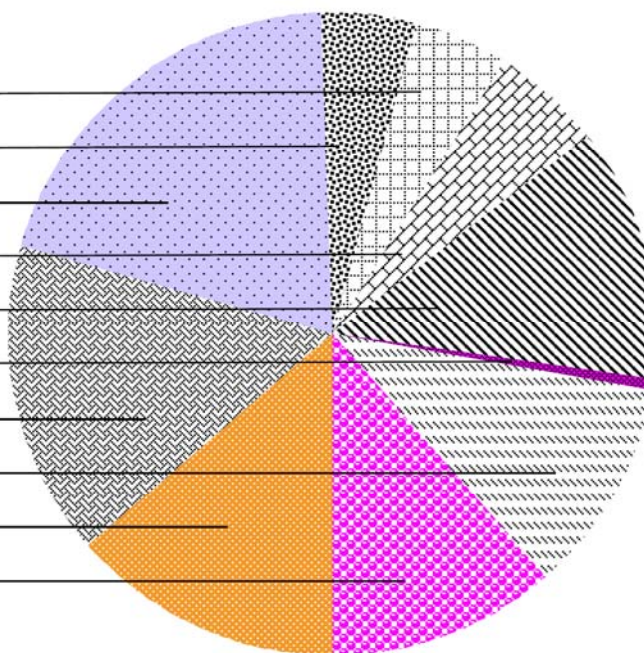
**Percentage Share of Expenditure by Policy Area Group**  
**Total Public Expenditure : 2010-11 Estimate**

Community and External Affairs	4.5%
Economic	5.5%
Education	18.9%
Environment and Food	5.1%
Health	12.0%
Housing	5.5%
Infrastructure	14.8%
Security	10.2%
Social Welfare	12.9%
Support	10.6%
	100.0%



**Percentage Share of Expenditure by Policy Area Group**  
**Total Government Expenditure : 2010-11 Estimate**

Community and External Affairs	4.8%
Economic	4.7%
Education	20.1%
Environment and Food	5.5%
Health	12.8%
Housing	0.6%
Infrastructure	15.7%
Security	10.8%
Social Welfare	13.7%
Support	11.3%
	100.0%





## Appendix B—Contd.

**SECTION IV – MAJOR CAPITAL PROJECTS ESTIMATED TO BEGIN IN 2010–11**

Major capital projects estimated to start in 2010–11 include –

	<b>Project Estimates \$ million</b>
<b>Infrastructure</b>	<b>18,906</b>
— Bus–bus interchanges on Tuen Mun Road	
— Hong Kong–Zhuhai–Macao Bridge Hong Kong boundary crossing facilities—reclamation and superstructures	
— Improvement works at Tai O, phase 1	
— Liantang/Heung Yuen Wai Boundary Control Point and associated works—village reprovisioning works	
— Public transport interchanges in Area 86, Tseung Kwan O	
— Reconstruction and rehabilitation of Kai Tak nullah from Po Kong Village Road to Tung Kwong Road—advance works	
— Revitalisation Scheme—Conversion of Lai Chi Kok Hospital into the Hong Kong Cultural Heritage	
— Revitalisation Scheme—Conversion of Lui Seng Chun into Hong Kong Baptist University Chinese Medicine and Healthcare Centre	
— Revitalisation Scheme—Conversion of Mei Ho House as City Hostel	
— Shatin to Central Link—construction of railway works—advance works	
— Tuen Mun–Chek Lap Kok Link and Tuen Mun Western Bypass—advance works	
<b>Environment and Food</b>	<b>10,457</b>
— District Cooling System at the Kai Tak development	
— Extension of Man Kam To food inspection facilities	
— Harbour Area Treatment Scheme, stage 2A—upgrading of Stonecutters Island sewage treatment works and preliminary treatment works	
— Reprovisioning of Cape Collinson Crematorium	
<b>Economic</b>	<b>5,845</b>
— Cruise terminal building and ancillary facilities for the Kai Tak cruise terminal development	
<b>Community and External Affairs</b>	<b>2,146</b>
— Construction of an annex building for Ko Shan Theatre	
— Cycle tracks connecting North West New Territories with North East New Territories—Sheung Shui to Ma On Shan section	
— Joint-user complex at Bailey Street, To Kwa Wan Reclamation	
— Public library and indoor recreation centre in Area 3, Yuen Long	
<b>Security</b>	<b>326</b>
— Additional courtrooms and associated facilities in the High Court Building	
— Construction of rank and file quarters for Immigration Department at Wo Yi Hop Road, Kwai Chung	
<b>Education</b>	<b>260</b>
— Special school in Area 16, Tuen Mun, for students with physical disability	

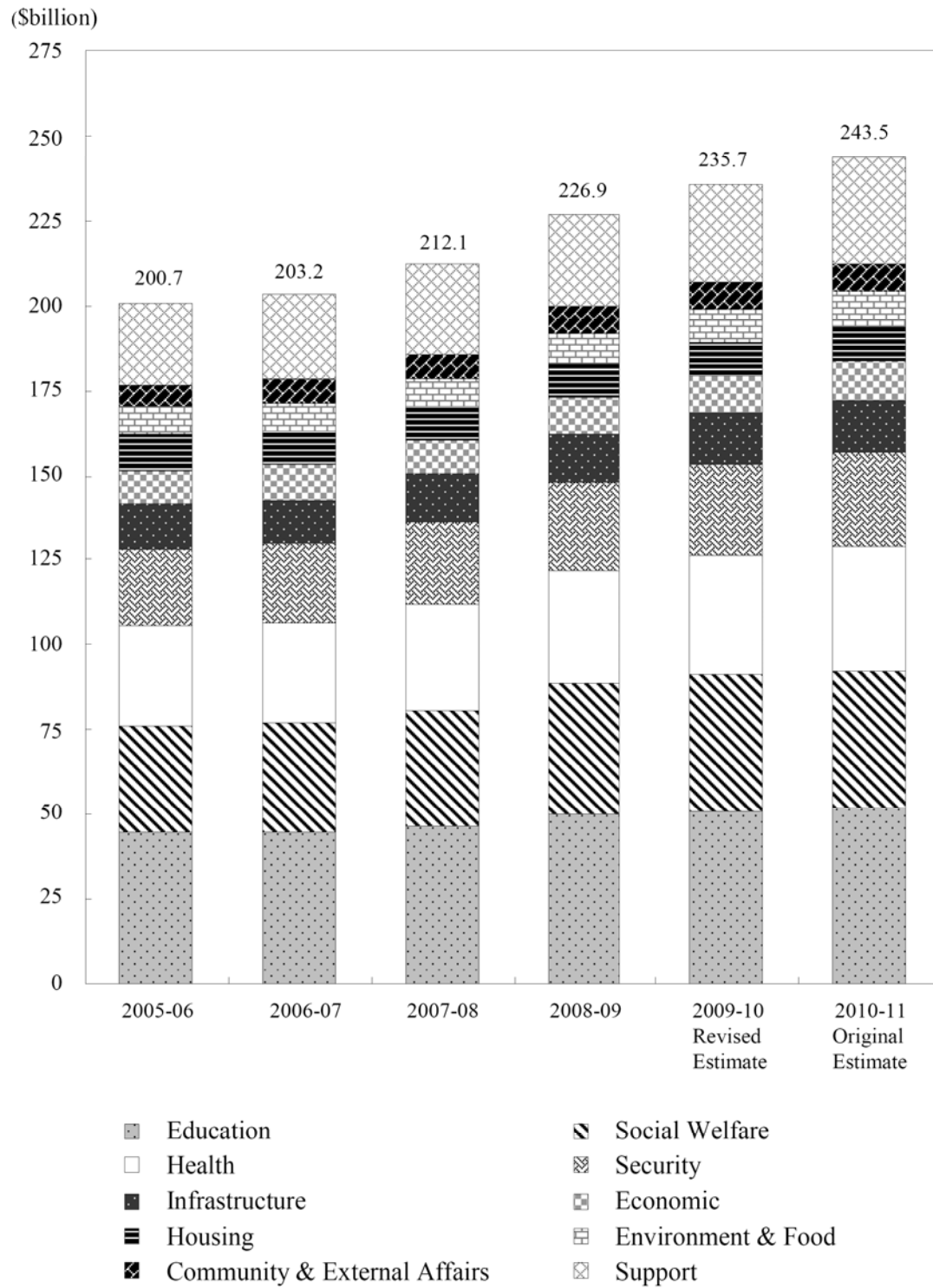
**SECTION V – TRENDS IN PUBLIC EXPENDITURE : 2005–06 TO 2010–11****Introduction**

**1** This section presents trends in public expenditure over the period 2005–06 to 2010–11. The analysis includes expenditure by the Government, the Trading Funds and the Housing Authority.

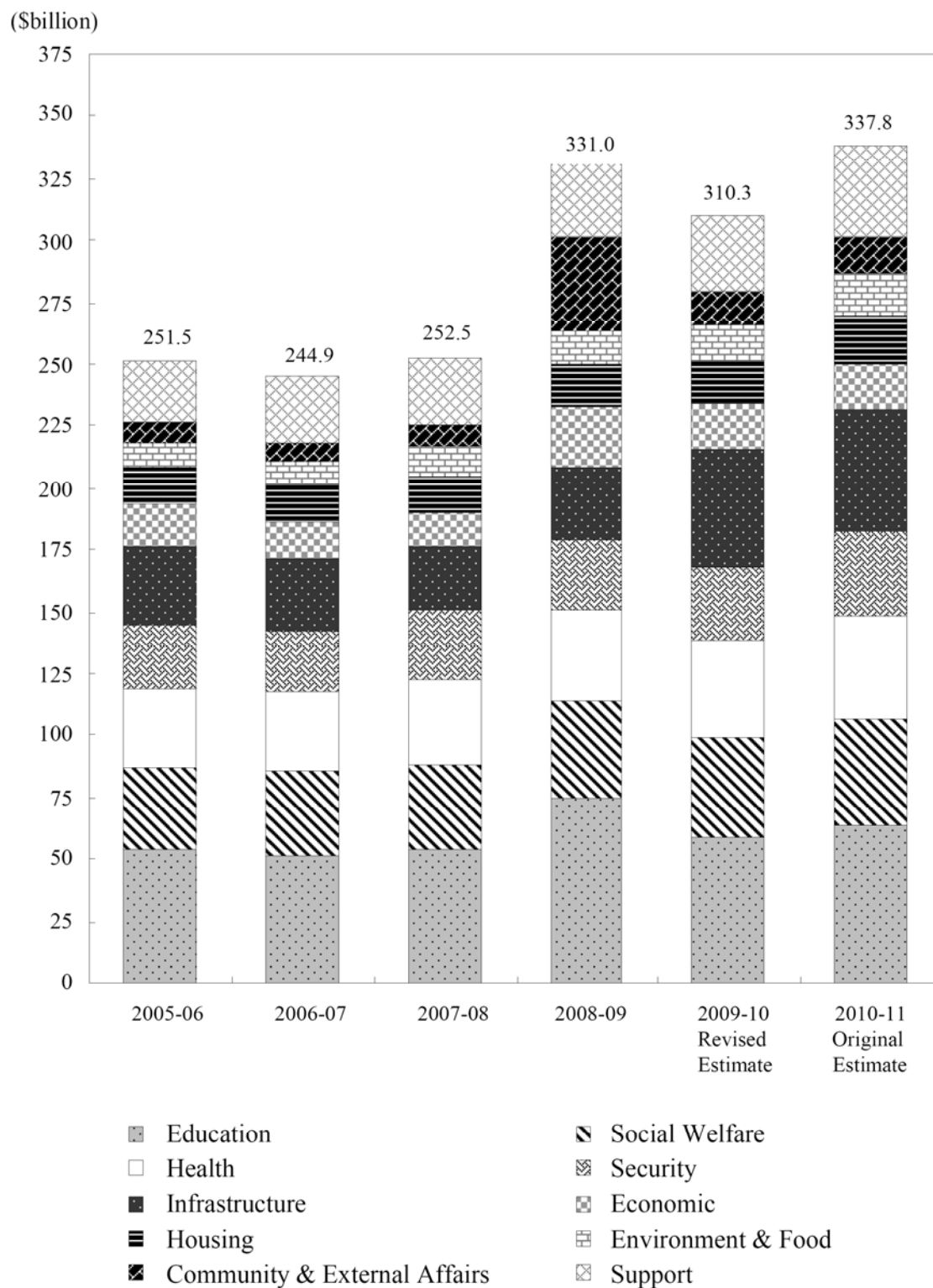
**2** Details of individual heads of expenditure contributing to a particular policy area are provided in an index in Volume I of the 2010–11 Estimates. This index further provides details by head of expenditure of individual programmes which contribute to a policy area.

## Appendix B—Contd.

## Recurrent Public Expenditure by Policy Area Group 2005-06 to 2010-11



Total Public Expenditure by Policy Area Group 2005-06 to 2010-11





## Appendix B—Contd.

## SECTION VI – KEY TO CLASSIFICATION OF EXPENDITURE

## Index of Policy Area Groups

Policy Area Group	Description by Policy Area	Reference ( <i>Note</i> )
Community and External Affairs	District and Community Relations	19
	Recreation, Culture, Amenities and Entertainment Licensing	18
Economic	Air and Sea Communications and Logistics Development	3
	Commerce and Industry	6
	Employment and Labour	8
	Financial Services	1
	Information Technology and Broadcasting	17
	Manpower Development	34
	Posts, Competition Policy and Consumer Protection	4
	Public Safety	7
	Travel and Tourism	5
Education	Education	16
Environment and Food	Agriculture, Fisheries and Food Safety	2
	Environmental Hygiene	32
	Environmental Protection, Conservation, Power and Sustainable Development	23
Health	Health	15
Housing	Housing	31
Infrastructure	Buildings, Lands, Planning, Heritage Conservation, Greening and Landscape	22
	Land and Waterborne Transport	21
	Water Supply, Drainage and Slope Safety	24
Security	Administration of Justice	12
	Anti-corruption	13
	Immigration Control	10
	Internal Security	9
	Legal Administration	11
	Legal Aid	20
Social Welfare	Social Welfare	14
	Women's Interests	33
Support	Central Management of the Civil Service	26
	Complaints Against Maladministration	30
	Constitutional and Mainland Affairs	28
	Intra-Governmental Services	27
	Revenue Collection and Financial Control	25
	Support for Members of the Legislative Council	29

*Note:* The Policy Area Reference corresponds with that used in the Index of Policy Areas in the Estimates of Expenditure.

## GLOSSARY OF TERMS

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Note: Terms shown in ***bold italic*** are defined elsewhere in the glossary.

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**Capital expenditure.** This comprises all expenditure charged to the Capital Account of the General Revenue Account, Capital Investment Fund, Capital Works Reserve Fund (including interest on government bonds and notes but excluding repayment of the bonds and notes), Disaster Relief Fund, Innovation and Technology Fund, Loan Fund and Lotteries Fund. Major items are highlighted below –

*General Revenue Account*

equipment, works and capital subventions of a minor nature

*Capital Investment Fund*

advances and equity investments

*Capital Works Reserve Fund*

acquisition of land  
capital subventions  
computerisation  
interest and other expenses on government bonds and notes issued in 2004  
major systems and equipment  
Public Works Programme expenditure

*Disaster Relief Fund*

relief to disasters that occur outside Hong Kong

*Innovation and Technology Fund*

projects promoting innovation and technology upgrading in manufacturing and service industries

*Loan Fund*

loans made under various development schemes supported by the Government  
loans to schools, teachers, students, and housing loans to civil servants, etc.

*Lotteries Fund*

grants, loans and advances for social welfare services

**Capital deficit.** The difference between ***capital revenue*** and ***capital expenditure***.

**Capital revenue.** This comprises certain revenue items in the General Revenue Account and all receipts credited to seven Funds, as highlighted below –

*General Revenue Account*

disposal proceeds of government quarters and other assets  
estate duty  
loan repayments received  
recovery from Housing Authority

*Capital Investment Fund*

dividends from investments  
interest on loans  
investment income  
loan repayments received  
proceeds from sale of investments

Appendix C—*Contd.**Capital Works Reserve Fund*

- investment income
- land premium
- recovery from MTR Corporation Limited

*Civil Service Pension Reserve Fund*

- investment income

*Disaster Relief Fund*

- investment income

*Innovation and Technology Fund*

- investment income
- loan repayments received
- proceeds from sale of investments

*Loan Fund*

- interest on loans
- investment income
- loan repayments received
- proceeds from sale of loans

*Lotteries Fund*

- auctions of vehicle registration numbers
- investment income
- loan repayments received
- share of proceeds from the Mark Six Lottery

**Consolidated surplus/deficit before repayment of bonds and notes.** The difference between *government revenue* and *government expenditure*.

**Fiscal reserves.** The accumulated balances of the General Revenue Account, Capital Investment Fund, Capital Works Reserve Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund.

**Government expenditure.** The aggregate of *operating expenditure* and *capital expenditure*. Unlike *public expenditure*, it excludes expenditure by the Trading Funds and the Housing Authority.

**Government revenue.** The aggregate of *operating revenue* and *capital revenue*.

**Operating expenditure.** All expenditure charged to the Operating Account of the General Revenue Account.

**Operating revenue.** This comprises all revenue credited to the General Revenue Account (except those items which are treated as *capital revenue*) and the Land Fund, as highlighted below –

*General Revenue Account*

- duties
- finances, forfeitures and penalties
- investment income
- rents and rates
- royalties and concessions
- taxes
- utilities, fees and charges

*Land Fund*

- investment income

Appendix C—*Contd.*

**Operating surplus/deficit.** The difference between *operating revenue* and *operating expenditure*.

**Public expenditure.** *Government expenditure* plus expenditure (operating and capital) by the Trading Funds and the Housing Authority.

**Transfer to Funds.** Transfers between the General Revenue Account and the eight Funds (Capital Investment Fund, Capital Works Reserve Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund) are not counted as government revenue and expenditure as these are merely internal transfers within Government's accounts.