

立法會
Legislative Council

LC Paper No. FC92/11-12
(These minutes have been seen
by the Administration)

Ref : CB1/F/1/2

**Notes of the meeting of the Finance Committee
for briefing members on the Estimates of Expenditure and budget
proposals on Thursday, 24 February 2011, at 10:45 am
in the Chamber of the Legislative Council Building**

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Prof Hon Patrick LAU Sau-shing, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon Fred LI Wah-ming, SBS, JP
Dr Hon Margaret NG
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon LEUNG Yiu-chung
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon Andrew CHENG Kar-foo
Hon Timothy FOK Tsun-ting, GBS, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Dr Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP

Hon WONG Ting-kwong, BBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king, JP
Hon Paul CHAN Mo-po, MH, JP
Hon CHAN Kin-por, JP
Dr Hon Priscilla LEUNG Mei-fun
Hon CHEUNG Kwok-che
Hon IP Wai-ming, MH
Hon IP Kwok-him, GBS, JP
Hon Paul TSE Wai-chun
Dr Hon Samson TAM Wai-ho, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Tanya CHAN
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man

Members absent:

Hon LEE Cheuk-yan
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon CHEUNG Man-kwong
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, SBS, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon LI Fung-ying, SBS, JP
Hon CHEUNG Hok-ming, GBS, JP
Dr Hon LAM Tai-fai, BBS, JP
Hon CHAN Hak-kan
Dr Hon LEUNG Ka-lau
Hon WONG Sing-chi
Hon WONG Kwok-kin, BBS
Hon Mrs Regina IP LAU Suk-yea, GBS, JP
Dr Hon PAN Pey-chyou

Public officers attending:

Mr John TSANG, GBM, JP	Financial Secretary
Professor K C CHAN, SBS, JP	Secretary for Financial Services and the Treasury
Mr Stanley YING, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Alice LAU, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) ¹
Ms Elsie YUEN	Principal Executive Officer (General) Financial Services and the Treasury Bureau (The Treasury Branch)
Miss Cathy CHU, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) ²
Ms Doris HO	Deputy Secretary for Financial Services and the Treasury (Treasury) ³
Ms Shirley LAU	Principal Assistant Secretary for Financial Services and the Treasury (Treasury)
Mrs Helen CHAN, JP	Government Economist
Mr Arthur AU	Administrative Assistant to Financial Secretary
Ms Jessie WONG	Administrative Assistant to Secretary for Financial Services and the Treasury

Clerk in attendance:

Mrs Constance LI	Assistant Secretary General 1
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Staff in attendance:

Ms Annette LAM	Chief Council Secretary (1) ⁷
Mr Daniel SIN	Senior Council Secretary (1) ⁷

Mr Frankie WOO
Ms Christy YAU

Senior Legislative Assistant (1)3
Legislative Assistant (1)8

Action

The Chairman welcomed Professor K C CHAN, Secretary for Financial Services and the Treasury (SFST) and his colleagues to the meeting. She informed members that Mr John TSANG, the Financial Secretary (FS), would arrive at 11:15 am.

2. SFST gave a Powerpoint presentation on the 2011-12 Budget and briefed members on the following -

- (a) main themes of the 2011-12 budget in stabilizing the property market, fighting inflation and investing in the future;
- (b) major expenditure initiatives;
- (c) major revenue initiatives;
- (d) estimates of government revenue for 2011-2012;
- (e) estimates of recurrent government expenditure on various policy area groups for 2011-12; and
- (f) Medium Range Forecast covering the five years from 2011-12 to 2015-16.

(Post-meeting note: The Powerpoint presentation materials were uploaded to the Legislative Council website on 23 February 2011.)

Comments on the Budget measures as a whole

3. Mr Albert HO expressed disappointment that despite the huge fiscal surplus this year, the Budget had not proposed long-term measures to increase social investment to enhance Hong Kong's competitiveness and to reduce the disparity between the rich and the poor. The proposed short term handouts were simply not sufficient to address the problems of those in need.

4. Mr CHAN Kam-lam criticized that the Budget failed to curb soaring property prices, and the proposed injection of \$6,000 into individual MPF accounts could not address the immediate needs of employees. He also

expressed doubts about the effectiveness of increasing the tobacco tax and the first registration tax for private vehicles.

5. Mr Ronny TONG said that he was disappointed with the Budget which had no focus, as most of the measures were short term handouts and could not mitigate the impact of rising inflation. He queried the effectiveness of the increase of stamp duty in curbing the soaring property prices, and the rationale for the proposed injection of \$6,000 into individual MPF accounts.

6. Mr Andrew LEUNG commented that there was much adverse feedback in the community about the Budget measures even though such expenditure amounted to one-third of the fiscal surplus. He said that FS should think about ways to improve such measures to make them more acceptable to the public. He considered that the middle class had little to benefit from the Budget measures while they were hard hit by the escalating inflation. Moreover, more support measures would need to be put in place to assist Hong Kong enterprises to enter the Mainland as provided for under the 12th Five Year National Plan.

7. Mr Frederick FUNG criticized that the Budget measures were more in favour of the better-off community and the large enterprises and little was done to help small businesses and the grassroots. He pointed out that according to the Administration's forecast, public expenditure in the coming five years, with the exception of 2011-12, would be less than 20% of Hong Kong's gross domestic product (GDP). He queried now the Administration could provide the necessary services to the 700 million population with this level of expenditure.

8. FS said that the expenditure of public services, particularly on welfare, education and medical services had increased considerably. Overall, the level of public expenditure had increased by some 20%. The majority of the population should benefit from the Budget measures. He added that the Budget focused on assisting those who were most in need of support. Measures such as rental subsidies for public housing tenants and additional payment of Comprehensive Social Security Assistance (CSSA) would help reduce the burden faced by low-income groups. Special measures were proposed to address the difficulties faced by the middle class community. These included increase in tax allowances for taxpayers' dependent children and elderly parents/grandparents, rates concessions, electricity charge subsidy, injection into the Mandatory Provident Fund (MPF) accounts as well as the issuance of inflation-linked retail bonds (iBond). He said a person earning around \$40,000 a month could enjoy benefits of around \$17,000 in value.

9. Mr Alan LEONG said that the Civic Party had expected that with the huge fiscal surplus, the Budget would announce measures to tackle the deep seated problem of widening income gap across sectors in the community. However, he was disappointed that the Budget had not touched on the issue, nor had the Administration been willing to study, of universal retirement protection scheme. Mr LEONG said a fund of \$25 billion would suffice to generate income up to 2030.

iBond

10. While Mr James TO welcomed the Administration's initiative to introduce iBond, he said that the issuance size, which valued between \$5 billion and \$10 billion, was far below his earlier recommendation of \$30 billion. If the iBond turned out to be popular, he asked whether the Administration would commit to allocating at least five lots to every subscriber of five lots or more, and allocate the full amount in cases where less than five lots were subscribed.

11. Mr CHAN Kin-po also considered the size of iBond issuance too small and asked if the Administration would offer further rounds of iBond if there was demand. He also asked if RMB-denominated inflation-linked bond would be brought into the market.

12. As the returns of iBond was linked to the rate of inflation, Mr Jeffrey LAM asked what would be the returns of iBond at times of deflation. He said that small and medium sized enterprises (SMEs) might find it more practical to invest in Renminbi (RMB) denominated assets.

13. SFST said that the issuance of iBond sought mainly to promote the development of the retail bond market in Hong Kong. The low-interest rate environment had made it difficult to initiate the retail bond issuance under the Government Bond Programme (GBP). The iBond would be a preferable option to kick start the retail bond issuance under the GBP. It would provide an additional investment option to investors and the public under the high inflation, while helping to promote the development of the local retail bond market. In formulating the issuance size of the iBond, the Administration would strike a balance between satisfying the potential demand and meeting the objective of promoting the development of the local retail bond market. As regards implementation details, SFST said that the Hong Kong Monetary Authority and the Co-arranger Banks appointed under GBP would take into account the overall conditions of the local bond market and investors' demand in hammering out the details.

14. FS added that GBP comprised two parts, namely, the Institutional Bond Issuance Programme and the Retail Bond Issuance Programme. For the retail part, the current low-interest rate environment had reduced the attractiveness of the conventional fixed-rate bonds to retail investors, and thus the Retail Programme had not been initiated so far. To promote development of the local retail bond market, the Administration would launch the iBond with a proposed issuance size between \$5 billion and \$10 billion depending on the market response. The Administration was working on the implementation details including the subscription and allocation arrangements and interest rate determination mechanism. Announcement would be made in due course. On the possibility of issuing RMB-denominated bonds, FS said that subject to demand and prevailing market conditions, the issuance of such bonds under GBP might be considered in the future.

Proposed injection into the Mandatory Provident Fund accounts

15. Mr WONG Yuk-man criticized that the proposed injection of \$24 billion into the Mandatory Provident Fund (MPF) to provide \$6,000 to each employee with MPF account could not address the immediate needs of low-income groups as they could not readily use the money. There was adverse feedback from the community to the proposed measure, and many would prefer cash handouts, as in the case of Macau, to help people cope with the pressure of inflation.

16. Mr CHEUNG Kwok-che said that there had been criticism against direct injection into MPF accounts last year, but the Administration repeated the same measure in the current Budget. He had earlier suggested that if direct injection was to be made into individual MPF accounts, employees should be allowed to withdraw part of the injection immediately.

17. Mr IP Wai-ming criticized that the proposed injection of \$6,000 into individual MPF accounts could not help the low-income groups and reflected the Administration's insensitivity to the plight faced by the grassroots population. He considered that the Budget should target at reducing the disparity between the rich and the low-income sectors. Miss Tanya CHAN said many employees were disappointed with the proposed injection into MPF accounts, as they felt that the proposal was not able to address their imminent problems. She asked whether the Administration would introduce other measures to benefit these people.

18. FS said that during the budget public consultation period, the Administration received many requests for injection into MPF accounts. To bridge the income gap, FS said it was necessary to continue to develop the

economy. He said in the medium term, the Budget included measures to improve education opportunities by increasing expenditure on education services so that people of different background would receive quality education.

19. Mr Paul CHAN said that the middle class had expected tax reduction in the coming fiscal year in view of the fiscal surplus. While he supported injection into MPF accounts, he considered that the injection could be lowered to \$5,000 and those who were paying standard rate taxes should be excluded. He also suggested that the medium to low income employees should be allowed to withdraw the injection for immediate use.

20. Ms Miriam LAU and Ms Starry LEE also remarked that the proposed injection into individual MPF accounts was not welcomed by the working population. Ms LAU shared the view that employees should be allowed to take out part of the injection for immediate use.

21. FS advised that the objective of MPF injection was to encourage saving for investing on the future. It was not intended that the money should be used immediately. He said that unlike the initiative last time, the MPF injection this year would not only benefit low-income employees, but a much wider working population including the middle class.

Universal retirement protection scheme

22. Mr IP Wai-ming and Mr Alan LEONG asked if the Administration would consider introducing universal retirement protection scheme. Mr Ronny TONG commented that instead of injecting \$24 billion into the MPF accounts, the Administration should consider introducing universal retirement protection scheme.

23. FS advised that it would require thorough discussion in the community as to whether a universal retirement protection scheme should be introduced. He explained that there were three "pillars" in support of people's retired living: MPF system, personal savings and the social security safety net. He added that the current MPF system was introduced only after lengthy discussions over the past ten years. Any policy decision to change the MPF system would require very careful consideration and wide discussion in the community. The Administration would review the matter regularly and bring out proposals for community discussion at an appropriate juncture.

Tax structure and tax rebate

24. Mr Albert HO commented that the current tax structure was inequitable and no adjustment had been made to the allowances for income tax since 2008-09 despite the inflation. He pointed out that inflation had risen by 5.69% since 2008, and was expected to reach 4.5% in the coming year. He said that in effect many people were paying more tax than before because of the inflationary factor. He asked the Administration to adjust the amount of allowance for income tax in accordance with the rate of inflation.

25. SFST said that tax allowances were reviewed annually, but not necessarily adjusted in line with inflation. The amount of tax allowances for dependent parents/grandparents and children would be increased in the coming year.

26. Mr Albert HO said that increasing the tax allowance for dependent elderly and children might not benefit every tax payer, as not all of them had children, or dependent elderly family members. Mr KAM Nai-wai shared the view that more tax concessions should be provided to the working population to alleviate the inflationary pressure on them as they could not benefit from other measures such as rental subsidy or additional CSSA payment.

27. Mr Jeffrey LAM said that CE had pledged in his election platform to reduce the standard rates of salary and profit tax down to 15%. He asked when the Administration would introduce the relevant measures to improve Hong Kong's competitiveness. Mr Andrew LEUNG said many middle-class constituents were disappointed that the Budget did not pledge tax rebate.

28. FS replied that in making the election pledges, CE had put in a rider that reduction of salary and profit tax standard rates could only be introduced in an appropriate environment. However, given that the forecast average inflation rate would be 4.5%, reducing the standard tax rate could further fuel inflation. He did not consider that the current circumstances warranted any change to the tax rates.

29. Ms Starry LEE queried the rationale for not offering tax rebate in the Budget as such a measure had been implemented in the past two years. She remarked that the Administration was self-contradicting in saying that tax rebate would only have a mild effect on inflation in the past Budgets, but claiming that such a measure would fuel inflation in the current Budget. Mr CHAN Kam-lam also proposed that the Administration should reconsider introducing tax rebate as inflation-relief measure.

30. Mr Paul CHAN suggested that the Administration should reinstate tax rebate, subject to a ceiling of \$6,000 to all taxpayers except the high income group that was paying tax at standard rate.

31. FS explained that in the previous two years, Hong Kong was facing economic downturn and the Administration needed to avoid deflation. On the other hand, Hong Kong was facing a rising inflation trend which might reach 4.5% this year. Hence there was no apparent need for introducing tax rebate this year.

Need for maintaining a large fiscal reserve

32. Mr CHAN Kam-lam said that the Administration expected that there would be \$595.5 billion in reserve in 2011-12 and some \$697.0 billion by 2015-16. He queried the need for maintaining such a large reserve, and suggested that the Administration should reduce the tax burden on employees and narrow the disparity between the rich and the poor.

33. SFST said the forecast fiscal reserves reflected the income and expenditure forecast in the medium term. The amount of fiscal reserves should be seen in the context of the GDP. He said that Hong Kong's GDP was on the increase, and Hong Kong's fiscal reserves, at around 30% of GDP was within the range as recommended by IMF.

Curbing the soaring property prices

34. Ms Miriam LAU criticized that the Budget measures failed to address the needs of many people. She commented that the measures purported to increase supply of accommodation units were too mild to produce any impact on stalling property price increase. Mr Ronny TONG said that many people could not afford to buy a flat, and the property price had soared by 10% to 15% after the special stamp duties measures were announced and before it had taken effect. He further said the high land prices also pushed up the property prices.

35. Mr LEE Wing-tat commented that the Budget favoured land developers but failed to address the housing problem faced by the mass population. He refuted the Administration's claim that the amount of land to be made available for residential development would provide between 30 000 and 40 000 housing units a year. As many of the sites in the Application List had still not been sold for development, he expected that the land that the Administration initiated to tender could at best provide between 10 000 and 20 000 units. He challenged the Administration's pledge for being able to

provide 40 000 housing units by end of March 2012, and said that if the pledge could materialize, he would make an open apology for wrongly accused FS as making a false claim and would resign his position as a Legislative Council (LegCo) Member. He also challenged FS to do the same if the pledge was not achieved.

36. FS advised that the best way to curb property prices was to increase land supply and to produce more housing units. He clarified that the Administration's housing target was to supply land for provision of 20 000 private flats a year on average. More land which had a capacity of providing 30 000 to 40 000 units could be made available in the coming year. It was, however, not meaningful to conclude that the Administration must ensure the full supply of 30 000 to 40 000 housing units by next year.

37. Mr CHEUNG Kwok-che said that the Administration should build more public housing and Home Ownership Scheme (HOS) housing units. He considered that the proposed waiver on rates in the Budget would only benefit speculators of private housing, and suggested that where a person owned more than one housing unit, only one of the properties would be granted the waiver on rates.

38. Mr Alan LEONG said that the Budget did not mention the supply of modest accommodation. He pointed out that there was consensus among Members that the Administration should provide more HOS units in order to stabilize the property market.

39. FS said that rather than supplying more HOS units, the "My Home Purchase Plan" (MHPP) would better meet the needs of first time home buyers as it had a rental element whereby people who did not have sufficient savings could rent a flat at a fixed rate first and save up for the down payment.

40. Professor Patrick LAU asked whether any concession would be available for the MHPP units, and whether the Administration would waive the land cost as in the case of HOS units.

41. FS responded that details of the MHPP could be further considered. He further explained that the first batch of MHPP units in Tsing Yi would be available for pre-letting application in 2012. As the land cost would reflect the "no-frills" nature of the units, these units should be more affordable to first time home buyers.

42. Prof LAU noted that the Administration intended to specify as a sale condition that the five pieces of land in the Application List would be developed

to supply around 3 000 small to medium sized residential units. He asked whether the Administration would adopt a fixed price rather than the tender approach for the sale of the land concerned. He also asked if the Administration would organize a design competition to select the optimal and low-cost designs so that modest prices could be offered for such units.

43. FS responded that private residential property price was determined by the market and economic conditions. To meet the demand for smaller flats, five sites in the 2011-12 Land Sale Programme had been designated for the construction of small to medium sized units. The Administration had also made it a requirement that property development projects along the West Rail should increase the supply of small to medium sized units.

44. Ms Cyd HO criticized that the Administration had not made sufficient efforts to address the housing needs of the people of Hong Kong. She suggested that the target of public housing supply should be increased to 25 000 units a year and the application criteria should also be relaxed to allow more sandwich class to benefit from the policy. This measure would also stall the rapid increase in rents.

45. FS responded that the annual target of producing 15 000 public housing units took into account the objective of maintaining an average waiting time target of about three years for public rental housing.

Rental subsidies for tenants in private accommodations

46. Mr WONG Kwok-hing asked whether rental subsidy could be provided to eligible public housing applicants awaiting allocation of housing units while living in private accommodation. Dr Priscilla LEUNG shared the view that provision of rental subsidies was the most practical way to help families in times of inflation.

47. SFST responded that similar proposals had been raised and discussed before, but given the many policy implications involved, the proposal was not considered feasible.

Fees and charges

48. Mr WONG Kwok-hing noted that the inflation rate was forecast to be around 4% to 5% for the whole year. He asked if the Administration would continue to freeze the fees and charges of various livelihood-related services, such as water charges and stall rental in government markets, in order to ease the pressure of inflation on the general public.

49. SFST said that there was established mechanism to review the various government fees and charges. The prevailing policy was to seek full cost recovery of the services rendered, but other economic and social factors would be taken into consideration in setting the levels of fees and charges.

Assistance to small and medium sized enterprises

50. Mr Andrew LEUNG said that many proprietors of small and medium sized enterprises were feeling the pressure of high inflation, and they did not see any effective relief measures proposed in the Budget. He asked what strategies and measures the Administration would take to leverage on the potential in the Mainland to boost the growth of Hong Kong's professional services and industries. Mr Jeffrey LAM commented that no new measure was proposed for the six industries in the Budget.

51. Mr Frederick FUNG criticized that the while the Budget mentioned about the need to facilitate development of many new industries, the support to SMEs were not sufficient. He considered that the top down approach could not assist SMEs for which more concrete measures such as extending the SME loan period and land premium waiver would be more useful.

52. FS said that the current strategy was to foster regional cooperation and investment in infrastructure, and to further improve the overall business environment. The Budget had provided for increased public expenditure in these aspects.

Air quality and environmental measures

53. Ms Audrey EU criticized that the Administration did not appreciate the gravity of the deteriorating air quality problem. She queried why the Administration did not implement a Civic Party's recommendation of setting up a \$6 billion fund to subsidize the replacement of existing bus fleet by lower emission models. She also queried how the electricity charge subsidy was related to the Administration's energy saving initiatives. She suggested that the Administration should disburse the \$1,800 electricity charge subsidy by installment and conditional on the recipients' latest electricity bill being lower than the previous period.

54. Mr CHAN Kin-po shared the concern about deteriorating air quality. He said that many expatriates ranked air quality as their key issue of concern in Hong Kong, and the Administration should implement more vigorous measures to address the problem.

55. FS responded that the Administration was also concerned about air quality in Hong Kong and would continue to devote resources to support relevant policy initiatives. If the respective policy bureau came up with any environmental policy initiatives such as replacing old bus fleets or other energy saving incentives or disincentives, he would consider the necessary budgetary provisions to facilitate their implementation.

First Registration Tax on new vehicles

56. Mr KAM Nai-wai said that the proposal to increase vehicle First Registration Tax (FRT) was contrary to environmental policy which encouraged the replacement of Euro II diesel commercial vehicles by new vehicles in order to reduce emissions. He considered that the proposed revenue measure would only encourage drivers to retain their old, but more polluting, vehicles. He disagreed with the Administration that raising FRT would reduce traffic congestion, as he considered the wide differential in tunnel tolls a major contributing factor to traffic congestion. He asked if the Administration would drop the proposal of raising FRT. Ms Miriam LAU also expressed a similar concern.

57. FS responded that the Administration would further explain the purpose of the proposed revenue measure. The Administration had no intention to change the measure.

Sale of Government Hill

58. Miss Tanya CHAN referred to the proposed sale of West Wing of the Central Government Offices for office development. She said that the Administration seemed to have reached a decision on the sale of Government Hill before the end of the public consultation process.

59. Mr CHAN Kin-po supported the Administration's proposal to redevelop Government Hill into commercial offices. He pointed out that there was acute shortage of office accommodation and that the high rental cost of office space was weakening Hong Kong's competitiveness.

60. FS said that the Administration noted the strong demand for high quality office accommodation and was closely monitoring the situation. The Administration would report to LegCo on the progress of redevelopment of Government Hill.

Education services

61. Mr IP Wai-ming criticized the Administration for its class-reduction and school-closure policies. He said that the Administration had also failed to ensure that income from direct subsidy schools would be ploughed back to support students from low-income families.

62. Ms Cyd HO suggested that small class policy should be implemented in government and subsidized schools whereas direct subsidy school could be exempt from such requirement. She pointed out that there were about 24 000 associate degree students a year, but each student could only receive an average of about \$10,000 in grant or scholarship, as against \$60,000 to \$70,000 a year in tuition fees. Many students were therefore heavily indebted before they graduated. She said that if the Administration intended to develop education as an industry, it should improve the financial support to students.

63. FS explained that the Administration was concerned about education as it would improve young people's upward mobility. The Administration would continue to increase resources to improve education services.

Services for the needy

64. Mr CHEUNG Kwok-che commented that the Budget had not included any improvement to the day care service for the disabled, home help service and residential care service. He suggested that the Administration should review needs of the elderly and start planning at an early stage.

65. FS responded that the respective policy bureau was regularly examining elderly needs, and it would be up the bureau to come up with specific measures.

66. Dr Priscilla LEUNG considered that the current medical service voucher at \$500 a year was not enough to meet the medical service needs of the elderly people and should be increased. She suggested that more subsidies on purchase of medication should also be provided.

67. Mr LEUNG Kwok-hung said that the Administration had been talking about elderly, education and housing issues for more than 13 years but it was still studying the matters. He criticized the increase of tobacco duty and considered that a heavier levy should be imposed on alcohol instead. He said that the Budget was divisive as none of the budgetary measures would make the rich contribute more to the society.

68. As Mr LEUNG behaved in a disorderly manner, the Chairman ordered him to leave the meeting venue.

Other measures to combat inflation

69. Mr Albert CHAN criticized that the measures proposed in the Budget were not effective in combating inflation or improving the livelihood of the low-income groups. He suggested that the Administration should abolish the linked exchange rate system. He explained that essential imports such as food from the Mainland escalated as the value of Hong Kong dollar fell relative to Renminbi, which fuelled inflation. As regards the proposed electricity charge and rental subsidies, he considered that these measures would only benefit a very small number of people. Referring to the proposal of waiving 12 months of rates payment from property owners, he criticized that such measures only favoured the wealthy. He said that most of the other hand-outs could not help ordinary public.

70. As Mr Albert CHAN and Mr WONG Yuk-man behaved in a disorderly manner, the Chairman ordered them to cease speaking and leave the meeting venue.

Health care financing

71. Mr CHAN Kin-po noted that the Administration had indicated that the \$50 billion health care financing preparatory fund would be sufficient to sustain operation for 20 to 25 years. He suggested that the Administration should increase the injection into the fund by deploying part of the fiscal reserve for the purpose.

Food bank

72. Ms Cyd HO noted that the Administration would provide \$200 million on the Food Bank which would help 85 000 poor people to receive food subsidy for six weeks. Pointing out that there were 1.26 million people living in poverty in 2010, and among children aged below 14 years, 24% were from poor families, she urged the Administration to increase support to the food bank so that at least these children would not starve.

73. FS said the current fund was sufficient to sustain the operation of the Food Bank food assistance up to 2013. Additional injection for extension of the service would be considered if necessary.

Ferry services

74. Dr Priscilla LEUNG said that she had received comments from some middle-class families that the Administration should subsidize ferry services so as to keep the non-profit routes running. She said each ferry route would only require a subsidy of around \$2 million per year to sustain operation.

75. SFST said that the Administration had to consider the overall policy before taking forward Dr LEUNG's proposals. He said that it would not be the most prudent way to provide subsidies to ferry operators by public resources. Nevertheless, the Administration would welcome further discussions on the provision of affordable transportation.

76. The Chairman advised that members would have one week to submit written questions on the estimates of expenditure and that special meetings of FC would be convened from 21 to 25 March 2011.

77. The meeting was adjourned at 1:00 pm.