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Finance Committee of the Legislative Council

Minutes of the 11th meeting
held at the Conference Room 1 of the Legislative Council Complex
on Friday, 20 April 2012, at 3:30 pm

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 LEE Cheuk-yan
Hon Fred LI Wah-ming, SBS, JP
Dr Hon Margaret NG
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, SBS, JP
Hon LAU Kong-wah, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon LI Fung-ying, 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, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon CHEUNG Hok-ming, GBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon CHIM Pui-chung
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Dr Hon LAM Tai-fai, BBS, JP
Hon CHAN Hak-kan
Hon Paul CHAN Mo-po, MH, JP
Hon CHAN Kin-por, JP
Dr Hon Priscilla LEUNG Mei-fun, JP
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon WONG Sing-chi
Hon WONG Kwok-kin, BBS
Hon IP Wai-ming, MH
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yea, GBS, JP
Dr Hon PAN Pey-chyou
Hon Paul TSE Wai-chun, 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:

Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Starry LEE Wai-king, JP
Dr Hon Samson TAM Wai-ho, JP

Public officers attending:

Ms Julia LEUNG Fung-ye, JP	Acting Secretary for Financial Services and the Treasury
Mr Stanley YING, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, 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)
Mr David LAU Kam-kuen	Principal Assistant Secretary for Security
Mr YU Koon-hing, CDSM, CMSM	Assistant Commissioner of Customs and Excise (Boundary and Ports)
Mr LAM Chun-keung	Group Head (Marine Enforcement), Customs and Excise Department
Mr LEUNG Wai-hok	Senior Surveyor of Ships, Marine Department
Mr LEUNG Man-chiu	Senior Maintenance Manager, Marine Department
Ms Julina CHAN Woon-ye, JP	Deputy Secretary for Transport and Housing (Transport) 5
Ms Jenny CHAN Wai-man	Principal Assistant Secretary for Transport and Housing (Transport) 10
Mr Francis LIU Hon-por, JP	Director of Marine
Mr CHUNG Siu-man	Assistant Director of Marine (Port Control)
Mr CHAN Ping-sun	Chief Engineer (Municipal), Electrical and Mechanical Services Department
Mr Andrew WONG Ho-yuen, JP	Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism)
Mrs Alice CHEUNG CHIU Hoi-yue	Deputy Secretary for Commerce and Economic Development (Commerce and Industry) 3
Mr James H LAU, Jr, JP	Chief Executive Officer, The Hong Kong Mortgage Corporation Limited
Mr WAI Chi-sing, JP	Permanent Secretary for Development (Works)
Miss Charmaine WONG Hoi-wan	Principal Assistant Secretary for Development (Works) 1

Mr WONG Doon-ye

Director (Training), Construction
Industry Council

Clerk in attendance:

Mrs Constance LI

Assistant Secretary General 1

Staff in attendance:

Ms Anita SIT

Chief Council Secretary (1)5

Mr Daniel SIN

Senior Council Secretary (1)7

Mr Frankie WOO

Senior Legislative Assistant (1)3

Ms Christy YAU

Legislative Assistant (1)8

Item No. 1 - FCR(2012-13)9

**RECOMMENDATIONS OF THE ESTABLISHMENT
SUBCOMMITTEE MADE ON 15 FEBRUARY 2012**

The Chairman put the items to vote. The Committee approved the items.

Item No. 2 - FCR(2012-13)10

Head 31 – CUSTOMS AND EXCISE DEPARTMENT

Subhead 603 Plant, vehicles and equipment

New Item "Replacement of one High Speed Pursuit Craft"

2. The Chairman said that this item invited members to approve a new commitment of \$17,050,000 for the replacement of one High Speed Pursuit Craft (HSPC) of the Customs and Excise Department (C&ED).

3. Mr WONG Ting-kwong enquired about the number of HSPC deployed for anti-smuggling patrols and conducting strike and search operations on suspicious vessels at present. He was concerned whether C&ED had sufficient vessels to perform anti-smuggling operations in Hong Kong waters. The Assistant Commissioner of Customs and Excise (Boundary and Ports), Customs and Excise Department (AC of C&E) advised that C&ED's existing fleet of 19 vessels had proved to be adequate and effective in carrying out anti-smuggling operations in Hong Kong waters.

Action

4. Mr WONG Yung-kan was concerned about the safety of enforcement personnel working on Government vessels, given that two marine Police vessels collided in Hong Kong waters in a recent incident. He enquired whether the new HSPC would be equipped with more advanced equipment to enhance safety. AC of C&E responded that the Police vessels involved in the recent collision case were not HSPCs. The HSPC of C&ED was grounded in an anti-smuggling operation in October 2010 mainly due to inclement weather. The Crew Commander and Coxswain of the grounded HSPC were experienced in vessel operation. C&ED attached great importance to the training and drilling of officers working on vessels, and officers operating the HSPCs had to be holders of Local Certificate of Competency - Coxswain (Grade 1) issued by the Marine Department (MD). AC of C&E remarked that the new HSPC would have enhanced features/facilities and a strengthened hull in order to provide better protection for the enforcement officers.

5. The Chairman put the item to vote. The Committee approved the funding proposal.

**Item No. 3 - FCR(2012-13)11
CAPITAL WORKS RESERVE FUND
HEAD 708 – CAPITAL SUBVENTIONS AND MAJOR SYSTEMS
AND EQUIPMENT**

Marine Department

New Subhead "Replacement/Upgrading of Vessel Traffic Services System"

6. The Chairman said that this item invited members to approve a new commitment of \$558,200,000 for the replacement/upgrading of the Vessel Traffic Services (VTS) system of MD. She drew members' attention to the supplementary information provided by the Administration and tabled at the meeting regarding the fees charged by MD.

7. Mr Albert CHAN was concerned, given the increased number of high speed vessels operating in Hong Kong waters and a number of accidents involving government vessels and public ferries, whether the upgraded VTS system would help enhance the safety of marine traffic in Hong Kong waters. He asked whether the new VTS system would enhance marine traffic surveillance and facilitate enforcement actions against people who contravened marine regulations.

8. The Director of Marine responded that at present, MD provided the VTS round the clock to ocean-going vessels and river trade vessels of 1 000 gross

tonnage or above visiting or transiting Hong Kong to ensure their navigational safety. The upgraded VTS system would enable MD to monitor and regulate marine traffic, including the small and fast vessels, more effectively and efficiently with up-to-date technology. It would also improve MD's capability of alerting the vessels concerned regarding traffic congestion and bad weather hazards. When the visibility at sea was below two nautical miles, MD would make announcements through the media to alert the personnel on vessels and the public.

9. Mr WONG Yun-kan said that there had been a fatal incident where a small boat was hit by a high speed craft when the visibility at sea was low. He enquired whether the new VTS system could help alert the large and high speed vessels against hitting the small boats. He also asked whether the small boats could be advised to add metal fixtures on board so as to facilitate the VTS system to detect them.

10. The Assistant Director of Marine (Port Control) responded that the VTS system would be able to monitor the movements of high speed crafts, but the system might not be able to detect all small boats in Hong Kong waters, especially during inclement weather. MD would make public announcements to remind the vessels to travel at a safe speed when visibility at sea was low. He further advised that MD regularly held meetings with the fishermen organizations and ferry companies to provide safety advice to the parties concerned.

11. Ms Miriam LAU said that she supported the proposal to replace/upgrade the VTS system. Noting that the full costs of the VTS system, including maintenance cost, would be recovered from the fees and charges collected by MD for its services provided to vessels, she enquired whether the relevant industries had been consulted on the levels of fees to be imposed, and whether the fees would be set at a level affordable by the parties concerned.

12. The Deputy Secretary for Transport and Housing (Transport)⁵ (DS(T)) responded that according to present estimations, the replacement/upgrading of the VTS system would not lead to an increase in the fees charged by MD, as it was envisaged that the tonnage of vessel arrivals would continue to steadily increase in the coming years, and the fees were imposed based on the tonnage of vessels.

13. Ms Miriam LAU expressed concern about the proposal to allow pleasure boats from the Mainland to visit Hong Kong, in view of the existing heavy traffic in the harbour. She enquired whether the new VTS system would be able to cope with the increased marine traffic if pleasure boats from the Mainland were allowed to travel in Hong Kong waters.

14. DS(T) advised that the Government was still at a preliminary stage of studying the technical aspects of the proposal for cross-boundary sailing of pleasure boats. She further remarked that the functions of the new VTS system would be significantly enhanced and could detect and track up to 10 000 vessels. Such enhancement would enable the system to better cope with future increase in marine traffic in Hong Kong waters.

15. Ir Dr Raymond HO remarked that given that the existing VTS was near the end of its lifespan, it would incur high costs in maintaining the system. He therefore supported the proposal to replace and upgrade the VTS system.

16. Mr Albert CHAN was concerned whether the close circuit television (CCTV) of the VTS system was effective during night time and cover all Hong Kong waters, and whether it could help detecting illegal activities.

17. The Chief Engineer (Municipal), Electrical and Mechanical Services Department stated that the CCTV of the new VTS system would be of high sensitivity and could function in very dark and low visibility situations. The CCTV system would have 16 cameras and could cover the harbour.

18. The Chairman put the item to vote. The Committee approved the funding proposal.

Item No. 4 - FCR(2012-13)12

**HEAD 152 – GOVERNMENT SECRETARIAT : COMMERCE AND
ECONOMIC DEVELOPMENT BUREAU
(COMMERCE, INDUSTRY AND TOURISM
BRANCH)**

Subhead 700 General non-recurrent

**New item "SME Financing Guarantee Scheme – Special Concessionary
Measures"**

19. The Chairman said that this item invited members to approve under Head 152 Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch) a new loan guarantee commitment of \$100 billion with an expected maximum expenditure of \$11 billion for The Hong Kong Mortgage Corporation Limited (HKMC) to provide loan guarantees under the time-limited special concessionary measures introduced under its SME Financing Guarantee Scheme (SFGS) and to meet the contingent liabilities arising from the measures.

Action

20. Mr WONG Ting-kwong, Chairman of the Panel on Commerce and Industry (CI Panel), reported that the CI Panel had discussed the item at its meeting on 20 March 2012. While members generally supported the funding proposal, members requested that the Government and the HKMC should step up the publicity and promotional work of the SFGS, provide adequate guidance and assistance on the application procedures to the enterprises, and expedite the application processing time so as to provide timely assistance to Hong Kong enterprises, in particular the small and medium enterprises (SMEs). Panel members also requested the Administration to continue providing assistance to SMEs in obtaining sustainable financing, as the application period of the special concessionary measures of SFGS would last for only nine months. The Administration responded that it would review the arrangements as and when necessary.

General issues

21. Mr Andrew LEUNG declared interest that he was a director of the HKMC. He stated that Members belonging to the Economic Synergy welcomed the special concessionary measures under the SFGS to assist the SMEs. He enquired about the timeframe for implementation of the special concessionary measures and measures to reduce the burden of SMEs making use of the SFGS.

22. The Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PS(CIT)) advised that under the proposed special concessionary measures, a new loan guarantee ratio of 80% would be introduced at a low guarantee fee rate, which ranged from 0.1 to 0.12 time of the annual interest rate of the loan. PS(CIT) said that the lending institutions/enterprises were required to pay an annual guarantee fee so that they would share the risks involved. Upon the approval of this funding proposal by the Finance Committee (FC), the Administration would work closely with the HKMC, including the publicity arrangements, with a view to implementing the special concessionary measures as soon as possible. PS(CIT) said that the Government aimed to introduce the special concessionary measures in May 2012.

23. Mr WONG Ting-kwong remarked that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong supported the proposed special concessionary measures under the SFGS, in view that the Special Loan Guarantee Scheme (SpGS) had been useful in tiding SMEs over the challenges of the global financial crisis in 2008. Mr WONG opined that enterprises should not be allowed to make use of the SFGS to repay their existing debts owed to the banks. Mr LAM Tai-fai shared Mr WONG's views.

Action

24. PS(CIT) responded that enterprises would not be permitted to use the loans guaranteed under the SFGS for repaying, restructuring or repackaging existing debts, except for refinancing of facilities guaranteed under the SpGS or the SFGS.

25. Mr Albert CHAN queried why the Government had to shoulder the risks of commercial banks through the loan guarantee schemes, and what the Administration's response was to the accusation of "transfer of benefits" to participating banks under the schemes.

26. PS(CIT) responded that SMEs faced potential difficulties in obtaining loans from banks under the uncertain economic environment. The special concessionary measures under the SFGS were proposed to assist the SMEs in obtaining financing from banks; otherwise, SMEs might become insolvent or face serious liquidity problems which in turn would adversely affect employment and the economy. Under the SFGS, banks were required to exercise due care and follow due procedures in granting loans to the enterprises. The SpGS launched in response to the global financial crisis in 2008 had proved to be effective in tiding SMEs over the challenges of the financial crisis.

27. The Chief Executive Officer, The Hong Kong Mortgage Corporation Limited (CEO, HKMC) supplemented that without the SFGS, the amounts of loans granted by the banks to individual SMEs might be much smaller and SMEs might face serious liquidity problems. Applicants for the SFGS also had to pay an annual guarantee fee. For prudent use of public money, the prevailing safeguard measures under the SFGS would continue to apply. The participating banks were required to exercise professional skills, judgement and care in processing the enterprises' applications for a proposed facility to be covered by the SFGS so as to ensure that only those eligible enterprises with reasonable business prospects would be able to benefit from the special concessionary measures. When the HKMC received a default claim from a participating bank, the HKMC would check whether the relevant bank had exercised due care and follow due procedures in processing the loan application before approving the default claim. CEO, HKMC stressed that the SFGS would help to support the enterprises, especially SMEs, protect jobs for the overall well being of the economy of Hong Kong.

Admin

28. Mr Albert CHAN requested the Administration to provide the following information -

- (a) the number of cases and the amount of loans granted by banks and financial institutions to SMEs in each of the three years before and after the implementation of the SFGS;

- (b) the average number (and proportion) of default cases and the amount involved over this period; and
- (c) the actual amount of expenditure the Government had incurred each year under the SFGS arising from default claims since the SFGS was implemented.

Mr Albert CHAN also opined that the Director of Audit should conduct an audit review of the SFGS.

29. PS(CIT) undertook to provide the relevant information as far as possible, but remarked that the banks might not be willing to disclose such sensitive commercial information. CEO, HKMC remarked that different banks might have different definitions of SMEs, and past statistics might not be appropriate for use as reference for the SFGS.

30. Mr LEUNG Kwok-hung was concerned that SFGS might be abused by some bogus companies engaging in highly risky speculative investment activities. PS(CIT) responded that the SFGS adopted similar criteria of SpGS for assessing the eligibility of companies. Under the SFGS, banks were required to exercise professional skills, judgement and care in processing loan applications, including the checking of the operation, financial statements and business prospects of the relevant companies. While the special concessionary measures under the SFGS provided an 80% guarantee coverage for approved eligible loans, the banks still had to shoulder 20% of the loss in the event of default. CEO, HKMC supplemented that the maximum loan amount to be guaranteed for an applicant enterprise and its related companies was \$12 million. If a bank had been found that it had not complied with the requirement stipulated under the master deed of guarantee and the eligibility criteria, and/or had not exercised professional skills, judgment and care in handling the loan applications under the SFGS, the HKMC might reject a claim or reduce the amount of claim payment made to the bank concerned.

Assumed default rate

31. With reference to the supplementary information tabled at the meeting, the Chairman requested the Administration to explain the assumed default rate for the special concessionary measures under the SFGS.

32. PS(CIT) advised that the assumed default rate of 12% for the special concessionary measures under the SFGS was the same as the assumed default rate used for SpGS. The assumed default rate of the SpGS was the best available

reference the Administration could obtain in estimating the maximum expenditure of the proposed special concessionary measures under the SFGS, as the two schemes had similar features; for instance, they both offered a loan guarantee ratio of 80% covering both term loans and revolving credit facilities with a maximum guarantee period of five years, and the maximum loan amount guaranteed per enterprise, including its related entities, under both schemes was \$12 million.

33. Mr WONG Kwok-kin welcomed the introduction of the special concessionary measures under the SFGS to support the enterprises, in particular SMEs, and protect jobs and employment. Noting that an assumed default rate of 12% had been adopted, he enquired what measures would be taken to minimise default. He requested that the Administration and the HKMC should make every effort to prevent abuse of the special concessionary measures under the SFGS.

34. PS(CIT) stated that to ensure prudent use of public money, the prevailing safeguard measures under the SFGS would continue to apply. The banks concerned were required to exercise professional skills, judgement and care in processing the enterprises' applications for a proposed facility to be covered by a guarantee provided by the HKMC under the special concessionary measures under the SFGS. PS(CIT) pointed out that the assumed default rate of 12% was adopted as the same assumed default rate had been adopted for the SpGS, in view that the two schemes shared similar features, e.g. both providing 80% loan guarantee for a maximum loan amount of \$12 million with the maximum guarantee period being five years. As the SpGS only ceased receiving applications from 1 January 2011 and the maximum guarantee period was five years, the guarantee period for around 30 000 out of the total of around 39 500 approved applications had yet to expire and hence the actual default rate was not yet known. The current SFGS only offered loan guarantee ratios of 50%, 60% and 70% which were different from the proposed 80% guarantee product to be offered under the special concessionary measures. Although the default rate of the SFGS as at end of February 2012 was 0.33%, making reference to that default rate might not be appropriate for cases with a guarantee ratio of 80%.

35. Mr LAM Tai-fai pointed out that a 12% assumed default rate had been set for the SpGS on account of the then extremely volatile economic environment during the global financial crisis in 2008. In fact, SMEs in Hong Kong had been operating their business in a prudent manner, and their applications for assistance from the SpGS had been made in good faith. So far, the default rate of the SpGS was very low. Banks would also assess the loan applications under the SFGS having regard to the risk involved and in compliance with the laid down criteria. Mr LAM opined that the adoption of a 12% assumed default rate for the special concessionary measures under the SFGS was misleading, and would send a

wrong message to Members and the public that banks would face a high risk in granting loans to SMEs.

36. Noting that the actual default rate of the SpGS was only 0.76% as at end of February 2012, Ms Miriam LAU enquired about the reasons for adopting a 12% assumed default rate for the special concessionary measures under the SFGS.

37. PS(CIT) explained that when the SpGS was introduced in December 2008, the maximum amount of credit facility was \$6 million and the guarantee ratio was 70%. At the time, the assumed default rate was 10%. Pursuant to the enhancement measures introduced in June 2009 when the maximum amount of loan was increased to \$12 million and the guarantee ratio was increased to 80%, the assumed default rate was also revised to 12%. As the SpGS only ceased receiving applications from 1 January 2011 and the maximum guarantee period was five years, the actual default rate for the scheme was not yet known. The assumed default rate for the SpGS was the best reference available in estimating the maximum expenditure for the special concessionary measures under the SFGS. When the FC was requested to approve an increase in the maximum loan guarantee commitment for the SME Loan Guarantee Scheme in 2011, the Government had duly adjusted the assumed default rate for the scheme from 7.5% to 5% based on the actual operation experience.

Processing of applications and application period

38. Mr Jeffrey LAM remarked that Members belonging to Economic Synergy supported the proposed special concessionary measures under the SFGS, on account that the special concessionary measures would help SMEs obtain loans from the banks to support their business, especially in the light of the uncertain external economic environment. He requested the HKMC to expedite the processing of applications under the SFGS, and enquired when and how the Administration and the HKMC would publicize the special concessionary measures.

39. PS(CIT) advised that the Administration would make suitable publicity arrangements which would include announcements of public interest and seminars. For prudent use of public money, the HKMC would adopt the same principles and standards of care and diligence as those adopted for other guarantee products under the SFGS. The Administration would liaise with the parties concerned with a view to streamlining the procedures and expediting the processing of applications. CEO, HKMC added that during earlier consultation sessions, banks and enterprises were aware of the proposed special concessionary measures. Some banks had indicated that there were already several hundred

enterprises expressing interest in applying for loans under the special concessionary measures under the SFGS. While the HKMC would endeavour to process the applications with all required information provided within the target of three days, the HKMC was still discussing with the banks regarding means to streamline and expedite the procedures.

40. Ms Miriam LAU enquired whether the Administration would extend the application period of the special concessionary measures under the SFGS, if this was warranted by the demand. PS(CIT) remarked that the current proposal was that the application period would last for nine months. The Administration and the HKMC would review the operation of the special concessionary measures of SFGS, including any need for extension of the application period.

41. The Chairman put the item to vote. The Committee approved the funding proposal.

Item No. 5 - FCR(2012-13)13

**HEAD 159 – GOVERNMENT SECRETARIAT : DEVELOPMENT
BUREAU (WORKS BRANCH)**

Subhead 700 General non-recurrent

Item 868 Investing in Construction Manpower

42. The Chairman said that this item invited members to approve an increase in commitment from \$100 million by \$220 million to \$320 million under Head 159 – Government Secretariat: Development Bureau (Works Branch) to further enhance the construction manpower in collaboration with the Construction Industry Council to ensure the timely and effective delivery of infrastructure projects.

Working and employment conditions of construction workers

43. Ms LI Fung-ying opined that apart from increasing the training allowances for the trainees, it was essential that the working environment and safety at construction sites would be improved in order to attract more young people to join the construction industry. Measures such as provision of more recess time and drinking water to the workers during the hot season would help improve the manpower situation. Ms LI pointed out that the relatively large number of fatal accidents at construction sites, i.e. 23 in 2011, would dissuade parents to encourage their children to work in the construction industry.

44. The Permanent Secretary for Development (Works) (PS(W)) advised that when the proposal was discussed at the Panel on Development, the Administration made a Powerpoint presentation to brief Members on the

Action

concurrent measures taken to improve the working environment and safety at construction sites. In gist, the Government had adopted a four-pronged approach to attract more people to join the construction industry. In addition to strengthening the training and enhancing the training allowance to the trainees, the Government had been striving to improve the site safety and working environment of construction sites. In this connection, the Government had reviewed a series of enhanced measures under public works project, which included an enhanced merit and demerit system for the safety performance of contractors to further improve site safety in public works projects. The Construction Industry Council (CIC) had also formed task forces/working groups to identify and review improvement measures in various aspects, such as site cleanliness and tidiness and working in hot weather, etc. The fourth prong was to explore the feasibility of using mechanical equipment to assist manual workers in the process of construction works.

45. In reply to Ms LI Fung-ying's enquiry about the funding for said improvement measures, PS(W) advised that CIC would not directly provide funds for construction projects to improve the working environment and safety at construction sites. Instead, funds were included in the allocations for individual public works projects to ensure a proper working environment and safety at construction sites. CIC would issue guidelines to private construction sector on improvement to the working conditions and safety at construction sites. In view of the number of fatal accidents at construction sites in recent years, the Administration and CIC had stepped up measures to prevent such incidents.

46. Mr LEE Cheuk-yan opined that apart from provision of training, a safe and hygienic working environment at construction sites was of paramount importance, in order to project a better image for construction workers and attract more young people to join the industry. Mr LEE said that the arrangement for workers to take rest breaks should also be improved, as usually workers were required to work longer hours if they had taken rest breaks.

47. PS(W) advised that the public works contracts had included the requirements for contractors to provide shelters, drinking water and sanitary facilities for construction workers. CIC had formed a task force to look into issues relating to working in hot weather.

Admin

48. As requested by Ms LI Fung-ying, PS(W) agreed to provide information on the measures being implemented to enhance safety and the working environment of the construction industry, especially during the summer season, including provision of sanitary and welfare facilities in construction sites, etc., in order to improve the working conditions and to attract more workers to join the construction industry.

49. Ir Dr Raymond HO enquired whether the Government would consider, similar to the practice in Japan, introducing legislation to enable construction workers to work on a five-day week basis without affecting the income level for construction workers.

50. PS(W) responded that the situation in Hong Kong was different from that of Japan in that the construction workers in Hong Kong possessed specific trade skills, and construction workers might have difficulties in finding suitable tasks for their daily work if they worked on a five-day week basis. Stakeholders in the construction industry also had divergent views on the "five-day week" proposal. PS(W) added that CIC would conduct a review later in the year regarding the feasibility of the "five-day week" proposal.

51. Mr WONG Kwok-kin expressed support for the funding proposal, and opined that in addition to enhancement of training, the wage payment arrangements for construction workers should be improved as there were cases where construction workers did not receive their wages after they had performed their work.

52. PS(W) advised that upon implementing the enhanced training initiatives under the \$100 million funding previously approved by FC, more young people had joined the construction industry. Currently less than 20% of construction workers were at the age of 35 or below whereas nearly 60% of the trainees attending the CIC courses were at the age of 35 or below. This indicated that the enhanced training, especially the increase in training allowance had been effective in attracting new blood. Since the trial of the measures to ensure the timely payment of wages to construction workers in 2003 and its subsequent implementation in 2006, the number of default payment cases had dropped by 85%, and 98% of construction workers had received their wages according to their terms of employment. The Director (Training), Construction Industry Council (D, CIC) supplemented that CIC had received very few complaints concerning default payment of wages to construction workers. CIC had issued guidelines to construction contractors concerning timely payment of wages to construction workers. CIC would refer cases of default payment of wages to the Labour Department for follow-up actions, and liaise with the employers and workers concerned to seek a settlement.

Manpower planning for the construction industry

53. Ir Dr Raymond HO remarked that owing to the unfavourable economic situation between 2003 and 2006, there were few large infrastructure

Action

construction projects, and the unemployment rate of the construction industry had shot up to around 20%. Many workers had left the construction industry and took up other jobs. As a result, the construction workforce was facing an increasingly acute ageing problem. According to the information provided by the Construction Workers Registration Authority, as at end December 2011, about 40% of the some 287 000 registered construction workers were aged over 50 whereas only about 6% of the workers were below the age of 25. Given that the Government had imposed levies on the construction industry, Ir Dr Raymond HO enquired whether more resources from the levies could be deployed for improving the training programmes for the construction industry, so as to attract more young people to join the industry.

54. PS(W) advised that at present three types of levies were imposed relating to the construction industry, namely the levies under the Industrial Training (Construction Industry) Ordinance (Cap. 317), the Construction Workers Registration Ordinance (Cap.583) and the Pneumoconiosis (Compensation) Ordinance (Cap. 360). The Government would conduct a review on the levies with a view to allocating more resources for the training of construction workers, subject to maintaining the existing level of levies.

55. Mr WONG Kwok-kin enquired whether, with the implementation of the proposed improvement measures, CIC was confident that it could attract sufficient trainees to join the training programmes. D, CIC advised that the measures for enhancement of construction manpower in the funding proposal should be able to ensure adequate construction manpower to support the construction of major infrastructure projects. The proposed funding would be used for payment of training allowances to the trainees. CIC would pay about \$200 million to cover the additional training costs arising from the increased number of trainees. CIC would also need to enhance its support services resulting from the additional number of trainees. For instance, CIC would need additional staff to provide career development services for the trainees, such as employment services, and regular follow-up visits to the trainees and their employers. Since December 2011, CIC had established an employment service website through which employers could place recruitment notices and trainees could look for jobs without going through any intermediaries. Touch-screen terminals were provided in the construction workers registration office, CIC resource centres and trade unions offices for use by job seekers. So far about 700 employers had registered with the website and over 2000 jobs had been posted on the website. The hit rate of the website had reached 300 000 since its inception. In future, arrangement would also be made to send information of job vacancies through mobile telephone messages to registered workers.

Action

56. Mr LEE Cheuk-yan was concerned whether there would be sufficient construction works for the increased number of construction workers in future, given that the number and expenditure of infrastructure projects would fluctuate over the years. Mr LEE was gravely concerned that construction workers might be under-employed or unemployed after the Government had completed the major infrastructure projects several years later.

57. PS(W) responded that apart from public infrastructure projects, construction workers were also engaged in private construction projects. The Government had recently collaborated with CIC to carry out a study to update the forecast models on the public and private construction output and the manpower requirements in the coming years to facilitate the planning of manpower development for the construction industry.

58. Ms Miriam LAU expressed concern that public money would be wasted if a large number of trainees did not join the construction industry after completion of training. She enquired about the percentage of trainees who did not join the construction industry after completion of training.

59. PS(W) advised that the overall wastage rate of the Enhanced Construction Manpower Training Scheme since its inception was about 16%. The main reason given by trainees not joining the construction industry was that the wages in the construction industry were insufficient to support their living. The drop-outs of the training courses also claimed that the training allowance was low. In view of this, the current proposal was to increase the level of training allowance for the trainees, and in order to encourage the trainees to complete the courses, part of the allowance would be payable upon completion of the training courses. D, CIC supplemented that the selection panel of CIC Training Academy (CICTA) would assess the suitability and intention of applicants for joining the training courses. Trainers would review the performance and progress of trainees on a bi-weekly basis, so that trainees who were considered unsuitable for the construction industry would be advised to quit the courses. CICTA provided counselling and advisory services to trainees who had difficulty in adapting to the working environment. CICTA officers would also conduct regular visits to trainees who had taken up employment in the construction industry with a view to providing support services to the trainees. In order to retain the trainees, CIC also encouraged employers to take part in the scheme on a "first-hire-then-train" basis to offer employment to the trainees before they completed the training.

60. Noting that the existing overall wastage rate for the ECMTS was 16%, Ms Miriam LAU enquired about the target wastage rate after the implementation of the proposed enhancement measures. D, CIC advised that CIC aimed to reduce the wastage rate to a single digit percentage. The increase of the training

Action

allowance to \$8,000 per month should be able to attract more people to join the training courses. CIC was pleased to note that more trainees in their 30s were attending the courses as workers of this age group were more likely to remain in the construction industry.

61. Mr IP Wai-ming remarked that during the discussion of the Lifts and Escalators Bill, Members had expressed concern that there were only about five thousand qualified technicians handling the repair and maintenance of more than 70 000 lifts and escalators in Hong Kong, and most of the technicians were over 40 years of age. Members were concerned whether there would be adequate qualified technicians to maintain the increasing number of lifts and escalators. Mr IP opined that it would appear that the Administration and CIC had overlooked the need for attracting and training more young people to work as lift and escalator technicians in order to protect the safety of lift and escalator users.

62. PS(W) remarked that currently the training of workers on repair and maintenance of lifts and escalators was being provided by the Vocational Training Council (VTC). The CIC, which comprised representatives from the construction industry associations, professionals and scholars in the construction field, would discuss with VTC on issues relating to the manpower requirement for the repair and maintenance of lifts and escalators. D, CIC supplemented that CIC had discussed with the Hong Kong Federation of Electrical and Mechanical Contractors Limited (HKFEMCL) and VTC on ways to assist VTC in organizing more courses for training of lift and escalator technicians, including the provision of training allowances to the trainees in order to attract more people to attend the courses. As the training of lift and escalator technicians would normally take a long period of time, HKFEMCL would further study the relevant proposals, and discuss with CIC and VTC on the way forward.

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63. At the request of Mr IP Wai-ming, PS(W) and D, CIC agreed to provide information on the progress of discussions among CIC, VTC, the HKFEMCL and the relevant lift service trade associations on measures to attract more young people to join the lift and escalator repair and maintenance industry.

Other issues

64. Mr TAM Yiu-chung expressed support for the funding proposal and the measures to encourage more young people to join the construction industry. He opined that the trainees should be arranged to provide community services, so as to enhance the public image and social status/acceptability of the trainees. D, CIC concurred with Mr TAM's view. He said that arrangements had been made for the trainees to participate in community activities, such as visits to the homes for the elderly and providing free minor house repair services for the aged.

Action

The trainees also performed voluntary work in major district functions such as dragon boat competitions.

65. Mr LEUNG Kwok-hung opined that many young people were reluctant to join the construction industry mainly because the income was disproportionate to the efforts made by the workers in the course of employment. PS(W) responded that the proposed measures in the funding proposal aimed to enhance the training of construction workers and attract more young people to join the workforce for the construction industry, with a view to maintaining sufficient construction manpower to meet the rising demand in the coming years and upholding the quality of works.

66. The Chairman put the item to vote. The Committee approved the funding proposal.

67. The meeting was adjourned at 5:30 pm.

Legislative Council Secretariat

11 September 2012