

立法會
Legislative Council

LC Paper No. FC173/12-13
(These minutes have been
seen by the Administration)

Ref : CB1/F/1/2

Finance Committee of the Legislative Council

Minutes of meeting
on Thursday, 28 February 2013, at 11:00 am
in the Conference Room 1 of the Legislative Council Complex

Members present:

Hon Tommy CHEUNG Yu-yan, SBS, JP (Chairman)
Hon Emily LAU Wai-hing, JP (Deputy Chairman)
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon LEUNG Yiu-chung
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon WONG Kwok-hing, MH
Dr Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Cyd HO Sau-lan
Dr Hon LAM Tai-fai, SBS, JP
Hon CHAN Kin-por, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, JP
Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, BBS
Hon IP Kwok-him, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC

Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon Steven HO Chun-yin
Hon Frankie YICK Chi-ming
Hon WU Chi-wai, MH
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK
Hon CHAN Chi-chuen
Hon CHAN Han-pan
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon Alice MAK Mei-kuen, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Dennis KWOK
Hon Christopher CHEUNG Wah-fung, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon Tony TSE Wai-chuen

Members absent:

Hon Albert HO Chun-yan
Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon Starry LEE Wai-king, JP

Hon CHAN Hak-kan, JP
Dr Hon LEUNG Ka-lau
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon YIU Si-wing
Hon Gary FAN Kwok-wai
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Hon CHUNG Kwok-pan
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Public officers attending:

Mr John TSANG, GBM, JP	Financial Secretary
Professor K C CHAN, GBS, JP	Secretary for Financial Services and the Treasury
Ms Elizabeth TSE Man-ye, 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 Mable CHAN, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 2
Mr T K YEUNG	Deputy Secretary for Financial Services and the Treasury (Treasury) 3
Mrs Helen CHAN, JP	Government Economist
Mr Arthur AU	Administrative Assistant to the Financial Secretary
Mr Raymond SY	Administrative Assistant to Secretary for Financial Services and the Treasury
Ms Shirley LAU, JP	Principal Assistant Secretary for Financial Services and the Treasury (Treasury) (H)
Ms Elsie YUEN, JP	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)

Clerk in attendance:

Mr Andy LAU	Assistant Secretary General 1
-------------	-------------------------------

Staff in attendance:

Mr Derek LO	Chief Council Secretary (1)5
Mr Daniel SIN	Senior Council Secretary (1)7
Mr Ken WOO	Council Secretary (1)5
Miss Queenie LAM	Senior Legislative Assistant (1)2
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Christy YAU	Legislative Assistant (1)7

Item No. 1 – BRIEFING BY THE FINANCIAL SECRETARY AND THE SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY ON THE 2013-2014 BUDGET

The Chairman welcomed Mr John TSANG, the Financial Secretary (FS), Professor K C CHAN, Secretary for Financial Services and the Treasury (SFST), and his colleagues to the meeting.

2. FS said that the Budget for 2013-14 would provide resources of some \$60 billion for implementation of various new initiatives as announced in the Chief Executive's (CE) Policy Address. The Budget would include measures along the themes of developing the economy and increasing employment, investing in education and optimising human capital, investing in infrastructure, and caring for people's livelihood.

3. FS estimated that total government expenditure would increase by 15.6% to around \$440 billion in 2013-14 as compared with 2012-13, which was significantly higher than the estimated nominal growth of Hong Kong's gross domestic product (GDP) of 5.5% in 2013. The total expenditure on education, health care and social welfare in 2013-14 would be more than \$190 billion; recurrent expenditure would be about \$170 billion, representing a year-on-year increase of about 12%. He anticipated that there would be a consolidated deficit of \$4.9 billion in 2013-14.

4. While the external environment was still volatile, Hong Kong's exports should benefit from the growth in the Asian region. Together with steady domestic demand, FS forecasted that the economy would grow by 1.5% to 3.5% in real terms in 2013. With the implementation of quantitative easing monetary policy in many advanced economies, the domestic price pressures were expected to rise. As such, FS forecasted that the average underlying

inflation rate and the headline inflation rate would be 4.2% and 4.5% respectively in 2013.

5. SFST gave a presentation on the 2013-14 Budget and briefed members on the following:

- (a) major themes of the 2013-2014 budget i.e. developing the economy and increasing employment, investing in education and optimising human capital, investing in infrastructure, and caring for people's livelihood;
- (b) major expenditure items;
- (c) major revenue measures;
- (d) estimates of government revenue for 2013-14;
- (e) estimates of recurrent government expenditure on various policy area groups for 2013-14; and
- (f) Medium Range Forecast covering the five years from 2013-14 to 2017-18.

6. In view of the number of members who had indicated intention to speak, the Chairman instructed that members' speaking time, including the Administration's reply, should not exceed three minutes.

Education and labour issues

7. Mr Michael TIEN commented that the Administration's proposal to commit \$480 million for awarding 20 scholarships for undertaking degree courses or teacher training programmes in prestigious overseas universities (the proposal) deviated from the original proposal of the New People's Party. He

queried the Administration's rationale for the change. Mr TIEN said that the Administration should allow awardees a choice to pursue a field of study and might cap the number of scholarships on particular fields of study to maintain a balance of disciplines to be supported.

8. Mr Ronny TONG said that the Civic Party had proposed that resources should be provided to increase the ratio of eligible senior secondary school graduates receiving higher education from 18% to 25%. The financial implications would be around \$5.2 billion. However, Mr TONG criticized the Administration for not adopting the proposal despite having substantial fiscal surplus and reserve.

9. FS said that the Education Bureau would consult Members on details of the proposal at the respective Panel. He said that there would not be any restriction on the field of studies that awardees of the scholarships would pursue, but they should contribute towards the community upon graduation.

10. Mr IP Kin-yuen criticized FS for failing to respond to the demand in the community for more undergraduate places and support for students undertaking sub-degree programmes. He said that FS should also respond to demand for small-class education and free pre-primary education service. He was disappointed that FS chose to spend \$480 million on 20 scholarships to support students to undertake degree courses or teacher training programmes overseas.

11. FS said that many of the education issues raised by members were being examined within the Administration. Once a policy was formulated, suitable financial provision would be made available.

12. Ms CHAN Yuen-han commented that youth unemployment was still high compared with other age groups. However, the Administration's proposals such as rejuvenating old industrial buildings were counterproductive in engaging young people in cultural and creative industries.

13. FS explained that the Administration was devoting a lot of efforts in developing the traditional pillar industries, while nurturing new ones, such as

cultural and creative industries, to provide different career opportunities for young people.

14. Dr Priscilla LEUNG commented that the Budget had not indicated any plans or earmarked resources to help young people start their business. The Budget had not covered measures to help unemployed middle-class people in changing careers. Dr LEUNG queried whether the resources earmarked for injection in the Employee Retraining Board (ERB) would cover this area of work.

15. Mr KWOK Wai-keung queried whether restrictions would be imposed on the use of the proposed \$15 billion injection into ERB and what monitoring mechanism would be instituted to ensure proper use of the resources.

16. FS said that the Administration had been implementing many measures to address the concerns raised by Members and these measures would not be repeated in the Budget. For example, the Administration had already set up a loan scheme to support young people to start their businesses, which had been quite successful. FS also explained that the proposed injection into ERB would provide a seed fund from which interest income would be used to finance ERB's operations. The Labour and Welfare Bureau would be responsible for monitoring the use of the fund.

17. Mr YICK Chi-ming commented that labour shortage was another critical issue besetting many sectors and he suggested that the Administration should examine the need to introduce importation of labour in the sectors with recruitment difficulties. Mr Abraham SHEK declared that he was a non-executive Director of MTR Corporation. He and the Chairman said that Hong Kong's construction industry was facing an acute shortage of labour, which would affect many railway projects as well as public housing and other infrastructural programmes. They asked if the Administration would import construction workers selectively without affecting the job opportunities of local workers.

18. FS explained that the Administration had started discussion with the Construction Industry Council (CIC) on measures to attract more workers to join the construction industry. In particular, subsidies had been provided for

young people undergoing training on construction skills. Improvements were made to the conditions of service in order to attract more young people to the industry. More than 2 000 training places had been provided by CIC so far, and most of the trainees were below the age of 35. FS added that there was an established system whereby labour could be imported. The construction and other sectors could import foreign labour through established mechanism.

Budget planning and public financial management

19. Dr Fernando CHEUNG said that despite the fact that the Administration had accrued more than \$70 billion in fiscal surplus and accumulated some \$2,000 billion in reserve, the provision for social support services remained severely inadequate. Dr CHEUNG criticized that the Budget had failed to address the needs of the community. He asked if the Administration would review the Budget and whether FS should resign. Ms Emily LAU said that the Budget had not provided for long term development on housing, education, welfare and health care programmes. The Administration should consider widening tax base to increase revenue to finance public services.

20. FS said that the Administration adhered to the principle of prudent management of public finances. The total government expenditure would reach \$440 billion in 2013-14, representing an increase of 15.6% compared with the revised estimate for 2012-13. Comparing with 2007-08, FS said that government expenditure had increased by 87.4%. The one-off relief measures proposed in the Budget involved \$33 billion, equivalent to about 7.5% of the total government expenditure. The commitment on education, health care services, social welfare amounted to about \$170 billion, or close to 60% of the recurrent government expenditure in 2013-14.

21. Mr Albert CHAN criticized FS for underestimating revenue and under spending which led to accumulation of considerable fiscal surplus and reserve. Mr LEE Cheuk-yan criticized that FS was out of touch with the community, and had persistently underestimated revenue. Ms Cyd HO and Mr CHAN Chi-chuen expressed a similar view. Ms Cyd HO said that the Government had put in a large part of the surplus to set up funds. But in the end, only the interest income would be used to finance certain services or projects. Mr CHAN Han-pan commented that a consequence of FS's consistent underestimation of revenue was that the Administration had not been

able to commit sufficient new resources on improving public services or implement new policy initiatives.

22. Mr Ronny TONG considered that the current "envelope system" by which bureaux were not allowed to spend beyond a certain prescribed resource ceiling impedes service improvement and implementation of new initiatives. Mr TONG asked if the Administration would abolish the envelope system which might be attributable to the problem of under-spending. Mr LEE Cheuk-yan and Ms Cyd HO expressed a similar view. Mr LEE Cheuk-yan said, by having under-estimated the amount of revenue, FS had been unwilling to commit resources and increase the size of "envelopes" of bureaux. As a result, bureaux and departments were not able to introduce new initiatives or to improve existing services. He asked how much "new money" was provided in the Budget for 2013-14. Ms Cyd HO asked if FS would review the current "envelope" approach in resource allocation, or conduct a mid-year review to revise the estimates in the light of latest revenue.

23. FS explained that under-spending was often attributed to unexpected circumstances. FS clarified that recurrent expenditure in the current budget would increase by 10.5% over the revised estimate for 2012-13, or about \$30 billion. The variance of government expenditure between 2012-13 original estimate and 2012-13 revised estimate was only 3%. On the whole, FS said that the "envelope" approach had been operating effectively and allowed bureaux flexibility on the deployment of resources and in reprioritizing policy programmes.

24. Mr Alan LEONG criticized FS for not increasing recurrent commitment to address the needs of the community despite having a huge fiscal surplus. He said that, discounting the proposed injection into various funds, the increase in government expenditure in 2013-14 was less than 5%. Mr LEONG also criticized the Administration's approach of allocating public resources into different funds for implementation of one-off projects, as it would diminish the Legislative Council's (LegCo) power in monitoring the Administration on the use of public resources. Mr CHAN Chi-chuen criticized that there seemed no rational basis on which the Administration decided how much injection should be made into each fund.

25. Dr Priscilla LEUNG commented that the Budget had not reflected the commitment mentioned in CE's Policy Address on promoting a water-friendly

culture. FS advised that the Administration had already devoted considerable resources on improving water quality and measures were being implemented.

26. Dr CHIANG Lai-wan commented that government expenditure should be adjusted according to Hong Kong's GDP growth. She said that the range of FS's forecast GDP growth in 2013 from 1.5% to 3.5% would represent a wide difference in government expenditure. She asked whether the level of government expenditure in the Budget was based on the lower end or upper end of forecast economic growth.

27. FS said that public expenditure for 2013-14 would be equivalent to 21.7% of GDP. He clarified that the forecast GDP growth was between 1.5% and 3.5% for the coming year. The range was wide because of huge uncertainties in the external economic environment.

28. Mr CHAN Kam-lam agreed that FS should be prudent in the use of public resources given the uncertainties in the external economic environment. He commented that the fiscal surplus arose from better-than-expected income from land sales, stamp duties, as well as salaries and income taxes which might not sustain in the coming years if the economy suffered a downturn.

29. Mr CHAN observed that the increase in recurrent spending for 2013-14 was about \$59.4 billion, or about 16%, which was a significant increase compared with the estimated nominal GDP growth in 2013. He said that the scale of recurrent public spending could become a heavy burden when the economic was less buoyant.

30. Mr Abraham SHEK supported the Budget as he considered the proposed measures pragmatic. He said that the Budget was not conservative given the large expected increase in government spending in the coming financial year.

31. Ms Alice MAK said that despite FS's claim (in paragraph 128 of the Budget Speech) of having listened to the voices of the middle class, the Budget had not addressed their requests for support on rent allowance, health care and maintenance of dependent elderly family members. She also criticized FS for not having included provisions for implementing the Health Protection Scheme as highlighted in CE's Policy Address.

Retirement protection

32. Mr TANG Ka-piu asked if the Administration would earmark resources to set up a seed fund to implement a community-wide retirement protection scheme. Ms Alice MAK raised a similar question.

33. Mr LEUNG Kwok-hung said that the Administration had sufficient financial capability to take care of the disadvantaged and underprivileged sectors of the community. He suggested that the Administration should set up a \$50 billion fund to implement a retirement protection scheme. Ms CHAN Yuen-han queried why the Administration was willing to set aside \$50 billion for implementing health care financing measures but was reluctant to do likewise for implementing a retirement protection plan. Mr CHEUNG Kwok-che asked whether the Administration would start the dialogue with community organizations on implementation of a retirement protection scheme.

34. FS responded that the Poverty Commission chaired by the Chief Secretary would look into the issue of retirement protection. He added that if clear policies were formulated on the retirement protection scheme, suitable resources would be made available to facilitate its implementation.

Support for the elderly, people with disabilities and other vulnerable sectors

35. Mr WONG Kwok-hing criticized FS for failing to incorporate in the Budget CE's pledge in his Policy Address of allowing people with loss of one limb to apply for Disability Allowance. He also asked if the public transport fare concession scheme could be extended to these people, and whether funding could be made available from the Community Care Fund (CCF) to meet the immediate needs of people with disabilities.

36. FS advised that various funding platforms had been established to finance measures to address the immediate needs of the disadvantaged groups in the community. He reiterated that resources would be allocated if clear policies were formulated.

37. Mr SIN Chung-kai said that FS had mentioned in his previous Budget Speech five years ago that the Administration had to plan ahead to deal with the problem of an ageing population. Mr SIN criticized that after all these years of

preparation, FS could only announce in the Budget that a working group would be formed to explore ways to make comprehensive planning for the public finance to cope with the problem of ageing population. He queried what other progress had been achieved in the past five years. Mr SIN Chung-kai said that FS had introduced a total of some \$150 billion to \$180 billion of one-off relief measures during his tenure of office, these resources could have been more beneficially used on measures to cope with the ageing population.

38. Ms CHAN Yuen-han commended that FS for recognizing the problem of ageing population in Hong Kong. However, she criticized that the Administration's measures were slow to produce effects. Mr CHEUNG Kwok-che criticized that FS had not made any long term financial commitment in the Budget on health care and welfare services to cope with the ageing population. Mr CHEUNG said it would take five to ten years for training sufficient number of geriatric specialists and occupational/physical therapists. Adequate resources should be allocated for the purpose at an early stage. Mr CHEUNG queried whether the Administration would set up a fund for supporting services for the elderly and start the dialogue with community organizations on implementation of a retirement protection scheme.

39. FS said that the Administration had all along been focusing on the issue of ageing population and formulating specific measures. The working group to be set up would develop fiscal planning tools to serve as a basis for making policy decisions, and would draw references from overseas countries.

40. Mr WONG Kwok-kin welcomed FS's response to the Federation of Trade Union's various suggestions of implementing short term relief measures (such as one-month public housing rental waiver, tax deduction and additional payment of Comprehensive Social Security Allowance and Old Age Allowance), which would benefit many grassroots people in meeting their immediate problems. However, Mr WONG was disappointed that FS had not introduced measures to plug the loophole in the Mandatory Provident Fund Scheme where accrued benefits derived from employers' contributions were used to offset severance payments and long service payments.

41. Mr WONG Kwok-kin commented that many people were not able to benefit from the Budget measures. Although FS proposed to inject \$15 billion into CCF, no conditions were specified for the use of the injection. Mr WONG asked if the Administration would identify those in need but were not a target for assistance in the Budget, and to provide them with \$10,000 cash individually.

42. FS said that the Poverty Commission led by the Chief Secretary was examining various proposals on the use of the proposed injection into CCF, and would follow up on the suggestions received.

43. Dr Helena WONG said that the Budget mentioned that only 600 residential care places would be provided at an allocation of \$73 million. Dr WONG said that some 28 678 elderly people were waiting for allocation of residential care places. The proposed increase was insufficient to meet the needs of the elderly people.

44. Dr Helena WONG also criticized that the Budget lacked a women perspective. While additional resources would be provided to support the work of the Women's Commission, many women's groups had asked for improvement in child care services, but these demands were completely ignored. Dr WONG added that many women had assumed a carer's role in the community but there was no support for them and their work had not been properly remunerated. Dr Helena WONG said that the Administration's policies were responsible for the impoverished situation of many women in the community.

Fiscal measures

45. Mr Albert CHAN criticized that the proposed one-off measures such as rates waiver would only benefit large corporations or wealthy people. Low income groups or people in need were not able to benefit from the Budget measures. Mr CHAN commented that the Budget would further widen income gap between the rich and the poor.

46. FS clarified that with the implementation of the proposed rates waiver which would be subject to a ceiling of \$1,500 per quarter for each rateable property, around 75% of properties would be subject to no rates in 2013-14.

47. Mr KWOK Wai-keung anticipated that government expenditure on public services would increase with the ageing population. However, the tax base was narrow, and the Government was over-reliant on land sales and stamp duties as the major sources of revenue. He asked if the Administration would open up new revenue sources such as levying vacancy tax on land and properties.

48. FS clarified that about two-thirds of the Government's revenue were tax revenue (such as salaries and profits taxes).

49. Dr LAM Tai-fai said that there were considerable uncertainties in the economy and it was appropriate that FS adopted a more conservative approach in preparing the Budget for the coming financial year. Dr LAM criticized that the Budget lacked effective strategies for developing the areas of commerce and industry or tourism. He asked what the estimated revenue from stamp duties were, and how the Administration determined the scale of relief measures for the coming year.

50. Permanent Secretary for Financial Services and the Treasury (Treasury) (PS(Tsy)) responded that the revenue from stamp duties in 2013-14 was estimated to be about \$40 billion, of which about half would be from property transactions and the other half from stock transactions. The revised estimate of revenue from stamp duties in 2012-13 was \$43 billion. The estimate had taken into account the effect of the demand-side management measures on the property market.

51. Dr LAM Tai-fai queried the reasons for reducing the ceiling of one-off reduction of salaries tax from \$12,000 in last year's Budget to \$10,000 in the current Budget. Mr Jeffrey LAM surmised that the Administration had reduced the amount of tax reduction by \$2,000 as the overall economy had turned better. However, he considered that there were still uncertainties and the Administration should be careful about the impact of the reduction.

Provision of rental subsidies

52. Mr POON Siu-ping said that the Administration had separately explained to him that it did not accept his suggestion of providing rental allowance to people who were qualified for public rental housing, but were awaiting housing allocation because this would end up benefiting property owners rather than the tenants with financial needs. He asked whether the Administration would consider other modes of assistance.

53. FS said that providing rental subsidies to eligible public housing applicants awaiting housing allocation was not cost-effective as it would distort the private rental market and push up rental levels, and encourage those without urgent accommodation needs to apply for public housing, which, in turn, would result in more people queuing for housing allocation. FS said that although some people might not be able to benefit from the two-month public housing

rental waiver, they could still benefit from other one-off measures. Meanwhile, programmes under CCF could help low income people improve their living conditions, and some 24 000 persons had benefited so far. The Poverty Commission would further examine measures to help those who were outside the social security safety net.

54. Mr CHAN Han-pan argued that providing rental subsidies to eligible public housing applicants waiting for housing allocation would not necessarily push up rental cost levels or encourage more people to apply for public rental housing. He explained that those who were eligible for public housing and had the genuine need for accommodation would have applied already. Besides, landlords would not have the excuse to increase the rents as they would not know whether their tenants had applied for public housing.

55. Mr WU Chi-wai did not agree that providing rental subsidies to eligible applicants for public housing awaiting housing allocation would encourage more applications. He said that the Administration needed to distinguish between eligible applicants and those who were not qualified to apply for public housing. Secondly, Mr WU said that private rental cost level was determined by market forces, and it was unlikely that the rental level would increase when the government funded subsidy to applicants.

56. Mr WU Chi-wai also said that tenants of subdivided flats considered that they could not benefit from the Budget measures. They hoped the Administration could expedite construction of public housing units. In this connection, Mr WU asked the Administration to review the current land management policies, so that vacant land that was not sought by private developers for development under the Application List system should be reallocated to the Hong Kong Housing Authority or the Hong Kong Housing Society for public housing or subsidized housing development.

57. FS responded that sufficient land had been made available for the Hong Kong Housing Authority to provide 79 000 public housing units within five years from 2012-13. He said that about 17 000 new Home Ownership Scheme flats were expected to be available within four years from 2016-17 to meet the housing needs of the community.

Supporting the work of the Judiciary

58. Mr Dennis KWOK commented that the resources provided to support the operation of the Judiciary did not commensurate with its importance in upholding the rule of law in Hong Kong. He queried FS's decision for the small increase in the resources for the Judiciary and the Legal Aid Department compared with the previous year, despite the substantial increase in workload and the increasing waiting time for legal cases to be processed.

59. FS explained that the degree of variation in resources for a bureau or department in a single year did not reflect the importance the Administration accorded to the work of that bureau or department. The Administration would consider providing additional resources if warranted through established mechanism.

Developing the economy

60. Dr Kenneth CHAN said that CE had stressed the importance of economic development, but the package of measures in the Budget could only generate a stimulus effect of 1.3 percentage points. He queried how the fiscal measures could reduce waiting time for services such as elderly homes, residential care services for the disabled, medical appointment for patients with chronic illness, or special education services.

61. FS said that the package of measures proposed in the Budget were counter-cyclical in nature and hence should be distinguished from long term economic development strategies. He added that the Administration would examine measures to nurture emerging industries to enhance Hong Kong's competitiveness and improve employment.

62. Mr YICK Chi-ming noted that the Government had plans to allocate two pieces of land in Tsing Yi and Tuen Mun to support the development of logistics industry in Hong Kong. He commented that the Government's measures were inadequate as they did not address the high rental cost of storage that most affected the sector. He asked if the Administration would construct storage facilities and made them available to small and medium sized operators at more reasonable rental costs.

63. FS said that the Transport and Housing Bureau would examine the appropriate mode of use of the designated logistics sites. He would welcome specific suggestions from the sector for further consideration.

64. On promoting research and development (R&D), Ir Dr LO Wai-kwok commented that the proposed three-year subvention to six universities through the Innovation Technology Fund (ITF) to support the work of the technology transfer offices was not novel initiatives. He was disappointed that FS had not responded to the suggestion of providing tax deduction on R&D expenditure or investment, or committing resources for promoting infrastructural development and encouraging companies to expand their data centres in Hong Kong.

65. FS agreed that there was potential for developing innovative technologies in Hong Kong and that some products developed by universities in Hong Kong had the potential to be commercialized. The Budget highlighted the proposal to support the work of the six universities in technology transfers to reflect the importance the Administration accorded to R&D.

66. Mr Charles MOK said that the information technology sector was disappointed with the lack of initiatives in the Budget that would benefit the sector. He said that apart from the support for technology transfer offices in six universities, the Budget had little to support R&D. Mr MOK asked by what indicators the Administration would measure the effectiveness of the proposal of providing \$12 million subvention to support the work of technology transfer offices in six universities.

67. FS said that the proposal on the development of electronic payment instruments and retail payment systems as outlined in the Budget Speech should be of interest to the IT sector. FS said that the Administration had provided some \$20 billion to support R&D, and considerable funding support was also provided through ITF. In recent years, the Administration had introduced rebates on R&D which were welcomed by small and medium sized enterprises in Hong Kong.

68. Mr MA Fung-kwok referred to the proposal of providing \$50 million for the Leisure and Cultural Services Department to acquire local visual artists' outstanding art works and to commission works for exhibition under public art schemes. He asked if the funding would be provided on recurrent basis, and how the initiative would be related to the West Kowloon Cultural District Development.

69. Mr MA criticized that the Budget had no new initiatives of providing more sports facilities. He queried how FS would help CE realize his election pledges.

70. FS said that the local visual artists' artworks acquired under the proposed funding could be put on display in the exhibition facilities in the West Kowloon Cultural District. He added that Art Basel, a major international art fair, would be held in Hong Kong this year. The proposed \$50 million funding would help raise the profile of local artists and promote their works in the international market. If the initiative proved effective, the Administration would consider increasing the amount of funding in future.

71. Mr Martin LIAO asked what other measures FS would introduce to support the development of cultural and creative industries in Hong Kong. FS said that Hong Kong had the potential to develop cultural and creative industries given its well-developed intellectual property protection regime. He suggested Mr LIAO put forward specific proposals on development of cultural and creative industries to the relevant Panel for discussion.

72. Mr Jeffrey LAM noted the Administration's intention to develop the bond market in Hong Kong. He said that the Administration's initiatives might attract overseas speculators into Hong Kong. The Administration should ensure that the Exchange Fund had sufficient reserve to counter any speculative attack on Hong Kong's financial market and to stabilize the economy. Mr LAM asked how FS would prepare for possible fluctuations in the market.

73. FS said that Hong Kong should leverage on its competitive advantage in financial services to boost the growth in other economic activities (such as legal and accounting services). Further enhancements to the existing regulatory regimes were necessary to ensure orderly conduct of financial and monetary activities.

74. The Chairman said that special meetings of the Finance Committee would be convened between 8 April and 12 April 2013 to examine the estimates of expenditure.

75. The meeting was adjourned at 1:05 pm.