

**立法會**  
**Legislative Council**

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**Subcommittee on Proposed Resolutions under  
Construction Industry Council Ordinance and  
Pneumoconiosis and Mesothelioma (Compensation) Ordinance**

**Background brief**

**Purpose**

This paper provides background information on the proposed resolutions under section 70 of the Construction Industry Council Ordinance (Cap. 587) ("CICO") and section 36 of the Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Cap. 360) ("PMCO"). It also summarizes the major views and concerns expressed by members of the Panel on Development ("the DEV Panel") on matters related to the proposed resolutions.

**Background**

2. Under sections 32(1) and 33 of CICO, contractors are required to pay a levy at the rate of 0.5% (as specified in Part 2 of Schedule 5 to CICO) of the value of the construction operations carried out in Hong Kong to the Construction Industry Council ("CIC") to support its functions. Pursuant to section 32(3) of CICO, construction operations with total value not exceeding the amount specified in Part 1 of Schedule 5 to CICO are not liable to the levy.

3. Separately, under section 35 of PMCO, contractors and quarry operators are required to pay a levy at the rate of 0.15% (as specified in Part 2 of Schedule 5 to PMCO) of the value of the construction operations carried out in Hong Kong and the value of the quarry products extracted or produced respectively. The levy provides a source of income for the Pneumoconiosis Compensation Fund established under PMCO to finance the functions of the Pneumoconiosis Compensation Fund Board ("PCFB"). Pursuant to section

35(3) of PMCO, construction operations with total value not exceeding the amount specified in Part 1 of Schedule 5 to PMCO are not liable to the levy.

4. The levy thresholds under CICO and PMCO have remained unchanged at \$1 million since 1985.

5. According to the Administration, taking into account the cumulative inflation from 1985 to 2017, CIC has completed a review on the levy thresholds under CICO and the Construction Workers Registration Ordinance (Cap. 583) ("CWRO").<sup>1</sup> As the same levy threshold also applies to PMCO, CIC has recommended increasing the levy thresholds under the three ordinances from \$1 million to \$3 million after reaching consensus among the stakeholders of the construction industry. Subsequently, PCFB conducted a review of its financial position and agreed to CIC's recommendation. The Administration considers that the proposal will help alleviate the financial burden of contractors through excluding more low-value construction operations from the levy net.

### **Proposed Resolutions under Construction Industry Council Ordinance and Pneumoconiosis and Mesothelioma (Compensation) Ordinance**

6. Against the above background, the Secretary for Development and the Secretary for Labour and Welfare have respectively given notice to move two motions at the Legislative Council ("LegCo") meeting of 30 May 2018 under section 70 of CICO and section 36 of PMCO to raise the levy threshold specified in Part 1 of Schedule 5 to CICO and PMCO from \$1 million to \$3 million respectively.<sup>2</sup>

7. Under section 70(2) and (5) of CICO and section 36(2) and (5) of PMCO, the proposed resolutions, if passed by LegCo, would come into effect on the expiry of the period of 30 days after publication in the Gazette.

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<sup>1</sup> Apart from the levies under CICO and PMCO, contractors are also required to pay levies to CIC under CWRO at the rate of 0.03% of the value of the construction operations concerned. The levy imposed under CWRO is subject to the same levy threshold of \$1 million as in CICO and PMCO.

<sup>2</sup> According to the Administration, as regards the amendment under CWRO, it would be introduced into LegCo for negative vetting after the passage of the proposed resolutions under CICO and PMCO. To avoid confusion to contractors, the effective dates of the new levy thresholds under the three ordinances would be aligned.

## **Major views and concerns expressed by members**

8. The Administration briefed the DEV Panel on 27 March 2018 on the proposal to raise the levy thresholds under CICO, PMCO and CWRO. Members' major views and concerns are summarized in the ensuing paragraphs.

### Impact on the work of Construction Industry Council and Pneumoconiosis Compensation Fund Board

9. While Panel members did not object to raising the levy thresholds as proposed, some members were concerned that the resulting deduction in the levy income of CIC might affect its work, in particular in providing training to construction workers. Some members expressed concern about the impact on the provision of support by PCFB for patients suffering from pneumoconiosis and/or mesothelioma as well as its work on research, prevention and rehabilitation. There was a suggestion that the proposed new levy threshold could be lowered from \$3 million to say, \$2 million, to allow more financial resources for PCFB to maintain sufficient support to the patients concerned. Members also urged PCFB to make better use of its accumulated funds to support the patients by increasing the compensation amounts and subsidizing the patients to rent medical equipment.

10. The Administration stressed that the raise in the levy thresholds would have little impact on the work of both CIC and PCFB given their healthy financial positions and as the reduction in levy income only accounted for about 1% of their respective annual levy income. Taking into account the cumulative inflation based on the Consumer Price Index and the financial positions of CIC and PCFB, the Administration considered it appropriate to raise the relevant levy thresholds to \$3 million.

11. Regarding the compensation and support for the patients concerned, the Administration advised that the compensation amounts under PMCO were reviewed regularly, and the compensation amounts paid out under PMCO to patients concerned were about \$180 million in 2015, \$190 million in 2016, and \$204 million in 2017. Meanwhile, a study on expanding the list of medical appliances for patients was expected to be completed this year. On the prevention front, PCFB had, for example, rolled out a medical surveillance programme to provide free medical examination service to construction workers for an early detection of the diseases. A subsidy scheme had also been launched to encourage small and medium-sized enterprises in the construction industry to purchase tools with dust control techniques.

Moreover, various publicity programmes had been organized to raise the awareness of the public and construction workers on the prevention of the diseases.

12. Members noted from the Administration that the number of new cases of pneumoconiosis and mesothelioma diagnosed each year in the last decade (74 cases on average) was lower than that in the preceding two decades (104 cases in the decade before the last and 164 cases in the decade before that). As the latent period between exposure to asbestos and development of mesothelioma could be as long as 40 years, it would still take time to monitor the trend in order to assess the effectiveness of the preventive work.

#### Review of the relevant levy thresholds

13. Members asked why the levy thresholds had not been reviewed for so many years and whether a regular review mechanism should be introduced. There was also a suggestion that a ceiling could be prescribed in respect of the level of funds accumulated under CIC/PCFB beyond which the collection of levy should be suspended.

14. The Administration explained that the proposal to raise the levy thresholds was made upon completion of a review on the levy thresholds by CIC, which concluded that there was room for a raise. Such a review would be conducted as and when necessary. Currently, no statutory ceiling was set in respect of the funds under CIC/PCFB.

#### **Latest development**

15. At the House Committee meeting held on 18 May 2018, Members agreed that a subcommittee should be formed to examine the proposed resolutions. At the request of the House Committee, the Administration has withdrawn the notices to move the motions mentioned in paragraph 6 above.

#### **Relevant papers**

16. A list of relevant papers with their hyperlinks is in the **Appendix**.

**Proposed Resolutions under  
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Pneumoconiosis and Mesothelioma (Compensation) Ordinance**

**List of relevant papers**

Council/Committee	Date of meeting	Paper
Panel on Development	27 March 2018	Administration's paper on "Amendment of Levy Thresholds under the Construction Industry Council Ordinance (Cap. 587), the Construction Workers Registration Ordinance (Cap. 583) and the Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Cap. 360)" [ <a href="#">LC Paper No. CB(1)721/17-18(06)</a> ]
House Committee	18 May 2018	Legal Service Division Report on Proposed Resolutions under section 70 of the Construction Industry Council Ordinance (Cap. 587) and section 36 of the Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Cap. 360) [ <a href="#">LC Paper No. LS60/17-18</a> ]

<b>Council/Committee</b>	<b>Date of meeting</b>	<b>Paper</b>
Council meeting	30 May 2018	<p>Legislative Council Brief on "Construction Industry Council Ordinance (Chapter 587): Proposed Resolution under Section 70 of Construction Industry Council Ordinance" [File Ref: DEVB(CR)(W)1-10/22]</p> <p>Legislative Council Brief on "Resolution of the Legislative Council under Section 36 of the Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Cap. 360)" [File Ref: LD ECS1/50/24 (C)]</p>