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Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 5th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 16 November 2018, at 3:19 pm

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon CHAN Chun-ying, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, BBS, JP

Hon LEUNG Che-cheung, SBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, SBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan
Dr Hon Pierre CHAN
Hon Tanya CHAN
Hon CHEUNG Kwok-kwan, JP
Hon HUI Chi-fung
Hon LUK Chung-hung, JP
Hon LAU Kwok-fan, MH
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon Gary FAN Kwok-wai
Hon AU Nok-hin
Hon Vincent CHENG Wing-shun, MH
Hon Tony TSE Wai-chuen, BBS

Members absent:

Hon Steven HO Chun-yin, BBS
Hon Charles Peter MOK, JP
Hon KWOK Wai-keung, JP
Dr Hon Helena WONG Pik-wan
Hon Kenneth LAU Ip-keung, BBS, MH, JP

Public officers attending:

Ms Alice LAU Yim, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Carol YUEN, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Mike CHENG Wai-man	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr WONG Kam-sing, GBS, JP	Secretary for the Environment
Mr Vincent LIU Ming-kwong, JP	Deputy Secretary for the Environment
Ms Eva CHOW Siu-mai	Acting Principal Assistant Secretary for the Environment (Financial Monitoring)
Mr Andy HO Wai-hung	Acting Chief Electrical and Mechanical Engineer (Electricity Team), Environment Bureau
Dr CHOI Yuk-lin, JP	Under Secretary for Education
Mrs HONG CHAN Tsui-wah	Deputy Secretary for Education (5)
Mr CHENG Ming-keung	Principal Education Officer (Curriculum Development) 2

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1

Staff in attendance:

Ms Angel SHEK	Chief Council Secretary(1)1
Ms Ada LAU	Senior Council Secretary (1)7

Miss Judy YEE	Council Secretary (1)1
Miss Queenie LAM	Senior Legislative Assistant (1)2
Mr Frankie WOO	Senior Legislative Assistant (1)3
Miss Yannes HO	Legislative Assistant (1)6

Action

The Chairman reminded members of the requirements under Rules 83A and 84 of the Rules of Procedure.

Item 1 — FCR(2018-19)52A
HEAD 137 — GOVERNMENT SECRETARIAT: ENVIRONMENT BUREAU
Subhead 700 — General non-recurrent
New Item — "Electricity Charges Relief Scheme"

Continuation of the discussion on FCR(2018-19)52A

2. The Finance Committee ("FC") continued with the discussion on item FCR(2018-19)52A.

3. The Chairman advised that the item sought FC's approval for a new commitment of $8,700 million to provide electricity charges relief ("ECR") for eligible residential households over a period of five years. The Environment Bureau ("ENB") had consulted the Panel on Economic Development on the proposal on 4 July 2018. FC started discussing the item at the last meeting.

Electricity Charges Relief Scheme

4. Mr WU Chi-wai and Mr KWONG Chun-yu asked what measures would be taken by the Administration to continue helping members of the public cope with the financial pressure of tariff increase after the expiry of the Electricity Charges Relief Scheme ("the Scheme"). Mr Gary FAN said that the Scheme was supported in principle by Neo Democrats, to which he was affiliated. He enquired about the measures taken by the Administration to encourage the public to save energy. Mr LEUNG Yiu-chung pointed out that the increasing use of natural gas in electricity generation together with the necessary capital investment (including the construction of gas-fired generating units and new electricity stations) under the 2018-2023 Development Plans ("new DPs") of CLP Power Hong Kong Limited and Castle Peak Power Company Limited ("CLP"), and The Hongkong Electric Company, Limited ("HKE") (CLP and HKE collectively referred to as "the two power companies") would push up tariff

substantially, and the grant of ECR to eligible residential households would not be sufficient to alleviate the impact of tariff increase. He suggested that the Administration should increase the amount of ECR (for example, from $50 per month as proposed to $80 per month) and shorten the implementation period (for example, from five years as proposed to two or three years), so as to facilitate early review and necessary enhancement.

5. Dr Fernando CHEUNG pointed out that tariff increase would have a greater impact on persons with disabilities or chronic illnesses for they always had to rely on equipment such as life-supporting medical appliances or electric wheelchairs. He suggested the provision of extra grant for such persons. Dr CHEUNG also pointed out that some residential households (especially elderly singleton households) of the two power companies might not be able to use up the entire amount of ECR during the 5-year implementation period of the Scheme. He called on the Administration to allow the continued use of any ECR balance after the expiry of the Scheme.

6. Deputy Secretary for the Environment ("DSEN") advised that under the Scheme, each eligible residential electricity account would be granted with a maximum total relief amount of $3,000 over 60 months (i.e. $50 per month) to alleviate the increase in electricity charges of eligible domestic households under the new DPs of the two power companies as a result of the increasing use of natural gas in electricity generation together with the necessary capital investment. He pointed out that the relief amount of $3,000 was roughly equivalent to the projected cumulative tariff increase over the new DP period for a typical 3-member family household using about 275 kilowatt-hours (kWh) per month (in terms of electricity consumption, those customers using 275 kWh per month or below currently accounted for about half of residential accounts in Hong Kong). Any further increase of the relief amount might encourage higher energy consumption on the part of some customers, which ran contrary to the Government's energy saving policies. That said, given the increasing tariff each year, the relief amount would account for a lesser and lesser percentage of the electricity bills of customers over the years. If the customers did not adopt any energy saving initiatives during the period, they would come under greater pressures of tariff increase upon expiry of the Scheme. If necessary, the Government would review the need for extending the validity period of any unused ECR balance.

7. Secretary for the Environment ("SEN") supplemented that after ENB signed the new Scheme of Control Agreements ("SCAs") with the two power companies in April 2017, the two power companies had already introduced various new energy efficiency and conservation ("EE&C") programmes and expanded the scope of existing EE&C initiatives.

8. Mr AU Nok-hin noted that electricity tariffs of residential and commercial customers were calculated on different basis, i.e. the higher the electricity usage, the higher the electricity tariffs per unit would be for residential customers, and for commercial customers, the higher the electricity usage, the lower the electricity tariffs per unit would be. He considered that the calculation method appeared to be unfair and suggested the Administration to review the same.

9. Mr Gary FAN pointed out that with the widening tariff difference between the two power companies, the difference between the amount of tariffs paid by customers of the two power companies would also widen increasingly. He suggested that the Administration should take into account the tariff difference of the two power companies when setting the ECR amount.

10. In response, SEN pointed out that the tariffs charged by the two power companies would be different, given their different operation and investment modes. Under the new SCAs, the previous mildly regressive structure of CLP's non-residential tariff (mainly applicable to customers which were small and medium enterprises) had been changed to standard rates. DSEN advised that while it was difficult for the Administration to set different ECR amounts on the basis of different electricity supply areas and tariffs of the two power companies, the customers might also consider such a calculation basis unfair.

Support for sub-divided unit tenants and meter improvement works

11. Mr WU Chi-wai suggested streamlining the procedures for granting ECR to tenants of sub-divided units ("SDUs") and the "N have-nots". For example, ECR would be granted to applicants if their tenancy agreements had specified that no individual electricity meter was installed for the units concerned. Citing the initiatives of the two power companies to replace electromechanical meters by smart meters with backend facilities in phases and install individual electricity meters for SDU households, he was doubtful about the effectiveness of such initiatives in alleviating the pressure of tariff increase on the grass roots.

12. Mr AU Nok-hin enquired about the reasons for the small number of cases where the two power companies had successfully installed individual electricity meters for SDU households. Mr SHIU Ka-chun was concerned about the difficulties met by the two power companies in installing individual electricity meters for residential customers, say, when owners' corporations ("OCs") refused to give consent for the works concerned. He

considered that individual electricity meters could only be installed on a large scale if the requirement was made mandatory.

13. Dr Fernando CHEUNG expressed concern about SDU households being overcharged by their landlords for electricity as they had no individual meters. He suggested that the Administration should amend the Electricity Ordinance (Cap. 406) ("the Ordinance") and/or other relevant legislation to prohibit the landlords from reselling electricity or reselling electricity at a tariff higher than that charged by the two power companies to the tenants without the prior consent of the two power companies.

14. DSEN replied that the two power companies would contact SDU households interested in installing individual electricity meters through non-governmental organizations ("NGOs"). Whether the electricity meters could eventually be installed or not would depend on whether the electrical installation of the premises could meet the relevant safety standards and whether consent was given by the landlord of the premises, as well as OCs and/or property management companies of the relevant buildings. He pointed out that the Ordinance was primarily concerned with electricity supply and had nothing to do with tariff. Practical problems might arise if legislation was enacted/amended to prohibit the landlords from reselling electricity or overcharging the use of electricity. For example, rent charged by some industries or government departments for the use of certain facilities might also include electricity tariff. At this stage, the Administration did not consider it practically feasible to prohibit the landlords from reselling electricity or overcharging the use of electricity by enacting/amending legislation.

15. Mr SHIU Ka-chun pointed out that while the two power companies had provided subsidy to SDU households through NGOs, only a total of 10 000 SDU households could benefit, which were a far cry from the number of SDU households in Hong Kong.

16. DSEN further said that in 2019, the two power companies would respectively launch programmes to assist the underprivileged, including SDU households. For example, the power companies would subsidize landlords of SDUs to conduct rewiring work for the installation of individual electricity meters. In addition, a total of about 20 000 eligible SDU households would each receive a subsidy of $500 to reduce their electricity tariffs. The power companies would also help the underprivileged acquire energy saving electrical appliances either by giving them out for free or providing the households with subsidies. Moreover, the Power Connect Programme launched by CLP would provide assistance

to the underprivileged (including elders, low-income families and persons with disabilities), and 30 000 needy families were expected to benefit from the programme annually.

17. Mr CHU Hoi-dick enquired about the timetable for completing the installation of smart meters. He suggested that the authorities should provide more financial incentives to encourage members of the public to conserve energy and review the energy saving results of the relevant initiatives. In their consolidated response, SEN and DSEN pointed out that the replacement of electromechanical meters by smart meters was expected to be completed in seven years. The smart meters could help energy saving by providing instant power usage information (including electricity consumption) to customers.

Capital expenditure of the two power companies

18. Mr WU Chi-wai pointed out that as the permitted rate of return ("RoR") of the two power companies was pegged to their capital investment and such investment would affect the calculation of tariff, he was worried about the need for the two power companies to make substantial capital investment in the coming few years as a result of the increasing use of natural gas in electricity generation. Mr WU asked whether the Administration would consider introducing measures to control the capital investment made by the two power companies.

19. Dr KWOK Ka-ki considered it highly unreasonable for the Administration to alleviate the impact of rising cost of natural gas on electricity tariff through the Scheme. He also criticized that under the new SCAs, the permitted RoR of the two power companies had only gone down to 8% from the original 9.9%. Mr KWONG Chun-yu asked whether the Administration would consider further lowering the permitted RoR when negotiating the next SCAs with the two power companies.

20. Mr CHAN Hak-kan said that the cost of switching to the use of natural gas for electricity generation should be shared among the Government, the public and the two power companies. The Administration's provision of $8,700 million to implement the Scheme and share out generation costs was effectively a subsidy to the two power companies. Mr CHAN opined that the two power companies should have already taken into account the depreciation of generating facilities, and generation costs should not be increased substantially as a result of the replacement of generating units.

21. Mr WU Chi-wai and Mr CHU Hoi-dick were concerned that in the past, the two power companies had profited through housing development projects on sites originally reserved for the development of generating facilities by changing the relevant land use. They suggested that the Administration should consider providing land to the two power companies for the development of new generating facilities through land lease rather than land sale.

22. SEN pointed out that before signing the new SCAs with the two power companies and setting the permitted RoR, the authorities had commissioned a consultancy review on the methodology, parameters and assumptions used for setting the permitted RoR, as well as the permitted RoR of overseas power companies. Compared with other international cities, the RoR under the new SCAs was at an appropriate level. He also pointed out that compared with the tariffs of major European and American cities or Singapore, the price of electricity per kWh in Hong Kong was on the low side and at an affordable level to the general public. In addition, a mechanism was already in place to monitor the change in fuel prices, and the two power companies would also purchase natural gas in a more diversified and competitive manner, so as to reduce the cost of power generation by natural gas.

23. DSEN stressed that the Scheme was not an initiative to subsidize the two power companies. Instead, the Scheme was intended to alleviate the impact of considerable tariff increase on residential households as a result of the considerable increasing use of natural gas in electricity generation together with the necessary capital investment during the transitional period. He said that the Administration was duty bound to vet and approve the capital investment of the two power companies to guard against over-investment. However, some factors affecting the tariff level (such as fuel prices) were beyond the Administration's control. According to the new SCAs, fuel costs were passed through to consumers on the basis of actual spending. Since the signing of the new SCAs, fuel costs had already increased by about 40%. On the other hand, some coal-fired generating units ("coal units") of the two power companies had already been in use for 30 to 40 years and would reach their scheduled retirement life. To ensure a stable and reliable electricity supply, there was a need for the two power companies to replace those coal units. Meanwhile, various measures were in place under the new SCAs to control asset growth of the two power companies. For example, several billions of dollars could be saved under the Enhancement of Clean Energy Transmission System as CLP could delay the replacement of one to two coal units which were due to retire in 2025. In addition, the two power

companies would continue to use existing coal units and oil-fired units beyond their useful lives with the necessary repair and maintenance. DSEN added that if the two companies intended to change the land use of sites originally reserved for the development of generating facilities, they must obtain prior approval from the Town Planning Board and with payment of land premium to the Government.

Generating facilities

24. Mr WU Chi-wai suggested that the Administration should consider developing future generating facilities under the "Build-Operate-Transfer" mode, so that the relevant facilities could be operated by the two power companies under a lease. As such, the capital investment of the two power companies could be kept at a reasonable level, thereby moderating the increase in electricity tariffs. Mr CHAN Chi-chuen suggested that the Administration should issue green bonds to fund construction projects for generating facilities.

25. SEN and DSEN advised that under the existing regulatory arrangements, there was a clear demarcation of the roles and responsibilities between the Government and the power companies. ENB was responsible for regulatory oversight on the financial matters relating to the two power companies, while the power companies invested, operated and delivered a reliable supply of electricity. If the Government were to invest in the generating facilities of the power companies, it would mix up the Government's role as a regulator, while giving the public a wrong perception that the Government were to nationalize the provision of electricity services. In addition, if the Government were to invest in the development of generating facilities, it must build up a team with relevant experience and expertise, which would incur additional costs in the long run. DSEN advised that the issuance of green bonds to fund construction projects for generating facilities was only a financial arrangement, and the facilities would eventually be owned by the Government. If such an arrangement were to be adopted, consideration must be given to matters such as the authorities' monitoring role.

26. Mr AU Nok-hin said that he was not convinced by the Administrations' explanation. Citing the railway services operated by the MTR Corporation Limited ("MTRCL") as an example, he said that the Government was both a shareholder of MTRCL and the regulator of railway services. Hence, no role conflict should arise if the Administration, as the regulator, was also responsible for providing the generating facilities.

Voting on FCR(2018-19)52A

27. At 5:23 pm, the Chairman put item FCR(2018-19)52A to vote. At the request of members, the Chairman ordered a division. The Chairman declared that 33 members voted in favour of and no member voted against the item, and 1 member abstained from voting. The votes of individual members were as follows:

For:

Mr WONG Ting-kwong	Dr Priscilla LEUNG Mei-fun
Mr WONG Kwok-kin	Ms Claudia MO
Mr Michael TIEN Puk-sun	Mr WU Chi-wai
Mr MA Fung-kwok	Mr CHAN Chi-chuen
Mr LEUNG Che-cheung	Mr Kenneth LEUNG
Mr Christopher CHEUNG Wah-fung	Dr Fernando CHEUNG Chiu-hung
Mr IP Kin-yuen	Dr Elizabeth QUAT
Mr Martin LIAO Cheung-kong	Mr POON Siu-ping
Mr CHU Hoi-dick	Dr Junius HO Kwan-yiu
Mr HO Kai-ming	Mr LAM Cheuk-ting
Mr Holden CHOW Ho-ding	Mr SHIU Ka-fai
Mr SHIU Ka-chun	Dr Pierre CHAN
Mr CHAN Chun-ying	Ms Tanya CHAN
Mr CHEUNG Kwok-kwan	Mr HUI Chi-fung
Mr LUK Chung-hung	Mr KWONG Chun-yu
Mr Gary FAN Kwok-wai	Mr AU Nok-hin
Mr Vincent CHENG Wing-shun	

(33 members)

Against:
(0 member)

Abstained:
Dr CHENG Chung-tai
(1 member)

28. The Chairman declared that the item was approved.

29. The meeting was suspended at 5:28 pm and resumed at 5:38 pm.

Item 2 — FCR(2018-19)58

HEAD 156 — GOVERNMENT SECRETARIAT: EDUCATION BUREAU
Subhead 700 — General non-recurrent
New Item — "Setting up of the Student Activities Support Fund"
New Item — "Provision for supporting students with financial needs to participate in life-wide learning activities"

30. The Chairman advised that the item sought FC's approval of the following two new commitments:

(a) $2.5 billion for the establishment of the Student Activities Support Fund ("SAS Fund"); and

(b) $46 million to meet the funding requirement in 2019-2020 for supporting students with financial needs to participate in life-wide learning ("LWL") activities

The Education Bureau ("EDB") had consulted the Panel on Education on the relevant proposals on 1 June 2018.

Number of participating schools and student beneficiaries

31. Mr CHAN Chi-chuen enquired about the reasons for the Hong Kong Jockey Club Charities Trust ("HKJCCT") terminating the operation of the Jockey Club Life-wide Learning Fund ("JCLWL Fund"). Under Secretary for Education ("US(Ed)") and Deputy Secretary for Education (5) advised that the JCLWL Fund had undergone four phases, spanning over 16 years. HKJCCT's funding support for the JCLWL Fund would end at the close of the 2018/2019 school year. In view of the success of the JCLWL Fund in contributing to the whole-person development of students with financial needs, as well as the school sector's positive response to the JCLWL Fund, the Administration planned to continue the support by providing eligible schools with the proposed Student Activities Support Grant ("SAS Grant") with effect from the 2019/2020 school year.

32. Mr CHAN Chun-ying noted that in recent years, the participation rate of eligible schools in the JCLWL Fund was about 90%. He asked whether the Administration had explored the reasons for the remaining schools not participating in the JCLWL Fund, as well as the measures to be adopted in future to boost the participating rate of the SAS Fund.

33. US(Ed) advised that under the JCLWL Fund, eligible schools would submit applications on account of their actual need. Likewise, the proposed SAS Grant would be open for applications from eligible schools in the territory.

34. Mr KWONG Chun-yu noted that some 210 000 students (including both primary and secondary students) had benefitted from the JCLWL Fund each year. Yet, according to the Administration's estimates, about 180 000 students would benefit from the SAS Fund after its launch in 2019/2020 school year. He sought the reasons for the drop in the number of student beneficiaries.

35. US(Ed) advised that the estimated number of about 180 000 student beneficiaries under the SAS Grant (i.e. the number of students receiving Comprehensive Social Security Assistance ("CSSA") or receiving full grant under the School Textbook Assistance Scheme ("STAS-Full")) had not taken into account other financially needy students who were not CSSA/STAS-Full recipients but receiving support from the 25% of the total amount of the SAS Grant provided to the schools.

Eligibility of student beneficiaries and unit subsidy rates

36. Mr CHEUNG Kwok-kwan asked whether the amount of SAS Grant for each participating school was calculated on the basis of the total number of its students receiving either CSSA or STAS-Full.

37. US(Ed) responded that as some families might not have the financial means to support their children to participate in LWL activities but, for some reasons, were not receiving CSSA/STAS-Full, the Administration proposed to allow participating schools the discretion in setting school-based criteria for identifying financially needy students who were not CSSA/STAS-Full recipients (e.g. students receiving half grant under STAS ("STAS-Half recipients")). As CSSA/STAS-Full recipients should make up the bulk of the students who needed financial assistance in a school, it was suggested that the expenditure on students meeting the school-based criteria be capped at 25% of the total amount of the SAS Grant provided. Schools which were genuinely in need of an expenditure exceeding the cap might contact EDB.

38. Mr SHIU Ka-chun, Mr KWONG Chun-yu, Ms Claudia MO and Mr AU Nok-hin considered that the yearly subsidy rates of the SAS Fund (i.e. $350 and $650 per eligible primary and secondary student respectively) were on the low side and hardly sufficient to support students from grass-roots families to participate in LWL activities. They requested the

Administration to increase the subsidy rates and relax the eligibility criteria of students.

39. Dr Fernando CHEUNG observed that at present, it seemed that grants for individual students under the JCLWL Fund might have to be decided by drawing lots. Dr CHEUNG called on the Administration to relax the student eligibility criteria to cover STAS-Half recipients and increase the yearly unit subsidy rates of the SAS Fund, while different subsidy rates could be set for STAS-Half and STAS-Full recipients. He was of the view that it was unfair to CSSA/STAS-Full recipients if 25% of the total amount of the SAS Grant provided to schools was set aside to support financially needy students meeting the school-based criteria. Mr WU Chi-wai suggested that additional grant should be provided to schools to support STAS-Half recipients to participate in LWL activities. Mr AU Nok-hin enquired about the additional provisions required to extend the beneficiary coverage to include STAS-Half recipients. Ms Claudia MO questioned why STAS-Half recipients were not automatically eligible for the SAS Grant.

40. US(Ed) pointed out that starting from the 2019/2020 school year, the Government would allocate an annual provision of about $900 million to implement the Life-wide Learning Grant ("LWL Grant") to schools, so that all students could benefit. The SAS Grant, however, was a supplementary subsidy. She reiterated that apart from providing support to CSSA/STAS-Full recipients to participate in LWL activities, schools could flexibly deploy 25% of the total amount of the SAS Grant provided to support STAS-Half recipients for the same purpose. Regarding the need for schools to draw lots to decide the participants of LWL activities, it might be because some activities organized by the schools had been over-subscribed, such that a decision on the participants would have to be made by drawing lots, and the results had nothing to do with the economic status of students.

41. Mr AU Nok-hin considered that the amount of SAS Grant would not be sufficient for schools to organize LWL activities in a sustainable manner. He expected that the schools would be inclined to use the grant to organize one-off activities.

42. US(Ed) advised that the aim of the SAS Grant was to allow financially needy students the opportunity to participate in LWL activities organized or recognized by their respective schools. Schools should strive to ensure the quality and not increase the number of LWL activities to be organized, taking into account the learning needs of students, as well as the space allowed for teachers and students.

43. At the request of Mr WU Chi-wai, US(Ed) advised that the Administration would consider reviewing and coordinating resources allocation under the proposed SAS Grant and CSSA to support students' participation in LWL activities, so as to ensure more effective use of resources.

Operation of the Student Activities Support Fund

44. Mr Gary FAN, Mr CHAN Chi-chuen, Mr SHIU Ka-chun and Mr IP Kin-yuen enquired about the justification for setting up the SAS Fund as a trust fund and funding the operation expenditure of the SAS Grant through the investment income of the SAS Fund. They were worried that uncertainty in investment return from the SAS Fund might affect the operation of the SAS Grant and enquired how the authorities would handle the situation in case the rate of investment return was lower than expected. Mr KWONG Chun-yu enquired about the expected rate of investment return of the trust fund to be established and how the authorities could ensure the use of all investment income towards supporting students' participation in LWL activities. Dr Fernando CHEUNG suggested that the authorities should review the modus operandi of the SAS Grant about one year after its implementation.

45. Mr CHAN Chun-ying asked which organization would be responsible for the investment of the SAS Fund. He also enquired whether the Administration had taken into account future changes in student population (i.e. the increasing number of primary students and decreasing number of secondary students) when projecting the expenditure of the SAS Fund.

46. US(Ed) replied that the SAS Fund would be placed under the Exchange Fund for investment. On the assumption that the rate of investment return was in the range of 3.7% to 4.9% a year, the SAS Fund, with an endowment of $2.5 billion, was expected to generate sufficient investment income (about $92.5 million to $122.5 million each year) for funding the $90.1 million annual expenditure of the SAS Grant. Any surplus investment income after deduction of expenditure would be left in the SAS Fund as reserve. In case of insufficient investment income, the Administration could use a portion of the principal to finance the operational needs of the SAS Fund. US(Ed) advised that when suggesting the establishment of the SAS Fund with an endowment of $2.5 billion, the authorities had already taken into account changes in student population after the 2019/2020 school year.

47. US(Ed) pointed out that students were subsidized by public money regardless of whether the funding for implementing the SAS Grant came from investment return or recurrent provisions, which were both financial arrangements adopted by the Government to implement various education initiatives.

Monitoring the use of grants

48. Mr HUI Chi-fung asked whether the Administration would formulate guidelines on the activities to be organized by schools with the SAS Grant, so as to ensure the proper use of grants by the schools. He was worried that some schools might use the grants to organize regular activities (such as school picnics) which were not in line with the objective of the SAS Grant.

49. Dr Fernando CHEUNG suggested that participating schools should publish the use of the SAS Grant on the Internet to enhance its transparency.

50. US(Ed) advised that the Administration would formulate guidelines on the use of the SAS Grant for schools, and the participating schools must use the grants in accordance with the relevant guidelines. She pointed out that as the modus operandi of the SAS Grant was similar to that of the JCLWL Fund, it was expected that schools would have a good grasp on how to use the SAS Grant. The Administration would also share good school-based experience with the schools.

51. Mr IP Kin-yuen was concerned whether the administrative workload of participating schools would be increased by the implementation of the SAS Grant. Ms Claudia MO expressed a similar concern and suggested that the Administration should streamline the relevant administrative procedures.

52. US(Ed) responded that the Administration would streamline the application procedures of the grant, so as to avoid creating additional workload for the participating schools. The schools should provide the stakeholders with a brief account on the use of grants in the annual school reports. The schools should create a separate account for the SAS Grant and submit the annual audited accounts to EDB.

53. Mr CHAN Chun-ying suggested that schools should be allowed to retain the unspent provisions of the SAS grant for use in the next school year, so as to obviate the need for clawing back the unspent balance at the end of each school year.

54. US(Ed) advised that schools should strive to use the SAS Grant to support financially needy students to participate in LWL activities organized or recognized by the schools in the same school year.

Voting on FCR(2018-19)58

55. At 7:07 pm, the Chairman put item FCR(2018-19)58 to vote. The Chairman declared that the majority of the members present and voted were in favour of the item, and the item was approved.

56. The meeting ended at 7:08 pm.

Legislative Council Secretariat
23 October 2019