

立法會
Legislative Council

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(These minutes have been
seen by the Administration)

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Finance Committee of the Legislative Council

Minutes of the 6th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 29 November 2019, from 8:45 am to 12:46 pm and
from 4:02 pm to 7:01 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 Steven HO Chun-yin, BBS
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 Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, GBS, 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, BBS, JP
Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan, JP
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
Hon Kenneth LAU Ip-keung, BBS, MH, JP
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, JP
Hon Tony TSE Wai-chuen, BBS
Hon CHAN Hoi-yan

Members absent:

Hon Charles Peter MOK, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Kenneth LEUNG
Hon Dennis KWOK Wing-hang

Public officers attending:

Mr James Henry Lau Jr, JP	Secretary for Financial Services and the Treasury
Mr Joseph CHAN Ho-lim	Under Secretary for Financial Services and the Treasury
Ms Alice LAU Yim, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Mr Raistlin LAU Chun, 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)
Miss Sandra LAM Ching-nga	Assistant Director of Housing (Strategic Planning)
Mrs Harriet LAU CHU Wai-ha	Chief Manager (Management)(Support Services 2), Housing Department
Mr Steven LEE Shing-hei	Administrative Officer (Strategic Planning), Housing Department
Dr Edward CHENG Chi-hung	Principal Assistant Secretary for Financial Services and the Treasury (Treasury)(H)
Dr CHOI Yuk-lin, JP	Under Secretary for Education
Mrs CHAN SIU Suk-fan	Deputy Secretary for Education (4)
Ms Michelle LAM Wai-yip	Assistant Director of Social Welfare (Social Security)
Ms Alice WONG May-yin	Principal Executive Officer (Working Family Allowance Office), Working Family and Student Financial Assistance Agency
Dr Bernard CHAN Pak-li, JP	Under Secretary for Commerce and Economic Development
Ms Betty HO Siu-ping	Deputy Secretary for Commerce and Economic Development (Commerce and Industry) ³

Ms Salina YAN Mei-mei, JP	Director-General of Trade and Industry, Trade and Industry Department
Ms Christine WAI Yee-yan	Assistant Director-General of Trade and Industry (Industries Support), Trade and Industry Department
Mr Raymond LI Ling-cheung, JP	Executive Director and Chief Executive Officer, The Hong Kong Mortgage Corporation Limited

Other persons attending:

Ms Tess LEUNG	Executive Director and Chief Executive Officer, HKMC Insurance Limited
Ms Irene MOK	Vice President (SFGS Operations), HKMC Insurance Limited

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
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Staff in attendance:

Ms Angel SHEK	Chief Council Secretary (1)1
Mr Jason KONG	Senior Council Secretary (1)1
Miss Bowie LAM	Council Secretary (1)1
Mr Frankie WOO	Senior Legislative Assistant (1)3
Miss Mandy POON	Legislative Assistant (1)1
Miss Yannes HO	Legislative Assistant (1)7

Action

The Deputy Chairman presided over the meeting from 8:45 am to 12:45 pm. He reminded members of the requirements under Rules 83A and 84 of the Rules of Procedure.

The Administration's withdrawal of university-related financial proposals

2. At the start of the meeting, a number of members raised points of order regarding the Administration's letter dated 26 November 2019 to the Finance Committee ("FC") (LC Paper No. FC32/19-20(01)) in which the Administration stated that item FCR(2019-20)31, i.e. the financial proposal for the upgrading projects of the healthcare teaching facilities of The Chinese University of Hong Kong ("CUHK") and the University of Hong Kong ("HKU"), would be withdrawn for the time being.

3. The Deputy Chairman directed that members might speak on their points of order for not more than one minute.

4. Mr LAM Cheuk-ting, Mr HUI Chi-fung, Dr CHENG Chung-tai, Dr Fernando CHEUNG, Dr Helena WONG and Ms Claudia MO pointed out that the Government withdrew item FCR(2019-20)32, i.e. the financial proposal for the Hong Kong Polytechnic University ("PolyU") campus expansion at Ho Man Tin Slope, at an earlier FC meeting on 15 November, and subsequently stated in its letter dated 26 November that item FCR(2019-20)31 would be withdrawn for the time being, which was an item originally placed on today's agenda. These members considered that the aforesaid financial proposals were related to teaching and scientific research as well as the development of healthcare facilities of universities, which were in turn closely linked to people's livelihood. Despite this, the Administration successively proposed, within a short span of time, that these agenda items be withdrawn for the time being. They questioned whether the Administration was suppressing the development of universities out of political considerations. Mr HUI, Mr WU Chi-wai, Mr LEUNG Yiu-chung and Mr CHU Hoi-dick called on the Administration to re-submit forthwith the aforesaid two agenda items to FC for consideration.

5. Mr CHAN Chi-chuen, Mr HUI Chi-fung, Dr KWOK Ka-ki, Mr Alvin YEUNG, Mr WU Chi-wai, Mr LEUNG Yiu-chung and Mr IP Kin-yuen referred to the letter from the Administration dated 26 November in which the Administration stated that it noted the concerns raised by some Members about the two healthcare teaching facility projects proposed under item FCR(2019-20)31. To allow more time for the Food and Health Bureau ("FHB") to explain to Members, the Administration had decided to withdraw the relevant financial proposals for the time being. These members expressed dissatisfaction with the Administration's explanation and queried why the Administration conducted private lobbying work instead of answering members' questions at the meeting at which the public could be informed of members' concerns as well as the Administration's stance.

6. These members further said that members might express concerns on each financial proposal. For example, although members of the pro-democracy camp had indicated opposition to the project funding for the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge, the Administration did not withdraw the relevant agenda items for the time being. They had also repeatedly expressed concerns about the pay adjustment for police officers in recent months, but the Administration had all the while refused to accede to their requests that the pay adjustment for police officers be taken out from the agenda item on the 2019-2020 civil service pay adjustment for separate scrutiny and voting. Expressing queries that the Administration's decision to withdraw the agenda items for the time being had departed from its usual practice, they requested the Administration to give a clear account of the criteria for determining the withdrawal of financial proposals, as well as to clarify whether the Administration would withdraw an agenda item for the time being once concerns were raised by members on a certain financial proposal.

7. Mr CHAN Chi-chuen, Mr HUI Chi-fung, Mr WU Chi-wai, Dr Helena WONG, Mr LEUNG Yiu-chung and Mr LAM Cheuk-ting enquired about the members who had expressed concerns about the two healthcare teaching facility projects proposed under item FCR(2019-20)31, and whether such members had indicated that they would vote against the aforesaid financial proposals. Dr KWOK Ka-ki, Mr WU and Mr LAM doubted that members belonging to the pro-establishment camp had exerted pressure on the Administration, and as a result, the relevant agenda items had to be withdrawn for the time being.

8. Mr CHAN Chi-chuen enquired, given that there was a need for the Administration to further lobby members, whether it was necessary for the Administration to submit afresh the financial proposal for the upgrading projects of the healthcare teaching facilities of CUHK and HKU to the Panel on Health Services, the Panel on Education and the Public Works Subcommittee for discussion prior to submission to FC for consideration.

9. Mr SHIU Ka-fai said that as a member of the pro-establishment camp, he had never heard of other members of the pro-establishment camp exerting pressure on the Administration and demanding the withdrawal of the aforesaid agenda items for the time being. Furthermore, the Administration had not enquired his voting preference for the relevant financial proposals so far. He urged the Administration to give a full account of the reasons behind the withdrawal of the agenda items in question for the time being.

10. Mr Steven HO stated that he raised no objection to the Administration submitting the aforesaid financial proposals for FC's consideration, but members had the rights to vote in favour of or against them. Taking the financial proposal for PolyU campus expansion at Ho Man Tin Slope as an example, the Police had just completed the search operation at PolyU today (29 November) and seized a number of petrol bombs on the campus. He indeed had worries if the Administration submitted afresh the relevant financial proposal to FC for consideration at this point of time. However, he emphasized that his personal views did not represent the overall position of the Democratic Alliance for the Betterment and Progress of Hong Kong.

11. Mr HO Kai-ming stated that the Hong Kong Federation of Trade Unions ("HKFTU") supported the development of universities but they were concerned whether the aforesaid healthcare teaching facility projects of CUHK and HKU would, upon their completion, pose hazards to the road safety of the surrounding rail links and expressways. He said that he had no knowledge about the reasons behind the Administration's withdrawal of the relevant agenda items for the time being but he considered that such a move had not addressed their concerns at all. In his view, it was even more disappointing that the Administration had planned to submit afresh the financial proposals to FC for consideration after the recent social incidents had calmed down.

12. Ms CHAN Hoi-yan opined that members should follow up the issue with FHB should they have queries about the Administration's withdrawal of the aforesaid agenda items for the time being. Considering that the speeches of many members were irrelevant to their points of order, Mr MA Fung-kwok urged the Deputy Chairman to strictly enforce the relevant requirements under the Finance Committee Procedure ("FCP") with a view to expeditiously deliberating other financial proposals on the agenda.

13. The Deputy Chairman invited the Secretary for Financial Services and the Treasury ("SFST") to respond to members' enquiries.

14. In response, SFST pointed out that FHB was the policy bureau in charge of the aforesaid financial proposal for the upgrading projects of the healthcare teaching facilities of CUHK and HKU. FHB, when approaching members, found that members had different concerns on the proposal and thus more time was needed to lobby members. At the request of FHB, the Financial Services and the Treasury Bureau informed FC in a letter dated 26 November that the relevant agenda item be

withdrawn for the time being. He emphasized that the Administration's actions did not target at any universities.

15. Regarding the criteria for withdrawing agenda items, SFST explained that when members expressed concerns on a financial proposal, the relevant policy bureau would evaluate the impacts of members' concerns on the specific proposal, including whether there was a need to comprehensively review and adjust the contents of the proposal. There might be a need to consult the relevant Panel(s) afresh in case substantial changes were involved. He reiterated that the Administration sought to submit afresh the relevant financial proposal to FC for consideration within this legislative session. He was aware of members' concerns and would reflect members' views to FHB.

16. Mr HUI Chi-fung was dissatisfied with SFST's reply and he spoke aloud in his seat. The Deputy Chairman advised Mr HUI to stop speaking aloud and impeding the proceedings of the meeting.

17. The Deputy Chairman advised that FC had spent more than 30 minutes on discussing the Administration's withdrawal of agenda items, and members had been given sufficient time to express their views. He pointed out that the first agenda item of today's meeting was a package of relief measures involving \$21,695 million introduced by the Financial Secretary ("FS"). As they were closely related to people's livelihood, FC should expeditiously proceed to scrutinize the financial proposals on the agenda.

Item 1 — FCR(2019-20)39

HEAD 62 — HOUSING DEPARTMENT

Subhead 700 — General non-recurrent

New Item — "Rent payment for public housing tenants"

HEAD 147 — GOVERNMENT SECRETARIAT: FINANCIAL SERVICES AND THE TREASURY BUREAU (THE TREASURY BRANCH)

Subhead 700 — General non-recurrent

Item 881 — Electricity charges subsidy for eligible residential accounts

HEAD 156 — GOVERNMENT SECRETARIAT: EDUCATION BUREAU

Subhead 700 — General non-recurrent

New Item — "Provision of a subsidy to day-school students in 2019/20 school year"

HEAD 170 — SOCIAL WELFARE DEPARTMENT

Subhead 700 — General non-recurrent

New Item — "One-off extra allowance to social security recipients"

HEAD 173 — WORKING FAMILY AND STUDENT FINANCIAL ASSISTANCE AGENCY

Subhead 700 — General non-recurrent

New Items — "One-off extra allowance to Working Family Allowance recipients"; and "One-off extra allowance to Individual-based Work Incentive Transport Subsidy recipients"

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—90% Guarantee Product"

HEAD 181 — TRADE AND INDUSTRY DEPARTMENT

Subhead 700 — General non-recurrent

Item 836 — Dedicated Fund on Branding, Upgrading and Domestic Sales

Item 524 — Export Marketing and Trade and Industrial Organisation Support Fund

18. The Deputy Chairman advised that this item sought FC's approval for a package of relief measures announced by FS in August and September 2019 involving a total estimated expenditure of \$21,695 million to relieve people's financial burden and support enterprises in Hong Kong. The relevant measures were as follows:

- (A) a new non-recurrent commitment of \$1,433 million under Head 62 "Housing Department" Subhead 700 "General non-recurrent" for providing one month's rent for lower-income tenants living in the public rental units of the Hong Kong Housing Authority ("HA") and the Hong Kong Housing Society ("HKHS");

- (B) an increase in commitment by \$5,569 million from \$22,300 million to \$27,869 million under Head 147 "Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)" Subhead 700 "General non-recurrent" Item 881 for the provision of a one-off electricity charges subsidy to eligible residential households;
- (C) a new non-recurrent commitment of \$2,250 million under Head 156 "Government Secretariat: Education Bureau" for provision of a subsidy of \$2,500 for each day-school student in the 2019-2020 school year;
- (D) (a) a new non-recurrent commitment of \$3,888 million under Head 170 "Social Welfare Department" Subhead 700 "General non-recurrent" for providing a one-off extra allowance to recipients of:
 - (i) Comprehensive Social Security Assistance ("CSSA"), that was equivalent to one month of the CSSA standard rates; and
 - (ii) Social Security Allowance, that was equivalent to one month of Old Age Allowance (including those payable under the Guangdong Scheme and Fujian Scheme), Old Age Living Allowance (including Normal Old Age Living Allowance and Higher Old Age Living Allowance) and Disability Allowance (including Normal Disability Allowance and Higher Disability Allowance);
- (b) a new non-recurrent commitment of \$136 million under Head 173 "Working Family and Student Financial Assistance Agency" Subhead 700 "General non-recurrent" for providing a one-off extra allowance to recipients of Working Family Allowance ("WFA"), that was equivalent to the average monthly amount of approved months payable to the recipients in their most recently submitted WFA applications during the applicable period and eventually approved;
- (c) a new non-recurrent commitment of \$19 million under Head 173 "Working Family and Student Financial Assistance Agency" Subhead 700 "General

non-recurrent" for providing a one-off extra allowance to recipients of Individual-based Work Incentive Transport Subsidy ("I-WITS"), that was equivalent to the average monthly amount of approved months payable to the recipients in their most recently submitted I-WITS applications during the applicable period and eventually approved;

- (E) (a) a new loan guarantee commitment of \$33 billion with an expected maximum expenditure of \$5.4 billion under Head 152 "Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)" Subhead 700 "General non-recurrent" for the HKMC Insurance Limited to introduce a new loan guarantee product under its SME Financing Guarantee Scheme;
- (b) an increase in commitment by \$2 billion from \$2.5 billion to \$4.5 billion under Head 181 "Trade and Industry Department" Subhead 700 "General non-recurrent" Item 836 "Dedicated Fund on Branding, Upgrading and Domestic Sales" ("BUD Fund");
- (c) extend the coverage of the funding support to economies with which Hong Kong had signed Free Trade Agreements ("FTAs") at the time of application under BUD Fund; and
- (d) an increase in commitment by \$1 billion from \$6.25 billion to \$7.25 billion under Head 181 "Trade and Industry Department" Subhead 700 "General non-recurrent" Item 524 "Export Marketing and Trade and Industrial Organisation Support Fund".

19. The Administration had respectively consulted the Panel on Housing, the Panel on Financial Affairs, the Panel on Education, the Panel on Welfare Services and the Panel on Commerce and Industry on the various aforesaid financial proposals.

20. The Deputy Chairman declared that he was an advisor of the Bank of China (Hong Kong) Limited.

Discussion on and voting arrangements for item FCR(2019-20)39

21. Mr LEUNG Yiu-chung noted that item FCR(2019-20)39 involved a number of fairly complex relief measures. He was concerned that there might not be sufficient time for members to express their views on the various measures if FC's previous speaking arrangements for scrutinizing financial proposals were adopted, i.e. each member might speak not more than five minutes in the first round, four minutes in the second, until one minute in the fifth round. He asked the Deputy Chairman whether members might be given one to two additional five-minute rounds of speaking time to raise questions.

22. The Deputy Chairman advised that it was the normal arrangement that members be allowed to raise several rounds of questions when FC deliberated on financial proposals and the speaking time limit would be incrementally reduced in each round of questions. The same speaking arrangement would be adopted even for an agenda item covering more than one financial proposal or for financial proposals involving various heads. However, having regard to item FCR(2019-20)39 which involved a number of financial proposals with wider coverage, both the Chairman and he had agreed, upon discussion, that depending on the progress of the meeting, members' question time would be handled flexibly as and when necessary, i.e. members might be given additional one-minute rounds of questions, on top of the usual five rounds of questions.

23. Pointing out that the financial proposals under item FCR(2019-20)39 involved seven heads, Mr CHAN Chi-chuen asked whether each head under the relevant financial proposal could be put to vote one by one. Referring to the Administration's reply (LC Paper No. FC34/19-20(02)) to Ms Tanya CHAN's letter dated 27 November (LC Paper No. FC34/19-20(01)), Mr WU Chi-wai noted that the Administration would raise no objection if the majority of members wished to vote on the five items as stated in paragraph 2(a) to (e) in the paper on this agenda item one by one, but it was hoped that all the voting would be completed at the same FC meeting. He enquired about the meaning of "the completion of all the voting at the same FC meeting".

24. The Deputy Chairman advised that Ms Tanya CHAN had requested in the aforesaid letter that each head under the relevant financial proposal be put to vote one by one. In this connection, according to the results of his discussion with the Chairman, FC could separate the financial proposals set out in paragraph 2(a) to (e) in the paper on item FCR(2019-20)39 into five items which would be put to vote one by one if members raised no objection. As for "the completion of all the voting at the same

FC meeting", the Deputy Chairman explained that after concluding the discussion of this agenda item, if it was anticipated that the remaining meeting time was insufficient to complete the voting on the five items, it would be necessary to defer the voting on all items to the next meeting. It did not refer to the need to complete the discussion and voting at today's meeting. He further explained that if the five items were put to vote at two separate meetings, some members might only be able to attend one of the meetings and they were hence unable to express their views by voting on all the items.

25. Mr CHAN Chi-chuen enquired whether members could propose a motion under paragraph 37A of FCP ("FCP 37A motions") for each head, i.e. each member might propose up to seven FCP 37A motions in the case of item FCR(2019-20)39. Citing the requirements under FCP 37A, the Deputy Chairman pointed out that a member might move a motion on an agenda item without notice. He said that while members might, in their motions, express their views on various initiatives under the agenda item, they could propose no more than one FCP 37A motion.

26. Dr Fernando CHEUNG pointed out that according to FCP 37A, members must first vote on whether they agreed to proceed with an FCP 37A motion forthwith instead of directly proceeding to debate on whether they agreed to proceed with the FCP 37A motion forthwith. This made it difficult for members to express views on the various items raised in an FCP 37A motion. Mr CHAN Chi-chuen was concerned that if members were required to set out their views on various initiatives in one FCP 37A motion, other members might not agree with or object to the entire content, thus making it difficult for members to vote on the motion. Mr WU Chi-wai considered that the Deputy Chairman might exercise the discretion conferred by FCP on the presiding member by splitting an FCP 37A motion into several sub-items and putting each sub-item to vote one by one.

27. The Deputy Chairman suggested that members might coordinate among themselves the contents of their FCP 37A motions and mention different views in their respective FCP 37A motions so as to enable the expression of all aspects of members' views. As regards whether splitting an FCP 37A motion into several sub-items for separate voting was feasible, he had to study, in collaboration with the Legal Adviser and the Clerk to FC, whether such practice would contravene the requirements under FCP.

Briefings on gist of discussion by relevant Panels

28. At the Deputy Chairman's invitation, Mr Wilson OR, Chairman of the Panel on Housing, briefed members on the salient points of the Panel's

discussion. Mr OR said that the Panel on Housing discussed the relevant proposal at the meeting on 4 November 2019. Members supported the submission of the proposal to FC for consideration. Some members opined that the Administration should consider extending the rent payment measure to cover other public rental housing ("PRH") tenants, including tenants of HA and HKHS who were required to pay additional rent (commonly known as "well-off tenants") and tenants of non-Elderly Persons' Flats of HKHS Group B estates, etc. Members also called on the Administration to expeditiously implement the rent payment measure after the funding was approved. The Panel passed a motion at the meeting, urging the Administration to appeal to HA and HKHS to grant a 50% rent remission for six months to their carpark tenants.

29. At the Deputy Chairman's invitation, Mr Christopher CHEUNG, Chairman of the Panel on Financial Affairs, highlighted the salient points of the Panel's discussion. Mr CHEUNG said that the Panel on Financial Affairs discussed the Government's funding proposal for providing a one-off electricity charges subsidy of \$2,000 to each eligible residential account ("new subsidy scheme") at the meeting on 4 November 2019. Members who were present at the meeting generally supported the new subsidy scheme. Some members urged the Administration to consider removing the expiry date of the new subsidy scheme so as to allow the beneficiaries more time to utilize the unused credits and to consider launching initiatives to relieve the burden of electricity tariff on commercial organizations. In addition, some members also enquired about the progress of the installation of individual electricity meters for tenants of subdivided units ("SDUs") with the assistance of the two power companies.

30. At the Deputy Chairman's invitation, Mr KWONG Chun-yu, Chairman of the Panel on Welfare Services, highlighted the salient points of the Panel's discussion. Mr KWONG said that the Panel on Welfare Services discussed the relevant funding proposal at the meeting on 11 November 2019. The Panel supported the relevant proposal in principle, but considered that the provision of one-off extra allowance could not effectively solve the financial problems faced by CSSA recipients. In this connection, members called on the Administration to conduct studies on the basic needs of CSSA households with a view to ensuring that CSSA standard rates could cover the recipients' living expenses. Besides, taking into account the current economic conditions, members requested the Administration to relax the working hours requirements under the WFA Scheme and increase the payment rates of WFA and the Work Incentive Transport Subsidy so as to benefit more people in need and relieve their financial burden.

Overall relief measures*Timeline for the implementation of relief measures*

31. Mr LAU Kwok-fan and Mr HO Kai-ming supported the Government's introduction of a package of relief measures, but the initiatives announced by FS in August and September 2019 had not been submitted to FC for approval until now. They criticized the Government for falling far short of the public's expectations with its low efficiency; by contrast, the interval between the launch of assistance schemes by some private funds (e.g. Li Ka Shing Foundation) and the receipt of assistance by beneficiaries was rather short, and shop operators had already received cash grant from the Crunch Time Instant Relief Fund. Mr Wilson OR also criticized the relief measures for not being well focused and failing to "address people's pressing needs". Hoping that FC could approve the funding application as early as possible so that the Government could implement various initiatives, Mr LAU and Mr OR enquired about the processing time required by the Administration if FC gave green light for the funding application.

32. In response, SFST said that the Government must go through the established procedures, which included seeking FC's funding approval, before the spending of public funds. Hence, it would take a longer period of time when compared to the arrangements by private funds. If FC's approval was secured for the current funding proposal before the end of November 2019:

- (a) taking into account that HA and HKHS required about one month to one and a half months to conduct the preparatory work, including computer system adjustment, verification of tenancy records and adjustment of auto payment with banks, etc., the Administration estimated that the relevant HA and HKHS tenants would not be required to pay the rent for the month of January 2020;
- (b) the first instalment of electricity charges subsidy would be injected on 1 January 2020 to each residential electricity account with CLP Power Hong Kong Ltd. or The Hongkong Electric Co., Ltd. in existence on that date;
- (c) having regard to the time required for the development of the relevant Information Technology systems, staff recruitment and training, etc., the Education Bureau ("EDB") would start receiving applications in about six weeks after FC's approval

and it was expected to start disbursing the student grant to parents of eligible students in about six weeks after receiving the applications;

- (d) the Social Welfare Department ("SWD") and the Working Family and Student Financial Assistance Agency would make the necessary adjustments to their computer systems and the one-off extra allowance would be disbursed to persons eligible for social security payments, recipients of WFA and recipients of I-WITS a month after FC's funding approval was obtained at the earliest; and
- (e) the Administration planned to launch enhanced support measures for small and medium enterprises ("SMEs") in the first quarter of 2020.

33. SFST further said that the Administration was liaising with various policy bureaux to devise the implementation plans and timetables for the various initiatives to be introduced, and hoped that the proposals could be submitted shortly to FC for approval. Permanent Secretary for Financial Services and the Treasury (Treasury) ("PS(Tsy)") supplemented that the Administration was aware of members' concerns about the implementation timeline of the relief measures. In fact, in the course of introducing the three rounds of relief measures between August and October 2019, the Government had already implemented some initiatives such as tax concessions and waiver of government fees and charges. However, if the initiatives involved government expenses and external payments, the Government must consult relevant LegCo Panels prior to seeking FC's funding approval, and thus longer time would be needed. She said that the Administration would endeavour to expedite its work wherever possible so as to expeditiously implement various measures to alleviate the burden of the public.

34. The meeting was suspended at 10:48 am and resumed at 11:01 am.

Target beneficiaries of relief measures

35. Mr Andrew WAN considered that the Government had failed to address the financial and political aspirations of the public. He was dissatisfied with the Government's adoption of a piece-meal approach in introducing relief measures since it would neither help the general public tide over the difficulties nor would it be conducive to cooling down the political sentiment. He stressed that political problems should be resolved by the Government through political means. Mr WAN and Mr LEUNG

Yiu-chung considered that the Government's relief measures gave rise to differential treatment and led to unfair distribution of resources. For instance, student grant was non-means-tested with all day-school students as beneficiaries while the rent payment only covered lower-income families. This practice was unreasonable and illogical since well-off tenants and tenants of SDUs were not entitled to the benefit. Mr LEUNG considered that the Government's approach, being stuck in a rut, might even led to division and discrimination among households of housing estates. Sharing the views of Mr LEUNG, Mr Abraham SHEK considered the Government's measures illogical, which would in turn undermine harmony in the community.

36. In response, Under Secretary for Education ("US(Ed)") said that the student grant was aimed at alleviating parents' burden in defraying education expenses and its main targets were students at the stage of basic education. Assistant Director of Housing (Strategic Planning) ("ADH(SP)") said that the Administration hoped to focus resources on families which were mostly affected, and thus the rent payment measure only covered lower-income tenants living in public rental units.

37. Mr James TO enquired about the current number of well-off tenants of HA and HKHS, as well as the average monthly rental payable by families that would benefit from the rent payment measure. In response, ADH(SP) said that at present, there were about 33 000 HA tenants who had to pay additional rent while HKHS did not have records on well-off tenants since its Well-off Tenants Policies had been in place for only one year. There were about 750 000 and 30 000 beneficiary families residing in the rental estates under HA and HKHS respectively, and the average monthly rental per household was about \$2,000. Mr TO pointed out that the figures showed that the total amount of provision for providing an electricity charges subsidy of \$2,000 for over 2.7 million electricity accounts in Hong Kong was far higher than that for providing a monthly rent of \$2,000 for about 33 000 existing well-off tenants of HA. He enquired about the justifications for the Administration to adopt different approaches in rolling out these two initiatives.

38. In response, SFST and PS(Tsy) explained that there were considerations behind each initiative introduced by the Government. For example, the rent payment for PRH tenants was targeted at helping lower-income families while the scope of coverage of the electricity charges subsidy was wider. Lower-income families were entitled to the two aforesaid initiatives at the same time while other families could only benefit from one of the initiatives, and thus the amounts involved were different.

39. Mr KWOK Wai-keung said that HKFTU had, as early as several years ago, urged the Government to launch measures to grant electricity charges subsidies and education allowances, but the Government was slow in response. Despite this, he was pleased to note that the Government had finally implemented the relevant measures. However, given that Hong Kong's economic situation had continued to worsen, he requested the Administration to expeditiously study and put forward additional measures to alleviate the burden of the public.

40. Mr Tony TSE considered that the relief measures rolled out by the Government were insufficient, failing to target those members of the public and SMEs that suffered the most. He hoped the Government could, by drawing reference from the practice adopted by the United Kingdom ("UK") during the riots in 2011, offer assistance to business operators or members of the public whose shops or vehicles were vandalized. As for commuters travelling to work and study who were likewise implicated, he suggested that the Government should consider providing this category of persons with public transport subsidy, e.g. halving bus fares or MTR fares and reducing tunnel tolls for a certain period of time (say three months).

41. Mr Holden CHOW considered that the disturbances arising from the opposition to the proposed legislative amendments that had persisted for about five months in Hong Kong had bogged down the economy and led to rising unemployment rate. Meanwhile, the Hong Kong Human Rights and Democracy Act signed by the President of the United States ("US") two days ago had aggravated the already difficult business environment and added numerous uncertainties. Hence, the Government must consider further measures to tide over difficult times with the public in future.

42. In response, SFST and PS(Tsy) said that the Administration noted and would consider different views raised by members, continued to examine the impacts of the recent social incidents on business operators and members of the public, as well as introduced corresponding support measures as and when appropriate. However, some measures (e.g. the reduction of tunnel tolls) might affect traffic flows and the daily lives of the public, and thus the Administration must give cautious consideration to and study the pros and cons of different measures before deciding whether or not to implement them.

Required funding for future relief measures

43. Dr KWOK Ka-ki said that as the failed governance of the Government and the Chief Executive's ("CE") failure in addressing the

"five demands" had given rise to social rift and division, a provision of about \$21.6 billion had to be spent on alleviating the burden of the public. He asked whether the Administration had anticipated how much more expenditure would be spent on salvaging the economy in future amid the continued economic downturn in Hong Kong, and whether the authorities had suggested to CE that she should respond to the "five demands" raised by members of the public so as to prevent further deterioration of people's livelihood and economy.

44. In response, PS(Tsy) said that having regard to Hong Kong's current economic situation and outlook, FS announced in August and September 2019 two rounds of measures with a view to relieving people's financial burden, supporting enterprises and safeguarding jobs. She clarified that the estimated expenditure of about \$21.6 billion did not wholly reflect the financial implications of all the relief measures launched by the Government as some of the initiatives that had been implemented would result in reduced government revenue, and the financial implications arising therefrom had not been incorporated in the funding application under consideration. The Administration would continue to listen to members' views, make adjustments in response to the economic pressure and challenges faced by Hong Kong, and launch other relief measures as and when appropriate so as to help the general public tide over the difficulties.

One month's rent payment for lower-income tenants living in public rental units

Well-off Tenants Policies

45. Mr LEUNG Yiu-chung criticized that it was unfair for the Government to provide one month's rent for lower-income tenants living in the public rental units of HA and HKHS only. He proposed that the Government should consider extending the measure to cover the well-off tenants of HA and HKHS, as well as the tenants of non-Elderly Persons' Flats of HKHS Group B estates, given that the well-off tenants, albeit having higher income, also incurred higher household expenditure. Mr Wilson OR expressed similar views. They enquired whether the Administration would consider also providing one month's rent payment for the aforesaid tenants, or whether it would consider exempting the basic rents of well-off tenants, which was the practice previously adopted by the Administration.

46. In response, ADH(SP) said that:

- (a) the present proposal was considered appropriate as the one-off helping measure aimed to relieve the hardship of lower-income tenants living in public rental units. The proposed arrangement was also in line with the practice of the Government's rent payment for tenants living in public rental units in 2015-2016;
- (b) at present, under HA's Housing Subsidy Policy and the Policy on Safeguarding Rational Allocation of Public Housing Resources (commonly and collectively known as the "Well-off Tenants Policies"), households who had lived in PRH units for 10 years were required to declare their household income and assets biennially. Those with household income exceeding the prescribed income limits had to pay additional net rent plus rates. This proposed one-off support measure would not be applicable to those tenants who were required to pay additional rent, in consideration that these tenants had higher household income; and
- (c) it was understood that under the prevailing economic environment, well-off tenants might also be subject to financial pressure. Therefore, under the existing mechanism, if the household income and net asset values of well-off tenants subsequently dropped below the prevailing income and net asset limits for three consecutive months or due to other permanent reasons, they might apply for payment of rent at a lower level if their total household net asset value did not exceed the prevailing relevant limits and the households concerned did not have private domestic property ownership in Hong Kong.

47. Mr SHIU Ka-chun was dissatisfied that the Government's relief measures were ill-focused and inadequate. He reiterated his request made at the meeting of the Panel on Housing held on 4 November 2019, i.e. urging the Government to treat all parties equal by extending the scope of this measure. He said that he had repeatedly criticized the Well-off Tenants Policies. He cited a four-member family as an example. Under HA's policy in 2019, households with a monthly income exceeding \$58,481 had to pay 1.5 times net rent, i.e. on average, the monthly income of each family member was about \$14,620, which should not be regarded as high income, and the tenants should not be regarded as well-off tenants at all. He asked whether the Government understood the hardship suffered by

these tenants, and whether it would consider afresh extending the scope of this measure to benefit all PRH tenants.

48. ADH(SP) reiterated that this measure aimed to relieve the economic burden of lower-income families so that resources could be focused on helping families most in need of assistance. She added that under HA's Well-off Tenants Policies, if a four-member household had to pay 1.5 times rent, its income would have exceeded PRH income limits by two to three times, representing a monthly household income ranging between \$58,481 and \$87,720, which was higher than the median income of a four-member family in Hong Kong (about \$43,000).

Rent adjustment for public rental housing

49. Mr LEUNG Yiu-chung said that although the Government had implemented the measure of providing rent payment for PRH tenants to relieve their financial burden, PRH residents were still concerned that having to cope with rising rents, they were experiencing increasingly difficult times. He pointed out that the rates of rental increase effected by HKHS was 8% in 2016 and 2018, while HA had even increased its rents by 10%, representing the fourth consecutive time where the rate of rent increase was 100% the rate permissible under the rent review mechanism, far exceeding the inflation rates. He urged HA and HKHS to review afresh the prevailing rent adjustment mechanism and rate of rent increase, instead of offsetting the rate of rent increase by rent waiver every year, which was not conducive to relieving the livelihood pressure of grass-roots households.

50. Expressing support for the relief measures launched by the Government, Mr Vincent CHENG also hoped that the Government could consider implementing more measures that might address the imminent needs amid the sluggish economy and escalating unemployment rate in Hong Kong, as well as streamlining the administrative procedures, for the purpose of expeditiously providing support for the grass-roots. He and Mr SHIU Ka-chun asked whether HA and HKHS would consider freezing their rents in the next round of rent review for PRH units to be conducted according to the established mechanism.

51. ADH(SP) responded that:

- (a) pursuant to the rent adjustment mechanism and under HA's established policy, the rent level was set at a reasonable level affordable to tenants. According to the Housing Ordinance (Cap. 283), HA must conduct a rent review every two years

and vary the PRH rent according to the change in the income index covered by the review. The next round of review would be conducted in mid-2020. HA would, during the review, carefully consider various relevant factors, such as the level of income growth of tenants, and the implementation of other relief measures by the Government, etc., to facilitate its consideration of whether it should offer rent concessions; and

- (b) HKHS, a self-financing, independent and non-profit-making organization, used its own resources to finance housing projects and services. In general, domestic rents of HKHS rental units were reviewed every two years. In determining the rate of rent adjustment, HKHS would consider a number of factors, including whether rental income was sufficient to cover the operating costs of its estates, market rents, consumer price index, affordability of tenants, etc. The Administration understood members' concerns, and had proposed that HKHS should, in considering the level of rent adjustment, carefully consider and fully evaluate the affordability of tenants and the acceptability of the community.

The proposal of providing two month's rent payment

52. Mr Andrew WAN and Dr KWOK Ka-ki asked the Administration why, in the midst of economic downturn and high unemployment rate, the Administration only provided one month's rent payment for PRH tenants, instead of two months' rent payment as in 2008. ADH(SP) responded that as the actual economic situations differed during different times, the details of the measures adopted also varied. When announcing this measure in August 2019, FS decided to provide one month's rent payment for lower-income tenants living in public rental units after taking into account a basket of factors, i.e. recent economic situation and future economic prospects, having regard to the downward adjustment pressure faced by Hong Kong's economy.

The proposal of granting rent remission to carpark tenants

53. Referring to the motion passed by the Panel on Housing at its meeting on 4 November 2019, urging the Government to appeal to HA and HKHS to grant rent remission to their carpark tenants, Mr Wilson OR enquired about the progress of the relevant arrangements. ADH(SP) responded that the views had been conveyed to HA and HKHS for consideration. Being responsible for examining issues relating to carpark rents, the Commercial Properties Committee of HA was currently studying

the feasibility of applying the measures announced by the Government in October 2019 to reduce the rental of fee-paying public car parks to individual tenants of HA car parks. As regards the car parks managed by HKHS, it was understood that HKHS had decided to assist its car park operators by granting a rent remission of 50% to them for six months from October 2019 to March 2020.

The proposal of granting rent remission to shop operators

54. Expressing concerns that the small-scale shop operators running kaifong business in HA-managed shopping arcades had to tackle operating difficulties on the one hand, and face up to heavy rental pressure on the other, Dr KWOK Ka-ki asked whether the Administration would consider providing support for these small-scale shop operators (including shop operators in HA's markets the management of which had been outsourced to contractors) by reducing or waiving their rents. ADH(SP) responded that the Administration understood the current predicaments faced by small shop operators amid the sluggish economy. In line with the first round of measures launched by the Government in mid-August this year, HA had approved the rent reduction for its retail and factory tenants by 50% for six months from October 2019 to March 2020. Regarding the rental arrangements for shop tenants in HA's markets, the decision would rest with the relevant committee under HA. She undertook that she would convey Dr KWOK's views to the relevant committee for consideration.

Provision of a one-off electricity charges subsidy to eligible residential households

Implementation details

55. Mr CHU Hoi-dick noted that the Administration proposed to inject a subsidy of \$2,000 into each eligible residential electricity account in 12 instalments under the new subsidy scheme. He enquired about the Administration's justifications for proposing to inject electricity charges subsidy in instalments, as the Government should, on the principle of "addressing the community's pressing needs", grant subsidies to members of the public as quickly as possible. Mr CHU and Mr Wilson OR suggested that the Administration should, in line with the principle of addressing the pressing needs of the people, consider providing one month's payment of electricity tariffs for each residential electricity account on a one-off basis.

56. In response, PS(Tsy) said that in order to relieve the public's livelihood burden, the Administration had launched a number of relief

measures that aimed to address individual and household needs, such as electricity charges subsidy, having regard to the economic pressure faced by members of the public during the difficult times. However, the implementation arrangements and commencement dates of various relief measures varied, as such measures differed in terms of their policy considerations, administrative arrangements and the procedures required. If a particular measure could be put in place immediately involving straight-forward administrative procedures, the Administration would definitely implement such measures expeditiously. In fact, apart from the measures submitted for FC's approval today, the majority of other relief measures had been implemented. She further explained that, as Mr CHU had mentioned, technically speaking, the two power companies could inject the \$2,000 subsidy to all electricity accounts in one go, but some environmental concern groups were concerned that injection of subsidies in one go might increase electricity consumption. Moreover, under the existing arrangement, those electricity users who moved to new residential premises during this period would not be allowed to carry forward their unused subsidy to their new electricity accounts. She added that the electricity tariffs incurred by individual electricity accounts varied greatly, in tandem with the areas of the residential properties concerned. The proposal of providing one month's payment of electricity tariffs for each residential electricity account might not be cost-effective in terms of the use of public money. As such, the Administration proposed to credit \$160 to each residential electricity account in existence on the first day of each month for 11 consecutive months and \$240 in the 12th month. Subject to funding approval by FC, the first instalment would be injected on 1 January 2020.

Extending the expiry date of unused credits

57. Mr HO Kai-ming said that the electricity charges subsidy could be used up to 31 December 2022, representing a monthly subsidy of about \$100 for each account within about three years. Pointing out that the electricity consumption of certain accounts, such as elderly households, was relatively low, and the electricity charges subsidy might not be fully used upon the expiry of the credits, he and Mr Wilson OR asked the Administration whether it would consider extending the expiry date of the unused credits.

58. PS(Tsy) responded that experience showed that the majority of accounts could fully use the electricity charges subsidy upon the expiry of the credits. Appreciating that some singleton and elderly accounts might consume less electricity, the Administration had, in the past, extended the expiry date of unused credits, having regard to actual circumstances and

needs. The Administration would further review the need to extend the expiry date of unused credits under the new subsidy scheme.

Electricity charges subsidy failing to reach out to tenants of subdivided units

59. Being concerned that SDU tenants without individual electricity meters could not be benefited from the electricity charges subsidy scheme, Mr Vincent CHENG, Ms Claudia MO, Mr Wilson OR and Mr AU Nok-hin enquired about the measures in place to assist these persons. Under Secretary for Financial Services and the Treasury ("USFST") and PS(Tsy) responded that the Administration appreciated the concerns expressed by members. However, out of considerations concerning the actual operation of the scheme, the Government could only provide subsidies to residential electricity users with individual electricity meters, and users were entitled to electricity charges subsidy once electricity meters were installed. The two power companies had set up funds to subsidize SDU tenants in carrying out rewiring works needed for the installation of individual electricity meters. However, whether the relevant arrangement could solve the problems faced by these tenants depended on whether they could reach a consensus with their landlords and the owners' corporations involved, as well as whether the structure and conditions of the buildings concerned could satisfy the technical and safety requirements for installation of individual electricity meters.

60. In response to the requests made by Dr Fernando CHEUNG and Mr CHU Hoi-dick, PS(Tsy) undertook to, after the meeting, provide supplementary information on the average monthly electricity tariffs of residential electricity accounts in Hong Kong, as well as the numbers of SDU tenants whom the CLP Power Hong Kong Ltd. and The Hongkong Electric Co., Ltd had subsidized in installing individual electricity meters so far.

[*Post-meeting note:* The supplementary information provided by the Administration was issued to members vide LC Paper No. FC44/19-20(01) on 9 December 2019.]

Environmental concerns

61. Ms Tanya CHAN said that according to some environmental concern groups, the electricity charges subsidy schemes which had been implemented by the Government for several times had led to reckless use of electricity, running against the principle of protecting the environment. She requested information on the number of electricity accounts which did

not use up all the electricity charges subsidy and the amounts of unused credits under the electricity charges subsidy schemes implemented. Ms CHAN proposed that the Administration should consider re-allocating the unused credits for other support purposes, such as providing subsidies to finance households in purchasing energy efficient electrical appliances, thereby helping them reduce expenses on electricity tariffs.

62. PS(Tsy) responded that the Government implemented electricity charges subsidy schemes in 2008,2011,2012 and 2013 ("existing subsidy schemes"). As at end-October 2019, the number of electricity accounts with unused credits was about 56 000, or about 2% of all residential accounts, and the amount of unused subsidy was about \$190 million. It was estimated that about 80% of accounts could exhaust the new subsidy within the three-year period. She added that the concerns raised by environmentalists on possible increase in electricity consumption caused by electricity charges subsidy schemes were well noted by the Administration, but statistics showed that there was no significant difference between a month in a year with subsidy and a month in a year without such subsidies. Therefore, the provision of electricity charges subsidy did not necessarily lead to an increase in electricity consumption.

63. In response to Mr Andrew WAN's enquiry, PS(Tsy) explained that unused credits under the existing subsidy schemes and the Electricity Charges Relief Scheme would be utilized first in offsetting billed charges. Credits from the new subsidy scheme would only be utilized after the unused credits under the existing subsidy schemes and the Electricity Charges Relief Scheme were exhausted or had expired.

The proposal of providing electricity charges subsidy to small and medium enterprises

64. Supporting the relief measures implemented by the Government, Mr Jeffrey LAM asked the Administration whether it would consider also providing electricity charges subsidy of \$2,000 or above to SMEs. USFST responded that the said electricity charges subsidy mainly aimed to provide relief for eligible residential electricity accounts. The Government had separately implemented a series of measures to support SMEs. He undertook to convey members' views to relevant departments.

Provision of a subsidy to day-school students in the 2019-2020 school year*Eligibility Criteria*

65. Mr Gary FAN said that "cash handouts" could neither relieve people's grievances nor solve political problems so long as the Government did not respond to the "five demands". He further said that the tuition fees payable by post-secondary and university students in Hong Kong were very high. Although the Government assisted tertiary students by offering loans to them, they had to repay the debts soon after graduation and bear various livelihood expenses. The financial burden on them was therefore very heavy. Pointing out that some youngsters had recently been dismissed by employers on the ground of having different political views or participating in the "general strike on three fronts", he asked whether the Government would consider providing financial assistance and other support for these unemployed people, in particular the young people, such as appealing to employers not to dismiss employees due to differences in political views.

66. Dr CHENG Chung-tai said that some evening-school students had relayed to him that they found the measure unfair. He and Mr Gary FAN asked how EDB had formulated the eligibility criteria for receiving the student grants, and why evening-school students and tertiary students had been excluded while grants were disbursed to day-school students.

67. In response, US(Ed) explained that:

- (a) the Administration's proposal to provide a one-off student grant of \$2,500 for each secondary day-school, primary school and kindergarten student in the 2019-2020 school year aimed to alleviate parents' financial burden in defraying education expenses;
- (b) the student grant would be non-means-tested. All students, as at the date of application, who were enrolled in secondary day-schools, primary schools and special schools (including public sector schools, Direct Subsidy Scheme schools, English Schools Foundation schools, private schools) as well as kindergartens (regardless of whether joining the kindergarten education scheme) offering local or non-local curriculum in Hong Kong, are eligible for the grant. Students of evening schools, students of private studies, holders of student visas for entry into Hong Kong for studies and holders of Form of

Recognizance issued by the Immigration Department were ineligible;

- (c) as Special Child Care Centres and Full-time Initiation Programmes were part of basic education under the auspices of EDB, students enrolled in such centres and programmes were also eligible for the grant; and
- (d) students of evening programmes mainly comprised adults and the working population, and the nature of such programmes, as well as the types and nature of educational institutions offering such programmes varied greatly. Post-secondary and university programmes were not part of basic education. The Administration had put in place various loan and grant schemes for students enrolled in evening secondary courses and for tertiary students, such as the Non-means-tested Loan Scheme for Full-time Tertiary Students ("NLSFT"), academic expenses grant, etc., to ensure that no student would be deprived of education due to lack of means.

68. SFST emphasized that the relief measures implemented by the Government did not aim to solve political problems, but to address economic and livelihood problems. The Government had all along been closely attending to the needs of the young people, but the decision to dismiss an employee rested entirely with the employer. He advised that the Working Family and Student Financial Assistance Agency had been administering various grant and loan schemes for post-secondary and tertiary students.

69. Mr IP Kin-yuen said that one of the duties of FC was to stringently scrutinize funding proposals, so that resources could be allocated to appropriate projects and beneficiaries, and public money would not be wasted. Referring to paragraph 2 of Enclosure 3 to FCR (2019-20)39, he said that both local and non-local students were eligible for the non-means-tested student grant. Given that the parents of some international school students came to Hong Kong for short-term jobs, who were also quite unlikely to have financial difficulties, he asked whether it was necessary for the measure to cover these persons, as well as the number of such persons and the amount of grants involved. Dr Helena WONG asked whether the parents eligible for the student grant included persons who were not Hong Kong permanent residents. US(Ed) responded that holders of student visas for entry into Hong Kong for studies and holders of Form of Recognizance issued by the Immigration Department were ineligible for the grant. Those students who were

enrolled in secondary schools, primary schools and kindergartens and came to Hong Kong in the capacity of dependents were eligible for the student grant.

70. Expressing support for this measure, Dr Priscilla LEUNG pointed out that some parents had relayed to her that they panicked towards the current social climate, prompting them to send their children to the Mainland or overseas places for studies, instead of staying in Hong Kong. She asked whether the Administration would take the initiative to examine the provision of additional subsidies for the parents of students who were forced to switch to study in another school. Moreover, as some students had been arrested or prosecuted for participating in social activities and needed assistance from teachers, social workers or psychological counsellors, she asked EDB how it would follow up on such cases and ensure that the staff of these schools would be politically neutral.

71. US(Ed) reiterated that the student grant aimed to alleviate parents' financial burden in defraying education expenses, instead of subsidizing parents in selecting or switching schools for their children. Under the existing mechanism, EDB would ensure the provision of a school place for each school-age child. If parents had difficulty in this aspect, they might approach EDB for assistance. Regarding actions to follow up on cases involving students being arrested or prosecuted, such cases required emotional support and counselling services, which fell outside the scope of discussion of the current funding proposal.

72. Mr IP Kin-yuen said that the crux of the issues just mentioned by Dr Priscilla LEUNG regarding the sending of children to the Mainland or overseas places for studies might lie in law enforcement misconduct and maladministration on the part of the Government, instead of the problems of the schools per se. He was of the view that the student grant, which covered kindergarten, primary and secondary students only, had not heeded the needs of children enrolled in child care centres (i.e. children between the age of zero and the age below two years and eight months) and those of tertiary students. As these students were also dependants, their parents were also subject to heavy economic burden.

73. Ms YUNG Hoi-yan pointed out that the number of children born in Hong Kong in 2018 was more than 50 000, and according to her experience, the tuition fees charged by nursery schools and pre-school activity classes were very high, ranging between \$200 and \$550 per hour. Given that parents of young children, evening-school students and tertiary students had to shoulder education expenses, she was of the view that the Administration should consider the matter from a holistic perspective, so

that the measure would not aggravate people's grievances caused by uneven distribution of resources. She and Mr IP Kin-yuen enquired about the reasons why this measure did not cover children between the age of zero and the age below two years and eight months, as well as whether the Administration would consider extending the scope of student grant to cover tertiary students and young children.

74. In response, US(Ed) and SFST noted members' views but pointed out that the provision of child care services fell outside the scope of education services, but was within the social welfare policy portfolio which was under the auspices of SWD. They undertook to convey the relevant views to relevant policy bureaux.

Application and approval procedures

75. Noting that EDB would recruit only about 30 staff members to handle such applications, Mr Holden CHOW asked whether this staffing level was adequate to achieve the objective of starting to disburse the grant to parents of eligible students in about six weeks after receiving the applications, and to handle such work as answering telephone enquiries, etc.

76. US(Ed) responded that EDB would adopt simple application and approval procedures. The information and supporting documents to be provided by parents would also be kept to a minimum. In this connection, EDB would distribute the application forms and verify the student status via schools; applicants could also download the application forms from the website. As the work mainly involved data input and transfer of subsidy to parents' local bank accounts, the Administration was confident that sufficient manpower would be employed to handle such matters as vetting and approving applications, liaising with various parties, arranging payments, handling enquiries, etc. Regarding the putting in place of a telephone enquiry hotline, the Administration had established a communication mechanism with schools (including kindergartens) to facilitate enquiries by applicants.

Regularizing the measure of disbursing student grant

77. Mr LUK Chung-hung, Mr IP Kin-yuen, Mr Andrew WAN and Dr Helena WONG asked whether the Government would consider regularizing the measure of disbursing student grant in future, so that parents would continue to benefit from this measure. US(Ed) responded that EDB had already advised at the meeting of the Panel on Education held on 1 November 2019 that the Administration intended to regularize

this measure, and had proceeded with the relevant preparatory and system development work. The current funding proposal aimed to seek FC's funding approval for the money required for the first year of operation.

Amount of student grant

78. Mr SHIU Ka-chun pointed out that according to the Consumer Council's 2019-2020 annual textbook expenditure survey for primary and secondary schools, the average textbook expenditure for primary and secondary school students had surged to \$2,847 and \$2,687 respectively with the prices of primary school textbooks rising by 3.7% on average when compared with those of last year, while secondary school textbook prices increasing by 2.7%. The increases were higher than the 2.6% inflation rate over the same period. The highest textbook expenditure (excluding supplementary exercise books) for secondary school students was \$3,355, which was higher than the student grant of \$2,500. He enquired about the calculation basis for arriving at the amount of \$2,500, and would like to know whether the amount of student grant would be adjusted annually; if not, the reasons for that. US(Ed) responded that having drawn from the experiences of the Government in disbursing other grants/subsidies last year, and having regard to various factors such as the expenses payable by parents, the Government's financial situation and overall relief measures, EDB considered it appropriate to set the level of student grant at \$2,500. She emphasized that the disbursement of student grant aimed to alleviate parents' financial burden, instead of providing payments for all education expenditures.

79. Mr HUI Chi-fung and Mr Andrew WAN criticized that the Government's decisions of excluding tertiary students from the student grant and withdrawing the funding proposals for expansion and construction of additional facilities for three universities earlier on were tantamount to declaring war on tertiary students. They queried whether such decisions were justifiable. Regarding NLSFT, the Non-means-tested Loan Scheme for Post-secondary Students and the Extended Non-Means-Tested Loan Scheme, Mr HUI asked whether the Administration would consider waiving the interest amount on the loans during the study period of the loan borrowers, so as to reduce the repayment pressure of tertiary students after graduation.

80. Mr Alvin YEUNG pointed out that if the disbursement of student grant aimed to alleviate parents' financial burden, parents of post-secondary students and university students should also be eligible for the grant. He asked whether the Administration would consider lowering the annual interest rate on loans under the non-means-tested loan schemes for tertiary

and post-secondary students. Mr CHAN Chi-chuen asked whether EDB would, having regard to the prevailing economic situation, consider allowing university students to defer loan repayment.

81. US(Ed) responded that:

- (a) under the means-tested and non-means-tested loan schemes or subsidy schemes for tertiary and post-secondary students, applicants were given the choice to start repayment one year after graduation or termination of studies until the loan (interests arising therefrom inclusive) was fully repaid, and the repayment period was generally 15 years;
- (b) to alleviate the financial burden of loan borrowers with proven repayment difficulties, loan borrowers could apply for interest-free deferment and extension of the entire loan repayment period, subject to a maximum of two years (i.e. the entire repayment period could be extended from 15 years to 17 years);
- (c) under non-means-tested loan schemes, a life-time loan limit was imposed on each eligible student, and the life-time loan limit was around \$370,000 for the 2019-2020 academic year;
- (d) taking the 2017-2018 academic year as an example, the median monthly amount of loan repayment by borrowers was \$289 in respect of student borrowers under means-tested loan schemes. Under non-means-tested loan schemes, if the total loan amount reached the life-time loan limit, the average monthly amount of loan repayment was \$2,000; and
- (e) issues relating to loan schemes for tertiary students were not a discussion item for this meeting. Nevertheless, she would be glad to convey members' views to relevant departments for consideration.

Implementation details and operating costs

82. Dr CHENG Chung-tai said that while it was administratively more convenient to disburse student grant to parents via bank transfer, some students in fact did not want the grant to be received by their parents. He asked whether it was feasible for the Administration not to disburse the grant to parents via bank transfer. In response, US(Ed) reiterated that the measure aimed to alleviate parents' financial burden in defraying education

expenses, instead of handing out pocket money to students. The student grant therefore would be credited to parents' bank accounts.

83. Dr Helena WONG enquired about the reasons why an operating cost of around \$6 million would be incurred by EDB in disbursing student grant via bank transfer. US(Ed) explained that the estimated number of beneficiaries would be about 900 000, comprising secondary day-school students, primary school students, special school students, kindergarten students, etc. Regarding public sector schools and Direct Subsidy Scheme schools, the Administration had more information in hand. Regarding international schools, private schools and kindergartens, EDB had to collect and check their information afresh, and a separate information technology system had to be developed before student grant could be disbursed to parents via bank transfer.

84. At 12:46 pm, the Deputy Chairman announced that the meeting be suspended. FC would continue with the scrutiny of this item at 4:00 pm on the same day.

85. At 4:02 pm, the meeting resumed and FC continued with the scrutiny of FCR(2019-20)39.

86. The Chairman took the chair and declared that he was the Executive Director and the Chief Executive Officer of Well Link Insurance Group Holdings Limited.

Provision of one-off extra allowances for recipients of social security payments

Comprehensive Social Security Assistance Scheme and amounts of payments under the Scheme

87. Mr KWONG Chun-yu pointed out that according to Hong Kong Poverty Situation Report issued in 2018, the size of poor population in 2017 was about 1.37 million, i.e. one poor person in every five Hong Kong persons. He was of the view that the series of relief measures launched by the Government were utterly inadequate amid the present social atmosphere, failing to address people's grievances and alleviate people's financial difficulties. He suggested that the Government should, in tandem with the present social situation, strengthen its efforts in deploying resources in a flexible manner to help the poor. He asked whether the Administration would consider further increasing the amounts of CSSA payments, as well as regularizing the measure of providing one-off extra allowances for recipients of social security payments.

88. Dr Fernando CHEUNG pointed out that as the CSSA Scheme had not been reviewed for a number of years, the relevant measure could not meet the needs of the community and CSSA households. He cited a three-member CSSA household as an example, pointing out that the standard CSSA payment for each family member was \$2,250 a month, i.e. \$75 per person per day. It was inadequate in meeting daily livelihood expenses. He urged the Administration to seriously review the CSSA Scheme (including standard CSSA payments) in a holistic manner, and consider providing one extra month's standard payments to CSSA recipients.

89. SFST and Assistant Director of Social Welfare (Social Security) ("ADSW(SS)") responded that the Government had implemented three rounds of relief measures, aiming to provide support for people in need. At the meeting of the Panel on Welfare Services held on 11 November 2019, the Labour and Welfare Bureau briefed the Panel on the measure of providing one-off extra allowances for recipients of social security payments, WFA and I-WITS. The Administration noted members' views and would take them into account in the on-going reviews to be conducted. Additional measures would be implemented as and when necessary in future.

90. Mr SHIU Ka-chun pointed out that under the existing CSSA Scheme, earnings from training allowances, cash contributions from relatives and friends and assistance from private charitable funds, etc. were regarded as extra income which had to be declared by the recipients to SWD, and the amount of CSSA payments might be deducted as a result. He asked whether the \$2,000 electricity charges subsidy and the \$2,500 student grant which would soon be regularized, would also be regarded as extra income and had to be declared, thus leading to reduced CSSA payments. ADSW(SS) responded that same as previous practices, the relief measures launched by the Government would go hand in hand with corresponding waiver measures.

Rights of elderly people aged 60 to 64 to social security payments

91. Mr AU Nok-hin requested that in order to address the needs of those elderly aged between 60 and 64, the Government should review its policy on raising the CSSA eligible age from 60 to 65. Mr CHAN Chi-chuen also expressed similar views.

92. ADSW(SS) responded that the Administration noted the views given by the public and members. After conducting a series of reviews, the Government had implemented a series of measures to improve the

CSSA Scheme, including extending the Community Living Supplement ("CLS") to able-bodied adults aged 60 to 64, and providing 11 additional special grants (including grants to cover telephone charges and costs of dental treatment and glasses) to eligible non-elderly able-bodied CSSA recipients.

Emergency unemployment assistance

93. Mr LUK Chung-hung said that HKFTU was very concerned about the unemployment problem. He asked whether the Government would, apart from CSSA payment, consider setting aside a sum of money as emergency unemployment assistance, so that those unemployed persons who did not want to apply for CSSA from SWD might apply for assistance from the relevant authorities (such as the Labour Department) to meet short-term livelihood expenses. PS(Tsy) responded that the Administration noted the concerns raised by members on the escalating unemployment rate, and would seriously consider and examine members' suggestions on providing support for the unemployed.

Working Family Allowance

94. Dr Fernando CHEUNG referred to a complaint case recently received by the Public Complaints Office of the Legislative Council Secretariat in which one of the complainants was a child whose father was underemployed given the recent traffic situation and worsening markets. As they did not meet the working hours requirement under the WFA Scheme, their household income had been greatly affected. He urged the Administration to seriously consider relaxing the working hours requirement under the WFA Scheme amid extraordinary circumstances, and to provide Higher Allowances for families in need.

95. Principal Executive Officer (Working Family Allowance Office), Working Family and Student Financial Assistance Agency responded that application for the WFA Scheme was on a household basis. Under the WFA Scheme, a household meeting the working hours requirements and the income and asset limits might apply for a Basic Allowance, Medium Allowance or Higher Allowance. A number of improvement measures had been implemented since the launching of the WFA Scheme to provide more flexible arrangements for applicant households, e.g. the working hours of all household members could be aggregated.

The "N have-nots"

96. Mr AU Nok-hin and Dr Fernando CHEUNG were concerned that lower-income persons who did not own any properties, did not live in PRH units and did not receive CSSA (colloquially known as the "N have-nots") could not benefit from various social welfare measures, including the series of relief measures implemented by the Government. Dr CHEUNG said that although the Community Care Fund would implement afresh the provision of allowances for the "N have-nots", the earliest date on which phased receipt of applications would start was July 2020, and the date on which applicants could receive such allowances was unknown. They asked whether the Government would consider launching immediate measures to address their imminent needs.

97. PS(Tsy) responded that the Government hoped that it could help the "N have-nots" via the Community Care Fund, but as it involved the recruitment of staff and the operation of the information system, it was anticipated that the scheme would be implemented and applications would be received in July 2020 the earliest. Noting members' views and concerns, the Administration would be pleased to convey them to relevant departments so that support would be provided to these persons expeditiously. She pointed out that as all public resources were precious, the Administration, in formulating a policy, endeavoured to help all individuals, families and enterprises from a multi-perspective approach, and would seek to plug the gaps in such policies by addressing the needs of the "N have-nots" through other mechanisms, such as the Community Care Fund. At the present stage, there was no need to establish a mechanism on top of the Community Care Fund to assist these persons.

98. ADSW(SS) added that under the measures announced in the 2019-2020 Budget to "help the community to ride out of the storm", CSSA recipients could receive a one-off extra payment equivalent to one month's standard rate in June 2019, while recipients of the Old Age Allowance (including the Guangdong Scheme and the Fujian Scheme), the Old Age Living Allowance and the Disability Allowance under the Social Security Allowance Scheme could also receive an extra month's allowance. Calculated together with the relief measures to be implemented under the current funding proposal, the beneficiaries could receive an extra month's payments twice within the 2019-2020 financial year. Moreover, at the meeting of the Panel on Welfare Services held on 11 November 2019, SWD briefed the Panel on the Government's review of the pro-employment measures under the CSSA Scheme, and the improvement measures included extending CLS to able-bodied adults aged 60 to 64, etc.

Support measures for Small and Medium Enterprises

Implementation timetable

99. Mr Alvin YEUNG pointed out that the Crunch Time Instant Relief Fund programme earlier implemented by some private charity foundations (such as the Li Ka Shing Foundation) had already awarded grants to successful applicants. He enquired whether the Administration had formulated any targets or implementation timetables for the proposed support measures for SMEs, as well as the expected time required for enterprises to receive support after submitting applications.

100. Under Secretary for Commerce and Economic Development ("USCED") responded that:

- (a) the Administration's proposals included the followings:
 - (i) a 90% loan guarantee product newly introduced under the SME Financing Guarantee Scheme ("SFGS");
 - (ii) injection of \$2 billion into the BUD Fund and extension of its geographical coverage; and
 - (iii) injection of \$1 billion into the Export Marketing and Trade and Industrial Organisation Support Fund to further step up the support to SMEs to explore markets outside Hong Kong through the SME Export Marketing Fund ("EMF");
- (b) the Administration had been constantly reviewing and enhancing various funding schemes, including streamlining application procedures and shortening the processing time of applications, with a view to providing more timely, flexible and convenient support to enterprises;
- (c) enhancement measures included the followings:
 - (i) introduced a new option for applicants to apply for an initial payment of up to 75% of the approved government funding under EMF; and
 - (ii) for the BUD Fund, the ratio of initial payment would also be increased from the existing 25% to up to 75% of the approved government funding to alleviate the financial

burden of SMEs, thereby assisting SMEs in improving their liquidity expeditiously; and

- (d) subject to FC's approval for the proposed measures, the Administration planned to launch the enhancement measures and receive applications in the first quarter of 2020.

101. Director-General of Trade and Industry ("DG/TID") added that with the increase of the cumulative funding ceiling for each enterprise from \$400,000 to \$800,000 under EMF, all applications would be processed within the performance pledge of 30 working days, provided that the applicant could submit all the required information at the time of application. As for the BUD Fund, the cumulative funding ceiling for each enterprise would be increased from \$2 million to \$4 million, and applications could be processed within the performance pledge of 60 working days provided that the applicants could provide complete information for their applications. Moreover, the ratio of initial payment under the BUD Fund would also be increased from the existing 25% to up to 75% of the approved government funding. The initial payment arrangement could alleviate the financial pressure faced by enterprises in embarking on a project.

102. Mr CHU Hoi-dick considered that the Government's support measures for SMEs could not meet the objective of "addressing the imminent needs of SMEs". As SMEs were facing liquidity difficulties or at the brink of closure, the provision of assistance for enterprises to explore markets outside Hong Kong would be of little avail. USCED responded that the Administration had consulted the sector in formulating various short, medium and long-term support measures with a view to meeting the needs of the sector.

Strengthening the provision of support measures for enterprises

103. Dr Priscilla LEUNG advised that according to the analyses of some foreign commentators, upon the signing of the Hong Kong Human Rights and Democracy Act by the US President, the economic competitiveness and the stability of business environment of Hong Kong would deteriorate. Pointing out that the Government's relief measures were only petty favours, she asked whether the Commerce and Economic Development Bureau had prepared for the onslaught that our economy was going to experience. She also asked whether the Government would draw reference from UK's experience in handling the riots in 2011 by offering "crunch time relief funds" to members of the public and shops affected by the months-long demonstrations, e.g. offering subsidies to shops at the brink of closure,

offering grants to shop operators who were deprived of funds to help them repair their embattled shop premises or employ security staff to safeguard the safety of customers. She also enquired whether the Administration would consider issuing consumer coupons or stimulus cheques to stimulate consumption.

104. Regarding the Hong Kong Human Rights and Democracy Act mentioned by Dr Priscilla LEUNG, Mr CHAN Chi-chuen considered that so far as the Hong Kong Special Administrative Region ("HKSAR") Government and the Beijing Government adopted measures to handle human rights issues properly and provided a good report on human rights situation, they might turn crises into opportunities. He asked whether the Administration had assessed the impact of the Act on local enterprises, the industries that would be worst hit under the prevailing economic situation, as well as the corresponding measures in place to assist the affected enterprises.

105. USCED responded that wrecked by China-US trade disputes and the recent social turmoil, Hong Kong's economy was experiencing significant downward pressure. It was estimated that SMEs in the tourism, catering and retailing industries would be hardest hit. As such, the Government had launched several rounds of measures to improve the business environment of SMEs and alleviate their liquidity pressure by removing various barriers, and had taken various proactive measures to assist enterprises to explore overseas markets and look for business opportunities. He was of the view that while the Hong Kong Human Rights and Democracy Act could not relieve social sentiments at all, the Administration would constantly examine the trade environment around the world, and review the adequacy of support for SMEs. While indicating that the Administration would examine the possibility of issuing consumer coupons by drawing reference from neighbouring economies, he also pointed out that the issuance of consumer coupons might not benefit local shop operators. The Administration would try to conduct various promotion and publicity campaigns together with various departments and organizations, such as the Hong Kong Tourism Board, with a view to attracting visitors and stimulating local spending to boost the economy.

106. Mr IP Kin-yuen asked whether the beneficiaries of support measures for SMEs included foreign enterprises. USCED responded that the beneficiaries included all locally registered enterprises.

Dedicated Fund on Branding, Upgrading and Domestic Sales*Geographical coverage*

107. Noting from Annex 2 to Enclosure 5 to FCR(2019-20)39 that after implementation of further enhancements, the geographical scope of the BUD Fund would cover the Mainland, the Association of Southeast Asian Nations ("ASEAN") and other economies which had signed FTAs with Hong Kong, now and in future, Mr CHAN Chi-chuen enquired whether the scope covered/would cover Taiwan; if not, the reasons for that.

108. USCED and DG/TID responded that the geographical scope of the BUD Fund covered the Mainland, ASEAN countries and 20 economies covered by the eight FTAs signed by Hong Kong (including the Mainland and Hong Kong Closer Economic Partnership Arrangement concluded by the Mainland and Hong Kong), but not Macao and Taiwan. Hong Kong had not signed FTA with Taiwan at present. The HKSAR Government was seeking to forge an FTA with the Pacific Alliance. With the launch of the Strategic Dialogue on Trade Partnership, Hong Kong and the UK were exploring the possibility of signing a bilateral FTA after Brexit. Moreover, to help Hong Kong enterprises fully capitalize on the business opportunities with our new FTA partners, the Administration further proposed extending the geographical coverage of the BUD Fund automatically to new FTA partners upon their signing of FTAs with Hong Kong in future.

Amount of injection

109. Ms Claudia MO was of the view that the series of relief measures implemented by the Government were better than none; however, as public money was the money of the Hong Kong people, such measures should benefit members of the public. As the BUD Fund had not been used up, she asked whether it was necessary for the Government to inject an additional \$2 billion to the Fund, and whether the injection could be re-allocated to offer other livelihood-related grants to the public. USCED responded that since the introduction of a series of enhancement measures to the BUD Fund in August 2018, the number of applications received and approved between the fourth quarter of 2018 and the third quarter of 2019 had increased respectively by 124% and 102% year-on-year. It was anticipated that subsequent to the launching of the new round of enhancement measures as proposed in the Government's paper, having regard to the recent situation, more SMEs would submit applications, and it was expected that the number of applications would surge. It was

therefore necessary to apply for new injections to address the imminent needs of SMEs.

Number of applications and success rate

110. Regarding the BUD Fund, Mr Alvin YEUNG requested the Administration to provide information on the numbers of applications received and approved since the launching of the enhancement measures, the average amount of grant awarded to and the average processing time for each successful application, as well as the reasons for rejecting applications; whether the change in the number of applications was relevant to FTAs, and if so, of the extent; and whether the Administration, in view of the size of the ASEAN market, had conducted/would conduct relevant promotion and publicity activities.

111. USCED responded that:

- (a) since the introduction of enhancement measures, the number of applications received and approved between the fourth quarter of 2018 and the third quarter of 2019 had increased respectively by 124% and 102% year-on-year;
- (b) from the fourth quarter of 2018 to the third quarter of 2019, a total of 1 803 applications were received. Among them, 747 applications were approved, and some applications were still being processed;
- (c) as at the third quarter of 2019, a total of 2 174 applications were approved, including the cumulative 1 900 to 2 000 applications approved under its Mainland Programme and 188 applications under the ASEAN Programme;
- (d) all applications were processed within the pledged time frame, i.e. applications could be preliminarily processed within 60 working days after the application deadline of each quarter provided that the applicants could provide complete information for their applications;
- (e) with the launching of more enhancement measures and the liberation of more FTA markets, more SMEs operating business in the markets concerned would be benefited. It was therefore anticipated that the number of applications would surge;

- (f) the Administration was conducting/would continue to conduct various promotion and publicity activities. For example, the Secretary for Commerce and Economic Development would, together with representatives from more than 50 enterprises, embark on a visit to ASEAN countries this week to promote Hong Kong's edge and assist enterprises in making use of their capital to explore markets and raise competitiveness; and
- (g) the reasons behind each unsuccessful application varied, such as incomplete documents. However, both the Secretariat of the BUD Fund and various SME centres would provide assistance to applicants to facilitate the effective submission of applications.

112. Mr Jimmy NG supported the relief measures implemented by the Government, but was concerned about the low success rate of applications under the BUD Fund. He pointed out that during the period from the fourth quarter of 2018 to the third quarter of 2019, the number of rejected and withdrawn applications under the ASEAN Programme and the Mainland Programme were 189 and 515 respectively, accounting for 36% and 40.3% of the total numbers of applications. As it was evident that many enterprises had failed in applying for funds, he enquired about the measures in place to assist these enterprises in successfully applying for funds more speedily.

113. USCED responded that:

- (a) the Government had engaged the Hong Kong Productivity Council ("HKPC") to provide secretariat support for the BUD Fund, and symposia had been organized for sharing of experience of successful and unsuccessful applicants;
- (b) the Government had consolidated the services of the existing four SME centres (Support and Consultation Centre for SMEs of the Trade and Industry Department ("TID"), the SME Centre of the Hong Kong Trade Development Council, HKPC's SME One and TecONE of the Hong Kong Science and Technology Parks Corporation) so that SMEs could obtain, at any service point, the necessary information on all funding schemes, including the application procedures and the way in which applications could be lodged more effectively; and

- (c) the Government had also extended its reach to enterprises by establishing a dedicated service team to arrange visits to local trade and industrial associations, aiming to raise the awareness of SMEs about the funding schemes.

The performance of the Hong Kong Productivity Council

114. Regarding HKPC's annual expenditure of about \$9 million on supervising and monitoring the work and support services to be provided by the dedicated team, Mr Martin LIAO asked whether the Administration would consider undertaking the work at its own costs, as the Audit Report published earlier had alleged HKPC as underperforming. DG/TID responded that HKPC had been operating the BUD Fund for the Government from the outset. Similar to the current funding arrangement, part of the administrative and promotion costs arising from the further enhanced measures, as well as other necessary expenses, would be funded by the BUD Fund while the remaining would be contributed by HKPC as the implementation partner. The Government would provide from the approved commitment of the BUD Fund about \$64.4 million annually to HKPC for covering staff and other operating costs of a dedicated team for programme management, administrative support and project monitoring. The Government would also disburse about \$19.1 million per annum to HKPC for various publicity and promotional activities and other implementation expenses. The Government would continue to ensure that the relevant administrative overheads would be reasonable and proportionate to the total approved project funding in the same year. In fact, the Audit Commission had examined the Government's cooperation with HKPC several years ago, and made a number of recommendations. The Government had implemented various improvement measures.

Questionnaire surveys

115. Referring to Enclosure 5 to FCR(2019-20)39, Mr Gary FAN asked the Administration how it would quantify the economic benefits brought to funded enterprises, and whether, apart from interviewing funded enterprises via questionnaire surveys, other more objective and substantive data could be provided for reference, such as the comments from and level of satisfaction of customers and consumers towards the services provided by the enterprises after they were awarded grants, the brand visibility, etc. He also asked whether the Administration would take the initiative to analyse and compare the pre- and post-funding financial statements of the enterprises, including changes in profits, sales volumes and cash flows, as well as whether the Administration could have access to the lists of customers of funded enterprises, so as to conduct the questionnaire surveys.

116. DG/TID responded that project completion surveys were conducted to directly interview the applicants as to whether the schemes were conducive to business development of the enterprises. The consultants would also visit the overseas markets concerned (such as the 10 ASEAN economies) to evaluate the effectiveness brought to enterprises, while substantial data and concrete analyses would also be provided as far as possible. However, if customers' commercial information or sensitive information was involved, such information must be handled prudently. She added that in vetting and approving applications, the Administration would also consider the annual reports and performance of the enterprises, but in order to ensure that start-ups could also be benefited from the Fund, the BUD Fund had earlier waived the requirement on enterprises' number of year of substantive business operations in Hong Kong, so that enterprises with less operating experience or start-ups were also eligible. She noted members' views and undertook to examine the feasibility of incorporating the views of the clients or business partners of grantees, as well as the changes in the performance of enterprises (except start-ups) into the scope of the surveys to be conducted in future.

Deployment of additional manpower

117. Noting from paragraph 31 of Enclosure 5 to FCR(2019-20)39 that the Administration would only seek additional manpower resources through the established mechanism when necessary, Mr Martin LIAO considered such practice too short-sighted, failing to learn from experience. He enquired about the Administration's estimation of the number of applications that would be received and the anticipated increase in workload. He also asked whether the existing staffing level was adequate in honouring its pledge on the processing time of applications so that assistance could be offered to enterprises to obtain financial support as soon as possible to explore overseas markets.

118. In response, DG/TID advised that according to the Administration's estimation, subsequent to the implementation of the proposed enhancement measures of the BUD Fund and EMF, the numbers of applications would be twice and less than twice the existing numbers of applications respectively. TID had been gradually redeploying its internal resources and increasing the implementation fees provided to HKPC so as to hire additional staff to cope with the increased workload. It was believed that the manpower was sufficient to honour the relevant performance pledge. The Administration would examine the need to seek additional manpower resources in the light of the actual implementation of the funding schemes.

119. The meeting was suspended at 5:29 pm and resumed at 5:40 pm.

SME Financing Guarantee Scheme – 90% Guarantee Product

Guarantee fee and annual interest rate of the loan

120. Regarding the proposed launching of the 90% guarantee product, Mr Jimmy NG gave the following views and raised the following questions:

- (a) given that the estimated guarantee fees to be collected from the 90% guarantee product would be around \$200 million in total while the Government's estimated maximum expenditure under the product would be around \$5.4 billion, whether the Government would take one step further by exempting SMEs from payment of guarantee fees, having regard to the prevailing difficulties experienced by SMEs in operating business; and
- (b) while the 90% guarantee product aimed to provide assistance to smaller-sized enterprises and businesses with relatively less operating experience, the maximum loan interest rate seemed to be set at a level that discriminated these enterprises, i.e. 8% per annum for enterprises with operating history of more than three years, and 10% for enterprises with operating history of three years or less. The product would not serve its purpose if SMEs were worried that they might not be able to afford the excessively high interest rate, rendering the product useless. He enquired about the justifications for setting different maximum loan interest rates for enterprises with different lengths of operating history.

121. USCED responded that following the launching of enhancement measures for the 80% guarantee product in 2018, the number of applications had increased considerably, and various SMEs had responded that the relevant measures were useful. As the Administration anticipated that the launching of the 90% guarantee product would benefit more SMEs, it was hoped that a proper balance could be struck between assisting SMEs and optimizing the utilization of public money. The Government would closely monitor the implementation of the 90% guarantee product, and listen to the feedback of beneficiaries prior to the conduct of a review, with a view to ensuring the prudent use of public money. Executive Director and Chief Executive Officer, The Hong Kong Mortgage Corporation Limited ("ED&CEO/HKMC") supplemented that the maximum loan interest rate of 10% as set out in Annex 1 to Enclosure 5 to FCR(2019-20)39 was the ceiling rather than the actual rate. Generally

speaking, banks would determine the annual interest rate by assessing the actual operation and credit history of individual enterprises, and in real terms, the average interest rate was about 4.9% per annum in respect of the 80% guarantee product being launched at present. Normally, save for circumstances featuring exceptionally high risks, banks would not set the annualized loan interest rate as high as 10%.

122. Mr YIU Si-wing pointed out that during the outbreak of the Severe Acute Respiratory Syndrome ("SARS") in 2003, the Loan Guarantee Scheme for SARS Impacted Industries was immediately rolled out to provide 100% guarantee for loans offered by lending institutions to impacted industries (including the tourism industry). Given that the tourism industry experienced liquidity problems amid the recent business slump, he enquired about the reasons why the Administration had launched a 90% guarantee product, instead of providing 100% guarantee; whether the Government would consider implementing afresh a 100% guarantee product in the coming Budget so that SMEs might obtain loans at a lower annualized interest rate; and whether the Administration had drawn up a back-up plan in case the aggregate loan guarantee commitment exceeded \$33 billion, so that SMEs might continue to obtain loans when necessary.

123. In response, USCED noted with thanks the views that Mr YIU had been giving the Bureau all along. He further said that the 90% loan guarantee product under the SFGS aimed to tide enterprises over potential financing difficulties amid the economic downturn, and further help share the default risks of banks which would be given more room to offer better loan terms for SMEs. He believed that with the launching of the new product, both banks and lending institutions would, as appropriate, offer products with more favourable terms to the benefit of more enterprises. As in the past, the Administration would continue to monitor the implementation of the schemes and consider launching more enhancements and adjustment, having regard to the number of applications and actual situation, in order to strike a proper balance between assisting SMEs and optimizing the utilization of public money.

Timeline for launching the new product

124. Mr Jeffrey LAM said that the Government's provision of a 90% loan guarantee product to assist micro-enterprises and start-ups with liquidity problems to raise capital was of paramount importance to the industry. He urged FC to approve the relevant funding proposals expeditiously. He enquired about the expected time when the new product could be put on the market, and whether the relevant departments

had discussed with banks their mutual coordination for early launch of new products to assist enterprises to tide over the present crisis.

125. ED&CEO/HKMC responded that appreciating the pressing financial needs of enterprises, HKMC had endeavoured to discuss and cooperate with banks to proceed with the preparatory work since the announcement of the new measures by FS. However, the finalized terms and conditions could only be implemented after obtaining FC's funding approval, followed by the drafting of legal documents for signing by relevant parties, provision of training for frontline staff, printing of publicity pamphlets, etc. In case FC's funding approval was granted today, it was anticipated that the new product could be launched in the coming month.

Default rate and arrears recovery mechanism

126. Mr Jeremy TAM asked whether there were default records under the existing 80% loan guarantee product; if so, whether the default situation was serious and whether the trend was for the better or for the worse. He also enquired about the estimated default rate of the proposed 90% loan guarantee product, as well as the arrears recovery mechanism that would be put in place, such as whether a repayment deadline would be set or civil proceedings would be instituted to recover the default payments, etc.

127. USCED and ED&CEO/HKMC responded that:

- (a) when the 80% guarantee product was designed in 2012, the then estimated default rate was about 12%, while the cumulative default rate since 2012 was about 3.9% in real terms. With a rather long repayment period, the actual default rate could only be truly reflected after a period of time. Given that the cumulative default rate had been lower than the 2012-estimated rate of 12%, it was considered that there was still room to continue launching the relevant products and extending the application period to 2022;
- (b) as the new product targeted at start-ups and businesses with relatively less operating experience, and banks seldom offered loans to these enterprises, the 90% loan guarantee product was therefore launched to benefit those enterprises with genuine needs and a reasonable business prospect;
- (c) the HKMC Insurance Limited ("HKMCI") would be responsible for administering the 90% loan guarantee product.

The Government would sign an agreement with HKMCI which would set out clearly the rights and obligations of the two parties in connection with the operation of the 90% guarantee product;

- (d) lending institutions participating in the scheme had to abide by the terms and conditions as set out in the "Deed for the SME Financing Guarantee Scheme" entered into between the institutions and HKMCI, which was a legally binding document setting out the rights and obligations of the lending institutions participating in SFGS;
- (e) personal guarantee would need to be provided by individual shareholder(s) who directly or indirectly held more than 50% of the equity interest of the enterprise; and
- (f) banks would take recovery actions through generally available commercial means, such as instituting legal proceedings and petitioning for bankruptcy, so as to minimize possible loss on the part of the Government.

Love Upgrading Special Scheme

128. Pointing out that many employees in the catering and retail industries were worried that they would be underemployed or even unemployed, Mr Holden CHOW asked whether the Government would provide subsidies or cash incentives for SMEs which sought to retain staff or re-employ dismissed staff; and whether it would consider assisting employees in joining other persistently understaffed industries (such as child care services) through the provision of training. USCED and PS(Tsy) responded that overall speaking, the Government would adopt a multi-faceted approach to support all impacted industries and to assist the underemployed and unemployed, in order to achieve the objective of "supporting enterprises and safeguarding jobs". The Government entrusted the Employees Retraining Board ("ERB") to roll out the Love Upgrading Special Scheme in October 2019 to help the upgrading of skills and the self-enhancement of those persons who became unemployed or underemployed recently, with a view to assisting them in re-entering the employment market as early as possible. The Scheme provided participants with free integrated training courses of two to three months. Trainees were also eligible for special allowances which were capped at \$4,000 per month per person.

129. At Mr Holden CHOW's request, PS(Tsy) undertook to provide, after the meeting, information on the Love Upgrading Special Scheme since October 2019, setting out the total number of trainees enrolled in various courses, as well as the courses which attracted the largest number of applicants.

[*Post-meeting note:* The supplementary information provided by the Administration was issued to members vide LC Paper No. FC41/19-20(01) on 6 December 2019.]

Other views

Cash handouts to all people in Hong Kong

130. Mr Andrew WAN urged the Government to consider the earlier proposal advocated by the Democratic Party to "give cash handouts to all people in Hong Kong" to relieve people's hardship. Mr CHAN Chi-chuen considered that the series of relief measures implemented by the Government were like rain after a long drought, but still inadequate. To stimulate consumption and rescue the local retail industry, the best way was to "give cash handouts" to members of the public directly to enhance the consumption desire of the public. Mr LEUNG Yiu-chung and Mr KWONG Chun-yu also considered that the Government should consider "giving cash handouts to all people in Hong Kong", so as to benefit every member of the public indiscriminately. SFST responded that "cash handouts" could not solve political problems, and the series of measures launched on this occasion aimed to reduce the economic burden of the public. To assist the community in tiding over the difficult times, the Government would implement additional relief measures when there was a need to do so.

Providing support for the financial services sector

131. Expressing full support for the relief measures implemented by the Government, Mr Christopher CHEUNG was of the view that "cash handouts" could only ease the pain in short term. To genuinely lift the public out of the predicaments, the Government must seek to restore social order. He said that the investment desire of investors was dampened amid the disturbances arising from the opposition to the proposed legislative amendments, resulting in a shrinking stock market. The three rounds of relief measures could only offer limited help to the financial services sector. He enquired about the plans in place to assist the financial services sector during the difficult times; if there were such plans, of the implementation timetable. He hoped that the Administration could

proactively consider the views of the sector by examining the possibility of waiving the registration fees of small and medium securities dealers for the coming year, and using technology to streamline the tendering process and upgrade the transaction system. In response, SFST said that the Administration noted members' concerns and views, and would endeavour to assist all sectors and trades to tide over the difficulties. He undertook to take Mr CHEUNG's suggestions into account when studying the provision of support for various industries in future, but no concrete timetable was available for the time being.

Fuel subsidy

132. Mr LUK Chung-hung considered that the Government's incompetent response and volatility in its decision-making processes during the outbreak of the disturbances arising from the opposition to the proposed legislative amendments, together with the hype and violence of the opposition camp, had already hit Hong Kong badly. The Hong Kong Human Rights and Democracy Act signed by the US President had added more uncertainties to Hong Kong's economy, and the unemployment rate was expected to go beyond 5%. As such, the practice of "dishing out sweeteners" was only patchy fixes. The Government must formulate more forward-looking measures. Advising that some taxi drivers had relayed to him that their business had dropped significantly recently, he asked the Administration whether plans were in place to roll out measures that might lower gas and oil prices; if so, of the implementation timetable. PS(Tsy) responded that under the third round of relief measures announced by FS in end-October 2019, a six-month fuel subsidy would be provided to commercial vehicles in the transport trades. The Transport and Housing Bureau was busily undertaking relevant preparatory work, and according to relevant procedures, the Bureau would consult relevant Panel(s) on the relevant proposals prior to seeking FC's funding approval.

Providing support for the construction sector and the industrial and commercial sector

133. Supporting the relief measures implemented by the Government, Mr Tony TSE was of the view the China-US trade war and the almost six-months-long protest activities had impacted greatly Hong Kong's economy, people's livelihood and urban infrastructure. Many innocent and law-abiding citizens and shop operators were victimized in such activities. While understanding that it was reasonable for FC to accord priority to more urgent items, he hoped that the Government could more comprehensively consider the entire situation when it proposed to change the order of discussion items on the agenda of FC meetings by retaining

some works projects on the agenda, so that employees in the construction sector would not suffer from persistent underemployment as a result of a delay in commencing works projects, and their livelihood would not be affected.

134. Ir Dr LO Wai-ki said that the Business and Professionals Alliance for Hong Kong supported the measures implemented by the Government. He pointed out that the Gross Domestic Product of Hong Kong for the third quarter contracted 2.9% over a year earlier, which was evident that the Hong Kong economy had already slipped into a technical recession. The unemployment rate had risen to 3.1% recently, with the rate of the worst-hit consumption- and tourism-related segment climbing to 5%, and that of the food and beverage service activities sector surging to 6.1%. However, he was of the view that the response of the Government was rather slow, and the coverage of various relief measures should have been expanded much earlier. He asked whether the Administration would consider lowering the level of rates, expanding the grant of electricity charges subsidy to industrial and commercial undertakings, extending the scope of transport subsidy, etc., apart from granting rent waivers to existing tenants of temporary land allocated for use as cement plants and asphalt plants.

135. SFST responded that the Administration noted with particular concerns the economic turmoil experienced by Hong Kong and the unemployment situation, and it had been engaging in dialogue with various sectors all along. Besides the three rounds of measures earlier announced by FS, it was examining the implementation of the fourth round of measures, and actively consulting various sectors on the next Budget. In fact, FS announced in the 2019-2020 Budget rates concession for the four quarters from April 2019 to March 2020. The Administration would continue to conduct reviews with a view to rolling out more measures that would bring benefits to the public, the construction sector, the commercial and industrial sector, as well as boosting the economy and easing people's burden.

Utilizing financial reserves

136. Dr CHIANG Lai-wan said that she gave in-principle support for various relief measures implemented by the Government. As the Hong Kong economy had slipped into winter, the most pressing issue was to solve livelihood problems. It was not the prime time to waste public money to construct grand and magnificent teaching buildings. She urged the Administration to, in the coming financial year, set aside a sum of at least 2% from the reserves of more than \$4,000 billion to implement more

relief measures, thereby achieving the objective of "getting prepared for a rainy day".

137. SFST clarified that according to the Hong Kong Monetary Authority, the total foreign currency reserve assets (not yet less liabilities) were around US\$400 billion, while our current fiscal reserves stood at about \$1,100 billion. It was estimated that the Budget would be in the red in this financial year.

Travel Agents Incentive Scheme

138. Mr YIU Si-wing said that under the Travel Agents Incentive Scheme, travel agents would get \$120 for each inbound overnight visitor, and would be provided \$100 for every outbound traveller. However, given the bleak business situation, travel agents could not receive the grants with no visitors signing up for tour groups at all. Moreover, in comparison with some private charity foundations (such as the Li Ka Shing Foundation) which allowed applicants to make online applications with immediate vetting and approval, the application procedures of the scheme were rather complicated. He asked whether the Administration would simplify the application procedures by providing more flexibility in benefiting the tourism industry. In response, USCED said that he understood and noted members' views. He also undertook that the views would be conveyed to relevant departments so that the industry could lodge applications more effectively and easily.

139. The Chairman said that given that there were a number of members on the wait-to-speak list, he decided that he would invite members on the wait-to-speak list to raise questions at the next meeting, and that FC would deal with motions proposed by members under FCP 37A at the next meeting.

140. The meeting ended at 7:01 pm.