

立法會
Legislative Council

LC Paper No. FC218/19-20
(These minutes have been
seen by the Administration)

Ref : FC/4/1

Finance Committee of the Legislative Council

Minutes of the 14th meeting
held at Conference Room 1 of the Legislative Council Complex
on Thursday, 27 February 2020, at 11:00 am

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 Tommy CHEUNG Yu-yan, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, 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 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 Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, BBS, JP
Hon LEUNG Che-cheung, SBS, MH, JP

Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP
Hon Dennis KWOK Wing-hang
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
Ir Dr Hon LO Wai-kiwok, SBS, MH, JP
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, BBS, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan, JP
Dr Hon Pierre CHAN
Hon CHEUNG Kwok-kwan, JP
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 CHAN Hoi-yan

Members absent:

Hon Abraham SHEK Lai-him, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Mrs Regina IP LAU Suk-yeet, GBS, JP
Dr Hon CHIANG Lai-wan, SBS, JP

Hon CHUNG Kwok-pan
Hon SHIU Ka-chun
Hon Tanya CHAN
Hon HUI Chi-fung
Hon Vincent CHENG Wing-shun, MH, JP
Hon Tony TSE Wai-chuen, BBS

Public officers attending:

Mr Paul CHAN, GMB, GBS, MH, JP	Financial Secretary
Mr James LAU, JP	Secretary for Financial Services and the Treasury
Ms Alice LAU, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Mr Andrew AU, JP	Government Economist
Mr Raistlin LAU, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Mike CHENG Wai-man	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Andrew LAI, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 2
Mr Howard LEE	Deputy Secretary for Financial Services and the Treasury (Treasury) 3
Dr Edward CHENG	Principal Assistant Secretary for Financial Services and the Treasury (Treasury) (H)
Mr Willy TSOI	Administrative Assistant to Financial Secretary
Miss Crystal YIP	Administrative Assistant to Secretary for Financial Services and the Treasury

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
--------------	-------------------------------

Staff in attendance:

Miss Bowie LAM	Council Secretary (1) 1
----------------	-------------------------

Mr Frankie WOO
Miss Mandy POON

Senior Legislative Assistant (1)3
Legislative Assistant (1)1

Action

Item 1 — Briefing by the Financial Secretary and the Secretary for Financial Services and the Treasury on the 2020-2021 Budget

Opening remarks by the Financial Secretary

At the invitation of the Chairman, the Financial Secretary ("FS") briefed members on the 2020-2021 Budget.

2. FS said that the global economic environment was complex and volatile last year. In the face of a continuously unstable external environment, the economic momentum of Hong Kong began to weaken since the first half of last year. The subsequent social incidents and violent conflicts had dealt a severe blow to the already weakening economy. Starting from January 2020, industries that had already been hard hit by the social unrest suffered from a more serious setback after the outbreak of the novel coronavirus epidemic. As a result, the local economy was facing a triple whammy. In order to ride out the present difficulties with the community and the business sector, an expansionary fiscal stance was adopted in the Budget, while fiscal reserves were put to good use through the introduction of counter-cyclical measures amounting to over \$120 billion to "support enterprises, safeguard jobs, stimulate the economy and relieve people's burden".

3. FS highlighted the salient points of the Budget and the relevant initiatives as follows:

- (a) with regard to supporting enterprises, a concessionary low-interest loan with 100% Government guarantee would be introduced to help affected small and medium enterprises ("SMEs") tide over their liquidity problems;
- (b) most of the four rounds of relief measures introduced between August to December 2019 would be extended, which included providing electricity subsidies to non-residential account holders and waiving water and sewage charges for non-domestic households;

- (c) for individual members of the public, various measures would be introduced to relieve their financial burden, including the provision of tax concessions, payment of an extra one-month allowance to social security recipients, payment of one month's rent for lower income tenants living in public rental housing units;
- (d) in the face of the economic downturn, the Government, after careful consideration, would disburse \$10,000 in cash to Hong Kong permanent residents aged 18 or above, with a view to encouraging consumption, boosting local economy and reducing people's financial pressure to a certain extent;
- (e) at present, the top priorities of the Government were to control the epidemic and stabilize the economy. He thanked the Legislative Council ("LegCo") for approving the establishment of the \$30 billion Anti-epidemic Fund a week ago, so that the Government could expeditiously provide assistance to industries and people in the eye of the storm;
- (f) sufficient resources would be allocated to enhance the capability of the healthcare system in preventing and treating infectious diseases, step up healthcare manpower training and improve their remuneration packages, as well as strengthen scientific research on infectious disease prevention and control, pathology and medication;
- (g) in terms of developing a diversified economy, the Government would continue to consolidate and strengthen the traditional industries with competitive edges, while actively developing emerging industries, broadening the foundation of the economy and providing diversified employment opportunities for young people; and
- (h) additional resources would be provided for environmental protection, smart city development, arts, cultural and sports development, city development, etc., in order to improve people's general quality of life.

4. FS also advised that the discussion about public finances in the Budget had aroused public concern over the matter. The current level of fiscal reserves, which stood at some \$1,100 billion, had enabled the Government to introduce necessary counter-cyclical measures in 2020-2021 to support the economy and maintain stability in employment.

Nonetheless, fiscal reserves were not unlimited. In order to ensure the stability of public finances, the Government would be more mindful of its long-term affordability when considering future increase in spending, which should also be commensurate with the increase in revenue. In the coming years, government expenditure would enter a consolidation period. The Government would focus on the optimal use of resources to implement the committed initiatives in an orderly and effective manner so as to benefit the community. The Government would also maintain the growth and vibrancy of the economy and identify new areas of economic growth, with a view to increasing revenue, promoting social development, and coping with the challenges arising from an ageing population.

Briefing by the Secretary for Financial Services and the Treasury

5. The Secretary for Financial Services and the Treasury ("SFST") briefed members on the following in relation to the Budget:

- (a) economic indicators between 2018 and 2020, including the 2020 forecast of Gross Domestic Product ("GDP") real growth, GDP nominal growth and changes in the underlying Composite Consumer Price Index;
- (b) financial implications of the major initiatives in the Policy Address, four rounds of relief measures and Budget measures;
- (c) 2019-2020 revised estimate, including revenue and expenditure, consolidated deficit and the latest forecast balance of fiscal reserves;
- (d) 2020-2021 estimate, including revenue and expenditure, consolidated deficit and balance of the Accounts of the Government;
- (e) growth trend of the Government's overall expenditure and nominal GDP since 2015-2016;
- (f) 2020-2021 government revenue and estimates of recurrent expenditure of policy area groups;
- (g) changes in fiscal reserves since 1997-1998, including budget deficit forecasts in the coming few years, and a comparison of those with the consolidated deficits during the outbreak of Severe Acute Respiratory Syndrome;

- (h) medium range forecast from 2020-2021 to 2024-2025, including operating deficit, capital surplus, balance of the consolidated account and balance of fiscal reserves; and
- (i) given the requirement under Article 107 of the Basic Law that the Government should keep the budget commensurate with the growth rate of its GDP, the Government might need to consider seeking new revenue sources, while one-off relief measures in the future might also have to be progressively reduced.

[*Post-meeting note:* The presentation materials tabled by the Government at the meeting (LC Paper No. FC106/19-20) had been uploaded to the LegCo website.]

Relief measures

6. Members in general welcomed the Government's measure of disbursing \$10,000 to Hong Kong permanent residents aged 18 or above. Mr CHAN Chi-chuen said that many years ago, the People's Power had already called on the Government to provide direct cash payouts to all people in Hong Kong. Mr CHAN, Ms Claudia MO, Mr KWONG Chun-yu and Mr CHU Hoi-dick asked whether the Administration would consider singling out the measure of providing a cash payout of \$10,000 to the eligible members of the public from the Budget, so that the relevant funding proposal could be submitted to the Finance Committee ("FC") immediately, without having to wait for LegCo's approval of the Budget. Ms MO and Mr CHU were dissatisfied that the Administration had not included cash payout as one of the measures under the Anti-epidemic Fund. Mr CHU asked whether FS had the power to single out the measure of cash payout from the Budget so as to seek FC's early approval for the relevant funding proposal.

7. Mr KWOK Wai-keung, Mr LAU Kwok-fan, Ms Elizabeth QUAT, Ms Alice MAK and Mr LEUNG Yiu-chung said that given the economic downturn and outbreak of the novel coronavirus epidemic, employees in various trades and industries were facing financial difficulties due to underemployment or unemployment. They called on the Administration to streamline the administrative procedures as far as possible and provide flexibility in the process of cash disbursement, such as sending out cheques to the recipients instead of payment by bank transfer, so that members of the public could receive the needy cash as early as possible. They also enquired about the earliest possible time for the cash disbursement.

Mr LUK Chung-hung suggested that the Government should make early preparation for the initiative and consider making the cash disbursement via electronic platforms, which was similar to the use of applications to streamline the procedures of disbursing the subsidy of \$1,500 to workers in the construction industry under the Anti-epidemic Fund. Mr KWOK Wai-keung expressed similar views.

8. Mr CHAN Chun-ying said that the banking industry would, as always, endeavour to facilitate the early implementation of the Government's measure of providing the cash payout by pitching in extra effort regardless of the costs required. He enquired whether the Administration would consider allowing registration for the cash disbursement by phases, such that, for example, the elderly would be given priority, as well as making available more collection points (such as convenient stores and supermarkets) to facilitate the submission of application forms by members of the public, particularly the elderly. Mr HO Kai-ming and Mr KWOK Wai-keung suggested that the Administration should conduct advanced registration for certain eligible persons, including the recipients of Old Age Allowance, Old Age Living Allowance or employment subsidies, so that they could receive the cash disbursement of \$10,000 immediately upon completion of other administrative procedures.

9. Mr WU Chi-wai suggested that the Government should consider giving the cash payout to Hong Kong permanent residents aged below 18, together with the approved student grant of \$3,500 for the current school year. Mr HO Kai-ming, Ms Elizabeth QUAT and Ms Alice MAK asked whether the Government would consider providing non-Hong Kong permanent residents with the \$10,000 cash disbursement, so as to benefit more people; if not, what other support measures would be implemented.

10. Ms Elizabeth QUAT said that the China-United States trade war, violent activities in relation to the incident of opposition to the proposed legislative amendments and outbreak of the novel coronavirus epidemic had dealt severe blows to the already weakened economy of Hong Kong, and members of the public were in dire need of assistance. She considered that many downstream industries and their employees in the eye of the storm, such as the laundry trade, dish washers, the beauty industry, the nanny van trade, the tour coach industry, etc., had yet to receive sufficient support. Likewise, families with students had yet to receive sufficient support. She called on the Administration to consider providing additional support to those trades/industries and families. She enquired about the reasons for including Hong Kong permanent residents aged 18 or above who had emigrated to other places under the cash payout scheme,

and whether any mechanism was in place to determine if Hong Kong permanent residents who had emigrated to other places would also be eligible for future assistance to be provided by the Administration.

11. Mr KWOK Wai-keung called on members to expeditiously approve the Budget, including the proposal to introduce a concessionary low-interest loan under the SME Financing Guarantee Scheme ("SFGS"), so that such loans could be made available to SMEs as early as possible to prevent their closures. Mr LEUNG Yiu-chung asked whether the Administration would consider singling out the proposal relating to the concessionary low-interest loan under SFGS from the Budget for early submission to FC for approval, so that SMEs could secure the loans in a timely manner. Mr SHIU Ka-fai thanked FS for introducing the concessionary low-interest loan under SFGS with 100% loan guarantee provided by the Government as it could help alleviate the burden of enterprises in paying rents and employee wages. Moreover, the maximum repayment period of three years would enable enterprises to tide over their liquidity problems. He also suggested that the Government should provide employees in the affected industries who were on no pay leaves with three months of wage allowance, and pay an amount equivalent to six months of their Mandatory Provident Fund contributions to the employers and employees.

12. Mr Charles Peter MOK pointed out that some members of the public were dissatisfied with the performance of the Hong Kong Police Force ("HKPF"), while according to the findings of some online surveys, more than 40% of the people expressed dissatisfaction with the Budget. He considered that the recurrent expenditure of \$25.8 billion for the Police as proposed in the Budget should be disbursed to eligible members of the public, with each person receiving \$3,000, so that the amount of cash they received could be increased to \$13,000. He also asked whether the Government would offer direct assistance to some industries (such as the catering and retail industries) by handing out electronic consumption vouchers to members of the public for boosting consumption.

13. In response to the above concerns and suggestions of members, FS advised that:

- (a) the cash payout scheme involved a lot of administrative preparation work, particularly given the need to complement with the banks' computer systems. The Government was now striving to commence registration for the cash payout scheme in early July this year and start cash disbursement from August. As such administrative

preparation work could not be expedited by singling out the cash payout scheme from the Budget for submission and approval by FC, the Government would not consider the relevant proposal;

- (b) given Members' general agreement with the cash disbursement measure, the staff of various related departments (including the Treasury, the Office of the Government Chief Information Officer, the Immigration Department and the Hongkong Post), as well as the Hong Kong Monetary Authority ("HKMA") were working at full steam on the preparation work. The Financial Secretary's Office had also deployed dedicated staff to coordinate and take forward various issues relating to system interface between the banks and the Government. As the cash payout scheme involved the personal data of about seven million people, the Administration must work carefully to ensure the robustness and security of the computer systems against attacks from hackers. As the policy objective of the current scheme was different from that of the Caring and Sharing Scheme, the registration procedures would be simplified considerably given the much simpler eligibility requirements;
- (c) a total of four months was available from now until the summer holidays this year. The Administration would proceed at full steam and work with the banks and other related departments to develop two computer systems for registration and payment procedures respectively. Upon completion of system interface, the Government must also spend time on testing. Given the large number of recipients involved, the Government must work with utmost care. The Government was aware of the people's and LegCo's aspirations and would strive to compress the lead time between registration and cash disbursement;
- (d) the Administration would examine whether alternative means could be used to disburse the cash payout to the recipients of various allowances or subsidies, and whether registration could be made through electronic platforms;
- (e) the main policy objectives of the cash payout scheme were to encourage consumption and boost the economy. Given the time required to develop the computer systems and

ensure proper interface, the cash disbursement process could not be expedited even if the scheme was subsumed under the Anti-epidemic Fund. Moreover, as the cash payout scheme should work in tandem with other measures introduced in the Budget, the Government considered it more appropriate to include the same in the Budget;

- (f) given that quite a large number of Hong Kong permanent residents aged below 18 were students, while the Administration's decision in August last year to disburse a student grant of \$2,500 for this school year and the subsequent disbursement of an additional student grant of \$1,000 under the Anti-epidemic Fund had already benefitted about 900 000 students, the Government considered that the initiatives concerned had already taken care of the needs of students;
- (g) if the \$10,000 cash payout was also provided to non-Hong Kong permanent residents, people like foreign domestic helpers, foreign students and foreigners on temporary employment in Hong Kong would be covered under the scheme, which might not be acceptable to some members of the public. If the cash payout was only provided to certain groups of people among those non-Hong Kong permanent residents, such a decision might be subject to legal challenges. Considering the above, the eligibility requirements under the current proposal were sound and would ensure early implementation of the scheme. As for people who had yet to be issued with a Hong Kong Permanent Identity Card, the Government had already suggested to the Community Care Fund ("CCF") that proactive consideration be given to providing assistance to those in need;
- (h) HKMA had already initiated communication with the banks for preparation work regarding the concessionary low-interest loan under SFGS. Also, as pointed out in the relevant press release, the scheme would be rolled out within one month after obtaining LegCo's approval. Thus, it was not necessary to single out the scheme from the Budget to expedite implementation;
- (i) the cash payout scheme was totally unrelated to the resources allocated to HKPF. The Government would

give no consideration to disbursing the annual provisions for HKPF as proposed in the Budget to members of the public; and

- (j) the Government had considered the suggestion of handing out electronic consumption vouchers. But the issuance of consumption vouchers or electronic consumption vouchers would involve more complicated administrative procedures and hence longer lead time when compared with the option of cash disbursement. Taking into account factors including the current epidemic situation and economic downturn, as well as the tremendous pressure on the grass roots, the Government considered it more appropriate to provide members of the public with a cash payout for their use as they thought fit.

14. Permanent Secretary for Financial Services and the Treasury (Treasury) ("PS(Tsy)") supplemented that:

- (a) the Administration would take into account members' views on providing flexibility in the cash disbursement process, so that the payouts could be disbursed expeditiously and conveniently. The Administration would also step up promotion and publicity, so as to give members of the public a good understanding of the registration arrangements;
- (b) regarding the suggestion of providing more collection points for the registration forms, the Administration must carefully consider the security risks involved as the completed registration forms contained personal data of members of the public;
- (c) the cash payout scheme was designed to be simple and convenient with clear-cut and straightforward eligibility requirements. There was no mechanism in place for the Government to ascertain whether a Hong Kong permanent resident had established a permanent home in Hong Kong or had emigrated to other places. Also, the background and circumstances of those who had established a permanent home in other places could vary. To ensure a simple and convenient disbursement process, the cash payout scheme would not distinguish whether the registered Hong Kong permanent residents had established a

permanent home in Hong Kong or not; and

- (d) the Government had not "bundled together", or so to speak, the annual provisions for HKPF and the cash payout scheme. The annual Appropriation Bill presented by the Government according to the Public Finance Ordinance (Cap. 2) ("PFO") would cover the Government's proposed resources requirements in the new financial year under 84 different heads of expenditure for seeking LegCo's approval as a package. The resources requirements stated in the Appropriation Bill covered those of all government departments, and HKPF was no exception. According to section 6 of PFO, the heads contained in the estimates of expenditure for a financial year should be included in an Appropriation Bill. HKPF, being an existing head of expenditure, must be included in the Appropriation Bill and could not be singled out therefrom.

15. Mr Michael TIEN said that in the past when no special incident happened in society and the public coffers had adequate reserves, the Roundtable was opposed to any cash disbursement measure and would instead encourage the Government to invest for the future. Given the impact of social movements on Hong Kong since the middle of last year and the outbreak of the novel coronavirus epidemic, he had suggested that a cash payout of \$10,000 be given to eligible members of the public. While he welcomed FS' acceptance of this suggestion of his, FS had not taken on board another suggestion he made about lifting the ceiling on the amount of tax reduction from \$20,000 to \$35,000. He suggested that in order to help various trades and industries tide over the difficult times, the Administration should consider encouraging property owners of commercial premises to offer a 50% rental reduction to the tenants by providing them with a triple profit tax credit to offset the amount of reduced rental income.

16. FS said that while he had considered Mr Michael TIEN's suggestion of providing tax credit to encourage rental reduction by property owners of commercial premises, he was worried that such a measure might be subject to abuse. He would carefully consider the feasibility of the said measure and inform Mr TIEN of the outcome accordingly.

17. Mr CHAN Chun-ying said that the concessionary low-interest loan under SFGS could help alleviate the burden of SMEs in respect of salary payment to employees and rental payment. Several major banks had, on their own initiative, offered small amount personal loans to assist

underemployed workers in the affected industries who managed to keep their jobs. He called on the Government to consider introducing low-interest personal loans with 80% to 100% guarantee provided by the Government to support those underemployed workers. In this connection, the banks could assist in vetting the applications to reduce the risk of moral hazard.

Expenditure vote for the Hong Kong Police Force

18. Mr CHAN Chi-chuen and Ms Claudia MO expressed dissatisfaction that the Administration had bundled together the relief measure of providing a \$10,000 cash payout for each eligible member of the public and the expenditure vote of \$25.8 billion for the Police in the Budget. Mr CHAN opined that members of the public with cash at hand could further support the opposition movement, and he did not support the use of resources to fund the acquisition of equipment by the Police. Ms MO, Mr KWONG Chun-yu, Mr Charles Peter MOK and Mr LAM Cheuk-ting enquired about the reasons for the substantial increase in the Police's equipment, manpower, as well as salaries and allowances. Mr CHU Hoi-dick said that in this year's draft estimates, the expenditure vote for the Police had increased by 25% when compared with last year's, while the number of police officers would increase by 2 500-odd, which made up 40% of the 6 000-odd newly recruited civil servants. This was a very important decision, and he was dissatisfied that FS had not explained the reasons to members. Mr LAM Cheuk-ting asked whether the Government was aware of the serious problems associated with the power abuse, abusive use of violence and indiscriminate prosecution by the Police over the past six months or so.

19. Mr Jeremy TAM held that the expenditure vote of \$25.8 billion for the Police as proposed in the draft estimates was way too much, pointing out that the sum even exceeded the national military expenditure of some countries, such as Libya. He asked how the proposed expenditure vote for the Police compared with those of other neighbouring cities such as Singapore. Dr CHENG Chung-tai considered that the Budget served to "support police brutality and safeguard the political regime". The Government had failed miserably, both politically and in terms of protecting people's livelihood, when it was hell bent to pass the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 or when it stubbornly refused to impose a full border closure amidst the raging novel coronavirus epidemic. He was skeptical about the underlying reasons for the \$10,000 cash payout proposed by the Government. He also pointed out that in the past, the Administration had sought FC's funding approval for the acquisition of

equipment by the Police as standalone agenda items, which was different from the current practice of lumping the relevant proposals into the draft estimates.

20. Mr LUK Chung-hung criticized some members' remarks about the cash payout being made for the people to support the opposition movement. Considering that the economy was now stuck in a severe downturn, he called on different sectors in the community to fight the virus together. Ms Elizabeth QUAT said that some members had not only refused to condemn the acts of violence, but they even opposed the Budget purportedly because of the budget proposals to increase the Police's provisions for equipment and allowances, which was most ridiculous indeed. Ms Alice MAK and Mr KWOK Wai-keung considered that it was inappropriate to suggest that the cash payout scheme should be singled out from the Budget for separate handling by FC as the purpose of doing so was to target the Police and delay the approval of the Budget. Mr KWOK also held that such a move would disrupt the practice of FC. He was also of the view that nobody should smear the Police Force or ignore their efforts because the public had a need for police services. Mr Steven HO considered that had it not been the occurrence of social incidents and violent conflicts, the Police would hardly need to upgrade their equipment, recruit additional manpower or engage in overtime ("OT") work.

21. In response to the above concerns and suggestions of members, FS advised that:

- (a) regarding the Police's requests for resource provision to meet its operational needs, the Government had examined the same in accordance with the established mechanism, and the outcome was reflected in the expenditure proposals in the Budget. As regards the details of resource allocation for individual policy areas, members could follow up and raise questions in the context of the special FC meetings, where members could also direct their questions on the Police's expenditure to senior officers of the Security Bureau and HKPF, so that the latter could explain and respond in detail;
- (b) the cash payout scheme, with its policy objectives of encouraging consumption and boosting the economy, was totally unrelated to the resources provided to the Police;
- (c) as a result of the social incidents and violent conflicts which took place last year, there was a need for the Police

to work extra shifts and OT. OT allowances were paid to police officers under the delegated authority of LegCo according to their operational needs and actual number of OT hours worked. It was clear from last year's violent conflicts how the Police stood in terms of its manpower and equipment. Having summed up the experience, the Police was of the view that extra equipment and manpower were required. The Government, having examined the Police's needs, accepted its requests;

- (d) the draft estimates had already set out in detail the expenditure associated with the replacement of police equipment, and it was not necessary to seek FC's approval with a separate discussion paper; and
- (e) if members were aware of any misconduct on the part of individual police officers, they could lodge complaints with the Independent Police Complaints Council for follow-up, instead of attacking the Police on the basis of individual incidents in a over-generalized manner.

Public finance

22. Mr Kenneth LEUNG said that having perused the Budget, professional bodies and economics scholars were concerned about the robustness of Hong Kong's economy. As mentioned in paragraph 176 of the Budget speech, the Government's annual recurrent expenditure had increased sharply since the handover. According to the analysis he conducted in this regard, the Government's recurrent expenditure was growing at about 8% annually, while the annual increase in GDP had not followed suit. In terms of medium range forecast from 2019-2020 to 2023-2024, the growth rate of the Government's recurrent expenditure would drop from about 9.8% to 10% initially to about 5% three years later, which was similar to the growth rate of local GDP. Given Hong Kong's ageing population on the one hand, and on the other hand, the launch of a new initiative called the minimum tax rate as announced by the G20, the Organization for Economic Cooperation and Development ("OECD") and the European Union, Hong Kong's tax competitiveness would be undermined. He asked what measures would be taken by the Administration to ensure that the percentage increase in the Government's recurrent expenditure would be on par with the percentage increase in local GDP in the long run. Separately, as the actual tax rate of Hong Kong was about 9%, while the actual minimum tax rate of OECD was about 10% to

11%, he enquired about the response actions to be taken by the Administration in this regard.

23. FS advised that when it came to tackling the deficits in the Government's operating account, the first and foremost task was to increase revenue by promoting economic growth. The projected economic growth rate in the medium range forecast was 2.8%, while the trend growth rate in the past 10 years was 2.9%. Government revenue would increase with an accelerated growth in the economy. On the other hand, the Government would also need to consider whether it was necessary to revise the tax rates and widen tax sources. In terms of expenditure, 9 of the 10 measures announced by the Chief Executive earlier would incur expenditure starting from next year. Regarding various factors such as the aging population as mentioned by Mr Kenneth LEUNG, they had been taken into account in the medium range forecast on the basis of information grasped by various policy bureaux. As mentioned in the Budget speech, government recurrent expenditure would enter a consolidation period, and new spending would be tightened in future, which would be commensurate with the increase in local GDP. For example, the Government would cut down some services or enhance their efficiency, so that resources could be allocated to the needy areas.

24. Mr Christopher CHEUNG thanked FS for leading his financial team in taking great precautions against possible fluctuations in the market, so that Hong Kong's financial market could remain stable and be spared from major shocks amidst the China-United States trade war, the social incident in the past six months or so and the outbreak of the novel coronavirus epidemic. The proposed cash payout scheme could also help members of the public tide over their financial difficulties. He said that with the current novel coronavirus epidemic around the world, some international rating agencies had predicted that the epidemic would bring the global economy into recession in the first half of this year. He enquired about FS' assessment of the risks involved, as well as the measures to be taken to cope with the situation forecasted by international rating agencies and lead small and medium-sized securities firms out of the dire straits. He also asked FS whether new taxes would be levied in response to the possible fiscal deficit in the coming five years, and whether such a move would undermine Hong Kong's economic recovery after the epidemic.

25. In reply, FS advised that as forecasted in the Budget, Hong Kong's economy would grow by -1.5% to 0.5% in real terms this year. With the current spread of the epidemic globally, time was needed to observe its development. The Government hoped that the blow dealt by the epidemic

to Hong Kong would pass soon. Some international rating agencies agreed with Hong Kong's move to announce a deficit budget this year. They considered that the fiscal reserves accumulated through prudent financial management in Hong Kong over the years, as well as the comprehensive and effective earthquake-prevention measures for the financial system had given Hong Kong sufficient space to announce such a budget. SFST had also briefed the financial sector on the Budget and maintained communication with them, so as to answer their questions. With regard to the tax system, the Government would review the future economic situation and the Government's financial position when considering ways to increase revenue or revise the tax rates. However, in response to the needs of international tax development, he would also invite views from experts on how to maintain the competitiveness of Hong Kong's tax system under the premise of meeting international rules.

Tourism

26. Mr YIU Si-wing said that he supported the budget proposal to allocate an additional \$700 million to the Hong Kong Tourism Board for stepping up promotion of Hong Kong's tourism industry when the epidemic was over. According to the GDP statistics published by the Census and Statistics Department, as a result of the violent social incidents, exports of travel services had dropped 10.4% as a whole last year, which was the largest annual decline on record. He asked that if violent incidents disrupting social order were to happen again after the epidemic, what would be the impact of such on the fiscal deficits and the socio-economic situation, as well as the response actions to be taken by the Government.

27. FS replied that if violent incidents disrupting social order were to happen again after the epidemic, social stability as well as the confidence of international investors and tourists would be hit hard, which would inevitably impact on Hong Kong's economy. He hoped that all sectors in society would put down their difference for the time being and join hands to promote social development to address the current challenges.

Supporting employees

28. Mr LUK Chung-hung called on the Administration to simplify the application procedures for emergency unemployment assistance and to provide interest-free loans to employees of the tourism industry with the Government as the guarantor. Mr POON Siu-ping said that as mentioned in the Budget, the Employees Retraining Board ("ERB") would enhance the Love Upgrading Special Scheme to provide training and allowance for employees affected by the economic downturn. ERB would also, through

legislative amendment, increase the maximum amount of monthly allowance of each eligible trainee from \$4,000 to \$5,800. Given the time required for legislative amendment and the fact that many employees had already become unemployed or ordered to take no pay leave to retain their jobs due to the epidemic, he asked why the Administration had not set up an unemployment loan fund, and whether the initiative announced in the Budget for the provision of training allowances to underemployed in-service workers to attend training courses so as to upgrade their skills by the Construction Industry Council ("CIC") would be restricted to workers already registered with CIC. In this regard, he pointed out some workers in the decoration and maintenance trades as well as some assistant electricians might not be registered with CIC.

29. FS said that the Labour and Welfare Bureau ("LWB") had already studied the feasibility of providing emergency unemployment assistance, including the provision of an allowance to unemployed and underemployed in-service workers for three months. Having studied the matter, LWB considered that it was not feasible to implement the said measure in the short term. As an alternative, assistance would be provided to eligible low-income households and families of students currently receiving various subsidies from the Government in the form of a special allowance under the Anti-epidemic Fund to cater for their needs. He would study whether an unemployment loan fund could be established and hold discussions with LWB in this regard. He had also called on the departments concerned to expeditiously propose the necessary amendments to the relevant legislation in relation to the Love Upgrading Special Scheme. Regarding enrollment to the training courses of CIC, it was not limited to workers registered with CIC. As it was CIC's hope that more new entrants would be attracted to join the industry, its training courses should be able to cater for workers in the decoration and maintenance trades.

30. Mr KWOK Wai-keung called on the Administration to consider the creation of more temporary posts as soon as possible, so as to cater for frontline workers who were most hard hit and affected by the economic downturn. FS advised that the Government would review and study the scope of creating temporary posts in the Government and public organizations.

Building a liveable city

31. Ir Dr LO Wai-kwok said that while the engineering sector welcomed the budget proposal to set aside \$200 million to provide financial subsidies to eligible small and medium-sized contractors and registered subcontractors, so as to help them tide over the present

difficulties, it could hardly count as comprehensive assistance given the large number of employees in the industry. He considered that the Budget could not resolve the difficulties faced by the engineering sector in respect of works orders, funding and broken supply chain. He also said that while civil servants had increased their time working at home due to the development of the epidemic, various documents such as the approval of project plans and occupation permits were still issued in hard copies via traditional and conservative means rather than electronic means. He called on the Administration to expedite the development of Hong Kong as a smart city and e-Government services. Resources had also been set aside in the Budget to promote the development of geospatial data and the digitization of the works supervision system. Separately, with regard to railway development, he called on the Administration to increase resource allocation for the relevant projects recommended under the Railway Development Strategy 2014 and start implementing the same as soon as possible.

32. FS advised that it was a general direction to promote the use of innovative technology in the construction industry, and resources had already been set aside in previous budgets for the relevant initiatives. He would again call on the Development Bureau to streamline the approval process for works projects. Regarding railway projects, the Government would invite MTR Corporation Limited to submit proposals for the relevant railway development projects this year and consult the public in due course.

Strengthening the healthcare system

33. Prof Joseph LEE said that the Budget had proposed to provide an additional \$3.6 billion to the Hospital Authority ("HA") to retain talents in the 5-year period starting from 2021-2022. He asked whether the Administration would monitor the use of such funds and ensure the use of such funds as recurrent expenditure to increase healthcare manpower from time to time. He also asked how the Administration could ensure the proper use of the recurrent funding of \$75 billion provided to HA in 2020-2021, whether the additional allocation of \$300-odd million to the Department of Health and the Centre for Health Protection for anti-epidemic efforts was sufficient, how the Administration could ensure the use of such funds towards combating the epidemic, as well as how many people were suffering from mental distress and what the support measures for them were.

34. FS replied that the Budget had proposed to allocate an additional \$3.6 billion to HA as part of its recurrent funding, which would form the

basis for adjustment and increase of HA's provisions in future. Hence, it was not an one-off provision. Given the shortage of healthcare manpower in the short term, HA had established the Task Group on Sustainability to focus on reviewing, among other things, strategies for enhancing services and retaining staff. The annual provision to the Task Group would increase gradually on a need basis to dovetail with its sustainable development. The Government acknowledged the need to take care of the mental health of the people. Having communicated with the relevant bureaux, the Government noted that adequate resources were available to take forward work in this regard. Meanwhile, the Advisory Committee on Mental Health was formulating the relevant strategies. After the Advisory Committee had completed its report and come up with further recommendations, the Government would proactively consider such recommendations and allocate resources accordingly.

35. Mr Michael TIEN said that given the shortage of primary healthcare services, he had suggested that the eligibility for receiving \$2,000 worth of elderly health care vouchers be extended to cover those people aged between 60 and 64. He was disappointed that FS had not accepted his suggestion.

Education expenditure

36. On behalf of Mr IP Kin-yuen, Prof Joseph LEE pointed out that the amount of recurrent expenditure on education was the lowest since the handover. While the amount of recurrent expenditure on education accounted for about 19.5% in the Government's overall recurrent expenditure last year, the percentage this year had dropped to only about 14%. He asked whether it was the Government's means to suppress the education sector; and if not, the reasons for such a drop in percentage share.

37. PS(Tsy) advised that education remained one of the three major items in terms of total recurrent spending, taking up the largest share of the Government's recurrent expenditure. Recurrent education expenditure in the new financial year would increase by 7.8% when compared with the current financial year. Over the past five years, such expenditure had increased by 37.6% in total, demonstrating the substantial amount of government resources allocated to education.

Supporting the disadvantaged

38. Dr Fernando CHEUNG said that the Government had betrayed the people's trust and failed to respond to public demands. When the epidemic was raging, the Government had refused to close the border.

When policy brutality had yet to be eliminated, the Government had substantially increased the Police's provisions for police equipment and police officers' allowances. When grass-roots workers must bear the brunt of unemployment or underemployment under the raging epidemic, the Government had not provided them with any benefits, allowance or relief. He asked how the Budget could help the disadvantaged and grassroots workers, and how the Government could resolve the problems faced by the disadvantaged due to the epidemic and suspension of social services as they were trapped in residential care homes and in dire need of face masks for protection.

39. FS advised that various measures had been proposed in the Budget to take care of the needs of different sectors, including the grassroots. Financial support had also been provided by the Anti-epidemic Fund to employees of industries in the eye of the storm. The Government would ensure the proper use of resources to take care of the needs of the public. There were also initiatives under the Budget and the Anti-epidemic Fund to provide financial assistance to the recipients of various welfare benefits and allowances from the Government. As for those people who were not recipients of any benefits and allowances, CCF would also launch an assistance scheme for low-income earners (commonly known as the "N have-nots") in July.

Anti-epidemic Fund

40. Ir Dr LO Wai-kwok said that the construction industry welcomed the Government's move to show its concern for the industry by allocating \$710 million under the Anti-epidemic Fund to support contractors, subcontractors, engineering consultants and 240 000 construction workers in the industry to fight against the epidemic. Expressing concern that a number of industries, such as the beauty industry, tutorial centres, etc., had yet to receive any support from the Anti-epidemic Fund or the Budget, Mr LAU Kwok-fan enquired about the measures to be implemented to help those industries. Mr WU Chi-wai asked whether, in addition to the four rounds of support measures for enterprises and the \$30 billion Anti-epidemic Fund, the Administration would launch a fifth round of support measures to fill the gap, so that assistance could be provided to those industries affected by the epidemic but had yet to receive any subsidies from either the Anti-epidemic Fund or the Budget.

41. FS advised that the \$30 billion Anti-epidemic Fund and the 24 relief and support measures were intended to target industries and employees in the eye of the storm. The suggestion of expanding the coverage to include other industries would be considered by the steering

committee chaired by the Chief Secretary for Administration. As a matter of fact, a number of measures benefitting various industries had been proposed under the Budget, including the concessionary low-interest loan under SFGS, waiver of water charges and rates, electricity subsidies, etc. The Government would closely monitor the overall economic situation of Hong Kong and consider introducing other support measures taking into account the needs of various industries.

42. Mr YIU Si-wing said that the hotel and aviation industries were the backbone of the tourism industry, but they had not received any assistance from the Government either under the four rounds of support and relief measures or the Anti-epidemic Fund. He asked whether the Government would introduce measures in the future to provide concrete assistance or support to those industries.

43. FS advised that the Hong Kong Airport Authority was already aware of the severe difficulties currently faced by the aviation industry, and it would formulate corresponding relief measures to assist the aviation industry and retailers inside the airport. Relief measures introduced previously, such as waiver of water charges, sewage charges and rates, as well as electricity subsidies, would also benefit the hotel industry. In addition, water and sewage charges were substantially waived under the four rounds of support and relief measures, which benefitted not only the hotel industry, but also the catering industry. Pointing out that the performance of the hotel industry had been stable in the past, he called on the management of hotels to work together with their staff to tide over the current difficulties.

44. Mr SHIU Ka-fai thanked FS for providing instant relief to the catering industry by providing subsidies of \$80,000 and \$200,000 to eligible operators under the Anti-epidemic Fund. After FC's approval for the establishment of the \$30 billion Anti-epidemic Fund last week, guesthouses and travel agents could already apply for instant relief amounting to \$50,000 and \$80,000 respectively starting from this week. He believed that the catering industry could also start applying for the subsidies of \$80,000 and \$200,000 soon. He would also hold discussions with various government departments this week on how to disburse the subsidy of \$80,000 to the wholesale and retail industry.

45. At 12:51 pm, the Chairman directed that the meeting be extended for 15 minutes.

Other concerns

46. Mr SHIU Ka-fai said that given the impact of the social incidents, the Liberal Party had suggested to the Government in September last year that a cash payout of \$10,000 be given to each citizen, in order to revive the business of Hong Kong's retail and catering industries, as well as Hong Kong's economy as a whole. Similar suggestions of providing a cash payout to members of the public had also been made by other political parties. He considered that everyone should work together to fight the epidemic. He explained that at the FC meeting held on 21 February 2020 to consider the funding proposal of setting up the \$30 billion Anti-epidemic Fund, Members of the pro-establishment camp had voted against discussing the motion proposed by Mr Alvin YEUNG to provide a cash payout of \$10,000 to each citizen because the said motion was only a formality to express Members' agreement to the Government of its proposal of providing a cash payout to each citizen, and it was already well past 8:00 pm at that time. If Members of the pro-establishment camp had agreed to discuss the motion, a number of members would need to speak thereon, making it impossible for putting the item on establishing the \$30 billion Anti-epidemic Fund to vote before the meeting ended. Hence, Members of the pro-establishment camp had voted against discussing the said motion, but it did not mean that Members of the pro-establishment camp were against the initiative of providing a cash payout of \$10,000 to the people.

47. FS advised that during consultation on the Budget, he had received suggestions from a number of political parties including the Liberal Party, New People's Party, Business and Professionals Alliance for Hong Kong, Hong Kong Federation of Trade Unions and Democratic Alliance for the Betterment and Progress of Hong Kong that given Hong Kong's prevailing economic situation, it would be more appropriate to help members of the public by handing out consumption vouchers or cash. The Government had already taken on board those views as far as practicable. He hoped Members could pass the cash payout scheme and the Budget, taking to heart the best interests of the people.

48. The Chairman said that motions proposed under paragraph 37A of the Finance Committee Procedure, even if passed, were only intended to express the views of Members and were not binding on the Government. Even if the motion relating to the cash payout scheme was passed, it did not mean that the Government would necessarily implement the scheme. As at the FC meeting mentioned by Mr SHIU Ka-fai, it was almost the end of the meeting when dealing with Mr Alvin YEUNG's motion, and the

Chairman did not have the power to further extend the meeting time, if FC had then decided that the motion should be dealt with, it was likely that the item on the establishment of the Anti-epidemic Fund could not be put to vote due to time constraint.

49. Mr KWOK Wai-keung asked whether there was any measure for Government officials under the accountability system to tide over the difficult times with the people. Dr CHENG Chung-tai criticized Government officials under the accountability system for their poor performance and failure to come to a decision of salary cut. FS said that at present, there was an established mechanism to deal with the salaries of Government officials under the accountability system. The Government did not intend to make any change to that mechanism.

50. Mr Steven HO was dissatisfied that some District Council ("DC") members of the opposition camp were messing up district affairs. When problems occurred, they would shirk their responsibility and leave other DC members to patch things up. He also expressed dissatisfaction about the work of some government departments. For instance, he considered that Radio Television Hong Kong was instigating social conflicts when it poked fun of the Police in its programmes with untrue stories on the pretext of press freedom and editorial freedom. He cited another example in which the vice-principal of a secondary school had made some inhuman remarks, but the secondary school concerned only suspended him. Some members of the public were dissatisfied that the Government had connived at the education sector's tolerance towards such improper remarks, worrying that it would set a bad example for the next generation. He called on members and the people of Hong Kong to critically examine whether the appropriations made in the Budget could tackle the social problems at root, and consider whether provisions for government departments which damaged social ethos should be withheld, so as to help improve the Government's governance.

51. The meeting ended at 1:17 pm.