

立法會
Legislative Council

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Panel on Financial Affairs

**Minutes of special meeting held on
Wednesday, 23 April 2003 at 2:30 pm
in the Chamber of Legislative Council Building**

Members present : Hon Ambrose LAU Hon-chuen, GBS, JP (Chairman)
Hon Henry WU King-cheong, BBS, JP (Deputy Chairman)
Hon Kenneth TING Woo-shou, JP
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon Eric LI Ka-cheung, JP
Hon NG Leung-sing, JP
Hon James TO Kun-sun
Hon CHAN Kam-lam, JP
Hon SIN Chung-kai
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon MA Fung-kwok, JP

Non-Panel Members attending : Dr Hon David CHU Yu-lin, JP
Ir Dr Hon Raymond HO Chung-tai, JP
Hon Martin LEE Chu-ming, SC, JP
Dr Hon LUI Ming-wah, JP
Hon Margaret NG
Hon HUI Cheung-ching, JP
Hon CHAN Kwok-keung
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon Howard YOUNG, JP
Hon YEUNG Yiu-chung, BBS
Hon Miriam LAU Kin-yee, JP
Hon CHOY So-yuk
Hon Timothy FOK Tsun-ting, SBS, JP

Dr Hon LAW Chi-kwong, JP
Hon TAM Yiu-chung, GBS, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon WONG Sing-chi
Hon Frederick FUNG Kin-kee
Hon IP Kwok-him, JP

Members absent : Dr Hon David LI Kwok-po, GBS, JP
Hon Bernard CHAN, JP
Dr Hon Philip WONG Yu-hong
Hon Emily LAU Wai-hing, JP

Public officers attending : Mr Antony LEUNG
Financial Secretary

Mr Frederick MA
Secretary for Financial Services and the Treasury

Mr Stephen IP
Secretary for Economic Development and Labour

Mr Henry TANG
Secretary for Commerce, Industry and Technology

Mr LEUNG Chin Man
Permanent Secretary for Housing, Planning and Lands
(Housing)

Mr Matthew CHEUNG
Permanent Secretary for Economic Development and
Labour (Labour)

Miss Denise YUE
Permanent Secretary for Commerce, Industry and
Technology (Commerce and Industry)

Mr Martin GLASS
Deputy Secretary for Financial Services and the
Treasury (Treasury)

Ms Eva CHENG
Commissioner for Tourism

Clerk in attendance : Ms Connie SZETO
Chief Assistant Secretary (1)4

Staff in attendance : Ms Pauline NG
Assistant Secretary General 1

Mr Joey LO
Assistant Secretary (1)1

Ms Christina SHIU
Legislative Assistant

Action

I Briefing on the relief measures relating to the atypical pneumonia outbreak
(LC Paper Nos. CB(1) 1520/02-03(01) and (02))

The Chairman welcomed the Financial Secretary (FS) and his colleagues to the meeting to brief members on the economic relief package in relation to the outbreak of the Severe Acute Respiratory Syndrome (SARS). He advised that the Administration was making arrangement to table two information papers on the details of the relief package at the meeting.

Briefing on the package of relief measures

2. FS advised that the Executive Council had approved in the morning a relief package with a sum of \$11.8 billion to help the community tide over the difficulties due to the outbreak of SARS. The package was a one-off measure to assist business sectors badly hit by SARS, relieve hardship of the community and revive the economy after the incident was over. The salient points of the relief package were summarized below:

(a) <u>Revenue Measures</u>	<u>Amount Involved</u> <u>(\$million)</u>
(i) Rates concessions	2,064
(ii) Water, Sewage, and Trade Effluent Surcharges concessions	521
(iii) Waiving of licensing fees	276

(iv)	Salaries tax rebate	2,300
(v)	Commercial rent concessions by Housing Authority	205
(vi)	Rent concessions on certain tenancies managed by Government departments	72
(b)	<u>Expenditure Measures</u>	
(i)	Creation of new jobs and training places	282
(ii)	Creation of temporary jobs	150
(iii)	Loan Guarantee Scheme and associated cost	3,500
(c)	<u>Measures to Further Control the Disease and Revive the Economy</u>	
(i)	For disease control	1,500
(ii)	For economic revival	1,000

3. In addition, ES stressed that in view of the current economic difficulties, the Administration would not propose any further upward adjustment to Government fees and charges until the end of October 2003. The relief measures would not affect measures to resolve the fiscal deficit problem and the target of achieving fiscal balance by 2006-07. Fiscal deficit was a structural problem in public finance needed to be resolved without delay. The recent rise in 12-month Hong Kong dollar forward premium had reflected market concern over the problem.

4. The Secretary for Economic Development and Labour (S for EDL) highlighted the details of the Loan Guarantee Scheme (the Loan Scheme). He advised that the 3.5 billion scheme was to provide guarantee for loans extended by banks to operations for payment of employees' salaries in four badly hit sectors including restaurants and hotels, travel agents and related operations, retail outlets, as well as cinemas and karaokes. To check against default, each application would require the personal guarantee from the establishment's shareholder(s). In the case of more than one shareholder, the joint and several guarantees executed by the shareholders holding 90% or more of the equity interest in the business would be required. He added that to prevent abusive use of the loans, the loans would be directly credited to employees' individual

accounts to ensure they would be used for payment of salaries. The Secretary for Financial Services and the Treasury (S for FST) supplemented that the Loan Scheme would be open for application from 2 May to 31 July 2003. Applications would be submitted to the lending institutions together with statements confirming no double borrowing, no default in other banks, and loss of at least 30% business in March 2003 as compared with the monthly average of the previous six months, and personal guarantee as appropriate. It was envisaged that applications would be approved within a week. There would be a six-month grace period and a 24-months for repayment of the loans.

Members' Discussion

The economic relief package

5. Mr CHAN Kam-lam said that the Democratic Alliance for Betterment of Hong Kong was supportive of the relief package but suggested that measures should be strengthened to help more sectors and affected establishments.

6. Mr James TIEN expressed the support of the Liberal Party on the relief package, which was more generous than proposed by the seven parties coalition, except that the Government had not taken on board the proposal of suspending MPF contributions temporarily. He further asked whether the rates concessions for non-domestic premises could be applied more flexibly so that hard-hit operations, such as cinemas and restaurants, could benefit more from the relief measure.

7. On the suggestion of suspending MPF, FS said that the Administration considered that the impact of SARS would be short-lived. Hence it was inappropriate to upset a social scheme which had been running smoothly. As regards concerns over rates concessions, FS explained that as there was no classification on rates payments based on the nature or size of establishments, rates concessions would be made based on classification of domestic and non-domestic properties. On the enquiry as whether shops in Lei Yu Mun and Lama Island would be eligible for rate concession measures, FS advised that eligibility for specific cases would be worked out after careful study of lease contracts concerned.

8. While expressing support on the relief package, Mr SIN Chung-kai expressed concern about whether the tax rebate measure could encourage local consumption and help revive the economy amid other revenue raising and expenditure cutting proposals in the pipeline, e.g. increase in salaries tax and cuts in social assistance payment. Pointing out that SARS outbreak had aggravated the economic difficulties facing Hong Kong, Mr Martin LEE remarked that it was the right time to spend Hong Kong's reserves to relieve the economy. He urged that the Government should not adhere strictly to the target of resolving the deficit problem by 2006-07. Mr MA Fung-Kwok opined that it would be

appropriate to target resources to help business and trades severely hit by SARS rather than to provide tax rebate or rates concessions for the general public.

9. In response, ES stressed that the relief package had been put forwarded with due consideration of community needs and the impact of SARS on the local economy. The relief package had been thoroughly considered in consultation of LegCo Members and representatives of the industry and trade associations concerned. He considered the package balanced and appropriate to relieve the short-term impact of SARS on the economy. Concerted efforts of the community, the business sectors and the Government were vital to overcome SARS crisis and help Hong Kong ride out of the current storm. ES emphasized that the measures were relief in nature not aimed to stimulating the economy. He re-iterated that the fiscal deficit problem had to be tackled without delay. The tax rebate plan was a one-off measure and should not be considered in conjunction with other budgetary proposals. It was envisaged that the tax rebate would be more than the amount of salaries tax increases for most taxpayers under the budget proposals. On the suggestion of issuing “spending coupons” in lieu of the tax rebate in order to stimulate local consumption, ES said that the Administration had no plan to introduce such a scheme. He agreed that the tax rebates might not have a significant impact on consumer spending, but it was an important measure to lift the mood of the general public.

10. Mr Albert HO said that the Democratic Party supported the relief package in general. However, he expressed concern about whether public bodies, such as the Airport Authority and the Kowloon and Canton Railway Corporation, would consider reducing rental for their commercial premises.

11. In response, ES advised that the Administration had been discussing with public bodies on the matter and envisaged that concession measures would be provided to help tenants in due course. Moreover, the Administration had been in touch with private properties developers urging them to consider reducing rent to ease the hardship of their tenants. It was hoped that the rent concessions for Government tenancies and Housing Authority's (HA) commercial premises would have demonstration effect on them. The Permanent Secretary for Housing, Planning and Lands (Housing) supplemented that HA would reduce rentals for commercial premises. He understood that the Housing Society was considering similar measures.

12. Mr WONG Sing-chi pointed out that the socially disadvantaged group had been severely affected by SARS crisis and asked whether the Administration would consider assisting them.

13. While sharing the concerns, ES held the view that the adjustment in social assistance payments was made in line with sustaining deflation and the adjustment should not have significant impact on recipients. However, he agreed to reflect the views to the Social Welfare Department to see what concrete

assistance would be made available to the socially disadvantaged group to help tide over the current crisis.

14. Ms Miriam LAU said that business of the taxi trade had dropped more than 30% since the outbreak of SARS and opined that waiving license fee for one year was not adequate for relieving the hardship of the trade. She opined that the use of the loans under the Loan Scheme should be expanded to provide assistance to self-employed taxi drivers and asked whether Government would consider waiving the Passenger Embarkation Fee.

15. ES said that he was fully aware of the severe impact of SARS on the community and that the relief package proposed was far from comprehensive to cover all trades and businesses. The ultimate solution would be to control the spread of SARS and to revitalize the economy thereafter. To alleviate hardship on the taxi trade, the Administration had been encouraging banks to consider refinancing and loan restructuring measures with taxi operators. He added that there was no plan to adjust the Passenger Embarkation Fee at present.

16. On when measures to revive Hong Kong's economy would be implemented, ES said that one of the indicators for entering into the reassurance phase would be the lifting of WHO's travel advisory against Hong Kong.

The Loan Guarantee Scheme for Impacted Industries

17. While appreciating that the Loan Scheme would help business sectors severely affected by SARS crisis, Mr LEE Cheuk-yan opined that the Government should do more to assist employees who were asked to take no pay leave or suffered from pay cuts due to the crisis. He suggested considering proposals such as setting up a separate financial assistance scheme for these employees and requiring applicants of the Loan Scheme to undertake not to cut staff salaries or force them to take no pay leave.

18. S for EDL advised that the primary objective of the Loan Scheme was to help business establishments to continue to operate instead of resorting to closure or lay-offs. He remarked that Mr LEE's proposal of requiring employers to undertake not to require their staff to take no pay leave or cut their pay might not be practicable as the arrangement was a means to preserve the job opportunities and had to be worked out by employers and employees on a voluntary basis. Nonetheless, he assured members that the Labour Department would closely monitor whether there was abuse by employers relating to temporary lay-off and no pay leave arising from SARS outbreak.

19. Mr James TIEN opined that the use of the loans should be extended to cover other expenses of an operation and that the requirement for personal guarantee might discourage application. Mr CHEUNG Yu-yan shared the comments and pointed out that the requirement of joint and several guarantee

from shareholders holding 90% or more of the equity interest of an establishment was too onerous. Mr Howard YOUNG said that the tourism industry welcomed the relief package. He however urged the Administration to consider allowing the loans under the Loan Scheme to be used as working capital for operations to relieve cashflow problem facing small and medium operations in the industry. Mr YEUNG Yiu-chung and Mr Wong Sing-chi expressed concerns as to whether the Loan Scheme could be expanded to cover other business sectors which had been hard-hit by SARS outbreak such as kindergartens, nursery homes and school bus operators.

20. In response, ES advised that the requirement of personal guarantee was considered appropriate to strike a balance in risk taking particularly where public money was involved, and was supported by lending institutions and trade associations.

21. As regards concern about the eligibility sectors, ES said that it was necessary to concentrate resources on badly hit sectors. Since the outbreak of SARS in March, business in the four sectors had slumped sharply posing serious cashflow problem for some operations and caused closure of a number of establishments affecting the interests of an estimated 500,000 operators and employees. The Loan Scheme was a short-term relief measure to provide cashflow facilities to sustain business and help them tide over the present crisis. As regards assistance for other affected business sectors, the Administration had encouraged banks to consider providing aggrieved clients repayment concessions as a temporary relief and the response so far had been positive. ES reiterated that in view of the huge deficit problem facing the Government, extra care had to be made in spending public money. Nevertheless, wherever appropriate, the Administration would consider relaxing criteria and eligibility of the Loan Scheme. On the problem of default on the loans, ES said that it was too early and difficult to comment on this at the moment. He assured members that proper arrangement would be worked out with banks to minimize the problem.

Creation of new jobs and training opportunities

22. On the proposal of creating new jobs and training places, Mr TAM Yiu-chung pointed out that some of the proposed measures, such as enhancing employment opportunities for local domestic helpers, might not be effective as demand for helpers had declined due to current difficult economic environment. He also asked whether the Employees Retraining Board (ERB) would be consulted in working out the details of the proposals.

23. In response, the Permanent Secretary for Economic Development and Labour (Labour) (PS/EDL(L)) said that the Administration would work out the details of the special tailor-made skills enhancement training programme with ERB. The purpose of the programme was to improve the quality and basic skills of unemployed workers previously engaged in the catering, retail and

tourism industries. Initially, 8 000 to 10 000 training places would be created for a period of two months and participants would be provided with a monthly allowance of \$4,000. As regards the training programme for local domestic workers, PS/EDL(L) added that there was a problem on geographical mismatch between supply and demand of helpers. To address the problem, the Administration was considering provision of transport allowance to encourage helpers to work across districts.

24. The Chairman thanked the representatives of the Administration for attending the meeting to brief members on the economic relief package.

II Any other business

25. There being no other business, the meeting ended at 4:15 pm.

Council Business Division 1
Legislative Council Secretariat
26 June 2003