

FS unveils \$120 billion spending plan to support enterprises, safeguard jobs, stimulate the economy and relieve people's burden

The Financial Secretary, Mr Paul Chan, in his 2020-21 Budget today (February 26), announced a wide range of measures to help Hong Kong tackle the current economic difficulties and to support the community during challenging times by making optimal use of the fiscal reserves.

"2019 was an unsettling year fraught with obstacles," Mr Chan said.

"Entering 2020, the rapid spread of the novel coronavirus has dealt a severe blow to economic activities and sentiment in Hong Kong."

Mr Chan said Hong Kong's economy contracted by 1.2 per cent in 2019, and he forecast full-year growth of between -1.5 per cent and 0.5 per cent in 2020.

"Therefore, I have decided to implement counter-cyclical measures of a massive scale involving above \$120 billion so as to meet the public's expectations as far as possible," Mr Chan said.

Mr Chan forecast a budget deficit of about \$37.8 billion for the 2019-20 financial year, rising to about \$139.1 billion in 2020-21. Fiscal reserves are expected to be \$1,133.1 billion by March 31, 2020.

"Although a record high deficit is envisaged in next year's budget, I believe that only with such a budget can we help our community and local enterprises ride out their difficulties," Mr Chan said.

To stimulate the economy by boosting local consumption and relieve the financial burden on the community, Mr Chan announced a cash payout of \$10,000 to Hong Kong permanent residents aged 18 or above.

"This measure, which involves an expenditure of about \$71 billion, is expected to benefit about 7 million people," Mr Chan said.

Additional relief measures include:

* Reducing salaries tax and tax under personal assessment for 2019-20 by 100 per cent, subject to a ceiling of \$20,000. This will benefit 1.95 million taxpayers and reduce government revenue by \$18.8 billion;

* Waiving rates for residential properties for four quarters of 2020-21, subject to a ceiling of \$1,500 per quarter for each rateable property. This

would involve about 2.93 million domestic properties and reduce government revenue by \$13.3 billion;

- * Providing an extra allowance to eligible social security recipients, equal to one month's standard rate payment of Comprehensive Social Security Assistance, Old Age Allowance, Old Age Living Allowance or Disability Allowance. Similar arrangements will apply to recipients of the Work Incentive Transport Subsidy. This will involve an expenditure of about \$4.225 billion;

- * Paying one month's rent for lower income tenants living in public rental units of the Hong Kong Housing Authority and the Hong Kong Housing Society, involving an expenditure of about \$1.829 billion; and

- * Paying the examination fees for school candidates sitting for the 2021 Hong Kong Diploma of Secondary Education Examination, involving an expenditure of about \$150 million.

To safeguard jobs and support enterprises, Mr Chan set aside a total of \$18.3 billion to implement a raft of measures. They include:

- * Introducing a concessionary, low-interest loan under the SME Financing Guarantee Scheme, under which a 100 per cent guarantee will be provided by the Government;

- * Reducing profits tax for 2019-20 by 100 per cent, subject to a ceiling of \$20,000. This will benefit 141 000 taxpayers and reduce government revenue by \$2 billion;

- * Waiving rates for non-domestic properties for four quarters of 2020-21, subject to a ceiling of \$5,000 per quarter in the first two quarters and a ceiling of \$1,500 per quarter in the remaining two quarters. This proposal is estimated to benefit 420 000 non-domestic properties and reduce government revenue by \$3.2 billion;

- * Waiving the business registration fees for 2020-21. This will benefit 1.5 million business operators and reduce government revenue by \$3 billion;

- * Waiving the registration fees for all annual returns (except for late delivery) charged by the Companies Registry for two years, benefiting about 1.4 million companies and reducing related revenue by about \$212 million in total;

- * Providing a subsidy to each eligible, non-domestic household account for four extra months to cover 75 per cent of their monthly billed electricity charges, subject to a monthly cap of \$5,000 per account. This will involve an expenditure of about \$2.9 billion;

- * Waiving 75 per cent of water and sewage charges payable by non-domestic households for four extra months, subject to a monthly cap of \$20,000 and \$12,500, respectively, per household. This will reduce government revenue by

\$340 million;

- * Providing a six-month rental subsidy to local recycling enterprises, involving expenditure of about \$100 million;
- * Reducing rental by 50 per cent for another six months for eligible tenants of government properties, government land and the EcoPark. This will reduce government revenue by \$573 million;
- * Reducing rentals and fees for eligible operators of properties covered by short-term waivers by 50 per cent for another six months. This will reduce government revenue by \$265 million;
- * Providing hirers of civic centres under the Leisure and Cultural Services Department with a 50 per cent reduction of hire charges for another six months. This will reduce government revenue by \$23 million; and
- * Offering another six months of fees and rent reduction for cruise lines and existing tenants of the Cruise Terminal. This will reduce government revenue by \$18 million.

The budget also allocates about \$2.5 billion of additional expenditure to the Employees Retraining Board to increase the maximum amount of monthly allowance for trainees.

"I am well aware that financial resources alone are not enough to tackle the challenges we are facing," Mr Chan said.

"However, making good use of fiscal reserves to support enterprises and relieve people's hardship is certainly in line with our people's expectations towards the Government under the current difficult environment."

LCQ8: Insurance premiums for taxis

Following is a question by the Hon Frankie Yick and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (February 26):

Question:

Some members of the taxi trade have relayed that the insurance premiums for taxis rose by nearly 50 per cent during the first nine months of last year, with comprehensive insurance premiums increasing to over \$40,000 per annum and third party risks insurance (third party insurance) premiums increasing to over \$30,000 per annum. They have also pointed out that currently the limited number of insurance companies operating insurance

business for taxis has resulted in a lack of competition in the market, which has in turn caused an incessant rise in insurance premiums for taxis. Soaring insurance premiums, together with a drastic drop in the patronage for taxis over the past six months arising from the social movements, have caused business difficulties to the taxi trade. On the other hand, some insurance companies have indicated that due to the rampant illegal activities such as insurance frauds and champerty in recent years, the number of traffic accident claims and the compensation amounts have increased significantly, leading to the soaring insurance premiums for taxis. In this connection, will the Government inform this Council:

- (1) whether it knows, in respect of the top five insurance companies which had the highest market shares in the taxi insurance market in each of the past five years, (i) the market shares achieved, (ii) the numbers of taxis insured, and (iii) the total premiums received, respectively by them each year;
- (2) of the respective average amounts of comprehensive insurance premiums and third party insurance premiums for taxis, as well as the respective rates of changes of such premiums, in each of the past five years;
- (3) of the respective numbers of suspected insurance frauds and champerty cases in respect of which the Police took the initiative to conduct investigations in the past five years; the relevant (i) number of prosecutions instituted, (ii) number of persons convicted and (iii) penalties imposed; the new measures put in place to step up efforts in combatting such illegal acts; and
- (4) as third party insurance must be taken out for taxis before they are allowed to be used on roads, of the measures put in place by the Government to assist the taxi trade in addressing the problem of high and soaring insurance premiums?

Reply:

President,

The consolidated reply, prepared in consultation with the Financial Services and Treasury Bureau, Security Bureau and Department of Justice, to the Hon Frankie Yick's question is as follows:

(1) The total market shares, total number of taxis insured and total gross premiums received each year by the top five insurance companies which had the highest market shares in the taxi insurance market for the period between 2015 and the third quarter of 2019 are provided in the table below:

Year	2015	2016	2017	2018	First three quarters of 2019

Total market shares	99.9%	97.8%	96.7%	94.4%	95.9%
Total number of taxis insured	18,356	18,040	17,703	17,369	13,335
Total gross premium (HK\$ million)	407.1	400.7	400.2	397.2	322.2

(2) The respective average amounts of comprehensive insurance premiums and third party insurance premiums for taxis as well as the respective rates of changes of such premiums each year for the period between 2015 and the third quarter of 2019 are provided in the table below:

Year	2015	2016	2017	2018	First three quarters of 2019
Average comprehensive insurance premiums (HK\$)	26,565	25,911	25,859	25,537	27,218
Comparison with same period in preceding year	Not applicable	-2.5%	-0.2%	-1.2%	+6.9%
Average third party insurance premiums (HK\$)	20,636	20,435	20,381	20,670	21,545
Comparison with same period in preceding year	Not applicable	-1.0%	-0.3%	+1.4%	+4.2%

(3) Insurance fraud

The number of insurance-related fraud cases according to Police's records and the respective monetary loss between 2015 and the third quarter of 2019 are as follows:

Year	2015	2016	2017	2018	First three quarters of 2019
Number of cases	50	74	42	60	41
Monetary loss (HK\$ million)	3.0	8.1	5.4	9.1	6.5

Depending on the circumstances, each individual case may involve "theft", "fraud", or "obtaining property by deception" under the Theft Ordinance (Cap. 210), and/or the common law offence of "conspiracy to

defraud", with maximum penalties of ten to 14 years of imprisonment. As insurance-related fraud is not itself a specified offence, the breakdown of prosecution, conviction and penalty figures cannot be provided.

Police have been conducting professional investigations into insurance fraud, including the establishment of a task force under the Commercial Crime Bureau to monitor emerging trends of organised fraud cases, and conducting targeted investigation and analysis. Police have also maintained close contacts with other government departments, regulators (including the Insurance Authority), and stakeholders (such as the Hong Kong Federation of Insurers), while at the same time enhanced intelligence gathering for intelligence-led operations. On publicity and education, Police disseminate information on the latest modus operandi of various common fraud cases and anti-deception messages via different media platforms, including online platforms, "Police Report", and traditional media. The Anti-Deception Coordination Centre's "Anti-Scam Helpline 18222" provides 24-hour immediate assistance.

Champtery

Between 2015 and the third quarter of 2019, there were two cases of champtery, where seven persons were prosecuted and none were convicted.

Maintenance and champtery are common law offences and are punishable by a fine and up to seven years' imprisonment. As in the past, the Government and the two legal professional bodies take the view that maintenance and champtery by recovery agents should be prohibited. Those injured at accidents who wish to pursue their legal claims should seek professional legal advice from or through solicitors or assistance from the Law Society of Hong Kong or the relevant government departments such as the Legal Aid Department, Labour Department and Social Welfare Department. On public education, the Government has been strengthening public awareness against such illegal acts through broadcasting of Announcements in the Public Interest on TV stations and radio stations. The newly-produced versions have been on air since May 2019 and uploaded onto the Government's website for public viewing and listening.

(4) As evident from part (2) of the reply, the average third party insurance premiums per year for the period between 2015 and the third quarter of 2019 was generally stable, i.e. in the range of \$20,381 per year and \$21,545 per year. Similar to other commercial services, insurance companies determine the level of premiums for individual commercial vehicles based on commercial principles by considering their underwriting risks (including the accident rate), claim factors, etc.

In view of the serious impact caused by the current epidemic, the Government applied to the Finance Committee of the Legislative Council to set up the Anti-epidemic Fund last Friday, where such Fund would provide financial support to assist the transport sector in this difficult period. The Transport Department (TD) will implement the relevant measures as soon as practicable upon the establishment of the Fund. In addition, with the consent of MTR Corporation Limited, the TD has made short term monthly parking

arrangements for taxis at the car park at Hong Kong West Kowloon Station of the Express Rail Link. The TD will continue to identify suitable sites for short term monthly parking of taxis (including the car park at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port), in order to tide the trade over the current difficulties.

CE's statement on 2020-21 Budget

The Chief Executive, Mrs Carrie Lam, today (February 26) issued the following statement on the 2020-21 Budget:

The Financial Secretary today delivered the third Budget of the current-term Government, at a time when Hong Kong is facing unprecedented challenges to the health of our economy and well-being of our entire community.

I support the bold and substantive proposals in the 2020-21 Budget, and I am confident that they will help to boost our efforts to combat the coronavirus epidemic, take care of people in need and bolster the economy. The counter-cyclical measures proposed in the Budget, amounting to more than \$120 billion, represent an unequivocal commitment by the Government to rise to the challenge of overcoming adversity and helping people in need. These proposals also complement the initiatives set out under the recently established \$30 billion Anti-epidemic Fund. Taken together, this substantial funding commitment will provide comprehensive support for people from all walks of life.

I also support the Budget initiative of providing a cash payout of \$10,000 to Hong Kong permanent residents aged 18 and above. I believe that given the extraordinary challenges that our community is facing, this is a justifiable and effective measure. For some people, the cash payout will help to make ends meet in their hour of need. It will also encourage local consumption and inject some much-needed impetus into the economy.

While the Government should make good use of Hong Kong's healthy fiscal reserves accumulated over the years to help our city weather the storm, the Financial Secretary's forecast of Budget deficits continuing in the next few years serves as a reminder that Hong Kong needs economic growth to generate more revenue to support our social development. While the Government will press ahead with various strategies to diversify our economy and create new areas of opportunity for business and job creation as set out in previous Policy Addresses and Budgets, we need concerted efforts by all in the community.

I am pleased that the Financial Secretary, while focusing on the need to help the people of Hong Kong, has doubled the Government's efforts to promote both our traditional economic pillars such as the financial services sector

as well as emerging sectors where Hong Kong has a competitive edge such as innovation and technology. Concurrently, we should not lose sight of our response to global environmental challenges. I therefore welcome the measures to promote the development of decarbonisation and green technologies contained in the Budget.

In these unprecedented times, I am confident that the 2020-21 Budget proposals will provide effective and targeted support to help the Hong Kong community withstand the current difficulties and gear up for a brighter tomorrow.

I appeal to Members of the Legislative Council and society at large to support the 2020-21 Budget proposals, with a view to facilitating their early implementation.

LegCo Public Accounts Committee tables Report No. 73

The following is issued on behalf of the Legislative Council Secretariat:

The Legislative Council (LegCo) Public Accounts Committee (PAC) tables Report No. 73 at the Council meeting today (February 26).

The Report contains PAC's conclusions and recommendations on two Chapters of the Director of Audit's Report No. 73, namely, "Planning, provision and management of public toilets by the Food and Environmental Hygiene Department" and "Provision of consultancy, research and development and training services by the Hong Kong Productivity Council".

For the Chapter on the planning, provision and management of public toilets by the Food and Environmental Hygiene Department (FEHD), PAC stresses that public toilets with a clean and hygienic environment are important for the public uses, and it is more so essential when Hong Kong is fighting COVID-19.

PAC expresses serious concern that FEHD does not have a holistic planning with the necessary data, in particular the needs of the public, in the construction, reprovisioning and refurbishing of public toilets. PAC also expresses serious concern and disappointment that FEHD had not conducted surveys to collect public views on public toilets and data on the utilization of public toilets since 2008. FEHD has been urged to proactively conduct surveys and use reliable methods to collect public views so as to map out the policies and planning for the provision of public toilets.

For the Chapter on the provision of consultancy, research and development and training services by the Hong Kong Productivity Council

(HKPC), PAC finds it appalling and inexcusable that the deficiencies and irregularities of the HKPC management in respect of key performance indicators had adversely affected the public's monitoring of HKPC's work.

PAC also expresses dissatisfaction and finds it unacceptable that HKPC's poor project and contract management had hampered its effective monitoring of the consultancy project progress and resulted in cost overruns. HKPC has been urged to closely monitor and regularly review the setting of its key performance indicators, as well as its performance against them with a view to using them as an effective means to enhance its management, governance, and accountability.

The Government has also been urged to regularly keep in view the mode of operation, future business direction and subvention mode of HKPC having regard to the changing economic development of Hong Kong.

The PAC Report No. 73, with details of the overall comments and recommendations made by PAC, is now available on the LegCo Website at www.legco.gov.hk/yr19-20/english/pac/reports/73/73_rpt.pdf.

LCQ14: Impacts of social turmoil on scientific research and experiment projects

Following is a question by the Hon Martin Liao and a written reply by the Secretary for Education, Mr Kevin Yeung, in the Legislative Council today (February 26):

Question:

It has been reported that amid months of social turmoil, the operation of individual universities has been disrupted, and the facilities in the laboratories on campus have been damaged and the chemicals therein stolen, resulting in some scientific research and experiment projects being delayed or disrupted, the progress of scientific research work being hindered, as well as quite a number of non-local students and overseas experts giving up their plans to come to Hong Kong. Meanwhile, the Research Grants Council (RGC) under the University Grants Committee has initially allowed the funded research projects which were affected to defer the submission of completion reports. In this connection, will the Government inform this Council:

(1) whether it knows the details of the impacts of the social turmoil on the scientific research work and RGC-funded research projects of the various tertiary institutions, including (i) the number and percentage, (ii) the contents, (iii) the originally scheduled time of completion and the

additional time needed for completion, and (iv) the causes of delay, of the affected research projects;

(2) whether it knows the respective numbers, since June last year, of non-local postgraduate students and scientific research experts of the various tertiary institutions who have given up their plans to conduct researches in Hong Kong or come to Hong Kong for such purposes, with a breakdown by their places of origin and the areas of the research projects in which they were engaged; and

(3) whether it has assessed the impacts of the delay in scientific research work and the talent wastage on the development of scientific research in Hong Kong; if so, of the details, and the appropriate relief measures in place?

Reply:

President,

The social incidents in the past few months have disrupted university operations to varying degrees. During this period, violent protestors blocked roads, threw objects from heights, committed arson, criminal damage, and violent storming on a number of university campuses and in various nearby public places, committing a breach of the peace and endangering the personal safety of other members of the public.

Calm has been restored on university campuses as the universities have commenced restoration works. However, the violent incidents have caused the universities trauma and loss in various aspects, not only in facilities such as campus premises but also in the loss of valuable time for teaching and research and even talent, hampering university operations and regular teaching and research activities, and even possibly affecting the international reputation of the universities. The Education Bureau, the University Grants Committee (UGC) and the Research Grants Council (RGC) will provide appropriate assistance and support, having regard to the needs and actual circumstances of the universities.

My reply to the Hon Martin Liao's question is as follows:

(1) Some of the research projects conducted by the UGC-funded universities and self-financing degree-awarding institutions and monitored by the UGC and/or the RGC have been affected by the social incidents to varying degrees. According to the RGC, as at end-January 2020, requests for extensions citing the recent social incidents as the main reason were approved for 58 research projects, with approved extension periods ranging from one to six months. These projects have an original project period of one to three years, involving different areas including Biology and Medicine, Business Studies, Engineering, Humanities and Social Sciences as well as Physical Sciences, making up about 0.9 per cent of the total number of research projects monitored by the UGC and/or the RGC. The reasons for extensions include the research staff not being able to enter the campus for conducting research or to collect data for their projects, and delays in recruiting project research assistants, etc.

(2) According to the RGC, 57 non-local research postgraduate (RPg) students terminated their studies in UGC-funded RPg programmes in the first semester of the 2019/20 academic year. A breakdown of the figures by place of origin and research discipline is tabulated below:

Research Disciplines	Places of Origin		Total
	Mainland China	Other Countries	
Biology and Medicine	6	5	11
Business Studies	5	0	5
Engineering	9	7	16
Humanities and Social Sciences	4	4	8
Physical Sciences	17	0	17
Total	41	16	57

It is worth noting that in the first semester of the previous academic year (i.e. the 2018/19 academic year), a total of 85 non-local RPg students terminated their studies in UGC-funded RPg programmes. The number of non-local RPg students dropping out in the first semester of the 2019/20 academic year is, in fact, fewer than that in the same period of the previous academic year.

The UGC-funded universities have not maintained any statistics on non-local academics who have given up their plans to pursue a career in Hong Kong.

(3) Overall speaking, some research activities of individual universities may have been temporarily suspended as a result of the closure of campuses, and the damage done to a small number of research facilities has also hindered the progress of research work to a certain extent. Nonetheless, the universities have been doing their best to minimise the disruption as far as possible by making flexible arrangements for research activities, such as arranging for RPg students to conduct research at temporary offices, external laboratories or non-local partnering institutions, and adopting a flexible approach towards the coursework and work arrangements for RPg students.

The UGC and the RGC will continue to maintain close communication with the universities and provide appropriate assistance on the premise of looking after the interests of students and the development of higher education in Hong Kong and having regard to the actual needs of the universities so as to facilitate their smooth operations.

In recent years, the Government has been committed to promoting the research development of the universities. In response to the recommendation of the Task Force on Review of Research Policy and Funding, we have injected \$20 billion into the Research Endowment Fund (REF) to substantially increase the research grants for post-secondary institutions and provide a more stable source of research funding. Furthermore, the RGC launched the \$3 billion

Research Matching Grant Scheme in August 2019 for a period of three years, with the aim of incentivising the private sector to provide research and development funding and donations for the research sector.

In addition, the Government injected \$3 billion into the REF in 2018 whereby the investment return will be used to provide a full tuition waiver for all local students studying on UGC-funded RPg programmes within the normative study period. This aimed to further support local students on the RPg programmes so as to nurture more local academic and research talent. The RGC also introduced three prestigious fellowship schemes in the 2019/20 academic year to nurture and retain research talent in support of the sustainable development of the research ecosystem in Hong Kong. The Government has earmarked a recurrent provision of about \$190 million per annum for the schemes.

The above initiatives will help strengthen the research capacity of the higher education sector and promote the sustainable development of the research ecosystem in Hong Kong. In fact, the universities in Hong Kong have built a solid foundation for academic and research work and enjoyed a good international reputation after years of development. We believe that with calm and harmony restored to the universities, they can gradually rebuild order and make arrangements for teaching and research work, so that the research achievements of the higher education sector in Hong Kong can continue to maintain a world-class level.