

## LCQ2: Combatting illegal parking

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

Question:

It has been reported that the problem of illegal parking in various districts has aggravated since June last year. Illegally parked vehicles not only cause traffic obstructions, but may also jeopardise the safety of road users. In this connection, will the Government inform this Council:

(1) whether it has studied the reasons for the aggravation of the problem of illegal parking in various districts in recent months; whether the Police's work of combating illegal parking has been affected due to the need for deploying a lot of manpower to deal with public events in recent months;

(2) of the number of complaints about illegal parking received by the Police in each of the past 24 months, with a breakdown by (i) the type of follow-up actions taken and (ii) the interval between the receipt of the complaint and the taking of such action(s) (in terms of hours);

(3) of the number of fixed penalty notices issued in respect of illegally parked vehicles, as well as the manpower deployed to deal with illegal parking, by the Police in each of the past 24 months, with a breakdown by police region; and

(4) whether the Police will deploy additional manpower to combat illegal parking so as to avoid illegally parked vehicles causing traffic obstructions and jeopardising the safety of road users; if so, of the details; if not, the reasons for that?

Reply:

President,

Upon consultation with the Hong Kong Police Force (the Police), my reply to the various parts of the Hon Chung Kwok-pan's question is as follows:

(1) and (4) Road safety is one of the operational priorities of the Police. Changing the irresponsible behaviour of road users that causes traffic obstructions is also among the Police's traffic enforcement priorities. All along, the Police pay much attention to the problem of illegal parking and seek to change such undesirable behaviour through publicity and education, and combat illegal parking through patrols and law enforcement.

Since June 2019, Hong Kong has seen widespread vandalism committed by violent protestors across the territory. The Police have been discharging their duties with commitment and devotion with a view to restoring social order as soon as possible, and safeguarding the lives and property of the

public at large.

On enforcement against illegal parking, the Police issued a total of about 1.4 million fixed penalty notices against illegal parking in 2019. Given the Police's limited manpower, the traffic enforcement figures for the second half of 2019 indeed showed a decrease as compared to the corresponding period of 2018. Nevertheless, with less tension in the recent social atmosphere, all police districts in the territory have re-deployed their manpower to step up traffic enforcement operations and, as a result, the traffic enforcement figures for December 2019 started to rebound. Taking into account the overall manpower distribution of frontline enforcement staff and the deployment of resources in individual police districts, as well as the traffic conditions in different areas, the Police will deploy appropriate manpower according to the actual circumstances for enhancing enforcement action against illegal parking. Should members of the public observe any serious illegal parking on individual road sections which has caused traffic obstruction, they may report such cases to the Police for handling promptly.

(2) The numbers of complaints from members of the public about traffic congestion (including illegal parking) received by the Police each month in 2018 and 2019 are tabulated in Annex 1. As the Police have kept neither the breakdowns of follow-up actions taken on illegal parking nor the time taken for arriving at the scene for handling individual illegal parking cases, no such information can be provided.

(3) The numbers of fixed penalty notices issued by the Police in respect of illegal parking with a breakdown by police regions each month in 2018 and 2019 are tabulated in Annex 2. Since the Police have not kept the figures on the manpower deployed to deal with illegal parking, no such information can be provided. In general, all frontline police officers and traffic wardens can handle illegal parking cases as part of their regular duties.

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## **LCQ5: Training courses commissioned by Employees Retraining Board**

Following is a question by the Hon Holden Chow and a written reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (February 26):

Question:

The Employees Retraining Board (ERB) has commissioned various training bodies to offer training courses. To help the upgrading of skills and the self-enhancement of those persons who became unemployed or under-employed on or after June 1 last year, with a view to assisting them in re-entering the

employment market as early as possible, ERB launched a six-month "Love Upgrading Special Scheme" (the Scheme) in October last year to provide such persons with integrated training courses of two to three months. Those trainees who have attained an attendance rate of 80 per cent may be granted special allowances, capped at \$4,000 per month per person. In this connection, will the Government inform this Council:

(1) Whether it knows the number of applications for enrolment on the courses received under the Scheme so far, and a breakdown by course title of the enrolments for the training courses under the Scheme;

(2) Whether the authorities will raise the ceiling of the special allowances that the trainees of the various courses under the Scheme may be granted;

(3) Whether it has compiled statistics on the number of trainees so far who, after completing the courses under the Scheme, have been engaged in course-related jobs; if so, of the titles of the top three courses with the highest number of trainees engaged in related jobs;

(4) Whether it knows the respective enrolments on and graduates of the various training courses commissioned by ERB in the financial year of 2018-2019 (set out by training body); and

(5) Whether it knows the percentage of those graduates of the training courses in the financial year of 2018-2019 who have engaged in course-related jobs?

Reply:

President,

The Employees Retraining Board (ERB) launched the "Love Upgrading Special Scheme" (the Scheme) in October 2019 to provide employees affected by economic downturn with comprehensive training for two to three months. Special allowance is provided to trainees during the training period. The Scheme imposes no restriction on the trade or education attainment of trainees. Courses covering "Vocational Skills" of 23 trades, as well as "Innovation and Technology" and "Generic Skills" are conducted in full-time and part-time (half-day/evening) modes. Trainees who have completed full-time "Vocational Skills" courses would receive follow-up placement services. Trainees shall attend the courses by end June 2020. It is planned that 10 000 affected employees could take part in the Scheme. My reply to various parts of the Member's question is as follows:

(1) As at end January 2020, a total of 8 401 trainees have applied for enrolment in the Scheme. Each trainee may enrol up to four courses under the Scheme. The total number of applications for enrolment in various training courses during the same period is 9 836. The number of applications for enrolment in various training courses under the Scheme is at Annex 1.

(2) The Financial Secretary announced in December 2019 a new package of

measures to support enterprises and employment, which included the enhancement and extension of the Scheme, and increasing the maximum amount of monthly allowance per eligible trainee from \$4,000 to \$5,800 through amendment of the subsidiary legislation concerned. ERB is making the necessary preparation.

(3) The training bodies of ERB will start to collect information on the "percentage of engagement in jobs related to training courses" (note) during the follow-up placement period upon completion of the classes of training courses under the Scheme. As the placement period of respective classes has yet been completed, no relevant information is available at this stage.

(4) The number of enrolled trainees and that of graduate trainees of training courses organised by respective training bodies appointed by ERB in 2018-19 are set out at Annex 2.

(5) The overall percentage of engagement in jobs related to training courses for ERB's placement-tied courses in 2018-19 is 46 per cent.

Note: "Percentage of engagement in jobs related to training courses" means the percentage of trainees who engaged in jobs related to their training courses during the follow-up placement period over the number of trainees who engaged in employment.

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## **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.

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## **Budget Speech by the Financial Secretary (11)**

Public Finance

Deficit Budget

168. The HKSAR Government runs a fiscal deficit in 2019-20, the first time for Hong Kong over the past 15 years. I forecast a deficit for the next five years as well.

169. The US-China trade conflict and the violent incidents in Hong Kong significantly dampened our economic momentum. In the past six months, I have announced four rounds of relief measures costing over \$30 billion. These measures, together with the \$30 billion Anti-epidemic Fund established in response to the recent novel coronavirus outbreak, resulted in a deficit of

about \$37.8 billion for 2019-20, which is about 1.3 per cent of GDP.

170. Regarding 2020-21, taking into account the impact of the external economic environment and the epidemic, Hong Kong's economy is expected to be under contractionary pressure, with enterprises facing difficulties and the unemployment rate on the rise. As such, this year's Budget focuses on "supporting enterprises, safeguarding jobs, stimulating the economy and relieving people's burden". Measures for supporting the general public and enterprises, including the cash payout scheme, will be rolled out.

171. Though confident in Hong Kong's fundamental strengths and long-term prospects, I must prudently assess the impact of the current situation on government revenue in the coming year. I thus forecast a decrease in tax and land revenues. Taking also into account the launch of countercyclical fiscal measures on a much larger scale and the continued increase in recurrent expenditure as I have just mentioned, I expect that the fiscal deficit for next year will be \$139.1 billion, accounting for 4.8 per cent of GDP.

172. Although the deficit will hit an all-time high, a close look at its components shows that almost \$120 billion of the deficit is related to the cash payout scheme and other one-off relief measures, which will not incur long-term financial commitments.

173. Besides, the revenue for the same financial year will include \$19.5 billion from the issuance of green bonds and \$22 billion brought back from the Housing Reserve. Netting out the aforesaid revenue and one-off expenditure, the deficit is about \$59 billion, accounting for 2 per cent of GDP.

174. Our current fiscal reserves of about \$1,100 billion enable us to roll out special measures amid the prevailing economic downturn, such as paying out cash. Such special measures and the ever-growing expenditure, however, will deplete our fiscal reserves. Take the 2020-21 financial year as an example. Our reserves which are equivalent to 22 months of government expenditure at the beginning of the year will drop to a level equivalent to 16 months of government expenditure at year-end. If we keep running a fiscal deficit, our reserves will eventually be used up. This is something which we do not want to see. Moreover, the Government will have to draw on the fiscal reserves to meet the funding already earmarked for a number of large-scale projects, for example the two 10-year Hospital Development Plans amounting to about \$500 billion in total.

175. It is worth noting that the Operating Account is projected to record a deficit for five consecutive years, as shown in the Medium Range Forecast. In the four financial years starting from 2021-22, there will be an annual deficit of about \$50 billion in the Operating Account, and the overall deficit in the Consolidated Account will range between \$7.4 billion and \$17 billion. That said, the above forecast has not taken into account tax rebate and relief measures that the Government may implement.

176. The deficits are mainly caused by the fact that government revenue cannot keep up with drastic increases in government expenditure, especially



recurrent expenditure. Since reunification, recurrent expenditure increased from \$150 billion to \$440 billion recorded last year. It started to rise from \$150 billion to \$200 billion in the first decade after reunification, further increased to \$300 billion over the following seven years (i.e. in 2014-15) and to \$400 billion after four years (i.e. in 2018-19). For this year (i.e. in 2019-20) alone, recurrent expenditure shows a further increase of about \$40 billion, and in the coming year (i.e. in 2020-21), it will be almost \$500 billion. Such rapid growth is not sustainable.

## Face the Challenge

177. The significant rise in government expenditure over the years was for enhancing services or increasing investment in various areas of the community, which were essential to catching up with the needs of the public. In the coming years, government expenditure will enter a consolidation period. We will focus on the optimal use of resources to implement the committed initiatives in an orderly and effective manner so that the public will see progressive improvements in public services and social infrastructure. As for future increase in spending, we should be more mindful of the Government's long-term affordability. It should also be commensurate with the increase in revenue.

178. We need to maintain the growth and vibrancy of our economy and identify new areas of economic growth, with a view to increasing our revenue, promoting social development, coping with the challenges arising from an ageing population, and providing more quality employment opportunities. Besides, we may need to consider seeking new revenue sources or revising tax rates. The one-off relief measures may also have to be progressively reduced.

179. Hong Kong is renowned for its simple and low tax regime which is based on the principle of territorial source. In recent years, we rolled out a number of tax concession measures to promote investment in and the development of specific sectors. However, new developments in the international tax arena will affect the competitiveness of Hong Kong's tax regime.

180. In response to the use of tax policy in the international community as a means of competition, the Organisation for Economic Co-operation and Development (OECD) is actively exploring the proposal of setting rules for imposing a global minimum tax rate. Under this proposal, if the tax paid by a multinational corporation in Hong Kong is lower than the new global minimum tax rate, its parent company will be subject to additional taxes or defensive measures imposed by the jurisdictions where they are located. As an international financial and business centre, Hong Kong will inevitably be affected.

181. The imposition of a global minimum tax rate may undermine the attractiveness of Hong Kong's low tax policy to multinational corporations, thus posing challenges to our territorial-source-based tax regime. The proposal will also bring additional tax burden and compliance costs to multinational corporations, and affect their incentives for investing and

operating in Hong Kong.

182. The Government will continue to keep a close watch on the developments of the OECD's work, make assessments and devise corresponding measures. I will invite scholars, experts and members of the business community who are experienced in the fields of international taxation and economic development to tender advice on the matter. This is to ensure that Hong Kong's tax regime is not only in line with new developments in the international tax scene, but also helps us maintain our premier business environment and competitiveness.

#### Future Fund

183. The Government set up the Future Fund in 2016. In its first three years of operation, the Fund achieved a composite rate of return of 4.5 per cent, 9.6 per cent and 6.1 per cent respectively. To further optimise the Future Fund, I indicated in my last Budget that I would invite several experienced persons in the financial services sector to advise on the Fund's investment strategy and portfolios, with a view to enhancing returns while reinforcing Hong Kong's status as a financial, commercial and innovation centre. This is also crucial for raising Hong Kong's productivity and competitiveness in the long run.

184. A team led by Dr Victor FUNG Kwok-king has made recommendations to me, which include using part of the Future Fund to set up the Hong Kong Growth Portfolio for direct investments in projects with a "Hong Kong nexus". I have accepted the recommendations and will start preparing for their implementation.

#### Concluding Remarks

185. Hong Kong has been intensely affected by the profound changes in the international political and economic landscape. Meanwhile, we had an extraordinary year with the occurrence of local social incidents. Social unrest and turbulence have revealed deep-seated conflicts in our community, which cannot be resolved overnight. We need to address these conflicts patiently and carefully as they have a far-reaching impact on the stability and development of Hong Kong in the future.

186. I have picked an earth tone colour for the cover of this year's Budget Speech. I believe that Hong Kong is still a fertile piece of land. The quality of its crops, however, depends on the seeds we sow and the way we cultivate and irrigate it. I believe that, no matter what our backgrounds, beliefs and aspirations are, we all cherish and love Hong Kong.

187. Living on the same land, we are closely connected, sharing joys and sorrows. Hong Kong may have all sorts of shortcomings, but it is our home which allows diversity and freedom of development. Even if we have been disappointed, we can choose to feel hopeful for our future. Even if we are striving for different goals, we can work together to put aside our differences, make room for resolving conflicts, and drive Hong Kong forward.

188. Thank you, Mr President.

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## **Budget Speech by the Financial Secretary (10)**

### Revised Estimates for 2019-20

152. The 2019-20 revised estimates on government revenue is \$567.3 billion, lower than the original estimate by 9.4 per cent or \$58.8 billion. This is mainly because revenues from profits tax, salaries tax and stamp duties are lower than the original estimate by \$53.4 billion.

153. Revenues from profits tax and salaries tax dropped substantially by \$40.4 billion due to economic condition, enhanced tax concessions and a deferred tax assessment cycle as compared with previous years. On the other hand, stamp duty revenue is \$63 billion, \$13 billion less than the original estimate, attributed to smaller-than-expected trading volumes brought about by adjustments in the property and stock markets over the year.

154. As for government expenditure, the revised estimate is \$611.4 billion, 0.6 per cent or \$3.6 billion higher than the original estimate. This is mainly because of the establishment of the Anti-epidemic Fund, and that expenditures on public works projects were lower than the original estimates.

155. All in all, I forecast a deficit of \$37.8 billion for 2019-20. Fiscal reserves are expected to be \$1,133.1 billion by 31 March 2020.

156. The civil service establishment increased by 3 481 posts in this financial year, representing a growth of 1.8 per cent, close to the average growth of one to two per cent over the past decade.

### Estimates for 2020-21

157. The major policy initiatives announced in the 2019 Policy Address involve an operating expenditure of \$48.7 billion and capital expenditure of \$24.8 billion. I will ensure that adequate resources are provided to fully support the launch of these initiatives.

158. Total government revenue for 2020-21 is estimated to be \$572.5 billion. Earnings and profits tax are estimated to be \$202 billion. Having regard to the Land Sale Programme and the land supply target of the coming year, land revenue is estimated to be \$118 billion which decreased by 16.6 per cent compared with the revised estimate for 2019-20. Revenue from stamp duties is estimated to be \$75 billion which increased by 19 per cent compared with the revised estimate for 2019-20.

159. Since taking office, the current-term Government has launched a series of measures to improve people's livelihood. Operating expenditure for 2019-20 increased by 22.2 per cent, compared with the last financial year with an increase in total government expenditure by 15 per cent. The operating expenditure for the new financial year will further increase by 16.9 per cent, demonstrating the Government's determination to stimulate the economy and ease people's burden. Public expenditure will account for about 23.2 per cent of our GDP during the five-year period up to 2024-25 in the Medium Range Forecast.

160. In 2020-21, the estimated recurrent expenditure on education, social welfare and healthcare accounts for about 60 per cent of government recurrent expenditure, together exceeding \$280 billion. Recurrent expenditure in these three areas recorded a cumulative increase of 50 per cent over the past five years.

161. We will increase the manpower of various departments as appropriate in 2020-21. The civil service establishment is expected to expand by 6 082 posts to 197 845, representing a year-on-year increase of about 3.2 per cent. The increase in manpower is to cope with additional workload and support the implementation of new government policies and initiatives.

#### Medium Range Forecast

162. The Medium Range Forecast (MRF) projects, mainly from a macro perspective, the revenue and expenditure as well as financial position of the Government. From 2021-22 to 2024-25, a real economic growth rate of 2.8 per cent is adopted for the MRF which is slightly lower than the previous trend.

163. During the above period, the average annual capital works expenditure will exceed \$100 billion, while the growth of recurrent government expenditure ranges between 4.3 per cent and 8.6 per cent per annum.

164. Regarding land revenue, the forecast on land premium from 2021-22 onwards is based on the average proportion of land revenue to GDP over the past decade, which is 4.2 per cent of GDP. I also assume that the growth rate of revenues from profits tax and other taxes will be similar to the economic growth rate in the next few years.

165. In addition, the forecast reflects that the Housing Reserve will be brought back to the fiscal reserves over four years starting from 2019-20, and the proceeds of the Government Green Bond Programme.

166. Based on the above assumptions and arrangements, I forecast an annual deficit in the Operating Account in each of the coming five financial years, as well as a surplus in the Capital Account every year for the same period. The estimated deficit in the Operating Account in 2020-21 is mainly due to the expenditure arising from the one-off relief measures announced in this Budget and some of the relief announced last year. The subsequent forecast deficit in the Operating Account is attributed to a higher growth in recurrent expenditure than that of revenue receipts. The above forecast has

not taken into account tax rebate and relief measures that the Government may implement over these four years.

167. Fiscal reserves are estimated at \$937.1 billion by the end of March 2025, representing 26.5 per cent of GDP, equivalent to 15 months of government expenditure.

(To be continued.)