

## LCQ1: Development of heritage tourism

Following is a question by the Hon Yiu Si-wing and a reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (May 5):

Question:

In December last year, the Government abruptly halted the demolition works for the service reservoir at Bishop Hill in Sham Shui Po (the service reservoir), enabling this century-old structure to survive. In March this year, the Antiquities Advisory Board endorsed the recommended grading (i.e. Grade 1 historic building) for the service reservoir. The Government is exploring a restricted opening of the service reservoir for visit by the public upon the completion of the temporary strengthening and tidying up works for the service reservoir. Some members of the public have suggested that the Government may, by making reference to overseas examples, invite experts to discuss the options for revitalising the service reservoir, as well as consider developing the service reservoir into a tourist attraction in Asia. Regarding the development of heritage tourism, will the Government inform this Council:

(1) whether it has drawn up a series of conservation and revitalisation programmes for the service reservoir to promote heritage tourism; if so, of the details (including an implementation timetable); if not, the reasons for that;

(2) whether it will include the service reservoir as one of the tourist attractions under the "Hong Kong Neighbourhoods – Sham Shui Po" campaign implemented by the Hong Kong Tourism Board, consolidate the tourism resources in the Sham Shui Po District, and improve the public facilities in the District, with a view to elevating visitors' travel experience without affecting the daily lives of the residents, such as using the technology of augmented reality to introduce the surrounding environment to the visitors; if so, of the details; if not, the reasons for that; and

(3) whether it has learnt a lesson from the incident of almost mistakenly demolishing the service reservoir and stepped up its efforts on conserving and revitalising monuments; whether it will formulate tourism promotional programmes for monuments worthy of viewing and enhance their ancillary facilities; if so, of the details; if not, the reasons for that?

Reply:

President,

The question raised by the Hon Yiu Si-wing involves conservation and revitalisation of the Ex-Sham Shui Po Service Reservoir, which is under the purview of the Development Bureau (DEVB). Having consulted the DEVB, I

provide a consolidated reply as follows:

Since 2008, the DEVB has revitalised some distinctive government historic buildings through the "Revitalising Historic Buildings Through Partnership Scheme", and opened such buildings for visit by the public and visitors. For example, the Old Tai O Police Station has been revitalised into the Tai O Heritage Hotel, and the former Lai Chi Kok Hospital has been revitalised into the Jao Tsung-I Academy. Through the "Conserving Central" initiative, the DEVB has also revitalised the former Police Married Quarters on Hollywood Road into a creative hub, the PMQ, and also the Central Police Station Compound into the "Tai Kwun – Centre for Heritage and Arts", which have become tourist attractions with historical, creative and artistic elements.

In parallel, the Tourism Commission (TC) has all along been promoting various tourism projects in different districts, covering projects with historical and heritage themes. These include the revitalisation of Dr Sun Yat-sen Historical Trail with the theme of "art across time" leading visitors to trace the history of 16 spots through walking along the Trail; the organisation of the "Yim Tin Tsai Arts Festival" over three years which provides participants with a new experience that integrates arts, religion, culture, heritage and green elements through a variety of artworks in different forms; and the launch of the "City in Time" which presents the historical panoramic images of individual landmarks of Hong Kong by using augmented reality and creative multimedia technology, enabling visitors to understand the historical landscape and community culture through smartphones.

Since 2018, the TC, in collaboration with the Agriculture, Fisheries and Conservation Department, has also been enhancing the tourism supporting facilities of some hiking trails within country parks by phases which are popular and with tourism potential, with a view to enhancing their appeal as heritage and green tourism attractions, including some military relics and spots of historic value, such as the Pinewood Battery Heritage Trail along Peak Trail and the Wong Nai Chung Gap Trail.

The reply to the three parts of the question by the Hon Yiu Si-wing is as follows:

(1) Regarding the Ex-Sham Shui Po Service Reservoir, the Government has clearly indicated that it will not be demolished. In March 2021, the Antiquities Advisory Board (AAB) endorsed the proposed Grade 1 historic building status of the service reservoir. AAB has conducted public consultation on the proposed grading of the service reservoir and will confirm its grading later having regard to the results. The Water Supplies Department has earlier launched a virtual tour of the service reservoir. The service reservoir was originally a confined space. Although part of the roof has been removed, necessary works including the provision of internal lighting and ventilation facilities have to be carried out. With rainy and tropical cyclone season approaching, waterproof and drainage facilities will be installed to prevent flooding. After completing the above strengthening

and improvement works, and ensuring the structural safety of the service reservoir, the Government targets to allow restricted opening of the service reservoir within this year. In parallel, the DEVB will look into the long-term options for conserving and revitalising the service reservoir.

(2) In the long run, when the service reservoir can be fully opened for public visit after completion of conservation and revitalisation works by the DEVB, the Hong Kong Tourism Board will help roll out related promotion, including through the "Hong Kong Neighbourhood – Sham Shui Po" campaign, to further enhance visitors' experience in the area.

As regards the use of augmented reality technology to introduce the neighbourhood to visitors, the "City in Time" launched by the TC is exactly the project that deploys related technology to bring back to life the history of individual landmarks of Hong Kong through mobile application. At present, there are six locations in Sham Shui Po featuring the "City in Time". When the Ex-Sham Shui Po Service Reservoir is developed into a tourist attraction, the TC will consider featuring the place in the "City in Time".

(3) The Government fully understands public concerns regarding the Ex-Sham Shui Po Service Reservoir incident. The DEVB is leading a working group to review the handling of the case by relevant departments, and to put forward improvement measures to avoid recurrence of similar incidents.

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## LCQ3: Making good use of assets of Exchange Fund

Following is a question by the Hon Chung Kwok-pan and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (May 5):

Question:

As at December 31 last year, the total value of the assets of the Exchange Fund (EF) stood at about \$4,500.7 billion and the accumulated surplus reached \$852.4 billion. In this connection, will the Government inform this Council:

(1) whether it has forecasted the level at which the total value of the EF assets needs to be kept in each of the coming five years for it to be sufficient for maintaining Hong Kong's monetary and financial stability;

(2) as it is expected that fiscal deficits will be recorded in the coming few years, whether the Government will review the method for calculating the return that can be obtained from the fiscal reserves placed with EF and the

mechanism for transferring funds from EF to the General Revenue Account, with a view to improving the Government's financial position; if so, of the details; if not, the reasons for that; and

(3) as the Coronavirus Disease 2019 epidemic has dealt a heavy blow to Hong Kong's economy and people's livelihood, whether the Government will consider deploying the accumulated surplus of EF for implementing measures to relieve people's hardship, facilitate employment and stimulate the economy?

Reply:

President,

Upon consultation with the Hong Kong Monetary Authority, the Government's reply to the various parts of the question raised by Hon Chung Kwok-pan is as follows:

(1) and (3) The major uses of the Exchange Fund (EF) are stipulated in both the Basic Law and the Exchange Fund Ordinance (Cap. 66) (the Ordinance). According to Article 113 of the Basic Law, the EF is primarily used for regulating the exchange value of the Hong Kong dollar. It is also stipulated in the Ordinance that the EF is used primarily for the purpose of affecting either directly or indirectly the exchange value of the Hong Kong dollar. It also has a secondary purpose of maintaining the stability of Hong Kong's monetary and financial systems with a view to maintaining Hong Kong as an international financial centre.

As at end-March 2021, the total assets of the EF stood at about HK\$4,500 billion. The accumulated surplus of the EF, however, only amounted to about HK\$830 billion, after taking into account its liabilities.

The global economy and the financial market are volatile and unpredictable. Being a small and open economy, Hong Kong needs to be well-prepared for tackling different kinds of potential financial risks. Therefore, we must have a considerably sizable EF with a high level of liquidity to maintain monetary and financial stability, maintain the confidence of the market and the public in the EF and the financial system, and combat shocks to or attacks on the financial market effectively, thereby safeguarding the stability of the financial system. In fact, the EF has served the key role in providing a buttress for safeguarding Hong Kong's monetary and financial stability in face of external shocks or unexpected blows in the past decades.

Though it is stipulated in the Ordinance that the Financial Secretary may make transfers from the EF under certain conditions, the assets of the EF are important in supporting our Linked Exchange Rate and stabilising the Hong Kong dollar exchange rate. Taking it lightly to use the EF to meet government expenditure will severely undermine its ability to perform its main function, which is to safeguard Hong Kong's monetary and financial stability. This will also send a wrong message to the market that the Hong Kong Special Administrative Region Government is no longer observing strict fiscal

discipline and hence undermine people's confidence in the Linked Exchange Rate System.

The fiscal reserves of the Government are the fruits of the economic development of Hong Kong and the hard work of our people over the years. This makes the Government financially capable of meeting challenges by adopting measures to support the economy and relieve people's burden amid the prevailing economic downturn. At end-March 2021, the consolidated balance of the fiscal reserves stood at more than \$920 billion, equivalent to about 14 months of government expenditure. In order to provide relief from the impact of the economic downturn and the pandemic to the public and various businesses, counter-cyclical measures totalling over \$120 billion have been announced in this year's Budget. It is hoped that these measures could strengthen the support to the economic development and hence benefit the overall economy as much as possible.

In light of the above, the EF and the fiscal reserves have different uses and serve different purposes. We consider there is no need to change the established operating mechanism of the EF, any change of which might seriously affect the monetary and financial stability in Hong Kong.

(2) The Government has placed its fiscal reserves with the Investment Portfolio of the EF in order to earn a return. Under the existing arrangements, the investment return of the fiscal reserves is calculated based on the average annual rate of return of the EF's Investment Portfolio for the past six years. There is also a guaranteed minimum return to ensure capital preservation and that the investment return in any year will not be lower than the average annual yield of three-year Government Bond for the previous year. The investment return of the Government's fiscal reserves is transferred to the General Revenue Account or various funds depending on the sources of funding. The existing investment arrangements enable the Government's fiscal reserves to yield a more stable return and achieve capital preservation. The Government will continue to monitor the investment situation and review the relevant arrangements as necessary.

Under the said existing arrangements, as the EF pays investment return to the Government based on the average annual rate of return of its Investment Portfolio for the past six years, the EF would need to make use of its accumulated surplus to pay investment return to the Government in case the EF has a loss or insufficient investment income in any financial year, leading to a shrinkage of the accumulated surplus of the EF. This has happened before in 2015 and 2018. Therefore, the decision to alter the arrangements for payment between the EF and the Government should not be made lightly in order to ensure prudent risk management in respect of investments of the EF.

Apart from the placements with the EF's Investment Portfolio, the Government established the Future Fund (FF) in 2016, which is a notional savings account held within the fiscal reserves for securing higher returns through long-term investments for a period of 10 years. The annual composite rates of return of the FF for the period from 2016 to 2020 were 4.5 per cent,

9.6 per cent, 6.1 per cent, 8.7 per cent and 12.3 per cent respectively.

The investment return of the FF forms an integral part of public financial resources, and has accumulated to more than \$100 billion. The Financial Secretary has therefore decided to reflect the cumulative investment return of the FF in the Operating Account on a progressive basis starting from 2021-22, with \$25 billion brought back in the first year.

Moreover, the Government has decided to use part of the FF to set up the Hong Kong Growth Portfolio for direct investments in projects with a "Hong Kong nexus", and preparation for implementation is under way.

I am now ready to answer questions from Members.

Thank you, President.

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## [LCQ10: Upward adjustment of first registration tax and licence fees for private cars](#)

Following is a question by the Hon Mrs Regina Ip and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (May 5):

Question:

In recent years, as the vehicle sales industry has been hard hit successively by the Sino-US trade conflicts, the disturbances arising from the opposition to the proposed legislative amendments and the coronavirus disease 2019 epidemic, its business environment has been very difficult. The sales volume of new private cars (PCs) in 2020 dropped by 12.4 per cent as compared with that in 2018, and the rate of the drop in the sales volume of non-electric PCs during the same period even reached 22.5 per cent. On the other hand, in delivering the 2021-2022 Budget on February 24 this year, the Financial Secretary proposed adjusting upwards the rates of the various tax bands for the first registration tax for PCs (including electric PCs), and the annual licence fees for PCs and electrically powered passenger vehicles (the tax and fees), by 15 per cent and 30 per cent respectively. Members of the industry consider that such a move by the Government has undoubtedly rubbed salt into their wounds. In this connection, will the Government inform this Council:

(1) whether, under the current economic downturn, the Government had, before deciding to adjust upwards the tax and fees, taken into account the blow that

such a move would deal to the vehicle sales industry; and

(2) given that some members of the vehicle sales industry have called on the Government to defer or phase (e.g. over three to six years) the implementation of the upward adjustment of the tax and fees, so as to give the industry some breathing space, whether the Government will consider such suggestions; if so, specifically how it will implement them; if not, of the reasons for that?

Reply:

President,

My consolidated reply to the two parts of the Hon Mrs Regina Ip's question is as follows:

Given that Hong Kong is a small and densely-populated city, the Government has been encouraging the public to take public transport instead of driving private cars (PCs) for commuting, in order to optimise the use of limited road space. However, the fleet size of licensed PCs in Hong Kong is enormous and has grown continuously. Its number substantially increased by almost 40 per cent from about 420 000 in 2010 to about 570 000 in 2020, resulting in the worsening of road traffic congestion.

To alleviate traffic congestion, the Government has all along adopted a multi-pronged strategy that includes improving the transport infrastructure, expanding and enhancing the public transport system and managing road use. Nonetheless, a number of these alleviating measures take time to materialise and meanwhile, Hong Kong's land resources remain scarce. With the continuous growth of vehicles in Hong Kong, the effect of these alleviating measures could hardly sustain in the long run.

Fiscal measure is one of the effective ways to control the growth of PCs, and had been introduced in the past. However, the first registration tax (FRT) rates for PCs were last increased in 2011, whereas the vehicle licence fee (VLF) levels for PCs have been frozen since 1991. In determining the magnitude of increase of the FRT rates and VLF levels for PCs by 15 per cent and 30 per cent respectively, we have taken into account such factors as the prevailing socio-economic circumstances and public acceptability, striking a balance among considerations of all parties.

Although it is noted that the growth of PCs slightly slowed down in the recent couple of years, which may be attributed to socio-economic factors, the growth of first registered and licensed PCs has resumed in recent months. The year-on-year growth rate of licensed PCs was 2.5 per cent in March 2021, with its total number reaching the historical high of almost 580 000 as at end March 2021. We expect the number of PCs to increase by a larger magnitude once the pandemic further subsides. If we do not take resolute and immediate action to curb the growth of PCs, it would be even more challenging to implement measures to alleviate traffic congestion in future.

In adjusting the FRT and VLF for PCs, we have given exemptions to PCs on

order, or PCs imported for personal use and arranged by the vehicle owners for shipment to Hong Kong, prior to the effective time. Exemption is also given to PCs eligible for licence renewal on or before February 24, 2021. In other words, the abovementioned PCs are not subject to the new tax rates or new licence fees, cushioning the impact on the public and the trade. As regards the proposal of deferring or phasing the implementation of the adjustment of FRT rates, upon careful consideration, we are of the view that the proposal will in effect encourage prospective PC buyers to expedite the purchases before the adjustment of the FRT rates in order to enjoy the lower tax rates. This will lead to a substantial surge in car sales and subsequently the number of licensed PCs in the near future, which is contrary to our objective of curbing the growth of PCs. All in all, we must bear in mind the overall interest of the community and pragmatically address the issue of traffic congestion in Hong Kong, which has stemmed from its dense population and scarce land resources.

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## **CSD's statement on its decision to reject application by person in custody for leave of absence to attend funeral**

In response to a report by Apple Daily today (May 5) that an application for a leave of absence to attend a funeral made by an individual person in custody (PIC) was rejected, and the criticism that the decision was not sympathetic and made out of political suppression, the Correctional Services Department (CSD) issued the following statement:

The CSD upholds the principle of equality and handles applications for leave of absences from all PICs in accordance with the existing security mechanism. According to Rule 17 of the Prison Rules, the CSD takes into account different security factors in considering such applications, such as the offence(s) committed by the subject PIC, security risk, escort route, location safety, etc. It was noted that the date, time and location of the funeral have been extensively reported on social media platforms recently, and there were calls on the Internet for showing support at the scene on the day of the funeral. After a risk assessment, the CSD has decided to reject the application in order to protect the safety of correctional officers, the subject PIC and members of the public.

The CSD offered its deepest condolences to the PIC on the loss of a family member, and is willing to render assistance through other viable means. In recent years, the CSD has been making its best efforts in the development of Smart Prison, with visual transmission as one of the major

areas of this development. With such a development, the CSD has decided to enable funeral participation through visual means for the first time by utilising the relevant technology for consideration by the subject PIC.

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## LCQ11: Policy Innovation and Co-ordination Office

Following is a question by Dr the Hon Lo Wai-kiok and a written reply by the Chief Secretary for Administration, Mr Matthew Cheung Kin-chung, in the Legislative Council today (May 5):

Question:

The Chief Executive announced in the 2017 Policy Address that the Central Policy Unit (CPU) would be revamped as a new office. The Policy Innovation and Co-ordination Office (PICO) so established by the Government commenced operation on April 1, 2018. On the other hand, there are comments that the principal function of CPU was to conduct surveys and analyses on public sentiment and opinion for the reference of the senior government management in policy formulation; and the disconnect with public sentiment and opinion of certain decisions made by the Government in recent years in dealing with the disturbances arising from the opposition to the proposed legislative amendments and the epidemic may be related to the CPU being revamped. In this connection, will the Government inform this Council:

(1) whether the work of PICO includes assisting the senior government management in gauging public sentiment and opinion; if so, of the major accomplishments of PICO's work in this regard since its establishment; if not, the Government's strategies in place to better address public sentiment and opinion in the decision making process, so as to enhance the standard of its governance; and

(2) whether it has formulated key performance indicators for the work of PICO; if so, whether PICO's performance has met the targets; if the targets have not been met, of the details, and the improvement measures in place?

Reply:

President,

(1) In order for the Government to take up new roles and adopt a new governance style as proposed by the Chief Executive (CE) in her first Policy Address in October 2017, the Policy Innovation and Co-ordination Office (PICO) has, since its establishment in April 2018, focused on enhancing policy co-ordination of cross-bureaux issues and providing "first-stop and one-stop" project co-ordination services as one of its priority work areas.

PICO is also responsible for co-ordinating the CE's annual Policy Address, and providing secretariat service and research support to the CE's Council of Advisers on Innovation and Strategic Development for the latter to discuss and map out Hong Kong's future development and strategies for driving innovation. In addition, PICO conducts exchanges with research institutions and think tanks on different public policies and issues, and promotes evidence-based public policy research through the Public Policy Research (PPR) Funding Scheme and the Strategic Public Policy Research (SPPR) Funding Scheme.

Strengthening governance is a complex task. While it is the duty of the Government to listen and respond to public views, a responsible government should also balance public views with policy and other considerations, and in light of the actual circumstances, adopt various means and measures to achieve policy outcomes which are in the best interests of the community. As remarked by the CE, chaos had plagued Hong Kong over the past two years, making it difficult for the Hong Kong Special Administrative Region (HKSAR) Government to implement effective policies. The CE considered that the fundamental reason lay in the failure of the community as a whole in fully and faithfully implementing "One Country, Two Systems". Nor had timely action been taken to restore order from chaos, safeguard national security and implement the principle of "patriots administering Hong Kong". The community has inadequate understanding of "One Country, Two Systems" and some people's awareness of the "One Country" principle has to be raised. Besides, ill-intentioned people deliberately misled the public about the relationship between the Central Government and the HKSAR, subjecting Hong Kong to unprecedented severe challenges over the past two years. To enable Hong Kong to have a real recovery, it is necessary to improve the institutions for implementation of "One Country, Two Systems". The two major decisions made by the Central Authorities, i.e. the enactment and implementation of the national security law in Hong Kong in June last year and the approval of the amended Annex I and Annex II to the Basic Law to improve the electoral system of the HKSAR in March this year, have not only restored stability in society and put the implementation of "One Country, Two Systems" back on the right track, but also provided a favourable environment for the HKSAR Government to enhance administration and efficacy of governance and better perform the duties of policy formulation and explanation.

(2) Since its establishment, PICO has accomplished a number of tasks according to the set objectives. These include reviewing existing legislation to help bureaux remove red tape, and conducting policy research on cross-bureaux issues to formulate solutions or legislative amendment proposals. In the past three years, PICO has also provided "first-stop and one-stop" consultation and co-ordination services for 24 projects. In addition, PICO has co-ordinated the CE's annual Policy Address and approved about 30 research projects under the PPR Funding Scheme and the SPPR Funding Scheme each year. Apart from the above-mentioned work, PICO has also assisted in implementing specific major or innovative projects as directed by the CE, such as the Employment Support Scheme under the second round of the Anti-epidemic Fund in 2020.

PICO will continue to carry out the above work and provide policy research and co-ordination support for cross-bureaux issues selected by the CE and senior echelon of the Government.