# LCQ22: Tax measures for aviation and maritime industries

Following is a question by the Hon Holden Chow and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (January 16):

Question:

Since July 2017, the Government has been providing tax concessions for qualifying aircraft lessors and aircraft leasing managers.  Such tax concessions include setting the profits tax rate for such enterprises at 8.25 per cent, i.e. one-half of the prevailing normal profits tax rate. On the other hand, it was mentioned in last year's Policy Address that the Government would use tax measures to foster ship leasing business in Hong Kong, as well as to promote the development of business of marine insurance and the underwriting of specialty risks in Hong Kong.  In this connection, will the Government inform this Council:

(1) of the respective numbers of qualifying (i) aircraft lessors and (ii) aircraft leasing managers that have benefited from the aforesaid tax concessionary measures for aircraft leasing business since the implementation of such measures; the respective numbers of these two types of enterprises which were registered in Hong Kong, and the rates of change of such numbers, in each of the past three years; and

(2) of the Government's initial thinking regarding the tax measures to be introduced for promoting the development of ship leasing and marine insurance businesses in Hong Kong; whether it will set the profits tax rate for enterprises engaging in such businesses at 8.25 per cent?

Reply:

President,

The HKSAR Government is committed to developing Hong Kong's aviation and maritime industries to entrench our position as an international aviation hub and an international maritime centre. On aviation side, civil aviation is a long-term growth business.  The rapid development of the Asia Pacific region in recent years has in particular induced the demand for aircraft leasing in the region.  According to analysis conducted by the industry, the proportion of new aircraft being financed by leasing has risen to more than 30 per cent in recent years. To enhance the competiveness of Hong Kong in the aircraft leasing business, the Government put forward the Inland Revenue (Amendment) (No. 2) Bill 2017 in 2017 to provide dedicated tax concessions to qualifying aircraft lessors and qualifying aircraft leasing managers in Hong Kong, with a view to developing Hong Kong into an aircraft leasing and financing hub.

On maritime, Hong Kong possesses a long maritime tradition and a diversified maritime services cluster. Among various maritime services, ship finance is a high value-added and high growth business. Shipping loans and advances in Hong Kong has more than doubled in the past ten years, registering an average annual growth rate of over 10 per cent. Among the ship finance business, ship leasing is a new business model with growing prevalence in the global shipping industry, particularly in the Mainland, and has great development potentials. As an international financial centre, Hong Kong has solid foundation and strengths to further develop the related businesses, with a view to promoting Hong Kong as a ship leasing centre in the Asia-Pacific region.

Our reply to the question raised by the Hon Holden Chow is as follows:

(1) Since the commencement of the dedicated tax regime for aircraft leasing in July 2017, eight qualifying aircraft lessors and one qualifying aircraft leasing manager have received relevant tax benefits under the regime. Before the dedicated tax regime was in place, companies had few incentives to develop aircraft leasing business and the scale of aircraft leasing in Hong Kong was not substantial.As such, the Government did not keep record of the number of aircraft lessors and aircraft leasing managers specifically.

(2) The Government will introduce tax measures to foster the development of the ship leasing business in Hong Kong, including ship leasing and ship leasing management. In this regard, the Government has commissioned the Hong Kong Maritime and Port Board (HKMPB) to set up a dedicated task force to study the details of the tax measures, including the scope of application, rate of tax concession and other detailed arrangements. The task force which comprises members of the HKMPB and industry representatives has been formed last year, and the relevant study work is currently underway. It is expected that the study would be completed by the second half of this year and the proposed arrangement for the tax measures would be submitted to the HKMPB and the HKSAR Government.

Besides, to strengthen Hong Kong's status as a regional insurance hub, the Government will propose providing 50 per cent profit tax concessions for marine insurance and the underwriting of specialty risks (such as political risks and war risks), so as to promote the development of relevant businesses.

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# LCQ16: Long-term development for sites of the quarries which have ceased or

# [will cease operation shortly]

Following is a question by the Hon Tony Tse and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (January 16):

Question:

The quarries in Shek O and Lam Tei as well as that on Lamma Island have ceased or will cease operation shortly. Regarding the long-term development for the sites of those quarries, will the Government inform this Council:

(1) of the (i) area, (ii) boundary (marked on a map) and (iii) planned use of the Shek O Quarry site;

(2) given that the Shek O Quarry site is currently used as a casting yard for immersed tube tunnel units for the Shatin to Central Link railway project and the Route 6 – Trunk Road T2 works project, of the expected time when the Government can resume the site for long-term development;

(3) of the (i) area, (ii) boundary (marked on a map) and (iii) planned use of the Lam Tei Quarry site, and (iv) the expected time when the Government can resume the site for long-term development; given the proximity of the site to Tuen Mun town, whether the Government will consider using the site for housing development; and

(4) of the (i) area, (ii) boundary (marked on a map), (iii) planned use and (iv) existing use (if any) of the Lamma Quarry site, and (v) the expected time when the Government can resume the site for long-term development; as the Government has commenced a study on the future development of the site, and conducted a two-stage public consultation on this between 2012 and 2014, of the outcome of the consultation and the study?

Reply:

President:

The Government has been adopting the multi-pronged land supply strategy, including the use of the ex-quarry sites for short term or long term use. In view of its close proximity to the urban core and accessible location, the ex-Anderson Road Quarry site has been rezoned for residential development. As for the way forward of other quarry sites, the Government will, taking into account factors including viable land uses, technical feasibility, site implementation mechanism and cost effectiveness etc, formulate the implementation priority and take forward the relevant planning and follow-up works.

My reply to various parts of the question is as follows:

(1) and (2) The area of the ex-Shek O Quarry site is about 34.5 hectares (ha), including 22 ha of land (mostly man-made slopes) and 12.5 ha of man-made lake (site boundary at Plan 1 in Annex). The Quarry operation ceased in 2011 and the site has been used as a casting basin of immersed tube tunnel units for the Shatin to Central Link railway project since end-2014. The relevant immersed tube project has been completed. Upon the demolition, removal and reinstatement of the site, the relevant land is expected to be handed over to the Lands Department by end-2019. The site is zoned "Undetermined" on the approved Tai Tam and Shek O Outline Zoning Plan, and the Government will review the long-term use of the site in due course. Pending the formulation of the long-term use, the Government has earlier received a short-term tenancy application for the use of the ex-Shek O Quarry site for water sports purposes. The Lands Department is processing the application in accordance with the established mechanism.

(3) Lam Tei Quarry, with an area of about 30 ha, is still in operation with its operating contract to be expired in 2022/23 (site boundary at Plan 2 in Annex). In June 2016, the Planning Department (PlanD) and the Civil Engineering and Development Department (CEDD) commissioned the Preliminary Land Use Study for Lam Tei Quarry and the Adjoining Areas, with an objective to carry out preliminary planning study and technical assessment for the future land uses of the quarry and its adjoining areas, as well as recommend follow-up studies for the next stage. The preliminary study is targeted for completion within 2019.

(4) The area of the ex-Lamma Quarry site is about 34 ha, including a 20-ha platform and a 5-ha man-made lake (site boundary at Plan 3 in Annex). The site is zoned "Undetermined" on the approved Lamma Island Outline Zoning Plan.

In 2012, PlanD and CEDD commissioned the planning and engineering study on the ex-Lamma Quarry, having prepared the Recommended Outline Development Plan and formulated the land use plan based on a theme of tourism and housing. The reports and information digests of the two stages of Community Engagement have been uploaded to the study website for public viewing. To gauge the market sentiment of developing the site and to explore the feasibility of implementing the development plan, the market sounding out exercise was conducted earlier. Taking into account the findings of the exercise and views collected in the previous Community Engagement, the Government is comprehensively considering the land use planning, implementation arrangement of infrastructure and the site, as well as cost-effectiveness of the development, so as to formulate the way forward of the ex-Lamma Quarry development and the associated follow-up actions. To optimise the use of the site, pending the long term development, the ex-Lamma Quarry site has been leased to a non-Government organisation under a Short Term Tenancy for non-profit making environmental education and wildlife learning centre and associated facilities since 2011.

# LCQ7: Measures to facilitate employment of persons with disabilities

Following is a question by the Hon Gary Fan and a written reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (January 16):

Question:

According to the Hong Kong Poverty Situation Report on Disability 2013, the unemployment rate of those working-age persons with disabilities (PWDs) who participated in the labour market was 6.7 per cent in 2013, which was notably higher than the overall rate of the same age group (3.7 per cent). On the other hand, the Labour Department has since 2005 been implementing the Work Orientation and Placement Scheme (WOPS) under which wage subsidy is granted to employers who employ PWDs.  In this connection, will the Government inform this Council:

(1) among the PWDs employed under WOPS in each of the years from 2015 to 2018, of the respective numbers and percentages of those who were still working for the same employer on expiry of 12 months after appointment;

(2) whether it assessed, in the past three years, the effectiveness of the various measures currently implemented to facilitate employment of PWDs (including WOPS, Talent-Wise Employment Charter and the Sunnyway – On the Job Training Programme for Young People with Disabilities); if so, of the details; if not, the reasons for that; and

(3) given that some non-profit-making organisations have suggested the Government to introduce more appealing measures (e.g. provision of tax concessions) to encourage the commercial sector to employ PWDs, whether the Government will consider adopting such suggestion; if so, of the details; if not, the reasons for that?

Reply:

President,

Having consulted the relevant bureaux and departments, I provide a consolidated reply to the Member's question as follows:

(1) The Labour Department (LD) implements the Work Orientation and Placement Scheme (WOPS) to encourage employers to hire job seekers with disabilities and provide them with coaching and support through the provision of an allowance.  The LD recorded 811, 816, 802 and 796 placements under the WOPS from 2015 to 2018 respectively.  In 2015 and 2016 (Note), there were 241 and 230 cases respectively where the employees with disabilities concerned were employed for over 12 months, representing 30 per cent and 28 per cent

respectively of the annual totals for the two years. According to the information provided by the LD, employment contracts under the WOPS were terminated mostly owing to the resignation of employees with disabilities. Dismissal by employers only accounted for a minority of the termination cases. The main reasons for employees with disabilities to resign were their inability to adapt to the new job, their wish to change to a new working environment and their finding a better job. On the other hand, employers dismissed employees with disabilities mainly because of the latter's performance issues.

(2) The LD reviews from time to time the implementation of the WOPS, and conducts questionnaire surveys on the WOPS to collect the views of the participating employers each year. In the light of the review outcomes, the LD launched enhancement measures in September 2018 to further encourage employers to hire persons with disabilities who have employment difficulties and assist them in settling in their new posts. Under these enhancement measures, the maximum allowance payable to employers for each of these employees has been increased by $16,000 to a total of $51,000, with the maximum period of allowance payable extended from eight to nine months. Last year, the Social Welfare Department reviewed the Sunnyway – On the Job Training Programme for Young People with Disabilities (Sunnyway), and has, starting from 2018-19, extended the follow-up period for post-placement support for Sunnyway participants with disabilities from 6 to 12 months. The Government also reviews various relevant schemes from time to time, and proactively encourages different sectors of the community and government departments to adopt appropriate measures to promote internship and employment opportunities for persons with disabilities.

(3) The Government will continue to encourage employers to hire persons with disabilities through providing the former with financial incentives, and will review and enhance the relevant measures on an ongoing basis. Such measures include providing an allowance for employers to encourage them to hire persons with disabilities (the maximum allowance payable to employers for each job seeker with disabilities who have employment difficulties hired is $51,000 and the maximum period of allowance payable is nine months); giving employers who hire persons with disabilities a subsidy for purchasing assistive devices and carrying out workplace modification (employers may apply for a maximum subsidy of $20,000 for each person with disabilities employed for carrying out workplace modification and/or purchasing assistive devices, or a maximum subsidy of $40,000 for purchasing a single assistive device and its essential accessories); and offering grants to non-governmental organisations for setting up social enterprises (the maximum funding support per business is $3 million).

Note: As the 12-month follow-up period for some WOPS placements in 2017 is just over, the LD is collating information on the employment situation of the employees with disabilities concerned for compiling relevant statistics for that year. Besides, since a vast majority of employees with disabilities placed under the WOPS in 2018 have been employed for less than 12 months, figures for 2017 and 2018 regarding employees with disabilities employed for over 12 months are not yet available.

# LCQ5: Child savings scheme

Following is a question by the Dr Hon Chiang Lai-wan and a reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (January 16):

Question :

The Government set up the Child Development Fund (CDF) in 2008 to provide funding to non-governmental organisations and schools for implementing matching funds for savings programmes and mentorship programmes. It is learnt that the participation in CDF has been poor, with only 17 000 children benefited since its establishment 10 years ago. On the contrary, in countries such as Singapore, the United Kingdom and Canada, universal programmes set up for providing long-term asset accumulation for children have received very positive responses. For instance, the take-up rate of the Co-Savings Scheme set up by the Singapore authorities for newborns was as high as 97% for certain birth cohorts.  In this connection, will the Government inform this Council:

(1) whether it has assessed if the scope of coverage of CDF is too narrow and its subsidy period too short, which have resulted in the poor participation in CDF;

(2) whether it will consider expanding the target beneficiaries of CDF from grass-roots children to all children as well as extending its subsidy period; if so, of the details; if not, the reasons for that; and

(3) whether it will draw reference from the practice of the Singapore authorities and set up a universal savings scheme for newborns, and allocate a sum equivalent to 1% of the Government's recurrent expenditure for co-contribution with parents of the newborns (or by a third party) to the scheme annually?

Reply:

President,

Having consulted the relevant bureaux and departments, I provide a reply to the Member's question as follows:

I wish to point out in the first place that the purpose and policy objectives of the Child Development Fund (CDF) set up by the Government are different from those of the overseas child savings schemes referred to by the Member. They should not be regarded in the same light.

In fact, the CDF only targets at children aged 10 to 16 or students in

Primary 4 to Secondary 4 from a disadvantaged background, with an aim of helping them develop savings habits and set their personal goals during the three-year participation period. Each child participating in a CDF project will be matched with an experienced volunteer mentor. With mentors' guidance, participating children can build up self-confidence and learn to map out their future development paths. A special feature of the CDF is the joint implementation of projects by various parties including the families of participating children, private organisations offering sponsorship or volunteer mentors, non-governmental organisations or schools operating CDF projects and the Government. We therefore consider it inappropriate to determine the effectiveness of the CDF only by the number of participating children, or compare CDF projects with other overseas schemes of an entirely different nature.

Each CDF project, which lasts for three years, comprises three key components, namely Targeted Savings, Mentorship and Personal Development Plan. These components are designed to broaden participants' horizons, enhance their abilities and personal qualities, and enrich their social experience.

Each participant will join a targeted savings programme to save $200 per month over a two-year period. The targeted savings, which can be up to a maximum of $14,400, have 1:1:1 tripartite contributions from the participant himself/herself, private sector matching fund and Government's special financial incentive. Participants may use the savings to realise their personal development plans (PDPs) in the third year of the project.

At the same time, with CDF funding and volunteer mentors' assistance, project operators/schools organise specially designed three-year projects for participating children and young people, teaching them how to formulate the PDPs and implement them using their own savings, matching fund and Government’s special financial incentive. Project operators/schools provide training and guidance for the participants, their parents/guardians and mentors throughout the three-year project period to facilitate their completion of the project.

Despite that the Targeted Savings under CDF projects are made up of savings, matching fund and a financial incentive provided by the Government, they only form one of the components of the CDF which attaches importance to encouraging children from underprivileged families to accumulate intangible assets, such as positive attitude, resilience, social networks and so on, with a view to laying a foundation for their long-term development.

The Labour and Welfare Bureau has earlier commissioned the University of Hong Kong to conduct the Study on the Longer Term Development of Child Development Fund Project Participants. The study results indicated that the three key components of the CDF projects could effectively enhance underprivileged children and youngsters' ability in resource management and future planning, expand their personal networks and help them develop a persistent savings habit. These benefits could enhance their academic and career development, and are fundamental to their future success and their ability to combat poverty. The consultant team conducting the above study did not say that the coverage of the CDF was too narrow, nor did it comment on the funding period. Since the CDF is not simply a saving scheme, expanding its scope to cover all children in Hong Kong is inconsistent with its purpose and policy objectives. Currently, the Government has no plans to extend the funding period.

Children are the future of society and the future backbone of the community. The Government has always attached great importance to the growth and development of children, particularly those from a disadvantaged background. In this regard, the relevant government bureaux and departments have been adopting a multi-faceted and target-specific approach in various areas to facilitate the development of children in need and support their families. We hold the view that providing all children with a uniform payment or matching contribution by the Government for saving purposes irrespective of their financial background is not in line with our current strategy of creating more equal development opportunities for children from underprivileged families.

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# LCQ20: Attendances of government officials at MTR Corporation Limited Board meetings

Following is a question by the Hon Lam Cheuk-ting and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (January 16):

Question:

At present, members of the Board of the MTR Corporation Limited (MTRCL) include four government officials, namely the Secretary for Financial Services and the Treasury, the Secretary for Transport and Housing, the Permanent Secretary for Development (Works) and the Commissioner for Transport. In this connection, will the Government inform this Council:

(1) of the respective roles and duties of the aforesaid four officials in the Board of MTRCL; and

(2) whether it knows the number of meetings convened by the Board of MTRCL since July 1, 2017; the respective numbers and percentages of such meetings attended by the four officials, as well as the reasons for each occasion (if any) of their absence from the meetings, and whether they appointed representatives to attend such meetings; if so, of the post titles of the appointed representatives; if not, the reasons for that?

Reply:

President,

My reply to the Hon Lam Cheuk-ting's question is as follows:

(1) Currently, the MTR Corporation Limited (MTRCL) Board comprises 20 members, among whom four are government directors. They are the Secretary for Financial Services and the Treasury, Mr James Lau, who was appointed as a non-executive director in his personal capacity pursuant to the MTRCL's Articles of Association, and three additional directors appointed by the Chief Executive pursuant to the Mass Transit Railway Ordinance, namely the Secretary for Transport and Housing, Mr Frank Chan Fan; the Permanent Secretary for Development (Works), Mr Lam Sai-hung; and the Commissioner for Transport, Ms Mable Chan.

Pursuant to the aforesaid Articles of Association and the Protocol adopted by the MTRCL Board, the Board focuses on handling matters on the Corporation's overall strategies, corporate governance, and finances and shareholders, while the day-to-day running of the Corporation is delegated to the management, which reports to the Board. In this regard, the roles and responsibilities of the government directors are no different from those of the other directors of the Board. At the same time, government directors in the Board also represent the Government, relaying to the MTRCL the common concerns of the Government as well as the community about the management and operation of the Corporation.

(2) From July 2017 to December 2018, the MTRCL Board convened 21 meetings in total. In case a government director is unable to attend an MTRCL Board meeting owing to other official commitments, the usual practice is to arrange for an alternate director (Note) to attend the meeting on his/her behalf. The attendance rate of the four government directors or their alternate directors at the 21 meetings was around 90 per cent.  Records of attendances of government directors at MTRCL Board meetings in 2017 are set out in the Corporation's Annual Report 2017. Records of their attendances at Board meetings in 2018 will be set out in the Annual Report 2018 to be released in due course. In response to Member's question, the Government has tabulated information on the attendances of the four government directors and their alternate directors at Board meetings in the Annex.

Note: The alternate director who may attend on behalf of the Secretary for Financial Services and the Treasury is the Deputy Secretary for Financial Services and the Treasury (Treasury), Mr Andrew Lai;
the alternate directors who may attend on behalf of the Secretary for Transport and Housing are the Permanent Secretary for Transport and Housing (Transport), Mr Joseph Lai; the Under Secretary for Transport and Housing, Dr Raymond So Wai-man; the Deputy Secretary for Transport and Housing (Transport), Ms Rebecca Pun; and the Deputy Secretary for Transport and Housing (Transport), Mr Kevin Choi;
the alternate director who may attend on behalf of the Permanent Secretary for Development (Works) is the Deputy Secretary for Development (Works), Mr Vincent Mak; and

the alternate director who may attend on behalf of the Commissioner for Transport is the Deputy Commissioner (Transport Services and Management), Ms Macella Lee.