

# Effective Exchange Rate Index

The effective exchange rate index for the Hong Kong dollar on Wednesday, December 18, 2019 is 106.5 (up 0.2 against yesterday's index).

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## LCQ4: Measures to support enterprises and employment

Following is a question by the Hon Ho Kai-ming and a reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (December 18):

Question:

Doubly hit by uncertainties of the global economy and local social unrest, the economic impetus of Hong Kong has been weakening. Gross Domestic Product in the third quarter of this year dropped by 2.9 per cent from a year earlier, marking the first year-on-year decline recorded for an individual quarter since 2009. The seasonally adjusted unemployment rate and the underemployment rate in August to October this year rose to 3.1 per cent and 1.2 per cent respectively. The year-on-year decline in total employment also enlarged. In this connection, will the Government inform this Council:

(1) of the five industries most affected by the recession and the respective numbers of employees in those industries; whether the Government will introduce new targeted measures to support those industries; if so, of the details; if not, the reasons for that;

(2) focusing on the current and projected employment situations, what new measures the Government has put in place to safeguard jobs and assist the unemployed; and

(3) whether it knows the implementation situation of the unemployment assistance systems in other places; whether it has plans, by making reference to the relevant experience, to provide emergency financial assistance for the unemployed, so as to help those unemployed persons with financial difficulties solve their imminent problems; if so, of the details; if not, the reasons for that?

Reply:

President,

In consultation with the Financial Services and the Treasury Bureau as

well as the Office of the Government Economist, the consolidated reply to the Member's question is as follows:

(1) and (2) Many sectors saw contraction in their business receipts as the local economy entered a recession in the third quarter. Specifically, retail, accommodation and food services were particularly hard hit by the local social incidents involving violence, with business receipts in these three service industries plunging by 17.5 per cent, 19.1 per cent and 11.7 per cent year-on-year respectively in the third quarter. Reflecting the severe impacts on inbound tourism, business receipts of the tourism, convention and exhibition services domain, which straddles across different service industries, decreased sharply by 27.8 per cent, the largest year-on-year decline since the SARS episode in 2003. The service industries of import/export trade and wholesale also recorded visible year-on-year declines of 8.0 per cent and 12.2 per cent respectively in their business receipts in the third quarter, as trading activities shrank in the face of the austere external environment and weaker demand for imports.

According to the statistics compiled from the General Household Survey for August – October 2019 by the Census and Statistics Department, the number of employees in the five industries mentioned above is set out below:

Industry	Employees
Import and export trade	315 500
Retail	259 200
Food and beverage service activities	222 800
Accommodation services	46 000
Wholesale	21 400

To counter the challenging external and local economic environment, the Government has announced four rounds of helping measures since August 2019 to support enterprises, safeguard jobs and relieve people's financial burden, costing over \$25 billion. These measures are summarised in the Annex.

For some helping measures announced between August and October 2019 requiring additional resources in the current financial year, the Government had consulted the relevant Panels of the Legislative Council (LegCo), and the funding proposals have subsequently been approved by the LegCo Finance Committee on December 6, 2019. As regards the enhanced tax concession, the bill for effecting the tax concession was passed by LegCo on November 6, 2019, and gazetted on November 15, 2019. The Inland Revenue Department will reflect the tax reductions in the tax demand notes. Relevant bureaux and departments will follow up on the implementation of the above measures at full speed so that enterprises and the public can benefit early.

Moreover, the Labour Department (LD) will continue to provide comprehensive and free employment services for job seekers and implements

various employment programmes to encourage employers to hire job seekers with particular employment difficulties. Apart from raising the on-the-job training (OJT) allowance payable to employers who hire these job seekers with particular employment difficulties in September 2018, as announced in the Chief Executive's 2019 Policy Address, the LD will launch a pilot scheme to encourage the elderly aged 60 or above, young people and persons with disabilities engaged under its employment programmes to undergo and complete OJT through the provision of a retention allowance, thereby stabilising employment.

The Government will remain vigilant in assessing the economic impacts of the internal and external environment, and utilise our financial reserves to implement timely and suitable countercyclical measures, so as to stimulate the economy and relieve people's hardship, and go through the wave of economic downturn with the community together where necessary.

(3) On assistance to persons with financial difficulties, the Government has put in place the Comprehensive Social Security Assistance (CSSA) Scheme to provide a safety net to meet the basic needs of households which cannot support themselves financially owing to old age, ill-health, disability, single parenthood, unemployment, low income, etc. The CSSA Scheme is a non-contributory and non-cash-limited programme. All eligible persons in need would be provided with support.

The CSSA Scheme not only offers financial assistance, but also provides one-stop integrated employment assistance services to able-bodied adult recipients with a view to helping them become self-reliant. To encourage able-bodied CSSA recipients to work while ensuring the Scheme continues to serve as the safety net, there is also the disregarded earnings (DE) arrangement. DE refers to the earnings from employment that are disregarded when assessing the amount of assistance payable to CSSA recipients. Separately, the Chief Executive's 2019 Policy Address has announced a host of improvement measures to the CSSA Scheme, which include further enhancing the CSSA employment support services, raising the monthly maximum amount of DE by 60 per cent from \$2,500 to \$4,000, extending a range of supplement and special grants to eligible non-elderly able-bodied recipients and increasing the maximum rates of rent allowance.

In addition, according to the Employment Ordinance, if an eligible employee has served the same employer for a certain period of time and is dismissed owing to redundancy or other reasons, his employer is required to make severance payment or long service payment. This helps alleviate an employee's short-term financial hardship caused by loss of employment.

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## [John Chong to share insights on Hong Kong film market in Film Archive's "Movie Talk" series \(with photo\)](#)

The Hong Kong Film Archive (HKFA) of the Leisure and Cultural Services Department will launch its latest "Movie Talk" series in January next year, focusing on renowned film producer and presenter John Chong. Four films selected by Chong will be screened at the HKFA Cinema. Chong will also attend the post-screening talks on January 18 and 19, 2020, with film experts Matthew Cheng, Lam Kee-to, Pierre Lam and Doinel Wu to share his insights on the Hong Kong film market and his secrets of being a successful film businessman.

Chong is acclaimed as a sought-after film-marketing expert, whose film career started from a screenwriting class at a TV station in the 1980s. Chong then worked for a film company and was responsible for film promotion. Later, he began to use the pseudonym John Chong as a part-time screenwriter, and continues to use the pseudonym to this day. In 1994, Chong co-founded the Media Asia Group with six other industry leaders. As a producer or presenter of more than 100 films, Chong, with his experience and market acumen, is able to bring various box-office hits and award-winning classics to Hong Kong screens.

Continuing the story of its prequel with the same title in 2010, "Love in the Buff" (2012) follows Jimmy Cheung and Cherie Yu working in Beijing after their breakup and having fallen in love with other people. In this Mainland-Hong Kong co-production, the taste of the Mainland audiences is catered to while retaining the distinctive features of a Hong Kong movie, making it a box office hit in both markets.

Adapted from a wildly popular manga series, "Initial D" (2005) tells the story of a youngster with extraordinary driving potential, transforming from a delivery driver to a racer. During shooting, the copyright holder of the Japanese manga originally requested 29 amendments but thanks to Chong's negotiation skills, only a slight change in one line of dialogue was made. The adaptation film has become a Hong Kong classic.

"Infernal Affairs" (2002) stands out from the usual works in the genre of Hong Kong undercover films by creating a double-undercover narrative; an undercover cop in a gang and a gangster infiltrating the police force. In portraying the duo who secretly try to outmanoeuvre each other, the story captures the inner feelings of the characters as well. This blockbuster film is a multiple award winner that spawned adaptations in Hollywood and Japan.

Chong is also an expert in film titling. For the titling of the Hollywood film "Lethal Weapon" (1987), instead of a literal translation of the original title, Chong gave the film a Chinese title that alludes to the

go-for-broke working style of the protagonist, while signalling the film as an action movie. This first-of-its-kind title by Chong has attracted various subsequent similar styles of film titling for remakes.

"Lethal Weapon" is in English and with Chinese subtitles, while the other films are in Cantonese with Chinese and English subtitles.

Tickets priced at \$45 are now available at URBTIX ([www.urbtix.hk](http://www.urbtix.hk)). For credit card telephone bookings, please call 2111 5999. For programme enquiries, please call 2739 2139 or visit [www.filmarchive.gov.hk/en\\_US/web/hkfa/programmesandexhibitions/programmes/johnchong/index.html](http://www.filmarchive.gov.hk/en_US/web/hkfa/programmesandexhibitions/programmes/johnchong/index.html).

The HKFA has organised the "Movie Talk" series since 2013. Each instalment of the series focuses on a filmmaker who selects films for screenings and discussions with audiences keen to learn about the inspiration and process behind the featured guest's work.



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## [LCQ12: Relief measures for middle class](#)

Following is a question by the Hon Paul Tse and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (December 18):

Question:

The Gross Domestic Product (GDP) of Hong Kong has recorded negative growth for two consecutive quarters, indicating that Hong Kong's economy has entered a technical recession. Recently, the Financial Secretary has even pointed out that as the revenues from taxes and land sales in this financial year are expected to drop significantly amid the economic downturn, the Government will record its first budget deficit in 15 years. The business environment of the retail and catering sector, which employs more than 500

000 people, has deteriorated, with some 300 restaurants closing down over the past two months, and the unemployment rate of the sector surging to 6.1 per cent, hitting a record high in six years. The unemployment rate of the construction sector has also soared to 4.9 per cent. In addition, there were 5 940 bankruptcy cases in the first three quarters of this year, representing a year-on-year increase of 7.7 per cent. Besides, the number of residential mortgage loans in negative equity (negative equity) has been on a rising trend. It is hard to be optimistic about the outlook of Hong Kong's economy in the fourth quarter of this year and next year. In this connection, will the Government inform this Council:

(1) whether it has assessed, as the economic conditions is anticipated to continue to deteriorate, if there will be a significant increase in the unemployed population and the numbers of bankruptcy and negative equity cases in the fourth quarter of this year and next year; if it has, of the rates of increase;

(2) as some persons from the middle class have pointed out that the four rounds of relief measures introduced by the Government mainly aim to support small and medium enterprises and the grassroots, and the middle class has not benefited much from them, whether the Government will consider expeditiously introducing measures (e.g. providing allowances for the expenses on children's education outside Hong Kong and hiring foreign domestic helpers, as well as granting a concession on salaries tax for the whole of this year) to assist the middle class in tiding over the difficult times; if so, of the details; if not, the reasons for that;

(3) as quite a number of minority property owners from the middle class have complained that in addition to rates, they are also required to pay Government rent which has been increasing year after year, whether the Government will revise its policy of offering rates concession only and provide a concession on Government rent at the same time, so as to relieve the burden on minority property owners; and

(4) as some members of the public have criticised that among the relief measures of the fourth round, the measure of waiving surcharges for payment of taxes by instalments is far worse than the relief initiative put forth by a local tycoon earlier on in terms of the simplicity of the application procedure, efficiency of the vetting and approval process and effectiveness, etc., and is thus not conducive to assisting the taxpayers with financial difficulties in tiding over the difficult times, and has also raised concerns that the measure may, similar to the Caring and Sharing Scheme which disbursed \$4,000 to members of the public, give rise to a lot of problems (e.g. loss of application forms, prolonged delay in vetting and approval of applications), whether the Government has assessed the additional manpower and administrative costs involved in implementing the measure, and the average time needed for vetting and approval of an application; whether it will streamline the relevant procedure so as to facilitate members of the public in need to apply and to reduce unnecessary administrative costs?

Reply:

President,

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

(1) The labour market has eased further as the economic conditions of Hong Kong continue to worsen. The seasonally adjusted unemployment rate increased successively from 2.8 per cent in the second quarter of 2019 to 3.2 per cent in September to November 2019, whereas the number of unemployed persons increased by around 11 200 to 125 400 over the same period. According to past experiences, if the overall economy, in particular the consumption market, continues to weaken significantly, the local labour market is expected to be under severe pressure in the short term.

6 725 bankruptcy petitions were presented in the first ten months of 2019 cumulatively. The figure will vary depending on various factors and it is difficult to predict its future trend. In general, the number of bankruptcy cases is likely to increase if the economic situation deteriorates and the unemployment rate increases.

According to the survey of the Hong Kong Monetary Authority, 53 cases of residential mortgage loans (RMLs) were in negative equity at the end of the third quarter of 2019. The majority of these cases were housing loans for bank staff, while a small number of them were RMLs under mortgage insurance programmes. Should the economy continue to deteriorate, there may be corresponding adjustments in property prices. The number of RMLs in negative equity may then increase. It is difficult to predict the level of adjustment at the moment.

The Government will remain vigilant and continue to closely monitor the economic performance and the relevant situation.

(2) and (4) To counter the highly challenging domestic and external economic environment, the Government has announced four rounds of helping measures costing over \$25 billion in total since August 2019. These measures support enterprises, safeguard jobs and relieve people's financial burden, benefitting a wide range of citizens and sectors. Measures benefitting the public include providing a one-off electricity charge subsidy of \$2,000 to each residential electricity account; providing a subsidy to day school students of kindergartens, primary and secondary schools at \$2,500 per head in the 2019/20 school year; providing an extra allowance to social security recipients and applying similar arrangements to recipients of the Working Family Allowance and Work Incentive Transport Subsidy; paying one month's rent for lower income tenants living in the public rental units of the Hong Kong Housing Authority and the Hong Kong Housing Society; and providing a one-off living subsidy for low-income households not living in public housing and not receiving Comprehensive Social Security Assistance (commonly known as the "N have-nots") through the Community Care Fund.

For the year of assessment 2018/19, the Government has announced that the reductions of salaries tax, tax under personal assessment and profits tax

will be increased to 100 per cent, subject to the same ceiling of \$20,000 per case as previously proposed. The Inland Revenue Department (IRD) will reflect the tax reduction in the tax demand notes. In addition, for taxpayers who have financial difficulties in settling their profits tax, salaries tax or tax under personal assessment on time, upon obtaining the IRD's approval for payment of tax by instalments, the surcharge on the amount of tax outstanding will be waived for up to one year.

The IRD has an established mechanism for handling applications for payment of tax by instalments from taxpayers having financial difficulties in settling their tax bill on time. The processing of these applications is part of the IRD's daily duties and no additional expenditure will be incurred.

Taxpayers who wish to apply for payment of tax by instalments due to financial difficulties should lodge an application as soon as practicable upon the receipt of the tax demand note.

The Financial Secretary is preparing the 2020-21 Budget and is conducting public consultation. He will adopt a forward-looking and strategic fiscal approach in formulating measures to address the needs of the community.

(3) The Government will consider whether to provide rates concession in the light of the economic situation and the Government's fiscal position of the year. The Financial Secretary announced in the 2019-20 Budget to waive rates for all domestic and non-domestic tenements for four quarters in 2019-20, subject to a ceiling of \$1,500 per quarter for each tenement. Thereafter, the Financial Secretary announced on December 4, 2019 the provision of an enhanced rates concession to non-domestic tenements for the fourth quarter of 2019-20, increasing their concession ceiling from \$1,500 to \$5,000 per tenement.

As regards the Government rent, according to Article 121 of the Basic Law, for all leases of land granted or renewed where the original leases contain no right of renewal, during the period from May 27, 1985 to June 30, 1997, which extend beyond June 30, 1997 and expire not later than June 30, 2047, the lessee is not required to pay an additional premium as from July 1, 1997, but an annual rent equivalent to 3 per cent of the rateable value of the property, adjusted in step with any changes in the rateable value thereafter, shall be charged.

Since the Basic Law has stipulated the obligation to pay Government rent for the relevant leases, the Government has to uphold the Basic Law requirement and is not able to provide any form of concession on Government rent for the relevant leases.

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## LCQ1: Ferry services

Following is a question by the Hon Chan Han-pan and a reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (December 18):

Question:

From the 11th to the 16th of last month, the blockage of the Tolo Highway, coupled with the total or partial suspension of train services of the East Rail Line at the same time due to vandalism of facilities, paralysed the external transport for residents in New Territories East (NTE). To facilitate NTE residents travelling to and from the region, the Government provided temporary free ferry service between Wu Kai Sha and Tai Po from the 15th to the 18th of last month. Regarding ferry services, will the Government inform this Council:

(1) how it determined the route of the aforesaid ferry service; why it did not arrange ferries to take NTE residents directly to and from Kowloon or to and from Hong Kong Island; why it provided the ferry service only after the external transport of NTE had been paralysed for four days, and whether it has reviewed if the Government's response capability was inadequate; whether it will formulate contingency measures that use ferry services to cope with traffic contingencies; if so, of the details (including the timetable); if not, the reasons for that;

(2) given that the prevailing public transport policy is to use the railway as the backbone of the public transport system, and waterborne transport services are not well-developed, whether the Government will plan afresh the transport networks of the various districts, including the provision of ferry services between districts in New Territories West (e.g. Tsuen Wan and Tuen Mun) and districts on Hong Kong Island (e.g. Central and Wan Chai); if so, of the details (including the timetable); if not, the reasons for that; and

(3) given that the Government plans to increase the number of subsidised outlying island ferry routes from six to 14 with a view to maintaining the financial viability of such ferry services, whether it has assessed if such a funding mode is conducive to the development of transport networks; whether measures are in place to attract more operators to operate inner harbour ferry services; if so, of the details and timetable; if not, the reasons for that?

Reply:

President,

Since June 2019, over 900 (should be 1 000) protests and public meetings have been staged in Hong Kong, many of which eventually turned into violent illegal events, including blocking various strategic routes and cross-harbour tunnel facilities, paralysing the traffic, as well as wantonly damaging road

safety facilities. These reckless acts have jeopardised public order and public safety and severely affected the mobility of the general public.

The Government has been adopting a public transport-oriented policy, which encourages the public to make good use of the public transport network for their journeys as far as possible. Among them, railways and franchised buses are the most efficient in terms of economic, social and environmental aspects. In 2018, the average daily number of trips made on the heavy rail (note 1) amounted to approximately 4.95 million. The patronage of franchised buses is second only to the railways, with an average daily patronage of about 4.05 million trips in 2018. Together, the heavy rail and franchised buses serve about 70 per cent of passengers on public transport on average.

As regards ferry services, while the outlying island ferries provide public transport services essential for the outlying islands, the in-harbour ferry services perform a supplementary role. Objectively speaking, compared with the huge capacity of railways and franchised buses, ferry has constraints in carrying capacity, sailing times and frequency of sailings, etc. The average daily number of passenger trips made on ferries in 2018 was about 130 000, accounting for about one per cent of all public transport passenger trips.

The Transport Department (TD) has all along put in place contingency plans for individual strategic routes and rail lines. In case of an incident, the TD and other government departments, public transport service operators as well as tunnel and bridge management companies, etc, will maintain contact and co-ordinate appropriate actions according to the contingency plans. For instance, given that some of the MTR stations cannot operate as usual, the MTRCL provides free feeder bus service for passengers as far as practicable under safe conditions. Franchised bus operators also strengthen their bus services as appropriate, and will strive to continue their services to the public by taking diverted routes or shortening bus trips, as long as road surface traffic condition and road safety allow.

Ferry services also play a supporting role in certain unforeseeable circumstances. During the days when individual trunk roads and cross-harbour tunnels were closed or blocked, the Government arranged special free ferry services to meet passenger demand.

Having consulted relevant departments, I set out my reply to the question raised by the Hon Chan Han-pan as follows:

(1) Due to road blockages by protesters, Tolo Highway and the Cross-Harbour Tunnel in Hung Hom had been closed since November 12 and 13 respectively. After assessing the development of the incident and considering that the roads concerned could not be reopened in a short time, the Government arranged special free ferry services between Tai Po and Wu Kai Sha from November 15 to 18, as well as between Hung Hom and Wan Chai and between Kowloon City and Wan Chai from November 20 to 29 for the convenience of the commuting public. Various government departments undertook a series of preparatory work, including liaising with ferry service operators, selecting vessels, identifying suitable berthing facilities, etc, within a short time

span so as to provide the services the soonest possible. That said, although the services concerned provided some relief, railway and bus services cannot be replaced.

In addition, the Emergency Traffic Co-ordination Centre (ETCC) under the TD, which operates 24 hours a day, closely monitors the situation of traffic and transport services. The ETCC liaises and co-ordinates with government departments, public transport service operators and organisations concerned in handling traffic incidents, and disseminates the latest traffic news to the public. Regarding the large-scale road blockages occurred earlier on, the Government will also draw on the experiences and refine the contingency mechanism.

(2) Currently there are seven in-harbour ferry routes (note 2) in Hong Kong, which primarily play a supplementary role. There are views among the community suggesting that more in-harbour ferry routes should be explored. Since the number of passengers is expected to increase with the successive completion of a number of residential and commercial development projects in East Kowloon, the Government proposed re-commissioning the "Central-Hung Hom" ferry route as well as launching a pilot "water taxi" service plying between Kai Tak, Hung Hom, Tsim Sha Tsui East, West Kowloon and Central. On December 13, the TD carried out a tender exercise for the two services. The two routes will commence services in the next year the earliest.

The Government also welcomes any application for the operation of new ferry services. The Government will take into account all factors, including passenger demand, financial and operational viability.

(3) It is the Government's established policy that public transport services should be run by the private sector in accordance with commercial principles to enhance efficiency and cost-effectiveness. Ferry services serve as an indispensable external transportation for outlying island residents, yet the business environment has been very difficult. In view of this, the 2019 Policy Address proposed that the Government should provide Special Helping Measures to 14 outlying island ferry routes (note 3) and launch a Vessel Subsidy Scheme to replace the fleets of 11 ferry routes (note 4). These measures will be implemented successively from the next year, which can effectively maintain the financial viability of ferry services and alleviate the burden of fare increases on passengers.

In-harbour ferry services will continue to provide alternatives other than land-based transport and railway services to commuters. To alleviate the operating costs of the routes concerned, the Government has taken over the maintenance work of piers, where applicable, and reimbursed pier rentals and exempted vessel licence fees, etc.

Note 1: The heavy rail lines include the Kwun Tong Line, Tsuen Wan Line, Island Line, South Island Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line, East Rail Line, Ma On Shan Line, West Rail Line, and Airport Express.

Note 2: The seven in-harbour ferry routes are "North Point-Hung Hom", "North

Point-Kowloon City", "North Point-Kwun Tong-Kai Tak", "Central-Tsim Sha Tsui", "Wan Chai-Tsim Sha Tsui", "Sai Wan Ho-Sam Ka Tsuen" and "Sai Wan Ho-Kwun Tong" routes.

Note 3: The 14 outlying island ferry routes are "Central-Cheung Chau", "Inter-islands" between Peng Chau, Mui Wo, Chi Ma Wan and Cheung Chau, "Central-Mui Wo", "Central-Peng Chau", "Central-Yung Shue Wan", "Central-Sok Kwu Wan", "Aberdeen-Cheung Chau", "Aberdeen-Yung Shue Wan via Pak Kok Tsuen", "Aberdeen-Sok Kwu Wan via Mo Tat", "Tuen Mun-Tung Chung-Sha Lo Wan-Tai O", "Discovery Bay-Mui Wo", "Ma Wan-Central", "Ma Wan-Tsuen Wan" and "Central-Discovery Bay" routes.

Note 4: These 11 routes are "Central-Cheung Chau", "Inter-islands" between Peng Chau, Mui Wo, Chi Ma Wan and Cheung Chau, "Central-Mui Wo", "Central-Peng Chau", "Central-Yung Shue Wan", "Central-Sok Kwu Wan", "Aberdeen-Cheung Chau", "Aberdeen-Yung Shue Wan via Pak Kok Tsuen", "Aberdeen-Sok Kwu Wan via Mo Tat", "Tuen Mun-Tung Chung-Sha Lo Wan-Tai O" and "Discovery Bay-Mui Wo" routes.