

LCQ19: Measures to boost the economy and relieve people's hardship

Following is a question by the Hon Elizabeth Quat and a written reply by the Secretary for Food and Health, Professor Sophia Chan, in the Legislative Council today (October 28):

Question:

Regarding the measures to boost the economy and relieve people's hardship amid the Coronavirus Disease 2019 (COVID-19) epidemic, will the Government inform this Council:

(1) of the latest progress of the implementation of a system for mutual recognition of health codes (mutual recognition system) by the authorities of Guangdong, Hong Kong and Macao;

(2) whether it will discuss the following matters with the authorities of Guangdong and Macao:

(i) on the premise that the effectiveness of the efforts to combat the epidemic will not be compromised, increasing the health code quota under the mutual recognition system by phases, with the first phase covering those who need to commute between the three places on grounds of business and trade, work, study, visiting relatives or special needs; and

(ii) allowing residents of the three places, upon entry, to renew their health codes through nucleic acid tests on COVID-19 conducted locally; if so, of the details; if not, the reasons for that;

(3) of the progress of the discussions between the Government and other countries and places, apart from Singapore, on the establishment of bilateral "Air Travel Bubbles";

(4) given that the non-seasonally adjusted numbers of unemployed and underemployed persons in June to August this year have risen to almost 250 000 and almost 150 000 respectively, whether the Government will consider afresh establishing an unemployment assistance; if so, of the details; if not, the reasons for that;

(5) whether it will consider amending the legislation to permit employees to withdraw the accrued benefits of employees' contributions in their Mandatory Provident Fund accounts, but such a withdrawal may be made only once with the amount capped at 50% of the accrued benefits concerned or \$100,000, whichever is the lower; if so, of the details and the legislative timetable; if not, the reasons for that; and

(6) as some experts have pointed out that COVID-19 may co-exist with mankind

for a long time, and Hong Kong cannot rely solely on internal consumption to support its economy in the long run, of the Government's new plans to boost the economy and help various trades and industries to tide over the difficult times?

Reply:

President,

In consultation with relevant policy bureaux, including the Constitutional and Mainland Affairs Bureau, Commerce and Economic Development Bureau, Labour and Welfare Bureau, Financial Services and the Treasury Bureau, etc., my consolidated reply to the various parts of the question raised by the Hon Elizabeth Quat is as follows:

(1) and (2) For the early resumption of the cross-boundary flow of people between Guangdong and Hong Kong, and between Hong Kong and Macao, the Hong Kong Special Administrative Region (SAR) Government has been liaising closely with the Guangdong Provincial and Macao SAR Governments to discuss the relevant implementation proposal. The latest thinking is to mutually exempt the compulsory quarantine requirement upon entry to the other side based on the conditions of mutual conversion of "Health Codes" and mutual recognition of the nucleic acid test results. Details of the arrangement and implementation timeline will be determined upon further deliberations by the three places having regard to the development of the epidemic situation. On the other hand, we have earlier amended the Compulsory Quarantine of Certain Persons Arriving at Hong Kong Regulation (Cap. 599C) and the Compulsory Quarantine of Persons Arriving at Hong Kong from Foreign Places Regulations (Cap. 599E) to empower the Secretary for Food and Health (SFH) to exclude certain categories of persons specified by SFH arriving from certain Category 2 specified places from compulsory quarantine provided that they meet the conditions specified by SFH. The Hong Kong SAR Government will continue to closely monitor the development of the epidemic and discuss with the Guangdong Provincial and Macao SAR Governments, with a view to implementing the relevant arrangement as soon as possible.

(3) The Hong Kong SAR Government has established an inter-departmental task force led by the Secretary for Commerce and Economic Development to actively explore with countries that have a relatively stable epidemic situation and close economic and trade relations with Hong Kong on the gradual resumption of cross-border travel. We have approached 11 countries since mid-June 2020 to explore the initiative. Amongst these countries, Hong Kong and Singapore have reached an in-principle agreement to establish a bilateral Air Travel Bubble (ATB). Both governments are committed to fleshing out the full details of the ATB and look forward to the resumption of travel between both cities as soon as possible, with the necessary safeguards in place to ensure that public health concerns of both sides are addressed. The launch date of the ATB and other implementation details will be announced in due course. Apart from Singapore, the governments of Thailand and Japan have earlier announced the commencement of discussion with Hong Kong on relaxing travel restrictions. The inter-departmental task force is following up with the

governments of Thailand and Japan on the relevant details.

As the relaxation of quarantine arrangement involves a lot of complicated operational details, such discussion would take time. On the other hand, the implementation of the relevant arrangement still need to depend on the development of the epidemic situation both locally and in the countries or regions concerned. We will closely monitor the relevant situation and announce the progress in due course.

(4) Having considered the unprecedented challenges posed by COVID-19 in Hong Kong, the Hong Kong SAR Government announced in April 2020 the introduction of a time-limited "Special Scheme of Assistance to the Unemployed" through the Comprehensive Social Security Assistance (CSSA) system. The asset limits for able-bodied applicants under the CSSA Scheme have been temporarily relaxed for six months by 100% from June 1, 2020. In September 2020, the Government announced the further extension of the special scheme for six months to May 31, 2021. Over the past few months, there has been a significant increase in CSSA unemployment cases, which shows that CSSA is effectively serving its purpose as the safety net and could help the unemployed who are facing temporary financial hardship. The Employees Retraining Board (ERB) annually attracted more than 100 000 trainees to enroll in its training courses in the past three years. To support the unemployed or underemployed affected by the economic downturn for skills enhancement, ERB was commissioned by the Government to launch the "Love Upgrading Special Scheme" (the Special Scheme) in October 2019, offering training courses of around two to three months free of charge for trainees. The Government has assisted ERB in raising the ceiling of the monthly allowance per trainee from \$4,000 to \$5,800 in May 2020, and tasked it to launch Phase 2 of the Special Scheme and introduce a series of enhancements in July 2020, including increasing the number of training courses to about 300, as well as supporting enterprises and trade associations in arranging their employees or staff of corporate members who are underemployed or taking no-pay leave to attend courses under the Special Scheme, etc.

(5) Any proposals allowing early withdrawal of accrued benefits from the Mandatory Provident Fund (MPF) System must take into consideration the corresponding reduction of scheme members' accrued benefits meant for their retirement. Scheme members should not overlook the characteristics of MPF as a long-term investment with compounding effect. Its design is to allow MPF benefits to accumulate steadily and keep in the accounts for value growth during the working life of scheme members. Therefore, accrued benefits should be preserved in the System as far as possible and should only be withdrawn upon retirement of the employed persons. The MPF legislation only allows scheme members to make early withdrawal of accrued benefits before reaching the retirement age under certain exceptional circumstances. If we were to relax the preservation requirement on accrued benefits and allow scheme members to make early withdrawal to meet short-term financial needs or for contingency purposes, the accrued benefits would fail to accumulate for value growth, thereby undermining the integrity of the MPF system and rendering it difficult to achieve the purpose of assisting the working population to save for their retirement.

(6) The Hong Kong SAR Government understands that the persistent epidemic and relevant anti-epidemic measures have added tremendous burden to various sectors. As such, the three rounds of the Anti-epidemic Fund (AEF) have introduced around 100 measures to provide relief to sectors and individuals hard-hit by the epidemic and directly affected by the Government's anti-epidemic and social-distancing measures, as well as to enhance our anti-epidemic capability. The total commitment of AEF has exceeded \$150 billion, covering various sectors including small and medium enterprises, construction, property management, travel, catering, retail, convention and exhibition, arts and culture, creative, innovation and technology, passenger transport, aviation, agriculture and fisheries, hotel, child care centres and registered private schools offering non-formal curriculum, etc. The AEF also provides support to a wide spectrum of employees and needy groups including licenced hawkers, frontline cleansing and security workers, low-income families, secondary, primary and kindergarten students and school-related service providers (such as registered interest class teachers). The relief measures under the three rounds of AEF and the 2020-21 Budget involve over \$300 billion in total, which is about 10%-11% of Hong Kong's Gross Domestic Product (GDP) and is expected to have a supporting effect of slightly more than 5% of GDP on our economy. Relevant measures include the Cash Payout Scheme, rates concession and financial assistance to the sectors and individuals affected by the epidemic. The Government has also provided rental concessions for eligible tenants/holders of government premises, short-term tenancies and waivers administered by the Lands Department, as well as a wide range of fee concessions/waivers, with a view to relieving the burden on businesses and individuals. While many of the above measures are still in force and yielding effects, the Government will keep a close watch on the latest situation and respond in a timely manner.

Nevertheless, with a sizeable spending on the said support measures and an anticipated reduction in government revenue due to the economic downturn, we estimate that the consolidated deficit for the current financial year will exceed \$300 billion, and our fiscal reserves will be reduced to around \$800 billion, equivalent to around 12-13 months of government expenditure. In the face of the current economic downturn and uncertainties arising from COVID-19, it is crucial that the Government exercises fiscal prudence and preserve our fiscal strength, with a view to meeting our known commitments as well as coping with any unforeseen needs. Maintaining a healthy level of fiscal reserves is also fundamental to ensuring the financial stability of Hong Kong.