

## LCQ3: Improving policy implementation

Following is a question by the Hon Paul Tse and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (March 24):

Question:

Last year, the Government injected \$27.3 billion into Cathay Pacific Airways Limited (CX) which had fallen into financial difficulty, and later disbursed around \$0.6 billion of wage subsidies to CX under the Employment Support Scheme. However, CX still recorded a record-breaking deficit of \$21.6 billion and needed to reduce approximately 8 500 positions last year. Some members of the public have criticized that the public money involved in the injection is sufficient for handing out \$5,000 each to all members of the public in Hong Kong, or making contributions to Mandatory Provident Fund (MPF) schemes on behalf of all employers and employees in Hong Kong for half a year. There have been comments that the Government has made policy blunders, such as disbursing wage subsidies to supermarket chains whose business has bloomed amid the epidemic, reducing tax concessions for the current financial year by half, proposing to issue electronic consumption vouchers with all sorts of restrictions, refusing to allow members of the public to withdraw the accrued benefits in their MPF accounts to help themselves, and failing to publish vaccination guidelines in a timely manner, which have resulted in the Government's persistently low popularity. In this connection, will the Government inform this Council:

(1) whether it has reviewed if the Government's practice of spending, without consulting the public, huge amounts of public money on injecting money into CX and disbursing wage subsidies to supermarket chains with huge profits but ignoring that more and more members of the public have fallen into financial difficulty amid the epidemic, will give members of the public a perception of not helping those who should be helped, and deal a blow to public confidence in the Government's governance;

(2) as it is learnt that the level of Mainlanders' satisfaction with the Central Government has remained persistently high in recent years, whether it has studied which of the relevant reasons are of reference value to the SAR Government to facilitate its review and adjustment of the existing policies on developing the economy and combating the epidemic; and

(3) whether it will change the practice of helping individual enterprises and instead adopt a fairer and more cost-effective approach for assisting all enterprises and employees who have fallen into financial difficulty, such as considering afresh the proposal of the Government making contributions to MPF schemes temporarily on behalf of all employers and employees in Hong Kong, so as to ensure the proper use of public money?

Reply:

President,

First of all, I am thankful for the opportunity of responding to the oral question raised by the Hon Paul Tse today to elucidate the Government's efforts in alleviating people's hardship, supporting the enterprises and fighting against the pandemic in the past months. In consultation with relevant policy bureaux, my reply to the various parts of the question raised is as follows:

(1) and (3) Same as other economies, the COVID-19 pandemic has dealt a very severe blow to the Hong Kong economy. We have been committed to controlling the pandemic, and at the same time endeavoured to help those hard-hit business sectors and citizens to tide over the difficult times having regard to the epidemic situation and changes in the economic environment.

Considering that job security of employees and business operation are inter-dependent, we have been steadfast in supporting both the enterprises and employment. To this end, the Government has introduced targeted relief measures amounting to over \$300 billion, through the 2020-21 Budget and the four rounds of injections into the Anti-epidemic Fund (AEF), that covered a wide range of industries and groups in need. As at mid-March 2021, over \$140 billion of subsidies have been disbursed under the AEF, benefitting over 6.5 million persons and around 850 000 applications submitted by enterprises and businesses. On the premise that no layoffs were allowed, employers had been subsidised by the two tranches of the Employment Support Scheme to the benefit of around 1.95 million employees and over 120 000 self-employed persons.

The aviation industry plays a strategic role in the economic development of Hong Kong, and is the cornerstone of Hong Kong's status as an international aviation hub. Before the outbreak of the COVID-19 pandemic, Cathay Pacific Airways Limited (Cathay) accounted for 57 per cent and 41 per cent of the overall passengers and freight carried by the Hong Kong International Airport respectively. Cathay is key in driving different types of economic activities within the industry, supporting many in the downstream and providing job opportunities. With a view to supporting Hong Kong's aviation industry to ride out the storm, the Government decided in June 2020 to invest in Cathay in the public interest.

At the individual level, the Government has spared no efforts to relieve people's hardship. The Budget announced by the Financial Secretary in February 2021 introduced a host of counter-cyclical measures costing over \$120 billion. Apart from general measures including tax and rate reductions, increasing social security allowance and provision of one-off electricity charges subsidy of \$1,000, the Budget also proposed to issue electronic consumption vouchers with a total value of \$5,000 and create around 30 000 time-limited job positions. In addition, the Budget proposes to set up a time-limited Special 100% Loan Guarantee for Individuals Scheme, with a view to providing an additional financing option for the unemployed.

Regarding the suggestion for the Government to make Mandatory Provident Fund (MPF) contributions, we announced in January 2020 to pay in future the five percent MPF contributions on behalf of employees whose salary is lower than the minimum relevant income level. As for the Hon Tse's suggestion for the Government to make MPF contributions for all employers and employees in Hong Kong, this is a measure with much wider implication. The Government has carefully analysed the impact of the proposal. Given the finite public resources, we consider it not appropriate to implement the suggestion.

We forecast that the consolidated deficit this year will be the highest on record, and the deficit in the coming year will remain high at around \$100 billion. In the coming years, we expect great volatility in the economic environment and the external political situation. While we will strive to make available mitigation measures for our people, we also need to maintain certain level of fiscal reserves for meeting other future needs.

(2) The Hong Kong Special Administrative Region (HKSAR) Government has remained vigilant and committed to curbing the COVID-19 pandemic. We have made references to the advice from experts in Hong Kong, the Mainland and the rest of the world in formulating suitable anti-epidemic strategy based on science. There are regular exchanges between the Department of Health of the HKSAR Government and the National Health Commission on the anti-epidemic experience in the Mainland. By drawing on the Mainland's successful anti-epidemic strategy and experience, it is hoped that the epidemic in Hong Kong could be put under control as soon as possible.

Over the past year, our country has achieved major strategic achievement in curbing COVID-19 and is the world's only major economy to achieve positive economic growth. Meanwhile, the approved 14th Five-Year Plan (Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035) sets out the blueprint and action agenda for the social and economic development of the country in the next five years. Hong Kong will be a proactive participant and facilitator of the development blueprint, thereby bringing continuous impetus to our economy.

To enhance governance capability, which is also the topic that the Hon Paul Tse concerns, it is pivotal for the HKSAR to dutifully implement the decision of the National People's Congress to improve the electoral system and the principle of "patriots administering Hong Kong". Once the loophole in our current electoral system is plugged, we can effectively resolve the predicament of over-politicisation as seen in the Legislative Council (LegCo) in recent years. Taking the recent resolution of the Vote on Account as an example, this is a well-established procedure in the budgetary process. Whilst we welcome Members' views during the deliberation of the resolution, the process was delayed by a number of unreasonable amendments last year. In recent times when rationality is restored in the LegCo, the resolution this year was passed smoothly as in the past. We hope that once the electoral system is improved and "patriots administering Hong Kong" is implemented, there will be larger room for cooperation with the LegCo and different sectors of the community to develop the economy and improve people's

livelihood.

Thank you, President.