

LCQ5: Local Mask Production Subsidy Scheme

Following is a question by the Hon Kenneth Lau and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (May 13):

Question:

With the coronavirus disease 2019 epidemic raging on in Hong Kong, surgical masks (masks) have all along been in short supply and their prices have surged. In view of this, the Government launched the Local Mask Production Subsidy Scheme (the Scheme) to provide subsidies for manufacturers to produce masks locally. The subsidy quota of 20 production lines has now been fully allocated. Under the Scheme, the first two million masks produced by each subsidised production line each month must be sold to the Government for a period of one year. If the monthly production exceeds two million, the manufacturers concerned may sell the surplus masks locally by themselves. However, it has been reported earlier on that a manufacturer which was granted subsidy has sold its masks on the market before signing any agreement with the Government and supplying masks to the Government. In this connection, will the Government inform this Council:

(1) whether it has signed an agreement with all of the manufacturers which were granted subsidies; if so, of the respective dates on which such agreements came into force; if not, the reasons for that; whether such agreements stipulate a partial or full refund of the subsidy by a subsidised manufacturer to the Government when the former has failed to supply the Government with the quantity of masks specified in the agreement;

(2) of the following information in respect of each subsidised production line: the (i) commencement date of production, (ii) date on which the masks were/will be first supplied to the Government, (iii) date on which the masks were/will be first sold on the market (if applicable), as well as (iv) the respective monthly quantities of masks for adults and those for children produced, supplied to the Government and sold on the market (if applicable) since the commencement of production;

(3) of the criteria or mechanism to be adopted by the Government for allocating the masks supplied to it under the Scheme, and whether it will make public the distribution of such masks;

(4) whether it will impose a restriction on the prices at which the subsidised manufacturers sell those locally produced masks on the market, so as to ensure that members of the public can acquire masks at reasonable prices; and

(5) whether it will put in place a regulatory mechanism for the Scheme to ensure the proper use of public funds?

Reply:

President,

My consolidated reply to the various parts of the question raised by the Hon Kenneth Lau is as follows:

The Government launched the Local Mask Production Subsidy Scheme (the Scheme) under the Anti-epidemic Fund to facilitate local production of masks in order to stabilise supply and to build up stock. The Government announced on May 4 that it allocated all the quota of 20 production lines under the Scheme. It is estimated that, when all the production lines are in full production, every month they would collectively supply 33.85 million masks to the Government. Further details are tabulated at Annex.

Given the global shortage of masks, enterprises in many places have flocked to establish mask production facilities and have recently sent their mask samples to accredited laboratories outside Hong Kong for certification, resulting in a longer-than-normal lead time for certification. Taking this bona fide situation into consideration and in accordance with the application guide, the Government would allow approved applicants who are still waiting for such certification and are unable to begin supplying masks to the Government by the target commencement date to apply for an extension of up to one month. Any extension beyond one month without exceptional reasons and full justifications would result in revocation of the subsidy.

The Government has, through the Hong Kong Productivity Council (HKPC), provided all approved applicants with a copy of the funding agreement and have been signing the agreement with individual companies successively. Once the approved applicants secure the relevant certification and meet other relevant requirements, they would gradually begin to supply masks to the Government. As mentioned above, obtaining certification for masks is taking longer than usual recently, and this also impacts on the timing of supplying masks by approved applicants.

The masks procured by the Government under the Scheme are mainly for addressing the needs of the public sector, particularly those of frontline health care workers and other frontline staff. After the masks produced by a subsidised production line have obtained the relevant certification, the production line must supply two million masks to the Government each month before it could sell the excess to the local market. Under no circumstances could the masks be exported. As the global supply of surgical masks continues to be tight in the near term, this restriction has the effect of increasing local mask supply and is more pragmatic than regulating the price of masks.

As the Chief Executive announced earlier, the Government will share the first batch of 30 million masks procured under the Scheme with the public. Depending on the certification and production progress of the subsidised production lines, the Government estimates that a pack of 10 masks would be distributed to each household starting around end June. Further details will

be announced later.

To ensure proper use of public funds, the Government and the HKPC will regularly monitor the operations of the subsidised production lines during the one-year subsidy period. This includes ensuring that the production lines meet their targeted outputs and monitoring whether masks produced in excess of those supplied to the Government are distributed locally etc. The subsidy will be disbursed in phases which hinge on the progress of establishing the subsidised production line as well as its production output. Funds are disbursed only if the production line meets specified targets, such as obtaining certification for its masks, reaching a certain level of production output etc. The funding agreement also stipulates that, if a production line's actual output falls short of the committed output as stated in its application, the total subsidy amount would also be reduced proportionally. Where a production line ultimately fails to meet the Scheme's requirements, the Government may also recover from the concerned company any funds already disbursed.