

立法會
Legislative Council

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cleared with the Chairman)

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Finance Committee of the Legislative Council

**Minutes of the 18th meeting
held at the Legislative Council Chamber
on Friday, 6 July 2001, at 3:30 pm**

Members present:

Dr Hon Philip WONG Yu-hong (Chairman)
Hon NG Leung-sing, JP (Deputy Chairman)
Hon Kenneth TING Woo-shou, JP
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, JP
Hon LEE Cheuk-yan
Hon Martin LEE Chu-ming, SC, JP
Hon Eric LI Ka-cheung, JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, JP
Prof Hon NG Ching-fai
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-yee, JP
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching, JP
Hon CHAN Kwok-keung
Hon CHAN Yuen-han, JP
Hon Bernard CHAN
Hon CHAN Kam-lam
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai
Hon Andrew WONG Wang-fat, JP

Hon WONG Yung-kan
Hon Jasper TSANG Yok-sing, JP
Hon Howard YOUNG, JP
Dr Hon YEUNG Sum
Hon YEUNG Yiu-chung, BBS
Hon LAU Kong-wah
Hon Mrs Miriam LAU Kin-yee, JP
Hon Ambrose LAU Hon-chuen, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon CHOY So-yuk
Hon Andrew CHENG Kar-foo
Hon SZETO Wah
Hon LAW Chi-kwong, JP
Hon TAM Yiu-chung, GBS, JP
Dr Hon TANG Siu-tong, JP
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, JP
Hon Henry WU King-cheong, BBS
Hon Tommy CHEUNG Yu-yan, JP
Hon Michael MAK Kwok-fung
Hon Albert CHAN Wai-yip
Hon LEUNG Fu-wah, MH, JP
Dr Hon LO Wing-lok
Hon WONG Sing-chi
Hon Frederick FUNG Kin-kee
Hon IP Kwok-him, JP
Hon LAU Ping-cheung
Hon Audrey EU Yuet-mee, SC, JP

Members absent:

Hon David CHU Yu-lin, JP
Hon Cyd HO Sau-lan
Dr Hon David LI Kwok-po, GBS, JP
Hon LAU Chin-shek, JP
Hon LAU Wong-fat, GBS, JP
Hon Timothy FOK Tsun-ting, SBS, JP

Public officers attending:

Miss Denise YUE, JP
Mr Stanley YING, JP
Mr K K LAM

Secretary for the Treasury
Deputy Secretary for the Treasury
Principal Executive Officer (General),
Finance Bureau

Mr W K LAM, GBS, JP	Secretary for Home Affairs
Mrs Juliana CHEN Yam Wai-fun	Deputy Director of Information Services
Mr Peter LAI Pong-woon	Principal Executive Officer of Information Services Department
Mr Eddy YAU Kwok-yin	Principal Assistant Secretary for Home Affairs
Ms Lolly CHIU, JP	Deputy Director of Leisure and Cultural Services (Admin)
Mr Johnny W M WOO	Deputy Director of Leisure and Cultural Services (Leisure Services)
Mr Daniel CHENG	Principle Assistant Secretary for Planning and Lands
Dr LAU Ching-kwong, JP	Director of Civil Engineering
Mr TONG Nai-piu	Chief Engineer of Civil Engineering Department
Mr CHAU Hing-wah	Curator (Archaeology) of Leisure and Cultural Services Department
Ms Phyllis C M LI	District Planning Officer/Sai Kung and Islands of Planning Department
Mr Francis HO, JP	Commissioner for Innovation and Technology
Miss Agnes WONG	Assistant Commissioner for Innovation and Technology
Mr Patrick LI	Principal Assistant Secretary for Education and Manpower (2)
Mr Kelvin CHAN	Assistant Director of Education
Mr K L HUI	Chief Systems Manager of Information Technology Services Department
Mr Raymond YOUNG, JP	Deputy Secretary for Education and Manpower
Ms Michelle LI	Principal Assistant Secretary for Education and Manpower (1)
Mr J D WILLIS	Controller, Student Financial Assistance Agency
Ms Winnie SO	Principal Assistant Secretary for Education and Manpower (5)
Mr KWONG Sing-szee	Executive Director, Employees Retraining Board
Mr Andrew WONG, JP	Director of Administration
Ms Miranda CHIU, JP	Deputy Director of Administration
Mr Joseph WONG, GBS, JP	Secretary for the Civil Service
Mrs Jessie TING, JP	Deputy Secretary for the Civil Service

Clerk in attendance:

Ms Pauline NG

Assistant Secretary General 1

Staff in attendance:

Miss Polly YEUNG

Chief Assistant Secretary (1)3

Mrs Eleanor CHOW

Senior Assistant Secretary (1)4

Item No. 1 - FCR(2001-02)26

**RECOMMENDATIONS OF THE ESTABLISHMENT
SUBCOMMITTEE MADE ON 20 JUNE 2001**

At members' request to consider and vote on EC(2001-02)14 and EC (2001-02)19 separately, the Chairman put FCR(2001-02)26, except EC(2001-02)14 and EC (2001-02)19, to the vote. The Committee approved the proposal.

EC(2001-02)14

**Proposed creation of one permanent post of
Administrative Officer Staff Grade C (D2) in
the Information Services Department to serve
as the Press Secretary to the Financial
Secretary**

2. Miss Emily LAU said that while she supported the creation of a Press Secretary post to provide media and public relations (PR) support to the Financial Secretary (FS), she remained unconvinced that the post should be pitched at the rank of Administrative Officer Staff Grade C (AOSGC) (D2). Mr Henry WU and Mr CHEUNG Man-kwong shared her view. Mr CHEUNG said that Members of the Democratic Party (DP) would vote against the proposal as they considered that it was more appropriate to pitch the proposed post at the level of Chief Information Officer (CIO).

3. Mr Albert CHAN commented that the Administration had all along been advocating the enhancement of productivity and reduction in operating costs. However, despite the motion passed by the Panel on Home Affairs on 12 June 2001 objecting to the submission of the proposal to the Establishment Subcommittee (ESC) before the matter could be further considered by the Panel, the Administration had not taken heed of the Panel's view. The Administration's position on the subject was setting a bad precedent of expanding the directorate establishment while retrenching the junior ranks.

4. In response, the Secretary for Home Affairs (SHA) advised that the current Press Secretary post was created at AOSGC D2 level in 1994 to serve both the Chief Secretary (CS) and the FS. The incumbent had to provide advice on the presentation strategies for specific policies, in particular those which straddled the work of different Bureaux. The nature of the work of the Press Secretary required good understanding of the policies of Government Bureaux and exposure to the formulation of policies, which did not fall within the normal duties of CIOs. Since 1997, there was a growing need for principal officials to go overseas to promote Hong Kong. The overseas duty visits conducted by the two senior principal officials in 2000 alone had amounted to 37 and 58 days respectively. In order that the Press Secretary could provide effective service to both officials, it was therefore proposed to split the existing Press Secretary post into two. The proposed Press Secretary for the FS would require essentially the same background and competencies as the one created in 1994. The Administration therefore considered it appropriate to maintain the ranking of the post at AOSGC D2 level.

5. Miss Emily LAU pointed out that by providing a separate Press Secretary to CS and FS, there should be scope for pitching the proposed post at a lower level. SHA responded that the main factor in determining the ranking of a post was the nature of the job, rather than solely the number of Secretaries served. He said that to provide adequate PR support for the two most senior principal officials of the Government, the respective Press Secretary ought to be experienced and well versed in handling a wide range of policy issues under the purview of CS and FS and in dealing with the media. To this end and as an integral part of Press Secretaries' duties, they were required to sit on the policy groups or committees of the CS and the FS and advise the principal officials of the possible media and public reaction to major policies, and to help devise effective programmes to promulgate and explain such new policies or initiatives. Each Press Secretary would also be required to co-ordinate with the relevant bureau secretaries regularly to fine-tune the PR strategies and publicity programmes to ensure effective implementation of the strategies.

6. SHA further pointed out that the workload of the Press Secretary had increased considerably since 1994 as the Administration was committed to greater openness and transparency. The proposed post had been considered as early as 1997 but had not been taken forward because of the economic downturn and the freeze on civil service recruitment.

7. Referring to the supplementary information on the work schedule provided by the Administration, Miss Emily LAU expressed concern about the long working hours and heavy workload of the incumbent Press Secretary. Mr NG Leung-sing shared similar concern. Mr Albert CHAN also commented that the work schedule was unacceptable and urged that the schedule of duties of the Press Secretary be critically reviewed.

8. In response, SHA stressed that due to the nature of the duties involved, it was inevitable that the Press Secretary had to work long and irregular hours. In fact, the work schedule did not reflect the peak periods such as the Budget consultation and post-Budget publicity. Even if the proposed Press Secretary post was created, the workload of each Press Secretary would not be significantly reduced as the quality of their service was expected to improve in terms of firmer grasp of public reaction to existing and new policy initiatives, better co-ordinated media and PR efforts, and a more proactive approach in dealing with the media and the community.

9. While supporting the proposal, Miss Margaret NG considered the work schedule of the Press Secretary excessive and might undermine the quality of work of the postholder. She noticed that no supporting service was provided to the new post. Structure-wise, it was not possible to arrange work on shift and for the postholder to delegate less important activities to subordinate staff. Mr LEE Cheuk-yan echoed the view and suggested that consideration might be given to setting up a team to handle media enquiries at night. Mr Henry WU said that a dedicated time slot should be allocated for the Press Secretary to handle media enquiries. Professor NG Ching-fai suggested that the postholder should be given extra annual leave to recompense for working long hours.

10. Mr NG Leung-sing expressed support for the proposal. He pointed out that item (f) of the job description requiring the Press Secretary to liaise and advise bureaux on Government responses under the FS' policy schedules was quite beyond the normal work purview of a CIO. Notwithstanding, he considered that the roles of the Press Secretary and the Information Officer grade were very closely related and suggested that a review be conducted.

11. In response, SHA explained that improving the work arrangements or delegation of duties might not necessarily reduce the workload for posts where personal and dedicated services to a principal official were required. In view of the demanding nature and workload of the post, the Administration would make arrangement to avoid posting an officer to the Press Secretary post for a prolonged period of time.

12. Mrs Selina CHOW agreed that the Press Secretary was required to provide efficient and effective support to the two principal officials and to maintain continuity and consistencies in releasing information to the media and public. It might not be practicable to limit the working hours and the workload of the officer concerned if the required duties were to be effectively discharged. Mrs CHOW considered that the duties of the Press Secretary post justified the ranking at AOSGC D2 level.

13. Mr Andrew WONG said that although he had moved the motion at the meeting of the Panel on Home Affairs on 12 June 2001, he accepted the Administration's explanation and changed his stance on the subject. He

nevertheless agreed with Miss Margaret NG that the Administration should consider ways to improve the existing work arrangements. Miss CHOY So-yuk said that Members of the Democratic Alliance for Betterment of Hong Kong (DAB) supported the proposal.

14. Mr James TIEN referred to the importance of the addresses by FS and the role of the Press Secretary in answering media enquiries on behalf of FS and make clarifications on policy issues. As FS's public remarks might have an impact on how overseas investors perceived Hong Kong and their investment decision, the post in question should preferably be filled by an officer with sound financial knowledge or experience. SHA noted Mr. TIEN's view and assured members that the FS and the Civil Service Bureau would take into consideration all relevant factors in identifying the officer most suitable for the post.

15. Miss Emily LAU pointed out that the Home Affairs Panel had expected that the present proposal be reverted to it for further deliberation following the passage of the motion on 12 June 2001. Miss LAU queried whether submitting the present proposal to the ESC despite Panel members' strong view would set a precedent of departing from the established practice of consultation with Panels on legislative and financial proposals.

16. In reply, SHA confirmed that where the Panel raised queries, the Administration would normally revert to the Panel for further exchange of views. However, in view of the imminent close of the legislative session and the urgent need to create the post which was already overdue, the Administration had decided to submit the present proposal to ESC as planned, on the understanding that members would still have ample opportunities to consider it and seek explanation from the Administration at ESC and FC meetings.

17. Mr James TIEN said that there was no need for a proposal to be supported by a Panel before it could be submitted to the FC or its Subcommittees. He pointed out that a Panel would normally consider the policy aspects of a proposal while the FC or its Subcommittees would discuss the funding details. It was hence possible for a proposal which was originally supported by Panels being subsequently negated by FC and its Subcommittees, or vice versa.

18. The Chairman put the item to vote. 33 Members voted for the item, 15 members voted against and 2 abstained -

For:

Mr Kenneth TING Woo-shou

Dr Raymond HO Chung-tai

Mr Eric LI Ka-cheung

Mr NG Leung-sing

Miss Margaret NG

Mr HUI Cheung-ching

Mr James TIEN Pei-chun

Mr LEE Cheuk-yan

Dr LUI Ming-wah

Prof NG Ching-fai

Mrs Selina CHOW LIANG Shuk-yee

Mr CHAN Kwok-keung

Miss CHAN Yuen-han
Mr CHAN Kam-lam
Mr Andrew WONG Wang-fat
Mr Jasper TSANG Yok-sing
Mr YEUNG Yiu-chung
Mrs Miriam LAU Kin-yee
Mr TAM Yiu-chung
Mr Abraham SHEK Lai-him
Mr LEUNG Fu-wah
Mr IP Kwok-him
Ms Audrey EU Yuet-mee
(33 members)

Mr Bernard CHAN
Mrs Sophie LEUNG LAU Yau-fun
Mr WONG Yung-kan
Mr Howard YOUNG
Mr LAU Kong-wah
Miss CHOY So-yuk
Dr TANG Siu-tong
Mr Tommy CHEUNG Yu-yan
Dr LO Wing-lok
Mr LAU Ping-cheung

Against:

Mr Albert HO Chun-yan
Mr Fred LI Wah-ming
Mr CHEUNG Man-kwong
Dr YEUNG Sum
Mr Andrew CHENG Kar-foo
Mr LAW Chi-kwong
Mr Albert CHAN Wai-yip
Mr Frederick FUNG Kin-kee
(15 members)

Mr Martin LEE Chu-ming
Mr James TO Kun-sun
Mr SIN Chung-kai
Miss Emily LAU Wai-hing
Mr SZETO Wah
Mr Michael MAK Kwok-fung
Mr WONG Sing-chi

Abstention:

Ms LI Fung-ying
Mr Henry WU King-cheong
(2 members)

19. The Committee approved the item.

EC(2001-02)19

Proposed merger of the Amenities Officer and Recreation and Sport Officer grades to form a new Leisure Services Manager grade; and retention of the personal pay scale by serving Amenities Officers II upon regrading to the new grade whilst they are in the Assistant Leisure Services Manager II rank

20. Mr FUNG Kin-kee, Frederick said that he had reservation about the merging of the Amenities Officer (AO) and the Recreation and Sport Officer (RSO) grades to form the new Leisure Services Manager (LSM) grade and considered that implementation of the merger proposal should be deferred until completion of the review on sports development by the Home Affairs Bureau.

21. In response, the Principal Assistant Secretary for Home Affairs explained that the said review was conducted from a macroscopic point of view covering the strategy of funding sports development, promotion of community sports, planning and development of sports facilities, and elite athlete development and training. It did not focus on the mode of district operation, staff management and staff deployment within the Leisure and Cultural Service Department (LCSD) which the merger proposal sought to improve.

22. Mr FUNG Kin-kee expressed concern about LSMs only focusing on activities on a venue basis, hence resulting in a lack of co-ordination for district and territory-wide activities under the new system. He also doubted whether a LSM was capable of taking up the professional duties of both the AO and RSO, given that the entry requirement for the RSO grade were a full-time teacher's certificate with physical education as one of the subjects studied; or a diploma from a registered post-secondary college in recreation and sports management.

23. The Assistant Director of Leisure and Cultural Services (ADLCS(LS)) clarified that the merger proposal would not impact on the mode of operation for organizing district or territory-wide activities. In future, the District Leisure Managers would continue to co-ordinate district-wide activities while territory-wide activities would be co-ordinated at the departmental level. The merger would enable the public to get one-stop service at a venue for the booking of facilities, obtaining on-the-spot and professional assistance and advice on facility usage, etc. The merger would remove the historical demarcation of duties between the AO and RSO grades, thereby providing greater flexibility in the deployment of resources. Such a multi-disciplinary workforce was in line with the practice of running recreational clubs in the private sector and was widely adopted in other countries. As regards concerns about LSMs' competency in taking up the duties of AOs and RSOs upon merger, ADLCS(LS) advised that tertiary institutions were now offering courses relevant to recreation and sports management.

24. Mr LEE Cheuk-yan expressed reservation on the proposal. He doubted whether in practice the two grades could be merged and was concerned that in future, fewer activities would be organized as LSMs were also responsible for the management of venues and facilities. He considered that the merger was to pave the way for privatization and redundancy.

25. The Deputy Director of Leisure and Cultural Services (Administration) clarified that the proposed merger had nothing to do with outsourcing. She also assured members that no staff would be made redundant as a result of the merger. ADLCS(LS) supplemented that on the contrary, ten net additional LSM posts would be created with a view to improving the quality of leisure services provided to the public.

26. The Committee approved the item.

Item No. 2 - FCR(2001-02)27

**RECOMMENDATIONS OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 16 MAY 2001, 13 JUNE 2001
AND 20 JUNE 2001**

27. At members' request to consider and vote on PWSC(2001-02)21 separately, the Chairman put FCR(2001-02)27, except PWSC(2001-02)21, to vote. The Committee approved the proposal.

**PWSC(2001-02)21 304CL Formation, roads and drains for package
6 remainder, Sai Kung**

28. Mr Albert CHAN said that Members of DP supported the proposal to upgrade the roads and drainage works in Sai Kung Area 4 to cope with planned developments in the area. However, he was concerned that the construction works would damage the archaeological materials in the project site. He asked how the Administration would ensure timely completion of the project on one hand and conservation of archaeological materials on the other.

29. The Director of Civil Engineering (DCE) advised that as a measure to mitigate the archaeological impact arising from the works under this project, the Civil Engineering Department had proposed to salvage the archaeological remains within the depth range of construction works. A period of eight months would be allowed for rescue excavation works. If necessary, extra time would also be provided to complete the rescue excavation. He advised that the construction works of the project would start only upon completion of all the planned rescue excavation activities.

30. Mr Albert CHAN considered that in view of the potential discovery of valuable archaeological materials in the site, it might be necessary to include special provisions in the works contract to exempt the Government from any financial liability arising from delay in construction works.

31. In response, DCE advised that the works contract would allow for a four months' extension of the construction period. In addition, the Government could withhold the award of tender for construction works or even to stop the project if circumstances warranted. DCE confirmed that the contract document would require contractors to immediately suspend their works and notify the Antiques and Monuments Office (AMO) for necessary actions if archaeological materials were uncovered in the course of work. Addressing Dr Raymond HO's concern about possible damage caused by machinery in the course of construction works, DCE advised that the contract document prohibited the use of heavy duty machinery.

32. In response to Miss Emily LAU's enquiry on the Sha Kok Mei Temporary Housing Area, the Curator (Archaeology) of Leisure and Cultural Services Department (Curator (A), LSCD) confirmed that upon clearance of the area, excavation works would be carried out as cultural remains were expected to exist in the area. Mr Andrew WONG enquired whether individual lots in the project area would be surveyed to ascertain the archaeological potential of the site prior to sale. The Principal Assistant Secretary for Planning and Lands (PAS(PL)) confirmed that such an arrangement was in place.

33. On the planned rescue excavation, Curator (A), LSCD advised that it covered an area of 3000 square metres and all the excavated finds would be recorded in detail. PAS(PL) supplemented that the cultural strata were estimated to be at a depth of 1.5 metre and hence the maximum depth of excavation would be about 2 metres.

34. Referring to paragraph 5 of the supplementary information paper (PWSC 174/00-01 issued on 5 July 2001), Miss Emily LAU enquired about the level of interest which Members of the Antiquities Advisory Board (AAB) had in the proposed rescue excavation works. In reply, Curator(A), LSCD reported that a paper detailing the proposed archaeological rescue excavation works had been circulated to Members of AAB in June 2001. AAB had taken note of the planned rescue excavation works along side a number of excavation works to be done by the AMO and had not make any specific comment. Mr Henry WU said that he had spoken to the Chairman of the AAB who had expressed appreciation for the concerns raised by members of the Public Works Subcommittee on this project.

35. Mr Albert CHAN opined that if this important archaeological site had been uncovered at the outset, the layout plan for the project site might have been very different. For instance, the archaeological site might remain in its present form or be preserved for the construction of a museum. In this connection, he suggested the Administration to reconsider the layout plan of the project and defer the present proposal until completion of the rescue excavation activities.

36. In reply, PAS(PL) stressed that the Administration attached a lot of importance to the conservation and preservation of archaeological materials. The relevant preservation and conservation arrangements would depend on the importance and the nature of the excavated finds. For instance, the discovery of an ancient village might warrant the preservation and conservation of the whole site. For the archaeological site in question, the AMO had dug some 30 test-pits and the excavated artefacts uncovered included pottery, ceramics and different pieces of articles. As such, it was considered not necessary to preserve the whole site for the purpose of exhibiting pieces of artefacts. PAS(PL) assured members that upon completion of the rescue projects, the AMO would keep the excavated finds and field archives in the Central Archaeological Repository. Exhibitions and educational activities would also be arranged.

37. Mr Henry WU agreed that as the archaeological site was near the shoreline, the articles uncovered would mainly be in pieces. In this connection, he found the present proposal acceptable.

38. On the suggestion of deferring the present proposal, PAS(PL) considered it not justified as the AMO had already conducted a two-week preliminary survey in 1996 to ascertain the archaeological potential of Sha Ha, a site located within the project site where cultural remains had been uncovered. The AMO further conducted a two-month intensive survey in 1998 to establish the horizontal spread of archaeological remains and the cultural sequence of the site. The experts of the AMO had advised that eight months was adequate to complete the rescue excavation works.

Admin 39. Miss Emily LAU shared the concerns of Mr Albert CHAN and asked the Administration to provide information on the policy of preserving and conserving an archaeological site. Curator (A), LSCD said that the Home Affairs Bureau was at present reviewing the policy for preserving historical sites. At the request of Miss LAU, the Administration agreed to provide a paper on the issue.

40. In response to Miss CHOY So-yuk, DCE confirmed that no old banyan tree of rare and historical value existed in the project area.

41. The Chairman put the item to vote. 34 Members voted for the item and ten members voted against -

For:

Mr Kenneth TING Woo-shou
Mr LEE Cheuk-yan
Dr LUI Ming-wah
Miss Margaret NG
Mr HUI Cheung-ching
Miss CHAN Yuen-han
Mrs Sophie LEUNG LAU Yau-fun
Mr WONG Yung-kan
Mr Howard YOUNG
Mr LAU Kong-wah
Mr Ambrose LAU Hon-chuen
Miss CHOY So-yuk
Dr TANG Siu-tong
Ms LI Fung-ying
Mr Tommy CHEUNG Yu-yan
Mr Frederick FUNG Kin-kee
Mr LAU Ping-cheung
(34 members)

Dr Raymond HO Chung-tai
Mr Eric LI Ka-cheung
Prof NG Ching-fai
Mrs Selina CHOW LIANG Shuk-ye
Mr CHAN Kwok-keung
Mr CHAN Kam-lam
Mr Andrew WONG Wang-fat
Mr Jasper TSANG Yok-sing
Mr YEUNG Yiu-chung
Mrs Miriam LAU Kin-ye
Miss Emily LAU Wai-hing
Mr TAM Yiu-chung
Mr Abraham SHEK Lai-him
Mr Henry WU King-cheong
Dr LO Wing-lok
Mr IP Kwok-him
Ms Audrey EU Yuet-mee

Against:

Mr Albert HO Chun-yan
Mr CHEUNG Man-kwong
Dr YEUNG Sum
Mr SZETO Wah
Mr Albert CHAN Wai-yip
(10 members)

Mr Martin LEE Chu-ming
Mr SIN Chung-kai
Mr Andrew CHENG Kar-foo
Mr Michael MAK Kwok-fung
Mr WONG Sing-chi

42. The Committee approved the item.

Item No. 3 - FCR(2001-02)28

CAPITAL INVESTMENT FUND

HEAD 962 - INDUSTRY

- ♦ **New Subhead “Equity in the Hong Kong Science and Technology Parks Corporation”**
- ♦ **New Subhead “Loan to the Hong Kong Science and Technology Parks Corporation”**

43. Members noted that the present proposal had been discussed by the Panel on Commerce and Industry at its meeting on 26 June 2001.

44. Dr NG Ching-fai declared interest as an unremunerated director of the Hong Kong Science and Technology Parks Corporation (HKSTPC) Board. He said that the project was progressing well and urged members to support the present proposal. The Commissioner for Innovation and Technology (CIT) also confirmed that the construction of Science Park Phase 1 would be completed on schedule and within budget. In response to Dr LUI Ming-wah's request for early completion of Phase 2 construction, CIT advised that Phase 1 would be commissioned from 2001 to 2004. Subject to funding approval, the target was to commence Phase 2 in mid 2004 and complete the construction of the entire Phase 2 by end 2005.

45. Noting that the proposed funding support for the construction costs of Science Park Phase 2 would be in the form of equity and loan in the ratio of 70:30, Miss Emily LAU enquired whether such an arrangement would be appropriate.

46. In response, CIT explained that the financial arrangements for Phases 1 and 2 were very different. Phase 1 was put under the Public Works Programme and the newly set up HKSTPC did not have to bear the costs. For the construction costs of Phase 2, HKSTPC would be required to contribute \$436 million at money-of-the-day (MOD) prices from its reserve while the Government would fund the remaining \$3,478 million (MOD prices) from the Capital Investment Fund. This was considered a fair arrangement because the return and risks would be apportioned between the Government and HKSTPC. The equity and loan ratio of

70:30 was also considered reasonable having taken into consideration the projected repayment ability of HKSTPC.

47. As to whether HKSTPC could contribute more towards the construction cost of Phase 2, CIT advised that the accumulated cash of HKSTPC as at 31 March 2001 amounted to \$930 million and \$436 million already represented almost half of its reserve. It was projected that by 2003-03, HKSTPC would suffer a deficit. Having regard to the committed capital projects and the initiatives in the pipeline which would incur further expenditure from its reserve, the contribution of HKSTPC at \$436 million towards the construction cost of Phase 2 was considered appropriate.

48. Noting that the loan repayment period might be extended with the prior approval of the Financial Secretary, Miss Emily LAU asked about the criteria for granting the approval and whether mismanagement could be one of the factors.

49. In response, CIT advised that the Financial Secretary would base his decision mainly on commercial and financial considerations. A decline in rental demand in the Science Park, reduction in rental prices, economic downturn, etc. were among the factors to be considered. HKSTPC was required by its governing Ordinance to operate in accordance with prudent commercial principles. It would put in place a proper control mechanism to monitor Phase 2 development. The HKSTPC Board of Directors, assisted by its Projects and Facilities Committee, would assume overall responsibility in steering and monitoring the Phase 2 development. An in-house professional team would support the Committee and the Board and implement their decisions. HKSTPC would also engage a project management consultant to handle day-to-day monitoring of the design and construction work. Under such circumstances, poor management and abuse of public funds would be unlikely.

50. Dr LUI Ming-wah expressed support for the proposal and enquired about the estimated economic growth brought about the Science Park. He was concerned that if companies in the Science Park focussed on design and development and not on production, they might not be able to bring about economic benefits to Hong Kong.

51. CIT responded that it was difficult to quantify the economic contribution of the Science Park as the companies concerned would not be engaged in mass production work. He advised that even the science park in Taiwan which allowed product development and manufacturing to take place took 15 years of nurturing before making concrete contribution to the export of Taiwan. It was therefore too early to project the economic contribution of the Science Park at this stage.

52. CIT further advised that HKSTPC was established on 7 May 2001 under the Hong Kong Science and Technology Corporation Ordinance by merging the Hong Kong Industrial Estates Corporation, the Hong Kong Industrial Technology Centre

Corporation and the Provisional Hong Kong Science Park Company Ltd. Its mission was to bring together world-class technology-based enterprises and researchers to carry out intensive research and development as well as high value-added business activities, thereby enhancing the long-term economic development of Hong Kong. As to whether mass production should be carried out in Hong Kong upon developing a prototype, it would be a commercial decision for the companies concerned. On Dr LUI's suggestion of importing labour to lower manufacturing costs in order that industries could remain in Hong Kong, CIT said that this was a separate issue to be considered but the Administration's policy stance on importation of labour was very clear.

Admin

53. Mr LAU Ping-cheung enquired about the rental position of the Science Park Phase 1. In reply, CIT advised that there had been very encouraging responses from both local and overseas technology-based companies. The total space available for lease in the entire Phase 1 was 109 400 square metres. As at end May 2001, there were 42 applications for admission, ten of which had already been approved which accounted for one-third of the gross floor area. Discounting seven applications which had been rejected and one which had been withdrawn, the total demand for space from the remaining applications amounted to about 140 000 square metres. As promotional activities continued and more applications would be generated, the demand for office space for Phase 1 was expected to outstrip supply. At Mr LAU's request, CIT would provide information on the criteria for tenant admission to the Science Park after the meeting.

54. On Mr LAU Ping-cheung's concern about the Science Park competing with private developers in providing premises at attractive rental, CIT assured members that this was not the policy intention. In determining the rental value of an office, the Administration would seek the advice of property consultants. Given that the Science Park at Pak Shek Kok in Taipo was not a popular business area, CIT did not anticipate that it would pose too much competition to private developers. CIT nevertheless pointed out that the rental level of Science Park was attractive and competitive when compared with other Asian countries such as Singapore.

55. Regarding the circumstances under which a lease would be terminated, CIT advised that if a tenant failed to fulfil the tenancy requirement during the lease period, its lease would not be renewed upon expiry. However, for more serious breaches of the tenancy agreement, such as converting the office to other uses, immediate action would be taken to terminate the lease.

56. The Committee approved the proposal.

Item No. 4 - FCR(2001-02)29

CAPITAL WORKS RESERVE FUND

HEAD 710 - COMPUTERISATION

Education Department

♦ **New Subhead “Personnel Information Management System”**

57. Members noted that the present proposal had been discussed by the Panel on Education at its meeting on 21 May 2001.

58. Miss Emily LAU referred to paragraph 9(b) of the discussion paper and queried the notional savings of \$7.96 million arising from manpower saving and saving in office space brought about by the Personnel Information Management System (PIMS).

59. In reply, the Assistant Director of Education (AD of E) explained that out of the \$7.96 million, about \$3.7 million was attributed to productivity gain as a result of the implementation of PIMS. The calculation was based on the assumption that the efficiency of existing staff would increase by 1% and the time saved would be put to more productive use. In addition, as the PIMS obviated the need for additional manpower, there would be a corresponding saving in office space.

60. Miss Emily LAU expressed concern about the high percentage of internal posting transfers (1 400 transfers out of an establishment of about 6 500) in the past 12 months. In response, AD of E advised that the relatively high number of transfers was mainly attributed to the setting up of four regional educational offices this year. Normally, posting transfers ranged from 700 to 800 a year for the purpose of career development, meeting structural changes and operational needs, etc.

61. The Committee approved the proposal.

Item No. 5 - FCR(2001-02)30

**HEAD 146 - GOVERNMENT SECRETARIAT : EDUCATION AND
MANPOWER BUREAU**

♦ **Subhead 001 Salaries**

HEAD 173 - STUDENT FINANCIAL ASSISTANCE AGENCY

New Subhead “Means-tested grant for post-secondary students”

♦ **Subhead 001 Salaries**

♦ **Subhead 275 Student travel scheme**

LOAN FUND

HEAD 252 - LOANS TO SCHOOLS/TEACHERS

♦ **New Subhead “Start-up loan for post-secondary education providers”**

HEAD 254 - LOANS TO STUDENTS

- ◆ **New Subhead “Means-tested loan for post-secondary students”**
- ◆ **Subhead 102 “Non-means-tested loan scheme”**

62. Members noted that the present proposal was discussed at the meetings of the Education Panel on 15 May and 1 June 2001.

63. Mr CHEUNG Man-kwong noted that the proposed student financial assistance schemes would be extended to overseas full-time post-secondary programmes in the selected disciplines of information technology (IT), financial services and creative media where there would be an acute shortage in trained manpower. However, he queried why financial assistance would be confined to sub-degree programmes but not for higher levels of studies. He considered that students should be allowed to pursue studies leading to a bachelor degree within the approved financial assistance. Mr Albert CHAN shared Mr CHEUNG’s concern and expressed the view that the Administration was in fact seeking to meet the manpower needs for university graduates by importing professionals instead.

64. In response, the Deputy Secretary for Education and Manpower (DS(EM)) said that the shortage of university graduates could be eased in anticipation of more degree programmes being offered by institutions such as Shue Yan College. As a matter of priority, the pilot scheme for studies outside Hong Kong aimed at addressing the acute shortage of trained manpower at the sub-degree level. By the year 2005, there would be an estimated shortfall of about 110 000 in the supply of post-secondary graduates, 80 000 of whom were at the sub-degree level. DS(EM) further pointed out that there was a mismatch whereby only 12% of the relevant age group had sub-degree qualifications while 18% of the relevant age group had university education. Nevertheless, the Administration would review the scope of the pilot scheme after two years of operation.

65. Mr YEUNG Yiu-chung welcomed the proposed commitment of \$5 billion to provide education providers with loans to meet the start-up expenses. However, he considered that the repayment period of ten years relatively short and was concerned that the financial burden would mean higher course fees.

66. In response, DS(EM) said that most of the continuing education institutions were agreeable to the proposed start-up loans. The Administration believed that the institutions would be able to benefit from the proposed loans as even in the absence of any financial assistance from the Government in the past, individual institutions were able to launch very successful programmes. DS(EM) further pointed out that as institutions were often able to put their resources to the most cost-effective use, the financial burden would not necessarily be transferred to students. The Administration considered that the current proposal had suitably balanced the needs of the institutions and the budgetary constraints of the Government.

67. Mr James TIEN doubted whether there was an adequate supply of qualified teachers to conduct new and expanded post-secondary programmes. In reply, DS(EM) pointed out that at present, there was no serious difficulty in engaging teaching staff with the required qualifications as such expenses could be recovered from the course fees. Various institutions would also seek to recruit qualified teaching staff from other sources to support the future increase in post-secondary programmes. The post-secondary programmes offered by non-self-accrediting institutions would need to be assessed by the Hong Kong Council for Academic Accreditation and the qualifications of teaching staff would be one of the key factors of assessment.

68. On behalf of Members of DP, Dr YEUNG Sum expressed support for the present proposal and stated the following concerns -

- (a) The proposed package of measures to increase training opportunities at the sub-degree level was very hastily implemented. Owing to the lack of planning and co-ordination, Members of DP were gravely concerned about the possible deterioration in the quality of sub-degree programmes.
- (b) The Government should critically review the system whereby education providers launched study programmes on a self-financing basis which might result in very high course fees.
- (c) The overall expenditure on education should be increased to meet the needs in various sectors, notably pre-school education.

69. In response, DS(EM) pointed out that self-financed programmes had been successful and more flexible in responding to market needs. The Government had also proposed a series of support measures to assist the institutions and students. The Administration would review the self-financing system in due course. As regards the overall expenditure on education, DS(EM) said that the Administration would take a progressive approach in looking into the matter.

Admin

70. Mr James TIEN also questioned the effectiveness of implementing the proposed measures in haste and reiterated the concern of the business sector about the decline in the quality of graduates. In response, DS(EM) reassured members that the Administration was no less concerned about the quality of future graduates and had implemented a number of reforms with a view to improving the quality of education at all levels. DS(EM) added that many sub-degree programmes were of a practical nature, and could well meet the needs of employers.

71. Mr Henry WU questioned whether it was appropriate to set the interest payable for the means-tested loans for needy students at 2.5% per annum, given the prevailing fall in interest rates. In reply, the Principal Assistant Secretary for Education and Manpower (1) (PAS(EM)1) advised that the 2.5% interest rate was

modeled on the interest rate payable under other means-tested loan schemes. As the loans in question were unsecured loans, an annual interest of 2.5% was appropriate. Nevertheless, the Administration would keep in view changes in interest rates and review the issue where necessary.

72. Mr LEE Cheuk-yan considered that there was insufficient commitment on the part of the Government to provide the necessary financial support for interested students to pursue sub-degree studies.

73. In response, DS(EM) advised that under the present proposal, students with proven financial needs would receive either a grant or a loan up to \$60,000 while tuition fees for current sub-degree programmes usually ranged from about \$35,000 to \$50,000. At present, grants and loans disbursed under the Local Student Finance Scheme had to be repaid in five years after graduation, but the repayment period for the financial assistance schemes under the present proposal was ten years.

74. Having regard to the quality and costs aspects, Miss Emily LAU expressed serious reservation on the present proposal. She further enquired about the repayment arrangements for the means-tested grants or loans. In reply, PAS(EM)1 advised that consideration might be given to defer repayment if the recipient furthered his studies or required more time to complete his studies, or on financial or health grounds. Notwithstanding, the Administration would try its best to ensure that the loan would be repaid within ten years.

75. Mr CHEUNG Man-kwong noted that one of the eligibility criteria for the proposed financial assistance schemes was that the local student must be of 25 years of age or below. He queried the fairness of the age limit which was incompatible with the goal of life-long learning.

76. In response, DS(EM) advised that the main objective of the proposed financial assistance schemes was to enhance the participation rate of young persons aged 17 to 25 to higher education, bearing in mind that persons over 25 years of age were usually in employment. Notwithstanding, under the policy that no qualified students would be denied access to self-financing post-secondary education because of the lack of financial means, persons over 25 years of age could apply for the non-means-tested loans.

77. On the appropriateness of implementing a community college system as in the USA where students paid very low tuition fees, DS(EM) commented that Hong Kong was unique in that the education providers were capable of launching self-financed programmes with considerable success, thus obviating the need for substantial government subsidies.

78. Dr LUI Ming-wah was concerned about the prospect of sub-degree holders if they could not be admitted into universities to further their studies. In response, DS(EM) advised that a high proportion of sub-degree graduates would take up employment after graduation. As far as the contents of the programmes were concerned, sub-degree programmes did not differ significantly from other post-secondary programmes such as those leading to the award of a Higher Diploma. The Government had also announced that in the recruitment of certain civil service posts, a local, accredited Associate Degree was equivalent to Higher Diploma in fulfilling the requirement on academic qualification.

79. Dr LUI Ming-wah asked whether there was a change in policy for existing universities to also offer sub-degree programmes. In reply, DS(EM) advised that government policies must be capable of addressing the current needs of the community. Now that the Administration saw the need to meet the shortfall in manpower at the sub-degree level, it would need to adjust its policy accordingly.

80. The Committee approved the proposal.

Item No. 6 - FCR (2001-02) 31

**HEAD 146 - GOVERNMENT SECRETARIAT: EDUCATION AND
MANPOWER BUREAU**

- **New Capital Account Subhead "Self-employment Business Start-up Assistance Scheme"**

**HEAD 177 - SUBVENTIONS : NON-DEPARTMENTAL PUBLIC
BODIES**

- **Subhead 537 Employees Retraining Board**

81. Members noted that the present proposal was discussed at the meetings of the Manpower Panel on 15 March and 4 July 2001.

82. Mr TAM Yiu-chung declared his interest as Chairman of the Employees Retraining Board (ERB). Mr CHAN Kwok-keung declared that he was a member of ERB involved in vetting applications for the loan. Mr LEE Cheuk-yan declared his interest as a member of ERB.

83. Mr Eric LI, Chairman of the Public Accounts Committee (PAC), recalled that in its Report No. 35, the PAC had come to the view that to ensure the proper use of public funds, ERB must conduct independent market research to ensure that the retraining courses offered would correspond with market needs, and devise an effective mechanism to monitor the performance of the training bodies. On the present proposal, Mr LI questioned whether adequate market research had been conducted. Given the prevailing interest rates, he commented that a lending institution would be able to recover the principal of a \$100,000 loan if the borrower duly repaid the loan for the first nine months. It would also receive all the

interests payable for the loan. Mr LI therefore considered that the lending institution would be in a much more secure position and queried the justification given by the Administration about risk-sharing between the Government and the participating lending institutions. The Chairman also considered that in practice, the Government would have to bear a much higher share of the risk.

84. In response, the Principal Assistant Secretary for Education and Manpower (5) (PAS(EM)5) said that the present proposal was not seeking additional funding, but to create a new commitment, to be offset against the Government's recurrent subvention to ERB, for meeting the contingent liabilities arising from the Government's role as the guarantor for loans taken out by eligible trainees of the ERB under its Self-employment Business Start-up Assistance Scheme.

85. On risk-sharing, PAS(EM)5 advised that ERB would verify the trainees' training records to confirm their eligibility for the loan guarantee and screen their business plans. The participating lending institutions would assess the credit-worthiness of the trainees and the viability of their business plans. Upon the recommendation of the lending institutions on individual applications, the Secretary for Education for Education and Manpower would then decide whether to give a guarantee. As the maximum amount of guarantee for each approved loan would be capped at 70% of the loan, the lending institutions would have to bear 30% of the risk. This risk-sharing ratio was recommended in the light of discussions with potential participating institutions.

86. Mr James TIEN said that when the Manpower Panel was first briefed on the proposed scheme, Members of the Liberal Party (LP) had expressed support in principle. However, Members of LP objected to the detailed arrangements of the loan scheme reported to the Panel on 4 July 2001. He doubted whether some 60 hours of self-employment courses run by ERB would adequately equip trainees with the necessary knowledge and skills in running a business. As the trainees would not have great difficulty in obtaining a loan with the Government as the guarantor, Mr TIEN was concerned that those who were not genuinely interested in starting a business might also apply for the loan to pay themselves wages instead of doing any business. To prevent abuse and to confirm their commitment, he considered that borrower trainees should be required as part of the loan condition to contribute part of the start-up capital. Mr Eric LI was also concerned about the use of the loans. Their concerns were echoed by Mrs Selina CHOW.

87. In response, PAS(EM)5 confirmed that loan applicants would be required to undertake in their business plans to contribute 10% of the approved loan amount as their share of capital. As regards the portion of the loan amount which might be payable as wages for the borrower trainee, PAS(EM)5 said that a general ceiling might not be appropriate for all types of business. However, the Administration would require the loan applicant to undertake in his business plan that a maximum of about 30% of the approved loan amount only might be paid as wages to himself as a self-employed person during the term of the loan.

88. Regarding the arrangement in default cases, PAS(EM)5 advised that on default, the lending institution might request the Government to pay the part of the loan under guarantee. Any subsequent amount recovered from the borrower would be shared between the Government and the lending institution on a 70:30 ratio.

89. Noting that only trainees who had completed the self-employment courses run by ERB would be eligible to apply for the proposed loan, Mr Abraham SHEK queried that such a requirement would be unfair to those unemployed persons who had previously been employed in the relevant trades but who did not attend the self-employment courses.

90. In response, PAS(EM)5 and the Executive Director, ERB (ED, ERB) advised that the self-employment courses launched by ERB aimed at providing trainees with the necessary generic business skills covering basic legal, financial, accounting and marketing knowledge. Specific job skills and experience possessed by individual applicants would certainly be taken into account when ERB and the lending institutions assessed the viability of their business propositions in connection with their loan applications.

91. Mr TAM Yiu-chung pointed out that the proposed loan scheme would be launched on a pilot basis to assist eligible ERB trainees to start their business. In view of the small loan amount, he said that most of the lending institutions had agreed to participate in the scheme out of goodwill, not for lucrative profits.

92. Mr CHAN Kwok-keung informed members that the present proposal was modelled on a similar scheme in Shanghai which had proved to be very successful. ERB had set up a committee comprising representatives of trade associations and other professionals for the purpose of assessing individual business plans. For those trainees who had successfully secured a loan with the Government's guarantee, ERB would provide follow-up support service, and check on the relevant books and records. He stressed that he was equally concerned about the prudent use of public funds and urged members to support the present proposal with a view to enhancing the prospects of self-employment for the unemployed. At the request of Dr LUI Ming-wah, PAS(EM)5 agreed to provide information on the scheme in Shanghai, as well as to provide members with a progress report on the operation of the Scheme every six months.

Admin

93. Mr LEE Cheuk-yan pointed out that all along, it was Government's policy to implement measures to assist retrainees who wanted to start up a business and ERB had simply been tasked to provide the necessary services in the absence of any dedicated centres in Hong Kong to provide assistance and support services to small and medium enterprises.

94. While agreeing that review and monitoring was needed, Miss Margaret NG considered that the present proposal merited support as it could serve as an incentive for people to start their own business.

95. On behalf of Members of DP, Dr YEUNG Sum expressed support for the present proposal as a means to achieve self-reliance by operating a small yet viable business as in the case of some overseas communities. He nevertheless concurred with the importance of ensuring the prudent use of public funds.

96. Mrs Sophie LEUNG shared some members' reservation on the effectiveness of some 60 hours of self-employment training, and was also concerned about the resources implications of providing the necessary support services to each borrower trainee.

97. In response, ED, ERB advised that the follow-up support service would include some 50 hours' sessions with experienced business people and business start-up associations arranged by the training bodies. ERB would set aside some space in one of its existing retraining resource centres to provide basic office support facilities. The trainees could also avail themselves of the consultancy service at the Business Start-up Centre of the Vocational Training Council. Moreover, ERB would also assist retrainees to organize mutual help groups for experience sharing. Under the Self-employment Business Start-up Assistance Scheme, ERB would offer 300 day-time and 100 evening training places and it was expected that some 240 trainees would start their own business upon completion of training.

98. In response to Mr Howard YOUNG's concerns about the resource implications of the proposed loan scheme on the ERB, ED, ERB advised that at present, the self-employment courses were overseen by a manager and two officers. Pursuant to the recommendation of PAC, ERB had set up an audit team which would also oversee the implementation of the self-employment courses.

99. On monitoring, ERB would conduct checks on the books and records of the business of borrower trainees at least twice a year when the guarantee was in force. Where the trainee deviated from the approved business plan, proper advice would be given to the trainee in the first place. If he failed to comply with the conditions of the guaranteed loan, the Government and the bank reserved the right to demand immediate repayment of the loan and to institute other courses of action as appropriate.

100. In reply to Mrs Sophie LEUNG, ED, ERB confirmed that each applicant would be required to state in his business proposal the estimated period of time before the business could break even and start to make a profit, as well as the duration for which the self-employed trainee expected to draw up to 30% of the approved loan amount as his wages.

101. Miss Emily LAU shared some members' concern about the cost-effectiveness of the present proposal and questioned ERB's existing capability in reviewing and monitoring the scheme. In reply, ED, ERB confirmed that ERB would be able to service the scheme and perform its monitoring role within existing resources for at least the first two years of scheme operation.

102. Mr Eric LI maintained his grave reservation and said that he would not support the present proposal. He also made the following points -

- (a) The \$100,000 loan should be released in phases according to the applicant's cashflow needs.
- (b) As mentoring and support service would mainly be provided by professionals on a voluntary basis, attempts should be made to avoid providing such service to all the trainees at the same time.
- (c) To achieve the objective of the proposed scheme, there should be safeguards against persons who were already employed in the relevant trades but who applied for the guaranteed loan to start their own business.

103. In response, ED, ERB pointed out that the trainees concerned had no experience of self-employment although they might possess specific job skills. The self-employment courses sought to equip them with the necessary skills and knowledge to run a business.

104. Mrs Sophie LEUNG reiterated the view of Members of LP that they were in support of the present proposal in principle but were concerned about its methodology which, if not properly devised, would defeat the purpose of the entire scheme. She also agreed that the loan should be released in phases. In response, PAS(EM)5 said that the lending institutions would be at liberty to release the loan in phases or to grant the loan against the documents provided.

105. Dr LUI Ming-wah enquired about the types of business which could be started with some \$100,000, as well as the estimated success rate and bad debt rate.

106. In reply, PAS(EM)5 advised that there was potential for trainees to start a small business in areas like beauty care, property maintenance and cleansing. As the loan scheme had not come into operation, it would be difficult at this stage to predict the rate of bad debt. On the success rate of starting small businesses, ED, ERB advised that of the 45 trainees who had completed the full-time self-employment course in October 2000, 28 had started their own business in beauty care, property maintenance, household cleansing, retail outlets, e-trading and franchised shops. With post-training service support, ED, ERB expected that the failure rate would only be around 30%.

107. The Committee approved the proposal.

Item No. 7 - FCR(2001-02)32

HEAD 112 - LEGISLATIVE COUNCIL COMMISSION

• Subhead 366 Remuneration and reimbursements for Members of the Legislative Council

108. Members noted that the present proposal had been discussed by the LegCo Subcommittee on Members' Remuneration and Operating Expenses Reimbursement at its meetings on 16 March, 15 June and 26 June 2001.

109. The Chairman declared that all members had the same pecuniary interest in the matter and they could all speak and vote on the present proposal.

110. Miss Emily LAU noted the recommendation of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature of the Hong Kong Special Administrative Region (the Independent Commission) to increase the "accountable expenses reimbursement for office operation" by \$25,000 a month and sought the Administration's comments on the basis for deriving the amount and how it could meet the operational needs of the majority of LegCo Members as a result of increased volume and complexity in Council-related work. Miss LAU further questioned whether the Administration and the Independent Commission were fully aware of the operation of directly elected LegCo Members and stressed that their work in geographical constituencies should also be taken into account.

111. Miss Margaret NG considered the increase in accountable expenses of \$25,000 a month failed to reflect the substantial increase in Members' workload over the years and queried whether the Independent Commission had obtained sufficient information on Members' heavy workload in arriving at the current recommendation.

112. In response, the Director of Administration (D of Admin) advised that while it was difficult to quantify LegCo Members' increased workload, the Independent Commission had taken into consideration Members' workload relating to Council business, as well as the survey conducted in 2000 by the LegCo Secretariat on Members' office operating expenses, in arriving at the proposed increase of \$25,000 per month. The Independent Commission had met with members of the LegCo Subcommittee on Members' Remuneration and Operating Expenses Reimbursement and had previously visited some district offices of LegCo Members to acquire first-hand information on their mode of operation. D of Admin said that the Independent Commission did not consider that individual Members necessarily required more district offices to serve their constituencies.

113. Mr IP Kwok-him said that Members of DAB would support the present proposal. However, he pointed out that the bulk of Members' accountable expenses was for hiring personal assistants and urged that its adjustment mechanism should be modelled on that for civil servants.

114. In reply, D of Admin advised that the current adjustments to the level of accountable expenses would continue to be made in accordance with the movements of the Consumer Price Index (C) (CPI(C)), in view of the stated preference of the majority of Members. There was no restriction on how individual Members would remunerate their staff. He further pointed out that LegCo Secretariat's survey indicated that Members' mode of operation varied greatly and, as a result, the expenditure patterns were quite diverse.

115. Mr LEE Cheuk-yan considered that Members' "accountable expenses reimbursement for office operation" should be increased to enable Members to employ competent assistants to assist them in discharging their functions. In this connection, D of Admin said that the Independent Commission was fully aware of Members' need for greater support and had recommended that where justified, consideration should be given to providing additional resources to the LegCo Secretariat. On whether the LegCo Secretariat could submit a further bid for additional resources, D of Admin replied in the positive but pointed out that the Government would need to consider competing bids for resources vis a vis its available resources.

116. On Members' remuneration, Mr James TIEN considered it unfair that civil servants were entitled to a pay rise this year, but LegCo Members were not. In response, D of Admin said that Members' remuneration had been adjusted annually in accordance with the upward or downward movement of CPI(C). The Independent Commission also took the view that any recommendations for a substantial change to the level of remuneration of LegCo Members should, as far as possible, be approved by the legislature in one term for implementation in the next term. The Independent Commission had therefore recommended no change to the level and adjustment mechanism of LegCo Members' remuneration on this occasion.

117. In this connection, Mr Michael MAK queried the basis for the existing level of Members' remuneration at \$59,400 per month. In reply, D of Admin advised that the basis was set by the then Independent Commission in the review in 1994-95. If Members were interested, he would provide the relevant report for members' reference.

118. In response to Miss Margaret NG's call for an early review of the existing level and adjustment mechanism of Members' remuneration and allowances, D of Admin said that the Administration would request the Independent Commission to complete the next review before the end of the current term.

119. The Committee approved the proposal.

Item No. 8 - FCR(2001-02)33

CIVIL SERVICE PAY ADJUSTMENT 2001

120. Members noted that the present proposal had been discussed by the Panel on Public Service at its meeting on 18 June 2001.

121. The following members declared their interest as employees of public-funded bodies -

Dr YEUNG Sum;
Mr Michael MAK;
Mr CHEUNG Man-kwong; and
Mr IP Kwok-him

The Chairman said that these members could vote on the proposal.

122. Mr James TIEN noted that the present proposal was based on the existing mechanism for determining civil service pay adjustment introduced since 1974. Pending any change to the existing methodology, Members of LP would support the proposed increases in civil service pay for the last time. Mr TIEN considered the existing mechanism no longer appropriate as it had produced much higher salaries for civil service jobs, in particular those at the lower band of the Master Pay Scale. Mr TIEN pointed out that the annual pay trend survey was far from comprehensive as it only covered 76 Hong Kong companies employing 100 employees or more, while excluding small and medium enterprises which now employed about 1.6 million people. Moreover, reference had only been made to pay rises and benefits, but not wage cuts and redundancy. He thus urged the Administration to conduct an overall review of the existing pay adjustment mechanism.

123. Mr IP Kwok-him shared Mr James TIEN's view that the existing mechanism should be reviewed to take into account other factors such as the practice in small and medium-sized enterprises. Pending any change to the existing arrangements, Mr IP said that Members of DAB would support the present proposal.

124. In response, the Secretary for the Civil Service (SCS) elaborated on the Administration's position as follows -

- (a) The existing civil service pay adjustment mechanism had been in place for many years and was accepted by both civil servants and the community at large. Although individual staff associations had queried the level of adjustments, they had not disputed the mechanism per se.

- (b) To provide a fair basis for study, it was appropriate for the pay trend survey to cover companies of a comparable size to that of government departments. Moreover, the pay system for the civil service should be modelled on that of companies with good employment practice.
- (c) The focus of pay trend surveys was on the pay adjustments of the surveyed companies. As any proposed change to the existing mechanism would inevitably affect serving staff, there had to be thorough consultation and discussion. Nevertheless, the Administration was prepared to listen to the views of Members and the public to see whether the existing system could be enhanced.
- (d) On measures to reduce expenditure on staff costs and enhance productivity, the Government had adjusted the starting salaries for new recruits, up to some 30% for certain entry ranks, with effect from 1 April 2000. It had also implemented the Voluntary Retirement Scheme and frozen recruitment into 59 grades.

Admin

125. In this regard, SCS said that the Administration would provide a paper with detailed information on the existing civil service pay adjustment mechanism to facilitate members' consideration of the subject.

126. Mr James TIEN was concerned about the society's well-being as some 65% of the Government's annual expenditure was on salaries. He would not query the level of pay for high-ranking civil servants as their job nature was unique but urged that the pay for jobs in the middle and lower bands be critically examined in the light of prevailing wages in the private sector.

127. Mr James TIEN enquired whether the previous year's wage cut of the surveyed companies would be discounted in the following year's wage increase for the purpose of civil service pay adjustment. In reply, SCS advised that generally speaking, any civil service pay adjustment would follow strictly the result of the pay trend survey of the year in question, unless there were other overriding factors, such as economic or budgetary considerations, which justified a departure. As each year's pay adjustment was an independent exercise, there were no arrangements to offset the adjustment in one year against the adjustment in the following year.

128. Mr Tommy CHEUNG considered the level of pay in the civil service out of place with that in the private sector. He said that employers lacked the means to increase employees' wages because business had not picked up under the current economic climate.

129. Miss Margaret NG declared that as one of her family members was a civil servant, she would abstain from voting on the present proposal. She agreed that

the existing adjustment mechanism should be reviewed as the proposed civil service pay increases appeared unjustified when the workforce at large was hard hit by redundancies and wage cuts while civil servants were automatically entitled to pay rises and increments.

130. In response, the Deputy Secretary for the Civil Service (DS(CS)) clarified that annual increments were not granted to staff indiscriminately. To qualify for increments, the officer had to attain a satisfactory level of performance failing which the Head of Department (HoD) might stop or defer the grant of increments in accordance with the Civil Service Regulations. Appraising officers were also required to recommend in the relevant performance appraisal report whether an increment should be granted to the officer in the coming year.

131. In reply to Miss Margaret NG's enquiry about the arrangements for judicial service staff, SCS confirmed that under the existing mechanism, the rates of pay adjustments for the judicial service would follow that for the civil service. However, the terms and conditions of service for judicial service staff were under the purview of a separate committee.

Admin

132. Miss Margaret NG sought further information on the percentage of expenditure on civil service staff costs on Hong Kong's GDP and whether any previous savings arising from the Enhanced Productivity Programme (EPP) would be offset by the currently proposed pay increases. SCS agreed to provide the information in writing after the meeting.

133. SCS supplemented that upon full implementation of EPP, savings in the region of \$5 billion could be achieved while the supplementary provision required under the present proposal would be about \$3 billion. As there was an existing mechanism for pay adjustments, SCS pointed out that if there was a further requirement to cap the adjustments in civil service pay at a given percentage, it would have to be examined carefully.

134. Mr LEE Cheuk-yan stated that while Members of the Hong Kong Confederation of Trade Unions (CTU) welcomed pay increases for civil servants, they objected to the differential treatment under which staff in the middle and lower pay bands received a lower rate of increase. To narrow the wealth gap and cater for livelihood needs, Members of CTU opined that the proposed 4.99% increase for the upper pay band should apply to all civil servants.

135. In response, SCS advised that the differential in the percentage of pay adjustment reflected the adjustments in the private sector as revealed in the pay trend survey. Notwithstanding, the Administration had brought the pay adjustment for the lower band up to that of the middle band (i.e. from 1.97% to 2.38%).

136. Regarding non-civil servants employed on contract terms, Mr LEE Cheuk-yan was deeply concerned that as authority had been delegated to individual HoDs, these contract staff might not receive any pay increase in the absence of any specific provision for the purpose and given the need to achieve savings under EPP. He commented that these contract staff had not been fairly treated.

137. SCS did not subscribe to Mr LEE's view and advised that the system of appointing non-civil servants on contract terms was to provide HoDs with flexibility to meet short-term manpower and operational needs. Where appropriate, HoDs were empowered to grant their contract staff pay increases not exceeding the corresponding rates for civil servants. The fringe benefits of contract staff such as their leave entitlement also compared more favourably than provisions under the Employment Ordinance.

138. Mr CHEUNG Man-kwong said that Members of DP would support the present proposal which was formulated according to the existing mechanism. They also agreed that the pay adjustment for the lower band should be brought on par with that for the middle band. On some members' suggestion to review the existing mechanism and the Administration's response, Mr CHEUNG cautioned that the matter must be handled with great care in view of its serious implications on the entire civil service.

139. The Committee approved the proposal.

140. The Committee was adjourned at 8:15 pm.