

For Discussion
on 5 March 2001

LEGISLATIVE COUNCIL

PANEL ON PLANNING, LANDS AND WORKS

Corporatisation of the Survey and Mapping Office (SMO) of the Lands Department

Purpose

We have informed LegCo Members that the setting up of the Survey and Mapping Corporatisation (SMC) requires dedicated legislation. This paper briefs Members of the likely scope of the draft legislation for the proposed SMC.

Background

2. In June 2000, we issued an information note to this Panel informing Members of the progress of the corporatisation of SMO. Since then, we have been working on the detailed proposals to take forward the matter. These include drafting legislation for the establishment of SMC, the business plan for SMC and the employment package for SMC staff.

3. On 19 February 2001, we briefed the Panel on Public Service of the details of these proposals as set out in LC Paper No. CB(1)579/00-01(03). The paper was copied to all Members of the Legislative Council for information. Members of this Panel were also invited to attend the meeting.

4. At the meeting on 19.2.2001, the Panel on Public Service asked the Administration to consider alternatives to corporatising SMO including the option of maintaining status quo; and setting up a

corporation just to take on those activities on the promotion of new businesses including Geographic Information System (GIS) and Global Positioning System (GPS) applications while SMO remains as a government department. Having carefully considered these options, the Administration has given its response to the Panel on 1 March 2001. A copy of the response is at the Annex.

Proposals for corporatising SMO

5. As set out in LC Paper No. CB(1)579/00-01(03), we have looked into the business prospects of the survey and mapping industry with the assistance of marketing and research professionals, and have mapped out a business plan for the SMC. We have also engaged human resources experts to advise on the appropriate staffing structure and employment package for SMC staff.

6. The proposal of the corporatisation of SMO has taken into account the interests of staff, the community and Government. An institutional change through corporatisation will provide better services to the community and achieve better utilisation of the valuable digital map base, maximise SMO's market potential, enable SMO to respond to changing market demands in a flexible and timely manner.

Proposed SMC Bill

7. We intend to introduce a bill for the establishment of the SMC as a body corporate. The bill will allow the SMC to take over all existing functions of SMO, as well as new functions. The SMC will be governed by a Board of Directors ("the Board") comprising such non-officials and public officers as may be appointed by the Financial Secretary. The Board will appoint a Chief Executive Officer to be the executive director as well as the administrative head of SMC.

Objects of SMC

8. In essence, the objects of the SMC are to meet the land surveying and mapping needs of Hong Kong, to be an authoritative body in relation to geodetic surveying and basic mapping, to promote research

and development activities in the field of land surveying and mapping, and to maintain the standards of the land survey and mapping industry in Hong Kong.

Functions of SMC

9. The SMC will exercise the following functions in accordance with agreements with the Government:-

- (a) to provide professional and technical support to the Land Survey Authority in his administration of the Land Survey Ordinance (Cap. 473);
- (b) to maintain, enhance and administer the territory wide geodetic network;
- (c) to maintain in suitable format land boundary records;
- (d) to produce, maintain and enhance basic maps;
- (e) to provide land surveying and mapping services to Government departments;
- (f) to provide maps, plans, aerial photographs, photogrammetric mapping products and reprographic services to Government departments and agencies;
- (g) to provide training for professional and technical personnel engaged in or associated with the provision of land survey and mapping services.

10. Apart from the above, SMC may provide the following services to Government or other private sector organizations:

- (a) provision of land survey and mapping services and related information;
- (b) producing and updating digital maps, graphic maps, aerial photographs and photogrammetric mapping products;
- (c) providing advice to the Government, professional

institutes and other organizations and the public on-

- (i) establishing, maintaining and monitoring standards and ensuring good practices in land surveying and mapping; and
 - (ii) developing and maintaining geographic and land information system;
- (d) promoting the development of land surveying and mapping techniques, geographic and land information systems and the global positioning system, including the development of new technology in those fields and conduct, arrange or take part in research, conferences or discussions and seminars on them;
- (e) participating in the development, establishment and maintenance of a territory wide spatial data infrastructure for shared use by the Government, Government agencies and the public (including providers of public utilities and the private sector);
- (f) provision of professional and technical training in the land survey and mapping discipline;
- (g) developing, establishing and maintaining central metadata for shared use of spatial data and collect, collate and disseminate such metadata; and
- (h) any other activity or duty as the Chief Executive may, after consultation with SMC, permit or assign to it by order published in the Gazette.

General powers of SMC

11. SMC may do all acts and things that a body corporate may do by law and which are necessary for an incidental to the purposes for which it is established. Other general powers of SMC include determining and making charges (including differential charges) for the provision of its services or supply of goods or information; making copyright, patent and other intellectual property applications, including

joint applications; entering into contracts, any memorandum of understanding or any other agreement; engaging contractors, consultants and agents that it requires to perform its functions and determine the terms and conditions on which they are engaged; providing its services and facilities on a commercial basis or otherwise; acquiring, holding and disposing of real or personal property; developing, improving or altering any property; charging or otherwise encumbering all or any part of its property.

Board of Directors and Staff of SMC

12. There will be provisions setting out the constitution of the Board of Directors, appointment of Chairman and functions and proceedings of the Board, and employment of staff of SMC.

Financial provisions concerning SMC

13. Provisions will be made for the Financial Secretary to determine the amount of authorised capital of SMC, establishment of reserve fund by SMC and the forms of investment as approved by the Financial Secretary.

14. There will also be provisions requiring the SMC to keep proper accounts of its transactions, and submit annual accounts to the Financial Secretary, and tabling of the audited statement of accounts and auditor's report in the Legislative Council.

Operation of SMC

15. There will be provisions requiring SMC to act and perform its functions according to prudent commercial principles; setting out its powers to borrow money, arrangements for entering into partnerships, joint ventures and forming subsidiaries, financial arrangements to protect against financial risks; and the power of the Chief Executive to give directions to SMC regarding the performance of its functions where public interest requires it, etc.

Miscellaneous

16. Provisions will be made for the Government to transfer assets held by SMO to SMC, and rights and liabilities to SMC

Consequential Amendments

17. Minor consequential amendments to the existing Land Survey Ordinance (Cap 473) will be required to empower authorised staff of the SMC to assist the Land Survey Authority in the undertaking of certain functions such as those related to the maintenance of land boundary records. Other consequential amendments include adding SMC to Schedule 1 to the Prevention of Bribery Ordinance (Cap.201) and Part I of Schedule 1 to the Ombudsman Ordinance (Cap 397) so that SMC becomes an organisation to which the respective Ordinance applies. Consequential amendments to other legislation are being considered.

Way Forward

18. We plan to introduce the bill for the setting up of the SMC once the drafting work has been completed and all relevant issues have been fully addressed.

Planning and Lands Bureau
Lands Department
Efficiency Unit

March 2001

Legislative Council Panel on Public Service

**Corporatisation of the Survey and Mapping Office of
Lands Department**

Introduction

At the meeting of the Legislative Council Panel on Public Service on 19 February 2001, Members asked the Administration to consider alternatives to corporatising SMO including the options of maintaining the status quo but initiating changes in the systems and work processes of SMO; and maintaining SMO as a government department and to set up a new corporation to develop its digital map base, Geographic Information Systems (GIS), Global Positioning Systems (GPS) and other new products and services. The Administration has carefully considered these options and our assessment is set out in paragraphs 2 to 12 below.

Option 1 – Maintain status quo but initiate changes

2. As explained in Section 4 of the Report attached to LC Paper No. CB(1)579/00-01(03), there are tremendous constraints for SMO, as a Government department, to respond flexibly and timely to the changing market demands for its products and services. This has hampered the provision of better services and prevented SMO from maximising its market potential and reaping the benefits likely to be brought about by corporatisation. Limitations of SMO as a vote-funded Government department are :-

- **Long lead time for decision making:** SMO does not have financial autonomy. It forms part of Lands Department. The department needs approval from the relevant policy Bureaux for launching new activities. Such organizational structure does not suit operations in a fast moving commercial market.

- **Complexity in establishing private sector partnerships:** effective exploitation of digital spatial data will frequently involve innovative partnerships with the private sector. As a government department, SMO cannot do this independently, and must operate through Government. This makes the process much more complex and brings with it limitations, for example confidentiality of business arrangements and exclusivity of data might be compromised. This may block business deals.
- **Investment limitations:** in order to exploit digitised spatial data to the full, SMO will need to make investments which are well justified on business grounds (in terms of economic returns). However, such proposal may not get a high priority when judged by Government against other public policy priorities in the Resource Allocation Exercise.
- **Terms and conditions for staff not tailored to the market:** standard civil service terms are set to reflect the terms of offer for equivalent jobs in the private sector while also ensuring the civil service has the ability to attract, recruit and retain suitable staff. However, in meeting the new service demands, SMO will operate in a specialised area, with requirements for a specific set of skills. SMO needs to be able to adopt staffing packages that are appropriate to the employment market in which it operates.
- **Culture and staffing focused on technical excellence:** rather than meeting market needs. As part of Lands Department, SMO's staffing and management effort is designed around the need to deliver existing services to a high technical standard within the confines of government rules and regulations, rather than responding

proactively to market demands and expanding the effective use of spatial data in Hong Kong.

3. While we can streamline certain rules and procedures to achieve efficiency, SMO as a Government department is subject to the rules and regulations that are applicable service-wide. Because of these constraints, it will not be possible to respond quickly enough to the rapidly changing market demands and to develop new services for new customers at the speed required by the market and spatial data applications.

4. On allocation of resources to support its activities, SMO as a functional branch of the Lands Department has to compete with other priorities both within the Department and with other departments under other policy programme areas. Owing to competing claims for resources, even top priority bids from SMO may not be allocated resources. This will severely handicap development of new services and products to meet changing customer needs.

5. As regards the trading fund option, while a trading fund department has greater financial flexibility than a vote-funded government department, it does not have the same autonomy as a public corporation. A trading fund department will still be subject to Government rules and regulations, and its staff are still engaged on civil service terms. As it is not a separate legal entity, it does not have the authority to enter into business partnership in the same way as a corporation does. This will restrict the agility of SMO to cope with changing market demands at the required pace, and will limit its ability to promote the fuller use of the valuable digital map base and to maximise the market potential.

6. All these limitations will hinder the development of up-market products and the provision of better services. In the longer term, this would inevitably result in Hong Kong lagging behind other countries in digital map and location-fixing applications which will not be in the overall interest of the territory. On the financial front, we may not be able to reap the significant financial gains that corporatisation of SMO will bring about. These include profit tax and dividend payment to

Government amounting to nearly \$200M in the first five years, and \$143 M profit retained by the corporation in the same period for its future development.

Option 2 – SMO to remain as a government department and set up a new corporation to develop digital map base, GIS and GPS, etc.

7. We have also considered carefully the option of setting up a corporation merely to market SMO products and develop new business applications while SMO remains as a government department. Land surveying and mapping are integral services closely related to each others. New business on GIS and GPS-based applications need to have close interface with the core surveying and mapping functions. These applications will invariably rely on the dedicated support and input from the land surveying and mapping teams. Development and support services are required from these core professional and technical teams who have the experience and expertise to work out appropriate solutions to support these new business activities. Also, most of these new applications will be built on the platform of the Land Information System developed and maintained by the dedicated teams within SMO. Having a separate staff complement under a different organisation will neither be cost-effective nor conducive to efficient delivery of the service.

8. Our experience with existing business partnership confirms that an integrated service is required to cater for the needs of our customers. It is not possible just selling the digital map base without tailoring for the varying requirements of individual customers. This certainly involves direct and ready support from our land surveying and mapping teams to customise the data and to develop prototypes. If SMO were to remain as a vote-funded Government department subject to the confines of Government rules and regulations, there would be constraints in securing sufficient resources to support the various services required, and respond to these service needs at the pace required by the market. We will therefore not be able to reap the full benefits that corporatisation of SMO will bring about. We may also not be able to catch up with other territories in the region in the provision of digital infrastructure.

Option 3 – Proceed with the corporatisation of SMO

9. In the light of the above assessment, we remain of the view that corporatisation of SMO is the best way forward. As we have explained to the Panel on Public Service, the job security of staff will not be affected as a result of corporatisation. They have the freedom of choice between retaining their civil servant status or taking the compensation offered for voluntary retirement. Those who opt for voluntary retirement will be able to join the corporation on its terms of employment without pension suspension if that suits their own circumstances. Government is committed to the provision of survey and mapping services which are essential public services. Such services have to be provided at all times. At present, these services are provided by SMO as a Government department. Government will continue to assume this public responsibility although through a different executive agency i.e. delivery of the services through the SMC which is a public corporation solely owned by Government.

Assessment of staff reactions

10. While some staff would prefer status quo, others may be interested in taking the compensation offered under the voluntary retirement option and to join the corporation on its terms of employment. Staff's prime concern is job security. As we have explained to the Panel on Public Service, we are confident of the business prospects of the corporation and have not assumed any reduction in staff level in the proposed business plan for the corporation. Therefore we do not see any likelihood for the corporation to reduce its staff. If staff are still worried notwithstanding all these assurances, they have the choice of remaining as civil servants and be seconded to work in the new corporation.

11. As highlighted above, corporatisation of SMO will not affect the job security of existing SMO staff. Rather, it will offer an opportunity for staff to join a public corporation with an attractive remuneration package and reasonable compensation for leaving the service voluntarily. It is entirely up to individual staff to make the choice having regard to their own circumstances.

12. Meanwhile, we will continue our dialogue with staff and staff associations to exchange views on the proposal. Staff may need time to consider the proposal having regard to their own circumstances before they can take a view. We will keep relevant Panels of the Legislative Council informed of the progress.

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