

## **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.

**Planning and Lands Bureau**

**Lands Department**

**Efficiency Unit**

**March 2001**