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Establishment Subcommittee of the Finance Committee

Minutes of the 3rd meeting
held at the Legislative Council Chamber
on Wednesday, 20 November 2002, at 10:45 am

Members present:

Hon CHAN Kwok-keung (Chairman)
Hon NG Leung-sing, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Ir Dr Hon Raymond HO Chung-tai, JP
Hon Eric LI Ka-cheung, JP
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching, JP
Hon Bernard CHAN, JP
Hon Andrew WONG Wang-fat, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, JP
Hon Emily LAU Wai-hing, JP
Hon TAM Yiu-chung, GBS, JP
Hon LI Fung-ying, JP
Hon Henry WU King-cheong, BBS, JP
Hon Michael MAK Kwok-fung
Hon LEUNG Fu-wah, MH, JP
Dr Hon LO Wing-lok
Hon LAU Ping-cheung
Hon MA Fung-kwok, JP

Members absent:

Hon Albert HO Chun-yan
Dr Hon David LI Kwok-po, GBS, JP
Hon Margaret NG

Hon SZETO Wah
Hon Abraham SHEK Lai-him, JP

Public Officers attending:

Mr Stanley YING, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)
Mrs Jessie TING, JP	Deputy Secretary for the Civil Service
Mr K K LAM	Principal Executive Officer (General), Financial Services and the Treasury Bureau (Treasury)
Mr Andrew WONG, JP	Director of Administration
Ms CHANG King-yiu, JP	Deputy Director of Administration
Mrs Fanny LAW, JP	Permanent Secretary for Education and Manpower
Miss Amy TSE	Senior Assistant Director of Education
Mr LEUNG Chin-man, JP	Permanent Secretary for Housing, Planning and Lands (Housing)
Ms CHUNG Lai-kwok, JP	Deputy Secretary for Housing, Planning and Lands (Housing) 1
Mr WU Moon-hoi, JP	Deputy Secretary for Housing, Planning and Lands (Housing) 2
Mr FUNG Wing-yip	Senior Assistant Director of Housing

Clerk in attendance:

Miss Polly YEUNG	Chief Assistant Secretary (1)3
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Staff in attendance:

Ms Pauline NG	Assistant Secretary General 1
Ms Caris CHAN	Senior Legislative Assistant 1
Mr Frankie WOO	Legislative Assistant 2

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EC(2002-03)5 Proposed creation of one supernumerary post of Administrative Officer Staff Grade C (D2) in the Administration Wing of the Chief Secretary for Administration's Office for a period of two years with effect from 1 January 2003 to coordinate and monitor the implementation of the development project at Tamar

Members noted that a paper on the present proposal was circulated to the Panel on Planning, Lands and Works on 28 October 2002.

2. In response to Mr LEUNG Fu-wah's enquiry as to whether the proposed supernumerary post of Assistant Director of Administration (Tamar Development) (ADA(TD)) was to be filled by direct recruitment of a candidate with professional expertise on planning and works, or by way of posting a suitable serving officer from within the civil service, the Director of Administration (D of Adm) advised that the proposed supernumerary post would be primarily responsible for co-ordinating and monitoring the Tamar development project in addition to providing secretariat support to the Special Selection Board and to the Steering Committee in tender selection and project implementation respectively. The technical aspects of the design and build project would be handled by the Architectural Services Department (ArchSD) under the overall guidance of the Steering Committee.

3. Regarding the progress of the work of the Steering Committee, D of Adm explained that the Committee, which was formed in May 2002 and underpinned by a number of sub-committees, had commenced work and held regular meetings to examine future user requirements and technical standards. It also maintained close liaison with future project users (including the Legislative Council Commission and various policy bureaux of the HKSAR Government) over pre-construction matters. In this regard, members noted that as at the closing date of 15 November 2002, a total of eight applications had been received in response to the prequalification invitation issued in August 2002. Interested applicants had submitted conceptual designs for the Tamar development for further shortlisting by the Special Selection Board.

4. Ms Emily LAU declared interest as a member of the Legislative Council Commission. She was concerned about the selection criteria or basis to be adopted on which the Special Selection Board would shortlist applicants to participate in the tendering of the design-and-build contract for the Tamar project. She noted that as a general practice, the Administration had often awarded the contract to the bidder with the lowest price. In the context of the Tamar development contract, she urged the Administration to seriously consider whether going for the lowest tender was necessarily the most appropriate approach given the massive scale and importance of the project for Hong Kong. Ms LAU also enquired about the role of ADA(TD) in the tender selection process.

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5. In response, D of Adm said that the proposed ADA(TD) would serve as secretary to the Special Selection Board and one of the postholder's duties would be to assist in the preparation of the tender document. On tender selection criteria, D of Adm advised that pricing would certainly be a key factor for consideration but other factors such as the design and the applicant's capability to complete the project within schedule in accordance with prescribed user requirements and technical standards were also important factors. The Administration would consult the Special Selection Board on the relative weighting of the different factors in due course. D of Adm supplemented that the evaluation criteria would in due course be spelt out in the formal tender documents but it should be noted that in this particular project, these tender documents would only be made available to the five shortlisted bidders in the second phase of the selection process. Nevertheless, D of Adm agreed to consider informing Members of the selection criteria through an appropriate channel such as the Legislative Council Commission.

6. Ms Emily LAU questioned whether the proposed creation of the supernumerary ADA(TD) post was in line with the spirit of the agreement reached by Legislative Council's Cross Party Coalition about proposals to create directorate posts in the civil service. Referring to the table on "Establishment Changes" in paragraph 18 of the discussion paper, Ms Emily LAU noted that while the establishment of staff in Category C had been reduced from 377 as at 31 March 2000 to 369 as at 1 October 2002, there had not been any comparable downsizing of establishment at the upper range of the Master Pay Scale (Category B) and at directorate level (Category A).

7. To clarify, D of Adm said that the Administration was fully aware of Members' concern and the need to contain the size of the civil service to no more than what was operationally necessary. He explained that the increases in establishment as indicated in the table were mainly due to the integration of the Management Services Agency (MSA) and the Efficiency Unit (EU) and the establishment of the new Hong Kong Guangdong Co-operation Coordination Unit. In fact, the recent merging of EU and MSA resulted in the addition of only one supernumerary D2 post to be offset by the deletion of two permanent directorate posts. Hence, there was a net reduction of directorate posts on the approved establishment. Over the past few years, the substantive increase in the establishment of the Chief Secretary for Administration's Office was due to the provision of additional staff for setting up the Sustainable Development Unit under the Administration Wing in 2001. D of Adm pointed out that the increase in establishment for Category B posts was in fact the result of a series of mergers in which certain posts had been transferred to the establishment of the Chief Secretary for Administration's Office.

8. On the supporting staff for the proposed ADA(TD) post, Ms Emily LAU queried the justification to re-deploy a team of as many as four non-directorate

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staff, comprising one Chief Executive Officer, one Executive Officer I, one Personal Secretary I and one Personal Secretary II. She considered the proposed arrangement difficult to accept. She also questioned the ready availability of the four officers and questioned whether they were in fact currently under-deployed in the department. In response, D of Adm advised that the redeployment in question was to provide the necessary staffing support to underpin the future ADA(TD) in handling the necessary paper work for the Steering Committee and the Special Selection Board; in intensive coordination work for compiling the user requirement specifications; and in drawing up the tender document; etc. He further stressed that the four posts in question would be internally re-deployed from within the Administration Wing and would therefore incur no additional staff cost. He nevertheless agreed to provide after the meeting the staff costs for the four non-directorate posts in question. The Chairman also asked the Administration to take note of Ms Emily LAU's concern about non-directorate staff underpinning directorate posts.

9. Mr Henry WU also declared interest as a member of the Legislative Council Commission. Noting that the bulk of the tasks for the proposed ADA(TD) post would also cover the initial construction programme when certain significant interface problems might arise, Mr WU raised concerns about the possible teething problems and asked whether ArchSD would be able to take up the residual tasks in coordinating and monitoring the project after 2004 when the supernumerary ADA(TD) post lapsed. He also sought confirmation that the Administration would not seek further extension of the proposed post. Mr James TIEN also shared Mr Henry WU's concern about follow-up work arising from project implementation.

10. D of Adm pointed out that the ADA(TD) would have a very heavy schedule in the next two years focusing on the compilation of detailed user requirements, tendering, coordination and monitoring of project implementation. The bulk of the tasks were expected to be carried out in 2003 and 2004. At present, ArchSD had a dedicated team for the Tamar development project and it was expected that the Department would be able to absorb the residual tasks in project coordination and monitoring after 2004. Moreover, the Steering Committee under the chairmanship of the D of Adm would continue its work beyond 2004. Hence, the Administration considered that the proposed post would not be required after 2004 when the implementation of the project should be well on track.

11. The item was voted on and endorsed.

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EC(2002-03)6 Proposed merger of the Education and Manpower Bureau and the Education Department into a new Education and Manpower Bureau with effect from 1 January 2003 to strengthen the link between the formulation and implementation of education policies following the implementation of the accountability system

12. Members noted that the item was discussed by the Panel on Education on 28 October 2002 and that the Education Reorganization (Miscellaneous Amendments) Bill 2002 would be introduced into the Legislative Council on 20 November 2002.

13. Mr HUI Cheung-ching considered the present proposal a move in the right direction and enquired whether there would be further downsizing arising from the merging of the Education and Manpower Bureau (EMB) and the Education Department (ED). In response, the Permanent Secretary for Education and Manpower (PSEM) pointed out that the merging had already brought about a net reduction of five directorate positions. She also anticipated a further reduction of six to seven non-directorate posts (e.g. supporting secretarial staff) consequential to the aforesaid downsizing of the directorate structure. In this connection, PSEM added that one supernumerary Senior Principal Executive Officer (D2) post would be created under delegated authority for six months up to 30 June 2003 to assist in implementing a number of measures relating to the merger and to initiate a process re-engineering exercise to improve efficiency and effectiveness. It was hoped that further scope for streamlining the staffing structure could be identified.

14. Ms Emily LAU expressed disappointment at the small extent of downsizing out of an apparently huge bureaucratic structure. She was particularly concerned about the need to trim down the non-directorate establishment and to achieve a more flattened EMB/ED hierarchy for the sake of administrative efficiency. Ms LAU urged that the number of staff required to serve at the subordinate level must be critically examined and kept to the absolute minimum. The hierarchical structure should be streamlined to facilitate the exercise of official authority and avoid excessive layers of administrative control.

15. Noting Ms LAU's concerns, PSEM reiterated that the five civil service directorate posts earmarked for deletion as a result of the merging already included the high ranking post of Director of Education at D7 level. The deletion of directorate posts in this exercise would inevitably lead to the consequential deletion of supporting non-directorate posts. In parallel, further savings in staff cost could be anticipated as a result of office automation, use of information technology and the Enhanced Productivity Programme. In reply to Mr James TIEN's enquiry on whether the Administration had any target of downsizing non-directorate posts, PSEM explained that every department had to

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enhance productivity and achieve savings to meet the Financial Secretary's budgetary targets. Active efforts were made to re-prioritize tasks, re-engineer the work process and re-organize the departmental structure with a view to achieving savings and enhancing efficiency. PSEM pointed that the Administration would be in a better position to ascertain the scope for further streamlining in six months' time.

16. With regard to the progress in achieving a more flattened hierarchy, PSEM advised that in the past, policy papers cleared by top management in the department would require scrutiny by the subject officer in the bureau, normally at Principal Assistant Secretary level. This often resulted in some duplication of effort. Under the new structure, PSEM would be assisted by six deputy secretaries. The span of control of each deputy secretary would be narrower but his involvement in policy formulation and implementation would be deeper to reduce double handling of work.

17. Responding to Ms Emily LAU's concern about the need for further downsizing and that the Administration should not seek to justify the continued need of certain posts by creating unnecessary work, PSEM pointed out that the proposed merger of EMB/ED had already resulted in the net reduction of five directorate positions, representing some 14% cut in the directorate establishment of EMB/ED. At the same time, there had been an upsurge of workload since 2000 as a result of a series of education reform initiatives, the setting up of the Manpower Development Committee and the administration of the Continuing Education Fund etc. PSEM reiterated the undertaking to review the directorate structure in two years in the light of operational experience and to identify scope for further savings in staff cost at the non-directorate level and in other operating costs in the new EMB.

18. While welcoming the proposed merger, Mr LEUNG Fu-wah referred to Enclosure 3 to the paper and asked whether there was room to merge the 'Quality Assurance Division' and the 'Quality Education Division' so as to achieve further savings. In response, PSEM pointed out it was inadvisable to merge the two Divisions in the near future as curriculum review and development work including the implementation of the eight Key Learning Areas were in full swing. Nevertheless, the Administration would review in two years' time the staffing need when the curriculum review was completed.

19. While concurring with the need to downsize an otherwise bloated hierarchy, Mr. TAM Yiu-chung cautioned that the Administration should provide adequate staff resources to take forward initiatives such as work relating to manpower development. PSEM took note of Mr TAM's concern and said that the Administration would carefully re-prioritize current services.

20. The item was voted on and endorsed.

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EC(2002-03)7 Proposed re-organization of the former Housing Bureau and the Housing Department with effect from 1 January 2003 following the recommendation of the report of the Committee on the Review of the Institutional Framework for Public Housing

21. Members noted that the item was discussed by the Panel on Housing, on 4 November 2002.

22. Mr CHEUNG Man-kwong noted that there were a total of 78 directorate posts on the establishment of the former Housing Bureau (HB) and the Housing Department (HD). Although seven directorate posts had been identified for deletion upon reorganization, three other directorate posts were proposed to be created and another three posts had been deployed to offset the creation of permanent directorate posts under the purview of the Planning and Lands Branch of the Bureau (EC(2002-03)4 approved by Finance Committee (FC) on 8 November 2002). The present proposal therefore resulted in the net deletion of only one directorate post. Compared with the preceding proposal under EC(2002-03)6, Mr CHEUNG considered the net deletion of only one directorate post nominal and disproportionate to the size of the directorate structure of HB and HD comprising some 78 directorate posts. Mr CHEUNG said that according to the Secretary for Housing, Planning and Lands (SHPL), a second stage of the re-organization exercise would follow and was scheduled for completion by end 2003. It was expected that there would be further reduction in both directorate and non-directorate establishment. On this basis, it would mean that the current directorate establishment would remain largely unchanged for as long as 18 months following implementation of the accountability system since July 2002. Mr CHEUNG considered this arrangement incompatible with the objective to streamline Government structure in the context of the accountability system.

23. Notwithstanding, Mr CHEUNG Man-kwong took note of the series of important changes in the Government's housing policy as recently announced by SHPL and appreciated that adequate lead time would be needed for staff deployment to ensure the smooth implementation of the various initiatives. As such, he requested the Administration to inform members in March 2003 of the staffing plan for the second stage of the streamlining initiatives and to wrap up any remaining initiatives and report to members by July 2003 before the current legislative session ended.

24. In response, the Permanent Secretary for Housing, Planning and Lands (Housing) (PSH) fully agreed with the need for streamlining the organizational structure but advised that the exercise would be carried out progressively in stages. The first stage of the re-organization had in fact resulted in the net reduction of four directorate posts although three of them were to offset the creation of three directorate posts in the Planning and Lands Branch approved by

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FC vide EC(2002-03)4. PSH considered that the current directorate structure of HB/HD was sizeable and there was room for downsizing. The present proposal, which removed the distinct layer of bureau/department and in which PSH would be underpinned by six Deputy Directors, would streamline the organizational structure. PSH informed members that work on the second stage of re-organization and review was already underway. Given the possible changes in policies, organizational structure and work culture, PSH indicated that he was not yet in a position to ascertain the extent of downsizing in the second stage of re-organization. He nevertheless assured members that the review would be completed in a year's time and that reduction in staff would be achieved by way of natural wastage without any forced redundancies. PSH confirmed that the Administration could report progress of further streamlining initiatives to the Housing Panel in six months' time but it might not be in a position to provide concrete staffing proposals in March and July 2003.

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25. Mr CHEUNG Man-kwong remained unconvinced that the Administration could not provide concrete plans regarding the second stage of re-organization by March 2003 and queried the justification for continuing to adhere to the current directorate establishment. In response, PSH assured members that any directorate posts that could be vacated during the review period would not be filled. He believed that this arrangement should fully address Mr Cheung's concern. However, given the uncertainties, there were practical difficulties for him at this stage to undertake to commit deletion of directorate posts by phases in March and July 2003 respectively. Instead, he considered it more advisable to come up with a comprehensive staffing proposal for members' consideration in due course upon completion of his review. Nevertheless, PSH undertook to keep the Panel informed of the progress of the review. Mr CHEUNG Man-kwong did not raise further objection to PSH's undertaking.

26. Mr James TIEN said that Members of the Liberal Party supported the present proposal. Referring to the establishment changes tabulated in paragraph 25 of the paper, Mr TIEN noted that the staffing establishment in Category B (i.e. non-directorate ranks above MPS Point 33 or equivalent including contract staff of the Housing Authority) had risen slightly from 1 466 in April 2000 to 1 469 in October 2002 while that in Category C (i.e. non-directorate ranks at or below MPS Point 33) had been reduced from 13 242 to 11 070 during the same period. He enquired whether the review mentioned by PSH would also cover non-directorate establishment. In reply, PSH and the Senior Assistant Director of Housing (SAD of H) confirmed that the streamlining exercise would cover all ranks in HB and HD, both directorate and non-directorate.

27. Ms Emily LAU expressed appreciation for PSH's work. However, she shared Mr James TIEN's concern and queried the increase in supervisory establishment in Category B vis-a-vis a decrease in Category C establishment comprising mainly staff at the subordinate level. As to whether the reduction in Category C establishment was due to outsourcing of services, SAD of H

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confirmed that the bulk of the downsizing was attributable to HD's Voluntary Departure Scheme (VDS) implemented two years ago, SAD of H explained that the Scheme was an one-off exercise to tie in with the phased outsourcing of the management and maintenance of public housing estates. Staff were given a three-year option period which would expire by the end of February 2003 and the posts held by them would be immediately deleted upon their departure under the Scheme. The majority of the staff who had opted for the VDS were operational and frontline staff while the number of officers at supervisory level was relatively lower. As staff in HD had become increasingly involved in supervisory duties, there had been a less marked reduction in staffing establishment at the supervisory level in Category B. However, he re-affirmed that in the second stage of the re-organization exercise, the schedule of responsibilities for the six Deputy Directors would be examined. The scope of further downsizing would cover all ranks on the Department's establishment.

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28. Ms Emily LAU expressed grave concern about supervisory staff outnumbering subordinate staff and the consequential reduction in the former's workload. In response, the Deputy Secretary for Housing, Planning and Lands (Housing)² (DS(H)²) supplemented that a number of posts at Housing Manager or Assistant Housing Manager levels had been deleted in the context of the outsourcing exercise of public housing estate management. He pointed out that while the number of supervisory staff responsible for public housing estate management had been reduced, this might not be readily reflected in the figure of 1 469 which represented the total establishment size of HB and HD under Category B. At the Chairman's request, DS(H)² agreed to provide a breakdown of the 1 469 posts after the meeting for members' reference.

29. Ms Emily LAU asked whether the Administration had a target on downsizing, given that the number of staff requiring supervision had dropped as a result of outsourcing. In reply, PSH expressed difficulty in specifying a target pending completion of the second stage review although he anticipated that the downsizing would be of a considerable extent. He nevertheless shared some members' concern about the bloated staffing establishment of HB/HD.

30. Ms Emily LAU enquired whether a post vacated by natural wastage would be deleted at the first instance or filled by another officer, say, by way of promotion or acting appointment. She was also concerned about the difficulty in requiring incompetent staff to quit the civil service thereby vacating the posts. In reply, PSH confirmed that a post in HD vacated under VDS would be immediately deleted. He also expressed his personal observation that it was difficult to retain capable staff, some of whom were employed on contract terms, since they were more prepared and able to explore opportunities outside the civil service, while it might not be easy to require less motivated civil servants on permanent establishment to quit.

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31. On Ms Emily LAU's concerns about providing incentives for less competent staff to quit the civil service, PSH looked forward to another round of Voluntary Retirement Scheme (VRS) which, if implemented, could serve as an exit avenue. In this connection, the Deputy Secretary for the Civil Service (DS(CS)) advised that the VDS had been implemented by HD to tie in with its outsourcing of management of public housing estates. Its target and compensation package were different from those of VRS. The VRS was implemented in 2000 for 59 civil service grades with identified or anticipated surplus staff. When a post was vacated on the departure of an officer under VRS, it would be for the Head of Grade concerned to decide at which rank a post should be deleted, having regard to the need to maintain the quality of service. As to whether a second round of VRS would be carried out, DS(CS) advised that a decision would be made in a few months' time after taking into account the outcome of the last exercise and identifying grades with surplus staff in consultation with departments.

32. Mr TAM Yiu-chung enquired about the implications of the moratorium on the construction of Home Ownership Scheme (HOS) flats on staffing. In response, PSH advised that despite the fall in construction output from 35 000 to 25 000 housing units following the moratorium, manpower would still need to be deployed for taking forward other initiatives, such as designing individual public housing estates according to site conditions instead of adopting a standard design for all estates, implementing some 50 reform measures to improve the quality of public housing, etc. HD was also studying the feasibility of refurbishing dilapidated public housing estates instead of demolishing them for redevelopment. PSH added that considerable efforts would still be required to dispose of the residual HOS flats as well as the sale of Public Rental Housing flats under Phase 6 of the Tenants Purchase Scheme. He also referred Members to the new initiatives under the latest housing policy statements, such as the provision of rental allowances. Notwithstanding the increase and diversity of work, PSH believed that there would still be room for further streamlining of staffing establishment.

33. Mr TAM Yiu-chung expressed support for the initiative to adopt non-standard designs for public housing estates and to refurbish existing estates. He also called on the Administration to take into consideration the needs of the elderly in the design of public housing estates.

34. The item was voted on and endorsed. Ms Emily LAU requested that her reservation on the item be recorded.

35. The Subcommittee was adjourned at 12:23 pm.