

財 經 事 務 及 庫 務 局
(庫 務 科)

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FINANCIAL SERVICES AND
THE TREASURY BUREAU
(The Treasury Branch)

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14 April 2005

Miss Salumi Chan
Clerk to Legislative Council Panel
on Public Service
3/F Citibank Tower
3 Garden Road

Fax 2869 6794

Dear Miss Chan,

Thank you for your letter of 24 March 2005.

The Public Officers Pay Adjustment Ordinance and the Public Officers Pay Adjustments (2004/2005) Ordinance do **not** apply to employees in the subvented sector, and accordingly the judicial review proceedings now underway in respect of the two pieces of legislation have no direct application to these employees. In general, the question of pay in the subvented sector is a matter between the subvented staff as employees and the subvented organisations as employers. Accordingly, the estimate of the Government's contingent liabilities in relation to the legal proceedings (an estimate of \$9,600 million by 31 March 2006) does not cover the subvented sector.

As far as **funding** to subvented organisations is concerned, the practice is for the Government to price adjust the funding to individual (but not all, depending on the subvention formulae applicable) organisations with reference to civil service pay adjustment. And where the funding has been so adjusted, the question of whether the adjustment would translate into pay adjustment for the subvented staff (and if yes, the extent) is often a separate matter dependent on a number of factors, including the pay policies of individual subvented organisations, contractual obligations, resort to other sources of income etc. Given the diversity in the subvented sector, the circumstances of individual organisations differ. In overall terms, therefore, there is no direct relationship between civil service pay adjustment and the pay adjustment of subvented staff.

For the reason explained in paragraph 2 above, whether or not there would be a refund of subsidies to subvented organisations (those whose funding has been price adjusted with reference to civil service pay adjustment) is a separate policy matter that would not follow automatically from a ruling of the Court of Final Appeal (CFA) on the civil service pay reduction legislation which goes against the Government. That said, the Administration will consider the appropriate way forward insofar as the price adjustments of those subventions are concerned, in the event that the CFA declares the civil service pay reduction legislation to be inconsistent with the Basic Law.

Yours sincerely,

(Ms Bernadette Linn)
for Secretary for Financial Services
and the Treasury

c.c. SCS (Attn: Mr Eddie Mak
Mr Stephen Sui)

Internal
AA/SFST