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BY FAX (2869 6794) & POST

2 September 2005

The Hon TAM Yiu-chung, GBS, JP
Chairman, Panel on Public Service
Legislative Council
Legislative Council Building,
8 Jackson Road, Central,
Hong Kong.

Dear Hon TAM,

**Appointment of the Watson Wyatt Hong Kong Limited
to Conduct the Pay Level Survey for the Civil Service**

We write to request for participation in the meeting of your Panel to discuss with you and your Members and to express the Police Force Council Staff Side's views on the Administration's appointment of the Watson Wyatt Hong Kong Limited (WW) as the Phase Two Consultant to conduct the Pay Level Survey (PLS) for the civil service.

During the 17th meeting of the Consultative Group on Civil Service Pay Adjustment Mechanism (CG) held on 13 June 2005, it was revealed that WW actually conducted a pay level survey between civil service jobs and private sector jobs for the Hong Kong General Chamber of Commerce (HKGCC) in 2002/2003. The findings of this survey had grossly distorted the civil service pay situation and had caused considerable negative impact on the civil service. We were astounded to learn during the meeting that WW's involvement in the HKGCC Survey had neither been reported by WW in its consultancy proposal nor been duly considered by the Assessment Panel chaired by the Permanent Secretary for the Civil Service (PSCS).

HONG KONG

**SUPERINTENDENTS'
ASSOCIATION**
警司協會

**POLICE INSPECTORS'
ASSOCIATION**
香港警務督察協會

**OVERSEAS INSPECTORS'
ASSOCIATION**
海外督察協會

**JUNIOR POLICE OFFICERS'
ASSOCIATION**
警察員佐級協會

All along, we are committed to developing an improved pay adjustment system for the civil service through active participation in the CG and cooperation with the Civil Service Bureau (CSB). Despite the Staff Sides' strong feeling about the conflict of roles that existed, PSCS still considered that whether or not a consulting firm submitting proposal to the Government had been involved in any particular survey and the results thereof were not relevant factors for consideration in the consultant selection exercise. CSB also claimed that it had strictly followed the Government's established procedures for the procurement of consultancy services in the selection and appointment of the Phase Two Consultant and that there was no valid reason to overturn the decision to appoint WW, having consulted the Department of Justice. We are not convinced by these arguments.

CSB has underestimated the gravity of WW's conflict of roles, and as a direct result of which, the erosion of confidence of the civil service and the public towards WW and the credibility of any findings of the PLS in thinking that the CG can continue to let WW conduct the PLS on the pre-determined methodology. The crux of the problem is that WW is a commercial firm, which relies on its reputation to attract business. Any commercial reputation has to be based on the work it has completed. All of WW's past work must be considered when it undertakes a new contract. WW has undertaken the 2002/2003 survey the result of which has been widely quoted by HKGCC; and indeed the result of 229% differential in total remuneration between the civil servants and the private sector employees has stunned the public as well as civil servants. This survey and the upcoming PLS have to be considered in this light. Whatever the findings of the PLS will be, it might eventually not be recognised, neither by civil servants nor the public. WW will find it impossible to explain any disparities between the findings of the two surveys without destroying its professional reputation in undermining its own previous work with a contrary viewpoint or survey. CSB at no time has explained convincingly to us what the safeguards will be to ensure the credibility of the survey results with the appointment of WW.

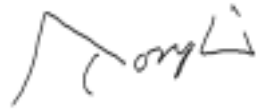
CSB has obviously failed to be alert, to prevent or to deal with the potential conflict of roles that arises from the appointment of WW given its involvement in the 2002/2003 survey for the HKGCC. PSCS has already admitted that she was well aware of the previous survey by WW, but still chose to proceed regardless. CSB has also failed to maintain a level-playing field in the procedures for appointment of the Phase Two Consultant, specifically by ascertaining whether there was any reason to disqualify WW on the grounds of actual, potential or perceived conflict of roles. It is inconceivable that WW as a professional consultancy firm has also failed to report on situations which might give rise to such conflicts. It is doubtful that WW could win the trust of civil servants and the public after having demonstrated its willingness to publish misleading survey results now that it has officially acknowledged that the figure of 229% was unrepresentative of the pay situation.

The findings of the Pay Level Survey will have far-reaching and long-lasting effects on the civil service pay adjustment mechanism as well as all civil servants. The appointment of WW will adversely affect the credibility of the survey findings. We are very disappointed by CSB's decision to appoint WW regardless of the strong opposition from the Staff Sides, resulting in the breakdown of mutual trust. We hope that we could be given a chance to discuss with you and your Members on this important issue as soon as possible.

Yours sincerely,



. Suen Kwai-leung
Vice-Chairman SPA



. Liu Kit-ming
Chairman HKPIA



. Simon Hannaford
Chairman OIA



. Lau Kam-wah
Chairman JPOA

c.c.

Commissioner of Police

External

Secretary for the Civil Service

Staff Side Chairman, Senior Civil Service Council

Staff Side Chairman, Disciplined Services Consultative Council

Staff Side Chairman, Model Scale I Staff Consultative Council

Chairman, Hong Kong Civil Servants General Union

Chairman, Government Employees' Association

Chairman, Federation of Civil Service Unions

Chairman, Government Disciplined Services General Union