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17 September 2005

Miss Salumi CHAN
Clerk to Panel
Legislative Council Panel on Public Service
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Miss Chan,

Legislative Council Panel on Public Service

Submission from the Police Force Council Staff Associations

Thank you for your letter of 2 September 2005. I set out below the response of the Civil Service Bureau (CSB) to the written submission dated 2 September 2005 from the Police Force Council (PFC) Staff Associations.

We would like to emphasise that the Government's established procedures for the procurement of consultancy services had been strictly followed in the selection and appointment of Watson Wyatt Hong Kong Limited (Watson Wyatt) as the consultant for conducting the pay level survey for the civil service (the Phase Two Consultant).

The procedures involve a two-stage approval process. In the first stage, we invited expressions of interest from 185 consulting firms on the respective consultant lists of the Efficiency Unit and the Hong Kong Institute of Human Resource Management in January 2005. We obtained the approval of the Central

Consultants Selection Board (CCSB) in April 2005 regarding the details of the invitation for proposals including the criteria for assessing the proposals¹ for issue to all the seven consulting firms which had expressed interest to participate in the consultancy. Accordingly, we proceeded to the second stage, and invited proposals, including technical proposals and fee proposals, from the seven short-listed consulting firms. An assessment panel was formed to assess the proposals received in accordance with the pre-determined assessment criteria approved by the CCSB. Following the assessment process, the assessment panel recommended and the CCSB approved the appointment of the consulting firm which received the highest total score². As a result, Watson Wyatt was appointed in June 2005 to undertake the Phase Two Consultancy.

In the invitation for proposals for the Phase Two Consultancy, we had stipulated that consulting firms submitting proposals shall disclose any facts which may give rise to a situation where the financial interests of the consulting firms conflict or compete with the duties to the Government in the performance of the consultancy services. This disclosure requirement, which concerns conflict in respect of financial interests and not other aspects, is common in invitation for similar kinds of consultancy proposals issued by the Government. The invitation for proposals for the Phase Two Consultancy was no exception. The question of possible conflict of roles raised by the PFC Staff Associations is very different from that of conflict of interests, on which declaration is required from consulting firms submitting proposals.

¹ The technical proposals received for the Phase Two Consultancy were assessed based on the following criteria as approved by the Central Consultants Selection Board and stipulated in the invitation for consultancy proposals:

- (a) the approach to be employed by the consulting firm/organisation in providing the consultancy service in terms of –
 - (i) its consistency with the Survey Methodology and its feasibility;
 - (ii) its compliance with, and the allocation of resources to meet, the timeframe for submitting the deliverables; and
 - (iii) the credibility of the survey approach;
- (b) the suitability of the consulting firm/organisation and its Consulting Team in terms of –
 - (i) their experience in, and knowledge of, human resource management matters in the Hong Kong civil service, including the work nature and job requirements of the civil service benchmark jobs;
 - (ii) their experience in, and knowledge of, human resource management matters in the private sector of the Hong Kong SAR, in particular the remuneration practices, pay models and systems as well as the ranking structures of organisations in different parts of the private sector; and
- (c) the quality of the consulting firm/organisation and its Consulting Team in terms of their experience and expertise in carrying out survey or research to collect pay data and information on remuneration practices of private sector companies or organisations in Hong Kong.

² Under the Stores and Procurement Regulations, the assessment panel is required to complete the technical assessment first by evaluating the technical proposals according to the assessment criteria approved by the CCSB. The fee proposals can only be opened and scored after the completion of the technical assessment.

An assessment on whether there is a conflict of interest must be based on facts and it hinges on the presence or otherwise of any financial interests of the consulting firm which conflict or compete with the Phase Two Consultancy. The fact that Watson Wyatt had not stated its previous involvement in a particular survey did not constitute a breach of the stipulation concerning disclosure, unless there are financial interests arising from or in connection with that previous survey which conflict or compete with the duties under the Phase Two Consultancy.

In this connection, Watson Wyatt has since confirmed that its participation in the survey commissioned by the Hong Kong General Chamber of Commerce (HKGCC) in 2002 does not give rise to any conflict of interest which requires disclosure in its proposal submitted to the Government. Watson Wyatt has further confirmed that its involvement in the HKGCC survey or to any of its clients does not directly or indirectly bind or constrain in any manner its current or future conduct of similar surveys, including the upcoming pay level survey for the Government.

As can be seen from the pre-determined assessment criteria, it would be improper for the assessment panel to debar a consulting firm from bidding the Phase Two Consultancy on grounds of possible conflict of role (for example, because that consulting firm had been involved in a particular survey commissioned by a particular organisation; or because that consulting firm had come up with certain survey findings in the past that were not well received by some quarters). Under the Government's established procedures and on grounds of fairness, the assessment panel has no discretion to alter the assessment criteria after receipt of proposals from the short-listed consulting firms.

The CSB attaches great importance to working closely with the staff side members of the Consultative Group on Civil Service Pay Adjustment Mechanism (on which the PFC Staff Associations are represented) in taking forward the pay level survey. Before finalising the invitation for proposals, we had consulted the staff side members on the proposed approach for seeking professional assistance in conducting the pay level survey, including the criteria for assessing the consultancy proposals³. Upon the completion of the appointment and selection process, we have posted onto the CSB website a note setting out the details concerning the procurement of the Phase Two Consultancy for staff's reference (see the following webpage: http://www.csb.gov.hk/hkgcsb/doclib/2005note_e.pdf).

We have taken the concern of the staff side members about the appointment of the Phase Two Consultancy seriously. We have since reviewed the entire selection and appointment procedures taken. Having consulted the

³ Before finalising the invitation for proposals, at the 16th meeting of the Consultative Group on Civil Service Pay Adjustment Mechanism held on 2 March 2005, we consulted staff side members, and set out in a paper our proposed approach for seeking professional assistance in conducting the field work of the pay level survey, including the procedure for procuring the consultancy service, the scope of work and timetable of the consultancy, as well as the criteria for assessing proposals to be submitted by consulting firms.

Department of Justice, we are satisfied that there was no impropriety involved in the selection of the Phase Two Consultant.

To address the concern of the PFC Staff Associations about possible conflict of role, we have taken a number of follow-up actions.

First, we have asked the Phase Two Consultant to provide information comparing the methodologies used in the HKGCC survey and the upcoming pay level survey for the civil service. The information, which has been uploaded onto the CSB website (webpage at <http://www.csb.gov.hk/hkgcsb/doclib/20050817note.pdf>), clearly indicates that the two surveys are vastly different in terms of survey approach and methodology.

Second, the Phase Two Consultant has since openly clarified that the figure quoted in the PFC Staff Associations' letter that the civil service pay was 229% higher than private sector pay was, as a matter of fact, **not** adopted as a conclusion of the HKGCC survey. The most relevant finding from the HKGCC was that the total cash compensation (excluding housing benefits) for the civil service was 17% higher than the upper quartile in the private sector. Details have been uploaded onto the CSB website (webpage at <http://www.csb.gov.hk/hkgcsb/doclib/20050817note.pdf>). At any rate, the Phase Two Consultant has confirmed that the findings of the HKGCC survey will not have any application or effect on the upcoming pay level survey for the civil service.

Third, we have explained to staff side members that the Phase Two Consultancy is merely a fact-finding survey on how civil service pay compares with private sector pay. The survey will be carried out in strict accordance with the methodology developed after two years' intensive discussions with the staff side members under the Phase One Consultancy.

Last, but not the least, we have assured the staff side members of the guiding principle that the pay level survey must be conducted in a professional and impartial manner in order that the survey results will be credible in the eyes of the civil service and the community at large. To this end, we have adopted various measures and procedures such that the Phase Two Consultancy will be carried out with full participation of grade management, departmental management, staff bodies, including staff unions and associations, and staff representatives.

We had clarified the above matters with the staff side members at the Consultative Group meetings held in June, August and September 2005 respectively. We have also issued two detailed papers to the Consultative Group, which have been circulated to staff representatives via the Departmental Consultative Committees. We will continue our discussions with the staff side members in earnest on issues pertaining to the conduct of the pay level survey with a view to completing the survey in a timely manner.

At the last meeting of the Panel on Public Service held on 20 June 2005, we briefed Members on the progress of the pay level survey. In response to Members' questions, we explained that the selection of the Phase Two Consultant had followed the Government's established procedures for the procurement of consultancy services. We also assured Members that the pay level survey would be conducted in an independent manner with staff participation at various stages of the survey. We plan to brief Members again on the progress of the pay level survey in the Panel meeting scheduled for November 2005. Should Members require more information about the appointment of the Phase Two Consultant, we would be happy to provide it.

Yours sincerely,



(Eddie Mak)
for Secretary for the Civil Service

c.c. Commissioner of Police
Principal Staff Side Spokesman, Police Force Council
Staff Side Chairman, Senior Civil Service Council
Staff Side Chairman, Model Scale 1 Staff Consultative Council
Staff Side Chairman, Disciplined Services Consultative Council
Chairman, Hong Kong Civil Servants General Union
Chairman, Government Employees Association
Chairman, Hong Kong Federation of Civil Service Unions
Chairman, Government Disciplined Services General Union