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Establishment Subcommittee of the Finance Committee

**Minutes of the 5th meeting
held at the Conference Room A
on Wednesday, 13 June 2007, at 8:30 am**

Members present:

Hon LI Fung-ying, BBS, JP (Chairman)
Hon WONG Kwok-hing, MH (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Dr Hon David LI Kwok-po, GBS, JP
Hon Margaret NG
Hon CHEUNG Man-kwong
Hon WONG Yung-kan, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YUENG Sum
Hon Abraham SHEK Lai-him, JP
Dr Hon KWOK Ka-ki
Hon WONG Ting-kwong, BBS
Hon Patrick LAU Sau-shing, SBS, JP
Hon KWONG Chi-kin

Members absent:

Hon SIN Chung-kai, JP
Hon MA Lik, GBS, JP

Non-Subcommittee Member attending:

Hon TAM Heung-man

Public Officers attending:

Miss Amy TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)
Miss Jennifer MAK, JP	Deputy Secretary for the Civil Service
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Ms Olivia NIP, JP	Deputy Secretary for Housing, Planning and Lands (Planning & Lands) ²
Mr Edward TO	Principal Assistant Secretary (Planning & Lands) ³ , Housing, Planning and Lands Bureau
Mr Kim Anthony SALKELD, JP	Land Registrar
Ms Teresa WONG	Deputy Principal Solicitor, Land Registry
Mr Kenneth MAK, JP	Deputy Director of Housing (Corporate Services)
Ms Ada FUNG	Deputy Director of Housing (Development & Construction)
Miss Denise YUE, GBS, JP	Secretary for the Civil Service
Mr Andrew WONG Ho-yuen, JP	Permanent Secretary for the Civil Service
Mr K S SO, JP	Deputy Secretary for the Civil Service 2
Mr Chris SUN	Principal Assistant Secretary for the Civil Service (Pay and Leave)
Mrs Marion LAI, JP	Deputy Secretary for Commerce, Industry & Technology (Communications and Technology)
Mr Kevin CHOI	Principal Assistant Secretary for Commerce, Industry & Technology (Communications and Technology) A
Ms Lorna WONG, JP	Commissioner for Television and Entertainment Licensing

Clerk in attendance:

Ms Debbie YAU	Senior Council Secretary (1)1
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Staff in attendance:

Ms Pauline NG	Assistant Secretary General 1
Ms Guy YIP	Council Secretary (1)1
Ms Alice CHEUNG	Senior Legislative Assistant (1)1
Mr Frankie WOO	Legislative Assistant (1)2

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The Chairman drew members' attention to an information paper (ECI(2007-08)4) provided by the Administration before the meeting, which provided an update on the latest changes in the directorate establishment approved since 2002. According to the Administration, there would be a net increase of two permanent posts and a net decrease of one supernumerary post in the directorate establishment of civil servants if the proposals to be considered at the meeting were endorsed and then approved by the Finance Committee (FC).

2. In view of the complexity of the staffing proposals to be considered at the meeting, the Chairman suggested that the speaking time for each member (including the Administration's corresponding response) should be limited to five minutes. Members agreed.

EC(2007-08)6 Proposed retention of four supernumerary posts of one Senior Principal Executive Officer (D2), one Principal Land Registration Officer (D1), one Chief Systems Manager (D1), and one Assistant Principal Solicitor (DL1) in Land Registry with effect from 5 October 2007 for a period of three years to prepare for the commencement of the Land Titles Ordinance and the implementation of the new land title registration system

3. The Chairman informed members that the Panel on Planning, Lands and Works (PLW Panel) was consulted on the proposal at the meeting on 22 May 2007.

4. Prof Patrick LAU, Deputy Chairman of the PLW Panel, reported that members of PLW Panel considered that land titles were highly complicated issues and the Administration had under-estimated the workload and complexity of the issues involved. However, in view of the considerable time required to examine relevant legislative issues and to develop a new land title registration system (LTRS), members supported the proposal to extend the four supernumerary posts concerned for a period of three years up to 4 October 2010. He added that Panel members had requested the Administration to strive to complete the relevant tasks within the 36-month extension period.

Proposed duration of the four supernumerary posts

5. Mr WONG Ting-kwong said that Members of the Democratic Alliance for the Betterment and Progress of Hong Kong supported the Administration's proposal. Noting the complexity and scope of work involved, he was doubtful whether it was possible to complete the relevant tasks within the proposed extension period.

6. Referring to the work plan during the 36-month extension period, the Land Registrar (LR) advised that the Administration would strive to complete the drafting of and consultation on the Land Titles (Amendment) Bill (LTAB) within the first 18 months. The scrutiny of the LTAB as well as the final preparatory work for the

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launching of the new LTRS would then be carried out in the next 18 months. In the event that more time would be needed to complete the relevant tasks, such as a longer scrutiny period to allow the Legislative Council (LegCo) to have sufficient time to study the LTAB, the Administration might seek further extension of the supernumerary posts in the light of the progress of the relevant tasks.

7. Noting that the four supernumerary posts in question had been created for three years and the Administration now proposed to extend the posts for a further duration of three years, Mr Howard YOUNG considered this arrangement unusual. He said that Members of the Liberal Party (LP) were disappointed to note that the Administration had not been able to complete the follow-up work in connection with the Land Titles Ordinance (LTO) (Cap. 585) since its enactment in 2004. Nevertheless, they appreciated the Administration's dedication to develop and implement the LTRS which was conducive to enhancing Hong Kong's business environment and promoting the interests of relevant stakeholders. As such, despite LP Members' general reservation on the unusual arrangement in creating and extending the supernumerary posts, they had no objection to the present proposal.

Legislative proposals to be introduced to amend the LTO

8. Ms Margaret NG indicated her support for the proposal so that necessary and sufficient manpower could be made available for the Administration to undertake substantial follow-up work in relation to the post-enactment review of the LTO before it could commence operation. However, she cautioned that if the LTAB aimed to bring about changes to the fundamental principles and approaches in introducing the LTRS already endorsed in the LTO, the Bill would become highly controversial, and would probably spark off new concerns and lead to lengthy deliberations.

9. In response, LR assured members that there would not be any substantial changes to the fundamental principles of the LTRS framework because the focus of the review was on ways to put the framework into implementation. He elaborated that the objectives of the LTAB was to put in place an effective LTRS for related parties including law firms, relevant Government departments, banks, etc., as well as to ensure consistency within the LTO and in its relationship with over 60 ordinances, etc. Moreover, the Land Registry had also taken the opportunity to carry out a comprehensive revision of the language and organization of the LTO through the LTAB with a view to making the LTO more comprehensible to practitioners and the public. LR reported that the working draft of the LTAB had been circulated to relevant parties including the Hong Kong Law Society for comments, and the overall response to the draft was positive. The Administration planned to consult the stakeholders on the final draft of LTAB in early 2008 and to introduce the Bill into LegCo by the end of 2008/early 2009.

10. Noting the Administration's target date for commencement of the new LTRS was end of 2012, Ms Margaret NG considered the timeframe too optimistic. She opined that the Administration had overlooked the complexity of the legal and

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technical issues involved, such as the level of compensation, if any, and the rights of affected parties, etc., which in her view were not purely operational. In this connection, she enquired about the progress of the review of the LTO.

11. LR said that the Administration had provided a report to the PLW Panel in May 2007 on the progress of the follow-up work since the enactment of the LTO. If needed, the Administration would be pleased to provide a further progress report to LegCo.

12. The item was voted on and endorsed.

EC(2007-08)5 Proposed creation of one permanent post of Assistant Director of Housing (D2) in the Housing Department with effect from 15 July 2007 to head the Independent Checking Unit

13. The Chairman informed members that the Panel on Housing was consulted on the proposal at the meeting on 5 March 2007.

14. Prof Patrick LAU noted that the Administration proposed to make permanent the supernumerary post of Assistant Director of Housing in the Independent Checking Unit (ICU) of the Housing Department (HD) to, inter alia, exercise building control of the Housing Authority (HA)'s retail and car-parking (RC) facilities which had been divested to The Link Real Estate Investment Trust (The Link). He was of the view that as The Link was a private enterprise, building control of its divested RC facilities should be exercised by the Building Authority (BA) under the Buildings Ordinance (BO) (Cap. 123) in the same way as other private buildings.

15. In response, the Deputy Director of Housing (Corporate Services) (DD of H (CS)) explained that HA's construction projects and buildings were statutorily exempted from the control of the BO. However, when related premises and facilities were no longer owned by the HA, such as Home Ownership Scheme (HOS) courts and Tenants Purchase Scheme (TPS) estates, they were subject to the same building control as private buildings under the BO. Due to resources and other constraints, building control in respect of HOS courts and TPS estates had been undertaken by the Building Control Unit (BCU) in HD under BA's delegated authority. In May 2003, the ICU took over the BCU in respect of building control responsibility. All along, the established practice had proved to be effective. In November 2005, the ICU's independent building control functions had been further extended to cover HA's divested RC facilities, similarly under the delegated authority of the BA in accordance with the BO. In this connection, DD of H (CS) also clarified that despite the fact that only the divested RC facilities were private premises, the entire property at which a RC facility was situated was subject to the statutory building control by the ICU.

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16. Ir Dr Raymond HO was concerned whether the technical standards and practices adopted by the ICU would be in line with the requirements of the BO, such as the application of penalties for non-compliance.

17. DD of H (CS) assured members that the ICU would exercise statutory building control functions by following the technical standards and regulatory practices adopted by the BA for control of private buildings under the BO. To ensure ICU's technical standards and regulatory measures were consistent with those of the Buildings Department (BD), senior professional officers of BD had been deployed to the ICU to assist it to discharge the building control duties. With the establishment of the ICU in November 2000, there was now in place a stringent and effective system of regulatory control over the buildings under ICU's jurisdiction. In reply to Ir Dr HO's further enquiries, DD of H (CS) confirmed that any proposed building works to be undertaken in HOS courts, TPS estates and the HA's divested RC facilities that were subject to statutory control should be submitted by authorized persons specified in the BO to the ICU for approval.

18. The item was voted on and endorsed.

EC(2007-08)7 Proposed application of the findings of the 2006 Starting Salaries Survey to the Civil Service

19. The Chairman informed members that the Panel on Public Service (PS Panel) was consulted on the proposal at the meeting on 21 May 2007. She also drew members' attention to a letter tabled by Ir Dr Hon Raymond HO which reflected the concern of serving Government Engineers and Environmental Protection Officers (EPOs) on the proposed adoption of the normal conversion arrangement in the application of the findings of the 2006 Starting Salaries Survey (SSS).

(Post-meeting note: The letter from Ir Dr Hon Raymond HO was subsequently circulated to members and other FC members vide ESC31/06-07 on 14 June 2007.)

20. Mr Howard YOUNG, Chairman of the PS Panel, reported that Panel members were gravely concerned about the normal conversion arrangement whereby the pay of those civil servants and aided school teachers/qualified non-teaching staff who were appointed to the entry ranks on or after 1 April 2000 and were continuing to serve on these ranks (affected serving civil servants/teachers and non-teaching staff) would only be brought up to a level equal to the new starting salaries, or to the next higher pay point, as the case might be, upon the implementation of the proposed revised starting salaries. They considered such an arrangement not conducive to maintaining staff morale. In addition, Panel members also noted with concern that as newly recruited officers in the Government Counsel and Engineer grades were granted incremental credits in recognition of their years of post-qualification experience (PQE), their salaries might overtake those of

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their serving counterparts with the same level of experience.

21. Mr YOUNG said that at the meeting of the PS Panel, the following motion had been passed:

"That this Panel proposes that the new benchmarks for the 12 Qualification Groups (QGs) should be further improved, and considering that the conversion arrangement for the civil servants and teachers of aided schools employed on or after 1 April 2000 are neither fair nor reasonable, the Panel urges the Government to review the above arrangements afresh on the basis of the principle that full regard should be given to the length of service and experience of the existing civil servants."

The Administration's response to the motion had been circulated to all Members vide LC Paper No. CB(1)1870/06-07(01) on 11 June 2007.

Application of the findings of the 2006 SSS

22. Mr Howard YOUNG said that LP Members did not support the present proposal. While stating no objection to the Government's civil service pay policy to offer remuneration sufficient and comparable with that in the private sector to attract, retain and motivate staff of a suitable calibre to provide the public with an effective and efficient service, they were of the view that the 2006 SSS might not have truly reflected the market situation. For instance, manpower demand in the education sector might not be particularly pressing as the closure of some aided schools in recent years had deterred young graduates from becoming new teachers. Members of the LP considered that as Hong Kong's economy was just reviving, the Administration should use public monies in a more prudent manner.

23. In response, Mr CHEUNG Man-kwong highlighted the need and importance of offering reasonable remuneration packages to attract high calibre teachers with a view to enhancing Hong Kong's competitiveness in the international arena.

Normal conversion arrangement

24. While acknowledging the Administration's pay policy that a serving civil servant/teacher should not be paid less than his junior in the same rank, Mr CHEUNG Man-kwong remarked that the proposed adoption of the normal conversion arrangement was overly rigid and could not achieve the policy intent to attract, retain and motivate staff. He illustrated that under the said arrangement, a serving teacher who had worked in aided schools for more than five years would at the most be given one additional pay point whereby the resultant salary would just be one pay point higher than that of a new teacher appointed after the proposed revised starting salaries took effect. The affected serving teachers were aggrieved as they had accepted a lower starting salary to share out Hong Kong's financial difficulties during the economic doldrums in the past few years. The normal

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conversion arrangement was unfair to them and was detrimental to staff morale. Mr CHEUNG stressed that it would only cause division between affected serving staff and new recruits. He therefore urged the Administration to address the concerns expressed by the affected serving staff by adjusting their salaries in direct proportion to their length of service.

25. In response, the Secretary for Civil Service (SCS) stressed that the Government valued the contributions made by the affected serving civil servants and teachers/non-teaching staff in the aided school sector, and it was not the Administration's intention to target at them or to cause division when applying the findings of the 2006 SSS to the civil service. SCS remarked that it was a forward-looking measure to adopt the normal conversion arrangement. She explained that the previous three SSSs were conducted in 1989, 1999 and 2006 with a span of ten or seven years between two surveys. In view of the rapidly changing landscape of employment in the private sector, future SSSs would be conducted periodically at three-yearly interval in order for the civil service starting salaries to keep up with starting pay movements in the private market. There were possibilities that the findings in future SSSs would indicate a need for civil service starting salaries to be adjusted either upward or downward, or to remain unchanged. Hence, if the Government were to give full regard to the length of service and experience of serving staff and adjust their salaries in full in August 2007, their pay should equally be adjusted downwards if the findings of a subsequent SSS required a reduction in the starting salaries. However, in accordance with the established practice, serving staff were protected from any downward adjustment to starting salaries based on the findings of a SSS. It was therefore appropriate for the Government to adopt the normal conversion arrangement which struck a right balance between the interest and expectations of affected serving staff and concerns of the public for fair treatment.

26. On the recognition of the experience of serving staff, SCS emphasized that they were in a more favourable position than new recruits in terms of promotion opportunities and fringe benefits. She elaborated that pay, while important, was not the sole factor reflecting the experience and years of service of serving staff particularly when it came to consideration for promotion and acting appointment. Furthermore, serving staff's years of service counted for the purpose of determining the Government's contribution rate for the Civil Service Provident Fund or Grants/Subsidized Schools Provident Fund.

27. Referring to the concerns and grievances of many affected serving civil servants, Miss TAM Heung-man remarked that they were more concerned about their salaries rather than fringe benefits and promotion prospects. Miss TAM cautioned that the unfair treatment might result in wastage of experienced staff, in particular those professional staff members who might be able to receive a higher pay by leaving the civil service and then re-joining it as new recruits. This would work against the Administration's policy intent to attract, retain and motivate staff. As such, she urged the Administration to duly address their concerns and promptly review the normal conversion arrangement.

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28. Dr KWOK Ka-ki also criticized the normal conversion arrangement as it was unfair and unjust to the affected serving civil servants and teachers/non-teaching staff whose starting salaries had been reduced based on the findings of the 1999 SSS.

29. SCS emphasized again that the Government highly valued the contributions of the affected serving staff. She remarked that the Administration had carefully examined all relevant factors on how to take forward the findings of the 2006 SSS. In fact, the normal conversion arrangement for affected serving civil servants and teachers/non-teaching staff had been recommended by the Standing Commission on Civil Service Salaries and Conditions of Service (Standing Commission), which was an independent body set up in 1979 to advise on the principles and practices governing pay, conditions of service and salary structure of the non-directorate civilian grades staff. The Standing Commission had re-affirmed its recommendation that the Government should adopt this conversion arrangement in the application of the findings of the 2006 SSS to the civil service. SCS reiterated that the normal conversion arrangement was the appropriate measure to balance the interests and concerns of the public at large and those of the affected serving staff.

30. Mr KWONG Chi-kin indicated his support in principle to the proposed application of the findings of the 2006 SSS to revise the civil service starting salaries for new recruits. However, he expressed similar concern on the unfairness of the normal conversion arrangement to the affected serving staff and did not subscribe to the Administration's view on the recognition of their experience by way of promotion opportunities and fringe benefits. To acknowledge the length of service of the affected serving staff under the present pay adjustment exercise, Mr KWONG suggested that consideration might be given to adjusting their salaries upward by one pay point for every two years of service they had rendered or by arranging a special one-off payment for them.

31. Mr WONG Kwok-hing shared members' concern and urged the Administration to seriously consider the remedial measures proposed by Mr KWONG. Noting that around 12 200 serving civil servants, 8 500 teachers and 700 qualified non-teaching staff currently working in the aided schools had been appointed on or after 1 April 2000, he pointed out that the adoption of the normal conversion arrangement would be demoralizing to a large number of serving staff, affect future team work and might even lead to staff wastage.

32. In response, SCS said if the measures proposed by Mr KWONG were to be considered when civil service starting salaries were revised upwards, they would need to be balanced by similar measures when starting salaries were revised downwards, meaning when the findings of a future SSS led to a downward adjustment to the starting salaries, the salaries of affected serving staff would be reduced by, for example, one pay point for every two years of service or by a special one-off reduction in pay. Otherwise, the public would criticize the Government for uneven-handed treatment and imprudent use of public monies. As she envisaged

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serving staff would object adamantly to any pay reduction as a result of a downward revision of civil service starting salaries, SCS was not supportive of the proposals by Mr KWONG.

33. Mr WONG Kwok-hing was unconvinced. As the Administration would conduct SSSs more frequently once every three years, he believed that the impact of downward adjustment to starting salaries, if any, would likely be moderate. He therefore could not accept this as an argument for the adoption of the normal conversion arrangement.

34. Echoing his view, Ir Dr Raymond HO was very disappointed that, despite members' views, the Administration had maintained its stance to adopt the normal conversion arrangement, which would not be conducive to maintaining staff morale and fostering a loyal and stable civil service. He did not subscribe to the Administration's view that a conversion arrangement must also be able to cater for future downward adjustments to starting salaries and it was hypothetical to predict the findings of future SSSs which would pre-empt possible ways to deal with the scenarios of downward adjustments.

35. On members' view that SSSs conducted at three-yearly interval thereafter would likely lead to moderate impact only, SCS referred to the economic downturns during the Asian financial crisis and the outbreak of the Special Atypical Respiratory Syndrome which had caused the starting salaries in the private sector to drop drastically within a short period of time.

36. Referring to his letter tabled at the meeting, Ir Dr Raymond HO highlighted that as a result of the 1999 SSS, serving officers in the Engineering and EPO grades appointed on or after 1 April 2000 had to receive a starting salaries lower by five pay points compared with those for their peers appointed before that date. Over the years, these officers had dedicated themselves to serving the public despite their lower salary, much less fringe benefits and career uncertainty due to the New Agreement Terms, etc. The proposal to adopt the normal conversion arrangement would further put them in a disadvantageous position because their in-service PQE would not be fully recognized on an equal basis when compared to new recruits. As such, the normal conversion arrangement was unfair, unreasonable and unjust to the serving officers in the Engineering and EPO grades. Ir Dr HO further cautioned that should these officers choose to leave the civil service because of the unfair treatment, they would be replaced by new recruits who were unfamiliar with the government system and practice.

37. Ir Dr Raymond HO pointed out that the starting salary of engineer graduates had been lowered from \$16,095 to \$10,700 in 2003 as a result of the economic downturn at that time. He urged the Administration to revert their salaries back to the original level in order to retain these young engineers in the Government and to help bridge the succession gap in the Engineer grade.

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38. The Permanent Secretary for Civil Service (PSCS) highlighted that the Government treasured the experience of the affected serving officers, which had a direct bearing on their promotion. He clarified that engineer graduates were recruited as non-civil service trainees under the Graduate Training Scheme (GTS) administered by the Environment, Transport and Works Bureau (ETWB). Previously, their starting honorarium was pegged to the civil service benchmark for QG 9, which was point 11 (\$16,095) of the Master Pay Scale. In July 2003, the FC approved the proposal to delink the honorarium from the civil service Master Pay Scale and set it at \$10,700 per month with a view to achieving broad consistency with the private sector. The rate of honorarium was fixed by ETWB taking into consideration the findings of a salary survey conducted by the Vocational Training Council for graduates in the engineering discipline. PSCS added that as he understood, ETWB was currently reviewing the rate of honorarium for new trainees under the GTS. He undertook to relay Ir Dr HO's concern to ETWB for consideration.

39. Mr CHEUNG Man-kwong re-iterated his concern that the normal conversion arrangement failed to give full regard to the length of service and experience of the affected serving civil servants and teachers/non-teaching staff. He urged the Administration to rectify the situation by devising suitable remedial measures. Ir Dr Raymond HO shared his view.

40. SCS advised that a possible measure was not to adjust the starting salaries of the new recruits upward. She however considered this measure not conducive to enhancing the competitiveness of the Government's remuneration packages to attract people with suitable calibre to join the civil service.

41. Mr Abraham SHEK did not agree that the salaries of the affected serving staff should be adjusted upward on the full conversion basis. He considered that the present proposal put forward by the Administration had struck a right balance between the interests of different stakeholders.

Government Counsel (GC) grade

42. Ms Margaret NG remarked that the unfair treatment under the normal conversion treatment had undermined staff morale of GCs in the Department of Justice and would surely affect their future teamwork. She further noted that it had been an established practice since 1990 that newly appointed GCs would be awarded an additional pay point for every year of relevant private sector experience on top of their starting salary. In this connection, the Local Government Counsel Association (LGCA) had expressed grave concern to the PS Panel that coupled with the upward adjustment of civil service starting salaries, the entry pay of newly recruited GCs might overtake their serving counterparts. Subsequently at the LegCo meeting held on 6 June 2007, SCS had advised that incremental salary points would only be awarded to newly recruited GCs with five years or more of PQE. Ms NG criticized that the new measure was a departure from the well-established practice and failed

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to properly address the concern of LGCA. She questioned whether the Administration could ensure that under the new measures, the entry pay of newly recruited GCs would not overtake their serving counterparts with the same years of PQE.

43. SCS acknowledged affected serving GCs' aspiration for full conversion of salary in applying the findings of the 2006 SSS but re-iterated the Administration's view that the normal conversion arrangement was an appropriate arrangement since staff would be protected from downward adjustment of starting salaries as a result of future SSSs. As regards recognizing GCs' PQE, SCS said that as the new starting salaries for GCs under the proposal would already be adjusted upward by five pay points, the Administration considered that it should be able to attract people of suitable calibre to join the civil service without awarding incremental salary points to newly recruited GCs with less than five years of PQE. She pointed out that as incremental salary points would still be awarded to a newly recruited GC with five years or more of PQE, there was a possibility that the entry pay of this new GC would overtake that of a serving GC who possessed no or less PQE before joining the Government. SCS further advised that in view of the pressing demand for legal counsels in the market, the Standing Commission had agreed to conduct a grade structure review for the non-directorate GC ranks within the next six months, covering the areas of salary structure, incremental salary points and qualification etc. It was expected that the review would be completed by the end of 2007.

44. Noting that the disparity between affected serving GCs and new recruits would still exist even after the implementation of the new measure, Ms Margaret NG was very concerned that the Administration would address serving GCs' concern by compromising the well-established practice of awarding incremental salary points according to newly recruited GCs' years of PQE. In fact, the Government had all along experienced recruitment difficult for legal counsels with suitable background. That was why the practice had been adopted for 17 years. The Administration's proposed measure would further impair the morale of the serving GCs. In this respect, Ms NG enquired about the reasons for the Secretary for Justice (SJ) to give his support to the present proposal.

45. While stating that she was not in a position to reply on behalf of SJ, SCS advised that SJ was a member of the Executive Council and the present proposals were endorsed by the Chief Executive (CE)-in-Council. In fact, subsequent to the announcement of the decision made by the CE-in-Council to adopt the normal conversion arrangement for affected serving staff in the light of the application of the findings of 2006 SSS to the civil service, she and SJ had attended an exchange with the affected GCs. During this exchange, she and SJ had explained to some 50 attending GCs the Government's proposal and the rationale behind the normal conversion arrangement.

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Application of the 2006 SSS to other subvented organizations

46. Dr KWOK Ka-ki noted that the remuneration packages including pay and cash allowance etc. of the employees of many subvented organizations, such as the doctors and nurses employed by the Hospital Authority, were equivalent to the civil service remuneration packages for the same ranks. He asked whether the Administration would adjust the subventions provided to public organizations according to the present proposals.

47. SCS clarified that except for teachers and some non-teaching staff in the aided school sector, staff salaries in other subvented organizations had been delinked from the civil service pay. In general, staff remuneration in these bodies was a matter between the subvented organizations as employers and their staff as employees. It would be up to the individual subvented organizations to decide whether to adjust the salaries of their existing and new staff and any decision should not be binding on the Government to adjust their subventions mechanically according to the civil service pay adjustments. However, noting that the subventions for some organizations had been reduced in connection with the downward revision of starting salaries for the civil service since April 2000, the Government would adjust the subventions for these organizations in the context of the present exercise. Separately, where the payments by the Government for new services provided by the non-governmental organizations commissioned on or after April 2000 had been calculated with reference to the reduced starting salaries for the civil service, the relevant bureaux/departments (B/Ds) had already commenced discussions with these organizations on how the payments by the Government should be increased as and when the proposed new starting salaries for the civil service came into effect.

Staff retention

48. Ir Dr Raymond HO highlighted the severe problem of staff wastage in the Engineer grade, which was indeed noteworthy. As the Government was committed to implementing infrastructure and development projects with a total value of about \$40,000 million by 2012, it should therefore strive to attract and retain professional staff to ensure the successful implementation of the public works projects.

49. Echoing his view, Prof Patrick LAU pointed out that there was also a continuous loss of building and works-related professionals to other places such as Dubai, the Mainland and Macao. As such, he urged the Administration to devise measures that could attract and retain experienced professional staff to help implement the many public works projects that were in the pipeline.

50. In response, SCS advised that if the Establishment Subcommittee (ESC) endorsed and the FC approved the present proposal, the starting salaries for new recruits of the Engineer and Surveyor grades would be adjusted upward by five pay points. This would greatly enhance the Government's bargaining power in the manpower market to attract people with suitable calibre to join the civil service.

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51. Ir Dr Raymond HO expressed concern that the continued freeze on open recruitment for selected grades included in the Second Voluntary Retirement (VR) Scheme could not meet the shortfall of officers in the Engineer grade.

52. SCS pointed out that in view of staff shortage as reflected by some B/Ds, the Government had, since April 2007, progressively relaxed the open recruitment freeze of the civil service so as to allow B/Ds to fill justified vacancies in a number of VR grades ahead of the expiry of the recruitment freeze in March 2008. PSCS supplemented that consideration had also been given to facilitating B/Ds to conduct open recruitment for grades included in the Second VR Scheme. For public works projects with financial commitments already earmarked in the 2007-08 Budget, special approval had been given to filling posts belonging to the works-related grades within 2007.

Non-Civil Service Contract (NCSC) staff

53. Prof Patrick LAU pointed out that in addition to receiving reduced starting salaries, many serving officers who had joined the Government on or after 1 April 2000 were appointed on NCSC terms. They had expressed grave concern about the disparity of their remuneration packages and were further demoralized for not having been converted to civil service terms.

54. Ir Dr Raymond HO said that at present, there were 126 Engineers and 45 EPOs who were NCSC staff. Noting that some of these positions would be replaced by civil service posts to be filled by open recruitment, he urged that consideration be given to retaining the serving engineers and EPOs as they had been trained up to administer public services according to the Government's procedure and practices.

55. SCS explained that the NCSC Staff Scheme was intended to provide B/Ds with a flexible means to employ staff on fixed term contracts outside the civil service establishment to meet service needs which were time-limited or which required staff on a part-time basis etc. To ensure the proper operation of the Scheme, detailed guidelines had been promulgated to B/Ds on the engagement and management of NCSC staff. SCS further clarified that there was no linkage between the pay of NCSC staff and that of civil servants.

56. Mr WONG Kwok-hing pointed out that according to a special review conducted by the Administration, there were some 16 000 full-time NCSC staff employed in various B/Ds as at 31 March 2006. He was gravely concerned that unlike civil servants, the NCSC staff were not provided with job security, promotion prospects and were not eligible for upward salary adjustment despite they had been providing public service continuously for as long as 10 years. He further noted that the Government would phase out around 4 000 NCSC positions by civil service posts and would fill these civil service posts through open recruitment. Mr WONG was concerned that the NCSC staff concerned might not be selected to fill the

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vacancies and lose their jobs in the end. For some other NCSC staff, they might lose their jobs any time as a result of the Government's outsourcing exercises. While Members belonging to the labour constituency were opposed to outsourcing government services, they also urged the Government to slow down the pace of outsourcing by contracting out only those services no longer provided by NCSC staff due to natural wastage. Mr WONG called on the Administration to carefully look into the difficult situation faced by the NCSC staff. SCS took note of the member's view.

Motion

57. Ir Dr Raymond HO indicated that he intended to move a motion, the terms of which were tabled at the meeting. The Chairman advised that she would make reference to the procedures adopted by other LegCo committees in dealing with motions moved without notice at meetings. She considered that the motion to be moved by Ir Dr HO was relevant to the present agenda item. She asked members to indicate whether the motion should be proceeded with at the meeting. As a majority of the members voting had indicated support for the motion to be dealt with immediately, the Chairman invited Ir Dr HO to move the motion.

58. Ir Dr Raymond HO moved the following motion:

"本小組委員會要求政府在推行九個資歷組別經修訂的基準薪酬的同時，將 2000 年 4 月 1 日及以後入職該等組別的公務員薪酬按照其年資與在 2007 年 8 月 1 日後入職的同組別員工的薪酬水平掛鈎。"

(English Translation)

"This Subcommittee requests that the Government, when implementing the revised benchmark pay for the nine QGs, should link the pay of the civil servants in these QGs who were appointed on or after 1 April 2000 to the pay of those in the same QGs but appointed after 1 August 2007 in accordance with their years of service."

59. The Chairman invited members to speak on the motion. Due to time constraint, she suggested that each member should speak only once, and for not more than three minutes. Members agreed.

60. Prof Patrick LAU expressed support for the motion.

61. While agreeing that civil service pay should be increased according to market situation, Mr Abraham SHEK cast doubt on the findings of the 2006 SSS which might have revealed a private sector entry pay higher than the actual level. Hence, he could not support the motion.

Action

62. Ms Margaret NG said that as the motion in question sought to deal with the general situation within the civil service which was quite different from the specific circumstance of GCs and had not been discussed by Civic Party Members beforehand, she would abstain from voting on the motion.

63. Mr James TIEN referred to the views expressed by Mr Howard YOUNG earlier that LP Members had reservation on the 2006 SSS and did not agree to the Administration's proposal to adjust the civil service starting salaries upward. He said that the starting salaries of new recruits were already higher than those in the private sector and since the motion sought to further raise the pay of affected serving staff, LP Members would vote against the motion.

64. Mr CHEUNG Man-kwong considered that Ir Dr HO's motion sought to address the unfair pay adjustment proposal by the Government with regard to affected serving staff rather than to deal with the level of salaries in the public and private sectors. He said that he would vote in support of the motion. Mr CHEUNG requested to put on record his opposition to the proposed normal conversion arrangement, which was unfair to the affected serving staff. He said that he supported the proposal to adjust the civil service starting salaries upward, which however was bundled together with the proposed adoption of the normal conversion arrangement. Nevertheless, he urged the Administration to re-consider adjusting the pay of the affected serving staff by giving full regard to their length of service.

65. The Chairman put the motion moved by Ir Dr Raymond HO to vote. Of the members present, four voted in favour of the motion, three against it and one abstained. The Chairman declared that the motion was passed.

66. The Chairman put EC(2007-08)7 to vote. Mr James TIEN claimed a division. Nine members voted for the proposals, two members voted against and two members abstained. The individual results were as follows:

For :

Mr WONG Kwok-hing
Ms Margaret NG
Mr Abraham SHEK
Mr WONG Ting-kwong
Mr KWONG Chi-kin
(nine members)

Ir Dr Raymond HO
Mr WONG Yung-kan
Dr KWOK Ka-ki
Prof Patrick LAU

Against :

Mr James TIEN
(two members)

Mr Howard YOUNG

Abstention :

Mr CHEUNG Man-kwong
(two members)

Dr YEUNG Sum

Action

67. The Chairman declared that the item was endorsed.

EC(2007-08)8 Proposed creation of one permanent post of Secretary-General of Film Development Council (D2) in a new grade and rank under the Television and Entertainment Licensing Authority with effect from 9 July 2007 to strengthen the support for the new Hong Kong Film Development Council

68. The Chairman informed members that the Panel on Information Technology and Broadcasting was consulted on the proposal at the meeting on 17 April 2007.

69. While supporting the Administration's initiative to set up a new independent Hong Kong Film Development Council (FDC) to promote the development of the film industry in Hong Kong, Mr Abraham SHEK however could not support the proposal to create the post of Secretary-General of FDC (SG/FDC) (D2) as the Administration's paper failed to provide relevant information, such as the number of films to be facilitated by SG/FDC, to justify the creation of such a high ranking permanent post. Mr SHEK also queried the Administration's proposal to inject \$300 million into the Film Development Fund (FDF) as he considered this interference to the free market. In particular, if the Government took part in the film-making, it should be held accountable for unsuccessful productions. He also cautioned against any form of Government's preferential treatment given to any particular industry.

70. In response, the Deputy Secretary for Commerce, Industry & Technology (Communications and Technology) (DS (C&T)) advised that it was the Government's sustained policy to support the local film industry. The Government considered the film industry a flagship of the creative industries in Hong Kong which significantly contributed to the development of tourism and services industries, and enhanced the international and cultural image of Hong Kong. However, there had been a substantial drop in the number of film productions, particularly the small-to-medium budget productions, as well as box office revenues in recent years. DS (C&T) pointed out that knowledge-based economies such as France and South Korea had also given the necessary impetus to support their film industry. Drawing on their successful experience, the Government was committed to assisting the film industry through a host of measures, including the proposed injection of \$300 million into the FDF.

71. DS (C&T) further advised that the policy formulation, public funding and planning and implementation of film-related activities were at present dealt with by different government departments and public bodies. In his Policy Address in October 2006, the CE had announced that the Secretary for Commerce, Industry and Technology (SCIT) would co-ordinate the relevant policy, planning and activities, including manpower training, Mainland and overseas promotion and filming support.

Action

In order to support SCIT to sustain the development of the film industry, a high-level FDC was established to replace the Film Development Committee. FDC would advise SCIT on the policy, strategy and institutional arrangement for the promotion and development of the film industry, as well as the use of public funds to support the industry. To strengthen the secretariat support for the new FDC which was entrusted with broader and more onerous film-related duties than the old advisory committee, the Administration proposed to create a new permanent D2 post, designated as SG/FDC, to head the new and enhanced Secretariat.

72. Dr KWOK Ka-ki was not convinced of the Administration's explanation that the film industry would revive if the SG/FDC post, to be filled by an Administrative Officer, was created. As a matter of fact, the film industry had sustained over the decades without Government's direct support. In addition, he did not consider it justified to create the SG/FDC post on a permanent basis. Citing the example of the supernumerary post created for the development of the new cruise terminal facilities in Kai Tak the duration of which had tied in with the project timeframe, he said that ESC members used to take into consideration the nature of duties to be performed when scrutinizing the staffing proposals and deciding the required length of the posts concerned. As he understood, the examination and vetting of applications for the FDF were conducted by the committees set up under the FDC which was chaired by Mr Jack SO Chak-kwong and comprised members from the film industry. As the main duty of SG/FDC was to provide secretariat support to the FDC in administering the FDF which should be a time-limited task, Dr KWOK was thus very concerned whether there was similar precedence in which a high ranking permanent post had been created to undertake a time-limited secretarial task. He said that he could only at most support the creation of the SG/FDC post on a supernumerary basis with proposed duration to be fully justified.

73. While LP Members were supportive of the Administration's policy intent to support the film industry, Mr James TIEN shared Dr KWOK Ka-ki's view and expressed reservation on the proposal to create the SG/FDC post on a permanent basis. He said that unlike the Hong Kong Tourism Board which was underpinned by a few hundred staff to promote Hong Kong tourism, the FDC Secretariat would only comprise the SG/FDC, one Senior Executive Officer and one Personal Secretary I. Mr TIEN therefore was concerned whether the film-related support currently provided by the Film Service Office to the Film Development Committee (i.e. former FDC) would be taken over by the FDC Secretariat, and whether the Government would take part in film-making with individual film production companies to be determined by the SG/FDC. Mr TIEN noted that the South Korean Government had invested a total of around \$800 million in 33 film funds between 1999 and 2004. In fact, the FDF established since 1999 provided similar support to the local film industry which had revived in recent years as indicated by the rising box office revenues and the international awards received by local film productions. While preparing to give support to the Administration's proposal to further inject \$300 million into the FDF, Mr TIEN did not consider it justified to create the SG/FDC post on a permanent basis mainly to assist the FDC, a consultative body, in disbursing the FDF.

Action

74. DS (C&T) clarified that in addition to assisting the FDC in managing the \$300-million FDF with much enlarged scale and scope, SG/FDC would also assume the important role of the linchpin between the Government and the FDC and indeed the whole film industry. In addition, SG/FDC would also have an overall view of all public resources dedicated to supporting the film industry under the relevant government and public bodies and responsible for reviewing their effectiveness in consultation with the FDC. Beyond Hong Kong, SG/FDC would co-ordinate with overseas counterparts and Mainland authorities on film-related activities, and represent the Hong Kong Special Administrative Region in marketing and promoting the film industry in the international arena. As such, the Administration proposed to create a permanent post of SG/FDC to tie in with the Government's long-term commitment in supporting the film industry, and to pitch it at D2 level, given that the post-holder was required to possess a high level of analytical and organizational capability, rich business and operational experience in the whole value-chain of film productions, as well as good communication and management skills.

75. DS (C&T) also clarified that the SG/FDC post would be filled through open recruitment based on merits of individual candidates. However, to enable the administrative framework and control mechanism to be set up as soon as possible at the inception of the enhanced FDC Secretariat, the Administration planned to fill the post by an Administrative Officer Staff Grade C officer through internal deployment for an initial period of not more than 12 months. This would allow more time for the Administration to conduct the open recruitment exercise.

76. The Commissioner for Television and Entertainment Licensing re-iterated that at present, film-related activities and relevant supporting measures scattered around a number of Government and public bodies, including the Hong Kong Trade Development Council, the Home Affairs Bureau, the Education and Manpower Bureau, etc. To rationalize the institutional framework in providing support to the film industry, the former Film Development Committee was expanded to become a high-level consultative body of the FDC which was entrusted with broader and more onerous film-related duties. While all film-related public resources under the relevant government and public bodies and measures initiated by them would continue to be deployed and implemented by these bodies, the FDC would have an overall view and ensure that the measures were implemented effectively and efficiently and conducive to the development of the industry. As the chairman and members of the FDC were all serving on a part-time basis, the Administration therefore proposed to create the three posts concerned to provide full-time secretariat service to the FDC.

77. Mr CHEUNG Man-kwong said that while DP Members did not object to the proposal to inject \$300 million into the FDF, they however considered that the SG/FDC post could only be created on a supernumerary basis and the duration of the post should tie in with the length of operation of the FDF. Further or long-term extension of the post should be subject to review.

Action

78. In the light of members' views expressed at the meeting, the Chairman invited the Administration to re-consider its proposal. In this respect, members enquired whether the Administration could revise the proposal and submit it to the FC direct given that it was already the last ESC meeting scheduled for the current session. The Assistant Secretary General 1 advised that whilst there was no rule to disallow the Administration from submitting an establishment proposal direct to the FC, it was not a usual practice to bypass the ESC. Even if there was consensus among members for the Administration to submit the revised proposal to the FC direct in this particular case, this should not be taken as a precedent.

79. Dr KWOK Ka-ki expressed doubt on the urgency of the present proposal as to warrant the bypassing of the normal procedure for the ESC to scrutinize the staffing proposal beforehand. Mr CHEUNG Man-kwong echoed and said that according to the rules of procedures, staffing proposals should be examined by the ESC before their submission to the FC for approval. He suggested the meeting be suspended for the Administration to decide whether it would take on board members' views and propose to the ESC that the SG/FDC post be created on a supernumerary basis for the ESC's endorsement.

80. At the request of the Administration, the Chairman suspended the meeting.

81. Upon resumption of the meeting, DS (C&T) advised that the Administration took note of members' views expressed at the meeting and would re-consider its staffing requirement.

82. The item was withdrawn by the Administration.

83. The Subcommittee was adjourned at 10:50 am.