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Finance Committee of the Legislative Council

**Minutes of the 17th meeting
held at the Legislative Council Chamber
on Friday, 6 July 2007, at 3:00 pm**

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Hon CHAN Kam-lam, SBS, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Martin LEE Chu-ming, SC, JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, SBS, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, SBS, JP
Hon Bernard CHAN, GBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai, SBS, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, SBS, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum, JP
Hon LAU Chin-shek, JP
Hon LAU Kong-wah, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon CHOY So-yuk, JP
Hon Andrew CHENG Kar-foo

Hon TAM Yiu-chung, GBS, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon LI Kwok-ying, MH, JP
Dr Hon Joseph LEE Kok-long, JP
Hon Daniel LAM Wai-keung, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG, JP
Hon KWONG Chi-kin
Hon TAM Heung-man

Members absent:

Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon MA Lik, GBS, JP
Hon CHEUNG Hok-ming, SBS, JP
Hon CHIM Pui-chung

Public officers attending:

Professor K C CHAN, SBS, JP	Secretary for Financial Services and the Treasury
Mr Alan LAI Nin, GBS, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Miss Amy TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Miss Denise YUE, GBS, JP	Secretary for the Civil Service
Mr Andrew WONG, JP	Permanent Secretary for the Civil Service
Mr K S SO, JP	Deputy Secretary for the Civil Service 2

Clerk in attendance:

Ms Pauline NG

Assistant Secretary General 1

Staff in attendance:

Miss Becky YU

Chief Council Secretary (1)1

Mrs Mary TANG

Senior Council Secretary (1)2

Ms Alice CHEUNG

Senior Legislative Assistant (1)1

Mr Frankie WOO

Legislative Assistant (1)2

Action

Item No. 1 - FCR(2007-08)25

RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE MADE ON 15 AND 20 JUNE 2007

The Chairman put FCR(2007-08)25 except PWSC(2007-08)39 to the vote. The Committee approved the proposal.

PWSC(2007-08)39 63GI Joint-user complex and wholesale fish market in Area 44, Tuen Mun

2. The Chairman said that Mr LEUNG Yiu-chung had requested for separate voting on PWSC(2007-08)39. However, as the request was not made one day before the meeting as agreed, arrangements could not be made for the relevant government officials to attend the meeting to answer members' questions. Nevertheless, members could express their views on the proposal.

3. Mr Frederick FUNG said that the proposal had been discussed at length at the joint meeting of the Panel on Home Affairs and Panel on Food Safety and Environmental Hygiene on 8 May 2007 as well as the meeting of Public Works Subcommittee (PWSC) on 20 June 2007. The proposal involved the construction of a joint-user complex and wholesale fish market (WFM) in Tuen Mun Area 44 for the reprovisioning of the temporary Castle Peak Wholesale Fish Market (CPWFM) at Tuen Mun Area 27. While the proposed reprovisioning was supported by the local fishing community and the Tuen Mun District Council (TMDC), it was strongly objected by the neighbouring residential developments at Tuen Mun 44 in view of the environmental nuisance associated with the operation of WFM which could not be resolved even if the fishing community agreed to make efforts to reduce the noise impact, and the Administration undertook to monitor the situation because it would be difficult to hold any particular vessel liable for the noise. These residential developments included both public and private housing estates, such as Siu Hei Court, Pierhead Garden, Miami Towers, Marina Garden, Yuet Yu Villa, Wu King Estate and Richland Garden. To allow more time to identify a suitable site for the reprovisioning, he hoped that the voting on the proposal would be deferred for two to three months.

Action

4. Mr LEUNG Yiu-chung said that the reprovisioning of CPWFM had been dragged on for a number of years. While the reprovisioning was supported by the residents of Tuen Mun Area 27 on account of the environmental nuisances, they considered it necessary that a suitable site should be identified for the purpose as otherwise the problem would merely be transferred to another area, thereby affecting another group of people. He was also disappointed that the proposed joint-user complex for two non-compatible users, i.e, a WFM and a community hall, was poorly designed merely for the sake of optimizing the required plot ratio for development. He called upon the Administration to withdraw the proposal and to identify a more suitable site for the reprovisioning of CPWFM. If the Administration insisted to proceed with the proposal, he would have no option but to vote against it.

5. Dr Fernando CHEUNG said that he had received complaints from residents of Tuen Mun Area 44 about the proposed reprovisioning and had actually paid a visit to the proposed WFM site. The main contention was the co-location of CPM along side a joint-user complex comprising a community hall, a refuse collection point (RCP) and a marine refuse collection point. Users of the community hall would likely have to face a variety of environmental nuisances associated with noise and odour arising from the operation of WFM and RCP. He considered that the design of the joint-user complex should be improved so as to avoid the nuisance problems. Besides, the proposed site at Tuen Mun Area 44 would also give rise to concerns about navigational safety. He noted that the Administration had turned down residents' request for reprovisioning CPWFM to Tuen Mun Area 40 but no explanation had been given as to why the area was not chosen. While supporting the reprovisioning of CPWFM, he opined that efforts should be made to resolve residents' concerns before consideration was given to the reprovisioning.

6. Mr WONG Yung-kan said that the reprovisioning of the existing temporary CPWFM at Tuen Mun Area 27 to Tuen Mun Area 44 was raised in 1987 long before the development of private and public housing estates in the area. There was an urgent need for the reprovisioning as the structure, which was first constructed in 1974, was reaching the end of its designed life and would need to be demolished. As TMDC members had twice voted in support of the proposed reprovisioning, it would be disrespectful to them if the proposal had to be withdrawn. It would also be unfair to the fishing trade if the reprovisioning was to be further delayed after years of preparation and planning. Besides, any delay would be unfair to residents of the neighboring estates in Tuen Mun Area 27, such as the Hanford Garden. He further supported the proposed co-location of WFM with the community hall as fishermen could be able to make good use of the facilities, particularly during the fishing moratorium. As regards the use of horns by fishing vessels, Mr WONG said that this was a means to ensure navigational safety and was in line with navigational practice. Fishermen would be requested to reduce the noise impact as far as possible but the use of horns could not have been avoided in some cases. Nevertheless, he supported that mitigation measures should be introduced to reduce the noise impact arising from the operation of WFM. As the member elected to represent the fishing industry, he would strongly support the early reprovisioning of CPWFM.

7. Mr Tommy CHEUNG, Chairman of the Panel on Food Safety and Environmental Hygiene (FSEH Panel), said that Members were well aware of the proposal as complaints against the proposed reprovisioning from residents of Tuen Mun 44 had been handled under the Legislative Council Redress System. He recalled that at the joint meeting of the Panel on Home Affairs and FSEH Panel on 8 May 2007, Members of the Liberal Party (LP), Democratic Party as well as the Democratic Alliance on Betterment and Progress of Hong Kong had not raised objections to the proposal but had expressed concerns about the environmental nuisances associated with the operation of WFM. No other members had indicated objection to the proposal except for Mr Frederick FUNG who had expressed reservation about the proposal and Prof Patrick LAU who was dissatisfied with the design of the joint-user complex. In addition to the Administration's efforts to educate fishermen on the proper use of whistles fitted in the vessels, the operator of WFM would also set up a management committee to closely supervise the operation and to follow-up on complaints on environmental nuisances. An environmental monitoring and audit programme on odour nuisance and marine traffic noise would be conducted during the peak operating hours from 3:00 a.m. to 6:30 a.m. at a frequency of no less than once a week throughout the first 12 months of the operation of WFM. Where noise levels had exceeded statutory limits under the Noise Control Ordinance (Cap. 400), appropriate enforcement actions would be taken by the Environmental Protection Department. To address the concerns of affected residents in Tuen Mun Area 44, the Administration would consider putting in place a registration system for fishing vessels using the proposed WFM and requiring vessels to continue to use the eastern entrance of the typhoon shelter for approaching or leaving the market. He said that the issues surrounding the reprovisioning of CPWFM had been thoroughly discussed by the Panels. It had to be accepted that there would be environmental nuisances associated the operation of WFM, and the same problems would arise even if the proposed WFM was reprovisioned at an alternative site. He said that LP Members were equally concerned about the environmental nuisances and navigational safety associated with the operation of WFM, and had urged the Administration to take mitigation measures to address the problems and to work out guidelines on the use of loudhailers and whistles at WFM. They had also requested that a representative from the residents' association should be appointed to the management committee of WFM. He said that he would support the proposed reprovisioning which had been discussed and supported by TMDC.

8. Miss TAM Heung-man said that she had attended the joint Panel meeting on 8 May 2007 and had expressed reservation about the proposed reprovisioning on account of its environmental nuisances. She said that the Administration should make efforts to address residents' concerns about environmental nuisances and choice of site before proceeding with the proposed reprovisioning. As regards the design of the joint user-complex, she opined that improvements, such as the provision of separate entrances for the community hall and WFM, could have been made to address residents' concerns. Given that these concerns had remained unresolved, she would have reservation in supporting the proposal.

9. Mr Albert CHAN said that the issues surrounding the proposed reprovisioning, including the choice of site, environmental nuisances and navigational safety, had been deliberated at length at several Panel meetings over the past years and no objections had been raised by members. It was unfair that members who had not followed through the proposed reprovisioning over the years were now objecting against the proposal, without taking heed of the residents of the Tuen Mun Area 27 who had been tolerating the environmental nuisances for many years. If they had reservation about the choice of site, they could have invited TMDC to explain why Tuen Mun Area 44 was identified as the suitable site. Given the dilapidated condition of CPWFM, there was a need for the reprovisioning to meet community needs albeit objection from the affected residents. Besides, the Administration had undertaken at the PWSC meeting on 20 June 2007 that it would take mitigation measures to address the concerns of the affected residents. As such, he did not consider it proper that the Administration should be requested to withdraw the proposal at the present stage, particularly when there were no new grounds for objection. He would support the proposed reprovisioning in principle.

10. Mrs Selina CHOW said that she had met with residents of Yuet Wu Villa who had been objecting to the proposed reprovisioning and had participated in the discussion of the Panels on the proposal. Residents' objections were understandable because no one would welcome obnoxious facilities within their neighbourhood. However, there was a need to strike a balance between interests of the community and the affected residents. LP Members were well aware of residents' concern about the environmental nuisances associated with operation of WFM, but a decision had to be made and the proposed reprovisioning should not be further dragged on. As such, LP Members would support the proposed reprovisioning which was also supported by TMDC. However, instead of merely issuing guidelines to the fishing trade, the Administration should take more positive measures, such as providing for a trial run on the operation of WFM to observe the situation, to address residents' concerns. Meanwhile, the relevant Panels would be following up on the proposed reprovisioning.

11. Prof Patrick LAU said that residents' concern about the environmental nuisances associated with operation of WFM was understandable. When planning for the proposal, the Administration should have consulted the affected residents and taken the necessary measures to mitigate the nuisances. As regards the design of the proposed WFM, he said that the Architectural Services Department (ASD) had approached him to address his concern about the co-location of the community hall and WFM. He remained of the view that ASD should try to improve the design of WFM to address residents' concerns.

12. Mr Albert HO recalled that when he first joined TMDC in 2000, he had been approached by residents objecting to the proposed reprovisioning. After site visits and discussions on other alternatives, it was finally decided that the proposed WFM site at Tuen Mun Area 44 should be moved further north by 20 metres. The Administration had also taken various measures to address residents' concerns, in particular, about noise nuisances. Given the dilapidated state of CPWFM, there was

a need for reprovisioning and he could not see any point to request for the withdrawal of the proposal. Mr Frederick FUNG however pointed out that some of the proposed mitigation measures to combat nuisances were impractical as it would be difficult to control noise from moving vessels.

13. The Secretary for Financial Services and the Treasury said that as the proposed reprovisioning had been thoroughly discussed by the relevant Panels and PWSC, the Administration was not prepared to withdraw the proposal.

14. The Chairman put PWSC(2007-08)39 to the vote. 37 members voted for the proposal, two members voted against and one member abstained. The individual results were as follows:

For :

Mr James TIEN Pei-chun	Mr Albert HO Chun-yan
Ir Dr Raymond HO Chung-tai	Mr Martin LEE Chu-ming
Mr Fred LI Wah-ming	Dr LUI Ming-wah
Ms Margaret NG	Mrs Selina CHOW LIANG Shuk-yee
Mr CHEUNG Man-kwong	Miss CHAN Yuen-han
Mr Bernard CHAN	Mr CHAN Kam-lam
Mrs Sophie LEUNG LAU Yau-fun	Mr SIN Chung-kai
Dr Philip WONG Yu-hong	Mr WONG Yung-kan
Mr Jasper TSANG Yok-sing	Mr Howard YOUNG
Dr YEUNG Sum	Mr LAU Kong-wah
Mr LAU Wong-fat	Ms Miriam LAU Kin-yee
Miss CHOY So-yuk	Ms LI Fung-ying
Mr Tommy CHEUNG Yu-yan	Mr Albert CHAN Wai-yip
Ms Audrey EU Yuet-mee	Mr Vincent FANG Kang
Mr LEE Wing-tat	Mr LI Kwok-ying
Dr Joseph LEE Kok-long	Mr Jeffrey LAM Kin-fung
Mr Andrew LEUNG Kwan-yuen	Mr Alan LEONG Kah-kit
Mr WONG Ting-kwong	Prof Patrick LAU Sau-shing
Mr KWONG Chi-kin	

(37 members)

Against :

Mr LEUNG Yiu-chung	Mr Frederick FUNG Kin-kee
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(2 members)

Abstention :

Dr KWOK Ka-ki
(1 member)

15. The Committee approved the proposal.

Item No. 2 - FCR(2007-08)26

**RECOMMENDATIONS OF THE ESTABLISHMENT SUBCOMMITTEE
MADE ON 13 AND 22 JUNE 2007**

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

Application of the normal conversion arrangement

16. Mr CHEUNG Man-kwong said that while the proposed revision of starting salaries for civil servants and graduate teachers was made for a good cause, the proposal was flawed and unfair. He pointed out that under the proposed conversion arrangement, a serving teacher who worked in an aided school for more than five years would at most be given one additional pay point, which was only one pay point higher than that of a new teacher appointed after the revised starting salaries took effect. The conversion arrangement had given rise to much dissatisfaction among civil servants, including teachers, social workers and medical doctors, who were appointed to the entry ranks on or after 1 April 2000 and were continuing to serve at these ranks (affected serving civil servants). He enquired whether the Administration would consider adjusting the conversion arrangement to resolve the dissatisfaction of the affected serving civil servants.

17. The Secretary for the Civil Service (SCS) said that the Administration was aware of the concerns of the affected serving civil servants and teaching/non-teaching staff in the aided school sector. In deciding on the conversion arrangement, the Administration had to carefully consider and balance the interests and concerns of the public at large and those of the affected serving staff as starting salaries could be adjusted either upwards or downwards, depending on the market situation. The Administration's position, adopted in 2000 when starting salaries were adjusted downwards, was not to reduce the salaries of serving staff in accordance with the reduced starting salaries. As serving staff were protected from a downward revision of starting salaries, the Administration would need to ensure that an appropriate balance was incorporated into the conversion arrangement for affected serving staff when starting salaries were revised upwards. The Administration had therefore recommended that the pay of the affected serving civil servants should be adjusted in accordance with the "normal" conversion arrangement, viz -

- (a) where the pay of an affected serving civil servant was lower than the recommended revised starting salary for his rank on the implementation date of the revised starting salary, his salary would be brought up to a level equal to the new starting salary; and
- (b) where the pay of an affected serving civil servant was equal to or higher than the recommended revised starting salary for his rank on the implementation date of the revised starting salary, his salary would be brought up to the next higher pay point, subject to the maximum pay point of his rank.

She added that the 2006 Starting Salaries Survey (SSS) was conducted by consultants based on prevailing market entry rate. To ensure that starting salaries in the civil service were in line with those in the private sector, the Administration had decided that SSS would be conducted in future on a regular basis, i.e., once every three years starting from 2006. Under the Government's stated position, if the findings of the 2009 SSS led to a reduction in starting salaries in 2010, serving staff would be protected from the downward revisions. Based on the same consideration, the full "point-to-point" conversion arrangement as recommended by some members, which provided for salary adjustments in direct proportion to the length of service, should not apply in an upward starting salaries revision scenario as in the case of the present revision exercise, as otherwise the Administration would be criticized for uneven-handed treatment and for imprudent use of public resources. The "normal" conversion arrangement, which some affected serving staff might find unacceptable, was considered balanced and appropriate.

18. Ir Dr Raymond HO said that he would agree in principle to the proposed revision in entry points and salaries as civil servants did not have any salary increase since 1997. He was however concerned that the proposed normal conversion arrangement under 2006 SSS had given rise to much dissatisfaction within the civil service. By way of illustration, under the proposed normal conversion arrangement, an engineer who had worked in the civil service for five years would receive the same salary as a new recruit joining the civil service after the proposed new salaries took effect. This had caused a lot of unfairness as incremental credits would not be offered to the experienced engineers in recognition of their years of service. The pay cuts in the engineer grade in the past years had led to salary levels much lower than that of their counterparts in the private sector and as a result, a large number of Government engineers had chosen to leave the civil service, resulting in gaps in the succession ladder. He would request the Administration to make suitable adjustments in the salary structure to address the concerns of the affected serving engineers. SCS explained that the years of service of serving civil servants would be fully taken into account when considering promotions and acting appointments. She added that the entry salary of trainee engineers would be increased by 7.3% to \$11,480 when the proposed new salaries took effect. As regards the salary scales of site engineers employed by consultants undertaking public works projects, SCS advised that their salaries would be the same as that of non-civil service contract staff if they were recruited after 2003, in line with guidelines set out by Government.

19. While welcoming the proposed revision in starting salaries, Ms LI Fung-ying shared the concern about the unfairness associated with the conversion arrangement. Given the complexity of civil service pay scales, she held the view that some degree of flexibility should be exercised in dealing with special cases. She pointed out that the affected serving civil servants who joined the civil service in 2000, numbering about 13 000, should be treated as special cases. These affected serving civil servants had had their entry pay points reduced by one to six points following the 1999 SSS. Their salaries were further reduced as a result of the general pay cuts in the civil service in subsequent years. Despite their years of service, their pay was only one point higher than their counterparts who joined the

civil service in 2007 under the revised starting salary scales. SCS said that the Standing Commission on Civil Service Salaries and Conditions of Service (the Standing Commission) had recommended that the normal conversion arrangement should apply in the present exercise.

20. Mr Joseph LEE declared interest as one of the Directors of Hospital Authority (HA). He shared the view that the proposed conversion arrangement was unfair to the affected serving civil servants as well as HA staff. Similar to the affected serving civil servants, medical staff who joined HA in 2000 (numbering between 2 000 to 3 000) had had their starting salaries reduced in 2000. Despite that they had accepted lower starting salaries as a result of the economic downturn, their salaries had not been suitably adjusted in the present exercise in recognition of their years of service and contributions. Since the Food and Health Bureau would be providing additional funding of \$138 million for HA to cater for salary revisions, a more equitable arrangement should be worked out for the medical staff who joined HA in 2000 by offering incremental credits in recognition of their years of service. He also considered it necessary that a mechanism should be worked out to address the plight of the affected serving civil servants and staff of HA/subvented organizations. SCS said that the problem of equal work and unequal pay would arise for different groups of civil servants who joined the service after some fundamental changes were implemented for the terms and conditions of service for the civil service. As an illustration, she explained that the Government's established policy was that when the starting salary for a particular entry rank was adjusted downwards as a result of SSS, the salaries of affected serving civil servants would not be adjusted downwards correspondingly, while newly recruited civil servants would be paid at the reduced salaries. She reiterated that it would therefore be inappropriate to adopt a point-to-point conversion arrangement in an upward adjustment of salaries scenario for affected serving civil servants. As for the additional funding for HA to cater for salary revisions, she said that this would be based on the normal conversion arrangement, in line with that of the civil service.

21. Mr WONG Kwok-hing was of the view that the proposed conversion arrangement was unfair and divisive and would affect the morale of affected serving civil servants. It was clear from the many demonstrations staged by affected serving civil servants/medical staff of HA that the proposed arrangement was unfair. He demanded that measures should be taken in consultation with the Standing Commission to remedy the anomaly in salary structures associated with the conversion arrangement, since it was the likely trend that salaries would be adjusted upwards in the near future. He also found it unacceptable that the subvented organizations could only be advised and not required to use the additional funding for salary revisions. SCS said that the Administration had carefully considered the propriety of the conversion arrangement taking into the views of the public and the civil service, as well as the need for the prudent use of public money. It had held two meetings with the Standing Commission and had consulted the staff sides of four central consultative councils and representatives of four service-wide civil service unions on the proposed conversion arrangement. The staff unions had requested for additional salary points for affected serving civil servants but had finally accepted the

proposed conversion arrangement. She could not agree to Mr WONG's assumption that increases of starting salaries would be the norm in future adjustments

22. Mr LEE Cheuk-yan said that the adoption of the normal conversion arrangement was a past practice and was nothing new. The arrangement had fallen short of public participation. Following the announcement of the proposed conversion arrangement, there were four parties which had indicated objections. The first party was the affected serving civil servants who joined the civil service on or after 2000 and who, despite their years of service, would only have at most one salary point above their counterparts who joined in 2007 after the revised starting salaries took effect. The second party was the welfare sector which had already faced a reduction in subvention by 9.3% and had not received any additional subvention to cater for salary revisions for their staff in the context of the present exercise. The third party was the affected serving medical staff of HA who joined in 2000. Although HA was being provided with \$138 million worth of additional funding, this would not be sufficient to provide the affected staff with equitable salary adjustments. The fourth party was the affected serving teaching staff of tertiary institutions whose salary structures were delinked from the civil service and no additional funding had been provided to these institutions under the present exercise. He hoped that some new measures could be implemented to address the concerns of these aggrieved parties. SCS said that suitable adjustments would be made in the subventions for welfare organizations taking into account the need for salary adjustments. Meanwhile, additional provisions of about \$138 million would be made to HA in the present exercise to allow for salary adjustments for its staff.

23. Miss TAM Heung-man said that there was a need to resolve the unfairness and divisiveness associated with the proposed conversion arrangement. She enquired if consultation had been held with the affected serving civil servants and HA staff. SCS reiterated that it was appropriate to adopt the normal conversion arrangement which aimed to strike a right balance between the interest of affected serving staff on the one hand and public concerns for fair treatment in both upward and downward salary adjustments on the other. She emphasized that the longer years of service of the affected serving civil servants would be fully taken into consideration for promotion and acting appointments. Their years of service would also be counted for the purpose of determining the contribution rate from the Administration for the Civil Service Provident Fund or Grant/Subsidized Schools Provident Fund.

24. Mr James TIEN said that LP Members did not object to reasonable adjustments in starting salaries, but held the view that the 2006 SSS might not be able to reflect the actual market situation in the private sector. He pointed out that 99% of the private companies in Hong Kong were small and medium enterprises (SMEs). However, only 21% of the respondents of the survey were SMEs and of these, none of them were companies employing less than 50 persons. The remuneration packages for civil servants were in some cases 30% higher than that of the private sector. By way of illustration, the starting salaries of \$24,052 (representing an increase of 27.6%) for a graduate teacher and \$15,918 (representing an increase of 27.8%) for a matriculated liaison officer II were much more favourable as compared to the average starting

salary of \$15,000 for graduates from the Hong Kong University and Chinese University of Hong Kong. However, he would not object to the salary revisions for the disciplined forces as he considered that separate arrangements should apply to them. As regards the conversion arrangement for serving staff, he said that the private sector adopted a performance-based approach on salary adjustments for serving staff such that those who performed better would have higher salary increases. There would not be a uniform rate of salary increase as in the case of the civil service. Hence, LP Members would object to the application of the findings of the 2006 SSS to the civil service as it did not reflect the actual market situation. SCS said that the basis for assessment of starting salaries was the same for 1999 and 2006. She said that the starting salaries for university graduates might not reflect the real market salaries as some of jobs taken up by graduates did not require university degrees.

25. Mr SIN Chung-kai enquired about the mechanism for assessing salary increase in the private sector as he was aware that the higher salary increases in some of the private companies were made in the form of early retirement packages, resulting in very minor changes to the payroll. SCS said that the 2006 SSS was made after studying the entry salaries of staff of 56 companies surveyed during the period from April 2006 to March 2007. She said that Mr SIN's enquiries would best be addressed when the proposed civil service pay adjustment was discussed under agenda item 3 (FCR(2007-08)27).

26. Ms Margaret NG shared the concern about the unfairness associated with the conversion arrangement. She referred members to an earlier submission from the Local Government Counsel Association (LGCA) to the Panel on Public Service setting out the concerns of serving Government Counsels who did not enjoy the same level of pay with a new recruit of the same level of professional experience. She said that the unfairness associated with the conversion arrangement could not be resolved with the non-provision of incremental salary credits to new appointees. Given the salary structures and the limited promotion prospects of Government Counsels, it was unlikely that candidates with the right calibre could be attracted to serve in the Government. Therefore, she sought an undertaking from the Administration that the salary structures for Government Counsels should be reviewed, taking into account the views of LGCA. SCS said that the Standing Commission had been invited to conduct a review of the Government Counsel grade shortly for completion by the end of 2007. Members could be rest assured that proper consultation would be held with the non-directorate Government Counsel ranks.

Subvented organizations

27. Dr YEUNG Sum declared interest as a teaching staff of the Hong Kong University. He expressed concern about the salaries of social workers of subvented organizations which were much lower than that of their counterparts in the civil service after the delink from the civil service since 2000. These social workers, the majority of whom were employed by subvented organizations, had been protesting against the disparity in salary. He enquired if the Administration would consider narrowing down the disparity. SCS said that most of the subvented organizations,

with the exception of aided schools, had had their staff salaries delinked from the civil service pay. Hence, the Government was generally not involved in the determination or pay adjustment of staff working in subvented organizations. As subvented organizations in the welfare sector had been provided with lump sum grants, appropriate adjustments would be made to the subventions, taking into account the salary structures of welfare staff as well as the services offered.

28. Dr Fernando CHEUNG said that affected serving medical and teaching staff were aggrieved because they had accepted a lower starting salary in 2000 during the economic downturn, but had not been duly compensated under the conversion arrangement of the 2006 SSS. As a result, their salaries were only one pay point higher than new recruits. He also pointed out that the scales of adjustment to the starting salaries were too drastic, as some of them were adjusted downwards in 2000 and re-adjusted upwards in 2007 by as much as five pay points. With the delinking of salaries for welfare staff in subvented organizations in 2000 and the proposed upward salary revisions in the civil service, there would be even greater disparity between the salary scales of subvented organizations and the civil service, resulting in a considerable number of welfare staff seeking to be transferred from subvented organizations to the civil service. There was a need for the Administration to work out measures to restore the balance in the welfare sector. He added that as subventions had been reduced by 9.3% as a result of the Enhanced Productivity Programme (EPP), suitable adjustments should be made to the lump sum grants for subvented organizations.

29. SCS said that Hong Kong had experienced quite a change brought about by the Asian financial crisis and the Severe Acute Respiratory Syndrome (SARS) during the period between the last SSS in 1999 and the present one in 2006. The 1999 SSS exercise had resulted in lower benchmarks for some Qualification Groups and reduced starting salaries (by one to at most six pay points) were implemented for some civil service ranks since April 2000. To ensure that starting salaries in the civil service were in line with those in the private sector, the Administration had decided that SSS would be conducted in future on a regular basis, i.e., once every three years starting from 2006. On the salary scales of subvented organizations, SCS said that as these had been delinked from that of the civil service, it would be up to individual subvented organizations to decide on the salary adjustments for their staff. It was expected that there would be proper deployment of resources and appropriate adjustments to staff salaries since subvented organizations were operating on a non-profit making basis. She further explained that EPP had also applied to all government departments and subvented organizations alike and no compensatory arrangements had been made for government departments for the reduced funding.

30. While supporting the proposed revision of entry salaries for the civil service to make up for the downward adjustments in 2000, Dr KWOK Ka-ki was concerned that the proposed revision was divisive because it only applied to civil servants but not HA staff whose salary structures had been delinked from the civil service. As the entry salaries of HA staff had been reduced in 2000 along with the civil service, it was only fair that their entry salaries should be adjusted upwards in line with the civil

service in the present exercise. Despite that the medical staff of HA had been highly acclaimed for their dedication and professionalism in their work during the outbreak of SARS in 2003, it appeared that their efforts had not been recognized in terms of pay. That was why there were 1 300 and 400 medical doctors who had joined in protest about the inequity on 23 and 30 June 2007 respectively. He questioned why the proposed revision was not equitably applied to HA. SCS affirmed that the funding allocations for HA had been correspondingly reduced in 2000 when the entry salaries of civil servants were reduced. This was in line with the policy that the remuneration for HA staff should not be higher than that of the civil service. As the salary scales for HA staff had been delinked from the civil service, it was up to HA as the employer to decide on the terms of employment for its staff. With the revision of entry salaries for the civil service in 2007, a corresponding increase in funding, which was worked out to be around \$138 million, would be allocated to HA. HA had indicated that it would use the additional funding to provide for increase in salaries for its staff.

31. Given that the Government would be adjusting the funding for subvented organizations and HA in the context of the present exercise, Ms LI Fung-ying requested that the additional funding provided should only be used for salary revisions and not any other purposes. Noting that subvented organizations and HA had been quick to adhere to salary reductions in line with the civil service in the past, they should also adopt the same pace to keep up with salary increases. SCS said that HA had undertaken that the additional funding provided in the context of the present exercise would be used for salary revisions. As for other subvented organizations, the Administration could only advise but not demand them to use the additional funding for salary revisions. This was because staff remuneration was a matter between these organizations as employers and their staff as employees. Members could monitor the situation through the respective Panels.

32. The Chairman adjourned the meeting at this juncture as the venue had to be given to the House Committee for the continuation of its unfinished business. She said that an additional meeting had been scheduled after the House Committee meeting.

33. The meeting was adjourned at 5:05 pm.