

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 14th meeting
held in Conference Room 1 of the Legislative Council Complex
on Friday, 11 May 2012, at 5:35 pm

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Hon LEE Cheuk-yan
Hon CHEUNG Man-kwong
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, SBS, JP
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon WONG Kwok-hing, MH
Dr Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon CHEUNG Hok-ming, GBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, BBS, JP
Hon CHAN Hak-kan
Hon Paul CHAN Mo-po, MH, JP

Hon CHAN Kin-por, JP
Dr Hon Priscilla LEUNG Mei-fun, JP
Hon CHEUNG Kwok-che
Hon WONG Sing-chi
Hon WONG Kwok-kin, BBS
Hon IP Wai-ming, MH
Hon IP Kwok-him, GBS, JP
Dr Hon PAN Pey-chyou
Hon Paul TSE Wai-chun, JP
Dr Hon Samson TAM Wai-ho, JP
Hon LEUNG Kwok-hung
Hon Tanya CHAN
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man

Members absent:

Prof Hon Patrick LAU Sau-shing, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, SBS, JP
Dr Hon Margaret NG
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon LAU Wong-fat, GBM, GBS, JP
Hon Andrew CHENG Kar-foo
Hon Timothy FOK Tsun-ting, GBS, JP
Hon LI Fung-ying, SBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon LEE Wing-tat
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Dr Hon LEUNG Ka-lau
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Alan LEONG Kah-kit, SC

Public officers attending:

Ms Julia LEUNG Fung-ye, JP	Acting Secretary for Financial Services and the Treasury
Mr Stanley YING, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Ms Elsie YUEN	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Kenneth CHEN, JP	Under Secretary for Education
Ms Michelle LI, JP	Deputy Secretary for Education (1)
Mr Wallace LAU	Principal Assistant Secretary for Education (Higher Education)
Dr Lawrence TSANG	Vice-Chairman, Project Yi Jin Programme Management Committee
Prof HAU Kit-tai, MH, JP	Pro-Vice-Chancellor, The Chinese University of Hong Kong
Ms Margaret CHEUNG Wai-fong	Acting Director, School of Continuing and Professional Studies, The Chinese University of Hong Kong
Ms Apphia DOO	Secretary, University Extension Board, The Chinese University of Hong Kong
Miss Jennifer MAK, JP	Director of Administration
Miss Agnes WONG, JP	Deputy Director of Administration (2)

Clerk in attendance:

Mr Andy LAU	Assistant Secretary General 1
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Staff in attendance:

Ms Anita SIT	Chief Council Secretary (1)5
Mr Daniel SIN	Senior Council Secretary (1)7
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Christy YAU	Legislative Assistant (1)8

At 5:35 pm, the Chairman declared that the Finance Committee (FC) resumed discussion of the remaining items on the agenda carried over from the meeting held at 3:30 pm on the same day.

Item No. 4 - FCR(2012-13)23

**HEAD 156 – GOVERNMENT SECRETARIAT : EDUCATION
BUREAU**

Subhead 700 General non-recurrent

New Item "Yi Jin Diploma"

2. The Chairman advised that the item sought FC's approval for a new commitment of \$1 billion for the implementation of a new Yi Jin Diploma programme for an initial period of five academic years from 2012/13.

3. There being no question from members, the Chairman put the item to vote. The Committee approved the funding proposal.

Item No. 5 - FCR(2012-13)24

LOAN FUND

HEAD 252 – LOANS TO SCHOOLS/TEACHERS

Subhead 106 Start-up loan for post-secondary education providers

4. The Chairman advised that the item sought FC's approval to -

- (a) extend the ambit of the Start-up Loan Scheme (SLS) to support the development of student hostels for the self-financing tertiary education sector;
- (b) increase the total commitment of SLS by \$2,000 million; and
- (c) grant a start-up loan of \$40 million to the Chinese University of Hong Kong (CUHK) for its School of Continuing and Professional Studies to operate full-time locally-accredited post-secondary programmes.

5. Dr Philip WONG declared that he was a member of the Council of the Lee Woo Sing College of CUHK. He expressed support for the funding proposals.

6. Ms Starry LEE said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) supported the funding proposals.

Profit margin of self-financing programmes

7. Noting that under the current criteria, applicants for loans under SLS must be non-profit-making organizations, and the self-financing post-secondary programmes operated must be locally-accredited full-time courses, Mr CHEUNG Man-kwong asked if an educational institution would qualify as non-profit-making if it generated a surplus of 20% or more from tuition fees. He remarked that as the Administration had already allowed SLS to be repaid over a longer period to reduce institutions' annual cash flow burden, the institutions concerned should have reduced their tuition fees accordingly. On the contrary, there were cases where the levels of fees were increased. Mr CHEUNG commented that these educational institutions were not deploying resources primarily for the benefit of students and improving the quality of education. He queried whether the Administration had regulated the operations of these institutions to prevent them from making excessive surpluses at the expense of students.

8. Under Secretary for Education (USED) explained that the higher educational institutions were "non-profit-making" organizations as their income, less operating expenses, was used for their development and not for distribution among directors. The Administration would bring members' concerns about the operation of the self-financing programmes (including the surplus level and usage of the surplus) for discussion by the newly-established Committee on Self-financing Post-secondary Education, which comprised representatives of higher educational institutions and lay members with professional background.

9. Pro-Vice-Chancellor, the Chinese University of Hong Kong (PVC, CUHK) said that the public impression that some self-financing higher educational institutions were generating high profits from tuition fees could be attributed to the way surpluses were recorded in their accounting systems. In some cases, the cost of research time forgone by the institution's full-time academic staff teaching part-time in self-financing courses was not fully reflected in the books. Taking this factor into consideration, CUHK achieved a surplus of only 1% last year from the self-financing sub-degree programmes. The rate of increase in tuition fees each year was between 0.4% and 1.4% over the past five years and was below the inflation rates during that period.

10. Mr CHEUNG Man-kwong said that the City University of Hong Kong (CityU) made a profit of \$600 million, or 24%, within three years, from

its self-financing programmes. He asked if the Administration would regulate the maximum amount of profit that a higher educational institution could generate from its programmes. Mr CHEUNG suggested that the Administration should direct self-financing institutions to deposit excessive surpluses into a fund; and if an institution used part of its tuition fees to repay any loan for provision of campus facilities, the institution should reduce tuition fees once the loan was paid up.

11. USED said that higher educational institutions had the autonomy to determine tuition fees for self-financing programmes. The appropriate approach to address the issue raised by Mr CHEUNG was to encourage institutions to enhance transparency by disclosing operating accounts for public scrutiny. However, as the specific suggestion made by Mr CHEUNG was not in line with the established principle of institutional autonomy, there required a thorough discussion with the self-financing education sector and the community before the suggested arrangement could be considered for implementation.

12. Mr CHEUNG Man-kwong urged the Administration to investigate into the case of CityU seriously. He said that academic autonomy did not endow CityU with the right to generate excessive surpluses at the expense of students. A high proportion of its tuition fees from sub-degree courses were used to offset loan repayments for the construction of academic buildings. However, many sub-degree students were not able to use these facilities. Students had to attend lectures in the Telford campus, the rental cost of which was also met by their tuition fees. CityU did not undertake to reduce tuition fees after the loans were fully paid. Mr CHEUNG considered the practice grossly unfair and unacceptable. He had talked to some CityU sub-degree students, many of whom felt sad about not being able to enjoy the campus facilities and environment.

13. Mr LEUNG Kwok-hung said that there was no novelty for higher educational institutions to conduct teaching activities in shopping centres. He commented that higher educational institutions used shopping space for teaching activities because they were conveniently located, and could help attract students. The construction costs of various facilities, which were financed by tuition fees, would become assets of the institutions for generating more profits in the long term. He considered this arrangement unfair.

14. USED advised that the Administration had issued a letter to the Panel on Education on 8 May 2012 providing information on how CityU used surpluses generated from its self-financing sub-degree programmes. It would be more appropriate for the Committee on Self-financing Post-Secondary Education to seek further clarification from CityU and explore options on the

Action

way forward, including promoting transparency and good practices on financial and accounting arrangements among institutions.

15. The Chairman said that the issue was not directly related to the current funding application, and asked USED to follow-up the concern raised by Mr CHEUNG Man-kwong separately.

Allocation of hostels to local students

16. Ms Miriam LAU asked whether the objective of providing student hostels was to enrich students' educational experience in general, or to enable educational institutions to increase revenue through increasing admission of non-local students, who were charged higher tuition fees. She commented that local students should be given priority in the allocation of student hostels given the importance of hostel life in university education, and she suggested that a certain number of hostel places should be reserved for local students.

17. USED agreed that there was a need to maintain a balance in the allocation of hostel places between local and non-local students. UGC-funded institutions were already receiving funding for provision of student hostels. The proposed injection of \$2 billion into SLS would allow self-financing higher educational institutions to develop student hostels as well. These additional facilities would meet the education needs of local students, and would help achieve internationalization in higher education by facilitating more non-local students to study in Hong Kong. Deputy Secretary for Education (1) (DS(Ed)1) supplemented that less than 5% of student intakes in self-financing higher educational institutions were non-local students, as compared with about 15% in UGC-funded institutions. Very few self-financing higher educational institutions were currently providing hostels for students and, therefore, the proposed injection to SLS to increase provision of student hostels in the self-financing sector would benefit mainly local students.

18. Ms Miriam LAU commented that the low intake of non-local students in the self-financing sector was mainly attributed to the inadequate supply of student hostels. When more student hostels were available, the self-financing institutions would have strong incentives to admit more non-local students. She suggested that the Administration should require self-financing institutions to set aside a certain percentage of student hostels developed with SLS exclusively for local students, or to institute suitable arrangements (such as lot-drawing) to ensure that hostel places were allocated equitably.

19. USED advised that most self-financing higher educational institutions admitted only a small number of non-local students. Without

Action

public subsidy, the difference in tuition fees between local and non-local students was not significant. The objective of expanding the scope of SLS was to enable students of self-financing higher educational institutions to enjoy hostel life. The Administration relied on the respective institutions to administer the appropriate allocation mechanism to balance the needs and interests of local and non-local students. He understood that institutions concerned had consulted students on the hostel allocation arrangements.

20. PVC, CUHK said that tertiary institutions were under high pressure to meet the accommodation needs of non-local students under the internationalization policy. In the case of CUHK, one hostel place was available for every two students. Thus, when two CUHK students joined an overseas exchange programme and leaving behind only one hostel place, CUHK had to find one extra hostel place for the incoming two overseas students.

21. Referring to paragraph 5 of the discussion paper which mentioned that education services was one of the six priority areas having good potential for further development, Ms Audrey EU said that she objected to the notion that education services should be developed as an industry. While she agreed that there were merits in admitting non-local students in higher educational institutions, internationalization should not be pursued for the sole purpose of generating revenue or economic benefits. Ms EU asked, apart from providing additional student hostels, whether higher educational institutions had made appropriate arrangements to meet the accommodation and other facility or service needs arising from the implementation of the new Academic Structure in the "double cohort" year.

22. USED said that higher educational institutions were getting prepared for the "double cohort" year. DS(Ed)1 supplemented that EDB was co-ordinating with the University Grants Committee (UGC), tertiary educational institutions, secondary school authorities as well as the Hong Kong Examination and Accreditation Council to ensure smooth implementation of the New Academic Structure. UGC had set up a committee to co-ordinate the planning and implementation of projects, facilities and arrangements to meet the changes under the new Academic Structure.

23. PVC, CUHK confirmed that CUHK management was co-ordinating efforts to meet the extra demand on campus facilities and services in preparation for the "double cohort" year. While CUHK was already better off than other local universities in the provision of hostel places, not all students could be allocated a hostel place. Some non-local students were encouraged to seek accommodation outside the campus. This would ease the supply of student

Action

hostels, while allowing non-local students the opportunity to experience living in Hong Kong. Furthermore, CUHK was reviewing its student accommodation policy so that, instead of providing hostels to all non-local students throughout the whole period of their study, they could only stay in the university's student hostels for one or two years.

Support for self-financing higher educational sector

24. Ms Starry LEE expressed dissatisfaction over the slow progress in implementing measures to support self-financing higher educational institutions. She commented that UGC-funded higher educational institutions received not only funding support for provision of new facilities, but also full subsidies for developing new academic programmes. By contrast, the Administration only facilitated development of the self-financing sector through land allocation and loans. The start-up loans offered by the Administration to the self-financing higher educational institutions would have to be shouldered by students through their tuition fees. She asked if the Administration concurred with her analysis and whether a review could be made to enhance the assistance to self-financing higher educational institutions to develop high quality education programmes for students.

25. USED said that last year, UGC published a report on the review of higher education which affirmed the two-pronged strategy of promoting parallel development of the publicly-funded sector and the self-financing sector in higher education. The Administration was implementing various recommendations of the report. Grants and loans were available for students studying in the self-financing higher educational institutions on similar terms as those in UGC-funded institutions. The proposed injection to SLS represented the Administration's initiative to help the self-financing higher education sector whenever the Government's financial position allowed. The Administration would consult the Panel on Education shortly on provision of scholarships and matching grants for self-financing higher education institutions.

26. PVC, CUHK said that, speaking from his personal capacity as an education professional, education was not a money-making undertaking. Overseas experience also revealed that self-financing programmes, especially those at sub-degree level, needed government's support to operate effectively.

27. Ms Starry LEE asked how higher educational institutions financed the loans for constructing campus facilities and student hostels, how long the repayment periods were, and how the financial arrangements affected the level of tuition fees. PVC, CUHK responded that the loan repayment period was

normally 10 years. The loan instalments accounted for only about a few percent of the operating expenses and would not immediately affect tuition fees.

Membership of the Vetting Committee for Start-up Loan for Post-secondary Education Providers

28. Mr LEUNG Kwok-hung referred to the membership of the Vetting Committee for Start-up Loan for Post-secondary Education Providers, as set out in Enclosure 1 to the discussion paper. He said that the Vetting Committee comprised members mainly from the commercial sector. Only the Chairman, Professor TAM Man-kwan, who was supervisor of the Pak Kau College, was loosely affiliated with the education sector. There were no representatives of stakeholders such as students, parents or teachers. Mr LEUNG criticized that the Administration was treating higher education like a business, and queried whether these members were knowledgeable about education, or whether the committee was set up merely to advise the Administration on how to run education services as a business.

29. The Chairman said that she had initiated the requirement for the Administration to provide information about the professional background of members of the advisory committees relevant to funding applications submitted to FC. She queried whether the members of the Vetting Committee could advise the Administration meaningfully on education matters.

30. USED said that the Chairman of the Vetting Committee was a leading educator. Other members had profound professional knowledge on financial matters to give pertinent advice in assessing loan applications under SLS. If a loan recommended by the Vetting Committee exceeded a certain ceiling, approval from FC would have to be sought. DS(Ed)1 supplemented that members of the Vetting Committee were appointed by the Secretary for Education to advise the Administration on matters related to the development and financing of self-financing education programmes. To avoid conflict of interest, it was appropriate to avoid appointing members from self-financing higher education institutions. Given the nature of the working of the Vetting Committee, it was necessary to have members with professional and financial background.

31. Mr LEUNG Kwok-hung commented that the Administration should have appointed other retired or independent academics to be members of the Vetting Committee. While he did not object to including financial experts in the Vetting Committee, he considered it imperative that these experts should serve stakeholders' interests, and there should be stakeholder representatives in the Vetting Committee.

32. USED said that the Vetting Committee was mainly tasked to examine applications for loans by higher educational institutions. A separate Committee on Self-financing Post-secondary Education which comprised representatives from various tertiary institutions had been set up to look into other policy matters. The Administration considered the composition of the Vetting Committee appropriate.

33. Mr CHEUNG Man-kwong advised that Professor TAM Man-kwan was a venerated educator who contributed significantly towards educating the poorest children in the community.

34. The Chairman put the item to vote. The Committee approved the funding proposal.

Item No. 6 - FCR(2012-13)25

HEAD 112 – LEGISLATIVE COUNCIL COMMISSION

**Subhead 366 Remuneration and reimbursements for Members of the
Legislative Council**

**Subhead 872 Non-recurrent expenses reimbursements for Members of
the Legislative Council**

35. The Chairman advised that the item sought the Committee's approval for the enhancement to the remuneration package for Members of the Legislative Council (LegCo) with effect from the Fifth Term of LegCo due to begin in October 2012. Approval was also sought for supplementary provision to implement these enhancements as well as to meet the cost of the remuneration package for the 10 additional Members of the Fifth Term.

36. As Chairman of the Subcommittee on Members' Remuneration and Operating Expenses Reimbursement ("the Subcommittee"), the Chairman reported on the deliberations of the Subcommittee that, upon the Administration's announcement of the revised remuneration package in March 2012, the Subcommittee had held two meetings with the Administration to discuss the related matters. The Subcommittee also received views from members of the public at one of the meetings in which seven deputations and individuals were present. Many of the attendees were Members' Personal Assistants (PAs) who were not satisfied with the Administration's proposals and they urged Members to object to the funding proposal.

37. The Chairman reported that the Subcommittee generally considered that the Administration and the Independent Commission on Remuneration for

Action

Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the Hong Kong Special Administrative Region ("the Independent Commission") had not taken into account the factors and proposals set out in the Subcommittee's report issued in March 2011. The Subcommittee had no strong views on the Administration's proposal to increase the monthly remuneration of LegCo Members by 10%. Subcommittee members were mainly concerned about whether the provisions under the Office Operation Expenses Reimbursement (OOER) were sufficient for Members to discharge their constitutional duties and to serve the community. The Subcommittee did not subscribe to the Administration's views that Members might require one degree holder or one experienced staff to help handle LegCo business with policy contents and to supervise the operations of Members' offices. In fact, many Members engaged more than one staff member with university qualifications to assist them to examine public policies and proposed legislation, as well as to handle heavy caseloads in districts. The turnover rate of Members' staff was as high as 34%, as compared with 2.9% among civil servants in 2010-11 (including those who resigned or retired). The Subcommittee considered that the proposed 20% increase in OOER was therefore insufficient for Members to retain a team of good quality staff to support their work.

38. The Chairman said that the Subcommittee was of the view that the review conducted by the Independent Commission was not objective enough. Having regard to the practices in overseas legislatures and taking into account the needs of Members, the Subcommittee urged the Administration to devise an objective mechanism to review the remuneration package for Members. As the proposed remuneration package could not address the problems faced by Members, the Subcommittee considered that there was a genuine and urgent need for a more in-depth review to be conducted by the Independent Commission shortly after the start of the next LegCo term, with reference to the actual needs and operational requirements of Members. Such a review of OOER and any changes to the level of reimbursement should take effect during the term.

39. The Chairman said that the Administration had responded to the other suggestions from the Subcommittee, including those on the Information Technology and Communication Equipment Expenses Reimbursement (ITER), severance pay and long service payment. The Administration agreed that operating expenses and maintenance of information technology and communications equipment could be reimbursed under the combined Setting up Expenses Reimbursement and ITER. The Administration also agreed that Members could set aside funds from their OOER for payment of severance pay and long term service payment.

The cycle of determining Members' remuneration

40. Mr CHEUNG Man-kwong asked if the Administration would accede to Members' request to date back the enhancement proposals to October 2011. Director of Administration (D of Admin) advised that the proposed remuneration package, including the enhancement to OOER, was recommended by the Independent Commission after careful consideration of various relevant factors, including views of LegCo Members. The Independent Commission considered that the established practice that LegCo would only approve the remuneration package of LegCo Members of the following term in order to avoid possible conflict of interest should be followed unless there were exceptional justifications. She added that given that the proposed increase in OOER was substantial and that the LegCo election would take place later this year, it would not be advisable to increase OOER of current term LegCo Members as it might give rise to potential or perceived conflict of interest

41. Mr CHEUNG Man-kwong argued that the question of conflict of interest did not arise because Members were not asking for their own personal pecuniary benefit when they recommended enhancements to OOER to improve remuneration of their staff within their term. He asked if the Administration would reconsider Members' suggestion of effecting adjustment to OOER within the current term.

42. Mr CHAN Kam-lam said that it was appropriate to maintain the current established practice whereby LegCo Members' remuneration and OOER were reviewed by the Independent Commission before the beginning of a new term.

43. The Chairman added that at present, winding up expenses reimbursement was provided when a Member ceased to be a Member of LegCo, either because he/she chose not to stand for re-election or for reasons over which he/she had no control such as death, serious injury, defeat in an election or the dissolution of LegCo. However, if a Member's staff left in the middle of a term, the Member would usually have to bear the severance payment or long service payment out of their own pockets. She considered the arrangement unreasonable. The Chairman asked D of Admin to take on board Mr CHEUNG Man-kwong's views to commence a more in-depth review of Members' remuneration package and OOER shortly after the start of the next LegCo term. She commented that it was not necessary to stick to the current practice that the current term LegCo could only approve the remuneration package and reimbursable expenses for the ensuing term. Many overseas legislatures were not as restrictive.

44. Mr Paul TSE said that if it was not a statutory requirement that LegCo could only approve adjustments to Members' remuneration and OOER for the ensuing term, the Committee could pass a motion urging the Administration to change the practice. The Chairman said that Members had expressed this view clearly, but the Administration had not agreed; otherwise, Members' staff would already have received salary adjustment and gratuity as early as October 2011.

45. Mr CHEUNG Man-kwong referred to the submission from the Councillors' Workers Association tabled at the meeting (LC Paper No. FC102/11-12(04)), and noted that the Association did not consider the Administration's proposals acceptable, arguing that if the current term Government could expand the political appointment system in the middle of its term, there was no reason why LegCo should only be allowed to approve changes to Members' remuneration and OOER of the ensuing term. Mr CHEUNG Man-kwong criticized the Administration for adopting double standards on these two issues.

46. D of Admin replied that that expansion of the political appointment system and the adjustment of Members' remuneration package and OOER were separate issues. The Independent Commission had taken note of Members' comments in recommending the proposed enhancements to Members' remuneration and OOER.

Proposed level of Members' remuneration and OOER

47. Mr LEE Cheuk-yan said that Members belonging to the Labour Party did not support the proposal, and would abstain from voting. He criticized that it was unfair for the Administration to try to expand the Government Secretariat and the number of politically appointed officials while putting forward meagre enhancement to OOER for Members.

48. Dr PAN Pey-chyou said that the Independent Commission should reconsider the views of the Councillors' Workers Association carefully. While the Administration's proposal to allow a Member to roll over any surplus of his or her OOER entitlement from one year to the next until the end of a LegCo term was an improvement, the proposed adjusted provision under OOER was insufficient to offer attractive remuneration for PAs. He remarked that many PAs were working long hours and had dim promotion prospects.

49. Ms Cyd HO said that the current provision of OOER was not sufficient to enable Members to recruit and retain high calibre assistants.

Action

Besides, it required considerable time and effort for a Member to train up capable assistants. The level of remuneration that could be offered to Members' PAs within OOER was disproportionate to their ability and commitment. Even though Members' PAs were willing to serve out of a sense of mission, one could not expect the PAs to sustain their enthusiasm on low income and poor career prospects for too long. In fact, most of Members' staff would leave within three to four years of service, and some of her staff managed to become civil servants and enjoyed a jump in salary and improvements in conditions of service.

50. Mr WONG Yuk-man said that OOER should be adjusted to allow reasonable improvement to the salaries of Members' staff. Comparing the salaries and capability of Political Assistants in the Government and Members' PAs, there was much scope for improving PAs' remuneration package.

51. Mr LEE Cheuk-yan said that the salary of one single Political Assistant in the Government was comparable to the total amount of OOER a Member was allowed to use to cover office expenditure and the salaries of any number of staff he or she employed. The current high turnover rate among Members' staff reflected the difficulties of Members in retaining experienced staff. Members had to recruit new staff every three years. Mr LEE opined that the level of PAs' salaries should be linked to the civil service pay scale. He asked how the Administration would address the high turnover rate of Members' staff.

52. D of Admin responded that in reviewing Members' remuneration package and OOER, the Administration and the Independent Commission had listened to views of Members and their PAs during their meeting with Members and site visits to Members' district offices. The Subcommittee had also reflected Members' PAs' comments and suggestions to the Independent Commission. The Independent Commission was aware of the PAs' high turnover rates and their existing conditions of service. She added that the Independent Commission had made reference to the remuneration and conditions of services of university graduates in the employment market, and the actual operating expenses and organization of Members' offices. D of Admin said that subject to the provision of OOER, Members had full discretion to determine the number of staff they employed and the level of salaries for their staff.

53. Referring to the supplementary information note provided by the Administration (LC Paper No. FC102/11-12(03)), the Chairman pointed out that the annual turnover rate of full-time staff of LegCo Members, based on a survey conducted by the Secretariat, was as high as 34%, while the wastage rate of the

Action

civil service (including resignation and retirement) in 2010-11 was only 2.9%. The Administration had maintained that a direct comparison between the wastage rate of civil servants and Members' staff was not meaningful given their vast difference in job nature, career path, etc.

54. Mr LEE Cheuk-yan found the Independent Commission's conclusion that a Members might require one degree holder or an experienced staff to help handle LegCo business with policy content and to supervise the operation of the offices, the most unacceptable. He queried the Independent Commission's basis in reaching such conclusion. Ms Audrey EU and Ms Cyd HO expressed similar views as they considered that Members required more than one staff with university background to assist them in conducting policy research and in dealing with public enquiries and requests for assistance within their constituencies.

55. D of Admin responded that the Independent Commission had met with LegCo Members, visited Members' offices and discussed with relevant stakeholders before drawing up its recommendations. She clarified that the Independent Commission did not conclude that there should only be one degree holder to assist a Member. The Independent Commission only observed that there might be flexibility regarding the qualifications of the other supporting staff who mainly dealt with frontline work such as handling complaints and providing miscellaneous services to the constituencies. In assessing the appropriate level of OOER, the Independent Commission had made reference to the market salaries of university graduates, experienced managers/professionals and service workers etc., and the information about Members' manpower needs as provided by the LegCo Secretariat. She also supplemented that the Independent Commission recognized that different Members had different needs and it would not be appropriate for the Independent Commission to decide on the number and the qualification of assistants to be employed by Members.

56. Dr PAN Pey-chyou said that Hong Kong needed political talents. Apart from joining the Administration as politically appointed officials, being a LegCo Member's PA could also be a way leading towards a political career. Mr Abraham SHEK concurred with this view.

57. D of Admin supplemented that both the Administration and the Independent Commission accepted the view that Member's office provided a useful training environment for cultivating political talents. This factor had been taken into account in evaluating the level of OOER.

Action

58. Mr WONG Yuk-man said that the appeal from the Councillors' Workers Association to vote against the funding proposal had put him in a dilemma. He commented that supporting the proposal would perpetuate the problems faced by Members, but opposing it would risk losing the opportunity to improve the conditions of service of staff members. With 10 full-time and two part-time staff, Mr WONG said he had a difficult choice of whether he should apply the additional resources on improving staff remuneration or to offset increase in office expenses due to inflation.

59. Mr WONG Yuk-man criticized the Administration for downplaying the role of LegCo by thinning out resources for Members. Mr LEE Cheuk-yan commented that the Administration did not value the monitoring role LegCo played and the current proposals reflected the Administration's motive to restraint the resources available to Members so that they would not be able to monitor the Administration effectively.

60. Mr WONG Yuk-man queried whether members of the Independent Commission, most of whom came from top management level of major commercial organizations, could fully understand Member's resource needs, or whether they were misled by the Administration's information.

61. Mr LEUNG Kwok-hung said that he was disappointed with the performance of the Chairman of the Independent Commission as the review steered by him was unfair. He also pointed out that as other members of the Independent Commission were drawn from commercial organizations against which Members often criticized severely, they might not be willing to increase the level of support to Members. Mr LEUNG also observed that the Independent Commission was also responsible for reviewing the remuneration package of ExCo members and politically-appointed officials. He queried the basis under which the Independent Commission would adopt in comparing the nature of work and remuneration of these different groups to ensure equity. He said that the proposals of the Independent Commission was so unsatisfactory that the Councillors' Workers Association would rather forfeit the opportunity of salary adjustment and urged members to reject the Administration's proposal.

62. Mr WONG Yuk-man commented that the proposed remuneration and OOER did not reflect Members' work and functions in the prevailing political environment. For example, five Members would be returned from the District Council (Second) functional constituency in the coming LegCo. These Members needed more resources to serve a territory-wide constituency than their counterparts who served a smaller sized functional constituency. It was unreasonable that these Members should be remunerated on the same basis, and there was no mechanism by which unspent amount of OOER of any Member

could be ploughed back for re-allocation among other Members with actual need for additional resources.

63. Speaking from his own experience, Mr WONG Yuk-man said that he had to close down one office to save cost, and had to seek sponsorship for community activities or pay for them from his own pocket. He commented that the Administration's proposal would cause more difficulties to Members of smaller political parties because they were unable to achieve economy of scale. Mr WONG also criticized that the Independent Commission was insensitive to Members' practical needs, and had not given due attention to the views submitted by the Subcommittee.

64. D of Admin said that the Independent Commission had considered the views submitted by the Subcommittee as well as the comments of the Councillors' Workers Association. After the Independent Commission had made its recommendation on the remuneration package for Members of the Fifth term LegCo, the recommendations were submitted to the Administration and subsequently the Executive Council (ExCo) for endorsement. She said that the whole review process had been conducted in a transparent manner and LegCo was also presented with the report of the Independent Commission which set out the factors considered by the Independent Commission.

65. Mr WONG Yuk-man said that the scope the Independent Commission, as its name implied, covered the review of remuneration of not just LegCo Members, but also members of ExCo as well as politically-appointed officials. He criticized the Independent Commission for being partial against LegCo Members. He said that he would apply the Independent Commission's yardstick on evaluating LegCo Members' remuneration package when deliberating on the upcoming Administration's proposals and the remuneration package of politically-appointed officials under the Government re-organization proposal. Mr WONG appealed to other FC members not to support the funding proposal if they cared to protect the interest of their staff.

66. The Chairman queried whether the review process was as transparent as D of Admin claimed. She said that while members of the Independent Commission had visited Mr LEUNG Yiu-chung's office and had received a petition letter from Mr LEUNG's staff, the Administration declined the Subcommittee's invitation for members of the Independent Commission to attend its meetings where Members' PAs were present to express their views. The Administration had explained that the Independent Commission had already concluded the review and it was now the Administration's responsibility to seek LegCo's approval of the proposal. She queried whether the

Independent Commission could have thoroughly understood and appreciated the practice and requirements of LegCo Members; the only person in the Independent Commission who had distant connection with LegCo's work was its Chairman who was an appointed LegCo Member back in 1991. Mr LEE Cheuk-yan also queried the transparency of the review process as the Independent Commission was not willing to discuss their proposals with Members.

67. Mr LEE Cheuk-yan suggested that Members' remuneration should be linked to politically appointed officials. However, he did not mean that Members' salaries should be substantially increased. On the contrary, he suggested that the level of remuneration of politically appointed officials should be adjusted downward to match that of LegCo Members. The Chairman said that questions related to remuneration of politically appointed officials should be dealt with by the relevant Panel.

68. Mr IP Kwok-him said that Members belonging to DAB would support the funding proposal as a starting point to seek further improvement in future. He said that the Secretariat had provided quite detailed background information about Members' deliberation on remuneration and OOER requirements, and he suggested that the Independent Commission should study Members' views carefully. Mr IP considered that Members' offices provided an environment for cultivating political talents, and he was not satisfied with the Independent Commission's recommendations. He commented that the proposed adjustment was not sufficient, and was not able to remunerate Members for their contribution. As Members had expressed their views, FC should now take a decision whether or not to approve the funding proposal. He requested the Administration to continue to listen to Members' views and to reflect them to the Independent Commission for future review. D of Admin agreed.

69. Mr CHAN Kam-lam said that he would support the proposal. Although the level of OOER, after adjustment, was still scant to cover operating expenses and offer better remuneration to staff, staff of DAB members were willingly working hard and in high spirit as they had a sense of mission. He said that D of Admin should reflect members' concerns to the Independent Commission. Mr CHAN commented that Members who considered their remuneration too low should bear in mind the fact that quite a number of people in the community had expressed concern about the behaviour of individual LegCo Members which did not warrant an increment. He suggested that Members should first try to improve their own performance before seeking higher pay.

Independent study on remuneration of Members' staff

70. Dr PAN Pey-chyou said that there had been suggestion that a grade structure setting out a clear career path for PAs should be established so as to attract more young people interested in pursuing a career in politics to becoming Members' PAs. Mr WONG Yuk-man concurred. Mr LEE Cheuk-yan said that Members' staff were not willing to stay in their job as they would immediately enjoy a clear pay scale and better career prospect with annual incremental points if they switched to the civil service. Ms Audrey EU agreed that a grade structure with clear pay scale should be implemented for Members' PAs. She said that some of her PAs had reflected to her their concern about the limited promotion prospects and narrow career path in their job.

71. Mr Abraham SHEK said that he would support the funding proposal. Although the proposal might not meet the expectation of every Member, it would be a starting point to seek further improvement. He considered that the Administration should take the opportunity of improving Members' remuneration and OOER to mend relationship with LegCo. He said that graduates who chose to join the civil service or work for Members should be paid on comparable terms, and the efforts of Members' staff to serve the community should be duly recognized. Mr SHEK suggested that an independent consultant could be engaged to look into the salary structure of Members' staff.

72. The Chairman suggested that the Secretariat might consider inviting Sir Malcolm JACK, the retired Clerk to the UK House of Commons, to carry out the review as suggested by Mr SHEK. D of Admin said that the LegCo Secretariat had arranged a meeting for her to meet with Sir Malcom JACK to discuss some of the pertinent issues.

73. Ms Audrey EU said that Members belonging to the Civic Party did not support the proposal, and would abstain from voting. She agreed with Mr SHEK that an independent study should be conducted, which should also compare the work and remuneration of Members' staff and civil servants. She commented that the scope and volume of work undertaken by a Member's PA might be even wider and heavier than many civil servants as a Member's PA was often involved in a wide spectrum of policy issues at the same time, and they had a lot more exposure of interacting with the public than many civil servant counterparts.

74. The Chairman requested the Administration to provide extra resources if the LegCo Commission decided to conduct an independent study on the remuneration structure of Members' staff. D of Admin advised that it

would be up to the LegCo Commission to decide whether and how to conduct the study within the level of resources provided.

75. Mr LEE Cheuk-yan appealed to members to abstain from voting, but one member could vote in support of the funding application. He said that if the funding proposal were approved with only one vote, it would send a strong message to the Administration about members' dissatisfaction about the proposed arrangements, while ensuring that Members' staff would still had the opportunity of salary adjustment. Mr IP Kwok-him appealed to members to apply the adjustment of OOER on improving staff remuneration.

76. Mr LEUNG Kwok-hung suggested that the Administration should ask the Independent Commission to conduct review again if the funding proposal was rejected by FC.

77. In response, D of Admin said that the current funding proposal had been endorsed by the Executive Council, which suggested that it should be submitted to FC for consideration early. She added that by securing early approval of FC for Members' remuneration package before the commencement of the Fifth term, candidates running for election would have a clearer idea on the amount of resources they would be entitled to in future.

78. The Chairman put the item to vote. At the request of Mr LEE Cheuk-yan, the Chairman ordered a division. A total of 22 members voted, and 10 members voted for the item and three voted against it. Eight members abstained from voting. The voting results of individual members were as follows:

For :

Mr CHAN Kam-lam
Mr LAU Kong-wah
Mr TAM Yiu-chung
Ms Starry LEE Wai-king
Mr CHAN Kin-por
(10 members)

Dr Philip WONG Yu-hong
Ms Miriam LAU Kin-yee
Mr Abraham SHEK Lai-him
Mr CHAN Hak-kan
Mr IP Kwok-him

Against :

Mr Paul CHAN Mo-po
Mr LEUNG Kwok-hung
(3 members)

Dr Samson TAM Wai-ho

Abstained from voting:

Mr LEE Cheuk-yan
Ms Audrey EU Yuet-mee
Ms Cyd HO Sau-lan
Mr Paul TSE Wai-chun
(8 members)

Mr CHEUNG Man-kwong
Dr Joseph LEE Kok-long
Mr CHEUNG Kwok-che
Miss Tanya CHAN

79. The Chairman put the item to vote. The Committee approved the funding proposal.

80. The meeting was adjourned at 7:46 pm.

Legislative Council Secretariat
26 September 2012