

立法會
Legislative Council

LC Paper No. ESC30/12-13
(These minutes have been
seen by the Administration)

Ref : CB1/F/3/2

Establishment Subcommittee of the Finance Committee

Minutes of the 6th meeting
held in Conference Room 1 of Legislative Council Complex
on Wednesday, 20 February 2013, at 8:30 am

Members present:

Hon WONG Ting-kwong, SBS, JP (Chairman)
Hon Kenneth LEUNG (Deputy Chairman)
Hon Starry LEE Wai-king, JP
Hon Emily LAU Wai-hing, JP
Hon WONG Kwok-kin, BBS
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Steven HO Chun-yin
Hon YIU Si-wing
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Hon Martin LIAO Cheung-kwong, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu
Hon CHUNG Kwok-pan

Public Officers attending:

Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Mr Eddie MAK Tak-wai, JP	Deputy Secretary for the Civil Service (1)
Mrs Helen CHAN, JP	Government Economist
Ms Reddy NG, JP	Principal Economist

Miss Phoebe LO	Senior Executive Officer of Economic Analysis and Business Facilitation Unit
Mr D W PESCOD, JP	Permanent Secretary for Transport and Housing (Housing)
Mr LAM Sze-chuen	Assistant Director of Housing (Project)
Mr CHAN Nap-ming, JP	Assistant Director of Housing (Independent Checking Unit)
Mr Patrick HO, JP	Deputy Secretary for Financial Services and the Treasury (Financial Services)
Ms Ada CHUNG, JP	Registrar of Companies
Ms Olivia NIP, JP	Deputy Head, Central Policy Unit
Mr Raymond FAN, JP	Secretary to the Commission on Strategic Development, Central Policy Unit

Clerk in attendance:

Ms Connie SZETO	Chief Council Secretary (1)4
-----------------	------------------------------

Staff in attendance:

Mr Hugo CHIU	Council Secretary (1)4
Ms Alice CHEUNG	Senior Legislative Assistant (1)1
Ms Clara LO	Legislative Assistant (1)9

Action

The Chairman drew members' attention to the information paper ECI(2012-13)12 which set out the latest changes in the directorate establishment approved since 2002.

EC(2012-13)20 Proposed creation of a supernumerary post of Principal Economist (D2) in Economic Analysis Division of the Economic Analysis and Business Facilitation Unit under the Offices of the Chief Secretary for Administration and the Financial Secretary for a period of three years from 1 April 2013 to lead a new dedicated team to enhance the economic research capacity in support of the new initiatives

2. The Chairman said that the Administration's proposal was to create a supernumerary post of Principal Economist (Pr Econ) in Economic Analysis

Action

Division (EAD) of the Economic Analysis and Business Facilitation Unit (EABFU) under the Offices of the Chief Secretary for Administration and the Financial Secretary (FS) for a period of three years from 1 April 2013 to lead a new dedicated team to enhance the economic research capacity in support of the new initiatives.

3. Mrs Regina IP, Chairman of the Panel on Public Service, reported that the Panel was consulted on the proposal at its meeting on 17 December 2012. Panel members in general supported the proposal while Hon LEUNG Kwok-hung expressed reservation. Panel members were concerned about how the proposed post would be filled and asked whether it would be filled by open recruitment. The Administration advised that the proposed post was a civil service post at promotion rank. In line with established policy, the department should first identify whether there was suitable serving officer to fill a post before any open recruitment could be considered. On members' enquiry about support from non-directorate staff in EAD, the Administration responded that on average two new posts in the Economist Grade were created each year in the past five years to cope with the increasing workload arising from the new policy initiatives of the Government and new service demand. The Administration assured members that it would carefully assess the manpower situation taking into account rising service demand and the need to exercise vigilance in containing the overall size of the civil service.

4. Ms Emily LAU, Mr WONG Kwok-kin, and Mrs Regina IP expressed support on the proposal.

Research conducted by the Economic Analysis Division

5. Ms Emily LAU considered that the research conducted by EAD should be independent, objective, professional and with high transparency. Pointing out that the Central Policy Unit (CPU) did not publish its research and studies at present, Ms LAU asked whether EAD's research and analyses were released to the Legislative Council (LegCo) and the public. Referring to paragraph 4 of EC(2012-13)20, Ms LAU sought details of economic analyses and advice provided by EAD to the Administration in respect of the implications of global and local significant developments on Hong Kong economy, particularly the property market; and the international competitiveness of Hong Kong. Noting that the Third Term Government had conducted research on population policy, she enquired why it was necessary for EAD to create the proposed post to undertake research in this area afresh. Ms LAU further stressed the importance for EAD to conduct research, particularly those relating to Hong Kong's property market, in a forward looking manner so that potentials problems could be identified and tackled at an early stage.

Action

6. The Government Economist (G Econ) said that EAD fully recognized the need and importance to conduct economic research and analyses in an independent, objective and professional manner. She said that EAD's research on subjects relating to the macro economy was released in the context of Economic Reports, which were published quarterly and also available online. In the past five years, over 100 topical research studies conducted by EAD had been released through this means, covering subjects, inter alia, the implications of quantitative easing on various aspects of Hong Kong, such as the property market and inflation. As for research on the property market, G Econ advised that EAD had been closely monitoring the developments in the Hong Kong's property market and assessed the risks of housing market bubble in the light of changing local and external factors, such as funds flows, liquidity, economic situation and outlook, and interest rates. These analyses were rendered to FS and senior government officials as and when necessary, to support the Administration in formulating appropriate policy response to tackle the bubble risks. She added that a package of measures to increase land and housing supply and manage demand were successively launched over the past two years. Regarding the research studies and analyses on areas concerning welfare, population and poverty, G Econ advised that EAD had presented the findings of its research in these areas at the meetings of the Commission on Poverty (CoP) and the Steering Committee on Population Policy (SCPP). The power-point presentation materials of CoP's first meeting had been uploaded onto the CoP website. The newly established Policy and Project Co-ordination Unit had also released the relevant deliberations at SCPP's meetings. As regards research work on the international competitiveness of Hong Kong, G Econ responded that EAD would closely monitor studies and reports on Hong Kong's international competitiveness released by renowned international organizations to provide advice and to identify areas for further improvement in enhancing its competitiveness. She said that Hong Kong was ranked the world's most competitive economy for the second consecutive year in the International Institute for Management Development's World Competitiveness Yearbook 2012. There was in fact steady improvement in Hong Kong's international competitiveness over the past five years. In addition, Hong Kong was ranked the second best place for doing business in the world in the report "Doing Business 2013" published by the World Bank. The ranking of Hong Kong had also climbed up several places when compared to five years ago. The Administration would continue with its efforts in formulating measures to enhance Hong Kong's competitiveness and business environment.

7. Mr CHUNG Kwok-pan pointed out that the public and the business sector did not find the economic research and analyses conducted by EAD useful to them. For instance, analyses on the local property market had not

Action

identified problems on the shortage of housing supply and surge in demand; nor the risks of the external economy on Hong Kong, such as the market crisis in the United States and Europe. On the international competitiveness of Hong Kong, Mr CHUNG pointed out that despite Hong Kong had maintained its first position as the world's freest economy for 19 years as rated by the Heritage Foundation, the score for Hong Kong had dropped while that of its regional competitor, Singapore, had risen. Mr CHUNG opined that the Administration should step up efforts in enhancing Hong Kong's international competitiveness and facilitating business operation.

8. On the issue of overheated property market, G Econ said that the exuberance in the property market was indeed a major macro-economic risk facing the Hong Kong economy. This was attributed by a host of factors, some of which, such as the several rounds of quantitative easing implemented by a number of major economies, were beyond the control of Hong Kong. She explained that the Administration had already taken prompt actions since early 2010 to curb the growth of a property market bubble. These included measures introduced in February 2010 to enhance the Application List System by initiating land sale in a more proactive manner. Apart from the efforts to increase land supply and flat production, the Administration had also introduced a number of market measures to address the demand side issues and to combat speculative activities in the market, including the Special Stamp Duty (SSD) in November 2010, and the enhanced SSD measures and the new Buyer's Stamp Duty in October 2012.

9. Regarding the work to ensure a favourable business environment of Hong Kong, G Econ remarked that the Business Facilitation Division (BFD) of EABFU was responsible for spearheading business facilitation. The duty of the proposed supernumerary post of Pr Econ to be created in EAD of EABFU was to lead research efforts and provide advisory work on policy initiatives relating to welfare, population and poverty.

10. Mrs Regina IP concurred that EAD should make available its research work to the public. Referring to the Global Competitiveness Report 2012-2013 recently released by the World Economic Forum (WEF), she noted with concern about Hong Kong's 9th overall ranking which was lower than that of Singapore, and its low ranking at 22nd in the aspect of "Innovation and sophistication". Mrs IP considered that EAD should conduct more research studies on the international competitiveness of Hong Kong and productivity, and provide analyses on how the important elements of innovation and creativity could be incorporated in the services industry in Hong Kong.

11. G Econ explained that WEF's rankings put a lot of emphasis on innovation and technology in deriving economic growth. As Hong Kong was

Action

not a manufacturing-based economy, the ranking in WEF's assessment was naturally rather low. Yet Hong Kong's ranking in WEF's assessment had also risen from 14th a few years ago to 9th in 2012-13. The average annual growth rate of Hong Kong's labour productivity in the past 20 years was 3% on average and such performance was in fact not inferior to that of Singapore. G Econ said that the newly established Economic Development Commission (EDC) would examine, inter alia, the development of innovative technology industries in Hong Kong. Nonetheless, she agreed that more transparency of the research work of EAD was desirable. EAD would upload the research reports onto its website in future.

12. Pointing out that issues relating to policies on welfare and population were of wide public concern, Mr WONG Kwok-kin considered that the analyses on the potential implications of an ageing population on Hong Kong should be strengthened. As the research, analyses and advisory work on policy initiatives relating to welfare, population and poverty involved long-term tasks, Mr WONG enquired whether the Administration had considered creating the proposed post on a permanent instead of a supernumerary basis.

13. G Econ responded that during the first meeting of SCPP, EAD had provided an overall analysis from a macro perspective on the impacts of an ageing population on Hong Kong. The new section to be headed by the proposed Pr Econ would be tasked to undertake in-depth economic research and analyses on the potential implications of the ageing population on Hong Kong economy, including its growth potential, long-term economic sustainability, issue of manpower shortage and skills mismatch in the workforce, increase in demand for welfare and medical services and their financial implications, etc. Research on how to improve Hong Kong's population structure and demographic profile would also be the work priority of the new section, as according to Census and Statistics Department's latest forecast, one out of three people and one out of eight people would be aged over 65 and 80 respectively by 2041. While admitting that research, analyses and advisory work on policy initiatives relating to welfare, population and poverty was an on-going task, the Administration also had to be prudent in submitting staffing proposal. The Administration would monitor the workload of the Pr Econ post and review the future need of the post nearer to the expiry of the three-year period.

14. On the research to be conducted by EAD on Hong Kong economy, Mr TANG Ka-piu enquired whether this would include topics, such as the situation of monopoly in businesses by large corporations and its impacts on the overall economy and the business environment of small and medium sized enterprises (SMEs) particularly the new start-ups. In relation to research on population, policies on welfare and poverty, whether research would include

Action

topics like the retirement protection system covering such aspects as the impacts of the Mandatory Provident Scheme (MPF) on Hong Kong economy, inadequacies of MPF system, and possible alternatives to MPF system; and inconsistencies in the retirement age between the public and private sectors as well as in various industries.

15. G Econ reckoned that SMEs constituted the vast majority of business establishments in Hong Kong. She added that the number of SMEs had continued to grow in recent years. The persistently low unemployment rate was another manifestation of the vibrant economic situations in Hong Kong offering the room and growth opportunities for SMEs and new business start-ups. EAD had been monitoring the situations of and business environment for SMEs. BFD of EABFU had also implemented various measures to facilitate business operation and enhancing the business environment. Regarding research on poverty, EAD would be tasked with the work of monitoring the poverty situation and analyzing its underlying causes upon the setting of the poverty line by CoP. As for the retirement protection system, the Social Security and Retirement Protection Task Force under the CoP would look into initiatives in this area and EAD would provide inputs as and when required.

16. While Hong Kong had four pillar industries (i.e. financial services, tourism, logistics and professional services), Mr YIU Si-wing noted that the initiatives set out in Chief Executive (CE)'s election manifesto mainly focused on the development of the financial services industry. Mr YIU worried that research work on the other three pillar industries would be neglected and sought details on research work EAD would conduct on these industries.

17. G Econ said that EAD would conduct research on the Hong Kong's economic structural transformation and developments, including the trends and developments of the other three pillar industries, and would render the necessary analytical support for EDC to examine issues and constraints, identify new growth spots and formulate a strategy for Hong Kong's long-term economic development. As for the proposed creation of a new Pr Econ post, the incumbent would lead the new Section V in EAD to conduct research relating to welfare, population and poverty. Research work on other policy areas, including the competitiveness of the four pillar industries, was the responsibility of the other four sections. As regards the division of duties among the other four sections in EAD, G Econ remarked that there was a clear demarcation in their responsibilities. For instance, Section I was responsible for monitoring of the global and local macro-economic situation, while Section II was responsible for rendering economic analyses and advice on the long-term housing policy.

Action

18. Mr Kenneth LEUNG said that economists working in investment banks had expressed concern about difficulty in accessing EAD's research and doubt about the usefulness of some studies to the market. They pointed out that certain basic economic data/indicators, such as the multiplier effect, the elasticity ratios of certain important commodities, the marginal propensity to consume and the marginal propensity to save, were not released. Mr LEUNG remarked that basic economic data/indicators should be uploaded onto EAD's website to facilitate accessibility by professionals. He considered that EAD should tackle these issues upon the creation of the proposed post.

19. G Econ responded that the economic data/indicators referred by Mr Kenneth LEUNG were very technical in nature. They were often applied in various policy studies, including the estimation of the boosting effect of the fiscal package in the Budget and various topical research studies, such as the assessment of the economic benefits arising from the Mainland and Hong Kong Closer Economic Partnership Arrangement, for assessing the impacts of the relevant policy measures on Hong Kong economy. In fact, where economic data and indicators were used in impact analyses, they were often set out in the detailed tables and appendices. Estimates on multipliers were also rendered to external consultants on Government studies upon request, where appropriate and available.

20. Dr KWOK Ka-ki remarked that while EAD had provided free access through its website for some of its published research reports, the more comprehensive research findings/data could only be made available by purchase. G Econ clarified that the Quarterly Economic Reports and all topical reports released by EAD were available in the EABFU website free of charge.

Work of the Economic Analysis Division

21. Mr Kenneth LEUNG enquired whether EAD would take up the role of an economic adviser, similar to that performed by the Council of Economic Advisers in the United States, to provide high-level strategic advice to the Government. G Econ responded that the role of EAD was to provide timely and strategic advice to FS on all major economic issues, including high frequency assessments of the key and imminent macro and risks facing Hong Kong. As one example, EAD's assessment of an imminent recession in Hong Kong after the outbreak of the global financial crisis in late 2008 had provided timely and important inputs to the formulation of the Government's response to tackle the threat of global credit crunch and recession. A package of measures was introduced to counter the crisis, ensure stability of the banking sector, and tide over the difficulties faced by the community, including the

Action

launch of Special Loan Guarantee Scheme for SMEs and the 2009-10 Budget measures. The Hong Kong economy subsequently rebounded from the recession by the second quarter of 2009.

22. Dr KWOK Ka-ki queried the effectiveness of the economic research and analyses conducted by EAD and its advice provided to the Administration in supporting the formulation of policies and programmes to address problems in the property market, enhance the business environment and assist the disadvantaged groups. In particular, he asked when EAD became aware of the problem of overheated property market and whether EAD had provided accurate forecast and timely advice to alert the Administration about decreasing land and housing supply surfacing in 2003-04, what research and advice EAD had provided to the Administration on poverty issues in recent year with the upsurge in Hong Kong's Gini coefficient since 2006, when and what policy advice EAD had provided to the Administration in relation to the initiative of Old Age Living Allowance (OALA), and EAD's input on the subject of introducing a universal retirement system for Hong Kong.

23. G Econ said that the Administration had been closely monitoring the developments in the local property market with research and analysis inputs from EAD. However, given the sensitivity of the subject, she could not disclose the Administration's internal discussions on these policy areas. But G Econ pointed out that with the first round of US quantitative easing in April 2009 and the subsequent sharp rebound in local property market, the Administration had already made a proactive move in February 2010 to refine the Application List System to increase land supply and flat production, at a time when the economy had not yet fully recovered from the severe shocks of the global financial tsunami. EAD would continue to closely monitor the situation in the property market. As regards the concern about poverty alleviation, G Econ remarked that EABFU had been rendering detailed analyses on low-income households to the Financial Affairs Panel of LegCo twice a year, as part of its on-going monitoring work of poverty situation and grass-root workers. Indeed, poverty alleviation was among the major work priorities of the current term of the Government and EAD would continue to provide the necessary research inputs in supporting the work of CoP. On the concern about OALA, G Econ said that it was an initiative in the CE's election manifesto. The policy programme was under the purview of the Labour and Welfare Bureau. As always, EAD would provide analysis and input upon request from the lead Policy Bureau in accordance with the on-going working arrangement amongst bureaux and departments. As regards the issue of universal retirement protection, G Econ pointed out that this subject was under the purview of the Social Security and Retirement Protection Task Force of CoP, which EAD would provide economic analytical support as required.

Action

24. The item was voted on. Members agreed that the Subcommittee should recommend the item to the Finance Committee (FC) for approval.

EC(2012-13)21 Proposed creation of four permanent posts of one Chief Engineer (D1), one Chief Geotechnical Engineer (D1), Chief Maintenance Surveyor (D1) and one Chief Structural Engineer (D1) in Housing Department with effect from 1 April 2013; and revision and redistribution of duties and responsibilities among some other directorate posts in the department to cope with the substantial increase in workload arising from the implementation of the new Home Ownership Scheme and other related housing initiatives

25. The Chairman said that the Administration's proposal was to create four permanent posts of one Chief Engineer, one Chief Geotechnical Engineer, one Chief Maintenance Surveyor and one Chief Structural Engineer in Housing Department (HD) with effect from 1 April 2013; and revise and redistribute duties and responsibilities among some other directorate posts in the department to cope with the substantial increase in workload arising from the implementation of the new Home Ownership Scheme (HOS) and other related housing initiatives.

26. The Chairman advised that the Panel on Housing was consulted on the proposal at its meeting on 7 January 2013. Panel members supported the proposal. At members' request, the Administration had provided supplementary information on the total additional manpower resources required for the new HOS and other related housing initiatives, sites identified for the new HOS and their complexities, and potential sites for production of public rental housing (PRH) in the future.

27. Ms Starry LEE and Dr Helena WONG conveyed the support of Democratic Alliance for the Betterment and Progress of Hong Kong and Democratic Party for the proposal respectively.

Establishment changes in the Housing Department arising from changes in the Home Ownership Scheme

28. Ms Emily LAU enquired about changes in directorate posts in HD with the cessation of HOS flats in 2003 and the implementation of the new HOS in 2012, and the financial implications of such changes.

Action

29. Permanent Secretary for Transport and Housing (Housing) (PS(H)) responded that the reduction in the establishment of HD since 2003 was attributed both to the cessation of HOS flats in 2003 and the general downsizing of the civil service. Assistant Director of Housing (Project) supplemented that paragraphs 33 and 34 of EC(2012-13)21 had briefly set out the establishment changes in relation to the cessation and resumption of HOS in 2003 and 2012 respectively. With the cessation of HOS in 2003, the number of directorate posts in HD and its Development and Construction Division (DCD) were respectively reduced from 73 and 25 as at 1 January 2003 to 49 and 17 as at 1 April 2007. The establishment of directorate staff in HD and DCD as at 1 February 2013 were 58 and 23 respectively. Of the nine directorate posts created in HD between April 2007 and February 2013, six were relating to the implementation of the new HOS which were created in DCD since July 2012. At Ms Emily LAU's request, the Administration agreed to provide detailed information on the changes in directorate posts in respect of DCD and other divisions of HD with the cessation of HOS in 2003 and the implementation of the new HOS in 2012, and the financial implications of such changes.

Admin

Implementation of the new Home Ownership Scheme

30. With the surge in demand for new HOS, Dr KWOK Ka-ki was concerned whether there would be sufficient land for housing development and manpower in HD to cope with the work if the Administration decided to increase the production target of HOS flats, particularly the provision of professional staff for resolving complexities and problems relating to site identification and land formation works which would be crucial to ensure timely delivery of the targets.

31. PS(H) responded that production of land was fundamentally the responsibility of the Development Bureau (DEVB) and the Lands Department. HD would play a supporting role in the process like assessing the suitability of land for housing development purpose. For instance, HD was recently involved in a joint study with the Science Park to explore the suitability of sites for housing purpose with compatible industrial uses nearby. PS(H) also pointed out that the production of 17 000 new HOS flats over the four-year period from 2016-17 to 2019-20 was the Administration's initial target, and the current manpower requirements were sufficient to deliver the target. Additional manpower would be sought should the target be raised. As whether an increase in the HOS production target would be hindered by the lack of land, PS(H) remarked that land supply was affected by a host of factors and besides HD, there were other users competing for land for provision of various facilities like schools, and hospitals.

Action

32. Ms Starry LEE asked whether the Administration would commit to meeting the HOS production target on schedule or even advancing delivery of the target. Ms LEE also enquired whether the Administration had compared the construction time of HOS flats with residential flats built by private developers.

33. PS(H) responded that the first six new HOS projects would be constructed under a fast-track programme to enable delivery of the flats in five years instead of the normal timeframe of seven years. Under such programme, the timetables for certain processes would be expedited, such as compressing the preliminary planning and design stage to one year. Moreover, HD was discussing with contractors and the industry in exploring possible ways to speed up the process, including advancing permit application for certain foundation works and wider adoption of pre-cast and offsite construction techniques for production of building components. In respect of the delivery timetable of flats built by HD and the private developers, PS(H) said that HD's performance was on par with its counterparts internationally. HD had adopted a standardized system in flat production and applied a lot of advanced techniques in the process. However, the construction process would be affected by site complexities and constrains. By adopting an intergraded approach, HD was able to build flats on some complex and difficult sites like the one in Tung Tau.

34. Mr POON Siu-ping said that he had no objection to the proposal. He enquired whether the proposed posts would be filled by internal promotion or external recruitment, and whether HD would consider further outsourcing in the construction process and the management of the new HOS/PRH flats, which would have impacts on the civil servants.

35. PS(H) responded that the proposed posts were civil service posts at promotion rank and would be filled by existing staff through the normal procedures. He added that apart from the ten directorate posts created in 2012 and in this proposal, HD had created 188 and 129 non-directorate civil service posts in 2012 and 2013 respectively for the implementation of the new HOS. Regarding outsourcing, PS(H) said that the Administration would strike a balance between outsourcing (which mainly involved tasks relating to foundation and construction works) and in-house work (which mainly involved tasks relating to formulation of new integrated contracts, initial design, and monitoring works to ensure the quality of flats built). As far as management of flats was concerned, PS(H) pointed out that currently there was a 40-60 split between in-house and outsource management on PRH flats. HD considered the current ratio appropriate and had no plan to downsize its in-house management staff.

Action

Design of PRH and HOS flats

36. Dr Helena WONG enquired whether the design of new PRH and HOS flats would take into consideration green elements, e.g. environmentally friendly installations, recycling facilities, etc. She further stressed the importance for HD to incorporate elements of gender sensitivity in the design of PRH flats and HOS flats, such as facilities for drying clothes and quilts, as well as design to enhance safety of tenants when cleaning windows.

Admin

37. PS(H) said that HD accorded high priority to protecting the environment in housing development and would incorporate environmentally friendly designs and installations/facilities in housing projects. HD had recently won awards for some of its environmental protection technologies adopted in the construction and management of flats, like the use of marine mud and vertical green panels. In the maintenance of PRH estates, HD would reuse old or renovated installations/facilities where appropriate. PS(H) added that application of innovative and environmentally friendly designs and building technologies were elements to be considered in HD's new integrated contracts. For instance, compliance with the relevant green standards to reduce the Housing Authority's overall carbon footprint was an integrated requirement for the designs of flats; an example of which is the trial of the use of regenerated motors for lifts in housing estates to conserve energy. Good designs in existing PRH flats, like the new designs of clothes drying racks, would be adopted in new HOS flats, and HD would also consult the views of owners and tenants in enhancing the design of HOS and PRH flats. At Dr Helena WONG's request, the Administration would provide supplementary information on whether and how elements of gender sensitivity would be incorporated in the design of PRH flats and HOS flats.

Ways to address shortage of construction manpower and ensure the quality of new flats

38. Mr CHUNG Kwok-pan expressed concern about aggravation in the shortage of construction manpower with HD adopting the fast-track approach and expediting delivery of the housing targets. Ms Emily LAU shared the concern about the shortage in construction manpower. Noting the opposition of labour unions against importing foreign labour, Ms LAU considered that the Administration should discuss the issue with the relevant stakeholders to tackle the problem. The Chairman invited HD to relay Ms LAU's view to the relevant bureaux/departments. In view of the problem of shortage of construction of manpower, Ms LAU stressed the importance for the Administration to ensure the quality of new HOS and PRH flats. She cautioned that HD should take extra care to avoid recurrence of building problems involving short piling happened in 1999 and 2000. The Chairman

Action

agreed with Ms LAU's views.

39. PS(H) said that HD was aware of the problem of shortage in construction manpower which had resulted in rising construction costs in recent years. Indeed, besides manpower shortage, the construction industry also faced problem of the lack of plants and equipment owing to the upsurge in construction projects. HD would continue to work with DEVB, the Construction Industry Council and contractors in devising measures to address the problem, including stepping up training for construction workers, encouraging contractors to employ trainees to increase the potential labour force, and applying more technology-based building methods, such as pre-cast facades, toilets and kitchens, to reduce the need for construction labour.

40. Referring to paragraphs 22 and 23 of EC(2012-13)21, Ms Emily LAU enquired about the reasons for the upsurge in the number of building submissions and structural submissions in recent years while there was no substantial increase in the number of new flats built. Assistant Director of Housing (Independent Checking Unit) explained that the Independent Checking Unit of HD was responsible for the checking of plan submissions for both new building development projects and Alteration & Addition works to existing buildings. Firstly, the number of submissions for Addition & Alternation works had increased significantly as a result of the stepping up in implementation of the Estate Improvement Programme by HD, as well as the increasing trend of owners' initiatives in the enhancement and maintenance of their properties in HOS Courts and Tenants Purchase Scheme Estates. Moreover, although the number of proposed new housing flats was relatively stable, the housing sites identified for the new building development projects in recent years had been comparatively smaller in sizes and often with greater complexities and more technical problems. Therefore, the number of submissions in relation to the number of new building development projects and the number of revisions in the related construction proposals and method statements had also increased substantially.

41. The item was voted on. Members agreed that the Subcommittee should recommend the item to FC for approval.

Action

EC(2012-13)22 **Proposed retention of two supernumerary posts of one Administrative Officer Staff Grade C (D2) in Financial Services Branch of the Financial Services and the Treasury Bureau from 1 July 2013 to 30 June 2014 and one Deputy Principal Solicitor (DL2) in the Companies Registry from 1 July 2013 to 31 March 2014, to provide adequate directorate support for implementation of the new Companies Ordinance, to carry out the review of the abscondee regime under the Bankruptcy Ordinance (Cap. 6), and to facilitate scrutiny of the Trust Law (Amendment) Bill 2013 by the Legislative Council**

42. The Chairman said that the Administration's proposal was to retain two supernumerary posts of one Administrative Officer Staff Grade C (AOSGC) in Financial Services Branch (FSB) of the Financial Services and the Treasury Bureau from 1 July 2013 to 30 June 2014 and one Deputy Principal Solicitor in the Companies Registry from 1 July 2013 to 31 March 2014, to provide adequate directorate support for implementation of the new Companies Ordinance (CO). The supernumerary post of AOSGC would also carry out the review of the abscondee regime under the Bankruptcy Ordinance (Cap. 6) (BO), and facilitate scrutiny of the Trust Law (Amendment) Bill 2013 (the Bill) by LegCo.

43. Ms Starry LEE, Chairman of the Panel on Financial Affairs, reported the Panel's deliberations on the proposal at its meeting on 7 January 2013. She said that Panel members supported submission of the proposal for consideration by the Establishment Subcommittee. Some members were concerned whether the proposed extension periods for the two posts could cope with the anticipated workload. Panel members called on the Administration to make good preparation for the publicity work in relation to the implementation of the new CO, and to complete the review of the abscondee regime under BO within the proposed timeframe.

Benefits of the trust law reform

44. Mrs Regina IP expressed support on the proposal. She enquired about the benefits of the trust law reform for Hong Kong, in particular in enhancing its status as an international asset management centre; and whether the abolition of estate duty for similar policy objective had achieved the desired results.

45. Deputy Secretary for Financial Services and the Treasury (Financial Services) DS(FS) responded that as at the end of 2011, total assets held under

Action

trusts established in Hong Kong amounted to HK\$2,600 billion. The objective of the trust law reform was to facilitate trust administration and attract more trust businesses to Hong Kong through various measures, including providing certainty of validity of a trust even if settlors reserve certain powers to themselves (e.g. powers relating to investment or asset management functions) and abolishing the rule against perpetuities (RAP) and the rule against excessive accumulations of income (REA) (which in effect would allow settlors to establish a trust for an unlimited period). In preparing the Bill, which would be put to First Reading at LegCo today, the Administration had made reference to similar reforms conducted by major common law jurisdictions, such as the United Kingdom (UK) and Singapore, with a view to updating Hong Kong trust law regime to bring it in line with latest international development. And in particular, the proposal to abolish RAP and REA would provide flexibility to settlors and thereby enhance Hong Kong's competitiveness as a trust domicile against the UK and Singapore. The Administration had taken into account views and suggestions from the trust industry expressed during past public consultation exercises in finalizing the Bill.

New arrangement under the new Companies Ordinance concerning the inspection of the Companies Register

46. Dr KWOK Ka-ki said that while he supported the proposal, he noted that the new arrangement under the new CO which restricted public inspection of information on directors of companies kept in the Companies Register (the new inspection arrangement) had aroused grave public concern. In particular, the Hong Kong Journalists Association had expressed deep regret about the lack of comprehensive consultation on the new inspection arrangement during public consultation in the past. He asked whether the Administration would undertake to devise measures to address public's concern and resolve the matter before expiry of the AOSGC post on 30 June 2014. Ms Emily LAU and Mr Kenneth LEUNG expressed similar concerns about the new inspection arrangement. They noticed that the Privacy Commissioner for Personal Data had expressed support for the new arrangement and that a number of LegCo Members would meet with the Commissioner to discuss the matter. Mr LEUNG said that while he considered that a balance should be strike between protecting the privacy of company directors and the public's right to know, the latter was more important and should take precedent. Ms LAU and Mr LEUNG enquired whether the Administration would consider maintaining the status quo under the existing CO regarding the inspection of the Companies Register. The Chairman said that issues relating to the new inspection arrangement should be discussed by the Subcommittee on Subsidiary Legislation Made under the New Companies Ordinance.

Action

47. DS(FS) stressed that during the public consultation in 2009 on the CO rewrite, the Administration had highlighted the issue of inspection arrangement and put an open question to consult the public on whether usual residential addresses and full identification numbers should or should not continue to be made available for public inspection on the Companies Register. The new inspection arrangement was drawn up taking into account public views received in the consultation exercise. There had also been thorough discussion on matters concerning the new inspection arrangement by the Bills Committee on the Companies Bill during scrutiny of the Bill. In view of recent concerns expressed on the new inspection arrangement, the Administration had been meeting the relevant stakeholders since January 2013, including representatives from the mass media and reporters, amongst others, to explain the considerations on working out the new inspection arrangement, better understand their concerns and gauge their views on the way forward. On the concern that the new inspection arrangement might facilitate money laundering, the Administration had explained that the new arrangement would not compromise efforts and effectiveness of measures against money laundering as there were already clear stipulations in the Anti-Money Laundering and Counter Terrorist Financing (Financial Institutions) Ordinance (Cap.615) on the duties and responsibilities of financial institutions in the prevention of money laundering. Besides, banks would continue be able to inspect the restricted personal information concerning a client if necessary through obtaining the client's authorization. Moreover, it should be noted that the information about company directors on the Companies Register would continue to be more transparent than that in many other jurisdictions even with implementation of the new inspection arrangement. He added that the Administration would continue to engage relevant stakeholders. The target was to table the relevant subsidiary legislation at LegCo in May 2013.

Workload of the proposed post and Financial Services Branch of the Financial Services and the Treasury Bureau

48. Ms Starry LEE expressed support for the proposal. Noting that holder of the AOSGC post had to undertake a wide range of duties, she was concerned that the incumbent might not be able to complete all required tasks within the 12-month period, and opined that the Administration should step up efforts to complete the review of the abscondee regime under BO within the target timeframe. In view of the heavy workload facing FSB, including the review of fees charged by intermediaries in the MPF system and legislative work for enhancing regulation in the financial markets, Ms LEE expressed concern about the adequacy of directorate support in FSB. Mr Kenneth LEUNG expressed similar concern whether the proposed extension periods for the two posts were adequate. With enactment of the new CO, Mr LEUNG

Action

enquired about other new initiatives to be pursued in the CO rewrite exercise, including the industry's suggestion to legislate for open-ended investment companies.

49. DS(FS) responded that the Administration had started preparatory work for the review of the abscondee regime under BO and would consider the need for further extending the AOSGC post in due course. The current target was to develop possible options to improve the abscondee regime by around mid-2014. DS(FS) also remarked that FSB had always taken into full account the workload and priorities of its policy initiatives in staff deployment. For example, having regard to the heavy workload relating to the insurance-related reform proposals (viz. the proposed establishment of a Policyholders' Protection Fund and an independent Insurance Authority), FSB had about two years ago established a Special Duties Division with dedicated directorate support to oversee the portfolio relating to the insurance sector, whilst enabling the relevant policy division to focus its time and efforts on the equally heavy and complex policy portfolio relating to the MPF system. DS(FS) re-iterated that FSB would continue to review its staffing situation. He also advised that FSB had been studying the issue of open-ended investment companies with other relevant parties in a separate context.

50. The item was voted on. Members agreed that the Subcommittee should recommend the item to FC for approval.

At this juncture, the Chairman extended the meeting for 15 minutes.

EC(2012-13)23 Proposed creation of one supernumerary post of Administrative Officer Staff Grade C (D2) in Central Policy Unit under the Offices of the Chief Secretary for Administration and the Financial Secretary from 1 April 2013 to 30 June 2017 as Assistant Secretary to the Commission on Strategic Development

51. The Chairman said that the Administration's proposal was to create one supernumerary post of Administrative Officer Staff Grade C in CPU under the Offices of the Chief Secretary for Administration and the Financial Secretary from 1 April 2013 to 30 June 2017 as Assistant Secretary to the Commission on Strategic Development (CSD).

52. Mrs Regina IP, Chairman of the Panel on Public Service, declared that she was an appointed member of the new term CSD. She reported that the Panel was consulted on the proposal at its meeting on 19 November 2012. Panel members in general supported the proposal while Hon Emily LAU expressed objection and considered that it was a waste of public money in

Action

sustaining the operation of CSD as evidenced by the futile outcome of a number of key policy initiatives which CSD had taken part in the formulation process. Some Panel members were concerned that since the Administration had set up a number of advisory bodies to discuss long-term issues of Hong Kong, CSD's work would overlap with the advisory bodies. The Administration responded that the meetings of CSD were convened by CE, and the discussions were conducted from a macro, long-term and strategic perspective, while other advisory bodies mainly focused on particular policy areas. Some Panel members also asked about the need for the proposed post given the planned reduction in the membership size of the new term CSD. The Administration advised that although the number of CSD members would be reduced, the amount of work to be undertaken by CSD would increase with the introduction of various measures to enhance CSD's effectiveness. The Administration also pointed out that the current proposal did not seek additional manpower to cope with the increase in the workload of the CSD Secretariat, but sought to reinstate the supernumerary post of Assistant Secretary to CSD, which had expired together with the tenure of the last term government.

53. As four members had indicated that they would raise questions on the proposal, and given that the meeting would end at 10:45 am, the Chairman said that he would limit the time for each member to ask question to three minutes which would include the time allowed for the Administration to response. Dr KWOK Ka-ki considered that sufficient time should be allowed for members to deliberate the proposal. The Chairman proposed and members agreed, discussion of the item would be postponed to the next meeting.

54. The Chairman enquired whether it was necessary for the three proposals considered at this meeting to be voted on separately at the FC meeting to be held on 15 March 2013. Dr KWOK Ka-ki requested separate voting for the first item (i.e. EC(2012-13)20). Ms Emily LAU remarked that the Administration had agreed to provide supplementary information for the second item (i.e. EC(2012-13)21) as requested by members. She suggested that the information should include measures to address the shortage of construction manpower in ensuring the timely production of new PRH and new HOS flats as well as the quality of the new flats.

55. There being no other business, the meeting ended at 10:35 am.

Admin