

立法會
Legislative Council

LC Paper No. FC65/15-16

(These minutes have been
seen by the Administration)

Ref : FC/1/1(1)

Finance Committee of the Legislative Council

**Minutes of the 71st meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 17 July 2015, at 4:45 pm**

Members present:

Hon Tommy CHEUNG Yu-yan, GBS, JP (Chairman)

Hon CHAN Kin-por, BBS, JP (Deputy Chairman)

Hon Albert HO Chun-yan

Hon LEE Cheuk-yan

Hon James TO Kun-sun

Hon LEUNG Yiu-chung

Hon Emily LAU Wai-hing, JP

Hon TAM Yiu-chung, GBS, JP

Hon Vincent FANG Kang, SBS, JP

Hon WONG Kwok-hing, BBS, MH

Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN

Hon Jeffrey LAM Kin-fung, GBS, JP

Hon Andrew LEUNG Kwan-yuen, GBS, JP

Hon WONG Ting-kwong, SBS, JP

Hon Cyd HO Sau-lan, JP

Hon Starry LEE Wai-king, JP

Dr Hon LAM Tai-fai, SBS, JP

Hon CHAN Hak-kan, JP

Dr Hon Priscilla LEUNG Mei-fun, SBS, JP

Hon WONG Kwok-kin, SBS

Hon IP Kwok-him, GBS, JP

Hon LEUNG Kwok-hung

Hon Albert CHAN Wai-yip

Hon WONG Yuk-man

Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon NG Leung-sing, SBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon Alice MAK Mei-kuen, BBS, JP
Hon KWOK Wai-keung
Hon Dennis KWOK
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Dr Hon Helena WONG Pik-wan
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Tony TSE Wai-chuen, BBS

Members absent:

Hon CHAN Kam-lam, SBS, JP
Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Ronny TONG Ka-wah, SC
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon James TIEN Pei-chun, GBS, JP
Hon Gary FAN Kwok-wai

Hon CHAN Han-pan, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Dr Hon KWOK Ka-ki
Hon IP Kin-yuen
Dr Hon CHIANG Lai-wan, JP
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Public officers attending:

Ms Elizabeth TSE Man-yee, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) ¹
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Paul TANG Kwok-wai, JP	Secretary for the Civil Service
Mr Raymond WONG Hung-chiu, JP	Permanent Secretary for the Civil Service
Ms May CHAN Wing-shiu, JP	Deputy Secretary for the Civil Service (2)
Miss Winnie CHUI Hiu-lo	Principal Assistant Secretary for the Civil Service (Pay and Leave)
Ms Winnie NG Ching-ching, JP	Secretary General, Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service
Ms Christine LOH Kung-wai, JP	Under Secretary for the Environment
Mr Howard CHAN Wai-kee, JP	Deputy Director of Environmental Protection (2)
Mr WONG Hon-meng	Assistant Director of Environmental Protection (Waste Reduction and Recycling)
Mr TSANG Kam-lam, BBS, JP	General Manager, Environmental Management Division, Hong Kong Productivity Council
Ir Kenny WONG Siu-wai	Principal Consultant, Hong Kong Productivity Council

Clerk in attendance:

Ms Anita SIT

Assistant Secretary General 1

Staff in attendance:

Mr Derek LO

Chief Council Secretary (1)5

Mr Daniel SIN

Senior Council Secretary (1)7

Mr Raymond SZETO

Council Secretary (1)5

Mr Frankie WOO

Senior Legislative Assistant (1)3

Ms Michelle NIEN

Legislative Assistant (1)5

Miss Yannes HO

Legislative Assistant (1)6

Action

The Chairman said that three meetings had been arranged for today at the request of the Administration.

Item No. 1 – FCR(2015-16)24

2015-16 CIVIL SERVICE PAY ADJUSTMENT

2. The Chairman advised that the item sought the Committee's approval for the 2015-16 civil service pay adjustment and related recommendations involving an expenditure of \$8,221 million.

Report by the Panel Chairman

3. Mr POON Siu-ping, Chairman of the Panel on Public Service ("the PS Panel"), reported that the Administration consulted the Panel on 22 June 2015. The PS Panel had no objection to the proposal in principle, while some members opined that the deduction of payroll cost of increments ("PCI") in calculating the pay adjustment rate in the annual Pay Trend Survey ("PTS") was unfair to civil servants whose salary had reached the maximum point of the respective rank. As such, the PS Panel unanimously passed a motion to urge the Administration to immediately review the policy of deducting PCI implemented since 1989 so that more than half of the civil servants who have reached the maximum pay points of their ranks could be offered reasonable pay increase, and to provide the review outcome to the Panel in six months.

4. Mr POON Siu-ping further reported that the Administration had replied that the practice of deducting PCI had been implemented on the recommendation of the Committee of Inquiry into the 1988 Civil Service Pay

Adjustment and Related Matters ("the 1988 Committee of Inquiry") together with the inclusion of the private sector merit pay and in-scale increment in the computation of the gross Pay Trend Indicators ("PTIs"). The 1988 Committee of Inquiry took the view that, if the private sector merit pay and in-scale increment were to be included in the PTS, the PCIs should be deducted for fairness sake.

Timing of effecting the pay adjustment

5. Mr WONG Kwok-hing, Mr KWOK Wai-keung and Mr TAM Yiu-chung expressed support for the item. These members sought confirmation on whether employees of aided schools and subvented bodies could receive their pay increases by the end of July 2015 and urged the Administration to remind subvented bodies to effect the pay adjustment for their employees expeditiously. These members also called for expediting the deliberation and approval of the item.

6. Secretary for the Civil Service ("SCS") replied that if the proposed 2015-16 civil service pay adjustment was approved by the Committee by mid-July 2015, the adjusted salaries, together with the back-payment, would be paid to civil servants and employees of aided schools by the end of July 2015. For subvented bodies other than aided schools, most would receive the additional provisions by the end of August. The relevant Government bureaux would remind the subvented bodies under their purview to effect the pay adjustment for their employees as soon as practicable upon receipt of the additional subventions from the Government.

7. Mr CHAN Chi-chuen enquired about the timetable of applying the pay adjustment for employees of the Hospital Authority ("HA"). SCS said that according to past experience, employees of HA would be able to receive the pay adjustment by the end of August.

8. Mr LEE Cheuk-yan enquired when subvented bodies would receive funding from the Government to cover back pay of salaries to staff. The Administration undertook to provide the requested information after the meeting.

[*Post-meeting note*: The information provided by the Administration was issued to members on 21 August 2015 vide LC Paper No. FC246/14-15.]

Back pay arrangements in special cases

9. Mr KWOK Wai-keung expressed concern that employees of some subvented bodies who had resigned prior to the approval of civil service pay adjustments could not receive back pay as the same type of civil servants did.

10. Mr LEE Cheuk-yan urged the Administration to make it mandatory for subvented bodies to provide back pay to employees who had resigned prior to the approval of the civil service pay adjustment by the Committee in order to be in line with prevailing practice for this type of employees in the civil service.

11. Mr CHAN Chi-chuen enquired about the back pay arrangement for civil servants in disciplinary forces on interdiction.

12. SCS said that normally, if civil servants on interdiction were eventually found not guilty upon completion of disciplinary procedures, the back pay would be applied to them in full. Permanent Secretary for the Civil Service supplemented that the pay arrangement for individual officers on interdiction would be considered on a case-by-case basis.

13. Mr LEE Cheuk-yan enquired how staff salaries of the Hong Kong Institute of Vocational Education would be adjusted if the concerned employees had retired before the proposed adjustment package was approved by FC. Mr CHAN Chi-chuen sought information on the number of officers of disciplined services who are receiving full pay, half pay and no pay respectively on interdiction. The Administration undertook to provide the requested information requested by after the meeting.

[*Post-meeting note:* The information provided by the Administration was issued to members on 21 August 2015 vide LC Paper No. FC246/14-15.]

Pay disparity between junior and senior civil servants

14. Mr LEUNG Yiu-chung and Mr Albert CHAN expressed concern about the widening pay disparity between junior and senior civil servants. These members considered that as the salaries of civil servants in junior ranks were already way below those of directorate officers and senior civil servants, junior civil servants received a small amount of increase in dollar terms in the pay adjustment exercise every year. Moreover, their salaries would fall seriously behind officers in the senior ranks over time, particularly when the latter were given a higher rate of pay increase. Both members urged the

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Administration to review the overall difference in pay between the two groups of civil servants.

15. SCS replied that the pay of senior civil servants had not been rising faster than the pay of other civil servants, and this was indeed reflected in the following –

- (a) the cumulative increase in pay for civil servants in the directorate and upper salary band since 1997, being 46.2%, was lower than those in the lower and medium salary bands in the same period, being 51.3% and 51.2% respectively;
- (b) the pay for civil servants in the lower salary band would be increased by the same rate as that for civil servants in the middle salary band, even when the net PTI of the former turned out to be smaller than the latter in the annual PTS; and
- (c) the Administration had given favourable considerations to civil servants in the lower salary band. For example, in 2009-10, the Administration decided to freeze the pay of the middle and lower salary bands despite their negative net PTIs while adjusting the pay of the upper salary band downward.

Pay increase for employees in aided schools and subvented bodies

16. Mr Albert HO, Mr CHAN Chi-chuen and Mr Albert CHAN expressed concern that some employees of subvented bodies and aided schools had been receiving a smaller pay increase vis-à-vis that of civil servants for many years which had resulted in income disparity between employees of these organizations and civil servants of the equivalent ranks. These members also expressed worries that instead of implementing a standardized pay increase across the board, some subvented bodies might be "fattening the top at the expense of the bottom" by raising the salaries for staff of the upper echelons at a rate far greater than that for junior employees.

17. SCS replied that there were a large number of subvented bodies and stressed that the Administration, as a general rule, was not involved in the determination of pay or pay adjustment of staff working in subvented bodies. It would be up to individual subvented bodies, as employers, to decide whether and how to adjust the salaries of their own employees and, if so, the rate and the effective date of the adjustment. Meanwhile, the pay of teaching and related staff in aided schools was pegged to the relevant civil service pay scales.

18. Mr Albert CHAN expressed concern about the prospect of junior employees of subvented bodies not benefitting in full from the pay adjustments as there was no explicit rule nor Government directive that prohibited the management of these bodies from withholding some of the additional subventions for purposes other than for the pay adjustments the additional subventions were originally intended. Dr Kenneth CHAN expressed similar concerns citing the case of employees of universities and tertiary institutions as an example. These members said that they knew cases in which the employment contracts of some junior employees expressly provided that the employees might not receive the pay adjustments in full or back pay.

19. SCS said that the Administration, as a general rule, was not involved in the determination of pay or pay adjustment of staff working in subvented bodies, and it was an established practice that following a civil service pay adjustment, the Administration would adjust the provisions for those subventions which were price-adjusted on the basis of formulae including a factor of civil service pay adjustment. On this basis, the Administration had encouraged subvented bodies to utilize the additional provisions wholly for pay adjustment for their employees. For instance, subvented organizations under the purview of the Social Welfare Department ("SWD") were required to adjust the salary of their staff in accordance with the adjustment rate for the civil service or to use the additional funding provided for pay adjustment exclusively unless there were good reasons for not doing so. They were also required to inform their staff of the decision concerned and provide an explanation to the SWD if they failed to comply with the requirement.

20. Mr Albert CHAN criticized the Lump Sum Grant System implemented by the Administration for subvented bodies in the welfare sector which purportedly gave greater flexibility to subvented bodies in managing their resources but had in effect placed employees of these organizations at a disadvantaged position.

Deduction of payroll cost of increments

21. Mr LEE Cheuk-yan expressed regret that the Administration had not taken heed of his motion, passed by the PS Panel on 22 June 2015, calling on the Administration to review the policy of deduction of PCI in the pay adjustment mechanism.

22. SCS reiterated that the practice of deduction of PCI was a key component of the pay adjustment mechanism and had been implemented on the recommendation of the 1988 Committee of Inquiry along with the inclusion of the private sector merit pay and in-scale increment in the computation of the

PTIs. As such, for fairness sake, if the practice of deducting PCIs were to be reviewed, it should be done in tandem with a review on the established arrangement of including the private sector merit pay and in-scale increment. This would affect the PTIs figures to be taken into account by the Chief Executive ("CE")-in-Council in considering the annual civil service pay adjustment. In the meantime, the Administration saw no new circumstances indeed that should warrant a comprehensive review on the existing practice. Besides, the Government also needed to consider the possible long-term financial implications if the practice were to be ceased.

23. In response to Ms Emily LAU, SCS said that a Pay Level Survey was conducted every six years to compare the pay between civil service and private sector to ascertain whether civil service pay remained broadly comparable with private sector pay.

Factors in considering civil service pay adjustment

24. Dr LAM Tai-fai noted that the CE-in-Council had considered the pay adjustments with regards to the six factors set out in the Administration paper. He enquired about the relevant weighting and the order of priority of each factor in this year's decision. He contended that without a clear guideline on how the six factors should be applied, the decision by the CE-in-Council would be perceived by civil servants and the public as arbitrary and unjustified. Mr WU Chi-wai and Mr LEUNG Kwok-hung expressed similar concerns, and urged the Administration to explain in detail how some of the factors such as the state of Hong Kong economy had been taken into consideration in making the pay adjustment decisions. Mr LEUNG criticized the obscurity of the decision-making process for the CE-in-Council in determining civil service pay adjustment.

25. SCS said that it was not practicable if not impossible to quantify some of the six factors, such as civil service morale. Also, it would be difficult to impose a binding order of priority for the six factors considered, which would be tantamount to impinging upon the discretionary power of the CE-in-Council. Historically, while the net PTIs derived from the annual PTS constituted the main basis for consideration, there were occasions that the final rates of pay adjustment were not the same as the net PTIs. With regard to members' request for further explanation on the decision-making process of the CE-in-Council, SCS said that the relevant deliberations could not be disclosed for confidentiality reasons, but assured members that the decision was both informed and appropriate.

26. Ms Claudia MO said that regarding civil service morale, which was among the six factors considered by the CE-in-council, it was inevitable that the morale of civil servants differed across different departments. She enquired how the Administration had assessed civil service morale across different Government departments in the pay adjustment exercise.

27. SCS said that the CE-in-Council would consider the morale of the civil service as a whole, and relevant advice given by the Civil Service Bureau.

Extra increase on top of the net pay trend indicators

28. Mr WU Chi-wai and Ms Emily LAU queried about the rationale of increasing the adjustment rates for all civil servants by an extra 0.5% on top of the net PTIs and whether it would be treated as a precedent case for future pay adjustment considerations.

29. SCS said that every year, the CE-in-Council considered the civil service pay adjustment on a case-by-case basis with regard to the above-mentioned six factors. The additional 0.5% increase was a one-off arrangement, made having regard to the six relevant factors including inflation, pay claims of the staff sides and staff morale, etc.

Voting on FCR(2015-16)24

30. There being no further question from members, the Chairman put the item to vote.

31. At this juncture, Mr Tony TSE declared that he was a member of the Standing Commission on Civil Service Salaries and Conditions of Service, but he did not participate in the annual PTS.

32. At the request of members, the Chairman ordered a division, and the division bell was rung for five minutes. The Chairman announced that 41 members voted in favour of, and none voted against the item. The votes of individual members were as follows –

For:

Mr Albert HO Chun-yan
Ms Emily LAU Wai-hing
Mr WONG Kwok-hing
Mr Jeffrey LAM Kin-fung
Mr WONG Ting-kwong
Ms Starry LEE Wai-king

Mr LEE Cheuk-yan
Mr TAM Yiu-chung
Prof Joseph LEE Kok-long
Mr Andrew LEUNG Kwan-yuen
Ms Cyd HO Sau-lan
Mr CHAN Hak-kan

Mr CHAN Kin-por	Dr Priscilla LEUNG Mei-fun
Mr WONG Kwok-kin	Mr IP Kwok-him
Mr LEUNG Kwok-hung	Mr Albert CHAN Wai-yip
Mr WONG Yuk-man	Ms Claudia MO
Mr Michael TIEN Puk-sun	Mr Steven HO Chun-yin
Mr Frankie YICK Chi-ming	Mr WU Chi-wai
Mr MA Fung-kwok	Mr Charles Peter MOK
Mr CHAN Chi-chuen	Dr Kenneth CHAN Ka-lok
Miss CHAN Yuen-han	Miss Alice MAK Mei-kuen
Mr KWOK Wai-keung	Mr Christopher CHEUNG Wah-fung
Dr Fernando CHEUNG Chiu-hung	Mr SIN Chung-kai
Dr Helena WONG Pik-wan	Dr Elizabeth QUAT
Mr Martin LIAO Cheung-kong	Mr POON Siu-ping
Ir Dr LO Wai-kwok	Mr CHUNG Kwok-pan
Mr Tony TSE Wai-chuen	
(41 members)	

33. The Chairman declared that the Committee approved the item.

Item No. 2 – FCR(2015-16)25

HEAD 44 – ENVIRONMENTAL PROTECTION DEPARTMENT

Subhead 700 General non-recurrent

New item "Recycling Fund"

34. The Chairman advised that the item sought the Committee's approval for the creation of a new commitment of \$1 billion for setting up the Recycling Fund ("the Fund").

35. Mr CHAN Hak-kan, Chairman of the Panel on Environmental Affairs ("the EA Panel"), reported that the Administration had consulted the EA Panel on 23 July 2014. The EA Panel supported the item to be put forth for approval by this Committee. Some panel members expressed concerns about the effectiveness of launching the Fund alone in nurturing the recycling industry and urged the Administration to collaborate closely with the recycling industry, local communities and schools for better policy implementation, particularly in areas such as recyclables of low commercial value. Panel members also discussed the details of the Fund such as monitoring mechanism and costs, applicants' eligibility, and funding scope and limits.

36. The Chairman declared that he was engaged in setting up a cooking oil recycling business, which might be eligible for applying the Fund. He said that as Chairman of the Committee, he would not participate in the discussion

and voting of any item.

Aim and scope of the Recycling Fund

37. Mr WU Chi-wai sought details on the way in which the Fund could enhance the logistics system to improve recycling collection efficiency as purported in the Administration paper. He also enquired whether the Administration had set any medium and long term performance targets for the Fund.

38. Deputy Director of Environmental Protection (2) ("DDEP(2)") said that while the Administration had laid down broad project scopes to which applicants for the Fund could make reference, it was up to the individual applicants from the industry to bring forth specific project proposals which could demonstrate the potential enhancements to waste recycling operations and the resulting environmental benefits. Rather than spelling out specific performance targets, which would be difficult for the recycling industry as a whole, the Administration considered it appropriate that the goal of the Fund was set to facilitate sustainable development of the recycling industry in Hong Kong.

39. Ms Emily LAU sought clarification on the Administration's position on using the Fund to encourage recycling of materials of low commercial value and enquired whether it was the Administration's aim to provide financial support to the recycling industry to recycle unprofitable materials by way of the Fund.

40. Under Secretary for Environment ("USEN") replied that the Administration considered it inappropriate to provide direct subsidies to help recyclers sustain an otherwise unprofitable business. A focus of the Fund was to facilitate enterprises in the industry in upgrading their capabilities in improving the quantity and quality of recyclables recovered, as well as to promote market viability for recycled materials currently deemed to have a low commercial value.

41. Mr LEE Cheuk-yan noted that the Fund could be used by non-profit distributing organizations for developing and offering training and certification programmes on occupational safety and health ("OSH"), which was now mostly provided by the OSH Council. He questioned whether it was necessary as the OSH Council should already have been provided with the relevant resources.

42. DDEP(2) explained that the Administration aimed to collaborate with the OSH Council to provide a variety of OSH training and certification

programmes for workers of the whole recycling industry in respect of which the OSH Council did not currently have specific resources. By improving safety at work and operational effectiveness of worker, these programmes could in the long run facilitate the sustainable development of the recycling industry.

Administrative and monitoring costs

43. Mr CHAN Hak-kan noted that the Hong Kong Productivity Council ("HKPC") would be engaged to administer the Fund and would require \$84.1 million for establishing a dedicated team for programme management, technical evaluation and project monitoring. He questioned whether the Administration had explored managing the Fund through relevant Government bureaux or departments instead.

44. DDEP(2) explained that the HKPC was engaged as the implementation partner to the Fund to leverage on HKPC's expertise and experience in managing Government funds of similar size and nature as well as its close connections with the recycling sector. General Manager, Environment Management Division, Hong Kong Productivity Council supplemented that in administering the Fund, HKPC would hire professionals with the relevant expertise to ensure proper and stringent scrutiny of projects in all stages from project inception to project auditing upon completion. All costs charged by HKPC for managing the fund would be on a full cost-recovery basis. As the operation of the projects would span a total of seven years, the annual amount of the administration and monitoring costs was modest. It should also be noted that HKPC would shoulder part of the administrative and monitoring costs of the Fund, such as the provision for the Programme Director and the Deputy Programme Director, as an in-kind contribution towards the Fund.

Other issue

45. In addition to the establishment of the Fund, Ms Cyd HO called on the Administration to provide direct subsidies to enterprises in the recycling industry.

46. USEN said that the Administration, having consulted the recycling industry, considered that the establishment of the Fund was the most suitable means to cater for industry needs at present. The Administration would review the operation of the Fund in due course but had no immediate plans for providing direct subsidies to the industry.

Action

47. The Chairman declared that the meeting be adjourned and the Committee would continue discussion on the item at the next meeting.

48. The meeting was adjourned at 6:42 pm.

Legislative Council Secretariat

4 January 2016