

立法會
Legislative Council

LC Paper No. ESC63/15-16

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Establishment Subcommittee of the Finance Committee

**Minutes of the 7th meeting
held in Conference Room 1 of Legislative Council Complex
on Wednesday, 20 January 2016, at 8:30 am**

Members present:

Hon Mrs Regina IP LAU Suk-yee, GBS, JP (Chairman)

Hon WONG Kwok-kin, SBS (Deputy Chairman)

Hon James TO Kun-sun

Hon CHAN Kam-lam, SBS, JP

Hon LEUNG Yiu-chung

Hon Emily LAU Wai-hing, JP

Hon TAM Yiu-chung, GBS, JP

Hon WONG Kwok-hing, BBS, MH

Hon WONG Ting-kwong, SBS, JP

Hon Starry LEE Wai-king, JP

Hon CHAN Hak-kan, JP

Hon IP Kwok-him, GBS, JP

Hon Alan LEONG Kah-kit, SC

Hon LEUNG Kwok-hung

Hon Albert CHAN Wai-yip

Hon NG Leung-sing, SBS, JP

Hon Steven HO Chun-yin, BBS

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

Hon CHAN Han-pan, JP

Dr Hon Kenneth CHAN Ka-lok

Hon LEUNG Che-cheung, BBS, MH, JP

Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon SIN Chung-kai, SBS, JP
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kwong, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Members absent:

Hon Albert HO Chun-yan
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Cyd HO Sau-lan, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan

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)
Ms Anissa WONG, JP	Permanent Secretary for the Environment
Mr Vincent LIU, JP	Deputy Secretary for the Environment
Ms Ellen CHAN	Acting Principal Assistant Secretary for the Environment (Electricity Reviews)
Miss Ada CHEN	Senior Assistant Law Officer (Civil Law), Department of Justice
Ms Winnie HO	Deputy Head of Energizing Kowloon East Office, Development Bureau
Mr LEUNG Koon-kee, JP	Director of Architectural Services
Ms Doreen KWAN	Departmental Secretary, Architectural Services Department

Clerk in attendance:

Ms Connie SZETO

Chief Council Secretary (1)4

Staff in attendance:

Ms Anita SIT

Assistant Secretary General 1

Mr Jason KONG

Council Secretary (1)4

Ms Alice CHEUNG

Senior Legislative Assistant (1)1

Ms Haley CHEUNG

Legislative Assistant (1)9

Miss Yannes HO

Legislative Assistant (1)6

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The Chairman drew members' attention to the information paper ECI(2015-16)16 which set out the latest changes in the directorate establishment approved since 2002. She then reminded members that in accordance with Rule 83A of the Rules of Procedure ("RoP"), they should disclose the nature of any direct or indirect pecuniary interest relating to the funding proposals under discussion at the meeting before they spoke on the items. She also drew members' attention to RoP 84 on voting in case of direct pecuniary interest.

EC(2015-16)11 Proposed retention of two supernumerary posts of one Administrative Officer Staff Grade C (D2) in the Environment Bureau and one Assistant Principal Government Counsel (DL1) in the Department of Justice for three years with effect from 10 February 2016 or with immediate effect upon approval of the Finance Committee, whichever the later to undertake negotiation with the power companies on a new set of Scheme of Control Agreements

2. The Chairman said that the Subcommittee would continue to discuss the Administration's proposal of retaining two supernumerary posts, including one Administrative Officer Staff Grade C ("AOSGC") in the Environment Bureau ("ENB") (designated as Principal Assistant Secretary for the Environment (Electricity Reviews) ("PAS(ER)")) and one Assistant Principal Government Counsel ("APGC") in the Department of Justice ("DoJ"), for taking forward the outcome of the public consultation on the future development of the electricity market, including undertaking the negotiation with the power companies on a new set of Scheme of Control Agreements ("SCAs").

Duties, staffing arrangements and job requirements of the proposed posts

3. Mr Alan LEONG enquired about the reason for retaining the APGC post and whether the drafting work of the new SCAs could be absorbed by existing officers in DoJ instead. Senior Assistant Law Officer (Civil Law) explained that the negotiation with the power companies would involve complex legal and technical issues, such as the permitted rate of return ("RoR"). As the new SCAs had to be finalized before the expiry of the current SCAs in 2018, the relevant duties had to be discharged within a tight timeframe. Taking into account the expected heavy workload and the envisaged strong legal teams engaged by the two power companies for the negotiation, DoJ considered it necessary to retain the APGC post for steering the work of the dedicated team in DoJ.

4. Mr Alan LEONG enquired about the major duties of the two proposed posts in the past two years. Deputy Secretary for the Environment ("DSE") responded that the two posts were responsible for work in relation to the public consultation on the future development of the electricity market conducted in 2015. The preparatory work for the public consultation exercise included, inter alia, a comprehensive study on overseas electricity markets, such as their experience in market opening. In addition, PAS(ER) was heavily involved in the public consultation on the future fuel mix for electricity generation in Hong Kong conducted in 2014.

5. Mr CHAN Chi-chuen remarked that members had raised concern about the continuity of work of the dedicated team in ENB, including whether the incumbent of the PAS(ER) post would continue to occupy the post in the proposed three-year extension period. He opined that there should not be frequent changes in the post holder, and asked if there had been changes in the post holder and the duties of the post since creation of the post in February 2014.

6. Mr SIN Chung-kai opined that the PAS(ER) post should be filled by an officer of the relevant professional grade, such as an Economist or a Treasury Officer, instead of the Administrative Officer ("AO") grade, because the work relating to SCAs required expert knowledge and experience in the fields of economic analysis, financial management and accounting.

7. The Chairman commented that senior officials in ENB, including Permanent Secretary for the Environment ("PSE") and DSE, could provide steer to and ensure continuity of work in the dedicated team. She sought details on the division of work in ENB for undertaking the negotiation on the new SCAs with the power companies.

8. DSE responded that there had been no changes in the holder of the PAS(ER) post in the past two years. The post holder had worked in another position in ENB prior to taking up the post of PAS(ER). Filling of the post would be in line with the established civil service arrangement. He added that PAS(ER) was under his supervision and underpinned by non-directorate staff in the dedicated team who had the relevant expertise. PAS(ER) and the dedicated team would also work in close collaboration with the Financial Monitoring Division ("FMD") and the Electricity Team ("ET") in ENB, which were headed by an Assistant Director of Accounting Services and a Chief Electrical and Mechanical Engineer respectively. FMD and ET were involved in the review of the future development of the electricity market preceding the public consultation. FMD and ET would continue to provide inputs on the financial and technical aspects of the negotiation on the new SCAs.

9. PSE added that PAS(ER), as a D2 officer in the AO grade, was conversant with policy formulation and implementation, and experienced in coordinating among stakeholders, including various Government bureaux and departments. The Government had established clear energy policy objectives and aimed to achieve such objectives through the new SCAs. She believed that with the concerted effort of the relevant staff in ENB, the energy policy objectives would be achieved.

10. Mr CHAN Chi-chuen, Mr Martin LIAO and Mr LEUNG Yiu-chung enquired about the job requirements of the PAS(ER) post, in particular whether the post holder would be required to have expertise in the fields of negotiation, engineering and financial management. As numerous and complicated technical issues would be involved in the negotiation, such as interconnection of power grids, Mr LEUNG queried whether PAS(ER) had the professional capability to work out the relevant details in the SCAs.

11. PSE and DSE reiterated that PAS(ER) and the dedicated team in ENB would be supported by FMD and ET in the financial and technical aspects, and the proposed APGC post and the dedicated team in DoJ would provide legal support for the negotiation. They pointed out that, as a D2 officer in the AO grade, the holder of the PAS(ER) post was expected to have political acumen and rich experience in policy formulation and implementation, which often involved public engagement and negotiation with various parties. The preparatory work for the study on interconnection of power grids required knowledge in the electrical and mechanical engineering field. ENB had the required expertise and would seek help from the relevant departments if necessary in undertaking the work. PSE added that ENB had informed the Civil Service Bureau of the job requirements for identifying a suitable candidate for the PAS(ER) post.

12. Given the importance of the SCAs and ongoing nature of the monitoring work over the power companies, such as conducting mid-term reviews of SCAs, Mr SIN Chung-kai enquired whether the Administration would consider turning the proposed PAS(ER) post permanent. Mr Alan LEONG asked whether the post would be further extended after the three-year period to continue overseeing the implementation of the fuel mix for power generation for 2020.

13. DSE explained that FMD and ET were responsible for monitoring the power companies from the financial and technical aspects, including conducting the annual tariff reviews and scrutinizing the capital investment proposals put forward by the power companies. The work of PAS(ER) and the dedicated team in ENB would focus on negotiating the new SCAs with the power companies, and such tasks were time-limited in nature. On the implementation of the fuel mix for 2020, DSE said that given the lead time required, the relevant work was already underway, including discussion with the power companies on the installation of new gas-fired generation units to increase the share of natural gas generation to 50% in 2020. At this stage, the Government did not envisage the need to retain the PAS(ER) post after the three-year period. If the new SCAs were signed with the power companies in 2018, the mid-term review would be conducted in 2023. The Government would review the manpower requirement of ENB, including the need to create new directorate posts for undertaking the necessary work, at a later stage.

14. Mr WU Chi-wai sought details on the Administration's targets on the permitted RoR and emission performance of the power companies to be pursued in the new SCAs, and how the Administration could ensure that the new SCAs would be beneficial to consumers.

15. DSE responded that during the public consultation on the future development of the electricity market, respondents had suggested improvements to some areas of the current SCAs. Having regard to the consultation outcome, the Government would seek to improve the terms of the new SCAs in the areas of permitted RoR, energy efficiency and conservation, development of renewable energy ("RE"), etc. The Government also intended to revamp the incentive and penalty scheme with a view to enhancing the performance of the power companies in respect of supply reliability and emission. It was expected that the new SCAs would help better achieve the four energy policy objectives of safety, reliability, affordability and environmental protection.

16. Mr Albert CHAN commented that the SCAs signed in 1993 had failed to protect the interests of consumers, and this might be attributable to incompetent officers in the then Economic Services Branch ("ESB") responsible for the task. He expressed serious doubt on the capability of

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ENB in handling the negotiation with the power companies, and was concerned that ENB would give undue weight to the environmental protection aspect in the new SCAs and neglect the financial and economic aspects. He urged the Government to give assurance that it would (a) seek inputs from relevant bureaux/departments, especially on the financial aspect of the SCAs; (b) seek expert advice from academics that did not have a conflict of interest on the matter of SCAs; and (c) review and rationalize the manpower deployment for energy policy matters.

17. DSE responded that the Government had provided in the supplementary paper (LC Paper No. ESC44/15-16(01)) information on the manpower deployment for the SCAs negotiation in the early 1990s. At that time, the energy portfolio was under the then ESB while the then Planning, Environment and Lands Branch was responsible for environmental policies relating to energy matters. In the then ESB, negotiation on SCAs was mainly handled by a team headed by a Treasury grade officer at the D2 level with policy input from a team headed by an AOSGC officer. The then arrangement was considered appropriate likely because the improvements made to the SCAs in the 1990s were on the financial and accounting aspects. Currently, the ongoing financial monitoring of the power companies was undertaken by FMD in ENB. PSE pointed out that the new SCAs would be drafted having regard to the outcome of the public consultation on the future development of the electricity market, and the possible areas of changes to the SCAs had been set out in EC(2015-16)11. She stressed that PAS(ER) would coordinate inputs from various parties, including other Government bureaux/departments and external experts, where necessary.

18. In response to the enquiry by Mr CHAN Chi-chuen on the deployment of a directorate officer on attachment to ENB for overseeing energy-related matters when the Bureau was established in July 2007, DSE explained that under the established practices, attachment programmes were arranged for senior civil servants to work in different Government bureaux/departments on a time-limited basis with a view to widening their exposure. He clarified that the incumbent PAS(ER) was not on attachment to ENB.

Opening of the local electricity market

19. Mr WU Chi-wai, Mr LEUNG Yiu-chung, Mr Alan LEONG, and Mr LEUNG Kwok-hung noted from paragraph 5(d) of EC(2015-16)11 that the Administration planned to set out a requirement in the new SCAs for the two power companies to participate in a joint study on interconnection between the power grids of Hong Kong and the Mainland. They remarked that there was strong public opposition to purchasing electricity from the Mainland power grids, and expressed concern about the two companies having a conflict of

interest in the study. They sought information on (a) the Administration's policy direction in respect of market opening and the relevant timetable; (b) the role of the two proposed posts in the joint study and their capability in undertaking duties relating to market opening; (c) whether the Administration would consider conducting the study on its own to prevent conflict of interest of the two power companies; (d) the estimated cost in pursuing interconnection with the Mainland power grids and the relevant financial arrangements; and (e) the requisite conditions and major challenges for achieving interconnection.

20. DSE responded that the issue of purchasing electricity from the Mainland power grids had been discussed during the public consultation on the future fuel mix for electricity generation as one of the two options put forward for public consultation, and most respondents preferred local generation to importing electricity from the Mainland. However, there was a clear view that the Government should continue to study the issue to prepare for introducing new suppliers in the future when the requisite market conditions were present. Therefore, the Government intended to conduct a joint study on the issue with the power companies, and would seek to incorporate a framework for the joint study in the new SCAs. It was expected that the study could commence during the next regulatory period, in 2019 the earliest. The financial and technical arrangements for interconnection would be covered under the study, and PAS(ER), underpinned by the dedicated team and supported by FMD and ET in ENB, would work out the framework for the joint study. DSE emphasized that the study was for the long-term development of the electricity market. At present, the Government maintained an open mind on whether to purchase electricity from the Mainland power grids. As the study was expected to be complicated and last for some time, it was not envisaged that interconnection could be implemented within the next regulatory period. DSE pointed out that while the Government would formulate its views/policy regarding market opening independently, given that the local power grids were properties of the two power companies and were under their operation, inputs and cooperation from the power companies in the joint study would be necessary. As regards the challenges for achieving interconnection with the Mainland power grids, DSE said that these would include, inter alia, identification of suitable sites for the relevant infrastructure and back-up electricity generation arrangements to ensure supply reliability.

21. Mr LEUNG Kwok-hung opined that enhanced interconnection between the local power grids might help promote the development of distributed RE. Mr LEUNG and Mr WU Chi-wai asked whether the Administration would consider enhancing interconnection between the two power companies and funding the necessary capital investment. They further urged that the Administration should consider segregating electricity

generation from distribution in pursuing market opening.

22. DSE explained that enhancing interconnection between the two power companies would require, based on a rough estimate, capital investment of over \$10 billion to enhance the existing interconnection facilities. Given that the tariff differential between the two power companies was expected to narrow in future, there would be marginal benefits from enhancing local interconnection. As a result, the initiative might not achieve reduction in electricity tariffs. On the other hand, enhancing local interconnection would be necessary if it was decided that electricity be imported from the Mainland in future. As such, the matter would be further studied in the joint study. DSE added that grid access arrangements had already been made for distributed RE generators. The Government would endeavour to incorporate a mechanism in the new SCAs to improve the arrangements.

Fuel cost and fuel mix for electricity generation

23. Mr TAM Yiu-chung expressed support for the establishment proposal and urged that the Administration should strive to improve the terms in the new SCAs to meet public aspirations. Mr TAM and Mr SIN Chung-kai asked if there would be reduction in electricity tariffs in the light of the continuous fall in oil prices. DSE said that the falling oil prices would be conducive to tariff reduction in the coming few years. However, as oil prices were highly volatile, it would be difficult to predict the development in the long run. The Government would seek to improve the fuel cost arrangements in the new SCAs, including the arrangements in relation to the Fuel Clause Recovery Account, for the benefit of consumers.

24. Mr LEUNG Kwok-hung asked whether the Administration would consider formulating new energy policies to complement the Belt and Road Initiative, and requesting the power companies to import natural gas from countries along the Belt and Road. DSE responded that the Government aimed to maintain a diversified fuel mix for power generation. Currently, natural gas from Turkmenistan was being imported through the Second West-East Natural Gas Pipeline.

Voting on the item

25. The Chairman put EC(2015-16)11 to vote. At the request of Mr LEUNG Kwok-hung, the Chairman ordered a division and the division bell rang for five minutes. Twenty-eight members voted for and no member voted against the item. The Chairman declared that the Subcommittee agreed to recommend the item to the Finance Committee ("FC") for approval. The votes of individual members were as follows —

For

Mr James TO	Mr CHAN Kam-lam
Mr LEUNG Yiu-chung	Ms Emily LAU
Mr TAM Yiu-chung	Mr WONG Ting-kwong
Ms Starry LEE	Mr CHAN Hak-kan
Mr WONG Kwok-kin	Mr IP Kwok-him
Mr LEUNG Kwok-hung	Mr Albert CHAN
Mr NG Leung-sing	Mr Steven HO
Mr YIU Si-wing	Mr MA Fung-kwok
Mr Charles MOK	Mr CHAN Chi-chuen
Mr CHAN Han-pan	Dr Kenneth CHAN
Mr LEUNG Che-cheung	Mr SIN Chung-kai
Dr Elizabeth QUAT	Mr POON Siu-ping
Dr CHIANG Lai-wan	Ir Dr LO Wai-kwok
Mr CHUNG Kwok-pan	Mr Christopher CHUNG
(28 members)	

26. Mr LEUNG Kwok-hung requested separate voting for the item at the relevant FC meeting.

EC(2015-16)10 Proposed rationalisation of seven multi-disciplinary Chief Architect (D1) permanent posts to designated grade posts of three Chief Architect (D1) (single disciplinary), one Chief Building Services Engineer (D1), one Chief Maintenance Surveyor (D1), one Chief Quantity Surveyor (D1) and one Chief Structural Engineer (D1) in the Architectural Services Department with immediate effect upon approval of the Finance Committee to facilitate better utilisation of human resources and more effective staff planning in meeting operational needs

27. The Chairman remarked that the Administration's proposal was to create seven permanent directorate posts in the Architectural Services Department ("ArchSD"), including three single-disciplinary ("SD") Chief Architects ("CAs"), one Chief Building Services Engineer ("CBSE"), one Chief Maintenance Surveyor ("CMS"), one Chief Quantity Surveyor ("CQS") and one Chief Structural Engineer ("CSE"), and delete seven permanent multi-disciplinary ("MD") CA posts. She invited the Administration to brief members on the proposal.

28. Director of Architectural Services ("DArchS") said that the seven MD CA posts were created in 1986 and 1995 to undertake project management duties. At that time, the application of the project management

concept was relatively new to ArchSD, and hence experience in project management of the grades concerned was limited. The seven CA posts were therefore established as MD posts to facilitate filling by the most suitable candidates from the architect, engineering and surveying disciplines. Over the years, ArchSD had already built up a pool of candidates for project management duties at various levels and disciplines. ArchSD considered it an opportune time to convert the seven MD CA posts into designated grade posts to facilitate better utilization of human resources and more effective staff planning and training. The Government had briefed the Panel on Development on the proposal at the meeting on 26 May 2015. Panel members supported the proposal in general.

The rationale for converting the multi-disciplinary posts to designated grade posts

29. Ms Emily LAU asked how the proposal could improve the work efficiency of ArchSD. DArchS responded that under the existing mechanism, the parent grade of the incumbent of an MD post was required to reserve a vacancy to cater for the officer's return after a normal tour of three years. This arrangement might pose constraints to recruitment, promotion, staff planning and other aspects of human resources management. The present proposal could enhance the overall staff planning and development, and optimize the utilization of human resources in ArchSD. It could also provide clearer and more structured career paths for officers of various disciplines in ArchSD, facilitate professional development of officers in their respective disciplines and enhance their capability in project management.

30. Mr Albert CHAN and Mr LEUNG Kwok-hung expressed concern about the rationale for converting the seven MD CA posts to designated grade posts, and queried if the proposal was to settle long-existed conflicts among staff members of various professional grades in ArchSD. They were concerned that the proposal might reduce ArchSD's flexibility in deploying professional staff, and stressed the importance of deploying the most suitable candidates to fill the posts and ensure retention of experienced staff for the effective discharge of ArchSD's duties. Mr CHAN and Mr LEUNG enquired about the details of ArchSD's consultation on the proposal with the relevant staff unions and their views.

31. DArchS responded that the Departmental Consultative Committee ("DCC") and the staff unions of the professional grades concerned in ArchSD had been consulted on the establishment proposal. The staff members concerned were generally supportive of the proposal. On staff deployment and development, DArchS remarked that project management duties might be taken up by officers of all professional grades concerned. To nurture talents for project management duties in all disciplines, ArchSD had established the

Knowledge Management Portal and the ArchSD Academy to capture corporate knowledge for sharing among staff of the Department.

32. Mr Albert CHAN was concerned whether there would be sufficient candidates for filling the new posts, and whether the distribution of the seven new posts by disciplines, namely three CAs, one CBSE, one CMS, one CQS and one CSE, was commensurate with the establishment in the professional grades in ArchSD. In this connection, he sought information on the existing establishment of the professional grades concerned in ArchSD, and the rationale for the distribution of the new posts over the professional grades.

33. DArchS responded that ArchSD would ensure sufficient provision of professionals in the Department to discharge its duties. In drawing up the proposal, ArchSD had taken into account the establishment of various professional grades, past experience in filling the MD CA posts, and staffing complement and operational requirements of the Department. The existing establishment of the professional grades concerned in ArchSD was 138 architects, 144 engineers (comprising 66 BSEs and 78 SEs) and 156 surveyors (comprising 74 MSs and 82 QSs). Mr Albert CHAN commented that the establishment proposal was apparently more favourable to the architect grade.

34. At the request of Mr Albert CHAN, the Administration agreed to provide supplementary information on (a) the details of ArchSD's consultation on the establishment proposal with staff unions of various professional grades and DCC; (b) the major views received during the staff consultation, including the dissenting views; and (c) the follow-up actions taken to address the views received during the staff consultation.

[Post-meeting note: The supplementary information submitted by the Administration was circulated to members on 28 January 2016, vide LC Paper No. ESC51/15-16(01).]

The role of the Architectural Services Department in ensuring the safety of drinking water

35. Mr LEUNG Kwok-hung asked if ArchSD had any role in tackling the problem of excessive lead content in drinking water and preventing the use of substandard water pipes in buildings. DArchS responded that following the incidents of excessive lead content in drinking water, ArchSD had, together with the Education Bureau, inspected the water supply systems in schools. He added that BSEs in ArchSD were involved in the design of water supply systems in buildings.

36. There being no other business, the meeting ended at 10:27 am.

Council Business Division 1
Legislative Council Secretariat
3 March 2016