

立法會
Legislative Council

LC Paper No. FC241/16-17
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seen by the Administration)

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Finance Committee of the Legislative Council

Minutes of the 6th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 13 January 2017, at 5:25 pm

Members present:

Hon CHAN Kin-por, BBS, JP (Chairman)
Hon Michael TIEN Puk-sun, BBS, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon Abraham SHEK Lai-him, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Paul TSE Wai-chun, JP
Hon LEUNG Kwok-hung
Hon Claudia MO
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
Hon LEUNG Che-cheung, BBS, MH, JP
Dr Hon KWOK Ka-ki
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung

Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHU Hoi-dick
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Dr Hon Pierre CHAN
Hon CHAN Chun-ying
Hon CHEUNG Kwok-kwan, JP
Hon HUI Chi-fung
Hon LUK Chung-hung
Hon LAU Kwok-fan, MH
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon Nathan LAW Kwun-chung
Dr Hon YIU Chung-yim
Dr Hon LAU Siu-lai

Members absent:

Hon LEUNG Yiu-chung
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Frankie YICK Chi-ming, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Hon KWOK Wai-keung
Dr Hon Helena WONG Pik-wan
Hon POON Siu-ping, BBS, MH
Hon CHUNG Kwok-pan
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon Jimmy NG Wing-ka, JP
Hon YUNG Hoi-yan
Hon Tanya CHAN
Hon Kenneth LAU Ip-keung, MH, JP

[According to the Judgment of the Court of First Instance of the High Court on 14 July 2017, LEUNG Kwok-hung, Nathan LAW Kwun-chung, YIU Chung-yim and LAU Siu-lai have been disqualified from assuming the office of a member of the Legislative Council, and have vacated the same since 12 October 2016, and are not entitled to act as a member of the Legislative Council.]

Public officers attending:

Ms Elizabeth TSE Man-yee, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Carol YUEN, 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 Raymond TAM Chi-yuen, GBS, JP	Secretary for Constitutional and Mainland Affairs
Miss Rosanna LAW Shuk-pui, JP	Deputy Secretary for Constitutional and Mainland Affairs
Mr D C CHEUNG	Principal Assistant Secretary for Constitutional and Mainland Affairs

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
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Staff in attendance:

Mr Derek LO	Chief Council Secretary (1)5
Ms Ada LAU	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

Item No. 1—FCR(2016-17)80

HEAD 21—CHIEF EXECUTIVE'S OFFICE

HEAD 143—GOVERNMENT SECRETARIAT: CIVIL SERVICE BUREAU

HEAD 152—GOVERNMENT SECRETARIAT: COMMERCE AND ECONOMIC DEVELOPMENT BUREAU (COMMERCE, INDUSTRY AND TOURISM BRANCH)

HEAD 144—GOVERNMENT SECRETARIAT: CONSTITUTIONAL AND MAINLAND AFFAIRS BUREAU

HEAD 92—DEPARTMENT OF JUSTICE

HEAD 135—GOVERNMENT SECRETARIAT: INNOVATION AND TECHNOLOGY BUREAU

HEAD 138—GOVERNMENT SECRETARIAT: DEVELOPMENT BUREAU (PLANNING AND LANDS BRANCH)

HEAD 156—GOVERNMENT SECRETARIAT: EDUCATION BUREAU

HEAD 137—GOVERNMENT SECRETARIAT: ENVIRONMENT BUREAU

HEAD 147—GOVERNMENT SECRETARIAT: FINANCIAL SERVICES AND THE TREASURY BUREAU (THE TREASURY BRANCH)

HEAD 139—GOVERNMENT SECRETARIAT: FOOD AND HEALTH BUREAU (FOOD BRANCH)

HEAD 53—GOVERNMENT SECRETARIAT: HOME AFFAIRS BUREAU

HEAD 141—GOVERNMENT SECRETARIAT: LABOUR AND WELFARE BUREAU

HEAD 142—GOVERNMENT SECRETARIAT: OFFICES OF THE CHIEF SECRETARY FOR ADMINISTRATION AND THE FINANCIAL SECRETARY

HEAD 151—GOVERNMENT SECRETARIAT: SECURITY BUREAU

HEAD 158—GOVERNMENT SECRETARIAT: TRANSPORT AND HOUSING BUREAU (TRANSPORT BRANCH)

Subhead 000—Operational Expenses

Motion for the adjournment of further proceedings of the Finance Committee

The Finance Committee ("FC") continued with the debate on the motion for the adjournment of further proceedings ("the adjournment motion") proposed by Mr CHU Hoi-dick under paragraph 39 of the Finance Committee Procedure ("FCP").

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2. Mr SHIU Ka-chun, Mr CHAN Chi-chuen, Dr YIU Chung-yim, Mr Charles Peter MOK, Mr WU Chi-wai, Dr CHENG Chung-tai, Mr KWONG Chun-yu, Dr LAU Siu-lai, Mr James TO, Dr KWOK Ka-ki and Mr LAM Cheuk-ting spoke in support of the adjournment motion. Most of them considered that politically-appointed officials ("PAOs"), who had almost the highest remuneration among their counterparts in other parts of the world, did not worth a pay rise because the effectiveness of the Political Appointment System ("PAS") was questionable, the performance of some PAOs was poor and social problems had been worsening. Moreover, as there was neither urgency nor public support for this financial proposal, it might be re-submitted for FC's consideration after the governing team of the next Hong Kong Special Administrative Region Government ("HKSARG") had been finalized.

3. Mr SHIU Ka-chun, Mr CHAN Chi-chuen and Mr Charles Peter MOK expressed strong dissatisfaction with the Administration as it insisted on submitting this proposal to FC after it had failed to secure a majority support at the Panel on Constitutional Affairs. They considered its move as a strong disrespect for the established practice of the Legislative Council ("LegCo"). Dr YIU Chung-yim quoted the view of some economists, saying that government officials controlling policies were capable of pushing up inflation with their economic initiatives. Therefore, it was wrong for the Administration and the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the Hong Kong Special Administrative Region ("the Independent Commission") to link the adjustment mechanism for PAOs' remuneration with inflation. Dr Pierre CHAN commented on the performance of the Secretary for Food and Health but did not give a clear stance on whether he was in support of the adjournment motion.

4. Mr SHIU Ka-fai, Mr HO Kai-ming, Ms Starry LEE, Mr YIU Si-wing, Mr LUK Chung-hung, Mr CHAN Han-pan, Mr Steven HO, Mr Holden CHOW and Mr WONG Ting-kwong spoke against the adjournment motion. Although they shared the view that the performance of PAOs varied, they considered it necessary to make a moderate adjustment to PAOs' remuneration so as to prevent the remuneration for PAOs, which had remained unchanged for years, from being lower than that of the Permanent Secretaries. The adjustment would also facilitate the recruitment of talents by the Government. Mr YIU Si-wing suggested that the Administration should consider implementing the pay rise proposal in phases. Mr SHIU Ka-fai and Mr Steven HO highlighted the importance of "high salary for clean government". Mr Holden CHOW,

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Mr WONG Ting-kwong and Mr Steven HO pointed out that it was undesirable for PAOs to have their remuneration being adjusted based on individual performance as it would spoil the remuneration adjustment mechanism which had long been adopted by the Administration, causing its operation to lose consistency or even lapse into rule of man.

5. In response to the adjournment motion, Secretary for Constitutional and Mainland Affairs ("SCMA") said that it was the wish of the Administration that the meeting would continue so that he could answer members' questions as far as possible.

6. Mr CHU Hoi-dick made his concluding remarks about the motion. He said that the reason for him to propose the adjournment motion was not that individual PAOs had been underperforming or that the remuneration system for PAOs was not performance-based. Instead, it was because of the wide disparity between the pay rates for PAOs and the Government's outsourced workers. It was an institutional problem which must not be overlooked by the Administration.

7. The Chairman put the adjournment motion to vote. At the request of members, the Chairman ordered a division and the division bell was rung for five minutes. The Chairman declared that 19 members voted in favour of and 28 members voted against the motion. The votes of individual members were as follows —

For:

Mr James TO Kun-sun
Mr LEUNG Kwok-hung
Mr WU Chi-wai
Dr KWOK Ka-ki
Dr Fernando CHEUNG Chiu-hung
Mr CHU Hoi-dick
Mr SHIU Ka-chun
Mr KWONG Chun-yu
Mr Nathan LAW Kwun-chung
Dr LAU Siu-lai
(19 members)

Prof Joseph LEE Kok-long
Ms Claudia MO
Mr CHAN Chi-chuen
Mr Dennis KWOK Wing-hang
Mr Alvin YEUNG
Mr LAM Cheuk-ting
Dr CHENG Chung-tai
Mr Jeremy TAM Man-ho
Dr YIU Chung-yim

Against:

Mr Jeffrey LAM Kin-fung
Ms Starry LEE Wai-king
Dr Priscilla LEUNG Mei-fun
Mr Paul TSE Wai-chun
Mr Steven HO Chun-yin

Mr WONG Ting-kwong
Mr CHAN Hak-kan
Mr WONG Kwok-kin
Mr Michael TIEN Puk-sun
Mr YIU Si-wing

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Mr MA Fung-kwok
Mr LEUNG Che-cheung
Mr KWOK Wai-keung
Mr POON Siu-ping
Ir Dr LO Wai-kwok
Mr HO Kai-ming
Mr SHIU Ka-fai
Mr CHAN Chun-ying
Mr LUK Chung-hung
(28 members)

Mr CHAN Han-pan
Ms Alice MAK Mei-kuen
Dr Elizabeth QUAT
Dr CHIANG Lai-wan
Dr Junius HO Kwan-yiu
Mr Holden CHOW Ho-ding
Mr Wilson OR Chong-shing
Mr CHEUNG Kwok-kwan
Mr LAU Kwok-fan

8. The Chairman declared that the motion was negated.
9. FC continued with the deliberation on the item FCR(2016-17)80.

Performance of PAOs

10. Dr KWOK Ka-ki, Mr KWONG Chun-yu and Mr IP Kin-yuen criticized the performance of PAOs and objected to the current proposal for remuneration adjustment. Mr Nathan LAW made the criticism that PAS was completely ineffective as the appointment of PAOs was not backed by public support and the performance of PAOs after taking office was not subject to any evaluation by the Administration. Mr LAW urged the Administration again for the introduction of a "value-for-money" evaluation mechanism to PAS in the next term. He said that when the people were living in distress, the current submission by the Administration would only further antagonize the public. Mr LEUNG Kwok-hung opposed this remuneration proposal. In his view, as PAOs were not appointed by election, their performance would not be open to public scrutiny. If the competency of PAOs was not subject to any evaluation, the proposal for their remuneration adjustment should not be considered.

11. SCMA reiterated that the current remuneration adjustment proposal, which would come into effect on 1 July 2017, would not benefit PAOs serving in the current-term Government but concern only those in the next Government. He also repeated that the current HKSARG had adopted the recommendation made by Mr Andrew LI Kwok-nang, Chairman of the Independent Review Committee for the Prevention and Handling of Potential Conflicts of Interests and the former Chief Justice of the Court of Final Appeal, in the Report of the Independent Review Committee for the Prevention and Handling of Potential Conflicts of Interests that depending on the circumstances, the Chief Executive ("CE") after due process would decide on whether sanctions, including warning, public reprimand, suspension or dismissal, should be imposed on PAOs.

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12. Ms Starry LEE enquired about the comments of serving senior civil servants on the current remuneration system for PAOs. Permanent Secretary for Financial Services and the Treasury (Treasury) ("PS/FST(T)") said that from the perspective of institutional justice, the mechanism proposed by the Government to LegCo for making annual adjustment to PAOs' remuneration was same as that it had adopted for adjusting the pay/remuneration for civil servants/LegCo Members annually. Members should probably apply the same standard when considering the current proposal.

13. Dr Fernando CHEUNG disagreed with the view of PS/FST(T). He said that in a society with rising inequality of wealth and income, PAOs earned 33 times more than the lowest-paid Government's outsourced workers and yet the Administration requested an adjustment to PAOs' remuneration on the pretext of inflation. This request in itself was undesirable, let alone whether it had anything to do with justice. Dr CHEUNG strongly disagreed with the view of some pro-establishment members that the remuneration mechanism of PAOs should not be performance-based. He remarked that PAOs were well-paid but had never been held accountable for their poor performance. By contrast, civil servants were subject to regular performance appraisal conducted by their supervisors and LegCo Members had to go through elections to win their seats. In his view, while members of the public had no say in the appointment and removal of PAOs, the remuneration rates for PAOs should serve as an indicator to reflect their individual performance.

Attracting talents

14. Mr IP Kin-yuen queried whether the competency of the current-term PAOs had any relevance to the fact that their remuneration had fallen behind the prevailing market rate after years of pay freeze. Mr IP pointed out that lack of review for PAS was the reason why the public and some of the members felt bad about this proposal.

15. Ms Starry LEE said that if the proposed adjustment mechanism was not approved by LegCo, high calibre talents in the civil service might not consider joining as PAOs.

16. Ms Claudia MO considered that for talents who were aspired to serve as PAOs, they would not be discouraged by a slight difference of about tens of thousands of dollars in their remuneration. She questioned whether the review of the PAOs' remuneration system was originally part of the re-election campaign of CE.

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17. SCMA responded that as he was not the Director of the CE's Office of the current-term HKSARG, he had not participated in the formation of the governing team. However, he did not think there was any direct correlation between the performance of the current-term PAOs and their pay level, regardless of whether they were close to the market rate. He stressed that the proposed adjustment sought to offset the effect of inflation so that the purchasing power of PAOs' remuneration would not ratchet down and could hence be maintained at the level in 2002 when PAS was introduced. It was the established practice for the Administration to review the remuneration for PAOs about one year before the term of the sitting Government came to an end. Given that the term of office of the current HKSARG would end in June 2017, the Independent Commission conducted the aforesaid review in 2016 and submitted its recommendations for the consideration of HKSARG. With the consent of the CE-in-Council, the Administration submitted its proposals to LegCo for consideration.

18. At 7:17 pm, Mr WONG Ting-kwong pointed out to the Chairman that Ms Claudia MO might have violated the Rules of Procedure when giving her speech as she alleged Ms Starry LEE of "shoe-shining" in the delivery of speech. Ms Starry LEE considered Ms MO as speculating on her motive for making the speech. The Chairman directed Ms MO not to make further allegations of "shoe-shining".

Compensation for the erosion of purchasing power caused by inflation

19. Dr YIU Chung-yim repeated his view in the adjournment debate that government officials who were in control of policies were capable of exerting influence over inflation. He said that the idea of linking the remuneration for PAOs with inflation as suggested by the Administration was wrong. He requested the Administration to relay his view to the Independent Commission.

20. SCMA responded that as the Administration was required to seek LegCo's approval before investing in any infrastructure, there was no way that government officials responsible for policy formulation could have pushed up inflation by launching major projects. However, he undertook to relay the view of Dr YIU Chung-yim to the relevant professionals in the Administration.

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21. Dr Junius HO enquired whether the proposed rate of increase was equivalent to the cumulative increase in inflation since 2002. Noting that PAOs took a pay cut in October 2002, with the remuneration for Directors of Bureau ("DoBs") being reduced from \$311,900 to \$298,115, and did not receive any compensation in the following years, Dr HO asked the Administration if his understanding was correct; if so, it was not only that the remuneration for PAOs had failed to catch up with inflation over the years, the monthly remuneration for DoBs was actually lower than that originally proposed before October 2002 by more than \$10,000. He therefore considered the proposed adjustment as reasonable and necessary.

22. SCMA explained that the proposed increase sought to compensate for the erosion of purchasing power resulting from the cumulative inflation between 2012 and 2016 and had not factored in the cumulative inflation from 2002 to 2012. He said that when the Administration submitted the remuneration package for PAOs to the LegCo FC for approval in 2002, it proposed that the remuneration for DoBs be set at the level of \$311,900. In its submission to FC at that time, the Administration also proposed the cash remuneration for DoBs be adjusted in accordance with the reduction in civil service pay if implemented. The aforesaid proposal was approved by LegCo FC in June 2002.

23. Later on, as civil servants in the upper salary band took a pay cut in October 2002, the cash remuneration for DoBs was adjusted accordingly. The remuneration for DoBs, as approved by FC, was adjusted downward to \$298,115 per month with effect from October 2002. In the period between 2003 and 2009, CE and PAOs took two voluntary pay cuts. DoBs' remuneration was later restored to the level approved by LegCo FC in 2002 (i.e. \$298,115) but, as stated by Dr HO, the difference between \$311,900 and \$298,115 had never been paid back.

Independent Commission

24. Dr KWOK Ka-ki was dissatisfied that the Administration had not paid regard for the view of some 20 members and insisted on placing the financial proposal on PAO's remuneration above agenda items concerning people's livelihood. In the view of Dr KWOK, if PAS was effective and the remuneration for PAOs was set at a reasonable level when the System was first established in 2002, it would be justified for the Independent Commission to put forth its recommendations on remuneration adjustment. Dr KWOK, however, pointed out that PAS was completely ineffective as most of the PAOs were of poor performance but free from punishment; their remuneration rates also did not take in the factor of "value-for-money". Furthermore, he considered it extremely

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inappropriate for the Administration to draw reference from the remuneration rates of senior executives of private companies when it first established PAS as private companies would not tolerate senior executives to perform badly for years. Dr KWOK enquired whether the effectiveness of PAS and the performance of PAOs had ever been considered by the Independent Commission when it reviewed the remuneration package for PAOs and prepared relevant reports and recommendations in the past.

25. SCMA agreed to provide for FC's information the previous reports released by the Independent Commission regarding the remuneration package for PAOs. He clarified that when the Administration determined the remuneration rates for PAOs in 2002, as a matter of fact, the design of the remuneration package had not been modelled on the remuneration mechanism of senior executives of private companies. Instead, the total cost for DoBs under the accountability system was capped at the level of the average cost of the incumbent substantive civil servants at DoB rank (D8). This proposal was approved by the then LegCo. In the absence of an inflation adjustment mechanism for making annual adjustment to PAOs' remuneration, the real value of PAOs' remuneration had dropped significantly by more than 30% between 2002 and 2016 as a result of inflation. The current adjustment proposal sought to, among others, compensate part of the eroded purchasing power.

[Post-meeting note: The supplementary information provided by the Administration was circulated to members vide LC Paper No. FC29/16-17 on 24 January 2017.]

26. Mr Nathan LAW said that as the Independent Commission had not taken the performance of PAOs and the effectiveness of PAS as factors of consideration and none of its members were economists, it wrongly used inflation as a benchmark in the adjustment of PAOs' remuneration, making the mistake stated by Dr YIU Chung-yim earlier on. He urged the Administration for rectification. SCMA advised that the Administration considered it appropriate for the Independent Commission to use the change in Consumer Price Index (C) as a benchmark as it was objective and transparent, without involving any subjective factors which could be manipulated.

27. Dr Junius HO enquired whether the methodology adopted by the Independent Commission and its recommendations had been queried or refuted by proof before. SCMA replied in the negative.

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28. The meeting was ended at 7:26 pm.

Legislative Council Secretariat
20 July 2017