

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 36th meeting
held at Conference Room 1 of the Legislative Council Complex
on Monday, 16 July 2018, at 9:01 am

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, 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 Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, 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
Hon CHAN Han-pan, BBS, JP
Hon LEUNG Che-cheung, SBS, MH, JP

Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP
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, BBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, SBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, JP
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
Hon YUNG Hoi-yan
Dr Hon Pierre CHAN
Hon Tanya CHAN
Hon CHEUNG Kwok-kwan, JP
Hon LUK Chung-hung, JP
Hon LAU Kwok-fan, MH
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon Gary FAN Kwok-wai
Hon AU Nok-hin
Hon Vincent CHENG Wing-shun, MH
Hon Tony TSE Wai-chuen, BBS

Members absent:

Hon Michael TIEN Puk-sun, BBS, JP (Deputy Chairman)
Prof Hon Joseph LEE Kok-long, SBS, JP
Dr Hon Helena WONG Pik-wan
Hon CHUNG Kwok-pan
Hon CHAN Chun-ying, JP
Hon HUI Chi-fung
Hon Kenneth LAU Ip-keung, BBS, MH, JP

Public officers attending:

Ms Alice LAU Yim, 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 Mike CHENG Wai-man	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr HON Chi-keung, JP	Permanent Secretary for Development (Works)
Miss Joey LAM Kam-ping, JP	Deputy Secretary for Development (Works)1
Mr Dominic CHOW Wing-hang	Principal Assistant Secretary for Development (Works) 1
Mr Vitus NG	Principal Assistant Secretary for Development (Works) 3
Mr Jacky WU Kwok-yuen	Principal Assistant Secretary for Development (Works) 5
Mr John KWONG Ka-sing	Head of Project Cost Management Office, Development Bureau
Mr Joshua LAW Chi-kong, GBS, JP	Secretary for the Civil Service
Mr Thomas CHOW Tat-ming, JP	Permanent Secretary for the Civil Service
Mr Benjamin MOK Kwan-yu	Acting Deputy Secretary for the Civil Service (2)

Other person attending:

Mr Albert CHENG Ting-ning	Executive Director of the Construction Industry Council
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Clerk in attendance:

Ms Anita SIT

Assistant Secretary General 1

Staff in attendance:

Ms Ada LAU

Senior Council Secretary (1)7

Mr Raymond SZETO

Council Secretary (1)5

Miss Queenie LAM

Senior Legislative Assistant (1)2

Mr Frankie WOO

Senior Legislative Assistant (1)3

Ms Michelle NIEN

Legislative Assistant (1)5

Action

The Chairman said that at the meeting of the Finance Committee ("FC") held on 13 July 2018, FC completed its deliberations on two items on the agenda (i.e. agenda for FC meetings on 13, 16, 17 and 18 July 2018). FC would continue to deal with the remaining 21 items on the agenda at today's meeting.

2. The Chairman reminded members of the requirements under Rule 83A and Rule 84 of the Rules of Procedure.

Item 3 — FCR(2018-19)39
HEAD 159 — GOVERNMENT SECRETARIAT :
DEVELOPMENT BUREAU (WORKS BRANCH)
Subhead 700 — General non-recurrent
New Item — "Construction Innovation and Technology Fund"

3. The Chairman remarked that this item invited FC members to approve a new non-recurrent commitment of \$1 billion under Head 159 Government Secretariat: Development Bureau (Works Branch), Subhead 700 General non-recurrent, for the establishment of the Construction Innovation and Technology Fund.

4. The Chairman said that the Development Bureau had consulted the Panel on Development on 29 May 2018 on the proposal.

5. Mr Gary FAN queried why a central fund was not established to cater for the innovation and technology development of various industries such as logistics, retail, and food and beverage, and instead a specific fund

was proposed for innovation and technology development in the construction industry. While pointing out that a research fund was already in place under the Construction Industry Council ("CIC") for the enhancement of productivity, worksite safety and the sustainable development of the construction industry, Mr FAN asked why the existing mechanism was not utilized for funding innovation and technology development in the construction industry.

6. The Permanent Secretary for Development (Works) ("PS(W)") responded that as far as innovation and technology were concerned, the construction industry fell far behind other industries by international standard, and the situation in Hong Kong was even more severe. Given that the construction industry still relied heavily on labour-intensive working methods; and that the development of innovation and technology in the construction industry would help enhance the productivity and performance of the industry, and hence Hong Kong's competitiveness in the world, the establishment of a specific fund for the industry was essential. While the existing fund under CIC focused on research and development, the proposed fund would encourage wider adoption of technology, and uplift the capability of practitioners in harnessing innovation and technology in the construction industry. In comparison with the annual expenditure of \$250 billion in the construction industry, the provision of \$1 billion for the proposed fund over a span of five years was relatively small.

7. Mr YIU Si-wing opined that apart from catering for the development of new technologies, the fund should also cover the introduction into Hong Kong of technologies already developed in other countries for the construction industry. Mr YIU asked, in view of recent incidents relating to the construction of railway projects and the West Kowloon development, whether the fund would cater for the development of new construction supervision devices and technologies.

8. In reply, PS(W) stressed that the proposed fund would cover the use of advanced construction technology in Hong Kong which had already been adopted in other economies. While pointing out that the Government had set up a special committee to look into the recent construction incidents, PS(W) said that the construction industry was encouraged to use more prefabricated components prepared off-site, which would facilitate quality monitoring and checking.

9. In reply to Mr CHAN Chi-chuen's enquiry as to whether only the interest of the fund would be used to finance the innovation and technology

proposals, PS(W) said that the proposed amount of \$1 billion would be used directly.

10. While pointing out that every year the Government's construction projects amounted to about one-third of the total construction costs in Hong Kong, Mr CHAN Chi-chuen asked whether contractors utilizing new construction technologies would be given priority over other companies for bidding Government projects. Mr CHAN further enquired, with the introduction of the proposed fund, whether the Government would benefit from lower tender prices for construction of Government projects.

11. In response, PS(W) said that the Government had already introduced a number of pilot projects where the contractors were required to use specific advanced construction technology or prefabricated components with a view to reducing the construction costs. PS(W) added that the Government would not arbitrarily restrict the tender price for individual construction projects. PS(W) stressed that the proposed fund aimed to enhance the innovation and technology capabilities of the construction industry as a whole, so as to boost productivity, uplift quality, and improve site safety and environmental performance of construction works, which would also contribute to cost savings. PS(W) said that a Steering Committee of the fund chaired by PS(W) would monitor the performance of fund in the above aspects.

12. While expressing support for the introduction of the fund, Mr Tony TSE enquired about the time frame for implementation of the proposed funding scheme. Mr TSE said that the Government should expedite the implementation of the scheme as the small- and medium-sized construction companies were anxious to apply for the fund to enhance their companies' construction technology capabilities.

13. PS(W) responded that the fund would be implemented as soon as possible. However, some lead time was required for setting up a Steering Committee, which would be chaired by PS(W) and consisted of representatives from the construction industry and tertiary institutions as members, to oversee the implementation of the fund. The Executive Director of CIC supplemented that CIC had already taken steps to prepare for implementation of the fund. These included the recruitment of supporting staff and engagement of a contractor to set up an electronic platform to receive, assess, approve and monitor applications for the fund. Promotion pamphlets for the fund detailing the application procedures were being prepared and introductory sessions for the fund would be organized for the construction industry. The fund was expected to be rolled out by the end of 2018.

14. Mr WU Chi-wai was concerned that the building technologies promoted under the scheme had already been used in some foreign countries. Mr WU enquired why the construction industry did not take the initiative to adopt the new building technologies and the Government needed to introduce the scheme to promote the use of the technologies in Hong Kong. Mr WU doubted whether the Government's existing tendering system was conducive to promoting the use of new building technologies. While pointing out that the proposed scheme would encourage construction companies to use pre-fabricated components for buildings, Mr WU asked at what stage of a building project could a building company apply for funding the work process, and how the funding would be calculated. Mr WU was concerned that the plot ratio of a building project could be relaxed in the event that a construction company would make use of the Modular Integration Construction ("MiC") system. Mr WU opined that in the case of relaxation of the plot ratio for building projects, the relevant Panel(s) and/or FC of the Legislative Council should be briefed on the procedures and arrangements.

15. In response, PS(W) said that the Hong Kong construction industry principally relied on labour-intensive construction methods, mainly because there was a readily available construction work-force in Hong Kong, with the number of construction workers amounting to over 300 000. The construction companies handled the works projects on a one-off basis, and hence lacked the incentive to enhance their construction technologies. In view of the dwindling and aging workforce (the average age of skilled construction workers at 52 and about 40% of them were over 55 years old) and the reluctance of young people to join the construction industry, the proposed fund was needed to promote advanced construction technologies in Hong Kong to enhance productivity and sustainable development.

16. Mr WU Chi-wai reiterated that he had reservation on relaxing the plot ratio of building projects if the construction companies concerned adopted innovative building technologies in the projects, as the arrangement would only benefit the developers. Mr WU opined that the assessment criteria for tenders of Government building projects could accord higher priority to companies using innovative building technologies.

17. In response, PS(W) explained that the relaxation of plot ratio for building projects was proposed to compensate for the additional Gross Floor Area taken up when using MiC technology. PS(W) pointed out that Government encouraged the use of innovative and advanced technologies through contractual means, e.g. by mandating construction projects exceeding \$30 million to use Building Information Modelling ("BIM").

18. While supporting the introduction of the proposed fund, Dr Elizabeth QUAT enquired whether the Government had drawn up a timetable for development of innovation and technologies in the construction industry, and for development of the required skilled workers. Dr QUAT opined that in the absence of a development timetable, the effects of the proposed fund might vanish after completion of the scheme. Dr QUAT remarked that the Government should take the lead to promote innovation and introduce new technologies in its construction projects.

19. In reply, PS(W) said that the proposed fund was the first step taken by the Government to promote innovation and technology, enhance professionalism and attract more young people to join the industry. Although the Government did not, at this stage, have a concrete timetable for development of innovation and technologies in the construction industry, it had drawn up a blueprint for this purpose already.

20. Mr CHU Hoi-dick remarked that recent incidents relating to the construction of railway lines and the M+ projects in the West Kowloon Cultural District showed that some large construction companies were unscrupulous and irresponsible. Mr CHU opined that given the enormous profits made by the large construction companies, the construction industry instead of the government should be responsible for funding the development of innovation and technologies in the industry. The Government should promote the use of new building technologies through tender requirements in awarding contracts for Government building projects. Mr CHU asked about the amount of profits made by construction companies out of the annual construction costs of about \$250 billion to \$300 billion in Hong Kong. Dr KWOK Ka-ki echoed Mr CHU's views.

21. In reply, PS(W) remarked that isolated incidents should not be taken as reflecting the overall situation of the construction industry in Hong Kong. The profit and loss statements of individual construction companies were shown in their annual company reports. PS(W) stressed the importance of the construction industry to Hong Kong as it constituted about 5.2% of the Gross Domestic Product of Hong Kong. The enhancement of innovation and technology in the construction industry would help boost Hong Kong's competitiveness and improve the standard of living of Hong Kong people. PS(W) pointed out that the proposed fund aimed to assist different construction companies. Some 8 000 companies would benefit, most of which were small and medium-sized construction contractors, subcontractors and consultants.

22. Mr CHAN Han-pan opined that devices and technologies developed locally should be given priority in granting of fund. Detailed information on the application procedures should be well publicized and the procedures for processing the applications should not be too complicated. Mr CHAN asked whether any limit of fund was set for subsidizing each individual type of technology, and when applicants could file their applications. Mr KWONG Chun-yu echoed Mr CHAN's views and opined that the funding scheme should be implemented as soon as possible in order to enhance the competitiveness of the construction industry.

23. PS(W) responded that the Steering Committee for the fund would consider whether additional incentives should be provided to the use of locally developed innovation and technology products. Funding ceilings would be set so as to allow as many applicants as possible to benefit from the fund. A list of pre-approved technologies, such as BIM software, would be compiled to facilitate expeditious processing of applications. The Government aimed to launch the fund by the end of 2018.

24. Dr Fernando CHEUNG was concerned that with the promotion of MiC, part of the construction process would be undertaken overseas or in the Mainland which would result in loss of jobs for local construction workers. Dr CHEUNG opined that the need to employ an intermediary to accredit the MiC process would not necessarily lead to reduction in construction costs.

25. In reply, PS(W) said that although over 300 000 workers were working in the construction industry, there was still a shortage of 5 000 to 10 000 workers to meet the requirements of construction projects. With the increase in construction volume and the dwindling workforce, plus the reluctance of many young people to join the construction industry, there would still be a shortfall of construction workers after the application of technologies like BIM and MiC in Hong Kong. Countries like the United Kingdom had adopted the MiC for some years and did not have problems using MiC parts produced by the Mainland.

26. Mr James TO doubted the need of introducing the funding scheme. Mr TO opined that if the technologies like BIM and MiC were cost-effective for construction projects, the multi-national construction companies would have already applied the technologies in their Hong Kong projects, without waiting for the incentive of providing a relatively small fund to promote the use of the technologies.

27. In response, PS(W) remarked that the fund aimed to benefit the construction industry as a whole in Hong Kong, in face of the anticipated

serious shrinkage of manpower in the construction industry. Apart from the score of sizable multi-national construction companies, there were over 1 000 small and medium-sized contractors in Hong Kong, and nearly 5 900 sub-contractors and several hundred consultant companies in the construction industry, which could benefit from the fund. The construction companies in Hong Kong, including multi-national companies, still principally adopted a labour-intensive working model.

28. Ir Dr LO Wai-kwok strongly supported the establishment of the fund to promote the use of innovative technologies in the construction industry, especially for the small and medium-sized construction companies and provision of research and training support for the construction industry. Ir Dr LO said that pre-fabricated components was already adopted in building some public housing blocks and some local enterprises and tertiary institutions were already involved in developing new technologies for the construction industry. Ir Dr LO opined that the Government should consider providing tax concessions to encourage companies to develop innovative construction technologies in Hong Kong.

29. Mr AU Nok-hin enquired whether a ceiling would be set, and the amount of such a ceiling, for granting of fund to individual companies and/or applicants, so as to ensure that different companies/parties in the construction industry would benefit from the fund. Mr CHU Hoi-dick echoed Mr AU's view and said that if the funding ceiling for individual companies/applicants was known, it would be possible to assess whether the proposed provision of \$1 billion could meet the requirements of nearly 8 000 companies in the construction industry and the tertiary institutions.

30. In reply, PS(W) said that the intention was to allow as many construction companies as possible to benefit from the fund. The Steering Committee for the fund, which had yet to be formed, would decide on the ceiling of fund to be granted to individual companies, and adjust such a ceiling taking into account the efficacy of the fund.

31. In response to Mr CHU Hoi-dick and Mr SHIU Ka-chun's enquiry as to why the Steering Committee would not include representatives from the construction trade unions, PS(W) said that the Steering Committee would comprise, among others, representatives of CIC which represented the industry as a whole. The Government would consider how best to involve construction workers trade unions in implementing the fund.

32. Mr CHAN Chi-chuen queried how the funding scheme for promotion of innovation and technology could help improve the image of

the construction industry and attract more young people to join the industry.

33. In reply, PS(W) said that generally construction work gave an image that the jobs involved hard work and sometimes were dangerous. The promotion of innovation and modern technology in the construction industry would help to enhance the image of the industry and attract more young people joining the industry, especially when the average age of skilled construction workers was above 50 and there was a manpower shrinkage in the workforce.

34. Dr KWOK Ka-ki enquired how the funding scheme would help improve the productivity of the construction industry. Given the recent incidents relating to the construction of railway lines, Dr KWOK opined that the funding scheme should also promote the use of information technology ("IT") systems to more effectively monitor the quality and progress of construction projects. Mr CHAN Chi-chuen and Mr KWONG Chun-yu shared Dr KWOK's view.

35. PS(W) responded that the fund was aimed at promoting the use of innovative and advanced technology in the construction industry, including MiC for undertaking part of the construction works outside the construction sites, which would help enhance the productivity of construction works. The Government would aim to encourage the construction industry to make use of IT systems to record and monitor details of construction works so as to ensure the quality and timely completion of construction projects. The proposed fund, however, mainly concerned with enhancement of innovation and technology in construction works, although it would indirectly improve the monitoring arrangements when certain building components were prepared in factories rather than the construction sites, which would facilitate control of the quality of building works and products.

36. Mr CHAN Chi-chuen asked whether the Government had set up any fund to encourage development of technologies for effective monitoring of construction works.

37. The Deputy Secretary for Development (Works)1 ("DS(W)1") replied that the Innovation and Technology Bureau had set up a number of funds for research and development, which were open for application by the construction industry.

38. In reply to Mr CHAN Chi-chuen's enquiry as to whether construction companies with poor performance records would be

considered for funding, PS(W) remarked that construction companies which met the eligibility criteria would be allowed to apply for the fund.

39. Mr SHIU Ka-chun opined that in cultivating a culture of using innovative technologies in the construction industry, the attitude of fundamental and frontline workers should also be changed. Mr SHIU added that the innovative technologies promoted should also take care of occupational safety and health for the construction workers.

40. In response, PS(W) said that one of the objectives of the fund was to enhance local construction workers' awareness of the innovative and advanced technologies being practised in construction industries, and hence change the existing culture in the local construction industry of over-reliability on manual building methods. The trade unions would take the lead in manpower development in the construction industry with a view to enabling the workers to understand and/or master the advanced building technology. With the promotion of MiC, more building processes would be undertaken outside rather than on the construction sites which would help improve occupational safety of the construction workers.

41. Mr LAU Kwok-fan opined that apart from enhancing the innovation and technology of the construction industry, it was imperative to streamline the calibration procedures for building materials and processes, so as to enhance the productivity of the industry.

42. In response, PS(W) said that the calibration process for building materials and work procedures was of paramount importance in construction projects, in order to ensure the quality and traceability of the building works. The Civil Engineering and Development Department was looking into ways to streamline the calibration and checking processes for the construction industry, including the possibility of establishing a central calibration and accreditation authority and/or laboratory.

43. In response to Mr SHIU Ka-chun's query as to whether the advanced technology covered by the fund had already been used by the construction industry for some time, PS(W) confirmed that the advanced technology to be supported by the fund, such as BIM and MiC had not been utilized by the local construction industry before.

44. Dr Fernando CHEUNG expressed concern that the introduction of innovative technologies to the construction industry might lead to loss of vacancies, and drainage of capital as part of the construction process would be undertaken outside Hong Kong.

45. In reply, PS(W) stressed that the purpose of the fund was to promote the innovation and technology of the construction industry, which would help enhance the productivity, quality, safety and environmental protection of the industry. PS(W) pointed out that it would take time for the local construction industry to adopt and utilize the advanced technology such as MiC. Facing the challenge of an aging workforce, it was necessary to attract more young people, through the introduction of advanced technology, to join the construction industry. The provision of more land in Hong Kong for development of MiC would also help the construction industry in adopting innovative technology.

Manpower development

46. Noting that the proposed fund would be partly used to finance construction staff and students to enrol in short courses and/or undertake overseas visits to study and observe new construction technologies developed in other countries, Mr Holden CHOW enquired how the Government could ensure that the new technology learned from overseas would be applied in Hong Kong.

47. In reply, PS(W) remarked that about 80% of the fund would be used to directly subsidize the construction industry in adopting innovative construction technology and about 20% of the fund would be utilized to finance construction practitioners and tertiary students to undertake local and non-local studies and visits on advanced construction technology. The funding on studies/visits outside Hong Kong aimed to widen the vision and enhance the perception of local practitioners in the construction industry regarding the use of advanced construction technology. Construction practitioners and students would be required to submit reports on their studies/visits, in particular on the possible application of the advanced technology in Hong Kong.

48. Noting that subsidies would be provided for students and workers in the construction industry to attend overseas courses on innovation and technologies in construction works, Mr AU Nok-hin enquired whether the Government and the CIC would target at developing certain types of technologies in Hong Kong. Mr AU also enquired about the estimated number of recipients of the subsidies from the proposed fund, including the number of existing construction workers receiving re-training. Mr LUK Chung-hung expressed concerns about the training needs and job security of senior construction workers upon the introduction of new construction technologies.

49. In reply, PS(W) said that the fund aimed at subsidizing tertiary students and practitioners in the construction industry to attend non-local short courses to learn about the use of advanced building technology in advanced countries such as Germany and the United Kingdom, with a view to widening the exposure and perspectives of local construction students and workers. PS(W) reiterated that about 20% of the fund would be used for manpower development, including training of existing construction workers, and details would be worked out by the Steering Committee of the fund.

50. While supporting the proposed fund to enhance the innovation and technologies of the construction industry, Mr Martin LIAO was concerned whether the employers were willing to release their employees to attend overseas training courses in view of the tight manpower situation in the construction industry.

51. PS(W) remarked that about 20% of the fund would be used for development of manpower resources for building their capability in adopting technology. Undergraduates in tertiary institutions undertaking related studies were eligible for subsidies under the fund. Out of the over 300 000 practitioners in the construction industry, they should be able to attend the courses on innovation and technology in the construction industry via various kinds of empowerment programmes, including both non-local courses and local courses. Tertiary institutions and professional institutions might cooperate with non-local institutions, and invite their experts to provide relevant courses and/or workshops in Hong Kong to benefit more local students and workers. The Government would promote the fund through trade unions, companies and tertiary institutions.

52. In reply to Mr CHAN Chi-chuen's enquiry about the arrangements for non-local study visits, DS(W)1 said that CIC would from time to time organize non-local study visits and invite representatives of construction companies and tertiary institutions to join. The participants were responsible for travelling and accommodation expenses whereas the training fees and logistical expenses would be covered by the fund. Professional organizations of built discipline would also be encouraged to make use of the fund to organize non-local study visits for the construction industry.

Scrutiny arrangement for this item

53. At 10:54 am, the Chairman remarked that members had been discussing this item for almost two hours. On that basis, he directed that

the discussion be concluded and this item be put to vote after all members currently on the wait-to-speak list had spoken.

Motion proposed by a member under paragraph 37A of the Finance Committee Procedure

54. At 11:17 am, FC voted on whether [a motion](#) proposed by Mr AU Nok-hin under paragraph 37A of the Finance Committee Procedure should be proceeded with forthwith. At the request of members, the Chairman ordered a division. The Chairman declared that the question on proceeding with the motion forthwith was negatived.

Voting on FCR(2018-19)39

55. There being no further questions from members, the Chairman put item FCR(2018-19)39 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 35 members voted in favour of and 7 members voted against the item. Two members abstained from voting. The votes of individual members were as follows:

For:

Mr Abraham SHEK Lai-him	Mr WONG Ting-kwong
Ms Starry LEE Wai-king	Mr CHAN Hak-kan
Dr Priscilla LEUNG Mei-fun	Mr Steven HO Chun-yin
Mr Frankie YICK Chi-ming	Mr WU Chi-wai
Mr YIU Si-wing	Mr MA Fung-kwok
Mr Charles Peter MOK	Mr CHAN Han-pan
Mr LEUNG Che-cheung	Mr Kenneth LEUNG
Ms Alice MAK Mei-kuen	Dr KWOK Ka-ki
Mr KWOK Wai-keung	Dr Elizabeth QUAT
Mr Martin LIAO Cheung-kong	Mr POON Siu-ping
Ir Dr LO Wai-kwok	Mr Alvin YEUNG
Mr Andrew WAN Siu-kin	Dr Junius HO Kwan-yiu
Mr LAM Cheuk-ting	Mr Holden CHOW Ho-ding
Mr Wilson OR Chong-shing	Ms YUNG Hoi-yan
Dr Pierre CHAN	Ms Tanya CHAN
Mr LUK Chung-hung	Mr LAU Kwok-fan
Mr Jeremy TAM Man-ho	Mr Vincent CHENG Wing-shun
Mr Tony TSE Wai-chuen	
(35 members)	

Against:

Mr LEUNG Yiu-chung	Ms Claudia MO
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Mr CHAN Chi-chuen
Mr CHU Hoi-dick
Mr AU Nok-hin
(7 members)

Dr Fernando CHEUNG Chiu-hung
Dr CHENG Chung-tai

Abstained:

Mr SHIU Ka-chun
(2 members)

Mr Gary FAN Kwok-wai

56. The Chairman declared that the item was approved.

**Item 4 — FCR(2018-19)37
2018-19 CIVIL SERVICE PAY ADJUSTMENT**

57. The Chairman remarked that, this item invited FC members to approve:

- (A) with effect from 1 April 2018, the following adjustments to the civil service pay scales arising from the 2018-2019 civil service pay adjustment:
 - (a) an increase of 4.06% in the dollar value of the pay points in the directorate and upper salary band subject to the pay points referred to in (i) and (ii) below the dollar values of which should be as specified:
 - (i) Master Pay Scale (MPS) 34 at \$70,590; and
 - (ii) General Disciplined Services (Officer) Pay Scale (GDS(O)) 20 and Police Pay Scale (PPS) 36 at \$70,470, and GDS(O) 21 and PPS 37 at \$70,970; and
 - (b) an increase of 4.51% in the dollar value of the pay points in the middle and lower salary bands;
- (B) corresponding adjustments to the provisions for aided schools;
- (C) corresponding adjustments to the provisions for the Independent Commission Against Corruption ("ICAC"); and
- (D) corresponding adjustments to subventions which are

price-adjusted on the basis of formulae that include a factor on civil service pay adjustment.

58. Mr POON Siu-ping, the Chairman of the Panel on Public Service reported that at the meeting on 15 June 2018, the Panel on Public Service discussed the 2018-2019 civil service pay adjustment proposal. While members of the Panel generally supported the pay adjustment proposal, and noted that the proposed rate of pay increase for the lower salary band officers was raised to be on par with that for the middle salary band officers, some members were of the view that the arrangement of deducting the payroll cost of increments (“PCIs”) from the gross Pay Trend Indicators (“PTIs”) to derive the net PTIs was unfair to civil servants who were at the highest pay points of their respective ranks. Some members also pointed out that the staff side was concerned that the PCIs to be deducted would increase when more new recruits joined the civil service. In order to uphold the morale of civil servants, members of the Panel urged the Government to review the PCIs deduction arrangement. The Government responded that the arrangement had been implemented since 1989. In view that the gross PTIs had included in-scale increment and merit pay in the private sector, it would only be fair to deduct the PCIs from the gross PTIs as a balancing factor. Nevertheless, the Government would examine the issue and continue to closely liaise with the staff side on the matter. Members of the Panel also requested the Government to consider streamlining the procedures of the pay trend survey (“PTS”) and the necessary follow-ups, so that future civil service pay adjustment proposal could be presented to FC for deliberation as soon as possible.

59. Mr LAM Cheuk-ting asked whether the Government would take into consideration the number of corruption cases involving civil servants in reviewing the salaries of the civil service, in order to ensure that civil servants were appropriately remunerated and would refrain from accepting bribes.

60. The Secretary for the Civil Service (“SCS”) responded that although the number of corruption reports involving civil servants had slightly increased recently, it did not necessarily indicate an increase in the number of conviction cases relating to civil servants. The Administration would continue to combat corruption in the civil service through prevention, sanction and education.

61. Mr LAM Cheuk-ting enquired whether the Government’s policy remained that where permanent vacancies were available for promotion, the potential and suitability for promotion of officers on prolonged acting

appointment should be assessed as early as possible. Mr LAM asked whether the Civil Service Bureau had given advice to the ICAC regarding the prolonged acting appointment of the Deputy Commissioner of ICAC.

62. In reply, SCS said that under the established civil service mechanism, the Administration would review regularly the suitability of officers on prolonged acting appointment for promotion. SCS added that as officers of ICAC were not civil servants, the Civil Service Bureau was not involved in acting appointment arrangements concerning ICAC officers.

63. Dr KWOK Ka-ki was concerned that as the rates of pay adjustment were below the rates demanded by some staff unions in the civil service, the morale of the civil servants concerned might be adversely affected.

64. SCS pointed out that the proposed rates of pay increase were already more than twice of the Consumer Price Index figures for the 12-month period ending March 2018. He added that the proposed pay adjustment rates were approved by the Chief Executive-in-Council, having taken into consideration all relevant factors under the established civil service pay adjustment mechanism, including pay claims of the staff side and civil service morale.

65. Dr KWOK Ka-ki was concerned that some staff in the non-government organizations ("NGOs") in the social welfare sector, in tertiary institutions and in the Hospital Authority might not receive the same level of pay adjustments as civil servants. Dr KWOK was also concerned that staff of the contractors engaged by the Government might not be given the same level of pay adjustments. Dr KWOK opined that the Government should require contractors to adjust the salaries of their staff based on the civil service pay adjustment rates.

66. In reply, the Permanent Secretary for the Civil Service ("PS(CS)) remarked that the Government would seek supplementary provisions for the Hospital Authority, relevant tertiary institutions and NGOs for adjusting their staff's salaries. PS(CS) said that teaching and related staff of aided schools would receive the same level of pay adjustments as for the civil service. The Hospital Authority had in recent years revised the salaries of its staff based on the civil service pay adjustment rates. According to the subvention guidelines, NGOs would revise the salaries of their staff with the additional government subvention arising from the civil service pay adjustment.

67. While pointing out that the Government had in the past granted an extra 0.5% salary increase to civil servants on top of the respective net PTIs, Mr CHAN Chi-chuen enquired as to under what circumstances would the Government give an additional 0.5% salary increase to civil servants, and how often such an extra percentage increase was granted by the Government.

68. SCS responded that the civil service pay adjustment proposals were made in accordance with the established mechanism, taking into consideration factors such as the net PTIs, civil service morale, the state of Hong Kong's economy, the Government's fiscal position, etc. The extra 0.5% salary increase was granted to the civil service twice in recent years, after taking into account all relevant factors under the established mechanism by the Chief Executive-in-Council.

69. While supporting the proposed pay adjustment for the civil service, Ms Claudia MO doubted the need of the Government assigning a Principal Assistant Secretary, and a team of more than 10 Administrative Officers ("AOs") and Executive Officers ("EOs") to work as "paparazzi" in the Legislative Council. Ms MO opined that the AOs and EOs were not employed for performing such duties, and the officers concerned would not be pleased to undertake such duties although they had to work as instructed by their supervisors. Ms MO was of the view that the arrangement was a waste of valuable manpower.

70. In reply, SCS said that the arrangement of deploying a team of Government officers to carry out marshalling duties in the Legislative Council Complex during discussion of important issues had been a longstanding practice. SCS said that the arrangement aimed to smooth out the process for major Government proposals through the Legislative Council. The officers concerned would agree that these duties were important and that they were not undermined as a result.

71. Dr CHENG Chung-tai opined that the existing civil service pay adjustment system would benefit more the higher-ranking officers than the lower ranking officers. Given that the Police staff representatives had withdrawn from the Pay Trend Survey Committee ("PTSC") in 2013, Dr CHENG enquired whether the Government had taken the initiative to invite the Police representatives to join the PTSC again. Pointing out that the staff side of the Disciplined Services Consultative Council ("DSCC") had proposed a pay adjustment of 7%, which was higher than the Government's proposed rates of pay increase, Dr CHENG asked whether the Government had liaised with the relevant staff associations regarding the arrangements of the proposed pay adjustment. Mr SHIU Ka-chun

considered that the remuneration package for Police was superior to other law enforcement agencies and asked the Administration to consider making adjustments to close the gap. Mr SHIU also requested the Administration to consider allocating more quarters to Correctional Services Department ("CSD") officers to solve the retention problem faced by CSD.

72. In response, SCS disagreed that the existing civil service pay adjustment mechanism would favour officers in the higher salary bands more than those in the lower band. SCS pointed out that in the past 10 years, the accumulated pay increase for the lower salary band was 45.9% whereas the increase for the upper salary band was 38.3%. The inflation rate during the same period was about 37.6%. SCS said that after the withdrawal of the disciplined services staff representatives from the PTSC, the secretariat of PTSC had continued to send invitations to meetings, papers and minutes of meeting to the staff representatives of the Police Force Council ("PFC") as well as DSCC to keep them abreast of the issues discussed at PTSC. The staff representatives of PFC and DSCC would always be welcomed if they chose to return to the meeting of PTSC. SCS added that before the Chief Executive-in-Council approved the 2018-2019 civil service pay adjustment, he had personally met with representatives of the four central consultative councils and the four major service-wide staff unions to listen to their views on the pay adjustment. SCS noted the concerns expressed by Mr SHIU Ka-chun and remarked that the Administration was considering a Grade Structure Review ("GSR") for the disciplined services grades. In the meantime, the Administration was looking into ways to alleviate the retention problem of CSD, such as enhancements to the duty roster arrangement, manpower deployment and provision of additional equipment to CSD.

73. Dr Fernando CHEUNG opined that there was a large gap between the salary levels of high-ranking and low-ranking officers in the civil service. Dr CHEUNG pointed out that the Conservative Party in the United Kingdom had controlled the difference of the salary levels of high- and low-ranking officers within 20 folds whereas the difference in the Hong Kong civil service was over 23 folds. Dr CHEUNG called upon the Government to take steps to narrow the gap between the salary levels of high- and low-ranking officers.

74. In reply, SCS said that over the past 10 years, the pay differentials between the highest and lowest paid officers remained at about 22 times. In fact, it had never been the Government's policy to set a particular pay difference between the highest and lowest paid civil servants. SCS added that under the existing civil service pay adjustment mechanism, the Chief Executive-in-Council would take into consideration all relevant factors

before coming to a decision on the pay adjustment. Regarding the current pay adjustment exercise, the Administration had already invoked the “bring-up” arrangement to align the pay adjustment for civil servants in the lower salary band with that of the middle salary band, representing an increase from 2.84% to 4.51%.

75. While pointing out that the turnover rate for the Pilot and Air Crewman Officer grades in the Government Flying Service (“GFS”) was about 39%, Mr Jeremy TAM enquired whether a GSR for the two grades would be conducted, as a GSR had already been carried out for the Marine Officer and Surveyor of Ships grades in the Marine Department. Mr TAM opined that the salaries and conditions of service for officers in the Fire Services Department should also be improved.

76. SCS responded that the Administration had been closely monitoring the staffing situation in the GFS. SCS said that the Administration was considering an overall GSR for all disciplined services grades, and a decision would be made by the end of 2018.

Lifeguards

77. Mr HO Kai-ming expressed concern that the remuneration for serving lifeguards in the Leisure and Cultural Services Department (“LCSD”) was far below that for lifeguards working in the private sector, and yet the workload of a lifeguard at public swimming pools and beaches was much heavier. As a result, there was a high turnover of lifeguards in LCSD. Mr HO opined that the Government should not recognize the Beach/Pool Lifeguard Award and other qualifications issued by the Hong Kong Life Saving Society, an outside organisation, for meeting the entry requirements of lifeguards, and should instead conduct recruitment examinations to assess whether candidates had the necessary capability to perform lifeguard duties and to ensure safety of swimmers.

78. In response, SCS said that the entry requirements for individual grades were set by the recruiting departments, having regard to the specific operational need of the grades concerned. SCS noted that the safety of swimmers had always been a top priority of LCSD and said that he would convey to LCSD the views expressed by Mr HO Kai-ming regarding the review of entry requirements and manpower situation of lifeguards of LCSD.

Officers at the highest salary point of the rank

79. Mr CHAN Chi-chuen was concerned that civil service staff unions were generally dissatisfied with the PCIs deduction arrangement. Civil servants were concerned that as the civil service continued to expand, the impact of the arrangement on the overall pay adjustment would grow.

80. In response, SCS said that as the gross PTIs derived from the PTS had included in-scale increment and merit pay in the private sector, the PCIs should be deducted from the gross PTIs as a balancing factor.

81. Mr KWOK Wai-keung was concerned that the existing arrangement of deducting the PCIs from the gross PTIs was unfair to those civil servants who had reached the maximum pay points of their respective pay scales. Dr CHIANG Lai-wan shared Mr KWOK's concern and opined that a review of the existing arrangement should be conducted.

82. In reply, SCS said that the existing arrangement had been implemented since 1989. Since the private sector was still offering merit pay to its employees, there was no strong justification to cease the PCIs deduction arrangement.

Expenditure on the civil service pay adjustment

83. Mr CHU Hoi-dick suggested that in future, the funding proposals for pay adjustments for different levels of civil servants, namely the directorate, upper, middle and lower salary bands of civil servants be presented and considered by FC separately so that members could consider and vote on individual proposals.

84. In response, SCS said that the pay adjustment for the civil service should be considered as a whole package as the proposed adjustment levels were worked out based on the same pay adjustment mechanism.

85. At the request of Mr CHU Hoi-dick, SCS undertook to provide the following information :

- (a) the total number of civil servants, non-civil service contract ("NCSC") staff and outsourced service staff currently working in the Government; and
- (b) a breakdown of the additional expenditure incurred by the directorate, upper, middle and lower salary bands arising

from the 2018-19 civil service pay adjustment.

[*Post-meeting note:* The supplementary information provided by the Administration was issued to members vide LC Paper No. FC13/18-19(01) on 16 October 2018.]

Civil Service Master Pay Scale

86. Mr Jeremy TAM enquired why Points 34, 35 and 36 on the MPS were also known as Points 33A, 33B and 33C respectively. Similarly, Points 45 and 46 were also known as Points 44A and 44B.

87. In response, Acting Deputy Secretary for the Civil Service (2) ("DS(CS)2(Ag)") explained that while the dollar values of MPS Points 34, 35 and 36 were identical to Points 33A, 33B and 33C, officers remunerated on the latter three pay points would not be entitled to the housing benefits provided for officers at the corresponding Points 34, 35 and 36. The same arrangement was applied to officers at salary 44A and 44B. DS(CS)2(Ag) added that upon promotion to a higher rank, an officer originally remunerated on Point 33A might receive the related housing benefits at Point 34.

88. In reply to Mr Jeremy TAM's enquiry regarding Point 7 of the Directorate Pay Scale ("D7"), SCS said that currently there was no D7 post in the civil service although the then Director of Housing was one of the posts at D7 level. He added that the existing civil service pay scales were approved by FC and the Administration would not recommend deletion of Point D7 as the need for appointing an officer at that pay point might arise in future.

89. Dr CHIANG Lai-wan was concerned that the pay scales for some junior ranks were relatively short with fewer increments in-between, resulting in a small pay difference between the more senior staff and new entrants of the same rank. Dr CHIANG enquired whether consideration could be given to adding more pay points to the existing pay scales so that the pay difference between the senior and junior staff in the same rank would be greater.

90. In reply, SCS noted the views expressed by Dr CHIANG. Since any changes to the existing pay scales would have service wide implications, the matter should be considered carefully.

Timing of approval of pay adjustment

91. Mr IP Kin-yuen expressed concern that in recent years, owing to various reasons, the civil service pay adjustment was approved by FC near the end of the year or even in the first quarter of the following year, although the effective date remained as 1st of April in the year. Mr IP requested that the Government should give priority to the pay adjustment proposal so that FC could approve the civil service pay adjustment before end of July each year. Mr IP pointed out that some contract teachers who finished their contracts before FC approved the pay adjustment did not receive the pay adjustment portion of their salaries between 1st of April and the approval date. Mr KWOK Wai-keung shared Mr IP's concern and said that some staff of NGOs receiving Government subvention who left or retired from the organizations after 1st of April but before FC's approval of the civil service pay adjustment would not be compensated for the salary difference resulting from the pay adjustment. Mr KWOK opined that since the Government would provide supplementary funds to the NGOs concerned to meet the additional expenditure arising from pay adjustment, the Government should issue guidelines to remind these organizations to compensate the employees concerned with the salary difference. Mr CHU Hoi-dick shared Mr IP and Mr KWOK's concern.

92. In reply, SCS said that the annual civil service pay adjustment exercise was always under a very tight schedule. After the preliminary findings of the PTS were available in mid-May, the PTSC had to study the findings and consider whether to validate the results within a very short time frame. Following this, the Administration had to consult the staff side, consolidate and present the relevant considerations for deliberation and decision of the Executive Council. The Panel on Public Service would have to be consulted next before the pay adjustment proposal could be submitted to FC for consideration. SCS stressed that the Administration had already done its best in submitting the pay adjustment proposals to FC as soon as possible. As regards whether the relevant NGOs would compensate the employees who left the organisation prior to the making of a decision on civil service pay adjustment with the salary difference as a result of the adjustment, SCS said that that would depend on the employment contract between the NGOs and the employees concerned. Members' views in this regard would be reflected to the relevant Controlling Officers responsible for allocating funds to the NGOs. PS(CS) remarked that the Government was not in a position to intervene in such matters which should be handled in accordance with the terms and conditions of employment of the NGO staff concerned.

Non-civil service contract staff

93. Dr Fernando CHEUNG expressed concern that the NCSC staff would not benefit from the civil service pay adjustment, which resulted in officers performing the same duties being paid differently. Dr CHEUNG enquired about the existing number of NCSC staff and whether there was a timetable for converting the NCSC positions into civil service posts. Dr CHEUNG was also concerned that the over 50 000 employees of the contractors engaged by Government bureaux/departments would not enjoy the level of pay increase as for civil servants, as the contractors would attempt to minimize their expenses, in particular on staff remuneration, in order to successfully obtain the Government contracts. Dr CHEUNG asked the Administration to provide the comprehensive statistics on the replacement of NCSC positions with long-term service needs by permanent civil service posts and the Government's plan in this regard.

94. In reply, SCS said that currently there were about 10 000 NCSC staff in the Government. SCS emphasized that the NCSC staff worked under a different remuneration system, independent of the civil service pay system. The heads of Government bureaux and departments were given flexibility to determine the salaries and the level of pay adjustment for NCSC staff according to the needs of individual bureaux and departments subject to certain conditions. The Administration submitted annually a report to the Panel on Public Service regarding the number of NCSC positions which had been converted into civil service permanent posts. SCS supplemented that as far as staff of Government contractors were concerned, the Labour and Welfare Bureau was conducting a review of outsourcing arrangements which would cover the protection of the welfare of the staff of the contractors.

[*Post-meeting note:* The supplementary information provided by the Administration was issued to members vide LC Paper No. FC13/18-19(01) on 16 October 2018.]

Paternity leave

95. Mr KWOK Wai-keung pointed out that while officers in the civil service were granted paternity leave of five days since 2012, the proposal to increase the statutory paternity leave from three to five days had yet to be legislated. Mr KWOK opined that the Administration should review the duration of paternity leave for civil servants as soon as possible, with a view to increasing it from five to seven days. The extension would set an example for employers in the private sector to follow.

96. In reply, SCS said that it had taken the Government some time to implement the three-day statutory paternity leave for male employees. The Labour and Welfare Bureau would continue with the legislative exercise to extend the statutory paternity leave from three to five days. The Administration would monitor the situation and consider whether to revise the paternity leave arrangements for civil servants as and when appropriate.

Voting on FCR(2018-19)37

97. There being no further questions from members, the Chairman put item FCR(2018-19)37 to vote. The Chairman declared that he thought the majority of the members present and voting were in favour of the item. The item was approved.

98. The meeting was suspended at 11:22 am and resumed at 11:27 am.

99. The meeting ended at 12:55 pm.

Legislative Council Secretariat
28 January 2019