

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 5th meeting
held at the Legislative Council Chamber
on Friday, 17 December 1999, at 2:30 pm**

Members present:

Hon Ronald ARCULLI, JP (Chairman)
Hon CHAN Kam-lam (Deputy Chairman)
Hon Kenneth TING Woo-shou, JP
Hon James TIEN Pei-chun, JP
Hon David CHU Yu-lin
Hon HO Sai-chu, SBS, JP
Hon Edward HO Sing-tin, SBS, JP
Hon Albert HO Chun-yan
Hon Michael HO Mun-ka
Ir Dr Hon Raymond HO Chung-tai, JP
Hon Eric LI Ka-cheung, JP
Hon LEE Kai-ming, SBS, JP
Hon Fred LI Wah-ming, JP
Hon NG Leung-sing
Prof Hon NG Ching-fai
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon MA Fung-kwok
Hon CHEUNG Man-kwong
Hon Ambrose CHEUNG Wing-sum, JP
Hon HUI Cheung-ching
Hon CHAN Kwok-keung
Hon CHAN Yuen-han
Hon Bernard CHAN
Hon CHAN Wing-chan
Dr Hon LEONG Che-hung, JP
Hon SIN Chung-kai
Hon Andrew WONG Wang-fat, JP
Dr Hon Philip WONG Yu-hong

Hon Jasper TSANG Yok-sing, JP
Hon Howard YOUNG, JP
Dr Hon YEUNG Sum
Hon YEUNG Yiu-chung
Hon LAU Kong-wah
Hon Mrs Miriam LAU Kin-yee, JP
Hon Ambrose LAU Hon-chuen, JP
Hon Emily LAU Wai-hing, JP
Hon CHOY So-yuk
Hon Andrew CHENG Kar-foo
Hon SZETO Wah
Hon Timothy FOK Tsun-ting, SBS, JP
Hon LAW Chi-kwong, JP
Hon TAM Yiu-chung, GBS, JP
Hon FUNG Chi-kin
Dr Hon TANG Siu-tong, JP

Members absent:

Hon Cyd HO Sau-lan
Hon LEE Wing-tat
Hon LEE Cheuk-yan
Hon Martin LEE Chu-ming, SC, JP
Dr Hon David LI Kwok-po, JP
Dr Hon LUI Ming-wah, JP
Hon Margaret NG
Hon James TO Kun-sun
Hon Christine LOH
Hon Mrs Sophie LEUNG LAU Yau-fun, JP
Hon LEUNG Yiu-chung
Hon Gary CHENG Kai-nam, JP
Hon WONG Yung-kan
Hon LAU Chin-shek, JP
Hon LAU Wong-fat, GBS, JP

Public officers attending:

Miss Denise YUE, JP	Secretary for the Treasury
Mrs Carrie LAM, JP	Deputy Secretary for the Treasury
Mr K K LAM	Principal Executive Officer (General), Finance Bureau
Mrs Lily YAM, JP	Head, Task Force on Reorganization of Municipal Services

Mrs Maureen CHAN, JP	Deputy Head, Task Force on Reorganization of Municipal Services
Mr Peter CHEUNG Po-tak, JP	Deputy Secretary for Home Affairs
Mrs Rita LAU, JP	Director of Urban Services
Mrs Annie LEUNG	Principal Executive Officer, Urban Services Department
Mrs Helen YU LAI Ching-ping, JP	Director of Regional Services
Mr Edward LAW	Departmental Secretary, Regional Services Department
Mr PAU Shiu-hung, JP	Director of Architectural Services
Dr Constance CHAN	Assistant Director of Health
Mr Joe WONG	Assistant Commissioner for Tourism
Mr C C CHAN, JP	Director of Civil Engineering
Mr W K TAM	Deputy Director of Civil Engineering
Miss Janet WONG, JP	Deputy Director (Administration), Urban Services Department
Mr LAM Yiu-tong	Assistant Director (Planning and Development), Urban Services Department
Mr LAM Kam-kwong	Deputy Director (Administration), Regional Services Department
Miss Doris NG	Assistant Director (Finance), Urban Services Department
Ms Shirley LAU	Chief Treasury Accountant of Regional Services Department

Clerk in attendance:

Ms Pauline NG	Assistant Secretary General 1
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Staff in attendance:

Miss Polly YEUNG	Chief Assistant Secretary (1)3
Ms Sarah YUEN	Senior Assistant Secretary (1)4

Item No. 1 - FCR(1999-2000)52

**RECOMMENDATIONS OF THE ESTABLISHMENT
SUBCOMMITTEE MADE ON 10 NOVEMBER 1999 AND
8 DECEMBER 1999**

At members' request to vote on EC(1999-2000)26 separately, the Chairman put FCR(1999-2000)52, except item EC(1999-2000)26, to the vote. The proposal was approved.

EC(1999-2000)26

**Recommendation of -
Proposed setting up of a new institutional
framework for the delivery of municipal
services with effect from 1 January 2000
following the passage of the Provision of
Municipal Services (Reorganization) Bill**

2. Mr Fred LI stated that Members of the Democratic Party would vote against the item as they had all along objected to the abolition of the two Municipal Councils.

3. There being no other questions, the Chairman put the item to the vote. 21 members voted for the item, 6 members voted against and 1 member abstained:

For:

Mr Kenneth TING Woo-shou
Mr David CHU Yu-lin
Mr Edward HO Sing-tin
Mr LEE Kai-ming
Mrs Selina CHOW LIANG Shuk-ye
Mr HUI Cheung-ching
Mr CHAN Wing-chan
Mr Andrew WONG Wang-fat
Mr Howard YOUNG
Mr TAM Yiu-chung
Dr TANG Siu-tong
(21 members)

Mr James TIEN Pei-chun
Mr HO Sai-chu
Mr Eric LI Ka-cheung
Mr NG Leung-sing
Mr MA Fung-kwok
Mr CHAN Kwok-keung
Mr CHAN Kam-lam
Dr Philip WONG Yu-hong
Mr YEUNG Yiu-chung
Mr FUNG Chi-kin

Against:

Mr Fred LI Wah-ming
Dr YEUNG Sum
Mr SZETO Wah
(6 members)

Mr SIN Chung-kai
Mr Andrew CHENG Kar-foo
Mr LAW Chi-kwong

Abstention:

Miss Emily LAU Wai-hing
(1 member)

4. The Committee approved the item.

Item No. 2 - FCR(1999-2000)53

**RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE
MADE ON 17 NOVEMBER 1999 AND 8 DECEMBER 1999**

5. At members' request, the three items contained in FCR(1999-2000)53 were voted on separately.

**PWSC(1999-2000)71 519TH Route 10 - North Lantau to Yuen
Long Highway**

6. The Committee approved the item.

**PWSC(1999-2000)74 660CL Site formation, construction of
associated infrastructure and
provision of government, institution
and community facilities for an
international theme park on
Lantau Island**

7. Members voted on the item. Miss Emily LAU asked for her vote to be recorded.

8. The majority of members voted in favour of the proposal. Miss Emily LAU voted against the item. The Committee approved the item.

**PWSC(1999-2000)76 New Items Committed projects of the two
Provisional Municipal Councils**

9. The Chairman advised members that a special briefing was held by the Finance Committee (FC) with members of the Provisional Urban Council (PUC) on 16 December 1999. Dr Hon TANG Siu-tong, who was also a member of the Provisional Regional Council (ProRC), also attended the briefing.

10. The Chairman also informed members that he had taken the opportunity to consult the PUC representatives on whether they were in support of the present proposal irrespective of the Government's commitment on the remaining projects. The Chairman of the PUC Capital Works Select Committee had stated his personal view that FC should approve the present

funding request in respect of Stages I and II projects. As for the 52 projects in Stages III and IV, the position of the Chairman of the Select Committee and another PUC representative was that the Legislative Council (LegCo) should monitor closely their further progress after dissolution of the PUC.

11. The Chairman also advised members that he had also explained to the PUC representatives that FC was not the appropriate forum to monitor the progress of the projects. He had nevertheless undertaken to convey their concerns about the outstanding projects of the two Provisional Municipal Councils (PMCs) to the House Committee which would consider the mechanism, whether by way of a panel or subcommittee, to monitor municipal services following dissolution of the two PMCs. Subject to the decision of the House Committee, the remaining PMC capital works projects should best be followed up by the relevant panel/subcommittee with the relevant policy bureau(x) in due course. The Chairman said that the PUC representatives seemed contented with his explanation.

12. Mr Fred LI referred to the supplementary information note (FCRI(1999-2000)17) provided by the Administration in which the "Proposed Start/Finish Date" in respect of PUC projects in Stages III and IV was not available, whereas in the information note (FC35/99-00) provided by PUC for the special briefing on 16 December 1999, the "Target Start/Finish Date" for each of these projects was stated. He queried the discrepancy in the information provided by the Administration and the Council.

13. In response, the Deputy Director (Administration), Urban Services Department (DD(A),USD) explained that in preparing papers for FC/Public Works Subcommittee (PWSC), the USD had made reference to the PUC's Quarterly Progress Report which was an official document regularly updated and prepared for PUC members to keep them abreast of the position of capital projects. She informed members that in view of the uncertainties of the progress of Stages III and IV projects, the Council had agreed in 1996 that instead of estimating the "start/finish dates" in the report, the Department would only estimate the anticipated date for submission of scope of development/schedule of accommodation in respect of Stage IV projects, and the anticipated date for submission of detailed layout and cost estimates in respect of Stage III projects. As regards the "target start/finish dates" made available by the Department for the special briefing on 16 December 1999, they were based on an one-off review of PUC's Capital Works Programme conducted in 1998 in the light of the Council's tight budgetary position. In short, the discrepancy was due to different sources of information being referred to.

14. Miss Emily LAU considered it useful for PUC members to state their views on the Stages III and IV projects to LegCo Members directly. She further enquired whether their clarification had been sought on the status of PUC projects in Stages III and IV as there had been some media reports that

they were at a very advanced stage with all the necessary procedures completed except formal funding approval.

15. In this connection, the Chairman recapitulated that the two PMCs had different categorisation procedures. According to the information supplied by the PUC members after the briefing, it appeared that approval of the PUC had to be sought when a project was upgraded from Stage IV to Stage III, and from Stage III to Stage II. As to whether Stages III and IV projects could be regarded as at an advanced stage, DD(A),USD referred members to the categorisation of the PUC's Capital Works Projects by planning stages as set out in Annex A (Enclosure 1) to FCRI(1999-2000)17. She agreed that projects in Stages III and IV had been discussed with Provisional District Boards. However, for projects in Stage IV, only the preliminary plan had been accepted by the Council. The project scope and schedule of accommodation were yet to be formulated by the USD. She further explained that a lot of work had to be completed before a project could be upgraded from Stage III to Stage II. These included, where appropriate, seeking the necessary approval from the Town Planning Board, examining the engineering conditions with the Lands Department, preparation of layout plans and cost estimates, as well as detailed discussion with the users. Where the project estimates were considered too high, adjustments might be necessary. DD(A),USD stressed that Stage II was a very important stage in the planning process as it was at this stage where cost estimates were formally approved by the Council. Following this crucial step, preparation of detailed layout plans, tendering and award of contract could proceed to enable the project to move to the construction stage (i.e. Stage I).

16. As regards the ProRC, the Deputy Director (Administration), Regional Services Department (DD(A), RSD) referred to Annex A (Enclosure 2) to FCRI(1999-2000)17 and advised that while PUC and ProRC adopted different categorisation of capital works projects, capital works projects of the ProRC in Category II were broadly comparable to PUC projects in Stage III, at which only the sketch design and rough indication of costs were approved. Site investigation, detailed design and preparation of tender documents would proceed after which the project could be upgraded to Category I when funding and other pre-construction activities were approved.

17. In this connection, Mr Andrew WONG did not fully agree with DD(A), RSD's remarks that Category II projects of ProRC were broadly comparable to PUC projects in Stage III. He was of the view that the readiness of the former projects might be higher than that of the latter.

18. Members sought the Administration's confirmation on its commitment or otherwise on the 169 projects which had received the policy approval but not the funding approval of the two PMCs.

19. In response, the Head, Task Force on Reorganization of Municipal Services (H,TFRMS) reiterated the Administration's stance given at the PWSC meeting that the two policy bureaux (namely, the Home Affairs Bureau and the Environment and Food Bureau) would try their best to consult the relevant LegCo Panel(s) before 31 March 2000 on these 169 projects. The Administration would report to the Panel(s) details of such projects and subject to the views expressed by LegCo Members, the relevant policy secretaries would consider the priority of these projects and bid for the necessary funding in the context of the Resource Allocation Exercise. She pointed out that a rough cost estimate of these 169 projects was in the order of \$23.31 billion (in constant prices) and given the annual expenditure of about \$1.9 billion of the two PMCs in capital works projects, these projects would take some 12 years to complete even if the two PMCs were not dissolved. She added that according to available information, even the two PMCs themselves had decided to defer some 50 projects due to resources constraints. H,TFRMS therefore considered that pending thorough examination of the 169 projects, it would be inappropriate for the Administration to give a firm commitment at this stage on the way forward for these projects. She said that the Administration had already agreed to fund the outstanding commitments in respect of capital works projects of the two PMCs estimated at some \$5.4 billion in money-of-the-day (MOD) prices. Moreover, the Administration would set aside sufficient funds in the order of \$2.3 billion in MOD prices for 12 projects which had received funding approval but which had not been contracted out.

20. Mr Andrew WONG urged that the 12 capital works projects for which funding approval had been given by the two PMCs should be upgraded to Category A of the Public Works Programme (PWP) expeditiously. As regards the outstanding commitments of \$5.4 billion for which funding approval was being sought, Mr WONG pointed out that the cashflow would be phased in several years and not in a single year.

21. On the 169 PMC projects, Mr Andrew WONG considered that special arrangement should be made as the Administration had a moral obligation to honour the PMCs' pledges which had received policy approval. He was of the view that these projects should be implemented, unless the Administration could provide sufficient justification to the contrary. He opined that these 169 PMC capital works projects should not be subject to the same procedures for Government projects under the PWP.

22. In response, the Secretary for the Treasury (S for Tsy) advised that in view of members' concerns, a special arrangement would be made on an exceptional basis whereby the usual prerequisites for a project client brief and a project feasibility study for consideration of including a project into Category C of PWP would be waived in respect of the 169 PMC projects. Subject to the views of the relevant Panel(s) when being consulted, the Administration would inject these 169 projects into the PWP as Category C

items direct for which the necessary resources could be bidden in the context of the Resource Allocation Exercise. S for Tsy assured members that the Administration would adopt a fair and objective approach in determining whether resources should be allocated for the 169 projects in the 2000-01 financial year. However, she was not able to give a firm undertaking that the necessary funding could be allocated for these projects in the 2000-01 year in the light of the need to fund other deserving projects. In this connection, she pointed out that according to available information, of its 52 outstanding projects, PUC itself had agreed that 33 should be deferred in view of its financial constraints.

23. Mr Andrew WONG maintained his view that projects in Category C of PWP might never be activated due to limited resources. He remarked that PUC was unable to take forward the 33 projects due to reduced funding from the Government. The Chairman recalled that according to the Chairman of the PUC Capital Works Select Committee, some of the projects were initiated when the financial position of PUC was robust. As a result of the reduction in income from Rates, it was inevitable that some of the projects could not be pursued for the time being.

24. Mr Ambrose CHEUNG expressed disappointment at the Administration's stance and remarked that the Administration had not presented information on the outstanding PMC projects fairly and fully. As far as the PUC projects were concerned, he urged members to distinguish between the Council's policy approval and the various stages of technical approval. Mr CHEUNG explained that policy approval for the 52 PUC projects was already attained prior to Stage IV when the PUC agreed to implement these projects after consultation at the district level. Admission of the projects to Stage IV simply marked the start of a series of technical stages. Referring to the Administration's pledge that the existing level of municipal services would be maintained after the reorganization, he doubted whether these projects could be taken forward as scheduled in the absence of any undertaking from the Government that separate provisions would be earmarked for their implementation. Mr CHEUNG stressed that the PUC was not requesting additional provision but was of the view that the outstanding PUC projects should be dealt with as a separate group and be implemented in accordance with the schedule agreed by the PUC. Any decision to defer or cancel a project in future should rest with LegCo, not with the Administration.

25. In response, H,TFRMS did not concur with Mr CHEUNG's remarks and pointed out that the Administration had in fact made the best endeavour to provide as much information as possible on all the 169 PMC projects without any intention to mislead. Whilst agreeing that policy approval for projects was important, H,TFRMS stressed that approval at the various technical stages was equally important for determining the necessary funding and the cost effectiveness of the project in question. H,TFRMS further

emphasized that the main objective of the reorganization of municipal services was not only to maintain the existing level of services, but also to improve the quality and cost-effectiveness of such services.

26. Mr Fred LI pointed out that although PUC projects in Stage III had not yet received formal funding approval, they had already been discussed at Provisional District Boards and their scope of development and schedule of accommodation had also been approved by the PUC. As there were only 25 such projects, he requested the Administration to accord priority to these Stage III projects as distinct from Stage IV projects.

Admin

27. H,TFRMS advised that it would not be appropriate to negotiate on the way forward for the 25 PUC projects in the context of the present proposal. As the position for individual PUC projects in Stage III might differ considerably, H,TFRMS reiterated that it would be more appropriate for the responsible policy secretaries to consult the relevant LegCo Panel(s) first. Subject to the views of the Panel(s), the Administration would do its best to consider in future whether these 25 PUC projects, as well as the outstanding ProRC projects with comparable status should be given priority.

28. Dr TANG Siu-tong referred members to the resolution passed at a special meeting of ProRC on 14 December 1999 requesting, inter alia, the Government to include ProRC capital works projects in Categories II and III into the PWP as Category A items within the next two years. Whilst appreciating that it might not be possible to implement all these projects within a short time-frame, Dr TANG nevertheless sought the Administration's undertaking that the relevant policy secretaries would in due course consult LegCo on these projects. In the event that certain projects would not be proceeded with, the Administration must provide sufficient justification.

29. In response, H,TFRMS re-affirmed that the responsible policy secretaries would adopt a positive approach in dealing with the 169 PMC projects. Regarding concerns that the Administration would lose sight of these projects, H,TFRMS pointed out that this would unlikely be the case as the way forward for these projects would be subject to the vigorous scrutiny of LegCo and other interest groups.

30. The Chairman put the item to the vote. 29 members voted for the item, 1 member voted against and 10 members abstained:

For:

Mr Kenneth TING Woo-shou
Mr David CHU Yu-lin
Mr Edward HO Sing-tin
Mr Eric LI Ka-cheung
Mr NG Leung-sing
Mrs Selina CHOW LIANG Shuk-yee

Mr James TIEN Pei-chun
Mr HO Sai-chu
Dr Raymond HO Chung-tai
Mr LEE Kai-ming
Prof NG Ching-fai
Mr HUI Cheung-ching

Mr CHAN Kwok-keung
Mr Bernard CHAN
Mr CHAN Kam-lam
Mr Andrew WONG Wang-fat
Mr Howard YOUNG
Mr LAU Kong-wah
Mr Ambrose LAU Hon-chuen
Mr TAM Yiu-chung
Dr TANG Siu-tong
(29 members)

Miss CHAN Yuen-han
Mr CHAN Wing-chan
Dr LEONG Che-hung
Mr Jasper TSANG Yok-sing
Mr YEUNG Yiu-chung
Mrs Miriam LAU Kin-yee
Miss CHOY So-yuk
Mr FUNG Chi-kin

Against:

Mr Ambrose CHEUNG Wing-sum
(1 member)

Abstention:

Mr Albert HO Chun-yan
Mr Fred LI Wah-ming
Mr SIN Chung-kai
Miss Emily LAU Wai-hing
Mr SZETO Wah
(10 members)

Mr Michael HO Mun-ka
Mr CHEUNG Man-kwong
Dr YEUNG Sum
Mr Andrew CHENG Kar-foo
Mr LAW Chi-kwong

31. The Committee approved the proposal.

Item No. 3 - FCR(1999-2000)54

GENERAL REVENUE ACCOUNT

NEW HEAD "GOVERNMENT SECRETARIAT : ENVIRONMENT AND FOOD BUREAU"

HEAD 53 - GOVERNMENT SECRETARIAT : HOME AFFAIRS BUREAU

♦ New Subhead "Hong Kong Philharmonic Society"

♦ New Subhead "Hong Kong Arts Festival Society"

NEW HEAD "FOOD AND ENVIRONMENTAL HYGIENE DEPARTMENT"

NEW HEAD "LEISURE AND CULTURAL SERVICES DEPARTMENT"

HEAD 25 - ARCHITECTURAL SERVICES DEPARTMENT

♦ Subhead 218 Maintenance of government buildings

HEAD 106 - MISCELLANEOUS SERVICES

♦ Subhead 289 Commonwealth War Graves Commission

HEAD 176 - SUBVENTIONS : MISCELLANEOUS

♦ Subhead 451 Hong Kong Life Saving Society

**CAPITAL WORKS RESERVE FUND
HEAD 708 - CAPITAL SUBVENTIONS AND MAJOR SYSTEMS AND
EQUIPMENT**

Leisure and Cultural Services Department

- ◆ **New Subhead “Replacement of chiller plants at Sha Tin Town Hall”**

HEAD 710 - COMPUTERISATION

Leisure and Cultural Services Department

- ◆ **New Subhead “Redevelopment of Recreation and Culture Computerised Booking System”**
- ◆ **New Subhead “Library Automation System”**
- ◆ **New Subhead “Digital Library System”**
- ◆ **New Subhead “Computer Cataloguing System for the Hong Kong Film Archive”**

32. On the number of posts to be deleted, Miss Emily LAU referred to the list of figures quoted by the Administration which might not have been recorded in full in the relevant minutes of the Establishment Subcommittee meeting and sought further clarification. She also enquired whether any staff would lose their jobs following the deletion of the 1 367 posts in the relevant departments. Mr Ambrose CHEUNG also asked whether these posts included contract staff and temporary staff employed by PUC and ProRC.

33. In reply, H,TFRMS advised that a total of 1 367 civil service posts had been identified for deletion. Of these, some 500 posts could be deleted with immediate effect on 1 January 2000 as they were vacant posts. Of the remaining 748 posts, 206 posts involved surplus staff resulting from the closure of the two abattoirs and would be deleted upon the retirement of the post-holders. As regards the other 542 posts, most of which were general grades posts, a period of time would be needed to redeploy the incumbent post-holders to other civil service posts. Hence, the 1 367 posts could only be deleted by phases within the first 12 months of reorganization. H,TFRMS confirmed that no termination of service would be required upon the deletion of the 1 367 posts.

34. On whether the new administrative structure would be further streamlined, H,TFRMS pointed out that in view of the large scale of reorganization and the need to ensure a smooth transition in the provision of municipal services to the public, major changes which would likely affect staff must only be introduced with prudence and in a gradual manner. She assured members that streamlining the organizational structure was an ongoing process and as an initial step, three of the 41 directorate posts would be reviewed in two years' time with a view to deleting/downgrading them. Nevertheless, in view of rapid developments worldwide in the management of food safety, H,TFRMS stressed that it was necessary for the Administration to assess its capability in coping with important developments and make adjustments to the organizational structure in the light of future needs.

35. H,TFRMS also reiterated that streamlining the organizational structure was only one of the main objectives of reorganization. The most important objective was to strengthen work in the control of food safety and the handling of food incidents. The proposed structure would also remove unclear demarcation of responsibilities among various departments (including the Department of Health, the Agriculture and Fisheries Department and the two municipal services departments) which might undermine the capability of the Administration in handling food incidents. To provide sufficient support to the Food and Public Health Branch of the Food and Environmental Hygiene Department (FEHD), 33 new posts, including two directorate posts, would be created to strengthen the management of food incidents and risk assessment and communication.

36. H,TFRMS nevertheless assured members that as a result of delineating responsibilities on a functional basis instead of a geographical basis as before, duplication of responsibilities could be avoided. For example, whilst the PUC and ProRC each had a legal adviser post at DL2, there would only be one legal adviser at this level under the new structure. Moreover, as reflected in the proposed organizational structure of the Environmental Hygiene Branch of FEHD, the existing Regional Headquarters Division in the USD would be deleted.

37. Miss Emily LAU sought explanation on the total supplementary provision of \$2,709.3 million in 1999-2000 being sought and the \$700 million savings resulting from the reorganization. She also enquired about the actual savings which could be achieved. Mr LEE Kai-ming raised similar queries and was keen to ensure that greater cost-effectiveness would result from the reorganization.

38. In response, the Deputy Secretary for the Treasury (DS(Tsy)) clarified that the supplementary provision of \$2,709.3 million being sought could only meet the expenditure of the new institutional structure for the 3-month period from 1 January to 31 March 2000. A rough estimate of the total full-year expenditure would therefore be about four times the said amount.

39. As regards the savings of some \$700 million, DS(Tsy) confirmed that the figure represented the annual savings resulting from the reorganization. For 1999-2000, the total income of the two PMCs derived from Rates and fees charged was about \$12.8 billion but the total expenditure (i.e. capital and recurrent) was some \$13.8 billion and the Councils had to meet the shortfall from their reserve funds. Taking into account the estimated savings of about \$700 million, the annual provision for the new institutional structure would be about \$13 billion. DS(Tsy) nevertheless pointed out that to enable the new institutions to meet the expenditure arising from new initiatives and facilities commissioned by the PMCs, an additional recurrent amount of \$365 million would be needed for 2000-01. Hence, the net savings which could be achieved in 2000-01 would be in the region of over \$300 million. Referring

to the said \$365 million, H,TFRMS stressed that the said expenditure was for funding new initiatives and facilities. It would be required even if the two PMCs were not dissolved and should not therefore be regarded as additional expenditure incurred as a result of the reorganization.

40. Miss Emily LAU commented that despite the Administration's earlier statements about substantial savings to be achieved from reorganization, the actual resultant savings were minimal. She queried whether initiatives to cut costs had in fact been curtailed in order that existing staff would not lose their jobs at a time when the economy had not fully recovered.

41. DS(Tsy) re-affirmed that the Finance Bureau was equally concerned about the efficient use of public resources. Nevertheless, having regard to various views on the subject, the Administration considered it necessary to also ensure that the employment of staff should not be jeopardised as a result of the reorganization. DS(Tsy) assured members that the future FEHD and Leisure and Cultural Services Department would be reminded of the need to enhance their productivity.

42. Noting that a substantial reduction in staff might aggravate the prevailing unemployment problem, Mr James TIEN urged the Administration to explore the feasibility of reducing other overheads costs in the new set-up, particularly if existing staff might not have enough work to do. Miss Emily LAU shared similar concern about surplus staff and under-utilization of manpower resources in the two municipal services departments.

43. In response, H,TFRMS and DS(Tsy) informed members that savings amounting to \$103.4 million and \$177.1 million under "Other charges" and "Other streamlining/enhanced productivity initiatives" respectively (paragraph 20 of FCR(1999-2000)54) referred to savings from sources other than staff costs. Rental savings were about \$5 million while some \$18 million could be saved from gas and electricity charges. H,TFRMS reiterated that cost savings on all fronts would continue to be explored by the new institutions.

44. In this connection, the Director of Urban Services (DUS) said that as a result of the freeze on establishment and the implementation of Enhanced Productivity Programme (EPP) initiatives, additional workload had been imposed on the Department. The Department had also been redeploying staff to other suitable posts so that the question of idling staff would not arise. The Director of Regional Services (DRS) further informed members that surplus staff in RSD had in fact been redeployed to provide new services such as night-time street cleaning which could not be provided before due to insufficient manpower.

45. Mr Ambrose CHEUNG was concerned about the future arrangements for long-serving contract staff and temporary staff who, in his opinion, were no different from civil servants. Miss CHAN Yuen-han observed that apart from

the reorganization of municipal services, the EPP and the outsourcing of services also had an impact on civil service staff. In view of the present economic climate and high unemployment, she urged the Administration to work out reasonable arrangements for the affected contract staff and temporary staff of the two municipal services departments upon dissolution of the PMCs.

46. In reply, H,TFRMS said that upon FC's approval of the present funding proposal, the USD and RSD would explain to all their staff, including contract and temporary staff, the implications of the reorganization on their work. She had requested the two departments to pay special attention to the contract staff, in particular those who had served for many years.

47. In this connection, DUS advised that of the some 650 contract staff currently employed by USD and RSD, only around 26 would require special arrangements as a result of the reorganization. The Administration was sympathetic towards them and was actively seeking to redeploy them to other suitable posts having regard to their experience and qualifications etc. However, it would also be up to the staff concerned to accept the alternative arrangements offered by the departments. As regards temporary staff, DUS pointed out that the service of some was required on a seasonal or need basis. She nevertheless recognized that the well-being of these staff ought to be taken care of as some of them had served for a long period in the departments.

Admin

48. Miss CHAN Yuen-han sought assurance from the Administration that special arrangements would be made for the 26 contract staff and long-serving temporary staff employed by the two municipal services departments. Acknowledging her concern, DUS undertook to follow up the matter.

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49. Mr Ambrose CHEUNG suggested that the future arrangements for contract staff and temporary staff affected by the reorganization exercise should be followed up by the future Panel(s)/subcommittee to be formed pending the decision of the House Committee.

50. Miss CHAN Yuen-han asked whether streamlining administrative structures in future would only be done by way of natural wastage or staff redeployment. The Chairman also sought clarification on whether it was a standard Government practice to adopt natural wastage or redeployment as the means to achieve reduction in staff costs.

51. In response, DS(Tsy) said that public sector reforms and EPP across the board would inevitably result in surplus staff. However, she could not confirm or agree at this stage that in future, staffing structure would only be streamlined by way of natural wastage and redeployment since these two measures had their own limitations. She referred to the consultation document on civil service reforms in which voluntary retirement was suggested as a means to obviate the need for compulsory redundancies. In his 1999 Policy Address, the Chief Executive had given the assurance that in the process

of reform, the Administration would endeavour to make reasonable arrangements for affected staff and would avoid redundancies as far as possible. She highlighted the need for further discussion with the Panel on Public Service on how to strike a proper balance between enhancing cost-effectiveness in the use of public funds and safeguarding the rights and interests of serving staff.

52. Miss Emily LAU referred to the funding request for a new Library Automation System and a digital library system (Enclosures 6 and 7 respectively of FCR(1999-2000)54) and questioned the absence of information on cost-benefits analysis, savings and performance indicators which was usually included in funding proposals in respect of computerisation projects. She asked whether such information, which was important for auditing purposes, had been included in the original submissions.

53. In reply, DS(Tsy) and DUS clarified that the projects in question had been approved by the PMCs and were already in progress. The approval of FC was being sought to create the necessary new non-recurrent commitments under Head 710 Computerisation of the Capital Works Reserve Fund. DRS further informed members that at present, there were over 60 public libraries. The existing computer systems could only handle 30 million book loans whereas as a result of the enhanced library automation systems, a total of 48 million loans, capable of being expanded to 150 million, could be processed. DRS also enumerated the range of new services upon upgrading existing computer terminals which included a computerised catalogue system for children's libraries and improved access to information on the borrowing and return of books.

54. Whilst noting that approval of the funding requests was necessary to enable the Administration to honour the contractual commitments entered into by the two PMCs, Mr Eric LI suggested that to facilitate future assessment of the cost-effectiveness or otherwise of the PMC computerisation projects, the Administration should provide relevant information including cost-benefits analysis, savings and performance indicators in respect of these projects.

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55. In response, DS(Tsy) agreed to liaise with the relevant department to obtain the requisite information for the purpose of post-implementation reviews on these projects for inclusion in the annual report on computerisation projects funded under Head 710 to be submitted to LegCo.

56. The proposal was put to vote. 30 members voted for the proposal, 1 voted against and 9 abstained:

For:

Mr Kenneth TING Woo-shou
Mr David CHU Yu-lin
Mr Edward HO Sing-tin

Mr James TIEN Pei-chun
Mr HO Sai-chu
Dr Raymond HO Chung-tai

Mr Eric LI Ka-cheung
Mr NG Leung-sing
Mrs Selina CHOW LIANG Shuk-yee
Mr HUI Cheung-ching
Miss CHAN Yuen-han
Mr CHAN Wing-chan
Dr LEONG Che-hung
Mr Jasper TSANG Yok-sing
Mr YEUNG Yiu-chung
Mr Ambrose LAU Hon-chuen
Mr Timothy FOK Tsun-ting
Mr FUNG Chi-kin
(30 members)

Mr LEE Kai-ming
Prof NG Ching-fai
Mr MA Fung-kwok
Mr CHAN Kwok-keung
Mr Bernard CHAN
Mr CHAN Kam-lam
Mr Andrew WONG Wang-fat
Mr Howard YOUNG
Mr LAU Kong-wah
Miss CHOY So-yuk
Mr TAM Yiu-chung
Dr TANG Siu-tong

Against:

Mr Ambrose CHEUNG Wing-sum
(1 member)

Abstention:

Mr Albert HO Chun-yan
Mr CHEUNG Man-kwong
Dr YEUNG Sum
Mr Andrew CHENG Kar-foo
Mr LAW Chi-kwong
(9 members)

Mr Fred LI Wah-ming
Mr SIN Chung-kai
Miss Emily LAU Wai-hing
Mr SZETO Wah

57. The Committee approved the proposal.

58. The Committee was adjourned at 4:35 pm.

Legislative Council Secretariat

30 March 2000