

立法會
Legislative Council

LC Paper No. CB(1) 1004/99-00

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by the Administration)

Ref : CB1/PL/PS/1

Legislative Council
Panel on Public Service

Minutes of meeting
held on Monday, 17 January 2000 at 10:45 am
in the Chamber of the Legislative Council Building

Members present : Hon TAM Yiu-chung, GBS, JP (Chairman)
Hon Mrs Sophie LEUNG LAU Yau-fun, JP (Deputy Chairman)
Hon Michael HO Mun-ka
Hon LEE Cheuk-yan
Hon LEE Kai-ming, SBS, JP
Hon CHEUNG Man-kwong
Hon CHAN Kwok-keung
Hon CHAN Wing-chan
Hon Andrew WONG Wang-fat, JP
Hon Howard YOUNG, JP
Hon Ambrose LAU Hon-chuen, JP

Members attending : Hon Edward HO Sing-tin, SBS, JP
Hon CHAN Yuen-han

Public officers attending : Items III and IV

Mr LAM Woon-kwong
Secretary for the Civil Service

Ms Anissa WONG
Deputy Secretary for the Civil Service (1)

Mrs Susan MAK
Deputy Secretary for the Civil Service (3)

Items III to V

Mr D W PESCOD
Deputy Secretary for the Civil Service (2)

Item V

Mr R D POPE
Director of Lands

Mr CHAN Hak
Deputy Director of Lands (Survey and Mapping)

Mr Gary YEUNG
Principal Assistant Secretary for Planning and Lands (Lands)

Miss Leonia TAI
Assistant Director (Corporatisation), Business and Services
Promotion Unit, Financial Secretary's Office

Clerk in attendance : Miss Salumi CHAN
Chief Assistant Secretary (1)5

Staff in attendance : Ms Pauline NG
Assistant Secretary General 1

Mr Matthew LOO
Senior Assistant Secretary (1)7

I. Confirmation of minutes of meeting and matters arising
(LC Paper No. CB(1)769/99-00)

Confirmation of minutes of meeting

The minutes of the meeting held on 11 October 1999 were confirmed.

Matters arising

Independence of Audit Commission

2. Regarding Mr CHEUNG Man-kwong's proposal made at the last meeting to discuss whether the Audit Commission should be independent of the Government to facilitate the effective performance of its duties of examining and auditing public accounts, the Chairman advised that on the advice of the Administration, the matter had been referred to the Panel on Constitutional Affairs for follow-up action. Members agreed with this arrangement.

Overseas duty visit

3. The Chairman informed members that the Legislative Council Commission had decided to make an annual provision for overseas duty visits of Panels/committees. The Chairman advised that for the purpose of financial planning, members who considered that there was a need for the Panel to conduct a duty visit overseas during the remainder of the current legislative session should inform the Clerk in writing by 31 January 2000, stating the purpose, destinations and intended timing of the visit.

(*Post-meeting note* : A circular was issued vide LC Paper No. CB(1)824/99-00 on 19 January 2000 inviting members to inform the Clerk in writing by 31 January 2000 of any proposals for the Panel to conduct a duty visit overseas.)

II. Date of next meeting and items for discussion

(LC Paper No. CB(1)770/99-00(01) — List of outstanding items for discussion

LC Paper No. CB(1)770/99-00(02) — List of follow-up actions)

4. The Chairman advised that the following items had been included in the tentative agenda for the next regular meeting on 21 February 2000:

- (a) Review of provision of Home-to-Office Travelling Subsidy
- (b) Review of declaration system of investments by civil servants
- (c) Briefing by the Administration on the proposed creation of posts
 - one supernumerary Administrative Officer Staff Grade C (D2) post to head a Special Duties Team on the new Civil Service Provident Fund Scheme; and

- one permanent post of Senior Principal Executive Officer (D2) to head the new Secretariat on Civil Service Discipline.

5. As proposed by Mr LEE Kai-ming, the Panel agreed to further discuss the item on "Corporatization of the Survey and Mapping Office of the Lands Department — Impact on the staff concerned" at the next regular meeting on 21 February 2000 and invite representatives of the staff associations concerned to attend the meeting. In the circumstances, the item on "Review of declaration system of investments by civil servants" would be postponed to the meeting to be held in March 2000.

III. Policy governing acceptance of outside appointments by civil servants after retirement or early retirement

(LC Paper No. CB(1)770/99-00(03) — Paper provided by the Administration)

Policy governing acceptance of outside appointments by senior civil servants after retirement/early retirement

6. Mr CHEUNG Man-kwong noted that the main objective of the policy governing acceptance of outside appointments by civil servants after retirement or completion of agreement was to ensure that former civil servants did not enter into any business or employment which might constitute a conflict of interest with their previous employment in the civil service or embarrass the Government. Mr CHEUNG asked whether it would constitute a conflict of interest or embarrass the Government if a Bureau Secretary took up a post in a public organization immediately after his early retirement but the post was created by him before retirement. For example, the Secretary for Financial Services might take up the post of the Managing Director of the Mandatory Provident Fund Schemes Authority immediately after his early retirement.

7. In response, Secretary for the Civil Service (SCS) advised that it was inappropriate for the Administration to comment on hypothetical cases. In general, each application for post-retirement or post-agreement business engagement or employment would be considered on its own merits, having regard to the details of the case, such as the nature of the prospective employment. To be fair to the applicants, the Administration would also take into account the right and freedom of civil servants to have further pursuits in employment or business after retirement. SCS further pointed out that normally, a public organization was established through a legislative process and its organizational structure was decided by its own board of directors. All applicants, including civil servants, for the posts of the newly established public organization would be subject to the same recruitment and selection procedures which should be fair and open.

8. Whilst respecting the right and freedom of civil servants to have further pursuits in employment or business after retirement, Mr CHEUNG Man-kwong considered that Bureau Secretaries, being the major policy-makers in the Government, should be subject to more restrictions when they exercised such right and freedom. He suggested that a sanitization period of three years be imposed on Bureau Secretaries to bar them from taking up post-retirement or post-agreement employment during the period. SCS pointed out that if a civil servant applied for taking up a post-retirement or post-agreement employment which did not constitute a conflict of interest with his previous employment in the civil service, the Administration had no reason to reject his application.

9. Mr LEE Cheuk-yan pointed out that as the public had the impression that some of the senior civil servants had created posts in public organizations which were tailor-made for themselves to take up after retirement, the Administration should clarify the situation. While it might be inappropriate for the Administration to comment on hypothetical cases, it could comment on some actual cases, such as the case of Mr Piers JACOBS, former Financial Secretary and Secretary for Economic Services. Mr LEE sought the Administration's clarification on whether there was a conflict of interest between Mr JACOBS's post-retirement employment in the China Light and Power Company Limited and his previous employment as the Secretary for Economic Services.

10. In response, SCS reiterated that it was the policy of the Administration not to comment on individual cases. He advised that the Administration had reviewed from time to time the policy governing acceptance of outside appointments by civil servants after retirement, and established in 1987 the Advisory Committee on Post-Retirement Employment. The Committee advised the Administration on applications from directorate officers for post-retirement or post-agreement business engagement or employment and on the principles and criteria to be adopted in dealing with applications in general.

11. Mr Andrew WONG was concerned about cases in which civil servants who had gained access to commercially sensitive information while serving in the Government took up post-retirement or post-agreement employment in private companies. In response to Mr WONG's enquiry, SCS advised that in considering whether a prospective employment would constitute a conflict of interest, the Administration took into account the following factors:

- (a) whether the officer concerned, while serving in the Government, had been involved in policy formulation or decision which could have benefited his prospective employer; and
- (b) whether the prospective employer of the officer concerned might gain an unfair advantage over competitors because of the officer's previous

experience, knowledge and accessibility to commercially sensitive information while serving in the Government.

12. SCS added that disclosure of information by civil servants was governed by the Official Secrets Ordinance (Cap. 521). Moreover, civil servants were aware that any applications for post-retirement or post-agreement employment would be subject to close scrutiny and were thus conscious of the need to avoid potential conflict of interest in seeking post-retirement or post-agreement employment.

13. Responding to Mr CHAN Wing-chan, SCS advised that if it was considered that the prospective employer of the officer concerned might gain an unfair advantage over competitors because of the officer's previous experience and knowledge, the Administration would consider whether the application should be approved. The Administration would consider the need to specify a sanitization period during which the applicant would be barred from taking up the post-retirement/post-agreement employment, and the need to impose restrictions on the scope of activities to be undertaken by the applicant. If the need was established, the case in question might be approved on condition.

14. In response to the Chairman's enquiry, Deputy Secretary for the Civil Service (1) (DSCS1) provided the following statistics on the number of applications for post-retirement employment from directorate officers:

Year	No. of applications			
	Received	Approved	Approved on condition	Not approved
1997	71	60	11	0
1998	59	44	14	1
1999	44	36	7	1

Policy governing acceptance of outside appointments by agreement officers after completion of agreements

15. In response to Mr Andrew WONG's concern about post-agreement employment, DSCS1 advised that since January 1997, agreement officers ranked at D3 and above were also required to seek prior permission before they took up employment outside the Government within one year after completion of their agreements. The requirement was included in the new agreements offered since January 1997 and was enforced as a contractual obligation. Mr Andrew WONG considered the requirement too lenient, as the officers concerned were free to take up any employment one year after completion of their agreements. He was of the view that an officer employed on a three-year agreement should be treated the same as one on permanent and pensionable terms who had stayed in his post for three years before retirement. He therefore suggested that the post-retirement requirement for senior

civil servants on permanent and pensionable terms should be applied to agreement officers ranked at D3 and above so that the latter had to seek permission for post-agreement employment within three years after completion of their agreements. DSCS1 considered that the current one-year restriction was proportional having regard to the usual length of an agreement (which normally covered only three years).

IV. Civil Service Starting Salaries Review 1999

(LC Paper No. CB(1)616/99-00 — Legislative Council Brief issued on 15 December 1999)

16. The Chairman advised that as the Administration's recommendations on the new civil service starting salaries had been rejected by the Establishment Subcommittee (ESC) at its meeting on 12 January 2000, the Administration requested to further discuss the subject with the Panel.

Briefing by the Administration

17. SCS highlighted the Administration's response to the points raised by Members at the ESC meeting on 12 January 2000.

18. On the point that the reduction in civil service starting salaries might set an example for the private sector to follow, SCS considered that that would not be the case. He advised that the Government's pay policy was that remuneration for civil servants should be broadly comparable with that of the private sector. The recommendations of the Standing Commission on Civil Service Salaries and Conditions of Service (the Standing Commission) on the Civil Service Starting Salaries Review 1999 (the Review) were made on the basis of the findings of the Pay Comparison Survey (PCS) conducted in 1998/1999. The purpose of PCS was to ensure that the benchmark salaries were in line with the private sector pay. The third quartile level of private sector pay data had been used by the Standing Commission as a reference for determining the new benchmarks in view of the Government's policy of keeping in step with remuneration practices of the larger and more established companies in the private sector. Hence, the proposed new starting salaries were at the upper level of market rates.

19. On the point that the recommendations on reduction in starting salaries were only targetted at the basic ranks at lower levels, SCS considered that there might be some misunderstanding as the Standing Commission had recommended to reduce the starting salaries of the basic rank of the professional and related grades, including the Administrative Officer grade, from Master Pay Scale (MPS) 27 to 22, i.e. a reduction of 30%. This percentage of reduction was much higher than those of the basic ranks at lower levels, such as Clerical Assistant.

20. On the point that consultation on the Standing Commission's recommendations was not comprehensive, SCS advised that civil servants had been extensively consulted. Subvented organizations had also been consulted by the Bureaux concerned and some of them had submitted their views in writing. The Administration had also exchanged correspondence with some major subvented organizations, such as the Hong Kong Council of Social Services and Hong Kong Professional Teachers' Union, and taken their views into consideration.

21. On the implications of the new benchmarks and pay model on serving staff on transfer, SCS advised that the Administration had worked out a formula under which a great majority of serving staff on transfer to another grade would be able to maintain their existing salary levels. Teachers on transfer between schools would also be allowed to carry their existing pay upon transfer.

22. On the need to review civil service salaries beyond the entry level, SCS advised that as the Review was limited to starting salaries, the Standing Commission was precluded from undertaking any review of civil service salaries beyond the entry level. However, if Members considered it necessary to conduct such a review, the Administration was prepared to discuss the subject with Members. SCS pointed out that such a review would be far more complex than the starting salaries review because of the very different nature of civil service and private sector jobs.

Justifications for reduction in starting salaries

23. Mr CHAN Wing-chan advised that the Hong Kong Federation of Trade Unions did not support the proposed reduction in civil service starting salaries. He noted that the starting salaries of some basic ranks would be lowered by 4 to 6 pay points and asked for the justifications for such a great reduction. In response, SCS reiterated that the recommendations on the proposed reduction were made on the basis of the findings of PCS. Based on the survey findings, those Qualification Groups (QGs) with higher educational qualifications, such as QG13 (Degree and Related Grades) would have a far more drastic reduction in pay as compared with the Technical Grades. This might suggest that in the current economic environment, the labour market generally favoured those with occupational skills. There might also be other contributing factors, for example, an increase in the supply of degree holders and restructuring of the economy.

Implications on private sector pay

24. Mr LEE Cheuk-yan advised that the Confederation of Trade Unions did not support the proposed reduction in civil service starting salaries and was concerned that it would set an example for the private sector to follow. Mr CHEUNG Man-kwong considered that the reduction in salaries in the civil service and private sector was an interactive process which would result in an endless cycle of salary reduction between the two sectors. SCS pointed out that private sector pay was determined by a

number of factors, including the state of economy. In the Administration's view, private sector pay would not be adjusted downwards because of the reduction in civil service starting salaries.

Disruption of pay relativity between supervisory and subordinate ranks

25. Mr CHEUNG Man-kwong noted that some civil service unions had pointed out that the proposed reduction in civil service starting salaries would result in the disruption of pay relativity between some supervisory and subordinate ranks of related grades as follows:

- (a) Same new starting salaries for supervisory and subordinate ranks of related grades

Examples:

- Social Security Officer II (MPS 6) and Social Security Assistant (MPS 6);
- Printing Officer (MPS 6) and Printing Technician II (MPS 6).

- (b) New starting salaries for supervisory ranks lower than those for subordinate ranks of related grades

Examples:

- Amenities Officer II (MPS 4) and Amenities Assistant III (MPS 7);
- Field Officer II (MPS 6) and Field Assistant (MPS 7);
- Dental Hygienist (MPS 3) and Dental Surgery Assistant (MPS 4).

26. Apart from the examples quoted above, Mr CHEUNG Man-kwong was also concerned about the Standing Commission's recommendation that the starting salaries for two graduate grades (Assistant Education Officer and Assistant Primary School Master) and one non-graduate grade (Certificated Master) within the Education Grades be set at the same level at MPS 12. He considered this recommendation unreasonable as the graduate grades required higher entry qualifications. Mr CHEUNG was disappointed that the Administration had not accepted his views and the views of the civil service unions and not rectified the situation. In response, SCS pointed out that there had been a number of cases where new recruits filling supervisory posts were offered starting salaries lower than the current salaries of their subordinates. The Administration did not perceive this to be a major problem because normally, the supervisory rank had a much longer salary scale and better promotion prospects. Mr CHEUNG was not convinced and urged the Administration to reconsider the issue. SCS assured members that the Administration had taken into account the views of various parties, including Members and civil service unions,

before finalizing its proposal on the reduction in starting salaries. Though the final proposal did not meet the requests of all the parties concerned, it was a balance of various views and concerns.

27. Mr CHEUNG Man-kwong advised that the Democratic Party would maintain its position and not support the proposed reduction in civil service starting salaries.

Implications on assistant/student/training ranks

28. Mr LEE Cheuk-yan was concerned that Student Nurses would, on appointment to the operational benchmark ranks such as Enrolled Nurse or Registered Nurse, be offered the new starting salaries which were far lower than what they had expected when joining the grade. Deputy Secretary for the Civil Service (2) (DSCS2) advised that at the request of some civil service unions, the Administration had agreed to allow the serving assistant/student/training officers, including Student Nurses, to enter the pay scale of the operational rank at the existing minimum salary point of the rank when they were eventually promoted.

Implications on staff employed by contractors/consultants of Architectural Services Department

29. Mr LEE Cheuk-yan was concerned that the new civil service starting salaries might affect the contract price offered by the Architectural Services Department (ASD) which in turn would affect the pay level of staff employed by the contractors/consultants concerned. DSCS2 advised that the terms and conditions of staff employed by the contractors/consultants were matters between the contractors/consultants and their staff. However, he undertook to check with ASD and provide members with further information on this issue.

(Post-meeting note : A letter dated 25 January 2000 from the Administration advising on the impact of the new civil service starting salaries on staff employed by contractors/consultants of ASD was issued to members vide LC Paper No. CB(1)894/99-00 on 25 January 2000.)

Consultation with civil service unions and subvented organizations

30. Mr Michael HO noted that civil service unions had submitted various views on the Standing Commission's recommendations to the Administration but it was unclear which of the views had been accepted or rejected. Mr HO also considered it unclear how various Bureaux had consulted the subvented organizations within their purview and whether the views of the organizations had been accepted. SCS advised that the consultation process was open. The Administration had consulted the subvented organizations but the consultation was not so extensive as that conducted within the civil service. The main principles of the Government's subvention policy were that the pay and conditions of service for staff of the subvented sector should be

no better than their counterparts in the civil service, and that there was no automatic extension of civil service terms and conditions of service to staff in the subvented sector. Subvented organizations, as employers, could set reasonable recruitment packages to recruit their own staff, having regard to their own financial resources and other relevant factors. They were not required to apply the new civil service starting salaries to their new recruits but might have to make some adjustments to their recruitment packages.

Review of civil service salaries beyond entry level

31. Mr Howard YOUNG advised that the Liberal Party supported the proposed reduction in civil service starting salaries. He was however concerned whether and when the Administration would conduct a review of civil service salaries beyond the entry level. He also asked whether such a review would be impeded by Article 100 of the Basic Law which stipulated that "public servants serving in all Hong Kong government departments, including the police department, before the establishment of the Hong Kong Special Administrative Region, may all remain in employment and retain their seniority with pay, allowances, benefits and conditions of service no less favourable than before". In response, SCS advised that a comprehensive review of civil service salaries was a very complex issue. In conducting such a review, the Administration would take into account the provisions of Article 100 of the Basic Law.

32. Mr Andrew WONG considered the Review not meaningful and therefore did not support the Standing Commission's recommendations. He urged the Administration to conduct a comprehensive review of civil service salaries by comparing the salary levels of different grades in the civil service with those in the private sector. He considered that whether the comprehensive review would be impeded by Article 100 of the Basic Law depended on the interpretation of the relevant provisions, for example, the interpretation of "no less favourable than before". SCS appreciated Mr WONG's views but pointed out the need for reduction in civil service starting salaries to ensure the continuing broad comparability between civil service entry pay and private sector pay for similar qualifications.

(Post-meeting note : The proposed revision of the civil service starting salaries for the civilian and disciplined grades which would apply to recruits appointed on or after 1 April 2000 and serving staff on in-service transfer with effect from the same date was endorsed by ESC on 26 January 2000.)

V. Corporatization of the Survey and Mapping Office of the Lands Department — Impact on the staff concerned

(LC Paper No. CB(1)770/99-00(04) — Paper provided by the Administration

LC Paper No. CB(1)770/99-00(05) — Executive Summary of the "Final Report on the Consultancy Advice to the Government of the Hong Kong Special Administrative Region on the Feasibility of Corporatization of the Survey and Mapping Office of Lands Department"

LC Paper No. CB(1)770/99-00(06) — Submission from the Association of Government Local Land Surveyors

LC Paper No. CP 366/99-00(01) — Joint submission dated 20 December 1999 from the five staff associations concerned

LC Paper No. CP 366/99-00(02) — Paper provided by the Administration)

33. The Chairman advised that the subject of agenda item V was referred to the Panel after Members' meeting with the five staff associations of the Survey and Mapping Office (SMO) of the Lands Department in the Complaints Division on 3 January 2000. Members were concerned about the progress of the feasibility study on corporatization of SMO and its impact on the staff concerned.

34. The Chairman welcomed Mr Edward HO, Chairman of the Panel on Planning, Lands and Works, to join discussion of the item.

Briefing by the Administration

35. Director of Lands (D of L) advised that the Business and Services Promotion Unit (BSPU) had commissioned a feasibility study on corporatization of SMO. The Administration believed that with the development of modern survey technology, SMO had the potential to operate in a business environment in order to provide better and more services to its customers. The financial analysis conducted by the consultants projected that a corporatized SMO could achieve an average annual return on net fixed assets of 12.1% and bring an overall benefit of \$948 million to the Government over a ten-year period. This figure included an amount of efficiency gains of \$333 million. To cater for the worst case scenario in which the private sector sales was reduced by 20%, a corporatized SMO could achieve an average annual return on net fixed assets of 6.7% and an overall benefit of \$326 million over a ten-year period. This was considered acceptable by the Government. On staffing arrangements, D of L advised that the retention of the serving experienced staff was important to the success of the proposed corporatization. Hence, the financial analysis

had been conducted on the assumptions that all the staff would be retained on the existing terms and conditions and that there would be no staff redundancy. The Administration would discuss with the staff associations concerned on the details of the transfer arrangement and help the staff overcome the problems arising from the culture change required to transform SMO to a commercially oriented corporation.

Definition of "corporatization"

36. Responding to Mr Andrew WONG, Assistant Director (Corporatization) of the Business and Services Promotion Unit (AD(C)/BSPU) advised that to achieve greater efficiency and cost effectiveness in providing public services, the Government had been exploring corporatization as a means to provide better services in appropriate cases. "Corporatization" referred to the transformation of a government department or an unit of a government department into a public corporation. This type of corporation was 100% owned by the Government but operated independently.

Justifications for corporatization of SMO

37. Mr CHEUNG Man-kwong asked why SMO was identified as a suitable candidate for corporatization. AD(C)/BSPU advised that SMO had developed expertise in various areas and a valuable map database. With the rapid development in information technology and electronic business, SMO had good potential to make more cost effective and efficient use of its resources in a commercial environment.

38. Mr LEE Cheuk-yan pointed out that the same consultants had conducted a study for SMO in 1997 and concluded that a trading fund option should be rejected. He queried why after a lapse of two years, the consultants recommended to corporatize SMO. In response, Deputy Director of Lands (Survey and Mapping) (DD of L (S&M)) advised that the study conducted in 1997 only focused on the prices of SMO products. Nevertheless, the consultants had mentioned in the report the impact of the possible changes to the operation of SMO on the prices of its products. At the request of Mr LEE, DD of L (S&M) undertook to provide a copy of the consultants' report in 1997 for members' reference.

(Post-meeting note: The Administration provided on 15 February 2000 two copies of Volume I — Business Plan of the "Final Report on the Consultancy Study of Costing and Pricing of the Survey Services and Mapping Products of Survey and Mapping Office, Lands Department" (English version only) and a copy of the Executive Summary of the Report.)

39. As proposed by the Chairman, DD of L agreed to invite the consultants to attend the next Panel meeting to be held on 21 February 2000.

40. Mr Howard YOUNG asked for more information about the business opportunities identified for the corporatized SMO. D of L responded that the

opportunities were boundless. For example, the development of Global Positioning System and broad-band internet connections would increase the potential of the corporatized SMO to provide high quality digital maps and photographs to business and the general public world-wide. Moreover, the consultants considered forming of business partnerships or joint venture partnerships with information service providers a key area of development. SMO had already engaged with three private sector partners to produce maps of different nature. With the right technical, commercial and marketing skills, these areas could be developed into a huge business.

Financial viability

41. Mr CHEUNG Man-kwong noted that some of the staff concerned had pointed out that a corporatized SMO would only bring an overall benefit of \$81 million to the Government over a ten-year period instead of \$948 million as calculated by the consultants. He sought clarification from the Administration on the discrepancy in figures. In response, D of L advised that the consultants had spent 12 weeks on the feasibility study and produced the figures which were then scrutinized by a steering committee comprising representatives from various government departments. The Administration believed that these figures were more accurate than those produced by the staff. In fact, the staff concerned might have worked out their figures on the basis of different assumptions. The Administration was prepared to clarify the matter with the staff associations and to explain how the figures produced by the consultants had been arrived at.

42. Responding to Mr LEE Cheuk-yan, D of L confirmed that the provision of services to government departments would be the major source of income for the corporatized SMO. Mr LEE Cheuk-yan was concerned that the corporatized SMO might monopolize the market and increase the fees and charges from time to time. As a result, government departments might suffer and public moneys might be wasted. D of L considered that the corporatized SMO would not monopolize the market as any company might gain access to the digital map database.

Staffing arrangements

43. Mr LEE Kai-ming and Mr CHAN Wing-chan were concerned that staffing arrangements had not been included in the feasibility study on the corporatization of SMO. D of L explained that the feasibility study only focused on the financial viability and the costs and benefits of corporatizing SMO. After careful consideration of the consultants' report, the Administration agreed that SMO had good potential to operate on a commercial basis. The Administration was prepared to explore the corporatization proposal further with the staff concerned and to proceed on the basis that all staff would be retained on the existing terms and conditions. On this basis, the Administration would work out with staff options of the transfer packages to facilitate voluntary transfer to corporate terms.

44. Mr LEE Kai-ming noted that there would be a mixed staff situation in the corporatized SMO, i.e. staff retained on civil service terms and conditions but seconded to the new corporation and staff transferred to corporate terms. Mr LEE was concerned that the seconded civil servants would be in a disadvantageous position in terms of future advancement and development. Mr CHAN Wing-chan was concerned that the staff transferred to corporate terms would be made redundant later if the corporatized SMO was in deficit. D of L considered that a mixed staff situation might create problems in any organizations. The Administration believed that the problems could be overcome by the joint efforts of management and staff. DSCS2 added that there were established systems to deal with mixed staff situations and that the Administration had a lot of experience in this regard.

45. Mr Andrew WONG considered that a public corporation should be operated independently and a mixed staff situation should be avoided. He suggested the Administration to provide a start-up loan for SMO so that an attractive transfer package could be offered to serving staff. D of L advised that the details of the transfer packages had yet to be worked out.

Timetable

46. Mr CHEUNG Man-kwong and Mr LEE Kai-ming noted that the consultants had recommended a High Level Implementation Plan covering 18 months. They were concerned that the Administration would implement the Plan before the completion of staff consultation. D of L advised that 18 months was only a target. He stressed that the Administration attached great importance to staff participation in the whole transformation process. The Administration was fully aware that it would take time to conduct staff consultation and to seek staff support to the corporatization proposal.

47. Responding to Mr Andrew WONG, D of L assured members that the Administration had not made a decision on the corporatization of SMO. It had just embarked on a route of possible corporatization.

Way forward

48. The Panel would meet the representatives from the staff associations of SMO at the next regular meeting on 21 February 2000. The Administration and the consultants for the feasibility study would also attend the meeting.

VI. Any other business

49. There being no other business, the meeting ended at 1:00 pm.

Legislative Council Secretariat
19 February 2000