



政府本地土地測量師協會
Association of Government Local Land Surveyors

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14 January, 2000

Honorable LEGCO Members
Panel of Public Services

Dear Sirs,

Study on Corporatisation of Survey and Mapping Office (SMO)

Thank you for your concern for the above matter and your proposed discussion on the impact of Corporatisation of SMO to staff on 17 Jan 2000.

Having preliminarily studied the report, we have reservation on the reliability of information provided in the consultant's report and hence the assessment of revenue derived from them.

Unsupported Estimations of Revenue

The estimation of revenue generated either from existing services or new business opportunities suggested in the report is based on various assumptions. Without securing them, these estimates are unreliable.

- Digital Data Products – Government (Ref. Pages 10 and 16)

The consultant anticipated that all 90 Government departments/bureaux will, within the next 3 years, require digital maps by on-line access to the SMO database.

Will all the 90 Government departments and bureaux need digital maps and have the appropriate system and hardware within the next 3 years? Is it the policy of the Government?

The on-line access charge (HK\$1.7m) is 4 times of the updating charge (HK\$0.42m). Are all the Government departments and bureaux bound to take direct on-line access to the SMO database?

The estimated revenues of this opportunity covered 18.4% and 15.9% of the total revenues in year 1 and year 10 respectively. The reliability of this estimation is vital to the financial viability of the SMC.



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- Hand-held and Mobile Technologies (Ref. Pages 11, 12, 15, 16 and Appendix 2.2)

The report stated that mobile phone and DGPS technologies are already in place and technically feasible. Based on our understanding, at present there is no such system available in the commercial market to provide dynamic position fixing services in the urban areas. The existing system for car navigation (being not based on mobile phone and DGPS technologies) in the market is **not suitable** at underground levels nor in area with high-rise buildings. Furthermore, the application of this system is only in a preliminary stage. We have doubts on the successful development and implementation of such a system in the near future in Hong Kong.

The estimated revenues of this opportunity covered 7.5% of the total revenues in year 10. Further evidence should be provided to support the justifications mentioned in the report. Otherwise, the estimated revenues of this opportunity should not be included in the analysis of financial viability.

The report also pointed out that the potential growth of users subscribing this service will be from 0.03 million in year 3 up to 2 million in year 10. We also have doubts on the reliability of these figures. Has there been any market study for this type of service? Is the figure 2 million a reasonable estimation of the number of users? Are all the potential users willing to pay for the expensive equipment for this service? Any inaccurate estimation of potential growth will affect the estimated revenue significantly.

- Legislation Support

Some business opportunities, like **Centralised Spatial Data Agency, Information Centers** and extension of the **Land Survey Ordinance**, will need legislative support. We doubt if such legislation can be put in place when SMC is formed. If not, how can the estimated revenues be included in the analysis of financial viability?

- Services Supply to Government

We foresee that there will be tight control on government budget in the on-going Public Sector Reform. There is no way to guarantee that the targeted revenue from this service can be achieved. What will happen if the targeted revenues from the service level agreements with other departments cannot be achieved? The revenues from this item covered 72% and 53% of the total estimated revenues in year 1 and year 10 respectively. If the targeted revenues cannot be achieved, the proposed SMC will fall into financial difficulty.



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Analysis of Financial Viability

With reference to Item 7.3 on page.33, it stated that:

“SMC can enhance efficiency and cost effectiveness by providing substantial economies from: (1) the Enhanced Productivity Programme; (2) efficiency gains due to natural wastage; (3) savings on DAO and CAO costs, and (4) efficiency gains on the increased workload for LAO and LACO”

We believe that these savings/efficiency gains can be achieved by various means of reform but the consultant has not touched on any of these alternatives. We have the impression that Corporatisation of SMO has already been decided prior to the study.

The International Review carried out by Ordnance Survey (OS), with reference to its own experience at Annex 1, indicates that the move is successful in some of the international mapping agencies. The proposed SMC follows largely the experience of OS in UK on corporatisation. According to the official journal of Royal Institution of Chartered Surveyors (RICS) in November 1999, there are financial problems in OS due to problems in renewing the Service Level Agreement with their clients in local county of UK. Dr Robinson, the Director General of OS, resigned just after one year in the job. We worry that the SMC will run into similar chaos.

Impact of Corporatisation of SMO on the Public

Various disadvantages of the move are mentioned on P.35 & P.36

- “Will need additional human resources for administration, financial management and marketing.” and “More administration and accounting on both sides.” [P.35]

The additional administrative cost added on the services will have to be recovered from SMC’s services/product. The clients, mainly government departments, may have to bear the cost. We cannot see the reason why the public has to pay more for the same service.

- “The standard of work, up-datedness?? and response to requests would have to radically improved if the services were to be attractive and, therefore, financially viable.” [P.36]

This implies that the quality of services may be degraded if there are financial difficulties in SMC. We opine that government has to provide the necessary public service with the required quality.

- “Some non-profitable services of SMO may be discontinued and the cost of some special services may become very high because of business considerations. In this case the customer would either have to provide the services using in-house resources, or bear the



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high cost of these services” [P.36]

This consequence is considered unacceptable, as the level of service to public should be justified by the need instead of by the cost.

- *“With the change of modern technology, it becomes very difficult for SMO to protect the copyright of digital map data. SMO will be placed in a disadvantageous position to compete with the private map publishers, who are keen to copy the map data with no cost.” [P.36]*

This is a problem to protect the intellectual property of the society and we believe that the copyright has to be enforced through legislation. The actual cost of the product including all the legal administration may be very high. The cost model has to be revised if the additional cost have to be supported by the public.

Lack of Staff Consultation

We met with DD/SM, SMO, Lands D on 29 Sept 1999 and he said that “the above study was only a preliminary study focusing on the financial viability of corporatisation of SMO and would not touch on staffing of SMO”.

There has been no further consultation after the meeting in particular on any arrangement related to staff on the proposals. We regret to learn from the report that possible staff arrangements have been discussed by BSPU and SPEL (now the S of PL) and that there are proposals on the arrangements for the seconded professional and technical staff. We are disappointed that the study is carried out without staff consultation on the possible arrangements.

The above observations are made from our preliminary study of the report. I hope it would help you understand our worries.

Thank you very much for your attention.

Yours faithfully

(KOO Tak-ming)
Chairman of AGLLS