

立法會
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Establishment Subcommittee of the Finance Committee

**Minutes of the 6th meeting
held at the Legislative Council Chamber
on Wednesday, 16 June 2004, at 10:45 am**

Members present:

Hon CHAN Kwok-keung, JP (Chairman)
Hon NG Leung-sing, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Dr Hon Eric LI Ka-cheung, GBS, JP
Hon Margaret NG
Hon Andrew WONG Wang-fat, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Hon SZETO Wah
Hon TAM Yiu-chung, GBS, JP
Hon LI Fung-ying, JP
Hon Henry WU King-cheong, BBS, JP
Hon LAU Ping-cheung

Members absent:

Dr Hon David LI Kwok-po, GBS, JP
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching, JP
Hon Emily LAU Wai-hing, JP
Hon Abraham SHEK Lai-him, JP
Hon Michael MAK Kwok-fung
Hon Albert CHAN Wai-yip
Hon LEUNG Fu-wah, MH, JP
Dr Hon LO Wing-lok, JP
Hon MA Fung-kwok, JP

Non-Subcommittee Member attending:

Hon SIN Chung-kai

Public Officers attending:

Miss Elizabeth TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)
Miss Jennifer MAK, JP	Deputy Secretary for the Civil Service
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (Treasury)
Mr Francis HO, JP	Permanent Secretary for Commerce, Industry and Technology (Communications and Technology)
Mrs Betty FUNG, JP	Deputy Secretary for Commerce, Industry and Technology (Communications and Technology)
Mr Stephen MAK, JP	Deputy Director of Information Technology Services
Mr LEUNG Chin-man, JP	Permanent Secretary for Housing, Planning and Lands (Housing)
Mr Kenneth MAK Ching-yu	Deputy Director of Housing
Mr Sardara Singh DILLON	Assistant Director of Housing

Clerk in attendance:

Miss Becky YU	Chief Council Secretary (1)1
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Staff in attendance:

Ms Pauline NG	Assistant Secretary General 1
Mr S C TSANG	Senior Assistant Secretary (1)7
Ms Caris CHAN	Senior Legislative Assistant 1
Mr Frankie WOO	Legislative Assistant 2

EC(2004-05)8 Proposed merger of the Information Technology Services Department and the information technology-related divisions of the Commerce, Industry and Technology Bureau (Communications and Technology Branch) to form a new entity entitled Office of the Government Chief Information Officer in the Commerce, Industry and Technology Bureau with effect from 1 July 2004

The Chairman informed members that the Panel on Information, Technology and Broadcasting (ITB Panel) was consulted on the proposal at its meeting on 10 May 2004.

2. Mr James TIEN said that Members of the Liberal Party (LP) would support the proposal which was discussed and endorsed by the ITB Panel. As it had all along been LP Members' concern about the expansion of the civil service, he sought the Administration's confirmation that the proposed merger of the Information Technology Services Department and the information technology-related divisions of the Commerce, Industry and Technology Bureau (Communications and Technology Branch) would result in net reduction in establishment and expenditure. The Permanent Secretary for Commerce, Industry and Technology (Communications and Technology) (PSCT) explained that the creation of the departmental post of Government Chief Information Officer (GCIO) at D6 to head the Office of the Government Chief Information Officer (OGCIO) would be offset by the deletion of the Director of Information Technology Services (DITS) post at D5, the Assistant Director of Management Services post at D2, the Administrative Officer Staff Grade C post at D2 and the Chief Systems Manager post at D1. Therefore, the proposed merger would result in the net reduction of three directorate posts. The recurrent savings from the proposal as well as consequential reduction of staff at non-directorate level would be in the region of \$7.4 million per annum.

3. While indicating support for the proposal, Mr SIN Chung-kai, Chairman of the ITB Panel and the representative returned from the information technology (IT) constituency, said that he had been approached by members of the IT sector who held the view that OGCIO should be led by IT professionals, and that the setting up of OGCIO should aim at leading, championing and fostering the further development of IT in Hong Kong rather than achieving staff and cost savings. He also pointed out that members of the Analysts/Programmer grade had expressed concern that the changes in ranking structure following the deletion of DITS at D5 and the proposed creation of two Deputy GCIOs at D3 would adversely affect staff morale as they could only advance up to the level of D3 under the new structure.

4. In response, PSCT re-affirmed the Administration's determination to play a leadership role in driving IT development. As far as GCIO was concerned, PSCT explained that apart from the traditional role of providing IT support services and advice to its clients within Government, GCIO, as head of OGCIO, should provide more visible and proactive leadership role for Government and enhanced

accountability for the Government's investment, strategies and performance on IT. GCIO should also be heavily involved in the implementation of the E-government programme and the development of Government's IT infrastructure, standards and policies. Likewise, the core duties of the system analyst would be elevated to tie in with the enhanced role of GCIO. PSCT added that he had met with the staff of the Information Technology Services Department (ITSD) on two occasions and had explained to them about the purpose and intent of the proposed merger. It was the Administration's intention to find a suitable candidate for the post of GCIO under reasonable remuneration terms. Notwithstanding, the ranking structure would not exclude the senior staff of ITSD from being considered for the post of GCIO.

5. Mr SIN Chung-kai enquired whether GCIO would have direct access to the highest echelons of Government viz. the Chief Secretary and the Financial Secretary, in line with the practice of overseas countries. PSCT answered in the affirmative. He pointed out that a high-level E-government Steering Committee under the chairmanship of the Financial Secretary would be set up. The Committee would, among other things, approve the strategic direction of the E-government programme, set targets for outcomes, benefits and utilization for such projects and, if necessary, resolve differences between bureaux and departments or OGCI and bureaux/departments. With the Committee's empowerment and its interdepartmental co-ordinating efforts, GCIO would be able to drive changes in bureaux and departments' business processes through IT and take a cross-agency leadership role in driving the E-government programme.

6. Mr Andrew WONG said that while he was not opposed to the proposed merger, he found the English title of "Office of the Government Chief Information Officer" odd in that the words "office" and "officer" appeared in the same term. Besides, the English title had only made reference to information but not technology which was at variance with the Chinese title of "政府資訊科技總監" which had covered both.

7. PSCT explained that the term "Chief Information Officer" (CIO) was commonly used in the commercial and business sectors to denote the key position held by the person-in-charge of the IT functions in a company. Hence, the term CIO would portray a leadership role and would match with the enhanced status of the head of OGCI who took charge of a much wider scope of duties than DITS. As for the Chinese title, consideration was first given to adopting the exact rendition of CIO viz. "政府資訊總監" but this might give the impression that the post would only take charge of monitoring the flow or dissemination of information. Upon the advice of members of ITB Panel, the Chinese title was changed to "政府資訊科技總監" which was considered the most appropriate among all the proposals.

8. Mr Andrew WONG however opined that as a layman, he found the title of CIO misleading as this would give the impression that the post was related to the Government Information Service. Since the post remained a part of Government

establishment, there was a need to ensure that the public was clear about its functions as reflected by the post title. He could not accept that the title of CIO should be adopted merely on grounds that it was commonly used in the business and commercial sectors. The fact was that the title of CIO was unclear to laymen. He therefore suggested to re-title the post as “Commissioner of IT” and the new Office as “Commission of IT”. Consideration could also be given to re-titling CIO to “Chief Information Technology Officer” to more accurately reflect the nature of the post.

9. PSCT said that the title of CIO had been adopted by many developed countries such as USA, Canada and United Kingdom to denote key IT positions. It was also used by the Singapore Government in denoting the ministerial IT post. The adoption of the title of CIO could adequately reflect the functions of the post and was in line with the nomenclature used by business and commercial sectors to denote key IT posts. Meanwhile, the Chinese title of “政府資訊科技總監” was clear in reflecting the functions of the post and could serve its intended purpose.

10. Mr SIN Chung-kai drew members’ attention to a number of common titles being adopted by business and commercial sectors. These included CEO to denote the Chief Executive Officer in charge of the entire operation of a company, CFO to denote the Chief Financial Officer in charge of financial operation; COO to denote Chief Operation Officer in charge of general operation; and CIO to denote Chief Information Officer in charge of IT operation. It was therefore proper for the Administration to adopt the title of CIO for the post because it was simply following the latest business trends in nomenclature. He nevertheless agreed that upon the establishment of OGCI, the Administration should explain to the public the role and duties of the post.

11. The item was voted on and endorsed.

EC(2004-05)9 Proposed reorganisation of Housing Department by phases and redistribution of duties and responsibilities of the directorate staff

12. The Chairman advised that the Panel on Housing was consulted on the proposal at its meeting on 7 July 2003.

13. Referring to the establishment changes in paragraph 18 of the information paper, Ms LI Fung-ying noted that the reduction in establishment of non-directorate rank was much higher than that of directorate rank. She expressed concern that the Administration was trying to cut cost at the expenses of non-directorate staff. The Permanent Secretary for Housing, Planning and Lands (Housing) (PSH) replied that this was not the case. He said that the review of the organizational structure of the Housing Department (HD) had identified that there was scope for reduction of 3 500 non-directorate posts or 30% of the non-directorate establishment by March 2007

through normal retirement, completion of contract and various voluntary departure or retirement schemes. On the other hand, there would be a total net reduction of 27 directorate posts (including 23 civil service and four contract posts) or 37% of the directorate establishment, which was higher than that of the non-directorate establishment.

14. Ms LI then enquired about the means through which the 21 directorate posts referred to in the paper would be deleted. PSH advised that the deletion would be achieved through natural wastage, departure under the Voluntary Departure Scheme and the second Voluntary Retirement Scheme as well as completion of contracts of employees on contract terms.

15. Noting that the Select Committee on Building Problems of Public Housing Unit had pointed out in its report that the building problems were partly attributed to the unclear delineation of responsibility among HD professional staff, Mr LAU Ping-cheung expressed concern that the situation might be further aggravated following the deletion of one of the two Chief Quantity Surveyor posts which were responsible for overseeing all building contracts of HD. The deletion would result in the redistribution of part of the important duties to staff in the lower ranks which might in turn compromise the delivery and quality of service.

16. In reply, PSH assured members that the Administration would carefully study the report of the Select Committee with a view to identifying room for further improvement. In fact, HD had already implemented 56 recommendations to improve building quality. The reorganization of the business development and the construction divisions over the years had also resulted in the clear delineation of responsibility. As regards the deletion of the Chief Quantity Surveyor post, PSH advised that this was inevitable as a result of de-layering and streamlining of organizational structure. Nevertheless, extensive study had been made to ensure that the level and quality of service would not be affected after the deletion. Besides, most HD engineers were well experienced and competent to take up the additional responsibility.

17. Mr James TIEN expressed appreciation for the efforts which HD had made in the past few years to streamline its structure and to save public money without compromising the service quality and staff morale. This should set a good example for other departments to follow suit. He however noted that some directorate posts were scheduled for deletion by 31 March 2006 and questioned the rationale for the long lead time. PSH explained that while all divisions within HD had to undergo the re-engineering exercise, the completion time would depend on the workload of individual divisions. By way of illustration, the divestment of the Housing Authority (HA)'s retail and car-parking (RC) facilities through the injection of RC facilities into a real estate investment trust (REIT) and listing of REIT on the Stock Exchange of Hong Kong was a mammoth task. The current plan was to make an initial public offering (IPO) of REIT before end of 2004-05, but the precise timing would have to be decided taking into account the prevailing market conditions in

order to achieve the best result. Besides, HD would need to assist in the establishment of a new company (MgtCo) to manage REIT. To allow for greater flexibility in responding to unforeseen market conditions and to ensure smooth transition of HD staff after the divestment, it was anticipated that the proposed deletion of the relevant directorate posts would take place no later than the end of 2005-06. However, these posts might be deleted earlier subject to successful completion of the divestment project and IPO.

18. Mr LAU Ping-cheung asked if consideration would be given to transferring surplus HD staff to MgtCo on account of their intimate knowledge about these RC facilities as well as the clients. This would not only ensure the smooth operation of MgtCo but also alleviate staff concern about redundancy arising from the divestment. PSH said that HD was mindful of the need to address potential surplus staff issues and had maintained regular dialogue with HD staff unions on the divestment. They were made aware that MgtCo was a totally independent organization operating on commercial principles. As MgtCo would have its own human resource policy, it would be inappropriate for HD to interfere with the operation of MgtCo. PSH however added that it would be a personal choice of individual HD staff for joining MgtCo.

19. While agreeing that MgtCo would operate on commercial principles, Mr LAU Ping-cheung pointed out that the RC facilities were indeed public assets. Besides, there might still be some facilities, such as social service centres, schools, air-conditioning system and public access, which could not be completely divested. There remained a need for the maintenance of these facilities by HD staff. For the sake of clarification, PSH reiterated that MgtCo would be a wholly privately-owned and operated company, and that community service premises would also be divested if they were located in the shopping centres to be divested. However, these cases were few and HD would liaise with MgtCo to work out acceptable leasing conditions. As regards air-conditioning system and public access, PSH agreed that there was a need for HD and MgtCo to clearly set out in the land leases and Deeds of Mutual Covenant the division of responsibility and powers for management and maintenance of these facilities to avoid confusion and undue inconvenience to the tenants.

20. Mr NG Leung-sing said that as a former HA member, he was glad to see the positive progress which HA had made in reinforcing “a free market and a small government”. He also expressed support for the divestment of RC facilities which would bring about improved operational efficiency and avoid suppressed return imparted by social considerations. It would also result in reduction of staff and expenditure, thereby reducing the budget deficit. Furthermore, the establishment of REIT would vitalize and add diversity to Hong Kong’s stock market. While agreeing that the precise timing of IPO should be decided taking into account prevailing market conditions, Mr NG asked whether studies had been made on market sentiments and whether contingency arrangements were put in place to deal with unforeseen market conditions given the wide implications associated with the divestment.

21. PSH said that although it was not possible to predict the market conditions, IPO had been tentatively scheduled to take place before end of 2004-05. The schedule would be adhered to as far as possible and contingency arrangements were already put in place. These included re-adjusting the timing of IPO in the event that changes in market conditions became unfavourable such as a sharp rise in interest rates. Given that the interest rate was still in the low cycle, it was considered an opportune time for IPO in achieving best results. At present, three investment banks had been appointed as Joint Global Coordinators and one as Financial Advisor for REIT IPO. They were all experienced with listing procedures and contingency measures. Owing to the stringent requirements in both international and local legislation, sensitive information relating to IPO could not be disclosed at this point of time.

22. While agreeing to the need to preserve sensitive market information, Mr NG Leung-sing held the view that the investors should have the right to know how IPO would be affected by changes in interest rates since the Government had earlier announced that the rising interest rates would likely affect the issuance of bonds. He also enquired whether changes in the property and stock markets would affect IPO and if so, whether contingency measures were put in place. He cautioned that if the divestment of RC facilities could not proceed as planned, this might give rise a lot of complications and staff might need to be retained to continue with the management of RC facilities.

23. PSH assured members that efforts would be made to ensure that HA would receive the best financial return from the divestment. The timing of IPO would have to be decided taking into account advice from HA's financial consultants.. He nevertheless agreed to the need for contingency planning and would report the latest developments to the supervisory group set up by HA to oversee the divestment plan.

24. The item was voted on and endorsed.

25. The Subcommittee was adjourned at 11:45 am.