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24 March 2005

Mr Frederick MA Si-hang, JP
Secretary for Financial Services and the Treasury
8th Floor, West Wing
Central Government Offices
11 Ice House Street
Hong Kong

Dear Mr MA,

**Panel on Public Service
Follow-up to the meeting on 21 March 2005**

**Agenda Item IV
Civil service-related issues in the Budget Speech 2005-06**

As directed by Hon TAM Yiu-chung, Chairman of the Panel on Public Service, I write to invite your Bureau to provide a written response to address members' concern about the Government's contingent liabilities in relation to its appeals arising from judicial reviews challenging the lawfulness of the two pieces of pay reduction legislation giving effect to the civil service pay adjustments in October 2002, January 2004 and January 2005.

When the Panel discussed the "Civil service-related issues in the Budget Speech 2005-06" at its meeting on 21 March 2005, members noted that the estimates of the Government's contingent liabilities in relation to the aforesaid appeals amounted to \$9,600 million in 2006. Members were concerned whether the sum of \$9,600 million covered only the sum of the reduced pay to be returned to the affected civil servants in the event that the Government lost in the aforesaid appeals. In this connection, members recalled that during the scrutiny of the Public Officers Pay Adjustment Bill in 2002, the relevant bills committee was advised by the Administration that if civil service pay was reduced with effect from 1 October 2002, the Government subventions to about 1 423 subvented organizations would be reduced accordingly to reflect the revised factor of civil service pay adjustment. Members therefore considered that if the Government lost in the aforesaid appeals, it should return not only the sum of reduced pay to the affected civil servants but also the sum of reduced subventions to the 1 423 subvented organizations. The

subvented organizations would then be able to return the reduced pay to their employees affected by the civil service pay reductions in 2002, 2004 and 2005.

I should be grateful if you would let me have the Administration's written response (in both Chinese and English) **on or before 14 April 2005**. Please forward the softcopy of the paper to Ms May LEUNG at mleung@legco.gov.hk.

Please note that unless you raise objection, the Administration's written response may be made available to the media and public and placed in the Library of the Legislative Council. It may also be made available on the Web Site of the Council on the Internet.

Yours sincerely,

(Miss Salumi CHAN)
Clerk to Panel

c.c. Hon TAM Yiu-chung, GBS, JP (Chairman)

Secretary for the Civil Service
(Attn: Mr Stephen SUI)
(Fax: 2501 4504)