

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 38th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 12 July 2013, at 5:40 pm

Members present:

Hon Tommy CHEUNG Yu-yan, SBS, JP (Chairman)

Hon Emily LAU Wai-hing, JP (Deputy Chairman)

Hon Albert HO Chun-yan

Hon LEE Cheuk-yan

Hon James TO Kun-sun

Hon CHAN Kam-lam, SBS, JP

Hon LEUNG Yiu-chung

Dr Hon LAU Wong-fat, GBM, GBS, JP

Hon TAM Yiu-chung, GBS, JP

Hon Frederick FUNG Kin-kee, SBS, JP

Hon WONG Kwok-hing, MH

Dr Hon Joseph LEE Kok-long, SBS, JP

Hon Jeffrey LAM Kin-fung, GBS, JP

Hon Andrew LEUNG Kwan-yuen, GBS, JP

Hon WONG Ting-kwong, SBS, JP

Hon Ronny TONG Ka-wah, SC

Hon Cyd HO Sau-lan

Hon Starry LEE Wai-king, JP

Dr Hon LAM Tai-fai, SBS, JP

Hon CHAN Hak-kan, JP

Hon CHAN Kin-por, BBS, JP

Dr Hon Priscilla LEUNG Mei-fun, JP

Hon CHEUNG Kwok-che

Hon WONG Kwok-kin, BBS
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon Steven HO Chun-yin
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK
Hon CHAN Chi-chuen
Hon CHAN Han-pan
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kiwok, BBS, MH, JP
Hon CHUNG Kwok-pan
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen

Members absent:

Hon Abraham SHEK Lai-him, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Dr Hon LEUNG Ka-lau
Hon Frankie YICK Chi-ming
Hon Dennis KWOK

Public officers attending:

Ms Elizabeth TSE Man-ye, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Ms Elsie YUEN	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr WONG Kam-sing, JP	Secretary for the Environment
Mr Albert LAM Kai-chung, JP	Deputy Director of Environmental Protection (2)
Dr Ellen CHAN Ying-lung, JP	Assistant Director of Environmental Protection (Environmental Infrastructure)
Mr Lawrence LAU Ming-ching	Principal Environmental Protection Officer (Waste Facilities), Environmental Protection Department
Mr Paul TANG Kwok-wai, JP	Secretary for the Civil Service
Mr Raymond WONG Hung-chiu, JP	Permanent Secretary for the Civil Service
Ms May CHAN Wing-shiu	Deputy Secretary for the Civil Service (2)
Miss Winnie CHUI Hiu-lo	Principal Assistant Secretary for the Civil Service (Pay and Leave)
Mr Kevin YEUNG Yun-hung, JP	Under Secretary for Education
Ms Pecvin YONG Pui-wan	Principal Assistant Secretary for Education (Further Education)

Clerk in attendance:

Mr Andy LAU	Assistant Secretary General 1
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Staff in attendance:

Mr Derek LO	Chief Council Secretary (1)5
Mr Daniel SIN	Senior Council Secretary (1)7
Mr Ken WOO	Council Secretary (1)5
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Christy YAU	Legislative Assistant (1)7

Item No. 1 – FCR(2013-14)31

**RECOMMENDATIONS OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 24 JUNE AND 2 JULY 2013**

PWSC(2013-14)20

Head 705 – CIVIL ENGINEERING

Environmental Protection – Refuse Disposal

163DR – Northeast New Territories Landfill Extension

PWSC(2013-14)21

HEAD 705 – CIVIL ENGINEERING

Environmental Protection – Refuse disposal

165DR – West New Territories Landfill Extension

Motions to adjourn discussion on PWSC(2013-14)20 and PWSC(2013-14)21

The meeting continued the deliberation on the motions moved by Mr James TIEN to adjourn the discussion of two recommendations of the Public Works Subcommittee (PWSC) at the previous meeting which started at 3:30 pm on the same day, i.e. PWSC(2013-14)20 on the Northeast New Territories (NENT) Landfill Extension and PWSC(2013-14)21 on the West New Territories (WENT) Landfill Extension, which had started at the first meeting on the same day.

2. In response to the question raised by Mr James TO at the above-mentioned meeting about the handling of the Administration's request for resubmitting the funding proposals in PWSC(2013-14)20 and PWSC(2013-14)21 for the deliberation of the Finance Committee (FC) at the meetings scheduled for 17 and 19 July 2013 should the two motions to adjourn the discussion of the two proposals be carried at the meeting, the Chairman advised that in accordance with paragraph 21 of the FC Procedure, the Administration would have to seek his agreement to waive the requirement for giving him 6 clear days' notice of including the two proposals on the agenda for the meetings scheduled for 17 and 19 July 2013. Otherwise, the proposals

would have to be re-submitted to FC after the summer recess as no other meeting had been scheduled for the remainder of the session.

3. Mr LEUNG Yiu-chung expressed his support for the motions and his objection to the landfill extension projects. Mr LEUNG was of the view that the Chief Executive (CE) would lack the incentive to implement his election manifesto of reducing waste at source if FC approved the funding proposals for the two landfill extension projects. Pointing out that the complementary measures for Tuen Mun residents as put forward by Chief Secretary for Administration (CS) at the Tuen Mun District Council (TMDC) meeting on 11 July 2013 could not actually help mitigate the environmental nuisances and the traffic problems arising from the present operation of the WENT Landfill, Mr LEUNG urged the affected local residents to lobby those LegCo members who were in support of the funding proposal to change their stance.

4. Mr CHAN Hak-kan said that the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) had arrived at its decision to support the proposed WENT and NENT Landfill Extension projects after thorough internal deliberation on the proposals. Mr CHAN pointed out that the Government's heavy reliance on landfills for treating municipal solid waste was undesirable. He said that DAB considered that prior to the setting up of other modern waste treatment facilities, the proposed extension of WENT and NENT Landfills would be a pragmatic solution for the imminent waste management problem in Hong Kong. DAB would support the Committee to deal with the funding proposals at the meeting and thus members belonging to DAB would vote against the motions moved by Mr James TIEN.

5. Dr LAM Tai-fai indicated his support for the motions as the adjournment of the discussion of the funding proposals would help provide a leeway for the Administration to deal with the situation and avoid the filibustering by Mr LEUNG Kwok-hung at the meeting. Dr LAM pointed out that the waste management problem had evolved from an environmental issue to a social and political issue, forcing residents of Tuen Mun to adopt a position against other districts on waste management. He considered that if the discussion on the funding proposals was adjourned for the time being, the Government would have more time to step up its consultation with the relevant stakeholders. He urged the Administration to come up with a proposal that would be more acceptable by the local residents for reverting to LegCo after the summer recess.

6. Mr Michael TIEN reiterated that his stance on the proposed landfill extension projects had all along remained unchanged. He said that reducing waste at source, incineration and landfilling were all essential components in

waste management chain, and that the Administration should have bundled the three landfill extension projects for the consideration of LegCo. Mr TIEN said that the proposed adjournment of the discussion of the two funding proposals would not only provide extra time for the Administration to refine its proposals in response to the views expressed by various political parties, but would also enable the Committee to avoid Mr LEUNG Kwok-hung's filibustering and to move on with the next item on the agenda i.e. 2013-2014 Civil Service Pay Adjustment.

7. Mr LEE Cheuk-yan indicated that members belonging to the Labour Party would support the motions. However, he deemed it more appropriate for the Administration to withdraw the funding proposals in PWSC(2013-14)20 and PWSC(2013-14)21. Mr LEE criticized the Administration for rushing the funding proposals through FC as CS had lobbied TMDC only at its meeting on 11 July 2013. He opined that the Administration had not addressed the concerns of Tuen Mun residents at an earlier stage and planned ahead for the implementation of an integrated waste management plan, which should include the setting up of a dedicated fund to promote the development of the local waste recycling industry. He urged the Administration to take heed of the views of Tuen Mun residents and LegCo Members, as well as to further enhance its work on waste management prior to submitting the related proposals to the Committee.

8. Mr CHAN Chi-chuen shared Mr LEE Cheuk-yan's views that the Administration should withdraw the funding proposals in PWSC(2013-14)20 and PWSC(2013-14)21. Mr CHAN pointed out that since there was a clear division of work among the SENT landfill, NENT landfill and the WENT landfill, the Administration should revise the funding proposals for the NENT Landfill Extension project and the WENT Landfill Extension project subsequent to the withdrawal of the SENT Landfill Extension project for the consideration of LegCo. He expressed support for the motions moved by Mr James TIEN.

9. Mr Alan LEONG indicated that Members belonging to the Civic Party would support the motions. He criticized the Administration for mishandling the waste management issue in the past and not admitting its faults in this regard. He said that the Civic Party had all along been urging for the implementation of a comprehensive waste management plan, which would include the reduction of waste at source, development of the recycling industry, adoption of modern incineration technology and, as lastly, resorting to landfills. He criticized the Administration for not withdrawing the funding proposals for the time being and not committing itself to a roadmap and timetable for implementing the various waste management initiatives as proposed in the

"Hong Kong Blueprint for Sustainable Use of Resources 2013-2022" (the Blueprint).

10. Mr LEUNG Kwok-hung pointed out that the proposed NENT and WENT Landfill Extension projects were immature for implementation. He urged the Administration to formulate policies, and provide financial support, roadmap and timetable for implementing the waste management initiatives as proposed in the Blueprint. He criticized the DAB's stance in supporting the proposed WENT and NENT Landfill Extension projects.

11. Mr Albert CHAN commented that the Government's heavy reliance on landfills in waste treatment was wrong. Such a policy in waste management had created an adverse impact on the environment and would result in wastage of resources. He said that members belonging to the People Power would not support the funding proposals for extension of landfills should the Government's waste management policy remain unchanged.

12. Mr Albert CHAN considered that CE was misleading in his response to the question on landfills raised by Mr CHAN Chi-chuen at the CE's Question and Answer Session held on 11 July 2013 that the funding proposal for the WENT landfill extension was for a study on how to solve the waste problem that Hong Kong would face in the coming decades, Mr CHAN pointed out that the said funding proposal was in fact for commissioning a consultancy study on the preparations necessary for the extension of the WENT landfill for receiving waste in the future and not for the long-term strategy to solve the waste problem in Hong Kong. As the motions to adjourn the discussion on the funding proposals would very likely be passed by the Committee, Mr CHAN urged the Administration to study the regional waste management strategies in the next couple of months.

13. Mr Charles Peter MOK expressed his support for the motions. He urged the Administration to enhance the publicity and education in respect of the proposed landfill extension projects as well as to strengthen its communication with relevant stakeholders. He also advised that the Administration should bundle the submission of the proposed SENT Landfill Extension project, NENT Landfill Extension project and the WENT Landfill Extension project for the deliberation of LegCo in the future.

14. Mr TAM Yiu-chung said the landfill extension proposals had undergone various stages of discussion in LegCo. He recalled that there were not much opposition to the WENT and NENT Landfill Extension projects while they were discussed at the meeting of the Panel on Environmental Affairs in May 2013, and they were subsequently endorsed by the Public Works

Subcommittee. However, local opposition towards the WENT and NENT Landfill Extension projects had intensified during the previous two weeks. He also noted that some members of the concerned District Councils had no confidence in the Administration's commitment to resolving the problems associated with the operation of the landfills as the Administration's performance in this regard was not satisfactory in the past. Nevertheless, he pointed out that CE and CS had reiterated the determination of the Administration in tackling the waste management issue and addressing the concerns of the local communities in respect of the landfills on various occasions. He said that while DAB had supported the funding proposal for commissioning a consultant study for the WENT Landfill project, it would closely monitor the project in the future to ensure that necessary measures would be put in place to minimize its impact on the community. He stressed that DAB had been taking a pragmatic approach in handling the pressing waste management problem in Hong Kong which the entire community should tackle together.

15. Mr Paul TSE raised a point of order and asked if the debate on the two motions moved by Mr James TIEN under paragraph 39 of FC Procedures that the discussion on PWSC(2013-14)20 and PWSC(2013-14)21 be then adjourned should be conducted separately instead of being combined. The Chairman advised that as he had announced earlier at the meeting, the debate on the two motions was to be combined but the two motions would be voted on separately.

The Administration's response

16. At the invitation of the Chairman, Secretary for the Environment (SEN) said that the landfills extension projects had been thoroughly debated in the community and in LegCo. With a view to tackling the long-standing waste problem in Hong Kong, the Government had mapped out a comprehensive strategy with policies, targets and action plans for waste management in the Blueprint. CS would soon set up a Steering Committee to co-ordinate efforts of various government bureaux/departments in promoting sustainable development of the local recycling industry. However, SEN pointed out that landfills were an indispensable part in the waste management chain. As the SENT, NENT and WENT landfills would be exhausted by 2015, 2017 and 2019 respectively, the Administration considered that timely extension of these landfills in parallel was necessary in addressing the municipal and public hygiene needs.

17. SEN further said that Hong Kong was a highly consumption-oriented society and the waste it generated per capita was higher than that of its

neighbouring cities. With a view to reducing the generation of waste at source, the Council for Sustainable Development would soon launch a four-month public engagement exercise on waste charging by weight, which was considered the most effective way to achieve waste reduction at source based on overseas experience. The said public engagement exercise on waste charging by weight was targeted for completion in the end of 2013 or early 2014. On the reduction of food waste, the Food Wise Hong Kong Campaign would be launched and it was hoped that about 25% of food waste could be reduced in a few years' time with the implementation of the aforesaid campaign and the setting up of the related facilities for treatment of organic waste. SEN said that the Administration had already formulated the timetable and roadmap as well as setting aside the resources required for the implementation of the waste management initiatives proposed in the Blueprint. He also acknowledged that there was room for improving the management of landfills, including the logistics in transportation of waste. Meanwhile, the Administration would balance the demand of individual affected districts and to continue the discussion with them regarding the compensatory measures.

18. Referring to Dr Fernando CHEUNG's allegation that the Administration had failed to provide the water quality reports in the past three years on the water samples taken from the stream at Wo Keng Shan Tsuen in response to his request made at the PWSC meeting held on 2 July 2013, SEN said that the Administration had already forwarded the required information to PWSC on 8 July 2013.

19. SEN also reiterated that the funding proposal for the WENT Landfill Extension project under discussion would be used for a two-year preparatory work and consultancy study. The Administration would continue to discuss with TMDC and the local residents on the WENT Landfill Extension project in the coming two years.

20. In response to the remark made by Mr Albert HO at the first meeting of the day which started at 3:30 pm that the Tuen Mun Development Liaison Working Group was not yet in operation, SEN clarified that operation of the Working Group commenced in 2009 and the meeting the Working Group last held in end December 2012 was for the discussion of the follow-up community work concerning the sludge treatment facility in the district. In conclusion, SEN said that while the various initiatives in relation to waste management as proposed in the Blueprint could be further refined and enhanced, the pressing needs for extending the existing landfills should also be acknowledged and addressed. The Administration would make its best endeavours to address the concerns of local communities over the operation of landfills.

21. In concluding the debate on his motions to adjourn discussion on PWSC(2013-14)20 and PWSC(2013-14)21, Mr James TIEN commented that a substantial reduction of waste at source was difficult to achieve as many housing construction projects, which were expected to generate a huge volume of construction waste, would be launched in the next couple of years in the light of the Government's policy to increase housing supply. He said that apart from implementing at-source waste reduction measures, the Administration should also expedite the development of modern incineration facilities in order to provide a comprehensive waste management system in Hong Kong and thus to further reduce the pressure on landfills. He was concerned that the Administration would lack the motivation to pursue waste incineration should the landfill extension projects proceeded. He said that the development of incinerators should be followed up at the Panel on Environmental Affairs. Mr TIEN also urged the Administration to continue to maintain close communication with the affected parties, such as TMDC, the North District Council and the Ta Kwu Ling Rural Committee and the concerned local communities, on the proposed landfill extension projects.

Voting results

22. The Chairman put to vote the question that the discussion on item PWSC(2013-14)20 should then be adjourned. At the request of members, the Chairman ordered a division. A total of 60 members voted, and 31 members voted for and 29 voted against the motion. Two members abstained from voting. The voting results of individual members were as follows –

For:

Mr Albert HO Chun-yan	Mr LEE Cheuk-yan
Mr James TO Kun-sun	Mr LEUNG Yiu-chung
Dr LAU Wong-fat	Ms Emily LAU Wai-hing
Mr Frederick FUNG Kin-kee	Dr Joseph LEE Kok-long
Mr Ronny TONG Ka-wah	Ms Cyd HO Sau-lan
Dr LAM Tai-fai	Mr CHEUNG Kwok-che
Mr Alan LEONG Kah-kit	Mr LEUNG Kwok-hung
Mr Albert CHAN Wai-yip	Mr WONG Yuk-man
Ms Claudia MO	Mr Michael TIEN Puk-sun
Mr James TIEN Pei-chun	Mr WU Chi-wai
Mr YIU Si-wing	Mr Gary FAN Kwok-wai
Mr Charles Peter MOK	Mr CHAN Chi-chuen
Dr Kenneth CHAN Ka-lok	Dr KWOK Ka-ki
Dr Fernando CHEUNG Chiu-hung	Mr SIN Chung-kai
Dr Helena WONG Pik-wan	Mr IP Kin-yuen

Mr CHUNG Kwok-pan
(31 members)

Against:

Mr CHAN Kam-lam	Mr TAM Yiu-chung
Mr WONG Kwok-hing	Mr Jeffrey LAM Kin-fung
Mr Andrew LEUNG Kwan-yuen	Mr WONG Ting-kwong
Ms Starry LEE Wai-king	Mr CHAN Hak-kan
Mr CHAN Kin-por	Dr Priscilla LEUNG Mei-fun
Mr WONG Kwok-kin	Mr IP Kwok-him
Mrs Regina IP LAU Suk-yee	Mr Paul TSE Wai-chun
Mr NG Leung-sing	Mr Steven HO Chun-yin
Mr MA Fung-kwok	Mr CHAN Han-pan
Miss CHAN Yuen-han	Mr LEUNG Che-cheung
Miss Alice MAK Mei-kuen	Mr KWOK Wai-keung
Mr Christopher CHEUNG Wah-fung	Dr Elizabeth QUAT
Mr TANG Ka-piu	Dr CHIANG Lai-wan
Ir Dr LO Wai-kwok	Mr Christopher CHUNG Shu-kun
Mr Tony TSE Wai-chuen	

(29 members)

Abstain:

Mr Martin LIAO Cheung-kong	Mr POON Siu-ping
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(2 members)

23. The Chairman declared that the motion that discussion on the item PWSC(2013-14)20 be then adjourned was carried.

24. The Chairman then put to vote the question that discussion on item PWSC(2013-14)21 should then be adjourned. At the request of members, the Chairman ordered a division. A total of 60 members voted, and 32 members voted for and 28 voted against the motion. One member abstained from voting. The voting results of individual members were as follows –

For:

Mr Albert HO Chun-yan	Mr LEE Cheuk-yan
Mr James TO Kun-sun	Mr LEUNG Yiu-chung
Dr LAU Wong-fat	Ms Emily LAU Wai-hing
Mr Frederick FUNG Kin-kee	Dr Joseph LEE Kok-long
Mr Ronny TONG Ka-wah	Ms Cyd HO Sau-lan
Dr LAM Tai-fai	Mr CHEUNG Kwok-che
Mr Paul TSE Wai-chun	Mr Alan LEONG Kah-kit
Mr LEUNG Kwok-hung	Mr Albert CHAN Wai-yip

Mr WONG Yuk-man
Mr Michael TIEN Puk-sun
Mr WU Chi-wai
Mr Gary FAN Kwok-wai
Mr CHAN Chi-chuen
Dr KWOK Ka-ki
Mr SIN Chung-kai
Mr IP Kin-yuen
(32 members)

Ms Claudia MO
Mr James TIEN Pei-chun
Mr YIU Si-wing
Mr Charles Peter MOK
Dr Kenneth CHAN Ka-lok
Dr Fernando CHEUNG Chiu-hung
Dr Helena WONG Pik-wan
Mr CHUNG Kwok-pan

Against:

Mr CHAN Kam-lam
Mr WONG Kwok-hing
Mr Andrew LEUNG Kwan-yuen
Ms Starry LEE Wai-king
Mr CHAN Kin-por
Mr WONG Kwok-kin
Mrs Regina IP LAU Suk-yea
Mr Steven HO Chun-yin
Mr CHAN Han-pan
Mr LEUNG Che-cheung
Mr KWOK Wai-keung
Dr Elizabeth QUAT
Dr CHIANG Lai-wan
Mr Christopher CHUNG Shu-kun
(28 members)

Mr TAM Yiu-chung
Mr Jeffrey LAM Kin-fung
Mr WONG Ting-kwong
Mr CHAN Hak-kan
Dr Priscilla LEUNG Mei-fun
Mr IP Kwok-him
Mr NG Leung-sing
Mr MA Fung-kwok
Miss CHAN Yuen-han
Miss Alice MAK Mei-kuen
Mr Christopher CHEUNG Wah-fung
Mr TANG Ka-piu
Ir Dr LO Wai-kwok
Mr Tony TSE Wai-chuen

Abstain:

Mr POON Siu-ping
(1 member)

25. The Chairman declared that the motion that discussion on the item PWSC(2013-14)21 be then adjourned was carried.

26. The Chairman said that as the Committee had passed the motions moved by Mr James TIEN that discussion on the items PWSC(2013-14)20 and PWSC(2013-14)21 be then adjourned, he declared that discussion on these two funding proposals be then adjourned in accordance with Rule 40 of the LegCo Rules of Procedure (RoP). He reminded the Administration that in accordance with Rule 40(6) of RoP, a debate adjourned might be resumed at a subsequent meeting of the Committee. The Administration should, in accordance with paragraph 21 of the FC Procedure, give notice in writing to the Clerk to FC of its intention to include the funding proposals in PWSC (2013-14)20 and PWSC

(2013-14)21 in the agenda of FC, and that the notice should reach the Clerk at least six clear days before the relevant FC meeting.

Item No. 2 – FCR(2013-14)28
2013-14 CIVIL SERVICE PAY ADJUSTMENT

27. The Chairman advised that the item sought the Committee's approval for –

- (a) with effect from 1 April 2013, an increase in pay:
 - (i) by 2.55% for civil servants in the directorate and upper salary band; and
 - (ii) by 3.92% for civil servants in the middle and lower salary bands;
- (b) the same pay adjustment to Independent Commission Against Corruption staff;
- (c) the same pay adjustment to teaching and non-teaching staff of aided schools who are remunerated according to the civil service pay scales, and to those subvented sector staff who are remunerated according to the civil service pay scales;
- (d) corresponding adjustment to the provisions for subvented bodies whose funding is price-adjusted on the basis of formulae including a factor of civil service pay adjustment; and
- (e) noting the financial implications of about \$5,729 million arising from items (a) to (d) above.

28. The Chairman invited the Secretary for the Civil Service (SCS) to provide a briefing on the item.

29. SCS said that the Administration was aware that civil servants associations were disappointed with the proposed rates of civil service pay adjustment. He explained that in reaching the decision, the Chief Executive-in-Council (CE-in-Council) had taken into full account all the six relevant factors which was in line with the practice adopted for more than 20 years. The 2013 pay trend survey (PTS) was conducted in strict accordance with the established mechanism, to which the representatives of the staff sides

had fully agreed. SCS said that the PTS Committee reviewed the PTS methodology every year before the survey was conducted. The Administration had invited the Chairman of the PTS Committee to kick-start the review of the PTS methodology earlier. Staff sides' representatives had been invited to propose refinements and improvements to the existing methodology. The Administration had also started meeting with staff associations to listen to their views on the civil service pay adjustment mechanism. SCS reiterated that it was the objective of the civil service pay policy to maintain broad comparability between civil service and private sector pay. It could help uphold the credibility and objectivity of the civil service pay adjustment mechanism.

30. Mrs Regina IP, Chairman of the Panel on Public Service, reported that the proposal was discussed at the Panel meetings held on 17 June 2013 and 2 July 2013, at which civil servant groups were invited to express their views. The groups were disappointed with the proposed rates of salary adjustment. They considered that the Administration and the Executive Council (ExCo) had not based their decision on factors other than net pay trend indicators. They also expressed concerns that the 2013 PTS had not fully reflected the other incomes employees in the private sector received (such as bonus or gratuities). Some of the civil servant groups were dissatisfied with the way in which the Administration handled staff consultation.

31. Mrs Regina IP further reported that Panel members made the following comments –

- (a) the Administration should clarify how the various factors or indicators were considered in determining the salary adjustment;
- (b) the Administration should make it a policy that the rate of salary adjustment should not be lower than inflation;
- (c) it was not equitable to apply the net pay trend indicators across the board as many civil servants had reached the maximum point on their pay scales; and
- (d) the withdrawal of some civil servant groups from the relevant central consultative council would damage the credibility of the civil service pay adjustment mechanism. The Administration should take necessary remedial actions.

32. Mrs Regina IP said that Panel members noted, however, that, notwithstanding their disappointment with the Administration's decision, civil

servant groups hoped that the Finance Committee (FC) would approve the proposed adjustment as early as possible. Panel members urged the Administration to start reviewing the pay adjustment mechanism and to maintain close communication with staff.

33. The Chairman instructed that the speaking time on the item for each member should not exceed four minutes, including the Administration's response.

Impact of civil service pay adjustment on the private sector employment market

34. Mr TANG Ka-piu asked if the Administration had evaluated the impact of the civil service pay adjustment on the salary levels in the private sector. He said that there were comments that the mild increase in civil service pay helped suppress the salary increases in the private sector.

35. Mr LEE Cheuk-yan commented that the proposed pay adjustment, when implemented, would eventually have a knock-on effect on the pay levels in the private sector. Mr LEE criticized the Administration for taking the lead in suppressing salary increase.

36. SCS said that while the HKSAR Government was Hong Kong's largest employer, the impact of the pay adjustment on the overall labour market should not be significant because the size of the civil service was not dominant in the overall work force in Hong Kong. He added that civil service pay adjustment aimed at following instead of leading the market and the annual PTS captured only the year-on-year changes in the private sector pay of the previous year. In fact, in the past two years, there were views that the rate of civil service pay rise was higher than that of the private sector. Considering the above, there was no evidence suggesting that the annual civil service pay adjustment would suppress the salary levels in the private sector.

Methodology in calculating the net pay trend indicator

37. Mr TANG Ka-piu said that 60% of civil servants had reached maximum points on their salary scales. The methodology in calculating the net pay trend indicator, which factored in incremental points for civil servants, was therefore inequitable. He asked whether and how the Administration would revise the approach.

38. SCS said that in ascertaining the year-on-year changes in the private sector pay, the Administration had taken into account salary adjustment awarded to private sector employees on account of, among other factors, inscale

increment and merit. For the sake of fairness, it would be appropriate to deduct the civil service payroll cost of increments from the gross Pay Trend Indicators to arrive at the net Pay Trend Indicators.

39. Mr KWOK Wai-keung said that at the special meeting of the Panel on Public Service held on 2 July 2013, many civil servant groups commented that, despite the Administration's claim to have taken into account six relevant factors in determining the rates of annual pay adjustment as stated in the paper (FCR(2013-14)28), the net pay trend indicator was the decisive factor in reaching the final decision. Mr KWOK said that many of the civil servant groups pointed out that the net pay trend indicator did not reflect the different varieties of remuneration packages in the private sector. Mr KWOK urged the Administration to review the pay adjustment mechanism as early as possible.

40. SCS responded that apart from PTS, the Administration would also make reference to the results of the Pay Level Survey and Starting Salaries Survey so as to ensure that civil service pay was broadly comparable with the private sector. As for the annual PTS, under the established mechanism, a review would be conducted on the methodology upon completion of each survey.

41. Mr LEUNG Chi-cheung said that civil servants and subvented sector staff were, in fact, having pay reduction under the pay adjustment proposal. Although civil servants reluctantly accepted the proposal, the Administration's decision had affected staff morale. Mr LEUNG said that the Administration should consider staff morale in drawing up future salary adjustment proposals.

42. SCS said that the CE-in-Council had carefully considered all the six relevant factors in determining the rates of civil service pay adjustment. He said that salary aside, management style, communications between the management and staff and human resources development were also important factors in maintaining morale in the civil service.

43. Mr WONG Kwok-hing suggested that the Administration should assign an appropriate weighting on each of the six factors to be considered in determining the rates of civil service pay adjustment, and to consider giving extra incremental points to civil servants who had reached their maximum salary point of their pay scale, in order to boost their morale.

44. SCS advised that it was difficult to assign a specific weighting on each of the six factors as it would impose constraints on the determination of civil service pay adjustment. In fact, some factors could not be quantified.

Pay adjustment for staff in subvented organizations

45. Mr TANG Ka-piu was aware that salaries of subvented social service organizations were not adjusted according to the civil service pay adjustment rates. He asked if the Civil Service Bureau would work with the Labour and Welfare Bureau to address the anomaly.

46. SCS said that the pay and conditions of service for employees of the subvented sector had already been delinked from those of the civil service. While the Administration would provide sufficient provisions for subvented non-governmental organizations (NGOs) to enable them to adjust the salary of their staff according to the civil service pay adjustment rates, it would be up to the individual NGOs, as employers, to decide whether and if so, how to adjust the salaries of their employees. The Administration would remind NGOs that the additional provision from the Government was meant to allow room for pay adjustment for their staff.

47. Mr CHEUNG Kwok-che noted that the Administration proposed to increase middle to low band salaries by 3.92% and would provide extra resources to enable NGOs to increase subvented sector staff's salary by the same rate. Mr CHEUNG said that some of the subvented NGOs would not apply the provision in full on improving staff salary, and, as a result, many subvented sector staff would not receive the same rates of salary adjustment as their civil servant counterparts. If a subvented sector employee left his serving NGOs before the date when salaries were paid at the new rates, he would not be given any backpay of the salary difference accrued from 1 April 2013. Mr CHEUNG asked if the Administration would require subvented NGOs to reimburse the Government the amount of provision that was not given to subvented staff as salary adjustment.

48. SCS said that the Secretary for Labour and Welfare and Director of Social Welfare should be in a better position to respond to member's queries. He supplemented that subvented organizations were allowed flexibility on the use of the provisions that were meant for covering expenses due to salary adjustment. The Social Welfare Department (SWD) was compiling a best practice manual for subvented NGOs on various management issues including human resources policies. Mr CHEUNG Kwok-che asked if the Administration would impose a condition for the use of the additional resources solely in connection with staff salary adjustment.

49. SCS said that SWD would remind subvented NGOs of the purpose of the Administration in granting the additional provision but he stressed that the

subvented NGOs were allowed to use their resources flexibly under the one-line vote system.

Proposed rates of civil service pay adjustment should exceed inflation

50. Mr LEE Cheuk-yan said that Members belonging to the Labour Party (LP) would abstain from voting on the item. The proposed rates of salary adjustment could not catch up with inflation. Mr LEE said that LP could not support a proposal which would, in effect, result in reduction of salary levels of civil servants as well as subvented staff. He urged the Administration to make it a policy that all future adjustments to civil service pay should at least be on a par with inflation. Mr WONG Kwok-hing also asked the Administration to take inflation into account when setting the rates of civil service pay adjustment.

51. SCS said that civil service pay adjustment was not inflation-linked. There were 13 occasions in the past where the rates of pay adjustment exceeded inflation; and eight occasions where the adjustment rates fell below inflation. SCS said that the changes in the 2012-2013 headline Composite Consumer Price Index (CCPI) was 3.7%. The proposed rates of salary adjustment for civil servants in the middle and lower salary bands were, in fact, higher than inflation.

52. Mr KWOK Wai-keung said that, if maintaining a broad compatibility between the civil service and private sector pay was the Administration's only objective on civil service pay policy, it would be difficult for the Administration to retain high caliber staff, especially when other benefits and pension system were being gradually reduced or replaced. Mr KWOK suggested that the Administration should review the policy and consider whether civil service pay should be pitched at levels slightly above market rates. SCS responded that apart from salary, job security and the job nature of the civil service would also contribute to the attractiveness of the civil service jobs.

53. Mrs Regina IP asked if the Administration would pledge to adopt higher rates of salary adjustment for civil servants next year. SCS said that civil service pay adjustment was carried out annually, and each adjustment exercise was an independent one. It was not the Government's policy to increase the rates of pay adjustment of a certain year so as to compensate for the "shortfall" in the previous year. Besides, it was too early to speculate on the levels of adjustment in the coming year. The CE-in-Council would consider all the six relevant factors as described in the paper (FCR(2013-14)28) before making a pay adjustment decision.

54. Mr IP Kin-yuen said that staff of government schools and aided schools were disappointed with the outcome of the pay adjustment as the proposed lagged behind inflation. Mr IP commented that while the Administration claimed to have considered the six factors, it turned out that the only factor that mattered was the net pay trend indicator. Mr IP cautioned that staff morale would be severely hit if the Administration did not rectify the situation. He suggested that the Administration should consider that, when the Government was not short in revenue, the levels of civil service pay should not be lower than inflation.

55. SCS responded that the six factors taken together allowed flexibility in determining the levels of civil service pay adjustment and it was not the intention to rely on the net pay trend indicators alone. In fact, on one occasion in the past, when the net pay trend indicator was negative, the CE-in-Council decided, on ground of maintaining staff morale, to freeze rather than to reduce the civil service pay.

56. SCS explained that the Administration's policy was to maintain a broad comparability between civil service and private sector pay. Linking civil service pay adjustment to inflation might not be in line with this objective, and would on the contrary, reduce the competitiveness of the civil service jobs especially when the private sector might be offering a higher-than-inflation salary increase to their employees.

57. Mr IP Kin-yuen clarified that he was not suggesting that the levels of salary adjustment should be pegged to inflation, but the Administration should adjust its policy so that the rates of salary adjustment would not fall below inflation.

58. Mr LEUNG Kwok-hung commented that it was reasonable to offer a fairly more generous package to attract and retain a cadre of high caliber civil service. He therefore considered it reasonable that the level of civil service pay adjustment should at least be on par with inflation. Mr LEUNG said that the civil service, together with the subvented sector, represented a large proportion of the employee population. So the Administration was a major price-setter in the employment market. If the Administration suppressed civil servants' pay increase, the salary levels of employees in the private sector would be affected.

59. Mr LEUNG Kwok-hung echoed Mr IP Kin-yuen's comments and said that the Administration owed Mr IP and members a clear response on why, in the circumstance of considerable fiscal surplus, the rates of civil service pay increase should be allowed to fall below inflation. Mr LEUNG criticized the

civil servant groups for backing down in their claim for their interests when they had the bargaining power to strike a better deal.

60. Dr Priscilla LEUNG said that employees were most affected by inflation. Many subvented organizations and even private companies would draw reference from the civil service pay adjustment in determining their staff remuneration policies. Dr LEUNG noted that the proposed increase for middle and low salary bands at 3.92% could not catch up with inflation which stood at 4.7%. Dr LEUNG considered that the inflation at this rate did not fully reflect the actual increase in living expenses. She commented that the proposed rates of pay adjustment were on the low side and suggested that the Administration should be more lenient and should take into account broader issues in determining the levels of pay adjustment next year.

61. SCS said that when considering the changes in cost of living, the Administration usually made reference to the year-on-year change in the headline CCPI which was 3.7% in 2012-2013. He explained that the CCPI was used in this context as it could better reflect the situations of a broader range of households with different expenditure patterns.

Staff consultation on pay adjustment

62. Mr LEE Cheuk-yan criticized the Administration for lack of sincerity in consulting staff on the salary adjustment mechanism. He said that the Administration should resolve differences with civil servant groups and allowed collective bargaining by civil servant groups in negotiating pay adjustment.

63. The Chairman reminded members and officials to keep their questions and response within four minutes to ensure efficiency in the deliberation of the item.

64. Mr KWOK Wai-keung said that Members belonging to the Federation of Trade Unions would support the funding proposal. He said that some civil servant groups had pointed out that the improvement in purchasing power brought by the salary increase would very quickly be eroded by inflation if the funding proposal was delayed.

65. Mr POON Siu-ping said that according to what he observed from the meetings of the Panel on Public Service, most of the civil servant groups were disappointed and dissatisfied with the proposed civil service salary adjustment. However, noting that these groups considered that FC should approve the funding proposal as early as possible, Mr POON said that he would vote in favour of the item.

66. Mr POON Siu-ping expressed concern that the withdrawal of some disciplined force groups from the PTS Committee would affect the consultation process. He suggested that the Administration should take active steps to resolve the differences with staff side.

67. Ms Emily LAU said that Members belonging to the Democratic Party would support the proposal. She said that many civil servant groups were very dissatisfied with the proposed levels of adjustment, and some pointed out that the Administration had not allowed sufficient time for consultation. Notwithstanding their grievances, Ms LAU said that these groups had asked members to support the funding proposal. Ms LAU asked the Administration to pay attention to the views of the civil servant groups and to take on board their views where appropriate. She asked whether the Administration had shortened the consultation period on the pay adjustment issue.

68. SCS confirmed that the consultation arrangements for the 2013-14 civil service pay adjustment were largely the same as in the past. He added that the Administration had already started meeting with civil servant groups to listen to their views. SCS commented that the rates of pay adjustment in previous years were rather favourable. Civil servant groups might therefore have expected a comparable outcome this year. The wide difference between their expectation and the actual levels of pay adjustment proposed might have caused their disappointment.

69. Ms Emily LAU said that the way the Administration presented the proposed salary adjustment package might also have contributed to the groups' dissatisfaction. She suggested that the Administration should improve communication with civil servant groups.

70. Mr WONG Kwok-hing said that the Administration should learn the lesson from this pay adjustment exercise and should identify and introduce improvements to the whole process to minimize controversy. Mr WONG suggested that the Civil Service Bureau should start discussing with staff side to identify and agree on factors that should be taken into account in assessing and evaluating the levels of pay adjustment in future. SCS responded that the Administration had already started meeting with civil servant groups to listen to their views.

71. Mr TAM Yiu-chung said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) supported the funding proposal. He commented that civil servants' reception of the current civil service pay adjustment reflected the wide difference between their

expectation and the actual rates proposed. However, DAB maintain its position that the established mechanism should be respected.

72. Mr TAM Yiu-chung suggested that the Administration should discuss with stakeholders on improvements to the salary adjustment mechanism, and should take active steps to engage the civil servant groups that had withdrawn from the PTS Committee in dialogue on the matter. SCS took note of members' views.

73. Mr CHUNG Kwok-pan said that Members belonging to the Liberal Party supported the funding proposal. He understood civil servant groups' feelings given the gap between the proposed rate of salary adjustment and their expectation. Mr CHUNG commented that there were rooms for improvement for future salary adjustment exercises, but it was important that the current funding proposal was approved at the earliest opportunity.

74. There being no further question from members, the Chairman put the item to vote. At the request of Mr LEE Cheuk-yan, the Chairman ordered a division. Of the 32 members present, 27 voted for the item and one member against. Four members abstained from voting. The voting results of individual members were as follows –

For:

Ms Emily LAU Wai-hing	Mr TAM Yiu-chung
Mr Frederick FUNG Kin-kee	Mr WONG Kwok-hing
Mr WONG Ting-kwong	Dr LAM Tai-fai
Mr CHAN Hak-kan	Mr CHAN Kin-por
Dr Priscilla LEUNG Mei-fun	Mr IP Kwok-him
Mrs Regina IP LAU Suk-yee	Mr NG Leung-sing
Mr Steven HO Chun-yin	Mr WU Chi-wai
Mr YIU Si-wing	Mr MA Fung-kwok
Mr Charles Peter MOK	Mr CHAN Han-pan
Mr LEUNG Che-cheung	Mr KWOK Wai-keung
Mr SIN Chung-kai	Dr Helena WONG Pik-wan
Dr Elizabeth QUAT	Mr POON Siu-ping
Mr TANG Ka-piu	Mr CHUNG Kwok-pan
Mr Tony TSE Wai-chuen	
(27 members)	

Against:

Mr LEUNG Kwok-hung
(1 member)

Abstain:

Mr LEE Cheuk-yan
Mr Gary FAN Kwok-wai
(4 members)

Ms Cyd HO Sau-lan
Mr IP Kin-yuen

75. The Chairman declared that the Committee approved the item.

Item No. 3 – FCR(2013-14)29

**HEAD 156 – GOVERNMENT SECRETARIAT :
EDUCATION BUREAU**

Subhead 700 General non-recurrent

New Item "Injection into the HKSAR Government Scholarship Fund"

New Item "Injection into the Self-financing Post-secondary Education Fund"

76. The Chairman advised that the item sought the Committee's approval of a new commitment of \$20 million for injection into the HKSAR Government Scholarship Fund and a new commitment of \$20 million for injection into the self-financing Post-Secondary Education Fund.

77. Dr LAM Tai-fai, Chairman of the Panel on Education, reported that the item was discussed at the Panel meeting held on 10 June 2013. Panel members raised no objection to the funding proposal. Panel members considered that more comprehensive range of education support should be provided to tertiary students with special educational needs, such as improving the facilities of post-secondary institutions and strengthening of instructors' training. Panel members recommended that the funding proposal should be submitted to FC for approval.

78. The Chairman instructed that the speaking time for each member should not exceed four minutes, including the Administration's response.

79. Dr Helena WONG said that Members belonging to the Democratic Party supported the funding proposal. Dr WONG commented that the Administration's proposal represented a mismatch of resources. She said that more resources should be provided to improving the support for primary and secondary students with special educational needs. Mr IP Kin-yuen agreed with Dr WONG's views.

80. Dr Helena WONG noted that non-local post-secondary students were also eligible to apply for the scholarships. She asked why the resources should

be available to non-local students and whether post-graduate students with special educational needs were also eligible to apply.

81. Under Secretary for Education (USED) said that all the scholarships/awards offered to post-secondary institutions in Hong Kong under the two funds are merit-based and were open to nominations of both local and non-local post-secondary students. The proposed scholarships for post-secondary students with special educational needs would follow the same principle. He confirmed that post-graduate students of tertiary institutions funded by the University Grants Committee could also apply.

82. Dr Helena WONG said that about 75% of post-graduate students were non-local students. She asked if it would end up non-local post-graduate students receiving a large proportion of the scholarships and if the Administration was aware of the relative proportion of local and non-local students receiving the scholarships.

83. USED said that in the 2012/13 academic year, there were about 600 post-secondary students with special educational needs, and out of these, only about 20 were non-local students.

84. Mr IP Kin-yuen said that he would not object to the funding proposal. He noted that the Administration would work out operational details in consultation with the Steering Committees of the HKSAR Government Scholarship Fund and the Self-financing Post-secondary Education Fund. Mr IP commented that members of these two Steering Committees did not appear to be knowledgeable about special education and might not be able to tender practical advice on the needs of those students. He suggested that the Administration should seek the views of the relevant experts, especially the Hong Kong Special Schools Council.

85. The Chairman said that the scheduled time for the meeting was up, and he declared that the meeting would be extended by ten minutes.

86. USED said that he would relay members' views to the two Steering Committees for consideration. He said that post-secondary institutions would be invited to submit nominations for scholarships and he believed that the institutions would be in a position to judge the merits and achievements of the students.

87. Ms Cyd HO echoed Dr Helena WONG and Mr IP Kin-yuen's comments that the resources were wrongly targeted. She said that, rather than spending the resources on scholarships, which would benefit about 100 students

with special educational needs each year, the funding should be allocated for improving equipment and facilities of post-secondary institutions, such as improving barrier-free access, to support students with special educational needs. Ms HO quoted a case where a Hong Kong student with hearing impairment graduated overseas could not be admitted for post-graduate studies in local tertiary institutions because the institutions did not have the proper facilities to support the student's education needs. Ms HO said that the proposed funding of \$40 million for injection into the two scholarships should benefit more students with special educational needs if it was spent on improving equipment and facilities of institutions.

88. There being no further questions from members, the Chairman put the item to vote. The Chairman declared that the Committee approved the funding proposal.

89. The Chairman said that as the Committee had finished deliberation of items on the agenda for the meeting and unless the Administration made a request for scheduling additional meetings to resume deliberation on the landfill extension proposals which was adjourned earlier at the meeting, the meeting would be the last FC meeting of the current legislative session. He thanked members and officials for their support in the past year.

90. The meeting was adjourned at 7:44 pm.