

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 70th meeting
held at Conference Room 1 of the Legislative Council Complex
on Thursday, 16 July 2015, at 9:25 pm

Members present:

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

Hon CHAN Kin-por, BBS, JP (Deputy Chairman)

Hon Albert HO Chun-yan

Hon LEE Cheuk-yan

Hon James TO Kun-sun

Hon LEUNG Yiu-chung

Hon Emily LAU Wai-hing, JP

Hon TAM Yiu-chung, GBS, JP

Hon WONG Kwok-hing, BBS, MH

Hon Jeffrey LAM Kin-fung, GBS, JP

Hon Andrew LEUNG Kwan-yuen, GBS, JP

Hon WONG Ting-kwong, SBS, JP

Hon Cyd HO Sau-lan, JP

Hon CHAN Hak-kan, JP

Dr Hon Priscilla LEUNG Mei-fun, SBS, JP

Dr Hon LEUNG Ka-lau

Hon CHEUNG Kwok-che

Hon WONG Kwok-kin, SBS

Hon IP Kwok-him, GBS, JP

Hon Mrs Regina IP LAU Suk-yea, GBS, JP

Hon Paul TSE Wai-chun, JP

Hon LEUNG Kwok-hung

Hon Albert CHAN Wai-yip

Hon Claudia MO

Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, JP
Hon YIU Si-wing, BBS
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Yuen-han, SBS, JP
Hon Alice MAK Mei-kuen, BBS, JP
Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, SBS, 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 POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS

Members absent:

Hon CHAN Kam-lam, SBS, JP
Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Ronny TONG Ka-wah, SC
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon WONG Yuk-man
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon WU Chi-wai, MH
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon CHAN Han-pan, JP

Dr Hon Kenneth CHAN Ka-lok
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Dr Hon KWOK Ka-ki
Hon Dennis KWOK
Hon Martin LIAO Cheung-kong, SBS, JP
Hon CHUNG Kwok-pan

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
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr CHAN Chung-kun	Acting Principal Assistant Secretary for Development (Works) 2
Mr Norman HEUNG Yuk-sai, JP	Project Manager (Kowloon), Civil Engineering and Development Department
Mr Harry MA Hon-ngai	Acting Head (Kai Tak Office), Civil Engineering and Development 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, JP	Deputy Secretary for the Civil Service (2)
Miss Winnie CHUI Hiu-lo	Principal Assistant Secretary for the Civil Service (Pay and Leave)
Ms Winnie NG Ching-ching, JP	Secretary General, Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service

Clerk in attendance:

Ms Anita SIT	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 Raymond SZETO	Council Secretary (1)5
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Michelle NIEN	Legislative Assistant (1)5
Miss Yannes HO	Legislative Assistant (1)6

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Item No. 1 – FCR(2015-16)29

**RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE
MADE ON 16, 24 AND 30 JUNE 2015**

PWSC(2015-16)33

HEAD 707 – NEW TOWNS AND URBAN AREA DEVELOPMENT

Transport – Railway

**65TR – Detailed Feasibility Study for Environmentally Friendly Linkage
System for Kowloon East**

The Committee continued with the deliberation on the item PWSC(2015-16)33 which was taken out from the recommendations of the Public Works Subcommittee made on 30 June 2015 for separate voting.

Motion proposed by Mr LEUNG Kwok-hung

2. Mr LEUNG Kwok-hung moved, without notice, a motion under paragraph 37A of the Finance Committee Procedure to express views on the detailed feasibility study for Environmentally Friendly Linkage System for Kowloon East.

3. The Chairman ruled that the motion proposed by Mr LEUNG Kwok-hung was directly related to the funding proposal under discussion. He then put to vote the question that the motion from Mr LEUNG Kwok-hung numbered [0001](#) be proceeded forthwith. At Mr LEUNG's request, the Chairman ordered a division, and the division bell was rung for five minutes. With the agreement of the Chairman, Mr LEUNG Kwok-hung read out his proposed motion when the division bell was being rung. The Chairman declared that the question was negatived.

Voting on PWSC(2015-16)33

4. There being no further question from members, the Chairman put the item PWSC(2015-16)33 to vote. As requested by members, the Chairman ordered a division and the division bell was rung for five minutes. The Chairman announced that 27 members voted for and four members voted against the proposal. The votes of individual members were as follows –

For:

Mr TAM Yiu-chung
Mr Jeffrey LAM Kin-fung
Mr WONG Ting-kwong
Mr CHAN Kin-por
Mr WONG Kwok-kin
Mrs Regina IP LAU Suk-yee
Mr Steven HO Chun-yin
Mr YIU Si-wing
Miss CHAN Yuen-han
Mr KWOK Wai-keung
Dr Elizabeth QUAT
Mr TANG Ka-piu
Ir Dr LO Wai-kwok
Mr Tony TSE Wai-chuen
(27 members)

Mr WONG Kwok-hing
Mr Andrew LEUNG Kwan-yuen
Mr CHAN Hak-kan
Dr Priscilla LEUNG Mei-fun
Mr IP Kwok-him
Mr Paul TSE Wai-chun
Mr Frankie YICK Chi-ming
Mr Charles Peter MOK
Miss Alice MAK Mei-kuen
Mr Christopher CHEUNG Wah-fung
Mr POON Siu-ping
Dr CHIANG Lai-wan
Mr Christopher CHUNG Shu-kun

Against:

Mr LEUNG Kwok-hung
Ms Claudia MO
(4 members)

Mr Albert CHAN Wai-yip
Mr CHAN Chi-chuen

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

Item No. 2 – FCR(2015-16)23

APPLICATION OF THE FINDINGS OF THE 2013 PAY LEVEL SURVEY TO THE CIVIL SERVICE

6. The Chairman advised that the item FCR(2015-16)23 invited the Committee to approve, with effect from 1 October 2014, the adjustments to the civil service pay scales and the provisions for aided schools for the concerned teaching and non-teaching staff arising from the 2013 Pay Level Survey ("PLS").

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7. At the invitation of the Chairman, Mr POON Siu-ping, Chairman of the Panel on Public Service ("the PS Panel"), reported that the Administration consulted the Panel on the proposed adjustments on 16 February 2015. While the PS Panel had no objection to the proposal in principle, some Panel members commented that only raising the salaries of non-directorate civilian civil service officers of Job Level ("JL") 5, disciplined services officers remunerated on the equivalent range of pay points as JL 5, and directorate officers was tantamount to "fattening the top and thinning the bottom".

Effecting the pay adjustments

8. Mr WONG Kwok-hing, Mrs Regina IP and Mr TAM Yiu-chung pointed out that following the Chief Executive-in-Council's decisions in February 2015 on the application of the findings of the 2013 PLS to adjust the civil service pay scales, the civil service had been waiting for the adjustments for a long time. These members expressed support for the proposed adjustments and called on members of the opposition camp to stop filibustering the funding proposal, so that the item could be approved at this meeting.

9. In response to Mr LEE Cheuk-yan's enquiry about the timing of implementing the revised salaries, Secretary for the Civil Service ("SCS") and Permanent Secretary for Financial Services and the Treasury (Treasury) ("PSFST(T)") advised that in view of the time required by the Treasury to process the July payroll, the revised salaries and arrears, as appropriate, would be paid in end-July if the item was approved by 17 July 2015.

Justification for the proposed adjustments

10. Mr LEE Cheuk-yan, Ms Cyd HO, Dr Fernando CHEUNG, Mr LEUNG Yiu-chung, Mr LEUNG Kwok-hung and Mr Albert CHAN expressed objection to the proposed pay adjustments. They criticized that the proposed 3% pay increase to the civil service officers of JL 5, directorate officers and those in the same salary range only was "fattening the top and thinning the bottom", since the monthly salaries of these officers were at least some \$90,000, which were the highest 4% of household monthly income in Hong Kong. Pointing out that the private sector organizations tended to remunerate their senior staff more generously than their junior staff, such as offering considerable amount of stock options of the companies, these members considered that it was not suitable to conduct the PLS to compare the civil service pay to the private sector, as it would continue to widen the pay disparity between senior and junior civil servants. Mr LEUNG Yiu-chung said that this would in turn exacerbate the disparity between the rich and the poor in Hong Kong. Mr LEUNG and Mr Albert CHAN considered that when deciding on the adjustments to the civil

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service pay, the Administration should also take into account the impact on the society as a whole.

11. In response, SCS said that the pay comparison between the civil service and the private sector was made on the basis of total cash compensation which did not include stock options. The Administration's civil service pay policy was to offer sufficient remuneration to attract, retain and motivate staff of a suitable calibre to provide the public with an effective and efficient service, and such remuneration was to be regarded as fair by both civil servants and the public by maintaining broad comparability between civil service pay and private sector pay. To this end, the Government, on a regular basis, conducted three separate market surveys, namely the annual Pay Trend Surveys, the Starting Salaries Surveys and the PLS, to ascertain whether civil service pay was broadly comparable with private sector pay. SCS disagreed that the Administration had been "fattening the top and thinning the bottom" in adjusting civil service pay. For example, in 2009-10, the pay for civil servants in the upper salary band was adjusted downward under the annual civil service pay adjustment exercise while the pay for civil servants in the middle and lower salary bands was only frozen. The Administration had also been exercising discretion to adopt the "bring-up" arrangement in the annual civil service pay adjustment exercise, i.e. to align the rate of pay adjustment for civil servants in the lower salary band with that for the civil servants in the middle salary band. Since the adoption of the Improved Civil Service Pay Adjustment Mechanism in 2007, the cumulative pay increase for civil servants in the upper salary band was 31.6% whereas that for civil servants in the middle and lower salary bands was 35.4%.

12. SCS further explained that the Civil Service Bureau had consulted the staff sides of the four central consultative councils and the four major service-wide staff unions on the findings and recommendations in the 2013 PLS Report. Though some of them expressed disappointment that only the most senior level would be awarded a pay rise, they either agreed to or did not indicate objection to the recommendations.

13. Dr Fernando CHEUNG pointed out that the highest pay point of the civil service in Hong Kong was 22 times its lowest. In contrast, the same multiple in the pay scale of civil servants in the United Kingdom was capped at 20. Dr CHEUNG and Mr LEUNG Yiu-chung urged the Administration to reduce the pay disparity between senior and junior civil servants in Hong Kong. SCS responded that different countries had different civil service pay policies which might not be applicable to the case of Hong Kong.

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Pay of junior civil servants

14. Mr LEE Cheuk-yan questioned whether there were proven recruitment and retention problems of civil servants in JL 5 to justify the proposed pay increase. Referring to the Administration's refusal to the request to conduct a grade structure review of civil service lifeguards to place them under the professional grade, Mr LEE was dissatisfied that the Administration ignored the interests of the junior staff in the civil service. He further expressed concern that the salaries of junior civil servants would be at risk of being adjusted downward in future should a plus/minus 5% be continued to be adopted as the acceptable range of difference between the civil service and private sector pay indicators in the next PLS exercise.

15. In response, SCS explained that according to existing policy, grade structure review would only be conducted for a non-directorate civilian civil service grade when there were fundamental changes to the grade's job nature, job complexity and level of responsibilities or when the grade had proven and persistent recruitment and retention problems.

16. In response to Mr LEE Cheuk-yan's enquiry, Permanent Secretary for the Civil Service ("PSCS") advised that the numbers of civilian civil servants in JL 5, disciplined services civil servants in JL 5, and directorate officers were about 3 550, 700 and 1 350 respectively.

Comparability between civil service and private sector pay

17. Ms Cyd HO sought elaboration on the civil service pay policy of maintaining broad comparability between civil service and private sector pay. She asked whether additional provision would be provided to the Legislative Council Commission ("LegCo Commission") for adjusting the salaries of Secretariat staff remunerated on the equivalent range of pay points as JL 5. She also enquired whether civil service pay had ever been adjusted downwards following the findings of the PLS in the past. Mr James TO pointed out that according to the PLS findings, the pay for civil servants in JL 3 was 4% lower than the corresponding level of private sector pay. He asked why the Administration did not consider adjusting the pay for JL 3.

18. SCS explained that the Standing Commission on Civil Service Salaries and Conditions of Service ("Standing Commission") recommended the adoption of a holistic approach for the application of the 2013 PLS findings. Under the holistic approach, the pay of civil servants in JL1 to JL4 was generally regarded as broadly comparable with private sector pay and hence no pay adjustment was necessary. As regards JL5, the Standing Commission considered that the

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difference between private sector and civil service pay was significant and hence recommended an upward adjustment of 3%. PSFST(T) advised that the salary of the staff employed by the LegCo Commission was not necessarily linked to that of the civil service. Therefore no additional provision would be provided to the LegCo Commission as a result of the PLS.

Approach in applying findings of the Pay Level Survey

19. Mr CHAN Chi-chuen sought elaboration on two of the factors, namely, "inherent differences between the civil service and private sector and their uniqueness" and "overall interest", taken into account by the Standing Commission in applying the PLS findings.

20. PSCS explained that it was generally recognized that there were inherent differences between the civil service and private sector in respect of, for example, the mechanism of salary progression, mobility of employees, flexibility of pay structure, etc. Moreover, the civil service and its private sector comparators had their own unique duties and features. Certain duties such as policy formulation, law enforcement, regulatory work, etc. were unique to the civil service. PSCS further advised that the Standing Commission, in considering the application of the survey findings, had taken into account the overall interest of the community, which included the interests of not only the civil servants but also the general public. For example, in recommending the effective date of the pay adjustment for JL 5, the Standing Commission considered that if the effective date were to be set as the survey reference date of 1 October 2013, it would entail backdating payment of more than one year. Taking into account the overall community interest, the Standing Commission did not see a justifiable case for such a backdating arrangement as it would not meet with public expectation regarding prudent use of public funds. The Standing Commission therefore recommended that the pay adjustment should be made with effect from 1 October 2014 (i.e. the beginning of the month in which the Standing Commission submitted the 2013 PLS Report to the Chief Executive).

21. Noting that the PLS did not cover the disciplined services and directorate grades, Dr LEUNG Ka-lau and Mr LEUNG Kwok-hung asked about the reasons for adjusting their pay scales as well. SCS reiterated that the duties of the disciplined services and directorate grades were unique. Upon completion of the last PLS in 2006, the Chief Executive-in-Council endorsed the application framework for the disciplined services and directorate grade, i.e. the salaries of disciplined services officers and directorate officers should be adjusted correspondingly by internal relativities. For the application of the 2013 PLS findings, the Administration had sought the advice of the Standing

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Committee on Disciplined Services Salaries and Conditions of Service and the Standing Committee on Directorate Salaries and Conditions of Service (Directorate Committee) on whether and how the 2013 PLS findings should be applied to them.

Review of the Pay Level Survey mechanism

22. Ms Claudia MO said that members of the Civic Party supported the proposed pay adjustments. Referring to the views of some members of the PS Panel and the Committee that the proposed pay increase was "fattening the top and thinning the bottom", Ms MO and Mr Albert CHAN urged the Administration to review the PLS mechanism.

23. SCS responded that the Administration agreed to the view of the Standing Commission that, in light of the experiences gained in conducting the 2006 and 2013 PLSs, it was an opportune time to conduct a review of the PLS, which might possibly cover, inter alia, the survey methodology, application issues and frequency for the conduct of the PLS. The Administration planned to invite the Standing Commission to conduct the review before the commencement of the next PLS.

24. Mr TAM Yiu-chung and Mr KWOK Wai-keung considered that the PLS should continue to be conducted in future, so as to ascertain that civil service pay was broadly comparable with private sector pay for attracting and retaining suitable staff in the civil service, in particular the professional grades. Mr TAM expressed support for reviewing the PLS mechanism. Mr KWOK expressed disagreement with the views that the proposed pay increase was "fattening the top and thinning the bottom". He highlighted that the proposed increase for JL 5 jobholders was only 3%, lagging behind the private sector pay by 8% as revealed in the PLS findings.

25. Mr James TO and Dr LEUNG Ka-lau suggested that the Administration should consider adjusting the pay level of JLs other than that currently proposed where appropriate so as to maintain a reasonable difference between the highest point of a JL and the lowest point of the next higher JL. SCS responded that the Standing Committee had noted that following the proposed pay increase, the difference between the lowest point of JL 5 (i.e. Master Pay Scale point 45 or equivalent) and the highest point of JL 4 (i.e. Master Pay Scale point 44 or equivalent) would be widened, and considered the difference acceptable. Moreover, the purpose of PLS was to ascertain whether the civil service and private sector pay remained broadly comparable. Whether the difference between pay points was regarded as reasonable did not fall within the scope of

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PLS. PSCS further added that there was no fixed incremental size among different pay scales or within the same pay scale.

26. Mr Frankie YICK expressed support for the pay adjustments proposed in the paper. He considered that members who had any views on the PLS mechanism should pursue them at the PS Panel.

Adjustments to the provisions for the subvented sector

27. Dr LEUNG Ka-lau pointed out that it had been the established practice that following an annual civil service pay adjustment involving a pay rise, additional subventions would be provided accordingly to subvented bodies including the Hospital Authority. Dr LEUNG enquired about the Administration's justification for not adjusting the subvention to the Hospital Authority for pay adjustments to its staff arising from the PLS, and expressed concern about the high turnover rate of senior doctors of the Hospital Authority in recent years. Echoing Dr LEUNG Ka-lau's views, Mr LEE Cheuk-yan and Mr James TO were concerned that the subvented sectors would face difficulty in attracting and retaining suitable staff.

28. SCS responded that the staff salaries of the subvented sectors, including the medical and social welfare sectors, had been delinked from that of the civil service. Therefore the Administration would not adjust their subventions pursuant to the PLS. This was in line with the established practice of the Starting Salaries Survey. The only exceptions were those subvented organizations with specific employees whose salaries were linked to civil service pay by law or on grounds of policy promulgated in the public. SCS further explained that the Administration was generally not involved in the determination of the pay and pay adjustment of staff, as well as the human resources management issues of the subvented sectors. While it had been the established practice that the Administration would adjust the subventions to the subvented bodies following the annual civil service pay adjustment for the civil service, it was up to individual subvented bodies, as employers, to decide whether to increase the salaries of their own employees and, if so, the rate of increase.

Voting on FCR(2015-16)23

29. There being no further question or comment from members, the Chairman put the item FCR(2015-16)23 to vote. As requested by members, the Chairman ordered a division and the division bell was rung for five minutes. The Chairman said that 26 members voted for and nine members voted against the proposal. The votes of individual members were as follows –

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For:

Mr James TO Kun-sun	Ms Emily LAU Wai-hing
Mr TAM Yiu-chung	Mr WONG Kwok-hing
Mr Jeffrey LAM Kin-fung	Mr WONG Ting-kwong
Mr CHAN Hak-kan	Mr CHAN Kin-por
Mr WONG Kwok-kin	Mr IP Kwok-him
Mrs Regina IP LAU Suk-yee	Mr Paul TSE Wai-chun
Ms Claudia MO	Mr Michael TIEN Puk-sun
Mr Steven HO Chun-yin	Mr Frankie YICK Chi-ming
Mr YIU Si-wing	Mr Charles Peter MOK
Miss Alice MAK Mei-kuen	Mr KWOK Wai-keung
Mr Christopher CHEUNG Wah-fung	Mr IP Kin-yuen
Mr POON Siu-ping	Mr TANG Ka-piu
Ir Dr LO Wai-kwok	Mr Christopher CHUNG Shu-kun
(26 members)	

Against:

Mr LEE Cheuk-yan	Mr LEUNG Yiu-chung
Ms Cyd HO Sau-lan	Dr LEUNG Ka-lau
Mr CHEUNG Kwok-che	Mr LEUNG Kwok-hung
Mr Albert CHAN Wai-yip	Mr CHAN Chi-chuen
Dr Fernando CHEUNG Chiu-hung	
(9 members)	

30. The Chairman declared that the Committee approved the item.
31. The Chairman declared that the meeting be adjourned and the next meeting was scheduled for 17 July 2015 at 4:45 pm.
32. The meeting was adjourned at 11:23 pm.