

立法會
Legislative Council

LC Paper No. CRM 386/17-18

Ref : AM12/01/19 (16-20)

**Subcommittee on Members' Remuneration and
Operating Expenses Reimbursement**

**Minutes of meeting held on 20 December 2017 at 10:45 am
in Conference Room 3 of the Legislative Council Complex**

Members Present : Hon WONG Ting-kwong, GBS, JP
Hon CHAN Hak-kan, BBS, JP
Hon WU Chi-wai, MH
Hon IP Kin-yuen
Hon Martin LIAO Cheung-kong, SBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHU Hoi-dick
Hon HO Kai-ming
Hon Jeremy TAM Man-ho

Clerk in attendance: Ms Amy YU
Principal Council Secretary 1

Staff in attendance : Mr Kenneth CHEN, SBS
Secretary General

Miss Odelia LEUNG
Deputy Secretary General

Miss Roxanna LO
Accountant

Mrs Goppi CHENG
Senior Deputy Accountant

Ms Louisa SOO
Deputy Accountant 1

Mr Simon CHEUNG
Deputy Accountant 4

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I. Level of Members' operating expenses reimbursement and annual adjustment mechanism

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| (LC Paper No. CRM 198/17-18 | – | Paper prepared by the Legislative Council Secretariat |
| LC Paper No. CRM 89/17-18(01) | – | Letter dated 7 November 2017 from Mr IP Kin-yuen |
| LC Paper No. CRM 115/17-18(01) | – | Letter dated 17 November 2017 from Mr Jeremy TAM) |

At the invitation of the Chairman, the Clerk briefed members on the paper prepared by the Secretariat (LC Paper No. CRM 198/17-18) setting out information on issues relating to Members' Operating Expenses Reimbursement ("OER") raised by the members at the meeting in June 2017.

2. Members noted the respective letters from Mr IP Kin-yuen and Mr Jeremy TAM regarding the mechanism for annual adjustment of OER (LC Paper Nos. CRM 89/17-18(01) and CRM 115/17-18(01)).

3. Mr Jeremy TAM pointed out that the annual adjustment of OER, which was based on Consumer Price Index (C) ("CPI(C)"), for the 2017-2018 legislative session was only 1.5%, which was substantially lower than the civil service pay adjustment for middle and lower salary bands. Given that staff expenses accounted for about 70% of Members' Office Operating Expenses Reimbursement ("OOER"), he had to cut back on other office expenses so as to increase the salary of his staff by a percentage higher than 1.5%. He supported Ir Dr LO Wai-kwok's suggestion of adopting a weighted index of the three main components of OOER as the basis for annual adjustment.

4. Mr HO Kai-ming considered that the Subcommittee should meet with the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR ("the Independent Commission") to reflect the difficulties faced by Members and exchange views on the remuneration package for Members. Mr HO further said that some members of the public had raised the view that Members' remuneration should be adjusted according to their attendance rates at meetings. In his view, apart from adjustment of Members' OER, the Subcommittee should also discuss with the Independent Commission on establishing a fair and reasonable mechanism for determining Members' remuneration to ensure value for money.

5. Referring to the average utilization rates of OOER in paragraph 12 of LC Paper No. CRM 198/17-18, Ir Dr LO Wai-kwok said that Members' expenditure patterns were fairly stable over the last three Legislative Council

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("LegCo") terms. He considered it fair to use the average utilization rates of the last three terms, i.e. 73%, 7% and 20% for staff expenses, office accommodation expenses and other operating expenses respectively, as the basis for calculating the weighted adjustment index. Should there be any significant changes to Members' expenditure patterns in future, adjustments could be made to the weightings of the individual components of the index accordingly.

6. Mr IP Kin-yuen considered the current mechanism for adjustment of OOER based on CPI(C) unreasonable and indicated support for using the proposed weighted adjustment index. By way of illustration, he pointed out that the CPI(C) for the 2015-2016 legislative session was 2.5%, as compared to the weighted adjustment indexes of 4.39% and 4.16% should civil service pay adjustment and the base pay adjustment issued by the Hong Kong Institute of Human Resources Management be used respectively. To ensure that staff engaged by Members could receive a reasonable level of remuneration, the civil service pay adjustment, which generally reflected the pay trend in the market, should be used as the basis for adjusting the portion of OOER on staff expenses. Furthermore, the Subcommittee should also continue to pursue with the Administration on proposals recommended by the Subcommittees set up in previous terms, such as the proposals of providing an end-of-service gratuity to Members' staff and additional funding for undertaking research. He shared the view that members should meet with the Independent Commission to express their views directly.

7. Mr CHU Hoi-dick noted from the Appendix to LC Paper No. CRM 198/17-18 that the Subcommittees set up in the Second LegCo, the Fourth LegCo and the Fifth LegCo had proposed that different adjustment mechanisms be adopted for different components of OOER. He further noted that in response to the proposal of the Subcommittee set up in the Second LegCo, the Independent Commission had recommended that Members be given an option of an alternative adjustment mechanism; but the majority of Members had indicated preference for continuing with the adjustment mechanism based on CPI(C). Mr CHU requested the Secretariat to elaborate on the alternative mechanism put forward by the Independent Commission in the Second LegCo and the reasons held by the Members for not adopting it.

8. The Clerk responded that in the light of the downward movement of CPI(C) in 1999 and 2000, the Subcommittee set up in the Second LegCo was concerned that as the amounts of staff salaries and office rental were fixed by contracts or implicit moral obligations, Members could not readily cut back on these expenses to cope with the reduction in OOER as a result of the downward movement of CPI(C). In response to the Subcommittee's concern, the Independent Commission recommended that Members be given the option of

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going for an alternative mechanism for annual adjustment of OOER. Under the proposed alternative mechanism, OOER was to be divided into two components: the component for expenses relating to staff salaries and office rental would be fixed for the entire term of office, while the other variable component covering other operating expenses would continue to be adjusted annually in accordance with CPI(C). A consultation paper had been issued to seek Members' views on whether they preferred the alternative adjustment mechanism proposed by the Independent Commission or the existing mechanism in accordance with CPI(C). The majority of Members had indicated preference for continuing with the existing adjustment mechanism. The Clerk added that some Members had expressed concern about the lack of flexibility if the portion of OOER for staff salaries and office rental was fixed for the entire term given that deflation might only be temporary.

9. Mr CHU Hoi-dick opined that the proposed weighted adjustment index was essentially an enhanced version of the proposals put forward by the former Subcommittees. He expressed support for putting forward the proposal to the Independent Commission for consideration.

10. The Chairman reminded members that proposals on Members' remuneration and OER put forward by the Subcommittee would be considered by the Independent Commission for implementation in the following LegCo term. The Subcommittee normally discussed its proposals with the Administration first before submitting them to the Independent Commission for consideration. Regarding the suggestion of meeting with the Independent Commission, the Chairman said that relevant arrangements had to be discussed and worked out with the Administration.

11. The Chairman further said that while the Secretariat had provided an analysis of the ratios for the different components of OOER based on Members' past average utilization rates of OOER to facilitate the Subcommittee's discussions, OOER was all along provided to Members on a lump sum basis and Members had the discretion to apportion their OOER among different types of expenses according to their own needs. Given the differences in Members' expenditure patterns on staff salaries, office rental and other expenses, Members would have to come to a consensual view on the weightings for the three components.

12. In response to Mr HO Kai-ming's enquiry about the non-attendance of the Administration at the meeting, the Chairman clarified that the Administration would attend Subcommittee meetings at the request of the Subcommittee. In line with past practice, the Subcommittee would normally have internal discussions on its proposals first before inviting the Administration

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to attend its meetings for further discussion as necessary. Mr HO Kai-ming and Mr CHU Hoi-dick suggested inviting the Administration to attend the next meeting of the Subcommittee.

13. Ir Dr LO Wai-kwok said that while there were bound to be differences in Members' expenditure patterns, the ratios of Members' expenditure in the three main components of OOER were relatively stable over the last three LegCo terms and provided a reasonable basis for working out the proposed weighted adjustment index. As regards adjustment indicators, he considered it appropriate to use civil service pay adjustment, the rental index for Grade C Offices published by the Rating and Valuation Department and CPI(C) as the respective basis for adjusting the components on staff salaries, office accommodation expenses and other operating expenses. He noted that members of the Subcommittee generally agreed to adopt the proposed weighted index as the basis for annual adjustment of OOER and reckoned that the proposal would be acceptable by Members.

14. Mr IP Kin-yuen said that the proposed weighted adjustment index was a reasonable mechanism for adjusting the overall level of Members' OOER, and the proposal would not affect the discretion of Members to apportion their OOER among different types of expenses. Mr Jeremy TAM expressed similar views.

15. The Chairman said that in line with past practice, the general consensus of Members should be obtained before a proposal of the Subcommittee was submitted to the Administration for consideration by the Independent Commission. In this connection, a questionnaire would be sent to all Members to seek their views on the proposed weighted adjustment index, after which a meeting with the Administration could be arranged. Members agreed.

LegCo
Secretariat

II. Any other business

16. There being no other business, the meeting ended at 11:34 am.