

FINANCE COMMITTEE

LegCo Paper No. FC 170/95-96

Minutes of the proceedings of the Meeting held on 5 July 1996 at 2:30 p.m. in the Legislative Council Chamber

Members Present :

Dr Hon YEUNG Sum (Chairman)
Hon Mrs Elizabeth WONG CHIEN Chi-lien, CBE, ISO, JP (Deputy Chairman)
Hon Mrs Selina CHOW LIANG Shuk-yee, OBE, JP
Hon Martin LEE Chu-ming, QC, JP
Hon SZETO Wah
Hon Edward HO Sing-tin, OBE, JP
Hon Mrs Miriam LAU Kin-yee, OBE, JP
Dr Hon Edward LEONG Che-hung, OBE, JP
Hon Albert CHAN Wai-yip
Hon CHEUNG Man-kwong
Hon Frederick FUNG Kin-kee
Hon Michael HO Mun-ka
Dr Hon HUANG Chen-ya, MBE
Hon Emily LAU Wai-hing
Hon LEE Wing-tat
Hon Fred LI Wah-ming
Hon Henry TANG Ying-yen, JP
Hon James TO Kun-sun
Hon Zachary WONG Wai-yin
Hon Christine LOH Kung-wai
Hon James TIEN Pei-chun, OBE, JP
Hon LEE Cheuk-yan
Hon CHAN Kam-lam
Hon CHAN Wing-chan
Hon CHAN Yuen-han
Hon Andrew CHENG Kar-foo
Hon Paul CHENG Ming-fun
Hon CHENG Yiu-tong
Dr Hon Anthony CHEUNG Bing-leung
Hon CHEUNG Hon-chung
Hon CHOY Kan-pui, JP
Hon Albert HO Chun-yan
Hon IP Kwok-him
Hon LAU Chin-shek
Dr Hon LAW Cheung-kwok
Hon LAW Chi-kwong

Hon LEE Kai-ming
Hon LEUNG Yiu-chung
Hon Bruce LIU Sing-lee
Hon LO Suk-ching
Hon MOK Ying-fan
Hon Margaret NG
Hon NGAN Kam-chuen
Hon TSANG Kin-shing
Dr Hon John TSE Wing-ling
Hon Lawrence YUM Sin-ling

Members Absent :

Hon Allen LEE Peng-fei, CBE, JP
Dr Hon David LI Kwok-po, OBE, LLD, JP
Hon NGAI Shiu-kit, OBE, JP
Hon LAU Wong-fat, OBE, JP
Hon Ronald ARCULLI, OBE, JP
Hon CHIM Pui-chung
Hon Eric LI Ka-cheung, OBE, JP
Dr Hon Samuel WONG Ping-wai, MBE, FEng, JP
Dr Hon Philip WONG Yu-hong
Hon Howard YOUNG, JP
Hon David CHU Yu-lin
Hon Ambrose LAU Hon-chuen, JP
Hon SIN Chung-kai

Public Officers Attending :

Mr M V STONE, JP	Deputy Secretary for the Civil Service
Mrs Philomena LEUNG	Principal Assistant Secretary for the Civil Service
Mr Gordon LEUNG	Principal Assistant Secretary for Security
Mr K K NG, MBE	Chief Property Services Manager of Architectural Services Department
Mr D W WEBB	Principal Assistant Secretary for the Treasury
Mr Clement CHEUNG	Principal Assistant Secretary for Health and Welfare
Dr FUNG Hong	Deputy Director (Hospital Planning and Development) of Hospital Authority
Mr A H LAMONT	Assistant Director of Architectural Services

In Attendance :

Mr K C KWONG, JP	Secretary for the Treasury
Mr Kevin HO, JP	Deputy Secretary for the Treasury
Mrs Lilian WONG	Principal Executive Officer (General), Finance Branch
Miss Pauline NG	Clerk to the Finance Committee
Mrs Constance LI	Chief Assistant Secretary (Finance Committee)
Mr Andy LAU	Senior Assistant Secretary (Finance Committee)

Item No. 1 - FCR(96-97)33

RECOMMENDATIONS OF THE ESTABLISHMENT SUBCOMMITTEE

The Committee approved the proposal.

Item No. 2 - FCR(96-97)34

**RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE
ON NON-AIRPORT CORE PROGRAMME**

2. The Committee approved the proposal.

Item No. 3 - FCR(96-97)35

CIVIL SERVICE PAY ADJUSTMENT 1996

3. The Chairman declared an interest on behalf of all those members who were employees of government subvented organizations and who would benefit from the proposed pay adjustments.

4. Several members raised questions on the policy and practices of the annual civil service pay adjustments. They were concerned that the level of pay adjustments, particularly that of the lower pay band, was below the inflation rate. In response, the Deputy Secretary for the Civil Service (DS/CS) advised that the Government adopted a policy that annual adjustments in civil service pay should be broadly comparable to pay adjustments in the private sector, and the net pay trend indicators (PTI) should be followed unless there were overriding reasons not to do so. To look after the needs of staff in the lower pay band in the public sector, the Government also had a practice that if the PTI was lower than that of

the middle band, it would be brought up to the same level as the middle band in accordance with a recommendation of the 1988 Committee of Inquiry which was accepted by the Government. This year, as the net PTI of the lower band was 0.84% lower than that of the middle band, it had been brought up to the same level as the middle band.

5. Replying to a member, DS/CS clarified that the deductions for civil service annual increments from the PTI for the lower pay band was 1.09%, as compared to 1.21% and 1.18% for the upper and middle pay bands. Although a large number of staff in the Model Scale I, who made up about 50% of the lower pay band, were on the maximum salary point and would therefore not have the 1.09% increment, they would still receive a net pay increase comparable to that of the middle pay band and that of the private sector under the present proposal. DS/CS stressed that it was important to maintain internal relativities between different pay groups in the civil service, and it would be inequitable to award a higher PTI only for a group of civil servants. It was also not the policy to apply the highest net PTI across the board for all salary bands.

6. A member commented that while he accepted the policy of conducting pay trend surveys for the purpose of determining PTIs as the basis of civil service pay adjustments, he noted that private sector employers had made concerted efforts in recent years to suppress pay revisions unreasonably below inflation rate, and this could have distorted the pay trend survey findings. As trade unions in Hong Kong did not have collective bargaining power, there was no mechanism to balance the employers' interests. He was worried that if pay adjustments were continually below the actual growth rate, employees would suffer a deterioration in the standard of living. In this respect, he was disappointed that the Government had not accepted the views of the staff and the Public Service Panel. He considered that the Government should review the system to ensure that civil service pay adjustments would not fall below the inflation rate. This view was shared by some other members of the Finance Committee (FC).

7. Mr IP Kwok-him, Chairman of the Public Service Panel, remarked that while the Panel accepted the principle of following the net PTIs for annual pay adjustments, its members were concerned that the pay adjustment for the lower pay band could not catch up with the cost of living. The Panel had asked the Executive Council to accede to the Staff Side request for a uniform 7.93% pay rise in line with the movement of the Consumer Price Index (A) in 1995-96 over 1994-95, but to no avail.

8. A member also referred to the views of the Confederation of Trade Unions and expressed objection on the grounds that civil service pay adjustments should be compatible with the inflation rate, and that the middle and lower pay bands should not be subject to a lower PTI than that of the upper band, since senior staff already enjoyed more benefits than the junior staff. He considered that the present proposal would set a bad precedent for future pay adjustments in the public and private sectors. He therefore urged the Government to review the

proposal for re-submission to FC in two weeks time before the close of the current LegCo session.

9. In response, DS/CS advised that the pay trend surveys were monitored by the Pay Trend Survey Committee which comprised also Staff Side representatives. The PTIs in most previous years had been above inflation, but 1995 was a difficult year for Hong Kong evidencing an easing of pay adjustments. Another factor which had affected the 1995 pay adjustments was that special one-off bonuses were paid by major private companies in 1994, and if these bonuses were taken out from the 1994 pay adjustments, then the actual pay adjustments for 1995 and 1996 would still be above inflation. He emphasized that the existing system, which had been in practice since 1974, was a reasonably fair system accepted by all parties concerned, and he saw no strong justifications for digressing from the arrangements. The Secretary for the Treasury added that it would not be possible to formulate a new proposal in two weeks for the last FC meeting scheduled before Legco recess. Any departure from the existing system would require careful considerations and wide consultation with staff.

10. Referring to Government's deviation from the policy on previous occasions in 1989-90 and 1990-91 by awarding pay increases lower than the PTIs, DS/CS explained that the basic policy was to follow the PTIs unless there were overriding reasons for not doing so. Factors taken into consideration included the state of economy, budgetary constraints and civil service morale. In the two years mentioned, the inflation rate was extremely high, and having regard to the various prevailing factors, a lower pay adjustment was awarded. However, in the past three years, the Government had strictly adhered to the policy, and it was the intention to closely follow the same policy in future.

11. Some members were of the opinion that after several years of high growth, Hong Kong had gradually moved into a period of lower growth comparable to other markets. In this respect, they considered that the Government should act prudently and responsibly by controlling prices and wages to ensure that these would not move ahead of the growth rate. They therefore supported that civil service pay adjustments should not be pegged to the inflation rate. A member also commented that this would reduce the wage-price spiral effects and help break the vicious cycle of inflation.

12. Responding to a member's question, DS/CS clarified that the pay trend survey tracked the changes in pay of those posts which were comparable to the Master Pay Scale. Senior executive or directorate posts in the private sector were outside the scope of this survey.

13. The Administration also noted a member's suggestion that the PTIs could be calculated to only one decimal point, to avoid disputes on fine differences arising from calculations based on two decimal points.

14. After discussion, the proposal was put to vote. The proposal was approved by the Committee.

Item No. 4 - FCR(96-97)36

HEAD 25 - ARCHITECTURAL SERVICES DEPARTMENT

. Subhead 218 Maintenance of government buildings

15. Responding to members' questions, the Principal Assistant Secretary for Security confirmed that the proposed works in the Whitehead Detention Centre would include strengthening the security and structure of the buildings, to prevent any recurrence of the disturbances on 10 May 1996 and in anticipation of the relocation of the Tai A Chau detainees to this Centre. On the design of these measures, the Chief Property Services Manager of the Architectural Services Department advised that the existing security fences would be strengthened by adding two layers of expanded metal sheetings to reinforce the structure. New buildings would be constructed in bricks to prevent damage by fire. Also metal conduits inside the dormitories would be replaced to prevent them from being used as weapons by the detainees.

16. The Administration also noted a member's comment about the provision and re-deployment of reserves for emergency typhoon repairs.

17. The proposal was approved by the Committee.

Item No. 5 - FCR(96-97)38

CAPITAL WORKS RESERVE FUND

HEAD 708 - CAPITAL SUBVENTIONS AND MAJOR SYSTEMS AND EQUIPMENT

. New Subhead "Reprovisioning of Sai Ying Pun Specialist Out-patient Clinic"

18. Replying to a member on the substantial increase of patients on the waiting list for specialist treatment, the Principal Assistant Secretary for Health and Welfare advised that there had been an average annual growth rate of over 10% in the number of patients referred by out-patient clinics and private medical practitioners. Furthermore, shortage of space and physical constraints in the Sai Ying Pun Specialist Out-patient Clinic (SYPSOC) had hampered expansion plans to cope with the increasing demands. This project would resolve the problem by constructing a new building at Queen Mary Hospital (QMH) with improved facilities to reduce the waiting time for patients.

19. Regarding the use of the vacated premises upon re-location of SYPSOC, the Deputy Director (Hospital Planning and Development) of Hospital Authority

(DD/HA) advised that the space would be used to improve the existing facilities of the general out-patient clinic operated by the Department of Health, and an ambulatory/community care centre would also be provided for chronic patients. He confirmed that the relevant District Boards had been consulted and they supported the need to improve services to the elderly, many of whom suffered from chronic illnesses such as hypertension and diabetes.

20. On the provision of carparking spaces in the new building, DD/HA advised that the carpark facilities would also be made available to visitors.

21. Regarding the accessibility to the new clinic in QMH, the Assistant Director of Architectural Services (AD/ASD) advised that the Jockey Club had donated \$8.5 million to construct an escalator at Pokfulam Road to facilitate access to QMH. The project had started and would be completed in September 1996. Replying to a member's question about the possible transport problems arising from the construction of a bypass at the junction of Sassoon Road and Pokfulam Road, AD/ASD advised that it might cause some inconvenience to the clients of the clinic during construction of the bypass, but the Transport Department had given assurance that the traffic lights and the main access to the clinic would be completed on schedule to tie in with the opening of the clinic. At the request of the member, he undertook to provide further information on the construction schedule of the bypass in question. xx

22. A member considered that the contingency provision (36.6%) was unreasonably high. In response, the Deputy Secretary for the Treasury (DS/Tsy) advised that the provision was only an estimate, and the actual costs would depend on the outcome of the open, competitive tendering. As regards the use of fixed-price lump-sum contracts for the project, DS/Tsy advised that the method had been used for similar projects, and it had the advantage of providing certainty on project costs. He noted the member's comments that the method might have the effect of inducing contractors to inflate the costs as protection against inflation risks.

23. As to the provision of waiting area for patients, DD/HA clarified that chronic patients were encouraged to make use of the advance appointment system, and the waiting area for the new clinic would be adequate for the purpose.

24. Replying to a member, DD/HA also confirmed that central air-conditioning was provided in all new medical buildings to provide a more comfortable environment to patients. As regards the disposal of clinical waste, this would either be dealt with by landfilling or incineration.

25. The Committee approved the proposal.

26. The Committee was adjourned at 3:45 p.m.

Legislative Council Secretariat
17 September 1996