

Legislative Council Panel on Commerce and Industry

Invest Hong Kong

(a) Progress Report

(b) Retention of a supernumerary post of AOSG 'C'

Introduction

This paper outlines the progress made since Invest Hong Kong (InvestHK) was established on 1 July 2000 and seeks Members' support for the retention of a supernumerary post of Administrative Officer Staff Grade 'C' in InvestHK for the period up to 31 March 2003.

Head Office

2. We created InvestHK on 1 July 2000 to take over from the now disestablished Industry Department responsibility for promoting inward investment. The department is headed by a Director-General of Investment Promotion (DGIP) (D6), underpinned by one permanent AOSG 'C' and two permanent non-civil service posts also at D2 level. The two non-civil servants, who will join the department in January and March 2001 respectively following a worldwide open recruitment exercise, will each take responsibility for work relating to certain priority economic sectors and the Regional Headquarters (RHQs) of companies in those sectors. The civil servant Associate Director-General (ADG) heading the third division will take responsibility for all other RHQs, special projects, non-priority sectors etc plus departmental administration.

3. Recognising the importance of implementing a high profile marketing campaign to launch the new department, DGIP on 1 September 2000 created a supernumerary post of Associate Director-General (Special Duties) (ADG(SD)) to oversee the work. This post is due to expire on 1 March 2001.

Encl 1

4. An organization chart of the Head Office is at Enclosure 1.

Overseas Desks

5. InvestHK is supported overseas by the Hong Kong Economic &

Trade Offices (ETOs) some of which have staff dedicated to investment promotion work. We have reviewed the organizational and staff reporting arrangement in consultation with the Heads of the Overseas Offices (HOOs). The DGIP has reached broad agreement with the HOOs such that InvestHK will develop in conjunction with each ETO a specific business plan on investment promotion having regard to the circumstances prevailing in the host country at the time. More importantly, the HOOs will take ownership of investment promotion activities within the jurisdiction of their respective ETOs and will take direct responsibility for the investment promotion staff in their ETOs.

Investment Promotion Strategy Group

6. We have established an Investment Promotion Strategy Group (IPSG) to advise the Financial Secretary on -

- (a) development of Hong Kong's policy and strategy for promoting inward investment;
- (b) global and regional business trends and the opportunities thus opened up for Hong Kong to attract inward investment;
- (c) the action needed to improve Hong Kong's competitiveness, particularly in the target business sectors;
- (d) the effectiveness and value of the aftercare programme;
- (e) "soft" business intelligence; and
- (f) developing contacts with prospective targets.

The members of IPSG are predominantly from business, professional and academic sectors and the relevant economic sectors. There are 20 non-officials and only four Government representatives including the Financial Secretary who is Chairman. The Group has met once and has planned to meet on a quarterly basis.

Priorities

7. The consultants whose report led to the creation of InvestHK have advised that the outreach work of InvestHK should be much more

focused, targeting specific economic sectors and companies within them rather than adopting a shotgun approach of seeking to be all things to all people. After consulting the IPSTG, we have determined that the priority sectors/activities for investment promotion work in the next few years should be as follows :

Sectors

Business & Professional Services
Financial Services
Information Technology
Media & Multi-Media
Technology (especially Electronics & Biotechnology)
Telecommunications
Tourism & Entertainment
Trade Related Services
Transportation

Activities

Regional Headquarters and Offices

Public Relations Programme

8. Over the past few months, InvestHK has embarked on an extensive PR programme to put across the message that more than three years after the transition Hong Kong remains a vibrant business centre. We are part of China but we retain our distinct identity, with a free market economy and a level playing field. We continue to welcome foreign investors on a completely non-discriminatory basis, and have established the new department to bring increased focus to our efforts to attract and retain multi-national corporations.

9. The programme includes the following main items :

- (a) Sponsorship of the Fortune Global Forum, to be held in Hong Kong in May 2001.
- (b) Sponsorship of a yacht made by Hong Kong, Spirit of Hong Kong, in a round-the-world yacht race.
- (c) Design and implementation of a modern, user-friendly web site.

- (d) Total revamp of all printed promotional materials.

More information on our participation in the Forum and the yacht race is set out in Enclosure 2.

Encl 2

10. The ADG(SD) post was initially created to handle items (a) and (b) above. The thinking then was that most of the work would be completed by the end of February and that the residual duties could be absorbed by one of the permanent ADGs. However it is clear in the light of experience that this would not be a satisfactory arrangement.

Present Position

11. InvestHK faces a number of challenges in the effort to attract and retain foreign investment in coming years. There is very strong and increasing competition from other economies in the region, which have established dedicated investment promotion agencies of their own. These agencies have embarked on aggressive programmes targeting foreign corporations. China's imminent entry into the World Trade Organisation is leading many companies to consider going directly into the Mainland bypassing Hong Kong. In order to respond to these challenges, it is essential that the three permanent ADGs give full attention to their direct investment promotion duties.

12. Specifically, the three ADGs are to concentrate their efforts in the respective sectors for which they are responsible. They are to carry out their duties on a proactive basis, and in particular in two areas. First, in dealing with potential investors, they need to be quicker, more positive, more authoritative and provide better access in appropriate cases to the top levels of government. Secondly, in relation to existing investors, they need to be much more proactive with a systematic and comprehensive after-sale service in order to retain the investors that are already here and to maximize their presence in Hong Kong, having regard to the experience in other economies that a high percentage of new investment came from investors that were already there.

13. The new proactive approach calls for undivided and focused attention of the three ADGs such that they would have no capacity at all for day to day PR work, let alone an intensive and enhanced PR programme that is vital in the initial years of the department.

Future Work

14. We propose to step up our PR programme in the following ways over the next two years :

- (a) to ensure that we take full advantage of the Fortune Global Forum, we have brought in extra staff to form a temporary dedicated team within InvestHK. The team will ensure the event goes smoothly, and will also maximise marketing opportunities;
- (b) we have triggered the option clause under our agreement with Global Challenge, and will sponsor Spirit of Hong Kong in the New World Challenge yacht race in 2002-3 which will focus on the Asia-Pacific region. The route runs from San Francisco and includes stopovers in Japan, Hong Kong, Singapore and other cities. Our participation will provide many opportunities for corporate hospitality;
- (c) in the context of the BT Global Challenge and New World Challenge, we have secured the use of two other yachts, one each on the US East and West Coasts, for corporate hospitality events in 2001 and 2002. One of the yachts will be in InvestHK colours. As an illustration, for 2001, we have already firmed up arrangements for 17 sailing days and are planning for 7 more; and
- (d) we are working with other prominent business organisations such as Forbes magazine and the Economist to stage special events in Hong Kong.

15. In order to carry through the enhanced programme outlined at paragraph 14, and also do full justice to the existing programme described at paragraph 9, we propose to retain the supernumerary post of AOSG 'C' for the period up to 31 March 2003 to provide DGIP with adequate directorate support. A detailed job description is at Enclosure 3. We will review the arrangements for supervising PR work thereafter in the light of circumstances prevailing towards the end of 2002.

Financial Implications

16. The notional annual salary cost of the proposal at mid-point is \$1,443,000. The full annual average staff cost of the proposal, including salaries and staff on-costs, is \$2,415,240. We have included sufficient provision in the 2001-2 draft Estimates to meet the cost of this proposal.

Advice Sought

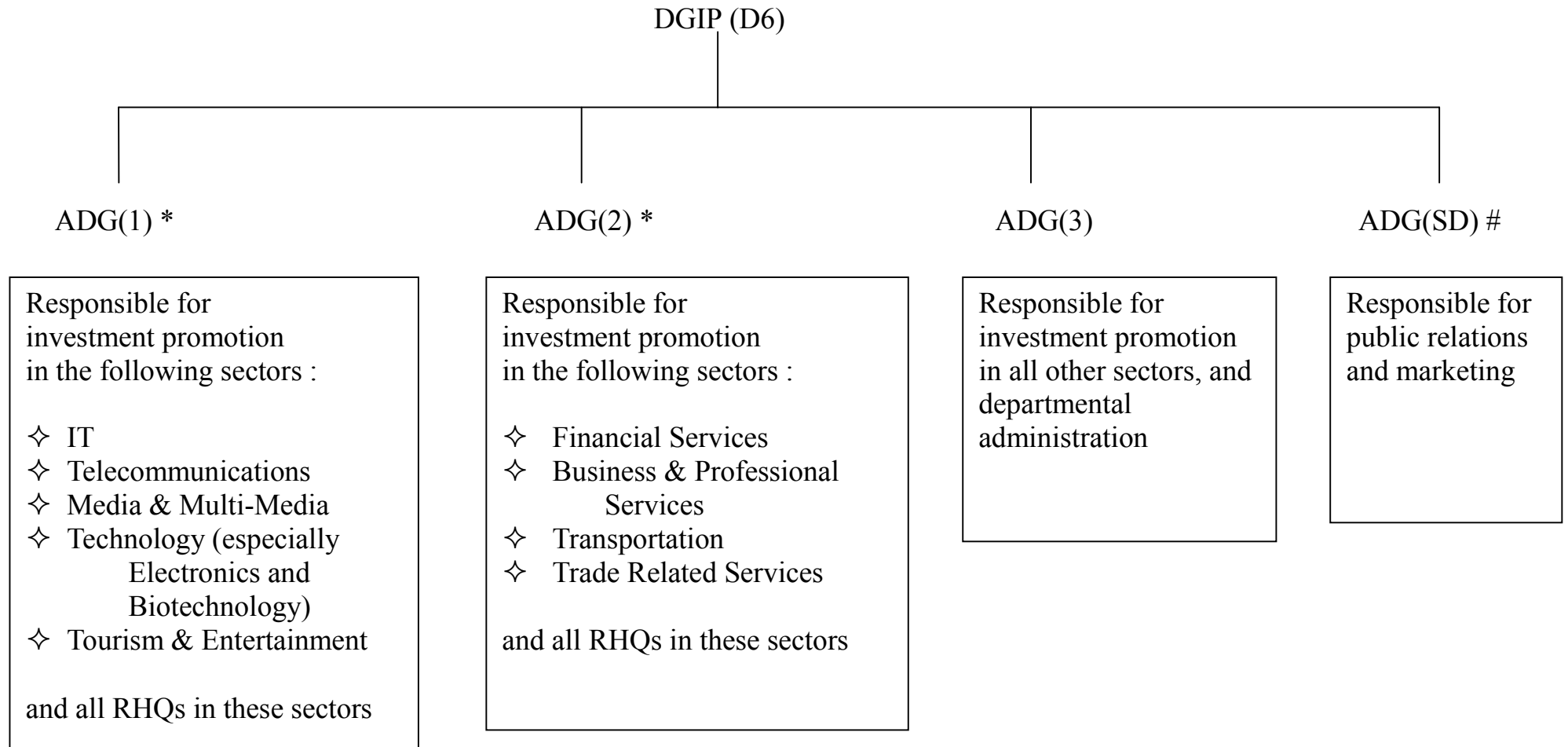
17. Members are invited to support the retention of the supernumerary post of AOSG 'C' in InvestHK up to 31 March 2003.

Way Forward

18. Subject to Members' views on the proposal, we will seek the approval of the Establishment Sub-Committee on 17 January 2001 and the Finance Committee on 26 January 2001 to formally create the post.

Invest Hong Kong
December 2000

Enclosure 1



* Non civil-service posts

Supernumerary post proposed for retention

Participation of Invest Hong Kong in Fortune Global Forum and BT Global Challenge

Fortune Global Forum

The Fortune Global Forum is a prestigious international meeting for senior business executives. Initiated by *Fortune*, the leading global business magazine, the Forum is held annually at different major cities in the world. The 1999 Forum was held in Shanghai, and the 2000 one in Paris. On 28 September 2000, InvestHK and *Fortune* signed an agreement for the 2001 forum to be held in Hong Kong from 8-10 May. There will be over 500 guests from major companies around the world.

2. As the host of the Forum, InvestHK will work closely with the organiser and government departments involved, including Police, Transport, Immigration and Information Services Department in planning and implementing the event. The coordination work for InvestHK involves supporting Fortune's efforts to invite prominent local and overseas business leaders, senior government leaders from Mainland China, selected Chinese State Owned Enterprises heads, etc to attend the Forum; providing security and suitable facilities for the conference; arranging transportation, traffic and crowd control; arranging reception and organising a cultural programme for the spouses of the Forum participants; and arranging interpretation services.

3. Under the agreement, Hong Kong pays a fee of US\$600,000 to be the host sponsor. In return for the sponsorship, the organiser will provide InvestHK with advertising packages in magazines including *Fortune* and *Time* and on network TV worth an equivalent amount. To maximise the reach of the publicity package, InvestHK will develop a strategy to market its brand name and Hong Kong's locational advantages to the global business audience.

BT Global Challenge

4. The BT Global Challenge is the world's toughest yacht race involving sailing around the world against the prevailing winds and currents. The 2000-01 race involves 12 identical yachts, two of which were manufactured in the Mainland by a Hong Kong company. The race started on 10 September 2000 in Southampton in the UK and the stopovers include Boston, Buenos Aires,

Wellington, Sydney, Cape Town and La Rochelle. The race will finish in Southampton in June 2001. InvestHK has sponsored one of the Mainland-built yachts and named it 'Spirit of Hong Kong'. In addition to being provided with opportunities for networking with over 200 global companies which are also sponsors and business club members of the race, we are entitled to use the yacht for targeted business outreach at each port-of-call through corporate hospitality gatherings, investment promotion presentations, and business development functions. In this regard, InvestHK is entitled to have 60 sail days in Southampton and the six ports of call for receiving guests.

5. The image building and public relations programmes involve work in the following areas -

- (a) Planning and organising hospitality and business events in the various ports of call;
- (b) Managing and developing PR strategy including production of press releases and publicity materials, and managing the media;
- (c) Networking with other corporate sponsors and co-sponsors of the event, and other senior business executives, through participation in official programmes and events hosted by InvestHK;
- (d) Ensuring the provision of adequate logistics support for the Hong Kong yacht, working through the land side manager and the skipper of the yacht;
- (e) Financial control of the project, including control and scrutiny of the operational expenses incurred by the skipper and crew; and
- (f) Liaising with the event organiser, relevant Hong Kong Economic Trade Offices and the co-sponsor of the Hong Kong yacht.

Enclosure 3

Job Description

Post Title : Associate Director-General (Special Duties)
Rank : Administrative Officer Staff Grade C (D2)
Responsible to : Director-General of Investment Promotion

Duties and Responsibilities

- (a) assisting the Director-General in the image building of InvestHK and the on-going promotion of its corporate identity in the local and international business communities, the media and with relevant authorities;
- (b) planning and organising hospitality and business events such as BT Global Challenge, New World Challenge and Fortune Global Forum ("the events") to fully exploit the brand building and networking opportunities provided by them;
- (c) steering and managing the PR consultants engaged by InvestHK for the events, in developing PR strategy, press releases and publicity materials, and in managing the media;
- (d) networking with other corporate sponsors and co-sponsors of the events, as well as with other senior business executives, through participation in official programmes and events hosted by InvestHK;
- (e) financial management of the projects, including control and scrutiny of the operation expenses; and
- (f) overhauling of the investment promotion website and all promotional materials.

