

**For discussion
on 15 May 2002**

EC(2002-03)1

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 55 – GOVERNMENT SECRETARIAT: INFORMATION TECHNOLOGY AND BROADCASTING BUREAU Subhead 001 Salaries

Members are invited to recommend to Finance Committee the retention of the following supernumerary posts in the Information Technology and Broadcasting Bureau for a period of 18 months to enable the secondment of two suitable officers from the Government to a management team set up under a private company owned by Financial Secretary Incorporated to spearhead the Cyberport development –

1 Administrative Officer Staff Grade B
(D3) (\$134,300 - \$142,300)

1 Chief Engineer
(D1) (\$103,150 - \$109,450)

PROBLEM

There is a need to second suitable officers from the Government to a management team set up under a private company owned by Financial Secretary Incorporated (FSI) to spearhead the Cyberport development in the next two years before the full completion of the Cyberport Portion by 2004.

/PROPOSAL

PROPOSAL

2. The Secretary for Information Technology and Broadcasting proposes to retain the supernumerary posts of Administrative Officer Staff Grade B (AOSGB) (D3) and Chief Engineer (CE) (D1) in Information Technology and Broadcasting Bureau (ITBB) to enable the secondment of two suitable officers from the Government to a management team set up under a private company owned by FSI, for a period of 18 months, when the two posts lapse on 2 July 2002, so as to provide continuity to Government's monitoring and management of the Cyberport project.

JUSTIFICATION

Encl. 1

3. The Cyberport project is being developed by the Government in cooperation with a private sector company which is owned by Pacific Century CyberWorks (PCCW). In July 1999, we set up a Cyberport (CP) Division under the ITBB to oversee the Cyberport development. A background brief on the Cyberport project and the responsibility of the CP Division is at Enclosure 1. The CP Division is headed by one AOSGB (D3) and supported by one CE (D1) and five non-directorate staff. The two directorate posts were created on a supernumerary basis for a period of three years up to 1 July 2002, and we undertook to review the continued requirement for these posts.

4. In the next two years, the Cyberport project will still be under construction. We will need to continue to focus our effort on overseeing the construction works; recruiting the right tenant mix for the Cyberport; putting in place necessary infrastructures, services and facilities; and setting up proper institutional arrangements to safeguard Government's interests in the project. The Cyberport project and the intellectual property rights arising therefrom are owned by the Government (through three FSI-owned companies) and it is a project which supports our overall Information Technology (IT) strategy. It is necessary for the Government to set up a management team under one of the FSI-owned companies and to maintain a direct presence and involvement in this FSI management team to oversee the implementation of the project and to ensure the smooth operation of the Cyberport.

Encl. 2

5. The structure of the FSI management team is illustrated in Enclosure 2. We will recruit all of the staff from the market, except for two of the positions (asterisked in Enclosure 2) which we propose to be filled by secondment from the Government for a period of 18 months. These two positions are the Cyberport Coordinator (who will head the FSI management team) and the Deputy Director (Construction & Development) (who will monitor the design and construction of the Cyberport project to ensure compliance with the specifications

/stipulated

stipulated in the Project Agreement). We propose to retain the existing supernumerary AOSGB and CE posts in the ITBB's Cyberport Division to enable the secondment of two suitable officers from the Government to fill the posts in question.

6. The secondment of two directorate officers to the FSI management team is essential in order to provide the necessary continuity to Government's monitoring and management of the Cyberport project; judiciously safeguard and robustly defend the government's maximum interests in the project; and positively instil, and retain, confidence in Hong Kong's commitment to implementing the Cyberport project and to making the Cyberport a success. In particular, the Government can, through its direct involvement in the FSI management team –

- (a) ensure the dovetailing of the Government infrastructural works with the Cyberport structure building and timely completion of a first-class Cyberport in accordance with the terms and specifications of the Entrustment Agreement and Project Agreement we signed with PCCW in 1999 and 2000. We will also need to oversee the implementation of the project to ensure that the Cyberport will be supported by a "Cyberport Institute" (which is a "joint venture" between a university and different IT companies) and many other useful services;
- (b) ensure the right messages are disseminated in promoting the Cyberport project as part of the Government's overall strategy to build up Hong Kong as a leading digital city in the Region. When the Cyberport Portion is progressing to phased completion in the next two years, the Government should promote it as a new international IT centre and a place to groom IT professionals. The presence of the right level of directorate Government officials in the FSI management team is critical in providing effective coordination among Government departments and other organisations in organising publicity events, and ensuring that the right messages about the Cyberport and Hong Kong as a whole are being sent to the international community; and
- (c) monitor the construction thus ensuring timely completion of the Residential Portion to safeguard the Government's interests as a landlord and vendor. The first phase of the Residential Portion is scheduled for completion by mid-2004 and the pre-sale of the first units could start at the end of 2002 at the earliest. The Government will need to directly involve in the establishment of a secured accounts structure whereby an independent security trustee is engaged to apply the sale proceeds strictly in accordance with the terms stipulated in the Project Agreement.

Encls. 3 & 4 7. The main responsibilities of the Cyberport Coordinator and Deputy Director (Construction & Development) are set out in Enclosures 3 and 4, respectively. Their main duties will cover, inter alia, overseeing the construction of the Cyberport Portion and the Residential Portion; the promotion of the Cyberport as Hong Kong’s IT flagship; the introduction of a “Cyberport Institute”; and the implementation of a secured accounts structure for application of proceeds to be collected from the presale and sale of the units in the Residential Portion. These aspects of the Cyberport project will remain to be matters of public interest. We therefore are firmly of the view that these two posts should be filled by officers seconded from the civil service.

Encl. 5 8. It is crucial to have the secondment arrangement in place from July this year (when the existing supernumerary posts in the ITBB’s Cyberport Division will lapse) until end-2003 (when the Cyberport Portion should be up and running). By end-2003, we believe part of the work undertaken by these two seconded officers, such as monitoring the construction of the Cyberport Portion and the establishment of the “Cyberport Institute” will diminish and their remaining duties could be absorbed by the other staff in the FSI management team. A possible structure of the FSI management team as at end-2003 is illustrated in Enclosure 5.

9. Except for the posts of Cyberport Coordinator and Deputy Director (Construction & Development) which are to be filled by Government officers on secondment, recruitment of the other FSI staff is underway. As and when those FSI staff are in post, we will allow two to three months for them to take over the duties from the respective government officials in the ITBB’s Cyberport Division.

FINANCIAL IMPLICATIONS

10. The additional notional annual salary cost of this proposal at mid-point is –

	\$	No. of Post
Supernumerary AOSGB post	1,659,000	1
Supernumerary CE post	1,273,800	1
	2,932,800	2

11. The additional full annual average staff cost of the proposal including salaries and staff on-cost is \$4,798,000. Under the secondment arrangement, the Government shall recover the full cost, including the staff on-cost, of the two officers from the income collected by the FSI-owned private company from the Cyberport tenants and users of Cyberport facilities and services.

CONSULTATION WITH LEGISLATIVE COUNCIL PANEL

12. We consulted the Legislative Council Panel on Information Technology and Broadcasting on 8 April 2002. Members have no objection to the proposal.

BACKGROUND INFORMATION

13. In July 1999, we set up a Cyberport Division under ITBB to negotiate the terms of a detailed Project Agreement with PCCW and to spearhead the development of the Cyberport project. Two supernumerary directorate posts, i.e. one supernumerary AOSGB post designated as DS(3)/ITBB and one supernumerary CE post designated as CE(CP)/ITBB were created for a period of three years until 1 July 2002. They are supported by five non-directorate posts, i.e. one Senior Architect, one Chief Executive Officer, one Senior Executive Officer, one Personal Secretary I and one Personal Secretary II and these posts were also created for a period of three years until 1 July 2002.

ESTABLISHMENT CHANGES

14. The establishment changes of ITBB for the last two years are as follows –

Establishment (Note)	Number of posts			
	Existing	as 1.4.2001	as at 1.4.2000	as at 1.4.1999
A	8+(3)	8+(2)	8+(2)	8
B	17	17	16	13
C	55	55	63	55
Total	80+(3)	80+(2)	87+(2)	76

Note:

A - ranks in the directory pay scale or equivalent

B - non-directorate ranks the maximum pay point of which is above MPS Point 33 or equivalent

C - non-directorate ranks the maximum pay point of which is at or below MPS Point 33 or equivalent

() - number of supernumerary directorate posts

/CIVIL

CIVIL SERVICE BUREAU COMMENTS

15. To enable the Government to continue to spearhead the Cyberport development, the Civil Service Bureau supports the proposed retention of the two supernumerary posts to facilitate the proposed secondment arrangement. Having regard to the level and scope of responsibilities, we consider the grading and ranking of the two proposed supernumerary posts appropriate.

ADVICE OF THE STANDING COMMITTEE ON DIRECTORATE SALARIES AND CONDITIONS OF SERVICE

16. As the posts we propose to retain are on supernumerary basis, we will report their retention, if approved, to the Standing Committee on Directorate Salaries and Conditions of Service in accordance with the agreed procedure.

Information Technology and Broadcasting Bureau
May 2002

Hong Kong Cyberport Project

Background Brief

In March 1999, the Government announced our intention to proceed with the Cyberport development in cooperation with Pacific Century Group which subsequently became a shareholder of Pacific Century CyberWorks (PCCW). On 17 May 2000, the Government, through the three FSI-owned companies set up to hold the title of the project, concluded the negotiations with PCCW and signed with PCCW and PCCW's Cyber-Port Limited a detailed Project Agreement for the whole project period which would last up to around mid-2008. We also announced the main terms of the Project Agreement to assure the community that the Government's maximum interests were being safeguarded in this legally binding Project Agreement. Briefly, the Government would be responsible for providing the land while PCCW would design, develop, construct and market a cyberport (the Cyberport Portion) and an ancillary residential development (the Residential Portion) as an integrated development (the Cyberport project structure is shown at Annex). We required PCCW to return to us the Cyberport Portion between early-2002 and end-2003 and to shoulder all construction and financial risks.

Annex

2. The Cyberport project is not just another construction project, but an infrastructure for clustering of IT and IT related companies. The Cyberport Portion will provide about 120,000m² of intelligent office space for leasing to over 100 companies, a cybercentre to accommodate about 50 commercial tenants and an international deluxe hotel of 176 rooms. The rental income and any other income to be generated from the Cyberport Portion belong solely to the three FSI-owned companies (not PCCW). PCCW is the marketing agent, while the Government is responsible for ensuring that the Cyberport is to be filled by the right tenants, served by the right infrastructure, facilities and services and operated as an IT flagship. PCCW would be able to share with the FSI-owned companies the proceeds to be collected from the presale and sale of the units in the Residential Portion after deducting money to meet outstanding project expenses and to set up a Cyberport development fund, upon the satisfactory completion of the Cyberport Portion.

3. The ITBB's Cyberport Division is charged with the overall responsibility for overseeing the development of the Cyberport project. More specifically, the Cyberport Division has been –

- (a) monitoring the Cyberport development to ensure that the project is designed, built and marketed in accordance with the terms of the Project Agreement;

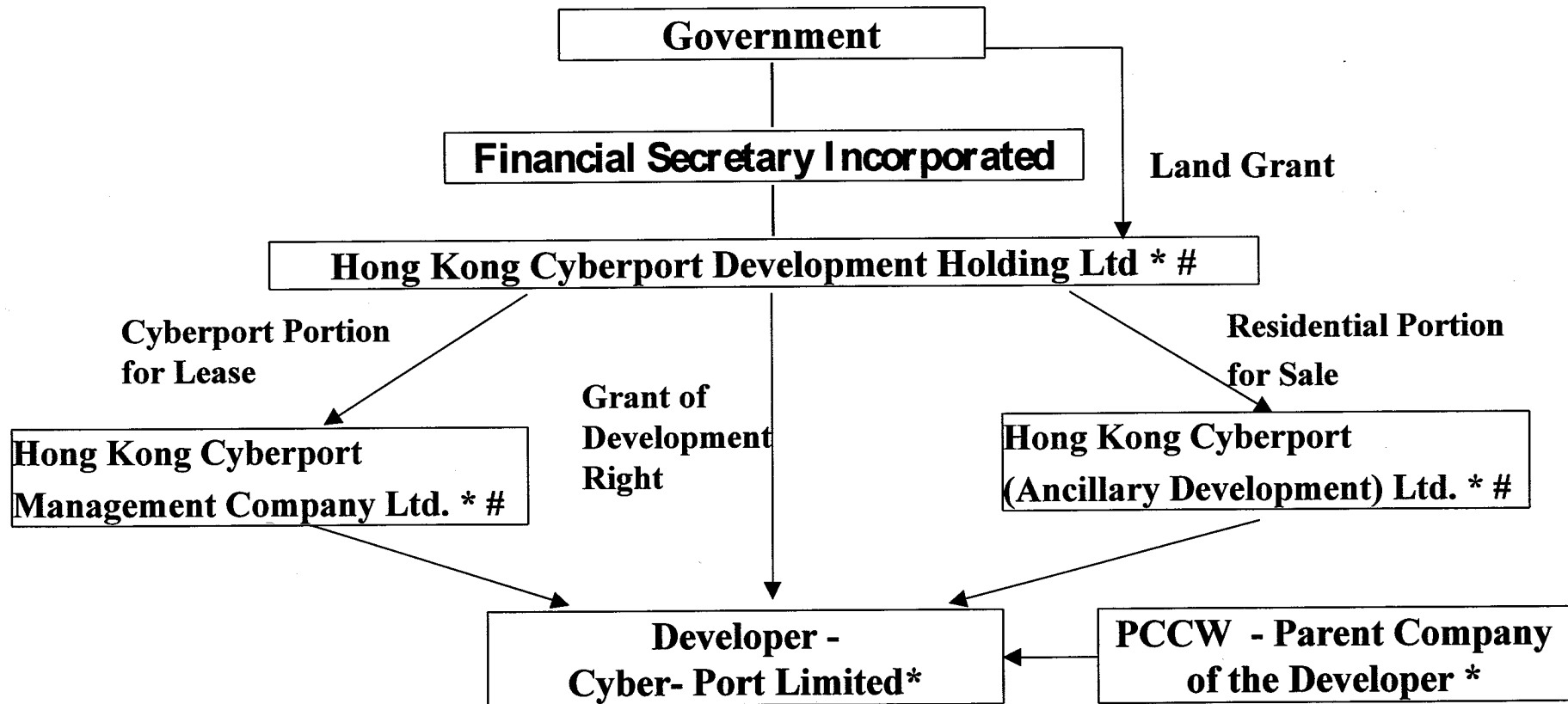
/(b)

- (b) promoting the Cyberport as Hong Kong's IT flagship project locally and overseas, to complement the marketing effort made by PCCW;
- (c) setting up the institutional arrangements (mainly through the Committee on Admission of Cyberport Office Tenants comprising independent local and international members) for the selection of Cyberport office tenants;
- (d) spearheading the lease negotiations with prospective tenants through an independent property adviser;
- (e) lobbying support from IT groups, venture capitalists and other professional associations;
- (f) seeking the implementation for market-driven IT training programmes through partnership with the University of Hong Kong and major IT companies;
- (g) establishing the future management structure of the Cyberport;
- (h) overseeing PCCW's strategy/plan for marketing and sale of the Residential Portion; and
- (i) organising publicity events (such as exhibitions, seminars, ceremonies) on the Cyberport project.

The head of the Cyberport Division attends meetings of the Executive Council/Legislative Council and briefings with local/international media and interested organisations/agencies. She also acts as the Government's spokesman and liaison person on the Cyberport project.

4. The Cyberport Division of ITBB, in discharging the many duties required of it, works closely with various Government departments, executives of PCCW and many contractors and service providers working on the project; multinational, overseas and local companies which may become Cyberport tenants; consulates and commercial and professional organisations interested in the project; and the local and international media which maintain an ongoing interest in the project. The Cyberport Division, when acting on behalf of the three FSI-owned companies, mainly relies on private sector expertise and is therefore supported by a number of private sector consultants and advisers, such as lawyers; insurance consultants; IT consultants; property advisers; retail leasing agents; and accountants, etc.

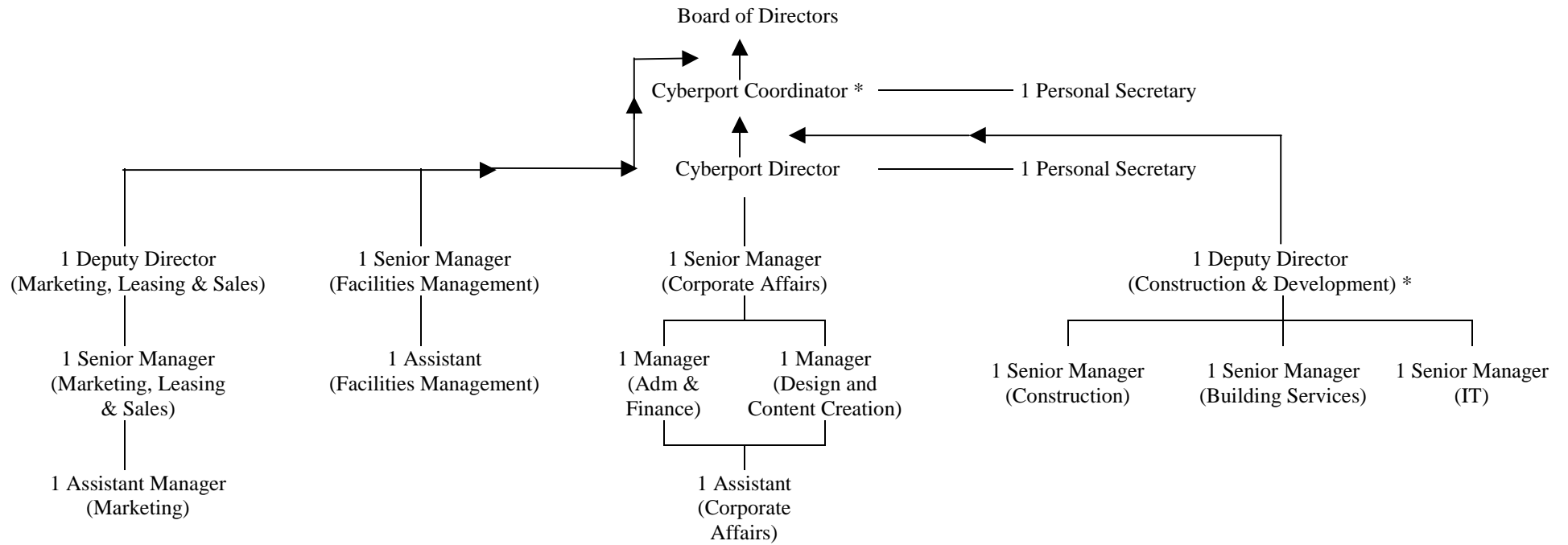
Cyberport Project Structure



* Parties signed the Project Agreement on 17.5.2000

Companies fully-owned by Financial Secretary Incorporated (FSI companies)

Proposed Staff Structure of the FSI companies (starting from mid 2002)



* To continue to be filled by government officers until end-2003

Job Description of AOSGB (D3)

Post : Cyberport Coordinator

Main Duties and Responsibilities –

1. to direct, coordinate and supervise the work of the FSI companies;
2. to oversee the design, development and management of the Cyberport and to ensure that it aligns with the Government's objective of creating a strategic IT cluster, as part of the Government's overall IT strategy to build up Hong Kong as a leading digital city;
3. to mastermind publicity activities to promote the Cyberport project as Hong Kong's IT flagship both locally and overseas and to lobby support from potential tenants, consulates, Government organisations, universities, IT and professional associations;
4. to facilitate the establishment of a "Cyberport Institute" by the University of Hong Kong working in partnership with major IT companies to provide market-driven training programmes to groom IT talent;
5. to work closely with PCCW to ensure timely completion of the Residential Portion and proper application of the sales proceeds through the establishment of a secured accounts structure in accordance with the Project Agreement; and
6. to act as a spokesman for the Cyberport project.

Job Description of Chief Engineer (D1)

Post : Deputy Director (Construction & Development)

Main Duties and Responsibilities –

1. to oversee the engineering and building construction works and the information technology infrastructure works of the Cyberport development to ensure the pre-agreed standard and timetable are met;
2. to monitor the overall programme of the Cyberport development, provide guidance and initiate remedial action where necessary to ensure timely completion of the development;
3. to liaise with Government departments, public utility companies and statutory authorities in order to obtain agreement and to resolve problems in connection with the project's construction such as statutory approvals and handover of Cyberport facilities (such as roads and sewage treatment plan, etc.);
4. to monitor and ensure cost control for all engineering, building and IT infrastructure works at the Cyberport in accordance with the terms of the Project Agreement;
5. to liaise with the PCCW and other contractors and service providers on the conditions of completed facilities; and
6. to supervise the work of a professional team in construction, building services and IT.

Proposed Staff Structure of the FSI companies (2004 onwards)
(subject to change upon review in last quarter 2003)

