

**LegCo PAC Public Hearing  
at 2:30 p.m on 8 December 2009 (Tuesday)**

**Director of Audit Report No. 53**

**Chapter 7: Hong Kong Productivity Council (HKPC) :  
Corporate governance and administrative issues**

Opening Remarks by  
the Secretary for Commerce and Economic Development

Dear Chairman,

- Let me start by thanking the Director of Audit and his audit team for producing a comprehensive report on HKPC. This is the first value-for-money audit by the Audit Commission on HKPC since it was brought under the purview of the Audit Commission in 2003. Both the Administration and HKPC welcome the findings and recommendations in the report. These recommendations will complement HKPC's efforts to improve and sustain its on-going reforms.
- Established in 1967, HKPC has witnessed profound changes in the landscape of our local industry over the past few decades. In discharging its public mission to promote productivity excellence through the provision of integrated support to Hong Kong firms over the years, HKPC has also taken on many new tasks. With the economic restructuring of the Hong Kong, HKPC has expanded its focus to the service industries, undertaken applied research and development projects, provided integrated support to local SMEs, and expanded its service network to the Pearl River Delta region. Whilst the Government's annual subvention in the past few years represented only 30% to 40% of HKPC's annual expenditure, the HKPC management has been able to secure the necessary resources to take forward these measures. This clearly demonstrates that HKPC's strategy is able to address the needs of the market and enterprises.

- Apart from providing new services to industry, the Government Council of HKPC is mindful of the need to improve its governance. In 2006, the Council commissioned two consultancy studies on its governance and administration. The incumbent Executive Director, who assumed office in late December 2006, has since been actively implementing the recommendations and the reforms in these reports.
- Under the leadership of the Council, the HKPC management has rolled out various initiatives to bring in modern management models and systems. These include the introduction of a more objective performance appraisal system in place of the previous assessment form, and rationalising the medical benefits scheme which has reduced the medical expenditure of 2008-09 by 30% as compared with that of 2006-07. Despite these reforms, the Audit Commission has revealed much more needs to be done.
- The Audit report has highlighted a number of areas where further improvements could be made, and HKPC has committed to taking forward these recommendations alongside its on-going reforms. The Administration will work closely with HKPC to ensure these reforms and Audit's recommendations are followed-up as swiftly as possible. I wish to point out that most of the recommendations set out in Chapter 7 of the Director of Audit's value for money report No. 53 have been implemented and the rest are being followed up actively by HKPC.
- We are fully aware of the high level of public expectations on the governance and administration of HKPC. We will join hands with the HKPC Council to expeditiously implement Audit's recommendations and further strengthen HKPC's governance structure to ensure that the relevant improvement work will sustain.

Innovation and Technology Commission  
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