

English Translation of the Remarks by Chairman of Hong Kong Productivity Council at the LegCo Public Accounts Committee public hearing on December 8, 2009 (Note : The remarks were delivered in Chinese and please refer to the Chinese version of the remarks for authenticity.)

Chairman and Honourable Members,

First, on behalf of the Hong Kong Productivity Council (HKPC), I would like to welcome and thank the Audit Commission for conducting the value-for-money assessment on our operations. As I said right after the Director of Audit's report was released, HKPC accepted the report and would thoroughly follow up the recommendations. Concerning chapter 7 of the Audit Report which covers HKPC's corporate governance and administrative issues, we have already implemented 43 out of the 54 recommendations made by the Audit Commission. We have plans to progressively implement the remaining ones, hopefully within six to nine months.

I took over the duty of the Chairman of HKPC in July 2009. I admit the Council has acts which were coarse, negligent and even erroneous in aspects of corporate governance and administration. But I have to highlight some background information. HKPC had three new Executive Directors within six years. There were gaps in the transitional periods, according to records available to me.

Our public mission is to help the industry enhance competitiveness and to promote clean production. We have been constantly reviewing and readjusting our roles in our 42-year history so that we could keep up with the time.

HKPC has been receiving subvention from the Government. Towards the end of the 1970s', around two thirds of HKPC's recurrent expenditure came from government funding. Since then, this funding level gradually reduced. Last year, recurrent subvention from government was around 38% of HKPC's recurrent expenditure. Although public funding allocated to HKPC has been reduced, that does not mean that the Government is not attaching importance to our work. On the contrary, this is a good example demonstrating how our various fee-charging services are acceptable to the market and that the industry is willing to pay for the services we provide.

As a statutory body with a long history, our business model and corporate culture have to be updated from time to time in order to cope with the changing environment. Hence, HKPC embarked on a corporate reform three years ago to enhance its corporate governance. As stated in paragraph 1.17(b) of the Audit Report, HKPC carried out two consultancy studies in early 2006 to comprehensively review and improve our procurement, administrative and human resources systems. The consultants made a total of 87 recommendations, out of which HKPC has implemented 64 recommendations resulting in the amendment of 44 internal guidelines and formulation of 26 new internal guidelines in the past two years. Of all the reform measures introduced, the most important ones included an improved and more objective performance appraisal system, a new performance-based salary policy, and a reformed medical benefit regime, etc. These reforms not only have modernized our management system, they have also changed our work culture, hence enhancing our efficiency and competitiveness.

In addition, the direction of our services has undergone sea change. Previously, HKPC focused primarily on the provision of support services to individual enterprises. In recent years, HKPC has strived to establish “service platforms” which aim to provide support services targeting the whole industry sector. For instance, in response to the ever-increasing demands on environmental protection in the Mainland, HKPC supports the SAR Government in the introduction of the “Cleaner Production Partnership Programme” which sets to support manufacturers in the Pearl River Delta to adopt cleaner production. In the face of the new policies concerning the manufacturing industry in the mainland, HKPC wasted no time to introduce the “TURN” one-stop-shop service platform assisting enterprises to upgrade their business operations. HKPC has also worked hand-in-hand with all major trade associations with a view to reflecting their views and requests to the Government.

I am sure Members understand better than I do public sector reform is no easy task. Changing the service culture of an organization can never be achieved in one go. Reform must take a measured pace. Perhaps the reform measures we have introduced since 2006 may not be adequately comprehensive. To this end, the recommendations made by the Director of Audit could squarely fill the gaps. I sincerely hope that the Director of Audit’s report could drive and consolidate our internal reform forward in an even more solid and comprehensive manner.

Since the release of the Director of Audit's report, the media and the community have raised lots of opinion and views. As the Chairman of the Council, I, as well as the management team, will certainly take heed to these views. We would also accept criticisms humbly. I would like to express my heartfelt thanks to the Public Accounts Committee (PAC) for inviting us here and allowing us to further elaborate the background of our policies and the crux of the matters in question.

I would like to reiterate to the PAC that we will spare no efforts in implementing the recommendations put forward in the Director of Audit's report with a view to further improving our internal operations and corporate governance.

Thank you!