

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

**HEAD 144 – GOVERNMENT SECRETARIAT :
CONSTITUTIONAL AND MAINLAND AFFAIRS BUREAU
Subhead 000 Operational expenses**

Members are invited to recommend to Finance Committee the following proposals –

- (a) the creation of the following permanent post with effect from 1 December 2011 –

1 Administrative Officer Staff Grade B
(D3) (\$147,150 - \$160,600); and

- (b) the extension of the existing flexible ranking system of the Hong Kong Economic and Trade Offices in the Mainland to the directorate head in Hong Kong Economic, Trade and Cultural Office to be established in Taiwan.

PROBLEM

We need a directorate staff to head the Hong Kong Economic, Trade and Cultural Office in Taiwan (HKETCO), which is to be set up within 2011.

/PROPOSAL

PROPOSAL

2. We propose to –
 - (a) create one post of Administrative Officer Staff Grade B (AOSGB) (D3) starting from 1 December 2011 to head the new HKETCO; and
 - (b) extend the existing flexible ranking system applicable to the Hong Kong Economic and Trade Offices (HKETOs) in the Mainland to the directorate head of the new HKETCO.

JUSTIFICATION**Need for setting up the HKETCO**

3. Over the years, Hong Kong and Taiwan have established close economic and trade ties. Taiwan was the fourth largest trading partner of Hong Kong in 2010 with a total trade value amounting to over HK\$293 billion. The average growth rate in bilateral trade was 4% from 2006 to 2010. Taiwan is also a major source of inward direct investment for Hong Kong with a stock of HK\$41 billion as at the end of 2009. Up to June 2010, there were 30 regional headquarters, 184 regional offices and 238 local offices of Taiwanese enterprises in Hong Kong.

4. Invest Hong Kong and the Hong Kong Trade Development Council have stepped up their efforts in Taiwan to attract and promote inward investment, and to assist Hong Kong businesses in establishing or expanding their presence in Taiwan. In addition, the Hong Kong-Taiwan Business Co-operation Committee, comprising members from the local business sectors, was established in April 2010 to foster closer cooperation between the trade and industries in Hong Kong and Taiwan.

5. With the implementation of “Three Direct Links” in December 2008 and the signing of the Economic Co-operation Framework Agreement in June 2010 between the Mainland and Taiwan, it is important for us to take advantage of Hong Kong’s intrinsic strengths and leverage on the opportunities brought by these new developments.

6. On tourism, Taiwan is Hong Kong’s second largest visitor source. In 2010, there were over 2.1 million visitor arrivals from Taiwan, a 7.7% increase as compared to that in 2009. We have introduced in the past few years a number of

entry facilitation measures to attract more Taiwan visitors. The Hong Kong Tourism Board has also opened its official Taiwan office since September 2011 to further develop the Taiwanese visitor source market by strengthening cooperation with the Taiwanese travel trade and media to promote and publicise Hong Kong as an attractive tourist destination. With all these initiatives, we envisage there would be a greater inflow of Taiwan visitors.

7. Apart from close economic and trade cooperation, there have also been frequent exchanges among cultural groups in Hong Kong and Taiwan. We established the Hong Kong-Taiwan Cultural Cooperation Committee (CCC) in August 2010. The CCC would work closely with the Cultural Cooperation Committee established under the Taiwan-Hong Kong Economic and Cultural Cooperation Council (THEC), its Taiwanese counterpart, in pursuing cultural cooperation between the two places at greater depths and along wider fronts.

8. In May 2011, the CCC hosted the “Hong Kong-Taiwan Cultural Co-operation Forum”, with the theme of “Forming Cultural Co-operation Platform, Building Chinese Creative Branding”, to enhance mutual understanding and foster collaboration between the arts and cultural sector and creative industries in Hong Kong and their Taiwan counterparts, and to foster the establishment and development of creative brands in the region. During the Forum, the two committees reached consensus on a future cooperation plan, which lays the foundation for further developing and strengthening the relations between Hong Kong and Taiwan on cultural exchanges and cooperation initiatives.

9. The “Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council” (ECCPC)¹ is a platform for promoting multi-faceted and multi-level exchanges between Hong Kong and Taiwan. Since its inception in April 2010, the ECCPC has had two joint meetings with the THEC, at which consensus on cooperation between Hong Kong and Taiwan was reached in respect of a range of priority cooperation areas involving public policies. Progress on various fronts, such as the signing of a memorandum of understanding on banking supervision in August 2011, has been achieved.

10. With the closer relations and cooperation established between Hong Kong and Taiwan as mentioned above, we see a need to set up the proposed HKETCO.

/Functions

¹ Members of the Commerce and Industry Panel of the Legislative Council were briefed on the organisational structure of the ECCPC vide LC Paper No. CB(1)1532/09-10(01).

Functions of the HKETCO

11. The HKETCO, apart from discharging similar functions of HKETOs in the Mainland, will also place a strong focus on facilitating cultural cooperation between Hong Kong and Taiwan. Briefly, the HKETCO is expected to fulfil the following functions –

- (a) to promote economic relations, investment, financial services and business exchanges, etc between Hong Kong and Taiwan;
- (b) to enhance cultural, education, tourism and other exchanges between Hong Kong and Taiwan;
- (c) to strengthen cooperation between Hong Kong and Taiwan in areas such as technology, transport, medical services, public health and food safety, etc.;
- (d) to provide assistance to Hong Kong residents in Taiwan to the extent possible;
- (e) to assist in handling matters relating to entry applications from Taiwanese residents where necessary; and
- (f) to provide other relevant services.

Proposed Establishment of the HKETCO*Ranking of the Head of the HKETCO*

12. The head of the HKETCO, designated as “Director, Hong Kong Economic, Trade and Cultural Office (Taiwan)”, will be responsible to the Permanent Secretary for Constitutional and Mainland Affairs. The incumbent will be entrusted to oversee the proper and effective delivery of the full range of functions of the proposed HKETCO mentioned in paragraph 11 above. He will work in close consultation with senior officials within the Government of the Hong Kong Special Administrative Region and liaise with relevant authorities in Taiwan in order to discharge his duties effectively. He will also need to maintain an extensive network of liaison with the Hong Kong business community in Taiwan in order to provide better support services for them and to address their concerns. In addition, he will help promote exchange between the cultural and creative industries of the two places. Given the extensive functions of the HKETCO and the scope of responsibilities and level of seniority required in the liaison with the Taiwan authorities, it is necessary for the HKETCO to be headed by a senior directorate officer with extensive administrative experience.

13. Having regard to the job requirements, sensitivity and complexity of the tasks involved, and making reference to the HKETOs in the Mainland, we consider it appropriate for the head of the HKETCO to be ranked at AOSGB (D3) level. The proposed job description of the post is set out at Enclosure 1.

Encl. 1

Flexible Ranking System

14. In June 1991, the Finance Committee (FC) approved a flexible ranking system to facilitate the posting and retention of directorate heads and deputy heads of overseas offices. Under this system, in certain specified situations a supernumerary post at a pre-determined higher rank can be created and held against the permanent post of the lower rank. In March 2002, after considering Paper No. EC(2001-02)26 for the Establishment Subcommittee, the FC approved the extension of the flexible ranking system to all directorate head and deputy head posts in the HKETOs in the Mainland. The details and rationale of the system are at Enclosure 2. Accordingly, we propose that the same ranking arrangement should apply to the HKETCO. The pre-determined higher rank in this case would be set at the Administrative Officer Staff Grade B1 (D4) level.

Encl. 2

Non-Directorate Establishment in the HKETCO

15. The HKETCO will be supported by 14 non-directorate staff. We intend to create six permanent non-directorate posts and one two-year time-limited post for various duties relating to administrative and public relations, cultural exchanges, commercial relations and investment promotion. Another seven supporting personnel will be engaged locally to provide support on various fronts. The proposed organisation chart of the HKETCO is at Enclosure 3.

Encl. 3

16. We hope that the HKETCO will commence operation within 2011. We therefore propose to create one permanent post of AOSGB with effect from 1 December 2011. As regards the non-directorate staff and local supporting personnel, they will assume office according to the progress in establishing the HKETCO.

17. The Hong Kong-based officers posted to the HKETCO will be subject to the terms and conditions of service applicable to officers posted outside Hong Kong. Proposed rent allowance rates for these officers will be submitted separately to FC for consideration.

/ALTERNATIVES

ALTERNATIVES CONSIDERED

18. The establishment of the HKETCO is essential for performing tasks locally including liaising with relevant Taiwanese authorities and organisations, conducting publicity and promotional activities in Taiwan, and underpinning the cooperation initiatives between Hong Kong and Taiwan under the ECCPC-THEC umbrella. We have carefully considered the feasibility of redeploying existing manpower to provide the necessary support. However, the existing five permanent directorate officers at D3 and D4 levels in the Constitutional and Mainland Affairs Bureau (CMAB), including those currently posted in the Mainland Offices, are already fully engaged with their respective portfolios. It is operationally not possible for any one of them to absorb or share the duties of the head of the HKETCO without affecting the discharge of their current duties. The existing duty schedule of these posts is at Enclosure 4. Such deployment is also neither viable nor effective given that the office will be located outside Hong Kong.

Encl. 4

FINANCIAL IMPLICATIONS

19. The proposed creation of the permanent AOSGB (D3) post will require an additional notional annual salary cost at mid-point of \$1,870,200, and a full annual average staff cost (including salaries and staff on-costs) of \$2,611,000².

20. As for the six permanent non-directorate civil service posts and one two-year time-limited civil service post mentioned in paragraph 15 above, the notional annual salary cost at mid-point is \$5,311,020 and the full annual average staff cost (including salaries and staff on-costs) is \$7,943,000².

21. The set-up cost of the HKETCO is estimated at \$5.8 million and the total annual recurrent cost, including staff costs in full, is estimated at around \$21 million per annum. We have included sufficient provision in the 2011-12 Estimates to meet the cost of this proposal and will reflect the resources required in the Estimates of subsequent years.

PUBLIC CONSULTATION

22. We briefed the Legislative Council Panel on Commerce and Industry on the initiative of setting up the HKETCO on 19 July 2011, and obtained in-principle support from Members. We further briefed the Panel on the detailed arrangements for setting up the office and consulted the Panel on the proposed

/creation

² The annual average staff cost set out in the relevant discussion paper for the Legislative Council Panel on Commerce and Industry has been updated according to the latest adjustment.

creation of the AOSGB (D3) post on 18 October 2011. The Panel supported the proposal. A Member enquired about the indicators to be adopted for evaluating the performance of the HKETCO. According to functions of the HKETCO as mentioned in paragraph 11 above, HKETCO will strive to foster cooperation between Hong Kong and Taiwan in different areas. We will make reference to the existing arrangements adopted by the HKETOs in the Mainland and identify indicators to assess the performance of the HKETCO.

ESTABLISHMENT CHANGES

23. The establishment changes under Head 144 – Government Secretariat: CMAB in the past two years are as follows –

Establishment (Note)	Number of Posts			
	Existing as at 1 October 2011	As at 1 April 2011	As at 1 April 2010	As at 1 April 2009
A	17+(2)#^	17+(2)	17+(1)	17
B	58	57	61	57
C	54	52	53	49
Total	131	128	132	123

Note:

A - ranks in the directorate 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

as at 1 October 2011, there was no unfilled directorate post in CMAB

^ excluding one supernumerary post created under delegated authority for six months from 1 August 2011 to 31 January 2012.

CIVIL SERVICE BUREAU COMMENTS

24. The Civil Service Bureau considers that the proposed staffing proposal contained in this paper is functionally justified. The grading and ranking of the post to be created are appropriate having regard to the level and scope and sensitivity of the responsibilities involved.

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

25. The Standing Committee on Directorate Salaries and Conditions of Service has advised that the grading proposed for the post would be appropriate if the post was to be created.

Proposed Job Description

Post Title : Director, Hong Kong Economic, Trade and Cultural Office
(Taiwan)

Rank : Administrative Officer Staff Grade B (D3)

Responsible to the Permanent Secretary for Constitutional and Mainland Affairs on the following main duties and responsibilities –

- (a) to undertake the role of the Hong Kong Special Administrative Region (HKSAR)'s principal representative on economic, trade, cultural and other issues in Taiwan; and to develop and reinforce bilateral relations over these issues between HKSAR and Taiwan;
- (b) to promote the HKSAR's exchanges and cooperation with Taiwan;
- (c) to facilitate communication, cooperation and to enhance understanding between the HKSAR and Taiwan;
- (d) to assist bureaux/departments of the Government of the Hong Kong Special Administrative Region (HKSARG) and the Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council (ECCPC) in taking forward cooperation initiatives with Taiwan;
- (e) to advise the HKSARG and the ECCPC on policies and initiatives for fostering relations with Taiwan;
- (f) to provide support services for Hong Kong businesses and service providers including enhancement of liaison, follow-up on matters of common concern, and collection and dissemination of information relating to commercial operations in Taiwan;
- (g) to provide assistance to Hong Kong residents in Taiwan to the extent possible;
- (h) to assist in handling matters relating to entry applications from Taiwan residents where necessary;
- (i) to provide information and assistance to local enterprises and to attract them to invest in Hong Kong;
- (j) to organise cultural and publicity activities to promote Hong Kong, with a view to promoting relationship, as well as business and cultural exchanges between Hong Kong and Taiwan; and
- (k) to oversee day-to-day operation of the Hong Kong Economic, Trade and Cultural Office in Taiwan and other relevant services.

Flexible Ranking System for Hong Kong Economic and Trade Offices

In June 1991 and after considering EC 1991-92 Item 18, the Finance Committee approved a flexible ranking system to facilitate the posting and retention of directorate heads and directorate deputy heads of overseas offices. Owing to their representation role, the directorate heads and deputy heads of the overseas offices should be mature and experienced officers with well-honed skills in negotiation, lobbying and public relations. Based on past experience, it could be difficult to attract and retain suitable officers to fill these overseas posts because –

- (a) the pool of suitable candidates at the designated ranks of the senior overseas posts is relatively small in view of the special qualities required of them;
- (b) an overseas posting involves disruption to family and social life. In case of married officers, it could also involve loss of income and interruption to the career of working spouses; and
- (c) since the normal duration of an overseas posting is approximately three years, officers who are selected as directorate heads and deputy heads of overseas officers are often unwilling to accept such postings for fear that they will lose the opportunity to act in a higher rank which they might otherwise be given if they remained in Hong Kong. They also consider that their promotion prospects will be adversely affected if they are denied access to opportunities for acting appointment.

2. The flexible ranking system expanded the pool of potential candidates for overseas posts and removed a major disincentive for potential candidates by ensuring that officers in overseas posts receive the same opportunities for acting appointments and promotion as their counterparts in Hong Kong.

3. Under this system, the Secretary for the Civil Service may exercise delegated authority in the following situations to create supernumerary posts at a pre-determined higher rank held against the permanent directorate head and deputy head posts of the lower rank in the following situations –

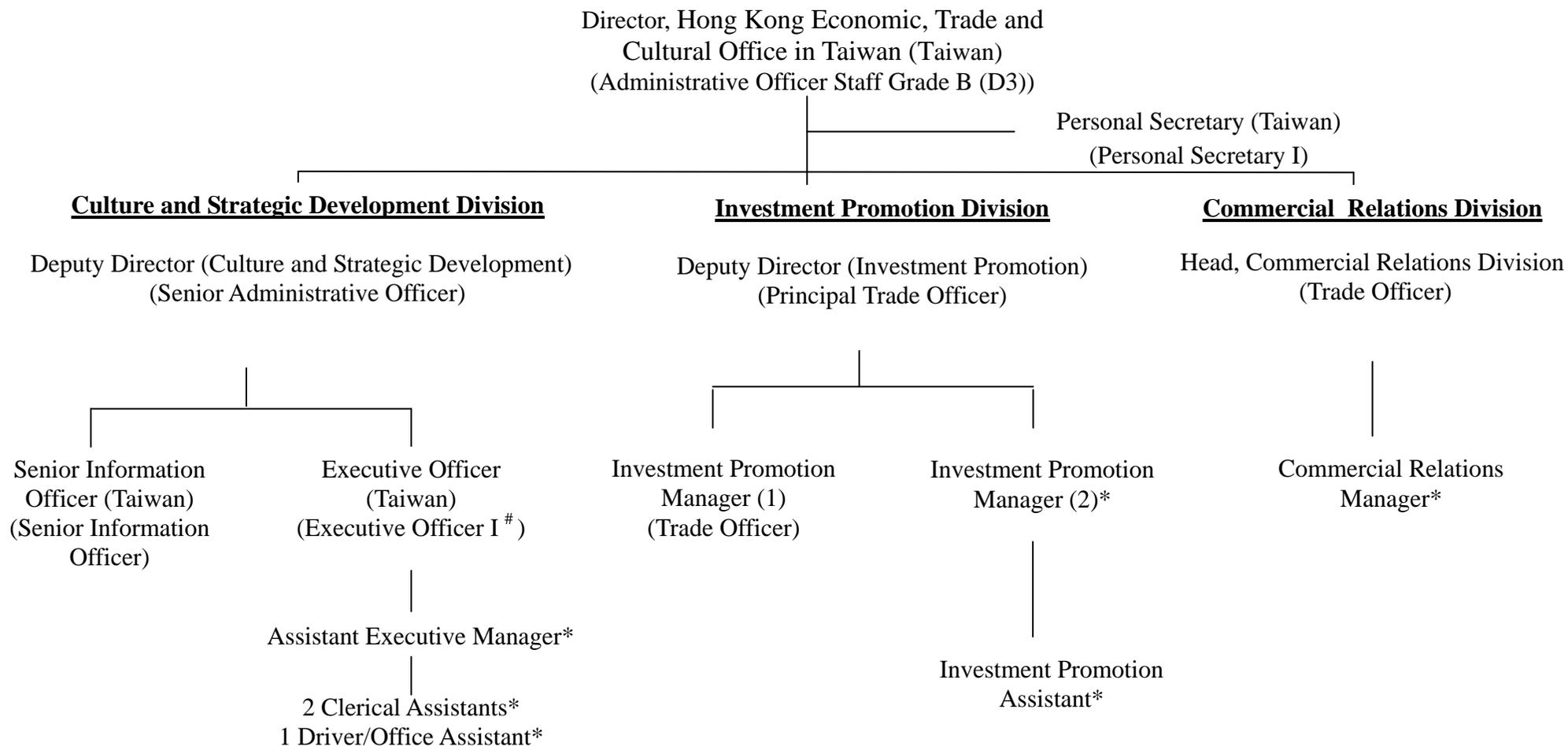
- (a) the promotion of an officer during his overseas tour to a rank higher than the rank of the post he currently occupies;

/(b)

- (b) the posting overseas of an officer whose substantive rank, at the time of posting, is already higher than the rank of the post in the overseas office to which he is posted;
- (c) the appointment of an officer to act in a rank higher than the rank of the post he occupies on being posted overseas, if it is considered that he would have been offered an acting appointment at that higher rank had he remained in Hong Kong; and
- (d) the appointment of an officer already serving overseas in his own substantive rank to act in the higher rank if, in all likelihood, he would have been offered an acting appointment at the higher rank had he remained in Hong Kong.

4. In June 1996, after considering EC(96-97)10 and the Supplementary Note, Finance Committee approved the extension of approved flexible ranking system to D6 Heads of overseas offices subject to a set of conditions as set out in the Supplementary Note.

Organisation Chart of the Hong Kong Economic, Trade and Cultural Office in Taiwan



Legend:

Time-limited post to be created for two years

* Locally-engaged staff

**Duties and Responsibilities
of the Existing Permanent Directorate Officers
at D3 and D4 Levels in the
Constitutional and Mainland Affairs Bureau (CMAB)**

1. Deputy Secretary (Constitutional and Mainland Affairs)¹ (DS(CMA)¹) is responsible for handling matters relating to electoral affairs and development of the Political Appointment System; addressing the issue of constitutional development; and overseeing the policy on access to Government information and protection of privacy, human rights and discrimination issues, and housekeeping of the Equal Opportunities Commission and Office of the Privacy Commissioner for Personal Data.

2. Deputy Secretary (Constitutional and Mainland Affairs)² (DS(CMA)²) is responsible for providing steer in forging ahead with Taiwan new cooperation directions and strategies and serve as the Secretary-General of the Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council; coordinating the Government of the Hong Kong Special Administrative Region (HKSARG)'s input to complement the compilation of the National Five-Year Plans; advising on the conduct of the HKSARG's external affairs; coordinating the promotion of Basic Law; overseeing housekeeping of the four HKSARG Mainland Offices and the handling of requests for assistance from Hong Kong residents in the Mainland; enhancing the HKSARG's cooperation with Fujian and Haixi Economic Zone; and advising on the HKSARG's relationship with the Central People's Government (CPG).

3. The Deputy Director, Beijing Office (BJO), is responsible for advising HKSARG bureaux and departments, or acting on their advice, on liaising with the Mainland authorities regarding issues and latest policies which are of interest to HKSARG; overseeing the provision of information about Hong Kong's developments to the CPG and other Mainland authorities concerned; working with other HKSAR bodies in the BJO's serving areas to promote Hong Kong's trade, investment and tourism; overseeing logistical arrangements for visiting senior HKSARG officials, representing the HKSARG in the BJO's serving areas in the absence of the Director, BJO; and assisting the Director, BJO in overseeing day-to-day operation of the BJO.

/4.

4. The Director, Hong Kong Economic and Trade Affairs, Guangdong assumes the role of HKSARG's principal representative on economic and trade issues in Fujian, Jiangxi, Guangdong, Guangxi and Hainan; and is responsible for developing Hong Kong's economic and trade relations, bilateral investments, and exchanges (at government and non-government levels) with these areas; promoting Hong Kong's image and supporting Hong Kong businesses in these areas through enhanced communication, following up on matters of common concern, collecting and disseminating information about business operation, etc.; and overseeing the day-to-day operation of the Hong Kong Economic and Trade Office in Guangdong.

5. The Director, Hong Kong Economic and Trade Affairs, Shanghai assumes the role of HKSARG's principal representative on economic and trade issues in Shanghai, Jiangsu, Zhejiang, Anhui and Hubei; and is responsible for promoting Hong Kong's economic and trade relations, bilateral investments, and exchanges (at government and non-government levels) with these areas; facilitating and advising HKSARG bureaux/departments on Hong Kong-Shanghai cooperation and other regional cooperation initiatives in these areas; and supporting Hong Kong businesses in these areas through enhanced communication, following up on matters of common concern, collecting and disseminating information about business operation, etc.; and overseeing the day-to-day operation of the HKETO in Shanghai.
