

**For discussion
on 11 December 2013**

EC(2013-14)12

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 creation of the following permanent post with effect from 1 April 2014 –

1 Administrative Officer Staff Grade C
(D2) (\$136,550 - \$149,350)

PROBLEM

We need a directorate staff to head a new Hong Kong Economic and Trade Office (ETO) in Wuhan (WHETO) which is to be set up within 2014-15. We also need to adjust the geographical coverage of the Beijing Office (BJO), the ETOs in Guangdong (GDETO), Shanghai (SHETO) and Chengdu (CDETO) (the Mainland Offices) of the Hong Kong Special Administrative Region (HKSAR) in light of the establishment of the WHETO.

PROPOSAL

2. We propose to create a permanent Administrative Officer Staff Grade C (AOSGC) (D2) post to head the WHETO, with effect from 1 April 2014.

/JUSTIFICATION

JUSTIFICATION

Need for setting up the WHETO

3. The Central Region occupies a strategic location connecting the vibrant economies in the Eastern part and the vast hinterland in the Western part. The region covers Hubei, Hunan, Henan, Jiangxi, Anhui and Shanxi, stretching across an area of 1.03 million square kilometers with a population of 361 million, accounting for 28.1% of the national population.

4. The Central Region is an integral part of the overall regional development strategy of the Mainland¹. With national support policies, the Central Region has seen rapid economic growth in recent years. The Gross Domestic Product (GDP) of the region has increased from about RMB7,020 billion in 2009 to about RMB11,600 billion in 2012, with its share in the national GDP increased from around 20.7% to 22.4%. In 2012, the growth rate of individual provinces in the Central Region ranged from about 10% to 12%, above the national average of around 7.8%. In addition, there has been an increase in the number of Hong Kong enterprises and Hong Kong's direct investment in the Central Region. In 2011, the number of Hong Kong enterprises in the region was about 33 000 and Hong Kong's cumulative contracted direct investment amounted to about US\$132.7 billion, representing increases of about 10.4% and 42.8% respectively as compared with 2009. The total value of trade between Hong Kong and the Central Region has also seen an increase of about 44.9% from about US\$6.9 billion in 2011 to about US\$10 billion in 2012.

5. Wuhan City of Hubei Province is regarded by the Central Government as the centre of the Central Region. It is also an integral transport hub in the region, with solid economic foundation as well as close economic and trade ties with Hong Kong. In 2012, the total value of trade between Hong Kong and Hubei Province was about US\$1.3 billion, among which about US\$0.7 billion was trade between Hong Kong and Wuhan City, representing increases of about 13.7% and 2.3% respectively as compared with 2009. Hong Kong's contracted direct investment in Hubei Province in 2012 was about US\$2.4 billion, among which

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¹ In September 2009, the State Council promulgated the "Plan to Promote the Rise of the Central Region", which sets out the overall planning targets. The National 12th Five-Year Plan promulgated in March 2011 further highlighted the strategic functions and positioning of the Central Region in the overall development plan, including the importance of the region as a link between the Eastern Region and the Western Region, as a base for transfer of capital and investment from the Eastern Region and the international market, and as a platform for spearheading the national policy of development city clusters and modern industries.

about US\$2 billion was invested in Wuhan City, representing increases of about 123.0% and 244.8% respectively as compared with 2009. To facilitate Hong Kong residents and enterprises to better grasp the business opportunities arising from the development in the Central Region, there is a need to strengthen the representation of the HKSAR Government in the region. The Chief Executive announced in the 2013 Policy Address the plan to set up a new ETO in Wuhan.

Geographical coverage of the Mainland Offices

6. At present, provinces in the Central Region are separately covered by the four Mainland Offices, i.e. BJO, GDETO, SHETO and CDETO respectively. We have reviewed the existing geographical coverage of the Mainland Offices in light of the proposed establishment of the WHETO to optimise operational efficiency. We propose to adjust the geographical coverage of the Mainland Offices as follows –

- (a) BJO – coverage for ten provinces/municipalities/autonomous regions, namely Beijing, Tianjin, Hebei, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Gansu, Ningxia, Xinjiang;
- (b) GDETO – coverage for five provinces/municipalities/autonomous regions, namely Fujian, Guangdong, Guangxi, Hainan, Yunnan;
- (c) SHETO – coverage for five provinces/municipalities/autonomous regions, namely Shanghai, Jiangsu, Zhejiang, Anhui, Shandong;
- (d) CDETO – coverage for six provinces/municipalities/autonomous regions, namely Chongqing, Sichuan, Guizhou, Tibet, Shaanxi, Qinghai; and
- (e) WHETO – coverage for five provinces, namely Hubei, Hunan, Henan, Jiangxi and Shanxi (the central provinces).

The coverage of these offices may be adjusted in future in the light of experience gained in actual operation.

7. Given the vast geographical spread of the Mainland and the rapid economic development of different provinces and municipalities, it is necessary to strengthen the HKSAR Government's representation in the Mainland so as to help enhance Government-to-Government co-operation and our economic partnership with provinces and municipalities in the Mainland. The proposed setting up of the new WHETO and the consequential reshuffling of the geographical coverage among the Mainland Offices are essential to meeting these objectives. Apart from

helping to promote our economic and trade ties as well as the building of liaison network with individual provinces and municipalities in the Mainland, the stronger presence of the HKSAR Government in the Mainland will also enhance our support for Hong Kong residents and enterprises in the Mainland.

Functions of the WHETO

8. Similar to the existing three ETOs in the Mainland, the functions of the WHETO include –

- (a) enhancing economic and trade liaison – to enhance economic and trade relations between Hong Kong and the provinces concerned by co-operating closely with the local authorities and relevant organisations;
- (b) enhancing mutual understanding – to report to the HKSAR Government on the development of the provinces concerned and to provide information on the HKSAR to the local authorities and relevant organisations;
- (c) enhancing co-operation – to enhance co-operation with the provinces concerned, including exploring co-operation opportunities, and assisting in the formulation and implementation of co-operation initiatives;
- (d) assisting in taking forward initiatives – to assist bureaux/departments of the HKSAR Government to take forward initiatives related to the provinces concerned such as liaison with relevant local authorities and organisations, data collection and monitoring progress etc.;
- (e) tendering advice – to advise the HKSAR Government on policies and initiatives on fostering relations between Hong Kong and the provinces concerned. Relevant tasks may include information collection, research, formulation of strategies, and assessment of proposed initiatives, etc.;
- (f) supporting Hong Kong residents and enterprises – to liaise with Hong Kong residents and enterprises in the provinces concerned and provide them with information and assistance as far as possible, to reflect and follow up on issues of general concern among Hong Kong residents and enterprises through effective channels, and to collect and disseminate to the Hong Kong residents and enterprises information on local policies, regulations and measures as well as on local economic development;

/(g)

- (g) attracting investment – to attract local companies to invest in Hong Kong and to proactively provide information and assistance to them; and
- (h) promoting Hong Kong – to promote Hong Kong’s strengths and positive image through communication and publicity targeted at different sectors in the provinces concerned, with a view to nurturing economic and trade relations and enhancing mutual understanding and respect.

Proposed establishment of the WHETO

Head of the WHETO

9. The head of the WHETO, designated as “Director, Hong Kong Economic and Trade Office in Wuhan”, will be responsible to the Permanent Secretary for Constitutional and Mainland Affairs. The incumbent will take on the role of the HKSAR’s principal representative in the central provinces and handle relevant issues involving the HKSAR. Moreover, he will be entrusted with the responsibility of overseeing the proper and effective delivery of the full range of functions mentioned in paragraph 8 above. In order to discharge his duties effectively, he will work in close consultation with senior officials with the HKSAR Government and liaise with the relevant officials from the central provinces. He will also need to maintain an extensive network of liaison with the Hong Kong community in these provinces so as to provide better support services for them and to address their concerns.

10. Having regard to the extensive functions of the WHETO, the job requirements and operational need of the post, the scope and the complexity of tasks involved, the extent and level of official liaison required, as well as the business potential and co-operation opportunities for Hong Kong, we consider it appropriate to pitch the head of the WHETO at AOSGC (D2) level. The proposed job description of the post is at Enclosure 1.

Encl. 1

11. In June 1991, 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 (ESC), FC approved the extension of the flexible ranking system to all directorate head and deputy head posts in ETOs in the Mainland. Accordingly, the same ranking arrangement should apply to the WHETO. Background and rationale of the system are at Enclosure 2. The pre-determined higher rank in this case would be set at the Administrative Officer Staff Grade B (D3) level.

Encl. 2

/Non-directorate

Non-directorate staff

Encl. 3 12. The WHETO is proposed to be supported by 20 non-directorate staff. We plan to create five permanent non-directorate posts and one two-year time-limited post² for various duties relating to the administrative and public relations, commercial relations and investment promotion. Another 14 supporting personnel will be engaged locally to provide support in various areas of work. The proposed organisation chart of the WHETO is at Enclosure 3.

Implementation timetable

13. We hope that the WHETO will commence operation in the second quarter in 2014. We therefore propose to create one permanent AOSGC (D2) post with effect from 1 April 2014 to take forward the initiative. As regards the non-directorate staff, they will assume office according to the progress in establishing the WHETO.

ALTERNATIVES CONSIDERED

Encl. 4 14. We have carefully considered the feasibility of redeploying existing manpower to provide the necessary support. However, the existing 10 permanent directorate officers at D2 level 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 WHETO without affecting the discharge of their current duties. The existing duties schedule of these posts is at Enclosure 4.

15. In addition, the establishment of the WHETO is essential for strengthening liaison with authorities and organisations in the central provinces, supporting Hong Kong residents and enterprises in these provinces, enhancing cooperation as well as conducting publicity and promotional activities to promote mutual understanding between the HKSAR and the provinces concerned. The existing officers in paragraph 14 are stationed in Hong Kong or in the Western and Northern parts of the Mainland. The deployment of these officers to head the WHETO is neither viable nor effective given that the new office will be located in the Central Region of the Mainland.

/FINANCIAL

² This time-limited post will assist in handling administration work during the initial stage of operation of WHETO.

FINANCIAL IMPLICATIONS

16. The proposed creation of the permanent AOSGC (D2) post will require an additional notional annual salary cost at mid-point of \$1,739,400, and a full annual average staff cost (including salaries and staff on-costs) of \$2,503,000.

17. As for the proposed five permanent non-directorate civil service posts and one two-year time-limited civil service post mentioned in paragraph 12 above, the additional notional annual salary cost at mid-point is \$5,086,260 and the full annual average staff cost (including salaries and staff on-costs) is \$7,881,000.

18. The set-up cost of the WHETO is estimated at \$8,900,000 and the total annual recurrent cost, including staff costs in full, is estimated at around \$22,004,000 per annum. Subject to the FC's approval of the above directorate post (subject to the passage of the 2014 Appropriation Bill), we will include sufficient provision in the draft Estimates of 2014-15 and subsequent financial years to meet the resources required for the proposal.

PUBLIC CONSULTATION

19. We consulted the Legislative Council Panel on Commerce and Industry on the proposed creation of the permanent AOSGC (D2) post on 19 November 2013. Members supported the proposal in principle. Members enquired about the justifications for selecting Wuhan City of Hubei Province, instead of Zhengzhou City of Henan Province, as the location of the ETO in the Central Region of the Mainland. We have provided relevant information to the Panel on 3 December 2013.

ESTABLISHMENT CHANGES

20. 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 November 2013)	As at 1 April 2013	As at 1 April 2012	As at 1 April 2011
A*	19 + (1)#	18 + (2)	18 + (2)	17 + (2)
B	75	69	63	57
C	64	58	55	52
Total	158 + (1)	145 + (2)	136 + (2)	126 + (2)

/Note

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
- * - excluding supernumerary posts created under delegated authority
- # - as at 1 November 2013, there was no unfilled directorate post in CMAB

CIVIL SERVICE BUREAU COMMENTS

21. The Civil Service Bureau supports the proposed creation of the permanent AOSGC (D2) post with effect from 1 April 2014 to head the WHETO. The grading and ranking of the proposed post are considered appropriate having regard to the level and scope of responsibilities required.

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

22. The Standing Committee on Directorate Salaries and Conditions of Service has advised that the grading proposed for the post of “Director, Hong Kong Economic and Trade Office in Wuhan” would be appropriate if the post was to be created.

Constitutional and Mainland Affairs Bureau
December 2013

**Proposed Job Description of
Director, Hong Kong and Economic Trade Office in Wuhan**

Post Title : Director, Hong Kong Economic and Trade Office in Wuhan

Rank : Administrative Officer Staff Grade C (D2)

Responsible to : Permanent Secretary for Constitutional and Mainland Affairs

Main Duties and Responsibilities –

1. To undertake the role of the Hong Kong Special Administrative Region (HKSAR)'s principal representative in Shanxi Province, Jiangxi Province, Henan Province, Hubei Province and Hunan Province (the central provinces); to handle economic and trade issues relating to Hong Kong; and to develop and reinforce relations between the HKSAR and the provinces concerned.
2. To promote co-operation between the HKSAR and the central provinces including exploring co-operation opportunities, advising bureaux/ departments of the HKSAR Government on taking forward initiatives relating to the provinces concerned, and liaising with local authorities.
3. To advise the HKSAR Government on policies and initiatives to foster relations with the central provinces, provide assessment on local political and economic development and the implications to Hong Kong, and provide input in formulating co-operation strategies.
4. To provide support for Hong Kong residents and enterprises in the central provinces, including enhancement of liaison and providing information and assistance as far as possible.
5. To oversee the work to attract local companies to invest in Hong Kong.
6. To steer the publicity and promotion work targeted at different sectors in the central provinces with a view to promoting the positive image and strengths of Hong Kong.
7. To supervise the overall operations of the Office.

Flexible Ranking System for HKETOs

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 offices 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 -

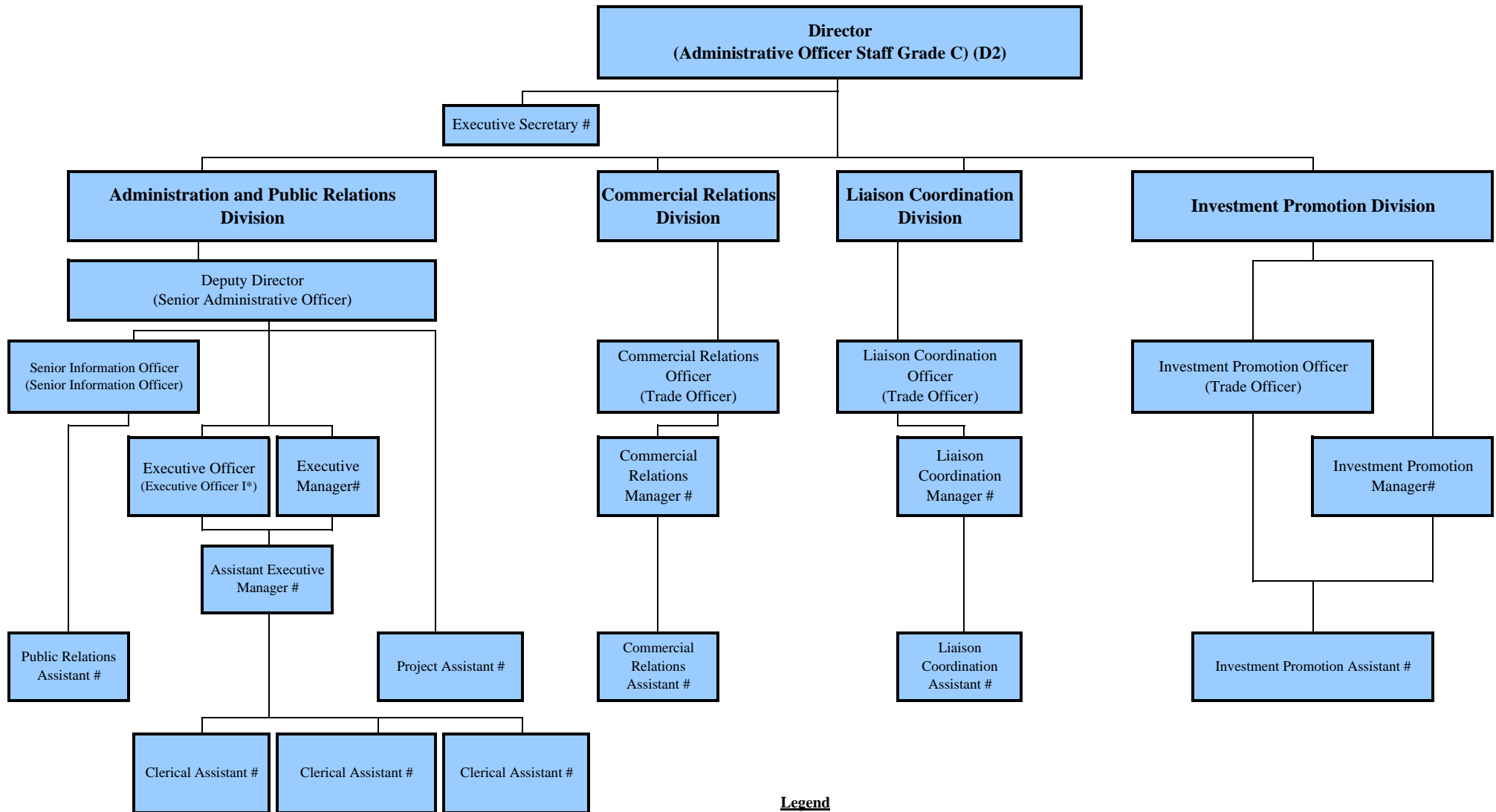
- (a) the promotion of an officer during his overseas tour to a rank higher than the rank of the post he currently occupies;

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- (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.

Proposed Organisation Chart of the Hong Kong Economic and Trade Office in Wuhan



Legend

- # Locally-engaged staff
- * Time-limited post proposed to be created for two years

**Duties and Responsibilities of Existing Permanent Directorate Officers
at D2 level in Constitutional and Mainland Affairs Bureau**

1. Principal Assistant Secretary (Constitutional and Mainland Affairs) (PAS(CMA))1 is responsible for co-ordinating and promoting exchange and co-operation between the Hong Kong Special Administrative Region (HKSAR) and Taiwan through the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council, and matters relating to the HKSAR and Taiwan relations and liaison with Taiwan Organisations in Hong Kong; matters relating to the conduct of external affairs of the HKSAR and liaison with the Office of the Commissioner of the Ministry of Foreign Affairs in Hong Kong; matters relating to the co-operation with the Economic Zone on the West Coast of the Taiwan Strait (including the Fujian Province).
2. PAS(CMA)2 is responsible for policies and legislation relating to District Councils and Legislative Council elections; policy response in relation to judicial review cases concerning election systems and election petition cases; housekeeping of the Electoral Affairs Commission and the Registration and Electoral Office; and matters relating to the composition of District Councils.
3. PAS(CMA)3 is responsible for policies and legislation relating to constitutional development and voter registration, and co-ordinating related promotion campaigns; and policies and legislation relating to Election Committee subsector elections and Chief Executive elections.
4. PAS(CMA)4 is responsible for matters relating to protection of personal data privacy; housekeeping of the Office of the Privacy Commissioner for Personal Data; eliminating discrimination against people of different sexual orientation and transgenders; following up relevant Law Reform Commission reports on privacy; and matters relating to Code on Access to Information.
5. PAS(CMA)5 is responsible for co-ordination of human rights policy; co-ordination of the United Nations reporting and follow up actions under the Universal Periodic Review mechanism and relevant human rights treaties; housekeeping of the Equal Opportunities Commission; the overall policy relating to promotion of racial equality and the Race Discrimination Ordinance, including the implementation of the Administrative Guidelines on Promotion of Racial Equality; promotion of children's rights; and matters relating to the development of the Political Appointment System.
6. PAS(CMA)6 is responsible for co-ordinating work relating to Hong Kong/Guangdong co-operation, including the implementation of the Framework Agreement on Hong Kong/Guangdong Co-operation and development of Nansha and Hengqin; co-ordinating Hong Kong/Shenzhen

/co-operation

co-operation, including development of Qianhai; arranging the HKSAR Government to host, and organising relevant bureaux and departments to participate in, the Hong Kong/Guangdong Co-operation Joint Conference, Hong Kong/Shenzhen Co-operation Meeting and Hong Kong Macao Co-operation High Level Meeting; and providing secretariat support to the Consultative Committee on Economic and Trade Co-operation between Hong Kong and the Mainland.

7. PAS(CMA)⁷ is responsible for the liaison policy and practical matters relating to the relationship between the Central People's Government (CPG) and the HKSAR Government; co-ordinating actions taken by the HKSAR Government to complement the National Five-Year Plans; co-ordinating the promotion of the Basic Law and providing secretariat support for the Basic Law Promotion Steering Committee; providing policy co-ordination and secretariat support to regular meetings of the Steering Committee on Co-operation with the Mainland chaired by the Chief Secretary for Administration; overseeing housekeeping of the Mainland Offices and Hong Kong Economic, Trade and Cultural Office in Taiwan; and policies on the adaptation of laws and incidental matters.
8. Administrative Assistant to Secretary for Constitutional and Mainland Affairs (SCMA) is responsible for providing administrative support to SCMA as well as handling the Bureau's liaison with the Legislative Council Secretariat.
9. Assistant Director of the Beijing Office (BJO) is responsible to the Deputy Director of BJO for apprising the HKSAR Government of developments and changes to the policies or practices on various matters as announced by the CPG and other provincial and municipal authorities covered by BJO; maintaining liaison with the relevant officials of CPG and other provincial and municipal authorities covered by BJO; supporting Hong Kong residents and enterprises in provinces and municipals covered by BJO; co-ordinating logistical support to HKSAR Government delegations visiting Beijing and provinces and municipals covered by BJO.
10. Director of the Hong Kong Economic and Trade Office in Chengdu (CDETO) is responsible for handling economic and trade issues relating to Hong Kong and the western region of the Mainland, developing and reinforcing commercial and trade relations between HKSAR and the region concerned; promoting connections and co-operation between the HKSAR and the western region; advising the bureaux/departments of the HKSAR Government on formulating and taking forward initiatives, policies and measures relating to the western region, as well as liaising with local governments; supporting Hong Kong residents and enterprises in the western region; overseeing the work in attracting local enterprises to invest in Hong Kong and in providing assistance for Hong Kong residents in distress; organising publicity and promotion activities in the western region; and overseeing the day-to-day operation of the CDETO.