

**For discussion
on 11 February 1999**

EC(98-99)29

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

**HEAD 145 - GOVERNMENT SECRETARIAT :
ECONOMIC SERVICES BUREAU
Subhead 001 Salaries**

Members are invited to recommend to Finance Committee the retention of the following supernumerary post for a period of one year with effect from 1 April 1999 in the Economic Services Bureau -

1 Administrative Officer Staff Grade C
(D2) (\$116,650 - \$123,850)

PROBLEM

The Economic Services Bureau (ESB) needs to retain the supernumerary directorate post to deal with policy matters relating to civil aviation and the new airport. The post which was originally created for duties relating to the new airport project will lapse on 1 April 1999.

PROPOSAL

2. The Secretary for Economic Services (SES) proposes to retain the supernumerary post of Administrative Officer Staff Grade C (AOSGC) for another year from 1 April 1999 to 31 March 2000.

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JUSTIFICATION

3. ESB is responsible for civil aviation policy matters. It has policy oversight over the work of the Civil Aviation Department (CAD) and is responsible for air services negotiations. It also liaises with the Airport Authority (AA) on civil aviation related matters and acts as an interface between AA and the Executive Council, the Legislative Council and where necessary, other parts of the Administration.

Duties of Principal Assistant Secretary for Economic Services (New Airport)

4. We have created a supernumerary AOSGC post designated as Principal Assistant Secretary for Economic Services (New Airport) (PAS(ES)NA) since 1990. His current duties in relation to the new airport are as follows -

- (a) monitoring the work of AA to ensure that its practices and procedures are consistent with Government policies and Hong Kong's international obligations relating to civil aviation;
- (b) acting as an interface with other bureaux and departments to convey Government concerns to AA when it formulates and implements policies and operational plans;
- (c) co-ordinating Government positions and resolving conflicts between AA and Government on airport-related matters;
- (d) liaising with AA regarding timely provision of facilities to meet air traffic demand; and
- (e) providing support to SES on proposals put before the AA Board and its committees.

5. Before March 1998, Principal Assistant Secretary for Economic Services (A) (PAS(ES)A) was responsible for civil aviation policy in addition to his duties on in-bound tourism and bureau administration. However, as Hong Kong has been suffering from a downturn in tourism since mid 1997, the tourism schedule for which PAS(ES)A was responsible has since been expanding rapidly as a result of the various new initiatives to help promote the tourism industry. To allow PAS(ES)A to better focus on tourism, the civil aviation schedule has been transferred to PAS(ES)NA with effect from 1 March 1998. Since PAS(ES)A will become one of the two Assistant Commissioners for Tourism as explained in

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paper EC(98-99)16 approved by Finance Committee on 18 December 1998, PAS(ES)NA has to take up duties on civil aviation policy on a long term basis. These duties include -

- (a) overseeing the work of CAD which entails air traffic control services and civil aviation regulatory functions including oversight of safety standards of the airport, local airlines and aircraft maintenance organisations;
- (b) reviewing and formulating policies concerning the management of civil aviation;
- (c) processing legislative proposals concerning civil aviation matters and resource requests by CAD; and
- (d) providing secretarial support to the Air Transport Licensing Authority which is responsible for considering applications for licences for operation of scheduled air services.

Continued need for a dedicated officer to deal with policy matters relating to civil aviation and the new airport

6. In the coming year, the workload mentioned in paragraphs 4 and 5 above will continue. In addition, PAS(ES)NA will have to be involved in the following areas of work -

- (a) providing ESB's input to a number of reviews which are expected to be conducted by AA on issues including its organisation, staffing and operational procedures following the transition of AA from the planning to operation mode and in the light of the actual working experience during the first year of operation of the new airport;
- (b) formulating ESB's views on the level of airport charges to be reviewed by AA, including discussing with airlines on the subject matter;
- (c) dealing with matters that may arise from the findings and recommendations of the inquiries into the new airport;
- (d) monitoring a special review to be conducted by AA on air traffic forecast with a view to developing additional facilities in time to meet demand;

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- (e) considering the policy and resource implications of proposals by CAD to proceed with the study, trial and phased implementation of the satellite-based Communications, Navigation and Surveillance/Air Traffic Management Systems; and
- (f) assuming a bigger interfacing role between AA and the Executive Council, Legislative Council and the other parts of the Administration following the disbandment of the New Airport Projects Co-ordination Office, currently scheduled for March 1999, on matters such as opening of the second runway and development of additional commercial facilities on the airport island.

7. In fact, most of the PAS(ES)NA's duties set out in paragraphs 4 to 6 above are likely to transcend the next financial year. However, we propose to retain the PAS(ES)NA post for another year until 31 March 2000, pending a review of ESB's workload in a year's time as a result of the creation of the tourism office and the proposed transfer of agriculture and fisheries policy responsibility to another policy bureau.

Encls.1&2 8. We set out the organisation chart of ESB and the job description of the PAS(ES)NA post at Enclosures 1 and 2 respectively.

Alternative arrangement considered

Encl. 3 9. We have examined the feasibility of assigning other PASs in ESB to take up the duties relating to civil aviation and the new airport. We find this option not viable having regard to the heavy workload and commitments of the other PASs. Detailed explanations are set out at Enclosure 3.

FINANCIAL IMPLICATIONS

10. The additional notional annual salary cost of this proposal at MID-POINT is \$1,443,000. The full annual average staff cost of the proposal, including salaries and staff on-cost is \$2,502,252. We have included sufficient provision in the 1999-2000 draft Estimates to meet the cost of this proposal.

BACKGROUND INFORMATION

11. The Finance Committee approved the creation of the supernumerary

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post of PAS(ES)NA to deal with policy matters relating to the new airport with effect from 1 February 1990 for a period of two years. The post was subsequently retained on several occasions up to 31 March 1999.

12. The new airport in Chek Lap Kok has commissioned its operation on 6 July 1998. Initially, the new airport has the capacity to handle 35 million passengers and 3 million tonnes of cargo per annum. In the longer term, with additional terminal, apron and other facilities, the New Airport Master Plan forecasts that the new airport will be able to handle up to 87 million passengers and 9 million tonnes of cargo per annum.

13. After the opening of the new airport, CAD continues to provide air traffic control services. In addition, it has retained all the regulatory functions in respect of safety standards of the new airport, local airlines and maintenance organisations. It has also retained the responsibilities for civil aviation management.

CIVIL SERVICE BUREAU COMMENTS

14. Civil Service Bureau agrees that there is a need to extend the supernumerary AOSGC post for one year to deal with policy matters relating to civil aviation and the new airport. The grading and ranking of the post are appropriate.

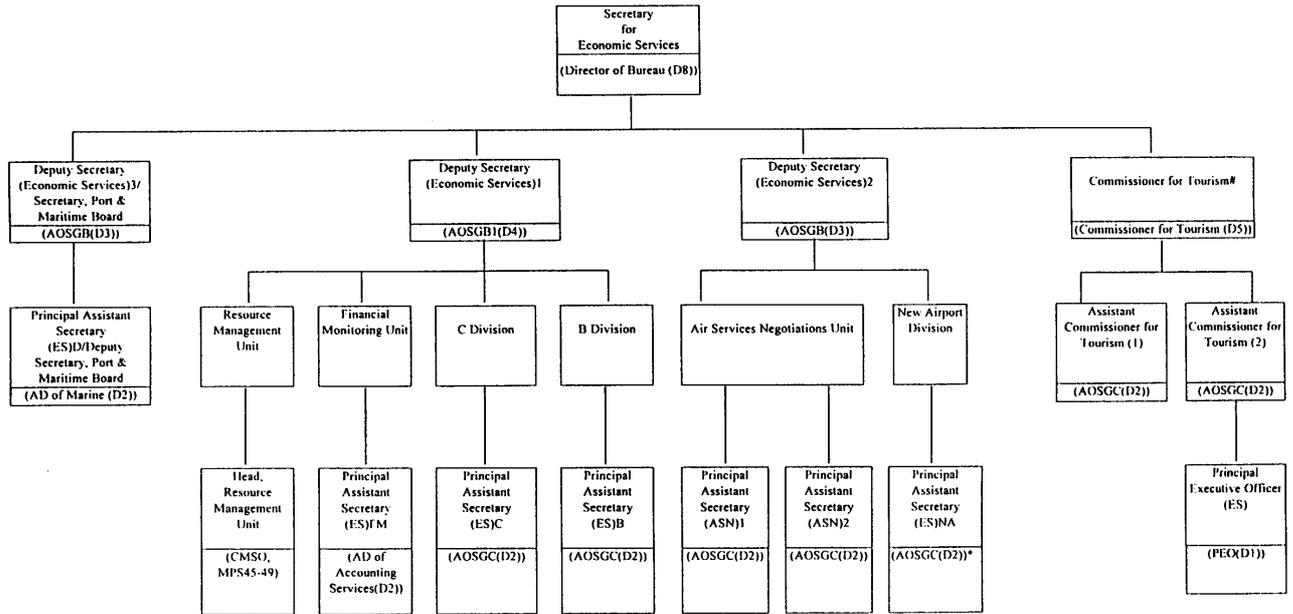
ADVICE OF THE STANDING COMMITTEE ON DIRECTORATE SALARIES AND CONDITIONS OF SERVICES

15. We shall report the retention of this supernumerary post, if approved, to the Standing Committee on Directorate Salaries and Conditions of Service in accordance with the agreed procedure.

Economic Services Bureau
January 1999

(LU0271/WIN12)

**Organisation Chart
of Economic Services Bureau**



* Supernumerary post proposed for retention

The Commissioner and his supporting team have yet to become operational pending the filling of the posts.

**Job Description for Principal Assistant Secretary
for Economic Services (New Airport)
Economic Services Bureau, Government Secretariat**

Rank : Administrative Officer Staff Grade C (D2)

Responsible to : Deputy Secretary (Economic Services)2

Main Duties and Responsibilities -

1. Co-ordinating input and resolving problems related to interface issues between Government and the Airport Authority (AA).
2. Formulating the Bureau's position on matters related to the commercial and operational planning of the new airport.
3. Overseeing the implementation of AA policies to ensure consistency with government's policies and Hong Kong's international obligations relating to civil aviation.
4. Providing support to the Secretary for Economic Services on proposals put to the AA Board and its committees.
5. Monitoring the review of air traffic forecast undertaken by AA to ensure the timely provision of facilities to meet user demands.
6. Preparing briefs and briefing visitors on the new airport.
7. Overseeing the work of CAD which includes provision of air traffic control services as well as civil aviation regulatory functions.
8. Reviewing and formulating civil aviation policy matters.
9. Taking forward legislative proposals concerning civil aviation matters.

Workload of other Principal Assistant Secretaries (PASs) in Economic Services Bureau

In addition to PAS (New Airport) (PAS(ES)NA), there are seven PASs in the Economic Services Bureau i.e. PAS (Air Services Negotiation (1)) (PAS(ASN)1), PAS (Air Services Negotiation (2)) (PAS(ASN)2), PAS(A) (PAS(ES)A), PAS (B) (PAS(ES)B), PAS (C) (PAS(ES)C), PAS (D) (PAS(ES)D) and PAS (Financial Monitoring) (PAS(ES)FM). They are fully occupied with the heavy workload under their respective schedules and cannot take up the work of PAS(ES)NA. This is explained in the following paragraphs.

2. PAS(ASN)1 and PAS(ASN)2 are responsible for policies on air services, negotiations of new air services agreements or arrangements, and management and review of existing air services agreements or arrangements and Hong Kong's participation in air services-related discussions in international fora such as Asia Pacific Economic Co-operation (APEC) and the World Trade Organisation (WTO).

3. We are committed to maintaining Hong Kong's position as a centre of international and regional aviation. To this end, ESB has to keep air services policies under review in the light of changes on the aviation scene e.g. airline alliance. We also have to continue to negotiate new air services agreements and review existing arrangements in order to facilitate the expansion of Hong Kong's air services network. Currently, we are in the process of concluding air service agreements with 17 partners and making arrangements for negotiations with five other partners to start shortly. With the new airport in operation and the increased capacity it provides, there will be a greater demand for negotiations and review of air traffic agreements and arrangements. Reviews of existing arrangements with about 15 partners are either in progress or in the pipeline.

4. In addition, WTO would soon be taking a close look at the air transport sector and discuss, among other things, the extent to which this sector should be covered by the principles in the General Agreement on Trade in Services. Much work would have to be done in preparing and formulating our position in these discussions. We also stand ready to follow up on any instruction which may be made by APEC Ministers after they have considered the report of the APEC Air Services Group of which Hong Kong, China have been an active member. PAS(ASN)1 and PAS(ASN)2 will continue to be fully occupied with workload under their schedules.

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5. PAS(ES)A is responsible for inbound tourism and will become one of the two Assistant Commissioners for Tourism as explained in paper EC(98-99)16 approved by Finance Committee on 18 December 1998.

6. PAS(ES)B is responsible for energy policy and meteorological services. His workload has been increasing rapidly as a result of decisions to examine the potential for encouraging greater competition in the electricity, gas and fuel markets, increased public scrutiny of the development plans and operations of electricity and gas suppliers and initiatives such as demand side management. Issues such as competition require policy decisions which may have long term impacts on the energy sector and the process will involve considerable high level discussions, advice from the Energy Advisory Committee, steering of consultants, negotiations with the parties concerned and public consultation, so as to ensure that the interests of the consumers and the investors are well balanced. PAS(ES)B is therefore fully occupied with the workload under his schedule.

7. PAS(ES)C is responsible for policies on the development of agriculture and fisheries industries and postal services and will be taking up bureau administration and coordination upon the transfer of PAS(ES)A to the tourism office. Apart from the routine matters, development in the past year such as the avian flu, red tides and contaminated pig offal has called for greater attention of ESB to the policy area of agriculture and fisheries. We need to monitor closely to ensure that the measures taken to deal with these problems continue to be effective. We shall review the relevant legislation comprehensively to make sure that the provisions meet prevailing requirements. We are also conducting a strategic review on fisheries resources, support to agricultural development in Hong Kong and the future of the Government's fresh produce wholesale markets. All these result in an unprecedented growth in workload in the agriculture and fisheries schedule.

8. The PAS(ES)D post is filled by an Assistant Director of Marine and is responsible for port and maritime policy and shipping services. Hong Kong is one of the largest and busiest ports in the world and serves as the hub port for southern China. To further project this position ESB provides for the strategic development of the port through its role as secretariat to the Hong Kong Port and Maritime Board. This involves conducting regular reviews of port cargo forecasts, updating the Port Development Strategy Review, monitoring the demand for and development of new port facilities, and any matters related to the safe and efficient operation of the port.

9. The Hong Kong Port and Maritime Board's function has recently been expanded to include the promotion of Hong Kong's shipping industry and enhancement of Hong Kong as an international shipping centre. Important initiatives include the formulation of a new vessel and navigational regulatory scheme to improve the safe operation of shipping in Hong Kong waters, drawing up a package of incentives to encourage the registration of ships in Hong Kong and boost related activities such as financing and insurance, liaising with the container freight industry to identify measures to maintain the competitiveness of the Hong Kong container port, and to develop and implement a strategy, including overseas publicity, to promote Hong Kong as an international shipping centre. PAS(ES)D is responsible for overseeing all the above port and maritime policies and initiatives which is a very active and rapidly expanding area.

10. The post of PAS(ES)FM is filled by an Assistant Director of Accounting Services in view of the professional expertise required. Whilst policy initiatives and decision on energy supply (including electricity and town gas) and development of the energy market rest with PAS(ES)B, PAS(ES)FM is responsible for the administration of the Scheme of Control Agreements (SCAs) with the power companies and the Information and Consultation Agreement (ICA) with the town gas company and all matters arising therefrom, and for the implementation of the energy policy initiatives as they affect financial affairs of the power and town gas companies in co-ordination with PAS(ES)B. Duties relating to administration of the SCAs and ICA include conducting annual tariff reviews with the power companies and the town gas company, the annual auditing review of the performance of the two power companies, and the periodic review of the financial plans of the power companies for setting future tariff levels.

11. We have recently reached agreement in principle with the two power companies on certain significant improvements to the Scheme of Control Agreements which are beneficial to the consumers. We need to ensure satisfactory implementation of all these initiatives and monitoring of their performance.