

**For discussion
on 21 April 1999**

EC(1999-2000)2

**ITEM FOR ESTABLISHMENT
SUBCOMMITTEE
OF FINANCE COMMITTEE**

**HEAD 142 - GOVERNMENT SECRETARIAT : OFFICES OF THE
CHIEF SECRETARY FOR ADMINISTRATION AND THE
FINANCIAL SECRETARY**

Subhead 001 Salaries

Members are invited to recommend to Finance Committee the creation of the following supernumerary post in the Offices of the Chief Secretary for Administration and the Financial Secretary, Government Secretariat for a period of three years starting from 30 April 1999 -

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

PROBLEM

The Business and Services Promotion Unit (BSPU), Financial Secretary's Office does not have adequate staffing support at the directorate level to implement the new policy commitment on corporatisation of government activities.

PROPOSAL

2. The Director of Administration (D of Adm) proposes to create a supernumerary post of Administrative Officer Staff Grade C (AOSGC) (D2) in BSPU for three years starting from 30 April 1999 to handle the policy and legislative issues on corporatisation.

/JUSTIFICATION

JUSTIFICATION

Corporatisation of government activities

3. There are certain government activities which are commercial or semi-commercial in nature. They have the potential to be provided in a more efficient and cost-effective way if the service providers are given more freedom to manoeuvre. One way to do this is to corporatise these activities.

4. The major advantage of corporatisation is to instil a market-oriented culture in the service providers. By establishing a clear link between the costs and benefits in carrying out an organisation's activities, corporatisation provides an incentive to the operator to run the service more efficiently. It also frees the operators from government internal rules and procedures, giving them more flexibility to operate and the capability to be more responsive to customers' demand and changing market conditions. Corporatisation would also offer the opportunity for more private sector involvement in government-run activities.

5. Corporatisation may serve as an interim step towards privatisation, though this may not necessarily follow in all cases. Whether any corporation would eventually be privatised may depend on many critical factors, one of which is whether suitable market conditions prevail. Detailed assessment of individual cases could be made after the corporations have been established for some time depending on individual circumstances.

6. As announced by the Financial Secretary (FS) in his 1999-2000 Budget Speech, the Government is committed to moving ahead quickly with corporatisation so as to further enhance the efficiency of public services. Our present thinking is to introduce a series of separate bills on individual public corporations as soon as practicable. Each piece of the proposed legislation would establish a specific public corporation to provide certain public services, and set out the principles and mechanisms for the corporation's operations.

7. Corporatisation will be a continuous part of the Public Sector Reform process. Our plan is to establish a number of public corporations in the years to come. To ensure that such institutional changes would produce tangible results in the end, we have to formulate a coherent programme and to keep up the momentum of change within the Civil Service. To achieve this, BSPU has taken up the responsibility of overseeing the programme at the central level.

/Need

Need for additional directorate support in BSPU

Encl. 1

8. At present, the Director, BSPU (D,BSPU) is underpinned by two directorate officers, namely, the Assistant Director (AD) [ranked at AOSGC (D2)] and the Principal Management Services Officer (PMSO) (D1). As illustrated at Enclosure 1, both the AD and the PMSO are heavily committed to their own sphere of work and it would not be possible for them to absorb the additional workload arising from the implementation of the policy commitment on corporatisation.

D of Adm therefore proposes to create a supernumerary AOSGC post to assist D,BSPU in this area of work.

9. The proposed AOSGC will handle all policy, legislative and administrative issues on corporatisation at the central level. Apart from identifying candidates for corporatisation, he or she will take the lead to work with departments and policy bureaux concerned to examine the key issues involved, bring forward specific proposals, work out detailed business and financial plans, draft necessary legislation, and sort out all administrative arrangements, including staff consultation necessary to transform the identified departments into public corporations. The proposed AOSGC would assume a central coordinating role in the corporatisation programme : from engineering changes to formulating detailed proposals as well as monitoring the progress of individual cases.

10. The corporatisation programme would involve a number of departments. Having regard to the fact that individual policy bureaux might have their own priorities for implementation of policy commitments, the proposed AOSGC will serve as a coordinator among the various parties. The officer would also act as the driving force behind bureaux and departments to ensure progress is made on the necessary changes to produce positive results. It should be noted that a dedicated post will enable the retention of valuable experience gained through corporatisation of the first few candidates. This should help smooth out the process for the subsequent corporatisation exercises.

11. Taking into account our intention to give priority to the corporatisation programme, we consider that it is appropriate to have the proposed supernumerary post for three years. We envisage that in the first year, the officer would focus on drafting and seeing through the first few sets of legislative proposals for establishing the first batches of public corporations. In the second year, while continuing to identify and work with further candidates for corporatisation, the officer would liaise closely with the newly established

/corporations

Encl. 2

corporations to resolve any problems encountered in their early years of establishment. In the third year, the officer would spend more efforts in examining the possibility of privatisation of certain established public corporations and working out the related legislative and administrative arrangements for the corporations and the relevant policy bureaux to take them through where appropriate. We set out at Enclosure 2 the job description of the proposed supernumerary AOSGC post.

FINANCIAL IMPLICATIONS

12. The additional notional annual salary cost of the proposal at MID POINT is -

	\$	No. of Post
Proposed supernumerary post	1,443,000	1

13. The additional full annual average staff costs of the proposal, including salaries and staff on-cost, is \$2,502,252.

14. In addition, the proposal will necessitate the creation of a Personal Secretary I (MPS 16-21) post at a notional annual mid-point salary cost of \$291,840 and a full annual average staff cost of \$451,884.

15. We have included the necessary provision in the 1999-2000 Estimates to meet the cost of this proposal.

BACKGROUND INFORMATION

16. In May 1997, we established BSPU as a dedicated organisation to support and reinforce the Services Promotion Programme and the Helping Business Programme which were first initiated by FS in 1995 and 1996 respectively. BSPU is headed by an Administrative Officer Staff Grade B1 (D4) who is responsible to FS for devising and implementing the two programmes.

17. One of BSPU's missions is to identify further means to provide better services to the public including the business sector. We believe

corporatisation is one of the options. To explore the subject in detail, we created
under delegated

/authority

authority a supernumerary AOSGC post (entitled Assistant Director (Special Duties)) in BSPU on 30 October 1998 for a period of six months. The post will last until 29 April 1999. In the past few months, the Assistant Director (Special Duties) has finished the preliminary research work on corporatisation and produced recommendations on the way forward for the Administration to consider.

Encl. 3 18. A chart showing the organisation of BSPU is at Enclosure 3.

CIVIL SERVICE BUREAU COMMENTS

19. Civil Service Bureau agrees that there is a need for a supernumerary AOSGC post to provide D,BSPU with the necessary level of support to implement the new policy commitment on corporatisation of government activities for a period of three years. The grading and ranking of the proposed post is appropriate, having regard to the scope, complexity and policy significance of the work involved.

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

20. As the post is proposed on a supernumerary basis, we will report its creation, if approved, to the Standing Committee on Directorate Salaries and Conditions of Service in accordance with the agreed procedure.

Offices of the Chief Secretary for Administration and the Financial Secretary
April 1999

**Responsibilities of the Assistant Director and
the Principal Management Services Officer in the
Business and Services Promotion Unit**

The Assistant Director heads the Services Promotion team in monitoring and coordinating the Services Promotion Programme, which is designed to ensure that Hong Kong remains the premier services centre in the region. The Programme is based on the Final Report of the former Task Force on Services Promotion chaired by the Financial Secretary (FS) from August 1995 to end 1996. Apart from monitoring the implementation of the 125 initiatives in the Final Report, the Services Promotion team also identifies additional initiatives to form the basis of each year's Action Agenda. It is at present engaged in surfacing ideas for the 1999-2000 Action Agenda. The exercise involves in-depth interviews with a wide range of top business leaders, leading academics and senior officials, followed by a brainstorming session with FS to identify the most worthy and pressing initiatives. The team then works with the lead agency for each item, providing funding and staffing support for consultancies and other assistance to take the projects forward.

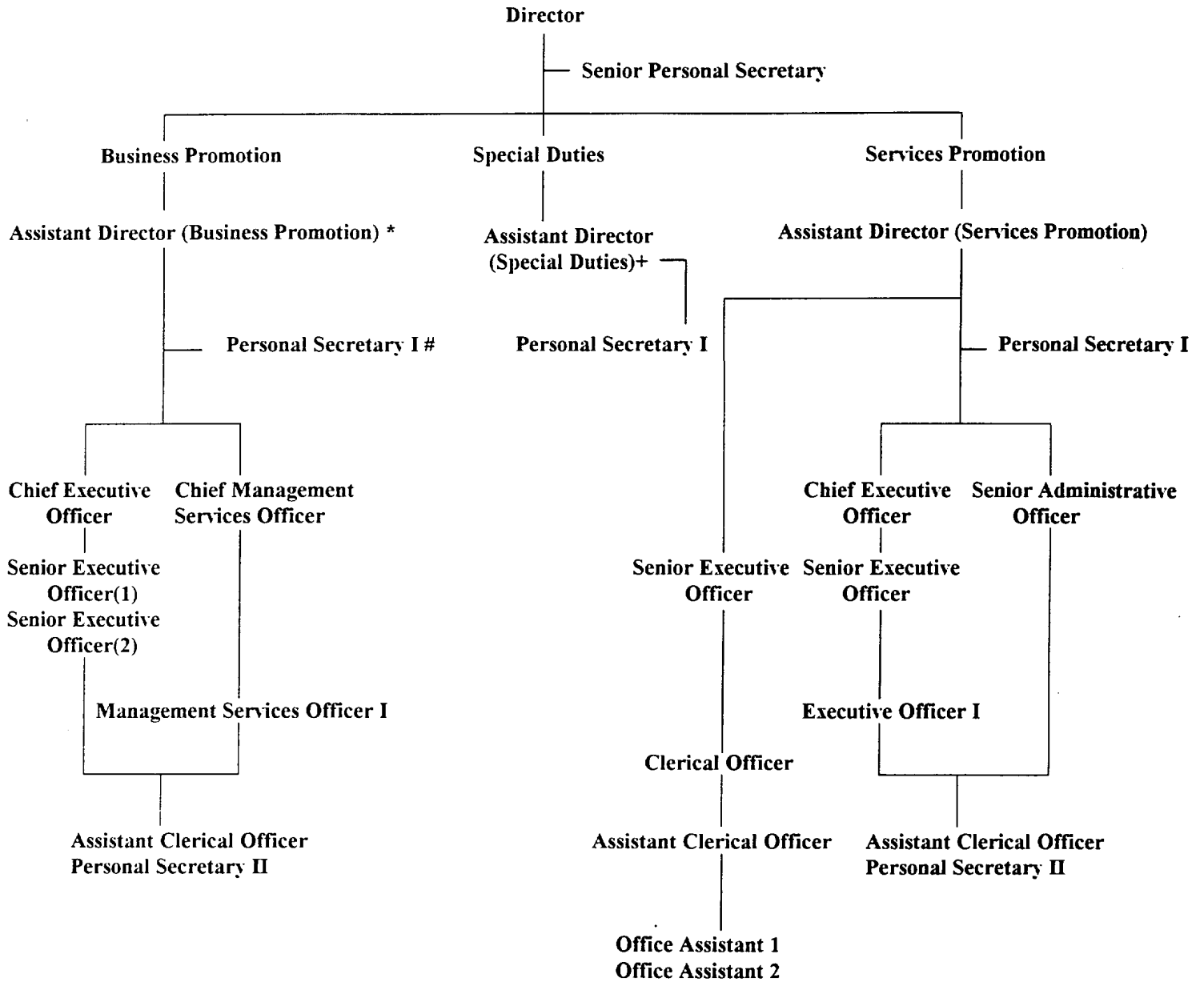
2. The Principal Management Services Officer (PMSO) heads the Helping Business team. The team supports the Director, Business and Services Promotion Unit in monitoring and coordinating the implementation of the Helping Business Programme which aims to ensure that Hong Kong remains the best place in the world for business. The team monitors helping business studies and identifies new ideas for consideration as potential helping business initiatives. The Helping Business Programme is compiled on a rolling basis. The team generates new ideas for projects by maintaining close contact with the business community, monitoring the media for reports of problem areas and new opportunities, and by a continuous programme of visits to heads of department and their senior directorate. The team works with the lead agency, providing funding and staffing support for consultancies and other assistance to take forward projects which have been identified as priority items. As the head of the Helping Business team has taken on a range of duties not originally envisaged and the post is under-ranked, the Director of Administration has submitted a separate proposal to this Committee to upgrade the head of the team from PMSO to Assistant Director of Management Services (D2) to reflect its level of responsibility (Re. EC(1999-2000)1).

**Job Description of the Proposed
Supernumerary Administrative Officer Staff Grade C post**

To assist and support the Director, Business and Services Promotion Unit in -

1. Formulating and working out with bureaux and departments concerned all the legal and administrative arrangements for corporatisation of those government activities which have been identified to be suitable for corporatisation.
2. Completing the drafting work for the series of bills on public corporations and seeing through the legislative process up to the enactment of the bills.
3. Liaising with the newly established public corporations to resolve any difficulties encountered in the early years of establishment.
4. Examining the possibility of privatisation of certain established public corporations and the related legislative and administrative arrangements.
5. Providing administrative support for the privatisation of any established public corporations.
6. Undertaking such other duties as may be assigned by the Director.

**Organisation Chart
Business and Services Promotion Unit
Offices of the Chief Secretary for Administration
and the Financial Secretary**



Note :

* proposed new post to be offset by deletion of the Principal Management Services Officer post under a separate submission.

proposed consequential upgrading of personal secretary post as a result of the above.

+ supernumerary post proposed to be retained for further three years from 30.4.1999.