

ITEM FOR FINANCE COMMITTEE

NEW HEAD “GOVERNMENT SECRETARIAT : INNOVATION AND TECHNOLOGY COMMISSION”

NEW HEAD “INVEST HONG KONG”

HEAD 73 - INDUSTRY DEPARTMENT

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

Subhead 838 Minor consultancy studies (block vote)

HEAD 152 - GOVERNMENT SECRETARIAT : TRADE AND INDUSTRY BUREAU

New Subhead “Minor consultancy studies (block vote)”

HEAD 181 - TRADE DEPARTMENT

HEAD 177 - SUBVENTIONS : NON-DEPARTMENTAL PUBLIC BODIES

Subhead 429 Consumer Council

Subhead 441 Hong Kong Productivity Council

Subhead 533 Hong Kong Applied Science and Technology Research Institute

Subhead 905 Hong Kong Productivity Council

Subhead 930 Hong Kong Applied Science and Technology Research Institute

Subhead 955 Consumer Council

For the purpose of operating the new institutional framework for promoting innovation and technology, attracting external direct investment, and supporting industry and commerce, Members are invited to approve the following changes to the 2000-01 Estimates, with effect from 1 July 2000 –

- (a) for the Innovation and Technology Commission –
 - (i) creation of a new Head of Expenditure under the General Revenue Account entitled “Government Secretariat : Innovation and Technology Commission”, with the Commissioner for Innovation and Technology as controlling officer;
 - (ii) creation of one Recurrent Account Subhead and three Capital Account Subheads under this new Head of Expenditure;
 - (iii) consequential transfer of seven non-recurrent commitments from Head 73 Industry Department to this new Head of Expenditure; and
 - (iv) supplementary provision of \$155.4 million in 2000-01;
- (b) for the Invest Hong Kong –
 - (i) creation of a new Head of Expenditure under the General Revenue Account entitled “Invest Hong Kong”, with the Director-General of Investment Promotion as controlling officer;
 - (ii) creation of one Recurrent Account Subhead and two Capital Account Subheads under this new Head of Expenditure;
 - (iii) consequential transfer of one non-recurrent commitment from Head 73 Industry Department to this new Head of Expenditure; and
 - (iv) supplementary provision of \$41.6 million in 2000-01;

- (c) for Head 152 Government Secretariat : Trade and Industry Bureau –
 - (i) change in the English title of this Head of Expenditure to “Government Secretariat : Commerce and Industry Bureau”; and
 - (ii) creation of a Capital Account Subhead “Minor consultancy studies (block vote)” with supplementary provision of \$15.6 million in 2000-01 for this Subhead;
- (d) for Head 142 Government Secretariat : Offices of the Chief Secretary for Administration and the Financial Secretary, expand the ambit of Subhead 838 Minor consultancy studies (block vote) to include Efficiency Unit as a user of funds under this Subhead;
- (e) change in the title of Head 181 from “Trade Department” to “Trade and Industry Department”;
- (f) for Head 177 Subventions : Non-departmental Public Bodies –
 - (i) change in the controlling officer for Subhead 429 Consumer Council and Capital Account Subhead 955 Consumer Council, from the Secretary for Trade and Industry to the Secretary for Economic Services;
 - (ii) change in the controlling officer for Subhead 441 Hong Kong Productivity Council, Subhead 533 Hong Kong Applied Science and Technology Research Institute, Capital Account Subhead 905 Hong Kong Productivity Council, and Capital Account Subhead 930 Hong Kong Applied Science

/and

and Technology Research Institute, from the Director-General of Industry to the Commissioner for Innovation and Technology; and

- (g) deletion of Head 73 Industry Department.

PROBLEM

We need to fund the new institutional framework for promoting innovation and technology, attracting external direct investment, and supporting industry and commerce.

PROPOSAL

2. We propose the following changes to the 2000-01 Estimates, with effect from 1 July 2000 –

- (a) creating two new Heads of Expenditure and relevant Subheads under the General Revenue Account to account for the expenditure of the Innovation and Technology Commission (ITC) and Invest Hong Kong (IHK), with the Commissioner for Innovation and Technology (CIT) and Director-General of Investment Promotion (DGIP) as controlling officers respectively;
- (b) transferring seven non-recurrent commitments from Industry Department (ID) to ITC totalling \$305.9 million to enable the latter to take forward previously approved capital non-works projects;
- (c) transferring one non-recurrent commitment from ID to IHK of \$2 million to enable the latter to meet the setting-up expenses of IHK;
- (d) providing under the two new Heads of Expenditure supplementary provision of \$155.4 million and \$41.6 million in 2000-01 respectively for the operation of ITC and IHK from 1 July 2000;
- (e) changing the English title of Head 152 from “Government Secretariat : Trade and Industry Bureau” to “Government Secretariat : Commerce and Industry Bureau”;

/(f)

- (f) creating a Capital Account (block vote) Subhead under Head 152 Government Secretariat : Commerce and Industry Bureau to enable Commerce and Industry Bureau (CIB)¹ to fund minor consultancy studies undertaken by the Business and Services Promotion Unit (BSPU) with supplementary provision of \$15.6 million in 2000-01 and widening the ambit of Subhead 838 Minor consultancy studies (block vote) under Head 142 Government Secretariat : Offices of the Chief Secretary for Administration and the Financial Secretary to fund minor consultancy studies undertaken by the Efficiency Unit (EU);
- (g) changing the title of Head 181 from “Trade Department” to “Trade and Industry Department”;
- (h) changing the controlling officer for subventions to the Consumer Council from the Secretary for Trade and Industry (STI) to the Secretary for Economic Services (SES);
- (i) changing the controlling officer for subventions to the Hong Kong Productivity Council (HKPC) and the Hong Kong Applied Science and Technology Research Institute (ASTRI) from the Director-General of Industry (DGI) to CIT; and
- (j) deleting Head 73 Industry Department.

JUSTIFICATION

New Institutional Framework

3. On 10 May 2000, the Establishment Subcommittee of the Finance Committee endorsed, *vide* EC(2000-01)3, the proposed organisation and staffing structures of a new institutional framework to advance Government initiatives for promoting innovation and technology, attracting external direct investment, and improving services to industry and commerce. These will involve, among others –

- (a) setting up ITC within CIB to manage and co-ordinate on a day-to-day basis programmes for promoting innovation and technology;
- (b) setting up a separate Government agency named IHK to execute programmes for attracting external direct investment;
- (c) integrating BSPU of Financial Secretary’s Office into CIB;

/(d)

¹ The English title of Trade and Industry Bureau (TIB) will be changed to CIB on 1 July 2000.

- (d) Economic Services Bureau (ESB) taking over from CIB responsibilities for consumer protection, competition policy and regulation of outbound travel agents;
- (e) integrating into Trade and Industry Department² (TID) those functions of ID related to general support for industry and small and medium enterprises;
- (f) disestablishing ID; and
- (g) consequential creation and deletion of posts in the bureaux and departments concerned.

Detailed Proposals for ITC and IHK

4. We propose to create two new Heads of Expenditure under the General Revenue Account to account for the spending of –

- (a) ITC with CIT as controlling officer; and
- (b) IHK with DGIP as controlling officer.

5. Although being part of CIB, ITC will operate as a fairly distinct unit with a sizeable setup of more than 200 people and an annual recurrent budget of about \$121 million. The Commissioner will also be overseeing significant non-recurrent funds in support of Government's initiative on promoting innovation and technology. For better resource management and public accountability, we consider it appropriate to account for its expenditure separately from that of CIB, with CIT being made the controlling officer for such expenditure.

6. As in the case of other existing Heads, the expenditure under each new Head will be broken down into Recurrent and Capital Account Subheads. Details of each of the two Heads presented in the Estimates format with supporting explanation are set out in Enclosures 1 and 2.

Encls. 1&2

Recurrent expenditure

7. As regards recurrent expenditure, we propose to provide a one-line vote arrangement for both ITC and IHK, i.e. all the recurrent expenditure of each

/agency

² Trade Department will be renamed as TID on 1 July 2000.

agency will be accounted for under one single Subhead. The reason is threefold. First, the recurrent budgets of ITC and IHK are relatively small and greater flexibility is necessary to facilitate resource redeployment. Second, both agencies will need a mix of civil servants and non-civil service staff and the conventional arrangement of charging salaries of these two types of staff to separate Subheads is not conducive to making prompt and flexible staffing arrangements to suit their needs. Third, putting resources under a single Subhead would increase the flexibility of the agencies to out-source certain work, e.g. marketing and promotion, when necessary.

8. For the period 1 July 2000 to 31 March 2001, we estimate that ITC and IHK will incur recurrent expenditure totalling \$121.7 million, made up as follows –

- (a) \$94.3 million under the new Head “Government Secretariat : Innovation and Technology Commission”; and
- (b) \$27.4 million under the new Head “Invest Hong Kong”.

Non-recurrent expenditure : ITC

9. To equip adequately its Standards and Calibration Laboratory (to be transferred from ID), ITC will need to incur non-recurrent expenditure for procuring minor equipment, other than administrative computer systems, each costing more than \$100,000 but not exceeding \$2 million. We therefore propose to create under the new Head of Expenditure for ITC Capital Account *Subhead 661 Minor plant, vehicles and equipment (block vote)* with supplementary provision of \$3.1 million in 2000-01. The amount currently proposed to be provided for is the residual amount carried forward from the same Subhead under Head 73 Industry Department.

10. We propose to create two other Capital Account Subheads, namely, *Subhead 603 Plant, vehicles and equipment* and *Subhead 700 General other non-recurrent* so that we can transfer to the new Head the existing approved non-recurrent commitments under Head 73 Industry Department. These include, inter alia, a commitment of \$268 million for planning, developing and operating the Science Park in the initial years. Details of the commitments are contained in the Estimates for ITC in Enclosure 1.

Non-recurrent expenditure : IHK

11. At present, under Head 73 Industry Department, funds for investment promotion work are provided under a Capital Account block vote, namely,

/Subhead

Subhead 724 Investment promotion. Activities funded from this block vote include production of investment promotion publications and audio-visual materials; overseas advertising campaigns; participation in international fairs and exhibitions; organisation of seminars and missions; and on meeting the expenses of staff of ID and the Economic and Trade Offices overseas arising from their services to potential investors. The approved provision for this Subhead in 2000-01 is \$12 million. For similar purposes, we propose to create the same Capital Account Subhead for IHK with supplementary provision of \$12.2 million in 2000-01. The proposed provision takes into account the residual amount carried forward from this Subhead under Head 73 Industry Department and additional resources allocated to cater for anticipated increase in the level of activities of IHK.

12. We will also create another Capital Account Subhead, namely, *Subhead 700 General other non-recurrent* so that we can transfer to the new Head an approved non-recurrent commitment of \$2 million under Head 73 Industry Department for meeting the setting-up expenses of IHK.

Detailed Proposals for CIB

13. To tie in with the new title of TIB after the reorganisation, we propose to change the English title of Head 152 from “Government Secretariat : Trade and Industry Bureau” to “Government Secretariat : Commerce and Industry Bureau”.

14. At present, BSPU may incur expenditure under Head 142 Government Secretariat : Offices of the Chief Secretary for Administration and the Financial Secretary Capital Account *Subhead 838 Minor consultancy studies (block vote)* for conducting minor studies each costing above \$100,000 but not exceeding \$3 million related to the Helping Business and Services Promotion Programmes. With the integration of BSPU into CIB, we propose to create an equivalent Subhead for CIB with supplementary provision of \$15.6 million in 2000-01 which is the residual amount earmarked in 2000-01 for the Programmes under BSPU. EU, which will take over responsibility for that part of the Helping Business Programme related to transfer of public services, may incur expenditure under the existing Subhead for conducting minor studies in relation to its new responsibility. For this purpose, we propose to widen the ambit of the existing Subhead under Head 142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary to include EU as a user of the funds under this Subhead.

Change in title of Head 181 Trade Department

15. To tie in with the new title of TID after the reorganisation, we propose to change the title of Head 181 from “Trade Department” to “Trade and Industry Department”.

/Changes

Changes in Controlling Officers

16. STI is currently the controlling officer for Government subventions to the Consumer Council accounted for under Head 177 Subventions : Non-departmental Public Bodies *Subhead 429 Consumer Council* and Capital Account *Subhead 955 Consumer Council*. After the reorganisation, SES will take over from STI policy responsibility for consumer protection. Accordingly, we propose to change the controlling officer for these two Subheads from STI to SES.

17. In addition, DGI is currently the controlling officer for Government subventions to the HKPC and ASTRI. These subventions are accounted for under Head 177 Subventions : Non-departmental Public Bodies as follows –

HKPC

- *Subhead 441 Hong Kong Productivity Council (Recurrent Account)*
- *Subhead 905 Hong Kong Productivity Council (Capital Account)*

ASTRI

- *Subhead 533 Hong Kong Applied Science and Technology Research Institute (Recurrent Account)*
- *Subhead 930 Hong Kong Applied Science and Technology Research Institute (Capital Account)*

After the reorganisation, ITC will be responsible for overseeing Government subvention to these two non-government bodies. Accordingly, we propose to change the controlling officer of these four Subheads from DGI to CIT.

Deletion of Head 73 Industry Department

18. Consequent to the above changes, the existing Head 73 Industry Department will be deleted.

FINANCIAL IMPLICATIONS

19. The proposals in this paper will involve total supplementary provision of \$211.2 million in 2000-01, broken down as follows –

/Supplementary

	Supplementary provision in 2000-01 (\$ million)
ITC	155.4
IHK	41.6
CIB	14.2 ³

Subject to Members' approval, we will offset the supplementary provision required by deleting appropriate amounts under various relevant Heads and Subheads of Expenditure including Head 73 Industry Department, Head 142 Government Secretariat : Offices of the Chief Secretary for Administration and the Financial Secretary, and Head 106 Miscellaneous Services Subhead 789 Additional commitments. The **net** additional expenditure for the proposals in 2000-01 is \$17.7 million. The full-year requirements of the agencies concerned will be reflected in the 2001-02 draft Estimates and will be subject to scrutiny by the Legislative Council in the context of the Appropriation Bill 2001.

20. The new institutional framework will entail other changes to the 2000-01 Estimates of a few bureaux and departments, largely as a result of the creation and deletion of posts as endorsed by the Establishment Subcommittee. For the creation of 76 posts in CIB, ESB, TID, Information Services Department, Census and Statistics Departments and Official Languages Agency (OLA) which is estimated to cost \$30.2 million in 2000-01, in line with the usual practice, we will provide under delegated authority supplementary provision to the relevant Heads and Subheads of Expenditure. For the deletion of 307 posts in BSPU, CIB, ID and OLA for which approved provision of \$117.6 million in 2000-01 is no longer required, we will reserve the amounts⁴ under the relevant Heads and Subheads of Expenditure. Apart from changes in Estimates related to personal emolument, it will be necessary to make minor adjustments to the approved provision for general departmental expenses and minor capital non-works projects in respect of a few bureaux and departments. These will effectively be transfers of provision from one Head of Expenditure to another, and will be dealt with under delegated authority in line with the usual practice.

/BACKGROUND

³ The amount consists of the supplementary provision of \$15.6 million required for the new Subhead for minor consultancy studies partly offset by resources transferred to other Heads of Expenditure involving in the reorganisation proposal.

⁴ Since some posts will be created and some others will be deleted in CIB and OLA, the approved provision for the posts to be deleted will be used to offset partly the supplementary provision required for the posts to be created.

BACKGROUND INFORMATION

21. In his 2000-01 Budget Speech, Financial Secretary announced Government's plan to reorganise its institutional framework for promoting innovation and technology, attracting external direct investment and supporting industry and commerce. We briefed Members of the Legislative Council Panel on Trade and Industry on the reorganisation plan on 3 April 2000. Members generally supported the plan. The Establishment Subcommittee of the Finance Committee endorsed the proposed organisation and staffing structures of the new framework on 10 May 2000.

Trade and Industry Bureau
June 2000

**Estimated Provision Required for
Innovation and Technology Commission
(For period covering 1 July 2000 to 31 March 2001)**

Sub-head (Code)	Estimate 2000-01
	\$'000
Recurrent Account	
000	Operational expenses
	94,330
	Total, Recurrent Account
	94,330
Capital Account	
	I — Plant, Equipment and Works
603	Plant, vehicles and equipment.....
	577
661	Minor plant, vehicles and equipment (block vote)
	3,050
	Total, Plant, Equipment and Works
	3,627
	II — Other Non-Recurrent
700	General other non-recurrent
	57,444
	Total, Other Non-Recurrent
	57,444
	Total, Capital Account.....
	61,071
	Total Expenditure.....
	155,401

Details of Expenditure by Subhead

The estimate of the amount required in 2000–01 for the salaries and expenses of the Innovation and Technology Commission is \$155,401,000.

Recurrent Account

2 Provision of \$94,330,000 under *Subhead 000 Operational expenses* is for the salaries and allowances of staff of the Innovation and Technology Commission and its other operating expenses. Management and control of the Department's operational expenses takes the form of a one-line vote. The controlling officer is given flexibility in the virement of funds within the subhead to facilitate the achievement of greater efficiency and enhanced productivity.

3 As a vote-funded agency, the Commission is subject to establishment control. The establishment at 1 July 2000 will be 203 permanent posts and one supernumerary post. It is expected that 1 post will be created in 2000-01. Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2000–01, but the notional annual mid-point salary value of all such posts must not exceed \$79,165,000.

4 An analysis of financial provision under *Subhead 000 Operational expenses* is as follows:

	2000–01 (Estimate) (\$'000)
Personal emoluments	
- Salaries	70,892
- Allowances	2,098
Departmental expenses	
- General departmental expenses.....	21,340
	<hr/> 94,330 <hr/>

5 Subject to the cash-limited ceiling of \$94,330,000 which will not be increased in the course of the year except for increases to the personal emoluments portion in line with the civil service pay adjustment, the controlling officer may deploy funds freely to meet requirements under each of the various expenditure components. As a one-line vote agency, the Commission will provide to Finance Committee quarterly financial reports showing actual spending and any redeployment of funds within *Subhead 000 Operational expenses* based on the above analysis.

Capital Account

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.00	Estimated expenditure 1.4.00 to 30.6.00	Balance
			\$'000	\$'000	\$'000	\$'000
603		<i>Plant, vehicles and equipment</i>				
	208	Equipment and associated expenses for the expansion of the laboratory accreditation scheme to cover laboratories testing concrete and concrete reinforcing steel	21,627	20,745	—	882
	236	Quantised Hall Effect primary resistance standard system	2,720	104	—	2,616
			<u>24,347</u>	<u>20,849</u>	<u>—</u>	<u>3,498</u>
700		<i>General other non-recurrent</i>				
	534	Consultancy for advising HOKLAS on accreditation of new test areas	500	—	—	500
	548	TES on plastics industry	5,800	2,523	—	3,277
	549	Science Park	268,000	28,803	7,309	231,888
	553	Publicity for industrial and services support funding scheme	800	716	—	84
	554	TES on textiles and clothing industry	6,500	1,230	1,538	3,732
			<u>281,600</u>	<u>33,272</u>	<u>8,847</u>	<u>239,481</u>
		Total	<u>305,947</u>	<u>54,121</u>	<u>8,847</u>	<u>242,979</u>

**Estimated Provision Required for
Invest Hong Kong
(For period covering 1 July 2000 to 31 March 2001)**

Sub- head (Code)	Estimate 2000-01
	\$'000
Recurrent Account	
000	Operational expenses
	27,399
	27,399
Capital Account	
II — Other Non-Recurrent	
700	General other non-recurrent.....
	2,000
724	Investment promotion (block vote) ..
	12,180
	14,180
	14,180
	41,579
	41,579

Details of Expenditure by Subhead

The estimate of the amount required in 2000–01 for the salaries and expenses of the Invest Hong Kong is \$41,579,000.

Recurrent Account

2 Provision of \$27,399,000 under *Subhead 000 Operational expenses* is for the salaries and allowances of staff of the Invest Hong Kong and its other operating expenses. Management and control of the Department's operational expenses takes the form of a one-line vote. The controlling officer is given flexibility in the virement of funds within the subhead to facilitate the achievement of greater efficiency and enhanced productivity.

3 As a vote-funded department, the Department is subject to establishment control. The establishment at 1 July 2000 will be 27 permanent posts. It is expected that 21 posts will be created in 2000-01. Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2000–01, but the notional annual mid-point salary value of all such posts must not exceed \$23,343,000.

4 An analysis of financial provision under *Subhead 000 Operational expenses* is as follows:

	2000–01 (Estimate) (\$'000)
Personal emoluments	
- Salaries	19,684
- Allowances	520
Departmental expenses	
- General departmental expenses	7,195
	<hr/> 27,399 <hr/>

5 Subject to the cash-limited ceiling of \$27,399,000 which will not be increased in the course of the year except for increases to the personal emoluments portion in line with the civil service pay adjustment, the controlling officer may deploy funds freely to meet requirements under each of the various expenditure components. As a one-line vote department, the Department will provide to Finance Committee quarterly financial reports showing actual spending and any redeployment of funds within *Subhead 000 Operational expenses* based on the above analysis.

Capital Account

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.00	Estimated expenditure 1.4.00 to 30.6.00	Balance
			\$'000	\$'000	\$'000	\$'000
700		<i>General other non-recurrent</i>				
		Setting-up expenses for the Invest Hong Kong	2,000	—	—	2,000
			<u>2,000</u>	<u>—</u>	<u>—</u>	<u>2,000</u>
		Total	<u>2,000</u>	<u>—</u>	<u>—</u>	<u>2,000</u>