For discussion on 27 May 2015

Legislative Council Panel on Economic Development

Proposed Creation of a Supernumerary Directorate Post for Supporting the Development of the Maritime Industry

PURPOSE

This paper seeks Members' views and support on a proposal to create a supernumerary directorate post of Administrative Officer Staff Grade C (AOSGC) (D2) in Division 5 of the Transport Branch of Transport and Housing Bureau (THB(TB)) for about five years with immediate effect upon approval of the Finance Committee (FC) up to 31 March 2020, to assist in taking forward the Government's policy commitments and initiatives in fostering the development of Hong Kong's maritime industry and enhancing Hong Kong's position as an international maritime centre (IMC).

BACKGROUND

Development of Hong Kong as an IMC

- 2. It is the Government's policy to enhance Hong Kong's position as an IMC by leveraging on the competitive edge in developing quality and international maritime services, such as ship registration, management and broking, shipping agency, ship finance, maritime insurance, and legal and arbitration services. To this end, as set out in the 2014 and 2015 Policy Address, the Government is taking forward a consultancy recommendation on setting up a new maritime body to promote Hong Kong's maritime industry, with emphasis on high value-added maritime services. At the same time, with the expansion of the Mainland's maritime industry, it is also our aim to capitalise on the development opportunities by serving as a "springboard" for Mainland maritime companies seeking to expand globally and as a platform for international maritime companies to tap the Mainland market, thereby strengthening Hong Kong's IMC position.
- 3. To achieve the above policy aims, Division 5 in THB(TB) has been tasked to step up efforts and to work with the stakeholders in promoting the development of the maritime industry. A proactive and strategic approach is required in formulating and implementing policy measures and initiatives in pursuit of the policy goals, bearing in mind also the fact that maritime business is highly competitive regionally and internationally. Extensive collaboration with different services sectors in the maritime industry and the academia is called for in order to effectively take forward plans through

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a tripartite working relationship. As a result, the scope, complexity and volume of work of the maritime portfolio in THB(TB) have grown substantially. The current staffing establishment in Division 5 of THB(TB) is considered inadequate to tackle the additional work anticipated in the coming years.

Organisational Establishment

4. At present, Division 5 of THB(TB) is responsible for policy matters relating to maritime, logistics and port development. The Division is headed by the Deputy Secretary for Transport and Housing (Transport) 5 (DS(T)5), ranked at Administrative Officer Staff Grade B (AOSGB) (D3) level. Insofar as the maritime portfolio is concerned, DS(T)5 is underpinned by one directorate post ranked at Principal Marine Officer (D1) as Chief Assistant Secretary (Transport) (CAS(T)), who also oversees the port development portfolio. Over time, both the maritime and port development portfolios have grown in complexity and volume. For port development, it is anticipated that in the coming five years, Division 5 has to steer and oversee a number of major initiatives that have far-reaching policy implications and will affect the long term well-being and competitiveness of the Hong Kong Port. Such initiatives include the Review of the Public Cargo Working Areas along Hong Kong's waterfront, the Review of Berthing Facilities for Local Vessels, Enhancement Measures for Upgrading the Capability of the Kwai Tsing Container Terminals and Rationalisation of the Use of Port Back-up Land. Furthermore, Division 5 is required to provide policy input and steer legislative exercises in implementing follow-up improvement measures to enhance safety in Hong Kong waters as recommended by the "Report of the Commission of Inquiry into the Collision of Vessels near Lamma Island on 1 October 2012". It has become unsustainable to have only one D1 post to support two policy portfolios. It is necessary to create a supernumerary AOSGC post in THB(TB) to provide DS(T)5 with the necessary and dedicated administrative support at directorate level for steering and overseeing initiatives in maritime development.

JUSTIFICATIONS

- 5. To carry out the policy objective of enhancing Hong Kong's position as an IMC amidst increasing competition from other IMCs in the region and globally, dedicated administrative support at directorate level is necessary to assist DS(T)5 in the following areas
 - (a) to identify challenges and opportunities at a macro and global level and on an on-going basis regarding how Hong Kong can leverage on its strengths to attract more maritime businesses to use Hong Kong as their base for operating in the region, that is, the building of the maritime cluster;
 - (b) to devise policies and implementation strategies conducive to the objective in (a) above;
 - (c) to take forward the consultant's recommendation on setting up a new maritime body based on the findings of the current Business Case Study (due to be

- completed soon) with a view to securing new and dedicated resources to spearhead maritime industry development in Hong Kong;
- (d) to formulate strategies to engage industry and academic interlocutors to join hands in raising the professionalism of maritime service providers and in grooming new blood for high-end maritime services, including overseeing the further development of the Maritime and Aviation Training Fund (MATF) and other manpower development plans;
- (e) to coordinate efforts from the industry and academia in contributing towards Hong Kong's maritime development in the context of the coming National 13th Five-Year Plan and the "One Belt, One Road" Initiative, and to map out implementation strategies and plans; and
- (f) to provide administrative and technical support to the Hong Kong Maritime Industry Council (MIC) (chaired by the Secretary for Transport and Housing and comprising industry representatives from different services sectors of the maritime cluster, such as maritime law, marine insurance, shipowning, broking and classification society etc.) and the Sub-group on Maritime under the Working Group on Transportation of the Economic Development Commission, which serve as important communication and collaboration platforms between the Government and stakeholders on maritime development.

Creation of the Supernumerary AOSGC post for about Five Years

6. The proposed AOSGC post, to be designated as Principal Assistant Secretary (Transport)11 (PAS(T)11), will strengthen the directorate support in THB(TB) for taking forward various policy measures and initiatives in line with paragraphs 5(a)-(f) above. More specifically, it is envisaged that the proposed AOSGC post will be tasked to attend to the following important work in maritime development which needs to be tackled by DS(T)5 in the next five years –

(a) Establishing a New Maritime Body

It has been set out in the 2015 Policy Address that the Government will continue to take forward the establishment of a new maritime body to promote Hong Kong's maritime services industry. A Business Case Study which aims at defining the scope and modus operandi of the new body and ascertaining the new body's operational and financial sustainability is underway. The consultant will finalise its recommendations to the Government in the next few months. Subject to the recommended model, the proposed AOSGC post is required to support DS(T)5 to further engage the industry on the establishment of the new maritime body, such as drawing up its structure and modus operandi, and seeking policy/resource or other approvals in accordance with established procedures and processes. Furthermore, in the initial years of operation of the new body, Division 5, with overall policy responsibility over maritime, will need to maintain oversight of the new body to ensure its smooth operation. In the interim, the AOSGC post has to oversee the maritime team to keep up the

momentum to promote the maritime industry locally and overseas and to implement on-going policy initiatives in collaboration with stakeholders. The functions of the MIC have already been enhanced through expanding its terms of reference and composition so that the advisory body becomes more representative of the maritime cluster and takes a more proactive role in some of the initiatives such as manpower training and development. A funding of \$5 million has been earmarked in 2015-16 and 2016-17 to support the MIC to conduct policy-related research and to expand promotional activities in the Mainland and overseas (including participation in large-scale international exhibition like the Marintec China in Shanghai by end of this year and Posidonia in Athens in mid-2016). Division 5 will also continue to provide the executive support to MIC in co-organising the Asian Logistics and Maritime Conference with the Hong Kong Trade Development Council, a signature event in the region which attracted over 1 600 participants from 32 countries/economies in 2014.

(b) The National 13th Five-Year Plan and "One Belt, One Road" Strategy

The National 13th Five-Year Plan is expected to be released in 2016, covering the period 2016 – 2020. The Central Authorities also announced the "One Belt, One Road" strategy, which seeks to foster closer co-operation and create new economic prospects with some 60 countries along the routes. The coming five years will be a critical period for the Hong Kong maritime services sector to grasp the immense development opportunities available to them under the Plan and the "One Belt, One Road" strategy. The proposed AOSGC post is required to assist DS(T)5 in providing substantial policy input to the formulation of strategies and initiatives towards this goal. In addition, the AOSGC post will also be responsible for steering and overseeing policy research to be conducted as necessary in this area.

(c) <u>Manpower Training - MATF</u>

The MATF, with a commitment of \$100 million, was launched in April 2014 for a period of five years with the aim to attract young new blood to join the industries and provide financial support for enhancing professionalism and The maritime-portion of the MATF is operated on the advice of a tripartite taskforce among the industry, the Government and the academia. date, the MATF supports seven scholarship/sponsorship schemes with local universities to sponsor students undertaking post-graduate maritime related programmes or short-term overseas exchange programmes. provides subsidy to employees in the maritime and aviation sectors for taking professional courses or sitting for qualification-attaining examinations to upgrade their professionalism and skill level. A summer internship scheme has also been implemented to give tertiary students early exposure to working in the relevant industries to enhance their understanding of the career prospects in related fields. Although the MATF has been successfully launched, apart from monitoring and administering individual schemes on a daily basis, the proposed AOSGC post has to maintain oversight of the MATF to ensure that it

meets its policy objective, and to continually review and refine individual schemes in the light of experience and feedback in consultation with the tripartite taskforce, to garner industry support/participation in various schemes, to assess the manpower situation and training needs from time to time through industry consultation and surveys, and to devise long-term manpower development strategies and plans.

(d) Avoidance of Double Taxation Agreements (DTAs) covering Shipping Income

Hong Kong enters into DTAs with trading partners for the avoidance of double taxation on income derived from international shipping operation. For international shipping, the availability of such agreements in Hong Kong is an important business consideration to decide whether or not to operate ships from here. Conclusion of DTAs involves government to government negotiations and in the case of Hong Kong, the proposed AOSGC post is required to take the lead in the negotiation of shipping income DTAs. To date, Hong Kong has concluded double taxation relief arrangements covering shipping income with 39 economies. In order for Hong Kong to enhance its position as an IMC and benefit from the "One Belt, One Road" strategy, we see scope in further expanding the DTA network to cover countries/economies along the routes and seeking to conclude more DTAs in the coming years.

Need for a supernumerary AOSGC (D2) post

- The breadth, nature and complexity of work as outlined above require the fulltime attention of an additional AOSGC to provide strong administrative support to DS(T)5 in formulating the relevant policies and strategies. The officer needs a policy vision to formulate strategies and measures to position Hong Kong as an IMC and enhance its competitiveness vis-a-vis other maritime centres. He/she also needs strong political acumen to engage stakeholders in different services sectors to collaborate towards the policy goal for manpower development and grooming of new blood for the maritime industry on a long term basis. He/she is required to help formulate strategies to help the Hong Kong maritime industry capitalise on the Mainland maritime market. In addition, legislative work arising from the relevant duties require substantive administrative and policy input by an AOSGC. Having regard to the administrative nature and complexity of work involved, we consider that dedicated support from a fulltime directorate officer of AOSGC (D2) is appropriate and necessary. description of the proposed AOSGC post is at **Enclosure 1**. Subject to the creation of the AOSGC post, the CAS(T) post will henceforth focus on port development matters.
- 8. We shall review the long-term requirement for directorate support for the maritime portfolio taking into account the work progress at different fronts and in particular progress of the establishment of the proposed new maritime body before expiry of the five-year period.

Non-directorate support

9. Apart from the proposed supernumerary directorate post, three non-directorate

posts¹ will be created on a time-limited basis in Division 5 of THB(TB) to render the necessary support in taking forward the manpower training initiatives under the MATF, supporting maritime-related policy research work and overseas promotion projects, as well as providing the necessary secretarial support for the proposed AOSGC post. Other existing non-directorate staff in THB(TB) will also be redeployed to underpin the proposed AOSGC post when necessary. The existing and proposed organisation charts of THB(TB) and Division 5 are at **Enclosures 2 and 3**.

Alternatives considered

10. We have critically examined the possibility of absorbing the duties of the proposed supernumerary AOSGC post by the existing officers of the same rank (i.e. Principal Assistant Secretaries (PASs)) within Division 5 or THB(TB). The only AOSGC post in Division 5, designated as Principal Assistant Secretary (Transport) 10 (PAS(T)10), is responsible for logistics development, promotion of e-logistics, providing secretariat support for the Hong Kong Logistics Development Council and its sub-committees, leading the Legal Task Force (with Marine Department (MD) and Department of Justice) to process some 30 sets of legislative amendment exercises to update local marine regulations in line with international requirements/charters, and house-keeping the MD. PAS(T)10 does not have any spare capacity to take on additional duties. Besides, all the other ten PASs within THB(TB) have a fully-committed portfolio of their own. It is operationally not possible for them to take up the tasks without adversely affecting the discharge of their current duties. The responsibilities of the existing PASs of THB(TB) are at **Enclosure 4**.

FINANCIAL IMPLICATIONS

11. The proposed creation of the supernumerary AOSGC post will bring about an additional notional annual salary cost at mid-point of \$1,843,200. The additional full annual average staff cost, including salaries and staff on-cost, is about \$2,565,000. As for the three non-directorate posts mentioned in paragraph 9 above, the notional annual salary cost at mid-point will not exceed \$2,166,000. Their full annual average staff cost, including salaries and staff on-cost, is about \$3,255,000. We have included the necessary provision in the draft Estimates of 2015-16 to meet the staff cost and will reflect the resources required in the Estimates of subsequent years.

WAY FORWARD

12. Members are invited to comment on the staffing proposal. Subject to Members' support, we will arrange seeking endorsement of Establishment Subcommittee and approval of FC on the proposal.

The three non-directorate posts comprise two Senior Executive Officers and one Personal Secretary I.

REFERENCE INFORMATION

- 13. Hong Kong shipowners own and manage about 8% of the world's merchant fleet², and the Hong Kong Shipping Register is the fourth-largest in the world with total gross tonnage of 96 million. Surrounding the shipping activities, there are about 700 shipping-related companies clustered in Hong Kong offering comprehensive maritime services, including ship management, broking and chartering, finance, marine insurance, maritime law and arbitration and support services. With the continuous expansion of our country's maritime and shipping industries, as well as the trend of global economic development, Hong Kong's maritime services sector has strong potential for further growth.
- A consultancy study on "Enhancing Hong Kong's Position as an International 14. Maritime Centre" was commissioned by the MIC in 2011 to, inter alia, look into ways to position Hong Kong as an IMC amidst competition in the region. The study report was published in April 2014. The consultant affirmed that Hong Kong should seek to expand the presence of commercial principals such as ship managers, owners and operators in Hong Kong and enhance capabilities in high value-added maritime services (e.g. ship finance, marine insurance, maritime law and arbitration), and to differentiate itself from other IMCs by positioning as a maritime services centre and springboard that facilitates Mainland shipping companies to operate internationally, and for foreign shipping companies to expand into the Mainland market. The study pointed out that the maritime industry is facing keen competition from other maritime centres in the region, and recommended the setting up of a new maritime body to proactively drive the longterm development of the maritime industry in Hong Kong through dedicated resources and expertise.
- 15. As announced in the 2014 and 2015 Policy Address, the Government is working towards the setting up of a new maritime body for driving the long-term development of the maritime industry. On the basis of the Consultancy Study, THB(TB) commissioned an expert to look into the business case of setting up such the proposed new body to ascertain its operational and financial sustainability. The consultant is at the final stage of work and will submit its recommendations in the next few months. THB will engage the industry and consult this Panel in finalising the way forward.

Transport and Housing Bureau May 2015

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² Source: Hong Kong Shipowners Association.

Proposed Job Description for Principal Assistant Secretary (Transport) 11 Transport Branch, Transport and Housing Bureau

Rank : Administrative Officer Staff Grade C (D2)

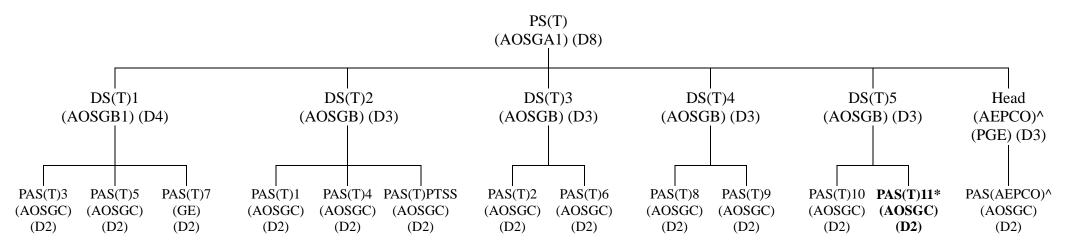
Responsible to : Deputy Secretary for Transport and Housing (Transport) 5 (DS(T)5)

Main Duties and Responsibilities:

- 1. To assist DS(T)5 in formulating and implementing policy initiatives for the development of high value-added maritime services in Hong Kong and to enhance Hong Kong's development of a maritime cluster and position as an international maritime centre (IMC).
- 2. To assist DS(T)5 in the preparation for setting up a new maritime body to promote maritime development, including industry consultation, seeking approvals from Legislative Council (LegCo) etc., discussions with resource bureaux and overseeing the related work.
- 3. To assist DS(T)5 in steering and administering the Maritime and Aviation Training Fund (MATF), including devise strategies to promote tripartite collaboration among Government, industry and the academia, liaise with the relevant stakeholders on planning and further development of initiatives under MATF, assess and review their effectiveness as well as refine their operation.
- 4. To support DS(T)5 in working with the Marine Department in implementing marine safety improvement measures as identified in the "Report of the Commission of Inquiry into the Collision of Vessels near Lamma Island on 1 October 2012", including the related legislative amendment exercises.
- 5. To lead and manage the secretariats for the Hong Kong Maritime Industry Council (MIC) and the Maritime Sub-group under the Transportation Working Group of the Economic Development Commission (EDC Maritime Sub-group), and follow up on initiatives endorsed by the MIC/EDC Maritime Sub-group, including local and overseas marketing and promotional events/visits, holding seminars and exhibitions, and organising of community awareness events.
- 6. To assist DS(T)5 in conducting thematic studies related to changes in international regulatory and market regimes, and supporting the MIC and the EDC Maritime on Sub-group to conduct consultancy studies/policy research etc.

Enclosure 2

Existing and Proposed Organisation Chart of Transport Branch, Transport and Housing Bureau[#]



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AOSGA1 -	Administrative Officer Staff Grade A1	GE	-	Government Engineer
AOSGB -	Administrative Officer Staff Grade B	PAS(T)	-	Principal Assistant Secretary for Transport and Housing (Transport)
AOSGB1 -	Administrative Officer Staff Grade B1	PGE	-	Principal Government Engineer
AOSGC -	Administrative Officer Staff Grade C	PS(T)	-	Permanent Secretary for Transport and Housing (Transport)
AEPCO -	Airport Expansion Project Coordination Office	PTSS	-	Public Transport Strategy Study

Note

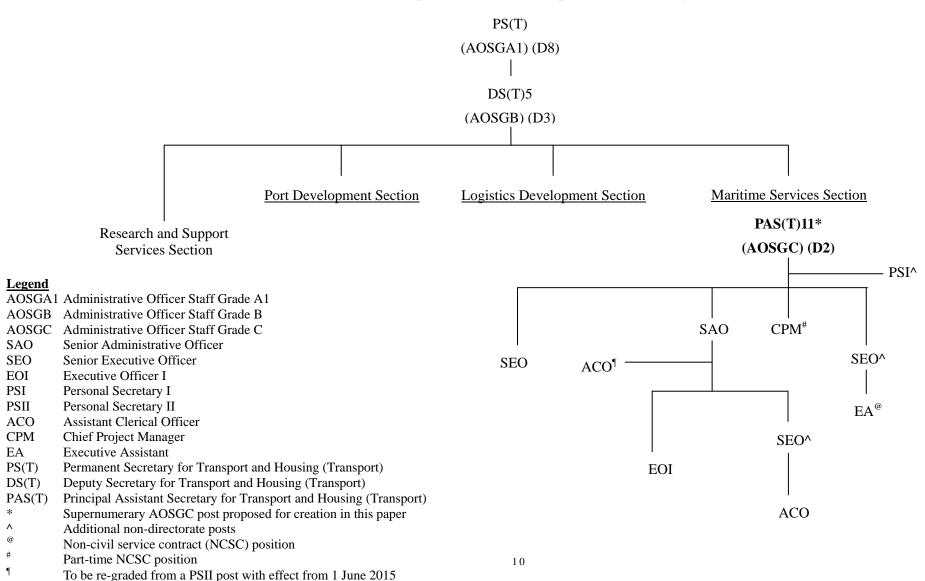
DS(T)

- Excluding posts below D2 level
- * Supernumerary AOSGC post proposed for creation in this paper
- ^ Proposed supernumerary directorate post subject to the approval by the Finance Committee

Deputy Secretary for Transport and Housing (Transport)

Enclosure 3

Existing and Proposed Organisation Chart of Division 5, Transport Branch, Transport and Housing Bureau



Responsibilities of the Existing Principal Assistant Secretaries in the Transport Branch of the Transport and Housing Bureau

The existing Principal Assistant Secretaries in the Transport Branch (PAS(T)s) of the Transport and Housing Bureau (THB) are fully engaged in their respective duties –

Under Deputy Secretary for Transport and Housing (Transport) 1 (DS(T)1)

PAS(T)3

2. PAS(T)3 assists DS(T)1 in providing policy input into various strategic and regional transport planning studies and handling policy work relating to the planning and implementation of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the proposed Hong Kong-Shenzhen Western Express Line. She is also responsible for policy matters concerning transport planning and tourism, dealing with all town planning matters, and is the co-ordination point for overall transport policy as well as Legislative Council (LegCo) business.

PAS(T)5

3. PAS(T)5 assists DS(T)1 in handling policy work relating to transport capital projects, in particular the planning and implementation of the Hong Kong-Zhuhai-Macao Bridge and related Hong Kong infrastructure projects. She is responsible for the house-keeping of the Highways Department and securing resources for highway infrastructure projects by overseeing the Capital Works Resource Allocation Exercise submissions and project feasibility studies and presenting items to Public Works Subcommittee/Finance Committee for funding approval and responsible for the implementation of approved projects and assisting in resolving difficulties. She is also in charge of the administration of the Secretary for Transport and Housing's responsibilities under the Roads (Works, Use and Compensation) Ordinance and oversees the Northwest New Territories Traffic and Infrastructure Review.

PAS(T)7

4. PAS(T)7 (ranked at Government Engineer) assists DS(T)1 in formulating Transport and Railway Development Strategies, providing policy input on the implementation of Railway Development Strategy 2014 and overseeing progress of railways projects under planning or construction and the review on strategic highway projects. He also oversees the model updates of the Third Comprehensive Transport Study and the Second Railway Development Study. He is also in charge of the overall administration of Railways Ordinance and dealing with objections under Railways Ordinance.

Under Deputy Secretary for Transport and Housing (Transport) 2 (DS(T)2)

PAS(T)1

5. PAS(T)1 assists DS(T)2 in overseeing the transport policies on franchised buses, public light buses, taxis, trams and Peak Tramway. She is responsible for overseeing the fare adjustment arrangement for these public transport services and policy issues relating to the fare adjustment applications from these public transport operators. She is also in charge of the transport policy on non-franchised public bus services and the co-ordination of services among different modes of public transport.

PAS(T)4

6. PAS(T)4 assists DS(T)2 in overseeing and monitoring the transport policies and administrative matters concerning the operation of and services provided by MTR Corporation Limited. He is also responsible for overseeing the transport policies on railway safety, ferries, Octopus and the Park and Ride Scheme.

PAS(T)PTSS

7. PAS(T)PTSS assists DS(T)2 in steering and supervising the work of the Roles and Positioning Review (RPR) and to examine the roles and positioning of various public transport services other than heavy rail. PAS(T)PTSS will also assist in the formulation of policy proposals in light of the findings of the RPR and prepare policy proposals to LegCo.

Under Deputy Secretary for Transport and Housing (Transport) 3 (DS(T)3)

PAS(T)2

8. PAS(T)2 assists DS(T)3 in overseeing matters relating to the Transport Advisory Committee and the Transport Complaints Unit, house-keeping and evaluating policy matters relating to toll roads, Build-Operate-Transfer tunnels and Government tunnels. She is also responsible for the policy work on road safety, traffic management and the application of information technology to traffic management. She also coordinates the Bureau's inputs on transport-related environmental issues and house-keeps the Transport Department.

PAS(T)6

9. PAS(T)6 assists DS(T)3 in overseeing policy matters relating to vehicle and driver licences, driver training, the quota regime on cross-boundary coaches, hire cars and private cars. She oversees cross-boundary vehicular traffic at land crossings, cross-boundary ferry services and operation of cross-boundary ferry terminals and co-ordinates the Bureau's inputs on cross-boundary transport-related issues. She also oversees matters relating to the Transport Tribunal.

Under Deputy Secretary for Transport and Housing (Transport) 4 (DS(T)4)

PAS(T)8

10. PAS(T)8 assists DS(T)4 in overseeing policy matters relating to airport development and house-keeping the Airport Authority Hong Kong (AAHK). She is also responsible for taking charge of air services negotiations/air transport policy in relation to Africa, other parts of China, Europe, Central Asia, Indian Sub-continent, and the Middle East. She is also in charge of providing secretariat support to the Air Transport Licensing Authority.

PAS(T)9

11. PAS(T)9 assists DS(T)4 in handling policy matters relating to civil aviation management and house-keeping the Civil Aviation Department. She is also in charge of air services negotiations/air transport policy in relation to Southeast and Northeast Asia, Australasia and America; and overflight agreements and air transport related matters in Asia-Pacific Economic Cooperation, Organisation for Economic Cooperation and Development and the World Trade Organization. She is also in charge of providing secretariat support to the Aviation Development Advisory Committee.

Under Deputy Secretary for Transport and Housing (Transport) 5 (DS(T)5)

PAS(T)10

12. PAS(T)10 assists DS(T)5 in overseeing policy matters relating to logistics development, promotion and implementation of related initiatives, house-keeping of the Marine Department and handling marine and logistics related legislation. She is also responsible for providing secretariat support for the Hong Kong Logistics Development Council.

Under Head (Airport Expansion Project Coordination Office) (AEPCO) Note

PAS(AEPCO) Note

- 13. PAS(AEPCO) assists Head(AEPCO) in formulating overall development strategy for monitoring AAHK's implementation of the three-runway system (3RS) project, monitoring AAHK's formulation of the financial arrangement options for the 3RS project and formulating public engagement plan/consultation strategy with AAHK. She also assumes the role of the Secretary to the high-level steering committee.
- 14. All in all, all PAS(T)s in THB are fully committed under the current set-up and have no spare capacity to take up the whole or part of the duties and responsibilities of the proposed supernumerary AOSGC post in support of the development of the maritime industry.

Note Proposed supernumerary directorate posts subject to the approval by the Finance Committee