

## **ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE**

### **HEAD 155 – GOVERNMENT SECRETARIAT: INNOVATION AND TECHNOLOGY COMMISSION Subhead 000 Operational expenses**

Members are invited to recommend to Finance Committee the creation of the following permanent post in the Innovation and Technology Commission with immediate effect upon approval of the Finance Committee –

1 Administrative Officer Staff Grade C  
(D2) (\$164,500 - \$179,850)

### **PROBLEM**

We need additional support at the directorate level in the Innovation and Technology Commission (ITC) to take forward policy initiatives to spearhead innovation and technology (I&T) development in Hong Kong.

### **PROPOSAL**

2. We propose one permanent Administrative Officer Staff Grade C (AOSGC) (D2) post be created in ITC with immediate effect upon approval by the Finance Committee to head a new division to implement various new I&T initiatives as announced in the Chief Executive (CE)'s 2017 Policy Address and the 2018-19 Budget, as well as other ongoing initiatives.

**/JUSTIFICATION .....**

## JUSTIFICATION

### New and On-going initiatives undertaken by ITC

3. I&T are drivers for economic growth and the key to enhancing Hong Kong's competitiveness. The Government attaches great importance to developing I&T to upgrade and transform Hong Kong into a knowledge-based economy. ITC has all along been responsible for implementing various measures to achieve I&T related policy objectives. Since 2015, we have put in place a series of new policy initiatives and support programmes to strengthen the I&T ecosystem in Hong Kong, without any increase in the directorate establishment of the ITC. These new initiatives include –

- (a) infrastructure projects such as the Hong Kong Science Park (Science Park) Expansion Programme Phase 1, the Advanced Manufacturing Centre, the Data Technology Hub, the InnoCell and the Hong Kong-Shenzhen Innovation and Technology Park at Lok Ma Chau Loop;
- (b) funding programmes such as the Midstream Research Programme, the Technology Voucher Programme, the Enterprise Support Scheme and the Innovation and Technology Venture Fund (ITVF);
- (c) manpower programmes such as the Technology Talent Scheme (comprising the Postdoctoral Hub Programme and the Re-industrialisation and Technology Training Scheme) and the Technology Talent Admission Scheme; and
- (d) financial incentives, i.e. the enhanced tax deduction for research and development (R&D) activities.

The portfolio and policy content of the directorate echelon of the ITC have hence been significantly expanded.

4. CE has in her Policy Address delivered in October 2017 set out eight major areas<sup>1</sup> to spearhead I&T development in Hong Kong. Subsequently, the 2018-19 Budget set aside \$50.3 billion to implement new I&T initiatives, including, among others, establishing two research clusters and providing additional resources for the Hong Kong Science and Technology Parks Corporation (HKSTPC). ITC will be playing a key role in implementing these initiatives.

**/Need .....**

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<sup>1</sup> The eight major areas include – (a) increasing resources for R&D; (b) pooling together technology talent; (c) providing investment funding; (d) providing technological research infrastructure; (e) reviewing existing legislations and regulations; (f) opening up government data; (g) Government to lead changes to procurement arrangements; and (h) strengthening popular science education.

**Need for additional directorate post**

5. To cope with the heavy workload arising from the new initiatives and ongoing tasks of considerable and growing complexity as set out in paragraphs 3 and 4 above, we see the need to strengthen the directorate support in ITC. We propose a permanent AOSGC (D2) post, to be designated as Assistant Commissioner (Infrastructure) (AC(Infrastructure)), be created to head the new Infrastructure Division to oversee and steer the implementation of the initiatives as deliberated in the ensuing paragraphs.

*Establishing Two Research Clusters*

6. As announced in the 2018-19 Budget, capitalising on the strong research capability and international credibility of our universities in healthcare technology and artificial intelligence (AI)/robotics technology, the Government has earmarked \$10 billion to set up two research clusters at the Science Park in the above two areas. The two clusters will serve as key collaborative technology platforms for top-notch research institutions and technology enterprises to set up research centres, facilitate their R&D collaboration with local R&D teams and pool technology talent from different places. The proposed research clusters will focus on life science and healthcare-related researches as well as AI/robotics technologies.

7. The establishment of the research clusters will entail substantial work requiring directorate inputs. The formation of the two clusters will require high level liaison and negotiation with heads of both local and non-local parties of high international standing. Policy steer will be needed for strategy formulation to attract the right mix of renowned institutions, work out the detailed admission mechanism and governance structure, as well as oversight of their operation. It is necessary to have a dedicated directorate officer with strong policy formulation and communication skills to negotiate with potential partners and strike a delicate balance among different stakeholders to achieve the intended objectives.

8. The cooperation with each research centre/laboratory will be governed by a tripartite agreement to be signed between ITC, the centre's parent institution and the HKSTPC. The agreement will set out clearly the respective rights and obligations of different parties, including the modus operandi of the research centre, the area of research, sharing of intellectual property rights, manpower deployment from the parent institution to the research centre, financial governance matters, arrangement on hiring and training of local talents, etc. Given the intricacies involved, the process needs to be overseen by an officer at the directorate level.

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9. To ensure strong governance and accountability, we will put in place a rigorous governance regime to ensure that the quality and focus of publicly-funded research activities at the two research clusters align with our expectations and overall directions. A Governing Committee, to be supported by other functional committees, will be set up to approve the admission of institutions and oversee the operation of the two clusters, including keeping track of key performance indicators. The experience of the implementation of the two research clusters will provide important references for us to consider whether to expand the scale of the two clusters and whether to establish new clusters having regard to global technology development etc. in the longer term. A directorate officer with vision and rich policy formulation and execution experience would be required to drive the process and see to its fruition.

#### *Overseeing the Operation of Science Park*

10. HKSTPC has been the Government's major executive agent that manages our flagship I&T infrastructure i.e. the Science Park and industrial estates. Its mission is to create a dynamic ecosystem for technology companies to nurture ideas, innovate and develop. Besides physical space and infrastructural support, HKSTPC also provides a comprehensive package of support programmes to assist its tenants and incubatees to thrive, particularly in the face of stiff competition from neighbouring cities for talents, start-ups and leading global corporations in key technology areas.

11. As announced in the 2018-19 Budget, the Government will earmark a total funding of \$10 billion for HKSTPC, of which \$3 billion is for providing key facilities to foster research work in healthcare and AI/robotics technologies, and \$7 billion for strengthening support for its tenants/incubatees, the latter includes initiatives like expansion of the Incubation Programme and the Corporate Venture Fund (CVF), development of a Smart Campus etc. ITC will monitor the implementation of the new initiatives.

12. The capital works concerned would involve a number of projects of specialised nature on new fronts, e.g. pilot batch production facilities meeting Good Manufacturing Practice requirements, animal research and drug testing facilities, etc., requiring high level coordination and oversight. Policy steer would also be required to formulate strategies for implementing the enhanced support to Science Park tenants and incubatees to ensure that the mechanism is equitable, fair and open, and conducive to achieving its objectives. In addition, the Smart Campus initiative would need to be aligned with and complement the government's Smart City Blueprint. High level coordination between HKSTPC, government bureaux/departments and other stakeholders is essential for its successful delivery.

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The expanded CVF would also require frequent involvement of a directorate officer in assessing whether the investment is reasonable and justifiable and that due diligence has been exercised. All the above tasks require the input of an experienced officer at directorate level.

13. Apart from overseeing the above new initiatives to be implemented by HKSTPC, the proposed AC(Infrastructure) post will also take over from the post of AC(Infrastructure and Quality Services) (see paragraph 14 below) all matters relating to HKSTPC which will host the two research clusters, so that tasks relating to HKSTPC will be overseen by one division head. The job description of the proposed AC(Infrastructure) post is at Enclosure 1.

Encl. 1

### **Reshuffling of duties**

14. The current incumbent AC(Infrastructure and Quality Services) ranked at Assistant Commissioner for Innovation and Technology (ACIT) (D2) is responsible for overseeing the work of the Hong Kong Accreditation Service, the Product Standards Information Bureau, the Standards and Calibration Laboratory as well as all matters relating to HKSTPC. In the past year, the incumbent took up duties in respect of providing support to the capital works and establishment of the Hong Kong-Shenzhen Innovation and Technology Park, as well as new initiatives concerning R&D enhanced tax deduction and the ITVF. The officer is already over-stretched given the magnitude of the works projects concerned and the substantial policy and legal matters involved in their delivery. With the proposed creation of the new AC(Infrastructure) post, the current AC(Infrastructure and Quality Services) post will be retitled as AC(Finance and Quality Services) with matters relating to HKSTPC be handed over to the former. The revised job description of the re-designated AC(Finance and Quality Services), is at

Encl. 2 Enclosure 2.

### **Non-directorate Support**

15. The proposed permanent AC(Infrastructure) post will be supported by a new Infrastructure Division comprising a total of 20 non-directorate posts, including 11 posts<sup>2</sup> to be created and 9 officers to be deployed from other divisions. The new Infrastructure Division will provide support in the delivery of duties relating to the two research clusters and HKSTPC.

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<sup>2</sup> Including 1 Chief Executive Officer, 2 Senior Executive Officer (one to be created in 2019-20), 2 Executive Officer I, 1 Senior Treasury Accountant, 1 Accounting Officer I, 1 Clerical Officer, 1 Assistant Clerical Officer, 1 Personal Secretary I and 1 Workman II posts.

Encl. 3 16. The proposed organisation chart of the new Infrastructure Division is at Enclosure 3. The existing and proposed organisation charts of ITC are at Encls. 4 & 5 Enclosures 4 and 5 respectively.

## ALTERNATIVES CONSIDERED

17. We have critically assessed if the additional workload as explained above can be absorbed by existing manpower at the directorate level within ITC. ITC is headed by the Commissioner for Innovation and Technology (D6), who is assisted by an Administrative Officer Staff Grade B (D3) as Deputy Commissioner of Innovation and Technology, three AOSGCs (namely AC(Funding Schemes), AC(Policy and Development) and Secretary-General(Testing and Certification)SG, one ACIT (i.e. AC(Infrastructure and Quality Services)) and two D2-equivalent staff designated as Science Advisor and Biotechnology Director who are appointed on non-civil service terms. As mentioned in paragraph 3 above, we have since 2015 put in place a series of new policy initiatives and support programmes to strengthen the I&T ecosystem in Hong Kong, without any increase in the directorate establishment of the ITC. As a result, our directorate officers are already fully engaged with their own heavy portfolio and workload. It would not be viable for any one of them to absorb or share the additional duties without adversely affecting the quality and efficiency of their work. While the work portfolio of AC(Infrastructure and Quality Services) has been set out in paragraph 14 above, the duty schedules of remaining three relevant civil service D2 posts are set out in Encl. 6 Enclosure 6.

## FINANCIAL IMPLICATIONS

18. The proposed creation of one permanent AOSGC (D2) post will require an additional notional annual mid-point salary of \$2,094,600. The additional full annual average staff cost, including salaries and staff on-cost, is \$2,916,000.

19. The additional notional annual salary cost at mid-point for the creation of 11 additional non-directorate posts as mentioned in paragraph 15 above is \$8,226,960 and the full annual average staff cost, including salaries and staff on-cost, is \$11,965,000.

20. We have included the necessary provision in the Estimates of ITC of the relevant financial years to meet the cost of this proposal.

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## PUBLIC CONSULTATION

21. On 15 May 2018, we consulted the Legislative Council Panel on Commerce and Industry on the above staffing proposal. Members supported the creation of an AOSGC post in ITC to implement various new I&T initiatives.

## ESTABLISHMENT CHANGES

22. The establishment changes in ITC for the past two years are as follows –

Establishment (Note)	Number of posts			
	Existing (as at 1 May 2018)	As at 1 April 2018	As at 1 April 2017	As at 1 April 2016
<b>A</b>	8 <sup>#</sup>	8	8	8
<b>B</b>	86	86	86	77
<b>C</b>	142	142	128	119
<b>Total</b>	<b>236</b>	<b>236</b>	<b>222</b>	<b>204</b>

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

# - As at 1 May 2018, there was no unfilled directorate post in ITC.

## CIVIL SERVICE BUREAU COMMENTS

23. The Civil Service Bureau supports the proposed creation of the permanent AOSGC post. The grading and ranking of the proposed post are considered appropriate having regard to the level and scope of responsibilities concerned.

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

24. The Standing Committee on Directorate Salaries and Conditions of Service has advised that the grading proposed for the post would be appropriate if the proposal was to be implemented.

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Innovation and Technology Bureau  
Innovation and Technology Commission  
June 2018



**Proposed Job Description  
Assistant Commissioner (Infrastructure)**

**Rank** : Administrative Officer Staff Grade C (D2)

**Responsible to** : Deputy Commissioner for Innovation and Technology

**Main duties and responsibilities –**

- (i) To devise strategic plans for the establishment and oversee the operation of research clusters as key technology platforms for the promotion of innovation and technology.
- (ii) To oversee policy, resources and housekeeping matters relating to Hong Kong Science and Technology Parks Corporation.
- (iii) To oversee the development of physical technological infrastructure.

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**Proposed Job Description**  
**Assistant Commissioner (Finance and Quality Services)**

**Rank** : Assistant Commissioner for Innovation and Technology (D2)

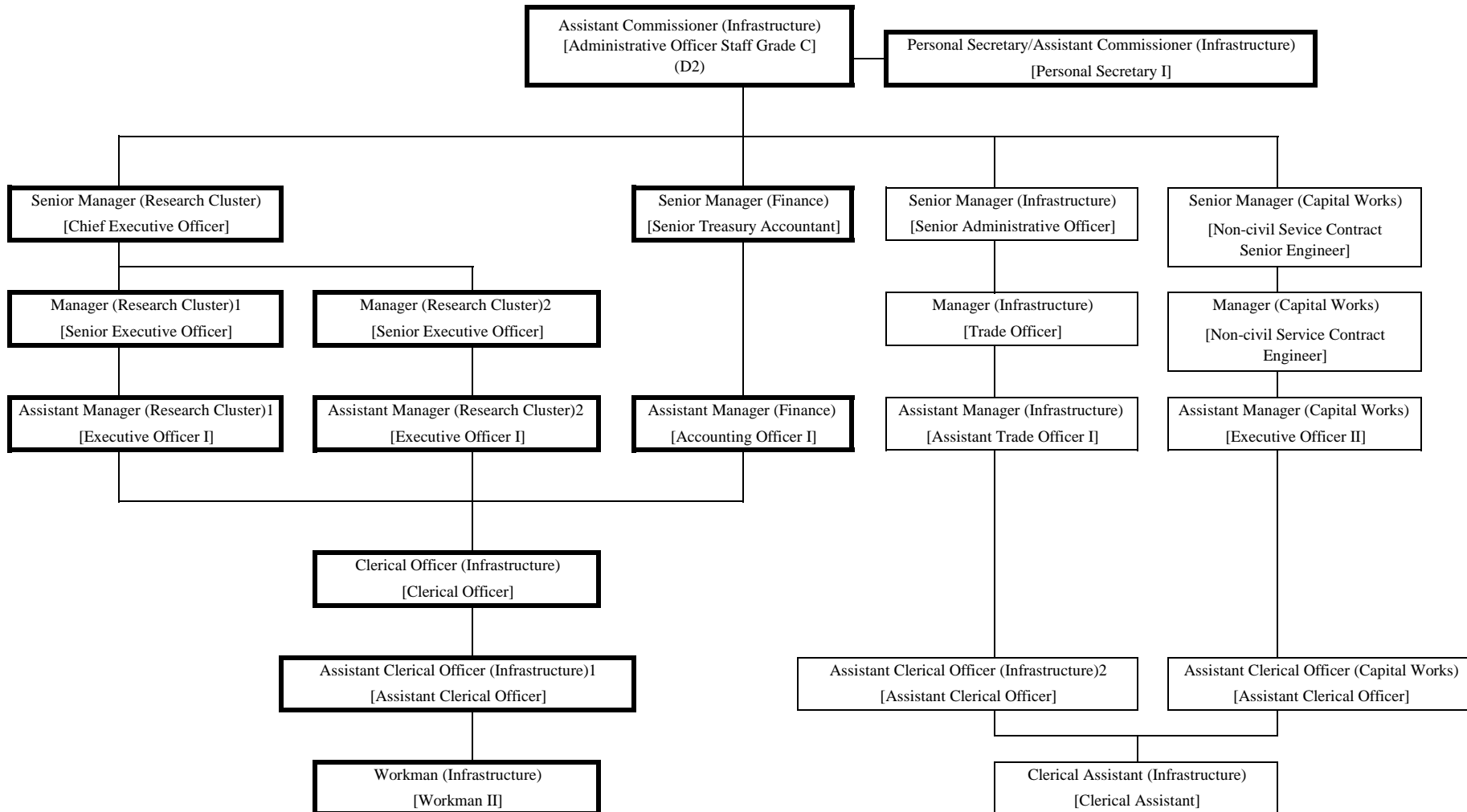
**Responsible to** : Deputy Commissioner for Innovation and Technology

**Main duties and responsibilities –**

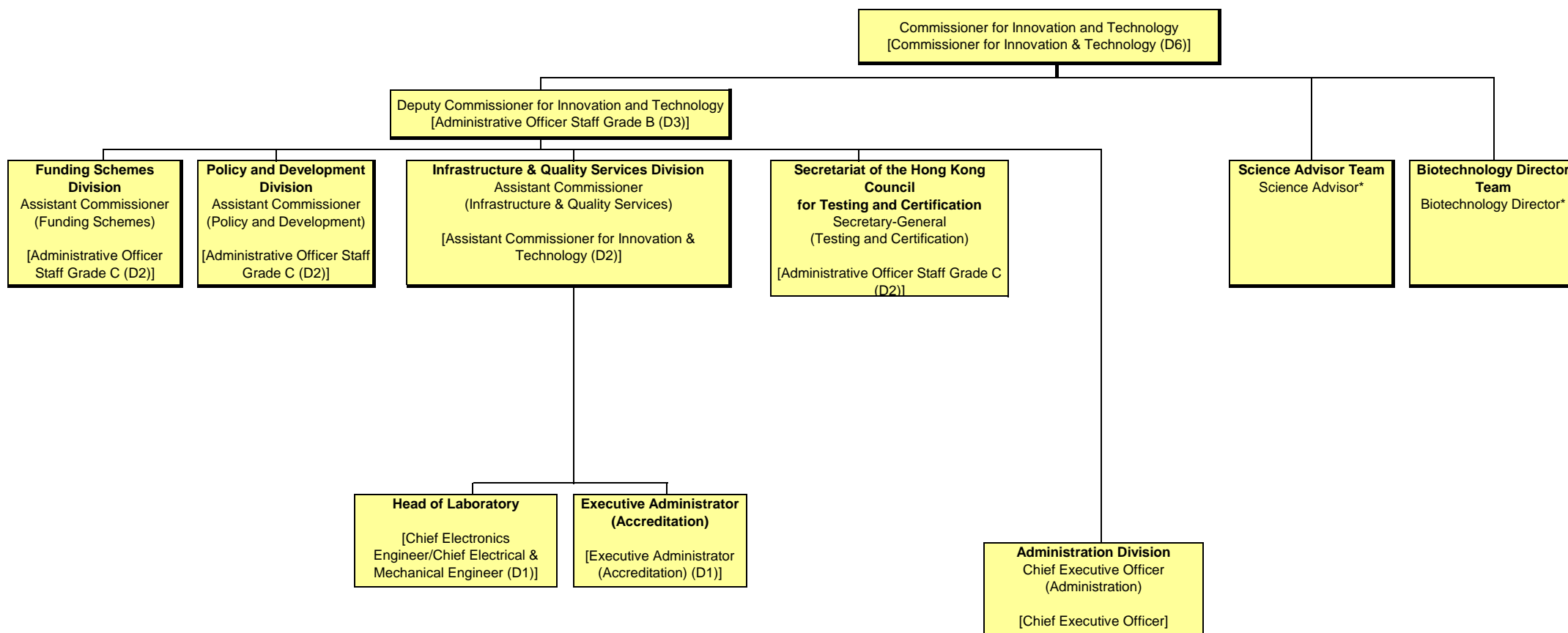
- (i) To oversee policy and manage housekeeping issues relating to Quality Services Division.
- (ii) To formulate policies to implement the enhanced tax deduction for qualifying research and development expenditure.
- (iii) To oversee the assessment and monitoring of designated research and development institutions under enhanced tax deduction.
- (iv) To handle matters relating to the capital works, establishment and operation of the Hong Kong-Shenzhen Innovation and Technology Park.
- (v) To manage the Innovation and Technology Venture Fund.

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**Proposed Organisation Chart of Infrastructure Division, Innovation and Technology Commission**

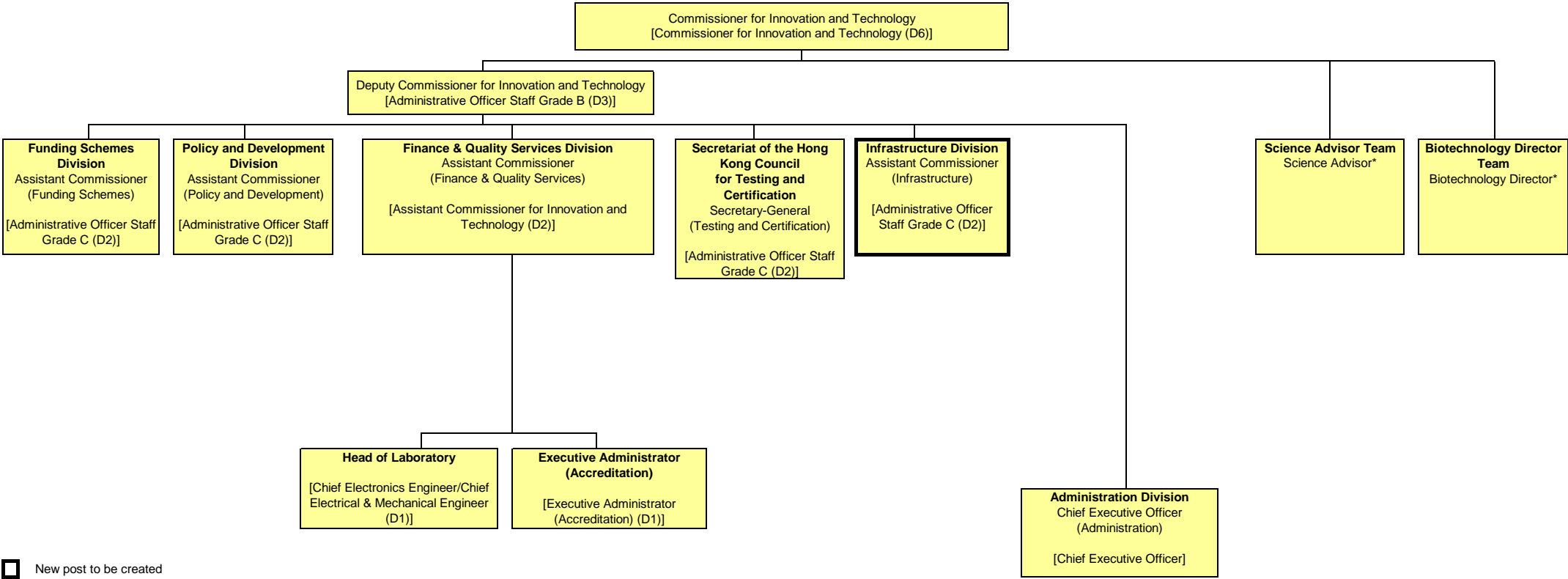


Organisation Chart of Innovation and Technology Commission - Existing



\* NCS positions equivalent to D2

**Organisation Chart of Innovation and Technology Commission - Proposed**



□ New post to be created

\* NCS positions equivalent to D2

**Duty Schedules of –**  
**(a) Secretary-General (Testing and Certification)**  
**(b) Assistant Commissioner (Funding Schemes), and**  
**(c) Assistant Commissioner (Policy and Development)**

**(a) Secretary-General (Testing and Certification) (SG(TC))**

SG(TC) is responsible for promoting the testing and certification industry and serving the Hong Kong Council for Testing and Certification. She has also taken up responsibilities for the oversight of the Hong Kong Applied Science and Technology Research Institute and the Hong Kong Research and Development (R&D) Centre for Logistics and Supply Chain Management Enabling Technologies. Apart from the above, the relevant officer has recently assumed the responsibility for the Technology Talent Admission Scheme, a new initiative involving extensive co-ordination with Immigration Department, Security Bureau and Labour and Welfare Bureau. As the new scheme will be rolled out in June 2018, it will require continuous reviews and close monitoring to keep track of the proper usage of quota and local employment requirement. This new initiative has significantly expanded the portfolio and workload of SG(TC).

**(b) Assistant Commissioner (Funding Schemes) (AC(F))**

2. AC(F) is responsible for a wide varieties of funding schemes under the Innovation and Technology Fund and other responsibilities like oversight of policy on R&D Centres, AC(F) has taken up and absorbed the work of a number of new/enhanced funding schemes since 2015, including the Technology Voucher Programme, the Midstream Research Programme for Universities, the expanded Public Sector Trial Scheme and Internship Programme, as well as the Technology Talent Scheme.

**(c) Assistant Commissioner (Policy and Development) (AC(PD))**

3. AC(PD) is responsible for overseeing the formulation and implementation of Innovation and Technology Commission's corporate communications strategy to foster an innovation and technology (I&T) culture in Hong Kong

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as well as enhancing Hong Kong's collaboration with the Mainland and other regions on innovation and technology through frequent liaison with the relevant authorities. She is also responsible for the implementation of funding initiatives in further promoting I&T developments in Hong Kong, such as the Technology Start-up Support Scheme for Universities and the funding support for Technology Transfer Offices of six local universities. Since 2015, AC(PD) has taken up new funding initiatives such as the Enterprise Support Scheme and various new collaboration projects with the Mainland.

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