

PROPOSED RESEARCH OUTLINE

Operation of Trading Funds

1. Background

1.1 The Panel on Financial Affairs, at its meeting on 3 June 2002, requested the Research and Library Services Division (RLSD) of the Legislative Council Secretariat to conduct a research on the operation of trading funds to facilitate the Panel's discussion of the proposal to set up the Rating and Valuation Department Trading Fund. The Panel agreed that the research would examine the operation, performance, cost-effectiveness, public accountability and staffing arrangements of existing trading funds.

2. Scope

2.1 Since the passage of the Trading Funds Ordinance (Cap. 430) in May 1993, six trading funds have been established. They are the Land Registry Trading Fund, the Companies Registry Trading Fund, the Post Office Trading Fund, the Sewage Services Trading Fund, the Office of the Telecommunications Authority Trading Fund and the Electrical and Mechanical Services Trading Fund. The Sewage Services Trading Fund was closed in March 1998, and the remaining five trading funds are in operation.

2.2 For the purpose of facilitating the Panel's discussion of the proposed Rating and Valuation Department Trading Fund, RLSD proposes to examine the operation of the following trading funds in Hong Kong:

- The Land Registry Trading Fund;
- The Electrical and Mechanical Services Trading Fund; and
- The Post Office Trading Fund.

2.3 Since the trading fund concept originates from the United Kingdom (UK), RLSD proposes to examine two trading funds in the UK as well:

- HM Land Registry; and
- The Ordnance Survey.

2.4 Both the Land Registry of Hong Kong and its counterpart in the UK provide support services and possess a comprehensive database. The nature of services and the competitive edge of these two trading funds are comparable to the Rating and Valuation Department. The Electrical and Mechanical Services Department is a support-service provider which serves the government and public bodies only. Similarly, the Rating and Valuation Department predicts that 99% of its source of income would come from government bureaux and departments and public bodies. Meanwhile, the Post Office is arguably committed in utilizing the financial

flexibility of trading funds in exploring the commercial potential. Ordnance Survey, the government department responsible for the official surveying and topographical mapping of Great Britain, serves as another example of trading fund operation in the UK.

3. Proposed Outline

Part 1 — Introduction

- Background
- Scope of the research

Part 2 — Background of the trading fund scheme

- Aims of introducing trading funds as part of the public sector reform
- Differences between trading funds and traditional government departments
- Selection criteria for establishing a trading fund

Part 3 — The proposed Rating and Valuation Department Trading Fund

- Proposed operation and other arrangements

Part 4 — Review of the operation of selected trading funds

The selected trading funds, namely the Land Registry Trading Fund, the Electrical and Mechanical Services Trading Fund, the Post Office Trading Fund, HM Land Registry and the Ordnance Survey will be examined in the following aspects:

- Fees and charges
- Cost structure
- Staffing
- Public accountability
- Financial targets and attainment
- Service targets and attainment

Part 5 — General Analysis

- A comparison of the various attributes of the selected trading funds

4. Completion Date

4.1 RLSD proposes to complete the research project in October 2002.