

**Replies to initial written questions raised by Finance Committee Members in examining
the Estimates of Expenditure 2006-07**

**Director of Bureau : Secretary for Financial Services and the Treasury
Session No. : 4**

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**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)001

Question Serial No.

1970

Head: 147 Government Secretariat: Financial
Services and the Treasury Bureau
(The Treasury Branch)

Subhead (No. & title): 000 Operational expenses

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please explain why the general departmental expenses has increased from the actual expenditure of \$14,190,000 in 2005-06 to the estimate of \$19,000,000 for 2006-07.

Asked by: Hon. CHAN Kam-lam

Reply:

The provision for general departmental expenses for 2006-07 is \$4.8 million higher than the revised estimate for 2005-06. The increase is mainly due to the requirement for public consultation on matters relating to Goods and Services Tax in 2006-07.

Signature _____

Name in block letters ALAN N LAI

Post Title Permanent Secretary for Financial
Services and the Treasury (Treasury)

Date 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)003

Question Serial No.

0723

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau
(The Treasury Branch) Subhead (No. & title):

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

As regards Goods and Services Tax (GST), the Financial Secretary said that the Government would consult the public on the detailed proposals. Please list all areas proposed for consultation, particularly the impact on the “efficiency” and “cost” of the retail and services industry.

Asked by: Hon. CHOW LIANG Shuk-ye, Selina

Reply:

The public consultation on GST to be carried out in mid-2006 will be comprehensive, covering various aspects including the proposed GST framework, the likely impact of GST on the economy and the various important industry sectors as well as relief and compensation measures.

Signature _____

Name in block letters _____ ALAN N LAI _____

Post Title _____ Permanent Secretary for Financial
Services and the Treasury (Treasury) _____

Date _____ 8 March 2006 _____

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)004

Question Serial No.

2042

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau
(The Treasury Branch) Subhead (No. & title):

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned under Matters Requiring Special Attention in 2006-07, the Treasury Branch will (a) consult the public on whether Hong Kong should and if so how best to implement a Goods and Services Tax (GST); and (b) identify further revenue options with a view to broadening the tax base and increasing revenue. Please advise:

- a. What are the provisions earmarked for the two tasks for the 2006-07 financial year? Please provide a breakdown in this respect.
- b. In 2005-06, a provision of \$4.8 million was earmarked by the Treasury Branch to conduct public consultation on the introduction of GST. Has the provision been used already? If so, what was the provision used for? If not, has the provision been returned to the Treasury? Will there be any overlapping with the provision earmarked in this financial year?
- c. As for item (b), the Treasury Branch stated in the Estimates of 2005-06 that they would only focus on studying matters relating to GST. Why does the Administration carry out a study on broadening the tax base in 2006-07? What are the differences in the contents and the modes between this exercise and the study conducted by the Advisory Committee on New Broad-based Taxes in 2001?
- d. It is mentioned in the Estimates of 2005-06 that an estimated provision of \$4.095 million would be provided to appoint KPMG Tax Limited for conducting a consultancy study on Goods and Services Tax (GST). Has the payment of provision been made and has the study been completed? When will the consultancy report be published?
- e. The provision under Subhead 000 Operational expenses of the Recurrent is \$23,936,000 (19.3%) higher than the revised estimate for 2005-06. The increase is mainly due to the deferred provision for appointment of financial consultants and requirement for public consultation on matters relating to GST. Please provide details of the financial consultants to be appointed this year, the contents of service and the expenses involved. Have these consultants provided any services to the Hong Kong Government before? If so, what kind of consultancy services have they provided?

Asked by: Hon. FANG Kang, Vincent

Reply:

- (a) The work on identifying further revenue options to broaden the tax base and on consulting the public on GST implementation will be carried out by the existing staff of the Treasury Branch. To assist in our GST public consultation work, a consultant has been employed and for 2006-07, the fee for this consultancy is \$7.5 million. In addition, a provision of \$4.8 million has been earmarked in 2006-07 for the printing of public consultation materials and other related expenses for the consultation exercise.
- (b) The \$4.8 million earmarked for GST consultation in 2005-06 was not used as the GST public consultation will only be carried out in mid-2006. It has therefore been carried forward to 2006-07.
- (c) The Government has in the past examined a number of revenue options, including those which have been studied by the Advisory Committee on New Broad-based Taxes, for broadening the tax base. We share the Committee's view that GST is the best option to achieve the purpose of broadening the tax base and the Financial Secretary has announced the work plan for launching the public consultation on GST. Apart from considering the introduction of a GST, we will continue to manage our public finances prudently, keep expenditure within the limits of revenues and strive to achieve a fiscal balance. We will also keep our fiscal position under review and consider measures, including other tax measures; where necessary and as appropriate.
- (d) In 2005-06, KPMG Tax Limited was employed as consultant to assist the Government in its study for the implementation of a GST in Hong Kong. The study was completed and \$4.2 million has been paid to KPMG as consultancy fee for 2005-06. Following the study, a public consultation document on GST is being prepared and will be promulgated in the middle of this year.
- (e) The estimates for the appointment of consultants in 2006-07 are set out below. The consultants referred to have previously provided financial advisory services to the Government –

Name of consultants	Description of consultancy services	Estimated provision for 2006-07 (\$million)
HSBC and Citigroup	Feasibility study of merger of MTR Corporation Limited and Kowloon-Canton Railway Corporation	7.0
KPMG Tax Limited	Consultancy study on Goods and Services Tax	7.5
To be appointed	Financial advisory services in relation to implementation of the asset disposal and securitisation programme	13.0
	Total:	27.5

Signature _____

Name in block letters _____ ALAN N LAI

Post Title _____ Permanent Secretary for Financial Services and the Treasury (Treasury)

Date _____ 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)005

Question Serial No.

2063

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau
(The Treasury Branch) Subhead (No. & title):

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

This year's Budget was released earlier than before. Will the Administration please inform this Committee:

- a. whether the Government has assessed the impacts brought about by the early release of the Budget; if so, of the impacts; if not, of the reasons;
- b. given that the forecasts in the Budget are based on figures calculated earlier, whether there are great discrepancies in the Budget as a result, thus making the allocations and relief measures that have been formulated become out-of-date; and
- c. based on the latest figures, what the surplus in the Operating and Consolidated Accounts will be?

Asked by: Hon. FUNG Kin-kee, Frederick

Reply:

- a. The annual Budgets are usually released in early March. The Budget for 2006-07 was released on 22 February 2006, which was only a week before March. There is no significant impact on bureaux and departments in the preparation of the 2006-07 draft Estimates as the cut-off dates were broadly the same as those of previous years.
- b. The forecasts in the Budget are compiled based on the information available at the time and a number of assumptions including growth of the economy, price changes, revenue and expenditure patterns. These forecasts remain our best estimates for the time being.
- c. In his Budget Speech of 22 February 2006, the Financial Secretary estimated the outturn for 2005-06 to be a surplus of \$5.8 billion in the Operating Account and a surplus of \$4.1 billion in the Consolidated Account. These remain our outturn forecast for 2005-06.

We will not know the results for the year as a whole until after the closing of the 2005-06 accounts.
We plan to publish the provisional results for the full year on 29 April 2006.

Signature _____

Name in block letters _____ ALAN N LAI _____

Post Title _____ Permanent Secretary for Financial
Services and the Treasury (Treasury) _____

Date _____ 8 March 2006 _____

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)009

Question Serial No.

1117

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau
(The Treasury Branch) Subhead (No. & title): 000 Operational expenses

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The Financial Secretary has forecasted in his Budget Speech a surplus in both Operating and Consolidated Accounts for 2005-06. As mentioned under Matters Requiring Special Attention in 2006-07, the Administration will “continue to control government expenditure and establish medium-term targets for balancing the operating and consolidated accounts by 2008-09”. Please explain.

Asked by: Hon. LEE Cheuk-yan

Reply:

We aim to keep the government accounts in balance. To this effect, we shall continue to maintain a strict fiscal discipline, ensure the effective use of resources and spend only where necessary.

Signature _____

Name in block letters ALAN N LAI

Post Title Permanent Secretary for Financial
Services and the Treasury (Treasury)

Date 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)011

Question Serial No.

1119

Head: 147 Government Secretariat: Financial
Services and the Treasury Bureau
(The Treasury Branch)

Subhead (No. & title): 000 Operational expenses

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Will there be any Asset Sale and Securitisation Programme in 2006-07? If so, what are the manpower and expenditure involved?

Asked by: Hon. LEE Cheuk-yan

Reply:

We will continue to identify suitable assets for sale or securitisation in 2006-07. A provision of \$20 million has been earmarked in 2006-07 for the appointment of financial consultants in relation to the implementation of the asset disposal and securitisation programme.

Signature _____

Name in block letters _____ ALAN N LAI

Post Title _____
Permanent Secretary for Financial
Services and the Treasury (Treasury)

Date _____ 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)014

Question Serial No.

1795

Head: 147 Government Secretariat: Financial
Services and the Treasury Bureau
(The Treasury Branch)

Subhead (No. & title): 000 Operational expenses

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

It is proposed that 1 permanent post will be deleted in 2006-07. Please advise us of the details and the savings to be achieved.

Asked by: Hon. LEUNG Yiu-chung

Reply:

The post to be deleted in 2006-07 is a Senior Executive Officer post. The savings arising from the deletion, in terms of notional annual mid-point salary value, are \$681,180.

Signature _____

Name in block letters _____ ALAN N LAI

Post Title _____
Permanent Secretary for Financial
Services and the Treasury (Treasury)

Date _____ 7 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)018

Question Serial No.

1832

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau
(The Treasury Branch) Subhead (No. & title):

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

According to the data of the Estimates in the past three years, the difference between the “revised consolidated surplus/deficit” and “actual surplus/deficit” in 2002-03, 2003-04 and 2004-05 are \$8,357 million, \$8,895 million and \$9,402 million respectively. On 28 February 2006, the Treasury announced that the consolidated surplus for the first 10 months ended late January 2006 in 2005-06 was \$19.632 billion. This far exceeds the revised estimate of \$4,057 million as announced by the Financial Secretary on 22 February 2006. In this respect, please advise:

- a. Regarding the revised expenditure of various departments in the revised estimates for 2005-06 (i.e. the figures released in the Estimates in February 2006), when was the estimate carried out?
- b. What measures will the Treasury Branch adopt to improve the above-mentioned forecast error so as to avoid misleading the public to be too pessimistic about the public finance?

Asked by: Hon. SIN Chung-kai

Reply:

- a. The preparation of the annual estimates is a major undertaking. This involves voluminous financial and performance/statistical data of over 200 revenue items, some 80 expenditure heads and various expenditure items under the eight purpose-specific funds (e.g. Capital Works Reserve Fund, Loan Fund).

Bureaux and departments started preparing the 2005-06 revised estimates together with the 2006-07 draft estimates sometime in November 2005 and the key steps are –

2005

November/December Departments to make estimates submissions with clearance of the policy bureaux

Mid December Cut-off for new approved items to be included in 2006-07 draft estimates

2006

January Treasury Branch to consolidate and co-ordinate the proof-reading of the English and Chinese versions of the draft estimates

February Printing of the draft estimates

- b. In September/October each year, the Treasury Branch will issue guidelines setting out detailed timetable and instructions for the preparation of the annual estimates. We will remind bureaux and departments that they should critically review the funding position of the revenue and expenditure heads/subheads under their control and make a realistic assessment of the revised estimates for the year. In addition, ongoing review mechanism is in place for bureaux to review with departments their funding positions and ensure effective use of available resources.

Signature _____

Name in block letters ALAN N LAI

Post Title Permanent Secretary for Financial
Services and the Treasury (Treasury)

Date 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)020

Question Serial No.

1834

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch) Subhead (No. & title): 000 Operational expenses

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please advise: How many financial appraisals will be carried out by financial consultants appointed by the Treasury Branch in 2006-07? Please provide details of the contents and the estimated expenditure of these appraisals.

Asked by: Hon. SIN Chung-kai

Reply:

The estimates for the appointment of financial consultants in 2006-07 are set out below –

Description of consultancy services	Estimated provision for 2006-07 (\$million)
Feasibility study of merger of MTR Corporation Limited and Kowloon-Canton Railway Corporation	7.0
Consultancy study on Goods and Services Tax	7.5
Financial advisory services in relation to implementation of the asset disposal and securitisation programme	13.0
Total:	27.5

Signature _____

Name in block letters _____ **ALAN N LAI**

Post Title _____ **Permanent Secretary for Financial Services and the Treasury (Treasury)**

Date _____ **9 March 2006**

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)023

Question Serial No.

1837

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau
(The Treasury Branch) Subhead (No. & title):

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

One of the aims under this programme is to maintain adequate fiscal reserves to provide a cushion against future uncertainties. In response to the Budget proposals submitted by the Democratic Party this year suggesting that the fiscal reserves should be maintained at 12 months of government expenditure, the Administration pointed out that "it is our long-term objective to maintain the fiscal reserves at a level equivalent to 12 months of total government expenditure". Please advise:

- a. Is the word "adequate" equivalent to "maintaining the fiscal reserves at a level equivalent to 12 months of total government expenditure" as stated in the Administration's response to the Democratic Party? If yes, how many years does "long-term objective" mean? If no, what does "adequate" mean specifically?
- b. The Financial Secretary has stated in his Budget Speech that the fiscal reserves for the next five years will increase from around 15 months of government expenditure to 17 months of government expenditure. Thus the level of the fiscal reserves set by the Financial Secretary has exceeded 12 months of government expenditure, and this contradicts what was said in his reply to the Democratic Party ("to maintain the fiscal reserves at a level equivalent to 12 months of total government expenditure"). In this regard, will the Financial Services and the Treasury Bureau discuss with the Financial Secretary on progressively lowering the level of fiscal reserves to 12 months of government expenditure?

Asked by: Hon. SIN Chung-kai

Reply:

- a. Yes. One of the budgetary criteria is to maintain, in the long run, the fiscal reserves at a level equivalent to 12 months of government expenditure. The Government will review annually the level of fiscal reserves, amongst other budgetary criteria, in the course of future budget cycles.

- b. The medium term forecast for 2006-07 to 2010-11 is premised on a number of economic and detailed assumptions on expenditure and revenue patterns over the forecast period. It should be noted that government expenditure is rigid, whilst revenue collection is not always within the control of the Government and is particularly exposed to the ups and downs of the economy. The actual performance of the economy and the financial results may not turn out to be as forecast. We therefore will continue to monitor the financial position of the Government and review the budgetary criteria including the expenditure guidelines, revenue collection and level of fiscal reserves every year.

Signature _____

Name in block letters ALAN N LAI

Post Title Permanent Secretary for Financial
Services and the Treasury (Treasury)

Date 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)028

Question Serial No.

0024

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch) Subhead (No. & title): 000 Operational expenses

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The estimated operational expenses of the Financial Services and the Treasury Bureau (The Treasury Branch) for 2006-07 is \$148,030,000 which represents an increase of \$23,936,000 (19%) over the revised estimate of \$124,094,000 for 2005-06. It is mentioned in the Estimates that the increase is mainly due to the deferred provision for appointment of financial consultants and requirement for public consultation on matters relating to Goods and Services Tax. In this respect, please explain and list in detail the particulars of the work plan of the above two items of work in 2006-07.

Asked by: Hon. TONG Ka-wah

Reply:

The estimates for the appointment of financial consultants in 2006-07 are set out below -

Description of consultancy services	Estimated provision for 2006-07 (\$million)
Feasibility study of merger of MTR Corporation Limited and Kowloon-Canton Railway Corporation	7.0
Consultancy study on Goods and Services Tax	7.5
Financial advisory services in relation to implementation of the asset disposal and securitisation programme	13.0
Total:	27.5

In addition, a provision of \$4.8 million has been earmarked in 2006-07 for the printing of public consultation materials and other related expenses for the consultation work in relation to the Goods and Services Tax.

Signature _____

Name in block letters ALAN N LAI

Post Title Permanent Secretary for Financial Services and the Treasury (Treasury)

Date 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)029

Question Serial No.

0025

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead(No. & title): 281 Air passenger departure tax administration fees

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In 2006-07, the provision for the payment of administration fees to airlines, helicopter companies and the Civil Aviation Department's agent in respect of the collection of air passenger departure tax is about \$2.5 million (7.2%) higher than the revised estimate for last year. It is mentioned in the Estimates that this is mainly due to an estimated increase in the number of air and sea-to-air passengers departing Hong Kong. In this respect, please provide for the past five years:

- the numbers of air and sea-to-air passengers departing Hong Kong; and
- the per capita administration fees based on the total number of such passengers.

Please also advise this Council of the underlying reasons if there is an increase of such per capita administration fees.

Asked by: Hon. TONG Ka-wah

Reply:

The number of passengers and the administration fee per passenger for the past five years from 2001-02 to 2005-06 are as follows :

<u>Financial Year</u>	<u>Air Passengers</u>	<u>Sea-to-air Passengers</u>	<u>Total</u>	<u>Administration Fee Per Passenger</u>
2001-02	10,764,092	-	10,764,092	\$3.4
2002-03	11,051,030	-	11,051,030	\$3.2
2003-04	8,708,262	103,968	8,812,230	\$3.1
2004-05	11,253,655	580,989	11,834,644	\$2.7
2005-06(Revised Estimate)	12,004,759	851,500	12,856,259	\$2.7

Signature _____

Name in block letters _____

ALAN N LAI

Post Title Permanent Secretary for Financial Services and the Treasury (Treasury)

Date 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)031

Question Serial No.

0320

Head: 106 Miscellaneous Services Subhead (No. & title): 251 Additional commitments

Programme: (25) Revenue Collection and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the 2006-07 estimates, the provision of \$2,784,180,000 under Subhead 251 Additional commitments is to meet funding for initiatives under planning, which may include improvement to financial assistance for post-secondary students, the development and promotion of Qualifications Framework, and the reorganisation plan under the food safety regulatory framework. In this respect, please advise:

- a. Apart from the above-mentioned three items, are there any other initiatives under planning? If yes, what are they?
- b. What will be the respective amount of provisions allocated for these three items?
- c. What are the respective purposes of the provisions allocated for each item, for example, for meeting setup costs, allowances or staff costs, etc.?

Asked by: Hon. CHAN Yuen-han

Reply:

- a. Apart from the above-mentioned three items, the provision is also for meeting any unavoidable recurrent expenditure that may arise during the year in excess of the amounts provided under other heads and subheads of the Estimates, but which cannot at present be determined and allocated with precision.
- b. As details of the expenditure under these three items are not available at the moment, provisions are not yet allocated.
- c. The project details and hence the estimated costings are not available at this stage. Once the details are available, the relevant bureau/department would seek necessary separate approval from the Finance Committee (for all items exceeding \$10 million).

Signature _____

Name in block letters _____ ALAN N LAI _____

Post Title _____ Permanent Secretary for Financial
Services and the Treasury (Treasury) _____

Date _____ March 2006 _____

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)032

Question Serial No.

1553

Head: Capital Investment Fund

Subhead (No. & title):

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

As shown in the Consolidated Summary of Estimates on page 15 of the Estimates, the expenditure on the Capital Investment Fund in 2006-07 is \$3.56 billion, representing a decrease of \$2.96 billion (45.9%) against the revised estimate for 2005-06. Would the Administration advise on the reasons for the decrease of expenditure and the effects of such decrease on the progress of public works and the employment of construction workers in 2006-07?

Asked by: Hon. CHAN Wai-yip, Albert

Reply:

The Capital Investment Fund was established by LegCo resolution for financing such loans, advances and investments as may be approved by the Finance Committee (FC) and in accordance with such terms and conditions as may be specified by the FC. The total payments of \$3.56 billion in 2006-07 are \$2.96 billion lower than the total payments of \$6.52 billion in 2005-06, mainly due to the completion of the equity injection and loan drawdown for Hongkong International Theme Parks Limited and the near-completion of equity injection into the International Exhibition Centre in 2005-06.

Signature _____

Name in block letters _____ ALAN N LAI _____

Post Title _____ Permanent Secretary for Financial
Services and the Treasury (Treasury) _____

Date _____ 8.3.2006 _____

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)033

Question Serial No.

1828

Head: 28 Civil Aviation Department

Subhead

Programme: (6) Air Passenger Departure Tax Administration

Controlling Officer: Director-General of Civil Aviation

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

- (a) It was indicated on the website of the Civil Aviation Department that the service standard for processing applications for refund of Air Passenger Departure Tax by post is 14 working days. Why is it different from the 35 working days as stated in the Estimates? Are the two referring to the same thing?
- (b) If the service standard of the Civil Aviation Department is 14 working days, why is it estimated by the Department that only 95% of the applications for refund will be processed within 35 working days?
- (c) In 2005, how many applications for tax refund received by post were processed within 14 working days? What is their percentage share in the total number of such applications?

Asked by: Hon. SIN Chung-kai

Reply:

- (a) & (b) Before 2004, the processing time for most of the applications for refund of the Air Passenger Departure Tax (APDT) received by post was 14 working days. In 2004, the processing time for handling these applications, however, was revised to 35 working days in the light of the substantial increase in the number of refund cases arising from the upsurge of sea-to-air passengers transiting Hong Kong who are exempted from payment of the APDT. We note that the service standard for processing these applications as shown in the Civil Aviation Department's website is still 14 working days and we will revise it to 35 working days accordingly.
- (c) 3,220 applications for refund of the APDT received by post were processed within 14 working days in 2005 which accounted for about 68% of total applications for refund of the APDT received by post.

Signature _____

Name in block letters _____ NORMAN LO _____

Post Title _____ Director-General of Civil Aviation _____

Date _____ 10.3.2006 _____

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)034

Question Serial No.

0497

Head: 51 Government Property Agency Subhead (No. & title): 000 Operational expenses

Programme: (1) Acquisition and Allocation

Controlling Officer: Government Property Administrator

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In paragraph 3, the Agency indicates that it will assess and co-ordinate Government's needs for general use accommodation. What are the office space requirements of the Bureaux? With full development of computerisation and paperless offices in the civil service, will the Government review and reduce the office space standards for directorate officers and officers of other ranks?

Asked by : Hon. HO Chun-yan, Albert

Reply :

The total office area of all Government bureaux is **100 633m²** and the breakdown is as follows:

Policy Bureaux	Office Area (Internal Floor Area) (m²)
Civil Service Bureau	15 571
Commerce, Industry and Technology Bureau	23 406
Constitutional Affairs Bureau	1 034
Economic Development and Labour Bureau	2 709
Education and Manpower Bureau	31 142
Environment, Transport and Works Bureau	7 337
Financial Services and the Treasury Bureau	6 357
Health, Welfare and Food Bureau	3 600
Home Affairs Bureau	3 558
Housing, Planning and Lands Bureau	1 980
Security Bureau	3 939
Total:	100 633

The Office of the Government Chief Information Officer advises that computerization in the Government is a continuous process which aims to, among other things, improve the quality and delivery of public services and enhance operational efficiency. While some office automation and e-government initiatives have led to a reduction in paper consumption, they have not yet resulted in a paperless office environment across the Government.

Currently we have no plan to review the space entitlement for directorate officers and officers of other ranks.

Signature	_____
Name in block letters	Ms Maria SN KWAN
Post Title	Government Property Administrator
Date	9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)035

Question Serial No.

0498

Head: 51 Government Property Agency

Subhead (No. & title): 000 Operational expenses

Programme: (1) Acquisition and Allocation

Controlling Officer: Government Property Administrator

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In paragraph 3, the Department states that it will provide input to major refurbishment programmes in respect of government buildings. Has the Department conducted any studies on the major refurbishment of the existing Central Government Offices and Murray Building to increase their usable floor area? If yes, what are the details? If no, will the Department consider carrying out such studies?

Asked by : Hon. HO Chun-yan, Albert

Reply :

The Agency is responsible for managing general use Government joint-user office buildings and quarters. The Central Government Offices and the Murray Building are under the management purview of the Administration Wing. The Agency has not undertaken or planned to undertake any study on major refurbishment of these two properties to increase the usable floor area.

Signature

Name in block letters

Post Title

Date

Ms Maria SN KWAN

Government Property Administrator

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)036

Question Serial No.

0499

Head: 51 Government Property Agency

Subhead (No. & title): 000 Operational expenses

Programme: (2) Property Management

Controlling Officer: Government Property Administrator

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

It is mentioned in paragraph 8 that property management in respect of government offices, quarters, and other non-domestic accommodation will be outsourced as far as practicable. Please advise on the details of the current outsourcing arrangement, the remuneration for workers employed by outsourced contractors and whether the remuneration is commensurate with the prevailing market rate. What will be done by the department to protect the interests of workers employed by outsourced contractors?

Asked by : Hon. HO Chun-yan, Albert

Reply :

The Agency has outsourced property management services for all buildings under its purview, mainly joint user office buildings and quarters, to private property management agents (PMAs) under four outcome-based contracts. They cover Hong Kong (HK) Area 1, HK Area 2, Kowloon and the New Territories respectively.

The property management contract for HK Area 2 includes the Government's mandatory requirement i.e. the contractor is required to offer wages to non-skilled workers not less than the average monthly wages for the relevant occupation, as published in the latest Census and Statistics Department's Quarterly Report of Wage and Payroll Statistics (the Quarterly Report) at the time when tenders are invited. There is no such provision in the other three PMA contracts as they were awarded before the mandatory requirement came into effect. Upon expiry of these contracts in 2007, we shall apply the mandatory requirement in awarding new contracts.

For the HK Area 2 contract, the average monthly wages of the security guards and cleaners in January 2006 are \$9,400 and \$6,735 respectively. They are about 31% and 40% higher than the average monthly salaries for the relevant occupation as published in the latest September 2005 Quarterly Report.

For the other three contracts, the average monthly wages of security guards in January 2006 are in the range of \$5,596-\$5,878. They are about 18%-22% lower than the average monthly salary of the relevant occupation as published in the same Quarterly Report. The average monthly wages of cleaners are in the range of \$4,421-\$5,356, representing about 8% lower to 11% higher than the average monthly salary of the relevant occupation respectively as published in the same Quarterly Report.

We have put in place a number of monitoring measures to ensure that the PMAs comply with the terms of their employment contracts. These include regular site visits, checking of wage and attendance records and random interviews with non-skilled workers etc. We would issue warning letters to the PMAs and consider terminating their contracts if it is found that the PMAs have breached their contractual obligations to their non-skilled workers.

Signature

Name in block letters

Ms Maria SN KWAN

Post Title

Government Property Administrator

Date

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)037

Question Serial No.

0500

Head: 51 Government Property Agency

Subhead (No. & title): 000 Operational expenses

Programme: (2) Property Management

Controlling Officer: Government Property Administrator

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In paragraph 8, the Department states that it will review maintenance, security and amenity standards. Will the Administration inform this Council how many government offices buildings have now installed "turnstiles" at their entrances and exits? What is the expenditure for their installations and operations? What are the criteria for deciding whether to install such facility?

Asked by : Hon. HO Chun-yan, Albert

Reply :

No turnstiles have been installed at entrances/exits of government joint-user office buildings which are under the management of the Agency. Depending on their own operational requirements, user departments may however install digital locks or other security devices at the entrances to their offices on individual floors. These are not paid for by the Agency and we do not have information on the expenditure incurred for their installation and operation.

Signature

Name in block letters

Post Title

Date

Ms Maria SN KWAN

Government Property Administrator

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)038

Question Serial No.

0501

Head: 51 Government Property Agency

Subhead (No. & title): 000 Operational expenses

Programme: (3) Estate Utilisation

Controlling Officer: Government Property Administrator

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Programme (3). In paragraph 16, the Agency states that it will assist government departments in reviewing their requirements with a view to releasing sites for alternative government use or disposal. Has the Agency studied the use of the existing site after the reprovisioning of the Government Secretariat? What are the details?

Asked by : Hon. HO Chun-yan, Albert

Reply :

In assisting government departments in reviewing their site requirements, the Agency mainly ascertains whether developed or reserved sites could be released. The Planning Department is responsible for the long term use of sites. The Agency has not studied the future use of the existing site of the Central Government Offices after the reprovisioning of the Government Secretariat.

Signature

Name in block letters

Post Title

Date

Ms Maria SN KWAN

Government Property Administrator

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)039

Question Serial No.

1632

Head: 51 Government Property Agency Subhead (No. & title):

Programme: (1) Acquisition and Allocation

Controlling Officer: Government Property Administrator

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Will the Administration give a detailed breakdown of the area of office space leased by the Government Property Agency for each policy bureau? What is the annual rental cost? Is there any mechanism to assess whether the rental is value for money?

Asked by : Hon. KWOK Ka-ki

Reply :

The area and actual rental expenditure of office accommodation leased for use by individual policy bureaux in 2005 are shown below:

Policy Bureaux	Internal Floor Area (m²) as at 31 Dec 2005	Rental Expenditure (\$m)
Civil Service Bureau	854	6.5*
Commerce, Industry and Technology Bureau	5 168	15.0
Constitutional Affairs Bureau	0	0.0
Economic Development and Labour Bureau	276	0.5
Education and Manpower Bureau	12 952	29.1
Environment, Transport and Works Bureau	448	3.2*
Financial Services and the Treasury Bureau	1 586	4.5*
Health, Welfare and Food Bureau	745	4.0
Home Affairs Bureau	509	1.0
Housing, Planning and Lands Bureau	0	0.0
Security Bureau	723	2.3

* The rental expenditure in 2005 also includes that for rented premises which were deleased in the course of the year.

Before entering into leases for government office accommodation, the rentals and other terms are assessed and negotiated by professional surveyors in the Agency to ensure the best value for money for the Government.

Signature	_____
Name in block letters	Ms Maria SN KWAN
Post Title	Government Property Administrator
Date	9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)040

Question Serial No.

0496

Head: 51 Government Property Agency

Subhead (No. & title): 000 Operational expenses

Programme: (2) Property Management

Controlling Officer: Government Property Administrator

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In 2004-05, the Government required that the wage of non-skilled workers offered by outsourcing service contractors should not be lower than the average market wage, and their working hours should not exceed the average level in the market. Has the Administration assessed the impact of the above measure on departmental operational expenses? If so, please provide details.

Asked by : Hon. LEE Cheuk-yan

Reply :

In line with approved Government policy, the Agency stipulated in its specifications for tender of property management services in 2004-05 the Government requirement for the wages of non-skilled workers offered by the service contractors to be not less than the average market wages for such workers. The Agency had also implemented a 3-shift system for security guards. However, as the property management services contracts awarded by the Agency are lump sum outcome-based contracts, the contract lump sum reflects the culmination of factors, including scope of services, tender assessment criteria, tendering strategy of contractors, market conditions, etc. Hence, it is not possible to assess in isolation the financial implication of applying the above-mentioned requirement on the Agency's operational expenses.

Signature

Name in block letters

Post Title

Date

Ms Maria SN KWAN

Government Property Administrator

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)041

Question Serial No.

0885

Head: 51 Government Property Agency

Subhead (No. & title): 000 Operational expenses

Programme: (1) Acquisition and Allocation

Controlling Officer: Government Property Administrator

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

It is stated in the Matters Requiring Special Attention in 2006-07 that the Agency will pursue releasing opportunities where appropriate. Please provide information relating to office accommodations actually leased and to be leased by various government departments (with the number of tenancies and annual rental expenses) in the three years starting from 2004-05.

Asked by : Hon. LEONG Kah-kit, Alan

Reply :

Office accommodation (including ancillary accommodation such as carparking spaces) leased or to be leased for use by Government bureaux / departments in the three years starting from 2004-05 is shown below:

	No. of Tenancies	Annual Gross Rent (\$million)
2004-05	798	656.1
2005-06	725	654.4 *
2006-07 (planned)	690	697.3

* Gross rental expenditure for 2005-06 is subject to finalisation of accounts and conclusion of lease negotiations in March 2006.

Signature

Name in block letters

Post Title

Date

Ms Maria SN KWAN

Government Property Administrator

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)042

Question Serial No.

0886

Head: 51 Government Property Agency

Subhead (No. & title): 000 Operational expenses

Programme: (2) Property Management

Controlling Officer: Government Property Administrator

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In "matters requiring special attention in 2006-07", it is stated that the Agency will continue to monitor the performance of its property management agents. What are the names of the property management contractors whose service level scores are less than the average score required by the Government (i.e. 96) and the properties managed by them in the two years starting from 2004-05?

Asked by : Hon. LEONG Kah-kit, Alan

Reply :

The actual average performance level of 96% in 2004 and 2005 is higher than the performance level required of the property management agents as stipulated in the property management contracts, which is 90%. All the property management agents have performed above the contractual requirement.

Signature

Name in block letters

Post Title

Date

Ms Maria SN KWAN

Government Property Administrator

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)043

Question Serial No.

1792

Head: 51 Government Property Agency

Subhead (No. & title): 000 Operational expenses

Programme:

Controlling Officer: Government Property Administrator

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Would the Administration please advise: the details of the three permanent posts expected to be deleted in 2006-07 and the amount of savings to be achieved?

Asked by : Hon. LEUNG Yiu-chung

Reply :

The three permanent posts to be deleted in 2006-07 consist of one Senior Architect and two Property Attendant posts. The estimated annual savings in terms of notional annual mid-point salary value are \$1.2 million.

Signature

Name in block letters

Ms Maria SN KWAN

Post Title

Government Property Administrator

Date

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)044

Question Serial No.

1846

Head: 51 Government Property Agency Subhead (No. & title):

Programme: (1) Acquisition and Allocation

Controlling Officer: Government Property Administrator

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In view of the rise in office rents which has led to an increase in the expenditure under this programme, would the Administration consider relocating some of its offices to reduce government expenses in this respect?

Asked by : Hon. TAM Heung-man

Reply :

Yes, it is Government policy to accommodate departments in owned office accommodation where possible to reduce leasing office accommodation in the private sector. When vacant owned office accommodation is available, we will relocate departments from leased accommodation to achieve rental saving.

Signature

Name in block letters

Post Title

Date

Ms Maria SN KWAN

Government Property Administrator

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)045

Question Serial No.

0264

Head: 59 Government Logistics Department Subhead (No. & title):

Programme: (1) Procurement

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In connection with the Analysis of Financial and Staffing Provision, please provide–

- (a) the number of posts to be deleted due to the transfer of responsibility for procurement of pharmaceutical supplies to the Hospital Authority;
- (b) the rank of the posts involved; and
- (c) the total savings achieved by the transfer of responsibility.

Asked by: Hon. CHAN Bernard

Reply:

The Government Logistics Department will achieve total savings of \$3.1M as a result of the transfer of responsibility for procurement of pharmaceutical supplies to the Hospital Authority (HA). The provision involved has been transferred to the Health, Welfare and Food Bureau for allocation to HA. The number and rank of posts involved are:

<u>Rank</u>	<u>No. of posts</u>
Senior Supplies Officer	1
Supplies Officer	2
Assistant Supplies Officer	1
Supplies Supervisor I	4
	—
	8
	=====

Signature _____

Name in block letters _____ Tommy YUEN

Post Title _____ Director of Government Logistics (Ag.)

Date _____ 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)046

Question Serial No.

0265

Head: 59 Government Logistics Department Subhead (No. & title):

Programme: (2) Supplies Management

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please provide a brief account on the categories and value of sale of the surplus government stores, as well as confiscated, unserviceable, technically obsolete and unclaimed stores by public auction. Please also advise on the administrative cost.

Asked by: Hon. CHAN Bernard

Reply:

The Government Logistics Department arranges public auctions on behalf of user departments for the disposal of-

- (a) surplus government stores, including unserviceable stores and technically obsolete equipment;
- (b) confiscated goods; and
- (c) unclaimed goods.

In 2005, 25 public auctions for the sale of such goods and stores were conducted at a total administrative cost of \$440,000. Proceeds from the sale of these three main categories of items are as follows-

<u>Category of Items</u>	<u>Proceeds in 2005</u>
	\$M
Surplus government stores	7.4
Confiscated goods	36.7
Unclaimed goods	0.9
Total:	45.0
	=====

Signature

Name in block letters

Post Title

Date

Tommy YUEN

Director of Government Logistics (Ag.)

8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)047

Question Serial No.

0334

Head: 59 – Government Logistics Department Subhead (No. & title):

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

It is estimated that the Department will replace 529 vehicles in the government fleet in 2006. Please advise:-

- a) The breakdown of the types of the vehicles required to be replaced.
- b) How many of the vehicles to be replaced will be switched to environmentally friendly models? Please provide a breakdown by types of the vehicles to be switched to environmentally friendly models.
- c) What is the expenditure involved in replacing these 529 vehicles? What is the expenditure for purchasing environmentally friendly vehicles?
- d) If normal models are opted instead of switching to environmentally friendly models as originally planned, what is the expenditure involved? Which option will cost less?

Asked by: Hon. LAM Kin-fung, Jeffrey

Reply:

- a) The types of vehicles to be replaced in 2006 are:

Vehicle Type	No. to be replaced
Bus	23
Car	114
Cross Country Vehicle	1
Motorcycle	103
Van	288
Total	529

- b) All of the 529 replacement vehicles to be procured will meet the latest legislative requirements on emission standard. Amongst them, 18 diesel light buses will be replaced by liquefied petroleum gas (LPG) ones, thereby achieving further improvements in emission level.
- c) The estimated expenditure for replacing 529 vehicles is \$90M, out of which \$6.3M is for replacing the diesel light buses by LPG ones.

- d) As far as light buses are concerned, the vehicle costs for LPG-driven and diesel-driven models, both at about \$350,000 each excluding first registration tax, are comparable.

Signature _____

Name in block letters Tommy YUEN

Post Title Director of Government Logistics (Ag.)

Date 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)048

Question Serial No.

0335

Head: 59 – Government Logistics Department Subhead (No. & title):

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

As stated in “Matters Requiring Special Attention in 2006-07” (paragraph 23, page 276, Volume 1A of the Estimates-Chinese version) that the Department will explore the feasibility of introducing low emission vehicles in the government fleet. Please advise:-

- a) What is the total number of vehicles in the government fleet? How many vehicles are environmentally friendly models?
- b) What is the direction of the above mentioned study?
- c) When will the study be expected to be completed?
- d) What is the expenditure involved?

Asked by: Hon. LAM Kin-fung, Jeffrey

Reply:

- (a) There are 6 461 vehicles in the government fleet, including 161 liquefied petroleum gas-driven vehicles and five hybrid electric vehicles. They all met the then prevailing legislative requirements on emission standard at the time of their delivery to the Government. Amongst them, all serving diesel-driven vehicles meeting Euro I and Euro II emission standards have been retrofitted with diesel oxidation catalysts to further improve their emission performance.
- (b) Five hybrid electric vehicles were procured in April 2005 for the purpose of a two-year trial to explore the feasibility of using such vehicles in the government fleet. The study aims at assessing whether the vehicles could cater for the operational needs of the government departments involved and to collect operational data to facilitate a financial cost and benefit analysis for operating this type of vehicles.
- (c) The feasibility study will be completed by April 2007.
- (d) The feasibility study is being conducted in-house using existing resources. There is no separate breakdown of costs to be incurred.

Signature _____

Name in block letters _____ Tommy YUEN

Post Title _____ Director of Government Logistics (Ag)

Date _____ 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)049

Question Serial No.

0863

Head: 59 Government Logistics Department

Subhead (No. & title):

Programme: (1) Procurement

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The financial provision under the programme "Procurement" is \$46.9M for 2006-07. Please advise the ratio of purchases involving products of recycling industry. Will the Government take a leading role in purchasing recycled products of this "natural market"?

- (a) If yes, what are the details of implementing the scheme? What incentives will the Government provide to facilitate the smooth implementation and development of the scheme? Please provide a time frame for implementing the scheme.
- (b) If no, what are the reasons?

Asked by: Hon. LEUNG Kwan-yuen, Andrew

Reply:

The financial provision of \$46.9M under the programme area 'Procurement' for 2006-07 is the funding for the Government Logistics Department to meet the operational expenses in discharging its procurement functions instead of the value of goods and services to be purchased. The total value of goods and stores planned to be purchased for use by government bureaux and departments in the year 2006 is about \$4,270M. Of this amount, about \$36.4M worth of goods will have recycled contents. It is not expected that the value of recycled products purchased will increase substantially because the availability of recycled products in respect of the bulk of purchases, like pharmaceuticals, computer systems, marine equipment and spare parts, etc. is very limited.

It is part of the Government's procurement policy to take into account environmental concerns and market availability of the recycled products while at the same time strives for best value for money when implementing our purchasing programme. The Government has issued guidelines in the Stores and Procurement Regulations on environment related specifications for the government bureaux and departments to follow when drawing up respective departmental stores procurement requirements. These guidelines include avoiding single-use disposal items and purchasing products with improved recyclability, high recycled content, reduced packing, greater durability, greater energy efficiency, utilising clean technology and/or clean fuels, resulting in reduced water consumption, emitting fewer irritating or toxic substances and smaller production of toxic substances upon disposal.

Signature _____

Name in block letters _____ Tommy YUEN

Post Title _____ Director of Government Logistics (Ag.)

Date _____ 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)050

Question Serial No.

1793

Head: 59 – Government Logistics Department Subhead (No. & title): 000 Operational expenses

Programme:

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please advise the details of the 22 posts to be deleted in 2006-07 and the estimated savings to be achieved.

Asked by: Hon. LEUNG Yiu-chung

Reply:

The 22 posts to be deleted comprise two Artisans, 14 Motor Drivers, one Proof Reader, one Workman I and four Workmen II.

In terms of notional annual mid-point salary value, the deletion of the 22 posts in 2006-07 will bring about savings of \$3M.

Signature _____

Name in block letters _____ Tommy YUEN

Post Title Director of Government Logistics (Ag.)

Date _____ 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)053

Question Serial No.

0810

Head: 59 – Government Logistics Department Subhead (No. & title):

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In connection with this programme, please advise:-

- (a) In 2005-06, the Government Logistics Department originally planned to purchase 612 vehicles but eventually only 593 vehicles were replaced. What types of vehicles were originally intended to be replaced but were not replaced ultimately in 2005? How much is the expenditure?
- (b) What are the types, vehicle age and mileage of the 529 vehicles that the Government Logistics Department plans to replace in 2006? What are the reasons for the replacement and the amount required?
- (c) In 2005-06, the original estimate for the replacement of 612 vehicles was \$90M. Why is the revised estimate still \$90M although only 593 vehicles were purchased actually?
- (d) Why is the estimated expenditure for the replacement of 529 vehicles in 2006 also \$90M?
- (e) How many of the 529 vehicles to be replaced are saloon cars? What are the user departments for these saloon cars? What are the mileage, the highest value, the lowest value and the median value at the time of purchasing these saloon cars?

Asked by: Hon. SIN Chung-kai

Reply:

- (a) and (c) 26 vans, cars and motorcycles were not eventually replaced in 2005. The expenditure involved is \$2.8M, which has instead been used to procure six police vans and one bus. The net number of vehicles replaced was therefore 593.
- (b) All the 529 vehicles are required for replacing those existing vehicles which have reached the end of their serviceable life based on the assessment of the Economic Life Model which takes into account accumulated maintenance cost, vehicle age, mileage and replacement cost. Annex A provides a breakdown of the vehicles to be replaced by type, age, mileage run and the estimated amount.

- (d) The estimated expenditure for each year varies depending on the types and number of vehicles involved, which in turn are determined by the cyclical nature of the vehicle replacement programme. In 2005, around 40% of the replacement vehicles procured were motorcycles. In 2006, over 50% of the replacement vehicles planned to be procured are vans, the costs of which are higher than those of motorcycles. Therefore, though there is a reduction in the number of vehicles to be procured, a provision of \$90 million for 2006-07 is required.
- (e) 114 out of the 529 vehicles planned to be replaced in 2006-07 are cars. A list of the user departments to which these vehicles belong is at Annex B. The average mileage run of these cars is 147,100 km and the highest, lowest and the median value of these cars at the time of purchase are \$366,000, \$77,730 and \$101,850 respectively.

Signature _____

Name in block letters Tommy YUEN

Post Title Director of Government Logistics (Ag.)

Date 9 March 2006

**Breakdown of replacement vehicles in 2006-07
by vehicle type and age
(Head 59 Subhead 691)**

Vehicle type	No. of vehicles	Average vehicle age (years)	Average mileage run (km)	Estimated expenditure
Bus	23	8	158,600	\$ 10.6M
Car	114	8	147,100	\$ 21.8M
Cross Country Vehicle	1	10	112,000	\$ 0.2M
Motorcycle	103	5	67,800	\$ 5.1M
Van	288	8	131,300	\$ 52.3M
Total:	529			\$ 90M

**Breakdown of replacement cars in 2006-07
by user department
(Head 59 Subhead 691)**

User departments	No. of vehicles
Central Policy Unit	1
Chief Secretary for Administration's Office	2
Commerce, Industry and Technology Bureau	2
Customs and Excise Department	3
Department of Justice	1
Economic Development and Labour Bureau	1
Education and Manpower Bureau	2
Environment, Transport and Works Bureau	1
Fire Services Department	10
Government Logistics Department	6
Health, Welfare and Food Bureau	1
Home Affairs Bureau	1
Hong Kong Police Force	73
Housing, Planning and Lands Bureau	2
Independent Commission Against Corruption	3
Innovation and Technology Commission	1
Judiciary	1
Official Receiver's Office	1
Public Service Commission	1
Security Bureau	1
Total:	114

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)055

Question Serial No.

0812

Head: 59 – Government Logistics Department Subhead (No. & title):

Programme: (1) Procurement

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What specific measures does the Government Logistics Department adopt to monitor the performance of the contractors who are awarded contracts by the Government?

Asked by: Hon. SIN Chung-kai

Reply:

The Government Logistics Department (GLD), as the purchasing agent for stores and related services required by user departments, provides advice and assistance to departments on matters relating to contract management as well as settlement of contract disputes.

Depending on the requirements of the contracts, which vary from case to case, the following measures are built in the contract documents, where appropriate, for monitoring the contractor's performance:-

- (a) Inspection of the goods/services delivered will be carried out to ensure satisfactory performance of the contractor.
- (b) The contractor is required to submit relevant documentary proof to support that the goods/services delivered are of an acceptable quality or comply with the contract specification.
- (c) Progress meetings with the contractor will be held to review and monitor the progress of the contract execution.
- (d) Both user departments and the contractors are required to provide reports to GLD in regard to the progress of the contract to ensure that the goods delivered comply with the contract requirements such as quality and delivery schedule.

If it becomes apparent that the performance of a contractor is not satisfactory or deteriorating, GLD will step up the monitoring measures by requiring the contractor to attend meetings and to explain the reasons for the unsatisfactory performance, and demanding the contractor to make improvement on the unsatisfactory situation and to take remedial actions for rectifying the non-compliance.

If the contractor fails to perform in accordance with the requirements of the contract or neglects to observe any of the terms, GLD has the right to terminate the contract, proceed with legal proceedings and recover any losses, damages, costs and expenses arising from the said termination.

Signature _____

Name in block letters Tommy YUEN

Post Title Director of Government Logistics (Ag.)

Date 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)056

Question Serial No.

0813

Head: 59 – Government Logistics Department Subhead (No. & title):

Programme: (1) Procurement

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide the following information:-

	2003	2004	2005	2006 (Estimate)
Contracts handled	1 499	1 199	1 010	610
Value of contracts (\$m)	7,345.7	4,811.4	3,619.5	4,700.0
The provision set aside by the Government Logistics Department for handling the abovementioned contracts				

Asked by: Hon. SIN Chung-kai

Reply:

The financial provision for the Government Logistics Department (GLD) to carry out the activities under Programme (1): Procurement are:-

2003-04 (Actual) \$m	2004-05 (Actual) \$m	2005-06 (Revised) \$m	2006-07 (Estimate) \$m
51.3	48.0	49.0	46.9

In addition to the handling of new contracts to be awarded during the financial year, the financial provision for Programme (1) is also for carrying out the following activities:-

- (a) administering awarded contracts including monitoring of contractor's performance;
- (b) providing advice and assistance including vetting of marking schemes, tender terms for those tenders issued by user departments themselves, and training to user departments on procurement procedures;

- (c) conducting market research and enlisting suppliers for sourcing and facilitating tendering. Currently, over 6 000 suppliers have been enlisted by the Department; and
- (d) dealing with World Trade Organization (WTO) related issues e.g. bid challenge on GLD related tenders and consolidating annual statistics on government procurement to WTO Committee in accordance with WTO GPA Article XIX.5.

We have not kept separate records on how the use of the financial provision involved can be further broken down for each of the above activities.

Signature _____

Name in block letters Tommy YUEN

Post Title Director of Government Logistics (Ag.)

Date 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)057

Question Serial No.

1838

Head: 59 Government Logistics Department Subhead (No. & title):

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding "improve the cost-effectiveness of the pool transport services", please advise:-

- (a) What measures will the Government Logistics Department adopt to enhance the cost-effectiveness of the transport pool services? Do the measures to be adopted include introducing more information technology application systems such as fleet management system?
- (b) What is the estimated expenditure for these measures?
- (c) How will these measures enhance the cost-effectiveness/ achieve savings in resources?

Asked by: Hon. SIN Chung-kai

Reply:

- (a) The Government Logistics Department (GLD) reviews the transport service demand from bureaux and departments regularly and makes appropriate adjustment to the number of drivers and fleet size of the transport pool to correspond with the assessed demand. On the use of IT application system, GLD has been using the Transport Management Information System (TMIS) to assist in handling pool transport booking and billing, and monitoring the utilisation rates of transport pool resources. We plan to replace the TMIS in 2008-09 by a web-based system with enhanced functions on fleet management.
- (b) The review of the number of drivers and fleet size of the transport pool is an ongoing task carried out in-house with existing resources. No additional expenditure is involved. The replacement of the TMIS is still in an early stage of planning and the cost has yet to be assessed.
- (c) Our continued efforts to promote greater use of public and hired transport have led to a reducing demand for transport pool services. As a result, we plan to reduce the establishment of the transport pool by 14 drivers in 2006-07. This will result in annual savings of \$2M in terms of notional annual mid-point salary value.

Signature

Name in block letters

Post Title

Date

Tommy YUEN

Director of Government Logistics (Ag.)

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)058

Question Serial No.

1845

Head: 59 – Government Logistics Department Subhead (No. & title):

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The Department will delete 14 posts which is over 10% of the staff provision under this programme. Please provide relevant details. Will the decrease in manpower affect operational efficiency under this programme?

Asked by: Hon. TAM Heung-man

Reply:

The 14 posts to be deleted are Motor Driver posts providing pool transport services to bureaux/departments (B/Ds).

Pool transport services are mainly for booking by B/Ds to supplement their departmental vehicle fleets and to cope with ad hoc demand. Since the Government encourages more use of public and hired transport having regard to operational requirements and efficiency, the demand for pool transport services has been reducing. The deletion of 14 Motor Driver posts to correspond with the reduced demand will not affect the operational efficiency of the transport pool.

Signature _____

Name in block letters _____ Tommy YUEN

Post Title _____ Director of Government Logistics (Ag.)

Date _____ 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)059

Question Serial No.

0325

Head: 59 – Government Logistics Department Subhead (No. & title):

Programme: (4) Printing Services

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In connection with the variety of printed materials including publications, government forms and paper stationery printed by the Government Logistics Department (GLD) in the financial year 2005, please advise -

- a) What is the percentage of the printing services provided by GLD in terms of the overall printing services required by the Government?
- b) Does GLD outsource any printing services? If yes, what are the reasons? Please specify the outsourced printing services as a percentage of the Department's printing services.
- c) If there are outsourced printing services, please specify what printed materials are outsourced.
- d) What is the value of each contract awarded for outsourced printing services in the financial year 2005?

Asked by: Hon. WONG Kwok-hing

Reply

- (a) According to the latest figures, around 94% of the total cost of the overall printing services required by the Government in 2005-06 were provided by GLD. The remaining 6% were procured by bureaux/departments under direct printing authority given by GLD.
- (b) GLD's printing jobs are mostly performed in-house when manpower and machine resources allow. GLD would only procure from the private sector printing services which GLD cannot undertake due to lack of suitable production equipment. In 2005-06, the cost of the outsourced printing services takes up around 14% of the total cost of GLD's printing services.
- (c) A wide variety of printing services have been outsourced by GLD including the production of envelopes, hard cover books, lamination service and miscellaneous finishing work such as embossing, die-cutting, ultra-violet varnishing, gold/silver blocking, etc.

- (d) According to the latest figures, around 1 570 printing orders involving a wide range of printing services were outsourced by GLD in 2005-06. The total cost incurred is around \$30.5 million. The value of each order varied significantly. Amongst them, over 1 350 orders (86%) were issued with a value between \$300 and \$20,000.

Signature _____

Name in block letters Tommy YUEN

Post Title Director of Government Logistics (Ag.)

Date 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)061

Question Serial No.

0742

Head: 76 Inland Revenue Department

Subhead (No. & title): 189 Interest on tax reserve certificates

Programme:

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

What is the reason for the great discrepancy between the actual amount and the estimated provision of interest payment on tax reserve certificates for 2005-06?

Asked by : Hon. CHAN Kam-lam

Reply :

For 2005-06, the original estimate for interest on tax reserve certificates (TRCs) was \$89.7 million. In early 2006, after reviewing the actual expenditure position for 2005-06 and judging from the objection/appeal cases pending settlement in hand, the Inland Revenue Department (IRD) revised the estimate downwards to \$33.7 million. The major portion of interest on TRCs is attributable to the interest on 'Conditional Standover Order Tax Reserve Certificates' (Conditional TRCs) paid upon settlement of objections/appeals in taxpayers' favour. The actual amount paid would depend on factors beyond the control of IRD, namely whether the objection/appeal is settled within the year, whether the taxpayer succeeds in his objection/appeal, the movement of interest rates as well as the length of the Conditional TRC holding period.

In estimating the payment for interest on TRCs in 2005-06, IRD had taken into account all factors and in particular, the value of Conditional TRCs in hand as well as the possibility of finalization of a number of objection/appeal cases entailing redemption of these TRCs with payment of a substantial amount of interest.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)062

Question Serial No.

0743

Head: 76 Inland Revenue Department

Subhead (No. & title): 189 Interest on tax reserve certificates

Programme:

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please explain in detail the basis of computation arriving at the \$110 million provision of interest payment on tax reserve certificates for 2006-07. Is it likely that a similar great discrepancy as that between the actual amount paid and the estimated provision for 2005-06 will appear again?

Asked by : Hon. CHAN Kam-lam

Reply :

In general, the major portion of interest on tax reserve certificates (TRCs) is attributable to the interest on 'Conditional Standover Order Tax Reserve Certificates' (Conditional TRCs) paid upon settlement of objections/appeals in taxpayers' favour. The actual amount paid depends on whether the objection/appeal could be settled within the year, whether the taxpayer would win the objection/appeal, the movement of interest rates and the length of the Conditional TRC holding period. These factors are beyond the control of the Inland Revenue Department (IRD). Therefore, it is difficult, if not impossible, to estimate with accuracy the amount of provision for interest on Conditional TRCs. In fact, it is not uncommon to find discrepancies between the estimated and actual amounts of interest on TRCs over the years.

For 2005-06, the original estimate for interest on TRCs was \$89.7 million. In early 2006, after reviewing the actual expenditure position for 2005-06 and judging from the objection/appeal cases pending settlement in hand, IRD revised the estimate downwards to \$33.7 million. In estimating the provision for interest on TRCs of \$110.2 million for 2006-07, IRD has taken into account all factors, in particular the value of Conditional TRCs on hand.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)063

Question Serial No.

0011

Head: 76 Inland Revenue Department Subhead (No. & title):

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The original Estimate for 2005-06 under this Programme is \$868.2 million, which is substantially higher than the \$787.3 million under the revised Estimate for 2005-06. Please account for such a great discrepancy. Is it due to a miscalculation on the part of the Administration or some other reasons? On the other hand, the provision for the 2006-07 Estimate still stands at around \$880 million. Will the Administration inform this Committee whether such a surplus in the provision will appear again in 2006-07?

Asked by : Hon. Frederick FUNG Kin-kee

Reply :

The revised Estimate for 2005-06 is lower than the original Estimate by \$80.9 million. This is mainly due to the downward revision of provision for interest on tax reserve certificates (TRCs) by \$56 million, upon review of the actual expenditure position for 2005-06. The major portion of interest on TRCs is attributable to the interest on 'Conditional Standover Order Tax Reserve Certificates' (Conditional TRCs) paid upon settlement of objections/appeals in taxpayers' favour. The actual amount paid depends on factors beyond the control of the Inland Revenue Department (IRD), namely whether the objection/appeal is settled within the year, whether the taxpayer succeeds in his objection/appeal, the movement of interest rates as well as the length of the Conditional TRC holding period. Another factor contributing to the discrepancy is the lower-than-expected operational expenses resulting from unfilled vacancies in 2005-06.

The increase in estimated provision for 2006-07 by \$88.8 million (to \$876.1 million) is largely due to the need to make a provision for possible increase in expenditure on interest on TRCs.

The provision for the 2006-07 Estimate is the best estimate at this time having regard to the latest position and other known information. In estimating the interest on TRCs, IRD has taken into account all factors and in particular, the value of Conditional TRCs in hand as well as the possibility of finalization of a number of objection/appeal cases entailing redemption of these TRCs with payment of a substantial amount of interest.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)064

Question Serial No.

1065

Head: 76 Inland Revenue Department Subhead (No. & title):

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Concerning the Matters requiring Special Attention column (paragraph 7, page 111, Volume IB of the Estimates), the Inland Revenue Department (IRD) will “assist the Financial Services and the Treasury Bureau in the public consultation on implementation of a Goods and Services Tax (GST)”. Grateful if the IRD would explain in detail descriptions of the above task; what will be the expenditure and staffing arrangement involved; furthermore, if the GST is to be implemented, what are the estimated increase in expenditure and staff establishment?

Asked by: Hon. FUNG Kin-kee, Frederick

Reply:

In 2006-07, IRD will, through internal staff redeployment, assist the Financial Services and the Treasury Bureau (FSTB) in the public consultation on implementation of a GST. This will include assistance in issuing the public consultation document, meeting relevant professional and other bodies, answering enquiries, collecting and analysing the responses received, etc. As the work will be absorbed by existing staff resources, no additional financial provision has been earmarked for the exercise. Regarding the work, IRD is presently assisting FSTB in drawing up a public consultation document and related publicity materials to prepare for the public consultation exercise to be held in mid-2006.

It is too early to provide an estimate on the additional expenditure and staff to be required by IRD for implementing a GST because the Government has not decided to introduce the tax.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)065

Question Serial No.

0370

Head: 76 Inland Revenue Department Subhead (No. & title):

Programme: (3) Investigation and Field Audit

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

As regards investigation of tax avoidance schemes, will the Administration inform this Committee how many tax avoidance cases have been detected in the past three years, the amount of tax involved and the estimated provision for such investigation in 2006-07?

Asked by: Hon. LAM Kin-fung, Jeffrey

Reply:

The numbers of tax avoidance cases completed in the past three years and the amounts of tax involved are as follows:

	2003-04	2004-05	2005-06 (up to 28.2.2006)
No of cases completed	196	213	191
Understated earnings and profits (\$m)	3,769.3	7,507.6	4,467.7
Back tax and penalties assessed (\$m)	636.2	1,375.7	615.6

Apart from the two Field Audit sections which primarily target tax avoidance schemes, other sections in the Inland Revenue Department (IRD) also handle tax avoidance cases that are detected during their normal field audit and investigation work. IRD does not have breakdown of the expenditure incurred in tax avoidance scheme investigation work.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)066

Question Serial No.

1800

Head: 76 Inland Revenue Department

Subhead (No. & title): 000 Operational expenses

Programme:

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please give details of the deletion of 26 permanent posts in 2006-07. What will be the savings in expenditure?

Asked by: Hon. LEUNG Yiu-chung

Reply:

In 2006-07, through streamlining procedures, re-engineering work processes and wider use of information technology, the Inland Revenue Department (IRD) plans to delete 32 permanent posts (including 2 Senior Assistant Assessors, 3 Senior Taxation Officers, 6 Taxation Officers, 9 Assistant Taxation Officers, 2 Tax Inspectors II, 1 Supervisor of Typing Services, 1 Senior Typist, 3 Assistant Clerical Officers, 4 Clerical Assistants and 1 Office Assistant), and create six permanent posts (including 1 Executive Officer II, 2 Assistant Assessors and 3 Taxation Officers). Overall, there will be a net deletion of 26 permanent posts.

The deletion and creation of the above posts will take place in phases within 2006-07 and IRD expects to achieve savings in the amount of \$2.6 million under personal emoluments within the year.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)067

Question Serial No.

1439

Head: 76 Inland Revenue Department Subhead (No. & title):

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

At present, Hong Kong has a working population of around 3 million. According to the Inland Revenue Department (IRD), salaries tax assessments have been made on more than 2 million cases in 2004-05. In this regard, will the administration inform this committee the criteria that the IRD used for determining who among those 3 million working people should be subject to salaries tax assessment?

Asked by : Hon. SIN Chung-kai

Reply :

An employer is required to report to the Inland Revenue Department (IRD) income paid to the following persons:

- (a) single persons whose income exceeds the personal allowance; and
- (b) directors, married persons and part time employees, irrespective of any amount paid.

The Inland Revenue Ordinance provides that a person chargeable to salaries tax shall inform the IRD in writing that he is so chargeable not later than four months after the end of the year of assessment (i.e. on or before 31 July) unless he has already been required to furnish a tax return.

Upon receiving information from employers, taxpayers and other sources which may be available, IRD will send Individual Tax Returns to individuals who may be liable to salaries tax. Individual Tax Returns are also sent to individuals with rental income and business profits. They have to report all income including salaries income in their tax returns. Based on the tax returns and other information available, IRD will raise salaries tax assessments on the taxpayers.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)068

Question Serial No.

2045

Head: 76 Inland Revenue Department

Subhead (No. & title):

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Regarding this Programme, will the Administration inform this Committee:

- a) the expenditure and staff establishment of the Inland Revenue Department for 2006-07 involved in assisting the Financial Services and the Treasury Bureau in consulting the public on the introduction of the Goods and Services Tax; and
- b) details of Inland Revenue Department's work in this respect?

Asked by: Hon. SIN Chung-kai

Reply:

In 2006-07, the Inland Revenue Department (IRD) will, through internal staff redeployment, assist the Financial Services and the Treasury Bureau (FSTB) in the public consultation on implementation of a Goods and Services Tax. This will include assistance in issuing the public consultation document, meeting relevant professional and other bodies, answering enquiries, collecting and analysing the responses received, etc. As the work will be absorbed by existing staff resources, no additional financial provision has been earmarked for the exercise. Regarding the work, the IRD is presently assisting the FSTB in drawing up a public consultation document and related publicity materials to prepare for the public consultation exercise to be held in mid-2006.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)069

Question Serial No.

1849

Head: 76 Inland Revenue Department

Subhead (No. & title):

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

As the Administration has abolished the estate duty, will the Administration inform this Committee whether the abolition will affect the work of the related officers? Can the related officers be transferred to other posts in the Inland Revenue Department?

Asked by: Hon. TAM Heung-man

Reply:

The Revenue (Abolition of Estate Duty) Ordinance 2005 commenced operation on 11 February 2006. (The provisions relating to abolition take retrospective effect from 15 July 2005. Estates of persons dying between 15 July 2005 and the commencement date are subject to a nominal duty.) The Estate Duty Office (EDO) of the Inland Revenue Department (IRD) will need to continue to process cases in respect of deaths occurring before the effective date of the removal of the duty. In addition, to ensure that the family or dependants of the deceased will not be adversely affected by the changes in procedures arising from the abolition of estate duty and to safeguard the interests of the beneficiaries, the Secretary for Home Affairs (SHA) will take up a number of support services for the beneficiaries. Some of these services have been exercised by the Commissioner of Inland Revenue during the process of estate duty administration. To facilitate a smooth transition, the EDO will provide such services on behalf of SHA until the end of March 2007. The current establishment of EDO will therefore need to be maintained until then. Our plan is to reduce the establishment of EDO and the supporting departmental posts in line with the actual caseload in subsequent years. The incumbents of the deleted posts will be redeployed to fill vacancies in other divisions of IRD or other government departments.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)070

Question Serial No.

1475

Head: 76 Inland Revenue Department

Subhead (No. & title):

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In 2006-07, the Inland Revenue Department will assist the Financial Services and the Treasury Bureau in the public consultation on implementation of a Goods and Services Tax. What will be the numbers of staff deployed and the resources involved?

Asked by: Hon. TIEN Pei-chun, James

Reply:

In 2006-07, the Inland Revenue Department will through internal staff redeployment, assist the Financial Services and the Treasury Bureau in the public consultation on implementation of a Goods & Services Tax. No additional financial provision has been earmarked for the exercise.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)071

Question Serial No.

2101

Head: 76 Inland Revenue Department

Subhead (No. & title):

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The Administration will complete a feasibility study on the setting up of a Taxpayer Portal in early 2006. In this regard, will the Administration inform this Committee,

- a. the number of staff and the expenditure involved in the study in 2005-06. If the study has not yet concluded, what will be the number of staff and the expenditure involved in the study in 2006-07?
- b. the study methodology and the latest progress;
- c. whether the study has been completed; if not, the reasons and the anticipated completion time;
- d. whether the study report will be published; if not, the reasons; and
- e. the action plan for 2006-07 to follow up the study results?

Asked by: Hon. TONG Ka-wah

Reply:

- a) to c) Inland Revenue Department (IRD) commissioned a consultant to conduct a feasibility study on the setting up of a Taxpayer Portal to assist taxpayers in complying with their tax obligations and to enable them to access a complete range of personalized e-services through a single entry point. The consultant took into account the external environment, the customer needs (through interviews) and the internal operation of IRD in conducting the feasibility study. The study was completed in January 2006. The total cost, which comprises the consultancy fee and expenditure for hiring contract staff, was \$5.1 million. Other manpower required within IRD for the study was met through internal redeployment.
- d) As the feasibility study report is mainly for internal planning of IRD's IT systems, IRD has no intention to publish the study report.

- e) IRD has applied for funding to implement the Taxpayer Portal in 2006-07. Subject to funding approval under the computerization block vote, it is estimated that all e-services currently provided by IRD through the Electronic Service Delivery Scheme will be migrated to the Taxpayer Portal in early 2008. New e-services will also be launched in phases from 2008 to early 2009.

Signature _____
Name in block letters Mrs LAU MAK YEE MING, ALICE
Post Title Commissioner of Inland Revenue
Date 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)072

Question Serial No.

2163

Head: 76 Inland Revenue Department

Subhead (No. & title):

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

With the enactment of 2005 Revenue (Abolition of Estate Duty) Ordinance, it is expected that the number of estate duty cases finalized will drop to 7,000. Why is it that the provision per case, instead of decreasing, increases by more than two folds?

Asked by: Hon. WONG Ting-kwong

Reply:

The reduction in the number of estate duty cases to be finalized in 2006-07 to 7,000 cases is attributable to the fact that no estate duty affidavits or statements need to be filed in respect of persons who passed away on or after 11 February 2006, following the commencement of operation of the Revenue (Abolition of Estate Duty) Ordinance 2005. (The provisions relating to abolition take retrospective effect from 15 July 2005. Estates of persons dying between 15 July 2005 and the commencement date are subject to a nominal duty.)

To ensure that the family or dependants of the deceased will not be adversely affected by the changes in procedures arising from the abolition of estate duty and to safeguard the interests of the beneficiaries, the Ordinance empowers the Secretary for Home Affairs (SHA) to provide certain support services for estate beneficiaries. The SHA has delegated the authority to the Commissioner of Inland Revenue for the time being to facilitate smooth transition. To provide these support services and to process the estate duty outstanding cases including cases in respect of deaths occurring before the abolition took effect, the Inland Revenue Department will have to maintain the current establishment of the Estate Duty Office in 2006-07. This accounts for the increase in provision per case in 2006-07.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)073

Question Serial No.

2164

Head: 76 Inland Revenue Department Subhead (No. & title):

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The Inland Revenue Department will implement a Workflow Management System in 2006-07 in order to effectively track and monitor the workflow. What are the specific plans and details of this system? What are the expenditure and staff establishment involved?

Asked by: Hon. WONG Ting-kwong

Reply:

The Workflow Management System (WMS) aims to automate the distribution of tasks relating to tax assessment objections, tax holdover claims etc, and to control and monitor the flow of work. It will allow the Inland Revenue Department (IRD) to effectively track and monitor case actions to ensure that performance pledge targets are met and improve the overall responsiveness to requests from the public. To support the efficient operation of the WMS, the Department will make use of its Document Management System to convert paper documents of the relevant tasks into electronic documents. The development work for the WMS has started in June 2005 and is expected to be completed in July 2006. The project will require \$9.7 million non-recurrent expenditure for system development and \$1.4 million recurrent expenditure for system maintenance. It is estimated that 14 posts of Clerical Assistant can be saved upon full implementation of the system.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)074

Question Serial No.

2165

Head: 76 Inland Revenue Department Subhead (No. & title):

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

According to the Analysis of Financial and Staffing Provision, the Inland Revenue Department will delete 23 posts relating to the Assessing Functions. What is the reason for this? Will there be any impact on work efficiency in future?

Asked by: Hon. WONG Ting-kwong

Reply:

The Inland Revenue Department (IRD) has put in constant efforts in re-engineering work processes and streamlining work procedures. The Department has also adopted a wider use of information technology in recent years. As a result of these efforts, the Department will be able to delete a total of 23 posts for its assessment work in 2006-07 under Programme (1) Assessing functions. The surplus officers will be redeployed to fill vacancies in other divisions of IRD. The assessing work will not be affected by this establishment change.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)075

Question Serial No.

2166

Head: 76 Inland Revenue Department

Subhead (No. & title):

Programme: (2) Collection

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In 2005-06, what are the numbers of people using electronic payment services? What is the percentage of these people out of the total number of taxpayers? Are the services performed up to expectations? What will be the savings in expenditure? For 2006-07, what will be estimated expenditure involving the promotion of the use of electronic payment services?

Asked by: Hon. WONG Ting-kwong

Reply:

In 2005-06 (up to 28 February 2006), around 1,256,000 payment transactions in settlement of earnings and profits tax (or 57% of the total number) are made by electronic means, representing a growth of 95,000 cases or 8% over the same period of the previous year.

Although the Inland Revenue Department (IRD) can dispense with the manual processing of cheque payments under e-payments, it has to perform verification work on the e-payment files submitted by the external payment service providers. As tax payments via various modes are centrally processed, IRD does not keep statistics on the costs and expenditures involved in processing tax payments by electronic means and non-electronic means.

In 2006-2007, IRD will continue to promote the use of electronic services for payment of tax through information leaflets, Internet publicity, advertisements, etc. The expenditures, which will not be significant, will be absorbed within IRD's existing resources.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)076

Question Serial No.

0746

Head: 162 – Rating and Valuation Department Subhead (No. & title): 700 – Non-recurrent Account

Programme:

Controlling Officer: Commissioner of Rating and Valuation

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The revised estimated expenditure for 2005-06 under the “General non-recurrent account” is only \$34,000, which is a sharp reduction from the approved estimate of \$0.937 million. Please explain.

Asked by: Hon. CHAN Kam-lam

Reply:

The approved estimate of \$937,000 under Subhead 700 General non-recurrent account in 2005-06 consists of a provision to pay for the outsourcing of the rating valuation work of unassessed rural properties (\$900,000) and a provision to maintain a newly developed computer system (\$37,000). The revised estimated expenditure of \$34,000 in 2005-06 covers the initial maintenance service of the above-mentioned computer system. As for the planned outsourcing for rural properties' valuation work, there was no need, upon review, to award a new contract in 2005-06, hence no such expenditure was incurred.

Signature _____

Name in block letters _____ **KENNETH T W PANG**

Post Title _____ **Commissioner of Rating and Valuation**

Date _____ **9.3.2006**

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)078

Question Serial No.

1592

Head: 162 – Rating and Valuation Department Subhead (No. & title): 700 – Non-recurrent Account

Programme:

Controlling Officer: Commissioner of Rating and Valuation

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The revised estimate for 2005-06 under Subhead:700 - General non-recurrent account is \$34,000, which is a sharp reduction of more than 90% from the approved estimate of \$0.937 million. Please inform the Committee of the reasons.

Asked by: Hon. CHEUNG Hok-ming

Reply:

The approved estimate of \$937,000 under Subhead 700 General non-recurrent account in 2005-06 consists of a provision to pay for the outsourcing of the rating valuation work of unassessed rural properties (\$900,000) and a provision to maintain a newly developed computer system (\$37,000). The revised estimated expenditure of \$34,000 in 2005-06 covers the initial maintenance service of the above-mentioned computer system. As for the planned outsourcing for rural properties' valuation work, there was no need, upon review, to award a new contract in 2005-06, hence no such expenditure was incurred.

Signature _____

Name in block letters _____ **KENNETH T W PANG** _____

Post Title _____ **Commissioner of Rating and Valuation** _____

Date _____ **9.3.2006** _____

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)079

Question Serial No.

2308

Head: 162 – Rating and Valuation Department Subhead (No. & title): 000 Operational Expenses

Programme: (1) Statutory Valuation and Assessment
 (2) Collection and Billing of Rates and Government Rent
 (4) Landlord and Tenant Services for Domestic Premises

Controlling Officer: Commissioner of Rating and Valuation

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please give details on the 14 permanent posts to be deleted in 2006-07 and the resultant saving of expenses.

Asked by: Hon. LEUNG Yiu-chung

Reply:

The Department will delete the following posts in 2006-07:

- Removal of Security of Tenure (9 posts)
One Rent Officer I, five Valuation Officer/ Valuation Officer Trainee and three Assistant Clerical Officer posts under Programme (4) – Landlord and Tenant Services for Domestic Premises. These posts can be deleted as a result of the removal of security of tenure under the Landlord and Tenant (Consolidation) (Amendment) Ordinance 2004;
- Review of Transportation Services (3 posts)
Three Motor Driver posts under Programme (1) – Statutory Valuation and Assessments and Programme (4) – Landlord and Tenant Services for Domestic Premises as a result of the Department's review of its transportation requirements and reduction of its vehicle fleet; and
- Informal Apportionment of Demands (2 posts)
One Senior Clerical Officer and one Assistant Clerical Officer posts under Programme (2) – Collection and Billing of Rates and Government Rent upon computerization of the issue of demand notes to individual property owners on apportioned accounts and the filing of claims for arrears recovery to the Small Claims Tribunal or Department of Justice.

These posts will be deleted upon retirement or transfer of the incumbents in 2006-07. The full year savings of about \$2.3m will be realised in 2007-08.

Signature _____

Name in block letters _____

KENNETH T W PANG

Post Title _____

Commissioner of Rating and Valuation

Date _____

9.3.2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)080

Question Serial No.

0796

Head: 162 – Rating and Valuation Department Subhead (No. & title):

Programme: (2) Collection and Billing of Rates and Government Rent

Controlling Officer: Commissioner of Rating and Valuation

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

During the Representatives' Meeting of Ha Tsuen Rural Committee, Yuen Long held in April 2005, it was reflected that the assessed rateable values of Government Rent was too high, creating much pressure on some elderly indigenous villagers. In this connection, will the Government inform that:

- (a) The Government expressed that in the light of the higher level of Government rent arrears in 2004-05 and 2005-06, a more realistic target was set for 2006-07. Does this imply that the Government expects the disputes between the public and the Government over assessment of village-type properties will continue or cannot be settled during the coming year, or that similar cases will increase persistently in the future?
- (b) On what grounds did the Government change the target of Government Rent arrears amount from 1.2% to 1.5%?

Asked by: Hon. MA Lik

Reply:

- (a) We do not consider the increase in Government rent arrears and the adjustment of the target are related to the levels of assessment as there are statutory provisions for making objections to Government rent assessments.

The increase in Government rent arrears in recent years was mainly due to the increase in the number of properties assessed to Government rent for the first time, particularly the village-type houses in the New Territories, many of which are owned by indigenous villagers. While some villagers attributed their late payment of Government rent to financial difficulties, many claimed exemption. They have therefore not paid the Government rent within the prescribed timeframe pending a decision on their exemption claims. In fact, some have not settled their accounts since the first assessment.

- (b) The Department sets a more realistic target of 1.5% for Government rent arrears in 2006-07 in view of the higher level of arrears in 2004-05 and 2005-06 for the reasons mentioned above.

Signature _____

Name in block letters KENNETH T W PANG

Post Title Commissioner of Rating and Valuation

Date 9.3.2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)081

Question Serial No.

1971

Head: 162 Rating and Valuation Department Subhead (No. & title):

Programme: (1) Statutory Valuation and Assessments

Controlling Officer: Commissioner of Rating and Valuation

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In 2006-07, the Department is going to employ temporary staff to clear backlog of re-assessments due to alterations of tenements and resultant objections. Will the Government please inform us of the number of staff and the expenditure involved, the duration of employment and the cost-effectiveness of such employment?

Asked by: Hon. TIEN Pei-chun, James

Reply:

One Contract Valuation Surveyor and two Contract Valuation Officers will be recruited in 2006-07 to clear the backlog of re-assessments due to alterations of tenements and resultant objections. They will be employed for 12 months at an estimated cost of \$750,000. They will be required to complete 500 assessments during the period. The average cost per assessment is about \$1,500 whilst the average rates and Government rent receivable per assessment are estimated to be \$32,640 per annum.

Signature _____

Name in block letters KENNETH T W PANG

Post Title Commissioner of Rating and Valuation

Date 9.3.2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)082

Question Serial No.

2134

Head: 162 – Rating and Valuation Department Subhead (No. & title): 000 Operational Expenses

Programme:

Controlling Officer: Commissioner of Rating and Valuation

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The Department will delete 14 permanent posts in 2006-07. In this connection, will the Government inform this Committee of:

- a. the divisions or the policy areas in which the posts will be deleted;
- b. the ranks and the duties of the posts to be deleted;
- c. the reasons for deletion of permanent posts despite an increase of overall budget;
- d. the method to absorb the workload of the posts to be deleted.

Asked by: Hon. WONG Kwok-hing

Reply:

The Department will delete the following posts in 2006-07:

- Removal of Security of Tenure (9 posts)

One Rent Officer I, five Valuation Officer/ Valuation Officer Trainee and three Assistant Clerical Officer posts under Programme (4) – Landlord and Tenant Services for Domestic Premises. These posts can be deleted as a result of the removal of security of tenure under the Landlord and Tenant (Consolidation) (Amendment) Ordinance 2004;

- Review of Transportation Services (3 posts)

Three Motor Driver posts under Programme (1) – Statutory Valuation and Assessments and Programme (4) – Landlord and Tenant Services for Domestic Premises as a result of the Department's review of its transportation requirements and reduction of its vehicle fleet; and

- Informal Apportionment of Demands (2 posts)

One Senior Clerical Officer and one Assistant Clerical Officer posts under Programme (2) – Collection and Billing of Rates and Government Rent upon computerization of the issue of demand notes to individual property owners on apportioned accounts and the filing of claims for arrears recovery to the Small Claims Tribunal or Department of Justice.

These posts will be deleted upon retirement or transfer of the incumbents in 2006-07.

Signature	_____
Name in block letters	<u>KENNETH T W PANG</u>
Post Title	<u>Commissioner of Rating and Valuation</u>
Date	<u>9.3.2006</u>

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)083

Question Serial No.

0369

Head: 186 – Transport Department

Subhead (No. & title):

Programme: (2) Licensing of Vehicles and Drivers

Controlling Officer: Commissioner for Transport

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

For the implementation of the Personalised Vehicle Registration Marks (PVRMs) Scheme in 2006-07, how many staff are involved and what is the related expenditure? What is the expected number of applications for PVRMs in 2006-07? And what is the average processing time for each application?

Asked by : Hon. CHEUNG Yu-yan, Tommy

Reply :

We estimate that eight additional staff (three Executive Officers and five clerical grade staff) will be required by the Transport Department (TD) to implement the Personalized Vehicle Registration Marks (PVRMs) Scheme. The total expenditure on staff for 2006-07 is about \$2.5 million.

As the Scheme is new, it is difficult to estimate the number of applications. TD would be able to process up to 3,000 applications in a year.

We envisage that PVRMs may be allocated within a few months of the time of application. TD plans to start accepting PVRM applications in the second quarter of 2006. If the number of applications exceeds the maximum limit (1,000 for the first batch), ballots will be drawn. The selected applications will be considered by the Commissioner for Transport in accordance with the legislation. TD will then publicise the approved applications and arrange for them to be allocated through public auctions. We expect the first auction to be held in September 2006.

Signature _____

Name in block letters _____

ALAN WONG

Post Title _____

Commissioner for Transport

Date _____

8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)084

Question Serial No.

1264

Head: 186 – Transport Department

Subhead (No. & title):

Programme: (2) Licensing of Vehicles and Drivers

Controlling Officer: Commissioner for Transport

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The estimate of this programme for 2006-07 is \$13.3 million higher than that for 2005-06 partly because of the implementation of the Personalised Vehicle Registration Marks (PVRMs) Scheme in 2006-07. Would the Administration tell us the breakdown of the estimated expenses?

Asked by : Hon. LAU Kong-wah

Reply :

The cost of administering the Personalised Vehicle Registration Marks Scheme is estimated to be around \$6 million for 2006-07: \$2.5 million (total expenditure on staff) and \$3.5 million (other departmental expenses).

Signature _____

Name in block letters ALAN WONG

Post Title Commissioner for Transport

Date 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)085

Question Serial No.

1956

Head: 186 – Transport Department

Subhead (No. & title):

Programme: (2) Licensing of Vehicles and Drivers

Controlling Officer: Commissioner for Transport

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Provision for 2006-07 is \$13.3 million higher than the revised estimate for 2005-06. This is mainly due to the full-year provision for implementing the Personalised Vehicle Registration Marks Scheme.

- (a) What are the expenses for the related work?
- (b) What are the expenses for recruiting additional staff? Please provide the rank and salary details.

Asked by : Hon. LEONG Kah-kit, Alan

Reply :

- (a) The cost for administering the Personalised Vehicle Registration Marks (PVRMs) Scheme is estimated to be around \$6 million per year.
- (b) A total of eight additional staff are required for the implementation of the PVRMs Scheme comprising one Senior Executive Officer (\$681,180), two Executive Officers I (\$962,040), one Clerical Officer (\$275,880), two Assistant Clerical Officers (\$324,360) and two contract staff (\$213,048). The total expenditure on staff for 2006-07 is about \$2.5 million.

Signature _____

Name in block letters _____

ALAN WONG

Post Title _____

Commissioner for Transport

Date _____

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)086

Question Serial No.

1935

Head: 186 – Transport Department

Subhead (No. & title):

Programme: (2) Licensing of Vehicles and Drivers

Controlling Officer: Commissioner for Transport

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The Transport Department will implement the Personalised Vehicle Registration Marks Scheme in 2006-2007. Please list out –

- (a) the administrative cost involved;
- (b) staffing arrangement; and
- (c) the estimated number of registration marks to be auctioned in 2006-07.

Asked by : Hon. WONG Kwok-hing

Reply :

- (a) The cost of administering the Personalised Vehicle Registration Marks (PVRMs) Scheme is estimated to be around \$6 million per year.
- (b) A total of eight additional staff members (three Executive Officers and five clerical grade staff) are required for the implementation of the PVRMs Scheme.
- (c) The Transport Department plans to process about 3 000 applications, in batches, in 2006-07. The first auction of PVRMs would be conducted in September 2006 continuing at a rate of about 200 to 250 PVRMs per month.

Signature _____

Name in block letters _____

ALAN WONG

Post Title _____

Commissioner for Transport

Date _____

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)087

Question Serial No.

0747

Head: 188 Treasury

Subhead (No. & title): 000 Operational expenses

Programme:

Controlling Officer: Director of Accounting Services

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please provide the reasons for the increase in the estimated provisions for salaries, allowances, job-related allowances and general departmental expenses for 2006-07 over the last year.

Asked by : Hon. CHAN Kam-lam

Reply :

The increase in the estimated provision for salaries (\$2.5m), allowances (\$0.9m), job-related allowances (\$0.01m) and general departmental expenses (\$17.6m) for 2006-07 over the revised estimate for 2005-06 is attributed mainly to the following:

- (a) additional provision for filling of vacancies and pre-retirement leave salaries (\$2.5m);
- (b) additional provision for allowances due to anticipated increase in overtime work arising from planned system testing of a number of computer projects and expected increase in the number of officers taking up acting appointments (\$0.9m);
- (c) rescheduling of some of the tasks of the Government Financial Management Information System project from 2005-06 to 2006-07 (\$15.2m); and
- (d) additional provision for payment to collection agents due to the growing number of government bills (\$2.4m).

Signature

Name in block letters

Post Title

Date

Mrs Lucia LI

Director of Accounting Services

8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)088

Question Serial No.

0171

Head: 188 Treasury

Subhead (No. & title):

Programme: (2) Payment of Salaries, Pensions and Benefits

Controlling Officer: Director of Accounting Services

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please provide a breakdown of the estimated expenditures on salaries and fringe benefits (including housing benefits, education allowance for children and leave passage allowance, etc.) for all the management posts in individual subvented non-departmental public bodies and subvented organizations.

Asked by : Hon. CHEUNG Chiu-hung, Fernando

Reply :

We do not have a breakdown of the estimated expenditure on salaries and fringe benefits for management posts in individual subvented non-government public bodies and subvented organisations which are charged to respective heads of expenditure. Under the existing subvention arrangements, it is up to the Directors of Bureaux concerned to determine the funding to the subvented organisations under their purview.

Signature

Name in block letters

Post Title

Date

Mrs Lucia LI

Director of Accounting Services

8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)089

Question Serial No.

1798

Head: 188 Treasury

Subhead (No. & title): 000 Operational expenses

Programme:

Controlling Officer: Director of Accounting Services

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please provide the details of the proposed deletion of 5 permanent posts in 2006-07 and the savings in expenditure achieved.

Asked by : Hon. LEUNG Yiu-chung

Reply :

The five posts expected to be deleted in 2006-07 include one Accounting Officer II, two Clerical Officer and two Assistant Clerical Officer posts. The estimated annual savings, in terms of notional annual mid-point salary value, are \$1.2 million.

Signature

Name in block letters

Post Title

Date

Mrs Lucia LI

Director of Accounting Services

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)090

Question Serial No.

2043

Head: 188

Subhead (No. & title):

Programme:

(3) Accounting and Financial Information Systems

Controlling Officer:

Director of Accounting Services

Director of Bureau:

Secretary for Financial Services and the Treasury

Question:

Please advise on the following in connection with this Programme:

1. With the installation of the Accounting and Financial Information Systems, would the Treasury review the following targets in order to improve the efficiency in supporting various government departments in respect of government's financial position?

- a. To produce financial statements after end of the relevant period within a stated time frame
 - i. monthly financial results
 - ii. statutory annual statements of accounts
 - iii. accrual-based annual statements of accounts
- b. To effect payments to creditors within 30 calendar days after receipt of goods/services or invoices
- c. To complete processing postal remittances within
 - i. four working days during peak periods
 - ii. three working days during non-peak periods
- d. To pay recurrent pensions on the due date or two weeks after receipt of claim form
- e. To pay passage allowances within 30 calendar days
- f. To answer enquiries from pensioners within nine working days of receipt of letter

2. If a review of the above targets would be conducted, what is the specific timetable of the review?

Asked by: Hon. SIN Chung-kai

Reply:

We will review the targets pertaining to production of financial statements and payment to creditors in the light of the processes under the new Government Financial Management Information System (GFMIS) after it is fully implemented in 2008.

The target on processing of postal remittances is set for our collection agent, i.e. Hongkong Post and is independent of the new GFMIS. We will continue to monitor the performance and review the target as appropriate.

The processes relating to payment of recurrent pensions and passage allowances and answering of enquires from pensioners are handled by other systems outside the new GFMIS. Planned enhancement/redevelopment of these other systems in 2006-07 will provide an opportunity for us to further enhance efficiency in handling pensions and passage allowances. Consequently we will, in 2007, review the performance targets for pensions and passage allowances.

Signature _____

Name in block letters _____ Mrs Lucia LI

Post Title _____ Director of Accounting Services

Date _____ 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)091

Question Serial No.

2044

Head: 188-Treasury

Subhead (No. & title):

Programme: (1) Central Accounting, Collections and Payments

Controlling Officer: Director of Accounting Services

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

- a. It is currently the Government's target "to effect payments to creditors within 30 calendar days after receipt of goods/services or invoices", does the Treasury have any plans to shorten such payment period? If no, what are the reasons?
- b. Would the installation of the new Accounting and Financial Information Systems help to shorten the above payment period? If no, what are the reasons?

Asked by : Hon. SIN Chung-kai

Reply :

- a. This target is the Treasury's pledge on settlement of invoices in general, but does not apply to those with contractual due dates. The 30-day period represents the lead time required to verify and certify the correctness of the invoices (including clarification with suppliers if necessary) and to prepare and authorize the payments by the originating bureaux/departments, as well as to process the payments to creditors centrally by the Treasury. It also allows for the intervening non-working days. We regularly review the target of making payments within 30 calendar days and consider that it remains suitable at present.
- b. The payment and accounting processes under the new Government Financial Management Information System are being developed. The Treasury will review this target in the light of the processes under the new system after it is fully implemented in 2008.

Signature _____

Name in block letters _____ Mrs Lucia LI

Post Title _____ Director of Accounting Services

Date _____ 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)092

Question Serial No.

2332

Head: 188-Treasury

Subhead (No. & title):

Programme: (3) Accounting and Financial Information Systems

Controlling Officer: Director of Accounting Services

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In the application for provision for the procurement of the "Accounting and Financial Information Systems" made to the Finance Committee of the Legislative Council in May 2002, the Administration stated that 21 posts could be deleted upon the implementation of the new systems in 2006-07. However, as compared to the information (that the estimated number of staff under this programme would be 114 as at 31 March 2006) provided in the estimates of 2005-06, only 8 posts will be deleted in 2006-07 upon the implementation of the new systems (since there will be 106 staff under this programme as at 31 March 2007). What are the reasons for that?

Asked by: Hon. SIN Chung-kai

Reply:

The Government Financial Management Information System (GFMIS) replacement project has experienced delays and the completion date has now been rescheduled to 2008.

Of the 21 posts originally scheduled for deletion in 2006-07, seven have already been deleted through streamlining of work processes. One further will be deleted in 2006-07. The remaining 13 posts are expected to be deleted in 2008-09 upon completion of the project.

Signature _____

Name in block letters _____ Mrs Lucia LI

Post Title _____ Director of Accounting Services

Date _____ 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)093

Question Serial No.

1871

Head: 188 Treasury

Subhead (No. & title):

Programme: (3) Accounting and Financial Information Systems

Controlling Officer: Director of Accounting Services

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Would the Administration provide a detailed account of the increases in expenditure under this programme?

Asked by : Hon. TAM Heung-man

Reply :

The breakdown of the increase in provision of \$17.7m for Programme (3) for 2006-07 over the revised estimate of 2005-06 is as follows :

	<u>\$ million</u>
additional provision for filling of vacancies	1.5
additional provision for pre-retirement leave salaries	1.0
additional provision due to rescheduling of some of the tasks of the Government Financial Management Information System project from 2005-06 to 2006-07	15.2
Total	----- 17.7 =====

Signature

Name in block letters

Post Title

Date

Mrs Lucia LI

Director of Accounting Services

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)094

Question Serial No.

1872

Head: 188 Treasury

Subhead (No. & title):

Programme: (3)

Controlling Officer: Director of Accounting Services

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

According to the Administration, the rescheduling of the project for the replacement of the existing Government Financial Management Information System has led to an increase in expenditure. Would the Administration account for the cause of the rescheduling and its impact on departmental operations?

Asked by : Hon. TAM Heung-man

Reply :

The Government Financial Management Information System (GFMIS) replacement project under the previous contract had experienced delays and the scheduled rollout could not be delivered. The contract was terminated in May 2005. The project was put to re-tender in September 2005 and the new contract commenced in February 2006. As a result, the completion of the project has now been rescheduled to 2008.

The Treasury has arranged with the contractor of the existing GFMIS to upgrade the hardware and system software so that the service of the existing system can be extended where necessary. Hence, the rescheduling should not cause any disruptions to departmental operations.

Signature

Name in block letters

Post Title

Date

Mrs Lucia LI

Director of Accounting Services

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)095

Question Serial No.

0030

Head: 188

Subhead (No. & title):

Programme:

(3) Accounting and Financial Information Systems

Controlling Officer:

Director of Accounting Services

Director of Bureau:

Secretary for Financial Services and the Treasury

Question:

It is mentioned under this Programme that there is some delay in the project for the replacement of the existing Government Financial Management Information System. Please explain the reason for the delay and its impact on the financial provision.

Asked by: Hon. TONG Ka-wah

Reply:

The Government Financial Management Information System replacement project under the previous contract had experienced delays and the scheduled rollout could not be delivered. The contract was terminated in May 2005. As the contract may go into litigation, we are unable to divulge further information at the moment. The project was put to re-tender in September 2005 and the new contract commenced in February 2006. As a result, the completion of the project has now been rescheduled to 2008.

In May 2002, the Finance Committee approved a commitment of \$268.9M for the project. Based on the contract price of the re-tendered contract, no additional funding is required for this project.

Signature _____

Name in block letters _____

Mrs Lucia LI

Post Title _____

Director of Accounting Services

Date _____

8 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)096

Question Serial No.

2100

Head: 188-Treasury

Subhead (No. & title): 187 Agents' commission and expenses

Programme: (1) Central Accounting, Collections and Payments

Controlling Officer: Director of Accounting Services

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Under the recurrent expenditure, there is an increase of \$684,000 (18.5%) over the revised estimate for 2005-06 regarding provision for agents' commission and expenses. As regards the financial and staffing provision under this programme, the estimate for 2006-07 is \$4.1 million (3.6%) higher than the revised estimate for 2005-06. As explained in the estimates, this is mainly due to an anticipated increase in payment to collection agents in 2006-07 as a result of growing number of government bills, and the lower than expected requirement in 2005-06.

Would the Administration provide the actual yearly number of such payments made by the public through banks and other agencies in the past three years, and the revenue collected through these payment methods, so as to examine the above justifications put forward in the estimates.

Asked by : Hon. TONG Ka-wah

Reply :

The Treasury has outsourced all of its revenue collection services. The actual number of collections through the Treasury's collection agents and the amount of revenue collected for the past three years are as follows –

Payment Method	2003		2004		2005	
	No. of collections	Revenue collected (\$ million)	No. of collections	Revenue collected (\$ million)	No. of collections	Revenue collected (\$ million)
Counter collections	7	82,48		118,391	9	137,8
Postal remittances	632	8,82	8	17,883	778	8,9
Collection by autopay	1	2,22		2,452	2	2,5
Collection by other electronic means (e.g. ATM, PPS, etc.)	3	3,72		4,478	5	5,0
	13 572 968	97,257	17 266 380	143,204	17 829 297	154,416

Signature _____

Name in block letters _____ Mrs Lucia LI

Post Title _____ Director of Accounting Services

Date _____ 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)097

Question Serial No.

0321

Head: 188 Treasury Subhead (No. & title):

Programme: (2) Payment of Salaries, Pensions and Benefits

Controlling Officer: Director of Accounting Services

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The number of participants in the Civil Service Provident Fund Scheme shows a year-on-year increase from 2004 onwards to an estimate of 2 800 in 2006. In this respect, please advise us of:

- a. the reasons for the increase; and
- b. the respective departments of the participants in 2005 and 2006 respectively, and provide details by their terms of appointment such as on permanent, contract or supernumerary terms etc.

Asked by : Hon. WONG Kwok-hing

Reply :

The number of participants in the Civil Service Provident Fund (CSPF) Scheme increases as more officers, who joined the civil service on or after 1 June 2000 under the new civil service entry terms, are subsequently offered new permanent terms of appointment and become eligible to join the CSPF Scheme. At Annex is a list of participants by bureaux and departments in 2005. A breakdown by individual bureaux and departments for 2006 is not available at this stage.

All officers under the CSPF Scheme are appointed on new permanent terms of appointment.

Signature

Name in block letters

Post Title

Date

Mrs Lucia LI

Director of Accounting Services

8 March 2006

BREAKDOWN OF OFFICERS JOINING THE CSPF SCHEME IN 2005 BY DEPARTMENTS

<u>Bureaux and Departments</u>	<u>2005 (Actual)</u>
Civil Aviation Department	6
Civil Engineering & Development Department	3
Commerce, Industry & Technology Bureau	1
Correctional Services Department	203
Customs & Excise Department	14
Drainage Services Department	3
Environment, Transport & Works Bureau	1
Fire Services Department	518
Government Flying Service	7
Health, Welfare & Food Bureau	1
Highways Department	5
Hong Kong Observatory	1
Hong Kong Police Force	1 089
Immigration Department	343
Transport Department	5
Total	2 200

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)098

Question Serial No.

2113

Head: 188 Treasury

Subhead (No. & title):

Programme: (4) Management of Funds

Controlling Officer: Director of Accounting Services

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

It is stated that in 2006-07, the Treasury will engage a financial consultant, as a periodic exercise, to review the investment strategies of the two Schools Provident Funds and the Quality Education Fund. Would the Administration inform this Committee of :

- (a) the issues to be reviewed in detail ;
- (b) the expenses incurred ;
- (c) the name of the consultant to be engaged ; and
- (d) the projected completion date.

Asked by : Hon. WONG Kwok-hing

Reply :

- (a) The aim of the consultancy study is to review the continued suitability of the existing investment strategy and manager configuration in the light of the investment objectives of the two School Provident Funds and the Quality Education Fund and changes in conditions of the investment market, to recommend changes if necessary and to advise on the consequential implementation approach.
- (b) The fee is estimated to be HK\$ 400,000.
- (c) The Mercer Investment Consulting has been appointed consultant for the exercise.
- (d) The study is estimated to be completed in April 2006.

Signature _____

Name in block letters _____ Mrs Lucia LI

Post Title _____ Director of Accounting Services

Date _____ 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)099

Question Serial No.

2167

Head: 188

Subhead (No. & title):

Programme:

(3) Accounting and Financial Information Systems

Controlling Officer:

Director of Accounting Services

Director of Bureau:

Secretary for Financial Services and the Treasury

Question:

There is some delay in the project for the replacement of the existing Government Financial Management Information System. What are the reasons for this and the additional expenses arising from the delay?

Asked by: Hon. WONG Ting-kwong

Reply:

The Government Financial Management Information System replacement project under the previous contract had experienced delays and the scheduled rollout could not be delivered. The contract was terminated in May 2005. As the contract may go into litigation, we are unable to divulge further information at the moment. The project was put to re-tender in September 2005 and the new contract commenced in February 2006. As a result, the completion of the project has now been rescheduled to 2008.

In May 2002, the Finance Committee approved a commitment of \$268.9M for the project. Based on the contract price of the re-tendered contract, no additional funding is required for this project.

Signature _____

Name in block letters _____ Mrs Lucia LI

Post Title _____ Director of Accounting Services

Date _____ 9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)101

Question Serial No.

0739

Head: 31 Customs and Excise Department Subhead (No. & title):

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please advise on the following: How many illicit fuel detreating plants closed down and illicit fuel filling stations neutralised during anti-illicit-fuel enforcement in 2005 were located in residential area?

Asked by : Hon. LAU Kin-ye, Miriam

Reply :

In 2005, no marked oil detreating plant was detected in residential areas. The 22 detreated plants that Customs & Excise Department neutralised in 2005 were either located in remote non-residential areas in the New Territories or mobile plants operating in open ground carparks in the New Territories.

In 2005, Customs & Excise Department neutralised a total of 19 illicit fuel filling stations operating in residential areas in Kowloon.

Signature _____

Name in block letters _____

TIMOTHY H M TONG

Post Title _____

Commissioner of Customs and Excise

Date _____

9 March 2006

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)102

Question Serial No.

0740

Head: 31 Customs and Excise Department Subhead (No. & title):

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please advise on the following: Among 1.091 million litres of hydrocarbon oil seized during anti-illicit-fuel enforcement in 2005, what are the quantities of diesel oil and motor spirit respectively?

Asked by : Hon. LAU Kin-yee, Miriam

Reply :

Of the 1.091 million litres of hydrocarbon oil seized by Customs & Excise Department in 2005, illicit diesel oil amounted to 500 000 litres and illicit motor spirit 591 000 litres.

Signature	_____
Name in block letters	<u>TIMOTHY H M TONG</u>
Post Title	<u>Commissioner of Customs and Excise</u>
Date	<u>9 March 2006</u>

