

**Replies to supplementary questions raised by Finance Committee Members in
examining the Estimates of Expenditure 2007-08**

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

Reply Serial No.	Question Serial No.	Name of Member	Head	Programme
S-FSTB(Tsy)01	SV004	CHAN Wai-yip, Albert	147	(2) Revenue and Financial Control
S-FSTB(Tsy)02	SV005	LAU Wai-hing, Emily	147	(2) Revenue and Financial Control
S-FSTB(Tsy)03	S009	TONG Ka-wah, Ronny	51	(2) Property Management
S-FSTB(Tsy)04	S010	TONG Ka-wah, Ronny	51	(2) Property Management
S-FSTB(Tsy)05	S020	WONG Kwok-hing	51	(3) Estate Utilisation
S-FSTB(Tsy)06	S011	WONG Kwok-hing	59	(4) Printing Services
S-FSTB(Tsy)07	S012	WONG Kwok-hing	59	(4) Printing Services
S-FSTB(Tsy)08	S013	WONG Kwok-hing	59	(4) Printing Services
S-FSTB(Tsy)09	SV003	WONG Kwok-hing	59	(3) Land Transport

Examination of Estimates of Expenditure 2007-08

**CONTROLLING OFFICER'S REPLY TO
SUPPLEMENTARY QUESTION**

Reply Serial No.

S-FSTB(Tsy)01

Question Serial No.

SV004

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:

Given the large discrepancy between the Administration's estimates on revenue and expenditure and the outturns, the Administration is requested to consider Hon CHAN Wai-yip's suggestion of conducting a mid-term review and re-allocate the estimated surplus to finance other items, in particular district-based works or projects.

Asked by: Hon. Albert CHAN Wai-yip

Reply:

Under the existing arrangement, bureaux and departments may submit bids for new monies under the annual resource allocation exercise. Directors of bureaux are advised to regularly review the funding positions of heads and subheads of expenditure under their portfolio with the responsible Controlling Officers and deploy the available resources effectively within the relevant authority, particularly towards the latter part of a financial year. In addition, bureaux and departments may submit proposals that require additional or new funding, whether recurrent, one-off or capital in nature, and if necessary, seek the Finance Committee's approval for the required funding in the course of the financial year. A recent example was the complementary sewerage upgrading works in Wong Chuk Hang required for the redevelopment of the Ocean Park. This project was approved by the Finance Committee in June 2006.

In respect of district minor works, following the 2006 District Councils Review, the Finance Committee has approved the establishment of a new dedicated block vote under the Capital Works Reserve Fund for implementing district-based projects by the District Council. Similar to other block allocations, the Permanent Secretary for Home Affairs and the Director of Home Affairs are empowered under delegated authority to approve projects costing not more than \$15 million each, and to deploy funds within the approved provision to finance any unforeseen new items that may arise during the year.

Signature _____

Name in block letters ALAN N LAI

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

Date 22 March 2007

**CONTROLLING OFFICER'S REPLY TO
SUPPLEMENTARY QUESTION**

Reply Serial No.

S-FSTB(Tsy)02

Question Serial No.

SV005

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:

In response to Hon Emily LAU's concern about the underspending in various departments and bureaux, the Administration undertakes to provide further information on :

- (a) the current arrangements under which Controlling Officers/the Administration can exercise flexibility in the use of financial provisions approved under the Heads of Expenditure; and
- (b) how such flexibility can be enhanced for better utilization of resources.

Asked by: Hon. Emily LAU Wai-hing

Reply:

- (a) At present, we have the following arrangements to enable bureaux and departments to deploy flexibly resources available under their portfolio –
 - (i) Envelope System
Directors of bureaux are free to deploy resources within their operating expenditure envelopes amongst the bureaux and departments under their purview.
 - (ii) One-line Vote Arrangement
Under the relevant Head of Expenditure, Controlling Officers can transfer funds within the General Revenue Account (GRA) Subhead 000 Operational Expenses, which is a single subhead consolidating the conventional subheads for personal emoluments, departmental expenses and other charges.
 - (iii) Delegated Authority
Controlling Officers are empowered to exercise the authority delegated by the Finance Committee for approving changes to the estimates of expenditure of up to \$10 million for each recurrent expenditure subhead and capital account block vote subhead under a Head of Expenditure of the GRA.

(iv) Block Votes

Controlling Officers may deploy funds from the relevant block votes to procure minor plant, equipment and works projects to meet any new or unforeseen requirements arising during the year. To take account of the lead time required for purchase of plant and equipment, the Finance Committee has approved the Controlling Officers to place orders for up to 150% of the approved provisions of block vote subheads (such as Subhead 661 Minor Plant, Vehicles and Equipment) of the GRA subject to the condition that the actual expenditure for the year should not exceed the relevant approved provisions. As for the works-related block votes under the CWRP, Controlling Officers may award contracts with total value up to 300% of the provisions approved for the year.

(v) Save and Invest Arrangement

Part of the unspent provisions for operating expenditure can be carried forward in the form of Save and Invest Credits for use in the future.

- (b) We will continue to issue guidelines and remind bureaux and departments that they should critically review from time to time the funding position of the Heads of Expenditure under their control with a view to deliver their policy objectives in the most effective way with the available resources.

Signature _____

Name in block letters ALAN N LAI

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

Date 22 March 2007

Examination of Estimates of Expenditure 2007-08

**CONTROLLING OFFICER'S REPLY TO
SUPPLEMENTARY QUESTION**

Reply Serial No.

S-FSTB(Tsy)03

Question Serial No.

S009

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 :

Under the strict enforcement of the Government's energy conservation policy, the increase by \$30m in light and power expenses in the 2007-08 estimate, as compared with the actual expenditure in 2005-06, is unacceptable. In this connection, would the Government provide the relevant data of the following that have a bearing on the above expenses:

1. the tariff increase on Hong Kong Island;
2. the number of newly-provided computers in offices and the estimated additional electricity charges incurred;
3. the departments involved in the office automation programme and the locations of the relevant offices, the projects involved and the electricity charges incurred;
4. the estimated additional electricity charges due to persistently warm weather; and
5. please provide a detailed explanation of what is meant by "growing demand for Government services". How much additional expenditure on electricity charges will be incurred by these new demands to the government properties?

Asked by : Hon. TONG Ka-wah, Ronny

Reply :

There are many factors contributing to the increase in estimate for light and power expenses. Some of these factors, such as tariff increase and persistently warm weather, are beyond the control of the Agency.

Of the \$30 million increase in the 2007-08 estimate, as compared with the actual expenditure in 2005-06, about two-thirds are due to the tariff increase on Hong Kong Island since January 2006.

Apart from the tariff increase, we have taken into account increasing computerisation and office automation, persistently warm weather and possible growing demand for Government services as a whole in making a broad-brush estimate for the possible increase in expenses. We do not have a breakdown on the effect of these individual elements as electricity consumption arising from them is not separately metered and monitored.

We have also allowed for possible increase in electricity consumption arising from “growing demand for Government services”, which refers to increases in electricity consumption arising from increased utilisation of public facilities in government joint-user office buildings, extended operating hours and enhanced provision to meet operational needs, e.g. upgrading of information technology systems and the associated building services installations.

Signature	_____
Name in block letters	_____ K K Kwok _____
Post Title	_____ Government Property Administrator _____
Date	_____ 23 March 2007 _____

Examination of Estimates of Expenditure 2007-08

**CONTROLLING OFFICER'S REPLY TO
SUPPLEMENTARY QUESTION**

Reply Serial No.

S-FSTB(Tsy)04

Question Serial No.

S010

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 :

Would the Administration advise on the following: how is the Government's energy conservation policy taken forward in government properties? What measures have been taken? How effective are the measures? As compared with the actual expenditure in 2005-06, the estimated light and power expenses for 2007-08 have increased by nearly \$30 million. What new measures will be implemented by the Government to reduce energy consumption in government properties?

Asked by : Hon. TONG Ka-wah, Ronny

Reply :

To promote energy efficiency and reduce electricity consumption/expenditure, energy-saving designs and installations have been incorporated in newly-built government joint-user office buildings in recent years. These include computerised building management systems, air handling units with variable speed drive and energy-saving lighting. For existing government joint-user office buildings, we have introduced measures to shorten the core air-conditioning hours, maintain average room temperature at 25.5°C during the summer months and curtail lift service during off-peak hours. Other on-going cost-effective and feasible energy-saving measures will continue to be introduced in 2007-08 to existing joint-user office buildings. These include addition of automatic tube cleaning systems for chiller condensers, conversion of air-cooled chillers to water-cooled chillers, replacement of light fittings with more efficient T5 light fittings with electronic ballasts and demarcation of air-conditioning zoning of the office space to suit users' working modes. The majority of these measures will be undertaken when fitting-out/refurbishment projects are implemented. Additionally, we have recently started energy audits at major government joint-user office buildings to explore further energy-saving opportunities.

In parallel, we will continue to monitor electricity consumption in individual joint-user office buildings on a monthly basis and keep user bureaux/departments informed of the electricity consumption of the buildings they occupy. Any significant deviation in consumption from past trends will be investigated in consultation with the relevant Building Management Committee and the Electrical and Mechanical Services Department. Bureaux/departments are also reminded of good housekeeping practice in energy conservation at monthly intervals through Building Management Committees.

With these concerted efforts, and notwithstanding increased electricity consumption due to increasing computerisation and office automation, persistently warm weather, etc., the electricity consumption for the 50 government joint-user office buildings managed by the Agency was reduced by 3 266 825 kWh in 2005-06 compared with 2004-05, which resulted in savings of about \$3 million. The increase in the estimate for light and power expenses in 2007-08 compared to the actual expenditure in 2005-06 is mainly due to the tariff increase on Hong Kong Island since January 2006.

Signature	_____
Name in block letters	_____ K K Kwok _____
Post Title	_____ Government Property Administrator _____
Date	_____ 23 March 2007 _____

**CONTROLLING OFFICER'S REPLY TO
SUPPLEMENTARY QUESTION**

Reply Serial No.

S-FSTB(Tsy)05

Question Serial No.

S020

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 :

In 2007, the number of government premises identified as having new commercialisation opportunities is 22. Will the Administration let out those premises for use by relevant trades on a short-term basis while conducting detailed feasibility studies on the various items so as to shorten the vacant period of those premises?

Asked by : Hon. WONG Kwok-hing

Reply :

The detailed feasibility studies are conducted to explore whether these government premises are suitable for letting. It is not appropriate to let them out before we know whether they are suitable for letting on a commercial basis. The Agency will complete the detailed feasibility studies promptly so as to facilitate letting of the premises by public tender as soon as possible.

Signature

Name in block letters

Post Title

Date

K K Kwok

Government Property Administrator

23 March 2007

**CONTROLLING OFFICER'S REPLY TO
SUPPLEMENTARY QUESTION**

Reply Serial No.

S-FSTB(Tsy)06

Question Serial No.

S011

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:

For the printing services estimated to be carried out in 2007-08, how many will be outsourced? Among the outsourced printing jobs, how many will be carried out locally?

Asked by: Hon. WONG Kwok-hing

Reply:

Based on past expenditure, we have included an estimated amount of \$26 million in the provision for printing services in 2007-08 to cater for outsourcing of printing services. However, we will only outsource printing services where there are equipment or skill constraints. Until the exact requirements of bureaux and departments are known, we would not know which printing services may need to be outsourced. In any event, we do not have information on printing jobs carried out locally for outsourced printing jobs. That said, given the small value of each contract for outsourced printing services, quotations will be invited from local printing services suppliers in accordance with established government procedures.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 23 March 2007

**CONTROLLING OFFICER'S REPLY TO
SUPPLEMENTARY QUESTION**

Reply Serial No.

S-FSTB(Tsy)07

Question Serial No.

S012

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:

For the printing services estimated to be carried out in 2007-08, what is the percentage of the expenditure of the outsourced printing jobs to be carried out locally in terms of the total expenditure under this programme?

Asked by: Hon. WONG Kwok-hing

Reply:

Based on past expenditure, we have included an estimated amount of \$26 million (14.7% of the provision for printing services) under this programme to cater for outsourcing of printing services in 2007-08. However, we will only outsource printing services where there are equipment or skill constraints. Until the exact requirements of bureaux and departments are known, we would not know which printing services may need to be outsourced and hence the expenditure thereon as a percentage of the total expenditure under this programme.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 23 March 2007

**CONTROLLING OFFICER'S REPLY TO
SUPPLEMENTARY QUESTION**

Reply Serial No.

S-FSTB(Tsy)08

Question Serial No.

S013

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:

For the printing services estimated to be carried out in 2007-08, is there any requirement in the contracts for outsourced printing services that the work has to be carried out locally? If not, what is the reason? Will the Administration consider specifying in the contracts the requirement that the printing work has to be carried out locally?

Asked by: Hon. WONG Kwok-hing

Reply:

All bureaux and departments, including the Government Logistics Department, are required to follow the relevant provisions in the Stores and Procurement Regulations in outsourcing services, including printing services. In line with our non-discriminatory procurement policy, the contracts for outsourced printing services do not impose any restriction on the place of production for outsourced printing services.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 23 March 2007

Examination of Estimates of Expenditure 2007-08

**CONTROLLING OFFICER'S REPLY TO
SUPPLEMENTARY QUESTION**

Reply Serial No.

S-FSTB(Tsy)09

Question Serial No.

SV003

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 relation to Hon. WONG Kwok-hing's concern about public perception of the across-the-board replacement of vehicles for CS, FS, SJ, CJ and Directors of Bureaux, the Administration is requested to re-examine the desirability of conducting such replacement in one go instead of by stages.

Asked by: Hon. WONG Kwok-hing

Reply:

Replacement of government vehicles is based on the Economic Life Model (ELM) as recommended by the Audit Commission. The ELM takes into account maintenance cost, vehicle age, mileage run and replacement cost, regardless of the seniority or rank of the user, in determining when a vehicle is due for replacement. Every year, there is a need to replace a number of vehicles in the government fleet which are considered not cost-effective to continue to operate. In 2006-07, 146 cars including those for Chief Secretary for Administration, Financial Secretary, Secretary for Justice, Chief Justice of the Court of Final Appeal, and Directors of Bureaux are due for replacement based on the ELM. Orders for the new cars have been placed earlier.

The Administration sees no need to change the existing objective basis for replacement of vehicles in the government fleet, which has been established to ensure cost-effectiveness.

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 23 March 2007