

**Replies to initial written 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**

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

Reply Serial No.

FSTB(Tsy)001

Question Serial No.

0875

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 :

The amount of salaries under Personal Emoluments increases from the revised estimate of over \$92.7m for 2006-07 to the estimate of \$96.38m for 2007-08, mainly due to increased salary provision arising from staff changes. Please give a detailed account of this situation and the reasons for it.

Asked by: Hon. CHAN Kam-lam

Reply:

The provision for Salaries in 2007-08 is \$96.38 million, representing an increase of about \$3.7 million over 2006-07. This is mainly due to the increased requirement for payment of pre-retirement leave salaries and salary increments for existing staff.

Signature _____

Name in block letters _____ ALAN N LAI _____

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

Date _____ 12 March 2007 _____

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)002

Question Serial No.

0876

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 "personnel related expenses", the Mandatory Provident Fund contribution has decreased from the revised estimate of \$65,000 for 2006-07 to \$47,000 in the 2007-08 estimate, while the Civil Service Provident Fund contribution has increased from the revised estimate of only \$1,000 for 2006-07 to \$120,000 in the 2007-08 estimate. What are the reasons for this?

Asked by: Hon. CHAN Kam-lam

Reply:

As some of the officers currently under the Mandatory Provident Fund (MPF) Scheme will be transferred to the Civil Service Provident Fund (CSPF) Scheme in 2007-08, our CSPF contribution will therefore be increased with a reduction in MPF contribution.

Signature _____

Name in block letters ALAN N LAI

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

Date 12 March 2007

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

Reply Serial No.

FSTB(Tsy)003

Question Serial No.

0877

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 :

The general departmental expenses under "Departmental Expenses" for 2007-08 are estimated to be \$19.2 million. Would the Administration provide the reasons for that?

Asked by: Hon. CHAN Kam-lam

Reply:

The general departmental expenses of this Branch cover expenses that are directly related to the day-to-day running of the Branch, such as administration, stores and equipment, hire of services and professional fees, etc. The provision of \$19.2 million for 2007-08 is kept at a level comparable to the original estimate for 2006-07.

Signature _____

Name in block letters _____ ALAN N LAI

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

Date _____ 12 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)008

Question Serial No.

1197

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 :

Subhead 000 Operational Expenses shows that the revised fees for appointment of financial consultants in 2006-07 are \$5.2m less than the original estimate. What are the reasons for that? As regards the estimated expenditure of \$23.62m for 2007-08, please provide details of the consultancy studies as well as their objectives and the expenditure involved.

Asked by: Hon. FANG Kang, Vincent

Reply:

A decrease of \$5.2 million in the revised estimate for 2006-07 against the original estimate for the appointment of consultants is mainly due to the deferral of some consultancy projects.

The estimate for the appointment of consultants in 2007-08 is set out below –

Description of consultancy services	Estimate for 2007-08 (\$'000)
Financial advisory services on merger of MTR Corporation Limited and Kowloon-Canton Railway Corporation	6,755
Advisory services for public consultation on tax reform	1,628
Financial advisory services in relation to implementation of the Asset Sale and Securitisation Programme	15,245
Total:	23,628

Signature _____

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

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

Date _____ **14 March 2007**

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

Reply Serial No.

FSTB(Tsy)009

Question Serial No.

0107

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 :

Regarding “continuing to consider major investment and loan proposals in support of economic and social development” under Matters Requiring Special Attention in 2007-08, what major investment and loan proposals are being considered by the Administration now?

Asked by: Hon. FUNG Kin-kee, Frederick

Reply:

Investment and loan proposals are funded by the Capital Investment Fund (CIF) and Loan Fund (LF) as appropriate in accordance with the Legislative Council’s resolutions for establishment of the respective funds. As a general rule, only those investment proposals which aim to meet an important policy objective and are able to generate adequate income to cover costs and pay a reasonable return on Government’s investment will be considered for CIF funding. LF finances developments in respect of statutory bodies or other organisations delivering public services, concessionary loan schemes for specified groups and relief from financial hardship in compliance with policy objectives or under special circumstances. Neither CIF nor LF are intended to compete with private sector financial institutions. They are considered as alternatives when commercial facilities are not available, appropriate or cost-effective. All proposals must be themselves financially viable and individual commitments of CIF and LF are subject to the approval of the Finance Committee of the Legislative Council. The Treasury Branch will consider proposals from other Bureaux as and when they arise.

Signature _____

Name in block letters ALAN N LAI

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

Date 9 March 2007

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

Reply Serial No.

FSTB(Tsy)012

Question Serial No.

0872

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

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:

Regarding the work to “ensure that the growth of government expenditure over time is in line with the trend growth rate of the economy” mentioned under the Brief Description, could the Administration give a list of comparisons between the growth of government expenditure and the growth of the economy over the last three years? Has the growth of government expenditure lagged behind the growth rate of the economy? (If yes,) please state the reasons. It is mentioned in Appendix A of the 2007-08 Budget that the trend growth rate of the economy over the period 2008 to 2011 is assumed at 4.5% per annum, but according to Table 2 of Appendix A, the estimated government expenditure over the same period is generally lower than the growth rate of the economy, why is it so? Similar case is found in the public expenditure. Has it anything to do with the Administration’s policy of aiming to keep public expenditure below 20% of the Gross Domestic Product (GDP) (It is estimated that public expenditure as a percentage of GDP will drop to 16.3% in 2011)?

Asked by: Hon. FUNG Kin-kee, Frederick

Reply:

Comparisons between the growth of government expenditure and the economic growth over the last three years are as follows –

<u>Nominal Growth</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Government Expenditure	+3.0%	-2.9%	-4.1%
Gross Domestic Product (GDP)	-3.4%	+4.7%	+7.1%

The growth of government expenditure lagged behind the economic growth in 2004-05 and 2005-06 mainly because the Government, then in the face of serious budget deficits, strictly controlled expenditure with a view to achieving the targets of reducing operating expenditure to within \$200 billion and restoring fiscal balance in the Operating and Consolidated Accounts by 2008-09. To achieve the objective of reducing expenditure, the Government observed the principle of spending only where necessary and implemented a series of measures to ensure efficient use of resources, including re-prioritisation of service provision, structural re-organisation and streamlining of procedures. Our aim has been to provide better services with less resources while ensuring that essential services would not be affected.

In addition, some major projects have yet to commence as they require more time for preparatory work. As a result, the spending in 2005-06, as well as that of the following two years of 2006-07 and 2007-08, has eased off. These projects include Central-Wan Chai Bypass and Wan Chai Development Phase II, Central Kowloon Route and Kai Tak Development.

The government policy is to keep the budget commensurate with the growth rate of GDP over a period of time. In the medium range forecast, it is estimated that the cumulative increase in government expenditure will be about 30% in the next five years, i.e. from 2007-08 to 2011-12, when compared with the 2006-07 revised estimate. Such increase is commensurate with the forecast nominal growth of 32% in GDP over the same period.

The target of the Government is to keep the share of public expenditure in GDP at 20% or below. Hong Kong is an externally-oriented economy and thus highly susceptible to outside shocks. As our economy is also subject to cyclical fluctuations, we need to appropriately contain the share of public expenditure in GDP when the economy is strong. This will provide room for introducing relief measures for our community during a downturn while securing the health of our public finances.

Signature _____

Name in block letters Alan N LAI

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

Date 14 March 2007

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

Reply Serial No.

FSTB(Tsy)013

Question Serial No.

2158

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 :

Regarding the Brief Description under this programme namely, "ensure that the resources available are directed towards those areas where they will be of most benefit to the community", could the Administration advise this Committee of:

- (1) how to ensure that the procurement policy of the Government can direct the resources available towards those areas where they will be of most benefit to the community?
- (2) whether the Government will consider revising the principles and objectives of the procurement policy, giving priority to using goods and services provided by local workers and procuring products that meet environmental and fair trade standards?

Asked by: Hon. FUNG Kin-kee, Frederick

Reply:

- (1) The Government's procurement policy has always been guided by the principles of fair and open competition, transparency, public accountability and value for money. Government departments provide services required by the community according to their areas of services and, having regard to the service needs, decide on whether the services should be outsourced. Upon making a decision to outsource, departments must procure the required services in accordance with the procurement principles and the Stores and Procurement Regulations so as to obtain more flexible, efficient and value for money services from the market. This policy is in the overall interests of Hong Kong.
- (2) The existing government procurement policy seeks to serve the overall interests of Hong Kong. Consistent with our procurement policy and the World Trade Organization Agreement on Government Procurement, the Government formulates, adopts and applies tender specifications according to the functions and performance of the products or services to be procured. In principle, fair treatment is accorded to different origins and requirement for local content or local production is not imposed. In formulating the specifications, the Government needs to strike a balance among the various requirements, including environmental and quality requirements and in compliance with the procurement principles, select the tenders which best meet such requirements and achieve the best value-for-money.

Signature _____

Name in block letters _____

ALAN N LAI

Post Title _____

Permanent Secretary for Financial
Services and the Treasury (Treasury)

Date _____

14 March 2007

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

Reply Serial No.

FSTB(Tsy)014

Question Serial No.

1666

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 Matters Requiring Special Attention in 2007-08, the Administration stated that it will continue with the implementation of the Asset Sale and Securitisation Programme and to consider major investment and loan proposals. Please provide details of the work and the expenditures involved.

Asked by: Hon. LEUNG Kwok-hung

Reply:

For the Asset Sale and Securitisation Programme (ASSP), we will continue with the sale of civil servants' housing loans in 2007-08. A provision of \$22 million has been earmarked in 2007-08 for the appointment of consultants in relation to other possible initiatives in the ASSP. Details will be announced when more concrete proposals on the timing and method of disposal are available.

As regards investment and loan proposals, they are funded by the Capital Investment Fund (CIF) and Loan Fund (LF) as appropriate in accordance with the Legislative Council's resolutions for establishment of the respective funds. As a general rule, only those investment proposals which aim to meet an important policy objective and are able to generate adequate income to cover costs and pay a reasonable return on Government's investment will be considered for CIF funding. LF finances developments in respect of statutory bodies or other organisations delivering public services, concessionary loan schemes for specified groups and relief from financial hardship in compliance with policy objectives or under special circumstances. Neither CIF nor LF are intended to compete with private sector financial institutions. They are considered as alternatives when commercial facilities are not available, appropriate or cost-effective. All proposals must be themselves financially viable and individual commitments of CIF and LF are subject to the approval of the Finance Committee of the Legislative Council. The Treasury Branch will consider proposals from other Bureaux as and when they arise.

Signature _____

Name in block letters ALAN N LAI

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

Date 12 March 2007

Examination of Estimates of Expenditure 2007-08
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)015

Question Serial No.

2296

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

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 in paragraph 13 in the 2007-08 Budget, there are some variances between the estimates and the actual figures. What kind of measures will the Administration adopt for the preparation of future estimates in order to avoid huge variances?

Asked by: Hon. Abraham Shek

Reply:

We examine all the revenue and expenditure items in the most objective and professional way to derive a reasonable forecast each year. Differences between the estimates and the actual figures occur from time to time. This is because the estimates involve a vast array of complex data including more than 200 revenue items, and a large number of expenditure items under some 80 expenditure heads and eight purpose-specific funds (e.g. the Capital Works Reserve Fund and the Loan Fund). Therefore, we need to start compiling the estimates towards the end of the preceding year. For example, the compilation work of the 2007-08 Budget, which was announced on February 28, 2007, started in November/December 2006. It was compiled based on the information available at that time. As such, it is understandable that there were differences between the forecast revenue/expenditure and the actual figures.

We will continue to 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 that the estimates for the next financial year should be as realistic as possible.

Signature _____

Name in block letters ALAN N LAI

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

Date 14 March 2007

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

Reply Serial No.

FSTB(Tsy)016

Question Serial No.

1182

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:

Regarding “maintaining adequate fiscal reserves to provide a cushion against future uncertainties” under the Brief Description,

1. What is the definition of “fiscal reserves”? Will the Government consider regarding part of the accumulated surplus of the Exchange Fund as fiscal reserves?
2. What is the definition of “adequate”?
3. The Financial Secretary pointed out in his budget speech that, “At the end of last year, the International Monetary Fund (IMF) analysed Hong Kong's financial position. While recognising that Hong Kong's economy had benefited from our skilful macroeconomic management, the underlying flexibility of our markets and our sophisticated financial market infrastructure, the IMF remains concerned that our narrow tax base, revenue volatility and ageing population will bring pressure to bear on government expenditure over the medium term. The IMF is of the view that, in the absence of any policy change or reform, the levels of reserves needed to anticipate fluctuations in revenue could be around 30 to 50 per cent of GDP.” (Paragraph 78), and that “Effective from 1 April, the return on the fiscal reserves will be calculated on the basis of the average rate of return of the Exchange Fund's investment portfolio over the past six years. Under the new arrangement, the rate of return on the fiscal reserves for 2007 will be 7 per cent.” (Paragraph 80) However, the IMF points out in a research document on Hong Kong's financial position that if the Government stabilises its investment income, i.e. through measures described in Paragraph 80, the level of reserves needed by the Government will be substantially lowered. (“Peoples' Republic of China – Hong Kong Special Administrative Region: Selected Issues” <http://imf.org/external/pubs/cat/longres.cfm?sk=20204.0>). Currently, the Government has adopted the recommendations made in the report, but the targeted level of reserves has not been lowered correspondingly, and the level of reserves for 2011/12 is still set at 30 per cent of GDP. By doing so, has the Government maintained an “excessively” adequate fiscal reserve?
4. Why hasn't the Government lowered the level of reserves in accordance with the IMF's recommendations?

Asked by: Hon. SIN Chung-kai

Reply:

1. Fiscal reserves are the accumulated balances of the General Revenue Account and the eight purpose-specific Funds (e.g. Capital Works Reserve Fund and Loan Fund). The Exchange Fund Ordinance (Cap.66) provides that the Exchange Fund should be used primarily for affecting, either directly or indirectly, the exchange value of the Hong Kong dollar, and for ensuring the stability of the monetary and financial systems of Hong Kong with a view to maintaining Hong Kong as an international financial centre. Taking into account of the above uses, the Exchange Fund cannot be regarded as fiscal reserves.
2. Fiscal reserves are adequate when they are maintained at an appropriate level which can provide adequate resources to cope with fiscal pressure arising from economic downturns, unforeseen events or structural changes in the community, and assist the Exchange Fund to maintain the stability of Hong Kong's monetary and financial systems.
3. & 4. The International Monetary Fund (IMF) is of the view that, in the absence of any policy change or reform, the levels of reserves needed to anticipate fluctuations in revenue could be around 30 to 50 per cent of GDP, while those aimed at anticipating fiscal pressures arising from population ageing could mean putting in an additional 30 per cent of GDP by 2030. The IMF also pointed out that the level of fiscal reserves could be reduced by 7 to 20 per cent of GDP if the Government could maintain a fixed annual investment return equal to the high historical average return^{Note}. In addition, the IMF considers that other measures to stabilise investment return, such as a moving average of historical return, could help reduce the level of fiscal reserves. This would be similar to the new arrangement as proposed in the Budget, which is to calculate the return on fiscal reserves on the basis of the average rate of return over the past six years. However, IMF did not specify by how much the reserves could be reduced under such measures.

In the medium range forecast, the Government having taking into account the forecast economic trend growth of 4.5 per cent per annum as well as the revenue concessions and spending initiatives proposed in the Budget, estimates that the fiscal reserves will stand at \$584.4 billion in 2011-12, equivalent to 30 per cent of GDP. This is the latest forecast of the Government and not the target reserves level.

The Government does not consider that the reserves need to keep expanding, but rather they should be maintained at an appropriate level with a view to providing adequate resources to meet our needs. Since our fiscal reserves are of crucial importance in maintaining a healthy public finance system, the Government will listen to more views from the community in this regard before coming to a decision. We have also pointed in the Budget that IMF's suggestions can be used as a frame of reference.

^{Note} In paragraph 16 of the research document, the IMF stated that the return historically made by the Exchange Fund, averaged at an annual rate of 6.3 per cent over the years from 1993 to 2005, was high.

Signature _____

Name in block letters ALAN N LAI

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

Date 15 March 2007

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

Reply Serial No.

FSTB(Tsy)017

Question Serial No.

1183

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 2006-07, the Government conducted a public consultation on the introduction of a Goods and Services Tax (GST) (i.e. the Public Consultation on "Tax Reform" referred to by the Government). Please advise this Committee of –

1. the number of printed copies of the consultation document and the expenditure involved;
2. the number of consultation sessions conducted by the Government and the expenditure involved;
3. the number of any form of GST-related meetings and activities which were organised by other organisations and business associations and at which the Government has been invited to attend or has attended;
4. the number of organisations invited by the Government for meetings concerning this consultation.

Asked by: Hon. SIN Chung-kai

Reply:

1. For the public consultation on tax reform, the Government printed some 89,000 copies of public consultation document in Chinese and 67,000 copies in English as well as other supplementary information leaflets. The total printing cost is about \$1.7 million.
2. The Government representatives have attended, so far, some 350 meetings and seminars, including four regional consultation fora organised by the Home Affairs Department. These regional consultation fora were held at government buildings and the associated expenditure was absorbed by existing resources.
- 3.& 4. For the above-mentioned some 350 meetings and seminars attended by Government representatives, most of which were organised by political parties, chambers of commerce, related professional and community organisations. Through these activities, we have met with major political parties and organisations and have listened carefully and extensively to their views on tax reform.

Signature _____

Name in block letters ALAN N LAI

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

Date 13 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)018

Question Serial No.

2488

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:

1. What is the meaning of “ensure that the growth of government expenditure over time is in line with the trend growth rate of the economy”? Is there any specified range, i.e. a specified rate of expenditure growth which must be not more than or less than the trend growth rate of the economy? If no, how does the Government measure whether its expenditure conforms with this policy?
2. The data on the growth of Hong Kong economy and the growth of public expenditure over the past nine years and the next five years are as follows:

Financial year	Total government expenditure (\$million)	Total public expenditure (\$million)	Gross Domestic Product (GDP) (\$million)	Growth rate of government expenditure (% change against 1998-99)	Growth rate of public expenditure (% change against 1998-99)	Growth rate of GDP (% change against 1998-99)
1998-1999	239,356	2664.48	12927.64	—	—	—
1999-2000	223,043	2694.84	12667.02	-6.8%	1.1%	-2.0%
2000-2001	232,893	2675.07	13147.89	-2.7%	0.4%	1.7%
2001-2002	238,890	2693.59	12988.13	-0.2%	1.1%	0.5%
2002-2003	239,177	2635.2	12767.57	-0.1%	-1.1%	-1.2%
2003-2004	247,466	2710.98	12339.83	3.4%	1.7%	-4.5%
2004-2005	242,235	2571.37	12914.25	1.2%	-3.5%	-0.1%
2005-2006	233,071	2449.82	13826.75	-2.6%	-8.1%	7.0%
2006-2007	227,317	2455.63	14722.91	-5.0%	-7.8%	13.9%
2007-2008*	248,437	2678.45	15393.39	3.8%	0.5%	19.1%
2008-2009*	257,542	2764.85	16263.82	7.6%	3.8%	25.8%
2009-2010*	276,069	2955.57	17284.04	15.3%	10.9%	33.7%
2010-2011*	288,737	3088.3	18382.74	20.6%	15.9%	42.2%
2011-2012*	295,786	3160.05	19386.81	23.6%	18.6%	50.0%
Growth rate between 2006-07 and 1998-99				-5.0%	-7.8%	13.9%
Growth rate between 2011-12 and 1998-99				23.6%	18.6%	50.0%

*Forecast by the Government

According to the official data, the growth of government and public expenditure is much smaller than the growth of the economy over the same period. In 2006-07, for example, the cumulative increase in GDP was 13.9%, whereas both government expenditure and public expenditure fell. The Government estimates that by 2011-12, there will be an increase of 50% in GDP over 1998-99, whereas the increase in government expenditure and public expenditure will be 23.6% and 18.6% respectively, which are considerably lower than 50%. If public expenditure and government expenditure grow at the same rate, for 2007-08, they should be \$317.3 billion and \$285.1 billion respectively.

What measures will the Government adopt to fulfil the duty of “ensuring that the growth of government expenditure over time is in line with the trend growth rate of the economy”?

Asked by: Hon. SIN Chung-kai

Reply:

The figures on expenditure and GDP as tabulated in the question are different from our records. We now list our figures in the table below.

Financial year	Total government expenditure (\$million)	Total public expenditure (\$million)	Gross Domestic Product (GDP) (\$million)	Growth rate of government expenditure (% change against 1998-99)	Growth rate of public expenditure (% change against 1998-99)	Growth rate of GDP (% change against 1998-99)
1998-1999	218,811	266,448	1,292,764	—	—	—
1999-2000	214,533	269,484	1,266,702	-2.0%	1.1%	-2.0%
2000-2001	224,791	267,507	1,314,789	2.7%	0.4%	1.7%
2001-2002	238,585	269,359	1,298,813	9.0%	1.1%	0.5%
2002-2003	236,237	263,520	1,276,757	8.0%	-1.1%	-1.2%
2003-2004	243,213	271,098	1,233,983	11.2%	1.7%	-4.5%
2004-2005	236,178	257,137	1,291,425	7.9%	-3.5%	-0.1%
2005-2006	226,521	244,982	1,382,675	3.5%	-8.1%	7.0%
2006-2007*	227,317	245,563	1,472,291	3.9%	-7.8%	13.9%
2007-2008*	248,437	267,845	1,538,176	13.5%	0.5%	19.0%
2008-2009*	257,542	276,485	1,630,851	17.7%	3.8%	26.2%
2009-2010*	276,069	295,557	1,729,109	26.2%	10.9%	33.8%
2010-2011*	288,737	308,830	1,833,287	32.0%	15.9%	41.8%
2011-2012*	295,786	316,005	1,943,742	35.2%	18.6%	50.4%
Growth rate between 2006-07 and 1998-99				3.9%	-7.8%	13.9%
Growth rate between 2011-12 and 1998-99				35.2%	18.6%	50.4%

*Forecast by the Government

The policy of the Government is to keep the budget commensurate with the growth rate of GDP over time, and to maintain strict fiscal discipline and manage public finances prudently by keeping expenditure within the limits of revenues and striving to achieve a fiscal balance.

Between 1998-99 and 2006-07, the growth of government expenditure has been slower than that of GDP. This is because the Government experienced consecutive years of deficits between 1998-99 and 2004-05. As such, we have laid down the targets of reducing the operating expenditure to below \$200 billion and restoring fiscal balance in the Operating and Consolidated Accounts by 2008-09. In reducing expenditure, the Government has enhanced efficiency with a view to doing more with less resources and ensuring that essential services would not be affected. In addition, as a number of major works projects, including the Central-Wan Chai Bypass and Wan Chai Development Phase II, Central Kowloon Route and Kai Tak Development, are still in their preparatory stage and have yet to commence, the growth in expenditure on works projects in 2005-06 and 2006-07 has been easing off, and this will continue in 2007-08.

With improvement in the government financial position, we will increase expenditure to enhance the quality of government services. In the medium range forecast, it is estimated that the cumulative increase in government expenditure will be about 30% in the next five years, i.e. from 2007-08 to 2011-12, when compared with the 2006-07 revised estimate. Such increase is commensurate with the forecast nominal growth of 32% in GDP over the same period. In the ensuing years, we will review our expenditure guidelines annually to ensure that we continue to manage our public finances prudently and keep expenditure within revenue limits.

Signature _____

Name in block letters ALAN N LAI

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

Date 14 March 2007

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

Reply Serial No.

FSTB(Tsy)023

Question Serial No.

0874

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 :

Is the Administration considering any major investment and loan proposals now? If yes, please provide details. What are the criteria for accepting a proposal?

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

Investment and loan proposals are funded by the Capital Investment Fund (CIF) and Loan Fund (LF) as appropriate in accordance with the Legislative Council's resolutions for establishment of the respective funds. As a general rule, only those investment proposals which aim to meet an important policy objective and are able to generate adequate income to cover costs and pay a reasonable return on Government's investment will be considered for CIF funding. LF finances developments in respect of statutory bodies or other organisations delivering public services, concessionary loan schemes for specified groups and relief from financial hardship in compliance with policy objectives or under special circumstances. Neither CIF nor LF are intended to compete with private sector financial institutions. They are considered as alternatives when commercial facilities are not available, appropriate or cost-effective. All proposals must be themselves financially viable and individual commitments of CIF and LF are subject to the approval of the Finance Committee of the Legislative Council. The Treasury Branch will consider proposals from other Bureaux as and when they arise.

Signature _____

Name in block letters ALAN N LAI

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

Date 12 March 2007

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

Reply Serial No.

FSTB(Tsy)024

Question Serial No.

2596

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 2007-08, the Treasury Branch will appoint financial consultants to carry out financial appraisals. What are the specific items for these financial appraisals? Please provide a breakdown of the amounts of money expected to be involved.

Asked by: Hon. WONG Ting-kwong

Reply:

The estimate for the appointment of consultants in 2007-08 is set out below –

Description of consultancy services	Estimate for 2007-08 (\$'000)
Financial advisory services on merger of MTR Corporation Limited and Kowloon-Canton Railway Corporation	6,755
Advisory services for public consultation on tax reform	1,628
Financial advisory services in relation to implementation of the Asset Sale and Securitisation Programme	15,245
Total:	23,628

Signature _____

Name in block letters ALAN N LAI

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

Date 14 March 2007

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

Reply Serial No.

FSTB(Tsy)025

Question Serial No.

0295

Head: 106 Miscellaneous Services

Subhead: 689 Additional Commitments

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Provision for additional commitments for 2007-08 is about \$86 million, a substantial increase of \$65 million over the approved estimate for 2006-07. What are the items for which the provision is made to meet their capital expenditure and expenditure on subventions? What are the reasons for the substantial increase?

Asked by: Hon. LAM Kin-fung, Jeffrey

Reply:

Additional commitments under this subhead are to make provisions for minor works, purchase of equipment and capital subventions. Different items are involved each year. We will determine the additional commitments required according to circumstances of the time. As such, it is inappropriate to make a direct comparison between the estimate for 2007-08 and the approved estimate for 2006-07.

In the estimate for 2007-08, we have included under this subhead provisions for subventions for the Open University of Hong Kong for establishing a Centre for Innovation, subventions for the Hong Kong Academy for Performing Arts to upgrade its TV studio and video production/post-production package to high definition format and capability, and expenditure on replacing three patrol launches for the Customs and Excise Department.

Signature _____

Name in block letters _____ ALAN N LAI

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

Date _____ 9 March 2007

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

Reply Serial No.

FSTB(Tsy)026

Question Serial No.

0516

Head: 106 Miscellaneous Services

Subhead (No. & title): 789 Additional commitments

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Regarding the Transport Support Scheme, could the Government state:

- its expected date of implementation; and
- whether manpower would be increased in order to vet applications and if so, what the posts and expenditure involved are.

Asked by: Hon. LEE Cheuk-yan

Reply:

The Administration aims to put the Transport Support Scheme (TSS) to the Finance Committee for approval in April 2007, with a view to launching the TSS in mid-2007.

The Labour Department (LD) will set up a new TSS Office to oversee the implementation of the Scheme. The new office will be staffed by one Senior Labour Officer, two Labour Officers, three Assistant Labour Officers I and four Assistant Labour Officers II. The total expenditure of this office (including operating cost and publicity expenses) is estimated to be \$10 million in 2007-08. Non-governmental organisations (NGOs) with experience in delivering training and employment assistance to job seekers will also be engaged to assist in implementing the TSS, including assessing the applicants' eligibility, checking their documentary proof, approving applications and disbursing allowances. The Working Group comprising representatives from the LD, the Secretariat to Commission on Poverty, the Social Welfare Department and the Employees Retraining Board is liaising with NGOs on the implementation issues, including the administration cost.

Signature _____

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

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

Date _____ **13 March 2007**

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

FSTB(Tsy)027

Question Serial No.

2340

Head: 106 Miscellaneous Services

Subhead (No. & title): 251 Additional Commitments

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The additional commitments of \$4.2 billion are earmarked as additional expenditure under the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme and for the development and promotion of the Qualifications Framework. Please state:

1. the estimated expenditure for the above two items respectively;
2. the coverage of items, other than the two mentioned above, that may need these earmarked funds and their estimated expenditure.

Asked by: Hon. SIN Chung-kai

Reply:

The additional commitments of \$4.2 billion include the following estimated expenditure:

- \$1.5 billion for providing one additional month of standard rate Comprehensive Social Security Assistance (CSSA) payments for CSSA recipients and one additional month of allowance for Social Security Allowance (SSA) recipients;
- \$30 million for raising the "no-deduction" limit to \$800 for CSSA recipients at work and relaxing the criteria for allowing CSSA recipients to be eligible for disregarded earnings from not less than three months on CSSA to not less than two months;
- \$300 million to cater for the possibly higher than expected number of CSSA and SSA recipients and the additional expenditure resulting from inflation in 2007-08; and
- \$80 million for developing and promoting Qualifications Framework.

Apart from the above items, we have also earmarked funds for some items that may require funding during the year, including recurrent expenditure on education and certain works projects. These items are still under planning. The required provisions cannot at present be determined and allocated with precision.

Signature _____

Name in block letters ALAN N LAI

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

Date 14 March 2007

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

Reply Serial No.

FSTB(Tsy)028

Question Serial No.

2341

Head: 106 Miscellaneous Services

Subhead (No. & title): 789 Additional Commitments

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The additional commitments of \$5.2 billion are earmarked for the employment-related Transport Support Scheme and child development plus prevention of disease in emergency or relief measures. Please state:

1. the estimated expenditure for the above two items respectively;
2. the coverage of items, other than the two mentioned above, that may need these earmarked funds and their estimated expenditure.

Asked by: Hon. SIN Chung-kai

Reply:

1. The expenditure involved in the employment-related Transport Support Scheme and the setting up of the Child Development Fund is \$300 million each.
2. Of the remaining provision, \$300 million will be used for setting up a new fund to facilitate development of the film industry, \$79 million as grant to the Pneumoconiosis Ex-Gratia Fund, and \$30 million for alleviating poverty under the Personalised Vehicle Registration Mark Scheme. We have also made provision for meeting expenditure required for combating highly contagious diseases such as avian flu and implementing the necessary relief measures, and for meeting other emergency or contingency requirements.

Signature _____

Name in block letters ALAN N LAI

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

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)033

Question Serial No.

0042

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 explain why the number of permits issued for dutiable commodities will increase from 103 000 in 2005 and 120 000 in 2006 to 130 000 in 2007.

Asked by: Hon. CHAN Kam-lam

Reply:

The estimated increase in the number of permit applications in 2007 is due to an estimated increase in the trade of dutiable commodities arising from the continual growth of our economy.

Signature _____

Name in block letters TIMOTHY H M TONG

Post Title Commissioner of Customs and Excise

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)034

Question Serial No.

0043

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 explain why the estimated duty collected from dutiable commodities will decrease from \$6,610 m in 2005 and \$6,960 m in 2006 to \$6,590 m estimated for 2007.

Asked by: Hon. CHAN Kam-lam

Reply:

The decrease in the estimated amount of duty collected in 2007 is mainly due to an estimated decrease in duty revenue from tobacco as a result of the expected decrease in demand for tobacco products after the enactment of the Smoking (Public Health) (Amendment) Ordinance.

Signature _____

Name in block letters TIMOTHY H M TONG

Post Title Commissioner of Customs and Excise

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)035

Question Serial No.

2287

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:

During the anti-illicit-fuel enforcement operations in 2006, what were the quantities of diesel oil and petrol seized? Together with the illicit fuel yet to be seized, what was the estimated amount of government revenue lost as a result in 2006?

Asked by: Hon. LAU Kin-yee, Miriam

Reply:

During the enforcement operations in 2006, the Customs and Excise Department seized a total of 601 270 litres of diesel oil and 202 827 litres of motor spirit. Total duty potential of the seized items amounted to HK\$2.68 million.

Signature _____

Name in block letters TIMOTHY H M TONG

Post Title Commissioner of Customs and Excise

Date 14 March 2007

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

Reply Serial No.

FSTB(Tsy)036

Question Serial No.

2288

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:

What were the numbers of seizure cases effected at sea and on land respectively and what was the quantity of hydrocarbon oil seized during the anti-illicit-fuel enforcement operations in 2006?

Asked by: Hon. LAU Kin-ye, Miriam

Reply:

In 2006, nine seizure cases involving smuggling of illicit fuel were effected at sea, and 1 205 seizure cases involving illicit oil filling stations, oil detreating plants, use of illicit fuel by motor vehicles, etc. were effected on land. A total of 601 270 litres of diesel oil and 202 827 litres of motor spirit were seized during these enforcement operations.

Signature _____

Name in block letters TIMOTHY H M TONG

Post Title Commissioner of Customs and Excise

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)037

Question Serial No.

1162

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:

Under the Matters Requiring Special Attention in 2007-2008, it was mentioned that the Customs and Excise Department would strengthen co-operation with the Mainland Customs in combating cross-boundary smuggling of illicit fuel. Please list out the details of the related work and the financial provision in this area.

Asked by: Hon. NG Margaret

Reply:

In combating cross-boundary smuggling of illicit fuel, the Customs and Excise Department works closely with the Mainland Customs through exchange of intelligence and information. Regular meetings and liaison visits are held between the two sides to strengthen mutual co-operation and enhance enforcement effectiveness. Joint operations have also been mounted to target both smuggling activities and smuggling syndicates.

In 2007-08, the Department will continue to strengthen its cooperation with the Mainland Customs. There will be no separate allocation of funds for such activities as they are undertaken as part of the Department's on-going enforcement strategy.

Signature _____

Name in block letters TIMOTHY H M TONG

Post Title Commissioner of Customs and Excise

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)038

Question Serial No.

1163

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:

Under the Matters Requiring Special Attention in 2007-08, it was mentioned that the Customs and Excise Department would strengthen regional co-operation with other Customs administrations in combating smuggling of illicit cigarettes. Please provide information on the details of the related work and the financial provision in this area.

Asked by: Hon. NG Margaret

Reply:

To prevent the diversion of cigarette shipments to black markets, the Customs & Excise Department is actively participating in a co-operative arrangement entitled "Project Crocodile" with 17 other Customs administrations in the Asia Pacific Region under the coordination of the Regional Intelligence Liaison Office of the World Customs Organization. This project forms a united front amongst various Customs administrations to combat transnational cigarette smuggling via circumlocutory routings within the Region. Member administrations jointly monitor the movements of suspicious cigarette shipments through intelligence exchange and by issuing notifications to members of the receiving end. The project has produced substantive results, and the Department will continue to strengthen its regional co-operation under it in 2007-08.

There is no separate allocation of funds for combating cross-boundary smuggling of cigarettes, which is part of the Department's on-going enforcement programme in respect of dutiable commodities.

Signature _____

Name in block letters TIMOTHY H M TONG

Post Title Commissioner of Customs and Excise

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)040

Question Serial No.

0773

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:

According to the figures provided by the Customs, the number of anti-illicit fuel enforcement taken by the authorities in 2006 has been fewer than that in 2005, indicating a likely decline in its enforcement effectiveness. Is such decline caused by problems arising from its enforcement efficiency or attributed to the fact that the problem of illicit fuel has been alleviated?

Asked by: Hon. TAM Heung-man

Reply:

The enforcement statistics reflect a downward trend of illicit fuel activities in 2006. Vigorous enforcement actions by the Customs & Excise Department over the past years have suppressed such activities to a low level. Illicit fuel operators have been forced to scale down their activities and reduce their stocks.

Moreover, the Department has launched a publicity-cum-education programme appealing to professional drivers, vehicle owners and other stakeholders of the logistics industry not to use illicit fuel. This new initiative has been effective and has contributed to a 41% drop in the number of complaints received in 2006 concerning the use of illicit fuel.

Signature _____

Name in block letters TIMOTHY H M TONG

Post Title Commissioner of Customs and Excise

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)041

Question Serial No.

2592

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:

As total smoking ban has been implemented in Hong Kong since 1 January 2007, will it affect the work in combating smuggling of illicit cigarettes? Will it reduce the expenses and staffing provision of the related work as a result?

Asked by: Hon. WONG Ting-kwong

Reply:

The Smoking (Public Health) (Amendment) Ordinance came into effect on 1 January 2007. Its impact on overall cigarette consumption and on the demand for illicit cigarettes has yet to be ascertained. Meanwhile, the Customs and Excise Department maintains full vigilance on the illicit cigarette market and will continue with its vigorous enforcement actions.

Signature _____

Name in block letters TIMOTHY H M TONG

Post Title Commissioner of Customs and Excise

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)042

Question Serial No.

2303

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 :

The target on rental level of leased offices in 2007 is 95% of market rent. However, in both 2005 and 2006, the actual rental level was higher than the set target. What was the extra expenditure involved? What was the major reason for not achieving the target?

Asked by : Hon. LEONG Kah-kit, Alan

Reply :

In 2005 and 2006, the rental level of leased offices was marginally higher than the target of 95% of market rental level because the office leasing market continued to be strong and landlords generally had high expectations on rents. The differences between the actual and targeted monthly rents in 2005 and 2006 were about \$660,000 and \$460,000 respectively.

Signature

Name in block letters

Post Title

Date

K K Kwok

Government Property Administrator

15 March 2007

Examination of Estimates of Expenditure 2007-08
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)043

Question Serial No.

2304

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 :

The increase in expenditure in 2007-08 will be partly offset by a reduction in leased office accommodation. Please provide the total number of the expected releasing items.

Asked by : Hon. LEONG Kah-kit, Alan

Reply :

The total number of expected releasing cases in 2007-08 is 25.

Signature

Name in block letters

Post Title

Date

K K Kwok

Government Property Administrator

15 March 2007

Examination of Estimates of Expenditure 2007-08
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)044

Question Serial No.

2305

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 :

The Administration indicated that the increase in provision for 2007-08 is partly offset by the reduced salary provision arising from staff changes. Please provide this Committee with the details of the changes in the number of posts or in the amount of salaries.

Asked by : Hon. LEONG Kah-kit, Alan

Reply :

There will be a reduction of \$600,000 in salary provision under this Programme in 2007-08 as a result of temporary redeployment of staff among different programmes in the Agency to meet operational needs. The number of posts under the Programme remains unchanged.

Signature

Name in block letters

Post Title

Date

K K Kwok

Government Property Administrator

15 March 2007

Examination of Estimates of Expenditure 2007-08
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)045

Question Serial No.

0731

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 :

What is the current occupancy rate of the existing non-departmental quarters managed by the Administration? Are there any plans to reduce the supply of this type of quarters?

Asked by : Hon. TAM Heung-man

Reply :

The current occupancy rate of non-departmental quarters (NDQs) is 97%. The demand for NDQs has been decreasing because, with the introduction of new civil service housing benefit schemes, civil servants joining the Government on or after 1 October 1990 are not eligible for NDQs. To ensure prudent management of public resources, it is Government's established policy to regularly review the demand for NDQs and to dispose of surplus Government quarters whenever circumstances permit.

Signature

Name in block letters

Post Title

Date

K K Kwok

Government Property Administrator

14 March 2007

Examination of Estimates of Expenditure 2007-08
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)046

Question Serial No.

0732

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 :

The reduction in leased office accommodation in 2007 is expected to be 700m² only. Does it mean that the Government can no longer reduce substantially its demand for office space? If yes, what are the reasons?

Asked by : Hon. TAM Heung-man

Reply :

The figure of "700m²" quoted in the question represents the net reduction, being the released area offset by the new leased area expected in 2007. Although certain bureaux/departments will cease leasing office accommodation in 2007, some other bureaux/departments will have expansion/new service requirements resulting in additional accommodation needs which cannot be sufficiently met in government owned accommodation. Therefore, a significant net reduction in leased office accommodation in 2007 is not expected.

Signature

Name in block letters

Post Title

Date

K K Kwok

Government Property Administrator

14 March 2007

Examination of Estimates of Expenditure 2007-08
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)047

Question Serial No.

2272

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 :

Compared with the revised provision for 2006-07, the estimate for 2007-08 has been increased by 16.1%. An expected increase in the rental of office accommodation is said to be the major cause of such increase. Please provide details of the related projection.

Asked by : Hon. TIEN Pei-chun, James

Reply :

The estimated increase under this Programme is mainly due to the confirmed increases (\$45 million) and anticipated increases (\$87.6 million) in office rental.

Signature

Name in block letters

Post Title

Date

K K Kwok

Government Property Administrator

15 March 2007

Examination of Estimates of Expenditure 2007-08
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)048

Question Serial No.

0733

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 explain the increase by more than \$30m in light and power expenses in the 2007-08 estimate as compared with the level of provision in 2005-06?

Asked by : Hon. TONG Ka-wah, Ronny

Reply :

The increase in the estimate for light and power expenses is mainly due to the tariff increase on Hong Kong Island since January 2006. The estimate also provides for possible tariff increases, increasing computerization and office automation, persistently warm weather and growing demand for Government services in 2007-08.

Signature

Name in block letters

Post Title

Date

K K Kwok

Government Property Administrator

14 March 2007

Examination of Estimates of Expenditure 2007-08
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)049

Question Serial No.

2593

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 :

Regarding the indicators of performance measures for 2007-08, the estimated number of government premises identified as having new commercialisation opportunities is 22. What are these items? What is the estimated commercialisation value?

Asked by : Hon. WONG Ting-kwong

Reply :

The new commercialisation opportunities identified for the 22 government premises in 2007 are:-

<u>Item</u>	<u>Number</u>
Advertisements	9
Cafés/canteens/restaurants	5
Fee-paying public car park	1
Provision of automatic teller machines	7

Subject to detailed feasibility studies, these premises will be let by public tender. As the detailed feasibility studies are being carried out, an estimate of the rental income from letting of these premises is not yet available.

Signature

Name in block letters

K K Kwok

Post Title

Government Property Administrator

Date

15 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)050

Question Serial No.

0721

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 estimated number of contracts to be handled in 2007-08 is 430 only, which is less than 1 010 in 2005 and 615 in 2006. However, the estimated value of contracts is \$4,085M which is higher than that in 2005 and 2006. Please advise.

Asked by: Hon. CHAN Kam-lam

Reply:

The estimated decrease in the number of contracts to be handled in 2007 when compared with the 2005 and 2006 figures is mainly attributed to the transfer of responsibility for procurement of pharmaceutical supplies from the Government Logistics Department to the Hospital Authority.

The estimated 430 contracts in 2007 are non-pharmaceutical contracts. The higher contract value for 2007 is due to a number of high value contracts scheduled to be arranged during the year.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 13 March 2007

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

Reply Serial No.

FSTB(Tsy)051

Question Serial No.

0717

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 2007-08, it is estimated that 443 government vehicles will be replaced. Please advise:

- (a) How many of them are environment-friendly models? Please provide a breakdown by types of vehicles and the number of environment-friendly models involved.
- (b) What will be the expenditure involved in replacing these vehicles?
- (c) What is the estimated difference in expenditure in purchasing environment-friendly models and other than environment-friendly models?

Asked by: Hon. LAM Kin-fung, Jeffrey

Reply:

(a) Among the 443 government vehicles to be replaced in 2007-08, it is estimated that 171 cars will be replaced by environment-friendly models, subject to availability of suitable models in the market and operational and resource considerations. The types of vehicles to be replaced are:

Vehicle Type	No. to be replaced
Bus	13
Car	171
Motorcycle	41
Truck	12
Van	206
Total	443

- (b) The estimated expenditure involved in replacing these vehicles is \$94M.
- (c) It is estimated that the replacement of cars with environment-friendly models may involve an additional expenditure of around \$6.3M according to the latest list of environment-friendly models compiled and published by the Environmental Protection Department.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)052

Question Serial No.

0389

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:

Regarding the indicator concerning “contracts handled”, the estimated number of contracts to be handled by the Department in 2007-08 is 430, with a value of \$4,085M. However, the actual number of contracts handled by the Department in 2006-07 was 615, with a value of \$3,815.7M only. In this respect, please account for the estimated decrease in the number of contracts while there is an increase in the value of contracts in 2007-08.

Asked by: Hon. LEUNG Kwan-yuen, Andrew

Reply:

The estimated decrease in the number of contracts to be handled in 2007 is mainly attributed to the transfer of responsibility for procurement of pharmaceutical supplies from the Government Logistics Department to the Hospital Authority.

The estimated 430 contracts in 2007 are non-pharmaceutical contracts. The higher contract value for 2007 is due to a number of high value contracts scheduled to be arranged during the year.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 13 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)053

Question Serial No.

2489

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 the past three years and in 2007-08, the data on the Government's replacement vehicles are as follows:

	2004-05	2005-06	2006-07	2007-08 (Estimate)
Number of additional vehicles	20	0	0	0
Number of replacement vehicles	484	593	529	443
Expenditure (in thousand dollars)	89,991	91,126	90,000	94,000
Average price of each vehicle (dollar)	178,554	153,000	170,132	212,190

From 2004-05 to 2006-07, the average expenditure for purchasing of vehicles was about \$90M regardless of the number of vehicles required to be replaced or added. The Government will drastically reduce the number of the vehicles to be replaced by 17% in 2007-08. However, there is an increase in expenditure rather than a decrease. Please advise:-

- (1) What were the types and the number of vehicles replaced from 2004-05 to 2006-07?
- (2) What are the vehicle age and mileage of the vehicles that the Department replaced from 2004-05 to 2006-07 and plans to replace in 2007-08? Please give a breakdown by types of the vehicles and the highest value, the lowest value, mean and the median value of the required information.
- (3) Please give a list of the directorate grade officers and bureau secretaries whose cars were replaced from 2004-05 to 2006-07 and will be replaced in 2007-08 and the ultimate years of service of the said vehicles?
- (4) The number of vehicles to be procured in 2007-08 decreases while the expenditure for the purchase of vehicles increases. Please advise.

Asked by: Hon. SIN Chung-kai

Reply:

(1) The types and number of vehicles replaced from 2004-05 to 2006-07 are set out below:-

Vehicle Type	2004-05	2005-06	2006-07
Bus	-	57	67
Car	66	164	146
Cross Country Vehicle	-	31	-
Motorcycle	263	230	129
Van	155	111	187
Total	484	593	529

(2) The age and mileage of the vehicles that the Department replaced from 2004-05 to 2006-07 and plans to replace in 2007-08 are given in Annex A.

(3) Only Chief Secretary for Administration (CS), Financial Secretary (FS), Secretary for Justice (SJ), Chief Justice of the Court of Final Appeal (CJ) and Directors of Bureaux are allocated with official cars. Other directorate officers use the cars allocated to their bureaux or departments. The cars for CS, FS, SJ, CJ and Directors of Bureaux are due for replacement in 2006-07 and the ages of the cars are given in Annex B.

(4) The expenditure for replacement of vehicles varies each year depending on the types and number of vehicles involved. The provision under Subhead 691 in 2007-08 is higher than that for 2005-06 and 2006-07 even though the number of vehicles estimated to be replaced in 2007-08 is less than that in 2005-06 and 2006-07. This is mainly because we plan to procure more vans and fewer motorcycles in 2007-08 as compared to the past two years, and the costs of vans are higher than those of motorcycles. Apart from this, the provision for 2007-08 has also taken into account the replacement of cars with environment-friendly models which may involve an additional expenditure of around \$6.3M according to latest information available to us.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 15 March 2007

Age and mileage of vehicles replaced/to be replaced from 2004-05 to 2007-08

Vehicle Type	Age				Mileage Run (Km)			
	04-05	05-06	06-07	07-08	04-05	05-06	06-07	07-08
	Max Min Mean Median	Max Min Mean Median	Max Min Mean Median	Max Min Mean Median	Max Min Mean Median	Max Min Mean Median	Max Min Mean Median	Max Min Mean Median
Bus	N.A.	11 7 9 9	11 6 9 9	12 8 10 10	N.A.	332 100 94 000 190 600 179 400	412 800 55 700 150 600 139 200	315 900 75 600 140 900 139 600
Car	9 5 7 6	13 6 8 8	13 6 9 9	13 8 10 10	234 200 78 900 137 000 129 100	306 200 47 600 148 300 143 000	384 900 75 500 180 400 170 900	269 600 60 300 173 900 138 700
Cross Country Vehicle	N.A.	14 6 9 8	N.A.	N.A.	N.A.	252 000 117 800 165 600 152 100	N.A.	N.A.
Motorcycle	8 6 7 7	9 4 6 5	6 4 6 6	8 6 6 6	236 000 27 000 132 200 136 300	164 100 15 200 74 800 73 200	187 200 10 700 59 600 59 900	78 900 15 000 31 000 28 600
Truck	N.A.	N.A.	N.A.	11 10 11 11	N.A.	N.A.	N.A.	331 100 114 400 235 900 258 800
Van	13 6 7 7	14 5 9 9	12 5 10 10	12 5 10 10	404 700 75 200 197 600 179 700	313 600 44 000 159 600 156 500	326 200 65 200 154 900 151 700	335 900 68 900 164 300 156 400

N.A. – Not applicable (no replacement of vehicle of the type in that year).

Age of cars for CS, FS, SJ, CJ and Directors of Bureau due for replacement in 2006-07 ^{Note}

User	Vehicle Age (as at 31 March 2007)
Chief Secretary for Administration	9.3
Financial Secretary	9.3
Secretary for Justice	9.3
Chief Justice of the Court of Final Appeal	9.3
Secretary for the Civil Service	9.8
Secretary for Commerce, Industry and Technology	9.8
Secretary for Constitutional Affairs	9.8
Secretary for Economic Development and Labour	9.9
Secretary for Education and Manpower	9.8
Secretary for the Environment, Transport and Works	9.8
Secretary for Financial Services and the Treasury	9.4
Secretary for Health, Welfare and Food	9.8
Secretary for Home Affairs	9.9
Secretary for Housing, Planning and Lands	9.8
Secretary for Security	9.8

Note:

The need for replacement of a vehicle is determined based on assessment under the Economic Life Model which takes into account cumulated maintenance cost, vehicle age, mileage run and replacement cost.

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)054

Question Serial No.

0715

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 line with electronic government services, can the Government's printing requirements be reduced? If yes, is there further scope for reduction of expenditure under this programme?

Asked by: Hon. TAM Heung-man

Reply:

With increasing use of electronic means under the e-government initiative, Government's printing requirements have been reduced in recent years. There has been an average reduction of about 17% in expenditure under this programme in the last five years as compared to that in 2001-02. We will continue to monitor the situation closely with a view to making adjustments to expenditure where appropriate.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 14 March 2007

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

Reply Serial No.

FSTB(Tsy)055

Question Serial No.

0716

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:

The use of available production capacity was maintained at around 86% in the past two years. In this respect, will the Administration consider reducing the excess production capacity in order to reduce expenditure?

Asked by: Hon. TAM Heung-man

Reply:

There is no excess production capacity in the printing workshop. The use of available production capacity indicates the average percentage utilisation of the machines which is less than 100% due to unavoidable stoppage of machines in day-to-day operation arising from :

- (a) workflow implications e.g. change of printing plates between jobs; and
- (b) scheduled and unscheduled maintenance.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)056

Question Serial No.

2275

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 plans to increase the provision in 2007-08 for procuring environment-friendly models to replace vehicles due for replacement. What are the details of the plan? What are the details of the expenditure involved?

Asked by: Hon. TIEN Pei-chun, James

Reply:

We plan to replace 171 cars in the government fleet with environment-friendly models in 2007-08 according to the latest list of environment-friendly models compiled and published by the Environmental Protection Department, subject to operational and resource considerations. It is estimated that the replacement of cars with environment-friendly models may involve an expenditure of around \$27.3M.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)057

Question Serial No.

0718

Head: 59 – Government Logistics Department

Subhead (No. & title): 691 General purpose vehicles
(block vote)

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The number of vehicles estimated to be replaced in 2007-08 is less than the figures in 2005-06 and 2006-07. However, the provision under Subhead 691 in 2007-08 is higher than that of 2005-06 and 2006-07. Please advise.

Asked by: Hon. TONG Ka-wah, Ronny

The estimated expenditure for vehicle replacement each year varies, depending on the types and number of vehicles involved. The provision under Subhead 691 in 2007-08 is higher than that for 2005-06 and 2006-07 even though the number of vehicles estimated to be replaced in 2007-08 is less than that in 2005-06 and 2006-07. This is mainly because we plan to procure more vans and fewer motorcycles in 2007-08 as compared to 2005-06 and 2006-07, and the costs of vans are higher than those of motorcycles. Apart from this, the provision has also taken into account the replacement of cars with environment-friendly models in 2007-08 which may involve an additional expenditure of around \$6.3M according to latest information available to us.

Signature _____

Name in block letters _____ Ms Maria S N KWAN

Post Title _____ Director of Government Logistics

Date _____ 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)058

Question Serial No.

0719

Head: 59 – Government Logistics Department

Subhead (No. & title): 691 General purpose vehicles
(block vote)

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What are the types of vehicles estimated to be replaced by the Government in 2007-08?

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

The types of vehicles estimated to be replaced under this Programme in 2007-08 are:

Vehicle Type	No. to be replaced
Bus	13
Car	171
Motorcycle	41
Truck	12
Van	206
Total	443

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 13 March 2007

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

Reply Serial No.

FSTB(Tsy)059

Question Serial No.

0720

Head: 59 – Government Logistics Department

Subhead (No. & title): 691 General purpose vehicles
(block vote)

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will priority or higher marks be given in tendering process to electric vehicles, liquefied hydrogen fuel vehicles, liquefied petroleum gas vehicles or hybrid vehicles?

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

When replacing vehicles in the government fleet, the Government will give priority to environment-friendly vehicles with low emission and high fuel efficiency, subject to availability of suitable models in the market and operational and resource considerations.

As regards the use of liquefied petroleum gas (LPG) vehicles, since 2002, the Government has adopted the policy of replacing diesel light buses in the government fleet by LPG light buses when they are due for replacement.

Signature _____

Name in block letters _____ Ms Maria S N KWAN

Post Title _____ Director of Government Logistics

Date _____ 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)060

Question Serial No.

0722

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:

Does printing service under the financial provision of \$419.6 million in 2007-08 include the expenditure for outsourcing of printing services? If yes, what is the amount?

Asked by: Hon. WONG Kwok-hing

Reply:

The provision included under this programme caters for expenditure for outsourcing of printing services as well. The estimated amount involved in 2007-08 is \$26 million.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)061

Question Serial No.

0723

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:

What is the reason for the increased provision for purchasing printing paper for use in 2007-08? What is the use of the printing paper to be purchased?

Asked by: Hon. WONG Kwok-hing

Reply:

The increased provision for purchasing printing paper in 2007-08 is to meet the estimated printing requirements of bureaux and departments/agencies for regular items such as pamphlets, brochures, forms and examination papers and to meet the anticipated requirements arising from the District Council election and 10th anniversary of the establishment of the Hong Kong Special Administrative Region, taking into account the estimated stock balance by end March 2007.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)062

Question Serial No.

0724

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:

What is the reason for the increased provision for additional printing jobs in 2007-08? What is the use of those additional printing jobs to be carried out?

Asked by: Hon. WONG Kwok-hing

Reply:

Increased provision is required for the procurement of printing paper to meet the anticipated additional printing requirements arising from the District Council election and 10th anniversary of the establishment of the Hong Kong Special Administrative Region in 2007.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)063

Question Serial No.

0677

Head: 76 Inland Revenue Department

Subhead (No. & title): Analysis of Financial Provision

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please list in detail the 30 posts to be deleted in 2007-08, the reasons for the deletion, and the amount of savings arising from the deletion of the posts.

Asked by: Hon. CHAN Kam-lam

Reply:

Because of the abolition of estate duty and other manpower-saving measures, the Inland Revenue Department (IRD) will be able to delete the following 34 posts in 2007-08:

- 2 Assessors
- 2 Assistant Assessors
- 1 Senior Taxation Officer
- 4 Taxation Officers
- 1 Assistant Taxation Officer
- 6 Tax Inspectors II
- 1 Supervisor of Typing Services
- 3 Typists
- 1 Senior Clerical Officer
- 6 Assistant Clerical Officers
- 6 Clerical Assistants
- 1 Office Assistant

On the other hand, IRD will create 4 posts, comprising 1 Assessor, 2 Assistant Assessors and 1 Senior Taxation Officer, to deal with the increasing assessment workload.

There will therefore be a net deletion of 30 posts in 2007-08, resulting in savings of about \$6.2 million in personal emoluments under Programme (1) Assessing Functions.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)064

Question Serial No.

0678

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:

In 2006-07, the job-related allowances under Personal Emoluments have dropped from the original estimate of \$27,000 to the revised estimate of merely \$1,000. Will the Administration inform this Committee the reason for this?

Asked by: Hon. CHAN Kam-lam

Reply:

The job-related allowances under Personal Emoluments mainly cater for typhoon and rainstorm black warning allowances. In preparing the draft Estimates for 2006-07, the Inland Revenue Department (IRD) made reference to the actual expenditure in past years.

IRD worked out the revised estimate for 2006-07 on the basis of the actual expenditure incurred up to the time of estimation and the projected expenditure in the remaining months of the financial year. The decrease against the original estimate is mainly due to the reduced requirement for typhoon and rainstorm black warning allowances.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)065

Question Serial No.

0679

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:

Concerning the Personnel Related Expenses, namely the Mandatory Provident Fund and the Civil Service Provident Fund, there is a marked increase in the estimate for 2007-08 over the revised estimate for 2006-07. Will the Administration inform this Committee the reason for this?

Asked by: Hon. CHAN Kam-lam

Reply:

The increase in the 2007-08 estimate for the Mandatory Provident Fund (MPF) contribution over the 2006-07 revised estimate is due to the anticipated increase in the number of officers eligible to join the MPF Scheme following the approval for the Inland Revenue Department to resume open recruitment for the Assessor grade to fill vacancies in 2007-08.

The increase in the 2007-08 estimate for the Civil Service Provident Fund (CSPF) contribution over the 2006-07 revised estimate is due to the anticipated increase in the number of officers eligible to join the CSPF Scheme upon their transfer from new agreement terms to new permanent terms in 2007-08.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)066

Question Serial No.

0506

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 2005-06 and 2006-07, the average cost of processing each salaries tax assessment was \$148.6 and \$143.2 respectively. Will the Administration inform this Committee, for these two years, the number of cases where the assessed tax payable (including cases where the tax payable is \$0) is less than the average cost per assessment? What is the percentage of these cases out of the total number of salaries tax assessments?

Asked by: Hon. LEE Cheuk-yan

Reply:

For 2005-06 and 2006-07 (up to early March 2007), the number of cases where the assessed tax payable (including \$0) is less than the average cost per assessment is 880,000 and 900,000 respectively. Such cases constitute around 43% of all salaries tax assessments made in each of the said years.

Signature _____

Name in block letters Mrs LAU MAK Yee-ming, Alice

Post Title Commissioner of Inland Revenue

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)067

Question Serial No.

2523

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:

The interest on tax reserve certificates in the approved estimate 2006-07 is \$110 million, but was revised to only \$25 million in the revised estimate. Please explain why the estimate in 2007-08 still stands at a high of \$128 million?

Asked by: Hon. TIEN Pei-chun, James

Reply:

The major portion of interest on tax reserve certificates (TRCs) is the interest on 'Conditional Standover Order Tax Reserve Certificates' (Conditional TRCs), which is paid upon settlement of objections/appeals in taxpayers' favour. The actual amount paid in a particular year depends on whether the objections/appeals could be settled within the year, whether the taxpayers would win the objections/appeals, 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).

In early 2007, after reviewing the actual expenditure position for 2006-07 and judging from the objection/appeal cases pending settlement in hand, IRD revised the estimate downwards from \$110 million to \$25 million. In estimating the provision for interest on TRCs of \$128 million for 2007-08, IRD has taken into account all the above-mentioned factors, particularly the value of Conditional TRCs in hand and the possibility of finalization of a number of objection/appeal cases in the year entailing 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 15 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)068

Question Serial No.

2524

Head: 76 Inland Revenue Department

Subhead (No. & title): Analysis of Financial Provision

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is noted that for 2006-07, the revised estimate (\$758 million) has reduced by 13.4% as compared with the original estimate (\$876 million). Why is the provision for the 2007-08 Estimate (\$875 million) still roughly the same as the original estimate of last year?

Asked by: Hon. TIEN Pei-chun, James

Reply:

The downward revision of the 2006-07 original estimate for Programme (1) Assessing Functions is mainly due to the downward revision of the provision for interest on tax reserve certificates (TRCs) by \$85.2 million. Besides, the operational expenses have been lower than expected because of unfilled vacancies.

The provision for the 2007-08 Estimate (\$875.3 million) remains roughly the same as the original estimate of 2006-07. This is largely due to the need to make provision for possible increase in the expenditure on interest on TRCs. The major portion of interest on TRCs is the interest on 'Conditional Standover Order Tax Reserve Certificates' (Conditional TRCs), which is paid upon settlement of objections/appeals in taxpayers' favour. In estimating the provision for interest on TRCs for 2007-08, the Inland Revenue Department has particularly taken into account the value of Conditional TRCs in hand and the possibility of finalization of a number of objection/appeal cases in the year entailing 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 15 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)069

Question Serial No.

2594

Head: 76 Inland Revenue Department

Subhead (No. & title): Analysis of Financial Provision

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, 30 posts will be deleted in 2007-08. What are these posts, the reasons for their deletion and the amount of savings thus achieved?

Asked by: Hon. WONG Ting-kwong

Reply:

Because of the abolition of estate duty and other manpower-saving measures, the Inland Revenue Department (IRD) will be able to delete the following 34 posts in 2007-08:

- 2 Assessors
- 2 Assistant Assessors
- 1 Senior Taxation Officer
- 4 Taxation Officers
- 1 Assistant Taxation Officer
- 6 Tax Inspectors II
- 1 Supervisor of Typing Services
- 3 Typists
- 1 Senior Clerical Officer
- 6 Assistant Clerical Officers
- 6 Clerical Assistants
- 1 Office Assistant

On the other hand, IRD will create 4 posts, comprising 1 Assessor, 2 Assistant Assessors and 1 Senior Taxation Officer, to deal with the increasing assessment workload.

There will therefore be a net deletion of 30 posts in 2007-08, resulting in savings of about \$6.2 million in personal emoluments under Programme (1) Assessing Functions.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)070

Question Serial No.

2595

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:

This year the Financial Secretary has introduced a number of tax relief and one-off tax concession measures, will such measures be implemented by the existing staff of the Inland Revenue Department (IRD) or by additional staff to be recruited? If by IRD's existing staff, will the implementation affect current efficiency? If additional staff has to be recruited, what is the number of additional staff and the amount involved in the provision for this?

Asked by: Hon. WONG Ting-kwong

Reply:

All tax concessions proposed in the 2007-08 Budget will be implemented by IRD's existing staff and through the department's internal redeployment of resources. The overall efficiency of IRD would not be affected.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 15 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)071

Question Serial No.

0935

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

Programme:

Controlling Officer: Commissioner of Rating and Valuation

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will the Government please inform us of the reason for the General Non-recurrent Account to increase from the revised estimate of \$100,000 for 2006-07 to the draft estimate of \$800,000 for 2007-08?

Asked by: Hon. CHAN Kam-lam

Reply:

The increased provision for 2007-08 is for the outsourcing of the rating valuation work of unassessed rural properties, which was provided for but not implemented in 2006-07 due to difficulty in finding a suitable service provider. The department is planning to award the contract soon, and \$800,000 is therefore included in the Draft Estimate for 2007-08 for the purpose.

Signature _____

Name in block letters **LO HING CHUNG**

Post Title **Commissioner of Rating and Valuation**

Date **14.3.2007**

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

FSTB(Tsy)072

Question Serial No.

0936

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 :

Could the Government inform the Committee the reasons for the expenditure on “Allowances” under Personal Emoluments to increase from the revised estimate of \$2.87m for 2006-07 to the draft estimate of \$2.97m for 2007-08?

Asked by: Hon. CHAN Kam-lam

Reply:

The “Allowances” under Personal Emoluments cover three types of allowances namely, acting, overtime and on-call allowances.

Provision for 2007-08 under “Allowances” is \$0.1 million higher than the 2006-07 revised estimate. This is mainly due to the full-year provision of acting allowance for filling vacancies arising from natural wastage by acting appointments. It is also necessary to retain sufficient provision of overtime allowance to meet any unexpected upsurge in workload in 2007-08.

Signature _____

Name in block letters _____ **LO HING CHUNG** _____

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

Date _____ **15.3.2007** _____

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

Reply Serial No.

FSTB(Tsy)073

Question Serial No.

0937

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 :

Could the Government inform the Committee the reasons for the expenditure on “Civil Service Provident Fund contribution” under Personnel Related Expenses to increase from the revised estimate of \$12,000 for 2006-07 to the draft estimate of \$173,000 for 2007-08?

Asked by: Hon. CHAN Kam-lam

Reply:

In 2007-08, three serving officers currently on new agreement terms will be appointed on new permanent terms. The increase in the provision for 2007-08 under “Civil Service Provident Fund contribution” is to meet the Government’s contribution under the Civil Service Provident Fund Scheme for these officers.

Signature _____

Name in block letters _____ **LO HING CHUNG**

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

Date _____ **15.3.2007**

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

Reply Serial No.

FSTB(Tsy)074

Question Serial No.

0934

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:

Under this Programme, the provision for 2007-08 is \$10.3 million (4.7%) higher than the revised estimate for 2006-07. One of the main reasons is to employ temporary staff to clear backlog of unassessed lots. Will the Government inform us of the area and location of those unassessed lots, the reason(s) for the backlog, the intended number of temporary staff to be employed and the expenditure involved?

Asked by: Hon. CHAN Wai-yip, Albert

Reply:

With the introduction of Government rent in 1997, it is necessary to assess all lots in the New Territories to Government rent. There are currently about 37 000 unassessed lots. They are scattered all over the New Territories and most of them are in remote areas. The department is planning to complete the assessment of these lots as soon as possible by engaging contract staff, and is also exploring the opportunity to outsource part of the assessment work. It is envisaged that a total sum of about \$5 million will be involved in engaging 15 contract staff and outsourcing.

Signature _____

Name in block letters **LO HING CHUNG**

Post Title **Commissioner of Rating and Valuation**

Date **15.3.2007**

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

Reply Serial No.

FSTB(Tsy)078

Question Serial No.

0932

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:

Since there is a statutory requirement that cases of objections must be processed within 6 months, will the Government inform this Committee if there was any case which took more than 6 months to process? If yes, was it due to shortage of staff?

Asked by: Hon. CHEUNG Hok-ming

Reply:

In 2006-07, all objections have been processed within 6 months as required by law.

Signature _____

Name in block letters **LO HING CHUNG**

Post Title **Commissioner of Rating and Valuation**

Date **15.3.2007**

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

Reply Serial No.

FSTB(Tsy)080

Question Serial No.

1667

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 :

With reference to Subhead 000 “Operational Expenses”, could the Government inform the Committee the reasons for the expenditure on “Civil Service Provident Fund contribution” under Personnel Related Expenses to drastically increase from the revised estimate of \$12,000 for 2006-07 to the draft estimate of \$173,000 for 2007-08?

Asked by: Hon. LEUNG Kwan-yuen, Andrew

Reply:

In 2007-08, three serving officers currently on new agreement terms will be appointed on new permanent terms. The increase in the provision for 2007-08 under “Civil Service Provident Fund contribution” is to meet the Government’s contribution under the Civil Service Provident Fund Scheme for these officers.

Signature _____

Name in block letters _____ **LO HING CHUNG** _____

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

Date _____ **14.3.2007** _____

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

Reply Serial No.

FSTB(Tsy)082

Question Serial No.

1347

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 : In 2007-08, the Transport Department will conduct a review on the Personalized Vehicle Registration Marks Scheme after its first year of implementation.

- (a) What is the estimated and actual expenditure of the Scheme up to now?
- (b) What is the scope of the review?
- (c) When will the review be conducted?
- (d) How much will be incurred from the review?

Asked by : Hon. LAM Kin-fung, Jeffrey

Reply :

- (a) The annual cost of administering the Personalized Vehicle Registration Marks (PVRMs) Scheme is estimated at around \$6 million. The actual expenditure incurred in 2006-07 is about \$3 million as the first batch of PVRMs was auctioned in September 2006 and therefore only a half-year provision is required.
- (b) The review will cover different aspects including the operational arrangement, law enforcement and road safety concerns, revenue and administration costs, as well as the effect of the Scheme on the auction of the other vehicle registration marks.

- (c) The review will be conducted in September 2007, a year after the first auction. The Administration will report the outcome of the review to the Financial Affairs Panel of the Legislative Council in the first quarter of 2008.
- (d) The cost of the review will be absorbed by existing resources of the Transport Department.

Signature _____

Name in block letters ALAN WONG

Post Title Commissioner for Transport

Date 15 March 2007

Examination of Estimates of Expenditure 2007-08
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)083

Question Serial No.

2338

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 :

Provision for 2007-08 is 5.9% higher than the the revised estimate for 2006-07. This is mainly due to, inter alia, an anticipated increase in payment to collection agents as a result of a growing number of government bills. How much is the estimated increase in the related expenditure?

Asked by : Hon. WONG Ting-kwong

Reply :

The estimated increase in payment to collection agents in 2007-08 is \$1.8 million.

Signature

Name in block letters

Mrs Lucia LI

Post Title

Director of Accounting Services

Date

14 March 2007

Examination of Estimates of Expenditure 2007-08
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)084

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

Question Serial No.

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

2339

Controlling Officer : Director of Accounting Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Provision for 2007-08 is 2.3% higher than the revised estimate for 2006-07. This is mainly due to the increased provision for the employment of contract staff for time-limited projects and filling of vacancies. Please advise this Committee the estimated number of contract staff to be employed, their posts and the amount of provision involved?

Asked by : Hon. WONG Ting-kwong

Reply :

The increased provision for contract staff includes the employment of 1 Contract Accounting Manager and 1 Contract Assistant Accounting Manager. The amount involved is estimated at \$0.5 M.

Signature

Name in block letters

Mrs Lucia LI

Post Title

Director of Accounting Services

Date

15 March 2007