

**Replies to initial written questions raised by Finance Committee Members
in examining the Estimates of Expenditure 2009-10**

**Director of Bureau : Secretary for Financial Services and the Treasury
Session No. : 7**

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

Reply Serial No.

FSTB(Tsy)002

Question Serial No.

1176

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:

It is Government's plan to issue more bonds in future. The Administration is invited to list by year of issue the annual interest rates of the \$26-billion securitisation bonds and Government bonds issued in the past. Please also list in details the expenditure incurred as a result of interests paid or payable by the Government to bond holders.

Asked by: Hon. CHAN Kam-lam

Reply:

Five tranches of bonds and notes securitized on the net toll revenues of the Aberdeen Tunnel, Cross-Harbour Tunnel, Lion Rock Tunnel, Shing Mun Tunnel, Tseung Kwan O Tunnel and Lantau Link were issued in May 2004. The details are as follows –

Tranche	Coupon rate (%)	Issue size (HK\$ million)	Maturity (years)	Interest paid (HK\$ million)	Estimated interest payable before maturity (HK\$ million)
Tranche A	2.75	880	3	72.6	Nil
Tranche B	3.60	800	5	137.0	7.2
Tranche C	4.28	790	7	161.0	76.0
Institutional Class A1	1.19	450	1	5.4	Nil
Institutional Class A2	3-month HIBOR + 36bps until May 2011 and +72bps until May 2016	3,080	12*	260.0	1.0
Total		6,000	--	636.0	84.2

* The Institutional Class A2 Notes is callable prior to its scheduled maturity date at the discretion of the issuer.

In July 2004, the Government issued five tranches of Government Bonds. The details are as follows:

Tranche	Coupon rate (%)	Issue size (HK\$ million)	Maturity (years)	Interest paid (HK\$ million)	Estimated interest payable before maturity (HK\$ million)
Retail Tranche A	2.13	2,550	2	108.0	Nil
Retail Tranche B	3.38	2,700	4	365.0	Nil
Institutional Class A1	3.75	3,500	5	592.0	66.0
Institutional Class A2	5.125	1,500	15	346.0	809.0
US\$ Institutional	5.125	US\$1.25 billion	10	2,258.0	2,747.0
Total		20,000	--	3,669.0	3,622.0

Signature _____

Name in block letters STANLEY YING

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

Date 17 March 2009

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

Reply Serial No.

FSTB(Tsy)003

Question Serial No.

2638

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 order to preserve employment and promote economic development, the Government's expenditures on infrastructure and recruitment of civil servants in 2009-10 have increased markedly. Please list the expenditures (recurrent expenditure and capital works expenditure) for each measure related to these two policy approaches in 2009-10.

Asked by: Hon. CHAN Kam-lam

Reply:

Estimated expenditure on capital works projects in 2009-10 amounts to \$39.3 billion, the breakdown according to the Heads under the Capital Works Reserve Fund is as follows –

Head	2009-10 Estimate (\$ Million)
702 Port and Airport Development	1
703 Buildings	9,187
704 Drainage	3,350
705 Civil Engineering	1,921
706 Highways	5,263
707 New Towns and Urban Area Development	1,829
709 Waterworks	2,966
711 Housing	558
708 (part) Capital Subventions	14,248

Estimated expenditure on personal emoluments in 2009-10 amounts to \$52 billion, the breakdown according to the Heads under the General Revenue Account is as follows –

Head of Expenditure	2009-10 Estimate (\$ Million)	Head of Expenditure	2009-10 Estimate (\$ Million)	Head of Expenditure	2009-10 Estimate (\$ Million)
21	48	70	2,254	144	106
22	549	72	653	147	109
23	29	74	231	148	96
24	115	76	1,017	151	102
25	904	78	66	152	113
26	465	79	21	155	94
27	33	80	802	156	2,655
28	427	82	525	158	96
30	2,202	90	791	159	129
31	1,913	91	1,426	160	221
33	860	92	622	162	339
37	2,175	94	218	163	40
39	731	95	2,051	166	110
42	207	96	146	168	144
44	846	100	477	169	9
45	2,978	116	97	170	2,033
46	61	118	412	173	107
47	320	122	10,817	174	21
48	204	136	14	180	68
49	2,462	137	28	181	211
51	108	138	65	186	584
53	112	139	33	188	180
55	27	140	57	190	28
59	201	141	63	194	1,371
60	932	142	230		
63	681	143	332		

Signature _____

Name in block letters STANLEY YING

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

Date 17 March 2009

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

Reply Serial No.

FSTB(Tsy)006

Question Serial No.

2722

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

Programme: (2) Revenue and Financial Control

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to the Bureau, it will continue with the implementation of the Asset Sale and Securitisation Programme in 2009-10. Has the Government now identified a batch of assets for sale or securitisation? If yes, what are the details of the assets? What are the Government's work plan, timetable and estimated expenditure for handling these assets in 2009-10? If there are no such identified assets, what are the Bureau's work plan and estimated expenditure in this area? If work in this area has basically come to a standstill, should resources saved be transferred to other areas?

Asked by: Hon. CHAN Tanya

Reply:

We will continue with the sale of civil servants' housing loans in 2009-10. It is estimated that around \$85 million will be received from the sale of these loans. No additional resources will be required for the implementation of the programme in 2009-10.

Signature _____

Name in block letters STANLEY YING

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

Date 17 March 2009

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

Reply Serial No.

FSTB(Tsy)007

Question Serial No.

2723

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

Programme: (2) Revenue and Financial Control

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to the Bureau, it will continue to consider major investment and loan proposals. What concrete major investment and loan proposals has the Bureau received? Will the Bureau launch consultation on these proposals? If yes, what are the details of the relevant concrete work plan and the allocation of resources? If no, what are the reasons?

Asked by: Hon. CHAN Tanya

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 (LegCo)'s resolutions for establishment of the respective funds. Individual commitments of CIF and LF are subject to the approval of the Finance Committee of the LegCo. The Treasury Branch will consider proposals from other Bureaux as and when they arise.

Signature _____

Name in block letters STANLEY YING

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

Date 17 March 2009

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

Reply Serial No.

FSTB(Tsy)008

Question Serial No.

2551

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:

The Financial Secretary mentioned in his Budget speech that the Government intended to implement a programme to issue government bonds gradually and systematically in light of the market situation and other factors. Please advise:

- a. Is the programme the same as the Asset Sale and Securitisation Programme mentioned under Matters Requiring Special Attention in 2009-10, or are they two different programmes?
- b. What government assets had been studied when the Bureau commissioned financial consultants to conduct feasibility studies or assessments on asset sale and securitisation in the past few years?
- c. How many financial consultants are expected to be appointed with the provision for 2009-10 which is \$11.0 million higher due to the deferred provision for appointment of financial consultants and are they responsible for assessment or specific tasks?

Asked by: Hon. FANG Kang, Vincent

Reply:

- a. The Asset Sale and Securitisation Programme (ASSP) and government bond programme are two separate programmes.
- b. The Government keeps the ASSP under close review. Details of individual items included in the ASSP will be announced when there are more concrete proposals on the timing and method of disposal.
- c. In 2009-10, a sum of \$21.75 million has been earmarked for financial consultancy services, including provisions for the continuation of the financial advisory services for the future financial arrangements for Hong Kong Disneyland and the financial advisory services for railway development projects.

Signature _____

Name in block letters STANLEY YING

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

Date 17 March 2009

Examination of Estimates of Expenditure 2009-10

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

Reply Serial No.

FSTB(Tsy)009

Question Serial No.

2552

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:

It is mentioned under Matters Requiring Special Attention in 2009-2010 that the Administration will continue to maintain the 'user pays' principle for appropriate government services by regular revisions of fees and charges. However, the fees and charges for government services have always been criticised for being at levels higher than those in the market. Does the Administration have any plans to review the levels of fees and charges for government services and the methods of calculation in 2009-2010 in order to align with the market?

Asked by: Hon. FANG Kang, Vincent

Reply:

The 'user pays' principle seeks to recover from service users the government costs of providing the services. As service costs are all along calculated in accordance with general accounting principles, the Government has no plan to review the methods of cost calculation. Directors of bureaux and controlling officers will strive to improve efficiency and to bring down the cost of providing government services. In addition, the Government has decided to freeze the government fees and charges related to people's livelihood until 31 March 2010.

Signature _____

Name in block letters _____ **STANLEY YING**

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

Date _____ 13 March 2009

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

Reply Serial No.

FSTB(Tsy)011

Question Serial No.

1684

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau
(The Treasury Branch) Subhead (No. & title): 700 General non-recurrent

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will Item 881 "Electricity charges subsidy for eligible residential accounts" continue in 2009-10?

If yes, what are the details? If no, how will the approved commitment's balance of \$5,600,000,000 be dealt with?

Asked by: Hon. IP LAU Suk-ye, Regina

Reply:

According to the electricity charges subsidy scheme, each eligible residential electricity account will be provided with a monthly subsidy of \$300 from September 2008 to August 2009. This means that in 2009-10, residential electricity accounts will continue to receive the monthly subsidy of \$300 until August 2009. Under the scheme, any unused subsidy in the month may be carried forward until 31 August 2014 or the close of the account, whichever is earlier. The estimated balance of \$5.6 billion at end of 2008-09 for the approved commitment will be used to meet the subsidy payment under the scheme during the period from 2009-10 to 2014-15.

Signature _____

Name in block letters STANLEY YING

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

Date 16 March 2009

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

Reply Serial No.

FSTB(Tsy)012

Question Serial No.

1685

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:

It is mentioned that in 2009-10, the Government will:

- continue to consider major investment and loan proposals in support of economic and social development;
- continue with the implementation of the Asset Sale and Securitisation Programme; and
- appoint financial consultants to carry out various financial appraisal.

Please elaborate on:

- (a) What are the details of the above tasks, including the timetable, method of study and expenditure involved?
- (b) As regards the implementation of the Asset Sale and Securitisation Programme, in view of the conditions of the global financial markets over the past few months, will the Government review the related policies afresh? If yes, what are the details?

Asked by: Hon. IP LAU Suk-yee, Regina

Reply:

- (a) Investment and loan proposals are funded by the Capital Investment Fund (CIF) and Loan Fund (LF) as appropriate in accordance with the Legislative Council (LegCo)'s resolutions for establishment of the respective funds. Individual commitments of CIF and LF are subject to the approval of the Finance Committee of the LegCo. The Treasury Branch will consider proposals from other Bureaux as and when they arise.

For the Asset Sale and Securitisation Programme (ASSP), we will continue with the sale of civil servants' housing loans in 2009-10. It is estimated that around \$85 million will be received from the sale of these loans.

In 2009-10, a sum of \$21.75 million has been earmarked for financial consultancy services, including provisions for the continuation of the financial advisory services for the future financial arrangements for Hong Kong Disneyland and the financial advisory services for railway development projects

- (b) The Government will keep the ASSP under review, and will only dispose of its assets at a reasonable price and taking into account other factors, including the forms of disposal and market conditions.

Signature _____

Name in block letters STANLEY YING

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

Date 17 March 2009

Examination of Estimates of Expenditure 2009-10

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

Reply Serial No.

FSTB(Tsy)013

Question Serial No.

2678

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 there any asset sale and securitisation programme in 2009-2010? If yes, what are the details of the programme?

Asked by: Hon. IP Wai-ming

Reply:

We will continue with the sale of civil servants' housing loans in 2009-10. It is estimated that around \$85 million will be received from the sale of these loans.

Signature _____

Name in block letters STANLEY YING

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

Date 17 March 2009

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

Reply Serial No.

FSTB(Tsy)014

Question Serial No.

1922

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:

It is mentioned that the Treasury Branch's work under this programme is to ensure that the growth of government expenditure over time is in line with the trend growth rate of the economy, and to maintain adequate fiscal reserves to provide a cushion against future uncertainties. In this regard, could the Administration explain:

- (a) How many years does "over time" mean?
- (b) Does "in line with the trend growth rate of the economy" refer to real growth rate or nominal growth rate?
- (c) On "maintaining adequate fiscal reserves", what amount will fit the Administration's definition of "adequate"?
- (d) On "providing a cushion against future uncertainties", is the definition of "uncertainties" met with our economy now suffering from the impact of the financial tsunami? How does the Government's Budget this year intend to make use of the reserves to provide a cushion against the current uncertainties?

Asked by: Hon. LI Wah-ming, Fred

Reply:

- (a) We do not have a specific timeframe when referring to "over time". Assessment on the timeframe is also relative to the prevailing economic situation. In managing public finances, our guiding principle is to strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of the GDP. This is to ensure a robust and sustainable fiscal system.
- (b) We will control the growth of government expenditure both in nominal term and in real term.

- (c) Fiscal reserves being “adequate” means that the reserves are maintained at an appropriate level with sufficient resources to cope with unfunded liabilities and fiscal pressure arising from economic downturns, unforeseen events or structural changes in the community; to enable the generation of a reasonable sum of investment income; and to assist the Exchange Fund in maintaining the stability of Hong Kong’s monetary and financial systems when needed.
- (d) We have adopted a counter-cyclical fiscal strategy and budget for a deficit in 2009-10. In view of the current economic conditions and community needs, we have maintained spending in the coming year at a high level of over \$300 billion. The resultant anticipated deficit of \$40 billion has to be covered by drawing upon the fiscal reserves. According to the medium range forecast, the reserves would be drawn down by an aggregate amount of about \$100 billion over the next five years.

Signature _____

Name in block letters STANLEY YING

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

Date 17 March 2009

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

Reply Serial No.

FSTB(Tsy)015

Question Serial No.

2930

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:

Although the Financial Secretary has proposed “adopting counter-cyclical measures” in the chapter of Preserving Jobs in the Budget, the actual growth in both government expenditure and public expenditure is in fact in the negative. The percentage of public expenditure in GDP is lower than that in 1998-1999 (after the Asian financial turmoil) and that in 2004-2005 (after SARS). Has the Administration conducted any study in respect of the formulation of “counter-cyclical measures”? If yes, what are the conclusions? Is increasing public expenditure to stimulate effective demand included as part of the measures? What are the expenditures involved?

Asked by: Hon. LEUNG Kwok-hung

Reply:

In preparing the 2009-10 Budget, we adopted a counter-cyclical fiscal strategy and set total government spending at \$301.6 billion. While operating expenditure for 2009-10 will be slightly lower than that for 2008-09 as the latter includes the costs of a number of one-off measures, it is higher than actual expenditure in 2007-08 by 19.2%. In comparison, the GDP for 2009 is forecast to increase by only 1.8% over 2007.

Signature _____

Name in block letters STANLEY YING

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

Date 17 March 2009

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

Reply Serial No.

FSTB(Tsy)016

Question Serial No.

2871

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:

For this Programme, would the Administration:

- (a) provide specific details of its activities in 2009-10 in relation to its preparation for the future disposal of Government assets, and give an account of the financial resources involved and a breakdown of the expenditure for such activities; and
- (b) advise, in respect of the preparation for the future disposal of Government assets, whether it has any plans in 2009-10 to conduct in-depth financial and technical studies on certain assets which are likely to be disposed of? If so, what are the contents of the assets involved, the details of the studies and the breakdown of the expenditure on those studies? If not, what are the reasons?

Asked by: Hon. LEUNG Yiu-chung

Reply:

We will continue with the sale of civil servants' housing loans in 2009-10. It is estimated that around \$85 million will be received from the sale of these loans. No additional resources will be required for the implementation of the programme in 2009-10.

Signature _____

Name in block letters STANLEY YING

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

Date 17 March 2009

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

Reply Serial No.

FSTB(Tsy)018

Question Serial No.

2873

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

Programme: (1) Director of Bureau's Office

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As regards this Programme, please advise on:

- (a) the respective provisions for the Secretary for Financial Services and the Treasury, the Under Secretary and the Political Assistant in the 2008-09 revised estimates and the 2009-10 estimates; and
- (b) the specific duties and the respective achievements of the Under Secretary and the Political Assistant in 2008-09. How will the Administration assess if the principle of value for money has been given effect in the creation of the relevant posts?

Asked by: Hon. LEUNG Yiu-chung

Reply:

- (a) The provisions for the Secretary for Financial Services and the Treasury, the Under Secretary and the Political Assistant in the 2008-09 revised estimates and 2009-10 estimates are as follows:

	2008-09 Revised Estimates (\$ million)	2009-10 Estimates (\$ million)	Remarks
Secretary for Financial Services and the Treasury	3.59	3.59	-
Under Secretary	1.78	2.70	Assumed office in August 2008
Political Assistant	1.25	1.98	Assumed office in August 2008

- (b) Under Secretary for Financial Services and the Treasury is responsible principally for assisting the Secretary in undertaking the full range of political work, including the handling of Legislative Council (LegCo) business, and deputising for the Secretary during the latter's temporary absence. For instance, with effect from the 2008-09 legislative session, Secretary for Financial Services and the Treasury or Under Secretary for Financial Services and the Treasury would normally attend meetings of the LegCo Panel on Financial Affairs. These are important forums for the Government to explain its policies and to secure support for its initiatives. As part of her role in reaching out to the community, the Under Secretary for Financial Services and the Treasury chaired a number of district forums on the 2008-09 Policy Address.

The Political Assistant to Secretary for Financial Services and the Treasury is responsible principally for providing political support and input to the Secretary and the Under Secretary, and conducting the necessary political liaison at the instruction of the Secretary and the Under Secretary, including the liaison with the media and various stakeholders. Upon assuming office, the Political Assistant to Secretary for Financial Services and the Treasury has provided advice from the political perspective on, for instance, the need for lobbying political parties / groups and the handling of invitations and correspondence from political parties / groups. She has also monitored views from interest groups and the general public on policy issues concerned and assessed the political implications.

The appointment of Under Secretary for Financial Services and the Treasury and Political Assistant to Secretary for Financial Services and the Treasury has strengthened the support to the Secretary in undertaking political work, communicating with the LegCo and other stakeholders, such as District Councils, political parties / groups, non-governmental organisations, district personalities as well as business, professional and other bodies, and explaining government policies to the media and the public at large.

Signature _____

Name in block letters **STANLEY YING** _____

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

Date **17 March 2009** _____

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

Reply Serial No.

FSTB(Tsy)019

Question Serial No.

2874

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau
(The Treasury Branch) Subhead (No. & title): 700 General non-recurrent

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In respect of Item 881 "Electricity charges subsidy for eligible residential accounts", what is the expenditure sub-item involved in 2008-09? How many residential users have benefited so far? Has the Administration assessed the effectiveness of the expenditure item?

Asked by: Hon. LEUNG Yiu-chung

Reply:

The approved provision for Item 881 "Electricity charges subsidy for eligible residential accounts" is solely for meeting the subsidy payment to eligible accounts, and the 2008-09 revised estimate is \$3.2 billion. There is no expenditure sub-item under this item. Some 2.44 million residential electricity accounts are benefiting from the scheme. One of the purposes of the electricity charges subsidy scheme is to ease inflationary pressure on households. We believe the scheme has achieved its purpose. The average inflation rate as measured by the Composite Consumer Price Index for 2008 was 4.3%. If the electricity charges subsidy scheme and other government's one-off relief measures had not been introduced, the inflation rate would have been 5.6%. In addition, the measure helped ease the burden of the grassroots and the middle class and achieved our goal to relieving the hardship being faced by the people.

Signature _____

Name in block letters STANLEY YING

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

Date 17 March 2009

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

Reply Serial No.

FSTB(Tsy)020

Question Serial No.

1001

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau
(The Treasury Branch) Subhead (No. & title): 700 General non-recurrent

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The revised estimated expenditure for Item 881 "Electricity charges subsidy for eligible residential accounts" is \$3.2 billion in 2008-09. How many electricity accounts are covered by this amount? How many months of consumption are involved?

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

According to the electricity charges subsidy scheme, each eligible residential electricity account will be provided with a monthly subsidy of \$300 from September 2008 to August 2009. Some 2.44 million residential electricity accounts are benefiting from the scheme. The 2008-09 revised estimate of \$3.2 billion under the scheme is to pay for the amount of subsidy used by the accounts as shown in the bills issued during the period from September 2008 to March 2009.

Signature _____

Name in block letters STANLEY YING

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

Date 16 March 2009

Examination of Estimates of Expenditure 2009-10
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)023

Question Serial No.

2354

Head: 106 Miscellaneous Services

Subhead (No. & title): 284 Compensation

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The provision under Subhead 284 "Compensation" in 2009-10 is \$70 million. Please provide the details of provision under this subhead.

Asked by: Hon. IP LAU Suk-ye, Regina

Reply:

Provision under Subhead 284 Compensation is for settlement of claims (other than compensation connected with land, public works and mail, and for civil servants under the Employees' Compensation Ordinance) and for certain ex-gratia payments. Charges against this vote are mainly settled sums agreed with plaintiffs out of court and compensation or damages ordered by the court. As with the past few years, a provision of \$70 million has been included in the 2009-10 Estimates to cater for possible requirements.

Signature _____

Name in block letters _____ **STANLEY YING**

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

Date _____ 17 March 2009

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

Reply Serial No.

FSTB(Tsy)024

Question Serial No.

2355

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 provision under Subhead 789 "Additional commitments" in 2009-10 is \$8,087,762,000.

- (a) Please provide the details of provision under this subhead;
- (b) As mentioned under Details of Expenditure, initiatives under planning include supporting creative industries. Please provide the details of this initiative.

Asked by: Hon. IP LAU Suk-ye, Regina

Reply:

- (a) As regards the provision of \$8.1 billion under Subhead 789 Additional Commitments, about \$400 million is for meeting the remaining part of expenditure expected to be required in 2009-10 arising from the injection into Mandatory Provident Fund accounts as approved by the Finance Committee of the Legislative Council earlier. The rest of the provision is to meet funding for initiatives under planning and any unavoidable non-recurrent expenditure that may arise during the year in excess of the amounts provided under other heads and subheads of the Estimates. The major spending initiatives under planning include measures announced in the Budget, such as introducing a 2-year "Operation Building Bright" campaign, supporting the development of creative industries in the coming 3 years, launching various employment and internship programmes, organising more attractive events in the areas of arts, culture and sports, etc. These initiatives have yet to be approved by the Finance Committee of the Legislative Council. Besides, we have earmarked funds for further injection into the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas as and when necessary, and for catering to other unforeseen circumstances.

- (b) The Commerce and Economic Development Bureau (CEDB) proposes to establish a \$300 million CreateSmart Initiative (CSI) to support Hong Kong's creative industries for the development of creative economy in the coming three years. CEDB has briefed the Legislative Council Panel on Information Technology and Broadcasting on the proposal to establish CSI on 9 March 2009 and Members generally supported the proposal. CEDB aims to seek approval from the Finance Committee in May 2009.

Signature _____

Name in block letters STANLEY YING

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

Date 17 March 2009

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

Reply Serial No.

FSTB(Tsy)025

Question Serial No.

2141

Head: 106 Miscellaneous Services

Subhead (No. & title): 251 & 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:

Please list in details for what initiatives under planning and unavoidable recurrent expenditure that may arise during 2009-10 in excess of the amounts provided are the estimated provisions involving \$1.1 billion and \$8 million under these 2 subheads made. How are these 2 sums of provision totaling \$9.1 billion determined?

Asked by: Hon. LI Wah-ming, Fred

Reply:

In determining the proposed provision under the two subheads, we have taken into account the spending initiatives announced in the Budget and reserved funds to meet additional expenditure that may arise during the year.

As regards the provision of \$1.1 billion under Subhead 251 Additional Commitments, part of it serves as funding for meeting additional expenditure that may arise from adjusting civil service pension and payments under the Comprehensive Social Security Assistance Scheme and Social Security Allowance Scheme with reference to relevant price indices. In addition, we have included funds for items that may require funding later. These items are still under planning. The required provisions cannot at present be determined and allocated with precision.

As regards the provision of \$8.1 billion under Subhead 789 Additional Commitments, about \$400 million is for meeting the remaining part of expenditure expected to be required in 2009-10 arising from the injection into Mandatory Provident Fund accounts as approved by the Finance Committee of the Legislative Council earlier. The rest of the provision is to meet funding for initiatives under planning and any unavoidable non-recurrent expenditure that may arise during the year in excess of the amounts provided under other heads and subheads of the Estimates. The major spending initiatives under planning include measures announced in the Budget, such as introducing a 2-year "Operation Building Bright" campaign, supporting the development of creative industries in the coming 3 years, launching various employment and internship programmes, organising more attractive events in the areas of arts, culture and sports, etc. These initiatives have yet to be approved by the Finance Committee of the Legislative Council. Besides, we have earmarked funds for further injection into the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas as and when necessary, and for catering to other unforeseen circumstances.

Signature _____

Name in block letters STANLEY YING

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

Date 17 March 2009

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

Reply Serial No.

FSTB(Tsy)026

Question Serial No.

2665

Head: 708 Capital Subventions and Major Systems and Equipment 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 works completed, cancelled and curtailed, which are at a total value of \$21.7 billion, please provide the respective numbers of such projects and the funds involved under the revised estimate of 2008-09 and the estimate of 2009-10, broken down by government department.

Asked by: Hon. HO Chun-yan, Albert

Reply:

The revised estimate for projects grouped under “works completed, cancelled and curtailed” amounted to about \$21.7 billion in 2008-09. A breakdown of the numbers of projects and the associated revised estimate in 2008-09 by policy bureau/department is set out in the table below. As these projects have been completed, cancelled or curtailed, there is no estimated expenditure in 2009-10.

Policy Bureau/Department	Number of Projects	Revised Estimate 2008-09 (\$' 000)
Architectural Services Department	8	28,000
Auxiliary Medical Service	1	2,100
Civil Aviation Department	1	3,346
Correctional Services Department	3	4,631
Customs and Excise Department	3	6,820
Education Bureau	1	1,300
Environmental Protection Department	1	1,000
Food and Health Bureau	9	3,424
Fire Services Department	3	7,232

Policy Bureau/Department	Number of Projects	Revised Estimate 2008-09 (\$' 000)
Government Property Agency	7	24,007
Home Affairs Bureau	4	21,602,077
Home Affairs Department	1	990
Hong Kong Observatory	1	200
Inland Revenue Department	2	4,069
Judiciary	1	2,616
Lands Department	1	2,241
Leisure and Cultural Services Department	2	4,834
Marine Department	2	4,776
Office of the Government Chief Information Officer	1	4,277
Transport Department	8	13,178
University Grants Committee Secretariat	3	21,444
Total	63	21,742,562

Signature _____

Name in block letters STANLEY YING

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

Date 16 March 2009

Examination of Estimates of Expenditure 2009-10

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

Reply Serial No.

FSTB(Tsy)027

Question Serial No.

1052

Head: 25 Architectural Services Department Subhead (No. & title):

Programme: (2) Facilities Upkeep

Controlling Officer: Director of Architectural Services

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Why will there be an increase in the building floor area of properties maintained by the Architectural Services Department (ArchSD) in 2009-10 as compared with 2007-08 and 2008-09? Does the increase include the public works projects to be introduced by the Government to “preserve employment”? Please provide a list of the government properties where maintenance works will be carried out by the ArchSD in 2009-10 and advise whether new jobs will be created. If yes, how many are expected?

Asked by: Hon. CHAN Kam-lam

Reply:

The increase in building floor area of properties under the maintenance responsibility of ArchSD is a result of the handing over of newly completed buildings to ArchSD for future maintenance, rather than the result of additional works to be introduced by ArchSD.

Maintenance and refurbishment of government properties are carried out by ArchSD as an on-going programme. In 2009-10, about \$262 million will be allocated to ArchSD for additional refurbishment works. It is estimated that the additional job opportunities in 2009-10 will amount to 419 man-years. The list of buildings where refurbishment works (including additional refurbishment works) will be carried out has been filed in the Legislative Council Secretariat library.

Signature _____

Name in block letters C H YUE _____

Post Title Director of Architectural Services _____

Date 16 March 2009 _____

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

Reply Serial No.

FSTB(Tsy)028

Question Serial No.

2158

Head: 25 Architectural Services Department Subhead (No. & title):

Programme: (2) Facilities Upkeep

Controlling Officer: Director of Architectural Services

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What progress has the Architectural Services Department made in promoting roof greening in existing buildings? Has the Administration set out an implementation table?

Asked by: Hon. LEE Kok-long, Joseph

Reply:

Architectural Services Department (ArchSD) is committed to the promotion of roof greening in existing government buildings under ArchSD's maintenance responsibility. 18 green roofs in existing government buildings were completed from 2006-07 to 2008-09, with 19 projects under construction. 40 green roofs will be carried out in existing government buildings in 2009-10 and 2010-11.

Signature _____

Name in block letters C H YUE _____

Post Title Director of Architectural Services

Date 18 March 2009 _____

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

Reply Serial No.

FSTB(Tsy)029

Question Serial No.

2434

Head: 28 Civil Aviation Department Subhead (No. & title):

Programme: (6) Air Passenger Departure Tax Administration

Controlling Officer: Director-General of Civil Aviation

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to the performance indicator, the estimated tax related cases to be processed in 2009 are fewer than those of 2008. Why is the efficiency of the 2009's planned performance target lower than that of 2008?

Asked by: Hon. WONG Ting-kwong

Reply:

Civil Aviation Department's performance target in respect of Air Passenger Departure Tax is to process 98% of the applications for refund received by post within 29 working days. We achieved 99% in 2008 due to the less than expected number of cases for which the airlines delayed in providing the necessary information. We consider it more prudent to set the target at 98% for 2009.

Signature _____

Name in block letters **NORMAN LO**

Post Title Director-General of Civil Aviation

Date 16 March 2009

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

Reply Serial No.

FSTB(Tsy)030

Question Serial No.

1054

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 cases of re-assessment of provisional taxable value on imported vehicles has increased significantly from under 10 000 for 2007 to over 18 000 for 2008.

Asked by: Hon. CHAN Kam-lam

Reply:

The number of cases of re-assessment of provisional taxable value on imported vehicles has increased significantly because a large number of applications for reduction of provisional taxable value were submitted by vehicle distributors to cut prices and promote sales of their imported vehicles due to the slowing down of the economy since the fourth quarter in 2008. Between September and December 2008, a total of 9 809 application cases of re-assessment of provisional taxable value on imported vehicles were recorded which is close to the total number of cases (9 946) recorded for the whole year of 2007.

Signature _____

Name in block letters RICHARD M F YUEN

Post Title Commissioner of Customs and Excise

Date 18 March 2009

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

Reply Serial No.

FSTB(Tsy)031

Question Serial No.

2346

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 is the financial and staffing provision required for 2008-09 in combating cigarette smuggling? Will cigarette smuggling activities be expected to be rampant with a 50% rise in tobacco duty rates? Will the financial and staffing provision be expected to increase in this aspect for 2009-10 accordingly? If yes, what are the figures? If no, what are the reasons?

Asked by: Hon. CHEUNG Yu-yan, Tommy

Reply:

In 2003, the Customs and Excise Department set up an Anti-Illicit-Cigarette Investigation Division with an establishment of 35 officers, including 1 Assistant Superintendent, 2 Senior Inspectors, 4 Inspectors, 4 Senior Customs Officers and 24 Customs Officers, to combat illicit cigarette activities. In addition to the above task force, additional manpower resources will be deployed as the need arises. In 2008-09, the Anti-Illicit-Cigarette Investigation Division was provided with a provision of \$9.46 million. The estimated provision in the aspect in 2009-10 is \$9.98 million.

Since the coming into effect of the new duty rates, the Customs and Excise Department has stepped up inspection and action against illicit cigarette activities through internal staff deployment. No additional resources are required for the time being.

Signature _____

Name in block letters RICHARD M F YUEN

Post Title Commissioner of Customs and Excise

Date 18 March 2009

Examination of Estimates of Expenditure 2009-10

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

Reply Serial No.

FSTB(Tsy)032

Question Serial No.

1451

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 provide information on the provision allocated to the Anti-Illicit-Cigarette Investigation Division for 2007-08 and 2008-09 as well as the financial estimate of that Division for 2009-10.

Asked by: Hon. EU Yuet-mee, Audrey

Reply:

The provisions allocated to the Anti-Illicit-Cigarette Investigation Division under the Customs and Excise Department for 2007-08 and 2008-09 were \$8.95 million and \$9.46 million respectively. The relevant estimated provision for 2009-10 is \$9.98 million.

Signature _____

Name in block letters RICHARD M F YUEN

Post Title Commissioner of Customs and Excise

Date 18 March 2009

Examination of Estimates of Expenditure 2009-10

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

Reply Serial No.

FSTB(Tsy)033

Question Serial No.

2134

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:

The estimated expenditure on revenue protection and collection for 2009-10 represents a 6.0% and 2.7% decrease respectively when compared with the original estimate and revised estimate for 2008-09. What are the reasons?

Asked by: Hon. IP LAU Suk-yee, Regina

Reply:

Due to the removal of the administrative controls on wine and non-spirit alcoholic beverages (including beer) since 6 June 2008, the Customs and Excise Department has deleted a total of 13 posts by phases in 2008-09. The decreased provision due to the deletion of posts has not been reflected in the original estimate for 2008-09, with only part of it being reflected in the revised estimate for 2008-09. The estimated expenditure for 2009-10 has completely reflected the decreased provision. Therefore, the provision under Programme (4) for 2009-10 represents a 6.0% and 2.7% decrease respectively when compared with the original estimate and revised estimate for 2008-09.

Signature _____

Name in block letters RICHARD M F YUEN

Post Title Commissioner of Customs and Excise

Date 18 March 2009

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

Reply Serial No.

FSTB(Tsy)034

Question Serial No.

0092

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:

The Financial Secretary has increased tobacco duty by 50% with immediate effect. Has the Customs and Excise Department increased the manpower of the Anti-Illicit-Cigarette Investigation Division? How much is the increased expenditure?

Asked by: Hon. LAU Wong-fat

Reply:

After the new duty rate came into effect, the Customs and Excise Department has stepped up inspection and action against illicit cigarette activities through internal staff deployment. No additional resources are required for the time being.

Signature _____

Name in block letters RICHARD M F YUEN

Post Title Commissioner of Customs and Excise

Date 18 March 2009

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

Reply Serial No.

FSTB(Tsy)035

Question Serial No.

0341

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:

There was a sharp decrease in the number of illicit cigarettes and illicit fuel seized by the authorities in 2008. Regarding this, will the Government provide information about the following:

1. the reason for the sharp decrease; and
2. the Government is going to increase tobacco duty by 50% in the coming financial year. Regarding this, does the authorities worry that the cases of selling illicit cigarettes will increase? If yes, what contingency measures will be taken? Will the authorities increase the resources and manpower for conducting spot checks? What will be the expenditures involved? If no, what are the reasons?

Asked by: Hon. LI Fung-ying

Reply:

1. (a) Reasons for the decrease in the number of illicit cigarettes seized:

Due to the sustained raiding operations carried out by the Customs and Excise Department, illicit cigarette activities in Hong Kong have been under control. In 2007, the Department detected 4 major cases of re-exporting smuggled cigarettes, resulting in a total seizure of 52 million sticks of illicit cigarettes, whereas in the 4 similar cases detected by the Department in 2008 only 14.9 million sticks of re-exported smuggled cigarettes were seized. As a matter of fact, the number of reports or complaints about illicit cigarettes received by the Department from the public also dropped from 804 in 2007 to 644 in last year.

- (b) Reasons for the decrease in the quantity of illicit fuel seized:

The concessionary duty rate for Euro V diesel introduced by Government has led to a decrease in the price of legal diesel. This combined with continuously rigorous enforcement actions taken by the Department has resulted in the gradual scaling down of illicit fuel activities. Moreover, the Department detected 5 smuggling cases of illicit fuel for export in 2007, resulting in a seizure of 565 000 litres of marked oil, whereas no similar cases were detected in 2008. As a matter of fact, the number of reports or complaints about illicit fuel received by the Department from the public also dropped from 1 058 in 2007 to 816 in last year.

2. To ensure that illicit cigarette activities will not increase after the new duty rate comes into effect, apart from maintaining full vigilance on the illicit cigarette activities at the control points and the market, the Customs and Excise Department has also stepped up inspection and action against illicit cigarette activities through internal staff deployment. No additional resources are required for the time being.

Signature _____

Name in block letters RICHARD M F YUEN

Post Title Commissioner of Customs and Excise

Date 18 March 2009

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

Reply Serial No.

FSTB(Tsy)036

Question Serial No.

2436

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:

Regarding the service indicator, the estimated number of dutiable commodities permits issued in 2009 is 18 618 less than the actual number of permits issued in 2008, representing a decrease of nearly 20%. What are the reasons?

Asked by: Hon. WONG Ting-kwong

Reply:

The Government has exempted the duties on wine and non-spirit alcoholic beverages (including beer) since 27 February 2008 and the relevant administrative controls on wine and non-spirit alcoholic beverages (including beer) have also been adjusted since 6 June 2008. As a result, traders are no longer required to apply for permits for import, export, manufacturing, storage, movement as well as duty payment of the relevant liquors. Since liquor applications used to account for a substantial part of dutiable commodities permits in the past, it is estimated that the number of permits to be issued in 2009 will drop by about 20%.

Signature _____

Name in block letters RICHARD M F YUEN

Post Title Commissioner of Customs and Excise

Date 18 March 2009

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

Reply Serial No.

FSTB(Tsy)037

Question Serial No.

2553

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:

Since the proposal to increase tobacco duty rates by 50% was made in the 2009-10 Budget, the Government of the Hong Kong Special Administrative Region has indicated that it would step up actions against smuggling of cigarettes. But the financial provision has decreased by 2.7% when compared with the provision for 2008-09, i.e. only \$126 million. Will the authorities explain how to combat cigarette smuggling activities effectively under the condition of decreased financial provision and resources without affecting the Government's revenue?

Asked by: Hon. WONG Ting-kwong

Reply:

The expenditure for combating illicit cigarette activities constitutes one part of the expenditure under Programme (4). The slight decrease of 2.7% in the Department's financial provision under Programme (4) in comparison with the revised estimate for 2008-09 is due to the reduced annual expenditure resulting from deletion of 13 posts as a result of the exemption of wine duty. It is not related to the provision for combating illicit cigarette activities. The estimate for the Anti-Illicit-Cigarette Investigation Division for 2009-10 is \$9.98 million, which is higher than the provision of \$9.46 million for 2008-09.

Moreover, after the new duty rates came into effect, the Customs and Excise Department has stepped up inspection and action against illicit cigarette activities through internal staff deployment. No additional resources are required for the time being.

Signature _____

Name in block letters RICHARD M F YUEN

Post Title Commissioner of Customs and Excise

Date 18 March 2009

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

Reply Serial No.

FSTB(Tsy)038

Question Serial No.

2554

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:

In "duty recovered" under Dutiable commodities, it shows that the amount for 2007 was \$2.7 million while that for 2008 was \$1.8 million. What are the reasons for the decrease in 2008? Also, do the above figures show whether there are still any outstanding amounts not fully recovered? If yes, what is the actual amount of the duty not recovered?

Asked by: Hon. WONG Ting-kwong

Reply:

The amount of the duty recovered each year depends on the number of duty recovery cases and the amount of money involved. In 2007, there were a total of 344 duty recovery cases whereas in 2008 there were 420 cases. In the past two years, the amount of the duty involved in each case, in general, did not exceed the sum of \$100,000. However, in 2007 there was a case in which the duty involved was as much as \$1.1 million, and therefore, the amount of the duty recovered in 2007 was higher. Among the cases of the past two years, there was no unrecovered duty.

Signature _____

Name in block letters RICHARD M F YUEN

Post Title Commissioner of Customs and Excise

Date 18 March 2009

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

Reply Serial No.

FSTB(Tsy)039

Question Serial No.

1056

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

Programme: (2) Supplies Management

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In 2009-10, Government Logistics Department will review the specifications for common-user items to promote the purchase of environment-friendly products. What is the percentage of the purchase of environment-friendly products under the common-user items in 2008-09? Did the Department set any new targets for 2009-10?

Asked by: Hon. CHAN Kam-lam

Reply:

In 2008-09, Government Logistics Department (GLD) awarded 21 two-year contracts for the supply of common-user items, including 13 contracts involving the supply of environment-friendly products (e.g. energy efficient photocopiers, recycled toilet paper, refillable ballpoint pens, refillable pencils, recycled pencils, file boxes made from recycled cardboard, detergent powder, cleansing powder and fuel oils). The total contract value of environment-friendly products was \$723.14 million, representing 93% of the total contract value of \$773.8 million for the common-user items concerned. Such value and percentage may vary from year to year depending on the total value of the common-user items to be purchased in that particular year. Hence it would be difficult to set a specific target in a particular year. That said, GLD will continue to arrange new contracts for the supply of environment-friendly products. Taking into account the result of the consultancy study commissioned by the Environmental Protection Department to update and expand environment-friendly specifications for common-user items, expected to be completed in mid 2009, GLD will consider adopting new green specifications for environment-friendly products, subject to market availability.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 16 March 2009

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

Reply Serial No.

FSTB(Tsy)040

Question Serial No.

1057

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

Programme: (2) Supplies Management

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

At present, does government procurement include locally-produced recycled items? If yes, what is the expenditure involved and the percentage among the total procurement amount? In the future, will the Government take the opportunity to procure locally-produced recycled items as far as possible in order to raise the market share of local recycled items in Hong Kong?

Asked by: Hon. CHAN Kam-lam

Reply:

When making purchases, Government Logistics Department (GLD) complies with the Stores and Procurement Regulations, which include guidelines on the procurement of environment-friendly products. These guidelines include, among others, purchasing products with higher recycled content.

As government procurement is normally undertaken on a fair, open, competitive and non-discriminatory basis, the Government will invite and evaluate tenders based on the capability of the suppliers to meet the tender specifications and requirements and not on the place of origin of the products to be procured.

In 2008, GLD awarded a two-year contract for the supply of recycled lubricants produced locally at an estimated value of \$4.39 million. It would not be appropriate to compare the value of this contract with the total value of government purchases undertaken on a non-discriminatory basis where a wide range of products, including fuel oil, computer equipment and software, vehicles and spare parts, food and beverages, telecommunication equipment, may or may not have recycled content.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 17 March 2009

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

Reply Serial No.

FSTB(Tsy)041

Question Serial No.

1033

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:

Among the vehicles in the current government fleet, how many of them are environment-friendly vehicles? When will the Government replace all vehicles by environment-friendly vehicles? What is the expenditure involved?

Asked by: Hon. HO Chun-yan, Albert

Reply:

All new government vehicles to be procured will meet the prevailing statutory emission standards set by Environmental Protection Department (EPD) at the time of purchase. Apart from this, the Government would give priority to environment-friendly vehicles, i.e. vehicles which meet EPD's qualifying standards for tax incentives for environment-friendly petrol private cars or commercial vehicles when replacing vehicles in the Government fleet, subject to the availability of suitable models on the market and operational and resource considerations.

At present, 612 of the 6 303 government vehicles are environment-friendly vehicles. The Government has also placed orders for procuring 230 environment-friendly vehicles which will be delivered in 2009 and 2010. In 2009, the Government has plans to procure another 257 environment-friendly vehicles, the total cost of which is estimated to be about \$59 million.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 16 March 2009

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

Reply Serial No.

FSTB(Tsy)042

Question Serial No.

2343

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

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is estimated that 401 government vehicles will be replaced in 2009. Please advise:

- (a) What are the types of the vehicles to be replaced and how many of them are environment-friendly vehicles? Please give a detail breakdown of the numbers of respective types of the vehicles and the number of environment-friendly vehicles.
- (b) How many electric vehicles and associated battery charging accessories will be purchased?
- (c) What is the percentage of environment-friendly vehicles among the various types of vehicles in the current government fleet?
- (d) What is the expenditure involved in replacing vehicles?
- (e) What is the estimated difference in expenditure for procuring environment-friendly and non environment-friendly vehicles?

Asked by: Hon. LAM Kin-fung, Jeffrey

Reply:

- (a) All the 401 replacement vehicles to be procured in 2009 will comply with the prevailing statutory emission standards set by the Environmental Protection Department (EPD). Of the 401 vehicles, it is estimated that 160 cars and 3 buses will meet EPD's qualifying standards for tax incentives for environment-friendly vehicles. A breakdown of these 401 vehicles by vehicle type is as follows:

Vehicle Type	No. of Vehicles
Bus	47
Car	160
Cross Country Vehicle	35
Motorcycle	79
Truck	10
Van	70
Total	401

- (b) The Government will be actively involved in the test of electric vehicles in Hong Kong. Subject to the test results, maturity of the electric vehicle technology and availability of suitable models on the market, we will consider the use of electric vehicles in the government fleet.
- (c) At present, 612 of the 6 303 government vehicles are environment-friendly vehicles. They include 371 cars or 32.2% of the fleet of 1 151 cars, 229 liquefied petroleum gas (LPG) light buses or 85.8% of the fleet of 267 light buses, and 12 electric scooters or 2.1% of the fleet of 566 small motorcycles.
- (d) The estimated expenditure involved in replacing vehicles in 2009-10 is around \$112 million.
- (e) Currently, it is estimated that the replacement of vehicles with models on the latest list of environment-friendly vehicles which qualify for tax incentives, as compiled and published by EPD, would incur an additional expenditure of around \$3.6 million in 2009-10.

Signature _____

Name in block letters _____ Ms Maria S N KWAN

Post Title _____ Director of Government Logistics

Date _____ 17 March 2009

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

Reply Serial No.

FSTB(Tsy)043

Question Serial No.

2344

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

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is estimated that 8 additional government vehicles will be procured in 2009. Please advise:

- (a) What are the types of the additional government vehicles, and which departments or officials will use these government vehicles?
- (b) Will the Government give priority to procuring environment-friendly vehicles, such as electric vehicles?
- (c) Financial Secretary mentioned that the Government would procure electric vehicles. What is the plan? Which departments or officials will use these electric vehicles?
- (d) What is the expenditure involved? Will the contract be awarded to the lowest tenders?

Asked by: Hon. LAM Kin-fung, Jeffrey

Reply:

- (a) The Government will procure 8 additional vehicles in 2009-10 for meeting the operational needs of the Agriculture, Fisheries and Conservation Department, the Correctional Services Department and the Customs and Excise Department. The types of vehicles involved are buses for conveying inmates, dog vans and medium vans.
- (b) When purchasing new vehicles, the Government would give priority to environment-friendly vehicles, subject to the availability of suitable models on the market, operational and resource considerations.
- (c) In 2008, the Government procured 12 electric scooters for replacing the same number of petrol driven motorcycles for trial by various departments with a view to examining their suitability for use and possible application in the government vehicle fleet. Subject to the trial results, we will consider whether more electric scooters should be procured. The Government will also be actively involved in the test of electric vehicles in Hong Kong. Subject to the test results, maturity of the electric vehicle technology and availability of suitable models on the market, we will consider the use of electric vehicles in the government fleet.

- (d) The estimated cost of the 8 additional vehicles is \$4.1 million. Both quality and cost will be taken into account in the evaluation of the tenders.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 17 March 2009

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

Reply Serial No.

FSTB(Tsy)044

Question Serial No.

0738

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:

With reference to the printed material produced by Government Logistics Department in 2008-09, please provide a breakdown of the types of the printed material by department and expenditure involved.

Asked by: Hon. PAN Pey-chyou

Reply:

The Government Logistics Department produces a wide range of printed material for bureaux and departments, including reports, pamphlets, forms, posters, envelopes, file jackets, leaflets, etc. A breakdown of the types of printed material by department and expenditure involved is not readily available. However, based on information available, a breakdown of the major product types by value processed from 1 April 2008 to 28 February 2009 is appended below –

Product types	Examples	Value (\$m)
Single sheet	Leaflets, Forms, Letterheads, Maps, Posters, Certificates, File Jackets, etc.	65.46
Perfect bound publication	Reports, Record Books, Guidelines, etc.	50.58
Saddle stitched publication	Pamphlets, Guidelines, Application Forms, Programme booklets, Handouts, etc.	48.09
Envelope	General Government Envelopes, Departmental Envelopes, First Day Covers, etc.	6.70
Case Bound Book	Reports, Manuals, Museum Catalogues, etc.	3.02
Miscellaneous	Stickers, Labels, Tickets, Receipts, Writing Pads, Boxes, Bookmarks, etc.	31.50
	Total	205.35

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 12 March 2009

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

Reply Serial No.

FSTB(Tsy)045

Question Serial No.

0739

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 the Government Logistics Department include the criterion of environmental procurement in its advice to government departments on the use and purchase of printing equipment and accessories? If no, will this criterion be included?

Asked by: Hon. PAN Pey-chyou

Reply:

In providing advice on the use and purchase of printing equipment and accessories, Government Logistics Department will remind bureaux and other departments to comply with the Stores and Procurement Regulations which include guidelines on the procurement of environment-friendly products. These guidelines include avoiding single-use disposal items and purchasing products with improved recyclability; higher recycled content; reduced packaging; greater durability; greater energy efficiency; which utilise clean technology and/or clean fuels; which result in reduced water consumption; which emit fewer irritating or toxic substances during installation or use; or which result in smaller production of toxic substances upon disposal.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 12 March 2009

Examination of Estimates of Expenditure 2009-10

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

Reply Serial No.

FSTB(Tsy)046

Question Serial No.

0740

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:

Please provide information on the vacancies to be filled in 2009-10. Are these vacancies newly created posts? If yes, are they permanent posts or contract posts?

Asked by: Hon. PAN Pey-chyou

Reply:

The vacancies to be filled in 2009-10 comprise a total of 22 existing permanent civil service posts in the Printing Technician, Printing Officer, Proof Reader and Workman grades. These posts have become vacant due to natural wastage.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 12 March 2009

Examination of Estimates of Expenditure 2009-10

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

Reply Serial No.

FSTB(Tsy)047

Question Serial No.

0741

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:

Please provide information on the estimated increase in general expenses in 2009-10.

Asked by: Hon. PAN Pey-chyou

Reply:

Provision for 2009-10 is \$8.3 million higher than the revised estimate for 2008-09. This is mainly due to the provision for replacing one offset printing machine, filling of vacancies and creation of three posts in 2009-10 to meet operational needs.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 12 March 2009

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

Reply Serial No.

FSTB(Tsy)048

Question Serial No.

2199

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:

With reference to Paragraph 15 under the Brief Description, Government Logistics Department vets requests for additional and replacement vehicles to ensure they are justified for procurement, please advise:

- (a) How many vehicles does the government currently have?
- (b) What is the estimated expenditure involved in replacing 401 vehicles in 2009-10?
- (c) Among the vehicles to be replaced, what is the percentage of vehicles which can be operated normally?
- (d) What are the reasons for replacing the vehicles? Please provide a detail breakdown of the reasons and the number of vehicles replaced for each reason.
- (e) What is the depreciated value of each vehicle before replacement?

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

- (a) At present, there are 6 303 vehicles in the government vehicle fleet.
- (b) The estimated expenditure involved in replacing 401 vehicles in 2009-10 is about \$112 million.
- (c) Of the 401 vehicles to be replaced, 355 vehicles or 88.5% can still be operated but not cost effectively according to the Economic Life Model.
- (d) Of the vehicles to be replaced, 355 vehicles have been assessed to be due for replacement based on the Economic Life Model which takes into account cumulated maintenance cost, vehicle age, mileage run and replacement cost. The remaining 46 vehicles have been assessed by the Electrical and Mechanical Services Department to be beyond economical repair and are no longer serviceable
- (e) All the 401 vehicles will have been fully depreciated by the time they are replaced.

Signature _____

Name in block letters _____ Ms Maria S N KWAN

Post Title _____ Director of Government Logistics

Date _____ 17 March 2009

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

Reply Serial No.

FSTB(Tsy)049

Question Serial No.

2200

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:

(a) There is no increase in the use of available production capacity from 2007 to 2009 (estimate). Has the government any enhanced productivity measures to increase productivity?

(b) What is the volume of printing production in terms of paper usage from 2007 to 2008?

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

(a) The use of available production capacity has been maintained at an average of around 86% in recent years through the implementation of productivity enhancement measures such as flexible deployment of resources, including 24-hour operation on a need basis, and upgrading of some old and worn-out machines which are not cost-effective to operate.

It is unlikely that the existing use of available production capacity in percentage terms can be further increased because the machines cannot be fully utilised at all times mainly due to unavoidable stoppages in day-to-day operation arising from:

(i) workflow implications, e.g. change of printing plates between jobs;

(ii) uneven distribution of workload throughout the year; and

(iii) scheduled and unscheduled maintenance.

(b) The total amount of paper used for printing production in 2007 and 2008 were around 6 224 metric tonnes and 5 615 metric tonnes respectively. There were more printing demands from bureaux/departments to meet their operational needs in 2007 such as printing requirements related to the celebratory activities for the 10th anniversary of the establishment of the HKSAR and election related activities.

Signature _____

Name in block letters Ms Maria S N KWAN

Post Title Director of Government Logistics

Date 12 March 2009

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

Reply Serial No.

FSTB(Tsy)050

Question Serial No.

2641

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:

How many cases of profits tax, salaries tax, property tax and personal assessment were filed electronically through Internet in 2008-09? What are the percentages of these cases for each type of tax?

Asked by: Hon. CHAN Kam-lam

Reply:

Up to 28 February 2009, the number of individual tax returns and property tax returns lodged electronically and their percentage in the total number of tax returns received for the 2007-08 year of assessment are as follows:

Year	Individual tax returns *		Property tax returns #		Total	
	No. of returns lodged electronically	% to total returns received for the year of assessment 2007-08	No. of returns lodged electronically	% to total returns received for the year of assessment 2007-08	No. of returns lodged electronically	% to total returns received for the year of assessment 2007-08
2008-09 (up to 28 February 2009)	197 000	9.3%	3 000	2.4%	200 000	8.9%

* Comprising salaries income, property rental income from solely-owned properties, profits from sole proprietorship businesses and Personal Assessment. Electronic filing of profits tax returns is not yet available

Property rental income from jointly-owned properties.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 18 March 2009

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

Reply Serial No.

FSTB(Tsy)051

Question Serial No.

2642

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:

How many applications for holding over of part or the whole of the provisional tax and paying tax by instalments have been received in respect of profits tax, salaries tax and personal assessment in the previous 5 years (i.e. 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09)? What are the respective percentages of these cases out of the total number of assessed cases for each type of tax?

Asked by: Hon. CHAN Kam-lam

Reply:

The requested statistics in the past five years are as follows:

(i) Holding over of provisional tax:

Year	Profits Tax		Salaries Tax	
	No. of holdover cases	% to total demand notes	No. of holdover cases	% to total demand notes
2004-05	4 400	4.5%	37 400	3.3%
2005-06	5 200	4.7%	44 600	3.7%
2006-07	5 200	4.3%	39 600	3.3%
2007-08	4 200	3.6%	32 600	2.7%
2008-09*	7 800	6.8%	58 100	4.8%

Personal Assessment is not a tax levy but a relief measure. No provisional tax is charged.

(ii) Paying tax by instalments:

Year	Profits Tax		Salaries Tax		Personal Assessment	
	No. of Instalment cases	% to total demand notes	No. of Instalment cases	% to total demand notes	No. of Instalment cases	% to total demand notes
2004-05	2 160	2.2%	12 160	1.1%	1 060	0.7%
2005-06	1 990	1.8%	12 610	1.1%	1 010	0.7%
2006-07	2 090	1.8%	11 900	1.0%	930	0.6%
2007-08	2 020	1.7%	8 660	0.7%	710	0.4%
2008-09*	2 000	1.8%	6 100	0.5%	620	0.5%

* Up to 28 February 2009

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 18 March 2009

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

Reply Serial No.

FSTB(Tsy)053

Question Serial No.

0796

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 estimated provision under Subhead 189 Interest on tax reserve certificates for 2009-10 is \$112,100,000, which is \$38,100,000 (51.5%) higher than the revised estimate for 2008-09.

Please explain the circumstances under which the Inland Revenue Department has to pay substantial amount of interest for the redemption of these tax reserve certificates upon the finalization of a number of tax objection/appeal cases.

Asked by: Hon. IP LAU Suk-ye, Regina

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 that year, whether the taxpayers would succeed in the objections/appeals, the movement of interest rates, and the length of the Conditional TRCs holding period. These factors are beyond the control of the Inland Revenue Department (IRD).

For 2008-09, the original estimate for interest on TRCs was \$134.2 million. In early 2009, after reviewing the actual expenditure position for 2008-09 and judging from the objection/appeal cases pending settlement in hand, IRD revised the estimate downwards to \$74 million. In estimating the provision for interest on TRCs of \$112.1 million for 2009-10, 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 which entails 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 11 March 2009

Examination of Estimates of Expenditure 2009-10

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

Reply Serial No.

FSTB(Tsy)054

Question Serial No.

0086

Head: 76 Inland Revenue Department

Subhead (No. & title):

Programme:

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Up to the end of 2008, how many people have filed their tax returns through the internet? What is the percentage of these cases out of the total number of tax returns received?

Asked by: Hon. LAU Wong-fat

Reply:

Up to 28 February 2009, the number of tax returns lodged electronically is around 200 000 (or 8.9% of the total number of individual tax returns and property tax returns received for the 2007-08 year of assessment). This represents a growth of 57 500 cases (or 40%) over the same period of the previous year.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 11 March 2009

Examination of Estimates of Expenditure 2009-10

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

Reply Serial No.

FSTB(Tsy)055

Question Serial No.

2193

Head: 76 Inland Revenue Department

Subhead (No. & title):

Programme:

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The allowances under personal emoluments of Operational Expenses have risen from \$8.83 million in 2008-09 to \$10.52 million in 2009-10, representing an increase of nearly 20%. Please explain the reasons for such a large increase in detail.

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

The allowances under personal emoluments of Operational Expenses mainly cater for overtime, acting and on-call duty allowances. Based on the actual/anticipated increase in overtime allowance to clear tax assessments, the requirement for 2008-09 is revised to \$10.33 million, and the estimated requirement for 2009-10 is slightly increased further by 1.8% to \$10.52 million.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 18 March 2009

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

Reply Serial No.

FSTB(Tsy)056

Question Serial No.

2437

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 2009-10, the Inland Revenue Department will continue to step up efforts to promote taxpayers' voluntary compliance through publicity programmes and enhanced services. What are the estimated expenditures involved in these programmes? What kind of trend is shown when these expenditures are compared with those of 2008-09? Has any assessment been conducted in respect of the effectiveness of these programmes? If so, please provide the details.

Asked by: Hon. WONG Ting-kwong

Reply:

The Inland Revenue Department (IRD) firmly believes that taxpayer education can help promoting voluntary compliance by employers and taxpayers. To facilitate compliance and strengthen tax education, IRD constantly issues information leaflets and updates the Department's Homepage to provide a full range of relevant information. The information includes a series of updated Departmental Interpretation & Practice Notes (DIPNs) for income taxes, stamp duty and estate duty and e-Seminars. The DIPNs serve to enhance the taxpaying public's understanding of both the Department's views and operations while the e-Seminars provide detailed guidance to tax representatives, employers, property owners and individual taxpayers on how to complete tax returns and fulfill their tax obligations. To assist the taxpayers further, IRD also uploads frequently asked questions for their reference.

In 2009-10, IRD will continue to make use of its existing resources to promote and enhance taxpayer education. Through eTAX, taxpayers are also alerted to file their returns and pay tax on time to discharge their tax obligations. The budget for promoting eTAX in 2009-10 is about \$600,000 which is lower than 2008-09 by about 58% due to wider use of publicity via the Internet. For other publicity programmes, the expenditure is expected to be minimal.

IRD has not conducted any formal evaluation on the result of the publicity programmes. However, the response is known to be positive from the increasing usage of our web information and e-services.

Signature _____

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 16 March 2009

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

Reply Serial No.

FSTB(Tsy)059

Question Serial No.

2643

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

Programme: (3) Provision of Valuation and Property Information Services

Controlling Officer: Commissioner of Rating and Valuation

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- (a) Please brief this Committee on the outcome of the first phase of the Property Information Online (PIO) which was launched by the Department in 2008. What is the utilisation rate of this service by the public? (What is the percentage of its utilisation when compared with the similar enquiries made in the conventional way?)
- (b) When will the next phase of services be launched? What kinds of enquiry services will be incorporated in the next phase of PIO?
- (c) In the long run, will the Department develop the online enquiry service into a platform for providing diversified paid services, thereby making it a new source of income for the Department?

Asked by: Hon. CHAN Kam-lam

Reply:

- (a) Phase I of the PIO of the Rating and Valuation Department was launched on 11 February 2009. This new service will replace the Department's telephone-based Property Info-hotline Service. The usage rate of the PIO is picking up steadily and the number of property records retrieved is about 100 per day as at the beginning of March 2009. Before the launch of the PIO, the average number of records retrieved through the Info-hotline System was about 400 per day. It is expected that usage rate of the PIO will increase over time when users get used to the new online services.
- (b) Under Phase II of the PIO, the 2009-10 Valuation List and Government Rent Roll declared on 11 March 2009 have been made available for public inspection up to 31 May 2009. Besides, the online enquiry on rateable value of property throughout the year will be implemented in mid 2009. The Department is also exploring the feasibility of Phase III of the PIO to provide online enquiry service on payment of rates and Government rent.

(c) The aim of the PIO development is to establish a good foundation for the Department to roll out more online services to the public. With the development of a user-friendly address search engine under PIO, there are opportunities for further collaboration with other government departments on property related services. The online services provided are not aimed at generating revenue and are charged on a cost-recovery basis.

Signature _____

Name in block letters MRS. MIMI BROWN

Post Title Commissioner of Rating and Valuation

Date 17 March 2009

Examination of Estimates of Expenditure 2009-10

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

Reply Serial No.

FSTB(Tsy)060

Question Serial No.

2459

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:

In 2006-07, the actual total expenditure on personal emoluments was \$296,959,000 and that on the Provident Fund contribution was \$89,000 only. Please explain the drastic increase of the Provident Fund contribution between the years 2007-08 and 2009-10.

	<u>2007-08</u> (Actual) (\$'000)	<u>2009-10</u> (Estimate) (\$'000)	Increase
Personal Emoluments	305,222	335,310	+9.9%
Mandatory Provident Fund Contribution	41	472	10.5 times
Civil Service Provident Fund Contribution	179	507	1.8 times

Asked by: Hon. CHAN Mo-po, Paul

Reply:

The "Mandatory Provident Fund (MPF) contribution" under "Personnel Related Expenses" is for meeting the Government's contribution under the MPF Scheme for officers on civil service new probationary and new agreement terms. Increased provision between the years 2007-08 and 2009-10 is due to the recruitment of new officers to fill the vacancies in Valuation Surveyor and Valuation Officer Grades. The corresponding increase in personal emoluments has been reflected in the Controlling Officer's Report.

The "Civil Service Provident Fund (CSPF) contribution" under "Personnel Related Expenses" is for meeting the Government's contribution under the CSPF Scheme for officers on civil service new permanent terms. Increased provision between the years 2007-08 and 2009-10 is because more officers, who joined the civil service on or after 1 June 2000 and are subsequently offered permanent terms of appointments, will become eligible for the CSPF Scheme.

Signature _____

Name in block letters MRS. MIMI BROWN

Post Title Commissioner of Rating and Valuation

Date 16 March 2009

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

Reply Serial No.

FSTB(Tsy)061

Question Serial No.

0797

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:

Please advise the details and progress regarding the expenditure of Sub-head 700 Item 507 on "Outsourcing interim valuation of some 4 000 village-type properties in North, Tai Po and Yuen Long Districts, N.T."

Asked by: Hon. IP LAU Suk-ye, Regina

Reply:

Of the \$2,200,000 provision for the outsourcing of interim valuation of village-type properties in the New Territories, \$2,108,000 would be incurred by the end of 2008-09, and a total of 4 813 village-type properties would have been assessed.

Signature _____

Name in block letters _____ **MRS. MIMI BROWN**

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

Date _____ **16 March 2009**

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

Reply Serial No.

FSTB(Tsy)062

Question Serial No.

2443

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:

At present, important breakdowns such as operating expenditure, capital spending, recurrent expenditure, non-recurrent expenditure, operating revenue and capital revenue are provided in the budget and the statement of annual accounts of the Government. However, such information is absent from the Government's statement of quarterly accounts. Will the Administration enhance transparency in this regard? If not, what are the reasons? If so, what will be the additional expenditure involved?

Asked by: Hon. CHAN Mo-po, Paul

Reply:

The Government's quarterly accounts are published to provide interim updates on the overall financial performance and position of the Government during the year. It is our plan to review the content and format of the quarterly accounts for possible alignment with the annual accounts in our post-implementation review of the operation of the new Government Financial Management Information System during 2009-10. The additional expenditure to be involved, if any, will be assessed in the review.

Signature _____

Name in block letters K T LI

Post Title Director of Accounting Services

Date 17 March 2009

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

Reply Serial No.

FSTB(Tsy)063

Question Serial No.

2444

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:

Can the Government give more detailed information (e.g. key revenue such as profits tax, salaries tax, stamp duties) under major income and expenditure in the quarterly statements of accounts? If not, what are the reasons? If yes, what will be the additional expenditure involved?

Asked by: Hon. CHAN Mo-po, Paul

Reply:

The Government's quarterly accounts are published to provide interim updates on the overall financial performance and position of the Government during the year. It is our plan to review the content and format of the quarterly accounts for possible alignment with the annual accounts in our post-implementation review of the operation of the new Government Financial Management Information System during 2009-10. The additional expenditure to be involved, if any, will be assessed in the review.

Signature _____

Name in block letters _____ **K T LI**

Post Title _____ **Director of Accounting Services**

Date _____ **17 March 2009**

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

Reply Serial No.

FSTB(Tsy)064

Question Serial No.

2463

Head: 188 Treasury

Subhead (No. & title):

Programme: (1) Central Accounting, Collections and Payments (2) Payment of Salaries, Pensions and Benefits (3) Accounting and Financial Information Systems (4) Management of Funds

Controlling Officer: Director of Accounting Services

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned that all four programmes will incur additional expenditure due to filling of vacancies. For each programme, please provide the vacant posts to be filled, the reasons for filling these vacancies, their numbers and ranks, and the additional expenditures involved.

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

It is estimated that \$5.9 million is required in 2009-10 for filling 18 vacant posts arising from natural wastage. Details are as follows -

Programme	No. of Vacant Posts	Rank	Estimated Expenditure \$(million)
(1)	5	Treasury Accountant (1 no.), Accounting Officer II (1 no.), Senior Clerical Officer (1 no.) and Clerical Officer (2 nos.)	2.1
(2)	7	Senior Clerical Officer (1 no.), Clerical Officer (1 no.), Assistant Clerical Officer (4 nos.) and Clerical Assistant (1 no.)	1.6
(3)	5	Accounting Officer II (2 nos.), Senior Clerical Officer (1 no.), Analyst/Programmer II (1 no.) and Workman II (1 no.)	1.4
(4)	1	Senior Treasury Accountant	0.8

Signature _____

Name in block letters K T LI

Post Title Director of Accounting Services

Date 16 March 2009

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

Reply Serial No.

FSTB(Tsy)065

Question Serial No.

2635

Head: 188 Treasury

Subhead (No. & title):

Programme: (4) Management of Funds

Controlling Officer: Director of Accounting Services

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Due to the economic downturn and the anticipated volatility of the investment market, many of the funds managed by the Treasury shrank in 2008. The strategic target investment return achieved for the two Schools Provident Fund is 8.9% below the Consumer Price Index B (CPI(B)), a far cry from the original strategic target of achieving an investment return of 4% above the CPI(B). In this connection, please brief this Council:

- (a) In the face of the financial tsunami, is it realistic and practicable to upkeep the original strategic target?
- (b) What investment strategies the Administration has in place to make the return of the funds meet the strategic target?

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

- (a) The two Schools Provident Funds have all along been maintaining prudent and diversified investment strategies with proper risk control. An annual investment return of CPI (B) +4% is the long term strategic target for the Funds, taking into account the fact that the actual investment outturn for each year may vary according to the prevailing economic and market conditions. Experience has shown that the strategies have worked in the past. The Boards of Control of the two Funds have been reviewing the investment strategies periodically, having regard to the market developments. In view of the current financial tsunami, the Boards of Control of the two Funds will conduct a special review to ensure that the Funds' investment strategies remain appropriate.
- (b) The Boards of Control of the two Funds will continue to manage the Funds prudently on the advice of the respective Investment Sub-committees, having regard to the investment framework approved by the Financial Secretary. The Boards of Control will conduct a special review to ensure that the Funds' investment strategies remain appropriate as mentioned in answer (a) above.

Signature _____

Name in block letters _____ **K T LI**

Post Title _____ **Director of Accounting Services**

Date _____ **16 March 2009**

Examination of Estimates of Expenditure 2009-10

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

Reply Serial No.

FSTB(Tsy)066

Question Serial No.

2928

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:

In 2008-09, what measures have been taken by the Treasury to achieve higher efficiency with lower costs? What is the effectiveness of these measures? In 2009-10, what measures will be taken by the Treasury to continue to achieve this aim? How effective will be the measures?

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

In 2008-09, the Treasury continued with its effort to promote e-payments. We launched the on-line credit card payment service on the Government portal, i.e. GovHK, in early 2008. We mounted publicity programmes to promote our e-payment service. Over the past five years, the utilisation rate of e-payments has grown from 43.2% in 2004-05 to 47.3% in 2008-09. In 2009-10, the Treasury will continue to explore ways and means to achieve higher efficiency with lower costs for revenue collection activities, including encouraging the wider use of Octopus for low-value collections. The on-line credit card payment service on GovHK will be further expanded to cover more government services.

Signature _____

Name in block letters K T L I

Post Title Director of Accounting Services

Date 17 March 2009

Examination of Estimates of Expenditure 2009-10

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

Reply Serial No.

FSTB(Tsy)067

Question Serial No.

1898

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:

What is the utilisation rate of e-payments in 2008-09? Is there a rising trend? What are the manpower and expenditure that can be saved?

Asked by: Hon. WONG Ting-kwong

Reply:

The utilisation rate of e-payments in 2008-09 is 47.3%. There is a rising trend of utilisation of e-payments, as evidenced by the increase of the utilisation rate from 43.2% in 2004-05 to 47.3% in 2008-09, with an average increase of 1% per year. The manpower and expenditure that can be saved is modest, but the e-payment channel provides great convenience to the public who can settle government bills any time and anywhere.

Signature _____

Name in block letters **K T LI** _____

Post Title **Director of Accounting Services** _____

Date **17 March 2009** _____