

- (b) Depending on whether the procurement is covered by the WTO GPA, the normal time gap from tender invitation to product delivery ranges from two to four months.
- (c) We normally include a provision on technology substitution in computer contracts. This enables the Government to substitute a product/model which has become obsolete before delivery by a new product/model that meets the specified user requirement.
- (d) We adopt a bulk contract approach to improve the efficiency in procuring computer items commonly used by departments on an on-going basis, for example, personal computers, printers and word processing software. Under the bulk contract, the Government has the flexibility to procure new models that come on the market subsequent to the conclusion of the contract without further tendering. With this arrangement, users within the Government will be able to switch to new models quickly. We also keep the procurement process for computer products under review in order to cope with rapid technological development.

Deficit Recorded in the Protection of Wages on Insolvency Fund

12. MR ERIC LI (in Chinese): *The Protection of Wages on Insolvency Fund (the Fund) has recorded, for the first time, a deficit this year since it came into operation. In this connection, will the Government inform this Council whether it knows:*

- (a) *if the Fund will have continuous deficits in the coming three years; if there will be deficits, the estimated deficit for each year; and*
- (b) *if the relevant authorities have formulated any contingency plans to reduce the deficit; if so, whether they have assessed the impact of these plans on the operating costs of industrial and commercial enterprises?*

SECRETARY FOR EDUCATION AND MANPOWER (in Chinese): Madam President,

- (a) It is estimated that the Fund will incur deficits in the current and the next two financial years. Details are as follows:

1998-1999	\$160 million
1999-2000	\$114 million
2000-2001	\$108 million

The above estimates are projected mainly on the basis of past experience. However, it should be noted that the estimates are subject to a number of unpredictable variables, including the Fund's income from the levy on business registration certificates, the number of applications approved by the Fund, the income and the length of service of individual applicants, and so on.

The Fund will incur a smaller deficit in 1999-2000, compared with that in 1998-1999 mainly because the Fund is expected to recover, by way of subrogation in 1999-2000, about \$32 million from the assets of Yaohan Department Store after its winding-up.

We have proposed that the maximum *ex gratia* payment of severance payment be increased from the existing limit of \$36,000 to \$50,000, plus 50% of the excess entitlement. It is estimated that the Fund will have to pay an additional \$19 million per year, which has already been taken into account in the estimated deficits above.

- (b) As at the end of 1998, the Fund recorded an accumulated fund of \$747.5 million. It is estimated that the Fund will incur deficits in the next two financial years. However, barring any drastic increase in the number of applications, we estimate that the Fund will still have a balance of \$470 million at the end of March 2001, without the need of raising the levy on business registration certificates. Therefore, it is unnecessary for the Government to consider any contingency plans for the time being.