

Letterhead of ECONOMIC SERVICES BUREAU GOVERNMENT SECRETARIAT

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Our Ref:

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Your Ref:

26 March 1999

Ms Estella Chan
Chief Assistant Secretary
Council Business Division 1
Legislative Council Secretariat
3/F. Citibank Tower
3 Garden Road
Hong Kong

(Your Fax No.: 2524 3802)

Dear Estella,

LegCo Panel on Economic Services

With reference to para. 18 of the draft notes of the Panel meeting held on 25 January 1999, we have consulted the Finance Bureau on the information requested by the Panel. Its advice is set out in the following paragraphs.

Government generally carries its own risks. This practice is established on the premise that, given the large size of our fleets, it is neither practical to assess the potential liability nor economical to purchase any third party insurance the cover limit of which is sufficiently large to indemnify Government against any possible claims. However, in the case of Government fleets, third party commercial insurance may be taken out in the following circumstances-

- (a) where the contingent liability is considered to be too great for Government to assume;
- (b) where the risk is higher than normal and transportation of non- Government officers is involved;
- (c) where it is a condition of a lease or a contract;

- (d) where it is in line with prudent commercial practice; and
- (e) where there is a legal requirement to do so.

Members may also wish to know that all aircraft of the Government Flying Service have third party, passenger and crew insurance cover for the reason set out in (a) above.

Yours sincerely,

(Howard Lee)
for Secretary for Economic Services