

Chapter II : Public Finance

2.1 At the Chairman's invitation, the Secretary for Financial Services and the Treasury (SFST), Mr Frederick MA, highlighted major initiatives in public finance under his purview in 2003-04 (Appendix V-1).

Head 106 - Miscellaneous services

2.2 Mr SIN Chung-kai considered it inappropriate to group too many subheads and items under Head 106 - Miscellaneous Services. Instead, the Administration should charge these subheads/items to the relevant heads of expenditure in order to reflect more realistically the expenditures of the bureaux and departments concerned.

2.3 In response, the Deputy Secretary for Financial Services and the Treasury (Treasury)¹ advised that Head 106 was for items which did not fall within the ambit of other heads of expenditure. These included, for example, the recurrent expenditure on the "difference in exchange" which was a nominal figure to cover losses resulting from movements in exchange rates in respect of transactions involving foreign currencies. Head 106 also included provisional commitments to meet unforeseeable recurrent expenditure that was likely to arise during the year but which could not be determined with precision when the Estimates were prepared. Where additional funding was approved in the year after approval of the Estimates, an equivalent amount would be deleted from Head 106 and transferred to the appropriate head. The Permanent Secretary for Financial Services and the Treasury (Treasury) (PSTsy) added that with the "envelop approach" on operating expenditure the Administration was considering devolving the miscellaneous expenditures under Head 106 to the relevant bureaux/departments in the 2004-05 Estimates.

2.4 Noting that the provision for most consultancy studies on policy making and assessment were charged to Head 106, Ms Cyd HO was concerned whether the Financial Services and the Treasury Bureau (FSTB) would, through funding control, exert influence on other Policy Bureaux in formulating their policies. She quoted the example of the consultancy study on the future development of Hong Kong public libraries and questioned whether FSTB's role in determining fee-charging for public library users would have an undue influence on the study of the policy. In response, PSTsy stressed that the current arrangement to group miscellaneous services under Head 106 was only an accounting arrangement and that there was no question of FSTB having any influence over other Policy Bureaux in the formulation of their policies.

Accrual accounting

2.5 In response to Mr SIN Chung-kai's enquiry about the implementation of accrual accounting as recommended in the Report of the Review of Government Financial Reporting Policy, the Director of Accounting Services (DAS) advised that \$45 million had been reserved for conducting valuations on government buildings in the coming three years. The Architectural Services Department (ArchSD) had recently devised a new valuation method which would reduce the cost from \$45 million to some \$10 million. In essence, all government buildings would be divided into several categories and some sample buildings would be selected from each category for valuation assessment. ArchSD would then use the assessment results as a basis to project the estimated value of other government buildings in the same category. DAS also advised that the first report on the Government's accounts prepared under the accrual accounting method would be available in November 2003, probably at the same time of the release of the Accounts of the Government of Hong Kong Special Administrative Region prepared by the Director of Audit.

Procurement of goods and services

2.6 Notwithstanding successive deflation in Hong Kong over the past few years, Mr James TIEN enquired why the estimated value of purchase still increased from \$4,600 million in 2002-03 to \$5,200 million in 2003-04. In response, the Director of Government Supplies advised that the estimate was based on the average value of purchases made in the preceding three years. In fact, the number of items purchased had been reduced from 2 000 to around 1 000 in the past two years, and all departments had been requested to estimate their requirements prudently in order to avoid over-procurement. With a rate of deflation at around 3%, the actual value of purchase made in 2002-03 had decreased by 8.1%, and about \$100 million had been saved after negotiation with suppliers. PSTsy supplemented that the estimated purchase value in 2003 was based on average value of purchases made in the preceding three years because the contractual periods of most procurement contracts with suppliers lasted more than one year. The exact types and value of goods to be purchased would depend on the actual orders placed by user departments.

Demand for printing services

2.7 Noting that the staff establishment of the Printing Department had been reduced from 446 in 2000 to 336 in 2004 due to natural wastage and implementation of the Voluntary Retirement Scheme, Mr James TIEN asked whether the reduction was targeted at relatively junior level of staff, with the result that an additional \$10 million was required for outsourcing the printing services undertaken by these staff in 2003-04.

2.8 The Government Printer (GP) advised that the Printing Department had reduced its expenditure on salaries and allowances since 2001. The increased provision for contracting out printing services was for meeting the printing needs of various departments, such as the anticipated large quantity of printing required by the Registration and Electoral Office in 2003-04 in preparation for the next District Council elections and Legislative Council elections. Furthermore, the utilization rate of Government printing factories had reached 86% and contracting out of printing services was therefore needed to meet the demand. As regards the forecast rise in the cost of paper, GP explained that the increase was mainly due to the anticipated increase in transportation cost for the delivery of paper.

Residential units managed by Government Property Agency

2.9 Mr Albert HO expressed grave concern about the number of vacant residential premises managed by the Government Property Agency. He considered that the Administration should explore measures to achieve better utilization of these units. In reply, the Government Property Administrator (GPA) explained that most of these residential units were formerly departmental quarters vacated for land sale programme and handing over to Lands Department together with the sites concerned. Due to changes in the land sale programme, the Agency had been reviewing the temporary use of 2 642 vacated units. Of these, 194 units were considered not suitable for commercial leasing due to structural and safety problems. The Agency was consulting Arch SD on the feasibility of demolishing them in due course. Another 1 543 units were pending the Lands Department's advice on tenure before the commercialization of these units could be considered. Regarding the remaining 905 units, the Agency was studying the feasibility and cost effectiveness of leasing them out. Nevertheless, there might not be market interest in these units depending on available tenure and the investment required for renovation. In response to Mr HO, she pointed out that

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apart from commercial letting for residential use, some of the units had in the past been rented out for location filming. PSTsy assured members that the Administration would continue its efforts in utilizing these units in a cost-effective manner. He also confirmed that the future of these residential units would be a matter for both the Government Property Agency and the Lands Department.

Taxi hiring scheme

2.10 In response to Ms Emily LAU's enquiry about the implementation of the taxi hiring scheme, the Government Land Transport Administrator (GLTA) advised that the scheme had only come into operation quite recently and it might be too early to assess its effectiveness. Nevertheless, he noted that most departments generally welcomed the scheme which provided them an alternative mode for duty travels. On whether a more flexible approach could be adopted to extend the scheme to individual taxi operators, GLTA said that at present, there were civil service regulations which allowed the use of metered taxis for short journeys. The taxi hiring scheme was mainly designed for longer journeys and to cater for the need to stop over at different locations during the hiring period. For this purpose, nine contracts were signed with taxi associations with a minimum hiring period for each case of service.

2.11 On Ms Emily LAU's suggestion to extend the taxi hiring scheme to medium and large vehicles with a view to reducing the number of such vehicles required in the Government, GLTA advised that the existing medium and large vehicles owned by the bureaux and departments were mainly specialized vehicles used for public security purposes and environmental hygiene. The Administration would keep the arrangement under regular review. As regards the merging of the Printing Department, Government Supplies Department and Government Land Transport Agency into a single department, PSTsy assured members that there might be room for further savings and improvements after the merger on 1 July 2003.

Airport Passenger Departure Tax

2.12 In response to Mr Howard YOUNG's enquiry on the resources required for administering exemptions from the Airport Passenger Departure Tax, Deputy Secretary for Financial Services and the Treasury (Treasury)² advised that applications for exemptions of the Airport Passenger Departure Tax were mainly submitted by diplomatic or consular personnel. The Administration had

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appointed an agent to process such applications. A small team in the Civil Aviation Department had been set up to oversee the administrative work and related activities.

Re-engineering of Architectural Services Department

2.13 Mr LEE Cheuk-yan noted that ArchSD planned to delete 22 permanent posts and two supernumerary posts in 2003-04, and that its estimate for the hire of services and professional fees was increased to \$33 million. He was concerned about the progress of the re-engineering exercise of ArchSD to outsource 90% of its work. Mr LEE was of the view that ArchSD should make known its plans on the timetable of the re-engineering exercise and the target size of the staff establishment at different stages of implementation. Outsourcing should not be proceeded with if sufficient in-house staff were available.

2.14 In response, the Director of Architectural Services (DAS) advised that the outsourcing exercise was a seven-year plan which allowed more flexibility for ArchSD to manage its resources. In the past two years, ArchSD had already absorbed increased workload by using its existing manpower resources and outsourcing. As some large-scale projects were scheduled for commissioning in the next few years, ArchSD would have to continue outsourcing part of its work in the coming year. ArchSD would reduce its establishment by way of natural wastage and the Voluntary Retirement Scheme. While most jobs would be outsourced, ArchSD staff would mainly perform a monitoring role in overseeing the projects in question.

Corrigendum

2.15 SFST noted the remarks of Ms Emily LAU and Mr Martin LEE about the corrigendum to the Administration's written replies to members' questions and the typo in his speech tabled at the meeting. He said that these errors had been made inadvertently over a very tight timeframe to prepare the written replies.

