

**Replies to initial written questions raised by Finance Committee Members in  
examining the Estimates of Expenditure 2004-05**

**Director of Bureau : Secretary for Financial Services and the Treasury  
Session No. : 6 File name : FSTB(T)-e1.doc**

<b>Reply Serial No.</b>	<b>Question Serial No.</b>	<b>Name of Member</b>	<b>Head</b>	<b>Programme</b>
<u>FSTB(T)001</u>	0259	TSANG Yok-sing, Jasper	Funds	
<u>FSTB(T)002</u>	0076	HO Sau-lan, Cyd	H147	Revenue and Financial Control, Service Departments
<u>FSTB(T)003</u>	0147	CHAN Bernard	H147	(2) Revenue and Financial Control
<u>FSTB(T)004</u>	0180	HO Chun-yan, Albert	H147	(2) Revenue and Financial Control
<u>FSTB(T)005</u>	0181	HO Chun-yan, Albert	H147	
<u>FSTB(T)006</u>	0187	SHEK Lai-him, Abraham	H147	
<u>FSTB(T)007</u>	0188	SHEK Lai-him, Abraham	H147	(1) Director of Bureau's Office
<u>FSTB(T)008</u>	0191	LEE Chu-ming, Martin	H147	(2) Revenue and Financial Control
<u>FSTB(T)009</u>	0275	NG Leung-sing	H147	(2) Revenue and Financial Control
<u>FSTB(T)010</u>	0276	NG Leung-sing	H147	(2) Revenue and Financial Control
<u>FSTB(T)011</u>	0296	SIN Chung-kai	H147	(2) Revenue and Financial Control
<u>FSTB(T)012</u>	0707	CHAN Kam-lam	H147	
<u>FSTB(T)013</u>	0833	SIN Chung-kai	H147	(1) Director of Bureau's Office
<u>FSTB(T)014</u>	0858	SIN Chung-kai	H147	
<u>FSTB(T)015</u>	0859	SIN Chung-kai	H147	
<u>FSTB(T)016</u>	0908	LEE Chu-ming, Martin	H147	
<u>FSTB(T)017</u>	0955	LAU Hon-chuen, Ambrose	H147	(2) Revenue and Financial Control
<u>FSTB(T)018</u>	0978	WU King-cheong, Henry	H147	(2) Revenue and Financial Control
<u>FSTB(T)019</u>	0984	TING Woo-shou, Kenneth	H147	(2) Revenue and Financial Control
<u>FSTB(T)020</u>	1162	SIN Chung-kai	H147	
<u>FSTB(T)021</u>	1166	SIN Chung-kai	H147	
<u>FSTB(T)022</u>	1293	SIN Chung-kai	H147	
<u>FSTB(T)023</u>	1445	TIEN Pei-chun, James	H147	(2) Revenue and Financial Control
<u>FSTB(T)024</u>	1446	TIEN Pei-chun, James	H147	(2) Revenue and Financial Control
<u>FSTB(T)025</u>	1447	TIEN Pei-chun, James	H147	(2) Revenue and Financial Control

<b>Reply Serial No.</b>	<b>Question Serial No.</b>	<b>Name of Member</b>	<b>Head</b>	<b>Programme</b>
<u>FSTB(T)026</u>	1537	LAU Hon-chuen, Ambrose	H147	
<u>FSTB(T)027</u>	1716	LEUNG Fu-wah	H147	(2) Revenue and Financial Control
<u>FSTB(T)029</u>	1318	TSANG Yok-sing, Jasper	H106	Revenue Collection and Financial Control
<u>FSTB(T)030</u>	1319	TSANG Yok-sing, Jasper	H106	
<u>FSTB(T)031</u>	0170	LAU Ping-cheung	H25	(2) Facilities Upkeep
<u>FSTB(T)032</u>	0184	SHEK Lai-him, Abraham	H25	(2) Facilities Upkeep
<u>FSTB(T)033</u>	0185	SHEK Lai-him, Abraham	H25	(2) Facilities Upkeep
<u>FSTB(T)034</u>	0186	SHEK Lai-him, Abraham	H25	(2) Facilities Upkeep
<u>FSTB(T)035</u>	0260	LI Ka-cheung, Eric	H25	(2) Facilities Upkeep
<u>FSTB(T)036</u>	0710	CHAN Kam-lam	H25	(2) Facilities Upkeep
<u>FSTB(T)037</u>	0913	YEUNG Sum	H25	(2) Facilities Upkeep
<u>FSTB(T)038</u>	1429	LI Wah-ming, Fred	H703	
<u>FSTB(T)039</u>	0659	LAU Hon-chuen, Ambrose	H31	(4) Revenue Protection and Collection
<u>FSTB(T)040</u>	0808	LAU Kin-yee, Miriam	H31	(4) Revenue Protection and Collection
<u>FSTB(T)041</u>	1209	LI Wah-ming, Fred	H31	(4) Revenue Protection and Collection
<u>FSTB(T)042</u>	0964	LEE Cheuk-yan	H51	(2) Property Management
<u>FSTB(T)050</u>	0663	LAU Hon-chuen, Ambrose	H59	(2) Supplies Management
<u>FSTB(T)051</u>	0664	LAU Hon-chuen, Ambrose	H59	(2) Supplies Management
<u>FSTB(T)052</u>	0699	CHAN Kam-lam	H59	
<u>FSTB(T)053</u>	0700	CHAN Kam-lam	H59	(3) Land Transport
<u>FSTB(T)054</u>	0701	CHAN Kam-lam	H59	(3) Land Transport
<u>FSTB(T)055</u>	0702	CHAN Kam-lam	H59	(1) Procurement
<u>FSTB(T)056</u>	0977	LEUNG Yiu-chung	H59	(2) Supplies Management
<u>FSTB(T)057</u>	1161	LEUNG Fu-wah	H59	
<u>FSTB(T)058</u>	0149	CHAN Bernard	H76	(1) Assessing Functions
<u>FSTB(T)059</u>	0773	LI Ka-cheung, Eric	H76	(3) Investigation and Field Audit
<u>FSTB(T)060</u>	0825	TANG Siu-tong	H76	(1) Assessing Function
<u>FSTB(T)061</u>	1315	TSANG Yok-sing, Jasper	H76	(1) Assessing Functions
<u>FSTB(T)062</u>	1316	TSANG Yok-sing, Jasper	H76	(3) Investigation and Field Audit
<u>FSTB(T)063</u>	1317	TSANG Yok-sing, Jasper	H76	
<u>FSTB(T)064</u>	1698	SIN Chung-kai	H76	(1) Assessing Functions
<u>FSTB(T)065</u>	0020	FUNG Kin-kee, Frederick	H162	(1) Statutory Valuation and Assessments
<u>FSTB(T)066</u>	0289	FUNG Kin-kee, Frederick	H162	(3) Provision of Valuation and Property Information Services
<u>FSTB(T)067</u>	0558	HO Chun-yan, Albert	H162	(2) Collection and Billing of Rates and Government Rent

<b>Reply Serial No.</b>	<b>Question Serial No.</b>	<b>Name of Member</b>	<b>Head</b>	<b>Programme</b>
<u>FSTB(T)068</u>	0688	SHEK Lai-him, Abraham	H162	(1) Statutory Valuation and Assessments (3) Provision of Valuation and Property Information Services
<u>FSTB(T)069</u>	0697	CHAN Kam-lam	H162	(1) Statutory Valuation and Assessments
<u>FSTB(T)070</u>	0698	CHAN Kam-lam	H162	
<u>FSTB(T)072</u>	1635	TIEN Pei-chun, James	H162	(1) Statutory Valuation and Assessment
<u>FSTB(T)073</u>	1658	IP Kwok-him	H162	(3) Provision of Valuation and Property Information Services
<u>FSTB(T)076</u>	0025	LAU Wai-hing, Emily	H186	(2) Licensing of Vehicles and Drivers
<u>FSTB(T)077</u>	0182	SHEK Lai-him, Abraham	H188	
<u>FSTB(T)078</u>	0183	SHEK Lai-him, Abraham	H188	
<u>FSTB(T)079</u>	0711	CHAN Kam-lam	H188	(4) Management of Funds
<u>FSTB(T)080</u>	0712	CHAN Kam-lam	H188	
<u>FSTB(T)081</u>	0713	CHAN Kam-lam	H188	
<u>FSTB(T)082</u>	0762	LI Ka-cheung, Eric	H188	(1) Central Accounting, Collections and Payments
<u>FSTB(T)083</u>	1170	SIN Chung-kai	H188	(1) Central Accounting, Collections and Payments

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

FSTB(T)001

Question Serial No.

Head : 254 – Loans to Students  
(Loan Fund)

Subhead (No. & title) :

0259

Programme :

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Please provide details on the proposed sale of the loans under the Local Student Finance Scheme, the Non-means-tested Loan Scheme and the Non-means-tested Loan Scheme for Post-secondary Students towards the end of 2004/05, including the potential buyers targeted and the impact the sale will have on the loan interests of the three schemes.

Asked by : Hon. Tsang Yok-sing, Jasper

Reply :

As part of Government's Asset Sale & Securitization Programme, we plan to dispose of the loans in question towards the end of 2004-05. While the intended disposal is in its early stage and its detailed form and nature is yet to be decided, the proposal should not affect the interest payable by and other rights and obligations of the borrowers, which are determined in accordance with the agreed terms of the respective loan schemes.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

Post title \_\_\_\_\_ Permanent Secretary for Financial  
Services and the Treasury  
(Treasury)

Date \_\_\_\_\_ 23 March 2004

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

Reply Serial No.

FSTB(T)002

Question Serial No.

0076

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

Subhead(No. & title):

28 Civil Aviation Department

186 Transport Department

188 Treasury

Programme: Revenue and Financial Control, Service Departments

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Regarding consultancy studies for policy making and assessment (if any) commissioned by your bureau please provide details in the following format:

- (1) Please provide the following details on the consultancy studies for which financial provision has been allocated respectively in 2003-04:

Name of consultants (if available)	Description	Consultancy Fees (\$)	Progress on consultancy studies (planning/in progress completed)	The Administration's follow-up action on the study reports and the progress made (if available)	Whether study reports completed are publicized; if yes, their channels and if not, the reasons.

- (2) Has financial provision been allocated for commissioning consultancy studies in 2004-05? If yes, please provide the following details:

Name of consultants (if available)	Description	Consultancy Fees (\$)	Progress on consultancy studies (planning/in progress completed)	Whether study reports scheduled for completion in 2004-05 will be publicized; if yes, their channels and if not, the reasons.

Asked by: Hon. HO Sau-lan, Cyd

Reply:

For details on the consultancy studies for policy making and assessment funded under Head 147 (and Head 106 for 2003-04) for which financial provision has been allocated in 2003-04 and 2004-05 respectively, please see table attached. There is no such study commissioned or planned under Heads 28, 186 and 188 in 2003-04 and 2004-05 in respect of policy areas under the purview of the Treasury Branch.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 25.3.2004

- (1) Consultancy studies for which financial provision has been allocated in 2003-04

*Head 106 Miscellaneous Services Subhead 182 Expenses for the appointment of financial and management consultants*

<b>Name of Consultants (if available)</b>	<b>Description</b>	<b>Consultancy fees (\$)</b>	<b>Progress on consultancy studies (planning/ in progress / completed)</b>	<b>The Administration's follow-up action on the study reports and the progress made (if available)</b>	<b>Whether study reports completed are publicized; if yes, their channels and if not, the reasons.</b>
IBM China/HK Limited	Developing and implementing public private partnerships for reprovisioning the Sha Tin Water Treatment Works	\$1,888,888 (\$944,444 met by the Water Supplies Department)	Completed	The study report has been presented to the Water Supplies Department and the Environment, Transport and Works Bureau (the clients), who are now considering the way forward in the light of the findings of the study.	The Efficiency Unit has presented the study report to the clients, who will decide whether to publicize the findings of the report.
IBM China/HK Limited	Feasibility study on implementing a licensing support centre	\$2,601,069	In progress	-	-
Deutsche Bank AG, Hong Kong Branch	Advice on infrastructural development projects	\$1,624,000	Completed	Study on infrastructural development projects being considered.	Not published due to market sensitive and tender-related information involved.

<b>Name of Consultants (if available)</b>	<b>Description</b>	<b>Consultancy fees (\$)</b>	<b>Progress on consultancy studies (planning/ in progress / completed)</b>	<b>The Administration's follow-up action on the study reports and the progress made (if available)</b>	<b>Whether study reports completed are publicized; if yes, their channels and if not, the reasons.</b>
N M Rothschild & Sons (Hong Kong) Ltd	Feasibility study of the proposed merger of Kowloon-Canton Railway Corporation (KCRC) and MTR Corporation Ltd. (MTRCL)	\$1,600,000	Completed	MTRCL and KCRC requested to start negotiation on the proposed merger.	Abridged version of the study report provided to the LegCo Panel on Transport.
UBS AG	Feasibility study of the proposed privatisation of the Airport Authority	\$1,700,000 <sup>1</sup>	In progress	Not applicable	Not applicable
Mercer Human Resource Consulting Limited	Consultancy study on asset allocation strategy and manager configuration for the Quality Education Fund	\$208,000	Completed	Recommendations in the consultancy report have been / will be implemented.	The consultancy report was not publicized as the study was for internal reference only.
	Total	\$9,621,957			

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Note 1: The appointment of UBS AG commenced in August 2003 with an option to extend at the end of the contract period in August 2004. The estimated consultancy fee covers the payments expected to be made in 2003-04.



- (2) With the exception of the following consultancy studies, we are unable to provide the names of other consultants for 2004-05 as the contracts have yet to be awarded -

*Head 147 Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch) Subhead 000 Operational expenses*

<b>Name of Consultants (if available)</b>	<b>Description</b>	<b>Consultancy fees (\$)</b>	<b>Progress on consultancy studies (planning/ in progress / completed)</b>	<b>Whether study reports scheduled for completion in 2004-05 will be publicized; if yes, their channels and if not, the reasons.</b>
UBS AG	Feasibility study of the proposed privatisation of the Airport Authority	\$1,600,000 <sup>2</sup>	In progress	Not to be published due to market sensitive and tender-related information involved.
Mercer Human Resource Consulting Limited	Consultancy services for selection of bond investment managers for the Quality Education Fund	\$300,000	In progress	The consultancy report will not be publicized as the report will be used for internal reference only.
	Total	\$1,900,000		

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Note 2: The appointment of UBS AG commenced in August 2003 with an option to extend at the end of the contract period in August 2004. The estimated consultancy fee covers the payments expected to be made in 2004-05.

Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(T)003

Question Serial No.

0147

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 :

Para. 7 – during 2004-05, the branch will conduct a detailed implementation study to prepare for the introduction of a Goods and Services Tax. How much money/resource is reserved for this study? Please elaborate the study and provide a breakdown on the estimates.

Asked by : Hon. Bernard Chan

Reply :

The Treasury Branch of the Financial Services and the Treasury Bureau has set up an internal study committee to conduct a detailed implementation study to prepare for the introduction of a Goods and Services Tax. It will submit a report to the Financial Secretary by the end of 2004.

The study committee is chaired by the Permanent Secretary for Financial Services and the Treasury (Treasury) and its membership comprises the Commissioner of Inland Revenue, the Commissioner of Customs and Excise, the Government Economist, as well as a representative of the Commerce, Industry and Technology Bureau. We envisage that any additional expenses incurred during the course of the study such as conducting statistical surveys or impact analyses will be funded through redeployment within Treasury Bureau and concerned departments' heads of expenditures. The support of some dedicated staff may be necessary as the implementational study progresses and the workload increases. The resources for this will also be achieved through re-deployment.

Signature

Name in block letters

Post Title

Date

ALAN N. LAI

Permanent Secretary for Financial  
Services and the Treasury (Treasury)

25 March 2004

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

FSTB(T)004

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

0180

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 :

Please provide details of the savings achieved in the expenditure of all individual government items due to outsourcing of services and the total amount involved in the revised estimates for 2003-04 and the estimates for 2004-05. And please make a comparison of the individual expenditure and the total amount involved for the same government work items before and after outsourcing.

Asked by : Hon. HO Chun-yan, Albert

Reply :

We do not have expenditure details of services outsourced by all bureaux/departments. Under the existing financial management framework, bureaux and departments are given the flexibility to manage their own resources, re-prioritise, re-organise and re-engineer their own work. As part of Government's continual economy drive, they may implement necessary measures, including outsourcing of services, to ensure effective use of public money.

Signature \_\_\_\_\_

Name in block letters      ALAN N LAI

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

Date      23 March 2004

Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

FSTB(T)005

Question Serial No.

0181

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

Subhead(No. & title): 281 Air passenger departure tax  
administration fees

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question: Please provide a detailed breakdown of the spending arising from air passenger departure tax administration fees under this Subhead.

Asked by: Hon. HO Chun-yan, Albert

Reply: The provision for Subhead 281 Air passenger departure tax administration fees for 2003-04 has been revised downwards to reflect the reduction of departing air passengers in the early part of 2003-04 due to the SARS effects. The 2004-05 estimate is 18.2% higher than the 2003-04 revised estimate because the SARS effects have dissipated. As the cost of the administration fee to be paid out for collecting the tax varies with the number of departing passengers, the total amount of administration fee is therefore forecast to increase from the low level of 2003-04.

The amount will be paid to airlines, a helicopter company and the agent which handle the collection and/or refund of the tax on behalf of the Government.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 25 March 2004

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

Reply Serial No.

FSTB(T)006

Question Serial No.

0187

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

Subhead(No. & title): 000 Operational expenses

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The funding allocation earmarked under “General departmental expenses” for 2004-05 increases by 9.3% over the previous fiscal year to \$15,396,000. What is/are the reason(s) for the increase?

Asked by: Hon. SHEK Lai-him, Abraham

Reply:

The increase of 9.3% in General Departmental Expenses in 2004-05 is mainly to cater for the increase in recurrent expenses for the Board of Review in anticipation of an increase in the number of sittings in 2004-05; expenses required for carrying out negotiations with other jurisdictions on comprehensive agreements for avoidance of double taxation; expenses for relocation of some of the offices of the Treasury Branch; and replacement and upgrading of some defective/obsolete office equipment.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 23.3.2004

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

Reply Serial No.

FSTB(T)007

Question Serial No.

0188

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

Subhead(No. & title):

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 :

The Director of Bureau's Office will increase one post by redeployment. What are the respective titles, ranks and major duties of the new post as well as the original post?

Asked by: Hon. SHEK Lai-him, Abraham

Reply:

The redeployment took effect in the middle of 2003-04. The new post is ranked at Senior Executive Officer (SEO) level and is designated as SEO(Principal Official's Office) (POO). SEO(POO) is mainly responsible for overseeing the office system and administrative procedures and assisting the Administrative Assistant to Secretary for Financial Services and the Treasury (SFST) in conducting research, preparing briefs, co-ordinating returns, making logistical arrangements for SFST's public functions and handling public enquiries and complaints.

The creation of the SEO(POO) post will be offset by the deletion of a Senior Administrative Officer (SAO) post, originally designated as Assistant Secretary (Treasury)(H) (AS(Tsy)(H)), in the H Division of the Treasury Branch. AS(Tsy)(H) used to be responsible for Budget related duties, and the review and implementation of policies and regulations relating to government finance and accounting systems. These duties are now shared by other officers in the Treasury Branch.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 20.3.2004

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

FSTB(T)008

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

Subhead (No. & title) : Question Serial No.

0191

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 :

Under this programme, it is stated that the Treasury Branch will help Controlling Officers achieve efficiency savings in operating expenditure required to restore fiscal balance by 2008-09. In this connection, what is the amount of savings in operating expenditure in the 2004-05 Estimates as a result of the co-ordination? What are the details?

Asked by : Hon. LEE Chu-ming, Martin

Reply :

Through the collective efforts of all Controlling Officers, Government would be delivering some \$7 billion as savings in operating expenditure in 2004-05. This includes savings contributed by Controlling Officers, and those from the implementation of the two-phase civil service pay cut of 6% and the downward adjustment of standard rates for non-able-bodied CSSA recipients. After taking into account the additional financial commitments including those to revitalise the economy and promote employment as announced in 2004 Budget Speech, Government is still keeping the operating expenditure for 2004-05 at the level of \$212.2 billion as forecast in 2003 Budget Speech.

Signature

Name in block letters

Post title

Date

ALAN N LAI

Permanent Secretary for Financial  
Services and the Treasury  
(Treasury)

23 March 2004

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

Reply Serial No.

FSTB(T)009

Question Serial No.

0275

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

Subhead(No. & title): 000 Operational expenses

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 :

Please provide details on the expenditure and staffing required for each of the following work areas in 2004-05 : (1) the implementation study to prepare for the introduction of a Goods and Services Tax; (2) other studies on the broadening of the tax base; and (3) studies on the implementation of the Asset Sale and Securitisation Programme and issuance of government bonds.

Asked by: Hon. NG Leung-sing

Reply:

The Treasury Branch of this Bureau has set up an internal inter-departmental study committee to conduct a detailed implementation study to prepare for the introduction of a Goods and Services Tax. It will also continue to explore and identify further revenue options with a view to broadening the tax base and increasing revenue. The additional workload arising therefrom is being absorbed by the Branch and the concerned departments within existing resources.

As for the implementation of the Asset Sale and Securitisation Programme and the proposed issuance of government bonds, no additional expenditure on staffing will be required under Head 147. A provision of around \$36 million has been earmarked in 2004-05 for the appointment of financial consultants for the implementation of the Asset Sale and Securitisation Programme and related infrastructural development projects. The cost of any issuance of government bonds will be met from the proceeds.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 24.3.2004



Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

FSTB(T)010

Question Serial No.

0276

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

Subhead(No. & title): 000 Operational expenses

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: Please provide a detailed breakdown on the estimated expenditure for appointment of financial consultants under Subhead 000 in 2004-05.

Asked by: Hon. NG Leung-sing

Reply:

A breakdown of the expenses for 2004-05 is set out below -

	<b>Estimate 2004-05 HK\$000</b>
Feasibility study of the proposed privatisation of the Airport Authority	1,600
Financial advisory services in relation to the implementation of the asset sale and securitisation programme announced in the 2004-05 Budget and related infrastructural developments	35,200
Consultancy services for the selection of bond investment managers for the Quality Education Fund	300
Total	<u>37,100</u>

Signature \_\_\_\_\_

Name in block letters ALAN N LAI

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

Date 25 March 2004

Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

FSTB(T)011

Question Serial No.

0296

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

Subhead(No. & title): 000 Operational expenses

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 regard to "Appointment of financial consultants" under the item "Other Charges" in the Estimates, please give a detailed account of the following: (1) titles of projects undertaken by financial consultants and details of the studies; (2) fees for individual financial consultant; (3) measures adopted to assess departments' applications for provisions relating to the appointment of financial consultants to conduct studies.

Asked by: Hon. SIN Chung-kai

Reply:

(1) & (2)

The details of the financial consultancy projects in 2004-05 are set out below -

<b>Name of consultants</b>	<b>Description of consultancy services</b>	<b>Estimated provision for 2004-05 HK\$000</b>
UBS AG	Feasibility study of the proposed privatisation of the Airport Authority	1,600
Mercer Human Resource Consulting Limited	Consultancy services for the selection of bond investment managers for the Quality Education Fund	300
Names not yet available since the contracts have yet to be awarded	Financial advisory services in relation to the implementation of the asset sale and securitisation programme announced in the 2004-05 Budget and related infrastructural developments	35,200
Total		<u>37,100</u>

- (3) The provision for the appointment of financial consultants under Head 147 is mainly for funding the financial consultancies initiated by the Financial Services and the Treasury Bureau. If departments need to hire financial consultants, they will have to absorb the expenditure from within their own votes and follow the established procurement guidelines and procedures to justify the need and the scope of work for the appointment of financial consultants.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 25 March 2004

Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

FSTB(T)012

Question Serial No.

0707

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

Subhead(No. & title): 000 Operational expenses

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please state the reasons for the increase of general departmental expenses under Departmental Expenses from \$14M in 2003-04 to the estimated amount of about \$15.4M in 2004-05.

Asked by: Hon. CHAN Kam-lam

Reply:

The increase of general departmental expenses from \$14,092,000 in 2003-04 to \$15,396,000 in 2004-05 is mainly to cater for the increase in recurrent expenses for the Board of Review in anticipation of an increase in the number of sittings in 2004-05; the expenses required for carrying out negotiations with other jurisdictions on comprehensive agreements for avoidance of double taxation; expenses for relocation of some of the offices of the Treasury Branch; and replacement and upgrading of some defective/obsolete office equipment.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 23.3.2004

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

Reply Serial No.

FSTB(T)013

Question Serial No.

0833

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

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 :

Regarding the estimated expenditure of Director of Bureau's Office for 2004-05, please provide a detailed breakdown of the expenditure by (1) purposes (including the planning, co-ordination and implementation of all arrangements for the Secretary's public, media and community functions, etc.), and (2) expenditure items (salaries and establishment, allowances, job-related allowances and departmental expenses).

Asked by: Hon. SIN Chung-kai

Reply:

The estimated expenditure of the Office of the Secretary for Financial Services and the Treasury is for the salaries and allowances of the Director of Bureau and staff in his Office. As the daily work of the Director of Bureau and staff in his Office covers all kinds of official function, it is difficult to provide a breakdown by function. The breakdown of the estimates by nature of expenditure is as follows:

Bureau Director's salaries	\$3,232,000
Salaries of Office's staff (including Administrative Assistant Senior Executive Officer Personal Assistant Chauffeur Personal Secretary I Clerical Assistant	\$3,263,000
Allowances of staff	\$161,000
Job-related allowances	\$2,000

Signature \_\_\_\_\_

Name in block letters ALAN N LAI

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

Date 25.3.2004

Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

FSTB(T)014

Question Serial No.

0858

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

Subhead(No. & title): 000 Operational expenses

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Regarding "Honoraria for members of committees" under Departmental Expenses mentioned in the Introduction of the Estimates, please list in detail:(1) the name of each committee; (2) average amount of honoraria for members of each committee; and (3) total amount of honoraria for members of each committee, in respect of the revised estimates for 2003-04 and the estimates for 2004-05 respectively. Moreover, how will the Administration assess whether or not those expenditures are appropriate.

Asked by: Hon. SIN Chung-kai

Reply:

Details of committees for which honoraria are paid to members, including the names and the rate of honorarium, are given on the webpage of the Treasury Branch (<http://www.info.gov.hk/fstb/tb>) of this Bureau.

Honoraria for members of committees, if payable, are paid by controlling officers as departmental expenses under *Subhead 000 – Operational expenses* of their own Head of expenditure rather than Head 147. In compiling the revised estimates for 2003-04 and the estimates for 2004-05, we do not require controlling officers to submit to the Treasury Branch a breakdown of every detail of their departmental expenses such as honoraria for each of their committees.

Controlling officers assess the appropriateness of these payments in accordance with relevant legislation, any specific provisions approved by Finance Committee and the principles laid down in Financial Circular No.7/2000.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 25.3.2004

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

Reply Serial No.

FSTB(T)015

Question Serial No.

0859

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

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please provide a breakdown of the actual entertainment expenses incurred by the Secretary for Financial Services and the Treasury and the Permanent Secretary for Financial services and the Treasury, such as hosting and attending receptions, in 2003-04 and the provision for such expenses in the estimate for 2004-05. Has the Government set an upper limit for such expenses? Are there any objective criteria for approving such expenses?

Asked by: Hon. SIN Chung-kai

Reply:

The actual expenditure for 2003-04 in respect of official entertainment is not yet available. However, the actual expenditure up to 22.3.2004 is \$129,315. As many of the functions are each attended by a number of officers of the Bureau, including both the Secretary for Financial Services and the Treasury and the Permanent Secretary for Financial Services and the Treasury (Treasury), and claims for expenses of each function can be made by any one of the officers, it is difficult to provide an accurate breakdown as requested.

The estimate for 2004-05 is \$175,000. There is no breakdown of the estimate by individual officer as specified in the question.

Under the current policy, expenditure on entertainment may be charged to public funds only when it is directly related to the discharge of an officer's duties or is a necessary part of making or maintaining contacts in his official capacity, and is in the public interest. All such expenditure must be approved by the head or deputy head of the bureau or department personally, or by a directorate officer duly authorised by the head of department.

To further enhance the exercise of economy when entertaining guests, the prevailing general guideline issued is that departments should aim to spend not more than \$250 per person for lunch and not more than \$400 per person for dinner, inclusive of tips.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 25.3.2004

Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

FSTB(T)016

Question Serial No.

0908

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 :

Regarding policy research projects and the expenditure involved, please provide detailed information on the policy research projects commenced or being conducted by the Financial Services and the Treasury Bureau itself or with the funding of the Bureau in 2003-04, including

- 1) project title, objective and subject matter:
- 2) expenses;
- 3) latest progress;
- 4) whether the Administration has followed up on the research results.

Also, is there any provision earmarked for policy research in 2004-05? If yes, what is the amount? What are the objectives and subject matters of the respective projects?

Asked by: Hon. LEE Chu-ming, Martin

Reply:

Our major task is to formulate and co-ordinate policies in respect of areas under our purview. To achieve this, we carry out extensive and intensive research into these areas using as far as possible information available and with in-house resources. In view of the wide range and the large amount of such research work, it is impossible to list each and every task. If consultants are used, we have prepared a breakdown in response to a separate question on that particular subject. Details of the more important items for ongoing work and new initiatives are listed in the Policy Agenda accompanying the CE's policy addresses and highlighted in the Controlling Officer's report. It is impossible to give a breakdown on expenditure for each of these items as we have not conducted detailed costing work for each of them. However, we have provided an indication of the expenditure involved in each of our programmes in the Controlling Officer's report. If after research, consultation and deliberation, a new policy should be introduced, we shall consult the relevant panel of the Legislative Council.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 25.3.2004



Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

FSTB(T)017

Question Serial No.

0955

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 provision under this programme for 2004-05 is \$29.6m (27.2%) higher than the revised estimate for 2003-04. What is the real increase rate of the provision for appointment of financial consultants and what are the reasons for the increase? Furthermore, what is the real increase rate of the provision for the payment of air passenger departure tax administration fees? While the air passenger departure tax is increased from the existing level of \$80 to \$120 per person, the existing collection mechanism remains unchanged. As the tax is mostly collected by travel agencies or airlines which sell air tickets to travellers, what are the reasons for an increase in administration fees?

Asked by: Hon. LAU Hon-chuen, Ambrose

Reply:

The provision for the expenses for the appointment of financial consultants was formerly under Head 106 *Subhead 182 - Expenses for the appointment of financial and management consultants*. With effect from 2004-05, the provision will be redistributed to the Heads of Expenditure of respective Controlling Officers for greater transparency and accountability. Accordingly, starting from 2004-05, a provision for the appointment of financial consultants is included under Head 147 Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch) *Subhead 000 Operational expenses*. The estimated expenditure for 2004-05 for the appointment of financial consultants is \$37.1 million, which is to cater for the provision of consultancy services for the implementation of the asset sale and securitisation programme announced in the 2004-05 Budget and related infrastructural developments. As compared with the provision of \$12.6 million for the appointment of financial consultants included in the revised estimate for 2003-04, the estimate for 2004-05 represents an increase of \$24.5 million or 194%.

The provision for *Subhead 281 Air passenger departure tax administration fees* for 2003-04 has been revised downwards to reflect the reduction of air departing passengers in the early part of 2003-04 due to the SARS effect. The 2004-05 estimate is 18.2% higher than the 2003-04 revised estimate because the SARS effect has dissipated. As the cost of the administration fee to be paid out for collecting the tax varies with the number of departing passengers, the total amount of administration fee is therefore forecast to increase from the low level of 2003-04.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 25.3.2004

Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

FSTB(T)018

Question Serial No.

0978

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

Subhead(No. & title): 000 Operational expenses

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 estimated provision, which includes the expenditure on appointment of financial consultants, etc, for Revenue and Financial Control under Programme (2) is about \$138 m for 2004-05, representing an increase of 27.2% over the revised estimate for 2003-04. Please list the details of all the projects, including the names of consultants to be employed, the content of service items to be provided, the term of consultancy contracts, and the consultant fees and other expenses involved.

Asked by: Hon. WU King-cheong, Henry

Reply:

The details of the financial consultancy projects in 2004-05 are set out below -

<b>Name of consultants</b>	<b>Description of consultancy services</b>	<b>Estimated term of appointment</b>	<b>Estimated provision for 2004-05 HK\$000</b>
UBS AG	Feasibility study of the proposed privatisation of the Airport Authority	5 months <sup>1</sup>	1,600
Mercer Human Resource Consulting Limited	Consultancy services for the selection of bond investment managers for the Quality Education Fund	3 months	300
Names not yet available since the contracts have yet to be awarded	Financial advisory services in relation to the implementation of the asset sale and securitisation programme announced in the 2004-05 Budget and related infrastructural developments	Ranges between 6 months to 18 months	35,200
		Total	<u>37,100</u>

*Note 1: The appointment of UBS AG commenced in August 2003 with an option to extend at the end of the contract period in August 2004.*

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 25 March 2004

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

Reply Serial No.

FSTB(T)019

Question Serial No.

0984

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

Programme :            (2) Revenue and Financial Control

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

1. What are the respective total amounts of resources used by government departments and public-funded organisations in the production and publication of annual reports in the past three financial years? What is the estimated expenditure for this aspect in the coming year?
2. Has the Government ever made a study requiring departments and public-funded organisations to publish their annual reports through internet only? If yes, what are the results of the study? If not, can the study be conducted as soon as possible?
3. Will the Government assess the amount of savings that can be achieved by requiring all annual reports to be published through internet only?

Asked by : Hon. TING Woo-shou, Kenneth

Reply :

1. We do not have comprehensive information on the total expenditure of government departments and public-funded organisations on the production of annual reports. In the past three years, the expenditure on printing of departmental annual reports handled by the Government Logistics Department (and the former Printing Department) were \$3.16m in 2001-02, \$3.38m in 2002-03 and \$2.07m in 2003-04, respectively. In addition, Controlling Officers have authority to obtain printing services directly from outside contractors for orders costing less than \$20,000. The expenses involved are charged to the departmental votes of the respective departments and no specific provisions are made for printing of such reports. For public-funded organisations, the relevant Controlling Officers generally do not call for reports on the amount spent on the production of annual reports which may be supported by private and/or public funds. Controlling Officers will encourage them to regularly review the cost-effectiveness of the different aspects of their operation.

2. According to a survey conducted by the Efficiency Unit last year, around 40 government departments had been issuing annual reports. In the light of the findings, the Administration has encouraged departments to replace the distribution of printed annual reports by publishing the contents on the internet or CD-ROMs. Where printed versions are necessary, such as to meet statutory requirements, departments have been asked to review critically and to reduce the number of printed copies so as to meet essential needs only.
3. Since there could be special circumstances which justify the printing of annual reports by individual departments, the decision should be taken by the respective Controlling Officers concerned in the light of their own operational needs and other relevant considerations. Moreover, under the envelope approach for funding operating expenditure, the Treasury Branch does not micro-manage the spending decision of individual envelope holders or prescribe specific saving measures. We are therefore not in a position to require departments to publish their annual reports only through the internet or to carry out the assessment as suggested.

Signature \_\_\_\_\_

Name in block letters ALAN N LAI

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

Date 24 March 2004

Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

FSTB(T)020

Question Serial No.

1162

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

Subhead(No. & title): 000 Operational  
expenses

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please provide a breakdown of the provision for entertainment expenses to be incurred by the Secretary for Financial Services and the Treasury and the Permanent Secretary for Financial Services and the Treasury, such as hosting and attending receptions, in the revised estimate for 2003-04 and the estimate for 2004-05. Has the Government set an upper limit for such expenses? Are there any objective criteria for approving such expenses?

Asked by: Hon. SIN Chung-kai

Reply:

The revised estimate for 2003-04 and estimate for 2004-05 in respect of official entertainment expenses are \$145,000 and \$175,000 respectively. There is no breakdown of the estimates by individual officer as specified in the question.

Under the current policy, expenditure on entertainment may be charged to public funds only when it is directly related to the discharge of an officer's duties or is a necessary part of making or maintaining contacts in his official capacity, and is in the public interest. All such expenditure must be approved by the head or deputy head of the bureau or department personally, or by a directorate officer duly authorised by the head of department.

To further enhance the exercise of economy when entertaining guests, the prevailing general guideline issued is that departments should aim to spend not more than \$250 per person for lunch and not more than \$400 per person for dinner, inclusive of tips.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 25.3.2004

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

Reply Serial No.

FSTB(T)021

Question Serial No.

1166

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

Subhead(No. & title): 000 Operational expenses

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 the revised estimate for the expenditure on overseas duty visits made by the Secretary for Financial Services and the Treasury and the Permanent Secretary for Financial Services and the Treasury (Treasury) in 2003-04, including: (1) the purposes and details of the duty visits; (2) major mode of transport during the duty visits and the relevant expenses; (3) subsistence and accommodation expenses incurred during the duty visits. Also, what is the corresponding estimated expenditure for 2004-05? Has the Government specified any upper limit and relevant approval criteria for such claims?

Asked by: Hon. SIN Chung-kai

Reply:

In 2003-04, the Secretary for Financial Services and the Treasury had been on duty visits on seven occasions, all of which were on matters relating to financial services. Details are as follows:

Date	Place	Means of Transport	Travelling Expenses \$	Accommodation Expenses \$	Subsistence Allowance \$
3-4 July 2003	Beijing	Plane (Economy Class)	3,585	0	1,563
12-19 July 2003	London, Frankfurt and Zurich	Plane (Business Class)	67,770	11,652	39,686
4-5 Sep 2003	Phuket	Plane (Business Class)	4,710	0	648
4-5 August 2003	Shenzhen, Guangzhou and Dongguan	Coach (shared with other users)	30,420	0	1,649
16-19 November 2003	Beijing	Plane (Economy Class)	4,888	4,294	1,868
26-27 November 2003	Hangzhou	Plane (Economy Class)	2,838	0	1,144
15-18 February 2004	Beijing	Plane (Economy Class)	3,705	2,350	1,253
<b>Total :</b>			<b>117,916</b>	<b>18,296</b>	<b>47,811</b>

The Permanent Secretary for Financial Services and the Treasury (Treasury) has not made any overseas duty visit in 2003-04.

The estimate for 2004-05 for overseas duty visits for the Treasury Branch as a whole is \$600,000.

Under the current policy, an officer who is on duty outside Hong Kong may be granted a subsistence allowance at specified daily rates to cover the cost of the appropriate standard of accommodation and meals, laundry charges, casual entertainment, gratuities, travelling expenses within town and all minor incidental out-of-pocket expenses. The rates of the subsistence allowance differ from country to country to take into account the different costs in different countries. The amount of allowance paid is abated in case of sponsorship of hotel accommodation or in cash.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 25.3.2004



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

Reply Serial No.

FSTB(T)022

Question Serial No.

1293

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

Subhead(No. & title):

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The 2004 Policy Address has mentioned about the need to raise the standard of policy research undertaken by the Government;

“To improve our governance, we must raise the level of sophistication with which both the Government and the community handle policy issues. We need to do more public policy research, particularly from a macro and long-term perspective. Objective and concrete public policy research will help us better realise the objectives of effective governance. It will help us avoid sweeping, politicised and emotional policy debates, thus making it easier for the Government and various sectors of the community to reach a consensus on public issues. This will ensure that our policies are implemented more effectively and better able to serve the long-term development needs of Hong Kong.”

Please advise whether provision has been made or resources deployed in the 2004-05 Estimates to take forward a stated commitment of the Policy Address that public policy matters will be pursued with a higher standard. If yes, please give a detailed account of the projects funded. If not, what are the reasons for that?

Asked by: Hon. SIN Chung-kai

Reply:

Since the publication of the 2004 Policy Address, the Central Policy Unit (CPU) has been exploring ways to promote research on public policy issues and develop the human resources required. They are formulating an agenda for policy research so as to take forward research on priority issues. To meet this objective, CPU will carry out relevant research work using in-house resource as far as possible. It is hard to estimate the full resource implications at this juncture.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 25.3.2004

Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO**  
**INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(T)023

Question Serial No.

1445

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 Services and the Treasury Bureau (The Treasury Branch) will conduct an implementation study to prepare for the introduction of a Goods and Services Tax; please advise the expenditure involved. Will consultants be appointed to conduct the study? If yes, what will be the expenses?

Asked by : Hon. TIEN Pei-chun, James

Reply :

The Treasury Branch of the Financial Services and the Treasury Bureau has set up an internal study committee to conduct a detailed implementation study to prepare for the introduction of a Goods and Services Tax. It will submit a report to the Financial Secretary by the end of 2004.

The study committee is chaired by the Permanent Secretary for Financial Services and the Treasury (Treasury) and its membership comprises the Commissioner of Inland Revenue, the Commissioner of Customs and Excise, the Government Economist, as well as a representative of the Commerce, Industry and Technology Bureau. The study committee will invite international experts from the International Monetary Fund and the Organisation for Economic Cooperation and Development to share with us the experience of other tax jurisdictions in implementing such a tax.

The additional work is being absorbed by the Branch and the concerned departments within existing resources. At the current stage, we do not envisage any need for hiring the service of outside consultancy firms.

Signature

Name in block letters

Post Title

Date

ALAN N LAI

Permanent Secretary for Financial  
Services and the Treasury (Treasury)

24 March 2004

Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

FSTB(T)024

Question Serial No.

1446

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

Subhead(No. & title): 000 Operational expenses

Programme: (2) Revenue and Financial Control

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

Director of Secretary for Financial Services and the Treasury  
Bureau:

Question:

Financial consultants are commissioned by the Financial Services and the Treasury Bureau (The Treasury Branch) to conduct various financial appraisals. What are the domains of these appraisals and what are the expenses involved ? (Please give a breakdown of these expenses)

Asked by: Hon. TIEN Pei-chun, James

Reply:

A breakdown of the expenses for 2004-05 is set out below -

	<b>Estimate 2004-05 HK\$000</b>
Feasibility study of the proposed privatisation of the Airport Authority	1,600
Financial advisory services in relation to the implementation of the asset sale and securitisation programme announced in the 2004-05 Budget and related infrastructural developments	35,200
Consultancy services for the selection of bond investment managers for the Quality Education Fund	300
Total	<u>37,100</u>

Signature \_\_\_\_\_

Name in block letters ALAN N LAI

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

Date 25 March 2004

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

FSTB(T)025

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

Subhead (No. & title)

Question Serial No.

1447

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 Services and the Treasury Bureau (The Treasury Branch) is preparing for the Asset Sale and Securitisation Programme and possible issuance of government bonds; please advise the expenditure involved. Will consultants or external institution be appointed for these exercises? If yes, what will be the expenses?

Asked by : Hon. TIEN Pei-chun, James

Reply :

A provision of around \$36 million has been earmarked in 2004-05 for the appointment of financial consultancies for the implementation of Asset Sale and Securitisation programme and related infrastructural development projects. The cost of any issuance of Government bonds will be met from the proceeds.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

Post title \_\_\_\_\_ Permanent Secretary for Financial  
Services and the Treasury  
(Treasury)

Date \_\_\_\_\_ 25 March 2004

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

Reply Serial No.

FSTB(T)026

Question Serial No.

1537

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

Subhead(No. & title):

Programme:

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The Financial Services and the Treasury Bureau (The Treasury Branch) will reduce 1 directorate post in 2004-05, but the estimated expenditure of the Director of Bureau's Office will be 8.1% higher than the revised estimate for 2003-04. This is due to the redeployment of one post to the Director of Bureau's Office. In this respect, please provide the following information:

- (a) the rank and the duties of the post to be redeployed, and the estimated expenditure involved in 2004-05;
- (b) since the purpose of deleting a directorate post is to reduce expenditure, can this purpose be achieved when the Bureau deletes the directorate post while having another post redeployed at the same time? If so, how much savings can be achieved?

Asked by: Hon. LAU Hon-chuen, Ambrose

Reply:

(a) One new post ranked at Senior Executive Officer (SEO) level was created in the Director of Bureau's Office in the middle of 2003-04 mainly to oversee the office system and administrative procedures and assist the Administrative Assistant to Secretary for Financial Services and the Treasury (SFST) in conducting research, preparing briefs, co-ordinating returns, making logistical arrangements for SFST's public functions and handling public enquiries and complaints. The estimated full-year expenditure to be required for the SEO post in 2004-05 is \$712,464. The creation of this SEO post will be offset by the deletion of a Senior Administrative Officer post in the Treasury Branch under Programmes 2 and 3. There will be net savings of \$255,936 for Head 147 from the redeployment.

(b) The further deletion of one directorate post and the supporting Personal Secretary I post in 2004-05 would result in annual savings of \$1,689,336 in salaries, in addition to the savings achieved under (a) above.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 24.3.2004

Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

FSTB(T)027

Question Serial No.

1716

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

Subhead(No. & title): 000 Operational expenses

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:

An amount of \$37.1 m under Operational Expenses will be set aside for the appointment of financial consultants. What are the specific arrangements for the provision? What are the items to be involved and how many consultants will be appointed?

Asked by: Hon. LEUNG Fu-wah

Reply:

The details of the financial consultancy projects in 2004-05 are set out below -

Description of consultancy services	Estimate 2004-05 HK\$000	Estimated term of appointment	Number of consulting firms
Feasibility study of the proposed privatisation of the Airport Authority	1,600	5 months	One
Consultancy services for the selection of bond investment managers for the Quality Education Fund	300	3 months	One
Financial advisory services in relation to the implementation of the asset sale and securitisation programme announced in the 2004-05 Budget and related infrastructural developments	35,200	Ranges between 6 months to 18 months	Number of consulting firms not yet known since the contracts have yet to be awarded
Total	<u>37,100</u>		

Signature \_\_\_\_\_

Name in block letters ALAN N LAI

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

Date 25 March 2004

Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(T)029

Question Serial No.

1318

Head: 106 Miscellaneous Services      Subhead: 284 Compensation

Programme: Revenue Collection 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 provision for Compensation is about \$75.5 million (about 162%) higher than the revised estimate for the previous year. Please clearly specify the details and compensation amount of several major compensation cases in which considerable compensation is anticipated, and other reasons contributed to the increase in the estimate as well as the amount involved.

Asked by: Hon. Tsang Yok-sing, Jasper

Reply: The Subhead is for the settlement of claims (other than compensation connected with land, public works and mail, or compensation for civil servants under the Employees' Compensation Ordinance) and for certain ex-gratia payments. The increase in provision over 2003-04 is mainly due to the –

- (a) possible settlement of several substantial civil claims against Government arising from an accident; and
- (b) possible damages (inclusive of interest) that might be ordered by the Court against Government in a major civil case.

In order not to prejudice Government's position in the negotiations with the plaintiffs concerned or in the related legal proceedings, we are unable to disclose the details of these individual cases.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ALAN N LAI

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

Date \_\_\_\_\_ 24 March 2004

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

FSTB(T)030

Head : 106 Miscellaneous  
Services

Subhead (No. & title) : 789 Additional  
Commitments

Question Serial No.

1319

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 detail the various purposes and the amount involved in respect of the \$4.713 billion provision under additional commitments.

Asked by : Hon. TSANG Yok-sing, Jasper

Reply :

The total provision of \$4.7 billion under Head 106 Miscellaneous Services Subhead 789 Additional Commitments includes provisions of \$1.4 billion for the expenditure initiatives proposed in the Budget Speech, \$1.2 billion for prevention of infectious diseases and relief measures, and \$0.3 billion for hosting of the sixth ministerial conference of the World Trade Organisation. The remaining provision of \$1.8 billion is to meet other unavoidable non-recurrent expenditure which may arise during the year in excess of amounts provided under other heads and subheads of the Estimates, but which cannot at present be determined and allocated with precision.

The expenditure initiatives announced in the Budget Speech include \$1.2 billion to extend about 11 000 temporary jobs, to provide young people with opportunities to gain work experience and enhance skills through training and to assist them to become self-employed, \$50 million to establish a Youth Sustainable Development and Engagement Fund, \$95 million for various tourism promotion and training activities, \$250 million to launch a "DesignSmart" initiative and to set up a Design and Innovation Centre, and \$200 million to promote the development of a tripartite social partnership comprising the Government, the business community and the welfare sector, and to encourage corporations to take part in helping the disadvantaged.

Signature

Name in block letters

ALAN N LAI

Permanent Secretary for Financial  
Services and the Treasury  
(Treasury)

Post title

Date

24 March 2004



Reply Serial No.

FSTB(T)031

Examination of Estimates of Expenditure 2004-05

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

Question Serial No.

0170

Head : 25 – Architectural Services Department      Subhead :

Programme : (2) – Facilities Upkeep

Controlling Officer : Director of Architectural Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question : (a) With regard to the maintenance services to Schedule I hospitals under the Hospital Authority, what measures will be taken to ensure that the Hospital Authority will carry out the necessary maintenance or improvement works to prevent the outbreak of highly contagious diseases in hospitals ? Is such expenditure already included in the Government's expenditure on refurbishment and improvement works ?

(b) The expenditure on refurbishment and improvement works for 2002 and 2003 were \$3,608M and \$3,775M respectively while the estimated expenditure for 2004 is \$2,779M, could the Administration inform this Council of the reason for the decrease in the expenditure on refurbishment and improvement works ?

Asked by : Hon. LAU Ping-cheung

Reply : (a) The maintenance services provided by the Architectural Services Department (Arch SD) to Schedule I hospitals include emergency repair, day-to-day maintenance and planned maintenance works. Arch SD carries out maintenance works for Schedule I hospitals according to the priorities set by the hospitals based on their operational need. A team of technical staff is stationed in major hospitals to liaise with the hospital staff on various maintenance works. Funds for all maintenance works in Schedule I hospitals are borne by the Hospital Authority (HA). Separately, since the last outbreak of SARs, Finance Committee has approved a total of \$477.7M to be funded under Head 708 of the Capital Works Reserve Fund for Arch SD and HA to undertake alteration and additional works in nine public hospitals to improve their ward facilities for infection control.

(b) The Government pledged in 2001 to spend an additional \$2 billion each for the 2002-03 and 2003-04 financial years under the Capital Works Reserve Fund works-related block allocations to improve various public facilities. The allocation in 2004-05 is comparable to the normal level of expenditure before the funding injections.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ C. H. YUE

Post Title \_\_\_\_\_ Director of Architectural Services

Date \_\_\_\_\_ 25 March 2004

Reply Serial No.

FSTB(T)032

Examination of Estimates of Expenditure 2004-05

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

Question Serial No.

0184

Head : 25 – Architectural Services Department      Subhead :

Programme : (2) – Facilities Upkeep

Controlling Officer : Director of Architectural Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question : The expenditure on maintenance dropped significantly from \$1,114M in 2002 to \$873M in 2003, whereas the expenditure on refurbishment and improvement increased slightly from \$3,608M to \$3,775M. What account(s) for the respective changes in the above items ?

Asked by : Hon. SHEK Lai-him, Abraham

Reply : The reduction of maintenance expenditure was, mainly due to -

- (a) less planned maintenance requirements for subvented schools; and
- (b) less demand for maintenance works upon recent completion of major improvement and refurbishment works to aged Government buildings.

The slight increase in expenditure for refurbishment and improvement works in 2003 was attributable to the inclusion of some minor maintenance requirements in a number of refurbishment and improvement projects in order to ensure synchronisation of work to avoid disruption to users and to ensure efficient use of resources.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ C. H. YUE

Post Title \_\_\_\_\_ Director of Architectural Services

Date \_\_\_\_\_ 24 March 2004

Reply Serial No.

FSTB(T)033

Examination of Estimates of Expenditure 2004-05

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

Question Serial No.

0185

Head : 25 – Architectural Services Department      Subhead :

Programme : (2) – Facilities Upkeep

Controlling Officer : Director of Architectural Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question : It is estimated that the expenditure on maintenance and the expenditure on refurbishment and improvement will respectively further drop to \$820M and \$2,779M in 2004. Has the Department, in the process of drafting the 2004 estimates, already taken into account the cost-effectiveness brought about by the new modes of service delivery proposed by the Department ?

Asked by : Hon. SHEK Lai-him, Abraham

Reply : In the process of drafting the 2004 estimates, the Department has already taken into account the cost-effectiveness brought about by the proposed new modes of service delivery including setting up a Repair Call Centre (RCC) and a web channel for handling repair requests and the appointment of term consultants in carrying out design, tendering and site supervision of refurbishment and improvement works in different geographical areas. These measures centralize processing of minor repairs through inter-linkage of computer networks of the RCC, the web channel and the contractors for minor repairs, provide convenient means for making repair requests and enhance planning of refurbishment and improvement works.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ C. H. YUE

Post Title \_\_\_\_\_ Director of Architectural Services

Date \_\_\_\_\_ 25 March 2004

Reply Serial No.

FSTB(T)034

Examination of Estimates of Expenditure 2004-05

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

Question Serial No.

0186

Head : 25 – Architectural Services Department      Subhead :

Programme : (2) – Facilities Upkeep

Controlling Officer : Director of Architectural Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question : What are the details of the new modes of service delivery (a central point of contact in the Repair Call Centre and alternative web channel for request of repairs, and term consultancy for providing an efficient package service from design, tendering to site supervision) ? How will they respectively help the Department in improving service efficiency and cost-effectiveness ?

Asked by : Hon. SHEK Lai-him, Abraham

Reply : The new modes of service delivery which help to improve service efficiency and cost-effectiveness include the following:

- (a) Repair Call Centre – A computerized call centre for handling repair requests made by telephone calls from user departments.
- (b) Web Channel – Web page for handling repair requests by intranet.
- (c) Term Consultancy – Appointment of term consultants in carrying out design, tendering and site supervision of refurbishment and improvement works in a geographical area.

The new modes of service delivery provide convenient and user friendly means for user departments to make requests for minor repair works and reduce administrative works involved. The inter-linkage of the computer networks among the Repair Call Centre, the web channel and the contractors enables expeditious response through on-line handling of repair requests. In addition, the appointment of term consultants being held responsible for minor works and maintenance works helps improve coordination of and achieve better economy of scale for various tasks relating to these works.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ C. H. YUE

Post Title \_\_\_\_\_ Director of Architectural Services

Date \_\_\_\_\_ 24 March 2004

Reply Serial No.

FSTB(T)035

Examination of Estimates of Expenditure 2004-05

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

Question Serial No.

0260

Head : 25 – Architectural Services Department      Subhead :

Programme : (2) – Facilities Upkeep

Controlling Officer : Director of Architectural Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question : Regarding the 2004-05 Estimates for Programme (2) : Facilities Upkeep, it is stated under Brief Description 9 that “similar maintenance services to subvented schools and Schedule I hospitals under the Hospital Authority; ...”. What organizations does Schedule I refer to ? Are subvented schools included ?

Asked by : Hon. LI Ka-cheung, Eric

Reply : Schedule I hospitals are former government hospitals included under Schedule I of Hospital Authority Ordinance (Cap 113). They are the Queen Mary Hospital, the Queen Elizabeth Hospital, the Princess Margaret Hospital, the Prince of Wales Hospital, the Pamela Youde Nethersole Eastern Hospital, the Shatin Hospital, the Siu Lam Hospital, the St. John Hospital, the Tai Po Hospital, the Tang Shiu Kin Hospital, the Tuen Mun Hospital, the Castle Peak Hospital, the Kowloon Hospital, the North District Hospital, the Hong Kong Eye Hospital, the Kwai Chung Hospital, the Lai Chi Kok Hospital, the Tsan Yuk Hospital, the Tseung Kwan O Hospital and the Wong Chuk Hang Hospital. The Schedule does not include subvented schools.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ C. H. YUE

Post Title \_\_\_\_\_ Director of Architectural Services

Date \_\_\_\_\_ 24 March 2004

Reply Serial No.

FSTB(T)036

Examination of Estimates of Expenditure 2004-05

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

Question Serial No.

0710

Head : 25 – Architectural Services Department      Subhead :

Programme : (2) – Facilities Upkeep

Controlling Officer : Director of Architectural Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question : As there is an estimated increase in the building area of properties maintained, why is the provision for maintenance, refurbishment and improvement under Expenditure on Work for 2004-05 lower than that for 2003-04 ?

Asked by : Hon. CHAN Kam-lam

Reply : The estimated increase in the building floor area of properties maintained is due to inclusion of new buildings scheduled for completion in 2004-05. These new buildings do not require significant maintenance and refurbishment in the initial years. The reduction in the provision for maintenance, refurbishment and improvement in 2004-05 is further attributable to major refurbishment and improvement works being completed in 2002-03 and 2003-04 for old Government buildings, which have brought them up to standard and obviated the need for further refurbishment and improvement for the time being.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ C. H. YUE

Post Title \_\_\_\_\_ Director of Architectural Services

Date \_\_\_\_\_ 24 March 2004

Reply Serial No.

FSTB(T)037

Examination of Estimates of Expenditure 2004-05

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

Question Serial No.

0913

Head : 25 – Architectural Services Department      Subhead :

Programme : (2) – Facilities Upkeep

Controlling Officer : Director of Architectural Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question : Official residences of the Chief Executive and the Principal Officials

- (1) Please give a detailed account of the annual recurrent maintenance and management costs of the official residences of the Chief Executive and the Principal Officials. Are there any guidelines for the Government to assess the appropriateness of such expenses ?
- (2) Please give a detailed account of the expenses used on the renovation of official residences for the occupation of newly appointed officials in 2001-02, 2002-03 and 2003-04. Are there any guidelines for the Government to assess the appropriateness of such expenses ?

Asked by : Hon. YEUNG Sum

Reply : I. Under the current policy, official residences are made available to the Chief Executive and the following Principal Officials : the Chief Secretary for Administration (CS), the Financial Secretary (FS) and the Secretary for Justice (SJ). The total annual maintenance expenditure for these official residences is \$437,000.

The expenditure is for routine maintenance and repair work to upkeep the buildings, exterior and facilities in satisfactory condition. We will assess the building conditions of the residences to determine the nature and scope of maintenance works to be carried out, as in the case of maintenance for other government buildings.

The annual management fees for the above residences are \$4 million. These management fees are mainly for acquiring security guard service.

- (2) Over the past three years, fitting-out work was carried out to CS and FS residences.

The cost is \$6.5 million in 2001-02 for CS and FS residences and \$1.5 million in 2003-04 for FS residence. No fitting-out work was carried out in 2002-03.

The renovation works include general redecoration, repairs and renewal of building/building services installations. Minor alteration work was carried out to accommodate the functional requirements of the occupant. We will assess the building conditions of the residences as well as the functional need of the occupant to determine the nature and scope of fitting-out work to be carried out, as in the case of renovation for other government buildings.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ C. H. YUE

Post Title \_\_\_\_\_ Director of Architectural Services

Date \_\_\_\_\_ 25 March 2004



Reply Serial No.

FSTB(T)038

Examination of Estimates of Expenditure 2004-05

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

Question Serial No.

1429

Head : CWRP Head 703 - Buildings      Subhead : 3100GX – *Project feasibility studies, minor investigations and consultants' fees for items in Category D of the Public works Programme* and  
3101GX – *Minor building works for items in Category D of the Public Works Programme*

Programme :

Controlling Officer : Director of Architectural Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question : Please indicate the projects that will be carried out in Kwun Tong and Wong Tai Sin districts respectively in 3100GX “Project feasibility studies, minor investigations and consultants’ fees for items in Category D of the Public Works Programme” and 3101GX “Minor buildings works for items in Category D for the Public Works Programme” under the Block allocations.

Asked by : Hon. LI Wah-ming, Fred

Reply : Please refer to Annex I for projects in Kwun Tong and Wong Tai Sin Districts funded from Subhead 3100GX; and Annex II, from 3101GX.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ C. H. YUE

Post Title \_\_\_\_\_ Director of Architectural Services

Date \_\_\_\_\_ 24 March 2004

**Subhead 3100 GX – *Project feasibility studies, minor investigations  
and consultants' fees for items in Category D of the Public Works Programme***

**List of projects in Kwun Tong and Wong Tai Sin Districts  
included in 2004-05 Estimates**

***Kwun Tong District***

1. Minor investigations / consultancy fees for a primary school at Hiu Kwong Street, Sau Mau Ping.
2. Minor investigations / consultancy fees for two primary schools in the Eastern Harbour Crossing site, Yau Tong.
3. Minor investigations / consultancy fees for reprovisioning of Society of Boys' Centre Shing Tak School, New Clear Water Bay Road.
4. Consultancy fees for general improvement works to Ngau Tau Kok Market and Cooked Food Centre.
5. Minor investigations / consultancy fees for improvement to Lok Wah Playground, Kwun Tong.

***Wong Tai Sin District***

1. Minor Investigations / consultancy fees for reprovisioning of Diamond Hill Crematorium
2. Consultancy fees for general improvement works to Ngau Chi Wan Market and Cooked Food Centre.
3. Minor Investigations / Consultancy fees for Hammer Hill Road District Park

**Subhead 3101 GX – *Minor building works for items in Category D  
of the Public Works Programme***

**List of projects in Kwun Tong and Wong Tai Sin Districts  
included in 2004-05 Estimates**

***Kwun Tong District***

1. Provision of jogging track/morning trail and landscape area in Jordan Valley Playground, Kwun Tong.
2. Renovation and improvement work to Sau Mau Ping Public Library, Kwun Tong
3. Renovation and improvement work to Shun Lee Estate Public Library, Kwun Tong.

***Wong Tai Sin District***

1. Renovation and improvement work to Chuk Yuen Sports Centre, Wong Tai Sin.

Reply Serial No.

FSTB(T)039

Question Serial No.

0659

Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

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 : On "Anti-illicit-cigarette enforcement" under this Programme, the number of seizure cases in 2003 is 4 507, representing a significant increase when compared to 2 175 in 2002; however, the number of cigarettes seized is on a declining trend, which has been decreased from 170.31 million sticks in 2002 to 138.43 million sticks in 2003. Does it indicate that there has been a tendency for illicit cigarette smuggling to be operated in a smaller scale and higher frequency? What measures have been taken by the department to tackle this problem?

Asked by : Hon. LAU Hon-chuen, Ambrose

Reply :

The increase in seizure cases from 2 175 in 2002 to 4 507 in 2003 was mainly attributed to the effectiveness of the C&ED's anti-illicit-cigarette strategy. C&ED's strategy is to launch intelligence-led operations against the source of supply of illicit cigarettes and to conduct repeated and focused raids on black spots. This strategy has been proved to be effective as evident by the upsurge in the number of seizure cases and the number of persons prosecuted (3 041 in 2003 and 1 800 in 2002) in 2003 as compared to 2002.

Such strategy may have forced offenders to change their tactics in that they now smuggle, store, distribute or peddle smaller amount of illicit cigarettes at any one time than before to minimize loss in view of higher incidence of arrest. This explains the drop in the quantities of cigarettes seized from 170.31 million sticks in 2002 to 138.43 million sticks in 2003 despite a higher number of cases effected in 2003.

In 2004-05, the C&ED will continue to dedicate resources and take action according to the enforcement strategy, with particular focus in the following areas –

- (a) adopt an "intelligence-led and target-oriented" strategy by focusing on intelligence-led enforcement against target illicit cigarette syndicates;
- (b) strengthen intelligence exchange, and to conduct timely joint operations with the Mainland Customs to fight against cigarette smuggling by couriers and smuggling syndicates; and

- (c) conduct repeated and focused raids on cigarette peddling activities, and flexibly deploy resources among enforcement units within the department to fight against illicit cigarette syndicates.

Signature

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Name in block letters

TIMOTHY H M TONG

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Post Title

Commissioner of Customs and Excise

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Date

24 March 2004

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Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(T)040

Question Serial No.

0808

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 : 1. Among the illegal fuel filling stations neutralised by the authorities concerned in 2003, how many are located in residential areas? What will be the situation in 2004/05? What are the estimated resources to be allocated for this item of work?

Asked by : Hon. LAU Kin-yee, Miriam

Reply :

Among the 897 illegal fuel filling stations neutralised by the department in 2003, 136 were located in residential areas.

Apart from vigorous enforcement actions, the department has implemented, jointly with the Fire Services Department and the oil industry, the "Marked Ultra-low Sulphur Diesel Verification Scheme on End-users" and the "Self-regulatory Scheme on the Bulk Sales of the Duty-paid Light Diesel Oil" since June 2003 to step up the monitoring of the supply of fuel which could be abused for illegal purposes. The above measures have been effective in combating illicit fuel filling stations, including those located in residential areas. In the second half of 2003, the department neutralised 49 illegal fuel filling stations in residential areas. It represented a significant decrease when compared with 87 illegal fuel filling stations smashed in the first half of the year. It is anticipated that the situation will remain under control in 2004-05.

The Diesel Oil Enforcement Division (DOED), with an establishment of 23 posts, is directly dedicated to combating illegal fuel filling stations. The salary provision for the DOED is estimated to be about \$6.33 million in 2004-05. The department will continue its staunch enforcement against illicit fuel filling stations through flexible deployment and pooling of manpower resources from various formations within the department. Moreover, to enhance enforcement effectiveness, the department will continue to work closely with other government departments in mounting large-scale operations for suppressing illegal filling stations.

Signature

Name in block letters

Post Title

Date

TIMOTHY H M TONG

Commissioner of Customs and Excise

24 March 2004

Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(T)041

Question Serial No.

1209

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 anti-illicit-fuel enforcement, what are the manpower and resources that the Customs and Excise Department deployed in 2002-03 and 2003-04 respectively and what are the estimated manpower and resources that will be deployed in 2004-05?

Asked by : Hon. LI Wah-ming, Fred

Reply :

The Diesel Oil Enforcement Division (DOED) of the department is directly dedicated to combating illicit fuel activities. In 2002-03 and the beginning of 2003-04, DOED had an establishment of 24 officers, comprising 23 disciplined officers and one supplies supervisor who was responsible for providing support to the disciplined officers in seizure handling. The salary provision for the DOED in 2002-03 and 2003-04 was \$6.75 million and \$6.71 million respectively. Upon a recent re-organisation of the seizure management work in the department, the supplies supervisor of the DOED was permanently redeployed to outside the DOED in January 2004 to rationalise the division of responsibility between formations and improve productivity. Since then, the establishment of the DOED has been reduced to 23. Since the supplies supervisor is not directly involved in frontline enforcement, the resources devoted to anti-illicit-fuel enforcement have in practice remained unchanged.

The department will continue with its staunch enforcement against illicit fuel activities through flexible deployment and pooling of manpower resources from various formations within the department. Moreover, to enhance enforcement effectiveness, the department will work closely with other government departments in mounting large-scale operations for suppressing illicit fuel activities.

In 2004-05, the department will continue to deploy the above manpower resources in anti-illicit-fuel enforcement. The salary provision for the DOED is estimated to be \$6.33 million in 2004-05.

Signature

Name in block letters

Post Title

Date

TIMOTHY H M TONG

Commissioner of Customs and Excise

25 March 2004

Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(T)042

Question Serial No.

0964

Head : 51 Government Property Agency      Subhead  
(No. & title) :

Programme : (2) Property Management

Controlling Officer : Government Property Administrator

Director of Bureau : Secretary for Financial Services and the Treasury

Question : Regarding the contracting out of the management service of properties, please provide details on –

1. the names of the private contractors of government property management service, tasks undertaken by various contractors, number of staff employed, duration of the contracts granted and value of the contracts.
2. the establishment for and expenditure on monitoring the performance of property management service contractors.

Asked by : Hon. LEE Cheuk-yan

Reply : 1. The four private contractors undertaking management of government properties under the purview of the Government Property Agency are responsible for cleaning, security and general building management. Their names, tenure and the value of their contracts with effect from 1 April 2004 are as follows:-

	<b>Name of Contractor</b>	<b>Tenure</b>	<b>Value of Contract Awarded (rounded to \$m)</b>
(i)	Synergis Management Services Ltd	36 months from 1.5.2002	135
(ii)	FPDSavills Property Management Ltd	36 months from 1.4.2004	126
(iii)	EastPoint Property Management Ltd	36 months from 1.4.2004	188
(iv)	Urban Property Management Ltd	36 months from 1.4.2004	165



As the property management contracts are outcome-based contracts, the contractors are not required to specify the number of staff they deploy. However, according to information from the contractors, they employ a total of about 2,000 staff, mostly security guards and cleaners, in providing the services to the Government.

2. A total of 17 professional and technical staff, estimated to cost \$12.7m in 2004-05, are managing the four outcome-based property management contracts. These comprise four Maintenance Surveyors or equivalent grade staff, four Senior Building Supervisors, five Building Supervisors and four Assistant Building Supervisors. The performance of the contractors is monitored through liaison meetings, site inspections, user surveys and feedback.

Signature	_____
Name in block letters	Ms Maria KWAN
Post Title	Government Property Administrator
Date	24 March 2004

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

Reply Serial No.

FSTB(T)050

Question Serial No.

0663

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:

Please specify the total value of surplus government stores and unserviceable stores processed by the Government Logistics Department in 2003 and the administrative expense involved.

Asked by: Hon. LAU Hon-chuen, Ambrose

Reply:

Public auction is arranged for the sale of surplus and unserviceable stores together with confiscated goods and unclaimed properties. In 2003, total revenue collected in public auction was \$25.57 million, among which \$4.83 million was from the sale of surplus and unserviceable stores. The administrative expense for public auction was \$0.44 million. We do not keep separate breakdown in respect of the administrative expense for the surplus and unserviceable stores.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Stella HUNG (Mrs)

Post Title \_\_\_\_\_ Director of Government Logistics

Date \_\_\_\_\_ 24 March 2004

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

Reply Serial No.

FSTB(T)051

Question Serial No.

0664

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:

As stated under "Matters Requiring Special Attention in 2004-05", the Department aims to ensure that environmentally-friendly products are purchased. Please specify the estimated additional provision to be required in 2004-05.

Asked by: Hon. LAU Hon-chuen, Ambrose

Reply:

From previous experience, the adoption of environmentally-friendly specifications for bulk purchase of common-user items does not necessarily lead to significantly higher prices. Therefore, no additional provision is made for this purpose.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Stella Hung (Mrs)

Post Title \_\_\_\_\_ Director of Government  
Logistics

Date \_\_\_\_\_ 23 March 2004

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

Reply Serial No.

FSTB(T)052

Question Serial No.

0699

Head: 59 – Government Logistics Department

Subhead(No. & title): 000 Operational expenses

Programme:

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- (a) It is expected that a total of 35 posts will be deleted in 2004-05 under this subhead. Why do salaries, allowances and job-related allowances under Personal Emoluments and Mandatory Provident Fund contribution increase significantly?
- (b) Why do the three items under Departmental Expenses increase significantly as well?

Asked by: Hon. CHAN Kam-lam

Reply:

(a) The increase is only apparent. The 2003-04 revised estimate shows only the nine-month provision for the department since its establishment on 1 July 2003. Comparing like with like, the full-year provision for Personal Emoluments under this subhead in 2004-05 is in fact \$8.3 million (3.8%) lower than the revised estimate for 2003-04 when the expenditure of the former Government Land Transport Agency (GLTA), Government Supplies Department (GSD) and Printing Department (PD) is also taken into account.

(b) Similarly, taking into account the expenditure of the former GLTA, GSD and PD in 2003-04, the provision for Departmental Expenses in 2004-05 is \$3.9 million (1.9%) higher than the revised estimate for the whole year of 2003-04. The slight increase is mainly due to additional provision for addition/replacement of office equipment and for maintenance services.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Stella Hung (Mrs)

Post Title \_\_\_\_\_ Director of Government Logistics

Date \_\_\_\_\_ 24 March 2004

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

Reply Serial No.

FSTB(T)053

Question Serial No.

0700

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:

There is an increase in both the number of additional and replacement vehicles to be procured in 2004 when compared with the number of vehicles procured in 2003. Is there any reason for this phenomenon? Please list out the vehicles details and the expenses so incurred.

Asked by: Hon. CHAN Kam-lam

Reply:

The increase in the number of additional vehicles is to meet the operational requirement of the departments in carrying out essential functions whereas the increase in the number of replacement vehicles is mainly due to the cyclical nature of the vehicle replacement programme. Vehicles included for replacement have all reached the end of their serviceable life. In spite of the increase in the number of vehicles to be procured, the provision has decreased from \$100m in 2003-04 to \$90m in 2004-05. In the selection of vehicles for procurement, priority has been given to vehicles that are required for operations in connection with law enforcement, public health and improvement of environment.

The details of vehicles planned to be procured in 2004 are listed as follows-

<b><u>Vehicle type</u></b>	No. of additional vehicles	No. of replacement vehicles	Total no. of vehicles to be procured	User department
Medium Motorcycle (Police Version)	0	6	6	Police
Large Motorcycle (Police Version)	20	222	242	Police
Small Saloon Car	0	13	13	Police

<b><u>Vehicle type</u></b>	<b>No. of additional vehicles</b>	<b>No. of replacement vehicles</b>	<b>Total no. of vehicles to be procured</b>	<b>User department</b>
Small Saloon Car (Hybrid)	0	4	4	Police, Electrical & Mechanical Services, Environmental Protection, Transport
Medium Saloon Car	0	70	70	Police, Customs & Excise, Immigration, ICAC, Health
Cross Country Vehicle	0	3	3	Police, Correctional Services
Medium Van	0	38	38	Police, Customs & Excise, Immigration, ICAC
Large Van (Police Version)	0	141	141	Police
Medium Tipper Truck	4	0	4	Food & Environmental Hygiene
Total:	24	497	521	
Estimated Cost:	\$3.8m	\$86.2m	\$90.0m	

Signature

Name in block letters

Post Title

Date

Stella Hung (Mrs)

Director of Government Logistics

24 March 2004

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

Reply Serial No.

FSTB(T)054

Question Serial No.

0701

Head: 59 - Government Logistics Department

Subhead(No. & title):

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The number of officers attending driving related training courses and the number of trainees on driving instruction courses are noticeably lesser in 2004 than in 2003. What is the reason? Will there be any reduction in staff establishment or redeployment of staff?

Asked by: Hon. CHAN Kam-lam

Reply:

As a result of Government's continuous efforts in containing both the size of government fleet and the establishment of motor drivers, the demand for driving instruction and related training courses has reduced correspondingly. One of the four Driving Instructor posts will be deleted in 2004. The surplus manpower will be absorbed by natural wastage.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Stella Hung (Mrs)

Post Title \_\_\_\_\_ Director of Government Logistics

Date \_\_\_\_\_ 23 March 2004

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

Reply Serial No.

FSTB(T)055

Question Serial No.

0702

Head: 59 - Government Logistics Department

Subhead(No. & title):

Programme: (1) Procurement

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- (a) As for the procurement targets, why does the number of contracts handled in 2003 decrease by 11.6% as compared to that of 2002, while the value of contracts increase by 61%?
- (b) The estimated value of contracts in 2004 is lower than that of 2003, while the estimated number of contracts to be handled in 2004 is higher than those of 2003 and 2002. How are these numbers estimated?

Asked by: Hon. CHAN Kam-lam

Reply:

- (a) The total value of contracts does not bear any direct relationship with the number of contracts. The total value of contracts handled by the Government Logistics Department in 2003 has increased by 61% or \$2,784m, from \$4,562m in 2002 to \$7,346m in 2003. The increase is mainly due to the award of the following major contracts on computer equipment and systems-

<u>Item</u>	<u>Value</u>	<u>User Department</u>
Supply of PC/LAN equipment	\$2,100m	Various government departments
Third Generation Command and Control System Project	\$540m	Police

- (b) The estimated value of contracts (\$6,300m) and number of contracts (1,800) for 2004 are based on the average of the corresponding figures in the past three years. The actual value and number of contracts to be handled in 2004 will depend on the requests raised by the user departments.

Signature \_\_\_\_\_

Name in block letters Stella Hung (Mrs)

Post Title Director of Government Logistics

Date 23 March 2004



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

Reply Serial No.

FSTB(T)056

Question Serial No.

0977

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:

Please provide information as listed below concerning the supply of additional and replacement items of quarters furniture for all grades of quarters:

- (a) What furniture inventories are provided for all grades of quarters?
- (b) The expenses involved in the furniture inventories for all grades of quarters.
- (c) Has the Department investigated if the quarters furniture are of genuine need and are fully utilized?

Asked by: Hon. LEUNG Yiu-chung

Reply:

- (a) The quarters furniture supplied to all grades of quarters are detailed at Annexes A and B.
- (b) The Government Logistics Department (GLD) recycles quarters furniture to minimise expenses. The provisions in 2004-05 for quarters furniture are as follows-
  - (i) purchase of new quarters furniture \$1,500,000
  - (ii) repair and reconditioning of used quarters furniture \$2,000,000
- (c) To ensure that the quarters furniture are genuinely needed and are properly utilized, GLD vets individual requests for supply/replacement of furniture to quarters of grade 'G' and above. Similarly, owner departments are responsible for vetting individual requests for supply/replacement of furniture to quarters of grade 'H' and below.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Stella Hung (Mrs)

Post Title \_\_\_\_\_ Director of Government Logistics

Date \_\_\_\_\_ 24 March 2004

### Quarters Furniture Entitlement for “G” Grade and above Quarters

Item	Description	Entitlement for flat with 2 bedrooms and 1 bathroom (No.)	Entitlement for flat with 3 bedrooms and 2 bathrooms (No.)
1	Hanging Mirror	1	1
2	Hall Table	1	1
3	Settee	1	1
4	Easy Chair	2	2
5	Occasional Chair, khaki drill cover	2	2
6	Tea Table, round	1	1
7	Coffee Table, rectangular	1	1
8	Teapoy	4	4
9	Writing Desk	1	1
10	Bookcase, centre unit	3	3
11	Bookcase, end unit, left hand side	1	1
12	Bookcase, end unit, right hand side	1	1
13	Dining Chair, straight back	10	12
14	Dining Chair, elbow	2	2
15	Dining Table, with 1 ext. leaf	1	1
16	Dining Table, with draw leaves (occupant may opt any one out of items 15 and 16)		
17	Serving Table	1	1
18	Sideboard, large	1	1
19	Sideboard, medium (occupant may opt any one out of items 18 and 19)		
20	Tea Trolley	1	1
21	Baby's Cot	1	1
22	Wardrobe, Ladies	4	6
23	Wardrobe, Gentlemen	4	6
24	Bedside Table	4	6
25	Dressing Table	2	3
26	Stool for dressing table	2	3
27	Chest of Drawers, large	1	2

Item	Description	Entitlement for flat with 2 bedrooms and 1 bathroom (No.)	Entitlement for flat with 3 bedrooms and 2 bathrooms (No.)
28	Chest of Drawers, small	1	1
29	Bathroom Box, white	1	2
30	Wash Tub, plastic	2	2
31	Child bed with side arms, complete with spring, rubber mattress & cover	1	1
32	Children double bunk, completed with springs, rubber mattresses & cover <i>(occupant may opt any one out of items 31 and 32)</i>		1
33	Single Bed, half-divan 91cm wide c/w bedboard, rubber mattress & cover	1	1
34	Double Bed, half-divan 137cm wide c/w bedboard, rubber mattress & cover	1	1
35	Single Bed, half-divan 107cm wide c/w spring, rubber mattress & cover <i>(occupant may opt any one out of items 34 and 35)</i>		1
Total :		60	74

### Quarters Furniture Entitlement for “H” Grade and below Quarters

Item	Description	Entitlement of Grade “H” (No.)	Entitlement of Grades “I”, “J”, “K” and “L” (No.)
1	Dining table, round	1	1
2	Stool, round top, stackable	0	6
3	Chest of drawers with lock	1	1
4	Sideboard with optional shelf	1	1
5	Chair, occasional, leatherette	2	0
6	Baby cot without mattress	1	1
7	Hanging mirror	1	0
8	Wooden storage compartment	0	1
9	Chair, dining, straight back	8	1
10	Double tier bunk	0	1
11	Mattress for iron bunk	0	2
12	Wardrobe, lady	1	1
13	Half divan double bed	1	0
14	Half divan single bed	1	0
Total :		18	16

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

Reply Serial No.

FSTB(T)057

Question Serial No.

1161

Head: 59 - Government Logistics Department

Subhead(No. & title): 000 Operational expenses

Programme:

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Although 35 permanent posts will be deleted in 2004-05, the estimate on Personal Emoluments, including salaries and allowances, is \$200.30m, which is about 30% higher than the revised estimate of \$154.45m for 2003-04. Regarding the above:

(a) What are the number of posts to be deleted under each rank involved? How will the posts be deleted?

(b) Despite the reduction in establishment, salaries, allowances and job-related allowances increase instead of decrease. Please provide the reasons?

Asked by: Hon. LEUNG Fu-wah

Reply:

(a) The net deletion of 35 permanent posts in 2004-05 includes the creation of one Systems Manager and the deletion of 36 permanent posts comprising one Senior Supplies Officer, one Senior Supplies Supervisor, nine Supplies Supervisor I, one Supplies Assistant, three Supplies Attendant, seven Motor Driver, two Senior Printing Technician, three Printing Technician I, one Senior Foreman, one Foreman, one Artisan, one Driving Instructor, four Workman II and one Personal Secretary I.

The deletion of posts will be achieved through re-deployment of staff and deletion of vacancies arising from natural wastage or departure under the Second Voluntary Retirement Scheme.

(b) The increase in the provision for salaries, allowances and job-related allowances is mainly due to the fact that the 2004-05 estimate for Personal Emoluments including salaries, allowances and job-related allowances (\$211.48m) is based on a 12-month full year provision, whereas the 2003-04 revised estimate (\$163.01m) reflects only a nine-month provision for the department since its establishment on 1 July 2003. Provision for 2004-05 is actually \$8.29m (3.8%) lower than the revised estimate for the whole year of 2003-04 if the expenditure of the former Government Land Transport Agency, Government Supplies Department and Printing Department for the period from 1 April to 30 June 2003 is also taken into account.

Signature

Name in block letters

Post Title

Date

Stella Hung (Mrs)

Director of Government Logistics

24 March 2004

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

Reply Serial No.

FSTB(T)058

Question Serial No.

0149

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: Paragraph 6, the Department's indicators show that some 880 objections and appeals are estimated to be processed in 2004-05. The provision per objection or appeal is \$22,273, or some \$19.5 million in the total cost. The numbers stood 965 cases and \$22,487 per case in 2002-03 and the revised estimate was 920 cases and \$21,957 per case in 2003-04. How many of the cases in 2002-03 succeeded in appeal and what are the estimates for 2003-04 and 2004-05? How much taxes were involved in those cases? How do you analyse the successful rate? Is there any way to facilitate a more accurate assessment?

Asked by: Hon. CHAN Bernard

Reply: We processed 740 objections and 225 appeals in 2002-03. Of the objections processed, we subsequently reached agreement with the taxpayers in 200 cases after clarification of facts and/or production of further evidence by the taxpayers. The Commissioner of Inland Revenue issued determinations for the remaining 540 cases which mainly involved interpretation of the law. Under the Inland Revenue Ordinance, a taxpayer who is dissatisfied with the Commissioner's determination of his objection may lodge an appeal to the Board of Review. Of the 225 appeal cases processed by the Board in 2002-03, over 90% were ruled in favour of the Inland Revenue Department. It is not possible to estimate the figures for 2003-04 and 2004-05. We do not keep statistics on the quantum of tax involved in each case.

It should be noted that taxpayers aggrieved by the assessments and/or having different interpretations of the relevant provisions of the law can exercise their statutory right to object and appeal, irrespective of the amount of tax involved.

Signature \_\_\_\_\_

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 24 March 2004

Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

FSTB(T)059

Question Serial No.

0773

Head: 76 Inland Revenue Department

Subhead(No. & title):

Programme: (3) Investigation and Field Audit

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question: In the “Matters Requiring Special Attention in 2004-05”, the Inland Revenue Department “will continue to combat tax evasion and to step up various initiatives to tackle tax avoidance”. Please give details of the measures and their estimated expenditure. Further, as the economy of Hong Kong is picking up, has the Department set specific targets for improving the position of tax evasion and avoidance? If so, what are the details?

Asked by: Hon. LI Ka-cheung, Eric

Reply: Tax evasion and avoidance are mainly tackled by the Field Audit and Investigation (FAI) Unit of the Inland Revenue Department (IRD). The estimated expenditure for the FAI Unit in 2004-05 is \$173.7M. In 2004-05, IRD will take the following measures to step up its combat against tax evasion and avoidance:

- (1) In 2003-04, the FAI Unit implemented the Information Systems Strategic (ISS) Plan Phase I introducing a computer programme to intensify the analysis and utilization of data captured from tax returns and assessments. Such an initiative has complemented and enhanced the efficiency of manual selection of high-risk cases for audit and investigation. With an expanded and improved database, the performance of this computer programme would be augmented in 2004-05. Apart from the FAI Unit, other assessing units also use the programme to select cases for desk audit. This way, potential tax evasion and avoidance cases can be identified for early follow-up action by FAI unit.
- (2) IRD is upgrading the investigative skill of its staff through strengthening of the staff training and inter-unit experience-sharing.
- (3) IRD will commence the system development of the ISS Plan Phase II to improve the efficiency of its computer programme for more sophisticated risk management techniques against tax evasion and avoidance.

The effectiveness of efforts to combat tax evasion and avoidance depends on many factors including the economic situation. Nevertheless, the above work plan is expected to help tackle tax evasion and avoidance. The target of IRD for 2004-05 is to complete the processing of 80% of field audit and tax investigation cases within two years.

Signature \_\_\_\_\_

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 24 March 2004

Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

FSTB(T)060

Question Serial No.

0825

Head: 76 Inland Revenue Department

Subhead(No. & title):

Programme: (1) Assessing Function

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question: In 2003-04, how much financial and administrative expenditure was incurred in respect of football betting? What is the estimated expenditure in this regard in 2004-05?

Asked by: Hon. TANG Siu-tong

Reply: The provision for the assessment and collection of all types of betting duties was \$700,000 for both 2003-04 and 2004-05. The amount attributable to football betting is not separately computed.

Signature \_\_\_\_\_

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 24 March 2004



Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

FSTB(T)061

Question Serial No.

1315

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 2004-05, the objections and appeals cases are expected to drop to 880 cases as against the 920 cases in 03-04. What is the reason? How do you account for the rises in the estimated provision per objection or appeal case instead?

Asked by: Hon. TSANG Yok-sing, Jasper

Reply: (1) The reduction in the estimate of the number of objections and appeals processed is partly because several more complicated appeal cases have been scheduled for hearing in 2004-05. This will affect the output of the officers concerned, in terms of the number of cases they are able to process during the year. Besides, in order to allow officers in the Appeals Section to devote their expertise to handling cases involving more complex facts or difficult legal issues, the Inland Revenue Department has strengthened training to officers in the assessing units such that they could process relatively simple objections, thus alleviating the caseload of the Appeals Section.

(2) The slight increase in the provision per objection or appeal reflects the expectation that it would take a slightly longer time for the Appeals Section to handle the cases due to their increased complexity.

Signature \_\_\_\_\_

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 24 March 2004

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

Reply Serial No.

FSTB(T)062

Question Serial No.

1316

Head: 76 Inland Revenue Department

Subhead(No. & title):

Programme: (3) Investigation and Field Audit

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question: In 2004-05, the estimated completed cases of field audit and tax investigation are expected to be similar to those in 2002-03 and 2003-04. What is the reason for the increase in the estimated amount of back tax and penalties assessed?

Asked by: Hon. TSANG Yok-sing, Jasper

Reply: The Field Audit and Investigation Unit is responsible for conducting field audits and investigation with a view to combating tax evasion and avoidance. It is expected that the audits of a number of tax avoidance cases which involve large amounts of tax will be completed in the year 2004-05, thereby increasing the estimated amount of back tax and penalty assessed for 2004-05 to \$2,100m.

Signature \_\_\_\_\_

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 24 March 2004

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

Reply Serial No.

FSTB(T)063

Question Serial No.

1317

Head: 76 Inland Revenue Department

Subhead(No. & title): 000 Operational Expenses

Programme:

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question: The Departmental Expenses item rises from \$129 million in the Revised Estimates in 2003-04 to \$135 million in the Estimates in 2004-05. What are the reasons?

Asked by: Hon. TSANG Yok-sing, Jasper

Reply: The increase in the Departmental Expenses item from \$129.5 million in 2003-04 to \$135.3 million in 2004-05 (namely an increase of \$5.8 million) is mainly due to the following two reasons:

- Arising from the implementation of various computer projects under the Information System Strategy Plan, there will be a net increase of about \$2.5 million in the related recurrent expenses under Departmental Expenses. This cost increase will be outweighed by the benefits from implementing these projects (e.g. saving in staff cost, enhanced efficiency and more convenience for taxpayers, etc).
- To tie in with the departure of staff in 2003-04 and 2004-05 under the Second Voluntary Retirement Scheme, the Department has advanced the deletion of some of the posts identified to be surplus to requirement in 2005-06 or 2006-07 to 2003-04 or 2004-05. As a result, there would be a temporary shortage of staff in 2004-05. Hence it is necessary to employ non-civil service contract staff in the interim period to cope with the workload which has not yet diminished. This will lead to an increase in expenditure of about \$3.3 million. It is envisaged that, based on operational need, the employment of such non-civil service contract staff will gradually cease in 2005-06 and 2006-07.

Signature \_\_\_\_\_

Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 25 March 2004

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

Reply Serial No.

FSTB(T)064

Question Serial No.

1698

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: On providing "a new electronic stamping service",

- a. What are the specific measures? What is the expected date of implementation?
- b. What is the expected amount of expenditure? To what extent will it save the resources and how will it enhance the working efficiency?

Asked by: Hon. SIN Chung-kai

- Reply:
- a. The Inland Revenue Department (IRD) plans to introduce an alternative method of stamping in mid 2004 whereby the stamping process of property transactions can be automated. The enabling legislation was passed in June 2003 and a new electronic Property Stamping System ("PSS") is being developed. Under the new system, stamp duty payers and their solicitors or property agents can submit applications for stamping and make duty payments electronically. The Collector of Stamp Revenue will issue a stamp certificate via the PSS as evidence of stamping instead of imprinting a stamp on the original instrument.
  - b. The estimated development cost of the new system is \$9.85 million. The annual recurrent expenditure is estimated to be in the range of \$1.3 million to \$3 million, depending on the take-up rate of the new service. Through electronic stamping, IRD will be able to provide a more efficient and convenient service to the public. Customers can apply for stamping anytime anywhere without the need to present the original documents for stamping to IRD in person. It will bring convenience and reduce compliance cost for duty payers. In addition, IRD will be able to improve the speed and efficiency in the transmission of property transactions data to authorized users to facilitate the performance of their statutory duties in tax assessments, property registration and valuation. At the same time, the new system will reduce administrative cost for processing stamping applications. A total of 16 posts in the Stamp Office will be deleted within 3 years from 2004-05, thereby saving staff costs of \$5.1m per annum.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Mrs LAU MAK YEE MING, ALICE

Post Title \_\_\_\_\_ Commissioner of Inland Revenue

Date \_\_\_\_\_ 24 March 2004

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

Reply Serial No.

FSTB(T)065

Question Serial No.

0020

Head: 162 – Rating and Valuation Department

Subhead(No. & title):

Programme: (1) Statutory Valuation and Assessments

Controlling Officer: Commissioner of Rating and Valuation

Director of Bureau: Secretary for Financial Services and the Treasury

Question : It was mentioned in this programme that a bilingual Valuation List and Government Rent Roll would be published in 2004-05. Accordingly, could the Government inform the Committee of the following:

- (1) the details of this activity; and
- (2) the number of officers of the establishment involved and the amount of expenditure concerned for implementing this activity.

Asked by: Hon. FUNG Kin-kee, Frederick

Reply:

The Valuation List, the Government Rent Roll and the demands for rates and Government Rent used to be available in English only. To meet payers' requests for Chinese language versions of Valuation List, Government Rent Roll and demands, the Department conducted an exercise during the period from March 2002 to February 2004 to convert the English tenement descriptions of 2.77 million properties in the Valuation List and Government Rent Roll into Chinese.

The following activities were involved:

- (a) convert English property addresses into Chinese and incorporate names of buildings, if available, to facilitate easy identification;
- (b) verify on site the Chinese floor level designations and building names;
- (c) seek payers' comments on the Chinese descriptions of tenements in the context of rental requisitions for the 2004-05 General Revaluation that took place in end 2003; and
- (d) compile the Chinese database for printing Valuation List and Government Rent Roll, and bilingual demand notes starting from April 2004.

18 officers were deployed to carry out the above activities with an expenditure of \$2.9 million. This amounts to \$1.05 for each property. This expenditure is one-off in nature.

There could be subsequent changes to the Chinese tenement descriptions at payers' request. The workload involved will be absorbed by the department.

Signature

Name in block letters

C S WONG

Commissioner of Rating and Valuation

Post Title

(Acting)

Date

25.3.2004

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

FSTB(T)066

Question Serial No.

0289

Head: 162

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  
Secretary for Housing, Planning and Lands

Question : It was mentioned in this programme that an Integrated Property Database would continue to be developed in the year of 2004-05 for enhancing the efficiency of data retrieval and transfer. Accordingly, could the Government inform the Committee of the following:

- (3) the details of this activity, its current progress and the expected completion time; and
- (4) the amount of expenditure involved since implementing this activity.

Asked by: Hon. FUNG Kin-kee, Frederick

Reply: The department seeks to integrate property related information that is currently held in paper form such as location maps and floor plans into its computerized property database, in order to achieve greater efficiency and effectiveness in its assessment work. The Integrated Property Database system will establish a link to the digital mapping data held by the Lands Department and provide for the capability to store and manage floor plans and other documents containing property data as electronic files. These will facilitate data retrieval and the department's valuation work. The system will also facilitate the production of property market statistics in the department's annual Property Review. Overall, the project will save staff resources on a recurrent basis, resulting in a net deletion of eight posts and achieving an annual savings of \$2.97 million effective from 2003-04.

The system's data transfer and sharing capability also paves the way for possible integration of the department's property data with those held by other departments compiling property data and for the dissemination of such integrated information to the public in future.

Phase 1 of the project, which provides for the digital mapping and document management functions of the system, has already been put into operation on a trial basis since December 2003. Phase 1 and the linking of the data between the department and the Lands Department will be completed by March 2004. Phase 2, which provides for additional functions to facilitate data retrieval, analysis and exchange will be completed by December 2004. The actual expenditure for Phase 1 was \$14.1 million. The estimated expenditure for Phase 2 is \$3.5 million. The integration of property data held by various departments will be subject to further studies by the concerned departments.

Signature \_\_\_\_\_

Name in block letters KENNETH T W PANG

Post Title Commissioner of Rating and Valuation

Date 25.3.2004

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

Reply Serial No.

FSTB(T)067

Question Serial No.

0558

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

Programme: (2) Collection and Billing of Rates and Government Rent

Controlling Officer: Commissioner of Rating and Valuation

Director of Bureau: Secretary for Financial Services and the Treasury

Question : According to the information provided by the Rating and Valuation Department, 6 800 000 Requisition for Particulars of Tenement (“requisition forms” in short) were issued by the department in August last year, requiring the public to provide rental information within 21 days. Up to now, about 18% of them (some 120 000 persons) have not yet returned the requisition forms. Apart from imposing fines on those who delay returning the requisition forms, what policies could be implemented by the department to ensure prompt return of the requisition forms?

Asked by: Hon. HO Chun-yan, Albert

Reply: Under the Rating Ordinance and Government Rent (Assessment and Collection) Ordinance, a person who refuses or neglects to furnish particulars requested in a specified form is liable to a fine upon conviction. The Rating and Valuation Department (RVD) issued 580 000 (not 6 800 000 as mentioned in the question) requisition forms in August 2003 to collect rental information for the General Revaluation. In order to increase the response rate, we highlighted in the forms the statutory requirement for returning them within the specified time, the penalty provision if the forms were not returned, and publicized the requirements through public announcement materials. We also issued reminders in September urging for responses. Up to now, about 82% of the forms have been returned.

We plan to issue warning letter to the repeated defaulters and consider instituting prosecution action if they continue to ignore the statutory requirement.

To further enhance the comprehensiveness of rental information, we are working closely with the Inland Revenue Department to develop a system under which stamp duty payers could supply rental information to RVD at the same time as they file e-stamping applications through electronic means. This will help further enhance RVD's rental information database.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ KENNETH T W PANG

Post Title \_\_\_\_\_ Commissioner of Rating and Valuation

Date \_\_\_\_\_ 24.3.2004

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

Reply Serial No.

FSTB(T)068

Question Serial No.

0688

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

Programme:            (1) Statutory Valuation and Assessments  
                              (3) Provision of Valuation and Property Information Services

Controlling            Commissioner of Rating and Valuation

Officer:

Director of Bureau: Secretary for Financial Services and the Treasury &  
                              Secretary for Housing, Planning and Lands

Question : In order to achieve efficiency savings, some targets are revised downwards (16203: Target to notify the Inland Revenue Department of valuation on stamp duty cases within four months) or the required time of completion is lengthened (16201: Target to notify the ratepayer of the rateable value of a new property within eight months from the date when Rates and/or Government Rent first become payable). Along with the above two changes, is the department also planning other efficiency savings initiatives that will have a direct impact on its service and the users? If it is, what are these initiatives?

Asked by: Hon. SHEK Lai-him, Abraham

Reply:                There is a need to reprioritise our services and reengineer our business processes in order to achieve greater efficiency. Apart from the two mentioned in the Question, other targets will not be adversely affected by our efficiency savings measures to be undertaken in 2004-05.

Signature \_\_\_\_\_

Name in block letters      KENNETH T W PANG

Post Title      Commissioner of Rating and Valuation

Date      24.3.2004



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

Reply Serial No.

FSTB(T)069

Question Serial No.

0697

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

Programme: (1) Statutory Valuation and Assessments

Controlling Officer: Commissioner of Rating and Valuation

Director of Bureau: Secretary for Financial Services and the Treasury

Question : The Rating and Valuation Department is planning to step up enforcement and in accordance with the ordinances, to initiate prosecution against owners who ignore requirements and have not furnished particulars of tenements concerned within the prescribed time. Please provide the details of the plan and the estimated provision for 04-05.

Asked by: Hon. CHAN Kam-lam

Reply: The Rating and Valuation Department issued 580 000 requisition forms in August 2003 to collect rental information for the General Revaluation. In order to increase response rate, we highlighted the statutory requirement for returning the form within the specified time and the penalty provisions in the requisition forms and publicized the requirements in the relevant press release. We issued 126 000 reminders in September last year to ask for return of forms from those who failed to do so within the specified time. Up to now, about 82% of the forms have been returned.

Under the Rating Ordinance and Government Rent (Assessment and Collection) Ordinance, a person who refuses or neglects to furnish particulars requested in a specified form is liable to a fine upon conviction. We will issue a set of fresh forms together with a warning letter to some major defaulters and will consider instituting prosecution action if they still do not comply with the statutory requirement.

The resources for this activity are expected to be insignificant and will be absorbed by existing provision.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ C S WONG

Post Title \_\_\_\_\_ Commissioner of Rating and Valuation  
(Acting)

Date \_\_\_\_\_ 25.3.2004

Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

FSTB(T)070

Question Serial No.

0698

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 : Under the subhead, please advise:

- (a) Although there will be a net reduction of 44 posts in the department for the year 2004-05, why is there an increase in the subhead Allowances under the item Personal Emoluments? Is this related to the item Temporary staff under Departmental Expenses? Is it necessary to employ more temporary staff in the year 2004-05? If yes, why?
- (b)
- (c) Please explain why there is a 16.8% increase of general departmental expenses over the 2003-04 revised estimate.

Asked by: Hon. CHAN Kam-lam

Reply:

- (a) The Allowances under the item Personal Emolument include acting and overtime allowances etc. They are applicable to civil servants only and not related to temporary staff. The number of temporary staff to be hired in 2004-05 is expected to be at a similar level as in 2003-04. The increase in allowances of \$0.982m over the 2003-04 revised estimates is mainly due to the following factors:
  - (i) low spending in acting allowance in 2003-04 due to the unusually low number of officers taking vacation leave that resulted in acting appointments qualifying for acting allowance. This has resulted in a drop in the actual expenditure of acting allowance from \$2.3m in 2002-03 to around \$1.4m only in 2003-04. There is, however, a need to retain sufficient provision in acting allowance in 2004-05 for filling a number of vacancies by acting appointments pursuant to officers leaving the service on normal retirement or completion of agreement in 2004-05. The salary provision related to these posts in 2004-05 is correspondingly reduced; and
  - (ii) low spending in overtime allowance in 2003-04 due to lower than expected needs for overtime input hence overtime allowance. This has resulted in a drop in the actual expenditure of overtime allowance from \$0.8m in 2002-03 to around \$0.4m only in 2003-04. There is, however, a need to retain sufficient provision of overtime allowance in 2004-05 to meet any unexpected surge in workload as the property market is turning more active.
- (b) The provision of \$44.459m for general departmental expenses represents an increase of \$6.405m (16.8%) over the 2003-04 revised estimates. This is mainly due to the postponement of the replacement of equipment due for renewal from 2003-04 to 2004-05 under the department's austerity control in equipment expenditure and also the expected increase in expenditure in publicity campaigns relating to building numbering, landlord and tenant related legislation, etc.

Signature

Name in block letters

KENNETH T W PANG

Post Title

Commissioner of Rating and Valuation

Date

25.3.2004

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

Reply Serial No.

FSTB(T)072

Question Serial No.

1635

Head: 162 Subhead(No. & title):

Programme: (1) Statutory Valuation and Assessment

Controlling Officer: Commissioner of Rating and Valuation

Director of Bureau: Secretary for Financial Services and the Treasury

Question : What is the amount of resources involved in the annual general revaluation? Are there any outside organizations appointed for assistance? If so, what is the amount of expenditure involved?

Asked by: Hon. TIEN Pei-chun, James

Reply: General Revaluations are carried out on an annual basis by in-house staff without hiring outside contractors due to the sensitivity of the exercise. The total costs of the 2004-05 General Revaluation exercise, which involved 2.13 million assessments, was \$32.8 million. This represents a 13% reduction in the per unit cost compared with the situation in 2003-04.

Signature \_\_\_\_\_

Name in block letters KENNETH T W PANG

Post Title Commissioner of Rating and Valuation

Date 25.3.2004

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

Reply Serial No.

FSTB(T)073

Question Serial No.

1658

Head: 162

Subhead(No. & title):

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

Controlling Officer: Commissioner of Rating and Valuation

Director of Bureau: Secretary for Housing, Planning and Lands  
Secretary for Financial Services and the Treasury

Question : The Government expects to develop an Integrated Property Database in the year of 2004-05. Please inform the Committee of the details and expenditure of the plan concerned, implications on the finance and manpower of the Government, and how the above plan could be used by the public.

Asked by: Hon. IP Kwok-him

Reply: The department seeks to integrate property related information that is currently held in paper form such as location maps and floor plans into its computerized property database, in order to achieve greater efficiency and effectiveness in its assessment work. The Integrated Property Database system will establish a link to the digital mapping data held by the Lands Department and provide for the capability to store and manage floor plans and other documents containing property data as electronic files. These will facilitate data retrieval and the department's valuation work. The system will also facilitate the production of property market statistics in the department's annual Property Review. Overall, the project will save staff resources on a recurrent basis, resulting in a net deletion of eight posts and achieving an annual savings of \$2.97 million effective from 2003-04.

The system's data transfer and sharing capability also paves the way for possible integration of the department's property data with those held by other departments compiling property data and for the dissemination of such integrated information to the public in future.

Phase 1 of the project, which provides for the digital mapping and document management functions of the system, has already been put into operation on a trial basis since December 2003. Phase 1 and the linking of the data between the department and the Lands Department will be completed by March 2004. Phase 2, which provides for additional functions to facilitate data retrieval, analysis and exchange will be completed by December 2004. The actual expenditure for Phase 1 was \$14.1 million. The estimated expenditure for Phase 2 is \$3.5 million. The integration of property data held by various departments will be subject to further studies by the concerned departments.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ KENNETH T W PANG

Post Title \_\_\_\_\_ Commissioner of Rating and Valuation

Date \_\_\_\_\_ 25.3.2004

Reply Serial No.

Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

FSTB(T)076

Head : 186 – Transport Department Subhead (No. & title) :

Question Serial No.

Programme : (2) Licensing of Vehicles and Drivers

0025

Controlling Officer : Commissioner for Transport

Director of Bureau : Secretary for Financial Services and Treasury

Question : What is the estimated administrative cost for the Personalised Vehicle Registration Marks (PVRM) Scheme? Has this administrative cost been included in the Estimates? If no, please provide details.

Asked by : Hon. LAU Wai-hing, Emily

Reply : The non-recurrent costs for Transport Department to develop the PVRM Scheme are currently estimated to be around \$8 million, comprising system development and staff costs for establishing the scheme. We are examining the recurrent costs for administering the scheme, which will need to have due regard to the implementation details being developed for the scheme. The system development costs will be absorbed under the Capital Works Reserve Fund and the other costs will be offset by provision under Head 106 Subhead 251/789 Additional commitments of the General Revenue Account.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ ROBERT FOOTMAN

Post Title \_\_\_\_\_ Commissioner for Transport

Date \_\_\_\_\_ 24 March 2004

Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO**  
**INITIAL WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSTB(T)077

Head : 188 Treasury

Subhead (No. & title) : N/A

Question Serial No.

Programme:

0182

Controlling Officer : Director of Accounting Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

52 non-directorate posts will be reduced in 2005. What are the respective title, rank and duties of these posts?

Asked by : Hon. Abraham SHEK

Reply :

We plan to delete 52 non directorate posts in 2004-05 through outsourcing of services, re-engineering of work process, system redevelopment and streamlining of organizational structure.

The respective title, rank and duties of the 52 posts to be deleted in 2004-05 are as follows :

<u>Title/Grade</u>		<u>Rank</u>	<u>Duties</u>
Treasury Accountant	6	Senior Treasury Accountant	) accounting duties in
	7	Treasury Accountant	) financial system
Accounting Officer			) development and
	3	Senior Accounting Officer	) fund management
	5	Accounting Officer I	) matters
	2	Accounting Officer II	)
Secretarial & Clerical	1	Personal Secretary I	providing secretarial support to an Assistant Director
	8	Clerical Officer	) providing clerical support
	17	Assistant Clerical Officer	) on funds management,
	1	Clerical Assistant	) computer support and
			) personnel files matters
Data Processor	1	Data Preparation Supervisor	providing data preparation service

<u><b>Title/Grade</b></u>	<u><b>Rank</b></u>	<u><b>Duties</b></u>
Property Attendant	1 Property Attendant	providing receipt & dispatch and other supporting services
	<u>52</u>	
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Signature	_____
Name in block letters	_____ Mrs Lucia LI _____
Post Title	_____ Director of Accounting Services _____
Date	_____ 24 March 2004 _____



Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSTB (T) 078

Head : 188 Treasury

Subhead (No. & title) : N/A

Question Serial No.

Programme:

0183

Controlling Officer : Director of Accounting Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

What are the means the Department is going to adopt to achieve the staff cut?

Asked by : Hon. Abraham SHEK

Reply :

We plan to achieve the staff cut through re-engineering work processes, streamlining organizational structure and outsourcing. Specifically, these measures include re-engineering of work process under the new Treasury Payroll System and the redevelopment of other Treasury's systems, outsourcing of the Government Financial Management and Information System replacement project, contracting out of the postal remittance service and the bond investment activities as well as streamlining of organizational structure through delayering and regrouping of duties.

Signature

Name in block letters

Post Title

Date

Mrs Lucia LI

Director of Accounting Services

24 March 2004

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

Reply Serial No.

FSTB(T)079

Head : 188 Treasury

Subhead (No. & title) :

Question Serial No.

Programme : (4) Management of Funds

0711

Controlling Officer : Director of Accounting Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Please account for the substantial rise in the amount of estimated funds to be invested in 2004-05 for the Grant and Subsidized Schools Provident Funds, the Quality Education Fund, the Sir David Trench Fund for Recreation and the Beat Drugs Fund.

Asked by : Hon. CHAN Kam-lam

Reply :

The change is a reflection of the Treasury's continuing efforts to progressively outsource its fund investment activities. The substantial rise in the amounts of funds to be invested by portfolio managers is offset by a corresponding decrease in the amounts to be invested by the Treasury's in-house team. Overall, the total amount of the various funds in 2004 remains comparable to that of 2003.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Mrs Lucia LI

Post Title \_\_\_\_\_ Director of Accounting Services

Date \_\_\_\_\_ 24 March 2004

Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSTB(T)080
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Head : 188 Treasury

Question Serial No.

Subhead (No. & title) : 000 Operational expenses

0712
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Programme:

Controlling Officer : Director of Accounting Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

In regard to the Subhead in question, please advise us of the following :

- (1) Under the item of Personal Emoluments, the estimated provisions for Salaries, Allowances and Job-related allowances see a decrease and yet the estimated expenditure for Mandatory Provident Fund contribution continues to increase. What is the reason for this increase?
- (2) Under the item of Departmental Expenses, why have General departmental expenses increased from \$112m in 2003-04 to \$141m as estimated for 2004-05?

Asked by : Hon. CHAN Kam-lam

Reply :

- (a) The reduced provision for Salaries, Allowances and Job-related allowances reflects the planned deletion of 52 permanent posts in 2004-05. On the other hand, the increased provision of \$37,000 for Mandatory Provident Fund (MPF) contribution in 2004-05 is to cater for the MPF payment for three officers who have reached maximum pension status and have since retired and have been re-employed on agreement terms until their retirement age.
- (b) The increase in provision of \$29m is attributed mainly to the following:
  - (a) Additional provision for the recurrent cost for replacement of the Government Financial Management and Information System (GFMIS);
  - (b) Rescheduling of some of the tasks of the GFMIS project to 2004-05;
  - (c) Additional provision for employment of contract staff on a temporary basis to cover ad hoc assignments for system redevelopment projects;
  - (d) Adjustment for lower-than-expected expenditure on payment to collection agents in 2003-04 as a result of rates and water charges concession;

- (e) Additional provision on payment to collection agents due to an anticipated increase in the number of collections resulting from the closing of two Inland Revenue Department collection offices; and
- (f) Additional provision for the recurrent cost for redevelopment of Payroll System.

Signature

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Name in block letters

Mrs Lucia LI

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Post Title

Director of Accounting Services

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Date

25 March 2004

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Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO**  
**INITIAL WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSTB(T)081

Head : 188 Treasury

Question Serial No.

Subhead (No. & title) : 000 Operational expenses

0713

Programme:

Controlling Officer : Director of Accounting Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

As regards the 52 posts to be deleted in the Treasury's establishment in 2004-05, how many of these deletions are retirement-related? What is the estimated number of supernumerary posts to be created under Programme (3) to accommodate officers on pre-retirement leave? What is the approximate expenditure involved? Please also indicate the estimated number of additional contract staff to be employed and the causes for that.

Asked by : Hon. CHAN Kam-lam

Reply :

Among the 52 post deletions, 23 post holders are going to retire from the civil service either under the Second Voluntary Retirement Scheme or at their normal retirement age. An estimated number of eight supernumerary posts will need to be created under Programme (3) to accommodate officers on pre-retirement leave at the cost of about \$3.8m. While no additional contract staff will be required for duties related to the posts to be deleted, it is estimated that about eight additional contract staff will be employed on a temporary basis in 2004-05 to take up other ad hoc assignments.

Signature

Name in block letters

Post Title

Date

Mrs Lucia LI

Director of Accounting Services

24 March 2004

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

FSTB(T)082

Head :188-Treasury

Subhead :

Question Serial No.

Programme : (1) Central Accounting, Collections and Payments

0762

Controlling Officer : Director of Accounting Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question : Under "Matters Requiring Special Attention in 2004-05", it is stated that the Treasury will co-ordinate the preparation of a second set of Government's annual accounts on accrual basis. In this regard, please provide details of the preparation of accounts on accrual basis and the estimated total expenditure involved.

Asked by : Hon. LI Ka-cheung, Eric

Reply : The Treasury will continue to co-ordinate the preparation of the accrual-based Government accounts for 2003-04. We aim to publish these accounts in October this year.

The recurrent cost of compiling the accrual-based accounts, including, among other things, the maintenance of asset registers and preparation of departmental cost statements, is about \$9 million a year. In addition, we have completed a project to assess the Government's liabilities under various pension schemes for civil servants and judicial officers at the cost of \$0.87 million, and another project is in progress to value Government-owned buildings at an estimated total cost of \$1.19 million which is funded under Head 25 Architectural Services Department.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Mrs Lucia LI

Post Title \_\_\_\_\_ Director of Accounting Services

Date \_\_\_\_\_ 25 March 2004

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

FSTB(T)083

Head :188-Treasury

Subhead :

Question Serial No.

Programme : (1) Central Accounting, Collections and Payments

1170

Controlling Officer : Director of Accounting Services

Director of Bureau : Secretary for Financial Services and the Treasury

Question : In this programme, does the Treasury scrutinize and analyze the 02-03 actual expenditure, 03-04 revised estimate and 04-05 estimate of each of the following expenditure items of all bureaux, branches and departments : (1) telephone rental charges, (2) telephone charges, (3) telegrams and private communication network charges, (4) overseas duty visits, (5) official entertainment expenses, (6) postage, (7) photocopying and duplicating charges, (8) advertisement expenses, and (9) printing charges ? If so, please provide relevant details. How does the authority assess whether the relevant expenditure is appropriate?

Asked by : Hon. SIN Chung-kai

Reply : According to the accounting records available in the Treasury, the 2002-03 actual expenditure for all bureaux and departments in these respects are analysed in the Annex attached. We do not have the figures on the 2003-04 revised estimates and 2004-05 draft estimates for these expenditure items. All the above expenditure items are paid from expenditure heads of bureaux and departments, under the purview of relevant Controlling Officers. The Treasury does not perform a vetting role over these expenditures.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Mrs Lucia LI

Post Title \_\_\_\_\_ Director of Accounting Services

Date \_\_\_\_\_ 25 March 2004

**Annex to FSTB(T)083 (Q1170)**

**2002-03 Actual Expenditure**

<b>Expenditure Item</b>	<b>\$ '000</b>
Telephone rental charges	177,049
Telephone charges	19,893
Telegrams and private communication network charges	52,944
Overseas duty visits	72,871
Official entertainment expenses	20,250
Postage	29,403
Photocopying and duplicating charges	32,905
Advertisement expenses	21,410
Printing charges	165,580