

## Head 152 — GOVERNMENT SECRETARIAT: COMMERCE, INDUSTRY AND TECHNOLOGY BUREAU (COMMERCE AND INDUSTRY BRANCH)

**Controlling officer:** the Permanent Secretary for Commerce, Industry and Technology (Commerce and Industry) will account for expenditure under this Head.

<b>Estimate 2005–06</b> .....	<b>\$498.0m</b>
<b>Establishment ceiling 2005–06</b> (notional annual mid-point salary value) representing an estimated 101 non-directorate posts as at 31 March 2005 reducing by three posts to 98 posts as at 31 March 2006. ....	<b>\$35.9m</b>
In addition, there will be an estimated ten directorate posts as at 31 March 2005 and as at 31 March 2006.	
<b>Commitment balance</b> .....	<b>\$69.4m</b>

### Controlling Officer's Report

#### Programmes

<b>Programme (1) Director of Bureau's Office</b>	This programme contributes to Policy Area 27: Intra-Governmental Services (Secretary for Commerce, Industry and Technology).
<b>Programme (2) Commerce and Industry Programme (3) Subvention: Hong Kong Trade Development Council</b>	These programmes contribute to Policy Area 6: Commerce and Industry (Secretary for Commerce, Industry and Technology).

#### Detail

##### Programme (1): Director of Bureau's Office

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	<b>2005–06 (Estimate)</b>
Financial provision (\$m)	8.0	6.6	6.6 (—)	<b>6.6 (—)</b>
				(or same as 2004–05 Original)

#### Aim

- 2 The aim is to ensure the smooth operation of the Office of the Secretary for Commerce, Industry and Technology.

#### Brief Description

3 The Office of the Secretary for Commerce, Industry and Technology is responsible for providing administrative support to the Secretary for Commerce, Industry and Technology in carrying out his duties. The work includes the planning, co-ordination and implementation of all arrangements for the Secretary's public, media and community functions.

##### Programme (2): Commerce and Industry

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	<b>2005–06 (Estimate)</b>
Financial provision# (\$m)	98.4	151.5	148.2 (–2.2%)	<b>150.2 (+1.3%)</b>
				(or –0.9% on 2004–05 Original)

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# All the figures set out above include provisions for the subscription to the World Trade Organization (WTO) and subvention to the Hong Kong-Japan Business Co-operation Committee transferred from Head 106—Miscellaneous Services and the former Head 176—Subventions: Miscellaneous with effect from 2004–05. They exclude provisions attributed to the honoraria for members of the Review Body on Bid Challenges and subscriptions to the Asia-Pacific Economic Cooperation (APEC) and the Pacific Economic Cooperation Council (PECC) which have been transferred to Head 181—Trade and Industry Department with effect from 2004–05. They also exclude provisions incurred by the former Division 4 which have been transferred to Head 142—Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary for the setting up of the Economic Analysis and Business Facilitation Unit under the Financial Secretary's Office with effect from 1 June 2004.

### ***Aim***

4 The aims are to encourage Hong Kong's trading partners, through multilateral, regional and bilateral means, to remove barriers to trade; to promote international business confidence in Hong Kong; to develop Hong Kong as a competitive and knowledge-based economy by increasing the added value and productivity of Hong Kong's industries and enhancing the long-term competitiveness of small and medium enterprises (SMEs); to foster our trading and investment ties with the Mainland and support our businesses in seizing the opportunities created by the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA); to attract external direct investment to Hong Kong; to maintain a modern and comprehensive intellectual property protection regime which complies fully with international standards; and to promote and support Hong Kong's services industries.

### ***Brief Description***

5 The Commerce and Industry Branch's main responsibilities under this programme are to:

- enhance the mutually beneficial economic relationship between the HKSAR and the Mainland through CEPA;
- strive for the maximum market access for Hong Kong's products and services through active and constructive participation in the multilateral trading system, including the new round of WTO trade negotiations;
- institute measures and arrangements to facilitate international trade and gain market access for Hong Kong's products and services;
- formulate policies on trade promotion;
- formulate policies to attract more external direct investment to Hong Kong;
- formulate policies to support SMEs;
- provide support to local businesses operating in the Mainland, particularly those in Guangdong, with which we see a strategic partner relationship in trade and investment promotion;
- foster friendship and understanding between the business communities of Hong Kong and our major markets;
- formulate policies on protection of intellectual property rights; and
- administer the Professional Services Development Assistance Scheme to help enhance the external competitiveness and standard of professional services.

6 During 2004–05, the Branch:

- successfully concluded the consultations with the Mainland on the second phase of CEPA and liaised with the Mainland authorities to ensure the smooth implementation of CEPA;
- participated actively in the APEC for the implementation of action plans to achieve the goal of free and open trade and investment in the Asia Pacific region by the year 2020;
- participated actively in the WTO, including the new round of trade negotiations, with a view to gaining greater market access for Hong Kong's products and services, and successfully obtained the agreement of WTO Members to hold the Sixth WTO Ministerial Conference in Hong Kong in December 2005;
- participated actively in the PECC to promote economic growth and development in the Pacific region;
- brought the Chemical Weapons (Convention) Ordinance into full operation in Hong Kong;
- continued preparation for the establishment of a new exhibition and convention centre in Hong Kong;
- formulated and monitored the implementation of inward investment promotion policies, particularly in relation to promoting Hong Kong as part of the Greater Pearl River Delta Region;
- strengthened communication and co-operation with the Mainland authorities on trade and investment issues through frequent contact with the trade and investment promotion agencies at the central and provincial/municipal levels;
- commenced the operation of the Copyright (Amendment) Ordinance 2004 which tightens criminal sanction against illicit copying by copy-shops;

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- reviewed the scope of criminal liability for end-user piracy and a number of other provisions in the Copyright Ordinance and conducted a public consultation after the review;
- monitored the e-business development of the Intellectual Property Department which included web-based searches, e-publications and e-filing of applications for trademark, patent and registered design;
- organised a number of programmes to promote understanding of Hong Kong's service economy and awareness of the importance of quality services among the local community;
- managed the Professional Services Development Assistance Scheme;
- introduced the Trade Descriptions (Amendment) Bill 2004 to improve the flexibility of applying the Trade Descriptions Ordinance;
- completed the necessary legislative amendments to mandate electronic submission of cargo manifests for the rail and air modes of transport;
- explored further proposals for electronic submission of advance information and manifests for cargoes carried by the road mode of transport across the land boundary;
- provided advice to local stakeholders on the requirements of Canada's Advance Commercial Information Initiative;
- implemented the Container Security Initiative in respect of US-bound cargo; and
- concluded agreements with the existing service provider on the provision of Government Electronic Trading Services for Certificate of Origin and Production Notification for 2005 to 2008, and for Textiles Trader Registration Scheme Notifications for 2005.

### ***Matters Requiring Special Attention in 2005–06***

7 During 2005–06, the Branch will:

- continue to promote a free, open and non-discriminatory multilateral trading system through active participation in the work of the WTO;
- participate actively and constructively in the new round of multilateral trade negotiations;
- prepare for and host the Sixth WTO Ministerial Conference in Hong Kong in December 2005;
- continue to work together with the Mainland authorities to ensure the smooth and effective implementation of CEPA;
- engage the Mainland authorities in discussion of further liberalisation and greater market access for Hong Kong products and services into the Mainland market under CEPA;
- continue to work towards the APEC goal of free and open trade and investment in the Asia Pacific region by 2020;
- continue to monitor the development of regional economic integration, and explore with trading partners possible ways of enhancing economic co-operation;
- continue to promote economic growth and development in the Pacific region through active participation in the PECC;
- continue to monitor the implementation of the international certification scheme for rough diamonds;
- continue to monitor the implementation of the Chemical Weapons Convention in Hong Kong;
- continue to formulate policies and monitor programmes on inward investment promotion, especially in relation to positioning Hong Kong as part of the Greater Pearl River Delta Region and attracting Mainland enterprises to invest in Hong Kong;
- review the SME funding schemes in light of recommendations of the SME Committee;
- continue to strengthen communication and co-operation with the Mainland authorities on trade and investment through the platform of CEPA and through more frequent contact with the Mainland authorities concerned at both the central and provincial/municipal levels;
- prepare legislative proposals to improve the Copyright Ordinance in the light of the views received from the public consultation on the review of the scope of criminal liability for end-user piracy and a number of other issues;
- continue to organise programmes to promote understanding of Hong Kong's service economy and awareness of the importance of quality services among the local community;
- continue to manage the Professional Services Development Assistance Scheme;
- undertake necessary preparatory work to bring forward electronic submission of advance cargo information for cargoes carried by the road mode of transport across the land boundary;
- continue to implement the Container Security Initiative in respect of US-bound cargo;

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- continue to work with stakeholders on full migration to electronic submission of cargo manifests for the water mode of transport; and
- continue to monitor the smooth operation of Government Electronic Trading Services.

### Programme (3): Subvention: Hong Kong Trade Development Council

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	<b>2005–06 (Estimate)</b>
Financial provision# (\$m)	376.0	354.7	354.7 (—)	<b>341.2</b> (–3.8%)
				(or –3.8% on 2004–05 Original)

# The figures include the provision for subvention to the Hong Kong Trade Development Council (HKTDC) transferred from the former Head 177—Subventions: Non-Departmental Public Bodies with effect from 2004–05.

#### *Aim*

8 The aim is to facilitate the HKTDC to perform its statutory functions, i.e. to promote, assist and develop Hong Kong's trade with places outside Hong Kong, with particular reference to exports; and to make such recommendations to the Government as it sees fit in relation to any measures which it considers would achieve an increase in Hong Kong's trade.

#### *Brief Description*

9 HKTDC is the statutory organisation that promotes Hong Kong's external trade. With a global network of 42 offices in 27 countries, HKTDC:

- creates global marketing and sales opportunities for Hong Kong's merchandise and service industries through its international trade promotion events, trade fairs in Hong Kong and product/service magazines;
- connects Hong Kong companies with potential buyers and sellers around the world through its databank and trade-matching services;
- provides business information and market intelligence through a wide range of services, including its internet portal;
- enhances and promotes the capability of Hong Kong industries through comprehensive development/training programmes, international image/brand-name promotion activities and a Design Gallery to showcase innovative Hong Kong products; and
- reinforces Hong Kong as a global marketplace in the Asia-Pacific region through corporate relations and business promotion activities around the world, including support for five bilateral committees and 30 Hong Kong business associations in major markets.

10 The key performance measures in respect of promoting Hong Kong's external trade are:

#### *Indicators*

	2003 (Actual)	2004 (Actual)	<b>2005 (Estimate)</b>
trade & services promotion			
events.....	259	311	<b>324</b>
companies participating.....	21 879	29 415	<b>29 840</b>
local fairs			
no. of overseas buyers.....	155 643	227 604	<b>233 255</b>
no. of fairs.....	22	23	<b>23</b>
trade enquiries@			
no. of enquiries worldwide.....	9 176 236	11 971 830	<b>N.A.</b>
average no. of trade enquiries processed per minute.....	84.4	110.1	<b>N.A.</b>
business-matching enquiries worldwide@			
automated business-matching.....	4 021 079	5 435 366	<b>6 400 000</b>
customised business-matching.....	44 910	45 262	<b>45 500</b>
trade publications			
worldwide circulation (m).....	2.25	2.23	<b>2.2</b>
no. of advertisements.....	39 669	38 399	<b>40 000</b>
no. of issues.....	102	90	<b>90</b>

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	2003 (Actual)	2004 (Actual)	2005 (Estimate)
trade portal (tdctrade.com)§			
average daily user sessions .....	—	90 000	<b>100 000</b>

@ The indicator “trade enquiries” is replaced by a new indicator “business-matching enquiries worldwide” which reflects more accurately the process of selection and referral of Hong Kong companies to their counterparts around the world. The new indicator “business-matching enquiries worldwide” reflects enquiry sessions, rather than searches within an enquiry session.

§ In view of the growing importance of the on-line channel as a means for promoting Hong Kong’s external trade, a new performance indicator is introduced to measure the effectiveness of the HKTDC’s trade portal, tdctrade.com. The number of average daily user sessions represents the average number of users per day accessing the trade portal for its content and services.

***Matters Requiring Special Attention in 2005–06***

**11** During 2005–06, HKTDC will:

- increase Hong Kong’s lead as the region’s premier trade and sourcing hub by drawing in more overseas and Mainland SMEs; transform its largest trade fairs into global leaders, both physically and through on-line versions; and develop its trade portal, tdctrade.com, into an unparalleled on-line marketing platform for Hong Kong’s companies;
- kindle demand for Hong Kong’s goods and services in the Mainland and priority emerging markets; promote Hong Kong as a trendsetter of style and fashion in the Mainland by helping more Hong Kong companies to market their goods and services in the Mainland for the first time through CEPA and to move up the value chain by establishing brands; and enable Hong Kong companies to reduce their reliance on increasingly-competitive traditional markets by breaking into key emerging markets around the world; and
- maximise HKTDC’s value to the world’s SMEs through community outreach and strategic deployment of resources, providing the Hong Kong public with the information they need to make informed judgments about the true value of external trade to Hong Kong; reposition some of its consumer fairs as events that are supported by, and beneficial to, the local community as a whole; enhance the quality and depth of its services to maximise customer satisfaction; and redeploy resources from less urgent to more pressing areas of its work to achieve maximum efficiency in the use of resources.

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**ANALYSIS OF FINANCIAL PROVISION**

<b>Programme</b>	2003-04 (Actual) (\$m)	2004-05 (Original) (\$m)	2004-05 (Revised) (\$m)	<b>2005-06 (Estimate) (\$m)</b>
(1) Director of Bureau's Office.....	8.0	6.6	6.6	<b>6.6</b>
(2) Commerce and Industry .....	98.4	151.5	148.2	<b>150.2</b>
(3) Subvention: Hong Kong Trade Development Council.....	376.0	354.7	354.7	<b>341.2</b>
	482.4	512.8	509.5 (-0.6%)	<b>498.0</b> <b>(-2.3%)</b>
				<b>(or -2.9% on 2004-05 Original)</b>

**Analysis of Financial and Staffing Provision**

**Programme (1)**

Provision for 2005-06 is the same as the revised estimate for 2004-05.

**Programme (2)**

Provision for 2005-06 is \$2.0 million (1.3%) higher than the revised estimate for 2004-05. This is mainly due to the increased requirement for the subscription to WTO and the slight increase in cash flow requirement for a non-recurrent item, partly offset by the full-year effect of the 2005 civil service pay cut, reduced operating expenses to achieve efficiency savings and a net deletion of three posts in 2005-06.

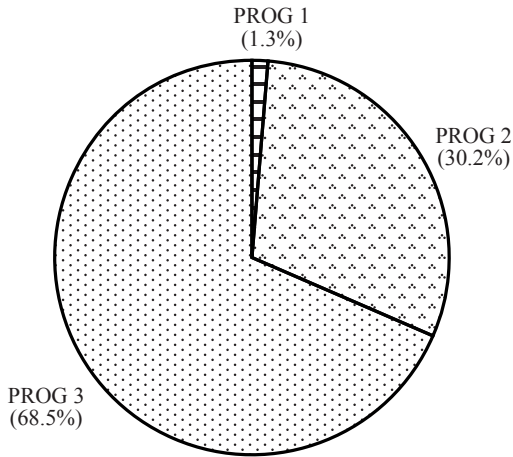
**Programme (3)**

Provision for 2005-06 is \$13.5 million (3.8%) lower than the revised estimate for 2004-05. In view of the Government's budgetary constraints, the Government agreed with HKTDC in 2002 to suspend the funding arrangement agreed in 2001 under which the annual subvention for HKTDC was set at 60% of the total amount of the trade declaration charge on imports, domestic exports and re-exports received in the preceding financial year. The subvention to HKTDC in 2005-06 will be \$341.2 million, or 3.8% lower than the revised estimate for 2004-05, in order to achieve further savings. This amount is less than what HKTDC would have otherwise obtained under the agreed funding arrangement.

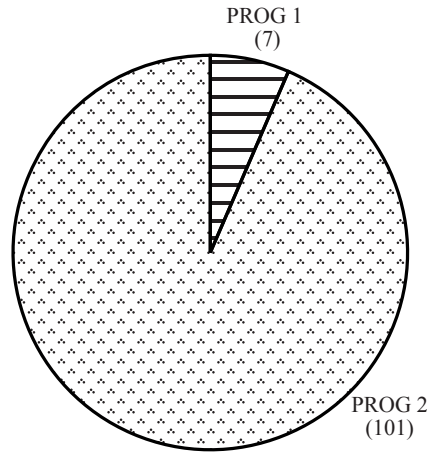
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*Allocation of provision to programmes (2005-06)*

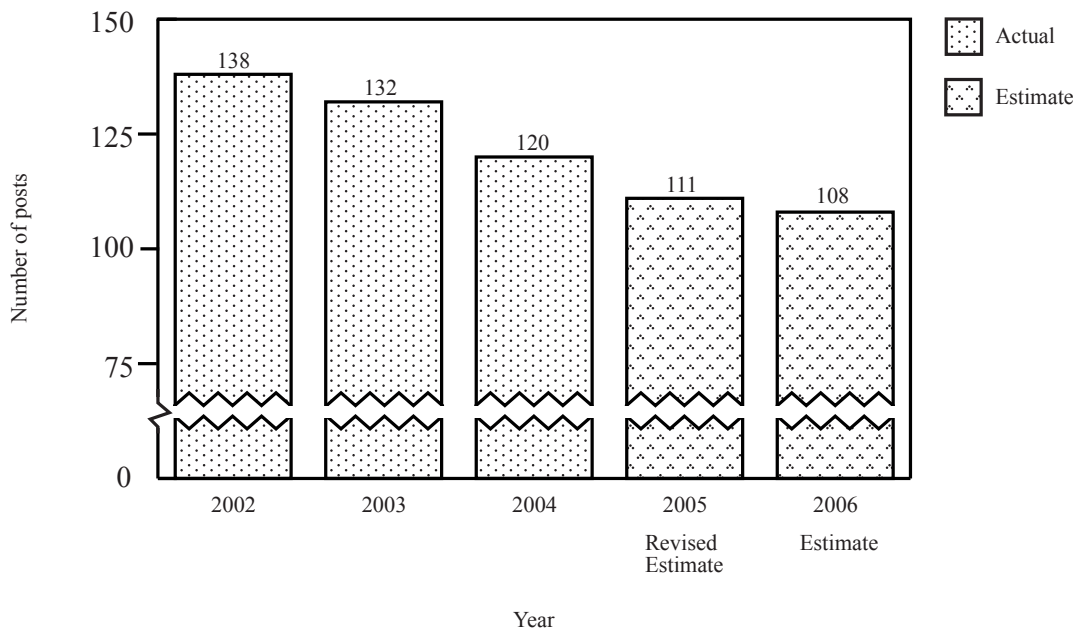


*Staff by programme (as at 31 March 2006)*



(No government staff under PROG 3)

*Changes in the size of the establishment (as at 31 March)*



*Note:* The net reduction of nine posts between March 2004 and March 2005 includes the transfer of ten posts under the former Division 4 of Commerce and Industry Branch to the Financial Secretary's office with effect from 1 June 2004.

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Sub-head (Code)	Actual expenditure 2003-04	Approved estimate 2004-05	Revised estimate 2004-05	<b>Estimate 2005-06</b>	
	\$'000	\$'000	\$'000	\$'000	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses .....	81,552	501,621	491,586	<b>478,629</b>
	Total, Recurrent .....	<u>81,552</u>	<u>501,621</u>	<u>491,586</u>	<u><b>478,629</b></u>
Non-Recurrent					
700	General non-recurrent .....	7,789	19,814	19,000	<b>19,400</b>
	Minor consultancy studies (block vote) .....	3,116	10,000	—	—
	Total, Non-Recurrent .....	<u>10,905</u>	<u>29,814</u>	<u>19,000</u>	<u><b>19,400</b></u>
	Total, Operating Account .....	<u>92,457</u>	<u>531,435</u>	<u>510,586</u>	<u><b>498,029</b></u>
<hr/>					
	Total Expenditure .....	<u><u>92,457</u></u>	<u><u>531,435</u></u>	<u><u>510,586</u></u>	<u><u><b>498,029</b></u></u>



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### Details of Expenditure by Subhead

The estimate of the amount required in 2005–06 for the salaries and expenses of the Commerce and Industry Branch is \$498,029,000. This represents a decrease of \$12,557,000 against the revised estimate for 2004–05 and an increase of \$405,572,000 over actual expenditure in 2003–04.

#### Operating Account

##### Recurrent

2 Provision of \$478,629,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Commerce and Industry Branch.

3 The establishment as at 31 March 2005 will be 111 permanent posts. It is expected that there will be a net deletion of three posts in 2005–06. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2005–06, but the notional annual mid-point salary value of all such posts must not exceed \$35,932,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2003–04 (Actual) (\$'000)	2004–05 (Original) (\$'000)	2004–05 (Revised) (\$'000)	2005–06 (Estimate) (\$'000)
Personal Emoluments				
- Salaries .....	59,821	62,070	51,614	50,870
- Allowances .....	2,249	1,679	2,413	3,017
- Job-related allowances .....	2	4	4	4
Personnel Related Expenses				
- Mandatory Provident Fund contribution .....	54	48	60	72
- Disturbance allowance .....	—	241	—	—
Departmental Expenses				
- Honoraria for members of committees .....	1,159	—	—	—
- General departmental expenses .....	17,425	44,884	44,800	42,462
Other Charges				
- Subscription to APEC .....	715	—	—	—
- Subscription to WTO .....	—	34,347	34,347	37,358
- Subscription to PECC .....	127	—	—	—
Subventions				
- Hong Kong-Japan Business Co-operation Committee .....	—	3,610	3,610	3,610
- HKTDC .....	—	354,738	354,738	341,236
	81,552	501,621	491,586	478,629

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**Commitments**

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2004	Revised estimated expenditure for 2004–05	Balance
			\$'000	\$'000	\$'000	\$'000
<b><i>Operating Account</i></b>						
700		<i>General non-recurrent</i>				
	012	Professional Services Development Assistance Scheme .....	100,000	12,384	19,000	68,616
	685	Development of Hong Kong's assessment capabilities for the operation of strategic trade controls ..	4,000	3,186	—	814
		Total .....	<u>104,000</u>	<u>15,570</u>	<u>19,000</u>	<u>69,430</u>