

## Head 31 — CUSTOMS AND EXCISE DEPARTMENT

**Controlling officer:** the Commissioner of Customs and Excise will account for expenditure under this Head.

<b>Estimate 2006–07</b> .....	<b>\$1,975.4m</b>
<b>Establishment ceiling 2006–07</b> (notional annual mid-point salary value) representing an estimated 4 920 non-directorate posts as at 31 March 2006 rising by 621 posts to 5 541 posts as at 31 March 2007 .....	<b>\$1,521.7m</b>
In addition, there will be an estimated nine directorate posts as at 31 March 2006 and as at 31 March 2007.	
<b>Commitment balance</b> .....	<b>\$0.2m</b>

### Controlling Officer's Report

#### Programmes

<b>Programme (1) Control and Enforcement</b>	This programme contributes to Policy Area 6: Commerce and Industry (Secretary for Commerce, Industry and Technology), Policy Area 9: Internal Security (Secretary for Security) and Policy Area 25: Revenue Collection and Financial Control (Secretary for Financial Services and the Treasury).
<b>Programme (2) Anti-narcotics Investigation</b>	This programme contributes to Policy Area 9: Internal Security (Secretary for Security).
<b>Programme (3) Intellectual Property Rights and Consumer Protection</b>	This programme contributes to Policy Area 4: Posts, Power, Competition Policy and Consumer Protection (Secretary for Economic Development and Labour) and Policy Area 6: Commerce and Industry (Secretary for Commerce, Industry and Technology).
<b>Programme (4) Revenue Protection and Collection</b>	This programme contributes to Policy Area 25: Revenue Collection and Financial Control (Secretary for Financial Services and the Treasury).
<b>Programme (5) Trade Controls</b>	This programme contributes to Policy Area 6: Commerce and Industry (Secretary for Commerce, Industry and Technology).

#### Detail

##### Programme (1): Control and Enforcement

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	<b>2006–07 (Estimate)</b>
Financial provision (\$m)	1,139.3	1,138.7	1,137.5 (–0.1%)	<b>1,291.2</b> (+13.5%)
				(or +13.4% on 2005–06 Original)

#### Aim

2 The aims are to prevent and detect the smuggling of contraband, including narcotics, firearms, strategic goods, dutiable commodities, articles which infringe copyright or trade descriptions, and any other articles the importation or exportation of which is prohibited by law, through action at control points and through regular land and maritime patrols within the territory of Hong Kong.

#### Brief Description

3 The Customs and Excise Department is the primary agency responsible for the suppression of smuggling activities and is an integral member of the Joint Police/Customs Anti-smuggling Task Force formed to combat smuggling activities at sea. The Department also acts as the front-line agency to prevent importation and exportation of any articles which are prohibited by law concerning security, public health and environmental protection or in fulfilling international obligations. The enforcement work includes:

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- monitoring both the import and export of goods and the licensing of the movement of prohibited and prescribed articles as stipulated in the Import and Export Ordinance;
  - conducting primary checks on passengers, crew, cargoes, postal parcels, aircraft, vessels and vehicles, and secondary examination of those considered high risk, in order to detect contraband, controlled items and other violations of the law;
  - conducting regular maritime and land patrols within Hong Kong's territorial boundaries to detect and suppress violations of customs law and other illegal activities;
  - providing sustained intelligence support to anti-smuggling enforcement actions through the work of the Intelligence Bureau; and
  - inspecting and verifying licences and manifests in order to control the import and export of prohibited articles and the carriage of prescribed articles.
- 4 The performance targets for 2005 were generally achieved.
- 5 The key performance measures are:

### *Targets*

	Target	2004 (Actual)	2005 (Actual)#	2006 (Plan)
issuing licences for prescribed articles within 14 working hours upon receipt of applications (%) .....	100	100	100	<b>100</b>
clearing detained sea cargo within five working days from date of request (%) ..	100	100	100	<b>100</b>
clearing detained air cargo within 80 minutes from time of request (%) .....	100	100	100	<b>100</b>
clearing detained rail cargo within 60 minutes from time of request (%) .....	100	100	100	<b>100</b>
clearing passengers within 15 minutes upon queuing up for customs clearance (except those selected for further examination) (%) .....	100	100	100	<b>100</b>
clearing vehicles crossing the land boundary within 60 seconds (except those selected for further examination) (%) .....	100	100	100	<b>100</b>

# Figures for 2005 are provisional and subject to adjustment.

### *Indicators*

	2004 (Actual)	2005 (Actual)#	2006 (Estimate)
carriage licences issued .....	1 877 <sup>Ψ</sup>	1 091	<b>1 090</b>
seizure cases .....	53 086	55 101	—@
value of seizures (\$m)			
dutiable commodities¶.....	25.2	32.6	—@
articles other than dutiable commodities .....	326.0	304.1	—@
conveyance used for smuggling (e.g. vehicles, speedboats, small crafts, etc.) .....	7.1	5.8	—@
persons compounded for offences relating to illicit cigarettes .....	2 527	3 746	—@

# Figures for 2005 are provisional and subject to adjustment.

Ψ The figure includes 305 import and export licences. All import and export licence requirements under this programme area have been removed under the Import and Export (Facilitation) Ordinance 2003 which came into operation on 8 January 2004.

@ Not possible to estimate.

¶ Denotes cases detected at all entry and exit points but excluding those taken over for in-depth investigation which are reflected in Programme (4).

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### *Matters Requiring Special Attention in 2006–07*

6 During 2006–07, the Department will:

- continue to take proactive action against smuggling through intelligence-led operations and closer co-operation with the Mainland authorities;
- continue to improve clearance services to facilitate efficient passenger and cargo flows across the boundary; and
- ensure new control points are in readiness for the commissioning of the Hong Kong–Shenzhen Western Corridor and the Sheung Shui to Lok Ma Chau Spur Line.

### **Programme (2): Anti-narcotics Investigation**

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	<b>2006–07 (Estimate)</b>
Financial provision (\$m)	128.1	126.2	124.9 (–1.0%)	<b>123.4</b> (–1.2%)
				(or –2.2% on 2005–06 Original)

### *Aim*

7 The aims are to suppress illicit trafficking in and abuse of dangerous drugs, to combat money laundering and to prevent diversion of controlled chemicals for the illicit manufacture of dangerous drugs.

### *Brief Description*

8 The Department is responsible for investigating and detecting the illegal import, export, manufacture, distribution and abuse of dangerous drugs. It conducts financial investigations to trace the assets of drug traffickers and initiates confiscation proceedings in respect of drug-related assets. It also exercises licensing control on the import, export and transshipment of controlled chemicals and conducts investigations to prevent and detect their illicit diversion.

9 The Department co-operates with other Customs administrations and law enforcement agencies outside Hong Kong to combat international drug trafficking and money laundering, and to prevent illicit diversion of controlled chemicals. This work includes:

- surveillance, investigations and operations to combat organised drug syndicates and individual drug offenders;
- identification and confiscation of drug-related assets derived from offences committed in or outside Hong Kong;
- liaison and co-operation with drug enforcement agencies and other competent authorities in or outside Hong Kong in the suppression of international drug trafficking and illicit diversion of controlled chemicals; and
- collection, collation and exchange of intelligence with law enforcement agencies in or outside Hong Kong.

10 The performance targets for 2005 were generally achieved.

11 The key performance measures are:

### *Targets*

	Target	2004 (Actual)	2005 (Actual)#	<b>2006 (Plan)</b>
issuing authorisation for import/export of chemicals (as listed in Schedule 1 or 2 of the Control of Chemicals Ordinance) within ten working days upon receipt of applications (%).....	100	100	100	<b>100</b>
issuing authorisation for export of any chemicals listed in Schedule 3 of the Control of Chemicals Ordinance to any country specified in the same Schedule within ten working days upon receipt of applications (%) .....	100	100	100	<b>100</b>
issuing approval for storing/keeping any chemicals listed in Schedule 1 or 2 of the Control of Chemicals Ordinance within five working days upon receipt of applications (%) .....	100	100	100	<b>100</b>

# Figures for 2005 are provisional and subject to adjustment.

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### Indicators

	2004 (Actual)	2005 (Actual)#	2006 (Estimate)
drug abusers reported to the Central Registry of Drug Abuse maintained by Security Bureau .....	14 714	11 785φ	—@
average purity of heroin (%) (indicative of availability) .....	61.8	50.4	—@
average retail price of heroin (\$ per gram) .....	358.7	345.1	—@
dangerous drugs seized in Hong Kong			
seizures cases .....	710	649	—@
narcotics seized			
heroin (kg) .....	9.2	16.3	—@
psychotropic drugs seized			
cocaine (kg) .....	12.8	4.2	—@
cannabis (kg) .....	102.6	102.4	—@
MDMA (ecstasy) (tablet) .....	106 434	1 808	—@
methylamphetamine (ice) (kg) .....	9.3	19.0	—@
ketamine (kg) .....	4.3	242.1	—@
dangerous drugs seized outside Hong Kong (kg) (as a result of customs co-operation with agencies outside Hong Kong) .....	774.2	10.8	—@
persons arrested outside Hong Kong (as a result of customs co-operation with agencies outside Hong Kong) .....	37	20	—@
assets of drug traffickers (\$m)			
restrained .....	0.96	1.64	—@
confiscated .....	0	0.46	—@
poisons/anti-biotics seized in Hong Kong			
seizure cases .....	55	75	—@
quantity (kg) .....	2 131.3	1 304.8	—@
quantity (tablet) .....	52 053	42 869	—@

# Figures for 2005, unless otherwise stated, are provisional and subject to adjustment.

φ Based on the figure provided by the Narcotics Division of Security Bureau up to September 2005.

@ Not possible to estimate.

### Matters Requiring Special Attention in 2006–07

**12** During 2006–07, the Department will continue to:

- take proactive action against drug trafficking at all levels through intelligence-based operations; and
- interdict and prevent the inflow of drugs via the boundary crossings and entry points through closer co-operation with the Mainland authorities and overseas enforcement agencies.

### Programme (3): Intellectual Property Rights and Consumer Protection

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	226.0	214.5	218.7 (+2.0%)	219.2 (+0.2%)
				(or +2.2% on 2005–06 Original)

### Aim

**13** The aims are to prevent and detect copyright and trade mark infringement and dealings in goods bearing false trade descriptions; to collaborate with trade mark and copyright owners, relevant organisations and law enforcement agencies in or outside Hong Kong, in order to combat trade mark counterfeiting and copyright piracy; and to enforce consumer protection legislation relating to weights and measures, toys and children's products safety, consumer goods safety and Precious Metals Marking Orders.

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### *Brief Description*

14 The Department is responsible for suppressing offences and investigating complaints related to copyright infringement, forgery of trade marks, false trade descriptions and misrepresentation of goods. It initiates investigations in these areas and collaborates as necessary with organisations and law enforcement agencies in or outside Hong Kong, and with trade mark and copyright owners. The Department also investigates complaints and conducts spot checks to ensure compliance with the Toys and Children's Products Safety Ordinance, the Weights and Measures Ordinance, the Consumer Goods Safety Ordinance and the Precious Metals Marking Orders and to safeguard the interests of consumers. The enforcement work involves:

#### *Intellectual property rights*

- conducting investigations and taking enforcement actions against persons and syndicates suspected of committing offences relating to infringement of intellectual property rights;
- executing court orders to detain goods at importation for the purpose of enforcing boundary measures to comply with the Agreement on Trade-Related Aspects of Intellectual Property Rights established under the auspices of the World Trade Organization;
- arranging and supervising the examination and identification of seizures by trade mark and copyright owners or their representatives;
- conducting inspections on licensed optical disc mastering and replication factories to guard against manufacture of pirated optical discs and stampers;
- controlling the import and export of optical discs mastering and replication equipment; and
- applying to the court for the confiscation of financial proceeds obtained from intellectual property rights infringement crimes.

#### *Consumer protection*

- conducting spot checks on the accuracy of weighing and measuring equipment, the safety of toys and children's products and consumer goods, and the display of Precious Metals Marking Notices; and
- investigating complaints relating to short weights and measures, unsafe toys and children's products and consumer goods, and misrepresentation of the fineness of gold and platinum articles.

15 The performance targets for 2005 were generally achieved.

16 The key performance measures are:

#### *Targets*

	Target	2004 (Actual)	2005 (Actual)#	<b>2006 (Plan)</b>
issuing licences for import and export of optical disc mastering and replication equipment within two working days upon receipt of applications (%).....	100	100	100	<b>100</b>
issuing licences for manufacturing of optical discs within 14 working days upon receipt of applications (%).....	100	100	100	<b>100</b>

# Figures for 2005 are provisional and subject to adjustment.

#### *Indicators*

	2004 (Actual)	2005 (Actual)#	<b>2006 (Estimate)</b>
<i>Intellectual property rights</i>			
intellectual property rights investigations.....	11 022	11 865	—@
seizures cases.....	9 197	10 603	—@
value of seizures (\$m) (including optical discs, textiles, leather-ware, footwear and telecommunications equipment).....	308.0	257.6	—@
spot checks on optical disc factories.....	321	313	<b>300</b>
verifications on import/export of optical disc mastering and replication equipment.....	191	186	<b>180</b>

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	2004 (Actual)	2005 (Actual)#	2006 (Estimate)
<i>Weights and measures</i>			
spot checks.....	605	604	<b>580</b>
seizures cases.....	6	20	—@
value of seizures (\$'000).....	16.3	32.1	—@
<i>Toys and children's products safety</i>			
spot checks.....	1 470	1 538	<b>1 450</b>
seizures cases.....	8	9	—@
value of seizures (\$'000).....	5.9	11.6	—@
<i>Consumer goods safety</i>			
spot checks.....	1 528	1 417	<b>1 350</b>
seizures cases.....	0	3	—@
value of seizures (\$'000).....	0	0.6	—@
<i>Precious Metals Marking Orders</i>			
spot checks.....	82	81	<b>70</b>
seizures cases.....	0	0	—@
value of seizures (\$'000).....	0	0	—@

# Figures for 2005 are provisional and subject to adjustment.

@ Not possible to estimate.

### *Matters Requiring Special Attention in 2006–07*

**17** During 2006–07, the Department will continue to:

- safeguard the rights of intellectual property owners and the interests and safety of consumers;
- strengthen action against piracy and counterfeiting activities by developing more vigorous enforcement strategies and launching more intelligence-based operations;
- sustain the co-operative alliance with the industries and agencies in detecting retail sale of infringing goods to safeguard Hong Kong as a shopping paradise for genuine brand products;
- investigate intellectual property rights offences under the scope of organised and serious crimes, and apply to the court for the forfeiture of financial proceeds obtained from such illicit activities;
- tackle internet piracy and other computer crime problems relating to infringement of intellectual property rights; and
- launch or participate in publicity programmes to promote public/traders' awareness of intellectual property rights and consumer protection legislation.

### **Programme (4): Revenue Protection and Collection**

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	127.5	124.1	124.8 (+0.6%)	<b>124.3</b> (–0.4%)
				(or +0.2% on 2005–06 Original)

#### *Aim*

**18** The aims are to collect and protect revenue from dutiable commodities stipulated in the Dutiable Commodities Ordinance and to assess the provisional taxable values of motor vehicles under the Motor Vehicles (First Registration Tax) Ordinance.

#### *Brief Description*

**19** The Department is responsible for the collection and protection of duties derived from dutiable commodities stipulated in the Dutiable Commodities Ordinance. It administers a licensing and permit system to control the manufacture, import, export, storage and movement of dutiable commodities.

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20 The Department assesses the provisional taxable values of motor vehicles for the purpose of calculating the first registration tax and maintains a registration scheme for motor vehicle importers and distributors.

21 The Department has an Anti-Illicit-Cigarette Investigation Division responsible for combating serious smuggling and distribution of illicit cigarettes activities. Moreover, it has a Diesel Oil Enforcement Division to conduct in-depth investigations and surveillance of syndicates involved in the smuggling and supply of illicit fuel.

22 Customs officers engaged in marine and land enforcement duties also conduct regular land and sea patrols to eradicate the selling and distribution of illicit cigarettes and fuel. Large-scale operations mobilising customs officers of other units are also mounted from time to time to suppress these illicit activities.

23 The performance targets for 2005 were generally achieved.

24 The key performance measures are:

### *Targets*

	Target	2004 (Actual)	2005 (Actual)#	2006 (Plan)
<i>Dutiable commodities</i>				
issuing import and export licences within 12 working days upon receipt of applications (%).....	100	100	100	<b>100</b>
issuing permits within half a working day upon receipt of applications (%).....	100	100	100	<b>100</b>
providing customs attendance within two working days upon receipt of applications (%).....	100	100	100	<b>100</b>
<i>First Registration Tax</i>				
completing assessment of provisional taxable values of imported vehicles within five working days upon receipt of applications (%).....	100	100	100	<b>100</b>
completing registration of importers/distributors of motor vehicles within seven working days upon receipt of applications (%).....	100	100	100	<b>100</b>

# Figures for 2005 are provisional and subject to adjustment.

### *Indicators*

	2004 (Actual)	2005 (Actual)#	2006 (Estimate)
<i>Dutiable commodities</i>			
licences issued .....	241	265	<b>260</b>
permits issued .....	99 082	103 076	<b>103 000</b>
duty collected (\$m).....	6,542.4	6,618.3	<b>6,640</b>
duty recovered (\$m).....	2.2	5.1	—@
licence fees, customs attendance fees and other related payments collected (\$m).....	4.4	5.0	<b>4.8</b>
revenue collected per \$1 provision (\$).....	90.5	93.7	<b>94.1</b>
cases detected .....	40	63	—@
<i>Anti-illicit-cigarette enforcement</i> <sup>∞</sup>			
seizure cases .....	3 853	2 685	—@
cigarettes seized ('000 sticks).....	151 288	80 781	—@
vehicles seized .....	61	34	—@
vessels seized.....	1	6	—@
persons prosecuted for offences relating to illicit cigarettes....	2 738	1 988	—@
<i>Anti-illicit-fuel enforcement</i> <sup>∞</sup>			
seizure cases .....	1 289	1 396	—@
hydrocarbon oil seized ('000 litres).....	1 217	1 091	—@
illicit fuel detreating plants closed down.....	9	22	—@
illicit fuel filling stations neutralised .....	998	1 085	—@

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	2004 (Actual)	2005 (Actual)#	2006 (Estimate)
<i>First Registration Tax</i>			
cases detected .....	6	15	—@
inspection and verification of imported vehicles for payment of First Registration Tax .....	399	429	420
assessment of provisional taxable value on imported vehicles completed (cases) .....	43 768	44 956	44 000
re-assessment of provisional taxable value on imported vehicles (cases) .....	10 509	11 778	11 000

# Figures for 2005 are provisional and subject to adjustment.

@ Not possible to estimate.

∞ Denotes the enforcement efforts of the Department but excluding cases mentioned in Programme (1).

### **Matters Requiring Special Attention in 2006–07**

25 During 2006–07, the Department will:

- assist the Financial Services and the Treasury Bureau in the public consultation on the implementation of a Goods and Services Tax;
- continue to strengthen regional co-operation with other Customs administrations in combating smuggling of illicit cigarettes; and
- continue to strengthen co-operation with the Mainland Customs in combating cross-boundary smuggling of illicit fuel.

### **Programme (5): Trade Controls**

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	232.5	223.3	214.4 (–4.0%)	217.3 (+1.4%)
				(or –2.7% on 2005–06 Original)

### **Aim**

26 The aims are to secure and maintain the integrity and credibility of the various trade controls and import and export control systems operated in Hong Kong in fulfilment of international obligations and for public health and safety reasons; as well as to collect import and export declarations and declaration charges under the Import and Export (Registration) Regulations and clothing levies under the Industrial Training (Clothing Industry) Ordinance.

### **Brief Description**

27 The Department enforces the relevant laws for various trade controls systems including those concerning the issue of Certificates of Origin, the import and export of textiles, strategic commodities, reserved commodities and other prohibited goods, as well as compliance with the Chemical Weapons Convention, with a view to preventing and detecting abuses of these systems. The Department is also tasked to collect import and export declarations, declaration charges and clothing levies, and to enforce the relevant statutory control on these systems. The enforcement work involves:

- factory and consignment inspections and factory audit checks to ensure compliance with legislation governing the issue of Certificates of Origin and import and export of textiles;
- costing checks on goods covered by Certificates of Hong Kong Origin – Closer Economic Partnership Arrangement (CO(CEPA)) to help ensure that only goods that pass a value-added percentage threshold can benefit from the tariff preference under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA);
- blitz checks on consignments subject to licensing control or covered by CO(CEPA) at entry and exit points and public cargo working areas;
- consignment inspections to ensure compliance with legislation governing the import and export of strategic commodities and other licensable items;
- inspections and verifications to ensure the effective implementation of the Chemical Weapons Convention in Hong Kong;
- inspections to enforce control on reserved commodities;



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- collection of import and export declaration charges and clothing levies under the respective legislation;
- verification and assessment of the values of import and export consignments to recover under-paid import and export declaration charges and clothing levies; and
- investigation and prosecution of contraventions.

28 The performance targets for 2005 were generally achieved.

29 The key performance measures are:

### *Targets*

	Target	2004 (Actual)	2005 (Actual)#	2006 (Plan)
conducting pre-issue consignment inspections relating to textile licences/ production notifications within two working days upon receipt of referral of applications from Trade and Industry Department (TID) (%).....	100	100	100	<b>100</b>
conducting pre-issue consignment inspections relating to non-textile licences within four working days upon receipt of referral of applications from TID (%).....	100	100	100	<b>100</b>
conducting factory registration and re-registration inspections relating to the issue of Certificates of Origin within four working days upon receipt of referral of applications from TID (%).....	100	100	100	<b>100</b>
conducting registration inspections relating to control on reserved commodities within three working days upon receipt of referral of applications from TID (%).....	100	100	100	<b>100</b>
conducting pre-issue consignment inspections relating to licences for strategic commodities within two working days upon receipt of referral of applications from TID (%).....	100	100	100	<b>100</b>
conducting registration and re-registration inspections under the Air Transshipment Cargo Exemption Scheme for Strategic Commodities within four working days upon receipt of referral of applications from TID (%).....	100	100	100	<b>100</b>

# Figures for 2005 are provisional and subject to adjustment.

### *Indicators*

	2004 (Actual)	2005 (Actual)#	2006 (Estimate)
factory and consignment inspections.....	99 774	78 850	<b>68 800</b>
factory audit checks.....	331	240	<b>190</b>
reserved commodities inspections.....	3 379	3 264	<b>3 200</b>
blitz checks on consignments subject to licensing control or covered by CO(CEPA) at entry and exit points, and public cargo working areas.....	25 924	36 637	<b>28 000</b>
import and export declarations			
declarations processed.....	18 251 251	18 919 646	<b>19 276 000</b>
revenue collected (\$m).....	1,082.0	1,172.6	<b>1,191.6</b>
revenue recovered (\$m).....	4.7	6.3	—@
administrative penalties imposed (\$m).....	12.9	17.5	—@

# Figures for 2005 are provisional and subject to adjustment.

@ Not possible to estimate.

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### *Matters Requiring Special Attention in 2006–07*

**30** During 2006–07, the Department will:

- assume additional enforcement responsibility arising from the implementation of zero tariff for trade in goods under the CEPA III, which came into operation on 1 January 2006;
- continue to enforce the revised textiles control system as a result of the elimination of textile quotas, closely monitor the development and combat illegal transshipment activities; and
- prepare for trade controls measures to be enforced at the new control point for the Hong Kong–Shenzhen Western Corridor.

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### ANALYSIS OF FINANCIAL PROVISION

Programme	2004-05 (Actual) (\$m)	2005-06 (Original) (\$m)	2005-06 (Revised) (\$m)	2006-07 (Estimate) (\$m)
(1) Control and Enforcement .....	1,139.3	1,138.7	1,137.5	1,291.2
(2) Anti-narcotics Investigation .....	128.1	126.2	124.9	123.4
(3) Intellectual Property Rights and Consumer Protection .....	226.0	214.5	218.7	219.2
(4) Revenue Protection and Collection ..	127.5	124.1	124.8	124.3
(5) Trade Controls .....	232.5	223.3	214.4	217.3
	1,853.4	1,826.8	1,820.3 (-0.4%)	1,975.4 (+8.5%)
				(or +8.1% on 2005-06 Original)

#### Analysis of Financial and Staffing Provision

##### Programme (1)

Provision for 2006-07 is \$153.7 million (13.5%) higher than the revised estimate for 2005-06. This is mainly due to the full-year provision for vacancies filled in 2005-06, creation of 15 posts for improving air cargo clearance services, creation of 649 posts for the new facilities to be set up for the SkyPlaza, Sheung Shui to Lok Ma Chau Spur Line, Hong Kong-Shenzhen Western Corridor (i.e. Shenzhen Bay Port) and Asia Airfreight Terminal 2 and full-year provision of operating expenses for improved boundary crossing facilities at control points, partly offset by the net deletion of 38 posts arising from cost saving measures and reduced cash flow requirement for capital projects.

##### Programme (2)

Provision for 2006-07 is \$1.5 million (1.2%) lower than the revised estimate for 2005-06. This is mainly due to the reduced salary provision resulted from staff changes, deletion of one post and reduced departmental expenses arising from cost saving measures.

##### Programme (3)

Provision for 2006-07 is \$0.5 million (0.2%) higher than the revised estimate for 2005-06. This is mainly due to the increased operating expenses for strengthening enforcement of copyright protection, partly offset by the deletion of six posts arising from cost saving measures.

##### Programme (4)

Provision for 2006-07 is \$0.5 million (0.4%) lower than the revised estimate for 2005-06. This is mainly due to the reduced requirement for operating expenses.

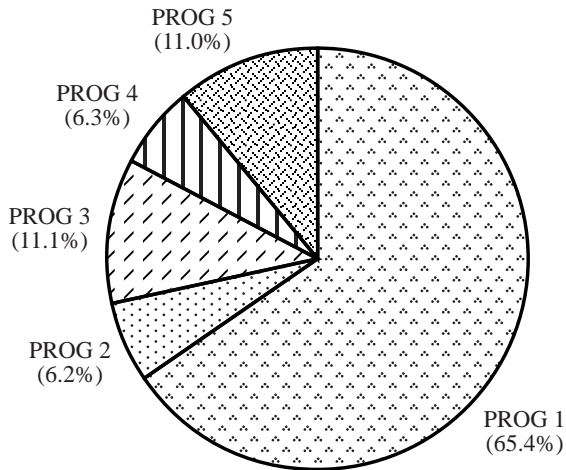
##### Programme (5)

Provision for 2006-07 is \$2.9 million (1.4%) higher than the revised estimate for 2005-06. This is mainly due to the creation of 12 posts to strengthen the trade controls measures at the Shenzhen Bay Port and increased operating expenses, partly offset by the deletion of ten posts arising from cost saving measures.

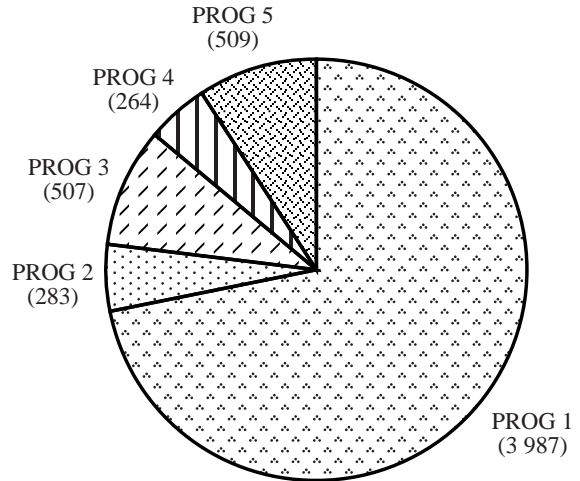
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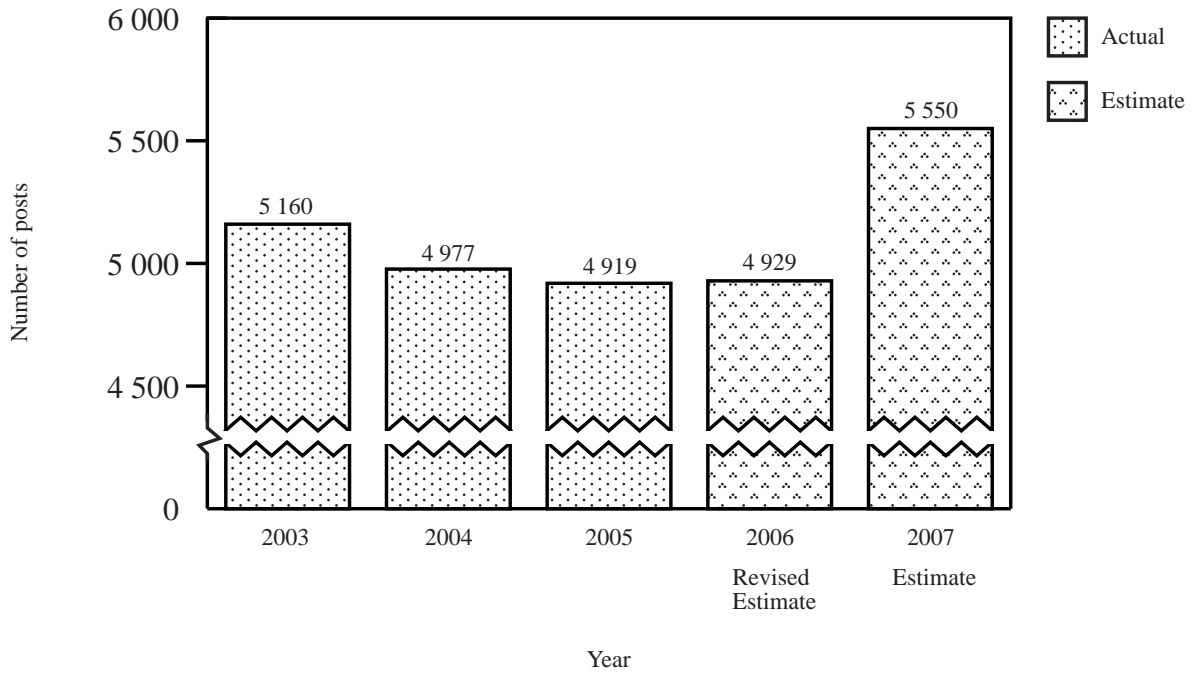
*Allocation of provision  
to programmes  
(2006-07)*



*Staff by programme  
(as at 31 March 2007)*



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



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Sub-head (Code)	Actual expenditure 2004-05	Approved estimate 2005-06	Revised estimate 2005-06	<b>Estimate 2006-07</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses .....	1,782,996	1,754,476	1,748,575	<b>1,915,242</b>
103	Rewards and special services.....	8,820	9,000	9,000	<b>9,000</b>
292	Seizure management .....	42,391	45,500	45,000	<b>45,000</b>
	Total, Recurrent.....	<u>1,834,207</u>	<u>1,808,976</u>	<u>1,802,575</u>	<b><u>1,969,242</u></b>
Non-Recurrent					
700	General non-recurrent.....	167	190	190	<b>199</b>
	Total, Non-Recurrent.....	<u>167</u>	<u>190</u>	<u>190</u>	<b><u>199</u></b>
	Total, Operating Account .....	<u>1,834,374</u>	<u>1,809,166</u>	<u>1,802,765</u>	<b><u>1,969,441</u></b>
<b>Capital Account</b>					
Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote) .....	5,601	11,090	10,963	<b>5,999</b>
	Plant, vehicles and equipment .....	13,443	6,538	6,534	<b>—</b>
	Total, Plant, Equipment and Works .....	<u>19,044</u>	<u>17,628</u>	<u>17,497</u>	<b><u>5,999</u></b>
	Total, Capital Account .....	<u>19,044</u>	<u>17,628</u>	<u>17,497</u>	<b><u>5,999</u></b>
	Total Expenditure .....	<u><u>1,853,418</u></u>	<u><u>1,826,794</u></u>	<u><u>1,820,262</u></u>	<b><u><u>1,975,440</u></u></b>

## Head 31 — CUSTOMS AND EXCISE DEPARTMENT

### Details of Expenditure by Subhead

The estimate of the amount required in 2006–07 for the salaries and expenses of the Customs and Excise Department is \$1,975,440,000. This represents an increase of \$155,178,000 over the revised estimate for 2005–06 and of \$122,022,000 over actual expenditure in 2004–05.

#### Operating Account

##### Recurrent

**2** Provision of \$1,915,242,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Department. The increase of \$166,667,000 (9.5%) over the revised estimate for 2005–06 is mainly due to the increased requirement arising from the anticipated commissioning of new control points as well as improved boundary crossing facilities in 2006–07.

**3** The establishment as at 31 March 2006 will be 4 929 permanent posts. It is expected that there will be a net creation of 621 permanent posts in 2006–07. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2006–07, but the notional annual mid-point salary value of all such posts must not exceed \$1,521,662,000.

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

	2004–05 (Actual) (\$'000)	2005–06 (Original) (\$'000)	2005–06 (Revised) (\$'000)	<b>2006–07 (Estimate) (\$'000)</b>
Personal Emoluments				
- Salaries .....	1,515,144	1,482,778	1,480,007	<b>1,588,592</b>
- Allowances .....	45,073	43,650	42,093	<b>44,230</b>
- Job-related allowances .....	6,889	7,862	7,370	<b>7,868</b>
Personnel Related Expenses				
- Rent Allowance Scheme .....	318	350	350	<b>350</b>
- Mandatory Provident Fund contribution .....	513	500	1,250	<b>7,560</b>
- Civil Service Provident Fund contribution .....	14	920	850	<b>1,455</b>
- Disturbance allowance .....	20	30	30	<b>30</b>
Departmental Expenses				
- General departmental expenses .....	214,799	218,156	216,402	<b>264,917</b>
Other Charges				
- Grant to the Customs and Excise Service Welfare Fund .....	226	230	223	<b>240</b>
	1,782,996	1,754,476	1,748,575	<b>1,915,242</b>

**5** Provision of \$9,000,000 under *Subhead 103 Rewards and special services* is for expenditure on rewards and services of a confidential nature.

**6** Provision of \$45,000,000 under *Subhead 292 Seizure management* is to meet expenses related to the transportation and storage of goods seized in anti-smuggling and other enforcement activities.

#### Capital Account

##### Plant, Equipment and Works

**7** Provision of \$5,999,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents a decrease of \$4,964,000 (45.3%) against the revised estimate for 2005–06. This is mainly due to the reduced requirement for new and replacement equipment.

## Head 31 — CUSTOMS AND EXCISE DEPARTMENT

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### Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2005	Revised estimated expenditure for 2005–06	Balance
			\$'000	\$'000	\$'000	\$'000
<b><i>Operating Account</i></b>						
700		<i>General non-recurrent</i>				
	510	Hire of Centrex Line Services .....	1,608	1,219	190	199
		Total .....	1,608	1,219	190	199
			1,608	1,219	190	199