

## Head 96 — GOVERNMENT SECRETARIAT: OVERSEAS ECONOMIC AND TRADE OFFICES

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

**Estimate 2006–07** ..... **\$296.8m**

**Establishment ceiling 2006–07** (notional annual mid-point salary value) representing an estimated 131 non-directorate posts as at 31 March 2006 reducing by two posts to 129 posts as at 31 March 2007 ..... **\$58.1m**

In addition, there will be an estimated 20 directorate posts as at 31 March 2006 reducing by two posts to 18 posts as at 31 March 2007.

**Commitment balance** ..... **\$10.6m**

### Controlling Officer's Report

#### Programmes#

<p><b>Programme (1) Commercial Relations</b>  <b>Programme (2) Public Relations</b>  <b>Programme (3) Investment Promotion</b></p>	<p>These programmes contribute to Policy Area 6: Commerce and Industry (Secretary for Commerce, Industry and Technology).</p>
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#### Detail

##### Programme (1): Commercial Relations

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	107.5	129.9	116.4 (–10.4%)	<b>141.7</b> (+21.7%)
				(or +9.1% on 2005–06 Original)

#### Aim

- 2 The aim is to represent and promote Hong Kong's trading and commercial interests outside Hong Kong.

#### Brief Description

3 The overseas Economic and Trade Offices (ETOs) in Brussels, Geneva, London, New York, San Francisco, Washington, Singapore, Sydney, Tokyo and Toronto identify, develop and cultivate contacts with host governments, represent Hong Kong at international trade organisations, and maintain liaison with other governments and organisations in order to further Hong Kong's trade and economic interests. They monitor and report on developments which are likely to affect such interests. They lobby and negotiate with their host and other governments on specific trade issues and assist officers from Hong Kong in negotiating trade agreements and in promoting the new business opportunities arising from the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA).

- 4 The key performance measures in respect of commercial relations are:

#### Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
meetings on trade-related matters attended .....	3 206	3 782	<b>3 190</b>
visits to host governments and trade organisations .....	823	829	<b>790</b>
seminars, exhibitions and workshops			
organised.....	115	115	<b>110</b>
participated .....	624	544	<b>520</b>

# All figures in the detailed analysis by programme area exclude provision/indicators for the Hong Kong Economic and Trade Office (HKETO) in Guangdong to be transferred to Head 144—Government Secretariat: Constitutional Affairs Bureau with effect from 2006–07. The figures for 2006–07 include those for a new ETO in Europe to be set up in 2006–07.

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	2004 (Actual)	2005 (Actual)	2006 (Estimate)
public speeches given .....	295	276	<b>290</b>
media interviews/briefings given.....	522	486	<b>510</b>
circulars/newsletters/press releases issued.....	548	483	<b>450</b>

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

5 During 2006–07, the overseas ETOs will:

- continue to promote Hong Kong's trade and commercial interests, including countering protectionism in Hong Kong's major markets, as well as representing Hong Kong and providing support to the Trade and Industry Department in bilateral and multilateral trade negotiations; and
- strengthen Hong Kong's representation by setting up a new ETO in Europe to capitalise on the new business and trade opportunities following the expansion of the European Union.

**Programme (2): Public Relations**

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	78.5	95.7	85.9 (–10.2%)	<b>105.0</b> (+22.2%)
				(or +9.7% on 2005–06 Original)

***Aim***

6 The aim is to promote Hong Kong as a reliable trading partner and a premier location for doing business.

***Brief Description***

7 The overseas ETOs monitor and report on reactions to events in Hong Kong. They organise publicity and public relations activities for Hong Kong in the host countries/regions under their purview and provide a comprehensive information and enquiry service about Hong Kong.

8 The key performance measures in respect of public relations are:

***Indicators***

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
call on senior government officials/organisations .....	1 682	1 541	<b>1 510</b>
public relations functions/events			
organised.....	622	807	<b>670</b>
participated .....	1 165	1 074	<b>990</b>
newsletters, pamphlets, press releases issued .....	1 144	1 004	<b>970</b>
no. of visitors assisted.....	1 658	2 208	<b>1 540</b>
public speeches given .....	392	404	<b>400</b>
media interviews/briefings given.....	786	621	<b>580</b>
enquiries handled.....	52 714	52 920	<b>47 220</b>

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

9 During 2006–07, the overseas ETOs, including the new ETO to be set up in Europe, will continue to sustain and step up publicity and public relations efforts in North America, Europe, Australia, Japan and the Association of Southeast Asian Nations countries.

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**Programme (3): Investment Promotion**

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	<b>2006–07 (Estimate)</b>
Financial provision (\$m)	38.5	45.9	40.4 (–12.0%)	<b>50.1</b> (+24.0%)
				(or +9.2% on 2005–06 Original)

***Aim***

**10** The aim is to encourage and attract investments to Hong Kong, and to promote Hong Kong's many advantages as an investment and business hub in Asia. The objective is to ensure that companies have all the support they need to establish operations in Hong Kong.

***Brief Description***

**11** The overseas ETOs promote inward investments to Hong Kong by publicising the attraction of Hong Kong as a regional and international business centre and by providing advice and assistance to companies in the formulation and implementation of their plans to invest in Hong Kong.

**12** The key performance measures in respect of investment promotion are:

***Indicators***

	2004 (Actual)	2005 (Actual)	<b>2006 (Estimate)</b>
projects pursued.....	318	356	<b>310</b>
projects completed <sup>^</sup> .....	144	126	<b>110</b>

<sup>^</sup> A completed project refers to an investment project resulting in a foreign company setting up or expanding its business in Hong Kong. Only those companies which have acknowledged in writing the assistance rendered by Invest Hong Kong in the investment process are included.

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

**13** During 2006–07, the overseas ETOs, including the new ETO to be set up in Europe, will in collaboration with Invest Hong Kong and adopting a targeted approach, continue to attract overseas companies to invest in Hong Kong and take advantage of the preferential market access into the Mainland secured under CEPA. They will encourage the target companies to introduce to Hong Kong, through their investments, new and improved products and services, design processes and management techniques, and will provide assistance to investors interested in establishing a business presence in Hong Kong.

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**ANALYSIS OF FINANCIAL PROVISION**

<b>Programme</b>	2004–05 (Actual) (\$m)	2005–06 (Original) (\$m)	2005–06 (Revised) (\$m)	<b>2006–07 (Estimate) (\$m)</b>
(1) Commercial Relations .....	107.5	129.9	116.4	<b>141.7</b>
(2) Public Relations .....	78.5	95.7	85.9	<b>105.0</b>
(3) Investment Promotion .....	38.5	45.9	40.4	<b>50.1</b>
	224.5	271.5	242.7 (–10.6%)	<b>296.8</b> <b>(+22.3%)</b>
				<b>(or +9.3% on 2005–06 Original)</b>

**Analysis of Financial and Staffing Provision**

**Programme (1)**

Provision for 2006–07 is \$25.3 million (21.7%) higher than the revised estimate for 2005–06. This is mainly due to the setting up cost and the operating expenses for the new ETO to be set up in Europe and increased requirements for departmental expenses.

**Programme (2)**

Provision for 2006–07 is \$19.1 million (22.2%) higher than the revised estimate for 2005–06. The reasons that account for the increase under Programme (1) above also apply here.

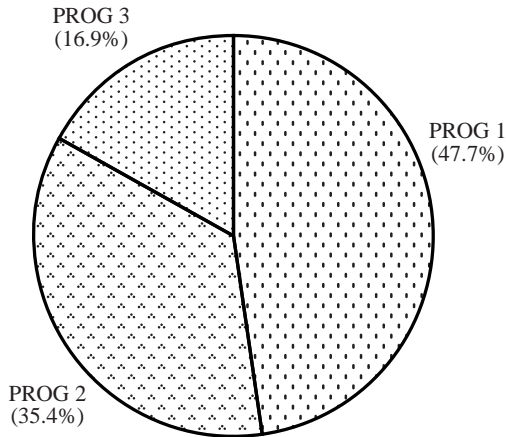
**Programme (3)**

Provision for 2006–07 is \$9.7 million (24.0%) higher than the revised estimate for 2005–06. The reasons that account for the increase under Programme (1) above also apply here.

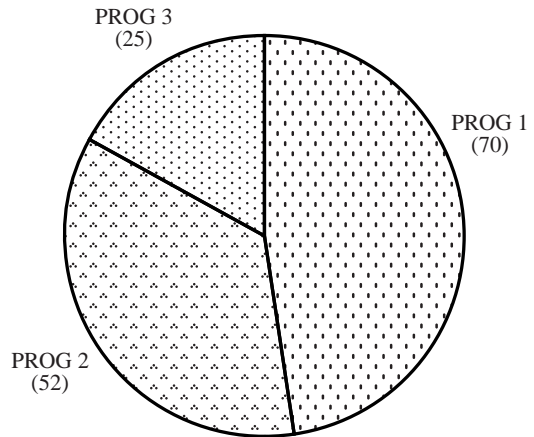
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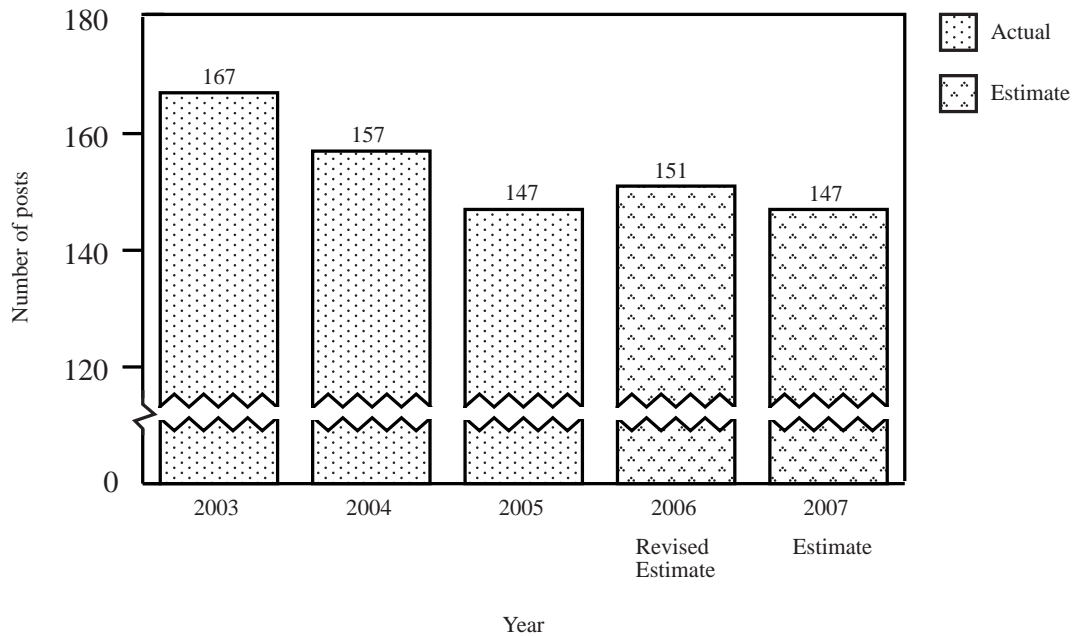
*Allocation of provision  
to programmes  
(2006-07)*



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



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



**Head 96 — GOVERNMENT SECRETARIAT:  
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Sub-head (Code)	Actual expenditure 2004–05 <sup>φ</sup>	Approved estimate 2005–06 <sup>φ</sup>	Revised estimate 2005–06 <sup>φ</sup>	<b>Estimate 2006–07<sup>§</sup></b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses.....	237,758	288,784	259,737	<b>285,437</b>
	Total, Recurrent.....	<u>237,758</u>	<u>288,784</u>	<u>259,737</u>	<b><u>285,437</u></b>
Non-Recurrent					
700	General non-recurrent.....	241	998	1,416	<b>10,588</b>
	Total, Non-Recurrent.....	<u>241</u>	<u>998</u>	<u>1,416</u>	<b><u>10,588</u></b>
	Total, Operating Account.....	<u>237,999</u>	<u>289,782</u>	<u>261,153</u>	<b><u>296,025</u></b>
<b>Capital Account</b>					
Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote).....	1,933	929	434	<b>800</b>
	Total, Plant, Equipment and Works .....	<u>1,933</u>	<u>929</u>	<u>434</u>	<b><u>800</u></b>
	Total, Capital Account .....	<u>1,933</u>	<u>929</u>	<u>434</u>	<b><u>800</u></b>
	Total Expenditure.....	<u><u>239,932</u></u>	<u><u>290,711</u></u>	<u><u>261,587</u></u>	<b><u><u>296,825</u></u></b>

φ The figures under these columns include provision for the HKETO in Guangdong to be transferred to Head 144—Government Secretariat: Constitutional Affairs Bureau with effect from 2006–07.

§ The figures under this column exclude provision for the HKETO in Guangdong to be transferred to Head 144—Government Secretariat: Constitutional Affairs Bureau with effect from 2006–07 but include the provision for the new ETO in Europe to be set up in 2006–07.

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### Details of Expenditure by Subhead

The estimate of the amount required in 2006–07 for the salaries and expenses of the overseas ETOs is \$296,825,000. This represents an increase of \$35,238,000 over the revised estimate for 2005–06 and of \$56,893,000 over actual expenditure in 2004–05.

#### *Operating Account*

##### Recurrent

2 It is operationally necessary for the overseas ETOs to make certain payments in the currencies of their host economies. Expenditure in the following currencies will be charged to the appropriate subheads at the spot rates as at 30 December 2005 set out below—

Australian Dollar	1=HK\$5.668
Canadian Dollar	1=HK\$6.6362
Euro	1=HK\$9.24784
Japanese Yen	1=HK\$0.066214
Pound Sterling	1=HK\$13.493
Singapore Dollar	1=HK\$4.656
Swiss Franc	1=HK\$5.94153

Expenditure incurred in the US Dollar will be charged to the appropriate subheads at a fixed exchange rate of US\$1=HK\$7.8.

3 Provision of \$285,437,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the overseas ETOs. The increase of \$25,700,000 (9.9%) over the revised estimate for 2005–06 is mainly due to the operating expenses for the new ETO to be set up in Europe and increased requirements for departmental expenses, partly offset by the transfer of provisions of the HKETO in Guangdong to Head 144—Government Secretariat: Constitutional Affairs Bureau with effect from 2006–07.

4 The establishment as at 31 March 2006 will be 151 permanent posts. Of these posts, 103 are filled by staff engaged locally by the overseas ETOs. It is expected that there will be a net deletion of four 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 \$58,077,000.

5 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)	2006–07 (Estimate) (\$'000)
Personal Emoluments				
- Salaries .....	93,393	95,420	92,562	<b>92,804</b>
- Allowances .....	24,328	28,644	34,395	<b>36,205</b>
Personnel Related Expenses				
- Payment to redundant locally engaged staff of the ETO in London .....	398	473	508	<b>453</b>
- Mandatory Provident Fund contribution .....	26	36	36	<b>36</b>
- Disturbance allowance .....	2,877	4,372	2,493	<b>2,438</b>
Departmental Expenses				
- General departmental expenses .....	86,940	125,041	97,599	<b>117,986</b>
Other Charges				
- Publicity .....	29,714	34,698	32,044	<b>35,415</b>
- Grants to organisations .....	82	100	100	<b>100</b>
	<u>237,758</u>	<u>288,784</u>	<u>259,737</u>	<u><b>285,437</b></u>

#### *Capital Account*

##### Plant, Equipment and Works

6 Provision of \$800,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents an increase of \$366,000 (84.3%) over the revised estimate for 2005–06. This is mainly due to the increase in cash flow requirement for the purchase of an office car for the new ETO to be set up in Europe.

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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>				
	593	Consultancy services on commercial relations and non-trade issues in Europe .....	5,543	3,459	996	1,088
	934	Setting up cost for the Economic and Trade Office in Europe .....	9,500	—	—	9,500
		Total .....	<u>15,043</u>	<u>3,459</u>	<u>996</u>	<u>10,588</u>