

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.

Estimate 2006–07	\$497.3m
Establishment ceiling 2006–07 (notional annual mid-point salary value) representing an estimated 98 non-directorate posts as at 31 March 2006 and as at 31 March 2007	\$35.8m
In addition, there will be an estimated ten directorate posts as at 31 March 2006 and as at 31 March 2007.	
Commitment balance	\$59.9m

Controlling Officer's Report

Programmes

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

Detail

Programme (1): Director of Bureau's Office

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	6.7	6.6	6.6 (—)	6.6 (—)
				(or same as 2005–06 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

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	111.6#	150.2	126.5 (–15.8%)	149.5 (+18.2%)
				(or –0.5% on 2005–06 Original)

The figure excludes the 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.

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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 Hong Kong Special Administrative Region 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 World Trade Organization (WTO)'s new round of 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;
- 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 2005–06, the Branch:

- successfully concluded the consultations with the Mainland on the third phase of CEPA and liaised with the Mainland authorities to ensure the smooth implementation of CEPA;
- participated actively in the Asia-Pacific Economic Cooperation (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; successfully hosted the sixth WTO Ministerial Conference in Hong Kong in December 2005;
- participated actively in the Pacific Economic Cooperation Council (PECC) to promote economic growth and development in the Pacific region;
- monitored the implementation of the Chemical Weapons Convention 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 and attracting Mainland enterprises to invest in Hong Kong;
- continued monitoring the implementation of the international certification scheme for rough diamonds;
- completed a review on and extended the operation of the SME Funding Schemes;
- submitted the Copyright (Amendment) Bill 2006 to the Legislative Council with a view to implementing recommendations made after a public consultation exercise in 2005 which covered various copyright-related issues including the scope of business end-user criminal liability, copyright exemption and parallel importation of copyright works;
- initiated a review of the Copyright Ordinance to consider whether and how legislative amendments might be justified for more effective protection of copyright in the digital environment;
- prepared the Trade Marks (Amendment) Rules 2006 in order to facilitate the enhancement of electronic services of the Trade Marks Registry operated by the Intellectual Property Department and to clarify and improve certain provisions of the Trade Marks Rules;

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- organised 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;
- consulted stakeholders on the proposal to introduce electronic submission of advance cargo information for cargoes carried by the road mode of transport across the land boundary;
- oversaw the implementation of the Container Security Initiative in respect of US-bound cargo;
- undertook preparatory work for full migration to electronic submission of manifests for cargoes carried by the water mode of transport;
- extended the agreement with the existing service provider for the provision of electronic Textiles Trader Registration Scheme Notification for 2006; and
- ensured the smooth operation of Government Electronic Trading Services.

Matters Requiring Special Attention in 2006–07

7 During 2006–07, the Branch will:

- continue to promote a free, open and non-discriminatory multilateral trading system through active participation in the work of the WTO;
- continue to participate actively and constructively in the new round of multilateral trade negotiations;
- continue to work together with the Mainland authorities to ensure the smooth and effective implementation of CEPA and its further development;
- 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 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;
- continue to work with the SME Committee to monitor the operation of the SME Funding Schemes;
- continue to strengthen communication and co-operation with the Mainland authorities on trade and investment issues;
- pursue the enactment of the Copyright (Amendment) Bill 2006;
- conduct public consultation on the effective protection of copyright in the digital environment and formulate the Government's position on the recommended way forward;
- pursue the enactment of the necessary legislative amendments to the Trade Marks Rules;
- 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 preparatory work to bring forward the project on electronic submission of advance cargo information for cargoes carried by the road mode of transport across the land boundary;
- continue to oversee the implementation of the Container Security Initiative in respect of US-bound cargo;
- continue to prepare for 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.

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

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	354.7	341.2	341.2 (—)	341.2 (—)
				(or same as 2005–06 Original)

Aim

8 The aim is to facilitate the Hong Kong Trade Development Council (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 40 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 six bilateral committees and 31 Hong Kong business associations in 23 countries.

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

Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
trade & services promotion			
events.....	311	474	479
companies participating.....	29 415	51 543	53 366
local fairs			
no. of overseas buyers.....	227 604	254 412	259 100
no. of fairs.....	23	24	30
trade enquiries@			
no. of enquiries worldwide.....	11 971 830	N.A.	N.A.
average no. of trade enquiries processed per minute.....	110.1	N.A.	N.A.
business-matching enquiries worldwide@			
automated business-matching.....	5 435 366	8 280 242	8 800 000
customised business-matching.....	45 262	47 682	50 000
trade publications			
worldwide circulation (million).....	2.23	2.21	2.2
no. of advertisements.....	38 399	39 838	40 000
no. of issues.....	90	97	89
trade portal (tdctrade.com)			
average daily user sessions.....	90 000	150 000	162 000

@ As from 2005, the indicator "trade enquiries" has been 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.

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Matters Requiring Special Attention in 2006–07

11 During 2006–07, HKTDC will:

- increase Hong Kong's lead as the region's premier trade and sourcing hub by drawing in more overseas and Mainland SMEs; develop and market Hong Kong as a trustworthy provider of green and ethically-sourced products and as a technology trading hub; transform its largest trade fairs into global leaders and introduce eight new fairs; develop its trade portal, tdctrade.com, into an unparalleled on-line marketing platform for Hong Kong's companies; and provide both on-line and customised business-matching services to meet a wide range of needs;
- 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 judgment about the true value of external trade to Hong Kong; enhance the quality and depth of its services to maximise customer satisfaction; work with partners in Hong Kong and elsewhere to maximise the effectiveness of its work; overhaul its training programmes to enhance its staff's effectiveness; 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

Programme	2004–05 (Actual) (\$m)	2005–06 (Original) (\$m)	2005–06 (Revised) (\$m)	2006–07 (Estimate) (\$m)
(1) Director of Bureau's Office	6.7	6.6	6.6	6.6
(2) Commerce and Industry	111.6	150.2	126.5	149.5
(3) Subvention: Hong Kong Trade Development Council	354.7	341.2	341.2	341.2
	<hr/> 473.0	<hr/> 498.0	<hr/> 474.3 (-4.8%)	<hr/> 497.3 (+4.8%)
				(or -0.1% on 2005–06 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2006–07 is the same as the revised estimate for 2005–06.

Programme (2)

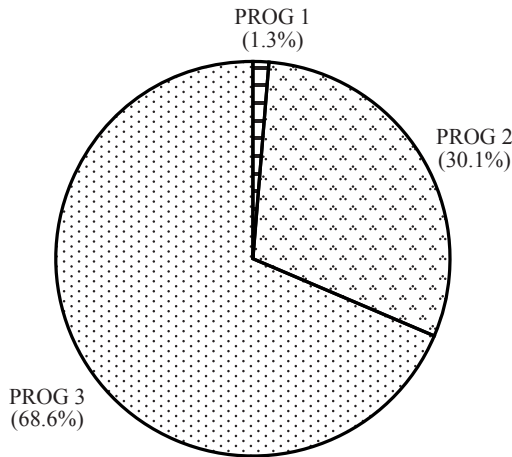
Provision for 2006–07 is \$23.0 million (18.2%) higher than the revised estimate for 2005–06. This is mainly due to the pooling of resources for internal redeployment among the Commerce and Industry Branch and its departments to enable the Secretary for Commerce, Industry and Technology to pursue new initiatives and activities within this policy area, increased salary provision arising from staff changes and increased requirement for the subscription to WTO.

Programme (3)

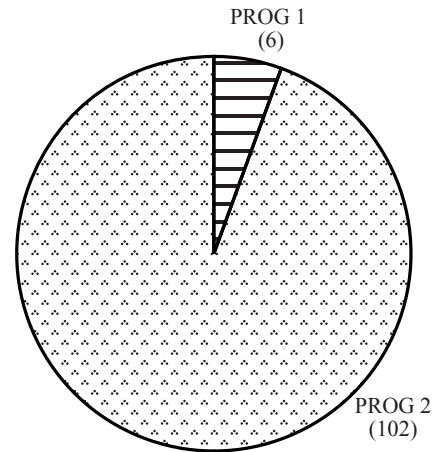
Provision for 2006–07 is the same as the revised estimate for 2005–06. In view of the Government's budgetary constraints, the Government agreed with HKTDC in 2002 to suspend the funding arrangement agreed in 2001 under which annual subvention for HKTDC was set at 60% of the total amount of the trade declaration charge on imports, domestic exports and re-exports received in the preceding financial year. The subvention to HKTDC in 2006–07 will be \$341.2 million which is less than what HKTDC would have otherwise obtained under the agreed funding arrangement.

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Allocation of provision to programmes (2006-07)

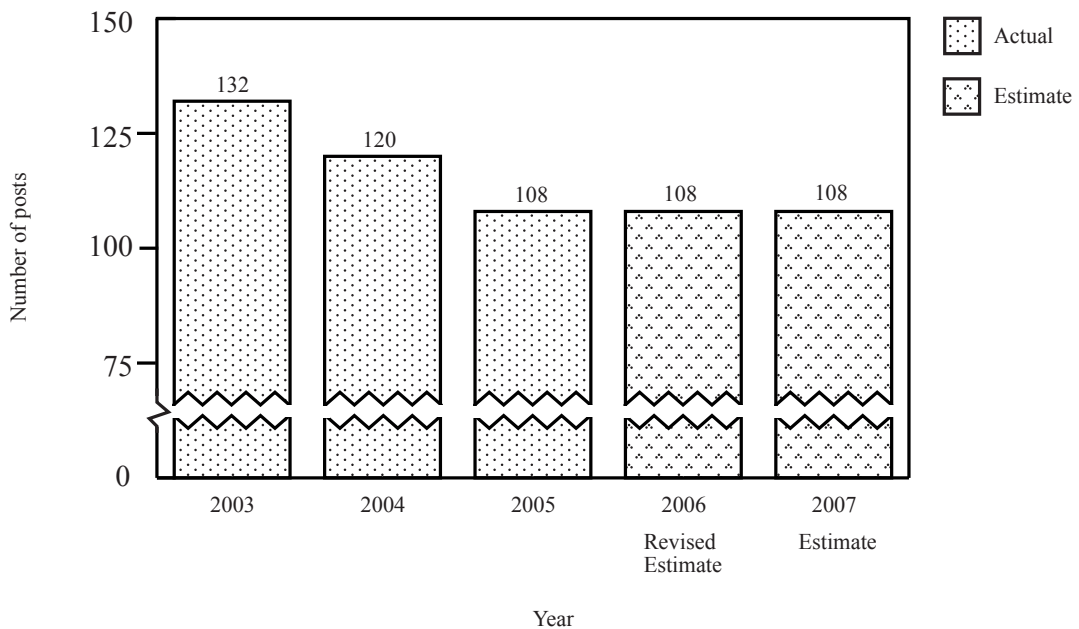


Staff by programme (as at 31 March 2007)



(No government staff under PROG 3)

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



Note : The net reduction of 12 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 2004-05	Approved estimate 2005-06	Revised estimate 2005-06	Estimate 2006-07	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	460,913	478,629	458,906	481,854
	Total, Recurrent.....	<u>460,913</u>	<u>478,629</u>	<u>458,906</u>	<u>481,854</u>
Non-Recurrent					
700	General non-recurrent.....	13,179	19,400	15,400	15,414
	Total, Non-Recurrent.....	<u>13,179</u>	<u>19,400</u>	<u>15,400</u>	<u>15,414</u>
	Total, Operating Account	474,092	498,029	474,306	497,268
<hr/>					
	Total Expenditure	<u><u>474,092</u></u>	<u><u>498,029</u></u>	<u><u>474,306</u></u>	<u><u>497,268</u></u>

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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 Commerce and Industry Branch is \$497,268,000. This represents an increase of \$22,962,000 over the revised estimate for 2005–06 and of \$23,176,000 over actual expenditure in 2004–05.

Operating Account

Recurrent

2 Provision of \$481,854,000 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 2006 will be 108 permanent posts. No change in establishment is expected 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 \$35,761,000.

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)	2006–07 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	50,702	50,870	50,653	52,986
- Allowances	2,305	3,017	2,812	2,404
- Job-related allowances	3	4	4	4
Personnel Related Expenses				
- Mandatory Provident Fund contribution	62	72	72	72
Departmental Expenses				
- General departmental expenses	17,176	42,462	23,161	42,316
Other Charges				
- Subscription to the WTO	32,317	37,358	37,358	39,226
Subventions				
- Hong Kong-Japan Business Co-operation Committee	3,610	3,610	3,610	3,610
- HKTDC	354,738	341,236	341,236	341,236
	460,913	478,629	458,906	481,854

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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
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	012	Professional Services Development Assistance Scheme	100,000	25,563	15,000	59,437
	685	Development of Hong Kong's assessment capabilities for the operation of strategic trade controls..	4,000	3,186	400	414
		Total	<u>104,000</u>	<u>28,749</u>	<u>15,400</u>	<u>59,851</u>