

Head 181 — TRADE AND INDUSTRY DEPARTMENT

Controlling officer: the Director-General of Trade and Industry will account for expenditure under this Head.

Estimate 2007–08	\$490.6m
Establishment ceiling 2007–08 (notional annual mid-point salary value) representing an estimated 502 non-directorate posts as at 31 March 2007 reducing by one post to 501 posts as at 31 March 2008.....	\$160.1m
In addition, there will be an estimated 11 directorate posts as at 31 March 2007 and as at 31 March 2008.	
Commitment balance	\$10,853.8m

Controlling Officer's Report

Programmes

Programme (1) Commercial Relations	These programmes contribute to Policy Area 6: Commerce and Industry (Secretary for Commerce, Industry and Technology).
Programme (2) Trade Support and Facilitation	
Programme (3) Support for Small and Medium Enterprises and Industries	

Detail

Programme (1): Commercial Relations

	2005–06 (Actual)	2006–07 (Original)	2006–07 (Revised)	2007–08 (Estimate)
Financial provision (\$m)	243.2	89.1	70.4 (–21.0%)	80.3 (+14.1%)
				(or –9.9% on 2006–07 Original)

Aim

2 The aim is to secure and preserve maximum access and fair treatment for exports from Hong Kong to international markets.

Brief Description

3 The Department, through its Multilateral Division, Regional Co-operation Division and respective geographical divisions, is responsible for the commercial relations of Hong Kong. It seeks to protect Hong Kong's rights and trade interests by monitoring and responding to trade policies and measures of trading partners through multilateral and bilateral negotiations and other channels. It also promotes Hong Kong's status as a separate customs territory and a model for international free trade by actively participating in multilateral and regional trade fora. To this end, Hong Kong relies on the multilateral trading system under the auspices of the World Trade Organization (WTO) as the cornerstone of Hong Kong's external trade policy.

4 The Department has helped achieve significant results on the commercial relations front. Hong Kong is a founding member of the WTO. This separate membership has continued since 1 July 1997 under the name "Hong Kong, China". Hong Kong was ranked the 11th largest trading economy in merchandise trade and the 16th in services trade in the world in 2005 by the WTO. It came first in the 2007 Index of Economic Freedom published by the Heritage Foundation of the United States (US) in January 2007. Within the region, the Department continues to expand its links and participates actively in the Asia-Pacific Economic Cooperation (APEC) forum whose member economies account for some 80% of Hong Kong's total external trade. The Department will continue to advance and safeguard Hong Kong's trade interests and rights.

5 The Department has actively participated in the discussions with the Mainland on further trade liberalisation under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). The Supplement III to CEPA was signed on 27 June 2006.

6 The main responsibilities of the Department under this programme are to:

- provide early warning on import restrictions and regulations by importing economies;
- disseminate promptly information to traders where appropriate;

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- make timely representations as appropriate to safeguard Hong Kong's trade interests;
- participate in and contribute to discussions in international economic and trade fora;
- secure and preserve market access for both goods and services; and
- uphold the integrity of the multilateral trading system.

7 In 2006, the Department's key activities included the following:

- active participation in the WTO bodies to monitor and evaluate the implementation of the Uruguay Round agreements, as well as the work programmes adopted at the WTO Ministerial Conferences. These included the faithful termination of the Agreement on Textiles and Clothing (ATC);
- active and constructive participation in the new round of multilateral trade negotiations, i.e. the Doha Development Agenda (DDA) negotiations. In December 2005 we hosted the WTO Sixth Ministerial Conference which concluded successfully. It set out a launching pad for the DDA negotiations to enter the final phase in 2006. However, due to failure to reach consensus on the modalities on agriculture and non-agricultural market access, members agreed to suspend the DDA negotiations in July 2006. Since the suspension of the negotiations, the Secretary for Commerce, Industry and Technology has been maintaining close contacts with his ministerial counterparts as well as the Director-General of the WTO (DG/WTO) to identify room for maneuver amongst the majors and to keep up the political pressure on the need to conclude the round. The technical work of the DDA negotiations was eventually resumed in November 2006;
- active and constructive participation in the WTO negotiations on services which have entered the stage of members' preparation for the second revised offers for specific commitments. In this connection, another round of public consultation was conducted from March to May 2006 for the formulation of Hong Kong's negotiating positions. However, with the suspension of the DDA negotiations in late July 2006, the progress on the services negotiations made was put on hold. While the DDA negotiations were resumed in November 2006, progress in the services negotiations has yet to pick up pending further advancement in the wider negotiating context;
- close monitoring of the implementation of China's WTO accession commitments and keeping the business community informed of changes in the Mainland's trade/business/investment laws and regulations through various channels, including issue of circulars and dissemination of information on the departmental web portal;
- close monitoring of negotiations for accession to the WTO by important trading partners;
- active participation in various APEC fora, including the Economic Leaders' Meeting, Ministerial Meetings and Senior Officials' Meetings, and serving as the Vice-Chair of the Committee on Trade and Investment. The Department was actively involved in the discussion on APEC's support for the multilateral trading system, in particular, the negotiations under the DDA and the implementation of the APEC Trade Facilitation Action Plan. The Department played an important role in formulating initiatives for achieving APEC's goal of free and open trade and investment. In addition, it participated constructively in APEC's work concerning economic and technical co-operation, support for small and medium enterprises (SMEs), electronic commerce, counter-terrorism, promoting human security, financial co-operation, and implementation of the APEC Busan Roadmap;
- active participation in regional bodies, including the Pacific Economic Cooperation Council (PECC);
- participation in the United Nations Development Programme projects;
- initialling of an Investment Promotion and Protection Agreement (IPPA) text with Kuwait, and continuation of negotiations for an IPPA with Finland;
- discussion with the Mainland on further trade liberalisation under the CEPA;
- working on the continuation of tariff preferences for Hong Kong's exports to Canada and Norway under their respective Generalised Systems of Preferences Schemes;
- advising local companies on importing economies' anti-dumping legislation and procedures, and making representations against any unfair and unjustifiable allegations and practices in anti-dumping cases. This included following up on the two separate anti-dumping proceedings by the European Commission against imports of recordable compact discs and recordable digital versatile discs originating in Hong Kong;
- close monitoring of, and advising the trade on, changes in the origin rules and other import regulations of our trading partners;
- co-operating with trading partners in a manner consistent with our domestic law to enhance the effectiveness in combating illegal textiles transshipment;
- close monitoring of developments in the new textiles trade regime in overseas markets after quota restraints on textiles and clothing products have been eliminated under the WTO ATC since 1 January 2005; and
- enhanced liaison with relevant Mainland authorities to discuss bilateral trade issues including matters related to CEPA implementation, and to reflect the views of Hong Kong traders regarding the trading environment in the Mainland.

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Matters Requiring Special Attention in 2007–08

8 During 2007–08, the Department will continue to:

- monitor the implications of the various WTO agreements for Hong Kong as well as the implementation of these agreements by trading partners;
- participate actively in the DDA negotiations. We will continue to work closely and constructively with the DG/WTO and all WTO Members towards a successful conclusion of the DDA;
- participate actively and constructively in the WTO negotiations on services and consult the trade if necessary in formulating Hong Kong's negotiating positions once the DDA negotiations intensify;
- enhance liaison with the Mainland authorities to discuss bilateral issues of mutual interest, and to continue discussions with the Mainland on further trade liberalisation and facilitation measures under the CEPA. It will continue to consult the concerned sectors and reflect their views to the Mainland in the process;
- contribute to multilateral and regional efforts in trade liberalisation and rule-making such as reforms of governmental restraints (e.g. anti-dumping), regional trade agreements, trade facilitation, rules of origin (ROOs) and government procurement;
- monitor closely and participate actively in discussions on issues mandated by the Doha Work Programme including electronic commerce, trade and environment, as well as trade-related aspects of intellectual property rights to safeguard Hong Kong's trade and economic interests and to uphold the integrity of the multilateral trading system;
- participate actively in the International Textiles and Clothing Bureau (ITCB), which was established in 1985 to safeguard members' interests in the textiles and clothing trade. The Department will work closely with other ITCB members, among others, to prevent, as far as possible, alternative methods of protection and discrimination being employed by importing countries against textiles and clothing exports from Hong Kong and other developing economies after termination of the ATC, and also on other textiles-related issues under the WTO;
- participate actively in the APEC, the PECC and other regional bodies. It will work closely with other APEC members in areas such as the APEC's contribution to the WTO, implementation of the APEC Trade Facilitation Principles and capacity building through economic and technical co-operation;
- contribute to Hong Kong's participation, as an observer of the Trade Committee of the Organisation for Economic Cooperation and Development (OECD), in the meetings of the Trade Committee, its Working Party and its joint groups/sessions, given that the OECD is an important forum for the formulation of trade policy initiatives of developed countries;
- monitor the developments of regional economic integration and assess their impact on Hong Kong, and explore with interested trading partners possible means of enhancing economic co-operation;
- monitor the developments in the new textiles trade regime in overseas markets and defend Hong Kong's trade interests against any potential discriminatory import measures imposed by overseas markets on Hong Kong's textiles and clothing exports;
- strengthen Hong Kong's trading ties with the Mainland through enhanced communication with the trade authorities at the central government and provincial levels;
- defend Hong Kong's interests against anti-dumping actions through bilateral and multilateral means and give advice to local industries;
- monitor any changes in major trading partners' origin rules and review domestic origin rules in consultation with local industries;
- monitor any changes in major trading partners' trade laws and regulations and promptly provide information to traders as appropriate; and
- monitor the institutional reforms related to the accession of Bulgaria and Romania to the European Union (EU) in January 2007 to ensure that Hong Kong's trade interests and market access to the enlarged EU will not be adversely affected.

Programme (2): Trade Support and Facilitation

	2005–06 (Actual)	2006–07 (Original)	2006–07 (Revised)	2007–08 (Estimate)
Financial provision (\$m)	109.7	128.6	114.3 (–11.1%)	125.8 (+10.1%)

(or –2.2% on
2006–07 Original)

Aim

9 The aim is to:

- fulfil Hong Kong's obligations under international, multilateral and bilateral trade agreements and optimise the benefits to Hong Kong flowing from such agreements;
- provide certification and licensing services in order to facilitate trade and supplement controls imposed for reasons other than trade; and
- enhance Hong Kong's role as a regional trading and distribution centre.

Brief Description

10 The Systems Division, Americas Division, Mainland Division and Europe Division provide various licensing facilities and certification services, including by electronic means, for different commodities such as textiles and clothing, strategic commodities, rough diamonds and reserved commodities (only rice is scheduled as a reserved commodity at present) so as to fulfil Hong Kong's international and bilateral obligations, to meet other requirements of public safety and security, as well as to ensure a stable supply of rice to the local population.

11 Since 2 October 2003, the Mainland Division has implemented a one-stop Hong Kong Service Supplier (HKSS) Certification Scheme for all service sectors under the CEPA. In August 2005, the Department introduced voluntary renewal services to facilitate eligible HKSS to extend the validity of their HKSS certificates after the initial two-year period. Pursuant to the conclusion of further trade liberalisation under Supplement III to the CEPA in June 2006, the Mainland Division extended the certification services on 14 August 2006 to cover the new commitments.

12 Apart from providing one-stop certification services, the Mainland Division also handles enquiries on the CEPA, and disseminates through the Department's CEPA website CEPA-related information, including application procedures and rules and regulations for setting up services enterprises in the Mainland. In order to promote the business opportunities offered by the CEPA and to facilitate traders and service suppliers to reap the benefits of the CEPA, the Department also organises and participates in various promotional and publicity activities, and handles requests for assistance from Hong Kong service suppliers who have encountered difficulties when applying for provision of services in the Mainland under the CEPA.

13 Following the introduction of full electronic services for sending Production Notification as from February 2000 and Certificate of Origin applications as from September 2000, electronic services for sending textiles notifications were launched in May 2003. Submission of cargo manifests for air/rail mode and water mode was fully migrated to electronic services in July 2004 and June 2006 respectively. In collaboration with other departments and under the lead of the Commerce, Industry and Technology Bureau, the Department will continue to help promote the electronic mode of submission for official trade documents.

14 In 2006, the Department continued to maintain the integrity of the textiles control system vigilantly through monitoring the production and import/export activities of textiles traders. These policing efforts along with vigorous enforcement actions by the Customs and Excise Department have served an effective deterrence against textiles-related malpractices.

15 With the global elimination of quantitative restrictions on textiles and clothing products from 1 January 2005 under the WTO ATC, the Department has suitably streamlined the textiles control arrangements to provide greater facilitation to the trade while maintaining necessary control to safeguard the interests of Hong Kong's textiles exports.

16 Since 15 March 2006, control on textiles exports to the EU has been strengthened in view of the EU's imposition of quantitative restrictions on the Mainland's textiles exports to the EU. Suitable changes also need to be made to the textiles control system upon the accession of Bulgaria and Romania to the EU in January 2007.

17 Following the signing of the main text and the Annexes of the CEPA on 29 June 2003 and 29 September 2003 respectively, the Mainland commenced to apply zero import tariff for imported goods of Hong Kong origin by phases. Starting from 1 January 2006, all products of Hong Kong origin enjoy zero tariff preference, upon applications by local manufacturers and upon the CEPA ROOs being agreed and met. As at 1 January 2007, both sides have reached agreements on the CEPA ROOs for 1 448 products. For products that have no agreed CEPA ROOs for the time being, their relevant ROOs will be jointly worked out twice a year on application by the trade.

18 Following the significant liberalisation of the rice trade from 1 January 2003, the rice trade is now generally operating in a free market environment. Import quota has been removed and any interested parties can register as rice stockholders to import rice for local consumption subject to compliance with a reserve stock requirement.

19 In 2006, the Department continued its efforts to ensure the smooth implementation of the Kimberley Process Certification Scheme for rough diamonds, which was launched in January 2003 to safeguard the interests of traders in rough diamonds in Hong Kong. The Kimberley Process Certification Scheme is an international certification scheme which aims at stopping trade in "conflict diamonds" from fuelling armed conflicts, activities of rebel movements and illicit proliferation of armament.

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20 In 2006, the Department continued to maintain a robust control system on strategic commodities, and to participate actively in international co-operation of strategic trade controls. The Department also organised an industry outreach seminar in Hong Kong in collaboration with the Japanese Government to promote industry awareness of strategic trade control. In addition, it continued to administer the permit system under the Chemical Weapons (Convention) Ordinance, and compile annual reports for submission to the Organisation for the Prohibition of Chemical Weapons through the Central People's Government.

21 The key performance measures are:

Targets

	Target processing time (working days or as specified)	2005 (Actual)	2006 (Actual)	2007 (Plan)
consignment-specific textiles licence				
import	2	2	2	2
export	2	2	2	2
re-export	2	2	2	2
special import/export licence (textiles)				
Form 8b under the Special Export and Import Licensing (Textiles) Scheme	1	1 ^(a)	N.A.	N.A.
amendment and cancellation of consignment-specific textiles licence	2	2	2	2
expeditious issue of consignment-specific textiles licence	24 hrs ^(b)	N.A.	24 hrs	24 hrs
certificate of registration for Textiles Trader Registration	3 ^(c)	3	3	3
amendment of textiles notification under the Textiles Trader Registration Scheme (TTRS)	2	2	2	2
certificate of Hong Kong origin, certificate of origin-processing and certificate of Hong Kong origin-CEPA (CO(CEPA))	1.5	1.5	1.5	1.5
certificate of origin (Form A)	1.5 ^(d)	2.0	1.5	1.5
expeditious issue of certificate of Hong Kong origin/Form A/CO(CEPA)	24 hrs	24 hrs	24 hrs	24 hrs
enquiry on CO(CEPA), CEPA rules of origin				
simple enquiry	3 ^(e)	N.A.	3	3
complicated enquiry	10 ^(e)	N.A.	10	10
production notification for cut and sewn garments (PN)	1.5	1.5	1.5	1.5
enquiry on PN : permissible limits for component parts or classification enquiry				
simple enquiry	1	1	1	1
complicated enquiry	4 ^(f)	5	4	4
application for factory registration	14	14	14	14
amendment of factory registration particulars				
if factory inspection is necessary	14	14	14	14
if factory inspection is not necessary	3 ^(g)	5	3	3
local sub-contracting arrangement registration	1	1	1	1
outward processing arrangement (OPA) registration	2 ^(h)	3	3	2
combined annual renewal of factory registration and OPA registration	1	N.A. ⁽ⁱ⁾	1	1
enquiry on OPA : manufacturing processes allowed to be subcontracted outside Hong Kong				
simple enquiry	1	1	1	1
complicated enquiry	4	4	4	4
import and export licence for reserved commodities	1	1	1	1
import and export licence for ozone depleting substances	2	2	2	2

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	Target processing time (working days or as specified)	2005 (Actual)	2006 (Actual)	2007 (Plan)
import and export licence for strategic commodities	2.5 ^(j)	2.5	2.5	2.5
pre-classification service on strategic commodities	2 ^(k)	2	2	2
import licence for radioactive substances and irradiating apparatus	1	1	1 ^(l)	N.A. ^(l)
Kimberley Process Certificate (Import) for rough diamonds	20 mins	20 mins	20 mins	20 mins
Kimberley Process Certificate (Export) for rough diamonds	24 hrs	24 hrs	24 hrs	24 hrs
registration for rough diamond traders.....	1	1	1	1
certified true copy	1	1	1	1
registration for Transshipment Cargo Exemption Scheme.....	14	14	14	14
HKSS certificate fresh application.....	14	14	14	14
amendment, replacement, cancellation and renewal	5	5	5	5
other written enquiries	10	10	10	10

- (a) As a transitional arrangement, Form 8b was issued until 30 April 2005 and the target processing time was revised from 30 minutes to one working day.
- (b) New target processing time starts from 1 January 2006.
- (c) 70% of the applications can be handled in two days.
- (d) From 1 July 2006, the target processing time has been reduced from two days to one-and-half days.
- (e) The segregation of “simple” and “complicated” enquiries commenced in 2006. It is a new performance pledge which has been introduced since 1 January 2006.
- (f) From 1 July 2006, the target processing time has been improved as all enquiries can be handled in four days. Prior to this date, 50% of the enquiries could be handled in four days while the remaining 50% were handled in five days.
- (g) From 1 January 2006, the target processing time has been reduced from five days to three days.
- (h) From 1 January 2007, the target processing time has been reduced from three days to two days.
- (i) The combined annual renewal service has been implemented since June 2006.
- (j) The processing time may be longer for imports of certain sensitive products or exports to certain destinations.
- (k) Target processing time since January 2003.
- (l) The licensing duties of radioactive substances and irradiating apparatus have been transferred to the Department of Health as from 10 July 2006.

Indicators

	2005 (Actual)	2006 (Actual)	2007 (Estimate)
<i>Licence issued</i>			
consignment-specific textiles import licence.....	41 182	32 007	32 000
consignment-specific textiles export licence	53 884	30 001	30 000
comprehensive import licence (textiles)	613 173	565 920	566 000
comprehensive export licence (textiles)	2 673 704 ^(m)	1 860 434	1 860 000
exports notification I	755 047 ^(m)	790 946	791 000
exports notification II	1 889 555 ^(m)	2 765 631	2 766 000
import notification	2 392 543	2 419 101	2 419 000
transshipment notification.....	510 807	506 599	507 000
textiles trader registration.....	18 569	18 718	18 100
certificate of Hong Kong origin and certificate of origin - processing	1 971	1 163	1 170
certificate of origin (Form A)	1	0	1
CO(CEPA)	439	583 ⁽ⁿ⁾	930 ⁽ⁿ⁾
factory registration	2 386	2 520	2 520
OPA registration.....	1 091	1 135	1 140
local sub-contracting arrangement registration.....	1 191	1 017	1 020
PN	110 104	112 442 ^(m)	115 000 ^(m)
statutory declarations of antique.....	13	2	2
reserved commodities licence.....	7 589	7 693	7 798
registration of reserved commodity stockholder.....	94	93	93
ozone depleting substances licence	244	246	246

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	2005 (Actual)	2006 (Actual)	2007 (Estimate)
strategic commodities licence.....	72 462	81 041	81 040
delivery verification certificate.....	18	19	20
international import certificate	69	87	90
other non-textiles licence.....	2 080	1 653 ^(o)	97 ^(o)
Kimberley Process Certificate.....	4 834	5 607	5 607
registration of rough diamond traders	264	114 ^(p)	225 ^(p)
HKSS certificate ^(q)	617	575	800
permit under the Chemical Weapons (Convention) Ordinance.....	0	0	3
CEPA			
enquiries	18 671	13 403	13 403
visitors to the Department's CEPA website.....	251 183	143 322	143 322

- (m) With effect from 15 March 2006, the PN and TTRS arrangements have been extended to textiles exports to the EU in place of the comprehensive export licence. Hence, the 2005 actual figures are not directly comparable to the 2006 actual figures and the 2007 estimate figures.
- (n) The number of products with the CEPA rules of origin agreed has increased on 1 January 2006, 1 July 2006 and 1 January 2007 respectively.
- (o) With the transfer of the licensing duties for radioactive substances and irradiating apparatus to the Department of Health as from 10 July 2006, the number of non-textiles licences for 2006 has decreased substantially and further drop is expected in 2007.
- (p) Under the biennial registration system introduced on 2 January 2003, most of the rough diamond traders were registered in 2003 when the system was first launched and renewal of the registrations only takes place every two years starting from 2005. As the majority of the rough diamond traders will only renew their registrations in 2007, the figure for 2006 was substantially lower than that for 2005 and the estimate for 2007.
- (q) The figures include the number of HKSS certificates issued for fresh applications as well as certificates issued under ancillary services provided (amendment, replacement, cancellation, renewal and certified true copy).

Matters Requiring Special Attention in 2007–08

22 During 2007–08, the Department will:

- continue its efforts to safeguard the integrity and credibility of Hong Kong's trade control arrangements over textiles and clothing exports by maintaining close co-operation with the Customs and Excise Department to implement an integrated and targeted approach of inspections and investigations, reviewing constantly the textiles control arrangements especially its effectiveness in deterring textiles-related malpractices, maintaining an effective origin certification system to accredit Hong Kong origin to products manufactured in Hong Kong, and applying legal and administrative actions against offending parties;
- continue to review the textiles licensing arrangements taking into account the development of the textiles trade regime in overseas markets after the elimination of textiles quotas, the extent of safeguard measures and other quantitative restrictions invoked by WTO Members and the local manufacturing scene. Necessary adjustments to the textiles control arrangements will be made to ensure a proper balance between trade facilitation and regulation so that Hong Kong-origin textiles and clothing exports can enjoy continued access to the world markets;
- continue to review textiles licensing and certification procedures and requirements with a view to removing any unnecessary formalities and introducing further electronic delivery services;
- review the certification procedures and conditions of issuing the CO(CEPA) with a view to facilitating the trade to benefit from the tariff preference under the CEPA, as well as prepare for further consultations with the Mainland authorities on rules of origin for goods under the CEPA;
- continue to maintain an effective strategic trade control system, and to keep the strategic commodities licensing system under constant review with a view to further streamlining the procedures and requirements for facilitating the trade without compromising the integrity of the control system. The facilitation measures include the implementation of a programme to further streamline procedures and shorten the processing time for certain licence applications involving less sensitive products;
- continue to operate the Rice Control Scheme to ensure a stable supply of rice and a sufficient reserve stock, and to further streamline procedures to facilitate the trade;
- continue to monitor the implementation of the Kimberley Process Certification Scheme closely;
- monitor closely and review the implementation of the HKSS Certification Scheme and liaise with other relevant bureaux/departments to facilitate the service suppliers in Hong Kong to maximize the benefits from the CEPA;
- continue to strengthen the public's understanding on the liberalisation measures and implementation details of the CEPA through the provision of user-friendly enquiry services as well as active organisation of or participation in various promotional and publicity activities;

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- continue to disseminate timely information on CEPA implementation as promulgated by the Mainland authorities concerning individual service sectors, and update and expand the database on Mainland rules and regulations on specific service sectors for reference by Hong Kong service suppliers; and
- continue to provide assistance to Hong Kong service suppliers who have encountered difficulties in their applications for provision of services in the Mainland under the CEPA.

Programme (3): Support for Small and Medium Enterprises and Industries

	2005–06 (Actual)	2006–07 (Original)	2006–07 (Revised)	2007–08 (Estimate)
Financial provision (\$m)	347.1	472.0	262.8 (–44.3%)	284.5 (+8.3%)
				(or –39.7% on 2006–07 Original)

Aim

23 The aim is to support and facilitate the development of Hong Kong's SMEs and industries.

Brief Description

24 The Industrial Support Division develops policy initiatives and implements programmes to enhance the competitiveness of SMEs and their long term development. The Division provides information and advisory services for SMEs through its Support and Consultation Centre for SMEs (SUCCESS). Apart from administering the SME funding schemes, it also provides secretariat support to the Small and Medium Enterprises Committee (SMEC), an appointed body to advise the Chief Executive on issues affecting the development of SMEs in Hong Kong and suggest measures to support and facilitate their development and growth. On the regional front, the Division participates in the SME-related activities of the APEC and assists in the implementation of bilateral agreements on SME co-operation between Hong Kong and other economies.

25 In support of the development of Hong Kong's industries, the Division maintains liaison with local industries and trade and industrial organisations and collects information on Hong Kong's industrial development. It also participates in the formulation and implementation of policies by other government bureaux and departments which impinge on industrial development in Hong Kong. It is represented on the governing bodies of various support organisations whose work has an impact on industrial development. These organisations include the Hong Kong Productivity Council, the Vocational Training Council, the Hong Kong Quality Assurance Agency, and the Clothing Industry Training Authority. To recognise and encourage excellence in different aspects, it provides steer on the organisation of the Hong Kong Awards for Industries which has replaced the former Hong Kong Awards for Industry and the Hong Kong Awards for Services.

26 The Division administers the SME Loan Guarantee Scheme, the SME Export Marketing Fund and the SME Development Fund.

27 SUCCESS serves as SME entrepreneurs' first-stop for free and reliable business information and consultation services. Being a neutral entity, SUCCESS partners with other government departments, trade and industrial organisations, support organisations and professional bodies to provide diversified free services. One of SUCCESS' most popular services is the free business advisory service for SME entrepreneurs including business start-ups to seek advice from experts on aspects relating to starting, running and expanding businesses. Facilities at SUCCESS include a reference library and computer workstations which provide free access to the internet and business electronic databases. To help SME entrepreneurs keep pace with the ever changing business environment, SUCCESS organises seminars, workshops and company visits, issues regular E-newsletters and E-mail Alerts and publishes an SME newsletter - "SME Pulse" on a half-yearly basis. In 2006, SUCCESS developed a new website with enhanced functions for interaction with customers and for dissemination of information.

28 The 2005–06 SME Mentorship Programme was completed in August 2006 with very positive feedback from the participants. The programme was supported by 49 prominent trade, industry and professional organisations. They nominated 104 volunteer mentors to provide free counselling to 143 mentees. The Division would launch a new SME Mentorship Programme in the first quarter of 2007.

29 The Division also participated in the meetings of the APEC SME Working Group, Micro-Enterprise Sub-group, APEC SME Ministers and related meetings organised by other APEC economies.

30 The Department collaborates with various supporting agencies to enhance industrial support services for the fashion industry.

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31 The key performance measures are:

Targets

	Target	2005 (Actual)	2006 (Actual)	2007 (Plan)
SUCCESS				
confirmation of consultation meeting with applicants of Business Advisory Service (BAS) within ten working days (%)	100	99.5	100	100
replies to simple enquiries on licensing requirements within one working day (%).....	100	100	100	100
replies to complicated enquiries on licensing requirements within three working days (%)	100	100	100	100
replies to simple enquiries on SME support services and facilities within one working day (%)	100	100	100	100
replies to complicated enquiries on SME support services and facilities within three working days (%)	100	100	100	100
SME Loan Guarantee Scheme (previously known as SME Business Installations and Equipment Loan Guarantee Scheme)				
processing applications for guarantee within three working days (after receipt of complete applications from participating lending institutions) (%).....	100	99.5	99.7	100
SME Development Fund				
processing applications for grant within 70 working days ^(r) (%)	100	100	100	100
SME Export Marketing Fund				
processing applications for grant within seven working days (%)	100	92 ^(s)	N.A.	N.A.
reimbursement of grant within 30 working days (%)	100	91 ^(s)	N.A.	N.A.
processing applications for grant within 30 working days (%)	100	98.0 ^(t)	97.2	100

(r) The processing time refers to the time taken by the Secretariat of the SME Development Fund to conduct initial assessments on applications and submit recommendations to the Vetting Committee for decision. With effect from 1 January 2006, the Fund has been open to applications all year round and the vetting procedure will be conducted on a quarterly basis. The performance pledge for processing applications for grant has correspondingly been revised to be within 70 working days after end of each quarter of calendar year.

(s) Figures were up to 30 June 2005 only. Simplified application procedure took effect on 1 July 2005 whereby SMEs need only to submit single applications for grant within 60 calendar days after their participation in export promotion activities.

(t) Figures since 1 July 2005 upon implementation of the simplified application procedure.

Indicators

	2005 (Actual)	2006 (Actual)	2007 (Estimate)
SUCCESS			
enquiries	19 539	22 113	22 000
visitors to SUCCESS.....	38 822	39 519	40 000
visits to SUCCESS website	N.A.	304 578 ^(u)	610 000
visitors to Virtual SME Information Centre	447 349	215 610 ^(v)	N.A.
visitors to Business Licence Information Service website	140 943	64 085 ^(v)	N.A.
seminars and other activities.....	88	104	100
publications relating to local industries and SMEs.....	2	2	2

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	2005 (Actual)	2006 (Actual)	2007 (Estimate)
SME Loan Guarantee Scheme (previously known as SME Business Installations and Equipment Loan Guarantee Scheme)			
applications received and processed ^(w)	N.A.	N.A.	2 500
no. of SME beneficiaries ^(v)	N.A.	N.A.	2 000
amount of government guarantees issued (\$m)	1,908	1,505	1,250
SME Development Fund			
applications received and processed.....	134	39 ^(x)	50
amount of government grants approved (\$m) ^(w)	N.A.	N.A.	15
SME Export Marketing Fund			
applications received and processed.....	10 110	11 877	10 000
no. of SME beneficiaries ^(v)	N.A.	N.A.	5 000
amount of government grants approved (\$m) ^(w)	N.A.	N.A.	120
SME Training Fund			
applications received and processed.....	27 194	N.A.	N.A.

(u) This figure covers the second half of 2006 as SUCCESS website was launched in mid-June 2006.

(v) This figure covers the first half of 2006 as the Virtual SME Information Centre and the Business Licence Information Service website were replaced by a new SUCCESS website in mid-June 2006.

(w) New indicators as from 2007.

(x) The decrease in the number of applications is due to the change in the calculation method. Prior to January 2006, applications received is accumulated on a tranche-by-tranche basis which may include cross year applications. With effect from 1 January 2006, the Fund has been open to applications all year round.

Matters Requiring Special Attention in 2007–08

32 During 2007–08, the Department will continue to:

- implement the SME funding schemes and closely monitor their effectiveness;
- work closely with the SMEC to facilitate the development of SMEs;
- provide free business information and advisory service to SME through SUCCESS;
- organise the SME Mentorship Programme;
- issue the SME newsletter “SME Pulse” on a half-yearly basis;
- monitor Hong Kong’s industrial development and maintain liaison with industries and related organisations;
- participate in the APEC SME Working Group meetings, Ministerial Meeting and seminars/fora organised by other APEC economies;
- work closely with our trading partners to foster co-operation on support for SMEs, and facilitate exchanges among SMEs; and
- follow up the recommendations of the Director of Audit’s Report No. 47.

33 The Department will provide steer to the organisation of the Hong Kong Awards for Industries.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2005-06 (Actual) (\$m)	2006-07 (Original) (\$m)	2006-07 (Revised) (\$m)	2007-08 (Estimate) (\$m)
(1) Commercial Relations.....	243.2	89.1	70.4	80.3
(2) Trade Support and Facilitation	109.7	128.6	114.3	125.8
(3) Support for Small and Medium Enterprises and Industries.....	347.1	472.0	262.8	284.5
	700.0	689.7	447.5 (-35.1%)	490.6 (+9.6%)
				(or -28.9% on 2006-07 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2007-08 is \$9.9 million (14.1%) higher than the revised estimate for 2006-07. This is mainly due to the increased cash flow requirements for non-recurrent items, as well as increase in general departmental expenses and salary provision for filling vacancies.

Programme (2)

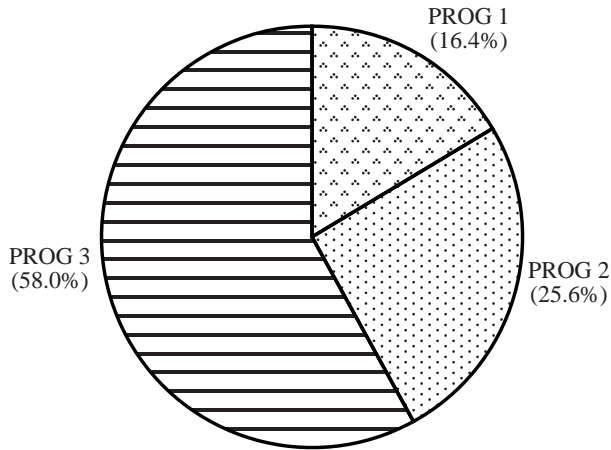
Provision for 2007-08 is \$11.5 million (10.1%) higher than the revised estimate for 2006-07. This is mainly due to the increase in departmental expenses for improvements to customer service points and the operation of a Textiles Trader Registration Scheme database as well as increase in salary provision for filling vacancies.

Programme (3)

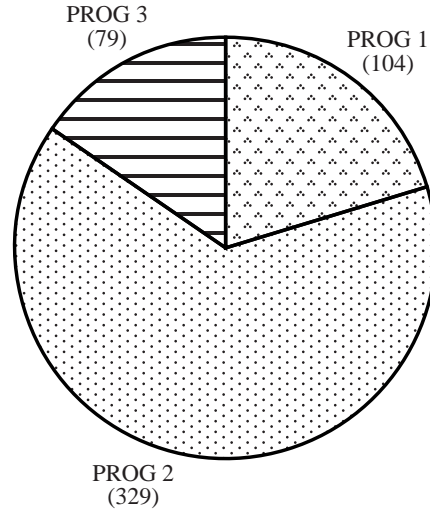
Provision for 2007-08 is \$21.7 million (8.3%) higher than the revised estimate for 2006-07. This is mainly due to an increase in cash flow for the SME funding schemes, as well as increase in general departmental expenses and salary provision for filling vacancies.

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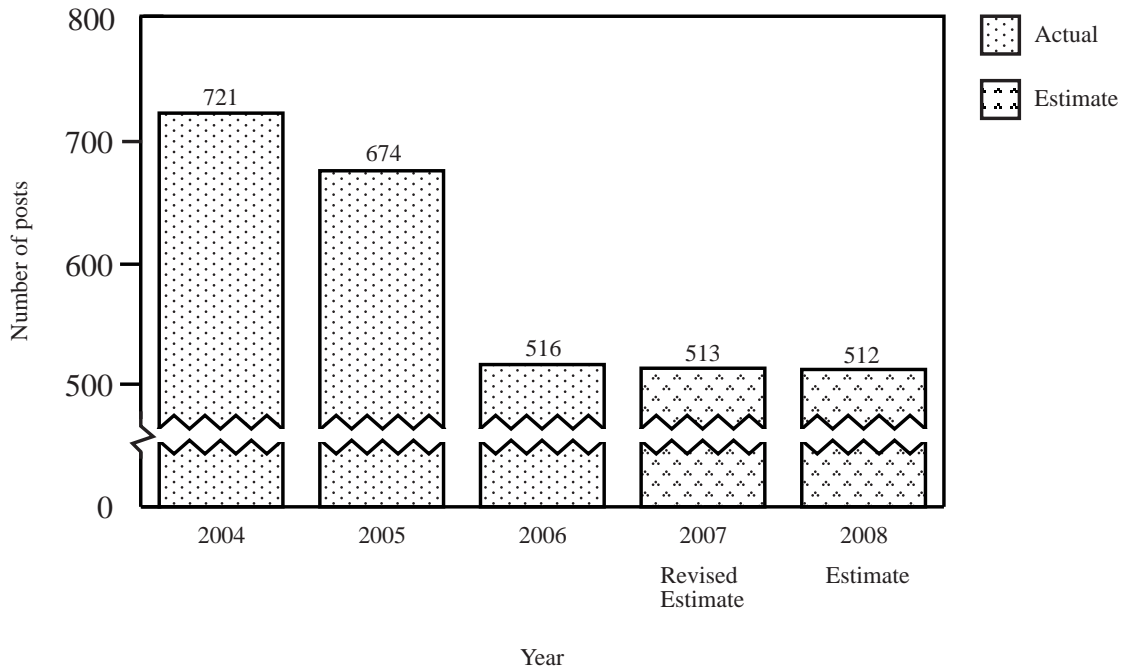
*Allocation of provision
to programmes
(2007-08)*



*Staff by programme
(as at 31 March 2008)*



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



Head 181 — TRADE AND INDUSTRY DEPARTMENT

Sub-head (Code)	Actual expenditure 2005-06	Approved estimate 2006-07	Revised estimate 2006-07	Estimate 2007-08	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses.....	244,813	269,296	231,798	255,600
	Total, Recurrent	<u>244,813</u>	<u>269,296</u>	<u>231,798</u>	<u>255,600</u>
Non-Recurrent					
700	General non-recurrent.....	455,099	420,340	215,730	235,027
	Total, Non-Recurrent	<u>455,099</u>	<u>420,340</u>	<u>215,730</u>	<u>235,027</u>
	Total, Operating Account.....	699,912	689,636	447,528	490,627
Capital Account					
Plant, Equipment and Works					
	Plant, vehicles and equipment	31	—	—	—
	Minor plant, vehicles and equipment (block vote).....	28	18	18	—
	Total, Plant, Equipment and Works	<u>59</u>	<u>18</u>	<u>18</u>	<u>—</u>
	Total, Capital Account	59	18	18	—
	Total Expenditure.....	<u>699,971</u>	<u>689,654</u>	<u>447,546</u>	<u>490,627</u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2007–08 for the salaries and expenses of the Trade and Industry Department is \$490,627,000. This represents an increase of \$43,081,000 over the revised estimate for 2006–07 and a decrease of \$209,344,000 against actual expenditure in 2005–06.

Operating Account

Recurrent

2 Provision of \$255,600,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Trade and Industry Department. The increase of \$23,802,000 (10.3%) over the revised estimates for 2006–07 is mainly due to increase in salary provision for filling vacancies, increase in departmental expenses for improvements to customer service points and the operation of a Textiles Trader Registration Scheme database.

3 The establishment as at 31 March 2007 will be 513 permanent posts. It is expected that there will be a net deletion of one post in 2007–08. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2007–08, but the notional annual mid-point salary value of all such posts must not exceed \$160,065,000.

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

	2005–06 (Actual) (\$'000)	2006–07 (Original) (\$'000)	2006–07 (Revised) (\$'000)	2007–08 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	202,726	198,695	183,861	189,918
- Allowances.....	7,928	5,720	5,950	6,758
- Job-related allowances	—	27	10	27
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	172	540	515	618
Departmental Expenses				
- General departmental expenses.....	31,946	60,635	36,658	53,398
Other Charges				
- Subscription to the Asia Pacific Economic Co-operation	714	1,000	869	869
- Trade negotiations and associated activities.....	803	1,600	1,500	1,500
- Contribution to the organisation of the Hong Kong Awards for Industries	—	—	1,600	1,600
- Subscription to the Pacific Economic Co-operation Council.....	127	128	128	128
- Contribution to the International Textiles and Clothing Bureau	397	643	399	476
- United Nations Development Programme.....	—	308	308	308
	244,813	269,296	231,798	255,600

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2006	Revised estimated expenditure for 2006-07	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	515	Consultancy to provide advisory services on trade in goods and services	8,608	5,129	—	3,479
	517	Consultancy to provide advisory services on further broad-based multilateral negotiation	3,054	297	—	2,757
	520	SME Loan Guarantee Scheme.....	10,600,000	47,051	22,400	10,530,549
	524	SME Training, Export Marketing and Development Funds	1,400,000	889,788	193,179	317,033
		Total.....	<u>12,011,662</u>	<u>942,265</u>	<u>215,579</u>	<u>10,853,818</u>