

Head 31 — CUSTOMS AND EXCISE DEPARTMENT

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

Estimate 2004–05	\$1,904.2m
Establishment ceiling 2004–05 (notional annual mid-point salary value) representing an estimated 5 038 non-directorate posts as at 31 March 2004 reducing by nine posts to 5 029 posts as at 31 March 2005	\$1,433.6m
In addition there will be an estimated nine directorate posts as at 31 March 2004 and as at 31 March 2005.	
Commitment balance	\$37.9m

Controlling Officer's Report

Programmes

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

Detail

Programme (1): Control and Enforcement

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	1,138.2	1,226.2	1,187.8 (–3.1%)	1,132.2 (–4.7%)
				(or –7.7% on 2003–04 Original)

Aim

2 The aim is 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 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 which was 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:

- monitoring both the import and export of goods and the licensing of the movement of prohibited and prescribed articles;

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- 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 2003 were generally achieved.

5 In addition to the deterrent effect of preventive action, the results of which cannot be quantified, the other key performance measures are:

Targets

	Target	2002 (Actual)	2003 (Actual)#	2004 (Plan)
% of licences for prescribed articles to be issued within 14 working hours upon receipt of applications	100	100	100	100
% of detained sea cargo to be cleared within five working days from date of request	100	100	100	100
% of detained air cargo to be cleared within 80 minutes from time of request..	100	100	100	100
% of passengers to be cleared within 15 minutes upon queuing up for Customs clearance (except those selected for further examination)	100	100	100	100
% of vehicles crossing the land boundary to be cleared within 60 seconds (except those selected for further examination) ..	100	99.9	100	100

Figures for 2003 are based on 11 months' actual performance projected to full-year and are subject to adjustment.

Indicators

	2002 (Actual)	2003 (Actual)#	2004 (Estimate)
carriage and import and export licences issued	30 568	30 093	1 387 ^μ
seizure cases	23 424 [†]	43 180	— [@]
value of seizures (\$m)			
dutiable commodities ¶.....	20.4 [†]	23.7	— [@]
vehicles.....	3.8 [†]	7.4	— [@]
speedboats/small craft	4.3	4.7	— [@]
prescribed articles.....	10.2 [†]	15.4	— [@]
prohibited articles.....	124.5 [†]	422.1	— [@]
others (e.g. dangerous goods, agricultural pesticides, reserved commodities, endangered species, etc.).....	79.5 [†]	77.4	— [@]

Figures for 2003 are based on 11 months' actual performance projected to full-year and are subject to adjustment.

^μ It is expected that the number of carriage and import and export licences issued will be reduced following the relaxation of the import, export and transportation control on nine categories of articles with the introduction of the Import and Export (Facilitation) Ordinance 2003 which came into operation on 8 January 2004.

[†] The figure has been updated after the preparation of the 2003–04 Estimates.

[@] Not possible to estimate.

[¶] Excluding seizure of illicit cigarettes and fuel by the Anti-Illicit-Cigarette Investigation Division, the Diesel Oil Enforcement Division, the Special Task Force as well as the General Investigation and Support Division under Programme (4).

Matters Requiring Special Attention in 2004–05

6 During 2004–05, the department will:

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- continue to take proactive action against smuggling through intelligence-led operations and closer co-operation with the Mainland authorities;
- sustain the effective development and use of intelligence and risk management in operations;
- continue the implementation of the Container Security Initiative to help enhance the security of the maritime trading system after the successful completion of a pilot scheme in 2003–04; and
- continue to improve clearance services to facilitate efficient passenger and cargo flows across the boundary.

Programme (2): Anti-narcotics Investigation

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	137.1	134.8	133.1 (–1.3%)	130.9 (–1.7%)
				(or –2.9% on 2003–04 Original)

Aim

7 The aim is 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 customs administrations and other law enforcement agencies outside Hong Kong to combat international drug trafficking and money laundering, and to prevent 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 2003 were generally met.

11 The key performance measures are:

Targets

	Target	2002 (Actual)	2003 (Actual)#	2004 (Plan)
% of authorisation for import/export of chemicals (as listed in Schedule 1 or 2 of the Control of Chemicals Ordinance) to be issued within ten working days upon receipt of applications	100	100	100	100
% of authorisation for export of any chemicals listed in Schedule 3 of the Control of Chemicals Ordinance to any country specified in the same Schedule to be issued within ten working days upon receipt of applications	100	100	100	100
% of approval for storing/keeping any chemicals listed in Schedule 1 or 2 of the Control of Chemicals Ordinance to be issued within five working days upon receipt of applications	100	100	100	100

Figures for 2003 are based on 11 months' actual performance projected to full-year and are subject to adjustment.

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Indicators

	2002 (Actual)	2003 (Actual)#	2004 (Estimate)
drug abusers reported to the Central Registry of Drug Abuse maintained by Security Bureau	17 956†	12 753φ	—@
average purity of heroin (%) (indicative of availability)	40.0	60.1	—@
average retail price of heroin (\$ per gram)	404.0	434.6	—@
dangerous drugs seized in Hong Kong §			
seizure cases	737†	709	—@
narcotics seized			
opiate (kg)	11.6†	12.7	—@
psychotropic drugs seized			
cocaine (kg)	6.3†	7.3	—@
cannabis (kg)	382.6†	18.0	—@
MDMA (ecstasy) (tablet)	29 174†	51 141	—@
methylamphetamine (ice) (kg)	26.0†	3.9	—@
ketamine (kg)	29.5†	12.2	—@
dangerous drugs seized outside Hong Kong (kg) (as a result of customs co-operation with agencies outside Hong Kong)	364.5†	1 533.9	—@
persons arrested outside Hong Kong (as a result of customs co-operation with agencies outside Hong Kong)	31	27	—@
assets of drug traffickers (\$m)			
restrained	3.14	0	—@
confiscated	1.75	0	—@
poisons/anti-biotics seized in Hong Kong§			
seizure cases	25†	28	—@
volume (kg)	12.5†	0.2	—@
volume (ml)	0†	21.3	—@
tablet	68 332†	24 934	—@
tube	451†	590	—@

Figures for 2003, unless otherwise stated, are based on 11 months' actual performance projected to full-year and are subject to adjustment.

† The figure has been updated after the preparation of the 2003–04 Estimates.

φ Based on the figure for the period up to September 2003.

@ Not possible to estimate.

§ Figures reflect enforcement work of the entire department.

Matters Requiring Special Attention in 2004–05

12 During 2004–05, 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

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	227.8	267.1	234.4 (–12.2%)	240.5 (+2.6%)

(or –10.0% on
2003–04 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 infringing intellectual property rights;
- executing court orders to detain goods at importation for the purpose of enforcing boundary measures under the Agreement on Trade-Related Aspects of Intellectual Property Rights under the auspices of the World Trade Organization;
- arranging and supervising the examination and identification of seizures with the participation of 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 activities.

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 overall performance in this programme in 2003 was good and the aims were generally met.

16 The key performance measures are:

Targets

	Target	2002 (Actual)	2003 (Actual)#	2004 (Plan)
% of licences for import and export of optical disc mastering and replication equipment to be issued within two working days upon receipt of applications	100	100	100	100
% of licences for manufacturing of optical discs to be issued within 14 working days upon receipt of applications	100	100	100	100

Figures for 2003 are based on 11 months' actual performance projected to full-year and are subject to adjustment.

Indicators

	2002 (Actual)	2003 (Actual)#	2004 (Estimate)
<i>Intellectual property rights</i>			
intellectual property rights investigations.....	14 045†	12 500Δ	13 000
seizure cases	11 976†	10 759	—@
value of seizures (\$m) (including textiles, leather-ware, watches, computer related and music related goods)	365.8†	270.8	—@
spot checks on optical disc factories	335	329	300
verifications on import/export of optical disc mastering and replication equipment	181	186	186

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	2002 (Actual)	2003 (Actual)#	2004 (Estimate)
<i>Weights and measures</i>			
spot checks	585	598	580
seizure cases	37	23	—@
value of seizures (\$'000)	34.5†	24.0	—@
<i>Toys and children's products safety</i>			
spot checks	1 498	1 478	1 450
seizure cases	18	13	—@
value of seizures (\$'000)	27.3†	38.4	—@
<i>Consumer goods safety</i>			
spot checks	1 614	1 415	1 350
seizure cases	19	6	—@
value of seizures (\$'000)	166.8†	58.0	—@
<i>Precious Metals Marking Orders</i>			
spot checks	72	72	70
seizure cases	4	0	—@
value of seizures (\$'000)	12.1†	0	—@

Figures for 2003 are based on 11 months' actual performance projected to full-year and are subject to adjustment.

† The figure has been updated after the preparation of the 2003–04 Estimates.

Δ The decrease in the number of investigations is due to the shift of investigation focus from mainly street level to higher level illicit activities for more effective piracy curbing.

@ Not possible to estimate.

Matters Requiring Special Attention in 2004–05

17 During 2004–05, the department will continue to:

- safeguard the interests and safety of consumers and the rights of intellectual property owners;
- strengthen action against copyright piracy by implementing new enforcement measures and launching intelligence-based operations;
- investigate intellectual property rights offences that are classified as 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; and
- launch programmes to promote traders' awareness of copyright and consumer protection legislation.

Programme (4): Revenue Protection and Collection

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	174.5	157.7	178.5 (+13.2%)	159.1 (–10.9%)

(or +0.9% on
2003–04 Original)

Aim

18 The aim is 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.

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.

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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 2003 were generally met.

24 The key performance measures are:

Targets

	Target	2002 (Actual)	2003 (Actual)#	2004 (Plan)
<i>Dutiable Commodities</i>				
% of import and export licences to be issued within 12 working days upon receipt of applications [⌘]	100	100	100	100
% of permits to be issued within half working day upon receipt of applications	100	100	100	100
% of cases in which customs attendance is to be provided within two working days upon receipt of applications	100	100	100	100
<i>First Registration Tax</i>				
% of assessments of provisional taxable values of imported vehicles to be completed within five working days upon receipt of applications	100	100	100	100
% of registrations of importers/distributors of motor vehicles to be completed within seven working days upon receipt of applications	100	100	100	100

Figures for 2003 are based on 11 months' actual performance projected to full-year and are subject to adjustment.

⌘ The service standard has been improved from 14 working days to 12 working days since July 2002.

Indicators

	2002 (Actual)	2003 (Actual)#	2004 (Estimate)
<i>Dutiable commodities</i> [♠]			
licences issued	215	229	229
permits issued	120 891	85 206 [♦]	85 206
duty collected (\$m).....	6,639.9 [†]	6,483.9	7,097.0
duty recovered (\$m)	5.1 [†]	2.6	— [@]
licence fees, customs attendance fees and other related payments collected (\$m)	75.6 [†]	30.1	4.2^β
revenue collected per \$1 provision (\$)	66.5 [†]	80.6	90.3
cases detected	40 [†]	35	— [@]
<i>Anti-illicit-cigarette enforcement</i> [∞]			
seizure cases	2 175 ^{†§}	4 507 [§]	— [@]
cigarettes seized ('000 sticks).....	170 314 [†]	138 433	— [@]
vehicles seized.....	57 [†]	43	— [@]
vessels seized.....	2	0	— [@]
persons prosecuted for offences relating to illicit cigarettes [^] ..	1 800 [†]	3 041	— [@]
persons compounded for offences relating to illicit cigarettes [^]	631 [†]	1 337	— [@]
<i>Anti-illicit-fuel enforcement</i> [‡]			
seizure cases	1 117 [†]	1 033	— [@]
hydrocarbon oil seized ('000 litres).....	1 527 [†]	1 702	— [@]
illegal fuel detreating plants closed down [^]	27	22	— [@]
illegal fuel filling stations neutralised [^]	896 [†]	897	— [@]

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	2002 (Actual)	2003 (Actual)#	2004 (Estimate)
<i>First Registration Tax</i>			
cases detected ϕ	20	7	—@
inspection and verification of imported vehicles for payment of First Registration Tax.....	393	394	390
assessment of provisional taxable value on imported vehicles completed (cases).....	44 778	36 536	—@
re-assessment of provisional taxable value on imported vehicles (cases).....	12 100	15 742	—@

Figures for 2003 are based on 11 months' actual performance projected to full-year and are subject to adjustment.

♠ Excluding figures relating to anti-illicit cigarette and anti-illicit fuel enforcement by the Anti-Illicit-Cigarette Investigation Division, the Diesel Oil Enforcement Division, the Special Task Force as well as the General Investigation and Support Division.

◆ The decrease is mainly attributed to the implementation of the Electronic Data Interchange – Dutiable Commodities Permits System since July 2002 under which more dutiable commodities items are included in a single permit.

† The figure has been updated after the preparation of the 2003–04 Estimates.

@ Not possible to estimate.

β Since the implementation of the Open Bond System from 1.4.2003, customs attendance at bonded warehouses is not required.

∞ Figures reflect anti-illicit cigarette enforcement by the Anti-Illicit-Cigarette Investigation Division, the Special Task Force as well as the General Investigation and Support Division, save for those indicators marked with “^” which reflect enforcement work of the entire department.

§ The increase is mainly due to the rampant street level peddling of illicit cigarettes and the associated enforcement action by the department.

^ Figures reflect enforcement work of the entire department.

‡ Figures reflect anti-illicit fuel enforcement by the Diesel Oil Enforcement Division, the Special Task Force as well as the General Investigation and Support Division, save for those indicators marked with “^” which reflect enforcement work of the entire department.

φ New indicator introduced in 2003.

Matters Requiring Special Attention in 2004–05

25 During 2004–05, the department will assist the Financial Services and the Treasury Bureau in the conduct of a study on implementation of a Goods and Services Tax.

Programme (5): Trade Controls

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	242.2	240.2	239.2 (–0.4%)	241.5 (+1.0%)

(or +0.5% on
2003–04 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;

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- 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 textile imports/exports and consignments 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 to enforce control on reserved commodities;
- 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 overall performance in this programme in 2003 was good. The aims and targets were generally met.

29 The key performance measures are:

Targets

	Target	2002 (Actual)	2003 (Actual)#	2004 (Plan)
% of pre-issue consignment inspections relating to textile licences / production notifications to be conducted within two working days upon receipt of referral of applications from Trade and Industry Department (TID)	100	100	100	100
% of pre-issue consignment inspections relating to non-textile licences to be conducted within four working days upon receipt of referral of applications from TID	100	100	100	100
% of factory registration and re-registration inspections relating to the issue of Certificates of Origin to be conducted within four working days upon receipt of referral of applications from TID	100	100	100	100
% of registration inspections relating to control on reserved commodities to be conducted within three working days upon receipt of referral of applications from TID	100	100	100	100
% of pre-issue consignment inspections relating to licenses for strategic commodities to be conducted within two working days upon receipt of referral of applications from TID	100	100	100	100
% of registration and re-registration inspections under the Air Transshipment Cargo Exemption Scheme for Strategic Commodities to be conducted within four working days upon receipt of referral of applications from TID	100	100	100	100

Figures for 2003 are based on 11 months' actual performance projected to full-year and are subject to adjustment.

Indicators

	2002 (Actual)	2003 (Actual)#	2004 (Estimate)
factory and consignment inspections	78 175†	108 454φ	74 850φ
factory audit checks	230	261	190
reserved commodities inspections	3 262	3 214	3 000

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	2002 (Actual)	2003 (Actual)#	2004 (Estimate)
blitz checks on textile consignments at control points and public cargo working areas	28 603	26 163	25 000
import and export declarations			
declarations processed.....	16 513 549	17 236 033	17 859 000
revenue collected (\$m).....	812.1†	918.6	938.0
revenue recovered (\$m).....	2.9	3.6	3.6
administrative penalties imposed (\$m).....	10.1†	11.3	10.0

Figures for 2003 are based on 11 months' actual performance projected to full-year and are subject to adjustment.

† The figure has been updated after the preparation of the 2003–04 Estimates.

φ The increase in 2003 is mainly attributed to an upsurge of referrals against production notification and export licence bulk applications by TID. With the implementation of a new monitoring mechanism against the suspected proliferators, the estimated figure for 2004, which also includes the inspections to be conducted under the CEPA and the Chemical Weapons (Convention) Ordinance, is expected to revert to the normal level.

Matters Requiring Special Attention in 2004–05

30 During 2004–05, the department will:

- assume its enforcement responsibility arising from the implementation of zero tariff for trade in goods under the CEPA;
- assume its responsibility for the enforcement of the Chemical Weapons (Convention) Ordinance; and
- keep in view the need to review the deployment of enforcement resources in the light of any possible changes in the textiles export control system following the lifting of quota restrictions on textile products by 1 January 2005.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2002-03 (Actual) (\$m)	2003-04 (Original) (\$m)	2003-04 (Revised) (\$m)	2004-05 (Estimate) (\$m)
(1) Control and Enforcement.....	1,138.2	1,226.2	1,187.8	1,132.2
(2) Anti-narcotics Investigation.....	137.1	134.8	133.1	130.9
(3) Intellectual Property Rights and Consumer Protection.....	227.8	267.1	234.4	240.5
(4) Revenue Protection and Collection..	174.5	157.7	178.5	159.1
(5) Trade Controls.....	242.2	240.2	239.2	241.5
	1,919.8	2,026.0	1,973.0 (-2.6%)	1,904.2 (-3.5%)
				(or -6.0% on 2003-04 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2004-05 is \$55.6 million (4.7%) lower than the revised estimate for 2003-04. This is mainly due to the reduced cashflow requirement for capital projects, effect of the 2004 and 2005 civil service pay cut, reduced departmental expenses and deletion of 53 posts to achieve efficiency savings, as well as reduced salary provision resulted from staff changes, partly offset by the creation of 52 posts and increased departmental expenses for strengthening cross-boundary services, creation of 26 posts for manning the Tuen Mun Ferry Terminal, as well as increased requirement for the maintenance of computer systems and major equipment.

Programme (2)

Provision for 2004-05 is \$2.2 million (1.7%) lower than the revised estimate for 2003-04. This is mainly due to the effect of the 2004 and 2005 civil service pay cut and deletion of six posts.

Programme (3)

Provision for 2004-05 is \$6.1 million (2.6%) higher than the revised estimate for 2003-04. This is mainly due to the increased deployment of resources for strengthening enforcement of copyright protection, partly offset by the effect of the 2004 and 2005 civil service pay cut, reduced departmental expenses to achieve efficiency savings, reduced salary provision resulted from staff changes and a net deletion of one post.

Programme (4)

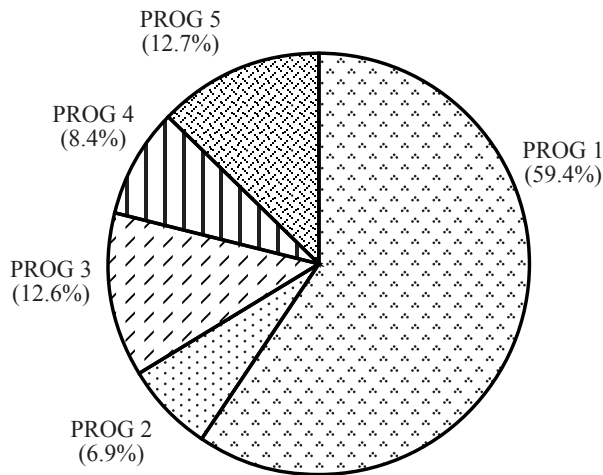
Provision for 2004-05 is \$19.4 million (10.9%) lower than the revised estimate for 2003-04. This is mainly due to the reduced salary provision resulted from staff changes, effect of the 2004 and 2005 civil service pay cut and deletion of six posts.

Programme (5)

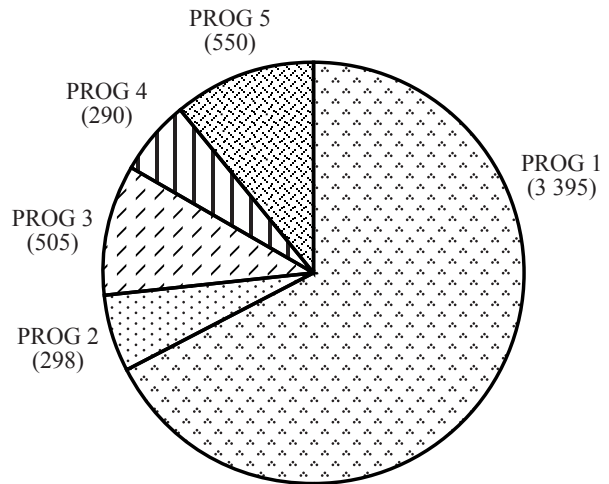
Provision for 2004-05 is \$2.3 million (1.0%) higher than the revised estimate for 2003-04. This is mainly due to the increased provision for the CEPA implementation, partly offset by the deletion of 21 posts and reduced departmental expenses to achieve efficiency savings.

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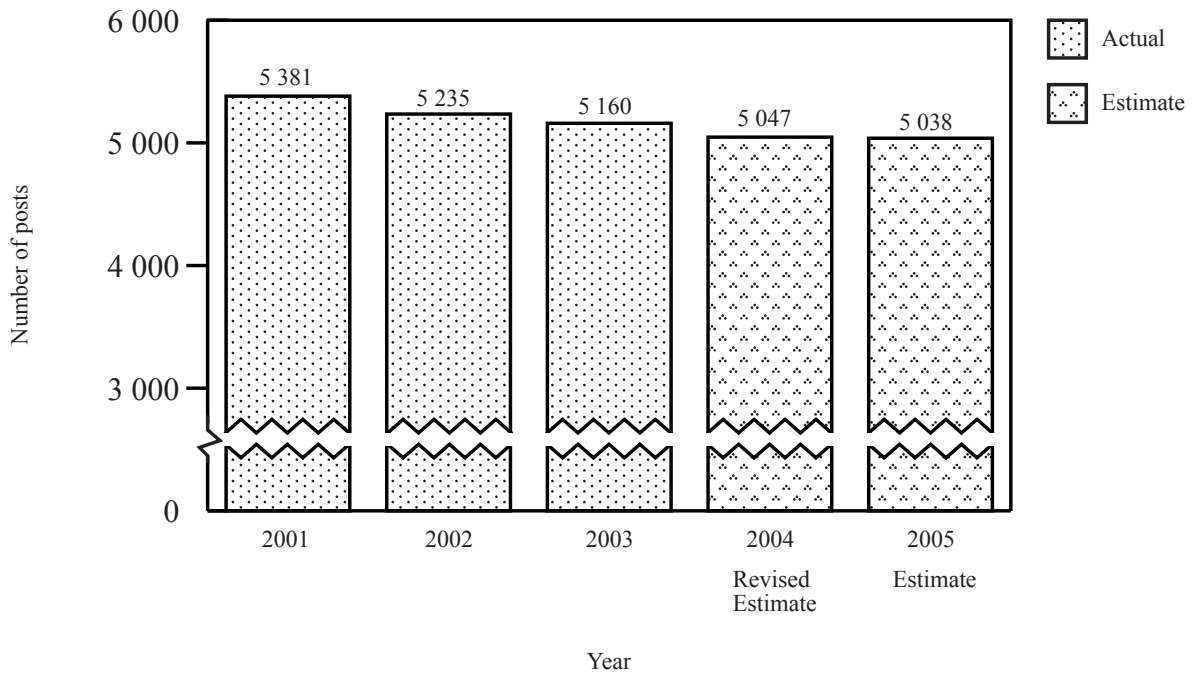
*Allocation of provision
to programmes
(2004-05)*



*Staff by programme
(as at 31 March 2005)*



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



Head 31 — CUSTOMS AND EXCISE DEPARTMENT

Sub-head (Code)	Actual expenditure 2002-03	Approved estimate 2003-04	Revised estimate 2003-04	Estimate 2004-05	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses.....	1,831,611	1,883,225	1,850,309	1,820,553
103	Rewards and special services	7,463	8,000	9,000	9,000*
292	Seizure management.....	32,916	51,688	50,500	49,500*
	Total, Recurrent	<u>1,871,990</u>	<u>1,942,913</u>	<u>1,909,809</u>	<u>1,879,053</u>
Non-Recurrent					
700	General non-recurrent.....	282	1,170	1,150	200
	Total, Non-Recurrent	<u>282</u>	<u>1,170</u>	<u>1,150</u>	<u>200</u>
	Total, Operating Account.....	<u>1,872,272</u>	<u>1,944,083</u>	<u>1,910,959</u>	<u>1,879,253</u>
Capital Account					
Plant, Equipment and Works					
603	Plant, vehicles and equipment	23,346	71,389	48,576	18,740
661	Minor plant, vehicles and equipment (block vote).....	24,223	10,569	13,456	6,233
	Total, Plant, Equipment and Works	<u>47,569</u>	<u>81,958</u>	<u>62,032</u>	<u>24,973</u>
	Total, Capital Account	<u>47,569</u>	<u>81,958</u>	<u>62,032</u>	<u>24,973</u>
	Total Expenditure.....	<u><u>1,919,841</u></u>	<u><u>2,026,041</u></u>	<u><u>1,972,991</u></u>	<u><u>1,904,226</u></u>

Head 31 — CUSTOMS AND EXCISE DEPARTMENT

Details of Expenditure by Subhead

The estimate of the amount required in 2004–05 for the salaries and expenses of the Customs and Excise Department is \$1,904,226,000. This represents a decrease of \$68,765,000 against the revised estimate for 2003–04 and of \$15,615,000 against actual expenditure in 2002–03.

Operating Account

Recurrent

2 Provision of \$1,820,553,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Customs and Excise Department.

3 The establishment as at 31 March 2004 will be 5 047 permanent posts. It is expected that a net nine posts will be deleted in 2004–05. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2004–05, but the notional annual mid-point salary value of all such posts must not exceed \$1,433,646,000.

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

	2002–03 (Actual) (\$'000)	2003–04 (Original) (\$'000)	2003–04 (Revised) (\$'000)	2004–05 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	1,607,153	1,602,609	1,590,589	1,527,752
- Allowances.....	53,113	53,280	47,670	48,218
- Job-related allowances	1,000	9,292	8,175	9,050
Personnel Related Expenses				
- Rent Allowance Scheme	—	—	—	328
- Mandatory Provident Fund contribution.....	—	487	642	900
- Civil Service Provident Fund contribution.....	—	—	—	50
- Disturbance allowance	—	—	—	31
Departmental Expenses				
- General departmental expenses.....	170,113	217,307	203,003	233,994
Other Charges				
- Grant to the Customs and Excise Service Welfare Fund	232	250	230	230
	1,831,611	1,883,225	1,850,309	1,820,553

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 \$49,500,000 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 \$6,233,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents a decrease of \$7,223,000 (53.7%) against the revised estimate for 2003–04. This is mainly due to the reduced requirement for new and replacement equipment.

Head 31 — CUSTOMS AND EXCISE DEPARTMENT

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2003	Revised estimated expenditure for 2003–04	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700	510	<i>General non-recurrent</i> Hire of Centrex Line Services	1,608	883	200	525
<i>Capital Account</i>						
603		<i>Plant, vehicles and equipment</i>				
	318	Installation of a CCTV System for Lowu Control Point	2,860	1,979	449	432
	319	Procurement of two sets of mobile X- ray vehicle scanning system for the Ship Search and Cargo Command	61,900	230	29,607	32,063
	320	Re-engineering of customs clearance procedure at kiosks for the land boundary control points	4,846	—	—	4,846
			<u>69,606</u>	<u>2,209</u>	<u>30,056</u>	<u>37,341</u>
		Total	<u>71,214</u>	<u>3,092</u>	<u>30,256</u>	<u>37,866</u>