

Head 181 — TRADE AND INDUSTRY DEPARTMENT

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

Estimate 2011–12	\$718.4m
Establishment ceiling 2011–12 (notional annual mid-point salary value) representing an estimated 484 non-directorate posts as at 31 March 2011 rising by three posts to 487 posts as at 31 March 2012	\$179.9m
In addition, there will be an estimated 11 directorate posts as at 31 March 2011 and as at 31 March 2012.	
Commitment balance	\$120,279.4m

Controlling Officer's Report

Programmes

<p>Programme (1) Commercial Relations</p> <p>Programme (2) Trade Support and Facilitation</p> <p>Programme (3) Support for Small and Medium Enterprises and Industries</p>	<p>These programmes contribute to Policy Area 6: Commerce and Industry (Secretary for Commerce and Economic Development).</p>
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Detail

Programme (1): Commercial Relations

	2009–10 (Actual)	2010–11 (Original)	2010–11 (Revised)	2011–12 (Estimate)
Financial provision (\$m)	88.2	92.0	90.3 (–1.8%)	98.1 (+8.6%)
				(or +6.6% on 2010–11 Original)

Aim

2 The aim is to secure and preserve maximum access and fair treatment for export of goods and services from Hong Kong to the Mainland and international markets.

Brief Description

3 The Department is responsible for the commercial relations of Hong Kong, and promotion and protection of Hong Kong's trade interests and rights. It also promotes Hong Kong's status as a separate customs territory and a model for international free trade. Hong Kong relies on the rules-based multilateral trading system under the auspices of the World Trade Organization (WTO) as the cornerstone of its external trade policy. Being a founding Member of the WTO since its establishment in 1995, Hong Kong has continued its separate membership on WTO since 1 July 1997 under the name "Hong Kong, China".

4 The Department continues to participate actively in the Asia-Pacific Economic Cooperation (APEC) forum whose goal is to achieve free and open trade and investment among its member economies, which account for some 80 per cent of Hong Kong's total external trade.

5 Since the Mainland and Hong Kong concluded the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) in 2003, both sides have been engaged in discussions on further liberalisation measures and implementation of the announced measures. The Department coordinates, in consultation with relevant bureaux and departments, discussions with the Mainland authorities to explore further liberalisation in trade in goods and services, and to facilitate smooth and effective implementation of the announced liberalisation measures.

6 The Department has helped achieve significant results on the commercial relations front. Hong Kong was ranked the 11th largest trading economy in merchandise trade and the 16th largest in services trade in the world in 2009 by the WTO. It came first in the 2011 Index of Economic Freedom published by the Heritage Foundation of the United States in January 2011.

7 In 2010, the Department's key activities included the following:

- active participation in the WTO, including—
 - monitoring and evaluating the implementation of the Uruguay Round agreements and work programmes adopted at the WTO Ministerial Conferences;
 - contributing positively in the current round of multilateral trade negotiations, i.e. the Doha Development Agenda (DDA) negotiations, particularly in the negotiations on non-agricultural market access, trade in services, rules and trade facilitation; and
 - monitoring the implementation of accession commitments by recently acceded WTO Members (RAMs) and negotiations for accession to the WTO, and keeping the trade and industry community informed of changes in the trade and investment laws and regulations of major RAMs;
- active participation in various APEC activities, including—
 - taking part in the Economic Leaders' Meeting, Ministerial Meetings and Senior Officials' Meetings;
 - contributing to discussion in trade and investment liberalisation and facilitation particularly in the assessment of progress towards achieving the Bogor Goals, APEC Growth Strategy, regional economic integration, and reforming of APEC;
 - hosting a workshop together with Singapore on Trading Across Borders under the APEC Ease of Doing Business initiative; and
 - providing secretariat support for Hong Kong, China's representatives to the APEC Business Advisory Council;
- active participation in regional bodies, including the Pacific Economic Cooperation Council (PECC);
- discussion, in consultation and conjunction with relevant bureaux and departments, with the Mainland authorities on further liberalisation in different service areas under the CEPA, including liberalisation measures for implementation in Guangdong Province on a pilot basis, and issues relating to the implementation of the announced liberalisation measures. Following successful CEPA consultations, the Mainland and Hong Kong signed Supplement VII to CEPA in May 2010 introducing 35 market liberalisation and trade and investment facilitation measures in 19 sectors. Among them, 27 are liberalisation measures in 14 service sectors (of which eight are measures for "early and pilot implementation");
- discussion with interested trading partners to enhance bilateral economic co-operation, including the exploration and negotiations of bilateral trade agreements and co-operation arrangements. The Closer Economic Partnership (CEP) Agreement with New Zealand, which is Hong Kong's first free trade agreement with a foreign economy, was signed in March 2010. The Department also commenced in January 2010 negotiations of a Free Trade Agreement with the European Free Trade Association, which comprises Iceland, Liechtenstein, Norway and Switzerland;
- advising local companies on importing economies' anti-dumping legislation and procedures, and making timely representations against any unfair and unjustifiable allegations and practices in anti-dumping cases. These included representations to Turkey challenging its anti-dumping actions against tempered glass lids, and engaging Mexico regarding its anti-dumping measure against cotton denim fabrics from Hong Kong;
- close monitoring of, and giving prompt advice to local traders and manufacturers on, changes in the import regulations of our trading partners; and
- close liaison with the trade and discussion with the Mainland authorities over measures to support and facilitate the trade to adjust to the Mainland policy changes and to explore the Mainland domestic market.

Matters Requiring Special Attention in 2011–12

8 During 2011–12, the Department will:

- monitor the implementation of the WTO agreements and participate actively in the negotiations on DDA. We will continue to work closely and constructively with the Director-General of the WTO and all WTO Members towards a successful and prompt conclusion of the negotiations;
- participate actively in the APEC, PECC and other regional bodies, and contribute particularly to APEC's work on greater regional economic integration as well as on trade and investment liberalisation and facilitation, and the implementation of the APEC Growth Strategy;
- monitor the development of regional economic integration and assess their impact on Hong Kong, explore with interested trading partners including the emerging economies possible means of enhancing economic co-operation, and implement the CEP Agreement with New Zealand;

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- continue to discuss, in consultation and conjunction with relevant bureaux and departments, with the Mainland authorities on issues relating to the effective implementation of liberalisation measures announced under CEPA and its further development;
- continue efforts to facilitate the trade to meet challenges arising from changes in Mainland's policies and the global economic environment; and
- safeguard Hong Kong's trade interests through—
 - monitoring the institutional reforms related to the European Union (EU) to ensure that Hong Kong's trade interests and market access to EU will not be adversely affected; and
 - responding to anti-dumping and other trade protection measures, monitoring changes in major trading partners' trade laws and legislation, and giving prompt advice to local traders and manufacturers.

Programme (2): Trade Support and Facilitation

	2009–10 (Actual)	2010–11 (Original)	2010–11 (Revised)	2011–12 (Estimate)
Financial provision (\$m)	117.0	118.5	112.6 (–5.0%)	115.4 (+2.5%)
				(or –2.6% on 2010–11 Original)

Aim

9 The aim is to optimise the benefits to Hong Kong flowing from international and bilateral trade agreements, including CEPA, to fulfil Hong Kong's obligations under such agreements by way of providing certifications and licensing services, and to enhance Hong Kong's role as a regional trading and distribution centre.

Brief Description

10 The Department provides various licensing, certification and registration services for commodities (such as textiles and clothing, strategic commodities, rough diamonds and rice) as well as registration services for local importers of Mainland cereals and grain flour and for local exporters of wine to the Mainland in fulfilment of Hong Kong's international and bilateral obligations, to meet public safety and security requirements and to complement the trade arrangements of our major trading partners.

11 The Department continues to maintain a textiles control system to provide greater facilitation to the trade while maintaining necessary control to safeguard the interests of Hong Kong's textiles exports. The textiles control system, along with vigorous enforcement actions by the Customs and Excise Department, has served as an effective deterrence against textiles-related malpractices.

12 The Department continues to maintain a robust control system on strategic commodities, and to participate actively in international co-operation of strategic trade control. Legislation was amended in February and June 2010 to align the list of controlled items with the latest control lists of the international regimes and to relax control over transit and air-shipment of information security products. The Department continues to implement the "Approval-in-Principle Arrangement for Bulk Users of Strategic Commodities Licensing Service", which aims to streamline licensing procedures and expedite processing time for certain frequent and qualified users of licensing services for strategic commodities.

13 The Department also continues to implement the Kimberley Process Certification Scheme, which aims at stopping trade in "conflict diamonds" from fuelling armed conflicts, activities of rebel movements and illicit proliferation of armament.

14 Through the operation of the Rice Control Scheme, the Department aims at ensuring a stable supply of rice in Hong Kong and maintaining a reserve stock to cater for emergencies or any short term shortage of supply. The Scheme has been operating smoothly and efficiently.

15 Apart from providing a one-stop Hong Kong Service Supplier (HKSS) certification service to support the implementation of CEPA and handling enquiries on CEPA matters, the Department actively organises and participates in various promotional and publicity activities, and handles requests for assistance from Hong Kong service suppliers who have encountered difficulties in making use of CEPA benefits in the Mainland.

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16 The key performance measures are:

Targets

	Target	2009 (Actual)	2010 (Actual)	2011 (Plan)
consignment-specific textiles licence import (issued within two working days) (%).....	100	100	100	100
export (issued within two working days) (%)Δ.....	100	100	100	100
amendment and cancellation of consignment-specific textiles licence (completed within two working days) (%).....	100	100	100	100
expeditious issue of consignment-specific textiles licence (issued within 24 hrs excluding intervening non-working days) (%).....	100	100	100	100
comprehensive licence (textiles) issued within three working days (%)ψ.....	100	100	100	100
amendment and cancellation of comprehensive licence (textiles) (completed within two working days) (%).....	100	100	100	100
certificate of registration for Textiles Trader Registration (issued within three working days) (%).....	100	100	100	100
amendment of textiles notification under the Textiles Trader Registration Scheme (completed within two working days) (%).....	100	100	100	100
Certificate of Hong Kong Origin, Certificate of Origin Processing, Certificate of Hong Kong Origin- CEPA (CO(CEPA)) and Certificate of Hong Kong Origin – New Zealand (CO(NZ))^ (issued within 1.5 working days) (%).....	100	100	100	100
Certificate of Origin (Form A) (issued within 1.5 working days) (%).....	100	100	100	100
expeditious issue of Certificate of Hong Kong Origin/Form A/CO(CEPA)/ CO(NZ)^ (issued within 24 hrs excluding intervening non-working days) (%).....	100	100	100	100
enquiry on CO(CEPA) and CO(NZ)^ and related rules of origin simple enquiry (replied within three working days) (%).....	100	100	100	100
complicated enquiry (replied within ten working days) (%).....	100	100	100	100
production notification for cut and sewn garments (PN) (issued within 1.5 working days) (%).....	100	100	100	100
enquiry on PN : permissible limits for component parts or classification enquiry simple enquiry (replied within one working day) (%).....	100	100	100	100
complicated enquiry (replied within four working days) (%).....	100	100	100	100
application for factory registration (completed processing within 14 working days) (%).....	100	100	100	100

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	Target	2009 (Actual)	2010 (Actual)	2011 (Plan)
amendment of factory registration particulars				
if factory inspection is necessary (completed processing within 14 working days) (%).....	100	100	100	100
if factory inspection is not necessary and the request is lodged in paper form (completed processing within three working days) (%).....	100	100	100	100
if factory inspection is not necessary and the request is lodged through on-line system (completed processing within one working day) (%)	100	100	100	100
local sub-contracting arrangement (LSA) registration (completed processing within one working day) (%)	100	100	100	100
outward processing arrangement (OPA) registration (completed processing within one working day) (%)	100	100	100	100
combined annual renewal of factory registration and OPA registration (completed processing within one working day) (%)	100	100	100	100
enquiry on OPA: manufacturing processes allowed to be subcontracted outside Hong Kong				
simple enquiry (completed processing within one working day) (%)	100	100	100	100
complicated enquiry (completed processing within four working days) (%).....	100	100	100	100
import and export licence for reserved commodities (issued within one working day) (%)	100	100	100	100
import and export licence for ozone depleting substances (issued within two working days) (%).....	100	100	100	100
import and export licence for strategic commodities Ω				
licence application with prior approval-in-principle (issued within the same day) (%)	100	100	100	100
other licence applications (issued within 2.5 working days) (%) α	100	100	100	100
pre-classification service on strategic commodities (completed within two working days) (%).....	100	100	100	100
Kimberley Process Certificate (Import) for rough diamonds (issued within 20 mins) (%)	100	100	100	100
Kimberley Process Certificate (Export) for rough diamonds (issued within the following working day) (%).....	100	100	100	100
registration for rough diamond traders (completed within one working day) (%)	100	100	100	100
certified true copy (issued within one working day) (%)	100	100	100	100
registration for Transshipment Cargo Exemption Scheme (completed within 14 working days) (%).....	100	100	100	100

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	Target	2009 (Actual)	2010 (Actual)	2011 (Plan)
registration for importers of cereals and grain flour from the Mainland (completed within seven calendar days) (%).....	100	100	100	100
registration for exporters of wine to the Mainland (completed within ten working days) (%)‡.....	100	N.A.	100	100
HKSS certificate				
fresh application (completed within 14 working days) (%).....	100	100	100	100
amendment and renewal (issued within five working days) (%)	100	100	100	100
replacement and cancellation (issued within three working days) (%).....	100	100	100	100
other written enquiries (replied within ten days) (%).....	100	100	100	100

Δ The licence covers both domestic exports and re-exports and the same target processing time applies.

ψ The target processing time has been reduced from “70 per cent completed within three working days and 30 per cent within six working days” to “100 per cent completed within three working days” as from 1 January 2010.

Ω Target processing time introduced as from 1 January 2010. In 2009, the target processing time for all licence applications was 2.5 working days and might be longer for imports of certain sensitive products or exports to certain destination.

α The processing time may take longer for complicated cases.

‡ The voluntary registration arrangement for exporters of wine to the Mainland was implemented from 20 May 2010 to facilitate local wine exporters to make use of the customs facilitation measures provided by the Mainland Customs as a pilot.

Indicators

	2009 (Actual)	2010 (Actual)	2011 (Plan)
<i>Licence issued</i>			
consignment-specific textiles import licence	18 560	16 984#	13 900#
consignment-specific textiles export licence.....	14 556	11 954#	8 100#
comprehensive import licence (textiles) (CIL).....	483 367	505 586	264 400λ
comprehensive export licence (textiles) (CEL).....	1 926 577	2 465 531λ	1 312 600λ
export notification I (ENI)	102 813	76 726φ	62 100φ
export notification II (ENII).....	1 629 053	1 305 971@	1 368 900@
import notification (IN).....	1 355 333	1 371 201	1 387 200@
transshipment notification (TN)	391 654	390 485μ	194 700μ
textiles trader registration	16 625	16 019Λ	15 434Λ
Certificate of Hong Kong Origin and Certificate of Origin Processing and CO(NZ)^	589	577	585
Certificate of Origin (Form A).....	0	0	0
CO(CEPA).....	1 261	1 390	1 532
factory registration.....	1 165	1 048	943
OPA registration	276	211	161
LSA registration.....	122	75	46
PN	9 125	5 271¶	5 000
statutory declarations of antique	1	0	1
reserved commodities licence	8 397	8 628	8 700
registration of reserved commodity stockholder.....	121	129	143
ozone depleting substances licence.....	137	110	100β
strategic commodities licence	250 382	317 326	317 330
delivery verification certificate	5	6	10
international import certificate.....	65	79	80
other non-textiles licence	6	6	6
Kimberley Process Certificate.....	4 413	4 733	5 0500
registration of rough diamond tradersΦ	211	197	210
HKSS certificate∇	444	517	460

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	2009 (Actual)	2010 (Actual)	2011 (Plan)
permit under the Chemical Weapons (Convention) Ordinance (Cap. 578).....	0	0	3
registration for importers of cereals and grain flour from the Mainland.....	97	87	90 ^γ
registration for exporters of wine to the Mainland ^φ	N.A.	33	10
CEPA			
enquiries.....	9 029	8 993	8 993
visitors to the Department's CEPA website.....	184 639	155 535	155 535

[^] The CO(NZ) was introduced on 1 January 2011.

[#] The reduction/expected reduction in the number of textiles licences is due to the on-going relocation of textiles production outside Hong Kong and the plan to liberalise the licensing requirements for textiles shipments involving non-sensitive markets in mid 2011.

^λ The substantial increase in the number of CEL in 2010 is due to the re-classification of the EU as a non-sensitive market on 29 June 2009 where CEL can be used to cover textiles exports/re-exports to the EU thereafter. The expected decrease in the number of CIL and CEL in 2011 is due to the plan to liberalise the licensing requirements for textiles shipments involving non-sensitive markets in mid 2011.

^φ The substantial decrease in the number of ENI in 2010 is mainly due to the re-classification of the EU as a non-sensitive market on 29 June 2009 where ENI can no longer be used to cover exports to the EU thereafter. The expected decrease in ENI in 2011 is due to the on-going relocation of textiles production outside Hong Kong.

[@] The substantial decrease in the number of ENII in 2010 is mainly due to the re-classification of the EU as a non-sensitive market on 29 June 2009 where ENII can no longer be used to cover re-exports to the EU thereafter. A mild increase is expected in the number of ENII and IN in 2011 as the global economy has gradually bottomed out.

^μ The reduction/expected reduction in the number of TN is due to the diminishing transshipment of Mainland-origin products through Hong Kong and the plan to liberalise the licensing requirements for textiles transshipments in mid 2011.

^Λ The reduction in the number of textiles trader registrants is due to the on-going relocation of textiles production outside Hong Kong.

[¶] The substantial decrease in the number of PN in 2010 is due to the on-going relocation of textiles production outside Hong Kong and the re-classification of the EU as a non-sensitive market on 29 June 2009 where cut-and-sewn garments for export to the EU are no longer subject to the PN requirement thereafter.

^β The projected figure for ozone depleting substance licence in 2011 is adjusted downwards to reflect the decreasing trend in the actual number of licences recorded in 2010.

^θ The projected figure for Kimberley Process Certificate in 2011 is adjusted upwards to reflect the increasing trend in the actual number of certificates recorded in 2010.

^Φ Under the biennial registration for rough diamond traders introduced in January 2003, more traders were registered in 2003 and renewal of registration takes place every two years thereafter, which explains the cyclical fluctuation between years.

[∇] The figures on HKSS certificates include fresh applications as well as certificates for amendment, replacement, cancellation and renewal, and certified true copy. Each certificate issued is valid for two years and certificate holders may apply for renewal of certificates every two years thereafter, which explains the cyclical fluctuation between years.

^γ The total number of registrants is expected to rise slightly in 2011, taking into account potential new entrants for quota items.

^φ The voluntary registration for wine exporters is a biennial arrangement. As the registration started in May 2010 and new registrations made since then will be valid for two years, the number of new registrants in 2011 is expected to slow down.

Matters Requiring Special Attention in 2011–12

17 During 2011–12, the Department will:

- continue discussion with the Mainland authorities on further development and effective implementation of CEPA, and consult the local trade and reflect their views to the Mainland in the process;
- continue to promote understanding of CEPA liberalisation and implementation through the provision of user-friendly enquiry hotline, organisation of or participation in various promotional and publicity activities, and timely dissemination of information to the trade;
- strengthen liaison with the Mainland authorities and the local trade on various issues of interest with significant impact on the local trade, particularly small and medium enterprises (SMEs);
- continue to keep the strategic trade control system under review with a view to further streamlining procedures and requirements without compromising the integrity and effectiveness of control; and
- review and adjust the textiles control system as appropriate taking into account developments concerning textiles internationally and locally.

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

	2009–10 (Actual)	2010–11 (Original)	2010–11 (Revised)	2011–12 (Estimate)
Financial provision (\$m)	519.3	783.3	476.2 (–39.2%)	504.9 (+6.0%)
				(or –35.5% on 2010–11 Original)

Aim

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

Brief Description

19 The Department implements programmes to enhance the competitiveness of SMEs and their long-term development. It provides information and consultation services for SMEs through its Support and Consultation Centre for SMEs (SUCCESS). SUCCESS also organises seminars, workshops and other activities to help broaden SMEs' business knowledge and enhance their entrepreneurial skills.

20 The Department administers three SME Funding Schemes, namely the SME Loan Guarantee Scheme (SGS), the SME Export Marketing Fund (EMF), and the SME Development Fund (SDF). The Department also ran a time-limited Special Loan Guarantee Scheme (SpGS) to help Hong Kong enterprises tide over the liquidity problem during the global financial crisis. The SpGS ceased receiving application after end December 2010.

21 The Department maintains regular liaison with local industries and trade and industrial organisations. It provides secretariat support for the Small and Medium Enterprises Committee, which advises the Government on issues affecting the development of SMEs in Hong Kong. It also provides support to organisation of the Hong Kong Awards for Industries, as well as to the Working Group on Industrial, Commercial and Professional Sectors under the Basic Law Promotion Steering Committee.

22 The Department assists Hong Kong enterprises in the development and promotion of brands to enhance their competitiveness in the Mainland and overseas markets.

23 On the regional front, the Department participates in various APEC meetings and seminars/fora concerning SMEs.

24 In 2010, the Department's key activities included the following:

- in April 2010, the Government announced the extension of the application period for the SpGS for another six months until 31 December 2010 for the last time;
- the 30th APEC SME Working Group Meeting and its related activities were held in Hong Kong from 7 to 10 June 2010; and
- in December 2010, a high level SME conference was held at the Hong Kong Convention and Exhibition Centre to assist SMEs in exploring opportunities in the Mainland's domestic market and broaden their knowledge on brand-building strategies. The Department also participated at the Hong Kong Brands and Products Expo held in December 2010 to showcase the Government's support measures on branding.

25 The key performance measures are:

Targets

	Target	2009 (Actual)	2010 (Actual)	2011 (Plan)
SUCCESS				
confirmation of consultation meeting with applicants of Business Advisory Service within ten working days (%).....	100	100	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

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	Target	2009 (Actual)	2010 (Actual)	2011 (Plan)
replies to complicated enquiries on SME support services and facilities within three working days (%).....	100	100	100	100
SGS processing applications for guarantee within three working days (after receipt of complete applications from participating lending institutions) (%)	100	100	99.2	100
SpGS processing applications for guarantee within three working days (after receipt of complete applications from participating lending institutions) (%)	100	98.8	97.0	100Ψ
SDF processing applications for grant within 60 working days (%)φ.....	100	100	100	100
EMF processing applications for grant within 30 working days (%).....	100	84.3#	96.4#	100

φ The target processing time has been reduced from “70 working days” to “60 working days” as from 1 January 2011.

The drop in the percentage of applications meeting the performance pledge in 2009 is due to a significant increase in the number of applications received in early 2009 (220 per cent increase in the first three months of 2009) as a result of the enhancement measures introduced in November 2008. The number of applications has stabilised in 2010. Owing to seasonal fluctuations, some of the applications cannot be processed within the performance pledge during the peak seasons.

Indicators

	2009 (Actual)	2010 (Actual)	2011 (Plan)
SUCCESS			
enquiries.....	24 247	20 575	20 600
visitors to SUCCESS	35 547	34 520	34 500
visits to SUCCESS website.....	717 517	728 676	728 700
seminars and other activities	107	107	100
publications relating to local industries and SMEs	2	2	2
SGS			
applications received and processed	1 283	992	1 980δ
no. of SME beneficiaries.....	1 147	767	1 530δ
amount of government guarantees issued (\$m)	2,321.0	2,035.5	4,071.0δ
SpGS			
applications received and processed	25 544	17 287	—Ψ
no. of beneficiaries.....	15 471	4 812	240Ψ
amount of government guarantees issued (\$m)	47,744.4	26,315.0	1,770.0Ψ
SDF			
applications received and processed	69	40	40
amount of government grants approved (\$m)	25.6	17.2	17.2
EMF			
applications received and processed	31 052	27 846	27 800
no. of SME beneficiaries.....	4 511	3 876	3 900
amount of government grants approved (\$m)	388.2	350.8	350.0

Ψ Application period for the SpGS ended on 31 December 2010. Applications received in late December 2010 will be approved in early 2011.

δ With the ceasing of the application period for the SpGS, it is estimated that the number of applications under the SGS will increase by 100 per cent.

Matters Requiring Special Attention in 2011–12

26 During 2011–12, the Department will:

- continue to closely monitor the economic development of Hong Kong and its effect, if any, on Hong Kong enterprises, in particular SMEs;
- continue to administer the SME Funding Schemes and closely monitor the effectiveness and utilisation of the schemes;
- seek the Finance Committee's approval for injecting another \$1 billion into EMF and SDF in showing Government's continuous support for SMEs;
- continue to provide support services for SMEs through SUCCESS;
- continue to maintain close liaison with the trade, and help them meet the challenges in reaching out to the global market; and
- continue to implement measures and co-operate with industrial and trade organisations to support the development and promotion of Hong Kong brands.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2009–10 (Actual) (\$m)	2010–11 (Original) (\$m)	2010–11 (Revised) (\$m)	2011–12 (Estimate) (\$m)
(1) Commercial Relations	88.2	92.0	90.3	98.1
(2) Trade Support and Facilitation	117.0	118.5	112.6	115.4
(3) Support for Small and Medium Enterprises and Industries	519.3	783.3	476.2	504.9
	724.5	993.8	679.1 (–31.7%)	718.4 (+5.8%)
				(or –27.7% on 2010–11 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2011–12 is \$7.8 million (8.6%) higher than the revised estimate for 2010–11. This is mainly due to the full-year salary provision for filling vacant posts, creation of three posts and additional provision for enhancing commercial relations with emerging economies.

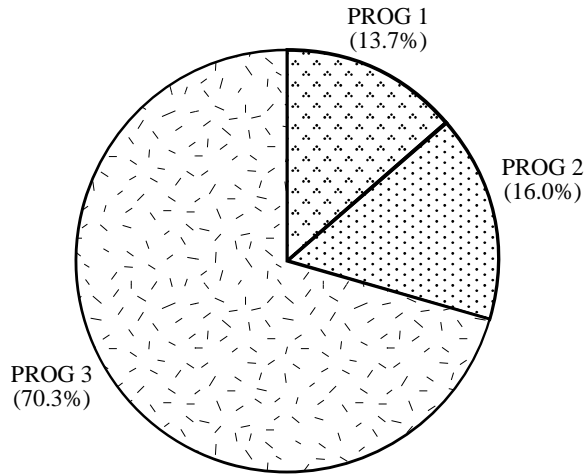
Programme (2)

Provision for 2011–12 is \$2.8 million (2.5%) higher than the revised estimate for 2010–11. This is mainly due to the full-year salary provision for filling vacant posts.

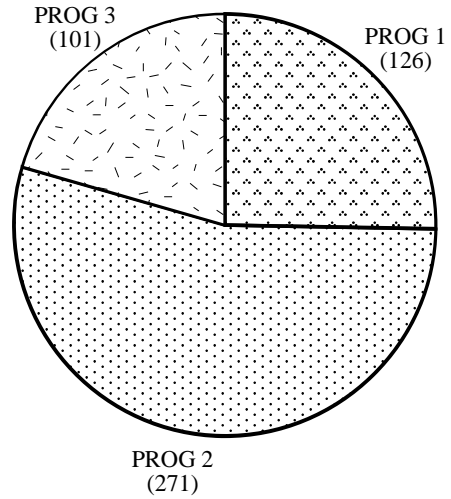
Programme (3)

Provision for 2011–12 is \$28.7 million (6.0%) higher than the revised estimate for 2010–11. This is mainly due to the additional provision for branding activities and increased cash flow requirements for SME funding schemes.

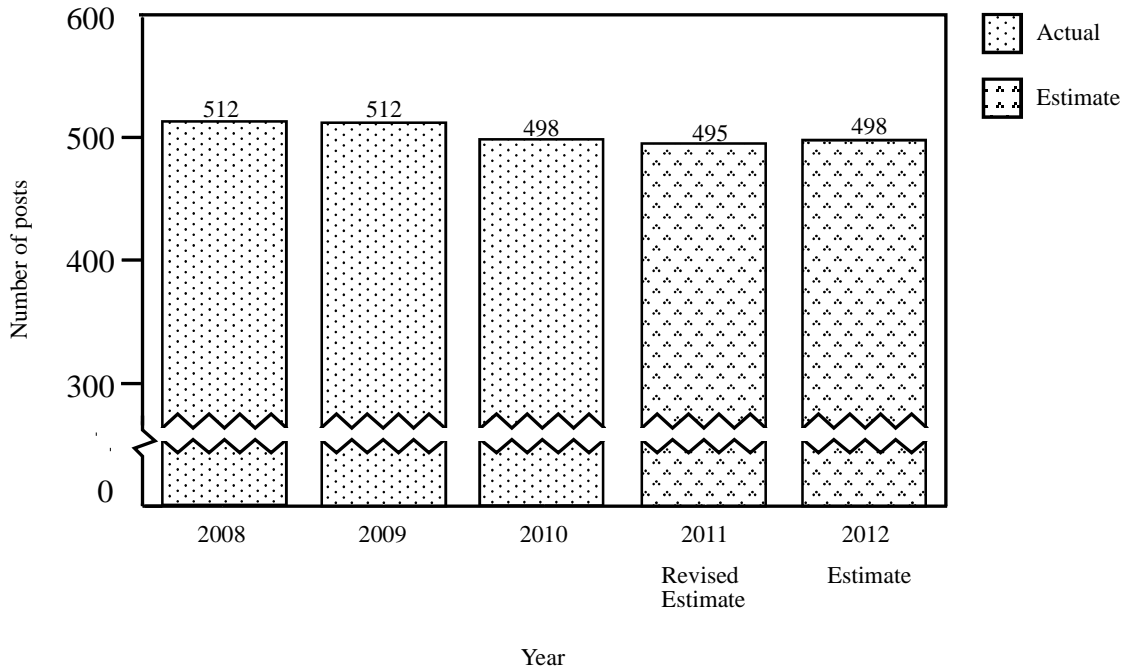
Allocation of provision to programmes (2011-12)



Staff by programme (as at 31 March 2012)



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



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Sub-head (Code)	Actual expenditure 2009–10	Approved estimate 2010–11	Revised estimate 2010–11	Estimate 2011–12	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses.....	273,158	274,206	269,206	281,170
	Total, Recurrent	<u>273,158</u>	<u>274,206</u>	<u>269,206</u>	<u>281,170</u>
Non-Recurrent					
700	General non-recurrent	451,303	719,602	409,865	435,600
	Total, Non-Recurrent	<u>451,303</u>	<u>719,602</u>	<u>409,865</u>	<u>435,600</u>
	Total, Operating Account.....	<u>724,461</u>	<u>993,808</u>	<u>679,071</u>	<u>716,770</u>
Capital Account					
Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote).....	—	—	—	1,671
	Total, Plant, Equipment and Works	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,671</u>
	Total, Capital Account	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,671</u>
	Total Expenditure	<u><u>724,461</u></u>	<u><u>993,808</u></u>	<u><u>679,071</u></u>	<u><u>718,441</u></u>

Head 181 — TRADE AND INDUSTRY DEPARTMENT

Details of Expenditure by Subhead

The estimate of the amount required in 2011–12 for the salaries and expenses of the Trade and Industry Department is \$718,441,000. This represents an increase of \$39,370,000 over the revised estimate for 2010–11 and a decrease of \$6,020,000 against actual expenditure in 2009–10.

Operating Account

Recurrent

2 Provision of \$281,170,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Trade and Industry Department.

3 The establishment as at 31 March 2011 will be 495 permanent posts. It is expected that there will be a net increase of three permanent posts in 2011–12. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2011–12, but the notional annual mid-point salary value of all such posts must not exceed \$179,890,000.

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

	2009–10 (Actual) (\$'000)	2010–11 (Original) (\$'000)	2010–11 (Revised) (\$'000)	2011–12 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	199,849	204,168	197,031	203,553
- Allowances	2,312	2,322	3,158	3,166
- Job-related allowances.....	3	8	—	8
Personnel Related Expenses				
- Mandatory Provident Fund contribution	343	324	287	177
- Civil Service Provident Fund contribution	871	904	1,194	1,903
Departmental Expenses				
- General departmental expenses.....	63,773	59,524	61,920	66,350
Other Charges				
- Subscription to the Asia Pacific Economic Co-operation.....	1,157	1,203	1,288	1,285
- Trade negotiations and associated activities	2,855	3,500	2,600	3,000
- Contribution to the organisation of the Hong Kong Awards for Industries.....	1,600	1,600	1,600	1,600
- Subscription to the Pacific Economic Co-operation Council	127	128	128	128
- Contribution to the International Textiles and Clothing Bureau.....	268	525	—	—
	273,158	274,206	269,206	281,170

Capital Account

Plant, Equipment and Works

5 Provision of \$1,671,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* is for replacement of air-conditioning equipment for server rooms.

Head 181 — TRADE AND INDUSTRY DEPARTMENT

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2010	Revised estimated expenditure for 2010–11	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700	<i>General non-recurrent</i>					
520	SME Loan Guarantee Scheme#		20,000,000	147,768	20,000	19,832,232
524	SME Export Marketing and Development Funds.....		2,750,000	1,909,059	364,000	476,941
802	Special Loan Guarantee Scheme@		100,000,000	4,751	25,000	99,970,249
	Total		<u>122,750,000</u>	<u>2,061,578</u>	<u>409,000</u>	<u>120,279,422</u>

The approved commitment of \$20 billion refers to the total loan guarantee commitment approved by the Finance Committee (based on an assumed default rate of 7.5 per cent, the expected maximum expenditure for settlement of default claim is \$1.5 billion).

@ The approved commitment of \$100 billion refers to the total loan guarantee commitment approved by the Finance Committee (based on the assumed default rates of ten per cent and 12 per cent for loans approved under 70 per cent and 80 per cent Government guarantee respectively, the expected maximum expenditure for settlement of default claim is \$11.8 billion).