

Head 181 — TRADE AND INDUSTRY DEPARTMENT

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

Estimate 2013–14 **\$770.1m**

Establishment ceiling 2013–14 (notional annual mid-point salary value) representing an estimated 488 non-directorate posts as at 31 March 2013 reducing by one post to 487 posts as at 31 March 2014 **\$203.6m**

In addition, there will be an estimated 11 directorate posts as at 31 March 2013 and as at 31 March 2014.

Commitment balance **\$131,500.9m**

Controlling Officer's Report

Programmes

Programme (1) Commercial Relations
Programme (2) Trade Support and Facilitation
Programme (3) Support for Small and Medium Enterprises and Industries

These programmes contribute to Policy Area 6: Commerce and Industry (Secretary for Commerce and Economic Development).

Detail

Programme (1): Commercial Relations

	2011–12 (Actual)	2012–13 (Original)	2012–13 (Revised)	2013–14 (Estimate)
Financial provision (\$m)	97.2	101.8	101.9 (+0.1%)	106.6 (+4.6%)
				(or +4.7% on 2012–13 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 in 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 the tenth largest trading economy in merchandise trade and the 14th largest in commercial services trade in the world in 2011 according to statistics compiled by the WTO.

7 In 2012, 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;
 - monitoring the progress of and contributing positively to the current round of multilateral trade negotiations, i.e. the Doha Development Agenda (DDA) negotiations, particularly 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 work on trade and investment liberalisation and facilitation, particularly in the monitoring of progress towards achieving the Bogor Goals, APEC Growth Strategy, regional economic integration, regulatory co-operation, green growth and food security; 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 with relevant bureaux and departments and the trade, with the Mainland authorities on further liberalisation under CEPA and issues relating to the implementation of the liberalisation measures under CEPA. The Mainland and Hong Kong signed Supplement IX to CEPA in June 2012 introducing 43 liberalisation and facilitation measures on trade and investment. These included 37 liberalisation measures in 22 service sectors, measures to strengthen co-operation in the areas of finance and trade and investment facilitation, and measures to promote mutual recognition of professional qualifications;
- discussion with interested trading partners to enhance economic co-operation, including exploration and negotiation of co-operation arrangements, free trade agreements, and investment promotion and protection agreements. Hong Kong signed a Free Trade Agreement (FTA) with Chile in September 2012. The FTA with the European Free Trade Association (EFTA) entered into force between Hong Kong, Iceland, Liechtenstein and Switzerland in October 2012, as well as between Hong Kong and Norway in November 2012. Hong Kong and New Zealand also held the first Joint Commission meeting to review the implementation of the Hong Kong, China - New Zealand Closer Economic Partnership (CEP) Agreement in March 2012;
- advising local companies on importing economies' anti-dumping legislation and procedures;
- 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 Mainland policy changes and to explore the Mainland domestic market.

Matters Requiring Special Attention in 2013–14

8 During 2013–14, the Department will:

- monitor the implementation of the WTO agreements and participate actively in work relating to the DDA. We will continue to work closely and constructively with the Director-General of the WTO and all WTO Members towards a successful 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;
- continue to explore opportunities for Hong Kong's participation in regional economic integration initiatives, including the China-Association of Southeast Asian Nations Free Trade Area, enhance economic co-operation with trading partners including emerging economies, negotiate an investment promotion and protection agreement with Russia, continue to implement the CEP Agreement with New Zealand and the FTA with EFTA, and seek to implement the FTA with Chile and start negotiations on an investment agreement with Chile;
- continue to discuss, in consultation with relevant bureaux and departments and the trade, with the Mainland authorities on further liberalisation under CEPA; and enhance the existing mechanism relating to the effective implementation of the liberalisation measures under CEPA by setting up an additional joint working group;
- continue to facilitate trade adjustment to changes in the Mainland's policies and in the global economic environment; and

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- safeguard Hong Kong's trade interests through—
 - monitoring the progress of accession to the European Union (EU) by certain European countries (including Croatia, Iceland and Turkey) and the related institutional changes to ensure that Hong Kong's trade interests and market access to the enlarged 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

	2011–12 (Actual)	2012–13 (Original)	2012–13 (Revised)	2013–14 (Estimate)
Financial provision (\$m)	114.9	118.2	120.5 (+1.9%)	124.5 (+3.3%)
				(or +5.3% on 2012–13 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, rice, Mainland cereals and grain flour) 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 maintains a textiles control system to provide facilitation to the trade while maintaining necessary control to safeguard the interests of Hong Kong's textiles exports. The textiles control system, along with targeted enforcement actions by the Customs and Excise Department, has served as an effective deterrence against textiles-related malpractices.

12 The Department maintains a robust control system on strategic commodities, and to participate actively in international co-operation in strategic trade control. The list of strategic commodities controlled in Hong Kong is reviewed regularly to align the list of controlled items with the latest control lists of the international regimes. The Department implements 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 implements 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 The Department operates the Rice Control Scheme to ensure a stable supply of rice in Hong Kong by maintaining a reserve stock to cater for emergencies or any short-term shortage of supply. The Scheme has been operating smoothly and effectively.

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.

16 The key performance measures are:

Targets[^]

	Target ^ψ	2011 (Actual)	2012 (Actual)	2013 (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

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	Target ^Ψ	2011 (Actual)	2012 (Actual)	2013 (Plan)
expeditious issue of consignment-specific textiles licence (issued within 24 hours excluding intervening non-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	N. A.μ	100	100
expeditious issue of Certificate of Hong Kong Origin/Form A/CO(CEPA)/ CO(NZ) (issued within 24 hours excluding intervening non-working days) (%)	100	N. A.μ	N. A.μ	100
enquiry on CO(CEPA) and CO(NZ) and preferential rules of origin ^δ 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
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

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	Target ^Ψ	2011 (Actual)	2012 (Actual)	2013 (Plan)
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				
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) (%) ^α	100	100	100	100
Kimberley Process Certificate (Import) for rough diamonds (issued within 20 minutes) (%)	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
registration for importers of cereals and grain flour from the Mainland (completed within four working days) (%) ^φ	100	100	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	N. A. ^μ	100	100
other written enquiries (replied within ten calendar days) (%)	100	100	100	100

Ψ Target is applied upon receipt of all necessary documents and information.

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

μ No application was received.

δ Preferential rules of origin refer to the rules of origin applicable under respective arrangements/agreements of trade liberalisation between Hong Kong and its trading partners, including CEPA, the CEP Agreement with New Zealand, the FTA with EFTA and the FTA with Chile.

α The processing time may take longer for complicated cases.

φ The target processing time has been reduced from “seven calendar days” to “four working days” as from 1 January 2012.

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Indicators[^]

	2011 (Actual)	2012 (Actual)	2013 (Plan)
<i>Licence issued</i>			
consignment-specific textiles import licence@.....	11 480	7 808	5 900
consignment-specific textiles export licence@.....	8 570	5 864	4 800
export notification I@.....	62 431	51 217	42 000
export notification II@.....	1 145 809	1 085 434	1 028 000
import notification@.....	1 130 933	1 015 522	912 000
textiles trader registration ^Λ	14 832	14 180	13 600
Certificate of Hong Kong Origin and Certificate of Origin - Processing and CO(NZ) ^γ	695	444	390
Certificate of Origin (Form A).....	0	2	2
CO(CEPA) ^λ	1 584	1 673	1 770
factory registration ^γ	979	946	920
OPA registration ^γ	165	138	120
LSA registration ^γ	46	29	20
PNA.....	2 424	1 962	1 600
statutory declarations of antique.....	1	0	1
reserved commodities licence.....	9 457	9 150	9 150
registration of reserved commodity stockholder.....	152	155	160
ozone depleting substances licence ^β	116	131	150
strategic commodities licence [∇]	350 478	449 456	450 000
delivery verification certificate.....	8	4	4
international import certificate.....	88	71	70
other non-textiles licence.....	7	6	6
Kimberley Process Certificate ^θ	4 532	4 137	3 600
registration of rough diamond traders.....	235	233	240
HKSS certificate [§]	494	546	500
permit under the Chemical Weapons (Convention) Ordinance (Cap. 578) [‡]	0	0	3
registration for importers of cereals and grain flour from the Mainland.....	88	88	90
<i>CEPA</i>			
enquiries ^Φ	8 327	10 857	10 900
visitors to the Department's CEPA website ^Φ	133 986	140 638	141 000

[^] The target and indicator on “comprehensive licence (textiles)” and “transshipment notification” are removed as from 2012 since the comprehensive licence requirement and transshipment notification requirement had been lifted upon the removal of the licensing requirements for textiles imports and exports involving non-sensitive markets and for all textiles transshipments from May 2011.

@ Due to the slowdown of the global economy in 2012, the actual number of licences and notifications issued in that year decreased, and the trend is expected to continue.

Λ Due to the on-going relocation of textiles production outside Hong Kong, the number of textiles trader registrants and PN issued has been on the decrease and the trend is expected to continue.

γ Due to the on-going relocation of production outside Hong Kong as well as the stabilising overseas demand for proof of origin in the form of certificate of origin, the actual number of Certificate of Hong Kong Origin, Certificate of Origin – Processing, CO(NZ), the related factory registration, OPA registration and LSA registration has been on the decrease. The trend is expected to continue.

λ The number of CO(CEPA) applications in 2013 is projected to follow a growth trend due to the inclusion of new products developed with CEPA rules of origin.

β The projected figure for ozone depleting substance licence in 2013 is adjusted upwards to reflect the increasing trend in the actual number of licences recorded in previous years.

∇ The projected figure for 2013 has taken into account a reduction in licences due to anticipated relaxation of international control for certain items, and the general trend of growth in the trading of strategic commodities.

θ The projected figure for Kimberley Process Certificate in 2013 is adjusted downwards to reflect the decreasing trend in the actual number of certificates recorded in previous years.

§ The figures on HKSS certificates include fresh applications as well as certificates for amendment, replacement, cancellation and renewal, and certified true copy. The HKSS Certification Scheme started in 2003. Relatively, more service providers filed applications for the HKSS certificates in 2004. As HKSS certificates are valid for two years, it explains the cyclical fluctuation between years.

‡ Under the Chemical Weapons (Convention) Ordinance, the Department is empowered to administer a permit system to control and monitor the production and related activities pertinent to scheduled chemicals. There may be potential demand to operate chemical facilities which require permit from the Department. Given the chemical industry in Hong Kong is small in size, such potential demand would not be large.

Φ The number of enquiries and visitors in 2012 increased significantly following the implementation of CEPA Supplement VIII in that year. The figures for 2013 are projected to remain at a similar level as 2012.

Matters Requiring Special Attention in 2013–14

17 During 2013–14, the Department will:

- continue to promote understanding of CEPA among the trade through the provision of a user-friendly enquiry hotline, organisation of or participation in various promotional and publicity activities, and timely dissemination of information to the trade;
- continue to liaise closely with the Mainland authorities and local traders on Mainland issues of significant impact on business operations, particularly those affecting small and medium enterprises (SMEs);
- 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 trade internationally and locally.

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

	2011–12 (Actual)	2012–13 (Original)	2012–13 (Revised)	2013–14 (Estimate)
Financial provision (\$m)	435.7	431.8	506.7 (+17.3%)	539.0 (+6.4%)
				(or +24.8% on 2012–13 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 and workshops 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). A time-limited Special Loan Guarantee Scheme (SpGS) was also launched in mid December 2008 to help Hong Kong enterprises tide over the liquidity problem during the global financial crisis. The SpGS had ceased receiving applications after December 2010.

21 The Department assists Hong Kong enterprises in the development and promotion of brands to enhance their competitiveness in the Mainland and overseas markets. In particular, the Department administers the Organisation Support Programme of the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund), which was launched in June 2012 to support Hong Kong enterprises in developing brands, upgrading and restructuring their operations, and promoting sales in the Mainland domestic market. The Department also works with the Commerce and Economic Development Bureau (CEDB) and the Hong Kong Productivity Council (HKPC) to administer the Enterprise Support Programme of the BUD Fund.

22 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 the organisation of the Hong Kong Awards for Industries.

23 The key performance measures are:

Targets

	Target ^Ψ	2011 (Actual)	2012 (Actual)	2013 (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

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	Target ^Ψ	2011 (Actual)	2012 (Actual)	2013 (Plan)
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
SGS processing applications for guarantee within three working days (after receipt of complete applications from participating lending institutions) (%)	100	100	100	100
SDF processing applications for grant within 60 working days (%).....	100	100	100	100
EMF processing applications for grant within 30 working days (%).....	100	98.3	99.9	100
BUD Fund (Organisation Support Programme) [¶] processing applications for grant within 60 working days (%).....	100	N.A.	100	100

Ψ Target is applied upon receipt of all necessary documents and information.

Indicators

	2011 (Actual)	2012 (Actual)	2013 (Plan)
SUCCESS			
enquiries.....	20 176	20 996	21 000
visitors to SUCCESS ^Ω	32 942	29 644	28 300
visits to SUCCESS website ^Ω	670 540	762 466	778 000
seminars and other activities	105	100	100
publications relating to local industries and SMEs	2	2	2
SGS			
applications received and processed	1 916	1 767	1 770
no. of SME beneficiaries	1 639	1 509	1 510
amount of government guarantees issued (\$m).....	2,113.6	1,874.9	1,875.0
SDF			
applications received and processed	44	48	50
amount of government grants approved (\$m)	30.3	28.2	29.0
EMF			
applications received and processed	21 943	18 825	20 000
no. of SME beneficiaries	3 020	2 879	3 000
amount of government grants approved (\$m)	274.8	259.5	276.0
BUD Fund (Organisation Support Programme) [¶]			
applications received and processed	N.A.	54	70
amount of government grants approved (\$m)	N.A.	60.6	120.0

[¶] New target and indicator as from 2012. The Organisation Support Programme of the BUD Fund started to receive applications on 25 June 2012.

^Ω Due to the continuous enhancement to the SUCCESS website, the number of visitors to SUCCESS has been on the decrease and the visits to SUCCESS website has been on the increase. This general trend is expected to continue.

Matters Requiring Special Attention in 2013–14

24 During 2013–14, the Department will:

- continue to closely monitor the global and domestic economic environment and the impact of any changes in the environment on Hong Kong enterprises, in particular SMEs;
- continue to liaise closely with the trade, and help them meet the challenges facing them;
- continue to administer the Organisation Support Programme of the BUD Fund and work with CEDB and HKPC to administer the Enterprise Support Programme of the BUD Fund; and
- continue to administer various SME Funding Schemes and closely monitor their effectiveness and utilisation.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2011–12 (Actual) (\$m)	2012–13 (Original) (\$m)	2012–13 (Revised) (\$m)	2013–14 (Estimate) (\$m)
(1) Commercial Relations	97.2	101.8	101.9	106.6
(2) Trade Support and Facilitation	114.9	118.2	120.5	124.5
(3) Support for Small and Medium Enterprises and Industries	435.7	431.8	506.7	539.0
	647.8	651.8	729.1 (+11.9%)	770.1 (+5.6%)
				(or +18.1% on 2012–13 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2013–14 is \$4.7 million (4.6%) higher than the revised estimate for 2012–13. This is mainly due to the salary provision for creation and filling of posts, as well as the increase in other operating expenses. There will be a net increase of one post in 2013–14.

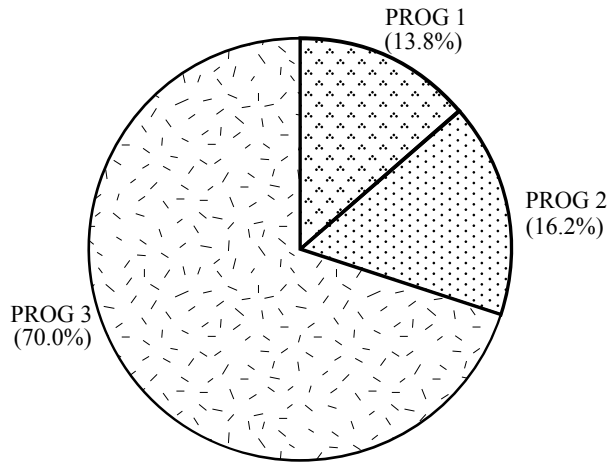
Programme (2)

Provision for 2013–14 is \$4.0 million (3.3%) higher than the revised estimate for 2012–13. This is mainly due to the salary provision for filling of posts, as well as the increase in other operating expenses. There will be a net decrease of four posts in 2013–14.

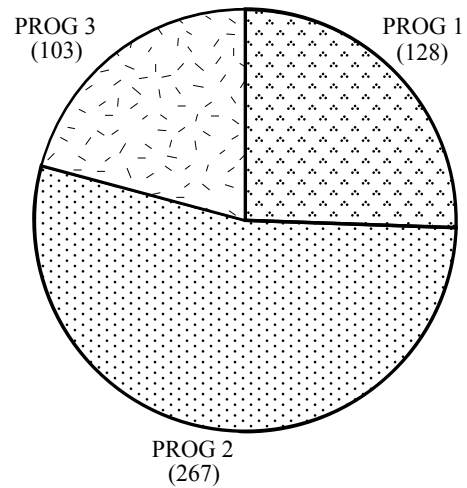
Programme (3)

Provision for 2013–14 is \$32.3 million (6.4%) higher than the revised estimate for 2012–13. This is mainly due to the increase in cash flow requirements for funding schemes, salary provision for creation and filling of posts, as well as the increase in other operating expenses. There will be a net increase of two posts in 2013–14.

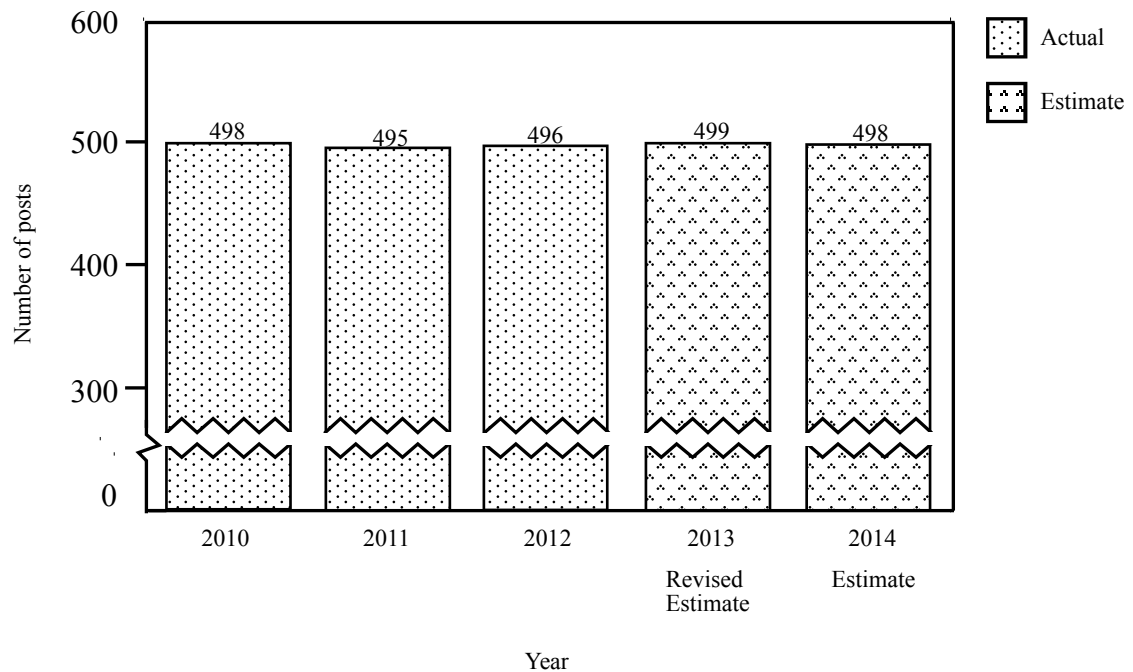
*Allocation of provision
to programmes
(2013-14)*



*Staff by programme
(as at 31 March 2014)*



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



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Sub-head (Code)	Actual expenditure 2011-12	Approved estimate 2012-13	Revised estimate 2012-13	Estimate 2013-14
	\$'000	\$'000	\$'000	\$'000
Operating Account				
Recurrent				
000 Operational expenses	279,025	292,588	295,988	307,636
Total, Recurrent	279,025	292,588	295,988	307,636
Non-Recurrent				
700 General non-recurrent	367,096	359,200	433,076	462,452
Total, Non-Recurrent	367,096	359,200	433,076	462,452
Total, Operating Account.....	646,121	651,788	729,064	770,088
Capital Account				
Plant, Equipment and Works				
Minor plant, vehicles and equipment (block vote).....	1,671	—	—	—
Total, Plant, Equipment and Works.....	1,671	—	—	—
Total, Capital Account.....	1,671	—	—	—
Total Expenditure				
	647,792	651,788	729,064	770,088

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Details of Expenditure by Subhead

The estimate of the amount required in 2013–14 for the salaries and expenses of the Trade and Industry Department is \$770,088,000. This represents an increase of \$41,024,000 over the revised estimate for 2012–13 and of \$122,296,000 over the actual expenditure in 2011–12.

Operating Account

Recurrent

2 Provision of \$307,636,000 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 2013 will be 499 permanent posts. It is expected that there will be a net decrease of one permanent post in 2013–14. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2013–14, but the notional annual mid-point salary value of all such posts must not exceed \$203,609,000.

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

	2011–12 (Actual) (\$'000)	2012–13 (Original) (\$'000)	2012–13 (Revised) (\$'000)	2013–14 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	207,182	217,474	219,556	226,614
- Allowances	4,366	3,373	4,940	5,038
- Job-related allowances.....	1	8	2	8
Personnel Related Expenses				
- Mandatory Provident Fund contribution	191	111	270	413
- Civil Service Provident Fund contribution	2,447	2,891	2,851	3,472
Departmental Expenses				
- General departmental expenses	59,334	63,190	62,891	66,094
Other Charges				
- Subscription to the Asia Pacific Economic Co-operation.....	1,329	1,302	1,350	1,369
- Trade negotiations and associated activities	2,448	2,511	2,400	2,500
- Contribution to the organisation of the Hong Kong Awards for Industries.....	1,600	1,600	1,600	2,000
- Subscription to the Pacific Economic Co-operation Council	127	128	128	128
	<u>279,025</u>	<u>292,588</u>	<u>295,988</u>	<u>307,636</u>

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2012	Revised estimated expenditure for 2012–13	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	311	3,168
	520	SME Loan Guarantee Scheme#.....	30,000,000	183,517	15,000	29,801,483
	524	SME Export Marketing and Development Funds.....	3,750,000	2,552,223	279,900	917,877
	802	Special Loan Guarantee Scheme@.....	100,000,000	83,771	70,000	99,846,229
	836	Dedicated Fund on Branding, Upgrading and Domestic Sales	1,000,000	—	67,865	932,135
		Total	<u>134,758,608</u>	<u>2,824,640</u>	<u>433,076</u>	<u>131,500,892</u>

The approved commitment of \$30 billion refers to the total loan guarantee commitment approved by the Finance Committee. Based on an assumed default rate of five 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.