

**Head 96 — GOVERNMENT SECRETARIAT:
HONG KONG ECONOMIC AND TRADE OFFICES**

Controlling officer: the Permanent Secretary for Commerce, Industry and Technology (Commerce and Industry) will account for expenditure under this Head.

Estimate 2005–06..... **\$290.7m**

Establishment ceiling 2005–06 (notional annual mid-point salary value) representing an estimated 133 non-directorate posts as at 31 March 2005 reducing by two posts to 131 posts as at 31 March 2006 **\$58.4m**

In addition, there will be an estimated 20 directorate posts as at 31 March 2005 and as at 31 March 2006.

Commitment balance **\$1.6m**

Controlling Officer's Report

Programmes

Programme (1) Commercial Relations
Programme (2) Public Relations
Programme (3) Investment Promotion

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

Detail

Programme (1): Commercial Relations

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	103.4	131.8	128.6 (–2.4%)	135.7 (+5.5%)
				(or +3.0% on 2004–05 Original)

Aim

2 The aim is to represent and promote Hong Kong's trading and commercial interests outside Hong Kong.

Brief Description

3 The Hong Kong Economic and Trade Offices (HKETOs) in Brussels, Geneva, Guangdong, London, New York, San Francisco, Washington, Singapore, Sydney, Tokyo and Toronto identify, develop and cultivate contacts with host governments, represent Hong Kong at international trade organisations, and maintain liaison with other governments and organisations in order to further Hong Kong's trade and economic interests. The HKETOs monitor and report on developments which are likely to affect such interests. They lobby and negotiate with their host and other governments on specific trade issues and assist officers from Hong Kong in negotiating trade agreements and in promoting the new business opportunities arising from the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA).

4 The key performance measures in respect of commercial relations are:

Indicators

	2003 (Actual)	2004 (Actual)	2005 (Estimate)
meetings on trade-related matters attended.....	3 315	3 321	3 121
visits to host governments and trade organisations.....	1 025	968	971
seminars, exhibitions and workshops			
organised.....	115	135	141
participated.....	684	694	672
public speeches given.....	333	322	336
media interviews/briefings given.....	565	571	588
circulars/newsletters/press releases issued.....	900	616	624

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Matters Requiring Special Attention in 2005–06

5 During 2005–06, the HKETOs will continue to promote Hong Kong's trade and commercial interests, including countering protectionism in Hong Kong's major markets, as well as representing Hong Kong and providing support to the Trade and Industry Department in bilateral and multilateral trade negotiations.

Programme (2): Public Relations

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	85.5	96.9	96.2 (–0.7%)	101.5 (+5.5%)
				(or +4.7% on 2004–05 Original)

Aim

6 The aim is to promote Hong Kong as a reliable trading partner and a premier location for doing business.

Brief Description

7 The HKETOs monitor and report on reactions to events in Hong Kong. They organise publicity and public relations activities for Hong Kong in the host countries/regions under their purview and provide a comprehensive information and enquiry service about Hong Kong.

8 The key performance measures in respect of public relations are:

Indicators

	2003 (Actual)	2004 (Actual)	2005 (Estimate)
call on senior government officials/organisations.....	2 125	2 042	1 990
public relations functions/events			
organised.....	716	702	708
participated.....	1 155	1 255	1 214
newsletters, pamphlets, press releases issued.....	1 478	1 204	1 155
no. of visitors assisted.....	2 247	2 358	1 988
public speeches given.....	454	432	439
media interviews/briefings given.....	926	896	861
enquiries handled.....	57 559	58 714	58 300

Matters Requiring Special Attention in 2005–06

9 During 2005–06, the HKETOs will continue to sustain and step up publicity and public relations efforts in North America, Europe, Australia, Japan, Association of Southeast Asian Nations countries and the Guangdong Province in the Mainland.

Programme (3): Investment Promotion

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	45.6	50.6	50.6 (—)	53.5 (+5.7%)
				(or +5.7% on 2004–05 Original)

Aim

10 The aim is to encourage and attract investments to Hong Kong, and to promote Hong Kong's many advantages as an investment and business hub in Asia. The objective is to ensure that companies have all the support they need to establish operations in Hong Kong.

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Brief Description

11 The HKETOs promote inward investments to Hong Kong by publicising the attraction of Hong Kong as a regional and international business centre and by providing advice and assistance to companies in the formulation and implementation of their plans to invest in Hong Kong.

12 The key performance measures in respect of investment promotion are:

Indicators

	2003 (Actual)	2004 (Actual)	2005 (Estimate)
projects pursued.....	153	344	248
projects completed#.....	117	156	124

A completed project refers to an investment project resulting in a foreign/Mainland company setting up or expanding its business in Hong Kong. Only those companies which have acknowledged in writing the assistance rendered by Invest Hong Kong in the investment process are included.

Matters Requiring Special Attention in 2005–06

13 During 2005–06, the HKETOs will, in collaboration with Invest Hong Kong and adopting a targeted approach, continue to attract overseas and Mainland companies to invest in Hong Kong and take advantage of the preferential market access into the Mainland secured under CEPA. They will encourage the target companies to introduce to Hong Kong, through their investments, new and improved products and services, design processes and management techniques, and will provide assistance to investors interested in establishing a business presence in Hong Kong.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2003-04 (Actual) (\$m)	2004-05 (Original) (\$m)	2004-05 (Revised) (\$m)	2005-06 (Estimate) (\$m)
(1) Commercial Relations	103.4	131.8	128.6	135.7
(2) Public Relations	85.5	96.9	96.2	101.5
(3) Investment Promotion	45.6	50.6	50.6	53.5
	234.5	279.3	275.4 (-1.4%)	290.7 (+5.6%)
				(or +4.1% on 2004-05 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2005-06 is \$7.1 million (5.5%) higher than the revised estimate for 2004-05. This is mainly due to the less favourable exchange rates, increased requirements for departmental expenses and the salary adjustment of locally engaged staff, partly offset by the full-year effect of the 2005 civil service pay cut, reduced operating expenses to achieve efficiency savings and part of the savings from the deletion of two posts.

Programme (2)

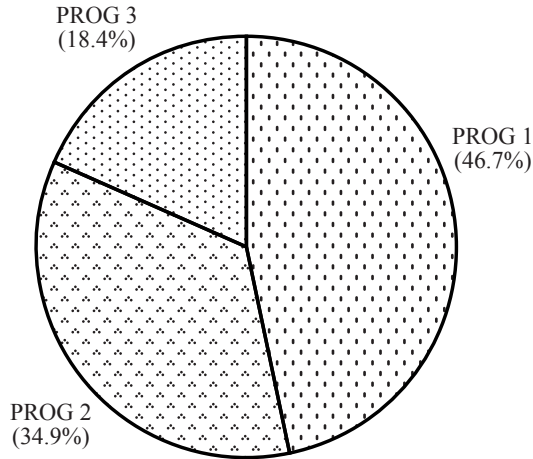
Provision for 2005-06 is \$5.3 million (5.5%) higher than the revised estimate for 2004-05. The reasons that account for the increase under Programme (1) above also apply here.

Programme (3)

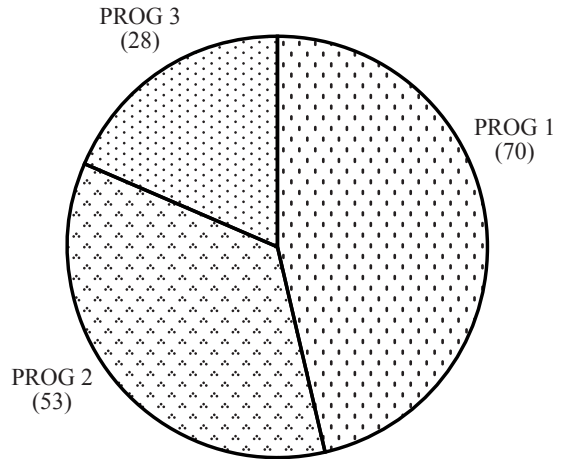
Provision for 2005-06 is \$2.9 million (5.7%) higher than the revised estimate for 2004-05. The reasons that account for the increase under Programme (1) above also apply here.

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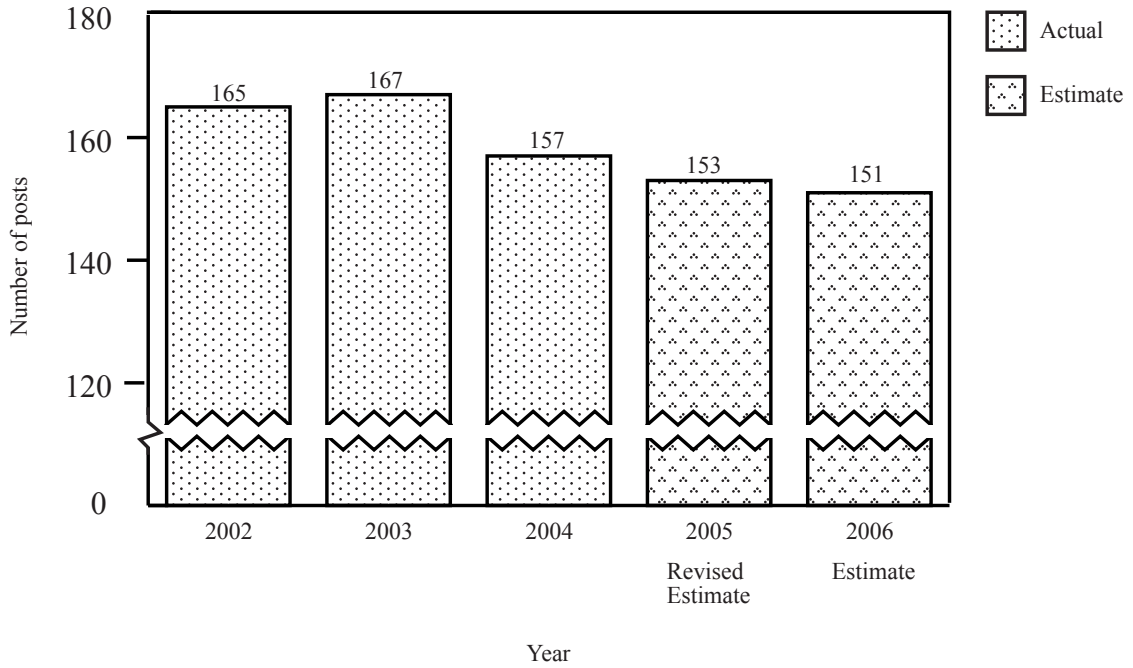
*Allocation of provision
to programmes
(2005-06)*



*Staff by programme
(as at 31 March 2006)*



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



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Sub-head (Code)	Actual expenditure 2003-04	Approved estimate 2004-05	Revised estimate 2004-05	Estimate 2005-06	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	233,128	277,757	273,148	288,784
	Total, Recurrent	<u>233,128</u>	<u>277,757</u>	<u>273,148</u>	<u>288,784</u>
Non-Recurrent					
700	General non-recurrent	1,363	1,036	740	998
	Total, Non-Recurrent	<u>1,363</u>	<u>1,036</u>	<u>740</u>	<u>998</u>
	Total, Operating Account	234,491	278,793	273,888	289,782
Capital Account					
Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote)	51	500	1,485	929
	Total, Plant, Equipment and Works	<u>51</u>	<u>500</u>	<u>1,485</u>	<u>929</u>
	Total, Capital Account	51	500	1,485	929
	 Total Expenditure	<u>234,542</u>	<u>279,293</u>	<u>275,373</u>	<u>290,711</u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2005–06 for the salaries and expenses of the HKETOs is \$290,711,000. This represents an increase of \$15,338,000 over the revised estimate for 2004–05 and of \$56,169,000 over actual expenditure in 2003–04.

Operating Account

Recurrent

2 It is operationally necessary for the HKETOs to make certain payments in the currencies of their host economies. Expenditure in the following currencies will be charged to the appropriate subheads at the spot rates as at 22 December 2004 set out below —

Australian Dollar	1=HK\$5.95014
Canadian Dollar	1=HK\$6.3355
Euro	1=HK\$10.3676
Japanese Yen	1=HK\$0.074514
Pound Sterling	1=HK\$15.0932
Singapore Dollar	1=HK\$4.7289
Swiss Franc	1=HK\$6.73593

Expenditure incurred in the US Dollar will be charged to the appropriate subheads at a fixed exchange rate of US\$1=HK\$7.8. For the HKETO in Guangdong, expenditure in Renminbi will be charged to the appropriate subheads at the prevailing market exchange rate.

3 Provision of \$288,784,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the HKETOs. The increase of \$15,636,000 (5.7%) over the revised estimate for 2004–05 is mainly due to less favourable exchange rates, increased requirements for departmental expenses and salary adjustment of locally engaged staff, partly offset by the full-year effect of the 2005 civil service pay cut, reduced operating expenses to achieve efficiency savings and the deletion of two posts in 2005–06.

4 The establishment as at 31 March 2005 will be 153 permanent posts. Of these posts, 103 are filled by staff engaged locally by the HKETOs. It is expected that two posts will be deleted in 2005–06. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2005–06, but the notional annual mid-point salary value of all such posts must not exceed \$58,436,000.

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

	2003–04 (Actual) (\$'000)	2004–05 (Original) (\$'000)	2004–05 (Revised) (\$'000)	2005–06 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	94,394	98,085	94,332	95,420
- Allowances	25,383	28,313	29,464	28,644
Personnel Related Expenses				
- Payment to redundant locally engaged staff of the HKETO in London.....	351	391	391	473
- Mandatory Provident Fund contribution	38	36	26	36
- Disturbance allowance.....	—	3,632	3,495	4,372
Departmental Expenses				
- General departmental expenses	83,264	114,200	113,000	125,041
Other Charges				
- Publicity	29,698	33,000	32,340	34,698
- Grants to organisations	—	100	100	100
	233,128	277,757	273,148	288,784

Capital Account

Plant, Equipment and Works

6 Provision of \$929,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents a decrease of \$556,000 (37.4%) against the revised estimate for 2004–05. This is mainly due to the decrease in cash flow requirement for new/replacement items.

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2004	Revised estimated expenditure for 2004–05	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	593	Consultancy services on commercial relations and non-trade issues in Europe.....	5,543	3,219	740	1,584
		Total	5,543	3,219	740	1,584
			5,543	3,219	740	1,584