

MESSAGE

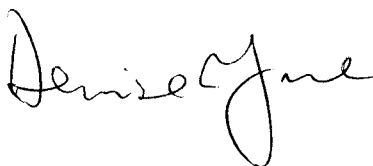
Over the past two years, the contagious impact of the Asian financial crisis led to Hong Kong's worst economic downturn in recent history. As a result, our revenues fell sharply. Even so, we decided it was necessary to provide relief in the form of tax rebates and other concessions. We decided it was in the public interest to maintain our spending plans and proceed with new initiatives and improvements to services. We decided it was prudent to use some of our fiscal reserves accumulated over the years. We ended up with a deficit outturn of \$23.2 billion in 1998-1999.



Despite a deficit forecast at the start of 1999-2000, we achieved a surplus outturn for the year. This improvement in our financial position came about primarily from an unexpected growth in the earnings on our fiscal reserves. The position was also helped by the reduction in expenditure brought about by productivity enhancement efforts by bureaux and departments.

However, we must not be complacent. We will continue to work together with bureaux and departments to implement the Enhanced Productivity Programme and the other actions to invigorate the civil service. We will continue to monitor our operating finances closely in view of the operating deficits suffered in 1998-1999 and 1999-2000. In this connection, I am heading a Task Force, at the direction of the Financial Secretary, to examine whether this operating deficit is cyclical or structural in nature. In parallel, an Advisory Committee, appointed by the Financial Secretary, is considering new types of broad-based taxes that may be appropriate for Hong Kong. The Committee will consult widely before arriving at its conclusions. Both bodies aim to complete their work by the end of 2001.

Let me close by stressing our commitment to maintain a low and simple tax regime, to manage our public finances on a prudent basis, and to put our medium-term finances on a healthy footing.

A handwritten signature in black ink, appearing to read "Denise Yue". The signature is fluid and cursive, with the first name "Denise" written in a larger, more prominent script than the last name "Yue".

(Miss Denise Yue)
Secretary for the Treasury

Prudent Management of Public Finances

Policy Objective and Key Result Areas

PRUDENT MANAGEMENT OF PUBLIC FINANCES

Our Policy Objective is to maintain sound and stable public finances and to foster a fiscal environment conducive to continued economic growth and success.

Overall Target

Our target is to ensure that the right balance is struck between meeting public demand for better government services on the one hand, and adhering to our principles of small government and low taxes on the other.

Progress

With the impact of the Asian financial crisis dissipating and our economy beginning to turn around, we recorded a surplus of \$10 billion for 1999-2000 instead of the \$36.5 billion deficit forecast in March 1999. This turnaround was attributable partly to \$27.9 billion of unexpected additional revenue and partly to \$18.6 billion less expenditure than anticipated.

To continue to keep our government small and to respond to comments that we must exercise greater prudence in our spending before dipping into taxpayers' pockets, we are taking several measures to invigorate the civil service for enhanced efficiency and cost-effectiveness. We are progressing with our Enhanced Productivity Programme through which we aim to deliver productivity gains amounting to 5% of our operating expenses by 2002-2003. The various plans under the Civil Service Reform are now being implemented for greater cost-effectiveness. We have also taken steps to reduce the size of the civil service to its 1995 level with the help of a Voluntary Retirement Scheme.

Even with such measures to enhance cost-effectiveness, we have budgeted for an expenditure of \$250.4 billion in 2000-2001 against estimated revenues of \$244.2 billion. Despite the resulting deficit of \$6.2 billion, we have not increased taxes or livelihood-related fees. It is our considered view that the interests of the community are best served at this time by a gentle hand on the tiller.

We also achieved the following progress in our six Key Result Areas (KRAs).

1 Ensure that government expenditure grows no faster than the economy over time and ensure that resources available are used cost-effectively in providing quality services that best meet the needs of the community

Our indicator of performance in this area of work is the cumulative real growth in government expenditure compared to the cumulative real growth in Gross Domestic Product (GDP). Owing to the economic adjustment and the Government's conscious decision to maintain its spending plans in 1998-1999 to 1999-2000 so as not to drive the economy into deeper recession, the cumulative growth in government expenditure has temporarily exceeded the cumulative growth in GDP.

We have been working on closing this gap in the medium term by controlling the growth of government expenditure and achieving higher productivity. With the productivity savings achieved from the Enhanced Productivity Programme (EPP) launched across the Government and the subvented sector and stabilised expenditure under the Comprehensive Social Security Assistance Scheme, we have been able to contain the real growth of recurrent government spending to 2.5% and that of capital government expenditure to 3% in our 2000-2001 Estimates against the trend growth in GDP of 4% as forecast in the 2000 Budget. We will maintain our momentum in implementing EPP and continue to push ahead with other initiatives to ensure that resources are used cost-effectively for the delivery of Policy Objectives.

2 Maintain an effective revenue collection and protection system to cover our spending commitments

In 1999-2000, our revenue amounted to \$233 billion, compared with our original Estimate of \$205 billion. The variance is largely attributable to the higher than expected investment earnings on our fiscal reserves. Such earnings, by nature, are sensitive to the ups-and-downs of the economy. We cannot, therefore, rely on this in future. To ensure a stable revenue base for the Government, we are conducting a detailed review of public finances. An Advisory Committee is also examining new types of broad-based taxes that

may be suitable for Hong Kong should there be a need to introduce such taxes. In addition, we implemented various initiatives to further improve the efficiency of our revenue system, and are making progress on others.

3 Provide sources of government finance

As pledged in the 1999 Policy Objective booklet, we have obtained approval from the Finance Committee of the Legislative Council to inject equity of up to \$8.5 billion into the Kowloon-Canton Railway Corporation to allow major works on the Ma On Shan to Tai Wai Rail Link and the Kowloon-Canton Railway Extension from Hung Hom to Tsim Sha Tsui to proceed.

4 Maintain the level of fiscal reserves within established guidelines through prudent management of public finances

Our indicator of performance in this area is the level of fiscal reserves. Since 1 April 1998, we have linked the return of fiscal reserves to that achieved by the entire Exchange Fund. Effective from 1 November 1998, the investment policies of the Land Fund have been aligned with the rest of the fiscal reserves by merging the Land Fund assets with the Exchange Fund. The total dividend received from the Hong Kong Monetary Authority for 1999-2000 amounted to \$41 billion, which greatly exceeded the budgeted return for the year, due to the revaluation gain from the Hong Kong equities held by the Exchange Fund. The level of fiscal reserves as at 31 March 2000 was \$444 billion. This is forecast to drop to \$438 billion by the end of 2000-2001. The level of reserves remains within the guidelines laid down in the 1998 Budget.

5 Improve the efficiency, quality and cost-effectiveness of Government's central support services

In 1999, we implemented various initiatives to improve customer satisfaction and the cost-effectiveness of Government's central support services. The Printing Department achieved an utilisation rate of 87% for its production machines compared with the target of at least 86%. It reduced payment of overtime allowance by 83% from \$5.96 million to \$3.25 million, well above the 10% target. It established six customer liaison units to maintain regular contacts with designated

departments through at least two visits a year for feedback on services provided. The Government Supplies Department compared the procurement price of 265 common stock items with market prices and eliminated from the stock those items which have no price advantage. The Government Land Transport Agency reduced its vehicle fleet to 155 in April 2000, just two short of the target of 153. We will continue our efforts in the coming year.

6 Manage Government's estate cost-effectively and efficiently

In 1999, the Government Property Agency made good progress in meeting Government's accommodation needs in an economical and cost-effective manner. The average take-up rate of government accommodation was maintained at 99.8% in 1999. Expenditure on leased offices was reduced by \$31.9 million, exceeding the target by 48%. The Agency also identified 13 additional under-utilised sites against a target of five, making a total of 95 sites with a total area of about 230 hectares, for redevelopment or alternative uses.

The Architectural Services Department completed all planned maintenance and refurbishment works for 600 buildings in 1999 in accordance with the set target.

Progress on each previously announced initiative under the above KRAs is set out in the "Detailed Progress" section of this report.

Looking Forward

To achieve our overall targets this year, we will undertake the following initiatives and targets under each of the KRAs for the coming year.

1

Ensure that government expenditure grows no faster than the economy over time and ensure that resources available are used cost-effectively in providing quality services that best meet the needs of the community

We believe that the public sector should not grow at a rate that would deprive the private sector of the resources needed for economic growth. Therefore, we have to ensure that the growth of government expenditure over time will not exceed the growth of the economy. Within this expenditure control, we consider competing demands for resources and determine priorities in a disciplined manner with a view to allocating resources to those areas which are most beneficial to the community. We strive to ensure that resources allocated are used cost-effectively in order to maximise the benefits to the community.

We will assess our performance in respect of this KRA against the following indicator –

- Cumulative real growth in government expenditure compared to cumulative real growth in Gross Domestic Product (GDP). Our target is to keep the cumulative growth in government expenditure in line with that of GDP over the Medium Range Forecast period.

We will pursue the following initiatives and targets to deliver results in this area –

Initiative *	Target
To control the growth in government expenditure <i>(Finance Bureau (FB))</i>	To control the growth in recurrent and capital expenditure in 2001-2002 to no more than 2.5% in real terms
To continue to implement the Enhanced Productivity Programme (EPP) across Government and the subvented sector <i>(FB)</i>	To achieve, on top of the cumulative 3% productivity gains being achieved in 2001-2002, an additional 2% productivity gains in the Government's baseline operating expenditure during the 2001 resource allocation exercise

* the bracketed information denotes the agency with lead responsibility for the initiative

Initiative	Target
To sustain momentum in the implementation of EPP through effective communication <i>(FB)</i>	To publish at least three issues of the EPP Newsletter in 2001

2

Maintain an effective revenue system including revenue collection and protection to cover our spending commitments

We maintain a simple, low and predictable tax regime. This helps to promote investment and enterprise by ensuring that resources are left, as far as possible, in the private sector where they can be most productively employed. In doing so, we have to strike the right balance in raising sufficient revenue to cover our spending commitments in the face of rising expectations in the community for more and better public services. We are committed to improving the efficiency and user-friendliness of our revenue collection system and promoting voluntary tax compliance. We are committed to combating tax evasion, minimising opportunities for tax avoidance, and ensuring that all taxes due are fully paid.

We will assess our performance in respect of this KRA against the following indicator –

- Extent to which revenue collected is sufficient to meet government expenditure. In 2000-2001, our estimated total revenue is \$244.2 billion against estimated total government expenditure of \$250.4 billion.

We will pursue the following initiatives and targets to deliver results in this area –

Initiative	Target
To establish an Advisory Committee to advise on what types of broad-based taxes may be suitable for Hong Kong should there be a need to introduce such taxes, having regard to the overriding principle of maintaining a low and simple taxation regime and preserving Hong Kong's competitiveness <i>(Finance Bureau (FB))</i>	The Advisory Committee to complete its work and submit a report to the Financial Secretary by the end of 2001

Initiative	Target
<p>To form a Task Force to review public finances in detail; to examine whether the Government's projected operating deficits up to 2002-2003 are cyclical or structural in nature; whether the existing tax base, types of tax, tax net and tax rates are appropriate, and, if not, what changes should be made</p> <p><i>(FB)</i></p>	<p>The Task Force to complete its work and submit a report to the Financial Secretary by the end of 2001</p>
<p>To form an inter-departmental group to consider detailed arrangements involved in introducing a land and sea departure tax, including the collection mechanism, exemption arrangements and safeguards against abuse</p> <p><i>(FB)</i></p>	<p>To complete the studies and submit a report to the Financial Secretary by the end of 2001</p>
<p>To conduct a comprehensive review of the scope of exemptions from First Registration Tax for motor vehicles with a view to updating the system</p> <p><i>(FB/Customs and Excise Department (C&ED))</i></p>	<p>To formulate a proposal for consultation with the trade by the end of 2000</p>
<p>To provide an electronic lodgement service whereby taxpayers can submit their tax returns, applications and notifications through the Internet or public kiosks</p> <p><i>(Inland Revenue Department (IRD))</i></p>	<p>To provide the service by the end of 2000</p>

Initiative	Target
<p>To provide an electronic notifying service whereby the business community can inform the Government about changes in business particulars for business registration purposes</p> <p><i>(IRD)</i></p>	<p>To accept notification of amendments to particulars on the Business Register by sole proprietors through the Internet or public kiosks by mid-2001</p>
<p>To explore the feasibility of developing an open bond system for dutiable commodities</p> <p><i>(C&ED)</i></p>	<p>To launch a pilot scheme of an open bond system on selected representative warehouses by early 2001</p>

3

Provide sources of government finance

We make major investments and provide loans in support of economic and social development to improve Hong Kong's competitiveness and living environment. In particular, we make strategic investments in statutory bodies by equity, loans or other means, to finance their major infrastructure and development projects. In so doing, the Government complements the private sector as a source of finance. This approach allows us to pump-prime, and attract private sector involvement in major development projects which have commercial potential, for greater flexibility and cost-effectiveness. We also monitor, as a shareholder, the performance of Government's investments to ensure an appropriate rate of return to the community.

We will assess our performance in respect of this KRA against the following indicators –

- Amount of government finance provided to fund major infrastructure and development projects. We expect to provide \$6.7 billion for investment and \$9.5 billion in loans in 2000-2001.
- Expected returns on government loans and investments. In 2000-2001, we estimate a return of \$2.6 billion from investments made and \$5.0 billion repayments from loans made.

4

Maintain the level of fiscal reserves within established guidelines through prudent management of public finances

We have to maintain adequate fiscal reserves to meet the operating, contingency and monetary requirements of the Government. The Asian financial crisis underlines the importance of having robust reserves to cater for our needs during difficult times. We have entrusted the investment of fiscal reserves to the Hong Kong Monetary Authority. We aim to preserve the value of our fiscal reserves in real terms.

We will assess our performance in respect of this KRA against the following indicator –

- The level of fiscal reserves being held. Our target is to keep it within the benchmark of 12 months' government expenditure plus Hong Kong Dollar money supply under M1 definition, allowing a range of plus and minus 25 percent.

We will pursue the following initiative and target to deliver results in this area –

Initiative	Target
To maintain fiscal prudence in the management of government expenditure and revenue and monitor the established guidelines on the quantum of fiscal reserves <i>(Finance Bureau)</i>	To keep the level of fiscal reserves at about \$440 billion as at 31 March 2001

We provide, through our departments, a range of central support services to facilitate bureaux and departments to deliver their services efficiently and cost-effectively. This includes financial management, accounting, procurement, land transport and printing. We review regularly the mode of delivery of these services to meet customers' operational needs and improve customer satisfaction. We also devolve, where appropriate, resource and spending decisions to bureaux and departmental managers in order to enable them to deploy resources flexibly to meet their operational needs.

We will assess our performance in respect of this KRA against the following indicators –

- Price competitiveness of common stock items provided by Government Supplies Department. Our targets are:
 - (a) to compare the procurement prices of at least 200 or 12% of the common stock items with market prices; and
 - (b) to eliminate from stock those items for which there is no price advantage in comparison with market price, after taking overhead costs into account, except where there are special reasons to justify their retention.
- Size of the vehicle fleet in Government Land Transport Agency's transport pools. Our target is to reduce the vehicle fleet from 155 as at April 2000 to 132 by March 2001, both to reduce cost and to improve utilisation.
- Charges for pool transport service. Our target is to reduce the charges by end-2000 in the light of the reduced pool size and operational costs.
- Capacity utilisation of machines in Printing Department. Our target is to achieve an overall utilisation rate of at least 88%.
- Customer feedback on services provided by Printing Department. Our target is to commission a customer satisfaction survey before March 2001.

We will pursue the following initiatives and targets to deliver results in this area –

Initiative	Target
<p>To review our financial reporting policy <i>(Finance Bureau/Treasury)</i></p>	<p>To recommend to the Financial Secretary by the end of 2000 the standard and style of financial reporting for the Government</p>
<p>To develop our financial information systems <i>(Treasury)</i></p>	<p>To review the existing Government Financial Management Information System and to determine by the end of 2000 how best to meet the need for financial management information across the Government in the next decade</p>
<p>To extend the scope of the Electronic Tendering System in the Government Supplies Department <i>(Government Supplies Department (GSD))</i></p>	<p>To issue and receive electronically tenders at or above \$10 million in value in 2000-2001</p>
<p>To set new performance targets and introduce more efficient work processes in the light of a benchmark study comparing GSD's storage and delivery services with those in the private sector <i>(GSD)</i></p>	<p>To implement new performance targets and work processes in 2000-2001</p>

Initiative	Target
<p>To improve the environmental performance of the government vehicle fleet</p> <p><i>(Government Land Transport Agency)</i></p>	<ul style="list-style-type: none"> ● To arrange for all government diesel vehicles to use ultra low sulphur diesel no later than end-2000 ● To install continuous regeneration traps in over 1 000 EURO standard diesel vehicles in the government fleet by 2001-2002 to reduce emission levels of particulates
<p>To introduce an electronic Government Gazette to provide timely and convenient information to users and reduce paper consumption</p> <p><i>(Printing Department)</i></p>	<p>To upload the Government Gazette and the six Supplements onto the Internet by end-2000</p>

We aim to meet Government's accommodation needs (including office space and quarters) in an economical and cost-effective manner, by building new government premises and leasing or purchasing property in the private market at terms advantageous to Government. We improve energy efficiency and waste management in government properties and enhance environmental awareness in the upkeep of the government estate. We also aim to optimise the use of sites occupied or allocated for Government, Institution and Community (GIC) purposes and to release those that are surplus to Government's needs. We ensure that government accommodation is well managed and properly maintained, thereby preserving the value of the properties and providing a comfortable environment to users. We also aim to maximise commercialisation opportunities in existing government properties without affecting the normal operation of the occupants. We will strive to better manage Government's estate in a manner more in line with Government's environmental protection objective.

We will assess our performance in respect of this KRA against the following indicators –

- Take up rate of government accommodation. Our target is to ensure that the average take up rate reaches 99.8%.
- Annual office rental saved as a result of de-leasing. Our target is to achieve \$15.8 million rental savings as a result of de-leasing.
- Annual quarters rental saved as a result of de-leasing. Our target is to achieve \$3.2 million rental savings as a result of de-leasing.
- Number of under-utilised or reserved sites identified for redevelopment or release. Our target is to identify 16 additional under-utilised or reserved sites.
- Number of government buildings for planned maintenance and refurbishment. Our target is to complete planned maintenance and refurbishment of 600 government buildings.

We will pursue the following initiatives and targets to deliver results in this area –

Initiative	Target
Improve waste management in government properties <i>(Government Property Agency (GPA))</i>	To extend waste recycling arrangements to include plastic bottles and aluminium cans in all government offices and quarters managed by the Government Property Agency in 2000-2001
Improve energy efficiency in government properties <i>(GPA)</i>	To use energy efficient devices in building services installations in all 54 joint-user offices by March 2002
Enhance environmental awareness in the upkeep of the government estate <i>(Architectural Services Department)</i>	To complete a review of the use of materials and construction techniques in facilities upkeep by 2001 and provide staff training on the use of environmentally-friendly materials and processes

Prudent Management of Public Finances

Detailed Progress

1

Ensure that government expenditure grows no faster than the economy over time and ensure that resources available are used cost-effectively in providing quality services that best meet the needs of the community

To achieve results in this area, various initiatives have been undertaken in the past years. Details are set out below –

Initiative *	Target #	Present Position +
<p>To control the growth in government expenditure in order to redress the imbalance which has arisen between the cumulative growth in government expenditure and the cumulative growth in Gross Domestic Product</p> <p><i>(Finance Bureau (FB))</i></p>	<p>To control the growth in recurrent and capital expenditure in 2000-2001 to no more than 3% in real terms</p> <p><i>(1999)</i></p>	<p>The 2000 Budget has contained the growth in government recurrent expenditure to 2.5% and capital expenditure to 3% in real terms in 2000-2001. This has already included provision for all additional spending initiatives.</p> <p><i>(Action Completed)</i></p>
<p>To undertake an Enhanced Productivity Programme (EPP) across Government and the subvented sector</p> <p><i>(FB)</i></p>	<ul style="list-style-type: none"> ● To achieve a further 2% productivity gains in the Government's baseline operating expenditure during the 2000 resource allocation exercise <p><i>(1999)</i></p>	<ul style="list-style-type: none"> ● During the 2000 resource allocation exercise, Government bureaux, departments and subvented organisations have already committed to deliver a further 2% productivity gains in their baseline operating expenditure on top of the 1% to be delivered in 2000-2001. <p><i>(Action Completed)</i></p>

* the bracketed information denotes the agency with lead responsibility for the initiative

the bracketed information denotes the year in which the target was set

+ the bracketed information denotes the status of the target

Initiative	Target	Present Position
	<ul style="list-style-type: none"> To require departments to deliver productivity gains amounting to 5% of their operating expenditure between now and 2002-2003 <i>(1998)</i> 	<ul style="list-style-type: none"> In addition to the cumulative 3% savings to be delivered in 2001-2002, Government bureaux, departments and subvented organisations are required to deliver the remaining 2% savings by the year 2002-2003. <i>(Action in Progress: On Schedule)</i>
<p>To sustain momentum in the implementation of EPP through effective communication <i>(FB)</i></p>	<p>To publish at least three issues of the EPP Newsletter a year <i>(1999)</i></p>	<p>We published three issues of the EPP Newsletter each in 1999 and 2000. This initiative will be followed up under a new target on page 7 of this report. <i>(Action Completed)</i></p>
<p>To carry out fundamental expenditure reviews to examine the cost-effectiveness of resources contributing to the delivery of Policy Objectives <i>(FB)</i></p>	<p>To complete no less than two fundamental expenditure reviews in 1999 <i>(1998)</i></p>	<p>The fundamental expenditure reviews with respect to youth, tourism and lands and planning were completed on schedule and the relevant bureaux are implementing the findings as appropriate. <i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To provide funding for the Capital Works Programme to meet the needs for land supply for housing and other infrastructural developments and subvented building projects</p> <p><i>(FB)</i></p>	<p>To apply \$135 billion to capital works projects in the programme during the five-year forecast period of 1997-2002</p> <p><i>(1997)</i></p>	<p>Cumulative expenditure on the Capital Works Programme for the three-year period from 1997-1998 to 1999-2000 was \$74.0 billion. We plan to spend a further \$29.4 billion in 2000-2001, and around \$30 billion in 2001-2002.</p> <p><i>(Action in Progress: Under Review)</i></p>
<p>To provide adequate funding for various capital works under the Airport Core Programme (ACP) from 1996 to 2001</p> <p><i>(FB)</i></p>	<p>To apply \$18.2 billion to various capital works under the ACP from 1996 to 2001</p> <p><i>(1996)</i></p>	<p>Since 1996, we have spent \$11.9 billion on capital works under the ACP. We plan to spend \$0.2 billion in 2000-2001. The construction works have been completed.</p> <p><i>(Action Completed)</i></p>
<p>To provide adequate funding for government facilities for the second runway at the new airport from 1996 to 2001</p> <p><i>(FB)</i></p>	<p>To apply \$602 million to this project from 1996 to 2001</p> <p><i>(1996)</i></p>	<p>The cumulative expenditure on this project since 1996 is \$464.7 million. We plan to spend a further \$142.5 million in 2000-2001. Construction of the facilities has been completed.</p> <p><i>(Action Completed)</i></p>

2

Maintain an effective revenue collection and protection system to cover our spending commitments

To achieve results in this area, various initiatives have been undertaken in the past year. Details are set out below –

Initiative	Target	Present Position
<p>To implement a five-year Information Systems Strategy Plan which includes 12 projects</p> <p><i>(Inland Revenue Department (IRD))</i></p>	<p>To implement the projects between 2000 and 2004</p> <p><i>(1999)</i></p>	<ul style="list-style-type: none"> ● Development work on seven projects is under way for phased implementation in late 2000, 2001 and 2002. ● Feasibility studies for two projects have been commissioned for completion in 2001. ● Feasibility studies for the remaining three projects will commence after 2001. <p><i>(Action in Progress: On Schedule)</i></p>
<p>To provide a one-stop service to applicants for new business registration</p> <p><i>(IRD)</i></p>	<p>To shorten the processing time for new applications in early 2000 from four days to within 30 minutes of receipt</p> <p><i>(1999)</i></p>	<p>The processing time for new applications has been shortened to within 30 minutes of receipt since 3 January 2000.</p> <p><i>(Action Completed)</i></p>
<p>To provide electronic access to selective business registration services</p> <p><i>(IRD)</i></p>	<p>To accept electronic submission of applications for registration by sole proprietors and applications for copies of extracts of the Business Register by the end of 2000</p> <p><i>(1999)</i></p>	<p>The service is scheduled to be launched in October 2000.</p> <p><i>(Action in Progress: On Schedule)</i></p>

Initiative	Target	Present Position
<p>To develop an interactive tax enquiry system where taxpayers can enquire about their payment status and the details of tax reserve certificate accounts through various electronic channels</p> <p><i>(IRD)</i></p>	<p>To provide the service by the end of 2000</p> <p><i>(1999)</i></p>	<p>The service is scheduled to be launched in October 2000.</p> <p><i>(Action in Progress: On Schedule)</i></p>
<p>To provide new electronic means for tax payments and purchase of tax reserve certificates</p> <p><i>(IRD)</i></p>	<p>To provide the service by the end of 2000</p> <p><i>(1999)</i></p>	<p>The service is scheduled to be launched in October 2000.</p> <p><i>(Action in Progress: On Schedule)</i></p>
<p>To abolish the restrictions on the sale of dutiable goods to arrival passengers at entry points</p> <p><i>(Customs and Excise Department)</i></p>	<p>To allow the sale of duty-free goods to arrival passengers by the end of 1999</p> <p><i>(1999)</i></p>	<p>A resolution passed by the Legislative Council to allow the sale of duty-free goods to arrival passengers came into effect on 23 July 1999.</p> <p><i>(Action Completed)</i></p>
<p>To provide electronic access to enquiries on rates and rent accounts and updating of rates and rent payers' particulars</p> <p><i>(Rating and Valuation Department)</i></p>	<p>To provide the service by the end of 2000</p> <p><i>(1999)</i></p>	<p>Computer development work is in progress and functions are being tested. The service will be provided in October 2000 as planned.</p> <p><i>(Action in Progress: On Schedule)</i></p>

Initiative	Target	Present Position
<p>To resume fee revision when the quarterly Gross Domestic Product growth rate turns positive, so as to reduce subsidy to users of government services <i>(Finance Bureau)</i></p>	<p>Subject to the pace of economic recovery, to revise fees in 2000, having regard to users' affordability and acceptability and following consultation with the Legislative Council <i>(1999)</i></p>	<p>Relevant Legislative Council panels were consulted on the proposed revision of fees and charges not directly affecting people's livelihood or general business activities. We have proceeded with the revision of most of these fees. We will soon consult the Legislative Council on those livelihood-related ones. <i>(Action in Progress: On Schedule)</i></p>

3

Provide sources of government finance

To achieve results in this area, various initiatives have been undertaken in the past years. Details are set out below –

Initiative	Target	Present Position
<p>To seek approval of financing proposal for urban renewal projects under the proposed Urban Renewal Authority (URA) <i>(Finance Bureau (FB))</i></p>	<p>To obtain approval from the Finance Committee of the Legislative Council in connection with the establishment of the URA <i>(1999)</i></p>	<p>The URA Ordinance was enacted on 6 July 2000 and the URA is expected to come into operation at the end of 2000. Subject to the Business Plan and development schemes to be drawn up by URA, we will seek Finance Committee's approval of a financing proposal for urban renewal projects. <i>(Action in Progress: On Schedule)</i></p>
<p>To seek approval of any financing required for the proposed theme park at Penny's Bay <i>(FB)</i></p>	<p>To obtain approval from the Finance Committee of the Legislative Council in 1999-2000 following conclusion of a project agreement <i>(1999)</i></p>	<p>We have obtained Finance Committee's approval of a \$3,250 million equity injection and a loan of \$5,619 million from the Capital Investment Fund (CIF) to Hongkong International Theme Parks Limited (HKITP) and an investment of \$4,000 million in subordinated equity by the CIF representing land premium for the Phase I site to allow the HKITP to proceed with the development and operation of Hong Kong Disneyland. <i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To vet and seek approval for loan proposals for schemes of development or to address special circumstances</p> <p><i>(FB)</i></p>	<p>As proposals arise</p> <p><i>(1999)</i></p>	<p>We will seek relevant approval for new loan proposals for 2001-2002 for schemes of development or to address special circumstances as and when necessary.</p> <p><i>(Action in Progress: On Schedule)</i></p>
<p>To launch an Initial Public Offering of a minority shareholding in the Mass Transit Railway Corporation</p> <p><i>(FB)</i></p>	<p>Subject to market conditions launch the Initial Public Offering in early 2000</p> <p><i>(1999)</i></p>	<p>The Mass Transit Railway Ordinance came into operation on 30 June 2000 and the MTR Corporation Limited (MTRCL) replaced the Mass Transit Railway Corporation on the same date. The Initial Public Offering took place from 25 to 28 September 2000.</p> <p><i>(Action in Progress: Behind Schedule)</i></p>

Initiative	Target	Present Position
<p>To seek funding approval of approximately \$50 billion for Government's capital investment in support of high priority projects under the Railway Development Strategy from 1998 to 2001</p> <p><i>(FB)</i></p>	<p>To seek approval from the Finance Committee of the Legislative Council for the financing proposal for the Ma On Shan to Tai Wai Rail Link and the Tsim Sha Tsui Extension in 1999-2000</p> <p><i>(1998)</i></p>	<p>We have obtained Finance Committee's approval of up to \$8.5 billion equity injection into the Kowloon-Canton Railway Corporation to allow major works on the Ma On Shan to Tai Wai Rail Link and the Kowloon-Canton Railway Extension from Hung Hom to Tsim Sha Tsui to proceed.</p> <p><i>(Action Completed)</i></p>

4

Maintain the level of fiscal reserves within established guidelines through prudent management of public finances

To achieve results in this area, the following initiative has been undertaken in the past year. Details are set out below –

Initiative	Target	Present Position
To maintain fiscal prudence in the management of government expenditure and revenue and monitor the established guidelines on the quantum of fiscal reserves <i>(Finance Bureau)</i>	To keep the fiscal reserves at about \$400 billion as at 31 March 2000 <i>(1999)</i>	The fiscal reserves at 31 March 2000 were \$444 billion, which exceeded our target. <i>(Action Completed)</i>

5

Improve the efficiency, quality and cost-effectiveness of Government's central support services

To achieve results in this area, various initiatives have been undertaken in the past years. Details are set out below –

Initiative	Target	Present Position
<p>To provide a Help Desk to render assistance/ advice to other bureaux/departments on procurement matters</p> <p><i>(Government Supplies Department (GSD))</i></p>	<p>To review, in mid-2000, the effectiveness of the Help Desk, which was established in May 1999, with a view to identifying further room for strengthening the supporting services to bureaux and departments and rationalising existing procedures on procurement matters</p> <p><i>(1999)</i></p>	<p>GSD completed the review in May 2000. In line with the recommendations, GSD will prepare a set of guidelines on the Bulletin Board of Central Cyber Government Office for reference by bureaux and departments.</p> <p><i>(Action in Progress: On Schedule)</i></p>
<p>To review the cost-effectiveness of the existing arrangements for furniture maintenance for quarters</p> <p><i>(GSD)</i></p>	<p>To complete the review in 1999 and implement any resulting new arrangements in 2000</p> <p><i>(1999)</i></p>	<p>GSD completed the review in December 1999. To further enhance cost-effectiveness, GSD will arrange to contract out the furniture maintenance service in 2000-2001.</p> <p><i>(Action in Progress: On Schedule)</i></p>

Initiative	Target	Present Position
<p>To promote environmentally-responsible purchasing (GSD)</p>	<p>To explore with other departments the possibility of making more environmentally-responsible purchases (such as recycled products), and to purchase such products in the most cost-effective manner (1999)</p>	<p>GSD will continue purchasing recycled or environmentally-friendly products (e.g. paper, toners and cartridges, ultra low sulphur diesel for government vehicles). All GSD contractors are now required to pack their goods in recycled packaging materials. (Action in Progress: On Schedule)</p>
<p>To review the usage of government vehicles solely for passenger transport (Government Land Transport Agency (GLTA))</p>	<ul style="list-style-type: none"> ● To implement in 1999 a trial scheme on pool transport, and assess the cost-effectiveness in six months' time ● To freeze the growth of passenger vehicles in 2000-2001 (1999) 	<ul style="list-style-type: none"> ● The trial scheme for enhancing the utilisation of pool transport (e.g. single-trip booking, pooling of departmental cars) was completed in end-August 2000. An assessment will be conducted. (Action in Progress: Under Review) ● The growth of passenger vehicles was frozen in 2000-2001. No request for additional passenger vehicles has been approved in 2000-2001. (Action Completed)

Initiative	Target	Present Position
<p>To improve the Government's land transport services <i>(GLTA)</i></p>	<p>To complete a comprehensive review of pool transport services and draw up a timetable for implementing any improvement measures arising from the review in 1998-1999 <i>(1998)</i></p>	<p>We will continue to develop and implement new measures (e.g. single-trip booking, pooling of departmental cars) to enhance the efficiency of Government's land transport services. <i>(Action in Progress: On Schedule)</i></p>
<p>To develop a five-year Business Plan for Government Supplies Department to make its operations more efficient, cost-effective and customer-oriented <i>(GSD)</i></p>	<p>To draw up detailed action plans for each of the five divisions of the Department by early 1999 <i>(1998)</i></p>	<p>GSD has continued with measures introduced in 1999-2000 to enhance efficiency and cost-effectiveness through improved administrative and procurement procedures and more customer liaison. <i>(Action Completed)</i></p>
<p>To conduct International Organisation for Standardisation (ISO) 9000 accreditation for three of the services provided by GSD, namely, product inspection, delivery of stores and procurement <i>(GSD)</i></p>	<p>To complete accreditation by 2000-2001 <i>(1998)</i></p>	<p>The accreditation was successfully completed in September 2000. <i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To enhance the efficiency of GSD's service and operation through increasing computerisation <i>(GSD)</i></p>	<ul style="list-style-type: none"> ● To upgrade the Procurement Management System to make it Year 2000 compliant by June 1999 and incorporate enhanced procurement management functions by mid-2000 ● To implement an electronic bidding system by early 2000 <i>(1998)</i> 	<ul style="list-style-type: none"> ● GSD completed in June 1999 work in relation to making the Procurement Management System Year 2000 compliant. The incorporation of enhanced procurement management functions was completed in June 2000. ● An electronic bidding system (called the Electronic Tendering System) accepting tenders below \$10 million under the purview of the GSD Tender Board became operational in April 2000. <p><i>(Action Completed)</i></p>
<p>To further enhance the operational flexibility of Trading Funds so as to improve services, promote productivity and increase cost-effectiveness <i>(Finance Bureau)</i></p>	<p>To consider and develop policy of enhancing operational and management flexibility of Trading Funds in 1998-1999 <i>(1997)</i></p>	<p>The Trading Funds have designed and implemented a set of indicators to measure productivity and cost-effectiveness and identify any areas of under-performance. <i>(Action in Progress: On Schedule)</i></p>

6

Manage Government's estate cost-effectively and efficiently

To achieve results in this area, various initiatives have been undertaken in the past years. Details are set out below –

Initiative	Target	Present Position
<p>To enhance user departments' awareness of power consumption <i>(Government Property Agency (GPA))</i></p>	<p>To start to provide feedback to each user on its consumption profile and trend in early 2000 <i>(1999)</i></p>	<p>All user departments have been reminded to pay attention to power consumption levels and trends. GPA has provided the Building Management Committees of joint-user buildings with monthly electricity consumption details since April 2000. <i>(Action Completed)</i></p>
<p>To reduce the operating hours of chillers whilst maintaining the existing comfort levels through more efficient plant management <i>(GPA)</i></p>	<p>To implement immediately in each of the joint-user buildings, where technically possible <i>(1999)</i></p>	<p>Within the constraints of technical feasibility, the operating hours of chillers have been reduced in all joint-user buildings. Together with other improved housekeeping measures, annual savings of \$3 million in electricity charges (or 1.4% of electricity consumption) have been achieved. <i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To promulgate sound housekeeping practices to Building Management Committees and user departments, with a view to energy saving <i>(GPA)</i></p>	<p>To issue Guidelines on practices by end-1999 <i>(1999)</i></p>	<p>The Guidelines were issued in 1999. <i>(Action Completed)</i></p>
<p>To develop an Integrated Government Property Information system to facilitate the review of existing and planned use of government premises <i>(GPA)</i></p>	<p>To develop the system by October 2000 <i>(1999)</i></p>	<p>System development and data conversion are in progress. The system will be operational in mid-October 2000. <i>(Action in Progress: On Schedule)</i></p>
<p>To review the utilisation and continued need of canteens in government premises to release space for alternative use <i>(GPA)</i></p>	<p>To close 16 canteens by end-2000 and release the space for more productive alternative use <i>(1999)</i></p>	<p>Eleven canteens have been closed since July 1998 and five more will be closed by end-2000. The space released has been put to more productive alternative use. <i>(Action in Progress: On Schedule)</i></p>
<p>To closely monitor the condition of external walls of government buildings to ensure timely maintenance <i>(Architectural Services Department (Arch SD))</i></p>	<p>To draw up an inspection programme for the external walls of government buildings by April 2000 to ensure safety <i>(1999)</i></p>	<p>The inspection programme was drawn up in April 2000. A specialist contractor is employed to conduct external wall survey. <i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To centralise all requests for repair service at the Repair Call Centre, to issue repair works orders direct to contractors, and to enhance monitoring of the response time by computer</p> <p><i>(Arch SD)</i></p>	<p>To link up the information in the Repair Call Centre to the existing mainframe computer by March 2000</p> <p><i>(1999)</i></p>	<p>Information in the Repair Call Centre and the mainframe computer was linked up in March 2000, enabling the Repair Call Centre to issue repair works orders and manage work progress centrally.</p> <p><i>(Action Completed)</i></p>
<p>To optimise site utilisation by –</p> <ul style="list-style-type: none"> ● adopting a more proactive and systematic approach to review existing and planned use of government sites; and ● setting up and effectively utilising a comprehensive database of Government, Institution and Community (GIC) sites <p><i>(GPA)</i></p>	<p>To complete surveys of existing and planned use of 2 500 GIC sites and input data obtained into the database by the end of 1999</p> <p><i>(1998)</i></p>	<p>Following completion of surveys and data collection, a comprehensive database on all GIC sites has been established and put into use at the end of September 1999. The existing and planned use of these sites will be continually reviewed and the utilisation will be monitored with a view to optimising site potential.</p> <p><i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To draw up and roll forward annually a prioritised programme for reprovisioning existing users of under-utilised GIC sites and for redeveloping or releasing such sites</p> <p><i>(GPA)</i></p>	<ul style="list-style-type: none"> <li data-bbox="409 177 669 371">● To draw up a five-year programme for 1999-2000 to 2003-2004 by early 1999 <i>(1998)</i> <li data-bbox="409 499 669 659">● To draw up redevelopment options for five under-utilised sites in 1998 <i>(1997)</i> <li data-bbox="409 675 669 922">● To arrange for the release of two government office sites at Canton Road and Tung Lo Wan Hill Road for sale in 2001 <i>(1997)</i> <li data-bbox="409 962 669 1305">● To enhance support to government departments in their review of site requirements and co-ordinate action to bring about the maximum degree of joint-user development <i>(1997)</i> 	<ul style="list-style-type: none"> <li data-bbox="705 177 997 483">● GPA has rolled forward the five-year programme to cover 2004-2005. This programme includes 51 (out of a total of 95) under-utilised sites, for which agreement for release has been secured. <i>(Action in Progress: On Schedule)</i> <li data-bbox="705 499 986 659">● Redevelopment proposals for the five sites identified in 1998 have been firmed up. <i>(Action Completed)</i> <li data-bbox="705 675 986 954">● GPA is progressively decanting occupants from these two government office buildings to tie in with the disposal of the two sites. <i>(Action in Progress: On Schedule)</i> <li data-bbox="705 962 1009 1476">● GPA has identified 20 under-utilised community hall sites and released eight of them. GPA has also released two under-utilised clinic sites and is working on five others. The Agency is reviewing with Water Supplies Department (WSD) the possibility of releasing six sites that may be surplus to the requirements of WSD. <i>(Action in Progress: On Schedule)</i>

Initiative	Target	Present Position
<p>To plan and monitor progress in the construction of new government office buildings</p> <p><i>(GPA)</i></p>	<ul style="list-style-type: none"> ● To open the Cheung Sha Wan Government Office Building in 1999 <i>(1998)</i> ● To plan for the construction of the Sha Tin Government Office Building for completion in 2001 <i>(1998 and 1997)</i> ● To plan for the construction of a works depot and government office building in Chai Wan for completion in 2003 <i>(1998)</i> 	<ul style="list-style-type: none"> ● Project completed in October 1999 and officially opened in July 2000. <i>(Action Completed)</i> ● Construction commenced in July 1999. Works on schedule. <i>(Action in Progress: On Schedule)</i> ● The original proposal has been superseded. A proposal to convert a former air cargo building at Kai Tak for the purpose is now underway and is scheduled to be completed by late 2003. <i>(Action in Progress: On Schedule)</i>
<p>To implement a furniture replacement programme to modernise office environment and achieve more efficient use of space</p> <p><i>(GPA)</i></p>	<p>To implement the programme involving about 350 000 m² of office space between 1999 and 2004</p> <p><i>(1998)</i></p>	<p>GPA has completed the furniture replacement programme for 100 000 m² of office space.</p> <p><i>(Action in Progress: On Schedule)</i></p>

Initiative	Target	Present Position
<p>To refurbish and upgrade the condition of old government buildings to preserve their value and to improve the environment for staff and the public visiting these government offices</p> <p><i>(Arch SD)</i></p>	<p>To refurbish 268 buildings in 1997-1998, 346 buildings in 1998-1999 and 450 buildings in 1999-2000</p> <p><i>(1998 and 1997)</i></p>	<p>The targets for 1997-1999 were met. About 80% of the refurbishment works for 1999-2000 has been completed.</p> <p><i>(Action in Progress: On Schedule)</i></p>
<p>To take on responsibility for the management and commercialisation of the decommissioned Kai Tak Airport from 1998, pending its eventual redevelopment</p> <p><i>(GPA)</i></p>	<p>To assess possible options for putting the ex-airport into effective use pending eventual redevelopment</p> <p><i>(1997)</i></p>	<p>GPA is responsible for managing the ex-terminal complex and the terminal apron site. GPA completed critical assessment of options for interim usage in November 1998. As at July 2000, 82% of the area have been taken up for commercial or government use and negotiations are under way in respect of a further 11%.</p> <p><i>(Action Completed)</i></p>