

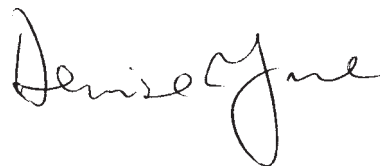
MESSAGE

Over the years, Hong Kong has deservedly gained an almost unrivalled reputation for the prudent management of its public finances. Our track record of avoiding budgetary deficits has enabled us to accumulate a healthy level of fiscal reserves. One of the major purposes of these reserves is to offset the effects of any economic downswing. They allow us, in less favourable economic times, to hold fast to our investment and spending plans without the need for increased taxation. In the past year, in the face of the worst economic setback our present generation has ever seen, we have maintained our planned investments and continued to expand public services. We have also provided generous one-off tax concessions to give relief from the worst effects of the economic adjustment to all sections of the community.

The result has been a budget deficit of \$23.2 billion in the 1998-1999 financial year and the prospect of an even larger deficit in the current financial year. We can finance these deficits by drawing on the reserves which we have built up in the past.

But we cannot continue to draw on our reserves indefinitely. As the economy picks up again we must face up to the challenge of restoring the health of our public finances while, at the same time, continuing to improve public services and providing a foundation for renewed economic growth. To do this, we will need to exercise strict control over the growth of government expenditure. We will need to vigorously pursue our Enhanced Productivity Programme. We may also need to implement some selective revenue-raising measures.

The year ahead will not be easy. We will need to make some difficult choices. But we remain committed to our time-tested, prudent management of our public finances in order to provide a foundation for renewed economic growth for the longer-term benefit of the community.

A handwritten signature in black ink, appearing to read "Denise Yue". The signature is fluid and cursive, with a large loop at the end of the last name.

(Miss Denise Yue)
Secretary for the Treasury

PRUDENT MANAGEMENT OF PUBLIC FINANCES

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

Our targets this year in pursuing this Policy Objective are 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 Made

As a result of the impact of the Asian financial crisis on our economy, we had a \$23.2 billion deficit in 1998-1999 instead of the \$10.7 billion surplus forecast in February 1998. We are forecasting a further deficit of \$36.5 billion in 1999-2000. Despite these deficits, we have not cut back on our services or expenditure. Instead, we have maintained our planned expenditure on new initiatives and improvement to services announced in the Chief Executive's Policy Addresses in 1997 and 1998. Public expenditure is expected to increase by 4.3% in real terms in 1999-2000.

In the 1999 Budget we provided a package of one-off concessions to provide immediate relief to individuals, families and businesses. We have given a tax rebate of 10% of the 1997-1998 salaries, profits and property taxes at a cost of \$8.5 billion, a 50% reduction in the rates payable for the July to September 1999 quarter at a cost of \$1.8 billion, and we have extended the freeze on most government fees and charges. To partly offset the cost of these concessions and to help us regain fiscal balance over the medium term, we have also put in place a small number of selective and moderate revenue raising measures.

We were able to do this largely as a result of the healthy level of fiscal reserves which we have accumulated through years of fiscal prudence. However, we are also mindful of the need to exercise prudence, maintain the level of fiscal reserves in accordance with the established guidelines and to regain fiscal surplus. We will therefore continue to pursue this Policy Objective to provide an environment that will enable the Hong Kong Special Administrative Region to renew its strength for growth and success.

KEY RESULT AREAS (KRAs)

To ensure that this Policy Objective can be achieved, we must deliver results in the following key areas, that is, we must –

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	Page 3
2	Maintain an effective revenue collection and protection system to cover our spending commitments	Page 7
3	Provide sources of government finance	Page 10
4	Maintain the level of fiscal reserves within established guidelines through prudent management of public finances	Page 13
5	Improve the efficiency, quality and cost-effectiveness of government’s central support services	Page 15
6	Manage Government’s estate cost-effectively and efficiently	Page 22

1

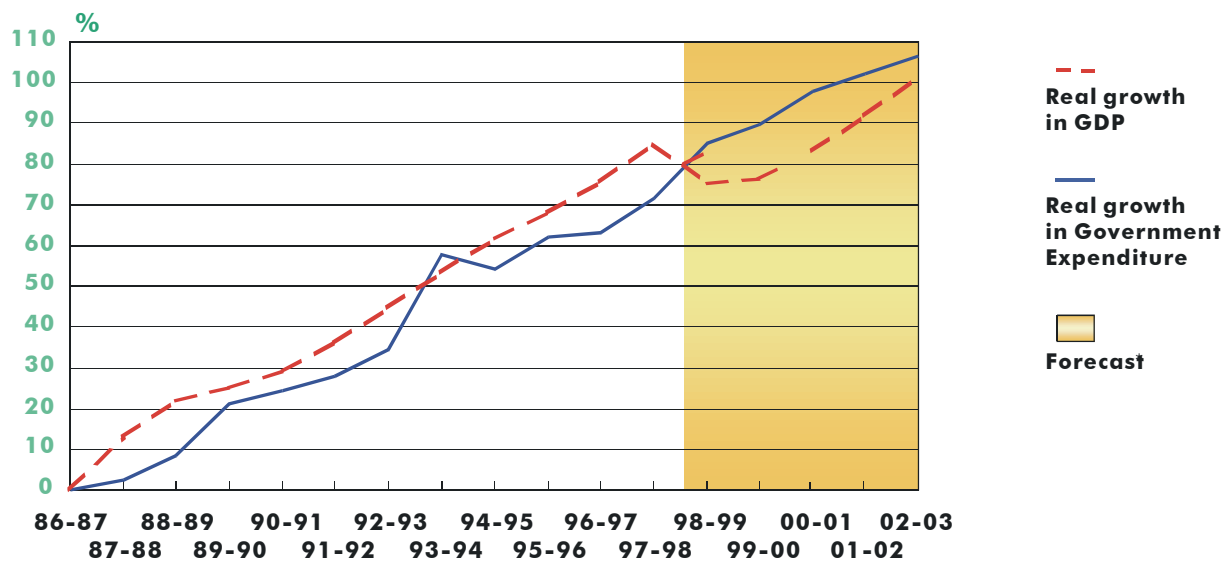
Ensure that government expenditure grows no faster than the economy over time and ensure that resources available are used cost-effectively in providing quality services that best meet the needs of the community

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.

Progress Made

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 downturn and the Government's conscious decision to maintain its spending plans in 1998-1999 and 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 as indicated below –

Comparison of Cumulative Growth in Government Expenditure with Cumulative Growth in GDP since the Introduction of the Medium Range Forecast



* Expenditure figures based on Medium Range Forecast published in March 1999.

We are committed to closing this gap in the medium term by controlling the growth of government expenditure and achieving higher productivity. As part of our effort, we have successfully launched the Enhanced Productivity Programme (EPP) across the Government and the subvented sector. We will also continue to push ahead with other initiatives to ensure that resources are used cost-effectively for the delivery of Policy Objectives.

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 undertake an enhanced productivity programme across the Government <i>(Finance Bureau (FB))</i></p>	<ul style="list-style-type: none"> ● To achieve quantifiable productivity gains in the Government’s baseline operational expenditure for funding new initiatives in the 1999 resource allocation exercise <i>(1998)</i> 	<ul style="list-style-type: none"> ● As early benefits from enhanced productivity, bureaux, departments and subvented agencies are providing new or improved services using existing resources or have reduced their baseline expenditure in 1999-2000. In total, they have pledged \$818 million of productivity gains, three-quarters of which are being used to fund new or improved services and the remaining one-quarter have been returned to the centre as savings. For 2000-2001, bureaux, departments and agencies are required to deliver savings of at least 1% of their operating expenditure, amounting to about \$1,000 million. The savings achieved will be used to fund new or improved services which are in line with the community’s needs. <i>(Action Completed)</i>

* 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 (1998) 	<ul style="list-style-type: none"> In addition to the 1% savings to be delivered in 2000-2001, bureaux, departments and agencies are required to deliver the remaining 4% savings by the year 2002-2003. <i>(Action in Progress: On Schedule)</i>
<p>To carry out fundamental expenditure reviews to examine the cost-effectiveness of resources contributing to the delivery of Policy Objectives (FB)</p>	<p>To complete no less than two fundamental expenditure reviews in 1999 (1998)</p>	<p>Relevant policy bureaux, assisted by the Finance Bureau and the Efficiency Unit, have embarked on fundamental expenditure reviews on tourism, youth and planning & lands. We expect to complete these three reviews by the end of 1999. <i>(Action in Progress: On Schedule)</i></p>
<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 (FB)</p>	<p>To apply \$135 billion to capital works projects in the programme during the five-year forecast period of 1997-2002 (1997)</p>	<p>The actual expenditure on non-Airport Core Programme (ACP) capital works projects in 1997-1998 and 1998-1999 was \$18.5 billion and \$21.3 billion respectively. We estimate that in 1999-2000, we will apply about \$22.8 billion to non-ACP capital projects. <i>(Action in Progress: Under Review)</i></p>
<p>To provide adequate funding for various capital works under the ACP from 1996-2001 (FB)</p>	<p>To apply \$18.2 billion to various capital works under the ACP from 1996-2001 (1996)</p>	<p>By the end of September 1999, we have spent \$11.6 billion on various capital works under the ACP. We will apply \$0.5 billion in 1999-2000. <i>(Action in Progress: On Schedule)</i></p>
<p>To provide adequate funding for government facilities for the second runway at the new airport from 1996-2001 (FB)</p>	<p>To apply \$602 million to this project from 1996-2001 (1996)</p>	<p>The total cumulative expenditure on this project, since 1996, is \$380.3 million. We expect to apply \$280 million in the 1999-2000 financial year. <i>(Action in Progress: On Schedule)</i></p>

Looking Forward

In the next 12 months, we will assess our performance in respect of this KRA against the following indicator –

Indicator	1999 Target
Cumulative real growth in government expenditure compared to cumulative real growth in Gross Domestic Product (GDP)	To progressively reduce the gap between the cumulative growth in government expenditure and that in GDP over the period of the Medium Range Forecast

We will undertake the following initiatives to deliver results in this area –

Initiative	1999 Target
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 GDP (FB)	To control the growth in recurrent and capital expenditure in 2000-2001 to no more than 3% in real terms
To continue to implement the Enhanced Productivity Programme (EPP) across Government and the subvented sector (FB)	To achieve a further 2% productivity gains in the Government's baseline operating expenditure during the 2000 resource allocation exercise
To sustain momentum in the implementation of EPP through effective communication (FB)	To publish at least three issues of the EPP Newsletter a year

2

Maintain an effective revenue collection and protection system 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.

Progress Made

As an on-going task, we strive to ensure that we collect sufficient revenue to meet government expenditure. This is an integral part of our efforts to achieve fiscal balance in overall terms. We also have regard to the special economic situation at the time. It is on this basis that we drew up the package of revenue concessions and revenue-raising measures in the Government's 1999 budget. In doing so we accepted the need for deficit budgets in the short term with a view to regaining fiscal balance over the medium term.

We have been taking a number of measures to improve the effectiveness and efficiency of our revenue collection system. As shown in the progress report below, we have managed to achieve the targets set for the three specific initiatives we pledged last year. In addition, we will be undertaking a range of further improvements over the next year.

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

Initiative	Target	Present Position
To enhance efforts to combat tax evasion and minimise opportunities for tax avoidance <i>(Inland Revenue Department (IRD))</i>	To create an additional field audit team in 1999-2000 to handle 100 more cases and recover an estimated additional \$100 million per annum in tax and penalties <i>(1998)</i>	The additional field audit team started operation on 1 October 1999. <i>(Action Completed)</i>

Initiative	Target	Present Position
To increase the efficiency of the Business Registration Office by upgrading the application system for the issue of new business registration certificates <i>(IRD)</i>	To shorten the processing time for new applications from six days to four days as from 1999 <i>(1998)</i>	The new application system has been in place since 7 April 1999 and the processing time has been shortened accordingly. <i>(Action Completed)</i>
To extend the scripless tax reserve certificate scheme which is a more convenient way for tax payers to purchase tax reserve certificates to provide for tax payment <i>(IRD)</i>	To extend the scheme, which at present covers only civil servants and civil service pensioners, to all salaries taxpayers as from 1999 <i>(1998)</i>	The electronic tax reserve certificate scheme was rolled out on 1 September 1999. <i>(Action Completed)</i>

Looking Forward

In the next 12 months, we will assess our performance in respect of this KRA against the following indicator –

Indicator	1999 Target
Extent to which revenue collected is sufficient to meet government expenditure	We estimate a total of \$205.1 billion in revenue against total government expenditure of \$241.6 billion in 1999-2000

We will undertake the following initiatives to deliver results in this area –

Initiative	1999 Target
To implement a 5-year Information Systems Strategy Plan which includes 12 projects <i>(IRD)</i>	To implement the projects between 2000 and 2004

Initiative	1999 Target
<p>To provide a one-stop service to applicants for new business registration <i>(IRD)</i></p>	<p>To shorten the processing time for new applications in early 2000 from 4 days to within 30 minutes of receipt</p>
<p>To provide electronic access to selective business registration services <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>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 <i>(IRD)</i></p>	<p>To provide the service by the end of 2000</p>
<p>To provide new electronic means for tax payments and purchase of tax reserve certificates <i>(IRD)</i></p>	<p>To provide the service by the end of 2000</p>
<p>To abolish the restrictions on the sale of dutiable goods to arrival passengers at entry points <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>To provide electronic access to enquiries on rates and rent accounts and updating of rates and rent payers' particulars <i>(Rating and Valuation Department)</i></p>	<p>To provide the service by the end of 2000</p>
<p>To resume fee revision when the quarterly Gross Domestic Product (GDP) 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</p>

3

Provide sources of government finance

We make major investments and 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.

Progress Made

As pledged in the 1998 Policy Objective booklet, we have secured the Finance Committee of the Legislative Council's approval to inject equity into the Kowloon-Canton Railway Corporation (KCRC) to allow major works on the West Rail project to proceed. We will seek the Finance Committee's approval to inject equity into KCRC for the construction of the Ma On Shan – Tai Wai Rail Link and the Tsim Sha Tsui Extension in 1999-2000.

To achieve results in this area, the following initiative has been undertaken in the past year –

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 1998-2001 <i>(Finance Bureau (FB))</i></p>	<ul style="list-style-type: none"> To inject equity of \$29 billion into Kowloon-Canton Railway Corporation (KCRC) for the construction of West Rail (Phase I) <i>(1998)</i> 	<ul style="list-style-type: none"> We obtained Finance Committee's approval of a \$29 billion equity injection into KCRC to allow major works on the West Rail project to proceed. We injected equity of \$20.5 billion by the end of the 1998-1999 financial year and injected the remaining \$8.5 billion in mid-April 1999. <i>(Action Completed)</i>
	<ul style="list-style-type: none"> To seek approval from the Finance Committee of the Legislative Council for the financing proposal for the Ma On Shan - Tai Wai Rail Link and the Tsim Sha Tsui Extension in 1999-2000 <i>(1998)</i> 	<ul style="list-style-type: none"> We will seek Finance Committee's approval as soon as the Environmental Impact Assessment report for the Ma On Shan – Tai Wai Rail Link and the Tsim Sha Tsui Extension is ready. <i>(Action in Progress: On Schedule)</i>

Looking Forward

In the next 12 months, we will assess our performance in respect of this KRA against the following indicators –

Indicator	1999 Target
Amount of government finance provided to fund major infrastructure and development projects	We expect to provide \$8.8 billion for investment and \$10.9 billion in loans in 1999-2000
Expected returns on government loans and investments	In 1999-2000, we estimate a return of \$2.8 billion from investments made and \$12.1 billion repayments from loans made

We will undertake the following initiatives to deliver results in this area –

Initiative	1999 Target
To seek approval of financing proposal for urban renewal projects under the proposed Urban Renewal Authority <i>(FB)</i>	To obtain approval from the Finance Committee of the Legislative Council in connection with the establishment of the Urban Renewal Authority
To seek approval of any financing required for the proposed theme park at Penny's Bay <i>(FB)</i>	To obtain approval from the Finance Committee of the Legislative Council in 1999-2000 following conclusion of a project agreement
To vet and seek approval for loan proposals for schemes of development or to address special circumstances <i>(FB)</i>	As proposals arise
To launch an initial public offering of a minority shareholding in the Mass Transit Railway Corporation <i>(FB)</i>	Subject to market conditions launch the initial public offering in early 2000

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 financial turmoil since October 1997 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 (HKMA). We aim to preserve the value of our fiscal reserves in real terms.

Progress Made

Our indicator of performance in this area is the level of fiscal reserves. The change in investment policy of the fiscal reserves by linking its return with that of the Exchange Fund and the alignment of investment policies of the Land Fund with the rest of the fiscal reserves brought an enhanced and exceptional investment return for 1998. The total dividend received from HKMA for 1998 amounted to \$26 billion. This was much higher than anticipated as a result of the Exchange Fund's incursion into the stock market in 1998. The level of fiscal reserves as at 31 March 1999 was \$434 billion and this is forecast to drop to \$397.5 billion by the end of 1999-2000. The reserves remain within the guidelines calculated on the basis set out in the 1998 Budget.

To achieve results in this area, the following initiative has been undertaken in the past year –

Initiative	Target	Present Position
To examine how to align the investment policies of the Land Fund with the rest of the fiscal reserves so as to facilitate management by HKMA as a single portfolio <i>(Finance Bureau (FB))</i>	To complete the review by 31 March 1999 <i>(1998)</i>	We have aligned the investment policies of the Land Fund with the rest of the fiscal reserves by merging the Land Fund assets with the Exchange Fund. The merger took place on 1 November 1998. <i>(Action Completed)</i>

Looking Forward

In the next 12 months, we will assess our performance in respect of this KRA against the following indicator –

Indicator	1999 Target
The level of fiscal reserves being held	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 undertake the following initiative to deliver results in this area –

Initiative	1999 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>(FB)</i>	To keep the fiscal reserves at about \$400 billion as at 31 March 2000

5

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

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 bureau and departmental managers in order to enable them to deploy resources flexibly to meet their operational needs.

Progress Made

In 1998, we aimed to improve customer satisfaction and the cost-effectiveness of Government's central support services through organisational reviews, benchmarking exercises and customer surveys.

Good progress has been made in this area in the past year. In particular, we have reviewed the mode of operation of the Printing Department, the Government Land Transport Agency and the Government Supplies Department, with a view to improving the quality and cost-effectiveness of their services. We have duly implemented some improvement measures and will initiate more as appropriate to provide a more enabling internal environment for bureaux and departments to operate.

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

Initiative	Target	Present Position
To conduct a review of the operation of the Printing Department (PD) aimed at increasing efficiency and cost-effectiveness in service delivery <i>(Printing Department)</i>	To complete the review in 1999-2000 <i>(1998)</i>	PD completed the review in March 1999. The Department will optimise opportunities for outsourcing general printing services and consider ways to further improve its core services in time-sensitive and content-sensitive printing. <i>(Action Completed)</i>

Initiative	Target	Present Position
<p>To improve the Government's land transport services <i>(Government Land Transport Agency (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>In the light of GLTA's review, we have already implemented a number of improvement and savings measures such as merging the Hung Hom Transport Pool with the Kowloon Bay Pool on 1 April 1999 and introducing a one-stop point for transport bookings on 1 June 1999. We will consider implementing other measures to improve 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 (GSD) to make its operations more efficient, cost-effective and customer-oriented <i>(Government Supplies Department (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 identified and will implement as from 1999-2000 a number of measures to improve the efficiency and cost-effectiveness of each of the five divisions. <i>(Action in Progress: On Schedule)</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 is scheduled for completion in September 2000. <i>(Action in Progress: On Schedule)</i></p>

Initiative	Target	Present Position
<p>To enhance the efficiency of GSD's service and operation through increasing computerisation (GSD)</p>	<ul style="list-style-type: none"> ● To introduce by end 1999 bar-coding to the GOODSMAN (Goods On-line Ordering, Delivery, Stock Management and Accounting Network) computer system to further improve stock management in the Government Logistics Centre which is Government's central warehouse (1998) ● To upgrade the Procurement Management System to make it Year 2000 compliant by June 1999 and incorporate enhanced procurement management functions by mid-2000 (1998) ● To implement an Electronic Bidding System by early 2000 (1998) 	<ul style="list-style-type: none"> ● GSD has conducted acceptance tests on the bar-coding function and the system is now in operation. <i>(Action Completed)</i> ● GSD completed in June 1999 work in relation to making the Procurement Management System Year 2000 compliant. The department will complete by October 1999 the incorporation of enhanced procurement management functions. <i>(Action in Progress: On Schedule)</i> ● An Electronic Bidding System to accept tenders below \$10 million under the purview of the GSD Tender Board will go live in January 2000. <i>(Action in Progress: On Schedule)</i>

Initiative	Target	Present Position
<p>To provide a more efficient collection service of Government bills <i>(Treasury)</i></p>	<ul style="list-style-type: none"> ● To provide an additional means of an electronic bill settlement service through most of the Automated Teller Machine (ATM) terminals under the JETCO network for the payment of rates, taxes and water charges by the end of 1998, and to explore the possibility of introducing similar service to other networks in 1999 ● To integrate the collection offices of Treasury and Inland Revenue Department in Wan Chai into an all-purpose collection and payment office by the end of 1998 <i>(1998)</i> 	<ul style="list-style-type: none"> ● The JETCO network of ATMs started collecting rates, taxes and water charges in August 1998. The ATMs of the Hongkong Bank group offered such service from January 1999. Both networks are increasing their respective capabilities in order to accept additional types of government fees and charges in future. ● The integrated office in Wan Chai is now an all-purpose collection and payment office. <i>(Action Completed)</i>
<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>

Initiative	Target	Present Position
To develop our financial information systems and to provide managers with appropriate financial management training <i>(Treasury)</i>	<ul style="list-style-type: none"> To implement the Purchase Order Processing System on a pilot basis in October 1997 	<ul style="list-style-type: none"> The Treasury completed the review of the pilot system implemented in three departments in October 1998. While the system could meet most of the user requirements, there were interfacing problems with other related systems already in use which resulted in long response times. Therefore, the Treasury would not proceed further with the implementation of the system.
	<ul style="list-style-type: none"> To extend the LAFIS Departmental Reporting System to all departments by the end of 1998-1999 <i>(1994)</i> 	<ul style="list-style-type: none"> All bureaux and departments have been equipped with the LAFIS Departmental Reporting System as at end March 1999. <i>(Action Completed)</i>

Looking Forward

In the next 12 months, we will assess our performance in respect of this KRA against the following indicators –

Indicator	1999 Target
Capacity utilisation of machines in Printing Department	To achieve an average utilisation rate of at least 86%
Overtime work by staff in Printing Department	To reduce overtime by 10%

Indicator	1999 Target
Customer feedback on services provided by Printing Department	To set up two additional customer liaison groups in 2000 and meet user departments twice a year
Price competitiveness of common stock items provided by Government Supplies Department	<ul style="list-style-type: none"> ● To compare the prices of at least 200 or 12% of the common stock items with market prices ● 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 GLTA's transport pools	To reduce the vehicle fleet from 179 as at April 1999 to 153 by March 2000 and 138 by March 2001

We will undertake the following initiatives to deliver results in this area –

Initiative	1999 Target
To review the usage of government vehicles solely for passenger transport (GLTA)	<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
To provide a Help Desk to render assistance/advice to other bureaux/departments on procurement matters (GSD)	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/departments and rationalising existing procedures on procurement matters
To review the cost-effectiveness of the existing arrangements for furniture maintenance for quarters (GSD)	To complete the review in 1999 and implement any resulting new arrangements in 2000

Initiative	1999 Target
To promote environmentally-responsible purchasing (GSD)	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

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 renting or purchasing property in the private market at terms advantageous to Government. We also aim to optimise the use of sites occupied or allocated for Government, Institution and Community (GIC) purposes, by working closely with bureaux and departments to co-ordinate joint-user developments for GIC sites. We release surplus GIC sites for other development purposes where possible. We dispose of surplus quarters and office space. 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.

Progress Made

In the past year, the Government Property Agency (GPA) has made good progress in meeting Government's accommodation needs in an economical and cost-effective manner. The Cheung Sha Wan Government Office Building will be completed in October 1999. Construction of the Sha Tin Government Office Building is underway with completion expected in 2001.

To help optimise the utilisation of GIC sites, GPA has completed surveys of all GIC sites by September 1999 and is compiling a comprehensive database of these sites. GPA has also been working closely with a number of departments to consider releasing under-utilised sites for redevelopment. In the past year, the Agency has identified 14 additional under-utilised sites, making a total of 82 sites with a total area of about 200 hectares, for redevelopment or alternative uses.

To maximise commercialisation opportunities in existing government properties, the GPA commercialised the carparks at the North Point and Wanchai Government Office Buildings after office hours in 1998-1999.

To preserve the value of government properties and provide a comfortable environment to users, the Architectural Services Department completed refurbishment works for 268 buildings in 1998.

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 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>(Government Property Agency (GPA))</i></p>	<ul style="list-style-type: none"> ● To complete surveys of existing and planned uses of 2 500 GIC sites and input data obtained into the database by the end of 1999 <i>(1998)</i> ● To complete the review of existing and planned use of sites by Government in 1998 <i>(1997)</i> 	<ul style="list-style-type: none"> ● GPA has completed the surveys and data collection of all GIC sites at the end of September 1999. <i>(Action in Progress: On Schedule)</i> ● A new database system has been put in place to facilitate GPA to review existing and planned use of GIC sites. <i>(Action Completed)</i>

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>(GPA)</p>	<ul style="list-style-type: none"> ● To draw up a five-year programme for 1999-2000 to 2003-2004 by early 1999 (1998) 	<ul style="list-style-type: none"> ● GPA has identified eight under-utilised government sites to be released for redevelopment in the five-year programme up to 2003-2004. Meanwhile, the Agency is liaising with other departments concerned with a view to releasing more sites. (Action in Progress: On Schedule)
	<ul style="list-style-type: none"> ● To deliver the programme for 1999-2000 (1998) 	<ul style="list-style-type: none"> ● GPA has made available the release of the two under-utilised sites in the 1999-2000 programme. (Action Completed)
	<ul style="list-style-type: none"> ● To draw up redevelopment options for five under-utilised sites in 1998 (1997) 	<ul style="list-style-type: none"> ● Redevelopment options have been drawn up for four of the five sites identified. GPA is liaising with relevant departments for the future redevelopment options of the remaining site. (Action in Progress: On Schedule)
	<ul style="list-style-type: none"> ● To arrange for the release of two government office sites at Canton Road and Tung Lo Wan Hill Road for sale in 2001 (1997) 	<ul style="list-style-type: none"> ● GPA is making reprovisioning arrangements for these two government office buildings with a view to releasing these two sites in 2001. (Action in Progress: On Schedule)
	<ul style="list-style-type: none"> ● 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 (1997) 	<ul style="list-style-type: none"> ● The Working Group on Community Hall Sites has identified 20 under-utilised sites for release. The Working Group on Clinic Sites is reviewing 25 reserved clinic sites. Meanwhile, GPA is working with the Department of Health on the release of five existing under-utilised clinic sites for alternative uses. (Action in Progress: On Schedule)

Initiative	Target	Present Position
<p>To plan and monitor progress in the construction of new government office buildings (GPA)</p>	<ul style="list-style-type: none"> ● To open the Cheung Sha Wan Government Office Building in 1999 (1998) ● To plan for the construction of the following new projects – <ul style="list-style-type: none"> – a Sha Tin Government Office Building for completion in 2001 (1998 and 1997) – a works depot and government office building in Chai Wan for completion in 2003 (1998) ● To review the scope of the Smithfield Road building project (1997) 	<ul style="list-style-type: none"> ● The office will open in early November 1999. (Action in Progress: On Schedule) – Construction of the new office building commenced in July 1999. (Action in Progress: On Schedule) – The project is under review. (Action in Progress: Under Review) ● The review was completed in May 1999. We do not intend to pursue the project for the time being. (Action Completed)
<p>To implement a furniture replacement programme to modernise office environment and achieve more efficient use of space (GPA)</p>	<p>To implement the programme involving about 350 000m² of office space between 1999 and 2004 (1998)</p>	<p>GPA has completed the furniture replacement programme for 45 000m² of office space. (Action in Progress: On Schedule)</p>
<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 (Architectural Services Department (ASD))</p>	<p>To refurbish 268 buildings in 1997-1998, 346 buildings in 1998-1999 and 450 buildings in 1999-2000 (1998 and 1997)</p>	<p>The annual refurbishment programme for 1997-1998 has been completed. 80% of the refurbishment works for 1998-1999 has been completed. Refurbishment works for 1999-2000 has already started. (Action in Progress: On Schedule)</p>

Initiative	Target	Present Position
To take on responsibility for the management and commercialisation of the decommissioned Kai Tak Airport from 1998, pending its eventual redevelopment <i>(GPA)</i>	To assess possible options for putting the ex-airport into effective use pending eventual redevelopment <i>(1997)</i>	GPA handed over the responsibility for the management of the runway and south apron of the decommissioned Kai Tak Airport to the Lands Department with effect from 1 April 1999. The Agency continues to be responsible for the management of the ex-terminal complex and the terminal apron site area. The space there is partially allocated to various government departments and partially used for commercialisation. The Agency will continue to monitor the situation with a view to putting the ex-airport into effective use pending eventual development. <i>(Action in Progress: On Schedule)</i>

Looking Forward

In the next 12 months, we will assess our performance in respect of this KRA against the following indicators –

Indicator	1999 Target
Occupancy rates of government accommodation	To ensure that the average occupancy rate reaches 99.8%
Annual office rental saved as a result of de-leasing	To achieve \$21.6 million rental savings as a result of de-leasing
Number of under-utilised sites identified for redevelopment or release	To identify five additional under-utilised sites
Number of government buildings refurbished	To complete the planned refurbishment of 600 government buildings

We will undertake the following initiatives to deliver results in this area –

Initiative	1999 Target
<p>To enhance user departments' awareness of power consumption (GPA)</p>	<p>To start to provide feedback to each user on its consumption profile and trend in early 2000</p>
<p>To reduce the operating hours of chillers whilst maintaining the existing comfort levels through more efficient plant management (GPA)</p>	<p>To implement immediately in each of the joint-user buildings, where technically possible</p>
<p>To promulgate sound housekeeping practices to Building Management Committees and user departments, with a view to energy saving (GPA)</p>	<p>To issue guidelines on practices by end 1999</p>
<p>To develop an Integrated Government Property Information system to facilitate the review of existing and planned use of government premises (GPA)</p>	<p>To develop the system by October 2000</p>
<p>To review the utilisation and continued need of canteens in government premises to release space for alternative use (GPA)</p>	<p>To close 16 canteens by end 2000 and release the space for more productive alternative use</p>
<p>To closely monitor the condition of external walls of government buildings to ensure timely maintenance (ASD)</p>	<p>To draw up an inspection programme for the external walls of government buildings by April 2000 to ensure safety</p>
<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 (ASD)</p>	<p>To link up the information in the Repair Call Centre to the existing mainframe computer by March 2000</p>