RESTRICTED
GPR/W/15
15 April 1982
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GENERAL AGREEMENT ON TARIFFS AND TRADE

Committee on Government Procurement

Original: English

LEASING

Communication from the Delegation of the United Kingdom, Hong Kong Government Office

The following communication, dated 4 April 1982, has been received from the delegation of the United Kingdom, Hong Kong Government Office.

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1. Hong Kong's view on leasing, which has been already made known to the Committee at its fourth meeting on 13-15 October 1981, is:

(a) leasing on a straight rental basis falls outside the scope of the Agreement;

(b) leasing with an option to buy is covered by the Agreement when the option is exercised;

(c) hire purchase is covered by the Agreement; and

(d) leasing with a commitment to buy amounts to a purchase at a future date and is covered by the Agreement.

2. In Hong Kong, the use of leasing by the Government is very limited. Leasing is mainly used in areas of data processing and electronic and telecommunication equipment where rapid technological changes can render equipment obsolete very quickly. In such cases, the Government tends to lease rather than purchase so as to avail itself of the opportunity for updating its stock of equipment. Decisions to lease, rather than to purchase, are arrived at after a conscious examination of the costs and benefits involved.

3. Currently, the Government Supplies Department, Hong Kong's procurement entity for the purpose of the Agreement, has entered into three leasing contracts, the values of which exceed the threshold specified in the Agreement. These are pure leasing contracts without option/commitment to purchase. Details of these contracts are as follows:

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Contract 1

Equipment:	Computer assisted command and control system used by the Royal Hong Kong Police Force
Duration of lease:	Seven years commencing 1 January 1976
Original value:	HK$1,617,758

Contract 2

Equipment:	Data communication terminal equipment used by the Inland Revenue Department
Duration of lease:	Five years commencing September 1981
Original value:	HK$1,936,480

Contract 3

Equipment:	Data terminal equipment for the vehicle and driver licensing integrated data systems used by the Data Processing Division, Government Secretariat
Duration of lease:	Thirty-three months commencing January 1982
Original value:	HK$2,456,653