

LETTERHEAD OF LEGISLATIVE COUNCIL

CB(1)1522/00-01(01)

By fax (2583 9063)

YOUR REF :
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18 May 2001

Mr CHAN Yin-tat, Dominic, J.P.
Director of Audit
25th and 26th floors, Immigration Tower,
7 Gloucester Road, Wanchai,
Hong Kong.

Dear Mr CHAN,

Legislative Council Panel on Transport

Feasibility Study on Electronic Road Pricing

On behalf of the Legislative Council Panel on Transport, I write to you concerning the way the Administration conducted the Feasibility Study on Electronic Road Pricing (the study) which was discussed at the Panel meeting on 18 May 2001.

The study was commissioned in March 1997 with the objective of examining the practicability of implementing an electronic road pricing (ERP) system in Hong Kong and assessing the need for such a system to meet transport objectives.

In discussing the related funding proposal at the Finance Committee meeting on 7 June 1996, members had expressed divergent views on the approach of the study notwithstanding the funding approval of the project. Some members held the view that by carrying out the desktop study and the field evaluation of technology at the same time at a total cost of \$90 million, Government was running the risk of wasting public money in case ERP was found not feasible in Hong Kong, bearing in mind that a similar study was

conducted in mid-1980's. Some members therefore suggested that the Government should not over-commit itself to an in-depth study when there were still many uncertainties, but split the study into two phases. If ERP was found feasible after the initial study on transport modelling and computer analysis, i.e. the desktop study, the Government could invite tenders for "build and design" so as to save costs on evaluation of technology options. If the ERP system was found not feasible during the initial study, it would not be necessary to incur further expenses for technology evaluation.

Whilst the justification for ERP would need to be separately reviewed, the Panel considered that the Administration should have decided earlier not to proceed with the examination of the ERP, thereby saving the need for spending a total sum of \$70 million for the study but was in vain in the end.

The Panel would like to request your Commission to look into the matter so as to ensure the efficient and effective use of public resources and to enhance public sector accountability in Hong Kong.

With best regards,

Yours sincerely,

(Mrs Miriam LAU)
Chairman of the Panel on Transport

Letterhead of Audit Commission

Our Ref.: (79) in UI/TSD/GEN/0-3

Your Ref.: CB1/PL/TP

6 June 2001

The Honourable Mrs Miriam LAU Kin-yee, J.P.
Chairman of the Panel on Transport
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Mrs LAU,

Legislative Council Panel on Transport Feasibility Study on Electronic Road Pricing

Thank you for your letter of 18 May 2001 addressed to Mr Dominic Y T CHAN, Director of Audit. I have been directed to reply on his behalf.

I note the concern of the Legislative Council Panel on Transport (the Panel) about the way the Administration conducted the Feasibility Study on Electronic Road Pricing (the Study), following its recent decision not to pursue Electronic Road Pricing (ERP) after the completion of the Study.

According to the Finance Committee agenda item FCR(96-97)20 which was discussed by the Finance Committee on 7 June 1996 and the Notes on Decision Taken, it is clear that members of the Finance Committee expressed divergent views on the approach of the Study. Some members advocated a single integrated study, while others supported a two-phased approach. Nevertheless, despite the divergent views, the proposal of the Finance Committee agenda item was put to vote and the majority of Finance Committee members voted for a single integrated study.

You have indicated in your letter that the Panel would like to request the Audit Commission to look into the matter. We are happy to consider the Panel's request. However, the Panel may wish to note that, given the limited resources of the Commission, we are unable to conduct value for money studies of all the subjects referred to us. The subjects we select for study are chosen after taking into account a number of factors including materiality, potential impact of audit findings and potential for adding value. Furthermore, the audit must be conducted in accordance with the Value for Money Audit Guidelines (copy attached).

Yours sincerely,

(David M T LEUNG)
for Director of Audit

VALUE FOR MONEY AUDIT GUIDELINES

Value for money audit

Value for money audit is an examination into the economy, efficiency and effectiveness with which any bureau of the Government Secretariat, department, agency, other public body, public office, or audited organisation has discharged its functions. Value for money audit is carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and have been accepted by the Administration.

2. The guidelines are:

- firstly, the Director of Audit should have great freedom in presenting his reports to the Legislative Council. He may draw attention to any circumstance which comes to his knowledge in the course of audit, and point out its financial implications. Subject to the guidelines, he will not comment on policy decisions of the Executive and Legislative Councils, save from the point of view of their effect on the public purse;
- secondly, in the event that the Director of Audit, during the course of carrying out an examination into the implementation of policy objectives, reasonably believes that at the time policy objectives were set and decisions made there may have been a lack of sufficient, relevant and reliable financial and other data available upon which to set such policy objectives or to make such decisions, and that critical underlying assumptions may not have been made explicit, he may carry out an investigation as to whether that belief is well founded. If it appears to be so, he should bring the matter to the attention of the Legislative Council with a view to further inquiry by the Public Accounts Committee. As such an investigation may involve consideration of the methods by which policy objectives have been sought, the Director should, in his report to the Legislative Council on the matter in question, not make any judgement on the issue, but rather present facts upon which the Public Accounts Committee may make inquiry;
- thirdly, the Director of Audit may also consider as to whether policy objectives have been determined, and policy decisions taken, with appropriate authority;