

THE GOVERNMENT MINUTE

in response to the

**REPORT NO. 44 OF
THE PUBLIC ACCOUNTS COMMITTEE**

dated July 2005

2 November 2005

**THE GOVERNMENT MINUTE IN RESPONSE TO THE
PUBLIC ACCOUNTS COMMITTEE REPORT NO. 44
DATED JULY 2005**

**REPORT ON THE RESULTS OF VALUE FOR
MONEY AUDITS (Report No. 44)**

Chapter 1 – Diesel vehicle emission controls

Diesel vehicle inspection and maintenance programme

To improve the effectiveness of the free acceleration smoke tests, the Transport Department (TD) issued in July 2005 the revised standing instructions on smoke test procedures after making reference to the European Community (EC) Council 96/96 EC Directive and the United States Society of Automotive Engineering 1667 procedures.

2. To guard against any engine tampering by the vehicle owner during the free acceleration smoke tests, TD procured five tachometers in June 2005. Upon their delivery and completion of the related installation work by end 2005, TD will use tachometers to carry out the maximum engine speed check during these tests.
3. Since May 2005, TD has instructed its vehicle testers to insert the smoke sampling probes into the exhaust pipes of the vehicles themselves, and to observe and supervise the drivers in actuating the acceleration pedals during the free acceleration smoke tests. TD also alerts the vehicle testers of the malpractices identified during the inspections at regular briefing sessions.
4. To maximise the utilisation of the dynamometer, TD has been selecting more diesel vehicles from both New Kowloon Bay Vehicle Examination Centre (NKBVEC) and Kowloon Bay Vehicle Examination Centre (KBVEC) to undergo dynamometer smoke tests since mid July 2005.
5. TD has worked out with the transport trades the specific criteria under which repeated dynamometer smoke tests may be conducted on the same vehicle free of charge and is finalising the arrangement. In any event, the vehicle owner will be given only one free repeated test if the criteria are met. In case the vehicle fails again in the repeated test, the vehicle owner has to pay in full for the subsequent smoke test(s).
6. To ensure that the dynamometer smoke tests are properly conducted and to avoid any malpractice such as engine tampering, the Environmental Protection Department (EPD) and TD have started to review with the transport trades the standard adopted for checking the maximum engine power output in the smoke tests. The result will be available in the fourth quarter of 2005.

7. EPD and TD started the consultation with the transport trades in July 2005 on the proposal to tighten TD's smoke opacity standard to that currently adopted by EPD, viz. 50 Hartridge Smoke Units. The result of the consultation will be available in the fourth quarter of 2005.

Smoky vehicle control programme

8. Under the existing smoke vehicle control programme, the owner of a smoky vehicle served with an emission testing notice (ETN) is required to bring his vehicle to one of EPD's Designated Vehicle Emission Testing Centres (DVETCs) within 14 working days for a dynamometer smoke test. The ETN may be withdrawn if the vehicle concerned has passed TD's smoke test before the due date of EPD's smoke test. Since August 2005, TD has required those vehicles with outstanding ETNs which are due for annual roadworthiness inspections at KBVEC and NKBVEC to undergo dynamometer smoke tests to ensure that they have gone through a uniform set of smoke test procedures. EPD also started the consultation in July 2005 with various transport trades on the feasibility of further shortening the prescribed period of 14 working days to 12 working days for vehicles being served with an ETN to pass the test at a DVETC. The outcome of the consultation will be available in the fourth quarter of 2005.

9. EPD will only grant extension of the period specified in an ETN with strong justifications and will continue to scrutinise such applications with extreme care.

10. EPD has been conducting surprise inspections of the DVETCs. EPD will also explore other approaches that can provide a surprise element for observing the smoke test procedures.

Use of liquefied petroleum gas (LPG)

11. Six more petrol-cum-LPG refilling stations will be in operation by early 2006, which will further expand the LPG refilling network. The Electrical and Mechanical Services Department is working with relevant departments on a detailed site search for a new LPG terminal on the Hong Kong Island.

12. EPD will monitor the expansion of the LPG refilling network and consider extending the use of LPG to other vehicle classes once the LPG infrastructure is ready.

Chapter 2 – The Postal Mechanisation System at the Air Mail Centre

Strengthening the monitoring of the performance of consultants/ contractors

13. Learning from the experience of the installation of the Postal Mechanisation System (POMS) at the Air Mail Centre (AMC), the Post Office (PO) has established new departmental rules to strengthen the monitoring of the performance of consultants/contractors. For the new project to replace the Mechanised Letter Sorting System (MLSS) at General Post Office (GPO) and International Mail Centre (IMC), the PO has set up a Steering Committee chaired by an Assistant Postmaster General to monitor the progress of the project, including the work and performance of the consultant and the contractor. The project officer is required to submit monthly progress reports to the Steering Committee. The Chairman of the Steering Committee will present a progress report to the Modern Business Management and World Class Facilities Steering Committee which meets quarterly and is chaired by the Postmaster General (PMG) to monitor, inter alia, progress of major capital projects of the PO. Urgent matters relating to the project will be dealt with directly by the PMG instantly or at the biweekly directorate meeting chaired by the PMG.

14. For other projects of value exceeding \$1.3 million, a Steering Committee chaired by an officer at the rank of Senior Controller of Posts or above will be set up to monitor project progress, including the performance of the appointed consultant/contractor. The Steering Committee is required to submit a written progress report to a directorate officer appointed by the PMG to oversee the project at least every three months, fully documenting the progress and the rationale for project decisions made during the reporting period. Any exception requires the approval of PMG personally.

15. For projects of a value at or below \$1.3 million, the relevant project officer is required to review the progress of the project and submit a written progress report to his/her supervisor at least every three months fully documenting the progress and the rationale for project decisions made during the reporting period.

Contract specifications and retention of tests records

16. The PO has also established new departmental rules requiring the project officer to ensure that the requirements specified in the contracts are realistic and attainable and that terms and conditions of the contracts are enforceable and strictly adhered to. The project officer has to ensure that all equipment acceptance tests would be conducted and acceptance certificates issued in strict compliance with the terms and conditions of the contract, and that detailed records of the tests would be retained for seven years.

17. As far as the project of replacing the MLSS at GPO and IMC is concerned, the PO will take into account the experience of the POMS at the AMC and ensure that the performance requirements such as read rate, error rate, throughput rate, etc., specified in the contract are realistic and attainable in actual operation.

18. In drawing up the contract specifications and requirements, the project officer will consult the Government Logistics Department (GLD) and the Department of Justice (D of J). In the event of any variation from the relevant contractual terms, the project officer is required to seek advice from the D of J on legal matters and from the GLD on government procurement policy.

Improving the performance and utilization of the POMS

19. The PO has continued to explore ways to improve the performance and utilization of the POMS further. The EMSD, PO's maintenance service provider, has continued its efforts to fine-tune the various components of the POMS to improve its performance. Compared with 2004-05, the overall performance of the POMS has generally improved in the first quarter of 2005-06. Details are at the Enclosure.

Encl.

20. Having regard to the efforts put into optimizing the performance of POMS in the past few years, the PO considers that the current performance of the POMS is close to its high level.

21. To improve the mail flow and operational efficiency, mails collected from Tuen Mun, Yuen Long and North District are processed at AMC. When the mail volume at GPO and IMC has increased to abnormally high levels, the PO will also transfer some of the mails to the AMC for processing so that its performance pledges can be met. Meanwhile, the PO is studying the feasibility of utilizing the spare capacity of the POMS at the AMC to take up further mail processing work currently undertaken at the GPO and the IMC. The PO will take the study result into account in planning the replacement of the MLSS at GPO and IMC.

Payments checking procedures

22. In addition to the Standing Accounting Instructions made by the Director of Accounting Services, the PO has established new departmental rules to strengthen its financial monitoring and payment systems to enhance the checking procedures for capital projects of a value exceeding \$100,000. The project officer is required to check invoices received from the consultant/contractor to confirm that the invoiced amount is supported by work completed in accordance with the contract. The supervisor of the project officer will countersign the invoice to confirm that the work covered by the invoice has been satisfactorily completed before authorizing the PO's Financial Services Division (FSD) to effect payment. The FSD will ensure that the invoices are properly certified, authorized and prepared in accordance with the Master Payment Schedule of the project before making payment. Throughout the process, all officers concerned are required to ensure that the payment due dates are met. To ensure full compliance with the control procedures, the PO's Internal Audit team will also conduct audit checks on the payment records.

Overall performance of the Postal Mechanisation System

POMS Component	Performance Indicator	2004-05	2005-06 (Up to 30.6.2005)
Integrated Mail Processor	Mail processed as % of the total airmail letter traffic	63.2%	65%
	Read rate for inward mail	29.0%	29.5%
	Error rate for inward mail	0.78%	0.43%
	Read rate for outward mail	46.3%	48.3%
	Error rate for outward mail	1.34%	0.70%
	Overflow rate	0.98%	1.06%
	Jam rate	0.85%	0.79%
Packet Sorting Systems	Mail processed as % of the total packet traffic	37.3%	51%
	Throughput rate	4 170	4 478
	Overflow rate	3.62%	3.59%
	Jam rate	0.15%	0.11%
Parcel Sorting System	Mail processed as % of the total parcel traffic	66.8%	66.6%
	Throughput rate	1 383	1 411