

**V. Report of the Public Accounts Committee on the Reports
of the Director of Audit on the Accounts of the Government of the Hong Kong
Special Administrative Region for the year ended 31 March 2003 and the Results
of Value for Money Audits (Report No. 41) [P.A.C. Report No. 41]**

Laying of the Report The Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2003 and his Report No. 41 on the results of value for money audits were laid in the Legislative Council on 26 November 2003. The Committee's subsequent Report (Report No. 41) was tabled on 25 February 2004, thereby meeting the requirement of Rule 72 of the Rules of Procedure of the Legislative Council that the Report be tabled within three months of the Director of Audit's Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 41 was laid in the Legislative Council on 19 May 2004. A progress report on matters outstanding in the Government Minute was issued on 23 October 2004. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 48 below.

3. **Financial performance of the Post Office** (paragraphs 7 to 8 of Part III of P.A.C. Report No. 41). The Committee was informed that the Post Office (PO), together with the Economic Development and Labour Bureau and the Financial Services and the Treasury Bureau, continued to examine critically the challenges to the PO's operation as identified by the Committee. Apart from the PO's financial performance and operation as a trading fund, the studies had covered issues relating to the postal services market, including global developments and overseas experience. In view of the complexity of the many issues involved, more detailed studies on these were being undertaken.

4. The Committee wishes to be kept informed of the results of the comprehensive review of postal policy and services.

5. **Provision of slaughtering facilities for supplying fresh meat** (paragraphs 3 to 4 of Part IV of P.A.C. Report No. 41). The Committee was informed that:

- the consultancy firm engaged by the Food and Environmental Hygiene Department (FEHD) to forecast the slaughtering throughput of livestock in the territory up to the year 2007 had completed its assignment. The forecasting period covered by the consultancy was originally up to 2010. It was shortened to 2007 to increase the reliability of the statistical analysis;

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- the study showed decreasing trends in the average consumption of fresh pork and fresh beef per person, which would reduce the daily number of pigs and cattle to be slaughtered in the coming few years. The study further revealed that it would be premature to propose centralising the slaughtering operation of livestock at the Sheung Shui Slaughterhouse (SSSH) unless the technical feasibility of increasing pig slaughtering throughput of the SSSH had been examined. The FEHD reported the details of the study and the findings to the Legislative Council Panel on Food Safety and Environmental Hygiene on 29 June 2004; and
- the Architectural Services Department (Arch SD) was examining the outcome of the study to ascertain whether it was technically feasible to centralise the slaughtering operation of livestock at the SSSH. The FEHD would consider the findings of the Arch SD and other factors before making recommendations on the way forward.

6. The Committee wishes to be kept informed of the progress made by the Arch SD in ascertaining the feasibility of centralising the slaughtering operating of livestock at the SSSH and the FEHD's recommendations on the way forward.

7. **Services provided by the Official Receiver's Office** (paragraphs 5 to 7 of Part IV of P.A.C. Report No. 41). The Committee was informed that:

Guidelines on liquidators' remuneration

- a set of guidelines on liquidators' remuneration for private insolvency practitioners (PIPs) drawn up jointly by the Official Receiver's Office (ORO) and the former Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) had been submitted to the company judge for comments. The judge had expressed her initial views on the matter during a talk she gave to the Insolvency Interest Group of the HKSA in July 2003. The views were noted by PIPs who would have to take them into account when they submitted their applications for remuneration to the court in the future;
- furthermore, the High Court had taken into account certain parts of the guidelines and, on 3 May 2004, implemented two procedural guides concerning the taxation of bills for PIPs and the ORO to follow; and

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Consultancy study and fees of the Official Receiver's Office

- the question of fees and cost recovery rates would be reviewed after the enactment of the Bankruptcy (Amendment) Bill, which would be re-introduced into the Legislative Council (LegCo) in the 2004-05 session. The earlier Bankruptcy (Amendment) Bill 2003 introduced into the LegCo on 10 December 2003 had lapsed as no Bills Committee slot could be assigned. Other recommendations of the consultancy study including the proposed "cab rank" system and licensing of PIPs were being further considered.

8. The Committee wishes to be kept informed of further developments on the subject including the other recommendations of the consultancy study and the issues of fees and cost recovery rates in relation to insolvency cases.

9. **Recoverability of the outstanding advances to the United Nations High Commissioner for Refugees** (paragraphs 17 to 18 of Part IV of P.A.C. Report No. 41). The Committee was informed that through meetings and written correspondence, the Administration had continued to urge the United Nations High Commissioner for Refugees (UNHCR) to make renewed efforts to look for donations from other countries with a view to settling the outstanding advances, which remained at \$1,162 million. The Administration had also reiterated that Hong Kong community at large still expected recovery of the outstanding advances. The Administration would continue to pursue repayment of the outstanding advances.

10. The Committee wishes to be kept informed of the action taken by the Administration in pressing the UNHCR to repay as soon as possible the outstanding advances to the Government of the Hong Kong Special Administrative Region.

11. **Footbridge connections between five commercial buildings in the Central District** (paragraphs 19 to 22 of Part IV of P.A.C. Report No. 41). The Committee was informed that:

- the proposed footbridge column for supporting a link between Building II (i.e. Entertainment Building) and the southeast corner of Building I (i.e. Aon China Building) would affect the proposed station entrances of the Shatin to Central Link (SCL) of the Kowloon-Canton Railway Corporation (KCRC). The KCRC had thus raised objection to the footbridge proposal when consulted. Before the proposal for the SCL project was finalised, it would not be appropriate to proceed further with the footbridge proposal; and

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- the KCRC and the MTR Corporation Limited submitted a joint report on the proposed merger to the Government on 16 September 2004. The report also covered a review of the SCL scheme. The Administration would keep in view the review of the SCL project and would assess its impact on the footbridge connection requirement.

12. The Committee wishes to be kept informed of the Administration's assessment on the impact of the SCL project on the footbridge connection requirement.

13. **The use of energy-efficient air-conditioning systems in Hong Kong** (paragraphs 23 to 24 of Part IV of P.A.C. Report No. 41). The Committee was informed that:

- the consultancy study for the implementation of water-cooled air-conditioning system (WACS) in Wanchai and Causeway Bay was substantially completed and the final report was expected to be due within 2004. A District Cooling System (DCS) in Wanchai North Waterfront by adopting a Build, Operate and Transfer form of contract was considered commercially viable and was recommended for implementation. The Electrical and Mechanical Services Department (EMSD) conducted a forum on 26 July 2004 to introduce and promote the DCS in Wanchai North Waterfront to the relevant building owners and their management agents;
- the South East Kowloon Development (SEKD) was still undergoing a comprehensive planning and engineering review. As the eventual reclamation plan for the SEKD would affect the siting of the DCS facilities and the commercial viability of the DCS project, the EMSD would need to review the feasibility of the DCS project having regard to the ultimate revision of reclamation plan for the SEKD;
- follow-up action on the salient points recommended by the study for the territory-wide implementation of WACS in Hong Kong had been taken, including lifting the restriction of using fresh water cooling towers in more areas where the fresh supply was adequate. The EMSD would publish a code of practice for WACS in 2005. The drafting of the code of practice had just commenced in September 2004 for planned publication in November 2005;

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- the EMSD had introduced a pilot scheme in 2000 to allow the use of fresh water in evaporative cooling to improve the energy efficiency of the air-conditioning systems of non-domestic buildings. The Administration had further expanded the scheme to cover 57 areas in May 2004. The Administration had received 107 applications and 62 of them had been approved in principle, covering about 2.1 million square metres of floor area. The estimated annual savings in electricity would be about 25 million kilowatt-hours. Eleven installations had been completed and commissioned;
- the EMSD had commenced the last phase of inspection programme of cooling towers with 450 towers inspected up to end September 2004. It was anticipated that about 1,000 cooling towers would be inspected by March 2005; and
- the Buildings Department (BD) had continued with the large-scale clearance exercise to remove potentially dangerous external unauthorised building works, including cooling tower supporting structures. It was estimated that more than 400 problematic cooling tower supporting structures were to be removed from commercial and industrial buildings in 2004. This included the 200 unauthorised structures supporting cooling towers in an unhygienic condition additionally removed in 2004 after the outbreak of the Severe Acute Respiratory Syndrome in 2003. The BD was pursuing prosecution action against defaulters for non-compliance of removal orders.

14. The Committee wishes to be kept informed of further development on the subject.

15. **Administration of allowances in the civil service** (paragraphs 25 to 26 of Part IV of P.A.C. Report No. 41). The Committee was informed that:

Job-related allowances for civilian grades

- the Administration had completed two phases of the review of Job-related allowances (JRAs) for civilian grades. Payment of the allowances had been rationalised, resulting in estimated annual savings of around \$20.5 million (or 33% of the estimated annual expenditure of around \$62 million on the concerned allowances). The third phase review would take into account the implementation of various initiatives in improving public health and hygiene since the outbreak of the Severe Acute Respiratory Syndrome;

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- the Administration would continue to have regard to all relevant factors, including the governing principles of JRAs, the original justifications for the allowances in question, present-day circumstances, prudence in the use of public expenditure, departmental management's review recommendations and feedback obtained from the staff consultation conducted by departmental management, in reviewing the allowances; and

Job-related allowances for disciplined services grades

- the Administration had introduced a review and monitoring mechanism for the payment of JRAs in the disciplined services similar to that applicable to the civilian grades. In other words, all Heads of Department of disciplined services were required to review each individual JRA under their purview and submit their review recommendations to the Civil Service Bureau for approval on a time-limited basis, subject to further review and re-approval by the end of the specified validity period. The first review under this new review mechanism was under way. The Administration aimed to complete the review within 2004.

16. The Committee wishes to be kept informed of further development on the subject.

17. **Water purchased from Guangdong Province** (paragraphs 27 to 28 of Part IV of P.A.C. Report No. 41). The Committee was informed that:

Further efforts to incorporate more favourable terms in future water supply agreements, including more flexibility in the supply arrangements

- the Guangdong Authority had continued with the flexible water supply arrangements. During the first half of 2004, the Administration had achieved some savings of pumping costs through reduced delivery of Dongjiang water to impounding reservoirs. However, having regard to the drought yield condition, as evidenced by the fact that the actual amount of rainwater collected by Hong Kong's reservoirs from 1 January to 16 August 2004 was only about 30.6% of the long-term average for that period, the Administration had started to recoup part of the unsupplied quantities; and
- the Administration would continue to negotiate with the Guangdong Authority for more favourable terms in future water supply agreements, including more flexibility in the supply arrangements to suit Hong Kong's needs.

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18. The Committee notes that under the current water supply agreements, the annual supply quantities are fixed up to end of 2004. The supply quantities beyond 2004 are subject to further negotiation. The Committee wishes to be kept informed of the Administration's further efforts to incorporate more favourable terms in future water supply agreements, including more flexibility in the supply arrangements.

19. **Interdiction of government officers** (paragraphs 29 to 30 of Part IV of P.A.C. Report No. 41). The Committee was informed that:

Review of the disciplinary procedures practised in the Hong Kong Police Force

- the working group to review the discipline system of the Hong Kong Police Force (Police Force) had examined the short, medium and long-term improvements to the system and the Police Force management was considering these recommendations. The short-term recommendations that involved changes in administrative procedures would most likely be implemented in 2005 while the medium and long-term recommendations, which would require legislative amendments, were being examined in more detail; and

Stoppage of salary on the date of conviction

- the Administration was reviewing the issue of amending section 37(4) of the Police Force Ordinance to stop payment of the salary of an interdicted officer with effect from the date of conviction (as opposed to the following day).

20. The Committee wishes to be kept informed of further development on the subject.

21. **Provision of legal aid services** (paragraphs 37 to 38 of Part IV of P.A.C. Report No. 41). The Committee was informed that the Administration was considering the feasibility and effectiveness of launching a pilot scheme on mediation for legally aided cases, and would examine the parameters, time frame, and resource requirements for such a pilot scheme.

22. The Committee wishes to be kept informed of the viability of launching the above pilot scheme.

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23. **Residential services for the elderly** (paragraphs 39 to 40 of Part IV of P.A.C. Report No. 41). The Committee was informed that:

Developing an accreditation system for residential care services for elders

- in June 2004, the Hong Kong Association of Gerontology (HKAG) submitted to the Social Welfare Department (SWD) a report on the pilot project on the development and establishment of an accreditation system for residential care services for elders in Hong Kong. The report recommended the setting up of a voluntary accreditation system to be operated by a non-statutory independent body based on the principles of peer review and continuous service improvement. The recommendations were presented to the Elderly Commission (EC) and the Legislative Council Panel on Welfare Services in June and July 2004 respectively. Both the EC and the Panel supported the HKAG's proposals in general. The Health, Welfare and Food Bureau and the SWD were considering the HKAG's recommendations, taking into account comments from the EC, the Panel and other relevant parties; and

Implementing work plan on provision of subsidised long-term care services and actions taken to address the problem of allocation of resources between the Hospital Authority and the Social Welfare Department regarding the provision of infirmary care

- the SWD expected that about 200 subsidised infirmary places would be provided under the scheme of providing infirmary places for medically stable elders in a non-hospital setting in the initial stage.

24. The Committee wishes to be kept informed of further development on the subject.

25. **The Customs and Excise Department's efforts to protect government revenue from dutiable commodities** (paragraphs 41 to 42 of Part IV of P.A.C. Report No. 41). The Committee was informed that:

Implementation of the Open Bond System

- in September 2004, the Customs and Excise Department (C&ED) completed the second post-implementation review on the Open Bond System (OBS). So far, no fraud or major deficiency under the OBS had been detected;

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Customs audits of oil companies

- in April 2004, the C&ED started a pilot scheme with an oil company to develop a prototype audit programme using the system-based approach (SBA) model. Upon completion of the scheme in October 2004, the C&ED would review its effectiveness and the practicability of applying the SBA model to other oil companies; and

Trial Scheme of “Red and Green Channels”

- the C&ED would conduct a trial scheme of “Red and Green Channels” in the first quarter of 2005 at all control points including the Airport. This should help the C&ED further strengthen its capability to prevent and detect abuses of duty-free concessions by incoming travellers.

26. The Committee wishes to be kept informed of the progress made by the C&ED in adopting the SBA in customs audits of oil companies and conducting the trial scheme of “Red and Green Channels”.

27. **Special Finance Scheme for small and medium enterprises** (paragraphs 43 to 44 of Part IV of P.A.C. Report No. 41). The Committee was informed that the Treasury was processing claims for compensation with the assistance of the Department of Justice and the Hong Kong Monetary Authority as necessary. So far, 1,159 claims involving a total of \$322 million had been settled. Another 255 claims involving a total of \$25 million had been suspended for processing as requested by the participating lending institutions in view of active repayment by the borrowers. The remaining 241 cases, involving a total of \$43 million and quite a lot of supporting documents or clarifications being outstanding, were still being processed.

28. The Committee wishes to be kept informed of further progress on the subject.

29. **Small house grants in the New Territories** (paragraphs 45 to 47 of Part IV of P.A.C. Report No. 41). The Committee was informed that:

Implementation of the Small House Policy

- deliberations had continued on the various issues relating to the Small House Policy. The Administration was working towards the target of identifying options for further consultation with stakeholders;

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- regarding the discussion with the Heung Yee Kuk (HYK) on the proposed across-the-board three-year moratorium on assignment of small houses, the HYK's stance of opposing any moratorium remained unchanged. The Administration would continue the discussion with the HYK on the way forward;

Checking of Indigenous Villager Status

- following the suspension at the end of April 2004 of the new procedures for checking an applicant's indigenous villager status, the Lands Department (Lands D) had engaged the HYK in further discussion on the matter. The HYK had disputed the need for any revised procedures for checking an applicant's indigenous villager status. It considered that certification of a person's indigenous villager status was a function of Indigenous Inhabitant Representatives elected under the Village Representative Election Ordinance (Cap. 576). The Lands D would continue to discuss with the HYK with a view to implementing the revised procedures at the earliest opportunity; and

Processing of small house grant applications

- along with the above checking procedures, implementation of the new and streamlined processing procedures for new applications for small house grants had also been suspended. Accordingly, the revised performance pledge for 2004 had not been publicised. It remained the Lands D's intention that once the discussion with the HYK on the revised procedures for verifying the indigenous villager status of small house applicants had been concluded, the revised processing procedures would be put into practice without further delay.

30. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

31. **Primary education — Planning and provision of primary school places** (paragraphs 48 to 49 of Part IV of P.A.C. Report No. 41). The Committee was informed that:

Progress of the study on small class teaching

- in May 2004, the Education and Manpower Bureau (EMB) invited all public-sector primary schools to apply for participation in the Study on Small

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Class Teaching starting from the 2004-05 school year. The applications were considered by the Steering Committee for this Study, comprising academics, front-line educators and EMB representatives. Schools were informed of the selection result in mid-July 2004. The Study had commenced since September 2004, and was expected to be completed by 2007; and

Progress made by the Education and Manpower Bureau in phasing out rural schools

- a parent of a rural school had lodged an application for judicial review to the High Court regarding the EMB's decision to cease providing grants to the school with effect from 1 September 2004. The application had been dismissed by the Court. In the 2004-05 school year, there were 66 rural schools in operation. Of these rural schools, 40 did not have any Primary One class. Schools without Primary One class were expected to be phased out gradually.

32. The Committee wishes to be kept informed of:

- the progress of the study on small class teaching; and
- the progress made by the EMB in phasing out rural schools.

33. **Primary education — The administration of primary schools** (paragraphs 50 to 51 of Part IV of P.A.C. Report No. 41). The Committee was informed that:

Strategic planning and financial management

Fundamental review of grants to schools (including review of the level of surplus funds of the Operating Expenses Block Grant for aided schools and the Subject and Curriculum Block Grant for government schools and measures taken to help schools plan the optimum use of the surplus funds)

- to ensure more effective use of public funds, the Education and Manpower Bureau (EMB) was conducting a review on the existing recurrent non-salary grants provided to government and aided schools (including the Operating Expenses Block Grant (OEBG)/Subject and Curriculum Block Grant (SCBG) constituent grants and the policy of allowing schools to retain a surplus of up to 12 months' provision of the OEBG/SCBG) with a view to streamlining the

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deployment of grants and devolving greater funding flexibility to schools. The EMB would come up with proposals for consultation with the school sector as well as the Legislative Council (LegCo) in the 2004-05 school year;

Strategic planning and self-evaluation of schools

- the four-year cycle of the phase-in approach of external school review (ESR) for validating school self-evaluation and supporting schools' strategic development planning had commenced in February 2004. The EMB had successfully achieved the target by conducting ESR on 106 primary, secondary and special schools in the 2003-04 school year. The target for the 2004-05 school year was 150 primary, secondary and special schools. The first four-year cycle would be completed in the 2006-07 school year;

Use of information technology equipment in schools

- following a two-month public consultation, the EMB issued a policy document entitled "Empowering Learning and Teaching with Information Technology" on 29 July 2004. The document set out the next information technology (IT) in education strategy which sought further integration of IT into the learning and teaching process. The new strategy had the following seven specific goals and would be implemented starting from the 2004-05 school year:
 - (a) empowering learners with IT;
 - (b) empowering teachers with IT;
 - (c) enhancing school leadership for the knowledge age;
 - (d) enriching digital resources for learning;
 - (e) improving IT infrastructure and pioneering pedagogy using IT;
 - (f) providing continuous research and development; and
 - (g) promoting community-wide support and community building;

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Human resource management

Procedures for the appointment and dismissal of teaching staff in schools

- the Education (Amendment) Bill 2002 was passed by the LegCo on 8 July 2004 and was known as the Education (Amendment) Ordinance 2004 (the Amendment Ordinance). The Amendment Ordinance came into effect on 1 January 2005. All aided schools were required to make a submission for the establishment of an incorporated management committee (IMC) by 1 July 2009;
- under the Amendment Ordinance, Regulation 76 of the Education Regulations provided that the appointment of teachers within the establishment or for a term not less than six months should be approved by the majority of the managers of the school, and the dismissal of teachers within the establishment or employed for a term not less than six months should be approved by the majority of the managers of the school at a meeting of the management committee or IMC;
- the Amendment Ordinance provided that the IMC should appoint a principal selection committee before recommending any person to be the principal. It also provided for the composition of the principal selection committee which should select in an open, fair and transparent manner a suitable person to be the principal;
- the EMB would continue to require aided schools to adopt an open, fair and competitive appointment system and to comply with relevant provisions in the Education Ordinance and its subsidiary legislation in the recruitment of teachers;

Review of the distribution of school holidays throughout the school year

- the EMB completed in May 2004 the review of school holidays in the 2003-04 school year. A total of 447 calendars of public sector schools (including 250 primary and 197 secondary schools) were selected by stratified random sampling for analysis. The results showed that the number of days in the 2003-04 summer holidays was 47, showing a notable reduction when compared to the 53 days in the 2002-03 school year. This indicated that schools had responded positively to the recommendation on rescheduling of school holidays in the 2003-04 school year put forward in the EMB Circular Memorandum No. 136/2003 issued in June 2003; and

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- the EMB issued Circular Memorandum No. 150/2004 in June 2004 to advise schools on holiday arrangements and the setting of school calendars for the 2004-05 school year with a view to maximising student learning time.

34. The Committee wishes to be kept informed of the results of the fundamental review of grants to aided and government schools.

35. **Primary education — Delivery of effective primary education** (paragraphs 52 to 53 of Part IV of P.A.C. Report No. 41). The Committee was informed that:

Actions to promote extra-curricular activities and school-based curriculum development

- in the 2004-05 school year, a total of 1,100 schools joined the Jockey Club Life-wide Learning Fund and it was anticipated that 118,000 students would be eligible for support from the Fund;
- up to 31 August 2004, about 900 primary school heads and teachers had participated in seminars and workshops to promote quality practices in Life-wide Learning and extra-curricular activities related topics. On-going Life-wide Learning professional development programmes would be augmented in the 2004-05 school year. Besides, the number of schools joining the network school scheme had expanded from 32 in the 2003-04 school year to about 50 in the 2004-05 school year;
- for the 2004-05 school year, the Education and Manpower Bureau (EMB) had so far allocated additional teacher posts for leading school curriculum development to another batch of 154 public-sector primary schools with six or more operating classes. In addition, a Curriculum Leadership Grant of \$94,340 was provided to each of the 58 public-sector primary schools with one to five operating classes. The provision for each school was time-limited for five years;

Surveys on students' physical fitness status and participation in sports activities

- a total of 45 primary schools with over 7,000 students were sampled and had taken part in the survey conducted by The Chinese University of Hong Kong. Data collection had been completed in June 2004 and data analysis was in progress;

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Performance indicators for schools to assess and report their performance

- the EMB had posted the “Catering for Student Differences — Indicators for Inclusion” on its web page in June 2004. The EMB had organised three experience-sharing workshops in January 2004 and two seminars in May 2004 to illustrate to the 117 schools in the Integrated Education Programme the uses of such indicators in designing school self-evaluation and preparing school development plans;

Whole-school approach to support students with diverse needs

- the EMB had requested all primary schools to adopt the whole-school approach to support students with special educational needs. Starting from the 2004-05 school year, 232 primary schools had been adopting a whole-school approach, of which 168 were participating in the pilot of the new funding model and 64 would implement integrated education programmes;

Enhancing the effectiveness of the assessment mechanism in facilitating learning and teaching

- the EMB administered the System Assessment at Primary 3 in mid-2004 and would be reporting results to schools by the end of 2004. With the introduction of the System Assessment, the Secured Hong Kong Attainment Test at Primary 3 and Primary 5 had been discontinued;

Promoting Teachers’ Professional Development

- in the 2003-04 school year, the EMB conducted over 110 professional development programmes on curriculum development for primary school heads and teachers. In addition, the EMB was planning to conduct about 160 related professional development programmes in the 2004-05 school year;

Promotion campaigns to convey to parents the importance of participation in their children’s school activities

- up to October 2004, 130 schools had registered with the “Good Practices Sharing on Web” of the Committee on Home-School Co-operation. Among them, 38 schools had already uploaded their projects on the web;

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- the Committee on Home-School Co-operation organised a symposium on 12 June 2004 on “Home-school co-operation: how to foster a better learning environment”. About 600 parents attended;
- over 1,000 teachers received their Certificate of Appreciation in the “Parent-Also-Appreciate-Teachers” Drive in 2004. The Recognition Ceremony was held on 7 July 2004 to conclude the Drive; and

Introducing self-evaluation arrangements for schools

- the EMB successfully achieved its target by conducting External School Review on 106 primary, secondary and special schools in the 2003-04 school year. The target for the 2004-05 school year was 150 primary, secondary and special schools. The four-year cycle would be completed by the 2006-07 school year.

36. The Committee wishes to be kept informed of further development on the subject.

37. **Public markets managed by the Food and Environmental Hygiene Department** (Chapter 1 of Part VII of P.A.C. Report No. 41). The Committee was informed that:

Comprehensive review of the market stall vacancy rate of public markets

- to invite more trade operators to consider conducting business in the markets, the Food and Environmental Hygiene Department (FEHD) had written to more than 40 trade associations in July 2004 to publicise its markets and invite members of the associations to lease the FEHD’s market stalls. The FEHD had also published information booklets containing useful information of its markets for distribution to interested parties and the public. The FEHD would continue to explore different ways to attract potential stall tenants from a greater variety of trades so as to expand the range of products sold in the markets;
- to enhance attractiveness to potential bidders, the FEHD had identified a number of long-standing vacant small stalls for merging into larger stalls before letting them out through open auction. Where technically feasible and economically viable, the FEHD would request the Architectural Services Department (Arch SD) to carry out the conversion works;

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- to enhance communication with market-goers and tenants, the FEHD had launched a quarterly newsletter since August 2004 for distribution in all public markets. Promotion and improvement initiatives, such as festive decorations and the provision of rest area, would be launched in a few selected markets with a view to attracting more customers and creating a more favourable shopping environment. The FEHD would consult the relevant Market Management Consultative Committees on these proposed initiatives before implementing them;
- the FEHD was studying the feasibility of setting a target market stall vacancy rate (MSVR) for each individual market by making reference to the overall MSVR in the past years, circumstances in the district and competition in the vicinity;
- the FEHD had reviewed the reasons for the high MSVRs in the few markets commissioned after 1998. In general, the reasons included increasing competition from supermarkets, the presence of a number of fresh provision shops and other retail outlets in the vicinity of these markets, changing shopping habits of the public, over-provision of market stalls, etc. The FEHD would study in greater depth the causes for the high MSVRs in the concerned markets, namely Lei Yue Mun, Luen Wo Hui, Peng Chau and Yee On Street markets where the MSVRs were 20% or over;

Review of ways to express the market stall vacancy rate

- the FEHD had completed the review and would present two overall MSVRs, namely a gross MSVR which covers all vacant stalls including those set aside for designated purposes, and a net MSVR which excluded all stalls frozen for such purposes, when next publishing the relevant documents;

Review of the justifications for the maximum number of non-trading days allowed in a year

- the FEHD was drawing up a new aligned tenancy clause governing the maximum number of non-trading days allowed in a year with a view to standardising the different provisions in the tenancy agreements relating to non-trading days in markets in the urban areas and the New Territories. The FEHD planned to introduce the aligned tenancy clause when it entered into new tenancy agreements with the stall tenants;

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Review of the demand for public market facilities

- the Health, Welfare and Food Bureau (HWFB) was discussing with the Planning Department the need to review the current planning standards for the provision of market facilities as set down in the Hong Kong Planning Standards and Guidelines;

Study to identify markets that might merit closure and details of the Health, Welfare and Food Bureau's rationalisation plan to be drawn

- the FEHD was conducting a study to identify markets with serious and insurmountable viability problems that might merit closure/consolidation. Based on the results of the study and the views of the stakeholders including the affected stall tenants and the relevant District Councils (DCs), the HWFB and the FEHD would draw up rationalisation plans;

Reassessment of the need to retrofit air-conditioning systems in public markets, including the Yue Wan Market, the San Hui Market and the Fa Yuen Street Market

- the FEHD completed a review of the need to retrofit air-conditioning (A/C) systems to public markets and cooked food centres including the Yue Wan Market, the San Hui Market and the Fa Yuen Street Market and advised the Legislative Council Panel on Food Safety and Environmental Hygiene on 3 March 2004 that there was no clear evidence to suggest that retrofitting of A/C systems would help improve viability of these markets. The Panel took a strong view that the FEHD should carry out the retrofitting works. The FEHD subsequently informed the Committee that the FEHD would proceed with the above projects. The Finance Committee had approved funding for the works in the Yue Wan Market. Subject to the outcome of consultation with the relevant DCs or concerned stall tenants, the FEHD planned to submit funding bids for the relevant works in the San Hui Market and Fa Yuen Street Market in the 2004-05 legislative session;

Identification of beneficial permanent use of vacant market floor space in the Fa Yuen Street Market and the To Kwa Wan Market

- the Arch SD had confirmed the technical feasibility of the proposed conversion of the vacant floor space on the second floor of Fa Yuen Street Market into office accommodation for government use. The FEHD, the Government Property Agency and the Financial Services and Treasury Bureau were exploring the feasibility and cost-benefits of internal relocation and reallocation of vacated offices to other government users; and

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- the FEHD was exploring the possibility of turning the vacant basement floor in the To Kwa Wan Market into one of the FEHD's seized goods compounds. The FEHD and the Arch SD were now studying the technical feasibility of this proposal.

38. The Committee wishes to be kept informed of further development on the subject.

39. **Provision of noise barriers for mitigating road traffic noise** (Chapter 2 of Part VII of P.A.C. Report No. 41). The Committee was informed that:

Sufficient time in works contracts and incremental approach

- the Administration was consulting relevant departments on proposed amendments to two circulars promulgated by the Environment, Transport and Works Bureau with a view to formally reminding the works departments to:
 - (a) allow sufficient time in their works contract implementation plans for complying with the relevant statutory requirements; and
 - (b) adopt an incremental approach in putting up noise barriers to tie in with the timing of completion of the planned environmentally sensitive uses;

Recover costs from private developers

- the Administration was checking whether there were cases of noise mitigating works similar to the private residential development concerned in Ma On Shan. Subject to the outcome of this research, the Administration would explore the feasibility of recovering from the developer concerned the cost of constructing the noise barriers as appropriate; and

Other audit findings

Post-implementation monitoring

- regarding the recommendation to conduct post-implementation monitoring of the effectiveness of the noise barriers for Tolo Highway Widening Project and Hiram's Highway Improvement Phase 3, the Highways Department had undertaken to complete the monitoring as recommended by end 2004.

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40. The Committee wishes to be kept informed of the progress of the various measures being taken by the Administration.

41. **Buildings Department's efforts to tackle the unauthorised building works problem** (Chapter 3 of Part VII of P.A.C. Report No.41). The Committee was informed that:

Extent of compliance with section 24 orders and complaint cases

- the Buildings Department (BD) had enhanced its monitoring system on complaint cases and provided additional staff training. It had also deployed additional resources and set performance targets to speed up the clearance of long outstanding removal orders in respect of unauthorised building works (UBW). Progress in clearing these outstanding removal orders was satisfactory. The BD still aimed to clear by March 2005 100%, 75%, 50% and 35% of the outstanding removal orders issued before 1991, between 1991 and 1995, between 1996 and 1998 and in 1999 respectively. The targets to clear 80%, 75%, 52% and 40% of the orders issued in 2000, 2001, 2002 and 2003 respectively by March 2005 had already been achieved by July 2004;
- the BD had deployed additional resources to speed up follow-up actions on complaint cases. For those complaint cases in the Buildings Condition Information System (BCIS) without the "initial action date", the BD had deployed additional resources to enter all relevant data into the BCIS and had completed all outstanding "initial actions" by June 2004. "Initial actions", once completed, were duly recorded into the BCIS. These improvement measures had been fully adopted;

Buildings Department's prosecution policy and practice

- the BD had stepped up prosecution against owners who failed to comply with removal orders. The current target was to instigate 1,000 prosecutions in 2004 and 2,000 prosecutions in 2005. The BD had already initiated 1,076 prosecutions by 15 September 2004;

Blitz operations

- the BD had since 2003 put in place measures to improve the effectiveness of the Blitz operations, such as reinforcing contract provisions to ensure that outsourced contractors employed staff with the required competence to

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provide quality services, thereby reducing the department's cost in supervising the contractors. The BD had also set more reasonable target completion time for the 2004 Blitz operations and ensured that the target completion time was met;

The Coordinated Maintenance of Buildings Scheme

- the BD had reviewed the effectiveness of the Coordinated Maintenance of Buildings Scheme (CMBS) and was preparing a report on the outcome;

Illegal rooftop structures

- the BD had completed a survey and identified an additional 1,060 single staircase buildings with illegal rooftop structures for clearance action. The BD was preparing an action plan to clear these additional illegal rooftop structures, taking into consideration the resources required and the means to redeploy resources;

Control of signboards

- as regards the removal of dangerous signboards, the BD had devised a work plan to clear those long outstanding Dangerous Structure Removal Notices by December 2004. Progress was in accordance with the work plan. Furthermore, the BD proposed to include the control for the erection of signboards in the minor works control regime to be established under the Buildings Ordinance. The minor works control regime aimed at providing a legal, safe and cost-efficient means for the carrying out of minor works, including signboards. The Administration intended to introduce the Buildings (Amendment) Bill in 2005 to take forward the proposed regime. The Administration would carry out a post-implementation review of the regime to ascertain its effectiveness; and

Removal action by government term contractor

- for those outstanding removal orders involving UBW in common areas of buildings, and where building owners had difficulties in coordinating the necessary removal works, the BD had been stepping up the enforcement actions by mobilising the government contractor to carry out the works and thereafter recovering the costs from the liable owners.

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42. The Committee wishes to be kept informed of further development on the clearance of outstanding removal orders of UBW, the BD's prosecution practice, the CMBS, illegal rooftop structures and control of signboards.

43. **Planning and provision of public secondary school places** (Chapter 4 of Part VII of P.A.C. Report No. 41). The Committee was informed that:

Classroom utilisation

- the Education and Manpower Bureau (EMB) continued to monitor closely the utilisation of classrooms by schools to ensure the optimal use of resources for promoting learning and teaching effectiveness;

Unfilled places in public secondary schools

The problem of unfilled places at Secondary Seven

- the EMB would continue with the existing practice of allowing schools to admit more Secondary Six students on a voluntary basis while respecting schools' professional decision;

Under-utilisation of ex-prevocational/technical schools

- to address the problem of under-utilisation in ex-prevocational/technical schools, the EMB continued to take appropriate action such as combining under-enrolled classes. In the 2004-05 school year, a total of 80 under-enrolled classes in these schools had been combined and packed into 65 classes, and eight of these schools had been approved to operate Project Yi Jin courses as an additional progression path for students who did not wish to pursue the traditional senior secondary curriculum;

Need for buying schools places from caput schools

- the EMB was carrying on the discussion with the Caput Schools Council and the nine caput schools on the way forward. Among them, six seemed receptive to the idea of joining the Direct Subsidy Scheme (DSS), one proposes to close down by the 2006-07 school year and the remaining two had yet to decide on the way forward should the Government cease the provision of subvention as the overall student population declined further. The EMB would continue the dialogue with the caput schools and monitor the demand and supply of school places in the respective districts;

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Government secondary schools

Application of the broad guideline that each district should have one government school

- the EMB would follow the broad guideline as and when opportunities arose to relocate, merge or phase out government schools. This was subject to the availability of school sites. Reference would also be made to supply and demand of school places at the district level;

Objectives of providing government secondary schools

- following a critical review, the EMB considered that government schools should continue to play a special role in the school system, for example, in pioneering new initiatives and serving as community resource centres in education. The EMB would continue to adjust the class structure and number of classes in government schools having regard to changes in demands;

Under-utilisation in some government secondary schools

- the EMB continued to monitor the utilisation of government secondary schools and to combine under-enrolled classes. In the 2004-05 school year, seven government secondary schools would see a reduction of a total of 11 classes;

Higher operating cost of government secondary schools

- in the 2004-05 school year, the EMB would continue with the recruitment freeze for all government school teaching posts and the employment of temporary teachers on non-civil service contract terms to fill teaching vacancies. Where possible, government schools would contract out janitor and clerical services;

Model for projecting future supply and demand for public secondary school places

Vacant classrooms

- the EMB continued to monitor the utilisation of classrooms to ensure the optimal use of resources, and would factor this in the regular updates of the projected supply and demand of school places;

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School places reserved for repeaters

- in June 2004 the EMB completed a survey on the utilisation of repeater places in public-sector secondary schools. The survey results indicated that the utilisation rate on a school basis corresponded closely with the overall utilisation rate of 5% of enrolment for all public sector secondary schools. Although there was a lower demand for repeater places at the junior secondary levels, there was a higher demand at the senior secondary levels. In overall terms, schools agreed that an overall 5% provision of school places for repeaters was appropriate. The EMB endorsed this view;

School places provided by Direct Subsidy Scheme schools

- less than five years had elapsed since the last major modification of the DSS policy. Since the proportion of DSS school places was still low (less than 5%) as at present, the EMB considered it necessary to continue to build DSS schools and/or approve the transfer of aided schools to the DSS in order to realise the policy objective of increasing diversity and choice of education opportunities for students. The EMB would continue to monitor the development of DSS schools, with particular attention on their trend and pattern of enrolment; and

New schools under planning

- in accordance with the established practice, the latest annual update of the supply projection in the last quarter of 2003 had reflected all the projects added to the School Building Programme in the year. As always, the EMB continued to ensure that all new school projects added to the School Building Programme after one annual updating exercise in projection would be taken into account automatically in the next one.

44. The Committee wishes to be kept informed of:

- the outcome of the discussion between the EMB and the Caput Schools Council of the need for buying schools places from caput schools; and
- the progress of the development of DSS schools.

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45. **The acquisition and clearance of shipyard sites** (Chapter 5 of Part VII of P.A.C. Report No. 41). The Committee was informed that:

Resumption and clearance of the North Tsing Yi shipyard site

- the recommendations in paragraph 2.14 of the Audit Report mainly related to the need to hold tenants under short term tenancies (STTs) to their contractual obligation of clearing structures when the STTs were terminated. The Director of Audit (D of A) had recommended that where a waiver of this obligation was considered necessary, the prior approval of the Secretary for Financial Services and the Treasury had to be sought. Also, the Director of Lands should state clearly in the Lands Administration Office Instructions (LAOI) the specific justifications under which an STT tenant might be exempted from clearing the site upon termination of the tenancy;
- the Administration was considering how best to implement these recommendations. Experience from past clearance exercises indicated that some STT tenants might have genuine financial difficulties in arranging for the demolition of their structures. In the light of this experience, the Lands Department (Lands D) was examining in conjunction with relevant bureaux and departments the possibility of exempting certain clearerees from complying with the self-demolition requirement on compassionate grounds and possibility of providing measures to better enforce the self-demolition requirement. Subject to the outcome of the forgoing exercise, the LAOI would be amended as recommended by the D of A;
- as regards the issue of the recovery of the decontamination costs of the North Tsing Yi shipyard sites, the Government had issued protective writs to maintain its ability to recover costs from the ex-tenants and owners and was gathering evidence in this regard;

Assessment of contamination at the Penny's Bay shipyard site

- the Civil Engineering and Development Department had implemented the recommendations in paragraph 3.25 of the Audit Report in relation to the planning of site investigations for potentially contaminated leased sites before they were surrendered to or resumed by the Government;
- the Lands D had implemented the recommendations in paragraph 3.26 of the Audit Report in relation to the stipulation in the lease conditions that the Government had the right to carry out site investigation prior to resumption or surrender of sites to the Government. The LAOI had also been updated

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to specify the need of sharing information among departments prior to resumption or surrender of land to the Government;

- pursuant to the recommendation in paragraph 3.27 of the Audit Report, the Environment, Transport and Works Bureau had issued a circular memorandum to all works departments promulgating Audit's recommendations for improving the pre-acquisition site investigations and liaison with other concerned departments for potentially contaminated sites;

Surrender of the Penny's Bay shipyard site to the Government

- the Lands D had implemented the recommendations in paragraph 4.29 of the Audit Report in relation to the incorporation of environmental protection and indemnity clauses in land lease conditions; and
- as regards the recovery of the decontamination cost from the ex-lessee of the Penny's Bay shipyard site or the shipyard operator, the Government was still reviewing the legal and technical issues with outside leading counsel and experts. According to the advice of the Department of Justice, details on those issues should not be disclosed at this stage in order not to prejudice the Government's interests.

46. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

47. **Funding of tertiary education** (Chapter 6 of Part VII of P.A.C. Report No. 41). The Committee was informed that:

University Grants Committee's endeavours in benchmarking the cost of tertiary education

- as a first step to review the costing and funding methodology of the sector funded by the University Grants Committee (UGC), the UGC had appointed a consultant to carry out a scoping study. Subject to the results of the scoping study, the UGC would draw up a work plan within the 2004-05 academic year, and conduct the review during the 2005-06 to 2007-08 triennium when the funding situation became more stable;

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Funding and resource allocation

- the UGC would adopt a new funding methodology in the allocation of funds to UGC-funded institutions for the 2005-06 to 2007-08 triennium. To enhance the transparency of the funding methodology and the institutions' understanding of how funds were distributed, the UGC would disclose the details of the Academic Programme Categories, together with their relative cost weightings, upon completion of the funding exercise in early 2005;

Research assessment exercise and implementation of research projects

Transparency of the research assessment exercise results and widening the membership of the research assessment exercise assessment panels

- the UGC would bear in mind the need to implement measures to enhance the transparency of the research assessment exercise (RAE) results, as well as to widen the membership of the RAE assessment panels when planning for the next RAE to be conducted for the 2005-06 academic year;

Terminated research projects

- the Research Grants Council (RGC) had formed a Working Group to examine various issues relating to the change of Principal Investigators (PIs), assessments of terminated projects, and the extension of time of research projects. The Working Group had completed its deliberations and the recommendations were considered by the RGC at its meeting in June 2004. The RGC's decisions were as follows:
 - (a) the RGC recognised the need to build into the system some flexibility for the change of PIs, in particular in the current financial climate when there was a practical need for institutions to retain maximum freedom in managing their staff resources. On the other hand, the RGC was also mindful of the need to uphold the quality of project management. The RGC had therefore decided to adopt a prudent approach and to allow change of PIs during the 7th to the 12th month of the project period in exceptional cases and where there were genuine and justifiable reasons; and
 - (b) in order to assess terminated projects in a more effective and reasonable manner, the RGC had adopted a new template for end-point assessment. When assessing projects that were terminated before the original expected completion date, the RGC would take into account the reason(s)

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for termination, and assess the performance of the project in the light of time and money spent on the project;

Extension of time of research projects

- having regard to the lead time required for projects to start, the RGC had decided that the official commencement date for all projects should be the first day of January of the year following the award of research grant, unless the PI set an earlier date. The maximum allowable extension would be 12 months. The first six-month extension would be scrutinised and approved by institutions, and any further extension requests would only be considered by the RGC where strong justification existed. Requests for extension exceeding 12 months would not be considered unless under extraordinary circumstances. As in the past, the RGC would continue to consider requests for extension on a case-by-case basis, and institutions should exercise their judgement before forwarding recommendations to the RGC for consideration. The new rules would apply to projects funded in the 2004-05 academic year and thereafter;

- in view of the development of the local research community over the years, the RGC considered that it was timely to review the requirements regarding the completion of research reports. Taking into account the standards and practices of other international funding bodies, the RGC had decided to shorten the timeline for submission of completion reports from 18 to 9 months after the approved completion date of the project. This new rule would apply to projects funded in the 2004-05 academic year and thereafter;

Funding of self-financing activities

- the Working Group on Review of Overhead Recovery Practices on Self-financing Activities of UGC-funded Institutions had analysed relevant data collected on the existing practices of individual institutions in recovering the overheads of self-financing academic programmes and continuous and professional education programmes. A final draft report and a set of proposed guidelines had been produced and were being circulated to the Working Group for comments;

- as regards non-UGC-funded research contracts and grants, the Working Group had also analysed relevant data collected on the existing practices of individual institutions, and a set of proposed guidelines was being drafted. After deliberations among the institutions, the Working Group would, in

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consultation with the UGC, prepare a consolidated recommendation for consideration by the Heads of Universities Committee;

- as part of the review of overhead charging, the UGC would also consider whether student hostels should be subject to overhead charging and, if necessary, revise the UGC Notes on Procedures accordingly;

Refund of government rents and rates

- the Education and Manpower Bureau was taking action to promulgate its policy on refund of government rents and rates to eligible educational institutions in Hong Kong through its established channels; and
- the UGC had submitted a set of draft guidelines on the eligibility criteria for refund of government rents and rates to the Administration for consideration. Subject to the views of the Administration, the UGC would consult institutions on the draft guidelines and would update the UGC Notes on Procedures accordingly in due course.

48. The Committee wishes to be kept informed of further development on the subject.