

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 7th meeting
held at the Legislative Council Chamber
on Friday, 9 February 2007, at 2:30 pm**

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Hon CHAN Kam-lam, SBS, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, GBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LEUNG Yiu-chung
Hon WONG Yung-kan, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Dr Hon YEUNG Sum
Hon LAU Kong-wah, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon CHOY So-yuk, JP
Hon Andrew CHENG Kar-foo
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, JP
Hon LEE Wing-tat

Dr Hon Joseph LEE Kok-long, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Hon Albert Jinghan CHENG
Hon KWONG Chi-kin

Members absent:

Hon Albert HO Chun-yan
Hon Martin LEE Chu-ming, SC, JP
Dr Hon David LI Kwok-po, GBS, JP
Dr Hon LUI Ming-wah, SBS, JP
Hon SIN Chung-kai, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon Howard YOUNG, SBS, JP
Hon LAU Chin-shek, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon TAM Yiu-chung, GBS, JP
Hon WONG Kwok-hing, MH
Hon LI Kwok-ying, MH, JP
Hon Daniel LAM Wai-keung, SBS, JP
Hon MA Lik, GBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon CHIM Pui-chung
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon TAM Heung-man

Public officers attending:

Mr Frederick MA Si-hang, JP	Secretary for Financial Services and the Treasury
Mr Alan LAI Nin, GBS, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Miss Amy TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Miss AU King-chi, JP	Commissioner for Tourism
Miss Patricia SO	Assistant Commissioner for Tourism (2)
Mr Peter WONG Hing-hong	Senior Assistant Solicitor General

Mr Simon LEE Pak-sing	Department of Justice Deputy Law Officer (Civil Law)
Miss Diane WONG Shuk-han	Department of Justice Principal Assistant Secretary (Planning & Lands)1 Housing, Planning and Lands Bureau
Mr Roy TANG, JP	Deputy Director of Environmental Protection (3)
Mr TSE Chin-wan	Assistant Director of Environmental Protection (Air Policy)
Mr MOK Wai-chuen	Principal Environmental Protection Officer (Mobile Source Control)
Mr CHUNG Ling-hoi, JP	Deputy Director of Leisure and Cultural Services (Culture)
Mr LEE Yuk-man	Assistant Director of Leisure and Cultural Services (Libraries and Development)
Miss Polly KWOK	Principal Assistant Secretary for Home Affairs (Culture)2
Mr Eric KWOK	Senior Information Technology Manager Leisure and Cultural Services Department
Ms Angela LO	Information Technology Manager Leisure and Cultural Services Department
Mr Howard LEE	Deputy Secretary for Economic Development and Labour (Economic Development)2
Miss Emmy WONG	Principal Assistant Secretary for Economic Development and Labour (Economic Development)B
Dr WONG Ming-chung, JP	Assistant Director of the Hong Kong Observatory (Forecasting and Warning Services)
Mr Edwin LAI	Senior Scientific Officer (Forecast Development) Hong Kong Observatory

Clerk in attendance:

Ms Pauline NG	Assistant Secretary General 1
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Staff in attendance:

Miss Becky YU	Chief Council Secretary (1)1
Mrs Mary TANG	Senior Council Secretary (1)2
Ms Alice CHEUNG	Senior Legislative Assistant (1)1
Mr Frankie WOO	Legislative Assistant (1)2

Item No. 1 - FCR(2006-07)39

RECOMMENDATION OF THE ESTABLISHMENT SUBCOMMITTEE MADE ON 17 JANUARY 2007

The Chairman put FCR(2006-07)39 except EC(2006-07)12 to the vote. The Committee approved the proposal.

EC(2006-07)12 Proposed creation of one supernumerary post of Administrative Officer Staff Grade C (D2) in the Tourism Commission under the Economic Development Branch of Economic Development and Labour Bureau of Government Secretariat for a period of two years with effect from 1 April 2007 to head a dedicated team to take forward the cruise terminal project

2. Ms LI Fung-ying, Chairman of the Establishment Committee (ESC), said that ESC endorsed the proposal at its meeting on 17 January 2007. However, as the development of a cruise terminal from planning to commissioning would normally stretch over some eight to 10 years, question had been raised if it was realistic to create the Administrative Officer Staff Grade C (AOSGC) (D2) post for just two years. The Administration was reminded that in the event that further extension of the post was necessary taking into account the progress of works, full justification should be provided. It should at the same time ensure that the cruise terminal facilities should be able to meet future development needs. Ms LI added that in response to ESC's concern about the legality of granting a 50-year lease for the operation of cruise terminal facilities which gone beyond 30 June 2047, the Administration had provided a written response which had been circulated to members vide LC Paper No. ESC12/06-07 on 7 February 2007.

3. Ms Margaret NG held the view that the Administration's written response was not able to address members' concern about the legality of granting land leases beyond 30 June 2047. She pointed out that while Article 5 of the Basic Law (BL) stated that "The socialist system and policies shall not be practised in the Hong Kong Special Administrative Region, and the previous capitalistic system and way of life shall remain unchanged for 50 years", it did not say whether the capitalist system would apply in the Hong Kong Special Administrative Region (HKSAR) after 30 June 2047. She could not agree with the Administration that the discussion on the capitalist or socialist system was irrelevant because the right of private property ownership was protected under the prevailing capitalist system in Hong Kong, but this might not be the case in a socialist system. While BL 123 stated that the grant or renewal of leases after 1997 upon the expiry of the original leases after 1997 should be dealt with in accordance with laws and policies formulated by HKSAR, this should be read in conjunction with BL 5. She opined that the fundamental issue of a land grant with a term extending beyond 30 June 2047 ought to be resolved since this would affect the property rights of the people of Hong Kong. As the issue involved

important legal concepts which would have far-reaching implications, it should be further studied at a separate forum in collaboration with the legal and affected sectors. She cautioned that the issue, if not resolved, would intensify with the approach of 2047.

4. The Commissioner for Tourism agreed that the grant of land lease beyond 30 June 2047 should better be coordinated in a separate forum. The Senior Assistant Solicitor General (SASG) said that according to the analysis conducted by the Department of Justice, BL had entrusted the HKSAR Government with the constitutional power and function to manage and grant land with a term beyond 30 June 2047. He drew members' attention to BL 7 which stated that the land and natural resources of HKSAR shall be State property, but the HKSAR Government shall be responsible for the management, use and development of land and natural resources within HKSAR and for their lease or grant to individuals, legal persons or organizations for use or development. The period for which the said authorization might have effect was unqualified in terms of time and was not limited to a duration of 50 years (i.e. up to 2047). There was no provision in BL which provided that new grants of land should expire on 30 June 2047 or to that effect.

5. SASG also made reference to other provisions under BL120, 121 and 123 which were relevant to the grant of land leases. He said that BL120 provided for the recognition and protection of leases granted or renewed before 1997 under the laws of HKSAR. These pre-1997 leases included those with a term of 999 years or a term of 75 years with a right of renewal for another 75 years. All rights in relation to these leases included the right to renew the land lease for another term upon expiry after 1997 which would inevitably go beyond 30 June 2047. While BL 121 referred to leases granted between 1985 and 1997 which would expire not later than 30 June 2047, the said date was not meant as a deadline. Besides, BL123 provided that the grant or renewal of leases after 1997 upon expiry of original leases after 1997 should be dealt with in accordance with laws and policies formulated by HKSAR. This had already been set out in the 1997 HKSAR Government Policy Statement. As there was no limitation on the extension of leases under BL, it was legally in order for the HKSAR Government to grant leases with terms extending beyond 30 June 2047.

6. SASG further explained that BL 5 did not provide that the existing capitalist system should change after 2047, or that the socialist system should apply in the HKSAR after 2047. In fact, BL5, when considered along with BL 120, 121 and 123, would place beyond doubt that the HKSAR Government had the constitutional competence to grant leases of land with a term beyond 30 June 2047. This was also supported by the speech delivered by Mr LU Ping, former Director of the Hong Kong and Macau Affairs Office of the State Council, at a luncheon talk hosted by the Preliminary Working Committee's Economic Sub-group in Hong Kong in May 1995 as set out in the attachment to the Administration's paper, which stated that the HKSAR Government was authorized by the Central Government to handle land leases granted after 1997. Hence, all contracts and agreements could go beyond year 2047. This also tallied with the legal position adopted by the HKSAR Government.

7. Ms Margaret NG however pointed out that Mr LU's speech was only an expression of opinion and not a matter of law. The crux of the issue was whether capitalism would continue to apply in HKSAR after 30 June 2047. If not, the leases which went beyond 30 June 2047 might be affected. As there was a need for certainty of law to protect the property rights of the people, further discussion on the subject at a separate forum was required. To facilitate discussion, the Administration was requested to provide all relevant information on the subject, including those leading to the decision of the Executive Council in 1998 to grant land leases for a period of 50 years.

8. SASG clarified that the Administration's analysis was not based on Mr LU Ping's speech, but the relevant provisions of BL. The Chairman said that the question of granting of land leases beyond 30 June 2047 should best be followed up at a separate forum, and that the Administration should provide all the relevant information to facilitate discussion.

9. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 2 - FCR(2006-07)40

RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE MADE ON 24 JANUARY 2007

10. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 3 - FCR(2006-07)41

HEAD 44 – ENVIRONMENTAL PROTECTION DEPARTMENT

♦ Subhead 700 General Non-recurrent

New Item “One-off grant to encourage early replacement of Pre-Euro and Euro I diesel commercial vehicles with new ones complying with prevailing statutory emission standard”

11. The Chairman informed members that the Panel on Environmental Affairs (EA Panel) was consulted on the proposal at its meetings on 20 December 2006 and 5 January 2007. She also drew members' attention to a submission from Clear the Air on the proposal and the Administration's response, both of which were tabled at the meeting.

12. Ms Audrey EU, Chairman of EA Panel, said that relevant organizations, including green groups and affected trades, had been invited to express their views at the Panel meetings. While the Panel did not object to the funding proposal being submitted to the Finance Committee (FC) for consideration, there were different views

on the proposal. The transport trades were concerned that the proposal had not provided sufficient incentives to encourage the early replacement of pre-Euro and Euro I diesel commercial vehicles, and that car dealers might profiteer from the scheme through increases in vehicle prices. The green groups and some political parties were however concerned about the effectiveness of the proposal in improving air quality as no measures were introduced to mandate the retirement of polluting vehicles.

13. Miss CHOY So-yuk said that while the proposal was well intended, it was only a halfway house and hence might not be able to achieve the intended improvements. As pre-Euro diesel vehicles contributed almost half of the respirable suspended particulates (RSPs) and nitrogen oxides (NO_x) emissions from commercial vehicles, the phasing out of these vehicles would bring significant improvements to roadside air quality. However, the lack of stricter measures and sufficient incentive under the proposal were unable to encourage early replacement of the more polluting vehicles. It might only be attractive to those owners whose vehicles were due for replacement.

14. Ms Audrey EU opined that the Administration had failed to show its determination to apply the polluters-pays principle to polluting vehicles, particularly those pre-Euro vehicles registered before 1992 which were the main source of vehicular RSP emissions. In the Director of Audit's report no.44 published in July 2005, the Transport Department (TD) had been criticized for the lack of supervision on road worthiness tests and the low utilization rates of the chassis dynamometer for smoke detection tests which might have resulted in a lenient standard and a waste of resources. To prevent recurrence of similar incidents, she asked if the Administration would give an undertaking that no extension of the proposed incentive scheme would be allowed to ensure early replacement of polluting vehicles.

15. The Deputy Director of Environmental Protection (DDEP(3)) confirmed that the Administration had no intention to extend the duration of the proposed incentive scheme which would encourage owners to delay replacement of polluting vehicles. This was in line with the incentive schemes for liquefied petroleum gas (LPG) taxis and public light buses (PLBs). Pursuant to the recommendations of Director of Audit, TD had already strengthened the monitoring of the smoke test in its road worthiness examination on all diesel vehicles. As a standing practice, a TD tester would stand right by the door of the driver cab to monitor the pressing down of the accelerator. As regards the utilization rate of the chassis dynamometer, the total number of dynamometer tests conducted for diesel vehicles in 2006 was 4 560. The utilization rate had been significantly increased from 9.4% in 2002 to 97% in 2006. TD would be installing an additional dynamometer for conducting smoke test, which was expected to start operation in the second quarter of 2007, by which the number of vehicles to be tested could be increased by 100%.

16. Ms Audrey EU asked if smoke detection test could be preformed on every vehicle submitted for annual road worthiness inspection and whether consideration would be given to tightening the testing standard. Given the substantial number of diesel commercial vehicles in Hong Kong, DDEP(3) advised that TD did not have sufficient dynamometers to test the smoke emissions of all these vehicles. As such, diesel vehicles presented for annual inspection were randomly selected to undergo dynamometer test. With the purchase of an additional dynamometer, the number of vehicles to be subject to dynamometer test would be increased to about 9 000 per year. Together with the 11 000 dynamometer tests conducted under the Smoky Vehicle Control Programme, the number of dynamometer tests conducted by TD and EPD would be about 20 000 every year. If the enhanced measure was not able to bring about further improvement, the Administration might consider other more stringent measures, including Ms EU's proposal of increasing the licence fees for more polluting vehicles. He however stressed that the Administration had no intention to make the retirement of pre-Euro and Euro I diesel commercial vehicles mandatory as this could be a heavy financial burden on the operators if their vehicles were mandated to retire. Those who could not afford to replace their vehicles might be forced out of business.

17. Noting that the statutory smoke standard adopted by TD was more relaxed than that by the Environmental Protection Department (EPD), Ms Audrey EU asked if TD would introduce legislation to bring its smoke standard on a par with EPD in 2007. Miss CHOY So-yuk also questioned why there was a difference, particularly when both TD and EPD were under the purview of the Environment, Transport and Works Bureau. DDEP(3) explained that EPD's smoke standard of 50 HSU was adopted in 1995, much later than the 60 HSU adopted by TD in 1984. EPD's standard was mainly applicable to vehicles submitted for testing under the Smoky Vehicle Control Programme while TD's standard was for the road worthiness test. DDEP(3) added that according to his understanding, TD was preparing to tighten its smoke standard from 60 to 50 HSU in line with EPD. Consultation with the trades had been completed and TD intended to submit the relevant amendment regulation to the Legislative Council in mid-2007 for commencement by late 2007/early 2008. It was hoped that the amendment regulation would encourage owners of polluting vehicles to participate in the incentive replacement scheme under which one-off grants of 12% and 18% of the average vehicle taxable value for pre-Euro and Euro I diesel vehicles respectively would be provided.

18. Given that the disparity in the smoke standard had been raised by EPD in 2003 and the Director of Audit in 2005, Ms Audrey EU questioned why this had not been dealt with earlier. Instead of introducing the relevant regulation in mid 2007, consideration should be given to advancing it to say February/March 2007 to avoid bunching with other pieces of legislation which were expected later in the year. Expressing similar concern, Miss CHOY So-yuk also found it unacceptable for EPD to maintain a smoke standard adopted in 1995. She pointed out that even Pakistan was adopting a smoke standard of 40 HSU. There was no reason why Hong Kong should be using a standard which was less stringent than most Asian cities. She

opined that consideration should be given to further tightening the smoke standard to say, at least 45 HSU, as soon as practicable.

19. DDEP(3) said that it had taken a much longer time for TD to consult the transport trades on the tightening of smoke standard given the latter's grave reservations on the proposal. Nevertheless, he would relay to TD members' request for earlier introduction of the amendment regulation. As regards further tightening of the smoke standard, DDEP(3) said that while the proposal would no doubt encourage better vehicle maintenance, a decision at this stage might be too early when the incentive scheme had yet to be implemented. The Administration would need to assess the effectiveness of the incentive scheme before considering other measures, including further tightening of the smoke standard. In reply to Miss CHOY So-yuk's question on the number of vehicles which would not be able to meet TD's smoke standard of 50 HSU as required under the amendment regulation, DDEP(3) said that at present, there were about 20% and 47% of vehicles which were unable to meet TD's standard of 60 HSU and EPD's standard of 50 HSU respectively. It was expected that an additional 27% of vehicles would not be able to meet the proposed standard of 50 HSU to be adopted by TD. However, with proper maintenance, vehicles should have no problem in meeting the smoke standard of 50 HSU.

20. Ms Audrey EU enquired about the estimated percentage of pre-Euro and Euro I diesel vehicles which would be replaced under the incentive scheme. DDEP(3) said that based on past experience, the replacement would be affected by the prevailing economy. By way of illustration, the replacement rate of LPG PLBs of 56% was much lower than that of 99.5% of LPG taxis over the same three-year incentive period might be attributable to the economic downturn, particularly following the aftermath of the outbreak of Severe Acute Respiratory Syndrome, coupled with the drastic increase in LPG price levels during the same period. The Government took a number of measures to boost the replacement rate, including the increase of LPG filling stations from 42 to 54 in the last few years to reduce the queuing time for refilling, and the introduction of a monthly price adjustment mechanism to better reflect the market price of LPG. These improvement measures, coupled with the drop in LPG prices in 2006 had worked to increase the replacement rate. Given that the proposed incentive scheme for pre-Euro and Euro I commercial vehicles was modeled after that of LPG taxis and PLBs incentive schemes, it was expected that a replacement rate of about 70% could be attained based on the prevailing economic situation. As to whether higher grants would be offered to those who opted to replace their polluting vehicles sooner, DDEP(3) said that the Administration considered that the proposed duration of 18 months for the incentive scheme was appropriate so as to allow sufficient time for pre-Euro diesel commercial vehicle owners to make their decisions.

21. Ms Miriam LAU said that the success of the LPG Taxi Scheme had shown that the transport trades were supportive of Government measures to reduce vehicular emissions. The lower conversion rate of LPG PLBs was due to the insufficient number of LPG filling stations. Also, the replacement scheme would have been

better received had it been introduced a few years earlier when the logistics trade was booming. While welcoming the proposed replacement scheme for pre-Euro and Euro I commercial vehicles, Ms LAU said the transport trades would find it difficult to afford the replacement cost, albeit being subsidized by Government at 12% and 18% of the average taxable value of the newly registered vehicle, at the present stage when they were struggling to survive. Given that the purpose of the scheme was to encourage the replacement of the more polluting pre-Euro and Euro I diesel vehicles and keep them off the roads, she opined that instead of confining the replacement vehicle to the more expensive Euro IV models, consideration should be given to providing incentives to owners who replaced their vehicles with the less expensive but still environment friendly Euro III vehicles as well. This would encourage more owners to join the scheme and in turn would help reduce vehicular emissions.

22. In response, DDEP(3) said that the Administration would endeavour to identify suitable sites for new LPG filling stations. However, the provision of new LPG filling stations had proven to be difficult in view of the objections from District Councils. To this end, consideration was given to retrofitting existing petrol filling stations to allow for LPG supply. With the additional LPG filling stations, it was hoped that more fixed route PLBs would switch to LPG models. On the proposed replacement with Euro III models, DDEP(3) pointed out that Euro IV models emitted 80% less RSP and 30% less NO_x than their Euro III counterparts. Hence, it would be more worthwhile to replace the polluting vehicles with the cleaner Euro IV models rather than the used Euro III models which had been in use since 2002. Besides, only new Euro IV diesel vehicles were allowed for importation in Hong Kong under the present legislation. As such, the Administration was not prepared to extend the incentive scheme to cover replacement with Euro III models.

23. Since Euro IV models were beyond the affordability of some vehicle owners, Ms Miriam LAU opined that consideration could be given to providing less incentives than what was being offered for the replacement with Euro IV to those who opted to replace their pre-Euro and Euro I vehicles with Euro III models. This would also help reduce vehicular emissions. Expressing similar concern, Mr LEUNG Kwok-hung said that the provision of incentives for the replacement of Euro IV only ran contrary to the Administration's commitment to the free market mechanism as this might boost the prices of Euro IV vehicles. To this end, he suggested that the Government should negotiate direct with the vehicle manufacturers for a better price for the bulk purchase of Euro IV diesel vehicles to be imported to Hong Kong. He also agreed with Ms LAU that less favourable incentives, such as the provision of interest-free loans, should be allowed for the replacement with Euro III vehicles.

24. DDEP(3) said that the suggestion on bulk purchase of Euro IV vehicles was not practical not only because it would incur significant financial implications but it also meant that the Administration would have to consult owners of the 75 000 pre-Euro and Euro I diesel commercial vehicles on their preference and to make an agreement with manufacturers on the said purchase. As regards the proposed

provision of an interest-free loan, DDEP(3) said that this might not be attractive as compared to the one-off grants offered to owners for the replacement with Euro IV vehicles. Besides, there were commercial loans which were readily available in the market.

25. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 4 - FCR(2006-07)42

CAPITAL WORKS RESERVE FUND

HEAD 710 – COMPUTERISATION

Leisure and Cultural Services Department

♦ New Subhead “Replacement of library automation system”

26. The Chairman informed members that the Panel on Home Affairs (HA Panel) was consulted on the proposal at its meeting on 12 January 2007.

27. Miss CHOY So-yuk, Chairman of HA Panel, said that the Panel was generally supportive of the proposed replacement of the library automation system (LAS). It held the view that publicity plans should be made to promote the new functions of LAS while mechanisms should be set up to monitor its usage rate and effectiveness. Consideration should also be given to further enhancing library services, particularly the use of Smart ID Card to access to all Hong Kong Public Libraries (HKPLs) and libraries of local universities. Ms CHOY also indicated support for the proposal on behalf of Members of the Democratic Alliance for Betterment and Progress of Hong Kong.

28. While supporting the proposal, Dr Joseph LEE enquired if the proposed system was able to meet the increase in annual transaction volume of HKPLs which was forecasted to reach 78 million by 2010, representing an increase of about 30% when compared with the present level. He also asked if manpower savings could be achieved from the use of the Radio Frequency Identification (RFID) sub-system and if so, whether the existing contract staff of HKPLs would be made redundant.

29. The Deputy Director of Leisure and Cultural Services (Culture) (DDLCS(C)) said that there was a need to replace the existing LAS as a number of key components of the system had become obsolete and it was not feasible to introduce any enhancement in its capacity to cope with new demand from the public. Furthermore, the core library application development had been ceased as the system vendor had chosen to shift their resources to another new platform of library solutions. The proposed system would be one that had been used by libraries in major cities in the world and its capacity would be able to meet subsequent growth in annual transaction volume. The manpower savings from the use of the more efficient RFID sub-system would be deployed to meet the service demand associated with the growth in annual transaction volume.

30. In response to Dr Joseph LEE's further question on the expected service life of the proposed system, DDLCS(C) said that the existing LAS had been used for 10 years. The proposed system was expected to serve a much longer period of time, unless the advancement in technology justified an earlier replacement. The Assistant Director of Leisure and Cultural Services (Libraries and Development) added that the first phase of the proposed system was expected to be introduced in 2009. The full implementation of the system would not take place until 2011. While the proposed funding of \$196,467,000 would cater for the commissioning and maintenance of the system until 2013, the system would be able to serve a much longer period beyond 2013 as the capacity of its hardware could be further enhanced if necessary.

31. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 5 - FCR(2006-07)43

CAPITAL WORKS RESERVE FUND

HEAD 708 – CAPITAL SUBVENTIONS AND MAJOR SYSTEMS AND EQUIPMENT

Hong Kong Observatory

- **New Subhead “Replacement and enhancement of high performance computing system”**

32. The Chairman informed members that the Panel on Economic Services (ES Panel) was consulted on the proposal at its meeting on 22 January 2007. She also drew members' attention to a supplementary information paper provided by the Administration in the light of her request. The paper was tabled at the meeting.

(Post-meeting note: The supplementary information paper was subsequently circulated to members under LC Paper No. FC31/06-07 on 13 February 2007.)

33. Mr Jeffrey LAM, Chairman of ES Panel, said that the Panel supported the proposal in principle, but requested the Administration to set out more specifically the peak performance required for the proposed computing system in the tender document and to expedite the implementation process for early commissioning lest the system might become obsolete in view of the rapid pace of technological advancement.

34. The Chairman enquired about the required peak performance for the proposed computing system. The Deputy Secretary for Economic Development and Labour (Economic Development)² explained that according to the consultant of the High Performance Computing (HPC) Technical Study, an enhanced system with a peak performance of three to five TeraFLOPS would be adequate to meet the Hong Kong Observatory (HKO)'s operational needs. At the Panel meeting on 22 January 2007, HKO was requested to determine specifically the speed required for the new HPC taking into account its operational needs rather than the market price. Upon a further review with reference to the market situation, HKO was of the view that an enhanced

system with a peak performance of five TeraFLOPS should be acquired and the funding requirement for the replacement project would remain at about \$48.5 million.

35. Referring to the supplementary information paper tabled at the meeting, the Chairman sought elaboration on the improvements to be achieved by the proposed HPC system. The Assistant Director of the Hong Kong Observatory (Forecasting and Warning Services) explained that HKO planned to run a new Numerical Weather Prediction model with the proposed HPC system to provide a suite of more refined models with enhanced resolutions, more frequent models runs and meteorological information of a better quality. This would help raise HKO's performance target of "accurate public forecast as verified by objective means" from the existing 85% to 87%, similar to the improvement achieved by the existing system acquired in 1999. While the new HPC system, together with other existing systems, would assist HKO in the prediction of weather conditions, the expertise and the operational experience of HKO staff also played an important role in the process. HKO would strive to further improve its performance but in view of the random nature of events in the evolution of weather systems, there would always be uncertainties in weather prediction.

36. The Chairman requested that in future, bureaux/departments should quantify the anticipated improvements to their operation in the funding proposals to FC.

37. The Chairman put the item to vote. The Committee approved the proposal.

38. The meeting was adjourned at 4:02 pm.