

Laying of the Report Report No. 44 of the Director of Audit on the results of value for money audits was laid in the Legislative Council on 20 April 2005. The Committee's subsequent Report (Report No. 44) was tabled on 6 July 2005, 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. 44 was laid in the Legislative Council on 2 November 2005. A progress report on matters outstanding in the Government Minute was issued on 29 September 2006. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 6 below.

Diesel vehicle emission controls

(Chapter 1 of Part IV of P.A.C. Report No. 44)

3. The Committee was informed that:

Diesel vehicle inspection and maintenance programme

- to ensure that the dynamometer smoke tests were properly conducted and to avoid any malpractice such as engine tampering, the Environmental Protection Department (EPD) and the Transport Department (TD) had reviewed with the transport trades the standard adopted for checking the maximum engine power output in the smoke tests. The trades considered that the current standard was appropriate and they had great difficulties meeting any further tightened standard in view of the condition of the vehicles, in particular those pre-Euro ones. The EPD and TD would further liaise with the transport trades with a view to identifying a practicable solution and would maintain the current standard for maximum engine output check in the smoke tests for the time being;
- to guard against any engine tampering by the vehicle owners during the free acceleration smoke tests, the TD had installed five new tachometers to monitor the engine speed in these tests;
- the EPD and TD had completed the consultation with the transport trades that started in July 2005 on the proposal to tighten the TD's smoke opacity standard to that currently adopted by the EPD, viz. 50 Hartridge Smoke Units. The trades had no strong views and the TD was working on the legislative amendment with a view to tabling it in the Legislative Council in mid-2007. A grace period of six months would be allowed, and the new standard was expected to come into effect in early 2008;

Smoky vehicle control programme

- the EPD had consulted various transport trades on the feasibility of shortening the prescribed period of 14 working days to 12 working days for vehicle owners served with an emission testing notice to bring their vehicles for a dynamometer smoke test at one of the EPD's Designated Vehicle Emission Testing Centres. The vast majority of the trades objected to the proposal as they considered that 14 working days were already a tight time-frame. The EPD would negotiate further with the trades with a view to shortening the prescribed period as far as possible;

Use of liquefied petroleum gas (LPG)

- six petrol-cum-LPG filling stations were scheduled for operation in 2006 and four of them were already in service. The remaining two, one in Tai Po Kau and the other in Tung Chung, would be in operation by end 2006 and mid-2007 respectively. In future, as one of the land lease conditions, all new petrol filling stations would be required to provide LPG filling facilities provided that the safety requirements could be met; and
- the Electrical and Mechanical Services Department, together with the Planning Department, had completed a detailed site search for the construction of a new LPG terminal on Hong Kong Island, and concluded that there was no available site for the purpose for the time being. The concerned departments would keep in view of any change in circumstances.

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

The Postal Mechanisation System at the Air Mail Centre

(Chapter 2 of Part IV of P.A.C. Report No. 44)

5. The Committee was informed that:

Strengthening the monitoring of the performance of the consultants/contractors

- the Post Office (PO) had put in place new departmental rules to strengthen the monitoring of the performance of consultants and contractors. Different levels of monitoring were clearly defined according to the values of the capital projects, including the setting up of steering committees and the close personal supervision of the Postmaster General for the new project to replace the Mechanised Letter Sorting System (MLSS) at the General Post Office (GPO) and the International Mail Centre (IMC), as well as other capital projects of a value exceeding \$1.3 million. For capital projects of a value at

or below \$1.3 million, supervision by a senior officer and detailed documentation of the progress and the rationale for project decisions made were required;

Contract specifications and retention of test records

- the PO had put in place new departmental rules stipulating, among other things, specifications of realistic and attainable contract requirements, strict adherence to contractual terms and conditions, and keeping of compliance test records for seven years. The circumstances under which the Government Logistics Department and the Department of Justice should be consulted were also clearly set out. The PO had followed such rules closely in drawing up the contract specifications for the replacement system of the existing MLSS at the GPO and the IMC, as well as for other capital projects;

Improving the performance and utilisation of the Postal Mechanisation System (POMS)

- the PO, with the assistance of the Electrical and Mechanical Services Department, had introduced a host of measures to optimise the performance of the POMS at the Air Mail Centre (AMC) over the past few years, and managed to bring its performance to a fairly high level in early 2005;
- in 2005-2006, the PO had further increased the utilisation of the system by 8% in the overall mail items processed. While the overflow rate and jam rate had increased very slightly as a result of greater utilisation, the read rate, error rate and throughput rate for mail items of the Integrated Mail Processor, as well as the throughput rate of the Packet Sorting Systems and Parcel Sorting Systems had all seen further improvement. All in all, with the various improvement measures and increased utilisation of the system, the PO was using the resources more efficiently;
- the PO had completed the study on the feasibility of utilising the spare capacity of the POMS in planning the replacement of the MLSS. While the spare capacity of the POMS was not large enough to reduce the number of the MLSS replacement machines required, the POMS would continue to be deployed as a backup for the sorting equipment in the GPO and the IMC, especially during peak periods. The Sorting Office Operations Committee chaired by a director of the PO would continue to exercise tight monitoring of the performance of the POMS; and

Payment checking procedures

- the PO had put in place new departmental rules, in the aspects of invoice certification, authorisation and payment schedules, to strengthen its financial monitoring and payment systems for capital projects of a value exceeding

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\$100,000. The PO's internal audit team had been conducting audit checks on the payment records to ensure compliance.

6. The Committee wishes to be kept informed of further developments in improving the performance and utilisation of the POMS at the AMC.