

立法會
Legislative Council

LC Paper No. CB(1)1722/07-08
(These minutes have been seen
by the Administration)

Ref : CB1/PL/ITB/1

Panel on Information Technology and Broadcasting

Minutes of meeting
held on Monday, 10 March 2008, at 2:30 pm
in Conference Room A of the Legislative Council Building

- Members present** : Hon Albert Jinghan CHENG, JP (Chairman)
Hon SIN Chung-kai, SBS, JP (Deputy Chairman)
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, JP
Hon Emily LAU Wai-hing, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Albert CHAN Wai-yip
Hon Ronny TONG Ka-wah, SC
- Members absent** : Dr Hon LUI Ming-wah, SBS, JP
Hon Bernard CHAN, GBS, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
- Public officers attending** : Agenda Item V

Mr Alan SIU, JP
Deputy Secretary for Commerce and Economic
Development (Communications and Technology)

Mr Y K HA
Acting Director-General of Telecommunications

Agenda Item VI

Mr Stephen MAK, JP
Acting Government Chief Information Officer

Mr Dennis PANG
Assistant Government Chief Information Officer
(Industry Development)
Office of the Government Chief Information Officer

Agenda Item VII

Mr Stephen MAK, JP
Acting Government Chief Information Officer

Mrs DO PANG Wai-yee
Acting Deputy Government Chief Information Officer
(Planning and Strategy)
Office of the Government Chief Information Officer

Ms Caroline FAN
Chief Systems Manager (E-government Policy and
Development Division)
Office of the Government Chief Information Officer

**Attendance by
invitation**

: Agenda Item VI

Hong Kong Cyberport Management Company Limited

Mr Nicholas YANG
Chief Executive Officer

Mr Cavan CHEUNG
Chief Financial Officer

Clerk in attendance

: Ms YUE Tin-po
Chief Council Secretary (1)3

Staff in attendance

: Mr Watson CHAN
Head (Research and Library Services)

Mr Thomas WONG
Research Officer 4

Ms Annette LAM
Senior Council Secretary (1)3

Ms Guy YIP
Senior Council Secretary (1)5

Ms May LEUNG
Legislative Assistant (1)6

Action

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)943/07-08 -- Minutes of meeting held on 14 January 2008)

The minutes of the meeting held on 14 January 2008 were confirmed.

II. Information paper issued since last meeting

2. Members noted that no paper had been issued since the last meeting held on 29 January 2008.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)975/07-08(01) -- List of outstanding items for discussion)

LC Paper No. CB(1)975/07-08(02) -- List of follow-up actions)

3. Members noted that the next regular meeting would be held on 14 April 2008 from 2:30 pm to 4:30 pm to discuss the following items proposed by the Administration:

- (a) Follow-up actions on the issues relating to Internet disruptions caused by earthquake damage to undersea cables; and
- (b) Progress update on the implementation of Film Development Fund.

(Post-meeting note: At the instruction of the Panel Chairman, an additional item, i.e. "Issues relating to the English title of the Office of the Government Chief Information Officer" was added to the agenda for next meeting. Members were informed of the addition vide LC Paper No. CB(1)1154/07-08 issued on 31 March 2008.)

IV. Proposed research outline on regulation of radio broadcasting services in selected places

(LC Paper No. CB(1)975/07-08(03) -- Proposed research outline prepared by the Research and Library Services Division of the Legislative Council Secretariat)

Briefing by the Research and Library Services Division of the Legislative Council Secretariat

4. At the invitation of the Chairman, Head of the Research and Library Services Division (H(RL)), of the Legislative Council (LegCo) Secretariat briefed members on the outline and the scope of the proposed research to be conducted on the regulation of radio broadcasting services in four selected overseas places including Canada, the United States, the United Kingdom and Australia. Members noted that the research would focus on the following aspects of regulation of radio broadcasting:

- (a) government's radio broadcasting policy;
- (b) regulatory authority of radio broadcasting services;
- (c) licensing of radio broadcasting services, including spectrum allocation and licensing fee;
- (d) efforts to promote public access channels; and
- (e) development of digital radio broadcasting.

H(RL) said that the research report would be completed and presented to the Panel in June 2008 to facilitate members' deliberation on the situation in Hong Kong.

5. Ms Emily LAU thanked the LegCo Secretariat for conducting the research and called on the Administration to share related information on hand to facilitate members' deliberation on the matter. She hoped that overseas experience would provide useful reference for members' consideration of the impact of financial capability as pre-qualification criteria on the spectrum allocation and market entry of new providers.

6. Members agreed to the proposed research outline as set out in LC Paper No. CB(1)975/07-08(03).

V. Provision of consumer information in relation to residential broadband use in Hong Kong

(LC Paper No. CB(1)975/07-08(04) -- Paper provided by the Administration

LC Paper No. CB(1)975/07-08(05) -- Extract of minutes of special meeting held on 18 July 2007)

Briefing by the Administration

7. Deputy Secretary for Commerce and Economic Development (Communications and Technology), DSCED(CT) and Acting Director-General of Telecommunications (Atg DG of T) briefed members on the initiatives undertaken by the Office of the Telecommunications Authority (OFTA) to enhance consumer information and public understanding of the available broadband services after the Panel meeting in July 2007. Atg DG of T highlighted the salient points in the following three areas:

(a) *Performance pledges published by the internet service providers (ISPs)*

The five major broadband ISPs in Hong Kong (i.e. Hong Kong Broadband Network Limited (HKBN), Hutchison Global Communications Limited (HGC), New World Telecommunications Limited (NWT), PCCW IMS Limited (PCCW-IMS) and Hong Kong Cable Television Limited (HKCTV)), which together accounted for 97% of the market share, had reached agreement with OFTA on a set of performance pledges relating to five areas concerning network reliability, service restoration, customer hotline performance, customer complaint handling, and technical performance. The performance pledges were published by the ISPs on their respective websites. To enhance transparency, the actual performance statistics as measured against the pledges would be published for public information within one month after the end of each quarter as from April 2008.

(b) *Consumer education on Internet and computer use*

Following discussion with relevant organizations and Government agencies, a consumer education campaign including short TV programmes and distribution of DVDs to enhance public understanding of broadband services would be launched in the second half of 2008.

(c) *Best practice Indicators*

To improve industry practices in selling fixed-line and broadband services, Telecommunications Authority (TA) had, in a TA statement

published on 27 February 2008, set out five best practice indicators for ISPs to observe to prevent misleading and deceptive sales conduct. Failure to comply with the best practice indicators would constitute a breach of section 7M of the Telecommunications Ordinance (TO) (Cap. 106).

Discussion

Performance pledges and best practice indicators

8. Ms Emily LAU said that she was pleased to note the Administration's and the ISPs' initiatives in establishing performance pledges and best practice indicators, and also the quarterly release of actual performance statistics for public information to safeguard the rights and interest of consumers. She, nevertheless, was concerned that the best practice indicators and performance pledges were not service guarantees and that non-compliance with the guidelines would not attract any penalty. She sought elaboration on the measures put in place by the Administration to ensure consumer protection.

9. In response, DSCED(CT) recapped that at the Panel meeting in July 2007, a number of deputations gave the view that there were practical difficulties for the ISPs to provide 100% guarantee on some service parameters, such as service connectivity, as they had to rely on the performance of third party networks and the overall state of the Internet which were not wholly controlled by individual ISPs. He highlighted that although the performance pledges were not service guarantees, these were public commitments made by the ISPs and they would make their best efforts to ensure that the pledged service standards were achieved. Regular publication of performance pledges and actual performance statistics would enable consumers to compare the performance of individual ISP, verify whether the ISPs were meeting their pledged service standards and make informed decisions in selecting ISP. Atg DG of T supplemented that the ISPs would run the risk of breaching section 7M of the TO if the best practice indicators relating to the promotion, marketing and advertising of telecommunications services were not observed. He stressed that the Administration attached great importance to safeguarding the rights and interests of consumers and took a serious view on complaints about unscrupulous sales practices and substandard telecommunications services. He also assured members that OFTA would continue to monitor the performance of ISPs and take enforcement action as appropriate for any breaches identified during inspections or established through the complaint mechanism.

Consumer education

10. Noting that about \$1 million would be spent on consumer education programmes including the production of DVDs to educate the public about the use of computers and the Internet in home, Mr SIN Chung-kai considered that the resources could be put to better use by setting up a "call centre" with a manned hotline service to handle public enquiries and complaints. He noted that TA as an industry regulator should mainly be responsible for law enforcement and

investigation of breaches of TO, while the service operators' main concern was on the maintenance of service delivery. As disputes and complaints were mainly caused by consumers' lack of technical understanding, or were related to contractual disputes, service quality, and billings for which arbitration was required, it would be more cost effective for the hotline team to triage the complaints received and provide appropriate assistance, such as technical assistance, mediation service, or referral to TA.

11. Atg DG of T agreed with Mr SIN Chung-kai that a missing link in the chain of Internet service provision was that there was no designated body to handle consumer complaints arising from consumers' lack of technical knowledge, or complaints relating to contractual disputes and issues that did not fall within the scope of section 7M. Although there was no breakdown on the nature of some 3,700 complaints received by the Consumer Council (CC), the consumer survey commissioned by OFTA revealed that the majority of consumer complaints was mainly due to consumers not fully conversant with the use of computers and the Internet. As such, it was considered helpful to conduct an on-going consumer education programme in conjunction with other stakeholders including the Communications Association of Hong Kong, the Hong Kong Internet Society, and CC. Noting that some professional groups had operated a similar hotline service to help small and medium enterprises when e-trading was first introduced, DSCED(CT) undertook to study Mr SIN's suggestion with TA.

Admin

Customer complaint settlement scheme

12. Ms Emily LAU enquired about the progress made in the setting up of a customer complaint settlement scheme for voluntary participation by ISPs. In response, DSCED(CT) and Atg DG of T said that OFTA was now having active discussions with various major telecommunications service operators on the details of the pilot scheme, including the procedures for handling complaint cases. An announcement would be made when the scheme was ready for implementation.

13. Ms Emily LAU welcomed the pilot customer dispute settlement scheme which she hoped could be launched as soon as practicable. Noting that CC had received some 3,700 Internet related consumer complaints at the end of 2007, Ms LAU said that the high complaint figure gave no cause for complacency. She called on the Administration to closely monitor the situation to see if the various improvement measures could help reduce the number of complaints. In the event that self-regulation by the industry proved to be ineffective, the Government should consider alternative regulatory measures.

14. DSCED(CT) replied that as indicated by the Secretary for Commerce and Economic Development in his reply to a question raised by Hon James TO at the LegCo meeting held on 5 March 2008, the Administration would continue to monitor the market situation, review the effectiveness of various initiatives, and consider different measures to protect the rights and interests of consumers. To reinforce consumer protection, OFTA had recommended to include a condition in the future unified carrier licence requiring licensees to comply with any codes of

practice or guidelines that the TA might issue for the purpose of protecting and promoting the interests of consumers for telecommunications goods and services. He believed that the new condition could provide a regulatory framework to deal with contractual disputes over telecommunications services. Pointing out that the number of complaints was trending down from 4,000 in 2006 to about 3,000 in 2007, he said that in the event that various service improvement measures, consumer education programmes and self-regulatory measures adopted by the industry failed to improve the complaint situation, the Government would consider other appropriate regulatory measures.

15. In response to Ms Emily LAU's enquiry on the composition, powers, and mechanism of the proposed settlement scheme, DSCED(CT) and Atg DG of T explained that disputes between consumers and service operators that could not be satisfactorily resolved would be brought to the committee for arbitration. The voluntary pilot scheme involving interested telecommunications operators and independent third party arbitrators who provided free professional service would be put on trial for a period of 12 months, after which a review would be made to assess the effectiveness of the scheme.

16. Noting that no professional fees would be charged by the participating arbitrators during the piloting period, Ms Emily LAU raised concern about future funding of the scheme if it was to operate on a long-term basis. In response, Atg DG of T advised that in overseas jurisdictions, fees would be levied on service operators based on the number of consumer disputes arbitrated. DSCED(CT) highlighted that the first priority and the current focus was to get the pilot scheme started as soon as practicable. The Administration would then review and fine-tune the arbitration mechanism and deliberate on the funding arrangements in the light of operational experience and on the basis of the number of complaints handled and the workload during the trial period.

17. Ms Emily LAU opined that the Administration should consider the funding arrangements as early as practicable when assessing the feasibility and cost-effectiveness of maintaining the dispute settlement scheme on a long-term basis. Service operators should be informed early if they were required to pay for the arbitration service after the trial period. In this connection, the Chairman suggested that consideration be given to increasing the licence fee to finance the scheme or the "call-centre" suggested by Mr SIN Chung-kai. In reply, DSCED(CT) and Atg DG of T said that fee increase was a sensitive issue that had to be handled carefully. They noted members' concerns in this regard and undertook to give due consideration to future funding arrangements of the scheme.

VI. Report on the Cyberport project

(LC Paper No. CB(1)975/07-08(06) -- Paper provided by the Administration

LC Paper No. CB(1)975/07-08(07) -- Background brief prepared by the Legislative Council Secretariat)

Presentation by the Administration

18. At the invitation of the Chairman, Acting Government Chief Information Officer (Atg GCIO) updated members on the financial performance of the Cyberport Companies as reported in the audited accounts for the financial year ended 31 March 2007 (the 2006-2007 Accounts) as well as the progress made in achieving the public missions of the Cyberport Project (the Project) since its last report to the Panel in March 2007.

19. Atg GCIO advised that the 2006-2007 Accounts were the third full-year report on the Project's financial performance since the completion of the Cyberport Portion of the Project in June 2004. On the financial performance of the Project, there was a significant increase in the operating revenue to \$263 million for the year ended March 2007, as compared to \$188 million in 2005-2006 and \$136 million in 2004-2005. The operating profit before financial costs, tax and depreciation and excluding the Project income from the ancillary development was \$36 million in 2006-2007, while an operating losses of \$17 million and \$77 million was recorded in 2005-2006 and 2004-2005 respectively. The improvement in the operating profit was due to increases in rental and management fee income as well as contribution from the hotel operation. It was anticipated that significant growth in operating profit before the Project income would be reported in 2007-2008. The Project income from the ancillary development was \$3,615 million in 2006-2007 and further Project income was expected up to 2009-2010.

20. On the leasing position, Atg GCIO advised that at the end of January 2008, 64 corporate tenants occupied 86.8% of the lettable office space, compared to an occupancy rate of 73.5% and 54.3% at end January 2007 and at end January 2006 respectively. As regards the Cyberport Arcade, 84.8% of the lettable retail space had been let or occupied by 31 retail outlets by end January 2008, as compared to 84% and 27 outlets in January 2007.

21. On the public missions performance of the Cyberport Portion, Atg GCIO remarked that in general, Cyberport had successfully established an image as Hong Kong's information technology (IT) flagship and a regional hub for digital entertainment. This was reflected by the number of visits by high-ranking delegations from overseas countries and the mainland, including ministerial level visits. Between March 2007 and January 2008, Cyberport received more than 130 delegations from over 20 countries and the Mainland. He highlighted that the Administration and the Cyberport management would continue to make the best endeavour to achieve the public missions set for the Cyberport.

Discussion

Public missions

22. Ms Emily LAU expressed regret that since the completion of the Cyberport Portion of the Project in June 2004, the Cyberport had not made much progress in achieving its public missions in terms of developing a regional centre of excellence in IT, and creating a strategic cluster of quality IT and IT-related companies for developing Hong Kong into a leading digital city in the region.

23. Atg GCIO and the Chief Executive Officer of the Hong Kong Cyberport Management Company Limited (CEO/HKCMCL) said that Cyberport had to a certain extent, achieved the public missions. This was reflected in the coverage by leading overseas magazines and media; visits by delegations from similar IT set-ups in the Mainland and overseas; and cooperation agreements and exchanges made between Cyberport and local, Mainland or overseas organizations. These included exchanges made with Korea (Digital Media City); Singapore (Fusionopolis); Malaysia (Multimedia Super Corridor) and the Mainland (Suzhou International Science Park).

24. While noting that Cyberport was featured eight times in overseas media and had received more than 130 delegations from over 20 countries and the Mainland between March 2007 and January 2008, Ms Emily LAU and the Chairman opined that the number of visits by overseas delegations and overseas media coverage could not be taken as indications of Cyberport's achievement in meeting its public missions. They sought details on the ranking of the Cyberport, if any, among the world's leading IT institutions or similar projects. The Administration and HKCMCL agreed to provide relevant information after the meeting. Atg GCIO and CEO/HKCMCL stressed that the management would continue to strengthen its efforts in achieving the public missions and to deliver tangible results in the years to come.

Admin

25. In response to Ms Emily LAU, CEO/HKCMCL and Atg GCIO advised that while some delegations were invited by the Government, others visited the Cyberport on their own initiative. The Administration and HKCMCL agreed to provide details of the delegations from overseas and the Mainland visiting Cyberport since March 2007, and the breakdown of the number of persons/delegations who visited Cyberport at the invitation of the Government.

Admin

Leasing of Cyberport office and arcade

26. Referring to Cyberport's public mission of creating a strategic cluster of quality IT and IT-related companies critical to the development of Hong Kong into a leading digital city in the region, Ms Emily LAU was disappointed that Cyberport did not seem to be well sought after by IT or IT-related companies. She expressed concern that only 86.8% of the lettable office space and 84.8% of the lettable retail space in the Cyberport Arcade were occupied, and sought explanation on the relatively low occupancy rate.

27. CEO/HKCMCL pointed out that there was a steady increase in the occupancy rate of Cyberport office from 73.5% as at end January 2007 to 86.8% as of end January 2008. He advised that about 20% of the 64 corporate tenants were new business start-ups which on average had a high failure rate of 80%. Taking into account the letting policy that only those meeting the criteria in support of Cyberport's public mission would be admitted as tenants, and the average high failure rate of those new start-up tenants, the overall occupancy rate was close to 90%. As regards the leasing of the Cyberport Arcade, CEO/HKCMCL said that there were constraints in the Cyberport Arcade, particularly at its initial stage of operation, when consumer and visitor traffic was low because of its relatively inconvenient location and inadequate public transport. He assured members that apart from reliance on the Anchor-Tenant to help attract quality tenants, the Cyberport Management would continue to make the best efforts to increase visitor traffic during weekends and holidays, in order to attract retail merchants to set up business and retail outlets in the Arcade. It was hoped that the occupancy rate of 84.8% could be increased to 90% in the years to come. Ms Emily LAU enquired whether favourable leasing terms and incentives in the form of rent-free period had been offered to tenants. CEO/HKCMCL responded that all lettings were based on prudent commercial principles and in line with normal commercial practice and prevailing market conditions. For new tenancy agreements, tenants would be given rent-free periods only during the fitting out period.

28. Referring to the long waiting list for office space in the Central despite its high rental and the long queue for public housing estates, the Chairman noted that while only 86.8% of the Cyberport office was occupied, there was no waiting list for the remaining lettable office space. He enquired whether this reflected an over-supply of office space in the Cyberport.

29. In reply, CEO/HKCMCL highlighted the limitations posed by the letting policy of restricting tenancies to IT or IT-related companies. He pointed out that since 80% to 90% of the lettable space had been rented out, it might be difficult to identify prospective tenants who would find the remaining office space suitable for their needs.

30. The Chairman sought explanation as to why there were no retail shops for IT software in the Cyberport Arcade which was currently occupied by a notable number of companies running wedding businesses and real estate companies. CEO/HKCMCL and Atg GCIO explained that although there was no IT software retail outlets in the Arcade, a number of IT software companies had taken up office premises in the Cyberport. Moreover, there was a need to provide and maintain a balanced mix of facilities to meet some of the basic needs of the working population, visitors and residents at the Cyberport.

Seminars and forums held in Cyberport

31. Mr SIN Chung-kai said that he was given to understand that Mrs Regina Ip would speak at a seminar to be held in Cyberport premises in March 2008 and that

a quarter-page advertisement was carried in the newspapers to publicize the event. In view of Mrs Regina Ip's declared intention to run for the LegCo election in September 2008, Mr SIN was concerned whether the Cyberport Management was in a way involved in sponsoring Mrs Ip's election campaign. In this connection, he sought clarification on the role and involvement of the Cyberport management in the event, such as whether the Cyberport had invited Mrs Ip to be the speaker and paid for the advertisement to promote the seminar.

32. CEO/HKCMCL clarified that the Cyberport management was not involved in sponsoring Mrs Ip's election nor was there any political element in the seminar to be held on 12 March 2008. He said that for the purpose of providing an open platform for expression of views, requests for using seminar and conference facilities in the Cyberport would be considered insofar as the subject matter was IT-related and conducive to IT development. He confirmed that the advertisement for the seminar on 12 March 2008 was paid for by the Cyberport and the event was sponsored by a number of institutions. Atg GCIO supplemented that the Administration and HKCMCL were well aware of and would abide by the principle of abstaining from possible involvement in electioneering activities.

33. In this connection, the Chairman cautioned that in sponsoring Mrs Regina Ip's seminar, HKCMCL had set a precedent for similar requests from other prospective LegCo election candidates in the future, which might turn Cyberport into an IT-related election campaign forum. Sharing a similar view, Mr Albert CHAN remarked that the New Citizens' Radio would consider approaching HKCMCL to co-organize IT-related seminar and workshop in future. At the request of the Chairman and Mr SIN Chung-kai, the Administration and HKCMCL undertook to provide a report on the 12 March 2008 seminar, including the seminar topic, the number of attendees, the publicity and advertising expenses incurred, and the comparison with the expenses of similar seminars organized in the past.

Admin

Auditing and financial control mechanism

34. Mr Albert CHAN expressed strong objection against the Cyberport Project which he considered was a management mistake of the Government. He said that under the pretext of promoting IT development, the Project was in fact a real estate development project in which the developer concerned had made massive profits, while those who had purchased the stocks had suffered great financial loss due to the sharp fall in the stock price.

35. Responding to Mr Albert CHAN's enquiry on Note 8 to the Financial Statement in LC Paper No. CB(1)975/07-08(06), Atg GCIO briefly outlined the respective capital contribution of the Government and the Cyberport Developers and the arrangements of surplus distribution as per the Project Agreement signed between the Financial Secretary Incorporated and the Cyberport Developer. According to the Project Agreement, the Government was to contribute the land and provide the basic infrastructure for the Cyberport Development, while the Cyberport Developer was responsible for financing the construction costs and related expenses of the Project.

36. Noting that the surplus proceeds from the sale of the residential units would be shared according to the respective capital contributions of the Government (64.5%) and the Cyberport Developer (35.5%) after deducting the relevant expenses due and payable including the construction costs, Mr Albert CHAN was concerned whether and what auditing and financial control mechanism was in place to ensure that expenditure incurred in the Cyberport Project was fair, just and reasonable.

37. In response, the Chief Financial Officer of the HKCMCL (CFO/HKCMCL) advised that the annual accounts of the Cyberport Companies were audited by independent auditor in accordance with established accounting and auditing principles. Assistant Government Chief Information Officer (Industry Development) (AGCIO(ID)) added that the Project Agreement had prescribed the upper ceilings for the construction costs of the Cyberport Portion and the ancillary Residential Portion. He said that the Cyberport Portion of the Project was completed in June 2004 and the construction costs had not exceeded the ceiling amount. The Developer had handed over Cyberport 1, 2, 3 and 4, the Arcade and the hotel at nil consideration, resulting in a capital reserve. At the Panel's request, the Administration and HKCMCL agreed to provide information on the upper ceilings set for the construction costs of the Cyberport Portion and ancillary Residential Portion, as well as details of the financial control and auditing mechanism, if any, to ensure that expenditure incurred in the Project was fair, just and reasonable.

Admin

Discrepancy between management fee income and building management expenses

38. The Chairman noted with concern that despite an average occupancy rate of 80% for the office and the Arcade, about 40% of the building management expenses of \$104 million was not covered by the management fee income of \$53.8 million. As it was the normal market practice for the managing expenses to be covered by management fee income, the Chairman sought explanation for the great discrepancy between the management fee income and the building management expenses in the Project.

39. CEO/CMCL explained that the building management expenses covered all the expenditure for managing and operating the whole Project, including the common area and the vacant office and retail space. In response to members' further enquiry, he advised that the Government as the owner of the Cyberport Portion had not been required to pay for the management fee in respect of the unoccupied office and retail space. The Chairman and Mr Albert CHAN questioned the propriety of such arrangement. At the Panel's request, the Administration and HKCMCL agreed to account for the discrepancy between the management fee income and the building management expenses, and provide details of the management fee policy under the tenancy of the Cyberport Portion.

Admin

Marketing and promotion costs of the Cyberport Residential Portion

40. Noting that a number of expensive items, such as antiques, paintings, furniture and yacht, were used for marketing and promoting the sale of the ancillary Residential Portion, the Chairman enquired whether a mechanism was in place for approval and scrutiny of related expenses.

Admin

41. Atg GCIO replied that all expenses were examined and approved by the HKCMCL management. At the Chairman's request, the Administration and HKCMCL agreed to provide details of the marketing and promotion costs (including the inventory list of assets acquired in relation to sales and marketing) for the sale of the ancillary Residential Portion (residential flats at Bel-Air), the ownership of the assets, and details of the mechanism for approval and scrutiny of related expenses, if any.

VII. Follow-up on the allocation and expenditure by bureaux/departments under Capital Works Reserve Fund Head 710 Computerization from 2000-2001 to 2006-2007

(LC Paper No. CB(1)975/07-08(08) -- Paper provided by the Administration

LC Paper No. CB(1)975/07-08(09) -- Letter dated 15 February 2008 from Hon SIN Chung-kai (English version only)

LC Paper No. CB(1)975/07-08(10) -- Extract of minutes of meeting held on 12 November 2007)

Discussion

42. Referring to the Annex to the OGCIO's letter of 6 December 2007 to the Panel providing information on the allocation and expenditure by Government bureaux/departments under Capital Works Reserve Fund (CWRP) Head 710 Computerization for the past seven years (from 2000-2001 to 2006-2007), Mr SIN Chung-kai expressed concern about the serious under-spending in which only \$7 billion of the \$12 billion allocated to bureaux/departments (i.e. 58%) was expended. He sought explanation on the reasons underlying the tremendous difference between allocation and expenditure on the Government's computerization projects.

43. In response, Acting Government Chief Information Officer (Atg GCIO) explained that the allocation figures were the estimated expenditure allocated to bureaux/departments based on the project owners' best estimate of the cashflow requirements that matched with the planned progress of the computerization projects for a given financial year including a 5% - 10% contingency provision. He said that as the total expenditure of a given project, be it the block vote (BV) or project vote, could not exceed the Approved Project Estimate (APE), the best expenditure outturn would be about 80% to 90% in cases where the contingency

provision was unused. He added that for various reasons, if the progress of the projects or the timing for disbursement of expenditure was such that the planned cashflow for a given year could not be realized, the project owners would seek to modify the cashflow requirements which would be included in the Draft Estimates for CWRP in subsequent years. Atg GCIO pointed out that unspent estimated expenditure in a year would be included in the estimation for the subsequent year. Therefore, underspending in a particular financial year did not necessarily mean that there was underspending for the whole project. Referring to Table 2 under paragraph 7 of the Administration's paper (LC Paper No. CB(1)975/07-08(08)), Atg GCIO said that an analysis of the expenditure outturn of major projects completed during the period from 2000-2001 to 2006-2007 showed a range from 80% to 98% of the APE, while the average expenditure level for BV projects was 85% of the APE.

44. With reference to Table 1 under paragraph 5 of the Administration's paper (LC Paper No. CB(1)975/07-08(08)), Mr SIN Chung-kai noted that the actual expenditure was only about 50% of the estimated expenditure for the years 2005-2006 and 2006-2007, and underspending was particularly serious in the case of major projects.

45. In response, Atg GCIO said that the OGCI would closely monitor the project progress and the cashflow situation. To ensure optimal utilization of the approved provision, cashflow requirements of approved BV projects would be reviewed and allocated on a half-yearly or quarterly basis subject to utilization situation. Bureaux/departments were reminded to provide more realistic estimates according to the project implementation plan, to spend according to schedule and to submit regular reports to OGCI. Respective bureaux/departments were also required to provide quarterly returns to the OGCI in respect of the major projects under their control. In cases where underspending situation was identified, OGCI would liaise closely with the concerned bureau/department to provide support and advice to improve the project progress and the spending position. In this regard, the project governance mechanism was introduced since April 2006 to strengthen the governance of IT projects to ensure effective implementation and cashflow management of large scale, complex, and high risk IT projects.

Provision of computers for students

46. Referring to the Government policy objective to enhance digital inclusion and to promote wider use of computers among students so that each student in Hong Kong could have access to a computer, Ms Emily LAU enquired whether unspent CWRP funds could be used for this purpose.

47. In reply, Atg GCIO advised that the Education Bureau had separate funding allocation for the provision of computers to students and schools. Members noted that the initiative of building a digital inclusive society and developing Hong Kong into a leading digital city would be followed up under the 2008 Digital 21 Strategy.

VIII. Any other business

48. There being no other business, the meeting ended at 4:35 pm.

Council Business Division 1
Legislative Council Secretariat
30 May 2008