

**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 2007 and his Report No. 49 on the results of value for money audits were laid in the Legislative Council on 28 November 2007. The Committee's Report (Report No. 49) was subsequently tabled on 20 February 2008, 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. 49 was laid in the Legislative Council on 21 May 2008. A progress report on matters outstanding in the Government Minute was issued on 29 October 2008. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 46 below.

### **Management of the government fleet**

*(Paragraphs 3 to 4 of Part 3 of P.A.C. Report No. 49)*

3. The Committee was informed that:

#### Management of in-house maintenance work and staff

- based on the assessment made by the upgraded Government Fleet Information System ("GFIS"), which was capable of comparing the cost-effectiveness of services provided by individual in-house maintenance workshops against those provided by private contractors, the Marine Department ("MD") planned to outsource a forward-base workshop in early 2009 to tie in with the staff natural wastage profile;

#### Administration of maintenance contracts

- the MD had started a pilot scheme to test the merits of using a term contract for maintenance services for government vessels. Under this pilot scheme, a term contract for the maintenance of seven "Damen" type vessels was awarded with effect from 21 July 2008 for two years. The MD would assess the cost-effectiveness of the term contract in question and where appropriate, extend its application to maintenance services for other types of government vessels; and

#### Charging on the use of workshops by contractors

- the MD, in consultation with other relevant departments, was finalising a charging scheme for the allocation of workshops at the Government Dockyard for use by contractors. The MD targeted to implement the new charging scheme in the next workshop allocation exercise in mid-2009.

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

#### **Provision of public museum services**

*(Paragraphs 5 to 6 of Part 3 of P.A.C. Report No. 49)*

5. The Committee was informed that:

##### Acquisition and management of museum collection items

- the Leisure and Cultural Services Department ("LCSD") continued its efforts to clear the backlog of collection items pending accession in the Hong Kong Museum of History ("HKMH"), the Hong Kong Heritage Museum ("HKHM") and the Hong Kong Film Archive ("HKFA"). Of the 257,780 backlog items, the HKMH had processed most of them, leaving about 1,921 items to be accessioned. As for the HKHM, up to July 2008, a total of 13,851 backlog items were accessioned, leaving 4,899 items to be processed. Both the HKMH and the HKHM aimed to clear the remaining backlog items by mid-2010. The HKFA would have about 164,000 backlog items accessioned by September 2008 and the remaining 272,000 items were expected to be cleared by the end of 2010. The task group formed to monitor the progress of clearing collection items pending accession conducted three site inspections from September 2007 to August 2008, and would continue to closely monitor the progress of the accessioning work;
- regarding the proposed Central Museum Collection Repository to be built in Tuen Mun, the LCSD submitted in June 2008 a Project Definition Statement to the Architectural Services Department. A feasibility study of the project would be carried out. Funding for the construction of the repository would be sought in accordance with established procedures;
- the LCSD submitted a bid in November 2007 for additional temporary storage space at Yip Shing Street, Kwai Chung, for use by the HKMH and the bid was being considered by the Government Property Agency;
- upon the completion of the renovation work of the storage space at Cornwall House in Quarry Bay, the HKFA moved in the collection and film-related items in August 2008; and

##### Performance of LCSD museums

- the LCSD had implemented various improvement measures to enhance museum operation and management as recommended by the Committee on Museums. The LCSD completed the public opinion survey on museum services in September 2008 and was finalising the survey report. Starting

from 2008-2009, the LCSD had drawn up annual marketing and publicity plans to further promote the image of museums and to boost the patronage of museum programmes. A new computer-based Management Information System was also launched in April 2008 for collecting monthly statistics that would be used to facilitate planning of museum programmes which met the needs and aspirations of the public.

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

**Provision of aquatic recreational and sports facilities**

*(Paragraphs 5 to 6 of Part 4 of P.A.C. Report No. 49)*

7. The Committee was informed that:

Improving water quality of the gazetted beaches in Tsuen Wan District

- the Administration was advancing part of the Harbour Area Treatment Scheme Stage 2A disinfection facilities for commissioning in 2009. The construction works of the advance disinfection facilities commenced in April 2008. The water quality of the gazetted beaches in Tsuen Wan would improve when the advance disinfection facilities were in operation, targeted for October 2009;

De-gazetting of the Kiu Tsui Beach on Sharp Island

- the Lands Department ("Lands D") was awaiting the proposal from the private developer on the development of Sharp Island. Meanwhile, the clearance of unauthorised structures on the site by the private developer was underway. The Lands D would consult other relevant government departments, including the Leisure and Cultural Services Department ("LCSD"), upon receipt of the development proposal from the developer. The Environmental Protection Department would continue to monitor the water quality of the sandy beach adjacent to the Kiu Tsui Beach;

Alignment of fees and charges of all swimming pool complexes

- the LCSD had set up a Working Group to review all fees and charges of leisure services. The Working Group had conducted meetings to review the fee structure of recreation and sports facilities, including the alignment of fees and charges of all swimming pool complexes; and

Swimming training courses

- the Working Group had conducted meetings to review the fee level of recreation and sports programmes, including the fee level of swimming training courses.

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

**University Grants Committee funded institutions — Governance, strategic planning and financial and performance reporting**

*(Paragraphs 7 to 8 of Part 4 of P.A.C. Report No. 49)*

9. The Committee was informed that the Court of the University of Hong Kong ("HKU") resolved in December 2005 that the University of Hong Kong Ordinance should be amended so that the descriptions of the respective roles of the Council and the Court therein would be consistent with their powers as set out in the relevant statutes. The proposal for the relevant legislative amendments was discussed by the Legislative Council ("LegCo") Panel on Education on 12 June 2008. The HKU intended to submit the legislative proposal to the LegCo in the 2008-2009 legislative session.

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

**University Grants Committee funded institutions — General administrative services**

*(Paragraphs 9 to 10 of Part 4 of P.A.C. Report No. 49)*

11. The Committee was informed that:

Provision of senior staff quarters

*The University Grants Committee ("UGC") Working Group on Housing Arrangement After Deregulation of University Salaries*

- the Administration and the Secretary-General, UGC, had examined the joint proposal put forward by UGC-funded institutions regarding the funding arrangement for staff housing benefits after deregulation of salaries. A revised proposal would be submitted to the Working Group on Housing Arrangement After Deregulation of University Salaries for consideration as soon as possible; and

### Student hostels

#### *Review of the existing policy on students' grants and loans*

- the advisory committee that advised the Administration on the operation of the Tertiary Student Finance Scheme — Publicly-funded Programmes (formerly named as Local Student Finance Scheme) had previously recommended, among other things, that needy students should be provided with an accommodation expenses loan. This recommendation would be considered in the context of a consultancy study on the establishment of a simpler, more viable and sustainable mechanism for setting and adjusting the levels of student financial assistance.

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

### **University Grants Committee funded institutions — Staff remuneration packages and stipends**

*(Paragraphs 11 to 12 of Part 4 of P.A.C. Report No. 49)*

13. The Committee was informed that the Hong Kong Polytechnic University ("PolyU") submitted a revised proposal to the Administration in December 2007 to amend the relevant provisions of The Hong Kong Polytechnic University Ordinance to define more clearly the PolyU Council's role in drawing up the University's policy governing the terms and conditions of service of staff. The PolyU intended to introduce the legislative amendments to the Legislative Council in early 2009.

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

### **Services provided by the Official Receiver's Office**

*(Paragraphs 15 to 16 of Part 4 of P.A.C. Report No. 49)*

15. The Committee was informed that the Official Receiver's Office ("ORO") had implemented a pilot scheme since May 2008 to outsource debtor-petition bankruptcy cases with estimated realisable assets of not more than \$200,000 to private sector insolvency practitioners ("PIPs") on a small scale, and had started to review the cost of operation. When the pilot scheme was evaluated in the future, the ORO would also consider the proposed "cab-rank" system and some form of authorisation of PIPs.

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

**Recoverability of the outstanding advances to the UNHCR**  
(Paragraphs 17 to 18 of Part 4 of P.A.C. Report No. 49)

17. The Committee was informed that:

- the Administration had continued to urge the United Nations High Commissioner for Refugees ("UNHCR") to make renewed efforts to appeal to the international community for donations to allow early repayment of the outstanding advances, which remained at \$1,162 million. Apart from raising the issue when meeting with the UNHCR representatives in July 2008, the Security Bureau wrote to the Head of Hong Kong Sub-office of the UNHCR again in August 2008 for the purpose; and
- the UNHCR expressed that as their financial situation had not improved, it was not optimistic that repayment could be made in the foreseeable future. Nevertheless, the Administration would continue to pursue repayment of the outstanding advances.

18. As the matter had been outstanding for a long time, and the efforts made by the Administration to pursue the repayment appeared to be in vain, the Committee asked whether the Administration would take other actions to pursue the repayment, and about the Administration's assessment of the recoverability of the outstanding advances. In reply, the **Secretary for Security** stated in his letter of 23 January 2009, in **Appendix 6**, that:

- the Administration had been making every effort to recover the outstanding advances through various means. For example:
  - (a) the Security Bureau wrote to the Head of the UNHCR Hong Kong Sub-Office in March 2006, February 2007, September 2007, March 2008 and August 2008 to urge the UNHCR to make renewed efforts to appeal to the international community for donations to allow early repayment of the outstanding advances. In the letters, the Security Bureau also registered the Hong Kong community's expectation of an early recovery of the advances as well as the Legislative Council's concern on the matter;

- (b) four meetings were held in January 2007, September 2007, March 2008 and July 2008 between the representatives of the Government of the Hong Kong Special Administrative Region ("HKSARG") and the UNHCR Hong Kong Sub-Office. The issue was raised at these meetings; and
  - (c) the issue was also raised at a meeting between the HKSARG and the UNHCR headquarters in November 2008;
- the UNHCR had repeatedly conveyed the message that since they had to handle increasing number of refugees and asylum seekers globally, it was not optimistic that repayment could be made in the foreseeable future. On the other hand, the UNHCR had not withdrawn its commitment to repay such advances. It remained the Administration's understanding that the UNHCR's reimbursement to Hong Kong would be subject to availability of funds; and
  - the Administration's assessment was that it was not optimistic that full recovery of the amount due, or partial recovery could be achieved in the near future. That said, the Administration would continue to urge the UNHCR to repay the advances.

19. The Committee wishes to be kept informed of the action taken by the Administration in pursuing the repayment of the outstanding advances to the HKSARG.

**Footbridge connections between five commercial buildings in the Central District**  
*(Paragraphs 19 to 20 of Part 4 of P.A.C. Report No. 49)*

20. The Committee was informed that under the Shatin to Central Link ("SCL") project to be proceeded with by the MTR Corporation Limited ("MTRCL"), the SCL Central South Station would be deferred until a suitable site for it could be identified and the provision of its station adit and entrance would be subject to need and detailed design. Hence, the MTRCL had advised that it no longer objected to the footbridge proposal. The Lands Department was further liaising with the owners of the two concerned buildings to explore if there was any feasible solution to materialise the footbridge proposal.

21. The Committee wishes to be kept informed of further discussions with the owners of the two concerned buildings for any feasible solution to materialise the footbridge proposal.

### **Residential services for the elderly**

*(Paragraphs 21 to 22 of Part 4 of P.A.C. Report No. 49)*

22. The Committee was informed that taking into account the comments from the Elderly Commission and the Legislative Council Panel on Welfare Services on the proposal to provide infirmary care to medically stable infirm elders in a non-hospital setting, the latest plan of the Administration was to upgrade some of the places in subvented residential care homes for the elderly to provide infirmary care. The Administration was discussing with the sector the various requirements in relation to the upgrading exercise (e.g. staffing requirements) and considering the way forward. The Administration aimed to report progress to the Panel on Welfare Services in the second quarter of 2009.

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

### **Small house grants in the New Territories**

*(Paragraphs 25 to 27 of Part 4 of P.A.C. Report No. 49)*

24. The Committee was informed that in taking forward the small house policy review, the Administration had identified and considered a wide range of issues. Some proposals had been formulated and put into implementation. The remaining issues, which were complex in nature, required further and careful deliberations within the Administration.

25. As the position of the small house policy review remained the same as that reported in the Government Minute in May 2008, the Committee enquired about whether there was any progress made by the Administration as well as the action plan and expected timeframe for taking forward the review. In summary, the **Secretary for Development** responded in her letter of 29 January 2009, in **Appendix 7**, that:

- as the Administration had reported to the Committee and the Legislative Council Panel on Development, it was deliberating on the review of the small house policy, including a number of measures to optimise the implementation of the small house policy;
- the rural setting had changed significantly since the introduction of the small house policy in 1972. These changes had raised concern over the small house policy in the context of effective land resources utilisation, land use planning and environmental sustainability. On the other hand, the complicated and inter-woven issues involved in different aspects of the small house policy could not be under-estimated. These included the legal and human right considerations, the environmental impact caused by small house developments, the lack of proper planning and public land for provision of



public facilities in villages, the existence of unauthorised building works in small houses, and the persistently strong demand for land for small house developments;

- the complexity and far-reaching implications of the above considerations underlined that the review would be time-consuming. The Administration was also approaching the issue in a pragmatic manner. It was discussing with the Heung Yee Kuk on how to streamline the process of resolving objections to small house applications, improve the mechanism for reviewing the land reservation for open space and other public facilities on village layout plans, and rationalise unauthorised building works in New Territories Exempted Houses, including, among other things, small houses. Furthermore, the Administration was also exploring the feasibility of whether and how some suitable Village Expansion Area projects could be taken forward, subject to the availability of necessary funding; and
- the Administration would continue its efforts on the review of the small house policy. Taking account of the complexity and difficulty of the issues involved, the Administration would adopt a practical approach in putting forward proposals on the relevant aspects of the small house policy for consultation with the Heung Yee Kuk and the community at large.

26. The Committee wishes to be kept informed of further development on the review of the small house policy.

**Public markets managed by the Food and Environmental Hygiene Department**  
(Paragraphs 28 to 29 of Part 4 of P.A.C. Report No. 49)

27. The Committee was informed that on 11 November 2008, the Food and Health Bureau ("FHB") and the Food and Environmental Hygiene Department ("FEHD") informed the Legislative Council ("LegCo") Panel on Food Safety and Environmental Hygiene of the feedback of the District Councils ("DCs") on the review of the provision of public markets. The following were the salient points:

- *Public markets with viability problems:* The FHB and the FEHD had identified four public markets with the problems of "consistently high vacancy rate exceeding 60%" and "big deficits". These markets were the Bridges Street Market, the Mong Kok Market, the Kwong Choi Market and the Tang Lung Chau Market. There were divergent views from the DCs on closing down markets with high vacancy rates and deficits. Two DCs supported the closure of the markets in their districts whereas two others had reservation or did not support the market closure proposal;

- *Closure of the Mong Kok Market:* In order to provide assistance to the affected tenants on moving out arrangements, the Administration would provide ex-gratia payments equivalent to 24 months of rental (calculated based on the monthly rental of the stall set out in the current tenancy agreement) for tenants who chose to continue business in other FEHD markets. They would also enjoy 3-month rental waiver and be allowed to bid for new stalls in other existing public markets at 50% of the Open Market Rental as upset auction price. For those who chose to cease business, the Administration would provide ex-gratia payments equivalent to 27 months of rental (also calculated based on the monthly rental of the stall set out in the current tenancy agreement). With the support of the DC on the market closure proposal, the Administration was discussing with the tenants concerned on the moving out arrangements;
  
- *Planning standard for provision of public markets:* With the support from the DCs, the FHB and the FEHD would liaise with the Planning Department on the revision of the existing planning standard. Furthermore, the FEHD would formulate internal guidelines on planning of public markets, setting out clearly that viability studies should be conducted in assessing the need to construct new public markets. Viability studies would take into account demographic mix, business environment, opinion survey and supporting infrastructure (such as geographical location of the selected market site, surrounding transportation network, direction of pedestrian flows, and planning and development of the district). Suitable flexibility would also be incorporated into the design of a new public market to cater for changes in the retail environment with a view to sustaining the market viability; and
  
- *Way forward:* The fact that a market with the majority of stalls not being able to be let out for a considerably long time and with low patronage reflected that its role as a market was gradually diminishing in the local context. Under such circumstances, it was necessary for the Government to review whether the operation of such a market should continue to be subsidised, and to see whether the market site could be better utilised for other purposes so as to put the land to more gainful use for the benefit of the community. In the review of public markets with viability problems, the FHB and the FEHD would fully listen to the views at the district level, discuss with the relevant DCs on possible improvement proposals and consider the feasibility and cost-effectiveness of those proposals.

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

## **The acquisition and clearance of shipyard sites**

*(Paragraphs 30 to 31 of Part 4 of P.A.C. Report No. 49)*

29. The Committee was informed that:

### Resumption and clearance of the North Tsing Yi shipyard site

- given the fact that some tenants of short-term tenancies might have genuine financial and practical difficulties in arranging for the demolition of their structures, there might be a need to exempt certain clearerees from the self-demolition requirement on compassionate grounds. The relevant bureaux and departments were examining this matter. Subject to the outcome of the foregoing exercise, the Director of Lands would amend the Lands Administration Office Instructions as recommended by the Director of Audit; and

### Assessment of contamination at the Penny's Bay shipyard site

- the Lands Tribunal heard certain points of law as preliminary issues to facilitate the determination of the appropriate valuation basis for assessing compensation for the Penny's Bay shipyard site, and handed down its judgement on 25 May 2007, ruling in favour of the Administration. The ex-lessee subsequently filed an appeal, which was heard by the Court of Appeal in September 2008. The judgement was expected to be available in mid-November 2008.

30. In response to the Committee's enquiry about the judgement of the Court of Appeal, the **Director of Lands** stated in her letter of 22 January 2009, in *Appendix 8*, that the judgement was handed down on 8 January 2009 which, by majority decision of the Court of Appeal (with two of the three decisions including that of the Vice-President of the Court of Appeal allowing the appeal and one dismissing it), allowed the appeal. The Administration was seriously considering the merits of lodging an application for leave to appeal against the majority decision of the Court of Appeal to the Court of Final Appeal.

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

### **Funding of tertiary education**

*(Paragraphs 32 to 33 of Part 4 of P.A.C. Report No. 49)*

32. On the funding of self-financing activities, the Committee was informed that the University Grants Committee ("UGC") was ascertaining the amount of overhead charges involved in student hostel operation and would examine how such charges should be dealt with in consultation with the institutions. The UGC aimed to complete the process within 2008.

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

### **Government subsidies to the English Schools Foundation**

*(Paragraphs 34 to 35 of Part 4 of P.A.C. Report No. 49)*

34. The Committee was informed that the Administration would start substantive discussions with the English Schools Foundation ("ESF") on a review of the subvention arrangements after the ESF had implemented its governance reform and put in place a sound governance structure. With the recent passage of The English Schools Foundation (Amendment) Bill 2007, the Administration expected to start the discussion later in 2008 when the new governing body for the ESF was in place.

35. In view of the above, the Committee wrote to the Secretary for Education to enquire about the timetable for taking forward the review of the subvention arrangements for the ESF. In his letter of 30 January 2009, in **Appendix 9**, the **Secretary for Education** said that with the enactment of The English Schools Foundation (Amendment) Ordinance 2008, the new governing structure of the ESF was put in place in late 2008. The Administration had commenced preliminary exchange with the ESF on the tentative workplan and scope of the subvention review since December 2008. Bearing in mind that the review was a complex matter involving various issues and had a wide implication on the educational landscape, the Administration needed to examine the matter carefully with the ESF in order to achieve a mutually acceptable solution. It was hoped that consensus could be reached with the ESF by around mid-2009 on the issues to be covered and the broad principles, which would form the basis of further discussion with the ESF on details of the substantive issues from mid-2009 to mid-2010. The Administration would keep the Legislative Council informed of the progress in due course.

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

## **Corporate governance and Headquarters administration of the English Schools Foundation**

*(Paragraphs 36 to 37 of Part 4 of P.A.C. Report No. 49)*

37. The Committee was informed that:

### Corporate governance

- the English Schools Foundation (Amendment) Bill 2007 was passed on 12 March 2008. The English Schools Foundation (Amendment) Ordinance 2008 introduced amendments to The English Schools Foundation Ordinance so as to give effect to a new governance framework, which would include the following features:
  - (a) a Board of Governors would be established in which parents, School Council Chairmen and representatives of the wider community would form a substantial majority;
  - (b) there would be provisions to encourage members to attend Board meetings regularly. A code of conduct would also be drawn up requiring members to declare any interest; and
  - (c) Standing Committees would be established to audit the Foundation's management processes, to make recommendations on remuneration and terms and conditions of service for staff and to advise on a financial strategy. No employees would sit on the Audit Committee nor the Remuneration Committee;
- separately, the English Schools Foundation ("ESF") had made a new regulation under the ESF Ordinance which had been approved by the Legislative Council;
- the Amendment Ordinance commenced operation on 18 April 2008 and the new governance framework would be fully implemented before the end of 2008; and

### Action plan

- the ESF had updated its action plan as at September 2008, in **Appendix 10**. Action had been taken to repeal section 10(2) of the ESF Ordinance and address the issue of low attendance rates of members. For the rest of the recommendations of the Committee, full implementation would take place after the changes to the governance framework as effected by the Amendment Ordinance came into operation.

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

**Grant of land at Discovery Bay and Yi Long Wan**  
(Paragraphs 38 to 39 of Part 4 of P.A.C. Report No. 49)

39. The Committee was informed that:

Site boundaries of Discovery Bay and Yi Long Wan development

- following extensive and protracted consultations with the industry and related professionals regarding the implementation of practical and effective measures to deter encroachments by private developments on government land, a practice note on the matter was issued in June 2008; and
- in view of the complexity of the issues involved, the Lands Department ("Lands D") had obtained outside counsel's advice through the Department of Justice ("D of J") on how to tackle the land encroachment problems of the Yi Long Wan development. The Lands D, in conjunction with the D of J, was considering the counsel's advice.

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

**Development of a site at Sai Wan Ho**  
(Paragraphs 40 to 41 of Part 4 of P.A.C. Report No. 49)

41. The Committee was informed that:

- the Administration was continuing with its review on gross floor area ("GFA") concessions granted under the Buildings Ordinance. The Government would seek the views of stakeholders from various sectors before finalising its proposals; and
- the Administration had reviewed whether it was appropriate to impose a maximum GFA clause in the leases of future sale sites of government land. In formulating the land sale arrangement, one of the key guiding principles was the need for a clear and predictable government policy on land supply for private development, to provide certainty, clarity and consistency to the trade and to the public. For the 2008-2009 Application List, the Administration would specify the maximum GFA or plot ratio (or equivalent) in the conditions of sale of each sale site on the List.

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

**Four small and medium enterprise funding schemes**  
(Paragraphs 44 to 45 of Part 4 of P.A.C. Report No. 49)

43. The Committee was informed that:

Small and Medium Enterprises Export Marketing Fund ("EMF")

*Setting up a mechanism to collect information on benefits gained by small and medium enterprises ("SMEs")*

- the Trade and Industry Department ("TID") had engaged an independent institution to conduct a survey among the SMEs which had received grants from the EMF to collect information on the benefits gained. The survey report had been completed. Similar surveys would be carried out from time to time to gauge the views of SME beneficiaries;

*Conducting an effectiveness review of EMF*

- in the light of the findings collected from SME beneficiaries, the TID had reviewed the overall effectiveness of the EMF. According to the survey, 84% of the respondents were satisfied with the EMF, 77% considered it helpful to their business, and 85% agreed that the EMF could help their companies increase marketing activities. In addition, 68% of the respondents indicated that the EMF had helped them improve or expand their business within one year following receipt of the grants. When assessing how the EMF had helped their businesses, over 80% of the respondents reported increase in sales revenue, profits, number of customers and orders, as well as getting new types of customers. In view of this, the TID considered that the EMF was effective in helping SMEs expand their overseas markets through participation in export promotion activities and was worth continuing. Findings of the review would be submitted to the Small and Medium Enterprises Committee ("SMEC") for endorsement in late 2008;

SME Loan Guarantee Scheme ("SGS")

*Assessing the additional impacts of SGS*

- the TID had engaged an independent institution to conduct a survey among the SMEs which had obtained loan guarantee under the SGS to find out, among other things, the number of additional jobs created due to the help of the SGS. The survey report had been completed. According to the survey, 63% of the respondents indicated that they had hired one or more additional

staff with the support of the loan guarantees obtained under the SGS. The TID considered that the SGS had effectively facilitated the SMEs in job creation. Findings of the review would be submitted to the SMEC for endorsement in late 2008; and

*Drawing on overseas experience in measuring the performance of SGS*

- following the audit review in 2006, the Administration had included two new performance indicators for the SGS in the Controlling Officer's Report, namely applications received and processed as well as number of SME beneficiaries, in addition to the original indicator (i.e. amount of government guarantees issued). According to the findings of the survey report mentioned above, the current performance indicators for the SGS were broadly comparable with those adopted in other countries for similar loan guarantee schemes, showing that the Administration was generally in line with international practice.

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

**Outsourcing of the management of public rental housing estates**  
*(Chapter 3 of Part 7 of P.A.C. Report No. 49)*

45. The Committee was informed that:

Protection of non-skilled workers engaged in outsourcing contracts

- the Housing Department ("HD") had sought the views of the Financial Services and the Treasury Bureau ("FSTB") on the five-year suspension period for defaulting service contractors. In consultation with the Food and Environmental Hygiene Department, the Leisure and Cultural Services Department and the Labour Department, the FSTB had advised the HD that the existing measures as set out in Financial Circular No. 4/2006 on tender assessment and management of contractors of service contracts (excluding construction service contracts) that relied heavily on the deployment of non-skilled workers would be maintained. Noting that the Housing Authority ("HA") could decide its own procurement policy, the Audit Commission advised the HD in July 2008 that they had no further comment on the HA's policy. The HD would report the matter to the HA's Tender Committee ("TC") again by the end of 2008. At the same time, the HD would draw the TC's attention to the action taken by the HD to renew a service contract with a convicted contractor due to special circumstances and seek the TC's directions on actions to be taken on similar contracts in future;



#### Procurement of services and contract administration

- the HD had commissioned a new consultancy study to review the HA's procurement systems for works contractors and property services agents ("PSAs"), including the deduction of marks from non-financial scores during the tender evaluation of service contracts for demerit points received by tenderers. The study started in April 2008 and would take about six months. The HD would submit the recommendations of the consultancy study, including the feasibility of making the number of Default Notices issued (with or without demerit points given) as an assessment criterion in tender evaluation, to the TC by the end of 2008 for its consideration;

#### Monitoring the performance of PSAs

- to address the Committee's concern on the effectiveness of PSAs in tackling illegal hawking activities, the HD had promulgated an enhanced and streamlined work plan which was drawn up in accordance with the inter-departmental action plan for hawker control and after taking into account the recommendations of the consultancy study facilitated by the Efficiency Unit ("EU") in April 2008. The HD would take over the responsibilities of hawker control from the PSAs in case of need; and

#### Performance management and contingency planning

- the HD had kept the cost-effectiveness of different outsourcing models under regular review. Having considered the recommendations of the EU's consultancy study, the HD had drawn up a contingency plan by incorporating the standby contractor arrangement and risk management measures to cope with the situation of service disruption of property services contracts.

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