

立法會
Legislative Council

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**Panel on Commerce and Industry and
Panel on Economic Development**

**Minutes of joint meeting
held on Thursday, 28 June 2012, at 8:30 am
in Conference Room 1 of the Legislative Council Complex**

Members present : Members of the Panel on Commerce and Industry
* Hon WONG Ting-kwong, BBS, JP (Chairman)
* Hon Fred LI Wah-ming, SBS, JP
* Hon Emily LAU Wai-hing, JP
* Hon Andrew LEUNG Kwan-yuen, GBS, JP
Dr Hon LAM Tai-fai, BBS, JP
* Dr Hon Samson TAM Wai-ho, JP
* Hon Tanya CHAN
* Hon Albert CHAN Wai-yip

Members of the Panel on Economic Development
Hon Jeffrey LAM Kin-fung, GBS, JP (Chairman)
Hon Paul TSE Wai-chun, JP (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon CHAN Kam-lam, SBS, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon Paul CHAN Mo-po, MH, JP

Members attending : Hon KAM Nai-wai, MH
Hon Alan LEONG Kah-kit, SC

Members absent : Panel on Commerce and Industry
* Hon Vincent FANG Kang, SBS, JP (Deputy Chairman)
Hon Timothy FOK Tsun-ting, GBS, JP
* Hon Ronny TONG Ka-wah, SC
* Hon CHIM Pui-chung
* Hon Starry LEE Wai-king, JP
* Hon Mrs Regina IP LAU Suk-ye, GBS, JP

Panel on Economic Development
Hon Miriam LAU Kin-ye, GBS, JP
Hon Andrew CHENG Kar-foo
Dr Hon LEUNG Ka-lau
Hon IP Wai-ming, MH

(* Also members of the Panel on Economic Development)
(# Also member of the Panel on Commerce and Industry)

Public officers attending : Agenda item II

Professor Gabriel M LEUNG, JP
Director
Chief Executive's Office

Ms Bernadette LINN, JP
Private Secretary to Chief Executive

Ms Linda LAI, JP
Acting Permanent Secretary for Commerce and
Economic Development (Commerce, Industry and
Tourism)

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

Staff in attendance : Mr Derek LO
Chief Council Secretary (1)6

Ms Sarah YUEN
Senior Council Secretary (1)6

Miss Rita YUNG
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Action

I. Election of Chairman

Mr WONG Ting-kwong was elected Chairman of the joint meeting.

II. Issues relating to the hotel accommodation arrangements for the Chief Executive's duty visits outside Hong Kong

(LC Paper No. CB(1)2231/11-12(01) -- Administration's paper on hotel accommodation arrangements for the Chief Executive's duty visits outside Hong Kong

LC Paper No. CB(1)2231/11-12(02) -- Summary on Director of Audit's Special Report on hotel accommodation arrangements for the Chief Executive's duty visits outside Hong Kong

LC Paper No. CB(1)2231/11-12(03) -- Draft Hansard of Question No. 2 raised by Hon James TO Kun-sun on Audit Commission's Report on hotel accommodation arrangements for the Chief Executive's duty visits outside Hong Kong at the Council meeting on 13 June 2012)
(*Chinese version only*)

Presentation by the Administration

2. At the invitation of the Chairman, Director, Chief Executive's Office (Director, CEO) briefed members on the Administration's responses to the Director of Audit's Special Report on hotel accommodation arrangements for the Chief Executive (CE)'s duty visits outside Hong Kong (the Report), as set

out in the Administration's paper (LC Paper No. CB(1)2231/11-12(01)).

Discussion

Duty visit plan for the Chief Executive

3. Ms Tanya CHAN enquired how the duty visit plan for CE was drawn up each year. She opined that for better public accountability, it would be desirable for the Administration to publicize at periodic intervals details of the overseas duty visits undertaken by CE to enhance transparency. Concurring with Ms Tanya CHAN, Ms Emily LAU and Mr Jeffrey LAM considered that hotel accommodation expenditure incurred during duty visits was one type of sensitive expenditure which very often drew public attention, and each decision on such expenditure was important and must be able to withstand public scrutiny.

4. Director, CEO responded that from time to time, CE might make duty visits to promote a positive image of Hong Kong, to update government contacts and business communities on developments in Hong Kong, to foster bilateral relations and to enhance Hong Kong's relations with its overseas trading partners. CE was also required to attend some events at regular intervals, such as the Asia-Pacific Economic Co-operation (APEC) meeting. Each year, the Information Services Department collated the annual "Leadership Travel Plan" in consultation with the Hong Kong Economic and Trade Offices (ETOs) and Principal Officials' Private Offices. The Plan embraced the duty visit plans for CE and all Principal Officials of the Administration. Director, CEO supplemented that currently the Administration would issue press release covering CE's duty visits. The Administration had started drafting internal guidelines to incorporate the recommendations in the Report, one of which was to consider proactive disclosure of expenditures incurred during CE's duty visit, including hotel accommodation and other related expenditure (e.g. airfares and ground transportation charges).

Approval process for arranging hotel accommodation

5. On CE's duty visits, Mr CHAN Kam-lam and Mr Fred LI noted that the CEO, in consultation with the responsible ETOs or departments, would decide on the hotel, class of accommodation, duration of stay and mode of in-town transportation for CE and his accompanying staff. The Private Secretary to CE (PS to CE) endorsed the selection of hotel and class of accommodation for all CE's duty visits outside Hong Kong. PS to CE was not required to consult CE on the hotel and room type to be chosen. Where the selection required the payment of subsistence allowance at enhanced rates,

PS to CE also arranged for reimbursement of the hotel accommodation expenses and payment of 40% of the standard allowance to CE, without seeking approval from the Permanent Secretary, CEO (PS, CEO) who was the Controlling Officer of the CEO. Mr LI considered such arrangement not desirable. In this connection, Mr CHAN enquired whether it was comparable to that before the handover.

6. In response, Director, CEO advised that over the years, the Administration had not drawn up any formal guidelines for the accommodation arrangements in respect of CE's duty visits. The current term Government had followed the convention adopted over the years. The accommodation arrangements were generally comparable to those before and after the handover. The Administration admitted that the absence of explicit instructions governing the making of accommodation arrangements was not satisfactory. The Administration agreed with the recommendations in the Report that the CEO should develop appropriate rules and principles to facilitate its staff to make appropriate and reasonable expenditure decisions on hotel accommodation. Where exceptions had to be made to the internal rules and principles drawn up, the CEO should bring it to the attention of CE, so that he was given the opportunity to direct the making of alternative arrangements. Approval from PS, CEO should also be obtained for paying an enhanced subsistence allowance to CE, to provide consistency in the processing of applications within the CEO and an effective check and balance. The Administration had started drafting internal guidelines to tighten the planning and approval process.

Choice of hotel and class of accommodation

7. Mr Jeffrey LAM and Ms Emily LAU expressed concern about the factors considered by the CEO in making decisions on CE's hotel accommodation. Director, CEO responded that the Administration had always borne in mind the moderate and conservative principle when planning for CE's duty visits to overseas and in making accommodation arrangements. The CEO would normally consider various factors including quotations obtained by the responsible ETOs or departments, services and facilities provided by hotels, operational needs, including the visit programme, security, transportation and contingency requirements, whether the hotel chosen was commensurate with the purpose of the visit, and whether CE would reside in a manner that reflected credibly his status as head of the Hong Kong Special Administrative Region (HKSAR) as well as the status of Hong Kong in the international arena, taking into account the class of accommodation sponsored by overseas governments, accommodation chosen by other government heads visiting the place, the reputation of the hotel and the accommodation taken up by CEs of the previous and current terms.

8. Director, CEO supplemented that the Administration agreed with the recommendation in the Report that the CEO and ETOs should always be more cost conscious in their expenditure decisions. They should be more thorough in comparing the different classes of accommodation (including different levels of suites) available.

9. Mr Paul TSE opined that CE should avoid accepting excessively extravagant hotel accommodation sponsored by overseas governments. The Administration would, therefore, not be required to reciprocate such extravagant hospitality when the overseas officials concerned paid return visits to Hong Kong afterwards.

10. In response, Director, CEO advised that there was established standard of hospitality provided by the Administration to visiting guests such as heads of state, heads of government, ministers of foreign affairs, senior cabinet ministers, etc. The standard was adopted on the basis of protocol requirements, past experience and practices of other places. Providing state leaders with a higher level of accommodation was a standing practice in various governments.

Cost budgets

11. Ms Emily LAU opined that the CEO should prepare cost budgets before each duty visit to facilitate the monitoring of expenditure. She referred to the Director of Audit's comments in the Report and agreed that it was always a good corporate governance practice to prepare cost budgets, with proper procedures for approving post-budget revisions. These provided a form of monitoring and ensured that informed expenditure decisions, including those on accommodation, were made.

12. Director, CEO responded that the Administration would incorporate in the draft internal guidelines the recommendation in the Report that cost budgets should be prepared before each duty visit. Such cost budgets would be prepared by the CEO, the responsible Bureaux or ETOs.

CE's accommodation in Honolulu in November 2011

13. Mr CHAN Kam-lam, Mr KAM Nai-wai and Ms Emily LAU noted that for the visit to Honolulu in November 2011, CE's hotel accommodation was sponsored by the host for three nights with a limit of US\$4,000 per night and an additional night was borne by the HKSAR Government. In March 2011, the CEO decided to select a one-bedroom mountain-view presidential suite of a hotel as CE's accommodation at a charge of US\$1,368 per night.

In June 2011, the CEO changed its choice to a two-bedroom ocean-view presidential suite at the same hotel with a charge of US\$2,849 per night. There was no documented justification for such change of CE's hotel accommodation. Mr CHAN, Mr KAM and Ms LAU opined that the decision to select the two-bedroom ocean-view presidential suite was not well justified with regard to relevant considerations including the moderate and conservative principle. They also enquired about the purpose of staying for an additional night.

14. Director, CEO responded that the Administration had not been sensitive enough when making the arrangements. In retrospect, the CEO might not have made the most appropriate arrangements on some occasions. Director, CEO advised that CE had stayed for an additional night during his visit in Honolulu in November 2011 to perform official duties.

15. Director, CEO further advised that the Administration generally accepted the comments and recommendations in the Report and had started drafting internal guidelines to institutionalize the accommodation arrangements.

Post-visit reviews

16. Dr Philip WONG, Ms Emily LAU and Mr Andrew LEUNG enquired whether the Administration would evaluate the benefits brought about by each CE's duty visit. Acting Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (Atg PSCIT) responded that CE would meet with foreign key political and business leaders during his duty visits, updating them on the latest economic and political developments in Hong Kong. These duty visits could generate much goodwill and renew a lot of interest in Hong Kong amongst foreign political and business leaders, thus facilitating the work of ETOs in promoting Hong Kong's economic and trade interests. Director, CEO advised that in response to the recommendation in the Report, the CEO, together with the responsible Bureaux and ETOs, would conduct a comprehensive post-visit review after each duty visit to evaluate whether the visits had achieved their intended objectives, ascertain the actual costs incurred and explore any areas for improvement in future visits.

Use of credit cards and flight awards earned in official duties

17. Mr Fred LI, Ms Emily LAU and Mr Albert CHAN noted that CE had used his personal credit cards to pay for hotel accommodation expenditure of his overseas duty visits. These members expressed concern whether such credit card rewards and the flight awards earned in official duties would be

used for private purposes. They opined that the Administration should explore the use of corporate credit cards to facilitate payments during official overseas travels.

18. Director, CEO responded that the Commerce and Economic Development Bureau (CEDB) had examined the use of corporate credit cards by overseas ETOs in 2006, but most of them encountered practical difficulties in applying for corporate credit cards from the banks in their host countries. The banks were unwilling to issue corporate credit cards to the ETOs because they were not incorporated and had no credit histories. Eventually, after consulting the Financial Services and the Treasury Bureau (FSTB), CEDB decided to abandon the proposal in 2008. However, in response to the recommendation in the Report, the Administration had started to re-examine the merits of the proposal.

19. Director, CEO further advised that the Administration did not require civil servants on duty visits to claim flight awards. If, however, such awards were claimed and were credited to an officer's personal mileage account, the officer concerned was required to report the awards to the relevant department so that these awards might be used for subsequent duty trips or for redeeming suitable items for use in the office. At Ms Emily LAU's request, Director, CEO undertook to provide supplementary information on the use of credit cards and flight awards earned in official duties by government official.

(Post-meeting note: The information provided by the Administration was issued to members vide LC Paper No. CB(1)2337/11-12(01) on 9 July 2012.)

Preparatory visits

20. Mr Andrew LEUNG noted that during the two preparatory visits in relation to CE's visit in Honolulu, the San Francisco ETO and the Trade and Industry Department (TID) had hired chauffeur-driven car for carrying out 20 hotel visits. He queried the rationale for using such expensive mode of transport and conducting 20 hotel visits. Mr KAM Nai-wai noted that quite a number of officers of the Washington ETO were involved in the two preparatory visits to Brazil and Chile, one in December 2011 and another in March 2012. He opined that ETOs should optimize the number of officers deployed for preparatory visits.

21. In response, Director, CEO and Atg PSCIT advised that all hotel visits had to be conducted within office hours so that the San Francisco ETO and TID could meet with the hotel management. As a result, very tight visit

programmes needed to be drawn up. The Administration considered it operationally necessary to hire a chauffeur-driven car for in-town transportation to keep to the schedules as delay of one hotel visit would have knock-on effect on the appointments that followed. Atg PSCIT supplemented that CE attended the 19th APEC Economic Leaders' Meeting and related events from 11 to 13 November 2011 in Honolulu. As hotel rooms in Honolulu were in huge demand during that period and the ones the Administration preferred might not be available, the Administration considered it necessary to conduct more hotel visits when arranging hotel accommodation for CE.

22. Mr KAM Nai-wai noted from the media that officials of ETOs had inappropriately travelled on business class at high fares when conducting preparatory visits for CE's duty visits. He queried the rationale for not choosing the lower fare types in the same class of travel.

23. Director, CEO and Atg PSCIT responded that given the busy work schedules of the officials of ETOs and the governments/organizations they visited, there might be changes to the meeting schedules and travel dates for the preparatory visits at very short notice. The Administration considered it desirable for ETOs to choose flight tickets, though at higher fares, which allowed date and time change to the booking.

24. Mr Paul TSE noted the need for flexible travel schedule. He opined that the ETOs should consider choosing those flight tickets at lower fares, but would allow date and time change with a reasonable fee. Director, CEO took note of Mr TSE's suggestion, and advised that the Administration would be more cost conscious and more thorough in comparing the different fare types available.

III. Any other business

25. There being no other business, the meeting ended at 10:31 am.