

立法會

Legislative Council

LC Paper No. FC73/13-14
(These minutes have been
seen by the Administration)

Ref : CB1/F/1/1

Finance Committee of the Legislative Council

**Minutes of the 7th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 24 January 2014, at 3:00 pm**

Members present:

Hon NG Leung-sing, SBS, JP (Chairman)
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, BBS, MH
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon CHAN Hak-kan, JP
Hon CHAN Kin-por, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, BBS
Hon IP Kwok-him, GBS, JP

Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon Steven HO Chun-yin
Hon Frankie YICK Chi-ming
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK
Hon CHAN Chi-chuen
Hon CHAN Han-pan
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Dennis KWOK
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon CHUNG Kwok-pan

Members absent:

Hon Emily LAU Wai-hing, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Hon LEUNG Yiu-chung
Hon Frederick FUNG Kin-kee, SBS, JP

Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon WONG Yuk-man
Hon Gary FAN Kwok-wai
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, JP
Hon Christopher CHEUNG Wah-fung, JP
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen

Public officers attending:

Professor K C CHAN, GBS, JP	Secretary for Financial Services and the Treasury
Ms Elizabeth TSE Man-yeet, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Miss Annie TAM Kam-lan, JP	Permanent Secretary for Labour and Welfare
Ms Lydia LAM Sui-ping	Principal Assistant Secretary for Labour and Welfare (Manpower)
Mr Stanley NG Ka-kwong, BBS	Executive Director, Employees Retraining Board
Miss Janet WONG, JP	Commissioner for Innovation and Technology
Mr Johann WONG, JP	Deputy Commissioner for Innovation and Technology
Mr Frank TSANG	Assistant Commissioner for Innovation and Technology (Funding Schemes)
Mr Edwin KEH	Chief Executive Officer, Hong Kong Research Institute of Textiles and Apparel
Mr Simon WONG	Chief Executive Officer, Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies

Miss Amy CHAN Yuen-man	Principal Assistant Secretary for Transport and Housing (Transport) 6
Mr CHEUNG Jin-pang	Assistant Commissioner for Transport (Administration and Licensing)
Mr Wilson CHIU Wing-sheung	Principal Executive Officer (VALID and Licensing), Transport Department
Ms Rita LAU Kwei-lan	Senior Systems Manager (E-Strategy), Transport Department
Ms Jenny CHAN	Principal Assistant Secretary for Transport and Housing (Transport) 10
Mr CHUNG Siu-man	Assistant Director of Marine (Port Control)
Mr LUK Yun-lam	General Manager (Government Dockyard), Marine Department

Clerk in attendance:

Mr Andy LAU	Assistant Secretary General 1
-------------	-------------------------------

Staff in attendance:

Mr Derek LO	Chief Council Secretary (1)5
Mr Daniel SIN	Senior Council Secretary (1)7
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Christy YAU	Legislative Assistant (1)7

Action

**Item No. 1 – FCR(2013-14)53
RECOMMENDATION OF THE
PUBLIC WORKS SUBCOMMITTEE MADE
ON 7 JANUARY 2014**

The Chairman advised that the item sought the Committee's approval of the recommendation of the Public Works Subcommittee made at its meeting on 7 January 2014.

2. Dr KWOK Ka-ki expressed concern about the nearly 30% cost overrun of the Central-Wan Chai Bypass and Island Eastern Corridor Link Project. He suggested that the Administration should adopt effective measures to ensure that there would be no further significant cost overrun in the remaining part of the project.

3. The Chairman said that as no member had requested for separate discussion and voting on this project before the meeting, no officials had been invited to respond to members' queries.

4. There being no further comments from members, the Chairman put the item FCR(2013-14)53 to vote. The Chairman declared that the Committee approved the item.

Item No. 2 – FCR(2013-14)45

HEAD 141 – GOVERNMENT SECRETARIAT :

LABOUR AND WELFARE BUREAU

Subhead 700 General non-recurrent

New Item "Injection into the Employees Retraining Board"

5. The Chairman advised that the item sought the Committee's approval of \$15 billion for injection into the Employees Retraining Board ("ERB").

6. Mr LEE Cheuk-yan, Chairman of the Panel on Manpower, reported that the funding proposal was discussed at the Panel meeting on 19 November 2013. Panel members did not raise objection in principle to the proposed injection of \$15 billion into ERB. However, the Administration and ERB were requested to take note of the various concerns raised by members, including the rate of investment return of the Employees Retraining Fund ("ERF"); provision of training for young people and special service targets; the development of training courses to meet the latest manpower requirements in specific industries; and the provision of retraining allowance for trainees who attended half-day sessions of mixed mode ERB courses.

7. The Chairman directed that members' speaking time on this item should not exceed four minutes, including the Administration's reply.

Return on investment of ERF

8. Mr LEE Cheuk-yan declared that he was the Secretary-General of the Confederation of Trade Unions, which was one of the training bodies of ERB that might benefit from the funding proposal.

9. Mr LEE Cheuk-yan noted the Administration's intention to finance ERB's services and operations mainly with the investment income from the proposed \$15 billion injection. Mr LEE queried whether the Administration's objective was feasible as, even assuming that an annual rate of return of 5%

could be achieved, the funding available would only be about \$750 million, which was short of \$40 million to cover ERB's average annual expenditure of about \$790 million. In case the actual return on investment fell short of 5%, he asked if the Administration would use the principal to meet the needs of the retraining services.

10. Mr POON Siu-ping declared that he represented the Federation of Hong Kong and Kowloon Labour Unions which was also a training body of ERB. Mr POON said that the demand for retraining programmes and retraining allowances would likely be high in case of economic downturn when the unemployment rate was high. However, the investment income during that time might be reduced, and hence, not sufficient to cover the related expenses. He was worried that the number of unemployed persons who could benefit from ERB's programmes and allowances would be capped by the amount of investment return available.

11. Mr KWOK Wai-keung declared that the Federation of Trade Unions was one of ERB's training bodies. He noted that if the income from the investment of the proposed injection was not sufficient to cover ERB's operating expenses, part of the principal might have to be used. Mr KWOK asked if, under such circumstances, the Administration could provide funding to top up the investment return to make up the difference.

12. Mr LEUNG Che-cheung declared that he was the President of the New Territories Association of Societies, and some of its affiliated societies were ERB's training bodies. Mr LEUNG noted that ERB might need to use part of the principal of the proposed injection if the income from investment in a year was not sufficient to cover its expenses. If the principal was to be used consistently, Mr LEUNG asked when the Administration would expect to seek further injection from the Finance Committee.

13. Permanent Secretary for Labour and Welfare ("PSLW") recapitulated the explanation given in paragraphs 15 and 16 of the paper (FCR(2013-14)45) that a substantial portion of ERF would be placed with the Hong Kong Monetary Authority ("HKMA") so as to earn an investment return that was linked to the performance of the Exchange Fund. The investment return, together with the Employees Retaining Levy and other incomes, and the balance of ERF would be pooled together as ERB's income to cover the cash flow requirements of ERB and to ensure a stable provision of training courses and services. If the income generated was not sufficient to meet the training needs, ERB might consider using part of the principal of injection to ensure a stable provision of training courses and services.

14. Mr SIN Chung-kai said that the return on investment of the Exchange Fund in 2013 was 2.7%, and the average rates of return over the past three, five and ten years were, respectively, 2.7%, 3.5% and 4.1%. As such, he queried whether the projected annual rate of return of 5% was too optimistic and whether ERB was prepared to use part of the principal to fund various programmes.

15. PSLW said that the 5% rate of return on investment was quoted for illustration purpose only. ERB also derived its income from Employees Retraining Levy and other sources, as well as its \$1.6 billion balance of the Fund. The Administration and ERB would discuss further with HKMA on the investment strategy to be adopted for the seed money, if approved by the Finance Committee.

Programmes for ethnic minority, young people, people with disabilities and women

16. Mr LEE Cheuk-yan requested the Administration and ERB to reach out to ethnic minorities and encourage them to attend programmes designed to meet their needs. Executive Director, Employees Retraining Board ("ED/ERB") supplemented that ERB would co-ordinate with the Home Affairs Department to conduct training programmes for ethnic minorities using an outreaching mode at various Support Service Centres for Ethnic Minorities. The objective was to provide the training programmes in locations close to their neighbourhood.

17. Mr KWOK Wai-keung also suggested that part of the injected seed money should exclusively be used for organizing programmes to help young people find their career path. ED/ERB explained that young people could enrol in any of the 56 specially designed programmes for them, as well as any of the 879 courses being offered by ERB. He considered the current arrangements sufficient to meet the training needs of young people.

18. Mr LEUNG Che-cheung enquired whether young people who had completed the training courses offered by ERB could be eligible for other technical or professional or degree programmes. PSLW said that ERB had extended its scope of service targets to include those aged 15 or above with education attainment at sub-degree level or below since December 2007. ERB offered full-time, free-of-charge placement-tied courses for persons who were unemployed or non-engaged. These ERB courses aimed at helping trainees to find jobs, but trainees could also enrol in training programmes leading to other qualifications on completion of the ERB courses.

19. Dr Fernando CHEUNG supported the funding proposal. Dr CHEUNG said that the Administration should make available more detailed information in training programmes for special service targets such as young people, new arrivals, ethnic minorities and people with disabilities, including the number of beneficiaries, and the types of employment they would likely take up following the completion of training courses.

20. Dr Fernando CHEUNG commented that courses designed for women should be placement-tied and support services such as child-care service should be provided to encourage women to undergo retraining and join the workforce to relieve labour shortage. Dr CHEUNG further suggested that the Administration should also encourage more ethnic minorities to undergo retraining, and to conduct vocational training for persons with disabilities using an out-reach mode. PSLW took note of members' views.

Full-day mixed mode ERB courses and training allowance

21. Mr LEE Cheuk-yan criticized the arrangement that workers who attended full-day mixed mode ERB courses were not entitled to receive training allowance for the half-day sessions. He noted that the Administration had reservation on restructuring mixed mode ERB courses into full-time mode due to resources implications. Mr LEE criticized that because of such arrangement, trainees had to incur extra time and travelling expenses to attend two half-day sessions when they could have spent one day on a full-day session instead.

22. ED/ERB responded that ERB would review the operation of the mixed full-day and half-day mode of its courses in 2014-2015.

23. Mr POON Siu-ping enquired whether the Administration would consider adjusting the level of retraining allowance for unemployed trainees which had remained at \$153.8 per day for many years. PSLW explained that the statutory limit of retraining allowance was \$4,000 per month and the Administration would review the disbursement arrangements and the level of allowance as appropriate.

24. Mr Michael TIEN said that members belonging to the New People's Party supported the funding proposal. Mr TIEN said that it was important to help the working poor to improve their livelihood through education and skills training. However, these employees might suffer income loss if they had to attend training courses during working hours. Mr TIEN suggested that the Administration should provide training allowance to low income employees to compensate for the income loss during the training period. Mr TIEN also

suggested that the Administration could introduce a pilot scheme and offer training allowance to 10 000 eligible low-income employees. The levels of allowance should be pegged to the current rate of the statutory minimum wage and should cover up to 100 training hours each. The total financial implications would be around \$30 million a year.

25. PSLW said that ERB was also offering half-day or evening non-placement-tied courses which catered mainly for employees or people planning for a career change. Trainees who had no or low income might apply for full or partial course waiver. As regards the proposed provision of training allowance to low-income employees undergoing retraining in ERB courses, ED/ERB said that in 2012-2013, ERB's expenditure on retraining allowance was about \$72 million. Providing the training allowance as suggested by Mr TIEN would increase ERB's expenditure on retraining allowance by more than 40%. The substantial increase in expenditure might affect the resources available for operating other retraining programmes. Furthermore, under the current policy, retraining allowance was only payable to trainees who were unemployed or non-engaged. To provide training allowance to working trainees would involve a fundamental policy change and required careful consideration.

Funding of ERB operations

26. Mr KWOK Wai-keung noted that another source of ERB's income was the Employees Retraining Levy on the employers of imported labour under the Supplementary Labour Scheme. However, the contribution from the Levy was rather small. He asked if the Administration would consider the suggestion by the Federation of Trade Unions on collecting levies under the General Employment Policy, Admission Scheme for Mainland Talents and Professionals and the Quality Migrant Admission Scheme.

27. PSLW said that the Supplementary Labour Scheme and the various talent admission schemes served different policy objectives and should be considered separately. The Supplementary Labour Scheme allowed for temporary importation of labour to relieve the labour shortage in certain sectors and enabled local labour to undergo retaining to expand their skills sets. Employers were required to share the cost of the retraining programmes. On the other hand, overseas talents were admitted under the various talent admission schemes to enhance Hong Kong's competitiveness. In many of the cases, the talents who came to Hong Kong did not have employers. It was not appropriate to impose a levy on these overseas talents.

28. Mr LEUNG Kwok-hung commented that ERB did not have a clear policy focus on the skill sets that should be developed among the workforce. He queried why the Administration had to take up the responsibility for retraining unemployed persons or special service target groups. He said that the private sector should organize the programmes to develop workers with the required skills. If ERB was to organize the training courses, the cost should be borne by employers instead.

29. PSLW responded that ERB was currently running training courses on specialized skills that were required by different industries in Hong Kong. These courses covered generic skills training (such as basic language or information technology skills) as well as training for special service targets. ERB had maintained close consultation with the various industries in designing the training courses. PSLW said that there were, in fact, cases where individual industries had requested ERB to conduct certain skills training programmes, and had contributed towards the cost of running those courses. As regards whether employers should bear the operating expenses of ERB, PSLW explained that many service targets of ERB were unemployed or non-engaged, and it was not possible to identify the employers to absorb the training expenses.

Addition and removal of ERB training bodies

30. Mr WU Chi-wai asked about the mechanism adopted by ERB for appointing new training bodies or removing sub-standard ones. He also asked about the mechanism for ensuring the proper spending of funds by ERB.

31. ED/ERB responded that, in selecting a new training body, ERB would consider the applicant organization's mission, service targets, standard of governance as well as its financial conditions, training facilities, quality of instructors and employer network. ERB might invite organizations that were experienced and specialized in certain vocational training programmes to join ERB as partner training bodies. ED/ERB added that ERB would evaluate the performance of training bodies against certain indicators and would impose necessary sanctions against those that did not meet the requirements.

32. PSLW explained that ERB had to make use of its resources to achieve its mission and objectives. There were internal guidelines and mechanisms to monitor and audit ERB's performance and the use of resources. The Board of ERB included, among others, representatives of the Labour and Welfare Bureau and the Labour Department who played a monitoring role. PSLW added that ERB had put in place appropriate measures to ensure that its training bodies could satisfy various performance indicators.

Employment prospects of ERB trainees

33. Mr WU Chi-wai noted that in 2012-2013, the placement rate of ERB's training courses was 82%. With the economy reaching full employment level, Mr WU queried why a higher placement rate was not achieved. ED/ERB explained that some of the trainees might not seek employment immediately after completion of retraining courses due to personal or family reasons, or because they continued to undertake other training programmes.

Membership of ERB Board

34. Mr YIU Si-wing noted that members of ERB Board were mainly drawn from banking and finance, wholesale and retail, logistics, catering, real estate, and tourism sectors. Mr YIU asked how other sectors could be represented in the ERB Board. Mr YIU also enquired how the annual income of ERB would be distributed among different training areas and how resources for new areas of training would be allocated.

35. PSLW said that the ERB Board consisted of employer and employee representatives of various sectors. In addition, ERB had set up over 20 Industry Consultative Networks to gather suggestions and comments from other business or industrial sectors on future training requirements. ED/ERB supplemented that ERB would draw up annual training plans setting out the training places for different trades. Training bodies could, according to the plans, bid for the number of training places that they would offer courses for.

Other views

36. Mr SIN Chung-kai said that many training bodies were still offering courses on vocational skills for certain jobs that were in decline. He suggested that the Administration should consider scaling down such programmes.

37. Mr TAM Yiu-chung declared that he was the Honorary Chairman of the Hong Kong College of Technology which was also a training body funded by ERB, and he was a former chairman of ERB. Mr TAM Yiu-chung supported the funding proposal for injecting seed money into ERB as the investment return would provide a stable funding source to sustain the operations of ERB. Mr TAM added that in the past, ERB had relied on annual allocation from the Government, and the amount might not be sufficient

to meet the sudden rise in demand for retraining when the unemployment rate soared in a particular year.

Declaration of interest

38. Mr WONG Ting-kwong declared that he was the convener of ERB's Industry Consultative Network for Import and Export, and he supported the funding proposal. Mr Steven HO and Mr CHAN Han-pan declared that they were, respectively, vice-president and board member of the New Territories Association of Societies. Mr Martin LIAO declared that he was Chairman of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications which had quite close working relationship with ERB.

39. There being no further questions from members, the Chairman put the item FCR(2013-14)45 to vote. The Chairman declared that the Committee approved the item.

Item No. 3 – FCR(2013-14)55

INNOVATION AND TECHNOLOGY FUND

HEAD 111 – INNOVATION AND TECHNOLOGY

Subhead 105 The Hong Kong Research Institute of Textiles and Apparel

Subhead 107 The Research and Development Centre for Logistics and Supply Chain Management Enabling Technologies

40. The Chairman advised that the item sought the Committee's approval of an increase in commitment by \$44.1 million for funding the Hong Kong Research Industries of Textiles and Apparel ("HKRITA") and by \$56.7 million for funding the Research and Development Centre Logistics and Supply Chain Management Enabling Technologies ("LSCM").

41. Mr Vincent FANG, Chairman of the Panel on Commerce and Industry, reported that the proposal was discussed at the Panel meeting held on 19 November 2013. Panel members supported in principle the funding proposal to extend the operation of HKRITA and LSCM to 2016-2017. Panel members suggested that the research and development ("R&D") centres should further reach out to, and forge closer ties with, the commerce and industrial sectors to develop more R&D projects relevant to the needs of the industry, and particularly, small and medium enterprises.

42. Some Panel members pointed out that the enhancement of R&D and innovation and technology capability was a long-term investment. The Administration should avoid taking short-term monetary income as the sole

performance indicator to measure the effectiveness of R&D centres. The Administration should take proactive steps in identifying the needs for setting up new R&D centres in other focus areas.

43. Panel members urged the Administration to devote more resources to promote innovation and technology as well as R&D development. Private sector should be encouraged to invest in R&D. The Administration should also place more emphasis on nurturing local R&D talents and attracting overseas experts to work in Hong Kong, so as to strengthen Hong Kong's R&D capabilities.

44. Mr Steven HO enquired if HKRITA had been able to provide material assistance to the textile industry. He asked the Administration to provide statistics to demonstrate that the Government's support had benefited the textile industry as a whole and not just a few companies.

45. Commissioner for Innovation and Technology ("CIT") said that during the first five years of operation from 2006 to 2011, HKRITA had commenced 51 new projects, and in the two-year period between 2011 and 2013, 33 new projects had commenced. For LSCM, the corresponding numbers of new projects commenced during the respective periods were 29 and 18. CIT added that HKRITA and LSCM had achieved an overall industry contribution of 25.6% and 18.1% respectively for the two-year period from April 2011 to March 2013, up from 12.4% and 12.3%, respectively, during the first five years of operation. CIT said that the R&D centres had brought benefits to the relevant sectors as a whole as a number of their R&D outcomes had been successfully transferred to the industry.

46. Chief Executive Officer, HKRITA said that HKRITA had taken proactive steps to work with the textile industry to face new challenges and competitions from overseas markets. He added that HKRITA had co-operated with many R&D companies, including large international corporations as well as local small enterprises.

47. Mr CHUNG Kwok-pan declared that he had been a board member of HKRITA. He said that HKRITA had been making considerable progress over the past two years and was now among the outstanding ones in Asia; HKRITA was beginning to make profit from its operations. Mr CHUNG said that these R&D facilities were important for the restructuring and upgrading of traditional industries such as textiles. Mr CHUNG pointed out that HKRITA would co-operate with other R&D centres overseas on new research projects. In the light of these developments, Mr CHUNG supported the funding proposal.

48. Mr Frankie YICK commented that Hong Kong fell behind Singapore and China in terms of innovation and creativity, and the overall investment on R&D did not exceed 1% of Hong Kong's Gross Domestic Product. Mr YICK said that HKRITA and LSCM were playing an important role in contributing to the R&D efforts of Hong Kong. He commented that LSCM had conducted useful research projects as well as introduced new technologies that had benefited the logistics sector. He therefore supported the funding proposal.

49. Mr YIU Si-wing asked in what areas the industries could contribute towards the operations of the R&D centres and how they would benefit in the process. CIT explained that the industries could participate in collaborative R&D projects where they, in general, would only need to contribute a minimum of 50% of the project cost. The industry sponsors would be entitled to own or utilize exclusively the project's intellectual property ("IP") depending on their level of contribution, and could enjoy a rebate of 30% of their contribution under the R&D Cash Rebate Scheme. Alternatively, the industries could participate in platform projects where only 10% of industry sponsorship was required. Although the industry sponsors would not own the project IP generated from platform projects, they could obtain more favourable licensing terms of the R&D results commensurating with their levels of contribution and gain first-hand knowledge of the technologies under development through their involvement in the R&D stage.

50. CIT added that a Public Sector Trial Scheme had also been launched to promote the application of R&D results in the public sector which would benefit the community. Chief Executive Officer, LSCM illustrated with examples of the application of radio-frequency identification, Internet-of-Things and global positioning system technologies in the logistics and supply-chain and construction sectors.

51. Mr Charles MOK supported the funding proposal. He commented that the Administration should make reference to overseas experience and open up the intellectual properties of the projects funded under ITF in the public domain. He also suggested that the Administration should step up publicity of the achievements of the R&D Centres and the benefits to the community. The Administration took note of members' views.

52. There being no further questions from members, the Chairman put the item to vote. The Chairman declared that the Committee approved the item.

Item No. 4 – FCR(2013-14)54

CAPITAL WORKS RESERVE FUND

HEAD 710 – COMPUTERISATION

Transport Department

New Subhead "The Vehicles and Drivers Licensing Integrated Data System Infrastructure Enhancement Project"

53. The Chairman advised that the item sought the Committee's approval of \$71,284,000 for enhancing the infrastructure of the Vehicles and Drivers Licensing Integrated Data System IV of the Transport Department.

54. Mr CHAN Kam-lam, Chairman of the Panel on Transport, reported that the Panel discussed the funding proposal at its meeting held on 20 December 2013. Panel members supported the funding proposal in principle.

55. Some Panel members urged the Administration to tackle the problems of the existing system on updating licensees' postal address. Other Panel members suggested that the Administration should provide more user-friendly services, such as issuing telephone text messages to remind drivers to renew their vehicle licences and provide more convenient web-based services. Panel members also requested the Administration to consider notifying the owners of commercial vehicles whenever traffic penalty tickets were issued against the drivers.

56. Mr Charles MOK supported the funding proposal. Mr MOK noted that the project estimates included a component for setting up a data centre for the proposed system. He said that it would be more cost-effective for the facilities to be integrated into the centralized data centre if the centre could be set up under the office of the Government Chief Information Officer. In this connection, Mr MOK urged the Administration to expedite the process of setting up the centralized data centre so as to save the costs of other departments installing their own isolated data centre facilities.

57. The Chairman put the item to vote. The Chairman declared that the Committee approved the item.

Item No. 5 – FCR(2013-14)56

HEAD 100 – MARINE DEPARTMENT

Subhead 603 Plant, Vehicles and Equipment

58. The Chairman advised that the item sought the Committee's approval of \$46.4 million for the replacement of four patrol launches of the Marine Department ("MD").

59. Mr James TIEN, Chairman of the Panel on Economic Development, reported that the Panel discussed the funding proposal at its meeting held on 16 December 2013. Members supported the funding proposal.

60. Panel members had expressed concern whether MD's fleet of 25 vessels was sufficient in preventing illegal entry of vessels and whether the proposed replacement vessels could help enhance MD's capacity in this area of work. Some Panel members queried the justifications for the Administration to acquire larger replacement vessels which consumed more fuel, and hence, required higher recurrent operating cost, but without any significant gain in terms of speed. Other Panel members suggested that the Administration should draw up a more detailed and systematic vessel replacement plan.

61. Mr WONG Kwok-hing supported the policy direction of the proposal. He asked whether the Administration would take the opportunities of vessel replacement exercise to support the local shipbuilding industry. General Manager (Government Dockyard) ("GM(GD)") responded that the Government abided by the Agreement on Government Procurement of the World Trade Organization ("WTO"). The contract for replacement of the patrol launches would need to be awarded through an open tender process, and no subsidy could be provided for local shipbuilding operators. GM(GD) added that, in fact, some of the contractors, who might be local shipbuilders, would subcontract their shipbuilding work to overseas or Mainland workshops where the costs were lower. Giving preference to local companies might not necessarily benefit the local shipbuilding industry.

62. Despite the Administration's explanation, Mr WONG Kwok-hing requested the Administration to consider adding appropriate terms and conditions in the tender document which might be beneficial to local shipbuilding industry and without contravening the WTO requirements.

63. Mr IP Kwok-him noted that the existing four launches had been in service for 18 years. He asked whether their serviceable life could be further extended, and whether the new vessels would have a longer serviceable life. Mr IP further enquired whether the latest technologies would be incorporated in the proposed new launches.

64. Assistant Director of Marine (Port Control) ("AD of M") explained that patrol launches with fibre-glass hulls (such as those vessels to be replaced)

had a normal serviceable life of around 15 years. MD would conduct thorough examination of these vessels near the end of their serviceable life to determine whether it was more cost effective to continue to maintain them or to replace them with new vessels.

65. AD of M said that even with the approval of the Finance Committee, the new vessels would not be delivered until three years later, by which time the existing patrol launches would have been in service for 21 years. AD of M said that if the patrol launches were not replaced, the future operation down-time and maintenance costs would increase substantially.

66. As regards the equipment and installations, AD of M explained that reviews would be conducted on the equipment requirements for the new vessels. The equipment to be installed would be based on the current and future operational needs and the latest technologies would be adopted where appropriate.

67. There being no further questions from members, the Chairman put the item to vote. The Chairman declared that the Committee approved the item.

68. The meeting was adjourned at 4:36 pm.

Legislative Council Secretariat

7 May 2014