

**Public Accounts Committee
Public Hearing on
Report No. 63 of the Director of Audit
Chapter 3 & Chapter 4**

Opening Remarks by the Director-General of Civil Aviation

We accept the Audit Commission's recommendations and appreciate the comments and views made in its audit report. In response to the recommendations raised by the Audit Commission, we have taken effective measures immediately and have strengthened internal controls, with a view to complying with all relevant government regulations and guidelines.

Before I answer Honourable PAC Members' questions on various parts in the report related to the Civil Aviation Department (CAD), I would like to take this opportunity to express that CAD colleagues understand the need to comply with government regulations and approval procedures. As far as the new CAD Headquarters (HQ) project is concerned, the provision of furniture and equipment, and the planning of office accommodation requirements are all based on the department's operational needs. For CAD colleagues, the new CAD HQ is an unprecedented building project. Although the whole project was completed as scheduled and was within the approved budget, I do admit that our colleagues lacked adequate experience to manage this kind of special project well. The non-compliances mentioned in the audit report are mainly due to our staff's inadequacies in following the approval procedures and in communication. Being the head of the department, I assume supervisory accountability for these inadequacies.

On the administration of the air traffic control and related services, the audit report has revealed room for improvement in the management of major procurement projects, in conducting cost-benefit analyses, in following up on overdue en-route navigation charges and in the management of the mandatory occurrence reporting database. Taking heed of the lesson learnt, CAD has revised its internal guidelines and taken enhancement measures to improve management effectiveness.

Now, I would like to outline the corrective actions we have taken in response to the various aspects covered by the audit report, and brief the committee on the latest developments.

Chapter 3 – the New CAD HQ

Part 2: Provision of Reserve Space for Future Expansion

We admit that our handling of the 1 500 m² of expansion space reflected our inadequacies in understanding. Communication between departments should be improved, and we should provide the Legislative Council with more comprehensive and updated information. We have updated our project procedures handbook and have promulgated improvement measures to all our project officers. We are liaising with the Civil Service Training and Development Institute to provide relevant training to our colleagues involved in the handling of projects.

Members may have noted that, as reported in paragraph 2.22 of the audit report, the Property Vetting Committee (PVC) had approved, in October 2014, our request to use 926 m² of the 1 500 m² of the reserved area for accommodating 119 additional staff members who had joined CAD after 2007. This reflected that, in terms of operational requirements, there was a need for CAD to reserve space for future expansion at the time of the construction of our new HQ. At that time, both CAD and the Architectural Services Department considered that the reserved space could be built and this arrangement would be pragmatic and more cost-effective.

For the remaining 574 m², we have sought assistance from the Government Property Agency (GPA) so that other government departments could make interim uses of this space before CAD would confirm its long-term use. We would work closely with GPA on this matter.

Part 3: Control over Deviations from Approved Schedule of Accommodation

The Audit Commission has pointed out that three of the facilities in our new HQ were not built in accordance with the approved schedule of accommodation, namely the toilet/shower facilities in the Director-General of Civil Aviation's office, the multi-function room and the rest rooms for accident investigators.

When CAD received media enquiries regarding these facilities last year, we took the initiative to re-examine the approved schedule of accommodation and found that the three items mentioned above were not in compliance with the approved schedule. In December 2013, with the consent of GPA, we turned the toilet/shower facilities in the Director-General (DG)'s office into a departmental store room and permanently blocked the door leading to the DG's office,

dismantled the handrail in the multi-function room, and permanently covered the wall mirror.

As to the rest rooms for accident investigator, we are seeking the views of GPA and the Financial Services and the Treasury Bureau (FSTB) to use that space as a common rest area as originally approved by the PVC in a cost-effective manner.

Part 4: Provision of Furniture and Equipment

We have conducted an overall review of the operational needs for all the LCD units purchased under the multi-media presentation system, with a view to maximising their usage as far as practicable. We have also sought FSTB's covering approval. Upon obtaining FSTB's approval, we will consult the Government Logistics Department on proper ways to redeploy surplus LCD units to other bureaux/departments.

Chapter 4 – Administration of the Air Traffic Control and Related Services

I now move on to provide further information in respect of Chapter 4 – Administration of the Air Traffic Control and Related Services.

Part 2: Management of the New Air Traffic Control Project

We accept the Audit Commission's views and comments, but at the same time we would like to make it clear that there was no cost overrun. Aviation safety is our topmost priority. The new air traffic control (ATC) system must meet stringent ATC requirements before commissioning. We would continue to urge the system contractor to expedite actions on rectifying the outstanding deficiencies/observations in the new system and would closely monitor the remaining contract work to ensure minimum project delay.

On the ageing of the existing ATC system, we have implemented appropriate measures and have stepped up maintenance efforts to keep it in smooth operation until the new ATC system is available.

Part 3: Management of the Precision Runway Monitor Project

In managing major equipment projects in the future, we will strengthen project appraisal to ensure full evaluation of uncertainties and risks impacting on project viability. The main objective of this project, which was implemented

almost 20 years ago, was to enable higher runway capacity for the new airport's two runways. Before the precision runway monitor radar could achieve its anticipated objective, CAD had achieved it by continuously optimising ATC procedures, flight operations and meteorological conditions for approaches. During the 16 years from the commissioning of the new airport back in 1998 to the present, runway capacity has been increased to 66 movements per hour from 31 movements per hour. In 2015, it will further be increased to 68 movements per hour, exceeding the maximum capacity of 63 movements per hour for the dual runways estimated in the 1994 Airspace Design Study.

Conclusion

To follow up on the recommendations in Chapter 3 & Chapter 4 in Report No. 63 of the Director of Audit, I, as the head of CAD, will personally supervise and take effective improvement measures, and also strengthen internal management, to ensure compliance with relevant government regulations and guidelines. The Secretary for Transport and Housing has instructed CAD to actively take forward the recommendations put forward by the Audit Commission. In this connection, I will closely liaise with relevant bureaux and departments, and carry out the required improvement measures.

Thank you, Mr Chairman and all Honourable Members.