

(Translation)

**Opening Remarks by the Secretary for Transport and Housing at the
Public Hearing of the Public Accounts Committee of the Legislative Council
on 9 December 2014**

Mr. President,

First of all, I would like to thank the Audit Commission for conducting a thorough review and making important recommendations on the new Civil Aviation Department (CAD) headquarters and the administration of the air traffic control and related services. I would also like to thank the Public Accounts Committee of the Legislative Council (LegCo) for giving the Government an opportunity to further explain the situation. The Government has accepted all of the recommendations made by the Director of Audit, and is following them up proactively.

I would begin by giving an account of the major issues mentioned in Chapters 3 and 4 of the Report No. 63, and would then invite, via Mr. President, the Director-General of Civil Aviation and other departmental colleagues to respond.

Given the robust growth in our air traffic brought about by the rapid development of the Hong Kong International Airport (HKIA) and the regional aviation industry, we have to enhance the handling capacity of the CAD in providing air traffic control (ATC) and other aviation-related services with a view to ensuring aviation safety and efficiency. From aviation policy perspective, the Transport and Housing Bureau (THB) supported the CAD to develop a new headquarters on the Airport Island and replace its ATC system, and therefore submitted the two proposals separately to the LegCo in 2007, and obtained funding approvals from the Finance Committee (FC).

The two projects have been funded by the Capital Works Reserve Fund (CWRF). There are established procedures and guidelines in regard to the conduct of CWRF projects, which set out the duties of the relevant bureaux and departments.

As a policy bureau, the role of THB is to consider the relevant proposals made by departments under its purview taking into account our policy objectives, and to examine whether such proposals are in line with our policy direction. As I have

just mentioned, the development of the new CAD headquarters and replacement of the ATC system would help enhance the overall operational efficiency of the CAD and its handling capacity, and strengthen Hong Kong's status as an international and regional aviation hub. Therefore, the THB has given policy support to both projects.

The CAD is the user department of the new Government building and hence the client department for this CWRP project. Having obtained policy support from the THB, the CAD was responsible for defining the project scope and carrying out necessary public consultation for the project. The Architectural Services Department (ArchSD) was the project director and responsible for overseeing the quality, progress and expenditure of the project. The Director of Architectural Services was also the Controlling Officer for this project. The two departments had to work closely together to implement the project, ensuring that the project cost would not exceed the project estimate approved by the FC, and that the project scope should comply fully with the one approved by the FC.

Regarding the project for the new CAD headquarters, the Director of Audit noted that there were certain deviations from the approved project scope, and also incidents of non-compliance with the relevant regulations and circulars. As agreed by the Director of Audit in paragraph 6.2 of Chapter 3 of his report, the new CAD headquarters project was both a complex and time-critical project. On one hand, it had to cater for the specialised requirements of a modern ATC system and reserve sufficient spaces for future expansion of services. On the other hand, it had to be completed under a tight schedule. Of course, the complexity and tight schedule of the project were not excuses for the various issues pointed out in the Director of Audit's report.

As the Secretary, I am very concerned about the deviations from established procedures and requirements, and have requested the Director-General of Civil Aviation to proactively follow up the recommendations made in the Director of Audit's report, including formulating relevant internal guidelines, informing CAD staff of the audit findings and lessons learnt, and reinforcing the culture of "compliance" with the related procedures and systems. In addition, the THB has also requested the Director-General of Civil Aviation to submit a detailed report on the issues pointed out in the Director of Audit's report together with their sequence of events for necessary follow-up.

As regards the delay in the replacement of the ATC system, I have to point out that enhancing aviation safety and ATC efficiency is the prime objective of the replacement of the system. The ATC system is a major and highly complex integrated system. Prior to its commissioning, the system has to go through comprehensive testing to ensure that it operates smoothly, safely and stably that can fully comply with the latest international requirements and meet the safety standards stipulated by the CAD, which must not be compromised. The project for the ATC system is not an ordinary project of equipment replacement. The overseeing of the tendering and installation work should meet the highest international aviation standards, with a view to ensuring the system can cope with the latest development in aviation technology, and that it could operate in a safe and reliable manner.

We understand the public are concerned about the replacement of the ATC system, in particular how the delay in commissioning the new system would affect the ATC operation, the operational reliability of the existing ATC system, etc, which have been pointed out in the audit report. The CAD has accepted the various improvement recommendations made by the Director of Audit, and will continue to urge the contractor of the ATC system to expedite action in rectifying the outstanding problems in the new system and monitor the remaining contract work more closely in order to minimise further delay of the project.

Moreover, the CAD will closely monitor the operation of the existing ATC system, and has already phased in various protective measures to ensure that prior to the commissioning of the new system, safe and reliable operation of the existing system could be maintained.

Mr. President, I have attached great importance to the criticism given by the Director of Audit. Although the new CAD headquarters has largely addressed the various operational needs of the CAD, and complies with international aviation standards, and that the whole project has been completed within the contract period and approved project estimate, there are irregularities on the implementation of the project by CAD, and a review is needed. Upon receipt of the detailed report from the Director-General of Civil Aviation, we will look into the details of events in depth and their sequence to see if there is any room for procedural improvements apart from those recommended in the audit report. If there is any misconduct of staff, we will follow up in accordance with established procedures and take appropriate administrative or disciplinary action where necessary.

As regards the replacement of the ATC system, I have asked the Director-General of Civil Aviation to expedite actions to ensure timely completion of the project while ensuring the safe and stable operation of the system.

Mr. President, may I let the Director-General of Civil Aviation and the Director of Architectural Services give initial response and supplement respectively. We will then answer questions raised by Members of this Committee.

Ends/