

立法會
Legislative Council

LC Paper No. FC326/17-18
(These minutes have been
seen by the Administration)

Ref : FC/1/1(8)

Finance Committee of the Legislative Council

Minutes of the 9th meeting
held at Conference Room 1 of the Legislative Council Complex
on Saturday, 25 November 2017, at 9:00 am

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki

Hon KWOK Wai-keung, JP
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan
Dr Hon Pierre CHAN
Hon CHAN Chun-ying
Hon Tanya CHAN
Hon CHEUNG Kwok-kwan, JP
Hon HUI Chi-fung
Hon LUK Chung-hung
Hon LAU Kwok-fan, MH
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho

Members absent:

Hon Michael TIEN Puk-sun, BBS, JP (Deputy Chairman)
Hon Tommy CHEUNG Yu-yan, GBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon SHIU Ka-fai

Public officers attending:

Ms Alice LAU Yim, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Carol YUEN, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Mike CHENG Wai-man	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Jack CHAN Jick-chi, JP	Under Secretary for Home Affairs
Mr Kesson LEE	Principal Assistant Secretary for Home Affairs (Culture) 1
Mrs Clara LEUNG SO Yu-bik	Assistant Director (Administration) of Leisure and Cultural Services
Mr Chris CHONG Yan-tung, JP	Deputy Director of Legal Aid (Policy and Administration)
Mr Gabriel PAK Chun-yin	Assistant Secretary for Home Affairs (2)1
Mr Vincent MAK Shing-cheung, JP	Deputy Secretary for Development (Works) 2
Mr WONG Chung-leung, JP	Deputy Director of Water Supplies
Mr CHAU Sai-wai	Assistant Director of Water Supplies (Development)
Mr WONG Man-ching	Assistant Director of Water Supplies (Mechanical and Electrical)
Mr Robert CHAN Cheuk-ming	Assistant Director of Civil Engineering and Development (Administration)
Ms Mimi LEE Mei-mei, JP	Deputy Secretary for Security
Mr Andrew TSANG Yue-tung	Principal Assistant Secretary (Security)
Mr Patrick Douglas Gerard HODSON	Regional Commander of Police (Marine)
Ir Dr Jolly WONG Chun-kau	Chief Telecom Engineer of Police (Communications Branch) (Information Systems Wing)
Mr WONG Yu-hang	Chief Inspector of Police (Projects) (Marine Regional Headquarters)
Ir Tommy TANG Chi-wah	Telecom Engineer 4 of Police (Telecom and Electronics Division) (Information Systems Wing)
Ms Cammy LAI Hoi-fung	Senior Management Service Officer A of Police (Corporate Services Division) (Information System Wing)

Clerk in attendance:

Ms Anita SIT

Assistant Secretary General 1

Staff in attendance:

Mr Derek LO

Chief Council Secretary (1)5

Ms Ada LAU

Senior Council Secretary (1)7

Mr Raymond SZETO

Council Secretary (1)5

Miss Queenie LAM

Senior Legislative Assistant (1)2

Mr Frankie WOO

Senior Legislative Assistant (1)3

Miss Yannes HO

Legislative Assistant (1)6

Action

The Chairman reminded members of the requirements under Rule 83A and Rule 84 of the Rules of Procedure.

Item 3 — FCR(2017-18)29

WRITE-OFF OF IRRECOVERABLE LOSS

2. The Chairman advised that the item sought the approval of the Finance Committee ("FC") for writing off an irrecoverable loss of \$869,818.89, being an overpayment of housing allowances to a former contract staff ("the staff concerned") of the Leisure and Cultural Services Department ("LCSD").

Recovery action

3. Mr James TO said that according to paragraph 7 of FCR(2017-18)29, the District Court ("the Court") dismissed the Government's claim on 1 August 2008. He enquired about the reasons for the Court's decision to dismiss the claim and whether the Department of Justice ("DoJ") agreed with the Court's decision. He also enquired about the reasons for the Administration to refer the case to the Police for investigation and to take disciplinary actions against the officers responsible for the overpayment, and whether disciplinary action had been taken against the staff concerned. Mr CHU Hoi-dick asked whether the Administration had filed the claim to the Court to recover the overpayment by civil proceedings after it was notified by the Police that no action would be taken against the staff concerned. Mr LAM Cheuk-ting and Mr Steven HO demanded a detailed explanation from the Administration on the case, including why the decision was taken to launch civil recovery

action against the staff concerned and who made that decision. Mr LEUNG Yiu-chung opined that given the Court's judgment and the Police's response, the staff concerned had seemingly done nothing wrong either criminally or civilly. Instead, the case happened because the Administration kept paying the allowance to the staff concerned even when no proof of address had been received. Hence, it was unreasonable for the Administration to take recovery action against the staff concerned.

4. Under Secretary for Home Affairs ("USHA") and Assistant Director (Administration) of Leisure and Cultural Services ("ADLCS(A)") replied that:

- (a) as the Administration was of the view that proof of eligibility must be provided by the staff concerned before he could receive the allowance, recovery action was taken against him. Given the substantial sum involved, the Government took the decision in 2006 to refer the case to the Police for investigation of any possible deception or theft;
- (b) in 2007, the Police advised that no action would be taken against the staff concerned. Taking into account DoJ's legal views, the Government decided to take the case to the Court in order to recover the overpayment by civil proceedings;
- (c) the Court held that the staff concerned was eligible for the Home Financing Allowance ("HFA"), and yet he still received the Non-accountable Cash Allowance ("NCA") under the previous terms of employment, not knowing that he should have applied instead for housing benefits in accordance with the terms of employment signed with LCSD. As such, the Court held that it was unfair for the Government to demand the staff concerned to return the overpayment. Taking into account the Court's judgment, DoJ eventually advised that no further action should be taken to recover the overpayment; and
- (d) as the Government considered that human negligence was involved in the case, disciplinary actions had been taken against the responsible officers, but no disciplinary action was taken against the staff concerned.

Mr James TO suggested that the Administration should relay to DoJ the view that for those cases involving honest mistakes like the present case, it might be unfair to institute civil proceedings against the staff concerned to recover the relevant sums of money.

Write-off proposal

5. Mr CHAN Chun-ying pointed out that according to paragraph 13 of FCR(2017-18)29, so long as the staff concerned met the eligibility criteria for HFA and submitted proof of his eligibility, he would have been eligible to housing benefits equivalent to HFA with effect from the commencement of his employment contract signed with LCSD and received an amount of \$826,226.8 for the relevant allowance. In such circumstances, the amount overpaid would only be \$43,592.09. He invited the Administration to explain the said paragraph and asked whether the Administration had assessed if the staff concerned was eligible for HFA.

6. In reply, USHA said that while the staff concerned was entitled to NCA under the terms of employment with the former Urban Council ("UC"), he was only entitled to HFA under the employment contract he signed with LCSD, provided that he submitted proof of acquiring home ownership, such as a mortgage agreement, etc. The Government subsequently confirmed that the staff concerned was eligible for HFA, and the amount of housing benefits payable to the staff concerned under his contract with LCSD would be \$826,226.8. The overpaid amount was thus only \$43,592.09 if compared with \$869,818.89.

Enhanced control procedures

7. Mr CHAN Chi-chuen asked how the Administration could prevent the recurrence of similar cases in future, and whether the Administration would review the procedures for handling such cases, including whether such cases should first be referred to the Police for investigation and whether the cases must be taken to court. He also asked if the Administration had compiled any statistics on this type of cases in the past 5 to 10 years, including the number of such cases, as well as the amount of overpayment involved. Separately, he enquired about the financial limit above which FC's approval must be sought for write-off cases.

8. USHA replied that the Government had reviewed the procedures for handling this type of cases, the details of which were set out in paragraph 11 of FCR(2017-18)29. The measures taken included centralizing the vetting of this type of applications and escalating the level of approving authority. At present, such applications would require the approval of ADLCS(A). As far as the current case was concerned, the Government referred it to the Police for investigation of possible deception or theft in 2006. After confirming that no criminal offence was involved, the Government instituted civil proceedings in 2008 to demand the return of overpayment. The recovery action was handled by LCSD staff and did not incur any additional resources or expenses.

9. Deputy Secretary for Financial Services and the Treasury supplemented that over the past 10 years, there were two cases of write-off of losses which required FC's approval: one in 2011 involving some \$1.7 million and another in 2014 involving some \$800,000. Under section 38 of the Public Finance Ordinance (Cap. 2), FC's approval would be required for each case of write-off of losses involving fraud or negligence and exceeding \$500,000.

Systemic review

10. Mr Abraham SHEK suggested that the Administration should review whether any waste of resources had been incurred in the present case. Considering the current case in retrospect from the value-for-money and governance perspectives, he asked how much resources had been allocated for recovering the overpayment from 2006 till to date, and whether regard had been given to the grave disturbance and suffering caused to the staff concerned over the years. Mr Steven HO was also concerned about possible waste of resources in handling the current case. He asked how much time had been spent by the relevant staff to recover the overpayment and what follow-up actions would be taken by the Administration if the write-off proposal was not approved by FC. Expressing concern that the Administration had only reviewed the internal control procedures for payment of housing allowances for officers employed on ex-Council contract ("ECC") terms, Dr Fernando CHEUNG asked how many serving ECC staff were still eligible for the relevant housing benefits. He further suggested that the Administration should review the handling procedures of the current case.

11. Mr Steven HO requested the Administration to provide written information on the number of similar cases in LCSD where the amount of losses had been written off by the Government under FC's delegated authority (i.e. those cases involving \$500,000 or less), as well as a table showing the manpower and costs (including staff expenditure and litigation costs) involved in handling each of those cases. Ms Tanya CHAN requested the Administration to provide in writing the amount of the defendant's costs settled by the Government in the subject civil litigation case.

[*Post-meeting note*: Supplementary information provided by the Administration was issued to members vide LC Paper No. FC109/17-18(01) on 12 January 2018.]

12. In reply, USHA said that the Home Affairs Bureau ("HAB") acknowledged that the current case might have been unfair to the staff concerned, and it would urge LCSD to act with caution in future. As the recovery action was undertaken with in-house resources, no separate record had been kept for the workload or the time spent on the relevant work. That said, the Administration would relay to LCSD the need to ensure the proper use of resources. At the time of reviewing the current case, there were still 156 ECC staff in LCSD, but none of them was eligible for the relevant housing benefits. The Administration had already requested LCSD to carefully review the eligibility of ECC staff in receiving other benefits, so as to avoid the recurrence of similar incidents. Mr Steven HO called on the Administration to pay attention to the possibility of similar cases happening in other departments due to changing employment terms of the staff. He suggested that all the departments concerned should pay proper attention to this matter.

13. Mr CHU Hoi-dick considered that quite a number of similar cases might have happened in the past. He invited the Administration to clarify whether similar cases concerning other ECC staff had been discovered after the current case came to light; and if yes, the number of such cases. He also asked the Administration to confirm the number of former UC staff who had subsequently been re-employed by LCSD. ADLCS(A) advised that at the time when the current case was discovered through the Administration's internal review mechanism, only one other similar case was also found. As the amount involved was less than \$500,000, the Government had written off the sum under FC's delegated authority. Separately, a total of 692 former UC staff had been re-employed by LCSD at that time. As the relevant housing benefits were only offered to officers at Master Pay Scale Point 34 or above, not all former UC staff who had subsequently been re-employed by LCSD were eligible for the benefits.

14. Mr James TO enquired about the mechanism in place for the staff concerned to receive the relevant allowance at the time when he was re-employed by LCSD, i.e. whether the staff concerned was required to submit a form for the purpose or he could just continue receiving the allowance. In reply, USHA and ADLCS(A) said that when the staff concerned signed a new contract with LCSD on 15 December 2000, the contract did not specify which particular housing allowance to which he was entitled, yet it was expressly stated that the staff concerned would only be entitled to continue receiving the housing allowance subject to his meeting certain criteria stipulated in the relevant Civil Service Regulations. The staff concerned must also submit proof of eligibility before arrangement would be made to pay the relevant allowance. Mr TO called

on the Administration to review the mechanism and procedures for handling the current case and to consider delegating authority to the management staff so that similar cases could be handled more sensibly, for instance, through negotiation with the staff concerned for the return of the difference of \$43,592.09, thereby obviating the need for the Administration to recover the overpayment through legal action or to take action to write off the sum.

Disciplinary actions

15. Referring to paragraph 9 of FCR(2017-18)29 which stated that summary disciplinary actions had been taken by LCSD against three officers responsible for the overpayment, Mr Steven HO sought details about the mistakes made by those three officers. Ms Tanya CHAN sought information on the following: the dates when the Administration commenced and concluded the relevant internal investigation; whether any internal investigation report had been compiled; and what summary disciplinary actions had been taken and the relevant dates.

16. ADLCS(A) said that as a result of human negligence, the four responsible officers had overlooked the changing terms and conditions for payment of housing benefits and allowances upon the establishment of the new department. Hence, no request was made to the staff concerned to submit proof of his eligibility for the relevant housing allowance. When noting the case, the responsible officers had also misjudged the circumstances and still made payment for the allowance. That was why summary disciplinary actions had been taken against them. When the case was discovered subsequently, LCSD had initiated internal investigation. The internal investigation report, which was completed in July 2006, was submitted to the Secretariat on Civil Service Discipline in August 2006. By that time, one of the responsible officers had retired. Summary disciplinary actions, including verbal and written warnings, were taken against the other three responsible officers in May 2008.

17. At 9:55 am, the Chairman invited members to indicate their intention to speak for the last round by pressing the "Request to speak" button.

Minimizing delays

18. Ms YUNG Hoi-yan enquired about the reasons for the long time taken by the Administration to submit the write-off proposal for FC's approval. She also asked whether the Administration had any existing mechanism to review overpayment cases and to co-ordinate with other bureaux/departments (such as DoJ) for early resolution of such cases, with a view to improving the relevant procedures and minimizing delays. ADLCS(A) replied that regarding the current case, a number of staff were involved, and LCSD had to work in conjunction with the Financial Services and the Treasury Bureau ("FSTB"), the Civil Service Bureau ("CSB"), DoJ, etc. to study and consider what follow-up actions would be required and whether surcharge action should be taken against the responsible officers. As such, a considerable amount of time was needed. On discovering the problem, the Administration had immediately reviewed the procedures for vetting and approval of this type of applications and implemented the necessary improvement measures.

Voting on FCR(2017-18)29

19. At 10:08 am, there being no other questions from members, the Chairman put the item to vote. The Chairman considered that the majority of the members present and voting were in favour of the item and declared that the item was approved.

Item 4 — FCR(2017-18)28

WRITE-OFF OF AN IRRECOVERABLE JUDGMENT DEBT

20. The Chairman advised that the item sought FC's approval for writing off an irrecoverable judgment debt of \$663,532.91, inclusive of interest, owed to the Government by a former legally aided person ("the AP").

Recovery action

21. Referring to paragraph 6 of FCR(2017-18)28 which stated that repeated attempts had been made by DoJ to locate the AP but in vain, and that DoJ had been unable to bring the statutory demand on the AP in person, Mr LAU Kwok-fan asked whether the Administration had exhausted all reasonably practicable means of locating the AP, including alternatives such as the publication of notice in newspapers. Deputy Director of Legal Aid (Policy and Administration) ("DDLA") replied that

DoJ was responsible for all legal proceedings and advice pertaining to the recovery action. The Administration was aware that all necessary recovery procedures had been taken in accordance with the relevant legal requirements.

Efficiency of recovery action, legal costs and interests

22. Dr Fernando CHEUNG and Dr Pierre CHAN stated that according to paragraph 9 of FCR(2017-18)28, when the time limitation for all enforcement actions including bankruptcy proceedings against the AP expired on 6 May 2011, the Government had already exhausted all possible legal means to recover the debt but to no avail. There was no other alternative but to write off the debt. They asked why the Administration had only sought FC's approval for the write-off proposal until 2017. Separately, given that the AP was awarded common law ("CL") damages for work injury in the sum of \$1,250,000, and yet the legal cost payable to the Legal Aid Department ("LAD") amounted to \$663,532.91 (i.e. about half of the awarded sum), they invited the Administration to review whether the legal cost was too high. Dr CHAN also asked how the interest on the judgment debt as stated in paragraph 11 of FCR(2017-18)28 was calculated.

23. In reply, USHA said that LAD must consider how to follow up the case in collaboration with FSTB, DoJ, etc. Once it was decided that the debt was irrecoverable, the Administration had expeditiously made arrangement to seek FC's approval for the write-off proposal in the last term of the Legislative Council ("LegCo"). But given FC's heavy agenda, the Administration could only submit the current proposal to FC in 2017. In this regard, the Administration agreed that there was room for improvement as the relevant proposal should be submitted to FC more expeditiously. Dr Fernando CHEUNG and Dr Pierre CHAN called on the Administration to review the efficiency of handling this type of cases.

24. Regarding legal costs, DDLA supplemented that the AP had filed two claims respectively for employees' compensation ("EC") and CL damages for his work injuries. The AP's EC case was dismissed by the court, and the legal cost paid out by the legal aid fund was \$502,726.02. Separately, as the AP's claim for CL damages was settled in the sum of \$1,250,000, the legal cost was only several tens of thousands of dollars. Pursuant to the Legal Aid Ordinance (Cap. 91) ("LAO"), the Director of Legal Aid ("DLA") was empowered to recover DLA's First Charge that covered the legal costs for both EC and CL cases from the damages recovered by the AP in the CL claim. Regarding the calculation of interest, an interest rate of 12.86% per annum was charged for the debt

from 23 February 1999 (when a writ of summons was issued against the AP) to 7 May 1999 (when DoJ obtained a judgment against the AP). In the next six years, judgment rates (about 10% from 1999 to 2005) were adopted in the calculation of interest on the judgment debt until payment.

Improvement measures

25. Mr LEUNG Yiu-chung considered that legal aid was only granted by LAD after vetting and approval, while the claims for EC and CL damages were independent cases. The Administration should review the relevant requirements under the law as to whether it was appropriate and fair to recover the legal costs for the EC case from the damages recovered by the AP in the CL claim. Referring to paragraph 4 of FCR(2017-18)28 which stated that the case officer in LAD had overlooked the need to retain sufficient funds to cover the legal costs when releasing payment to the AP, Mr LEUNG pointed out that none of the improvement measures set out in paragraph 8 of the paper was related to verifying the amount of payment. He thus asked whether the Administration would make arrangements for other staff to verify the amount of payment, in order to avoid the recurrence of similar cases.

26. DDLA explained that while LAD would only grant legal aid after vetting and approval, there was no guarantee about the outcome of the cases. Moreover, DLA's First Charge to recover the relevant legal costs from the damages recovered by the AP in the CL claim was enforced by LAD pursuant to LAO. As far as a review of LAO was concerned, LAD would need to discuss and consider the matter with the relevant policy bureaux. Regarding the improvement measures, LAD had further enhanced the computerized Case Management and Case Accounting System ("CMCAS) in 2012 with safeguards to automatically prevent the case officer from releasing payments in excess of the amount of DLA's First Charge computed in accordance with the provisions set out in LAO and its subsidiary legislation, and to require approval for special cases by the division/section head at directorate level to prevent over-payment.

27. Mr Alvin YEUNG asked whether any mechanism and time limit had been or would be established by LAD for dealing with mistakes made by retired staff whilst in office, and whether there was any time limit for reporting this type of cases to CSB as and when they happened. Mr Steven HO was concerned that the Administration should establish a system to recover losses arising from material mistakes made by retired civil servants whilst in office. Given the current case and the need to be accountable to the public, the Administration should review the entire civil service system, in particular the disciplinary and recovery actions to be

taken against civil servants close to retirement age for mistakes they made whilst in office. DDLA replied that LAD had learnt from the incident. Should similar incidents happen in future, LAD would handle them in the first instance and report the same to the relevant departments or CSB. Taking into account the nature, gravity and circumstances of individual cases, LAD would handle them expeditiously in a timely manner.

28. Apart from the preventive and improvement measures set out in the paper for the agenda item, Mr Steven HO requested the Administration to provide the report on its review of the handling of similar incidents (including the mechanism for reporting the cases to CSB and giving an account to the community).

[Post-meeting note: Supplementary information provided by the Administration was issued to members vide LC Paper No. FC134/17-18(01) on 8 February 2018.]

Disciplinary action

29. Mr LAM Cheuk-ting said that the current case was discovered by LAD in January 1999. He asked the Administration to explain why no disciplinary action had ever been taken against the officer concerned up till his retirement in December 2004. He also asked the Administration to confirm whether any other staff in the management of LAD was involved in the case. Expressing similar concerns, Dr CHENG Chung-tai opined that LAD should take responsibility as the current case involved negligence on the part of its former staff who overlooked the need to retain sufficient funds to cover the total legal costs. He asked why LAD had resorted to legal actions to recover the overpaid amount from the AP, instead of holding the staff concerned responsible. He also asked whether LAD had provided any legal advice to the AP as to who should be responsible for paying the said legal costs.

30. DDLA explained that as no similar cases had happened before, LAD did not have any experience handling the incident. Moreover, as the recovery action was still on-going then, the amount of loss had yet to be ascertained. As such, a conclusive view on the gravity of the incident and hence the appropriate type of administrative and/or disciplinary action to be taken against the case officer could not be formed. Given the overpayment made to the AP, legal recovery actions were taken by LAD. The current case only involved one responsible officer. In retrospect, LAD considered that the incident could have been handled in a better way.

31. Mr Jeremy TAM enquired about the number of write-off cases in LAD involving negligence which did not require FC's approval because the amount of write-off was less than \$500,000. He was also concerned about the absence of disciplinary proceedings conducted by LAD, whether the responsible staff was in the Counsel grade, whether LAD would review if payments should only be made after vetting by a higher-ranking management staff, and whether CSB was aware of the current case. Mr TAM was also concerned about CSB's role in the case. If the management staff of LAD responsible for handling the case was still working in the department, CSB would need to give an account on how the current case was being followed-up or handled. He asked whether the decision of not taking any disciplinary actions against the responsible staff was recorded in any papers for the relevant meetings in LAD.

32. DDLA said that LAD had not found any write-off case involving negligence as mentioned by Mr TAM, and the responsible staff was in the Counsel grade. After the incident, LAD had reminded the staff of the appropriate work procedures and upgraded the computerized CMCAS. LAD had discussed the case with CSB in 2008/2009 because at that time, other than the current write-off case, there were other disciplinary cases of civil servants which must be reported to CSB. CSB reminded LAD then that the current case should be reported to CSB, and LAD also admitted that mistakes had been made in its judgment. Regarding LAD's management, the Director of Legal Aid in office when the case happened had already retired. LAD had also reviewed the records and confirmed that there was neither any meeting or documentary record on the case.

33. Mr Alvin YEUNG asked whether the Administration would further take any disciplinary action against the retired responsible officer. He also asked whether consideration had been given to take disciplinary action against the staff concerned when the case was reported to CSB in 2008/2009. He cited a precedent case involving the Civil Aviation Department where the Administration had condemned and expressed regret towards a deceased former Director-General of Civil Aviation for mistakes he made whilst in office. Mr LAM Cheuk-ting asked whether HAB had admitted the mistakes in its judgment at that time for not conducting disciplinary proceedings or taking disciplinary actions because the amount of loss had yet to be ascertained, whether HAB would make an apology to the public, and whether HAB would hold discussion with CSB on taking disciplinary actions against the responsible staff and the management.

34. DDLA replied that the responsible staff had retired from service some 13 years ago, and it would be difficult to conduct disciplinary proceedings against him. In LAD's view, it was unfair to further take any recovery actions against the staff concerned after such a long time, not to mention that at law, the limitation period for recovering the debt had long expired. Hence, LAD would not take any recovery action against the staff concerned. At the time when the case was reported to CSB, no consideration had been given by LAD to take disciplinary action against the responsible officer. USHA supplemented that from now on, HAB would handle similar cases seriously. HAB also admitted that there was room for improvement in the handling of the incident, such as taking necessary actions in advance to hold the staff concerned responsible prior to his retirement. Mr LAM Cheuk-ting sought a written reply from the Administration on whether HAB and CSB would take disciplinary actions against the management of LAD in the light of the decision made at that time by the LAD management not to take any disciplinary action against the case officer concerned; if yes, what were the details.

[*Post-meeting note*: Supplementary information provided by the Administration was issued to members vide LC Paper No. FC134/17-18(01) on 8 February 2018.]

35. At 10:54 am, the Chairman invited members to indicate their intention to speak for the last round by pressing the "Request to speak" button.

Write-off proposal

36. Dr Junius HO supported writing off the judgment debt in the current case. The AP was granted legal aid in 1995. After the AP's EC case was dismissed by the District Court in July 1996, his claim for CL damages was expeditiously settled in 1998 in the sum of \$1,250,000. When releasing payment to the AP, LAD overlooked the need to retain sufficient funds to cover the total legal costs (i.e. 548,397.69) of both the EC case and CL case. Instead, only \$130,000 was retained for settling the legal costs. As such, actions were taken by LAD in 1999 to recover the shortfall from the AP. Dr HO considered that over the years, LAD had tried its best to recover the sum, and the staff responsible for handling the case was no longer working in the department. As the sum could no longer be recovered, he supported the write-off proposal. Dr HO asked whether LAD had referred the case to the Police, with a view of recovering the legal costs from a criminal course. DDLA replied that LAD's judgment at that time was that no criminal element was involved in the

case. When the case was referred to DoJ, DoJ had not given any advice of possible involvement of criminal elements in the case. Hence, LAD did not refer the case to the Police for handling.

37. Mr Jeremy TAM enquired about the follow-up actions to be taken by the Administration if the write-off proposal was not approved by FC. DDLA replied that at present, the write-off item was still on LAD's record. If the write-off proposal was not approved by FC, the sum would remain in the department's accounts, and it was not a satisfactory arrangement in term of public accounting.

Voting on FCR(2017-18)28

38. At 10:06 am, there being no other questions from members, the Chairman put the item to vote. At the request of members, the Chairman ordered a division, and the division bell had been rung for five minutes. The Chairman declared that 26 members voted in favour of and 14 members voted against the item, and 1 member abstained from voting. The votes of individual members were as follows:

For:

Mr WONG Ting-kwong	Mr CHAN Hak-kan
Mr WONG Kwok-kin	Mr Steven HO Chun-yin
Mr Frankie YICK Chi-ming	Mr YIU Si-wing
Mr MA Fung-kwok	Mr CHAN Han-pan
Mr LEUNG Che-cheung	Ms Alice MAK Mei-kuen
Mr Christopher CHEUNG Wah-fung	Dr Elizabeth QUAT
Mr Martin LIAO Cheung-kong	Mr POON Siu-ping
Ir Dr LO Wai-kwok	Mr CHUNG Kwok-pan
Mr Jimmy NG Wing-ka	Dr Junius HO Kwan-yiu
Mr HO Kai-ming	Mr Holden CHOW Ho-ding
Mr Wilson OR Chong-shing	Ms YUNG Hoi-yan
Mr CHAN Chun-ying	Mr LUK Chung-hung
Mr LAU Kwok-fan	Mr Kenneth LAU Ip-keung

(26 members)

Against:

Prof Joseph LEE Kok-long	Mr Charles Peter MOK
Mr CHAN Chi-chuen	Dr Fernando CHEUNG Chiu-hung
Dr Helena WONG Pik-wan	Mr Alvin YEUNG
Mr Andrew WAN Siu-kin	Mr CHU Hoi-dick
Mr LAM Cheuk-ting	Mr SHIU Ka-chun
Dr Pierre CHAN	Dr CHENG Chung-tai
Mr KWONG Chun-yu	Mr Jeremy TAM Man-ho

(14 members)

Abstained:

Mr IP Kin-yuen
(1 member)

39. The Chairman declared that the item was approved.

**Item 5 — FCR(2017-18)34
RECOMMENDATION OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 19 JUNE 2017**

EC(2017-18)3

HEAD 194 — WATER SUPPLIES DEPARTMENT

Subhead 000 — Operational expenses

40. The Chairman advised that the item sought FC's approval for the recommendation of the Establishment Subcommittee made at its meeting held on 19 June 2017, i.e. the recommendation in EC(2017-18)3 to create with immediate effect upon FC's approval four permanent Government Engineer ("GE") posts in the Water Supplies Department ("WSD"), to be offset by the deletion of four permanent Assistant Director of Water Supplies ("AD") posts.

Work of WSD

Water management

41. Mr CHAN Chi-chuen said that as the Administration pointed out in EC(2017-18)3, regrading the relevant posts could reflect more accurately the expertise required for the post holders and thus enhance staff planning. In terms of enhancing staff planning, he asked whether any indicators were available, and how would such an aspect be assessed. Referring to the duties of reviewing and driving the implementation of the Total Water Management Strategy ("the Strategy") stated in paragraph 6 of the paper, Mr CHAN and Ms Claudia MO enquired about the Administration's policies and long-term planning for developing new water sources, whether there were plans to reclaim any reservoirs (such as Plover Cove Reservoir), whether consideration would be given to implementing the concept of "gathering water across the territory", and whether there were plans to increase the provision of water gathering facilities.

42. Dr Helena WONG said that the term of the current Dongjiang ("DJ") water supply agreement was three years. Instead of negotiating a lower price of DJ water, she suggested that the Administration should formulate longer-term planning, development targets and specific timetables for our water resources, such as reducing the supply quantity of DJ water by 50% by 2030, so as to avoid Hong Kong's prolonged reliance on DJ water which now accounted for about 80% of our fresh water supply. Dr WONG enquired about the measures to be taken by the Administration to increase our water resources, for example, whether more reservoirs and desalination plants would be constructed, and whether the number of water gathering grounds would be increased. Mr KWONG Chun-yu and Ms Claudia MO enquired about the Administration's planning, progress and timetable in respect of desalination, and whether consideration would be given to including desalination as a regular supply of water resources.

43. Deputy Secretary for Development (Works) 2 ("DSDEV(W)2") and Deputy Director of Water Supplies ("DDWS") replied that:

- (a) after the merger of the two streams of Engineer grade officers respectively under the Civil Engineering and Development Department ("CEDD") and WSD in September this year, Engineer grade officers could be posted to various Works Group of Departments to gain wider exposure in different types of works projects or jobs and upgrade their professional knowledge, which would be conducive to their professional development;
- (b) the Strategy had been implemented since 2008. One of the initiatives under the Strategy was the construction of the first stage of the Tseung Kwan O ("TKO") desalination plant. With funding approval from FC, the project was now proceeding with advance works. The Administration's plan was to commence the main works next year, and a prequalification exercise would be conducted before tenders were invited. It was expected that the relevant funding application would be submitted to LegCo in 2019. The Administration had also reserved a site for the future development of the second stage of the TKO desalination plant when necessary;

- (c) the Administration had already started planning and some of the works relating to the supply of reclaimed water. Primarily, the aim was to supply reclaimed water for the North East New Territories region including Sheung Shui, Fanling and the new development areas. At present, the Administration was developing water resources through a multi-pronged approach;
- (d) the Administration noted some public views about giving consideration to reclaiming reservoirs to provide land for development. But the Administration had yet to have any relevant plans, and the matter would be left to discussion by the Task Force on Land Supply ("the Task Force"). In this regard, the Administration would explain to the Task Force and the public the far-reaching impact of reclaiming reservoirs on Hong Kong's water resources;
- (e) according to the advice of the World Health Organization, a multi barrier strategy should be adopted for safeguarding the quality of fresh water. As such, the approach was taken for most water collection grounds in Hong Kong being located inside country parks, so as to protect the quality of water resources at source, rather than collecting any surface runoff regardless of quality for further treatment. As the approach of "gathering water across the territory" would carry certain risks in terms of water quality, the Administration would not consider the suggestion of collecting rainwater outside water collection grounds as drinking water;
- (f) when the Strategy was first implemented in 2008, the emphasis was on containing growth of water demand through conservation. In other words, the aim was to conserve water while developing new water resources. With the annual total water consumption in Hong Kong remaining relatively stable over the past 10 years, the Administration had been striving to develop new water sources, including desalinated seawater, reclaimed water and recycled grey water/harvested rainwater, so that the number of water sources in Hong Kong would increase from three to six; and
- (g) the Administration was conducting a review on the Strategy, including assessing water demand up to 2040.

44. Mr CHAN Chi-yuen noted from paragraph 9 of EC(2017-18)3 that AD/New Works ("AD/NW") also steered the contract procurement strategy for the new waterworks projects and led the arbitration and mediation of contractual disputes. He sought information about whether AD/NW would be held responsible if the procured waterworks or items were not up to standard, as well as the nature, examples and numbers of arbitration and mediation cases relating to contractual disputes. DDWS replied that should any works projects meet with delays due to unforeseen circumstances, resulting in contractual disputes, the Administration would resort to arbitration or mediation to determine which parties should be held responsible. The said duties would be undertaken by AD/NW.

45. Dr Fernando CHEUNG noted that the Strategy was first implemented in 2008, and the Administration had conducted a review on the Strategy in 2014, including setting a reasonable proportion of various water supply sources. He enquired about the reasonable proportion of various water supply sources as recommended in the review report, and whether the Administration had any plans to give up planning on water resources and solely rely on the supply of DJ water. DSDEV(W)2 replied that the Administration commenced the review on the Strategy in 2014, and the review was expected to be completed by the end of 2018.

46. Dr Helena WONG said that back in 2006, the annual sum of DJ water purchase cost was about \$2.5 billion. Now, 13 years later, the annual sum had increased to about \$4.8 billion. While it was expected that the purchase cost of DJ water would continue to increase in future, the electricity cost incurred in the desalination of seawater was also relatively high. She pointed out that at present, various new technologies for increasing the supply of fresh water had been developed around the world, such as the desalination of seawater in the course of generating electricity using tidal energy in deep sea or solar power. She urged the Administration to continue monitoring the latest advances in the development of water resources around the world.

Cost of drinking water

47. Dr Helena WONG sought information about the approximate unit cost (per cubic metre ("cu m")) incurred in the processing of fresh water, as well as the cost of constructing a plant similar in scale to the TKO desalination plant. Ms Claudia MO considered that Hong Kong should try to achieve self-sufficiency in water supply because while the annual sum of DJ water purchase cost only amounted to some \$2 billion in the past, the sum had been increasing since 2008 when the flexible arrangement of importing DJ water as needed was implemented. At

present, the annual sum of DJ water purchase cost had increased to about \$4.8 billion. In this connection, she enquired about the unit cost of DJ water.

48. DSDEV(W)2 replied that the unit cost of desalinated water was about \$12-\$13 per cu m, including capital and operational costs. On the other hand, the unit cost of DJ water was about \$9-\$10 per cu m, of which \$1.7 per cu m was the costs of collection and processing. Separately, the estimated cost of constructing a plant similar in scale to the TKO desalination plant would be about \$7 billion (in September 2017 prices). Ms Claudia MO considered it unreasonable to lump together the costs of collection and processing, as well as operational and customer service costs in the unit cost of desalinated water. DSDEV(W)2 replied that the same cost items (such as operational, processing, customers services costs, etc.) must be included when comparing the unit cost of different sources of drinking water.

Supply of DJ water

49. Mr KWONG Chun-yu was concerned about the cost and consumption quantity of DJ water because prices under the recently-signed agreement for supply of DJ water were as high as \$14.4 billion, with the lump sum water prices increasing annually. Moreover, there were often cases of purchased DJ water being wasted as it was unneeded. Other places, such as Macao, could purchase DJ water at a much lower price than that of Hong Kong. He asked whether the Administration would consider the proposal of "payment on actual supply quantity", instead of the current package deal approach. Ms Claudia MO was also concerned about the wastage incurred when unconsumed DJ water was discharged to the sea, and expressed support for the proposal of "payment on actual supply quantity". She also expressed concern about fresh water being wasted each year as a result of overflow from reservoirs.

50. DSDEV(W)2 replied that a mechanism was in place for adjustments of DJ water price, which was primarily based on changes in exchange rate and the relevant price indices of both sides. The annual 0.3% increase in water price adopted in the latest agreement for supply of DJ water was determined according to changes in inflation rate and exchange rate. As for Macao, the price it paid for purchasing Xijiang water was calculated differently from Hong Kong's because Macao needed to make its own investment on the relevant infrastructure. The scale of such infrastructure in the two places was also different as the distance between the farthest intake point of Xijiang water and Macao was only about 20 kilometres, while the distance in Hong Kong's case was over

60 kilometres. Furthermore, Macao's purchase price of DJ water was calculated in Renminbi and hence, there was no need to take into account changes in exchange rate. The Administration understood members' concern about the mechanism for calculating the price of DJ water, and a working group had been established by the Administration and the Guangdong authorities to review the current payment approach. Since the "package deal lump sum" approach was adopted in 2006, there was no longer any case where DJ water must be discharged to the sea because an excessive volume of DJ water had been imported. At present, cases of overflow mainly occurred in reservoirs with small and medium capacities, and the average overflow quantity was about 27 million cu m per annum. Meanwhile, there was no overflow for large reservoirs including Plover Cove Reservoir and High Island Reservoir.

51. Dr Fernando CHEUNG enquired about the current percentage share of DJ water in Hong Kong's water consumption, the targets of the review on water resources, and whether Hong Kong would reduce the consumption of DJ water in future. He said that according to some media analysis, Hong Kong had been purchasing DJ water with an annual supply ceiling of 820 million cu m since 2006, yet the said quantity had never been fully consumed. Meanwhile, the quantity of DJ water purchased in the last 10 years had increased by 80%, and the waste incurred by the unconsumed DJ water amounted to \$4.5 billion. He asked whether the Administration had any strategies to cut down on public expenditure for purchasing DJ water in the negotiations on future supply agreements.

52. DSDEV(W)2 replied that while DJ water now provided about 70% to 80% of Hong Kong's fresh water supply, the percentage share would be about 50% to 60% if seawater for flushing was also counted. With development of other water sources, the share of DJ water in Hong Kong's water consumption would decrease gradually, and one of the topics examined under the on-going review on the Strategy was the respective share of different water sources in Hong Kong's water consumption. Separately, the annual ceiling of 820 million cu m for the supply of DJ water was intended to assure Hong Kong of an adequate fresh water supply even under drought condition with a return period of one in 100 years. Dr CHEUNG criticized the Administration for incurring a huge waste of public expenditure by using such an assumption to determine the annual quantity of DJ water to be purchased.

Water conservation

53. Mr CHU Hoi-dick noted that WSD had established targets to reduce the per capita daily fresh water consumption by 10 litres, as well as Hong Kong's water consumption. He asked whether the Administration would set any targets to cap Hong Kong's overall water consumption, i.e. "zero growth in water consumption", or to reduce overall water consumption. He also noted that WSD had managed to distribute about 370 000 flow controllers for water taps to some 185 000 households, which accounted for about 7% of the total number of households in Hong Kong. He asked why no action had been taken by the Administration to substantially increase the distribution and expedite the installation of flow controllers if the use of such a device was effective in saving water. He also asked whether the Administration had set any targets and timetable for the distribution and installation of flow controllers. Dr KWOK Ka-ki expressed concern that official residences of senior government officials had taken the lead in wasting fresh water, while the approach of purchasing DJ water was effectively encouraging members of the public to waste water. He thus failed to see how the proposed regrading of the relevant posts could help enhance WSD's work in promoting water conservation on the public's part.

54. DSDEV(W)2 replied that setting against the 2016 baseline, future water conservation targets were to reduce the per capita daily fresh water consumption in Hong Kong by 10% by 2030. Assistant Director of Water Supplies (Development) supplemented that apart from launching the "Let's Save 10L Water" campaign, WSD was stepping up promotion on the installation of flow controllers. Under the "Let's Save 10L Water" campaign, a total of some 370 000 flow controllers had been distributed. According to data collected by the department, the use of flow controllers could generally help reduce the use of water for the households. Moreover, the department would continue to liaise with the Housing Department to promote the installation of flow controllers in public rental housing ("PRH") estates. To date, more than 110 000 PRH units had been installed with flow controllers. The Administration's plan was to complete installation of flow controllers in all PRH units in the next few years, and flow controllers would also be installed in government buildings.

Complementing the development of smart city and sponge city

55. Dr Elizabeth QUAT expressed support for the Administration's proposal to regrade the relevant posts. She considered that it was of vital importance to manage our water resources and ensure water quality for the sake of social development. She enquired about the effect of the present posting changes in complementing the Government's plan to develop Hong Kong into a smart city, and whether the post holders of the new posts would be required to have comprehensive knowledge about managing a smart city, including the use of new technologies and techniques to complement water supply management; if not, whether WSD would provide the relevant staff with the necessary training. Dr QUAT also enquired about the Administration's timetable for implementing the smart water model, as well as the timing for briefing LegCo on the matter. She also asked whether WSD would make further changes to the corresponding posts after the development blueprint for overall water resources was implemented. Noting the Development Branch's responsibility in the overall management of water resources, Dr QUAT asked whether planning for developing Hong Kong into a sponge city fell under the Branch's purview, and whether a multi-disciplinary department would be set up by the Government to co-ordinate and drive the relevant work.

56. DDWS replied that to tie in with the development of Hong Kong into a smart city, WSD was now driving forward the smart water model. The said area of work fell under the purview of AD/Mechanical and Electrical, and the post was not covered under the current regrading proposal. Regarding knowledge about smart water supply, the staff concerned were making reference to new development in smart water schemes around the world and undertaking the relevant consultancy study. Under the smart water model, WSD was now promoting the application of automatic meter reading ("AMR"), which was a system capable of collecting real time water consumption data of the customers. The department was now implementing AMR in Kowloon East, the Development of Anderson Road Quarry Site, etc. Meanwhile, other smart water facilities would also be put on trial. DSDEV(W)2 supplemented that as both the Drainage Services Department ("DSD") and WSD were under the Development Bureau ("DB"), DB would co-ordinate work relating to the development of Hong Kong into a sponge city, which was under the purview of DSD. That said, WSD would also take part in promoting the relevant initiatives.

Impact of the regrading proposal

57. Dr CHENG Chung-tai sought information about the background and entry requirements of the four AD posts under the regrading proposal. He also asked how the Administration's current proposal to regrade the directorate posts would complement its work in future on developing water resources, particularly in ensuring the quality of drinking water, strengthening testing of water quality, etc., and whether the department's future development in water resources management would be restricted by the proposed regrading of the directorate posts as Engineer grade posts. DSDEV(W)2 replied that of the five existing ADs in WSD, four were civil engineers and one electrical and mechanical (E&M) engineer. Currently, all chief E&M engineers, chief chemists and chief civil engineers were eligible for promotion to the AD posts. The Government's proposal to regrade the four AD posts in WSD as GE posts would have no impact on the department's future development in water resources management. Given the community's current concern about the quality of drinking water, the Administration would brief the relevant Panel on its follow-up work in due course.

58. DDWS supplemented that the department had already reviewed the work of various ADs. For instance, the Development Branch was mainly tasked to implement the Strategy, including the development of new water sources, water loss management, etc. It would be appropriate for such duties to be discharged by a civil engineer. Regarding duties concerning water science, AD/Development would be underpinned by a chief chemist. In the last 20 years, AD posts in WSD to be regraded as GE posts under the proposal had been filled by civil engineers. Thus, the department considered it appropriate to regrade the relevant posts under the proposal. WSD would also regularly review its organization and establishment as a whole, taking into account the need of development.

59. Mr Holden CHOW noted from FCR(2017-18)34 that AD posts in the five branches of WSD had been filled by Engineer grade officers in over 95% of the time in the last 20 years. He pointed out that to tie in with large-scale new town development in the New Territories and population growth, the Government must ensure proper water supply planning for the new towns in future. He asked how the Administration could ensure that with the proposed establishment changes, the directorate technocrats of the engineer profession would make water supply planning for new towns in a relatively macro perspective.

60. DSDEV(W)2 replied that management of water resources was originally a professional area of civil engineers. With the regrading of the relevant AD posts as GE posts, other capable professional engineers could also fill those posts, and it would be conducive to WSD's future development. While acknowledging the benefits brought by a widened talent pool to the department's development, Mr Holden CHOW called on the Administration to pay heed to macro planning when constructing new service reservoirs and waterworks in the New Territories.

61. Dr Fernando CHEUNG said that given the need for WSD to seek improvements as highlighted by the "excess-lead-in-water" incident, the Administration should strengthen and realign WSD's work. He asked whether the regrading proposal was intended to undermine WSD's functions, such that its primary focus would be on development and waterworks projects. Ms Claudia MO was concerned that with the regrading proposal, WSD's duties might be functionalized, so that it needed not accept responsibility for any policy blunders in future. DSDEV(W)2 replied that the regrading proposal did not seek to change the major duties of the relevant posts. Instead, the intention was to improve manpower planning, so that suitable candidates could be identified to undertake the duties concerned, which was in turn conducive to their career development.

62. Dr Helena WONG pointed out that after the "excess-lead-in-water" incident, the Administration had set up the Commission of Inquiry into Excess Lead Found in Drinking Water ("CoI"). The Administration would also set up a committee shortly to monitor the quality of drinking water, with members comprising overseas experts in water safety. She suggested that instead of regrading the AD posts, the Administration should create dedicated senior posts within/outside DB or WSD, to be filled by local experts conversant with water safety, to conduct routine monitoring on water safety in Hong Kong. She also asked why the Administration had not recommended the setting up of the dedicated team on drinking water safety, together with the regrading proposal, so that members could understand the co-ordination and relationship between the two. She also asked whether it would violate the basic principles of public administration and governance if WSD performed the dual roles of supplier and regulator of water services.

63. DSDEV(W)2 replied that at present, the chief chemist in WSD was responsible for duties relating to drinking water safety. DB would submit a proposal to the relevant Panel on setting up a team on water safety under DB to monitor the performance of WSD on drinking water safety through advice provided to DB by the committee (comprising expert members on hygiene and health). Regrading of the relevant posts was proposed primarily for the sake of manpower deployment, and had no direct relationship with stepping up the monitoring on water safety.

64. Dr KWOK Ka-ki said that given the outbreak of the "excess-lead-in-water" incident and with the publication of the CoI report, the Administration must expeditiously implement all the recommendations set out in the CoI report. Thus, it was incumbent upon the Administration to enact a law on water safety and establish an independent drinking water safety monitoring organization outside WSD, which was similar to those in the United Kingdom, the United States, etc. He considered that WSD's regrading proposal was not conducive to achieving the above objectives, and asked whether DB would implement the above two proposals and transfer the four proposed AD posts to the independent drinking water safety monitoring organization.

65. DSDEV(W)2 replied that the Administration also agreed that WSD should not monitor its own performance in respect of ensuring water safety. As WSD was the sole supplier of drinking water in Hong Kong, and given its status as a government department, the situation was unlike those of the United Kingdom, the United States, etc. Hence, the Administration considered it more appropriate to establish an independent team under DB to monitor the performance of WSD on drinking water safety. The monitoring functions of the regraded posts were actually related to WSD's internal monitoring, rather than the monitoring of drinking water safety per se. Expressing the view that such an arrangement was cumbersome, Dr KWOK Ka-ki suggested that two Engineer posts should remain with WSD, while the other two Engineer posts be transferred to the independent monitoring organization. DSDEV(W)2 said that it was necessary to regrade the relevant posts for WSD to discharge its duties. Regarding the enactment of a law on drinking water safety, the Administration was open-minded. Upon its establishment, the independent team responsible for monitoring drinking water safety would also examine and explore the relevant details.

66. At 12:18 pm, the Chairman invited members to indicate their intention to speak for the last round by pressing the "Request to speak" button.

Follow-up actions on the "excess-lead-in-water" incident

67. Citing the criticisms made by the CoI report, Dr KWOK Ka-ki remarked about WSD's low efficiency in replacing the lead pipes in PRH estates. Moreover, WSD had yet to complete the improvements as recommended by CoI. He asked how the regrading proposal could help WSD in those initiatives.

68. DSDEV(W)2 replied that regrading the relevant posts was primarily proposed for the sake of manpower planning. On Dr KWOK's concerns, the Administration had launched the Action Plan for Enhancing Drinking Water Safety in Hong Kong in September 2017. Various initiatives would be implemented successively, including stepping up monitoring on drinking water quality, amending the Waterworks Ordinance, etc. The Administration would submit papers to brief the Panel on Development on those initiatives in due course. Considering from the perspective of WSD's duties, there was no relationship between the handling of the "excess-lead-in-water" incident and the regrading proposal.

69. Dr Helena WONG opined that as the team responsible for monitoring drinking water safety and WSD were both under DB, the former was far from independent. Citing the United States, Singapore and the United Kingdom as examples, she urged the Administration to pay heed to CoI's recommendation and set up an independent organization outside DB to monitor drinking water safety.

Voting on FCR(2017-18)34

70. At 12:44 pm, there being no other questions from members, the Chairman put the item to vote. At the request of members, the Chairman ordered a division, and the division bell had been rung for five minutes. The Chairman declared that 27 members voted in favour of and 5 members voted against the item, and 1 member abstained from voting. The votes of individual members were as follows:

For:

Mr Jeffrey LAM Kin-fung
Mr WONG Kwok-kin
Mr YIU Si-wing
Mr Charles Peter MOK
Mr LEUNG Che-cheung
Mr KWOK Wai-keung
Dr Elizabeth QUAT
Dr CHIANG Lai-wan

Mr WONG Ting-kwong
Mr Frankie YICK Chi-ming
Mr MA Fung-kwok
Mr CHAN Han-pan
Ms Alice MAK Mei-kuen
Mr Christopher CHEUNG Wah-fung
Mr POON Siu-ping
Ir Dr LO Wai-kwok

Mr Andrew WAN Siu-kin	Dr Junius HO Kwan-yiu
Mr HO Kai-ming	Mr Holden CHOW Ho-ding
Mr Wilson OR Chong-shing	Ms YUNG Hoi-yan
Mr CHAN Chun-ying	Mr LUK Chung-hung
Mr LAU Kwok-fan	Mr Kenneth LAU Ip-keung
Mr KWONG Chun-yu	
(27 members)	

Against:

Ms Claudia MO	Mr CHAN Chi-chuen
Dr Fernando CHEUNG Chiu-hung	Mr CHU Hoi-dick
Dr CHENG Chung-tai	
(5 members)	

Abstained:

Mr SHIU Ka-chun
(1 member)

71. The Chairman declared that the item was approved.

**Item 6 — FCR(2017-18)35
CAPITAL WORKS RESERVE FUND**

**HEAD 708 — CAPITAL SUBVENTIONS AND MAJOR
SYSTEMS AND EQUIPMENT**

Hong Kong Police Force

**New Subhead — "Implementation of Marine Situational Awareness
System"**

72. The Chairman advised that the item sought FC's approval for a new commitment of \$186,335,000 for the implementation of the Marine Situational Awareness System ("MARSAS"). The Security Bureau had consulted the Panel on Security on the proposal on 14 March 2017.

System replacement and tendering exercise

73. Mr CHAN Chi-chuen expressed support for the proposed MARSAS. He noted that while the existing communications systems of Marine Police were very outdated as only voice messages and limited text information could be transmitted, tender preparation for the proposed project would only be completed in July 2018, i.e. in about six months' time. He asked why the Hong Kong Police Force ("HKPF") had failed to replace the communications systems until now, when were the systems last

upgraded, and why the anticipated completion date of tender preparation was later than the date of seeking FC's approval. To safeguard personal safety of Marine Police officers on marine policing duties, Mr CHAN Chun-ying called on the Administration to expedite the tendering process of the proposed system and shorten the duration required for installing the entire system as much as possible.

74. Deputy Secretary for Security ("DS for S") replied that HKPF had been using the existing maritime communication system since 1947. In 1984, the Marine Police and other government departments concerned started using the Joint Maritime Communications System, which was digitalized in full in 2000. Notwithstanding, the functions of the existing system were still quite limited. For instance, only voice messages and limited text information could be transmitted, and the system could not provide an integrated platform capable of sharing real-time data, etc. When performing policing work, the Police would require the support of a most reliable and stable communications system with the most extensive coverage. Moreover, it took time for the technologies required for the system to become mature before detailed testing could be conducted to confirm the suitability of adopting the new technologies and replacing the communications system. In Hong Kong, 4G services were only launched by network service providers of telecommunications companies in 2011. At that time, the infrastructure concerned had yet to be mature. The Police started conducting a "proof of concept" in 2014, while the first stage of extended trial was conducted in 2016. In early 2017, the second extended trial was conducted. At present, the feasibility of MARSAS as a whole had been confirmed.

75. Regional Commander of Police (Marine) ("RC(M)/HKPF") supplemented that over the years, the Police had always kept in view the development of the relevant technologies. As the Marine Police was also required to perform duties relating to border administration, the Police considered it the right time to implement a new communications system. Meanwhile, as time was needed to undertake work relating to the switch to new technologies and systems, sourcing the necessary equipment in co-operation with the departments concerned, as well as co-ordination, the Police could only submit the funding application to FC for approval at this time.

76. On tender preparation, DS for S pointed out that the entire project took about 5.5 years to complete. As the tender document was relatively complicated, time was needed to integrate various parts of the document. Moreover, HKPF would need to consult various departments such as DoJ and the Government Logistics Department on the tender document before global tendering could be conducted. The tender process was expected to take about 18 months, and the Administration would strive to complete the tendering exercise as soon as possible. Chief Telecom Engineer of Police (Communications Branch) (Information Systems Wing) ("CTE(CB)/HKPF") supplemented that time was needed to prepare the tender document. While most information and data to be included in the tender document were readily available, it would be vital to ensure the integrity of the tender document because MARSAS, as a maritime system, must deliver in transmitting appropriate, comprehensive and useful data at sea. Moreover, compared with undertaking the same tasks on land, it would be more difficult to increase the provision of base stations at sea for collection of the relevant data, etc. At present, the Administration was trying to gain a better understanding of the relevant technologies and data, so that a comprehensive and accurate tender document could be prepared.

77. Mr Charles Peter MOK asked whether it was due to technical reasons that the tender process could not be expedited. For example, more thorough testing must be conducted to collect the relevant data for comparison because insufficient data had been collected in the past. As a result, longer time was needed to complete the whole process. CTE(CB)/HKPF replied that the Administration must prepare a proper parameter model with data such as coverage at sea and speed. Otherwise, no platform would be available for comparison during the testing or development of the system. As a result, the effectiveness of the system finally developed might be less than satisfactory. Mr MOK asked whether the cost of producing the parameter model had been included in the funding provision being sought. CTE(CB)/HKPF replied that the development of the parameter model was not included in the funding application because the Police had already commenced work for developing the parameter model. So far, two tests on the parameter model had been conducted, and a vast amount of data had been collected.

Combating smuggling activities at sea and illegal immigration

78. Dr Elizabeth QUAT noted that given the threats faced by Hong Kong from smuggling activities at sea, illegal immigration (including "bogus refugees" who intended to lodge non-refoulement claims), terrorism, etc., it was of vital importance for the Marine Police to upgrade its communications systems. She was aware that during operations to combat illegal immigration at sea, the Marine Police would need to wait for a very long time. Moreover, it would be difficult to intercept the criminals because crime syndicates often used speedboats to smuggle illegal immigrants ("IIs") while manoeuvring aggressively to escape from police apprehension. She enquired about the benefits to be brought by MARSAS in terms of the Marine Police's operations to combat smuggling activities at sea, illegal immigration, etc. She also asked whether the Marine Police's capabilities in fighting crimes could be enhanced through communications technologies within the 5.5 years or so before the commissioning of the new MARSAS.

79. DS for S replied that MARSAS would definitely help increase the Marine Police's efficiency in combating smuggling activities at sea, illegal immigration, etc. At present, various systems were being deployed by the Police when conducting policing and rescue operations at sea. While the Police had been collecting the necessary data and information before the entire new network system was built, it could hardly compare with the new MARSAS in terms of efficiency and integration capabilities. Moreover, the Administration would always keep in view technological development and make provision in designing the system, so that the contractor could be asked to provide the latest software and hardware for the system in future when necessary.

80. RC(M)/HKPF supplemented that Hong Kong's sea boundary was about 191 kilometres long, including many islands and waters with busy traffic. On combating illegal immigration at sea, 494 IIs were arrested by the Marine Police in 2016, which accounted for about 18.5% of the total number of IIs arrested throughout the territory in 2016, including non-ethnic Chinese IIs from areas with frequent terrorist attacks and IIs who intended to stay in Hong Kong by lodging non-refoulement claims. Without doubt, frontline enforcement actions of the Marine Police were challenging, including combating smuggling activities and illegal immigration at sea, as well as ensuring the overall personal safety of frontline marine police officers while on board of vessels. The Police held that MARSAS would significantly increase the enforcement capabilities of the Marine Police as police vessels and command centres on

land could share real-time information collected through the system, thereby enhancing the Police's overall detection and identification capabilities and allowing senior commanders to make accurate decisions and responses quickly during policing operations.

81. Mr CHAN Chun-ying expressed support for the funding application of the proposed item. He noted from FCR(2017-18)35 that 28 new police vessels in the pipeline would also be installed with MARSAS, the cost of which had been included in the construction cost of such vessels, and those vessels would be commissioned in 2022. He enquired about the percentage share of the cost of MARSAS in the vessel's construction cost, as well as the price difference if MARSAS was not installed. He also asked whether the Administration would submit another funding application to FC for the construction cost of the said 28 new police vessels. DS for S replied that the 28 new police vessels, which were expected to be delivered in 2022, would be suitably equipped for the installation of MARSAS. The construction cost of the new vessels (including the installation cost of MARSAS) had already been approved by FC.

Technologies to be employed in the proposed system

82. Dr Elizabeth QUAT stated that while 4G communications technology would be employed in the proposed system, the entire project took about 5.5 years to complete, and 5G communications technology might be more prevalent than 4G communications technology in a few years' time. She enquired about the application of MARSAS on the 5G platform, and whether any projections and estimates had been made by the Administration in this regard. DS for S replied that when designing MARSAS, the Administration had already anticipated that 5G communications technology might soon replace 4G communications technology. Hence, provision had been made in designing the system for upgrade of technologies. While the Administration would prepare cost estimates for the necessary work items in due course, the amount of cost was not expected to be high.

83. Mr Charles Peter MOK noted that MARSAS was designed to allow for network upgrade from 4G to 5G, and the system would transmit data through 4G network or other technologies. He sought details about those other technologies, and whether additional network and facilities such as base stations would be required; if yes, whether the same would be provided by the network provider, what would be done in seafaring situations and whether there would be transmission/reception blind spots. He also asked whether another funding application would be made by the

Administration, should it become necessary to provide other additional equipment for using such technologies or switching to 5G network in future, or whether the relevant costs had already been covered in the present item (such as under the contingency provision), and whether data in the system would be shared with marine police or the relevant authorities in the Mainland; if yes, whether their systems had been digitalized.

84. In reply, RC(M)/HKPF stated that:

- (a) on the basis of market research and the two trials, the Administration was now trying to identify other communications technologies as a fallback. In offshore waters without 4G network coverage, the Administration would try using other methods, such as satellite transmission, though consideration must be given to their cost-effectiveness. Another option was the use of Wireless Mesh Network, such as IEEE 802.11 or 802.16 which were already quite well-developed. Trials conducted by the Administration had already proved that this technology could be a fallback in places with weak 4G network coverage;
- (b) the relevant costs were covered under the current funding submission as due consideration had already been given by the Administration to the cost of additional provision of such auxiliary communications equipment as a fallback during the testing stage; and
- (c) data in MARSAS would only be shared via the internal system platform in Hong Kong, primarily among HKPF and other agencies providing assistance to the Police in discharging the relevant duties.

Staff training and data security

85. Mr Christopher CHEUNG expresses support for the implementation of the proposed MARSAS. He asked whether the new MARSAS was complicated in operation, whether the operators would require special training, how long the necessary training would take and whether the training costs, etc. were covered under the funding provision being sought. He also enquired about the security measures to be taken by the Administration to safeguard the data collected by MARSAS.

86. DS for S replied that no additional manpower was required to operate MARSAS, although operators of the existing systems would need to learn how to operate MARSAS by attending comprehensive training courses arranged by the contractor. The Administration would also engage experts to provide the staff with specialized training, such as on how to operate the radar system. In the long run, training for MARSAS would be incorporated as part of the routine training provided by the Marine Police Training School to marine police officers.

87. On data security, DS for S said that data collected by MARSAS in different waters would be transmitted to the Police Headquarters and Marine Police Headquarters for filing. After accessing the data, the Police would need to input a password. Upon completion of the steps involving data saving and re-transmission, the data would be erased. The entire MARSAS would only be used for sharing the collected data, and no new data would be generated. Moreover, the entire system would only be operated in compliance with the Personal Data (Privacy) Ordinance (Cap. 486). In case personal data might be involved in the operation of the system in future, the Administration would consider engaging an independent third party to study the matter. Separately, all frontline officers who had access to the data in MARSAS must be authorized by their supervisors and subject to monitoring. An audit trail would also be established for tracking the data accessed by the staff. Compared with the data in other systems of the Police, data in MARSAS were neither particularly confidential nor sensitive in nature.

88. The Chairman advised that FC would continue discussion on the item at the next meeting. The meeting ended at 1:15 pm.