

**REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE
ON
THE REPORTS OF THE DIRECTOR OF AUDIT
ON
THE ACCOUNTS OF THE GOVERNMENT OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION
FOR THE YEAR ENDED
31 MARCH 2017
AND THE RESULTS OF
VALUE FOR MONEY AUDITS (Report No. 69)**

February 2018

P.A.C. Report No. 69

CONTENTS

	<u>Paragraph</u>	<u>Page</u>
Part 1 Introduction		
The Establishment of the Committee	1	1
Membership of the Committee	2	1
Part 2 Procedure		
The Committee's Procedure	1	2 - 3
Confidentiality undertaking by members of the Committee	2 - 3	3
The Committee's Report	4 - 5	3
The Government's Response	6	4
Part 3 Report of the Public Accounts Committee on Report No. 66 of the Director of Audit on the Results of Value for Money Audits [P.A.C. Report No. 66]		
Laying of the Report	1	5
The Government Minute	2 - 11	5 - 19
Part 4 Report of the Public Accounts Committee on the Reports of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2016 and the Results of Value for Money Audits (Report No. 67) [P.A.C. Report No. 67]		
Laying of the Report	1	20
The Government Minute	2 - 68	20 - 61

CONTENTS

	<u>Paragraph</u>	<u>Page</u>
Part 5	Supplemental Report of the Public Accounts Committee on Report No. 67 of the Director of Audit on the Results of Value for Money Audits <i>[P.A.C. Report No. 67A]</i>	
	Laying of the Report	1 62
	The Government Minute	2 - 5 62 - 65
Part 6	Committee Proceedings	
	Consideration of the Director of Audit's Report	1 66
	Meetings	2 66
	Arrangement of the Report	3 - 4 66
	Acknowledgements	5 66
Part 7	Observations of the Public Accounts Committee on the Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2017	1 67
Part 8	Chapter	
	1. Administration of lump sum grants by the Social Welfare Department	1 68
	2. Procurement and maintenance of government vessels	
	A. Introduction	1 - 11 69 - 72
	B. Procurement of government vessels	12 - 40 72 - 88

CONTENTS

	<u>Paragraph</u>	<u>Page</u>
C. Maintenance of government vessels	41 - 57	88 - 96
D. Management of maintenance materials	58 - 70	96 - 101
E. Conclusions and recommendations	71 - 73	101 - 112
3. Hospital Authority's management of public hospital projects	1 - 5	113 - 116
4. Regulation of non-franchised bus and school private light bus services	1 - 5	117 - 120
5. Operation of the Land Registry	1 - 5	121 - 123
6. Regulation of hotels and guesthouses	1 - 5	124 - 127
7. Hong Kong Design Institute	1 - 5	128 - 131
8. Provision of government office accommodation and utilisation of government sites	1 - 5	132 - 135
9. Occupational safety and health	1 - 5	136 - 139
SIGNATURES OF THE CHAIRMAN, DEPUTY CHAIRMAN AND MEMBERS OF THE COMMITTEE		140
CHAPTERS IN THE DIRECTOR OF AUDIT'S REPORT NO. 69 DEALT WITH IN THE PUBLIC ACCOUNTS COMMITTEE'S REPORT		141

CONTENTS

Page

Appendix relating to Part 1: "Introduction"

Appendix 1	Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region	142 - 143
-------------------	--	-----------

Appendix relating to Part 2: "Procedure"

Appendix 2	Paper presented to the Provisional Legislative Council by the Chairman of the Public Accounts Committee at the meeting on 11 February 1998 on Scope of Government Audit in the Hong Kong Special Administrative Region - 'Value for Money Audits'	144 - 146
-------------------	---	-----------

Appendices relating to Part 4: "Report of the Public Accounts Committee on the Reports of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2016 and the Results of Value for Money Audits (Report No. 67) [*P.A.C. Report No. 67*]"

Appendix 3	Letter dated 26 January 2018 from Director of Buildings	147
Appendix 4	Letter dated 18 January 2018 from Director of Food and Environmental Hygiene	148 - 149
Appendix 5	Letter dated 17 January 2018 from Secretary for Security	150 - 151
Appendix 6	Location of the five commercial buildings and the five footbridges in the Central District	152
Appendix 7	Letter dated 25 January 2018 from Secretary for Development	153 - 154

CONTENTS

		<u>Page</u>
Appendix 8	Letter dated 16 January 2018 from Secretary for Home Affairs	155 - 156
Appendix 9	Consolidated reply dated 26 January 2018 from Secretary for Environment and Director of Environmental Protection	157 - 162
Appendix 10	Letter dated 22 January 2018 from Secretary for Labour and Welfare	163 - 165
Appendix 11	Letter dated 3 April 2017 from Director-General of Civil Aviation	166 - 174
Appendix 12	Letter dated 21 April 2017 from Secretary for Transport and Housing	175 - 179
Appendix 13	Letter dated 24 January 2018 from Director-General of Civil Aviation	180 - 191
Appendix 14	Letter dated 17 January 2018 from Postmaster General	192
Appendix 15	Consolidated reply dated 29 January 2018 from Director of Food and Environmental Hygiene and Director of Buildings	193 - 196
<u>Appendix relating to Part 6: "Committee Proceedings"</u>		
Appendix 16	Witnesses who appeared before the Committee	197
<u>Appendices relating to Chapter 2 of Part 8: "Procurement and maintenance of government vessels"</u>		
Appendix 17	Speech made by Director of Audit at the public hearing on 8 December 2017	198 - 199

CONTENTS

	<u>Page</u>
Appendix 18	Opening statement made by Acting Secretary for Transport and Housing at the public hearing on 8 December 2017
	200 - 203
Appendix 19	Letter dated 28 December 2017 from Secretary for Transport and Housing
	204 - 211
Appendix 20	Letter dated 29 December 2017 from Director of Marine
	212 - 270
Appendix 21	Letter dated 21 December 2017 from Secretary for Financial Services and the Treasury
	271 - 280
Appendix 22	Letter dated 1 December 2017 from Director of Marine
	281 - 287
Appendix 23	Letter dated 18 January 2018 from Secretary for Transport and Housing
	288 - 290
Appendix 24	Letter dated 19 January 2018 from Secretary for Transport and Housing
	291 - 292
Appendix 25	Letter dated 24 January 2018 from Secretary for Transport and Housing
	293 - 294
Appendix 26	Letter dated 17 January 2018 from Director of Marine
	295 - 310
Appendix 27	Letter dated 23 January 2018 from Director of Marine
	311 - 316
Appendix 28	Letter dated 18 January 2018 from Director of Marine
	317 - 349

CONTENTS

Page

Appendix relating to Chapter 3 of Part 8: "Hospital Authority's management of public hospital projects"

Appendix 29	Consolidated reply dated 11 January 2018 from Secretary for Food and Health and Chief Executive of Hospital Authority	350 - 400
--------------------	---	-----------

Appendix relating to Chapter 4 of Part 8: "Regulation of non-franchised bus and school private light bus services"

Appendix 30	Consolidated reply dated 10 January 2018 from Secretary for Transport and Housing and Commissioner for Transport	401 - 421
--------------------	--	-----------

Appendix relating to Chapter 5 of Part 8: "Operation of the Land Registry"

Appendix 31	Consolidated reply dated 17 January 2018 from Secretary for Development and Land Registrar	422 - 434
--------------------	--	-----------

Appendix relating to Chapter 6 of Part 8: "Regulation of hotels and guesthouses"

Appendix 32	Letter dated 16 January 2018 from Director of Home Affairs	435 - 450
--------------------	--	-----------

Appendices relating to Chapter 7 of Part 8: "Hong Kong Design Institute"

Appendix 33	Letter dated 4 January 2018 from Secretary for Education	451 - 452
Appendix 34	Letter dated 3 January 2018 from Executive Director of Vocational Training Council	453 - 466

CONTENTS

Page

Appendices relating to Chapter 8 of Part 8: "Provision of government office accommodation and utilisation of government sites"

Appendix 35 Letter dated 5 January 2018 from Secretary for Financial Services and the Treasury 467 - 470

Appendix 36 Letter dated 5 January 2018 from Government Property Administrator 471 - 484

Appendix 37 Letter dated 5 January 2018 from Director of Civil Engineering and Development 485 - 486

Appendix 38 Letter dated 5 January 2018 from Director of Architectural Services 487 - 489

Appendix relating to Chapter 9 of Part 8: "Occupational safety and health"

Appendix 39 Consolidated reply dated 10 January 2018 from Commissioner for Labour and Director of Health 490 - 506

ACRONYMS AND ABBREVIATIONS 507 - 510

Introduction

The Establishment of the Committee The Public Accounts Committee is established under Rule 72 of the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region, a copy of which is attached in *Appendix 1* to this Report.

2. **Membership of the Committee** The following Members are appointed by the President under Rule 72(3) of the Rules of Procedure to serve on the Committee:

Chairman : Hon Abraham SHEK Lai-him, GBS, JP

Deputy Chairman : Hon Kenneth LEUNG

Members : Hon Paul TSE Wai-chun, JP
Hon Steven HO Chun-yin, BBS
Hon LAM Cheuk-ting
Hon SHIU Ka-fai
Hon Tanya CHAN

Clerk : Anthony CHU

Legal Adviser : YICK Wing-kin

Procedure

The Committee's Procedure The practice and procedure, as determined by the Committee in accordance with Rule 72 of the Rules of Procedure, are as follows:

- (a) the public officers called before the Committee in accordance with Rule 72 of the Rules of Procedure, shall normally be the Controlling Officers of the Heads of Revenue or Expenditure to which the Director of Audit has referred in his Report except where the matter under consideration affects more than one such Head or involves a question of policy or of principle in which case the relevant Director of Bureau of the Government or other appropriate officers shall be called. Appearance before the Committee shall be a personal responsibility of the public officer called and whilst he may be accompanied by members of his staff to assist him with points of detail, the responsibility for the information or the production of records or documents required by the Committee shall rest with him alone;
- (b) where any matter referred to in the Director of Audit's Report on the accounts of the Government relates to the affairs of an organisation subvented by the Government, the person normally required to appear before the Committee shall be the Controlling Officer of the vote from which the relevant subvention has been paid, but the Committee shall not preclude the calling of a representative of the subvented body concerned where it is considered that such a representative could assist the Committee in its deliberations;
- (c) the Director of Audit and the Secretary for Financial Services and the Treasury shall be called upon to assist the Committee when Controlling Officers or other persons are providing information or explanations to the Committee;
- (d) the Committee shall take evidence from any parties outside the civil service and the subvented sector before making reference to them in a report;
- (e) the Committee shall not normally make recommendations on a case on the basis solely of the Director of Audit's presentation;
- (f) the Committee shall not allow written submissions from Controlling Officers other than as an adjunct to their personal appearance before the Committee; and

- (g) the Committee shall hold informal consultations with the Director of Audit from time to time, so that the Committee could suggest fruitful areas for value for money study by the Director of Audit.

2. **Confidentiality undertaking by members of the Committee** To enhance the integrity of the Committee and its work, members of the Public Accounts Committee have signed a confidentiality undertaking. Members agree that, in relation to the consideration of the Director of Audit's reports, they will not disclose any matter relating to the proceedings of the Committee that is classified as confidential, which shall include any evidence or documents presented to the Committee, and any information on discussions or deliberations at its meetings, other than at meetings held in public. Members also agree to take the necessary steps to prevent disclosure of such matter either before or after the Committee presents its report to the Council, unless the confidential classification has been removed by the Committee.

3. A copy of the Confidentiality Undertakings signed by members of the Committee has been uploaded onto the Legislative Council website.

4. **The Committee's Report** This Report by the Public Accounts Committee corresponds with the Reports of the Director of Audit on:

- the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2017; and
- the results of value for money audits (Report No. 69),

which were tabled in the Legislative Council on 22 November 2017. Value for money audits are conducted in accordance with the guidelines and procedures set out in the Paper on Scope of Government Audit in the Hong Kong Special Administrative Region - 'Value for Money Audits' which was tabled in the Provisional Legislative Council on 11 February 1998. A copy of the Paper is attached in *Appendix 2*.

5. In addition, this Report takes stock of the progress of the action taken by the Administration on the recommendations made in the Committee's Report Nos. 66, 67 and 67A and offers the Committee's views on the action taken. These are detailed in Parts 3, 4 and 5 of this Report.

Procedure

6. **The Government's Response** The Government's response to the Committee's Report is contained in the Government Minute, which comments as appropriate on the Committee's conclusions and recommendations, indicates what action the Government proposes to take to rectify any irregularities which have been brought to notice by the Committee or by the Director of Audit and, if necessary, explains why it does not intend to take action. It is the Government's stated intention that the Government Minute should be laid on the table of the Legislative Council within three months of the laying of the Report of the Committee to which it relates.

Laying of the Report Report No. 66 of the Director of Audit on the results of value for money audits was laid in the Legislative Council ("LegCo") on 20 April 2016. The Public Accounts Committee ("the Committee")'s Report (Report No. 66) was subsequently tabled on 13 July 2016, thereby meeting the requirement of Rule 72 of the Rules of Procedure of LegCo that the Report be tabled within three months of the Director of Audit's Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 66 was laid in LegCo on 2 November 2016. A progress report on matters outstanding in the Government Minute was issued on 23 October 2017. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 11 below.

Efforts of the Rating and Valuation Department in safeguarding revenue on rates and government rent

(Chapter 1 of Part 4 of P.A.C. Report No. 66)

3. Hon Steven HO Chun-yin declared that he had self-occupied premises in New Territories West.

4. The Committee was informed that:

Collection of rental information

- the Rating and Valuation Department ("RVD") had implemented various improvement measures to ensure timely return of sufficient and accurate rental information from ratepayers. For example, the requisition forms had been refined to make ratepayers beware of their legal liability to furnish accurate and full rental particulars in the requisition forms. RVD would continue to closely monitor the situation, including the return rate of Form R1As and step up enforcement actions as appropriate. In case the return rate of Form R1As was notably deteriorated, RVD would consider requesting the Department of Justice ("DoJ") to reflect the situation to the court so that the court might take the latest trend into account when sentencing so as to attain a stronger deterrent effect;
- since August 2016, the Buildings Department ("BD") had started providing RVD with information on unauthorized building works

("UBWs") found in village houses and subdivided properties in the course of BD's enforcement work on a quarterly basis. RVD had been targeting these subdivided properties in rental information collection to reflect the enhanced value in the annual revaluations. RVD had also issued a new departmental instruction (which replaced the 2005 departmental instruction) in August 2016 to clearly set out the work procedures in handling information obtained from BD;

- RVD sought the Government Chief Information Officer's technical advice in May 2016 on the Audit Commission ("Audit")'s recommendation of installing scanners at the Stamp Office for capturing rental information from stamped tenancy agreements. As RVD's subsequent study suggested that an additional annual cost of \$0.32 million was required to implement the recommendation, RVD considered it not cost-effective to capture rental information by scanners instead of copiers;

Interim valuations of altered properties

- in September 2016, RVD completed special surveys in which about 3 600 un-assessed advertising signs in targeted areas in both the urban districts and the New Territories had been identified. RVD was conducting rates and/or government rent assessments for these advertising signs, with priority given to signs of higher rateable values. Special surveys would be conducted to identify un-assessed advertising signs in targeted areas periodically;
- since August 2017, RVD had started submitting monthly reports on the timeliness of interim valuations to the Financial Services and the Treasury Bureau. The reports included information on interim valuation cases at risk of not meeting the 24-month time-bar, and revenue loss for all interim valuation cases which had not met the 24-month time-bar;

Rates exemption for rural properties

- RVD had completed the rating assessments of all the village houses within designated village areas where non-compliance had been detected and rateable values had been assessed for government rent purposes. The valuation work of other non-complaint houses within designated village areas had started since January 2017. Excluding those cases in which government rent assessments had been conducted,

about 420 non-compliant houses were identified. RVD targeted to complete the rates assessments within the 2018-2019 fiscal year;

- as agreed with the Lands Department ("LandsD") since May 2016, its New Territories District Lands Offices had started sending copies of warning letters to RVD when taking enforcement actions against unauthorized structures on agricultural land. The rates exemption status of the lots concerned would be reviewed as appropriate based on the information obtained;
- on the issue of setting the effective date of revocation of rates exemption status, the Home Affairs Department ("HAD") had sought advice from DoJ. DoJ considered it legitimate for HAD to set the effective date based on the date of the District Lands Offices' detection of UBWs under matching checks instead of the date of notification by the District Lands Offices. HAD had implemented the new revocation date arrangement since the matching check in December 2016. LandsD was informed of the new arrangement and its cooperation in timely reporting of detection of UBWs during matching checks to HAD was solicited; and
- HAD would continue to liaise with LandsD to ensure that HAD would be speedily notified of UBWs detected during matching check. LandsD was revamping its Lease Enforcement Information System. HAD would take concerted actions with LandsD to synchronize relevant data formats of both departments to facilitate automated checking by the District Lands Offices in future matching checks.

5. The Committee wishes to be kept informed of further development on the subject.

Fresh food wholesale markets

(Chapter 2 of Part 4 of P.A.C. Report No. 66)

6. The Committee was informed that:

Utilization of public fresh food wholesale markets

- the Agriculture, Fisheries and Conservation Department ("AFCD") had reserved Pier No. 4 of the Cheung Sha Wan Wholesale Food Market

for the use of the Transport Department which might need to execute its contingency plan for transporting dangerous goods vehicles across the harbour when the Kwun Tong Vehicular Ferry Pier and the North Point Ferry Pier were closed during the period from April 2017 to October 2018. AFCD would continue exploring with other departments the possibility of utilizing pier after October 2018;

- AFCD and the Fish Marketing Organization ("FMO") had completed a review of the utilization of individual FMO fish markets. The findings, recommendations and follow-up actions to be taken by FMO had been reported to the Fish Marketing Advisory Board in March 2017, and the Board had indicated support to the proposed way forward to increase the utilization of individual FMO fish markets;

Management of AFCD Markets

- AFCD adopted a marking scheme to assess offers received in the latest tender exercise for the Cheung Sha Wan Temporary Poultry Market. Tenderers had to explicitly spell out their proposed staff deployments in their tender submissions. AFCD had lowered the minimum working experience requirement for eligible tenderers. Apart from placing advertisements on more domestic newspapers, AFCD had also invited all members of the Hong Kong Association of Property Management Companies to submit offers. Upon closure of tender submissions, four offers were received which was a marked improvement from that of the last tender exercise where only one offer was received. The new service contract commenced on 1 June 2017;
- AFCD would adopt a default notice and liquidated damage system in new service contracts to induce contractors to improve their performance. Record of default notices issued might also serve as a criterion in future tender evaluation;

Reprovisioning of private and public fresh food wholesale markets

- for the Yau Ma Tei Fruit Market, the Government was considering the way forward taking into account the history and unique features of the site and the development to date of the wholesale trade in fruits. Action was in hand to follow up the tendering exercise for the re-configured short-term tenancy site near the Yau Ma Tei Fruit Market. The Government would monitor the effectiveness of the

enhanced measures that had been brought in to mitigate environmental nuisances and kept in view the need for further enhancement;

- for the Kwun Tong Fish Market, the Food and Health Bureau and AFCD had accepted that the relocation of the Market to a possible site on Tsing Yi should be further explored. AFCD had duly provided to the relevant bureaux and departments inputs required for taking forward the engineering feasibility study on the relocation;
- for the Cheung Sha Wan Vegetable Market, having critically reviewed the feasibility of relocating the liquefied petroleum gas facilities and the parking site for dangerous goods vehicles, the Government considered that the Northwest Tsing Yi site, in place of the Tat Yeung Road site, should be pursued as the reprovisioning site for the Market. AFCD had provided to the relevant bureaux and departments inputs required for taking forward the engineering feasibility study on the relocation;
- for the North District Temporary Agricultural Products Market, the improvement works for the re-provisioned Market were rescheduled to commence in the second quarter of 2019 as a result of strong public objections on the alignment of the proposed Fanling Bypass at Shung Him Tong Village. The improvement works would pave the way for better utilization of the Market in future;
- for the Cheung Sha Wan Temporary Poultry Market, having considered the consultant's findings and recommendations on the study on the way forward of the live poultry trade in Hong Kong, as well as views collected during the public consultation, the Government had agreed with the broad direction that the status quo for the live poultry trade should be maintained. Regarding the future arrangement for the relocation of the Market, some representatives of the poultry trade had strong reservations on the proposed replacement site at Fu Tei Au. As the views on whether and where the Market should be relocated were divergent, the Government would engage the trade to identify options so that the options developed would be pragmatic and feasible. AFCD had prepared the preliminary design and the Food and Health Bureau/AFCD would take the project further as and when a decision to proceed was made;
- AFCD had formulated action plans on the relocation of the North District Temporary Agricultural Products Market and the

Cheung Sha Wan Temporary Poultry Market. AFCD would liaise with the trade on the practical requirements of the re-provisioned markets. Building design and facility planning for the re-provisioned agricultural products market had been undertaken by the Civil Engineering and Development Department. Pending the decision to proceed with the relocation of the poultry market, AFCD would hold consultation meetings with the trade as appropriate;

Way forward

- the Vegetable Marketing Organization was undergoing a review on its roles and functions under the prevailing agricultural policy, including an analysis on strengths, weaknesses, opportunities and threats, and would in consultation with DoJ update the legal framework to allow the Vegetable Marketing Organization to fulfil its responsibilities more efficiently and effectively when necessary; and
- AFCD had in conjunction with FMO started the review of the Audit's recommendations by stages, including the roles and functions of FMO and an analysis on strengths, weaknesses, opportunities and threats of FMO. AFCD and FMO would also consult DoJ on the legal issues surrounding the direct import of fresh marine fish and the need to update the legal framework of the Marine Fish (Marketing) Ordinance (Cap. 291).

7. The Committee wishes to be kept informed of further development on the subject.

Admission schemes for talent, investors and workers
(Chapter 4 of Part 4 of P.A.C. Report No. 66)

8. The Committee was informed that:

Administration of General Employment Policy Employment Stream and Admission Scheme for Mainland Talents and Professionals

- the Immigration Department ("ImmD") had enhanced the computer system to ensure that the data maintained in the system for processing applications under the General Employment Policy/Admission Scheme for Mainland Talents and Professionals were accurate and up-to-date;

- ImmD had conducted a review and lifted the requirement to impose special conditions of stay on foreign cooks with effect from February 2017 and following that, the conditions of stay imposed on cooks and other professionals were aligned;

Administration of Quality Migrant Admission Scheme

- ImmD had been closely liaising with the Labour and Welfare Bureau in incorporating the talent list into the Quality Migrant Admission Scheme;

Administration of immigration arrangements for non-local graduates

- ImmD had stepped up the verification of the authenticity of supporting documents submitted by applicants/entrants. For applications from fresh graduates, applicants were required to submit original proof of graduation. For applications from returning graduates where copies of graduation proof had been submitted, applicants would be randomly selected to produce originals/certified true copies of academic records/graduation certificates. ImmD would also confirm with the concerned educational institutions on applicants' qualification on a random basis;
- ImmD had reminded case officers to make proper records on minutes, including the actions taken, the factors considered and the justifications in the determination of applications. ImmD had also set up a database on the latest market level of remuneration for internal reference. Case officers had been reminded to properly record any reference made to the database when determining whether the remuneration package was broadly commensurate with the market level. Regular briefings and spot checks were conducted to ensure strict compliance of the above requirements;

Administration of General Employment Policy Investment Stream

- ImmD had enhanced the relevant computer system which facilitated future analysis of information on the General Employment Policy entrepreneur entrants' sustained contributions to the local economy;

Administration of Capital Investment Entrant Scheme

- ImmD had reviewed the mechanism and taken measures to step up monitoring of the processing time of applications;
- ImmD had issued guidelines to remind case officers to issue warning letters to the applicants who had breached the scheme rules timeously after the finalization of the cases, and to report on the progress of breach cases monthly for monitoring. Mechanism for handling cases of repeated or deliberate breaches had also been put in place, which included requiring applicants to account for the breaches in detail upon annual review of investment transactions, refusing subsequent extension of stay applications from those failing to provide a reasonable explanation for the breaches, and requiring the applicants concerned to leave Hong Kong upon expiry of their limit of stay, etc.;

Administration of Admission Scheme for Foreign Domestic Helpers ("FDHs")

- the income and asset thresholds formed part and parcel of the FDH policy, which was under the purview of the Labour Department, so as to better ensure that employers had the economic means to pay their FDHs for the whole contractual period of 24 months. In considering any proposal to increase the income and asset thresholds for FDH-employing families, the Government took into consideration a basket of socio-economic factors (particularly the needs of such an adjustment and its potential impacts) and struck a reasonable balance between the needs for protecting FDHs (i.e. ensuring that employers had the means to pay) as well as the needs of the community, particularly those families which were in need for the service of FDHs. The Labour Department conducted a review in September 2016. Having regard to the above considerations and the very low number of complaints on payment of wages to FDHs over the years, it was considered that the existing income and asset thresholds should be maintained;
- regarding the pre-mature termination issues, ImmD had:
 - (a) issued instructions setting out the procedures in processing new visa applications with pre-mature termination records to ensure consistency;

- (b) implemented a series of measures since April 2016, which included improving the workflow, deploying more manpower to handle cases and issuing operational guidelines setting out specific instructions on, among others, contacting ex-employers or FDHs and checking their relevant records to further combat "job-hopping"; and
- (c) deployed resources to expedite the processing of pre-mature termination notifications. The backlog of pre-mature termination notifications pending processing as at end of July 2016 had dropped by 37% when compared with the figure in July 2015;
- ImmD had reminded case officers to ensure that employers had provided full justifications for employing FDHs to perform driving duties before putting up cases to supervisors for decisions. Besides, operational guidelines had been issued such that FDH applicants applying for special permission to perform driving duties were required to provide declaration on whether they had previous records of driving offences. Measures had been put in place for conducting spot checks;

Information system

- ImmD had reminded case officers the importance of data accuracy and the need to maintain computer records properly. Besides, ImmD had deployed additional resources and procured high-speed scanners to expedite the scanning of documents into the computer system. ImmD had also enhanced the relevant computer system to ensure the proper maintenance of computer records for various admission schemes;
- data analysis could now be conducted partially through the application data of the Quality Migrant Admission Scheme captured by the Application and Investigation Easy System. ImmD was exploring the development of a new system to replace the Application and Investigation Easy System and would consider incorporating such requirements in the new system;

Supervisory checks on the decisions made by case officers in processing visa/permit applications under various admission schemes

- ImmD had reviewed the mechanism of regular supervisory checks. The mechanism had been enhanced in that the checking would be properly recorded and the check registers would be inspected regularly by the Section Heads;

Cost recovery of visas/entry permits and extension of stay

- regarding the review on the cost recovery rate of visas/entry permits and extension of stay, ImmD was conducting a comprehensive review on all fee items and would continue to review fee items regularly with a view to achieving full cost recovery over time;

Proactive and targeted approach to attract talent

- the statistical reports which could only be maintained by manual efforts previously had been generated electronically subsequent to the enhancements to the computer system since early 2016 to enhance efficiency. ImmD would continue to compile relevant statistics regularly and provide the statistics for passing to the Steering Committee on Population Policy for reference; and
- ImmD reviewed its visa policies and various admission schemes from time to time and, where necessary, made adjustments and enhancements. The Security Bureau and ImmD were closely monitoring the effectiveness of the pilot Admission Scheme for the Second Generation of Chinese Hong Kong Permanent Residents, as well as other enhancement measures to various admission schemes implemented in May 2015.

9. The Committee wishes to be kept informed of further development on the subject.

Hong Kong Academy for Performing Arts
(Chapter 5 of Part 4 of P.A.C. Report No. 66)

10. The Committee was informed that:

Provision of academic programmes

Student unit cost

- The Hong Kong Academy for Performing Arts ("HKAPA") had set up the Task Force on Student Enrolment to formulate strategies to improve the enrolment situation and monitor and control the student unit cost;

Student enrolment

- the Task Force on Student Enrolment planned to submit its recommendations on the strategies to improve the enrolment situation to the Academic Board in late October 2017. The setting up of the online application platform for students was in progress. HKAPA had worked out multiple options on the subject and assessment on each option would be finalized soon;

Admission of non-local students

- HKAPA had implemented new tuition fee levels for non-local students (i.e. \$48,000 per annum for degree programmes (versus \$42,100 for local students) and \$36,000 per annum for sub-degree programmes (versus \$31,575 for local students)) since the academic year 2017-2018, and it would review tuition fee levels periodically;
- HKAPA currently admitted non-local students at about 15% of the total student number. HKAPA would review the policy on the admission of non-local students, and the Home Affairs Bureau ("HAB") would follow up with HKAPA to draw up the policy, taking into account a host of factors such as the academic needs of HKAPA for a satisfactory international mix of student population, the overall quality of the learning environment and experience for HKAPA students and the cost-effectiveness of the use of public funds;

Graduate number and employment survey

- HKAPA had in December 2015 set up an Academic Curriculum Review Task Force to review the four-year degree programmes servicing the first cohort of graduates (in June 2016) under the new Diploma of Secondary Education system. The review would also address the needs of the industry and students. The Task Force would make recommendations on the academic planning and development of the four-year degree programmes by December 2017. HAB would continue to monitor the graduate number of HKAPA;
- HKAPA was exploring suitable arrangements for disclosing more graduate employment information collected from graduate employment surveys. It had conducted a review in June 2016 on the survey process with a view to improving the response rate;

Non-government funded programmes

- HKAPA had completed a review on the cost recharge mechanism. It would implement a new budget model in the academic year 2017-2018 according to the principles that there should be no cross subsidization of programmes operated on a self-financing basis with government funded programmes, and that there should be a clear cost recharge mechanism for self-financed programmes;

Governance and government monitoring

Council and committee proceedings

- HKAPA had uploaded the attendance records of Council/committee meetings onto its website since February 2016, and had stepped up efforts in facilitating members' attendance at these meetings. It had also incorporated guidelines on good practices on meeting proceedings, duties and responsibilities of Council/committee members, confidentiality requirements, and management of conflicts of interest into its Council/committee handbooks;

Government monitoring

- HKAPA undertook to seek HAB's prior written approval for using the reserve. HKAPA would also closely monitor the allocation from the

reserve to ensure that any unspent balance would be returned to the reserve when the purpose of the allocation had been accomplished;

- HAB would revise the Memorandum of Administrative Arrangements, taking into account the Audit's recommendations, the Government's prevailing subvention guidelines and views from HKAPA. HAB had advised HKAPA that HKAPA should include in its submission of financial statements the reporting requirements as specified in the Financial Circular No. 9/2004 on "Guidelines on the Management and Control of Government Funding for Subvented Organisations". HKAPA was taking steps to comply with the requirements;
- HKAPA had reviewed the feasibility and desirability of transferring the funding responsibility of HKAPA from HAB to the Education Bureau/University Grants Committee. In conclusion, HKAPA had recommended that it should remain under the aegis of HAB and the current funding arrangement was suitable for the development of HKAPA both in the short-term and in the foreseeable future. HKAPA Council had endorsed the recommendation on 12 June 2017;

Administrative issues

Utilization of teaching venues and performance venues

- upon the recommendation of the Task Force on Utilisation of Teaching and Performing Venues, HKAPA had fully implemented the new venue booking system since December 2016. Overall, when compared with the utilization rates in 2014-2015, the utilization rates of teaching venues had improved during the period from October 2016 to May 2017 (i.e. the utilization rates had increased from 32%-79% to 48%-86% for the Wanchai Campus, from 3%-28% to 9%-38% for the Bethanie Campus, and from 12%-35% to 38%-60% for the leased premises). The Task Force would continue to monitor and further improve the utilization rates of teaching venues;

Electricity charges and energy management

- HKAPA would further optimize energy consumption and follow up with the electricity supply company for opportunities to adopt the more economical tariff type and to use summation metering;

Management of fixed assets

- HKAPA had in September 2016 issued a set of guidelines and procedures on the management of fixed assets and loaned items to strengthen the control and documentation of fixed assets. It had rectified all the discrepancies between the two sets of fixed asset records kept by its Supplies Office and Accounts Office;

Investment of surplus funds

- at its meeting on 10 November 2016, HKAPA Council approved the expansion of the bank list for obtaining interest rate quotations and placing time deposits by three more banks in addition to the existing five. With the expanded bank list, HKAPA would increase the amount of time deposits for earning more interest income while ensuring sufficient liquidity for operations;
- HKAPA Council had on 14 June 2016 approved the draft Investment Policies and Guidelines, which stipulated the principles, objectives, policies and guidelines on the overall investment management of the Academy and took immediate effect;

Campus improvement and expansion

Wanchai campus expansion project

- HAB had reported to LegCo Panel on Home Affairs at its meeting held on 11 November 2016 about the progress of the project. The on-campus expansion project had entered the Pre-Occupation Permit inspection stage. Due to the unforeseeable site uncertainties e.g. an incident of water leakage from an existing underground seawater chiller pipe, HKAPA had recently reported that there might be delay and the project should be completed in the first quarter of 2018. In the light of the delay in completion and the rise in construction cost, HKAPA would avoid all unnecessary variation of works. HAB would continue to closely monitor the progress of the project through quarterly reports from HKAPA and close liaison with the project team;
- on the provision of services during the construction period, HKAPA had worked out alternative space arrangements before the commissioning of new facilities so that the requisite hardware

requirements for the delivery of academic programmes would not be compromised because of the project delay; and

Planning for further campus expansion

- HKAPA had commissioned a consultant to conduct a study on the space needs of the Academy. HAB was examining the findings and recommendations of the final draft report of the study, and would seek views and input from relevant parties.

11. The Committee wishes to be kept informed of further development on the subject.

Laying of the Report The Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year end 31 March 2016 and his Report No. 67 on the results of value for money audits were laid in the Legislative Council ("LegCo") on 23 November 2016. The Public Accounts Committee ("the Committee")'s Report (Report No. 67) was subsequently tabled on 15 February 2017, thereby meeting the requirement of Rule 72 of the Rules of Procedure of LegCo that the Report be tabled within three months of the Director of Audit's Report ("Audit Report") being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 67 was laid in LegCo on 24 May 2017. A progress report on matters outstanding in the Government Minute was issued on 23 October 2017. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 68 below.

Buildings Department's actions on unauthorized building works
(Paragraphs 3 to 5 of Part 3 of P.A.C. Report No. 67)

3. Hon SHIU Ka-fai declared that he was engaged in the trading business of construction materials.

4. The Committee was informed in the Government Minute which was laid before LegCo in May 2017 that:

- to enhance the follow-up actions on actionable unauthorized building works ("UBWs") which were issued with removal orders, the Buildings Department ("BD") was upgrading its Building Condition Information System by adding new functions to record and capture information on the actionable and non-actionable UBWs identified through handling reports of UBWs and its large-scale operations. Upon completion of the upgrading, the Building Condition Information System could help BD apprehend the number of identified actionable UBWs;
- to effectively combat UBWs, BD considered it necessary to implement a "multi-pronged" approach, comprising legislation, enforcement, support and assistance to owners, and publicity and public education efforts. BD had adopted the "Building Coordinator" approach since

2011 for taking enforcement actions against individual buildings in relation to all general building safety issues. The same team of staff was responsible for taking various dedicated actions concerning building safety from time to time; and

- with new guidelines, work procedures and additional manpower on UBWs, the number of UBWs removed and irregularities rectified by BD had increased from approximately 15 000 in 2013 to approximately 23 000, 24 500 and 26 500 in 2014, 2015 and 2016 respectively. Nevertheless, having regard to the difference in the repair condition and the types and number of existing UBWs of the buildings concerned as well as the unique circumstances and background of each case, BD was unable to formulate an action plan for all cases.

5. The Committee wrote to Director of Buildings on 5 January 2018 to enquire BD's criteria and priorities on taking enforcement actions to remove UBWs and rectify irregularities, in particular the shop structures adjacent to the exits of staircases on ground floor of old tenement buildings. The replies from **Director of Buildings** are in *Appendix 3*.

6. The Committee wishes to be kept informed of further development on the subject.

Public cooked food markets managed by the Food and Environmental Hygiene Department

(Paragraphs 6 to 8 of Part 3 of P.A.C. Report No. 67)

7. Hon LAM Cheuk-ting declared that he was a member of the "Market Management Consultative Committee" of Shek Wu Hui Market under the Food and Environmental Hygiene Department ("FEHD").

8. The Committee was informed in the Government Minute which was laid before LegCo in May 2017 that:

Installation of fire safety measures and upgrading of electricity supply

- FEHD had set up an inter-departmental working group with the Architectural Services Department and the Electrical and Mechanical Services Department to resolve the technical feasibility of installing the six minimum fire safety measures¹ recommended by the Audit Commission ("Audit") in cooked food venues and of upgrading the electricity supply of the cooked food markets ("CFMs")/cooked food centres ("CFCs"), and to prioritize the installation/upgrading works;
- amongst the six minimum fire safety measures, almost all 72 public cooked food venues² were now provided with portable fire extinguishers, emergency lighting, manual fire alarms³ and automatic cut-off device for mechanical ventilating system⁴ where applicable. For the installation of the remaining two fire safety measures, as at April 2017, 46 cooked food venues had been equipped with automatic sprinkler system, and 52 with fire hydrant and hose reel system. The major challenge to provide fire hydrant and hose reel for the rest of the cooked food venues was to identify suitable space in the cooked food venues for construction of water tanks and the associated plant rooms. In some of the venues, the construction of a pump room, water tank and trench for sprinkler pipe would be infeasible without major alteration or extension;
- with the acceptance of the Fire Services Department ("FSD") and the Water Supplies Department ("WSD"), FEHD had begun installing improvised automatic sprinkler system with direct water supply from government mains at concerned venues where installation of

¹ The six minimum fire safety measures were: (i) portable fire extinguisher; (ii) emergency lighting; (iii) manual fire alarm; (iv) automatic cut-off device for mechanical ventilating system; (v) automatic sprinkler system; and (vi) fire hydrant and hose reel system.

² Excluding three cooked food hawkers bazaars which had been closed since the issue of the Audit Report in 2015.

³ All cooked food venues had been equipped with portable fire extinguishers. Emergency lighting and manual fire alarms had been installed in all cooked food venues, except in one cooked food hawkers bazaar which would be planned for closure and in Woosung Street cooked food hawkers bazaar of which installation of fire safety measures would be incorporated in its scheduled improvement works project.

⁴ Automatic cut-off device for mechanical ventilating system had been installed in 34 cooked food venues and relevant departments subsequently confirmed that the said installation was not applicable to the remaining 38 cooked food venues which were not provided with centralized ventilating system.

conventional automatic sprinkler system with construction of water tanks was infeasible. On the other hand, the installation of a conventional fire hydrant and hose reel system would normally require sufficient space to accommodate the fire service water tanks. Where such space could not be made available for the tank at the concerned venues, FEHD might propose a fire hydrant and hose reel system with reduced tank size, or seek the acceptance of FSD and WSD to have an improvised hose reel system with direct water supply from government mains as an alternative;

- FEHD would continue to liaise with the Architectural Services Department, the Electrical and Mechanical Services Department and related power companies to explore the feasibility of upgrading electricity supply system for those public cooked food venues with sub-standard systems. In some of the venues, power upgrade would not be practically feasible. FEHD issued in July 2015 an advisory letter attached with tips and guidelines on electrical safety and safe use of electrical appliances for attention and observance by operators of the cooked food venues. FEHD also imposed an additional condition on tenancy agreement in March 2016 requiring the tenants of CFCs/CFMs to ensure that the loading of the electrical appliances used at the stall would not overload the electricity supply of the stall; and

Retrofitting of air-conditioning system

- as at March 2017, 11 public markets⁵ had attained the threshold of tenants' support for retrofitting of air-conditioning system. FEHD was taking forward progressively the retrofitting of air-conditioning. The technical feasibility study for Tai Wai Market had been completed and the preliminary technical feasibility assessment for Shui Wo Street Market CFC, Aberdeen Market cum CFC and Ngau Tau Kok Market CFC was underway. FEHD was following up with the Architectural Services Department to conduct preliminary technical feasibility assessment for the other markets concerned. Taking into consideration factors such as the findings of the technical feasibility studies, extent of works required, cost effectiveness, impact on

⁵ These public markets were Shui Wo Street Market CFC, Tai Wai Market, Aberdeen Market cum CFC, Ngau Tau Kok Market CFC, Shek Tong Tsui Market CFC, Fa Yuen Street Market CFC, Electric Road Market CFC, Quarry Bay Market CFC, Ngau Chi Wan Market CFC, Yeung Uk Road Market and Tsuen Wan Market.

business and market operation, and whether the implementation details were acceptable to the tenants concerned, the Administration would decide whether there was a case for carrying out the works for retrofitting of air-conditioners.

9. The Committee wrote to Director of Food and Environmental Hygiene on 5 January 2018 to enquire the progress of installing air-conditioning system in CFMs and CFCs; the CFMs and CFCs for which preliminary technical feasibility assessment would be conducted for the installing/retrofitting of air-conditioning system; and whether any CFMs and CFCs were identified as infeasible to install/retrofit the air-conditioning system due to technical constraints as well as the alternative measures to improve the conditions of these CFMs and CFCs. The replies from **Director of Food and Environmental Hygiene** are in *Appendix 4*.

10. The Committee wishes to be kept informed of further development on the subject.

Management of water supply and demand

(Paragraphs 9 to 11 of Part 3 of P.A.C. Report No. 67)

11. The Committee was informed that:

Water supply management

Use of reclaimed water

- WSD commenced the core infrastructure works related to the supply of reclaimed water for flushing in Northeast New Territories, which comprised a service reservoir and trunk water mains, in April 2017. The remaining infrastructure works including a chlorination plant, a pumping system and local distribution mains were currently under design. On the other front, WSD's consultant had completed a review on the financial and legal framework having regard to international experience and were in the process of developing an appropriate framework in Hong Kong for completion by end 2017;

- WSD was carrying out a comprehensive review of the Total Water Management Strategy, including a strategy for promoting grey water reuse and rainwater harvesting for non-potable purposes. The consultant had liaised with the Architectural Services Department and the Drainage Services Department to review the results of the trial schemes for the use of grey water and rainwater for non-potable purposes at government/school buildings. The consultant had also recommended a strategy for promoting grey water reuse and rainwater harvesting in government and private buildings;
- WSD had been driving departments to adhere to the policy on grey water reuse and rainwater harvesting in government buildings through the joint technical circular on Green Government Buildings by the Development Bureau and the Environment Bureau;
- the Hong Kong Green Building Council was conducting a review for the Building Environmental Assessment Method Plus New Buildings, including giving more credits for grey water reuse and rainwater harvesting in the assessment criteria so as to encourage grey water reuse and rainwater harvesting in private buildings. WSD had provided technical support in this connection and the review was expected to be completed by end 2017;

Protecting existing water resources

- the review of the detailed design, method statements and related environmental impact assessments of the Inter-Reservoirs Transfer Scheme was making satisfactory progress and the initial conclusions were positive. In line with the proposals of the review, the Drainage Services Department was refining the detailed design and method statements of the Scheme; and

Way forward

- the review of the Total Water Management Strategy covering water conservation measures to address the long-term water demand was nearing completion. WSD was taking into account of the findings of the review for a study on setting a water saving target and achievement date, including water saving per capita per day, for Hong Kong.

12. The Committee wishes to be kept informed of further development on the subject.

Planning, construction and redevelopment of public rental housing flats
(Paragraphs 3 to 5 of Part 4 of P.A.C. Report No. 67)

13. Hon Kenneth LEUNG declared that he was a former member of the Hong Kong Housing Authority ("HKHA"); and Hon SHIU Ka-fai declared that he was currently a member of HKHA and engaged in the trading business of construction materials.

14. The Committee was informed that:

Management of public rental housing construction projects

- HKHA would continue to conduct its annual rolling five-year budget and forecast exercise to prudently assess its financial position and future funding requirements. On the basis of the Approved Budgets and Forecasts which covered the five-year period from 2016-2017 to 2020-2021, it was projected that HKHA would have sufficient financial resources to meet its recurrent expenditure and implement its public housing construction programme and maintenance programme covered in the budget and forecast period. When the Administration and HKHA had reached consensus on the quantum and timing of funding injection, the Administration would seek approval from LegCo at an appropriate time for funding to be drawn from the Housing Reserve;

Public Housing Construction Programme 2016-2017 to 2020-2021

- the Administration had been making public at regular intervals the housing supply target and the construction progress of public housing, which included announcing the housing supply target for the next ten-year and the land identification progress in the annual progress report of the Long Term Housing Strategy, and the estimated production number of public housing under HKHA in the next five years on its website and LegCo submission; and

- as stated in the Long Term Housing Strategy Annual Progress Report 2016 provided to LegCo Panel on Housing in January 2017, the Administration's 10-year public housing supply target remained the same as that in the 10-year period ending 2025-2026 at 280 000 units from 2017-2018 to 2026-2027. According to HKHA's Public Housing Construction Programme as at September 2017, the estimated total public housing production by HKHA and the Hong Kong Housing Society in the five-year period from 2017-2018 to 2021-2022 would be 100 300 flats. On land supply, the Administration had identified land for the construction of about 236 000 public housing units for the 10-year period from 2017-2018 to 2026-2027 assuming that all sites identified could be delivered on time for housing construction. The Administration acknowledged that there was a gap in the public housing supply target.

15. The Committee wishes to be kept informed of further development on the subject.

Recoverability of the outstanding advances to the United Nations High Commissioner for Refugees

(Paragraphs 6 to 8 of Part 4 of P.A.C. Report No. 67)

16. The Committee was informed that:

- the Administration had continued to urge the United Nations High Commissioner for Refugees ("UNHCR") to make renewed efforts to appeal to the international community for donations with a view to settling the outstanding advances, which remained at \$1,162 million. Although it was not optimistic that repayment could be made by UNHCR in the near future, the Administration would continue to pursue the issue; and
- the Security Bureau wrote to the Hong Kong Sub-office of UNHCR in August 2017 again to reiterate the Administration's stance and register the Hong Kong community's expectation of an early recovery of the outstanding advances.

17. The Committee wrote to Secretary for Security on 5 January 2018 to enquire whether the Administration had assessed the possibility of recovering the outstanding advances and studied alternative solutions to recover the outstanding advances (e.g. making reference to other overseas countries/cities which had similar experience), and under what circumstances the Administration would consider writing off an outstanding sum. The replies from **Secretary for Security** are in *Appendix 5*.

18. The Committee wishes to be kept informed of the development on the Administration's recovery of the outstanding advances to UNHCR.

Footbridge connections between five commercial buildings in the Central District

(Paragraphs 9 to 11 of Part 4 of P.A.C. Report No. 67)

19. Hon Abraham SHEK Lai-him declared that he had an office in one of the five concerned commercial buildings.

20. The Committee was informed that in late June 2017, the owner of one of the five concerned commercial buildings (i.e. Building II) indicated that he would submit a general building plan to BD once the owner of another commercial building (i.e. Building I) had confirmed the connection point of the new footbridge.

21. The location of the proposed Footbridge A is shown in *Appendix 6*.

22. The Committee wishes to be kept informed of further development on the subject.

Small house grants in the New Territories

(Paragraphs 12 to 16 of Part 4 of P.A.C. Report No. 67)

23. Hon Paul TSE Wai-chun declared that he was an indigenous villager of the New Territories and had exercised his small house concessionary right to build a New Territories small house.

24. The Committee was informed in the Government Minute which was laid before LegCo in May 2017 that:

- the existing small house policy had been in operation for a long period of time and its review inevitably involved complicated issues in aspects such as legal, environment, land use planning and demand on land, all of which required careful examination;
- the review of small house policy was not a priority task given the complexity of the issues involved and that the priorities of the Development Bureau had been given to more important issues such as increasing land supply and implementing cost control over key public works projects; and
- it was also noteworthy that the small house policy was currently subject to a judicial review. The Administration was not in a position to make any public comment on issues that might prejudice its handling of the case.

25. The Committee also noted that "Small house policy and rural planning strategy" had been put on the list of outstanding items for discussion of LegCo Panel on Development.

26. The Committee wrote to Secretary for Development on 5 January 2018 to enquire whether the current term Government had planned/would plan to take any action, including initiating a review on the small house policy, and the timetable. The replies from **Secretary for Development** are in *Appendix 7*.

27. The Committee wishes to be kept informed of further development on the subject.

Direct land grants to private sports clubs at nil or nominal premium
(Paragraphs 17 to 19 of Part 4 of P.A.C. Report No. 67)

28. Hon Abraham SHEK Lai-him declared that he was a member of Hong Kong Country Club, Hong Kong Football Club, Hong Kong Golf Club, Hong Kong Jockey

Club, Royal Hong Kong Yacht Club and Shek O Country Club; Hon Paul TSE Wai-chun declared that he was a member of Hong Kong Jockey Club, Scout Association of Hong Kong and South China Athletic Association; and Hon Kenneth LEUNG declared that he was a member of the Ladies Recreation Club, Craigengower Cricket Club and Foreign Correspondents' Club, Hong Kong.

29. The Committee was informed that:

Review of the Private Recreational Lease ("PRL") policy

- the Home Affairs Bureau ("HAB") aimed to brief LegCo Panel on Home Affairs on the review findings of the PRL policy within 2017⁶ and then commence public-cum-stakeholder consultation;

Implementation of the "opening-up" requirement

- HAB placed another round of advertisements in the print media in September 2017 to encourage eligible bodies to make use of sports facilities operated by PRL lessees, and would consider other publicity measures as necessary;

Monitoring of compliance with lease conditions

- the Lands Department ("LandsD"), in consultation with HAB and other relevant bureaux/departments, had completed all the required follow-up actions on cases of irregularities and suspected non-compliance with lease conditions identified in the Audit Report;
- upon expiry of existing PRLs, LandsD and HAB would consider whether additional conditions should be added on a case-by-case basis;
- in future cases of sufficient importance, HAB would seek the advice of the Executive Council before granting PRLs where necessary; and

⁶ As at 31 December 2017, the Administration had not yet briefed LegCo Panel on Home Affairs the review findings.

Progress of the renewals for the 16 expired PRLs

- when considering applications for PRL renewal, HAB would examine the Memorandum and Articles of Associations of the clubs concerned to ensure that they met the non-discriminatory membership policy requirement. As at mid-May 2017, of the 16 expired PRLs, 13 had been renewed as PRLs and one had been granted a special purpose lease. HAB would complete the renewal of the remaining two PRLs as soon as the outstanding issues were resolved.

30. The Committee wrote to Secretary for Home Affairs on 5 January 2018 to enquire the difficulties encountered by the Administration in conducting the PRL policy review, the latest progress of the review, as well as the timeline to brief LegCo Panel on Home Affairs and to make public the review findings. The replies from **Secretary for Home Affairs** are in *Appendix 8*.

31. The Committee wishes to be kept informed of further development on the subject.

Management of roadside skips

(Paragraphs 20 to 23 of Part 4 of P.A.C. Report No. 67)

32. Hon Steven HO Chun-yin declared that the business he and his family members engaged in might involve skips.

33. The Committee was informed that:

Strategies and action plans for regulating and facilitating skip operations

- the Administration had provided one site adjacent to Tseung Kwan O Area 137 Fill Bank and another at Siu Lang Shui in Tuen Mun, through short-term tenancies, for use by the skip trade for storing idling skips. For the site at Tseung Kwan O, the occupancy rate had been on the rise since its commissioning in early 2017, averaging about 80%. For the site at Siu Lang Shui, Tuen Mun District Lands Office had granted the

short-term tenancy in the end of July 2017, and the tenant was expected to commence operation by September/October 2017;

- through stepping up joint enforcement operations against roadside skips⁷ since February 2017, the indiscriminate placement of roadside skips in Tseung Kwan O area had been effectively improved. The Joint Working Group led by the Environment Bureau and the Environmental Protection Department ("EPD") would progressively organize joint operations in other black spots as necessary and, through a dedicated term service contractor, assist enforcement departments to expedite the removal of non-complying skips so as to enhance enforcement efficiency and deterrent effect;
- the Joint Working Group was liaising with the skip operator trade to support and facilitate the setting up of a trade-led skips registration system, under which skip specifications would be standardized and adoption of appropriate safety measures and good operational practices would be promoted, thereby progressively enhancing the standards of skip operations;
- the Joint Working Group organized a seminar with the trade in September 2017 to promote safe practices in skip operations and wider adoption of the Transport Department's "Guidelines for Mounting and Placing of Skips" among skip operators. The Transport Department would monitor the compliance of skips, by making use of the data gathered via periodic surveys conducted at the two skip storage sites regarding compliance with the guidelines on colour and outlook; and

Introduction of regulatory system

- taking into account the progress of the work proposed, the Administration would consider whether there was a need to introduce a new regulatory system to regulate skip operations in the long run.

34. The Committee wrote to Secretary for the Environment on 5 January 2018 to enquire the removal progress of roadside skips; the number of skips that had been removed; measures/strategies to deal with skips at black spots; the clearance

⁷ These joint operations were co-ordinated by the Sai Kung District Office under HAD, and participated by EPD, the Hong Kong Police Force and LandsD.

timetable of roadside skips; the progress of setting up a skips registration system; and the latest position on the adoption of safe practices and compliance of "Guidelines for Mounting and Placing of Skips". The consolidated replies from **Secretary for the Environment** and **Director of Environmental Protection** are in *Appendix 9*.

35. The Committee wishes to be kept informed of further development on the subject.

Provision of long-term care services for the elderly
(Paragraphs 24 and 25 of Part 4 of P.A.C. Report No. 67)

36. The Committee was informed that:

Increasing service places for the elderly

- the Social Welfare Department ("SWD") was planning to implement 27 development projects for provision of new contract homes and day care centres/units for the elderly. It was estimated that about 2 420 residential care places (including subsidized and non-subsidized places) and about 880 day care places for the elderly would be progressively provided from 2017-2018;
- SWD had started to provide, since August 2017, additional 2 000 vouchers under the Second Phase of the Pilot Scheme on Community Care Service Voucher for the Elderly to support ageing in place for elderly persons with moderate or severe impairment;
- in May 2017, the Commission on Poverty agreed to implement two pilot schemes, through allocations from the Community Care Fund, to support ageing in place for elderly persons. The first pilot scheme would be rolled out in the first quarter of 2018 and the second pilot scheme in the fourth quarter of 2017 at the earliest;

Strengthening the monitoring of residential care homes for the elderly and enhancing the service quality

- SWD had been implementing various improvement measures to strengthen the monitoring of residential care homes for the elderly and

enhance their service quality, including strengthening inspection strategy and inspection back-up; handling and follow-up of complaints; reviewing the legislation and code of practice and formulating care-related guidelines; enhancing monitoring and quality/skills of home operators/managers/staff; stepping up law enforcement and increasing transparency, etc. On the review of the legislation and code of practice, SWD set up in June 2017 a working group comprising different stakeholders to make recommendations on amendments;

- SWD set up a new Licensing and Regulation Branch on 2 May 2017 to regulate residential care homes or centres licensed or registered by SWD, including residential care homes for the elderly;

Elderly Services Programme Plan ("ESPP")

- the Elderly Commission submitted ESPP to the Administration in June 2017. ESPP had made recommendations on the future development of elderly services, including the planning of subsidized services in terms of service quota, premises and manpower, etc. The Administration accepted in principle the recommendations and had begun follow-up work. The Elderly Commission and its Working Group on ESPP would monitor the implementation of the recommendations. LegCo Panel on Welfare Services was briefed on ESPP and the Administration's follow-up plan in July 2017; and

Looking ahead

- it was announced in the 2017-2018 Budget that a forward-looking approach would be taken and a total of \$30 billion would be earmarked to strengthen elderly services and rehabilitation services for persons with disabilities.

37. The Committee wrote to Chief Secretary for Administration on 5 January 2018 to enquire about the latest progress on the implementation of the two pilot schemes to support ageing in place for elderly and the development projects for the provision of new contract homes and day care centres/units for the elderly; the annual number of new service places for the elderly available in the next ten years; and measures to shorten the waiting time for residential care places by the elderly. The replies from **Secretary for Labour and Welfare** are in *Appendix 10*.

38. The Committee wishes to be kept informed of further development on the subject.

Administration of the air traffic control and related services

(Paragraphs 28 to 31 of Part 4 of P.A.C. Report No. 67)

39. Hon Steven HO Chun-yin declared that he was a non-executive director of the Airport Authority Hong Kong.

40. The Committee was informed that:

Commissioning of the new Air Traffic Management System ("ATMS")

- the Transport and Housing Bureau ("THB") had been monitoring closely the progress of the new ATMS project, the performance of the new ATMS after its full commissioning, and the follow-up actions taken by the Civil Aviation Department ("CAD"). THB received regular updates from CAD and provided policy advice to CAD;
- although the new ATMS had experienced some teething issues during the initial commissioning, CAD's staff members had handled those occurrences with professional expertise and experience, as per established procedures, without compromising aviation safety. By benchmarking international best practices and the International Civil Aviation Organization's safety management system process, the ATMS Expert Panel set up by CAD pointed out that CAD had in place an effective and established mechanism for responding to different situations occurring after the full transition;
- for the teething issues encountered during the initial commissioning of the new ATMS, CAD and THB reported to the Committee in writing on 3 and 21 April 2017 (*Appendices 11 and 12* respectively) on the occurrences and the follow-up actions, and would continue to keep LegCo informed of the progress;
- CAD would continue to work closely with the contractor with a view to completing the optimization of the new ATMS as soon as possible.

During the process, CAD would duly seek independent professional advice from the ATMS Expert Panel; and

- in November 2017, the ATMS Expert Panel issued the final report to sum up its findings and recommendations after a year-long review of the various aspects of ATMS since its full commissioning on 14 November 2016, as follows:
 - (a) the ATMS Expert Panel was of the view that safety was never compromised in all of the occurrences that ATMS experienced during the run-in period and all issues had been duly addressed. It was satisfied with the implementation progress of the recommendations;
 - (b) the performance of ATMS exceeded international requirements, and was also within expectations and in line with experiences of the air navigation service provider overseas;
 - (c) the overall performance of the new ATMS was satisfactory and smooth after a run-in period. It had effectively enhanced aviation safety and acquired international recognition. CAD's front-line staff also became more conversant with the operation and maintenance of ATMS. The system performance had testified that the new ATMS was capable of handling all weather, traffic peaks and contingent situations; and
 - (d) ATMS and other air traffic control systems would have to be optimized and enhanced when circumstances warranted to enhance efficiency by introducing new features progressively according to operational necessity, to review and formulate a long-term air traffic control manpower plan, and to keep up CAD's internal and external communication with relevant parties in a timely manner. The ATMS Expert Panel encouraged CAD to make use of the international users group of AutoTrac III in further optimizing the new ATMS system in Hong Kong.

41. The Committee conducted a visit on 15 March 2017 to CAD to observe the operation of the new ATMS. On 5 January 2018, the Committee wrote to Director-General of Civil Aviation to enquire the implementation details of the

international users group of AutoTrac III and whether the Administration had implemented all the recommendations in the final report of the ATMS Expert Panel. The replies from **Director-General of Civil Aviation** are in *Appendix 13*.

42. The Committee wishes to be kept informed of further development on the subject.

Government's efforts in managing municipal solid waste
(Paragraphs 32 to 35 of Part 4 of P.A.C. Report No. 67)

43. Hon Steven HO Chun-yin declared that the business he and his family members engaged in might involve recycling.

44. The Committee was informed in the Government Minute which was laid before LegCo in May 2017 that:

Reduction in municipal solid waste ("MSW")

- the Organic Waste Treatment Facilities Phase 1 was under construction and scheduled for commissioning by end 2017. The Administration expected that subject to funding approval by LegCo Finance Committee, the Organic Waste Treatment Facilities Phase 2 would be commissioned in 2021. Regarding the Design-Build-Operate tender contract of the Integrated Waste Management Facilities Phase 1, the Administration expected that the tender evaluation would be completed and the contract be awarded in early 2018 with a view to commissioning the facility in 2024;
- the Administration had been reviewing the implementation progress of the "Hong Kong Blueprint for Sustainable Use of Resources (2013-2022)" from time to time and keeping LegCo informed. The Administration also published the waste disposal and recovery data on EPD's website annually for public information;
- following the enactment of the enabling legislation for the producer responsibility schemes on waste electrical and electronic equipment and glass beverage containers in 2016, the Administration aimed to

bring the two schemes into operation in phases in 2017 and 2018.⁸ The Administration would then commence a feasibility study to explore how to implement a producer responsibility scheme for suitable plastic containers;⁹ and

- the Administration had been actively undertaking preparatory work for implementing MSW charging and planned to introduce into LegCo the necessary legislation in the second quarter of 2017.¹⁰

45. The Committee wishes to be kept informed of further development on the subject.

Use and disposal of vacant school premises

(Paragraphs 38 to 40 of Part 4 of P.A.C. Report No. 67)

46. Hon Abraham SHEK Lai-him declared that he was the Chairman of Board of Governors of English Schools Foundation and a council member of the St. Stephen's Girls' College.

47. The Committee was informed in the Government Minute which was laid before LegCo in May 2017 that:

Identifying vacant school premises ("VSP")

- of the remaining 108 addresses identified from the stocktaking exercise conducted earlier by the Education Bureau ("EDB"), it was confirmed that 14 addresses had already been handled by the Planning Department under the central clearing house mechanism. EDB had reviewed the remaining 94 addresses according to the prevailing

⁸ At the LegCo Panel on Environmental Affairs meeting held on 23 January 2017, the Administration briefed members on the preparatory work for the implementation of the producer responsibility scheme on waste electrical and electronic equipment.

⁹ The Scheme would mainly involve plastic bottles carrying beverages or personal care products.

¹⁰ The Administration informed LegCo Panel on Environmental Affairs at its meeting on 30 October 2017 that the Administration planned to introduce the Amendment Bill into LegCo by end of 2017. Assuming that the scrutiny of the Bill would take 12 months and a preparatory period of 12 to 18 months would be in place before the legislation came into effect, MSW charging would be implemented towards the end of 2019 at the earliest.

mechanism and considered that premises at 85 addresses could not be reallocated by EDB for school or, with the Planning Department's consent, other educational use, because of various reasons.¹¹ EDB would therefore inform the Planning Department and other relevant departments (such as LandsD and the Housing Department) of these 85 addresses in accordance with the central clearing house mechanism for consideration of suitable alternative long-term use;

- of the remaining nine addresses, the short-term use (under Short Term Tenancy with LandsD) at one premises had ended in March 2017 and EDB had earmarked/retained this VSP for possible school or other educational use. As regards the remaining eight addresses which involved vacant premises on government land (mainly located in remote areas, with a small site area or in dilapidated conditions), EDB had preliminarily reviewed their size, location, physical conditions etc. and considered that the feasibility of reallocating them for school or other educational use was limited. EDB would circulate these premises amongst internal divisions/sections to ascertain whether any of them were suitable for inclusion in the VSP database for the half-yearly updating exercise to confirm whether the premises were required for reallocation for school or other educational use in accordance with the Procedural Manual on Identification, Screening, Allocation and Management of Vacant School Premises promulgated in June 2016. If none of these premises was considered suitable for inclusion in the database for further consideration, EDB would inform the Planning Department, LandsD and the Housing Department in accordance with the central clearing house mechanism for consideration of suitable alternative long-term use;

Allocating VSP for educational or other uses

- as regards the two VSP on private land that had not been earmarked for any use, the proposed other educational use of one of them had already had EDB's in-principle support and the school sponsoring body

¹¹ Reasons included: these premises had been deployed for other educational use or non-educational use; the current land use restrictions were no longer related to school or other educational use; they were situated on private land where the leases were virtually unrestricted or there was no cessation/diminution of user clause under the leases; they were situated on government land and with planned/proposed uses in line with the related site requirements; they were located within Military Closed Area, etc.

("SSB") was taking active follow-up actions. EDB was continuing the discussion with other relevant departments regarding the surrender of the other premises by SSB;

- as regards the three VSP located on government land that were partially utilized for their current uses, one had been allocated for office use by three education-related organizations and renovation works were being arranged. The remaining two (involving the covered playground and staff quarters of an ex-VSP and 3/F to 6/F of a school premises) were included in the list for being considered for school or other educational use as well as suitable short-term use on a half-yearly basis. No suitable shared uses had been identified so far;
- as at 30 April 2015, 73 VSP under LandsD's purview were not being used. Subsequently, four VSP which were previously under EDB's purview and not being used as at 30 April 2015 were also referred to LandsD under the central clearing house mechanism. Among these 77 VSP, the Administration was not in a position to take further action in respect of 28 cases, including 21 cases where the land leases for the private land concerned did not contain a cessation/diminution of user clause allowing the Government to re-enter the land after cessation of school use, one case where uses other than school use were allowed under the lease, and six cases where alternative long-term use had been approved/earmarked;
- for the remaining 49 VSP under LandsD's purview but not being used, as at end-March 2017, six VSP were on private land that had a cessation/diminution of user clause in the land leases and 43 VSP were on government land. In respect of the six VSP on private land, LandsD was processing two proposals submitted for other uses and one application for one repossessed lot, and would continue to take appropriate actions to recover possession of three VSP. Of the 43 VSP on government land, planned uses/applications in respect of 24 VSP were being processed by LandsD (including two VSP the possession of which had been recovered subsequent to the last report tabled in February 2017), 15 VSP had been included into the list of VSP sites available for application for short-term use, and four VSP (including one VSP the possession of which had been recovered subsequent to the last report tabled in February 2017) were not

available for short-term use for the time being due to technical reasons, including possible slope problems;

Handling cases of VSP not surrendered

- with regard to the 71 VSP the physical possession of which had not been delivered to the Government after cessation of school operation as at 30 April 2015, the Administration's follow-up actions focused on the 41 cases for which action was warranted. The Administration was not in a position to take further action on the remaining 30 cases, including 28 cases where the land leases for the private land concerned did not contain a cessation/diminution of user clause allowing the Government to re-enter the land after cessation of school use and two cases where uses other than school use were allowed;
- among the 41 VSP warranting further action, 25 were under EDB's purview. As at end-March 2017, 22 of them were being used for educational purpose (including five under temporary waiver granted by LandsD); the proposed educational use of two had already had EDB's in-principle support, with the relevant SSBs taking active follow-up actions; and EDB was discussing with other relevant departments regarding the surrender of the remaining one by SSB. For the 16 VSP under LandsD's purview, LandsD had repossessed five VSP and would continue to recover possession of three VSP and to process the proposals submitted for other uses in respect of the remaining eight VSP;
- EDB was continuing the discussion with the relevant SSBs and relevant departments with regard to Case 6¹² of the Audit Report and VSP arising from reprovisioning which was on both private land and government land (the premises of which was currently being used as the decanting premises of a secondary school during its in-situ redevelopment till August 2018); and

¹² In this school reprovisioning case, only part of VSP was proposed to be carved out from the private treaty grant site for returning to the Government. However, there were road access and utility connection problems for the carved-out site as it was blocked from the main road, and the other side of the carved-out site was connected to a narrow service road not intended for road traffic and utility connection. This rendered it impractical for the Government to make use of the carved-out site.

Access to information about VSP available for application for short term use

- on 28 March 2017, LandsD uploaded the list of VSP under its management and available for application by non-government organizations for short-term use onto its website to facilitate public access and would update the list in accordance with the latest position.

48. The Committee wishes to be kept informed of further development on the subject.

Operation of the Hongkong Post

(Paragraphs 41 and 42 of Part 4 of P.A.C. Report No. 67)

49. The Committee was informed that:

Performance of Hongkong Post ("HKP") as a trading fund

- having regard to the Post Office Trading Fund's business environment, the Financial Secretary had approved to adopt the target rate of return for Post Office Trading Fund as 2.6% from 2017-2018 to 2021-2022 (the target rate of return for Post Office Trading Fund was 5.9% from 2012-2013 to 2016-2017);

Management of mail processing

Control and administration of overtime work in HKP

- the review on standard time for processing and delivering different types of mail items was completed in December 2016. The new yardsticks were being implemented at delivery offices alongside the beat revision cycle commencing from the first quarter of 2017-2018 for completion by early 2019;
- by 7 November 2017, HKP had completed 70% of the surveys for the overdue beats to be conducted. Due to the office reprovisioning work planned for the first half of 2018, beat surveys at Shau Kei Wan Delivery Office, Eastern Delivery Office, Shek Wu Hui Delivery Office and Yuen Long Delivery Office would be conducted at a later

stage in order to avoid abortive efforts. Except for these four offices, the beat survey exercise for the overdue beats would be completed by end 2017;

- Personal Digital Assistants for delivery postmen in the Mail Delivery Division to instant record the delivery status of mail items were due for replacement in 2017. HKP aimed to implement the Personal Digital Assistants replacement programme in phases starting from September 2017 until March 2018, and the tendering exercise for procurement of Personal Digital Assistants was in progress. Meanwhile, additional functions including camera, global positioning system, e-signature capturing and touch screen would be included in the device for enhancing control of outdoor duties;
- the Beat Revision Analysis System would adopt equipment provided with global positioning system to capture data on the travelling and delivery time of delivery postmen. The system enhancement was completed in October 2017. The user acceptance test of global positioning system equipment and enhanced functions were completed in mid-November 2017, and the equipment had been put on trial use at selected delivery beats; and

Management of the Central Mail Centre and the General Post Office Building

- LegCo Panel on Economic Development discussed and supported the plan to re-provision the HKP Headquarters to Kowloon Bay at its meeting held on 21 July 2017. A funding submission to the Public Works Subcommittee and the Finance Committee of LegCo would be made in 2017-2018.

50. The Committee wrote to Postmaster General on 5 January 2018 to enquire whether the beat survey exercise for the overdue beats would evaluate the carriage of excessive loads by postmen in delivering the bulk packets ordered through online platforms, and whether such carriage would have adverse impact on the postmen and the delivery time required for completing the delivery tasks. The replies from **Postmaster General** are in *Appendix 14*.

51. The Committee wishes to be kept informed of further development on the subject.

Funding of universities by University Grants Committee
(Chapter 2 of Part 7 of P.A.C. Report No. 67)

52. Hon Abraham SHEK Lai-him declared that he was currently a member of the Court and Council of the University of Hong Kong, and a member of the Court of The Hong Kong University of Science and Technology.

53. The Committee was informed that:

Administration of recurrent grants

Provision of recurrent grants

- regarding the future allocation of knowledge transfer funding to the University Grants Committee ("UGC")-funded universities, the UGC Secretariat would review the earmarked knowledge transfer funding allocation for the 2019-2022 triennium, taking into account Audit's views and recommendations;

Review of tuition fees

- the Administration had no plan to increase the indicative tuition fee level at present and would maintain the indicative tuition fee at the current level during the 2016-2017 to 2018-2019 triennium, i.e. \$42,100 per student per year for UGC-funded programmes at degree level;
- UGC's consultancy study showed, inter alia, that the cost of higher education shared between the government and students/parents, as well as the actual fee levels of publicly-funded programmes, varied from jurisdiction to jurisdiction. There was no standard model. The current tuition fee level in Hong Kong did not stand out as particularly high or low when compared with the countries covered in the UGC's consultancy study. The Administration would consider carefully the indicative tuition fee level during the 2019-2022 triennium planning;

Administration of capital grants

Assessment of academic space

- the UGC Secretariat had commenced the selection exercise for the engagement of consultants to conduct: (a) the review on the space requirement formulae; (b) space utilization surveys; and (c) external audit of the space inventories of universities. The UGC Secretariat expected that the consultants to be appointed should start work by the end of 2017 with a view to completing the review study by 2019;

Finalization of project final accounts

- as at 1 September 2017, there were 20 major capital works projects and one Alterations, Additions, Repairs and Improvements project pending finalization of final accounts;

Governance and other administrative issues

Need to promulgate rules of procedure for meetings

- the UGC Secretariat had drawn up the rules of procedure for meetings and promulgated them on 3 July 2017;

Need to improve management of conflicts of interest

- the UGC Secretariat had taken appropriate follow-up actions, including locating and safe keeping of all the Register of Interests forms in respect of the current appointment of existing UGC/Quality Assurance Council members; setting up since January 2017 a central database on the Register of Interests forms submitted by members and putting in place a bring-up mechanism to closely monitor the progress of submission from members; requiring UGC/Quality Assurance Council members to submit annually the updated Register of Interests forms, with the first annual updating exercise conducted in July 2017; and seeking advice of the Independent Commission Against Corruption on management of conflicts of interest whenever needed;

Attendance rates of members

- the UGC Secretariat had taken appropriate follow-up actions, including reminding the members concerned to attend meetings as far as possible; fixing the meeting dates as early as possible to facilitate members to arrange for their attendance of meetings; arranging video conferences as far as practicable for members who could not attend the meetings in Hong Kong; setting up a mechanism to alert members on their attendance rates and urging them to make efforts to attend meetings as far as possible; and considering not renewing the service of members whose attendance had been poor;

Need to produce a strategic plan

- at its meeting in May 2017, UGC considered the need to prepare a document in the form of a strategic plan which would set out the principles, strategies and strategic priorities of UGC and tasked the UGC Secretariat to conduct further research;

Need to improve procurement practices

- upon review, UGC considered it appropriate to maintain the provision of suitable hotel accommodation at the existing standard for non-local members, who were renowned academics from around the world, when attending meetings in Hong Kong. The UGC Secretariat had enhanced the quotation exercises to cover all appropriate hotels which were located in the vicinity of the meeting venues; and would regularly review the list of hotels included in the exercises to ensure that it reflects the latest situation in the vicinity;
- the UGC Secretariat had taken the Government Logistics Department's advice that as a general rule, procurement of air tickets for the same activity should be consolidated as far as practicable; and that the supplier list on travel agents should be followed to invite submission of quotations according to the sequence in the supplier list;

Internationalization of the universities

- information on the mix of academic staff would be collected from the universities in the next 2017-2018 regular data collection exercise, and

the UGC Secretariat had consulted the universities on the data collection arrangement;

- in August 2017, the Task Force on Implementation of Governance Report Recommendations under UGC met the universities to finalize the draft written accountability framework which would include key performance indicators on, amongst others, internationalization for monitoring the universities' performance; and
- the Administration had maintained statistics of non-local graduates who had remained to work or stayed in Hong Kong after graduation. EDB was following up with the Immigration Department to enhance the system and compile more detailed statistics in this regard.

54. The Committee wishes to be kept informed of further development on the subject.

Procurement and maintenance of fire services equipment

(Chapter 3 of Part 7 of P.A.C. Report No. 67)

55. The Committee was informed in the Government Minute which was laid before LegCo in May 2017 that:

Communications systems

Delay in commissioning of the Third Generation Mobilising System

- FSD had established a multi-disciplinary in-house project team to draw up the user requirements through engaging frontline staff members and relevant stakeholders, with a view to minimizing the need for making substantial changes to the user requirements after the award of contract. Moreover, FSD would establish a communication mechanism to engage relevant works agents with a view to reviewing the progress and sorting out unresolved issues at the earliest opportunity in future procurement projects. In addition, FSD set up a new Major Procurement Projects Steering Committee to monitor the implementation of procurement issues in future procurement projects;

- when preparing tenders involving extensive system testing before final acceptance, FSD would include effective penalty clauses in the contract and put in place a more stringent control mechanism, so as to ensure the timely delivery of the project and full compliance of performance targets by the contractors;

Maintenance issues of the Third Generation Mobilising System

- FSD had instructed Contractor A to strengthen the control of its staff in respect of site arrival time to meet the two-hour response time for arriving on scene for maintenance and the six-hour turnaround time for rectifying critical faults targets as stipulated in the contract;
- since the introduction of improvement measures in October 2016, the average rate of the contractor's failure in meeting the maintenance response time target had decreased from 43% (average for 2015-2016) to 2% in March 2017, while that for the turnaround time target had decreased from 30% (average for 2015-2016) to 7% in March 2017;
- the claim for the actual damages caused by Contractor A's past cases of delayed maintenance services on half-yearly basis up to 30 September 2016 had been settled by the contractor. The Fire Services Equipment Maintenance Steering Committee would ensure that contract damages were claimed in a timely manner in case of a contractor's default in meeting performance targets in accordance with the contract provisions in future;
- FSD completed the post-implementation review of the Third Generation Mobilising System in April 2017 and the lessons learnt from the review would be taken into account when developing the next generation mobilizing system. FSD would conduct post-implementation reviews of major procurement projects in future according to the relevant guidelines issued by the Efficiency Unit;

Other enhancements for planning the next generation mobilizing system

- following an initial study of the technical feasibility of the function, FSD would include a mobile phone location identification function in the next generation mobilizing system. FSD would consider setting a

target of answering time for emergency calls and included the relevant technical specifications in the tender documents;

- the Fire Services Equipment Maintenance Steering Committee would monitor the maintenance services provided by Electrical and Mechanical Services Trading Fund ("EMSTF"). Enhancement measures for improving the preventive maintenance services had been implemented. Upon implementation of the measures since October 2016, the completion rates of the first and second half-yearly preventive maintenance for the digital trunked radio system terminal equipment in 2016-2017 had reached 93.61% (as at 30 September 2016) and 100% (as at 31 March 2017) respectively;
- a monitoring mechanism on corrective maintenance services had been agreed with EMSTF and put in place. Since August 2016 and up to end February 2017, there were a total of 440 and 67 corrective maintenance jobs handled by the maintenance team and contractor of EMSTF respectively. All the corrective maintenance jobs were completed in compliance with the Service Level Agreement requirements in respect of the response time and rectification time;
- FSD had provided a preliminary proposal on the feasibility of setting key performance indicators as well as incorporating suitable clauses for claiming damages into the existing Service Level Agreement to EMSTF for consideration;

Fire appliances and support vehicles

- the Fire Services Equipment Maintenance Steering Committee had examined ways to enhance the monitoring of the effectiveness of the Workshops and Transport Division's remedial measures in attaining the 90% target availability rate of the fire appliances and support vehicles. Upon implementation of the new measures, the availability rates of fire appliances and support vehicles had met the 90% target from November 2016 to February 2017 consistently;
- FSD had taken stock of the vehicle spare parts kept at its workshops and obsolete items identified were being disposed of in accordance with the Stores and Procurement Regulations. The Asset Management and Maintenance System had been enhanced for

management of dormant stock, management reporting and generating reminders on the need to arrange scheduled maintenance;

Fire-fighting and rescue vessels

- the Marine Department had drawn up a 10-year FSD vessel replacement/procurement plan with FSD. FSD and the Marine Department would have meetings on a quarterly basis to review the progress of FSD's vessel procurement/replacement projects. The tender evaluation for the two speedboats had been completed while the tender evaluation for Fireboat 7 was underway;

Other fire services support equipment

- the fine-tuning of all outstanding functions of the Asset Management and Maintenance System on inventory control, repair and maintenance management and business intelligence analysis had been completed. The functions had been put in use since October 2016;
- FSD completed the post-implementation review of the Asset Management and Maintenance System in April 2017 and would make reference to the lessons learnt from the review when developing similar information technology systems in future; and
- the Workshops and Transport Division had established a mechanism to monitor cases where preventive maintenance was not carried out in a timely manner, and the mechanism was the same as the one for monitoring non-compliances in scheduled maintenance requirements.

56. The Committee wishes to be kept informed of further development on the subject.

Management of abandoned construction and demolition materials

(Chapter 4 of Part 7 of P.A.C. Report No. 67)

57. The Committee was informed that:

Construction Waste Disposal Charging Scheme

- EPD would conduct a review of fees and charges in accordance with Financial Circular No. 6/2016 on an annual basis. In conducting the reviews, apart from the user-pay and the full cost recovery principles, it would also take into account factors including the effectiveness of the charges in reducing waste, environmental considerations, as well as the impact of the charges on the trade and relevant stakeholders;
- the Administration was considering imposing a gate fee on MSW disposed of at landfills under the proposed MSW Charging Scheme. When the Administration reviewed the construction waste disposal charges in future, it would take into account the differential between the landfill charge for construction waste and the MSW gate fee, as well as the policy objective of driving behavioural change through charging;

Measures to increase reuse of fill materials

- in October 2016, the 20th survey on the percentage of number of vehicle loads meeting the inert content requirement (i.e. containing more than 50% by weight) and on the screening methodology was conducted. The survey results revealed that the percentage of vehicle loads meeting the inert content requirement at sorting facilities was about 70%, which was comparable to the average compliance rate since the new waste acceptance criteria had come into effect in December 2010. EPD considered that the current screening methodology remained effective;
- the Public Fill Committee would continue to oversee the coordination of major capital works projects undertaken by the works departments and major public organizations to promote the local reuse of fill materials. In the coming few years, it was expected that some fill-absorbing projects would commence public fill intake;

Measures to prevent and detect illegal dumping¹³

- EPD had upgraded the technical specifications and functions of the new surveillance camera system with a view to capturing clear images of vehicle registration marks under different situations. Surveillance cameras would be progressively installed at about 30 illegal dumping black spots at various districts to step up monitoring and deter illegal dumping of construction and demolition waste by vehicles;
- EPD had drawn reference from the Hong Kong Police Force's prosecution arrangement to facilitate the identification and investigation of illegal waste dumping cases. EPD had also reminded the enforcement staff of the six-month time limit for taking prosecution actions. EPD would notify FEHD of incidents involving FEHD staff or its contractors for taking follow-up actions on a timely basis. On any potential legal issues, EPD would seek legal advice from the Department of Justice as early as possible and update the enforcement guidelines accordingly;

Way forward

- the Administration would explore destinations for receiving surplus fill materials, both locally and outside Hong Kong; and
- major public works projects were required to draw up Construction and Demolition Material Management Plans, with a view to assessing the volume of construction and demolition materials produced and identifying outlets for beneficial reuse and recycling of any surplus excavated material.

58. The Committee wishes to be kept informed of further development on the subject.

¹³ The Administration briefed LegCo Panel on Environmental Affairs at its meeting on 19 December 2016 on the actions being taken in tackling illegal land filling and fly-tipping of construction and demolition waste, and LegCo Panel on Environmental Affairs received public views on the issue at its meeting on 3 March 2017.

Hospital Authority's drug management
(Chapter 5 of Part 7 of P.A.C. Report No. 67)

59. The Committee was informed that:

Management of the Hospital Authority Drug Formulary ("HADF")¹⁴

- the Hospital Authority ("HA") had formulated an overall management framework and a monitoring mechanism for the use of drugs that were not listed on HADF (i.e. non-HADF drugs), and had aligned the operating procedure across clusters and the charging principles through expanding the existing guidelines on the use of immediate life-threatening emergency drugs to cover non-HADF drugs. Upon completion of internal consultation within HA, the aligned arrangements would be formalized through the promulgation of operation guidelines in the first quarter of 2018 and would be incorporated into the next revised version of HADF Management Manual in the second quarter of 2018. In addition, system enhancements would be completed by the first quarter of 2018 to facilitate generation of local hospital drug formulary documents and information sharing at both corporate and hospital levels;

Procurement of drugs

- HA had reviewed the Audit's list of 193 drug items and identified suitable candidates for bulk contract arrangement;
- HA had maintained multi-source tender exercises on existing and new drug items meeting the pre-set criteria, and had reviewed the current criteria for conducting multi-source tender exercises. In addition, HA had implemented key performance indicators in the Pharmacy Business Intelligence System, which was launched in April 2017 to facilitate bulk contract arrangements and overall monitoring, to enhance monitoring of delivery performance and had regularized the Performance Review Group meetings to strengthen monitoring of drug manufacturers and suppliers' performance;

¹⁴ The Administration briefed LegCo Panel on Health Services at its meetings on 20 March and 11 April 2017 on the policy on and drugs for rare diseases, and the Panel received public views on the issue at its meeting on 11 April 2017.

- HA Headquarter Office had centrally taken up quotation opening for direct purchases over \$100,000. HA had also reviewed the direct purchase practices and implemented the aligned workflow for direct purchase across clusters in the second quarter of 2017. HA would incorporate the aligned workflow into corresponding guidelines in the fourth quarter of 2017;

Dispensing and handling of drugs

- HA had set the framework of drug refill services and started the preparatory work. HA would implement drug refill services for targeted patient groups in two specialist outpatient clinics on a pilot basis in the first quarter of 2018. Subject to satisfactory review of the pilot programme, drug refill services would be rolled out to other specialist outpatient clinics in phases;
- in December 2016, HA updated the guidelines with standardized workflow on reporting of missing dangerous drug incidents and a standard template to guide incident investigation. HA had also established a set of compliance checklists to facilitate dangerous drug audits and developed a new e-learning courseware to enhance staff training on dangerous drugs handling. HA would further enhance its information technology system to facilitate reporting, notification and monitoring of dangerous drug incidents. These would be implemented in the second quarter of 2017;

Monitoring the quality of drugs

- HA had formalized the strategy and methodology for sample testing of drugs and built in multiple timeframes in service contracts to ensure feasible and timely submission of test reports. HA would implement the new service requirements through contract renewal in the first quarter of 2018;

Administration of financial assistance programmes for purchasing self-financed drugs

- HA had an established mechanism to regularly consider the inclusion of specific self-financed drugs under the coverage of safety net provided through the Samaritan Fund and the Community Care Fund

Medical Assistance Programme. Since August 2016, HA had supported 26 and 13 self-financed drugs respectively under the Samaritan Fund and the Community Care Fund Medical Assistance Programme to benefit more patients; and

- HA had started developing, since the first quarter of 2017, additional performance indicators to monitor the performance of post-approval checks on the Samaritan Fund and the Community Care Fund applications. From the second quarter of 2017 onwards, HA would select more samples from cases involving a substantial amount of subsidy for post-approval checks, expand the scope of checking and extend the bank search period up to the expiry of the validity period of financial assistance.

60. The Committee wishes to be kept informed of further development on the subject.

Funding of academic research projects by Research Grants Council

(Chapter 6 of Part 7 of P.A.C. Report No. 67)

61. Hon Abraham SHEK Lai-him declared that he was currently a member of the Court and Council of the University of Hong Kong, and a member of the Court of The Hong Kong University of Science and Technology.

62. The Committee was informed that:

Governance and management issues

Matters related to Council/committee/panel meetings

- a single set of "Rules of Procedures" on major meeting proceedings of the Research Grants Council ("RGC") and its committees and panels was promulgated in early July 2017 and uploaded onto UGC's website for public information;
- the UGC Secretariat had consolidated the information which used to be recorded in various form of documents and presented it in the form of

"minutes of meetings" which included members' attendance, main conclusion, follow-up actions etc.;

Award of research project grants

- starting from June 2017, the lists of projects recommended by assessment committees/panels with project title, recommended duration and recommended budget etc. were uploaded to each member's laptop for their scrutiny at RGC meetings. To avoid conflicts of interest, members who had submitted applications in the exercise concerned were not provided with such information;

Management of conflicts of interest

- in accordance with the "Rules of Procedures", a member should return his/her Register of Interests Forms to the UGC Secretariat within 30 days of his/her appointment or re-appointment, and thereafter on an annual basis. If there were changes to the particulars of a Member's registrable interests during the year, he/she should report such changes within 21 days of any changes. The UGC Secretariat would monitor the submission of the Register of Interests Forms and if required, issue more frequent reminders to members;
- the findings and recommendations of the RGC Review (Phase I) had been accepted by UGC in May 2017. An integrated action plan had been drawn up to implement the recommendations;

Monitoring of funded projects

- up to October 2017, 652 (67%) out of the 973 completion/concluding reports mentioned in the Audit Report had been assessed;
- in March 2017, a contractor was engaged to develop the proposed new electronic system to cover funding schemes operated in paper mode. It was anticipated that Phase 1 of the project would be completed in mid-2018 and Phase 2 of the project would be completed in mid-2019;

Handling of alleged misconduct cases by RGC

- as at 1 March 2017, the Disciplinary Committee (Investigation), Disciplinary Committee (Penalty) and Disciplinary Committee (Appeal) under RGC completed investigation of 49 alleged misconduct cases and found 25 of them substantiated. Penalties were imposed as appropriate. RGC agreed to publish on its website the summaries of each substantiated misconduct case with names withheld and the relevant statistics. The RGC Review would also examine the existing structure and procedures for handling alleged misconduct cases;

Research output

- RGC made use of the information on research outcome and research output in the completion reports of projects funded by RGC funding schemes for monitoring purposes. RGC would be consulted on how to take this matter forward at its meeting in December 2017; and

Way forward

- the RGC Review (Phase I) confirmed that the current system of RGC had worked well and kept reasonable pace with comparable jurisdictions.

63. The Committee wishes to be kept informed of further development on the subject.

Sewerage systems in rural areas

(Chapter 7 of Part 7 of P.A.C. Report No. 67)

64. The Committee was informed that:

Pollution control in unsewered areas

- EPD had completed the assessment of the extent of pollution of major rivers caused by village sewage discharges and the results had been included in the Hong Kong River Water Quality Report 2016. Future

assessment would be conducted every five years and the results would be published;

- EPD had started conducting annual proactive inspections in 2017 at villages located within the three environmentally sensitive country park enclave areas with septic-tank-and-soakaway ("STS") systems near rivers and streams, and at villages near rivers with water quality that required further improvement. EPD had also prepared simplified operational guidelines for STS systems and was promoting proper maintenance of the systems to the villages located within the above-mentioned areas during proactive inspections;
- the working group jointly set up by EPD and LandsD had reviewed the Certificate of Exemption conditions for STS systems and agreed to revise the minimum distance requirements of beaches and wells to align with the Practice Note for Professional Persons 5/93 "Drainage Plans subject to Comment by the EPD" ("1993 Practice Note"). The working group would consult the Heung Yee Kuk on the proposed revisions and LandsD would update the relevant departmental instructions to incorporate the revisions to the Certificate of Exemption. Moreover, the working group had agreed to take the following ongoing measures to deal with STS systems being/to be used in village house developments:
 - (a) identified more locations where the village house STS systems could be "upgraded" to align with the 1993 Practice Note, and take follow-up action; and
 - (b) for those STS systems that could not be "upgraded" due to practical constraints, the working group would review their Certificate of Exemption conditions with a view to further aligning with 1993 Practice Note as far as practicable, or explore other measures which could produce equivalent or similar effects as required in 1993 Practice Note;
- EPD was, in collaboration with FEHD, reviewing the existing desludging operations by private operators and exploring ways and means to strengthen the control over desludging operations, as well as preparing a best practice guide to help the trade upkeep quality

performance. The review and the guide were expected to be completed by the end of 2017;

Planning and implementation of village sewerage programmes

- EPD had, in collaboration with the Drainage Services Department, initiated a pilot trial in the North District to review the effectiveness of Dry Weather Flow Interceptors. This exercise would be extended to other districts and regions;
- EPD had updated the record of sewered and unsewered areas based on the information provided by the Drainage Services Department and the Home Affairs Department, and re-examined the need and priority of their sewerage works;
- EPD had conducted a review of the environmental conditions of rivers in unsewered areas where public sewerage would not be available in the near future. EPD found that the Yuen Long Creek and Kam Tin River were the most polluted rivers. In this connection, EPD was formulating an action plan for these areas by mid-2018 and would report to LegCo on the progress as appropriate; and

Sewer connection of village houses

- EPD was inputting the available records kept in the paper files for village sewerage projects into the existing computer database and expected to complete the work in the second quarter of 2018. Upon completion of the database improvements, EPD would publish annually the progress of the sewer connection works of individual villages during the preceding year on its website. The first report was expected to be published in 2018.

65. The Committee wishes to be kept informed of further development on the subject.

Joint-office operation on water seepage in buildings

(Chapter 8 of Part 7 of P.A.C. Report No. 67)

66. The Committee was informed that:

Investigation and enforcement actions

- the Joint-office ("JO") had taken measures to enhance and optimize the current Complaints Management Information System to improve its record keeping and to update the information in the System in a timely manner;
- JO had engaged a contractor to develop a new information system specifically for handling and recording water-seepage cases. Information such as whether nuisance notices ("NN") were issued, reasons for screening out cases and the time of sending final replies to informants would be kept in the system. The new system would also perform functions including case management, issuing reminders and alerts, monitoring contractors' performance, maintaining records of referral cases to WSD and BD, generating statistical reports and management returns etc. JO would consult frontline staff and adopt their views when developing the new system, so as to meet their operational needs. The new system was expected to be completed and launched within 2017;
- in view of the incomplete and inadequate maintenance of the Water-seepage Case Monitoring Databases in FEHD district offices, FEHD had reviewed the relevant departmental guidelines and checked whether the Databases had been maintained in full compliance with the guidelines. FEHD had reminded its frontline staff of the need to include in the NN Monitoring Lists the essential information of water-seepage cases and to input information on the issuance of and follow-up actions on NN in the monitoring databases;
- at present, different methods were used in FEHD district offices to record NN issued. JO would include a function in the new information system to maintain relevant information on NN issued, in a bid to monitor the progress of the follow-up actions, ensure the completeness of the information and improve the work efficiency;

- in order to monitor and trace file movements more effectively and accurately, and to minimize the risk of loss files, JO had introduced a bar-code filing system in 15 of its district offices. As for the remaining four district offices, provision of bar-code filing system was anticipated to be completed in October 2017;

Management information system and performance reporting

- after extensively consulting the frontline staff and thoroughly reviewing the functions of the Complaints Management Information System, the work processes, nature of the cases and operational needs, FEHD decided that JO would continue to follow up water-seepage cases using paper files. The existing Complaints Management Information System would be used to record progress of cases and carry out appropriate monitoring; and
- upon completion and implementation of the new information system, JO would formulate practicable performance indicators for straightforward cases and publish the performance indicators on the websites of FEHD and BD on a regular basis.

67. The Committee wrote to Director of Buildings and Director of Food and Environmental Hygiene on 5 January 2018 to enquire about the measures that had been undertaken by BD and FEHD to enhance their coordination in handling water-seepage cases, and whether there were any guidelines in place that delineated their powers, authority and responsibilities in handling water-seepage cases. The consolidated replies from **Director of Buildings** and **Director of Food and Environmental Hygiene** are in *Appendix 15*.

68. The Committee wishes to be kept informed of further development on the subject.

Laying of the Report Report No. 67 of the Director of Audit on the results of value for money audits was laid in the Legislative Council ("LegCo") on 23 November 2016. The Public Accounts Committee ("the Committee")'s supplemental report (Report No. 67A) on Chapter 1 of the Director of Audit's Report was tabled on 12 April 2017.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 67A was laid in LegCo on 24 May 2017. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 5 below.

Maintenance and safety-related improvements of public rental housing flats
(Part 4 of P.A.C. Report No. 67A)

3. Hon Kenneth LEUNG declared that he was a former member of the Hong Kong Housing Authority ("HKHA"); and Hon SHIU Ka-fai declared that he was currently a member of HKHA and engaged in the trading business of construction materials.

4. The Committee was informed that:

In-flat maintenance of public rental housing ("PRH") flats

- the Housing Department ("HD") had taken the following measures to improve the access rate of Total Maintenance Scheme ("TMS") inspections, in particular for those flats which were inaccessible in two consecutive inspection cycles of individual estates under TMS:
 - (a) when arranging in-flat inspection for inaccessible flats, the In-flat Inspection Ambassadors ("IIAs") would make at least one visit on Saturday or during other non-office hours as far as possible;
 - (b) IIAs would make inspection appointments during non-office hours if the progress of inspection of individual block was behind schedule;
 - (c) HD had enhanced the information system to strengthen the monitoring of inaccessible flats status and follow up; and

- (d) HD would continue to adopt various measures to improve the access rate of TMS inspections, including inspecting the general condition of the flats when providing Responsive In-flat Maintenance Services ("RIMS") to tenants;
- HD had reviewed works orders issued under RIMS and concluded that the increase in works orders was related to aging and increasing number of public housing units. HD had enhanced the information system to analyse the number and trend of works orders to achieve better resource planning and strengthen the monitoring of RIMS;
 - HD had reviewed RIMS service standards. The existing nine service standards would be revamped to focus on service quality and operational effectiveness;
 - HD had completed the review on existing measures for verifying the effectiveness of water seepage repairs under RIMS and TMS. HD would update and implement the relevant guidelines accordingly;
 - HD had put in place established guidelines to frontline staff on works inspection and acceptance, such as compulsory inspections at critical stages required for spalling concrete repair and waterproofing works. To enrich the technical knowledge of frontline staff, HD had strengthened the coaching provided to IIAs. At the same time, HD had strengthened technical training for newly recruited IIAs to ensure consistent standards for site inspections. HD would also step up the site audit checks, in particular for works by contractors with persistent unsatisfactory performance. On the other hand, HKHA had put in place established procurement policies to manage its contractors through list management. Under the Preferential Tendering Opportunities arrangement, eligible contractors would be allotted with tendering opportunities to district term maintenance contracts based on their past performance scores. Contractors with lower scores would be given less or even zero tendering opportunity. For contractors of serving district term maintenance contracts with sub-standard performance, the contract period would be shortened from three to two years. HD would strictly enforce such contractual requirement to further improve the service quality of contractors;

Follow-up actions on PRH's water sampling tests for lead

- the Water Supplies Department had completed the study on relevant issues for developing an appropriate sampling protocol for Hong Kong, including the study on metal parameters, and developed the sampling protocol for monitoring the drinking water quality;
- taking into consideration the advice made by the Commission of Inquiry into Excess Lead Found in Drinking Water and the International Expert Panel on Drinking Water Safety, overseas experiences and practices, the deliberations with relevant Bureaux/Departments, as well as the views gauged from other experts and industry stakeholders during consultations, the Government had finalized the details of the "Action Plan for Enhancing Drinking Water Safety in Hong Kong" and announced it to the public on 21 September 2017. The Action Plan adopted a multi-pronged approach to further enhance the drinking water safety in Hong Kong, including the enhancement of the current water quality monitoring programme by collecting random water samples using a two-tier sampling protocol from consumers' drinking taps annually for water quality monitoring (i.e. the Enhanced Water Quality Monitoring Programme). The concerned sampling protocol was applicable to all premises including PRH estates for testing of drinking water;
- at the LegCo Panel on Housing meeting held on 4 December 2017, the Administration briefed members on the arrangements for testing of drinking water of PRH estates under the Enhanced Water Quality Monitoring Programme and the latest progress of the follow-up actions in respect of the excess-lead-in-water incident. The Panel requested the Administration to provide the relevant results of the water sampling tests that had been conducted for the concerned PRH estates;
- having consolidated experiences from the trial works for replacing non-compliant pipes inside flats of the 11 affected PRH estates, HKHA's contractors had started works inside flats for the remaining affected PRH developments since April 2017. HKHA would continue to monitor the quality and progress of the rectification works and update the public and LegCo on the latest progress of works;

Management of asbestos-containing materials ("ACMs") in PRH estates

- HD's registered asbestos consultant had issued guidelines for assessment of the condition of ACMs. The new guidelines were targeted for implementation in 2017-2018;
- to enhance the monitoring mechanism of ACMs and to raise the awareness of tenants on asbestos, HD had conducted half-yearly condition surveys, including in-flat inspections of balcony grilles of the flats concerned and at the same time raising the tenants' alertness and prompting reporting to HD on any defects noted. Fixing warning labels for asbestos grilles at staircases and lobbies and labelling for other ACMs such as in-flat balcony grilles and chimneys were targeted for completion by the end of 2017-2018;

Replacement of laundry pole-holders

- HD had stepped up the monitoring mechanism of work progress of the 2014 programme for replacing laundry pole-holders in monthly meetings. The programme was progressing well in the past months; and

Enhancing fire safety of old PRH estates

- HD had maintained close liaison with the enforcement authorities, i.e. the Buildings Department and the Fire Services Department to monitor the progress of implementation of the Fire Safety (Buildings) Ordinance (Cap. 572) in PRH estates and to resolve problems arisen during implementation. Since November 2016, HD had been submitting fire safety proposals for individual estates to the enforcement authorities and all proposals were expected to be submitted by March 2019. By the end of September 2017, the Buildings Department and the Fire Services Department would complete inspections to about 150 PRH blocks. Upon acceptance by the enforcement authorities, HD would proceed with the improvement works.

5. The Committee wishes to be kept informed of further development on the subject.

Consideration of the Director of Audit's Report tabled in the Legislative Council on 22 November 2017 As in previous years, the Committee did not consider it necessary to investigate in detail every observation contained in the Director of Audit's Report. The Committee has therefore only selected those chapters in the Director of Audit's Report No. 69 which, in its view, referred to more serious irregularities or shortcomings. It is the investigation of those chapters which constitutes the bulk of this Report.

2. **Meetings** The Committee held a total of six meetings and three public hearings in respect of the subjects covered in this Report. During the public hearings, the Committee heard evidence from a total of nine witnesses, including one Director of Bureau and one Head of Department. The names of the witnesses are listed in *Appendix 16* to this Report.

3. **Arrangement of the Report** The evidence of the witnesses who appeared before the Committee, and the Committee's specific conclusions and recommendations, based on the evidence and on its deliberations on the relevant chapter of the Director of Audit's Report, are set out in Chapter 2 of Part 8 below.

4. The video and audio record of the proceedings of the Committee's public hearing is available on the Legislative Council website.

5. **Acknowledgements** The Committee wishes to record its appreciation of the cooperative approach adopted by all the persons who were invited to give evidence. In addition, the Committee is grateful for the assistance and constructive advice given by Secretary for Financial Services and the Treasury, the Legal Adviser and the Clerk. The Committee also wishes to thank Director of Audit for the objective and professional manner in which he completed his Reports, and for the many services which he and his staff have rendered to the Committee throughout its deliberations.

*Observations of the Public Accounts Committee on the Report of the Director of Audit on the
Accounts of the Government of the Hong Kong Special Administrative Region
for the year ended 31 March 2017*

The Committee noted the Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2017.

The Committee held two public hearings on 12 December 2017 and 13 January 2018 respectively to receive evidence on this subject. In view of the number and complexity of issues raised in the Director of Audit's Report, the Committee has decided to hold a further hearing and defer a full report on this subject in order to allow itself more time to collect evidences and consider the issues.

A. Introduction

The Audit Commission ("Audit") conducted a review on the procurement and maintenance of government vessels by the Marine Department ("MD").

Background

2. MD, under the policy directives of the Transport and Housing Bureau ("THB") and headed by Director of Marine, is responsible for all navigational matters in Hong Kong and the safety standards of all classes and types of vessels.

3. According to the Stores and Procurement Regulations, MD is the designated endorsement authority and agent for procurement of government vessels. It aims to provide cost-effective marine transport services to government departments. The Government Fleet Division ("GFD") of MD is responsible for the design, procurement and maintenance of government vessels, and managing the Government Dockyard which is the operational and maintenance base of government vessels.

4. The Government New Construction Section ("GNCS") under GFD is responsible for the procurement of vessels for government departments, such as liaising with user departments on their requirements on new vessels, designing, procuring, and supervising the construction of new vessels. As of March 2017, GNCS had an establishment of 11 staff, mainly of the Surveyor of Ships ("SoS") grade¹ and the Ship Inspector grade. The Maintenance Section of GFD is responsible for maintaining government vessels. As of March 2017, the Maintenance Section had an establishment of 106 staff.

5. As at 31 March 2017, the government fleet comprised 848 vessels under the operational control of 14 government departments,² including five disciplined services departments. Among the 848 vessels, 115 were mechanized vessels,

¹ SoSs in GNCS of MD play an important role in the procurement of government vessels. They act as the marine engineer and naval architect for MD on the construction of new vessels.

² These departments are the Leisure and Cultural Services Department, the Hong Kong Police Force, MD, the Fire Services Department, the Agriculture, Fisheries and Conservation Department, the Customs and Excise Department, the Civil Aid Service, the Immigration Department, the Water Supplies Department, the Civil Engineering and Development Department, the Correctional Services Department, the Environmental Protection Department, the Department of Health and the Auxiliary Medical Service.

72 were high-speed craft and the remaining 661 were smaller size or non-mechanized vessels. These government vessels are essential for the safe and efficient operation of the 14 departments.

6. As at 31 August 2017, MD was managing 28 projects with funding approval of \$2,653 million for the procurement of 94 new vessels for seven government departments. In 2016-2017, MD spent \$139.4 million on the procurement of maintenance services for the government fleet and \$141.9 million on the procurement of maintenance materials.

7. The Committee held three public hearings on 8 December 2017, 4 and 9 January 2018 to receive evidence on the findings and observations of the Director of Audit's Report ("Audit Report").

The Committee's Report

8. The Committee's Report sets out the evidence gathered from witnesses. The Report is divided into the following parts:

- Introduction (Part A) (paragraphs 1 to 11);
- Procurement of government vessels (Part B) (paragraphs 12 to 40);
- Maintenance of government vessels (Part C) (paragraphs 41 to 57);
- Management of maintenance materials (Part D) (paragraphs 58 to 70);
and
- Conclusions and recommendations (Part E) (paragraphs 71 to 73).

Speech by Director of Audit

9. **Mr David SUN Tak-kei, Director of Audit**, gave a brief account of the Audit Report at the beginning of the Committee's public hearing held on 8 December 2017. The full text of his speech is in *Appendix 17*.

Opening statement by Acting Secretary for Transport and Housing

10. **Dr Raymond SO Wai-man, Acting Secretary for Transport and Housing**, made an opening statement at the beginning of the Committee's public hearing held on 8 December 2017, the summary of which is as follows:

- in May 2013, the Government established the Steering Committee on Systemic Reform of the Marine Department ("the Steering Committee"). This Committee was chaired by Secretary for Transport and Housing, who personally steered and monitored MD in conducting the review and reform. Since then, MD had, under the leadership and guidance of the Steering Committee, implemented reform measures in a progressive manner in different sections in the department. The Steering Committee published its Final Report in April 2016. This Final Report recommended MD to replicate the good practices introduced in certain divisions in other divisions of MD, notably GFD, which took up over 40% of the manpower and resources of MD, with a view to improving its operations and procedures. In the light of this recommendation, MD had been stepping up its efforts in reforming GFD since 2016;
- THB had all along been providing support at the policy level to MD. THB conducted regular meetings with the management of the department to learn about and monitor the progress of various work duties, with a view to ensuring they were aligned with the relevant targets and policy directions. As and when necessary, THB would provide additional resources to support MD's reform work. Under the steer of THB, MD had since 2013 implemented a series of reform measures to improve the progress and efficiency of the various work duties of GFD;
- the relatively slow progress of MD's vessel procurement work between 2010 and 2013 had led to a backlog of vessel procurement projects and ageing of the government fleet. This was mainly due to a shortage of staff with experience and expertise in procurement at MD. In order to relieve the manpower shortage in GNCS under GFD, THB had provided additional funding for MD to outsource the management work of some shipbuilding projects to external consultants. In addition, with the support of THB, MD had successfully obtained resources to create some time-limited SoS and Senior SoS posts; and

- the Standing Commission on Civil Service Salaries and Conditions of Service ("the Standing Commission") had also completed a grade structure review of the Marine Officer and SoS grades of MD. THB and MD would be working closely with the Civil Service Bureau to facilitate the swift implementation of the recommendations made in the review report, with a view to resolving fundamentally the manpower shortage problem of the two professional grades and ensuring MD would be adequately-staffed to continue with its reform measures.

The full text of Acting Secretary for Transport and Housing's opening statement is in *Appendix 18*.

11. In reply to the Committee's request, **Secretary for Transport and Housing** provided information on the Steering Committee, including its membership and terms of reference, in his reply dated 28 December 2017 (*Appendix 19*).

B. Procurement of government vessels

12. The Committee noted with concern that, according to paragraph 2.4 of the Audit Report, of the 187 mechanized vessels and high-speed craft in service as at 31 March 2017, 76 (41%) vessels had exceeded their expected lifespans by 1 to 12 years. The Committee asked whether the use of these government vessels beyond their expected lifespans would adversely affect their safe operation.

13. **Ms Maisie CHENG Mei-sze, Director of Marine**, explained at the public hearing and in her letter dated 29 December 2017 (*Appendix 20*) that MD attached top priority to safety in maintaining the Government Fleet. A well-maintained vessel could be used safely for years beyond its expected lifespan. Unlike vehicles, every part of a vessel from hull plates to propulsion engine could be replaced if necessary for upkeeping the vessel condition. However, she also pointed out that maintaining a vessel beyond its expected lifespan might not be desirable from value-for-money perspective as it might incur extra maintenance cost and downtime.

14. According to paragraph 2.5 of the Audit Report, in response to Audit's request for examining the five-year rolling plans on procurement of vessels specified in the GFD Circular No. 10/2008, MD said that the application of the circular had been under review since its issuance in 2008. In this regard, the Committee

enquired about the review, in particular the reasons for taking a long time to conduct the review and the expected completion date of the review.

15. **Director of Marine** said at the public hearing and stated in her letter dated 29 December 2017 (*Appendix 20*) that:

- the Task Force of Reform of MD³ first reviewed the vessel replacement mechanism in October 2016 and suggested that there was a need to update the ship replacement guide taking into account other factors such as vessel types and the operating hours of the vessels (i.e. eight hours or round-the-clock) when determining the vessel expected lifespans instead of solely based on the hull material of the vessels. Besides, since a vessel procurement project would take at least three to five years to complete, it would be much more difficult to consolidate procurement of vessels of similar types from different user departments at the same time. MD thus took the opportunity to start the review on the GFD Circular No. 10/2008;
- since December 2016, GNCS had been working with major user departments on their respective 10-year vessel replacement plans to project the upcoming procurement requirements. The exercise was still ongoing and the experience gained from preparing the 10-year vessel replacement plans was useful and would be consolidated for the review of the Circular;
- in addition, the Supplies Officer grade staff had been providing expert advice to the officers in GNCS in vessel procurement since February 2016 and the experience hitherto gained would also be taken into account in the review of the Circular; and
- the review was expected to be completed in the first quarter of 2018.

16. In reply to the Committee's request, **Director of Marine** provided a copy of the GFD Circular No. 10/2008 in her reply dated 29 December 2017 (*Appendix 20*).

³ A Task Force on Reform had been set up in MD to support the work of the Steering Committee and to assist Director of Marine to take forward the Steering Committee's recommendations.

17. According to paragraph 2.5(b) of the Audit Report, MD said that vessel replacement projects had been hindered by a serious shortage of professional officers in GNCS from 2009 to 2014. Adhering to a rolling procurement plan made at that time might not be reflecting a realistic programme for the user departments. Following the recommendation of the 2016 Audit review on "Procurement and maintenance of fire services equipment" (as reported in Chapter 3 of the Director of Audit's Report No. 67 of October 2016) which covered the Fire Services Department ("FSD")'s vessels, MD had started to work out with major user departments a tentative 10-year vessel replacement plan since December 2016. In this regard, the Committee asked MD to further explain the reasons for adopting a 10-year vessel replacement plan since December 2016 and the implementation progress.

18. **Director of Marine** said at the public hearing and stated in her letter dated 29 December 2017 (*Appendix 20*) that:

- considering that a vessel procurement/replacement project would take at least three to five years to complete, it was considered that a five-year rolling plan was insufficient to fulfil the purpose of long term planning for user departments. MD had therefore adopted a more pragmatic approach in preparing a 10-year vessel replacement plan for user departments, which was a more comprehensive planning to meet the operational needs of user departments, and provide a more accurate forecast on the manpower resources requirement for MD to take forward these projects. A longer term planning provided the opportunity for bundling similar procurement projects into a single tender to shorten tender preparation time, reduce cost of tender administration and achieve economy of scale in procurement. Hence, MD had worked with FSD to prepare a 10-year vessel replacement plan for the latter in December 2016 as a start; and
- MD was now working with other major user departments, including the Hong Kong Police Force, the Customs and Excise Department, the Agriculture, Fisheries and Conservation Department, and user sections within MD to formulate their 10-year vessel replacement plans.

19. As revealed in paragraph 2.6 of the Audit Report, of the 76 vessels serving beyond their expected lifespans, 22 (29%) had not been included in the July 2017 vessel replacement plan, and that MD had not conducted condition assessments for two vessels and there were inadequate follow-up actions on the assessment results for 18 vessels. The Committee was concerned about the safety of these vessels, and

enquired about their safety conditions and the measures taken/to be taken on these cases.

20. **Mr Freely CHENG Kei, Deputy Director of Marine (Special Duties)**, said at the public hearing and **Director of Marine** supplemented in her letter dated 29 December 2017 (*Appendix 20*) that:

- MD had been conducting inspections and maintenance services to these 22 vessels, from time to time, which included preventive services and running repairs as necessary to ensure safety;
- regarding the two vessels that MD had not conducted condition assessments, they were specialized vessels for pollution control and mainly put on stand-by mode for emergency readiness (i.e. oil pollution at sea), their conditions were assessed to be satisfactory owing to their operation mode and low frequency of use in comparison with other vessels of similar age. MD had been conducting preventive services and running repairs to these two vessels to ensure that they were safe and efficient to operate despite the fact that condition assessments were not conducted previously; and
- as regards the assessments results for 18 vessels, although the expected lifespans of the 18 vessels had been exceeded, they were continuously maintained and under the close monitoring by the maintenance staff of MD. For vessels which had been advised for replacement according to the assessment results, GNCS was now working with the users concerned to formulate their 10-year vessel replacement plans and would assist them to kick start the replacement work as early as possible. For other vessels which were subject to further assessments, they were still in satisfactory condition based on their maintenance records. MD considered that there was no imminent need to conduct further condition assessment to trigger vessel replacement at the material time. Nonetheless, condition assessments for these vessels were being arranged.

21. The Committee noted with concern that, according to paragraphs 2.9 and 2.10 of the Audit Report, as at 31 August 2017, of 25 ongoing procurement projects for 90 major government vessels, 12 projects had experienced delays, including five projects which missed their target vessel delivery dates by five months to four years, and seven projects which were still in tender/shipbuilding stage some four

to six years after funding approval. Most of the 12 projects involved the replacement of vessels of disciplined services departments. The Committee asked MD to provide measures taken/to be taken to speed up the implementation of these delayed procurement projects.

22. **Director of Marine** said at the public hearing and stated in her letter dated 29 December 2017 (*Appendix 20*) that:

- the relatively slow progress in the procurement of government vessels during the period from 2010 to 2013 was mainly attributable to a shortage of staff with procurement experience in MD;
- new vessels were usually tailor-made and thus took more time to procure. In general, it would take three to five years to complete the entire procurement process including design, finalizing requirements of user departments, tendering, supervising vessel construction, testing and delivery. Once there was a backlog of government vessel procurement projects, it would be difficult to clear them within a short period of time;
- MD had implemented a series of measures to expedite the replacement of government vessels as a means to lower the average age of the fleet with details as follows:
 - (a) MD had strengthened the management oversight of GFD by changing the reporting line of GFD to Deputy Director of Marine (Special Duties) in phases since December 2015. Furthermore, Director of Marine and Deputy Director of Marine (Special Duties) had attended the Government Dockyard management meetings since February 2016 on a regular basis;
 - (b) in order to strengthen the manpower for government vessel procurement, apart from recruiting retired civil servants to serve as Contract SoS in GNCS to assist in the related work, MD had obtained additional resources to enhance the staffing of GNCS, including the creation of three additional SoS posts on a time-limited basis from 2014-2015 to 2021-2022 and the creation of an additional Senior SoS on a time-limited basis from 2017-2018 to 2021-2022. With the creation of these additional SoS grade posts, MD was able to form two procurement teams

comprising a total of eight SoS grade staff posts for clearing the vessel procurement projects;

- (c) two Supplies Officer grade staff with rich procurement experience had been deployed to GNCS since early 2016 to assist in vessel procurement work. With the assistance of the Supplies Officer grade staff, GNCS had implemented a series of measures to improve the procurement procedures since early 2016, including standardization of provisions of tender documents and contracts, and the bundling of procurement projects involving vessels of the same type in tendering, so as to speed up the vessel procurement work; and
 - (d) MD had been proactive in outsourcing some of the management work of shipbuilding projects to external consultants on the condition that the work should be subject to the supervision of MD staff, so as to further expedite the progress of shipbuilding work; and
- from January 2016 to November 2017, MD had already conducted 11 tender exercises involving 52 government vessels for six departments. Other vessel procurement projects with funding approved were also underway.

23. The Committee noted from paragraph 2.13 of the Audit Report that GNCS took almost three years (from December 2009 to October 2012) to review the marking scheme for tender assessment resulting in delays of 4 months to 2.8 years for nine procurement projects of 29 vessels. According to paragraphs 2.14 and 2.15 of the Audit Report, there was no record showing any reporting/discussion at the meetings of the Government Dockyard or MD's senior management of the likely impact of the protracted review and any possible measures to mitigate the impact. There was also no record showing that MD had responded to the Department of Justice's suggestion in December 2010 that MD should review the need for using a marking scheme. Under these circumstances, the Committee was concerned about the supervision within MD and enquired about the reasons for taking almost three years to review the marking scheme.

24. **Director of Marine** said at the public hearing and stated in her letter dated 29 December 2017 (*Appendix 20*) that:

- the Central Tender Board advised MD in December 2009 to refine the provision on discretion of the marking scheme in consultation with the Department of Justice. At that time, MD would like to take the opportunity to conduct a fundamental review on the marking scheme with a view to establishing a refined standard marking scheme suitable for all vessel types to save tender preparation time. As the review was very complicated and there was no Supplies Officer grade staff in GNCS to provide technical advice at that time, it took a long time for the GNCS staff to review the marking scheme;
- due to the uniqueness of individual vessel types, it was finally concluded in April 2012 by all relevant parties that establishing a refined standard marking scheme suitable for all vessel types was not feasible. Instead, a marking scheme for a specific vessel type was submitted to the Central Tender Board for approval;
- MD had searched all available records, but there was no record showing any discussion of the impact of the review of the marking scheme on the procurement projects, and/or measures to mitigate the impact at the meetings of the Government Dockyard or MD's senior management. This was due to unsatisfactory record keeping in MD at the material time. The situation had been improved since May 2014. Notes of meeting were prepared for regular meetings with the senior management to record the deliberations of the meetings;
- while there was also no record in MD showing that it had responded to the Department of Justice's suggestion of December 2010 to review the need for using a marking scheme, MD had in fact followed the Department of Justice's advice. During 2012 to 2014, there were three projects making use of marking scheme and the use of marking scheme for three tendering projects was considered not necessary; and
- with the lesson learnt from the review and in hindsight, to avoid recurrence of similar incident, MD should have adopted a dual track approach, i.e. continuing the procurement work using the previous marking scheme with the provision on discretion reviewed, while conducting the comprehensive review of the marking scheme in parallel and keeping the senior management updated and obtaining

steer if required, and actively and closely liaising with relevant parties to resolve any issues encountered as early as possible.

25. According to paragraph 2.14 and Appendix C of the Audit Report, MD had stopped using marking scheme for new construction projects since the Financial Services and the Treasury Bureau ("FSTB") issued Circular Memorandum No. 8/2014 (in *Appendix 21*) in August 2014 to remind bureaux/departments to avoid excessive use of marking scheme. In this connection, the Committee asked how MD interpreted FSTB Circular Memorandum No. 8/2014 and the evaluation criteria used by MD in tender assessment since then.

26. **Director of Marine** said at the public hearing and stated in her letters dated 1 and 29 December 2017 (*Appendices 22 and 20* respectively) that:

- a briefing session on the subject matter was held by the Government Logistics Department on 12 January 2015 for officers in bureaux/departments responsible for handling procurement matters and most of the GNCS staff responsible for vessel procurement attended the briefing;
- it had been MD's understanding that the use of marking schemes in tender evaluation was not the only means to secure better quality for the goods and services procured. FSTB Circular Memorandum stipulated that setting clear and attainable quality-based tender specifications, cutting excessive "essential requirements" especially those at risk of protecting the interest of incumbents, and proactive marketing of tenders which repeatedly attracted only one or two bidders were often more direct and effective for promoting real competition. Some 70 to 80% of contracts with marking schemes approved by the Central Tender Board and the Government Logistics Department Tender Board between January 2012 and May 2014 were ultimately awarded to bidders with the lowest price offered, and that it was debatable whether the use of marking schemes had offered extra safeguard to the quality of the tender returns in these cases;
- based on the above figures and after careful consideration, MD considered that setting essential requirements, including technical specifications, clearly as assessment criteria in the tender documents could serve the same objective for using marking scheme to secure

good quality for the vessels to be procured from a value-for-money perspective; and

- MD had not used marking schemes in tender evaluation for procurement of government vessels since the second quarter of 2014. Since then, in each vessel procurement exercise, MD would assess if the evaluation criteria in tender assessment as mentioned in *Appendix 20* were sufficient and appropriate to handle the project, and marking scheme would only be used if considered necessary.

27. The Committee further asked FSTB about the Administration's policy on the use of marking scheme for tender assessment and its views on MD's decision to stop using marking scheme for new construction projects upon receipt of FSTB Circular Memorandum No. 8/2014.

28. **Secretary for Financial Services and the Treasury** explained in his letter dated 21 December 2017 (*Appendix 21*) that:

- as procurement was conducted to meet departments' operational needs, procuring departments were responsible for formulating their procurement plan and tendering strategy, including whether a marking scheme should be adopted;
- in general, a marking scheme was used when price was not the sole consideration and the quality of the goods/services procured was an important consideration. If a procuring department decided to adopt a marking scheme in a tender exercise, it should have user-friendliness in mind and avoid lengthy or overly complicated design of the marking scheme as set out in FSTB Circular Memorandum No. 8/2014. Procuring departments were reminded to critically review the need and continued need for the adoption of marking schemes and avoid any excessive use;
- according to MD, since 2016, it had stopped using a marking scheme for tender evaluation of new vessel construction projects. Instead, MD had specified the more important requirements originally assessed in the relevant standard marking scheme (e.g. tenderers' relevant past experience and vessels' technical specifications) as "essential requirements" to ensure the quality of the procured vessels.

Non-compliance with these essential requirements would render the tenders non-conforming; and

- FSTB trusted that it was MD's conscious decision to cease adopting a marking scheme for this type of procurement after considering the department's operational need and the pros and cons involved. MD had continued to use marking schemes in tenders for the provision of marine cleansing services in 2016 and 2017.

29. In view of the serious shortage of SoS grade staff in MD as well as the recruitment and succession problems of SoSs as revealed in paragraphs 2.17 and 2.21 of the Audit Report, the Committee enquired about the actions taken to mitigate the impact of the shortage of SoS grade staff on the delivery of procurement projects, and the measures taken/to be taken by MD to address the difficulties of recruiting new SoSs while at the same time ensure that they possessed the mechanical knowledge essential to the procurement of vessels. The Committee also asked about the measures taken/to be taken to retain experienced SoSs and re-appoint retired SoSs.

30. **Director of Marine** said at the public hearing and stated in her letter dated 29 December 2017 (*Appendix 20*) that:

- MD had implemented various stop-gap measures in order to cast a wider net in recruiting SoSs in recent years, such as granting of incremental credits for working experience, relaxation of the language proficiency requirement and waiving/relaxation of entry requirement on working experience through sub-entry point. MD had also recruited retired SoSs in GNCS under the Non-Civil Service Contract Staff Scheme and Post-retirement Service Contract Scheme to assist in the related work and had launched direct recruitment for Senior SoSs;
- for medium-term and long-term measures, the Standing Commission completed a review of the grade structure of the SoS grade and the Marine Officer grade of MD and submitted a report to the Chief Executive on 31 October 2017. The proposal was discussed and received members' support at the meeting of the Panel on Public Service of the Legislative Council on 22 December 2017; and
- with the introduction of the Further Employment beyond Retirement Age policy in June 2017, MD would go through a due process to

consider the need to employ staff beyond their retirement age under this policy after completing the 2018 promotion board of the SoS grade.

31. Noting that the limited supply of maritime professionals was an industry-wide phenomenon and one of the key factors contributing to the recruitment difficulties of SoSs, the Committee asked THB about the measures taken/to be taken by the Administration to address the shortage of manpower in the maritime industry at the policy level.

32. **Mr Frank CHAN Fan, Secretary for Transport and Housing**, explained at the public hearing and in his letters dated 18 and 19 January 2018 (*Appendices 23 and 24* respectively) that:

- THB was aware that there had been a general scaling down of ship maintenance industry in Hong Kong mainly because nowadays it had been more common for ship building work to be carried out on the Mainland;
- a Manpower Development Committee had been formed under the Hong Kong Maritime and Port Board⁴ to monitor the supply and demand of maritime and port manpower and formulate manpower strategies, initiatives and programmes to support Hong Kong's maritime and port development;
- to nurture talents for the long-term development of the maritime and port industry, the Government established the Maritime and Aviation Training Fund ("MATF") with a commitment of \$100 million in April 2014. MATF was aimed at attracting and encouraging young people and in-service practitioners to receive aviation and maritime education and training, thereby enhancing the overall competitiveness and the professional standards of the industries. On maritime front, as at end-2017, MATF had already benefitted over 2 780 students and maritime practitioners, involving an amount of \$31 million. At

⁴ The Hong Kong Maritime and Port Board was set up by the Government in April 2016. Chaired by Secretary for Transport and Housing, it provides a high-level platform for the Government to work closely with the industry to map out policies and initiatives for the further development of the Hong Kong's maritime industry and port.

present, there were a total of 12 maritime-related training subsidy and incentive schemes funded under MATF;

- as an example, the Ship Repair Training Incentive Scheme, one of the incentive schemes funded under MATF, was aimed at attracting people of suitable calibre to receive training and become skilled workers to alleviate the workforce shortage in the ship repair industry. Under the Scheme, a maximum subsidy of \$54,000 was provided to eligible graduates of the Vocational Training Council who had enrolled for apprenticeship in the ship repair industry over a maximum period of 36 months;
- sponsorships were also provided under MATF for respective maritime-related organizations to organize promotion activities targeting secondary and tertiary students to introduce them to the maritime industry and seafaring careers; and
- to step up promotional efforts to encourage young people in Hong Kong to join the maritime profession, the Administration had been participating in the annual Education and Careers Expo and organizing various maritime promotion and awareness events during the Hong Kong Maritime Week. The Administration had also been collaborating with the maritime industry to provide internship positions for tertiary students under the Maritime and Aviation Internship Scheme. Since its inception in 2014, a total of 557 students had undertaken the internship places offered by 118 maritime-related companies under the Maritime and Aviation Internship Scheme.

33. According to paragraph 2.23 of the Audit Report, as a measure to clear the backlog of vessel procurement projects, MD obtained funding of \$35.44 million from THB in October 2013 to engage consultants from 2014-2015 to 2016-2017 to manage 10 procurement projects of 26 vessels. However, according to paragraph 2.24 of the Audit Report, up to August 2017, MD only engaged consultants to assist in the management of six vessel procurement projects of 16 vessels. The Committee enquired about the reasons for the slow progress in outsourcing the project management work and the division of work between GNCS and the consultants in the management of these procurement projects.

34. **Director of Marine** said at the public hearing and stated in her letter dated 29 December 2017 (*Appendix 20*) that:

- for consultants engaged prior to the award of shipbuilding contracts, they were under the supervision of GNCS, and responsible for arranging meetings with stakeholders (including GNCS, user departments, equipment suppliers, etc.) for preparation of the conceptual design of vessels, conducting feasibility study and preparation of vessel design and technical specifications. GNCS, in addition to monitoring the consultant's work, was responsible for preparation of tender documents, tendering and evaluation as well as award of shipbuilding contracts;
- for consultants engaged after the award of shipbuilding contracts, they were also under the supervision of GNCS, and responsible for project management, including monitoring of progress, plan review of drawings, supervising vessel construction, dock trial and equipment commissioning, and sea trial and vessel delivery. GNCS, in addition to monitoring the consultant's work, was responsible for confirmation of milestones completion, arranging payment and vessels acceptance, etc.;
- MD had engaged one, two, two and nine⁵ consultancy services in 2014, 2015, 2016 and 2017 respectively;
- as the outsourcing of project management of shipbuilding to help relieve MD's manpower shortage at that time was a new frontier of work for MD, the outsourcing work was slow at the start as it had taken some time to ascertain the market response of such consultancy services, deliberate the division of labour between consultants and the GNCS staff, and prepare the relevant consultancy briefs and selection documents for outsourcing. There was significant improvement after gaining experience on outsourcing. MD had accumulated better knowledge on market response as well as developing the necessary documents for the consultant selection process; and
- with the manpower shortage situation improved and the backlog in procurement projects gradually cleared, it was envisaged that the need for engaging consultancy services could be reduced in future.

⁵ Including three invitations on consultancy services under evaluation.

35. In view of the delays in implementing a number of the vessel procurement projects, the Committee further asked THB about the actions taken by THB to urge MD to expedite actions in the procurement of government vessels since 2013 and measures taken/to be taken to improve the monitoring by THB of MD's procurement projects.

36. **Acting Secretary for Transport and Housing** said at the public hearing and **Secretary for Transport and Housing** explained in his letters dated 28 December 2017 and 24 January 2018 (*Appendices 19 and 25 respectively*) that:

- Secretary for Transport and Housing and Permanent Secretary for Transport and Housing (Transport) had regular meetings, generally on a monthly basis, with the senior management of MD including Director of Marine. MD reported to THB the overall work performance and progress on various issues, and brought to THB issues requiring the Bureau's attention and sought its policy steer as and when necessary;
- certain indicators had been developed and adopted to help monitor MD's work. These indicators were set out in the annual MD's Controlling Officer's Report. THB and the management of MD would assess and monitor the performance accordingly, and examine the issues and reasons in case a target was not met, as well as consider whether further steer and guidance from THB was necessary;
- according to file records, THB was made aware of a delay in the procurement of government vessels in August 2013. Acknowledging the need to catch up the tendering schedule for vessel procurement, THB provided policy support to MD in seeking additional resources to tackle the outstanding caseload;
- to provide immediate relief, THB approved funding of \$35.44 million in October 2013 for MD to engage consultants for procurement projects. As a longer term measure, THB gave policy support for MD to create three time-limited SoS posts up to 2018⁶ to complete the outstanding and new anticipated projects;
- THB worked with MD to understand the causes of delay in tendering, and provided the necessary steer at the policy level. Meanwhile, the

⁶ MD supplemented that the three time-limited SoS posts had been subsequently extended to 2021-2022. Please refer to paragraph 22 of this Chapter for further information.

Steering Committee conducted a thorough review on various aspects of MD's operation, including its long-term manpower planning, records and documentation keeping, internal monitoring and reporting mechanism; and

- THB had assessed the timetable and resources needed in the procurement of vessels based on the most realistic and accurate information provided by MD at that time. THB had agreed to the observations and recommendations in the Audit's Report, and would continue to provide the necessary steer to MD to ensure the recommendations therein were properly followed up.

37. According to paragraphs 2.28 and 2.29 of the Audit Report, discrepancies were found in the tender documents of two vessel procurement projects after invitation of tenders. As a result, the procurement contracts of one of the two projects had to be re-tendered, and the project was delayed by one year. The Committee enquired about the underlying causes of the discrepancies and the measures to be taken to prevent recurrence of similar problems.

38. **Deputy Director of Marine (Special Duties)** said at the public hearing that the discrepancies between the tender notices and tender documents were caused by the omissions of the staff members handling the cases, and MD had stepped up the checking of the tender documents by requiring the two procurement teams to cross-check and verify the important information therein.

39. The Committee noted from paragraphs 2.33 to 2.35 of the Audit Report that frequent machine failures were found in two new vessels during the warranty period from February 2015 to February 2016 and/or in the following year, resulting in downtime of 196 days and 125.5 days respectively. In this regard, the Committee enquired about the reasons for not conducting any review of the excessive downtime of the two vessels up to August 2017, measures to be taken to prevent recurrence of similar problems and the penalty measures instigated on the contractor concerned.

40. **Mr CHAN Ming-yau, General Manager/Government Dockyard of MD,** said at the public hearing and **Director of Marine** supplemented in her letter dated 29 December 2017 (*Appendix 20*) that:

- up to November 2017, MD had given priority to urging the contractor to rectify the defects found and pressing the contractor to ensure the repair items would operate smoothly under their expenses, as well as instigating penalty measures on the contractor. MD had started the review on the issue;
- after the contractor had fixed the defects in March 2017, only a defect of the alarm on one vessel occurred once on 25 July 2017. Adjustment was made to the alarm panel by the manufacturer to resume the system back to normal where no downtime was involved as it did not affect the operation of the vessel;
- to avoid the recurrence of similar incidents, MD had taken the following measures:
 - (a) reduction in waiting time for spare parts - MD had enhanced the availability of essential spare parts by including the items in new shipbuilding contracts with a view to reducing the waiting time for spare parts. In addition, regular reviews on the stock level of essential spare parts for vessels were conducted to ensure that maintenance needs could be met effectively taking into account the trend of utilization of relevant items;
 - (b) improvement of internal work coordination - MD had strengthened GNCS's monitoring on ship construction work and a checklist had been devised to ensure that all necessary items were in satisfactory condition at surveys during shipbuilding stage and vessel acceptance. A special team comprising project surveyor and technical staff had been set up to look after the vessels under warranty; and
 - (c) relief of manpower shortage - MD had been engaging consultants to supervise the construction of vessels at the shipyard to ensure the quality of the design, craftsmanship and construction of the vessels with a view to relieving the manpower shortage of GNCS;
- MD had agreed with the contractor that the contractor was required to step up monitoring of the condition of certain key items and bear the repair cost of such items even after the extended warranty period; and

- MD had also instigated penalty measures on the contractor concerned, including the extension of the warranty period of three months after the expiry of the 12-month warranty period and issuing a warning letter to the contractor to reiterate the relevant provisions of the tender document for the Government to exercise its rights in future award of tenders.

C. Maintenance of government vessels

41. According to paragraph 3.3 of the Audit Report, MD's work on the maintenance of government vessels was important to support the work of various user departments, especially the disciplined services departments in carrying out law enforcement and emergency duties. However, the availability rates of government vessels as reported by MD in its Controlling Officer's Report to monitor vessel availability to all users decreased from 88.8% in 2007 to 86.1% in 2016. The availability rates were lower than the performance target of 87% in 2009, 2015 and 2016, ranging from 86.1% to 86.4%. The Committee enquired about the measures to be taken to improve the declining rate of vessel availability.

42. **Director of Marine** stated in her letter dated 29 December 2017 (*Appendix 20*) that the measures taken by MD included:

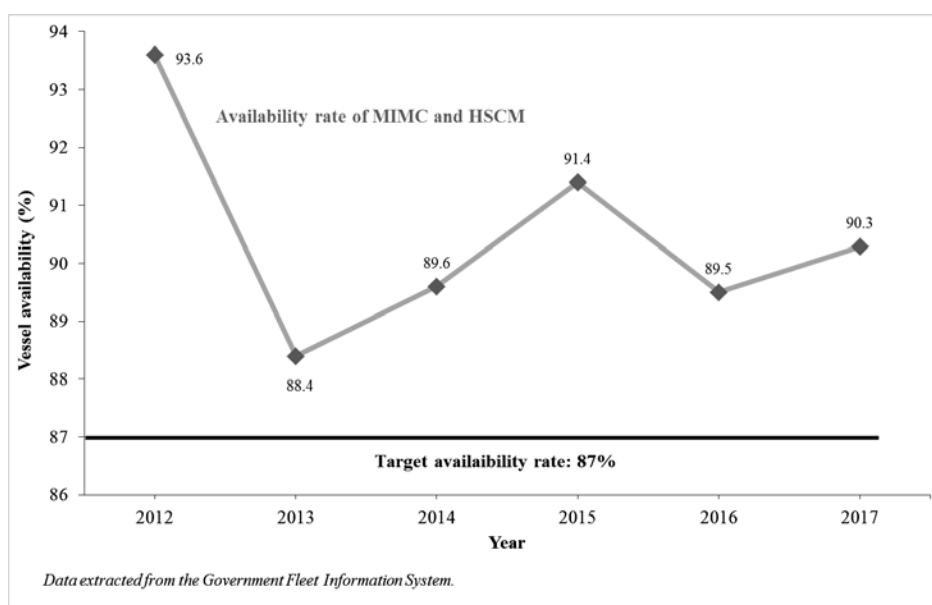
- setting up a special vessel inspection team in the Maintenance Section to arrange on-site inspection and maintenance at the marine bases of user departments;
- conducting weekly meetings among the Maintenance Section, the Supplies Services Unit and the team responsible for ship repair coordination and sea trial, etc. to plan for the maintenance work by arranging spare parts and coordinate the use of the shipyard maintenance facilities as early as possible so as to shorten the waiting time for spare parts and shipyard maintenance facilities; and
- exploring the feasibility of optimizing the Government Fleet Information System ("GFIS") to enable MD to analyse the past trend on spare part consumption and order the required spare parts in advance so as to reduce the waiting time for spare parts.

43. According to paragraph 3.5 of the Audit Report, while MD stated in its Controlling Officer's Report that the target vessel availability rate was set for all users, the reported availability rates only covered two of the four major classes of vessels (i.e. the major mechanized vessels and high-speed craft (large type)). In addition, as stated in paragraph 3.6 of the Audit Report, the downtime for repair carried out outside the Government Dockyard was not taken into account in the calculation of the availability rates. In this regard, the Committee asked about the reasons for only covering two of the four major classes of vessels in reporting availability rates, the reasons for not taking into account the downtime for repair carried out outside the Government Dockyard in the calculation and the measures to improve the reporting and calculation of vessel availability rates.

44. **Director of Marine** said at the public hearing and stated in her letter dated 17 January 2018 (*Appendix 26*) that:

- MD had to monitor closely the availability of major mechanized vessels and high-speed craft (large type) as they were mission critical vessels which were vital to the operations of user departments. Breakdown of these two classes of vessels would hinder user departments' operations as the maintenance and repair work for these vessels was usually more time-consuming, and there were only a limited number of reserve vessels available for respective user departments. Thus, MD considered that the availability rates of these vessels would more aptly reflect MD's performance in maintaining the government vessels;
- for the remaining two classes of vessels, i.e. minor mechanized vessels and high-speed craft (medium type), more reserve vessels in respective user departments were available for use in case of sudden vessel breakdown. The time required for repair services for these two classes of vessels was relatively short and the chance of affecting user departments' operations due to vessel breakdown was relatively low;
- although the figures for minor mechanised vessels and high-speed craft (medium type) were not reported in the Controlling Officer's Report, MD had been monitoring the availability rates of these vessels continuously. The availability rates of these two types of vessels from 2012 to 2017 are shown in the graph below:

Procurement and maintenance of government vessels



Note: MIMC - Minor mechanised vessels
HSCM - High-speed craft (medium type)

- from the graph above, it was noted that the vessel availability rates for minor mechanised vessels and high-speed craft (medium type) were continuously above the performance target of 87% for the past six years. Exclusion of the availability rates of these two classes of vessels in MD's Controlling Officer's Report might have actually deflated, rather than inflated, MD's performance in government vessel maintenance. That notwithstanding, MD agreed with the recommendation in the Audit Report and would consult relevant parties, including the user departments concerned, to consider a more effective way to report the vessel availability rates in the Controlling Officer's Report;
- as regards the maintenance and repair work carried out outside the Government Dockyard, they were usually minor and simple in nature. Examples of such work included repair of fluorescent lamp and wiper and fixing of oil leakage of the engine and exhaust pipe, which could normally be completed within two hours. In order not to cause interruption to the operations of the user departments, MD would liaise with the user departments in advance to arrange for such work to be carried out at a time when the vessels had returned to their bases upon completion of operations. Under this arrangement, the normal operation of the government vessels could be maintained and the downtime arising from these minor repairs was minimal; and

- the Task Force of Reform of MD was reviewing the Arrival and Completion Form so as to improve the reporting and calculation of vessel availability rates. MD would also consult user departments on the review of the calculation methods of vessel availability rates.

45. In response to the request of the Committee, **Director of Marine** provided in her replies dated 17 and 23 January 2018 (*Appendices 26 and 27* respectively) the downtime of maintenance and repair inside the Government Dockyard of the four major classes of vessels by user departments from 2012 to 2017 and statistics, including the frequency and service time, on routine engine oil replacements and engine inspections for major government vessels in 2017 respectively.

46. In reply to the Committee's enquiry about the maintenance staff stationed at MD's user departments, **Director of Marine** stated in her reply dated 17 January 2018 (*Appendix 26*) that, as an example, there were 15 MD maintenance staff stationed at the five regional forward bases of the Marine Police, i.e. Sai Kung, Tai Lam Chung, Ma Liu Shui, Sai Wan Ho and Aberdeen respectively. The maintenance staff belonged to the Artisan grade and were required to carry out on-site minor repairs on the fittings, installations, equipment and machineries of the Hong Kong Police Force vessels at the forward bases.

47. As revealed in paragraph 3.8 of the Audit Report, the total downtime of the four major classes of vessels increased by 24.6% from 2012 to 2016, with the average downtime per vessel increasing from 36 days in 2012 to 44 days in 2016. According to paragraph 3.9 of the Audit Report, MD said that the main reason for the increase in downtime was the ageing problem of the government vessels and with a view to counteracting the ageing effect of the vessels, such as maintaining their service speed, preventive service had been enhanced which also caused extra downtime. The Committee also noted from Table 10 of paragraph 3.16 of the Audit Report that the estimated contract values of maintenance contracts had increased from \$87.3 million in 2012-2013 by 98.6% to \$173.4 million in 2016-2017 due to the increase in number of major vessels receiving preventive service. The Committee asked whether it was cost-effective to maintain vessels serving beyond their expected lifespans in this regard.

48. **Director of Marine** reiterated at the public hearing and in her letter dated 29 December 2017 (*Appendix 20*) that it was not desirable from value-for-money perspective to maintain vessels serving beyond their expected lifespans having regard

to the extra maintenance costs to be incurred and increased downtime. However, in view of the ageing problem of the government vessels, it was a responsible move for MD to acquire additional resources to enhance adequate preventive maintenance service to vessels serving beyond their expected lifespans to ensure that the vessels were safe to operate.

49. Responding to the Committee's enquiry about the basis for the classification of "Major reason" for extra downtime for preventive service of four major classes of vessels from 2012 to 2016 in Table 9 of paragraph 3.11 of the Audit Report, **Director of Marine** stated in her letter dated 17 January 2018 (*Appendix 26*) that:

- the seven "Major reasons" classified for extra downtime for preventive service of the four major classes of vessels were common and frequently occurred reasons leading to extra downtime. The reasons grouped under "Others" were those which could not be grouped under the seven "Major reasons" and these reasons did not occur frequently; and
- examples of reasons grouped under "Others" are as follows:

Material warranty claims to suppliers

- (a) during the five-year period from 2012 to 2016, there was only one warranty claim case in 2016. In this case, the supplier was required to rectify a defective material part on the request of the maintenance inspector. Repeated sea trials and testing were carried out to ensure that the quality was to the satisfaction of MD. The extra downtime caused was 14 days, which was about 44% of the 32 days under the "Others" category in 2016;

Dimension measurements

- (b) the length of the vessel's hull plating at the engine compartment had to be very accurate to ensure the safe and smooth operation of the main propulsion engines and tail shaft. If there was change in vessel length beyond the tolerance level after the replacement of hull plates, dimension measurements had to be carried out to check and rectify the discrepancy. The dimension measurement work was a post-maintenance follow-up which did not occur frequently and hence could not be anticipated at the stage of preparing the maintenance tender/quotation; and

Remedial hull painting work

- (c) after hull painting work was completed, the maintenance inspector would conduct quality check on the painting work. If it was found that the work was not satisfactory, the contractor would be requested to conduct remedial hull painting work until the quality was up to the required standard.

50. The Committee noted from paragraph 3.12 of the Audit Report that extra work not covered in service contract had caused delays to the maintenance work of 32 vessels by 1 to 17 days each in 2016. The Committee enquired about the number of contract variations and new contracts involved and measures taken/to be taken to minimize extra work after the award of a contract.

51. **Director of Marine** stated in her letter dated 17 January 2018 (*Appendix 26*) that:

- while the number of new contracts involved was 25, no contract variation was made for the extra maintenance work of the 32 vessels in 2016. In considering contract variation, MD followed the guiding principles set out in the Stores and Procurement Regulations. According to the relevant guidelines, contract variation should be avoided as far as possible and should normally be used as a stop-gap measure. It was because contract variation might be perceived as single quotation to the existing contractor, which would preclude other potential service providers from bidding under the principles of fair competition and transparency;
- regarding the extra maintenance work of the 32 vessels carried out in 2016, MD noted that, in view of the small value of the extra maintenance work involved, the time taken for obtaining quotations from potential service providers to provide the extra work would not be longer than the time required for contract variation. Besides, in some cases, the original contractor did not have the expertise to carry out the extra maintenance work involved. In these cases, contract variation could not be done;

- to minimize the extra work after the award of a contract during preventive maintenance, the scope for pre-docking inspection had been extended to ensure all maintenance work would be included in the specifications of the service contracts as far as practicable; and
- MD was considering the enhancement of GFIS to analyse past maintenance records with a view to predicting the upcoming maintenance needs and the materials required which would also help minimize extra work after award of a contract.

52. Referring to Case 3 in paragraph 3.13 of the Audit Report on the flooding of a high-speed craft of the Hong Kong Police Force, the Committee asked about the actions to be taken to prevent recurrence of similar problems. **General Manager/Government Dockyard of MD** said at the public hearing and **Director of Marine** stated in her letter dated 29 December 2017 (*Appendix 20*) that subsequent to the initial investigation report conducted by MD, instruction was given to the maintenance inspectors of MD in conducting similar inspection on this type of vessel on 27 September 2017, including the maintenance materials to be used during preventive services. A copy of the initial investigation report prepared by MD is at *Appendix 20*.

53. According to paragraph 3.18 of the Audit Report, MD had 33 term contracts for the maintenance of government vessels in 2016-2017. Among the 33 term contracts, Audit noted that 23 (70%) were each awarded to the only bidder, indicating that there had been limited competition in the procurement exercises. In this regard, the Committee enquired about the measures to be taken by MD to enhance competition in the procurement of vessel maintenance services, whether consideration would be given to seeking advice from the Competition Commission on how to promote competition in the procurement exercises and whether anti-competition conduct/agreement might be involved.

54. **Director of Marine** said at the public hearing and stated in her letters dated 29 December 2017 and 17 January 2018 (*Appendices 20 and 26* respectively) that:

- starting from early 2017, MD introduced a range of measures to enhance the competitiveness of procurement of vessel maintenance services. Since early 2017, the contract periods of a total of 20 fixed-term maintenance contracts had been increased from one year to two years. So far, out of a total of 33 fixed-term service contracts,

the contract periods of 26 contracts had been designated as two years. For the remaining seven fixed-term service contracts, MD would also consider increasing their contract periods from one year or 18 months to 2 years;

- taking into account market affordability and its impact on small businesses, MD had adopted the tendering strategy of consolidating same type of maintenance service contracts as far as possible to enhance the attractiveness of the contracts to bidders; and
- MD had requested the Corruption Prevention Department of the Independent Commission Against Corruption to examine the existing arrangements in procurement exercises to examine whether there was any risk of corruption. MD had also approached the Competition Commission to discuss relevant issues for a possible study to ensure that the procurement process was fair and competitive to potential bidders.

55. In reply to the Committee's request, **Director of Marine** provided the number of invitations to bid sent to the maintenance service providers as well as the number of bids received in each of the procurement exercises in 2016-2017 in her letter dated 17 January 2018 (*Appendix 26*).

56. As revealed in paragraph 3.21 of the Audit Report, there was a case where the payment of \$1.68 million for 98 work items completed under four successive terms of a maintenance contract from 2010 to 2014 had been delayed. The Committee was concerned about the deficiencies in MD's procurement and payment mechanism, and enquired about the reason for the delay and the measures taken/to be taken to prevent recurrence of similar incidents.

57. **Director of Marine** said at the public hearing that:

- the incident was caused by the failure on the part of the subject inspector to submit the invoices received from the contractor for payment as the subject inspector found that there was insufficient balance in the approved contract value to cover the payments required; and

- it was an individual case and MD had checked and confirmed that there were no other similar cases. The situation had improved with the introduction of a number of measures to enhance the management of term contracts, such as all invoices issued by term contractors should be submitted to the Administration Tender and Security Services Unit of the Administration Branch of MD centrally, and GFIS was enhanced to assist the management in monitoring the actual expenditure against the relevant term contracts.

D. Management of maintenance materials

58. The Committee noted from paragraph 4.5 of the Audit Report that, after a stock review in July 2013, MD identified 8 023 items of slow-moving stock (i.e. those without movement for over five years) with a total value of \$54.6 million. In this regard, the Committee asked about the write-off policy for stock items in MD and the number of items and the amount involved for spare parts written off in the past three years, and how these items were disposed of.

59. **Director of Marine** said at the public hearing and stated in her letter dated 18 January 2018 (*Appendix 28*) that MD followed the guiding principles set out in the Stores and Procurement Regulations to write off stock items that were unserviceable. According to the relevant guidelines, a Departmental Disposal Committee had been established to process the disposal cases of unserviceable stock items for approval of the appropriate authority. In the past three years, a total of 78 items of spare parts involving a total amount of \$2.6 million had been written off by MD by means of commercial disposal (auction exercises) in two disposal cases.

60. As revealed in paragraph 4.10 of the Audit Report, notwithstanding the system enhancements in 1999 and 2015, some intended benefits of GFIS could not be realized, such as re-order levels generated by GFIS and the use of barcodes for inventory items. In this regard, the Committee requested MD to provide the measures to enhance the functions of GFIS together with the implementation timetable and the costs involved to address these issues.

61. **Mr Allen LEUNG Chun-hung, Chief Management Services Officer (Special Duties) of MD**, said at the public hearing and **Director of Marine** stated in her letter dated 17 January 2018 (*Appendix 26*) that:

- GFIS, first implemented in 1994 and subsequently enhanced in 1999 and 2015, was an online computer system providing an integrated operation platform for Government Dockyard to manage its physical assets, plan maintenance activities and initiate the processes of maintenance/spare parts procurement for all Government vessels/dockyard plant facilities;
- to strengthen the functions of GFIS with a view to enhancing the analytical capacity and management reporting as well as to improving stock management, the following enhancements were proposed for the time being:
 - (a) monitoring of vessel age and results of condition assessments with a view to formulating vessel replacement plans;
 - (b) re-engineering the workflow in stock management with a view to adopting barcode or similar technologies in handling receipt and issue of maintenance materials;
 - (c) capturing digital images of materials for assisting daily store operations as well as stock management;
 - (d) analysing past maintenance records with a view to predicting the upcoming maintenance needs, and determining the re-order level of maintenance materials by analysing their past consumption rates and the ordering lead time etc. with a view to implementing a "Just-in-time" stock strategy; and
 - (e) producing regular management reports for effective monitoring of the stock level, slow-moving materials, vessel downtime, vessel age, etc.; and
- user requirements on the enhancements were being collected and the necessary funding would be sought accordingly. The system enhancements were targeted to be completed by mid-2019 with implementation costs roughly estimated at \$3.5 million.

62. According to paragraph 4.17 of the Audit Report, MD commissioned a consultant to conduct a pre-feasibility study of the modernization of the Government Dockyard in 2016. The Committee enquired about the scope, progress and expected completion date of this study.

63. **Director of Marine** stated in her letter dated 29 December 2017 (*Appendix 20*) that the Electrical and Mechanical Services Department assisted MD to conduct a pre-feasibility study of the modernization of the Government Dockyard. The scope of the pre-feasibility study was to review the entire operations of the Government Dockyard and the corresponding installation including equipment, facilities, site layout, logistics and operating methods with a view to proposing and giving direction to a further feasibility study. The final report of the pre-feasibility study would propose a selection of available technology and methods of operation, facilities, logistics for the servicing, handling and storage of vessels, parts equipment and other materials and technologies for a further feasibility study. The pre-feasibility study was at the final stage and expected to be completed in March 2018. Upon completion of the current study, the Administration would embark on the feasibility study.

64. The Committee noted that while the provisions of the Dangerous Goods Ordinance (Cap. 295) and the Factories and Industrial Undertakings Ordinance (Cap. 59) did not apply to the Administration, MD was committed to minimizing potential hazards and risks and ensuring that all its staff and workers worked in a safe and healthy environment. In this connection, the Committee enquired about the current understanding of MD in respect of the responsibilities and liabilities of MD and its maintenance contractors in handling dangerous goods in the Government Dockyard in accordance with the provisions in the Dangerous Goods Ordinance and the Factories and Industrial Undertakings Ordinance, and details of the work carried out currently by MD to clarify the responsibilities and liabilities of MD and its maintenance contractors in this respect.

65. **Director of Marine** said at the public hearing and stated in her letter dated 18 January 2018 (*Appendix 28*) that:

- MD inspected the amount of dangerous goods held by the contractors on each working day to ensure that the amount would not exceed the exempted quantity specified in the Dangerous Goods Ordinance. In case the exempted quantity was exceeded, the excessive dangerous goods would be stored in the licensed dangerous goods stores;
- all along the contractors were well informed of the dangerous goods store facilities provided by MD which were made available for their use as and when required; and

- MD had engaged a dangerous goods consultant in March 2017 to provide advice on how the Government Dockyard could better manage dangerous goods to meet both its operational needs and the requirements of the Dangerous Goods Ordinance and its Regulations. The study was in progress and would be completed by the second quarter of 2018. The study would help clarify further the responsibilities and liabilities of MD and its maintenance contractors.

66. The Committee noted from paragraphs 4.17(a) and 4.18(a) of the Audit Report that the Government Dockyard had to handle large quantity of fuels unloaded from vessels coming for maintenance/repair service. However, there was a long travelling distance for the transfer of fuels from the docking area and the defueling area to the designated dangerous goods stores. Manual handling of petrol and diesel further increased the possibility of accidents. In this regard, the Committee enquired about the measures taken/to be taken by MD to minimize the safety hazards arising from the fuel transfer.

67. **Director of Marine** stated in her letter dated 18 January 2018 (*Appendix 28*) that:

- MD had updated the guidelines for the unloading and conveyance of diesel and petrol respectively (*Appendix 28*) to minimize the safety hazards arising from the fuel transfer;
- the dangerous goods consultant in consultation with the Labour Department and FSD would develop a set of safety measures for the better handling and conveyance of fuel suitable for the operation of the Government Dockyard; and
- in the fuel store renovation project now underway, the Architectural Services Department and the Electrical and Mechanical Services Department were asked to explore the feasibility of installing piping systems and supporting facilities for fuel transfer at the berths of the fuel store.

68. According to paragraph 4.18(b) of the Audit Report, Audit found that MD had not tracked the quantities of oxygen and acetylene cylinders stored/used by the maintenance contractors in the Government Dockyard to facilitate its monitoring of the compliance with the Safety Management Manual requirements. According to

paragraph 4.18(c) of the Audit Report, Audit found that there was no record showing that the unused paints/thinner had been returned to the dangerous goods stores after daily operation. In this connection, the Committee asked about the existing monitoring system of MD to ensure that the oxygen and acetylene cylinders and the unused paints/thinner would be returned to the designated dangerous goods stores after daily operation if necessary, and the measures taken/to be taken to improve the situation.

69. **Director of Marine** said at the public hearing and stated in her letter dated 18 January 2018 (*Appendix 28*) that:

- MD's guidelines in handling of diesel and petrol, the guidelines in storage of oxygen and acetylene cylinders and the guidelines in issuing and storage of paints and thinner (*Appendix 28*) were issued to all relevant staff and contractors, and they were required to attend regular seminars on the compliance of the health and safety measures. Regular reminders would be issued to all contractors to refresh their understanding on the safety practices;
- in 2016, MD applied for funding for creation of additional posts to upgrade the Industrial Safety Sub-unit to an Industrial Safety Unit. A full-time Industrial Safety Manager had been employed to lead three Industrial Safety Inspectors to step up routine inspections to ensure that maintenance works were in compliance with relevant safety requirements. The Industrial Safety Manager assumed his post in October 2017;
- the Industrial Safety Unit had compiled a "Safety Guidelines for transfer of Diesel between Government Vessel and Oil Barge" and "Safety Procedures for Petrol Unloading/Conveyance/Loading Within Government Dockyard" and had strengthened its supervision of the fuel disposal and conveyance processes;
- the Industrial Safety Unit kept records of the quantities of used oxygen and acetylene cylinders and oversaw the daily return of oxygen and acetylene cylinders not in use to licensed dangerous goods stores; and
- apart from setting the appropriate quantities of paints and thinner to be issued each time, the Industrial Safety Unit also oversaw the return of unused paints and thinner to dangerous goods stores by maintenance contractors at the end of a working day.

70. In reply to the Committee's request, **Director of Marine** provided information on the maximum quantity of diesel, petrol, oxygen cylinders, acetylene cylinders, paints, and thinners stored at the Government Dockyard as well as the highest number of maintenance contractors working in the Government Dockyard at the same time in the past three years in her letter dated 18 January 2018 (*Appendix 28*).

E. Conclusions and recommendations

Overall comments

71. The Committee:

- emphasizes that:
 - (a) the Marine Department ("MD") is responsible for all navigational matters in Hong Kong. To maintain Hong Kong as a major port and safeguard life and property, the safety standards of all classes and types of vessels as well as port safety must not be compromised under any circumstances; and
 - (b) since MD is the designated endorsement authority and agent for procurement of government vessels of 14 government departments, including five disciplined services departments, and provides maintenance services for these vessels,⁷ the provision of effective and efficient services by MD to the user departments is essential for the departments' operational safety and efficiency, in particular, for the disciplined services departments to carry out law enforcement and emergency duties;
- observes that MD's poor judgment and inexplicable decision in suspending vessel procurement projects from December 2009 to October 2012 had led to serious delay in the procurement of new vessels. The average ages of major vessels had increased significantly as a result of the delay, and this in turn called for more preventive maintenance and incurred extra maintenance costs and

⁷ Apart from the procurement of government vessels, MD also performs planned and unplanned maintenance of government vessels at the bases of the relevant departments or at the Government Dockyard.

downtime for the vessels. This had adversely affected the user departments' operational safety, efficiency and effectiveness;

Inadequate planning for the procurement of government vessels

- expresses dismay and grave concern about MD's lack of adequate and well-conceived planning for the procurement of new and replacement vessels as evidenced by the following:
 - (a) the average ages of four major classes of government vessels had increased significantly in the past 10 years from 2007 to 2016, i.e. from 12.3 to 16.1 years for major mechanized vessels, from 7.8 to 13.2 years for minor mechanized vessels, from 5.4 to 14.2 years for high-speed craft (large type) and from 10.7 to 13 years for high-speed craft (medium type);
 - (b) as of March 2017, 76 (41%) of 187 major government vessels had served beyond their expected lifespans by 1 to 12 years. Comparing with the position in March 2012 when only 33 (18%) of 183 such vessels were operating beyond their expected lifespans, the situation had deteriorated; and
 - (c) MD had never prepared five-year rolling plans on procuring new or replacement government vessels, contrary to the requirement set out in an internal circular issued by MD in 2008. Instead in December 2016, it started to work out with a major user department⁸ a tentative 10-year vessel replacement plan;
- urges MD to have good planning and execution for the procurement of government vessels. Meanwhile, it should continue to closely monitor the government vessels that have served beyond their expected lifespans and take proactive and effective measures to ensure they are maintained in good operational conditions in a timely manner until they are retired/replaced by new vessels;

⁸ Subsequent to the preparation of a 10-year vessel replacement plan for the Fire Services Department in December 2016, MD was working with other major user departments, including the Hong Kong Police Force, the Customs and Excise Department, the Agriculture, Fisheries and Conservation Department, and user sections within MD to formulate their 10-year vessel replacement plans.

Delay in the procurement of government vessels

- expresses alarm and finds it unacceptable that MD had failed to fulfil its duty in providing effective and timely government vessel procurement service for the user departments as evidenced by the following:
 - (a) as at August 2017, of 25 ongoing procurement projects for 90 major government vessels, 12 projects had experienced delays, including five projects which missed their target vessel delivery dates by five months to four years, and seven projects which were still in tender/shipbuilding stage some four to six years after funding approval. Most of the 12 projects involved the replacement of vessels of disciplined services departments;
 - (b) as a result of the delays, additional commitments of \$91.97 million were required to cater for the increase in construction costs of 27 vessels involved. While maintaining a vessel beyond its expected lifespan might incur extra maintenance cost and downtime, it was observed that the estimated contract values of maintenance contracts had increased from \$87.3 million in 2012-2013 by 98.6% to \$173.4 million in 2016-2017 due to the increase in number of major vessels receiving preventive service; and
 - (c) as a measure to clear the backlog of vessel procurement projects, MD obtained funding of \$35.44 million from the Transport and Housing Bureau ("THB") in October 2013 to engage consultants from 2014-2015 to 2016-2017 to manage 10 projects for the procurement of 26 vessels. However, up to August 2017, MD only engaged consultants to assist in the management of six procurement projects of 16 vessels.

As a result of the delay and the need for more preventive maintenance for the vessels, the user departments' operational safety and efficiency might be compromised;

- expresses grave dismay and alarm about the poor judgment and inexplicable decision of MD in suspending the processing of vessel procurement projects by the Government New Construction Section ("GNCS") under the Government Fleet Division ("GFD") of MD from December 2009 to October 2012 (a total of 35 months) pending the

finalization of the review of the marking scheme for tender assessment. During the almost three-year period, nine projects for the procurement of 29 vessels with total approved funding of \$263.7 million were postponed for periods ranging from 4 months to 2.8 years. There was no record of MD's senior management's monitoring of GNCS's work on the review or any consideration by MD on the possible measures to mitigate the impact of the protracted review from 2010 to 2012;

- expresses grave concern about MD's inadequacy in dealing with the difficulties in recruiting Surveyors of Ships ("SoSs")⁹ which contributed to the delays in vessel procurement. While the recruitment problem had emerged since 2007, MD had only taken some stop-gap measures in the recruitment exercises in 2014. The average number of SoSs successfully recruited in each exercise was only 3.2 against the targets of 7 to 10 recruits;
- notes that:
 - (a) Director of Marine and Deputy Director of Marine (Special Duties) had attended the Government Dockyard management meetings since February 2016 on a regular basis to strengthen the management oversight of GFD; and
 - (b) MD had been working with the Civil Service Bureau through the conduct of a grade structure review to address the critical manpower shortage and succession problems of SoS and the Marine Officer grades staff of MD;
- urges MD to:
 - (a) expedite actions to clear the backlog of vessel procurement projects;
 - (b) closely liaise with relevant bureaux/departments to ascertain in a timely manner the government vessels requirements and to commence the procurement procedures expeditiously;

⁹ SoSs in GNCS of MD play an important role in the procurement of government vessels. They act as the marine engineer and naval architect for MD on the construction of new vessels.

- (c) closely monitor the implementation of ongoing government vessel procurement projects to ensure that their target vessel delivery dates are met in the future; and
- (d) liaise with the relevant bureaux to take effective new measures to address the critical manpower shortage and succession problems of SoS and the Marine Officer grades staff of MD and conduct a review of their effectiveness in due course;

Maintenance of government vessels

- is surprised and regrets to note about the inadequacies in reporting vessel availability rates by MD as not all classes of vessels were covered in reporting the availability rates, and only the downtime for carrying out maintenance and repair inside the Government Dockyard would be taken into account in calculating the vessel availability rates;
- expresses grave concern that there had been limited competition in the procurement exercises of maintenance services for government vessels as 23 (70%) of MD's 33 term contracts in 2016-2017 were each awarded to the only bidder;
- finds it appalling and unacceptable about the deficiency in MD's procurement and payment mechanism as revealed by a case that payment of \$1.68 million for 98 work items completed under four successive terms of a maintenance contract from 2010 to 2014 had been delayed.¹⁰ This incident might further discourage potential maintenance service providers from submitting bids for MD's contracts;
- notes that MD has implemented new measures to:
 - (a) enhance competition in the procurement of vessel maintenance services, such as increasing the duration of one-year term contracts to two years and adopting the tendering strategy of consolidating same type of maintenance service contracts; and

¹⁰ The incident was caused by the failure on the part of the subject inspector to submit the relevant job orders to his supervisor for approval before asking the contractor to carry out the maintenance and repair work, and to submit the relevant invoices received from the contractor to MD's Accounting Services Section for processing payment.

- (b) tighten job order and payment control under maintenance term contracts, in particular through enhancing the monitoring features of the Government Fleet Information System ("GFIS");¹¹
- urges MD to:
 - (a) consider expanding the scope of reporting vessel availability rates to cover all four major classes of vessels and reviewing the current practice of calculating the vessel availability rates without taking into account the downtime for repair outside the Government Dockyard; and
 - (b) closely monitor the implementation of new measures to enhance competition in the procurement of vessel maintenance services and to tighten job order and payment control under maintenance term contracts;

Monitoring role of the Transport and Housing Bureau

- expresses grave concern that THB, as the Bureau overseeing the operations of MD, as in other cases previously investigated by the Committee,¹² had failed to perform its monitoring role to ensure the provision of effective government vessel procurement services to the user departments by MD;
- notes that THB will hold regular meetings with MD to discuss the problems faced by MD and take follow-up actions as appropriate; and
- urges THB to:
 - (a) closely monitor the performance of MD to prevent further delays in the implementation of the procurement projects for major vessels and to catch up with the progress of the delayed projects;

¹¹ Please see paragraph 3.23 of the Audit Report for the new measures introduced to tighten job order and payment control under maintenance term contracts.

¹² Please see Part 4 of the Public Accounts Committee Report No. 63A on the administration of the air traffic control and related services and Part 4 of the Public Accounts Committee Report No. 67A on the maintenance and safety-related improvements of public rental housing flats. The two concerned departments, Civil Aviation Department in the former case and the Housing Department in the latter, are under the policy directives and supervision of THB.

- (b) step up its supervisory role to proactively identify the problems faced by MD, such as arranging regular meetings and visits to MD, and take effective measures to address MD's problems; and
- (c) consider conducting a study on the maritime industry in Hong Kong to adjust its policy to render timely assistance to the industry to meet the new challenges, including measures to address the severe shortage of maritime manpower and vessel maintenance contractors.

Specific comments

72. The Committee:

Procurement of government vessels

- expresses alarm and finds it unacceptable that of the 25 ongoing procurement projects for 90 vessels of the four major classes as at 31 August 2017, five projects (with funding approved by the Finance Committee) could not meet their target dates of vessel delivery. The delays ranged from five months to four years up to August 2017, with three projects still in tender stage. Furthermore, the progress of three other projects amongst the seven projects approved before 2013-2014 (in the context of the Appropriation Bill or by Financial Secretary) was particularly slow, i.e. they were still in the tender stage some five years after funding approval. The Audit Commission ("Audit")'s examination has revealed the following factors contributing to the delays:
 - (a) MD in consultation with relevant departments had taken almost three years (from December 2009 to October 2012) to review the marking scheme which had been used by MD for assessing tenders of a procurement project with value exceeding \$1.43 million. As a result, nine projects for the procurement of 29 vessels were postponed. There was no record showing any reporting/discussion at the meetings of the Government Dockyard or MD's senior management on the likely impact of the protracted review and any possible measures to mitigate the impact (such as reassessing the need for using marking schemes for the pending

procurement projects). After obtaining the Central Tender Board's approval of the revised marking scheme in 2012, MD only used marking schemes for three vessel procurement projects;

- (b) since the lifting of the civil service recruitment freeze in 2007, MD has been experiencing difficulties in recruiting SoSs. Notwithstanding the implementation of the stop-gap measures in the recruitment exercises (including granting of incremental credit for working experience) since 2014, the number of vacancies in SoS grade in MD continued to increase from 5 (i.e. 9.3% of the establishment of 54 posts) as of April 2013 to 11 (i.e. 20% of the establishment of 55 posts) as of March 2017. Over this period, GNCS carried one to three vacancies. MD was also facing critical succession problem in SoS grade. The average age of SoS grade staff was 52.2 as at 30 April 2013 and 52.1 as at 31 March 2017. Of the 47 SoSs as at March 2016, 33 (70%) would reach the normal retirement age in ten years' time; and
- (c) due to inadequacies in MD's checking of the tender notices and tender documents for two vessel procurement projects, discrepancies were found after invitation of tenders. As a result, one of the two projects was delayed by one year;
- expresses alarm and finds it unacceptable that, according to the vessel replacement plan of July 2017, only 54 (71%) of the 76 vessels serving beyond their expected lifespans had been included in the replacement plan. For the remaining 22 vessels not included in the replacement plan, MD had not conducted condition assessments for two vessels, i.e. one year and six years respectively after passing their expected lifespans and there were inadequate follow-up actions on the assessment results for 18 of the other 20 vessels;
- finds it appalling and unacceptable that frequent machine failures were found in two new vessels built by the same contractor ("Contractor A") during the warranty period from February 2015 to February 2016 and/or in the following year, resulting in downtime of 196 days and 125.5 days respectively. However, up to August 2017, MD had not conducted any review of the excessive downtime of the two vessels;

- notes that:
 - (a) MD has instigated penalty measures on Contractor A, including the extension of the warranty period of three months after the expiry of the 12-month warranty period and issuing a warning letter to the contractor to reiterate the relevant provisions of the tender document for the Government to exercise its rights in future award of tenders; and
 - (b) Director of Marine has agreed with Audit's recommendations in paragraph 2.36 of the Director of Audit's Report ("Audit Report");
- urges MD to consider formulating a penalty mechanism against contractors with repeated substandard performance, such as the introduction of points deduction system in future tenders or barring the contractor concerned from submitting any tenders for a specific period of time;

Maintenance of government vessels

- is surprised and regrets to note the following inadequacies as revealed by Audit's examination:
 - (a) while MD's service on the maintenance of government vessels is important to the work of all user departments, the reported availability rates of government vessels to all users decreased from 88.8% in 2007 to 86.1% in 2016. For three years in 2009, 2015 and 2016, the availability rates were below the target of 87%, ranging from 86.1% to 86.4%. For the major mechanized vessels and high-speed craft (large type) of the Hong Kong Police Force and the Immigration Department, their operational efficiency could have been adversely affected as the target availability rate of 87% was not met in three of the five years from 2012 to 2016;
 - (b) from 2012 to 2016, the total downtime of four major classes of government vessels due to preventive service and running repair increased from 6 583 days by 24.6% to 8 201 days. The average downtime per vessel had increased from 36 days in 2012 by 22% to 44 days in 2016. According to MD, the main reason for the increase in downtime was the aging problem of the government

vessels which in turn was due to the delay in the procurement of the vessels; and

- (c) the downtime due to running repair had increased by 53.9% from 2 393 days in 2012 to 3 683 days in 2016 which could partly be attributable to the delay in the procurement of the vessels. Based on MD's records of 25 July 2017, there were five running repair cases (each lasting five days or more) occurring within about three months of preventive service. In one case, a high-speed craft of the Hong Kong Police Force was found to have sustained serious flooding in about two months after receiving preventive service at the Government Dockyard;
- notes that Director of Marine has agreed with Audit's recommendations in paragraph 3.26 of the Audit Report;

Management of maintenance materials

- is surprised and regrets to note that:
 - (a) of 16 473 stock items held by the Government Dockyard as at 30 June 2017, 8 412 were slow-moving items (5% up from 8 023 in 2013) with a total value of \$73 million (34% up from \$54.6 million in 2013). For the 8 023 slow-moving items (i.e. those without movement for over five years) identified in 2013, MD only completed a review of 547 items and disposed of 68 items in July 2016. The delay of nearly four years before taking follow-up action in 2017 on the remaining 7 476 items is unsatisfactory as any obsolete/dormant stock could not be disposed of in a timely manner to save storage space and realise any resalable value where commercial disposal is applicable;
 - (b) notwithstanding the system enhancements in 1999 and 2015, some intended benefits of MD's GFIS could not be realized. For example, the re-order levels generated by GFIS¹³ could not fully reflect the current stock replenishment practice of the Government Dockyard. Moreover, while GFIS could generate barcodes for inventory items in the Government Dockyard stores, they could not be used to automate the stock management operations; and

¹³ One of the functions of GFIS was to generate the re-order level of a stock item to remind relevant MD staff to initiate replenishment process.

(c) while the provisions of the Dangerous Goods Ordinance (Cap. 295) and the Factories and Industrial Undertakings Ordinance (Cap. 59) do not apply to the Government, it is uncertain whether the provisions of those two ordinances are similarly not applicable to the independent maintenance contractors engaged by MD to work in the Government Dockyard. MD is committed to ensuring that all its staff and workers at work are in a safe working condition and healthy environment in order to minimize potential hazards and risks. However, there were inadequacies in the management of dangerous goods in the Government Dockyard as evidenced by the following:

- the Government Dockyard had to handle large quantity of fuels unloaded from vessels coming for maintenance/repair service. However, there was a long travelling distance for the transfer of fuels from the docking area and the defueling area to the designated dangerous goods stores. Manual handling of fuels increased the possibility of accidents;
- while MD's Safety Management Manual requires maintenance contractors to keep their number of oxygen and acetylene cylinders in the Government Dockyard at a minimum and to keep any excessive gas cylinders in the specified dangerous goods stores, MD had not tracked the quantities of oxygen and acetylene cylinders stored/used by maintenance contractors. As revealed by MD's consultant and Audit's inspections, unused cylinders had not been returned to the designated dangerous goods stores after daily operation; and
- Audit's sample check revealed that during January to July 2017, large quantities of paints and thinner were issued to maintenance contractors for their painting work. While the entire painting operation might take about 10 days, there was no record to show that the unused paints/thinner had been returned to the dangerous goods stores after daily operation;

- notes that:

(a) in March 2017, MD engaged a consultant to provide advice on how the Government Dockyard could better manage the

dangerous goods to meet both its operational needs and the requirements of the Dangerous Goods Ordinance and its Regulations;

- (b) MD has obtained additional manpower resources to upgrade the Industrial Safety Sub-unit to become the Industrial Safety Unit and put it under the purview of the Support Services Section. The Industrial Safety Manager who is the Unit Head of the Industrial Safety Unit assumed the post in October 2017; and
- (c) Director of Marine has agreed with Audit's recommendations in paragraphs 4.12 and 4.21 of the Audit Report; and
- urges MD to consider reviewing the procurement strategy of maintenance materials having regard to the availability of storage space and to ensure the compliance with the safety requirements on the storage of dangerous goods by the contractors working in the Government Dockyard.

Follow-up action

73. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by the Committee and Audit.

The Audit Commission ("Audit") conducted a review of the Hospital Authority ("HA")'s management of public hospital projects. The review examined two major public hospital projects¹ completed during the past five years and minor hospital projects.

2. As of September 2017, HA managed 42 public hospitals and institutions (providing a total of about 28 000 beds) under seven clusters. These hospital buildings covered a total floor area of 2.7 million square metres ("m²") and 59% of the floor area had been in use for more than 30 years. HA has undertaken public hospital projects to meet growing demand for healthcare services, modernize the public hospitals and make them safer. From 2012-2013 to 2016-2017, six major hospital projects with Approved Project Estimate totalling \$12.5 billion had been completed. From 2014-2015 to 2016-2017, HA initiated a total of 1 092 minor works projects and, as of March 2017, the total expenditure was \$3.3 billion. The 2016 Policy Address announced a 10-year Hospital Development Plan costing \$200 billion to meet new demand and improve existing services.

3. The Committee noted the following findings from the Director of Audit's Report:

The redevelopment of Caritas Medical Centre ("CMC") (Phase 2)

- in May 2007, the Legislative Council Finance Committee ("FC") approved funding of \$1,218.1 million for implementing the redevelopment of CMC Phase 2. HA invited tenders in July 2007, but this tender exercise was eventually cancelled in November 2007 due to the higher-than-expected tender prices of all conforming tenders received by HA. In June 2011, the Food and Health Bureau ("FHB") resubmitted a funding application and FC approved increasing Approved Project Estimate of CMC Phase 2 by 41% to \$1,719.6 million, mainly due to the increase in construction costs and higher provision for price adjustment. According to FHB and HA, one of the reasons for the higher-than-expected tender prices was that HA's project consultants might not have adequately gauged the rapid upsurge in construction prices and fully taken into account the prevailing market sentiments;

¹ The two projects are the Redevelopment of Caritas Medical Centre (Phase 2) and the North Lantau Hospital (Phase 1).

- owing to the higher-than-expected tender prices, HA and its consultants conducted a design review from November 2007 to October 2008 to identify savings in respect of the project design, project specifications and contract strategy. The design review identified cost savings of at least \$236 million by revising the building design and contract strategy (i.e. splitting the works into three (instead of one) works contracts);
- during the construction period, the accident frequency rate of a contractor was 0.92 reportable accident per 100 000 man-hours worked, which was significantly higher than the limits set by HA and the Development Bureau.² According to the contract provisions, the above contractor should submit a monthly report to HA at the meeting of the Site Safety and Environmental Management Committee. However, three reportable accidents which occurred during the construction period involving three workers employed respectively by three sub-contractors of the above contractor were not included in the pertinent monthly reports. HA management had not reported most of the related accident statistics of its hospital projects during January 2012 to October 2013 to HA Board or HA's Capital Works Subcommittee;
- the new hospital block and the rehabilitation garden were completed in November 2013 and October 2015 respectively, 27 months and 43 months later than the original target completion dates. 10 091 defect items were identified. All except nine defect items had been rectified as of end September 2017, while the remaining nine outstanding defect items would be rectified by end October 2017;

Commissioning of facilities of the North Lantau Hospital ("NLTH") Phase 1

- according to the HA, the annual recurrent expenditure of \$300 million provided to the Legislative Council Public Works Subcommittee in December 2009 was a rough estimation based on the latest cost data at that time. In 2011, the hospital management estimated that an annual recurrent expenditure of \$476 million would be required for full operation of NLTH Phase 1;

² According to HA, the number of reportable accidents refers to the number of workers involved in fatal cases or injury with incapacity for more than three days. In April 2012, HA stipulated a limit on accident frequency rate for each of its work project at 0.5 reportable accident per 100 000 man-hours worked. As for the Development Bureau, it has set the limit at 0.6 reportable accident per 100 000 man-hours worked for public works projects carried out by the Government.

- five types of medical services³ were commissioned later than the dates proposed by HA management. As of June 2017, only 40 beds (22% of the planned 180 beds) were commissioned to provide services for the 123 000 Lantau residents; three types of medical services⁴ had not yet been commissioned due to manpower shortage and competing needs across HA and the anticipated timeline for commissioning the above three medical services had not been reported to HA Board and FHB;
- as of June 2017, 2 867 m² (21% of the total area of 13 729 m²) of the hospital building were vacant or had not been utilized for the intended functions;
- since the commissioning of NLTH Phase 1 in 2013, HA had procured 10 major medical equipment items at a total cost of \$32.7 million. In 2016, the utilization rates of three items had exceeded 100%, while the utilization rates of the remaining seven items ranged from 6% to 58%. As of June 2017, HA had not yet put into use some other medical equipment items (each costing less than \$1 million) since their procurement, and the warranty periods of all such items had expired;

Management of minor hospital projects

- according to HA's internal guidelines, at least 90% of the new minor works projects initiated during a financial year should be planned projects included in the 3-year rolling plan⁵ approved in March of the year preceding the last financial year. During 2014-2015 to 2016-2017, only 64% to 77% of the new minor works projects initiated each year had been included in the relevant approved 3-year rolling plan. Meanwhile, HA's seven clusters had not provided the survey results of building condition of public hospitals to the HA Chief Executive for his vetting and approval of the 3-year rolling plan;

³ The five types of medical services were: (i) 24-hour accident and emergency service; (ii) day rehabilitation centre; (iii) specialist out-patient clinics on orthopaedics and traumatology and surgery; (iv) day surgery centre; and (v) 20 in-patient beds.

⁴ The three types of medical services were: (i) specialist out-patient services for gynaecology and paediatrics; (ii) 20 day-beds for day-surgery patients; and (iii) a total of 120 in-patient beds.

⁵ In August each year, HA's seven clusters would each submit a tentative list of minor works projects for the current and the next two financial years to the Strategy and Planning Division for vetting.

- in December 2013, FHB informed FC that HA could annually initiate around 500 new minor works projects from 2014-2015 to 2023-2024. However, only 1 092 projects were initiated from 2014-2015 to 2016-2017, representing an average of 364 projects per year. As of August 2017, only 62 (12% of HA's estimate of 500) wards had been renovated, and 9 (17% of HA's estimate of 52) electrical installations and 13 (4% of the HA's estimate of 364) lifts had been upgraded; and
- there were delays in completing 303 (46%) of the 654 works orders issued to HA minor-works contractors⁶ in 2015-2016 and 2016-2017, while 219 (72%) of the delayed works orders were carried out by term contractors, and the progress of works orders carried out by two term contractors was less than satisfactory.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the planning of NLTH Phase 1, minor hospital projects and the redevelopment of CMC Phase 2; measures to ensure construction safety of hospital projects, to put vacant areas at NLTH Phase 1 into gainful uses in the interim period and to prevent delays in future hospital projects; and the conditions of the medical equipment in NLTH Phase 1. The consolidated replies from **Secretary for Food and Health** and **Chief Executive of the Hospital Authority** are in *Appendix 29*.

5. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.

⁶ HA has appointed four term contractors, four term maintenance surveyors and four term quantity surveyors for carrying out minor works projects.

Regulation of non-franchised bus and school private light bus services

The Audit Commission ("Audit") conducted a review of the Transport Department ("TD")'s regulation of non-franchised buses ("NFBs") and school private light buses ("SPLBs") services.

2. In 2016, over 12 million passenger trips per day were made through different public transport services, including railway, franchised buses, public light buses, NFBs and taxis in Hong Kong. NFBs play a supplementary role in the public transport system through relieving the demand for franchised bus and green minibus services during peak hours, providing services for districts where the operations of franchised buses and green minibuses are not cost-effective, and providing services for specific passenger groups (e.g. tour groups, hotel guests and students) when the regular public transport services cannot provide appropriate services. Apart from NFBs, SPLBs are also allowed to solely provide student service. Given that the passengers of SPLBs are mostly young children who cannot take good care of themselves in emergency situations, the Government considers it important to explore measures to further enhance the safety of SPLBs. As at 31 December 2016, there were 7 043 public NFBs, 651 private NFBs and 1 966 SPLBs.

3. The Committee noted the following findings from the Director of Audit's Report:

- in light of the unhealthy competition with other public transport modes arising from an excessive supply of NFB services,¹ TD implemented in 2005 a series of measures, including stringent vetting of NFB applications and requiring Passenger Service Licence ("PSL") applicants to source vehicles from the existing fleet in the market for a period of six months, to ensure that new NFB services and vehicles would only be approved when there was justified demand. From 2004 to 2016, the utilization rate of public NFBs had increased from 81% to 86%, and the number of trips of NFB had increased by 40% from 40 104 per day to 55 970 per day. The average transaction price of a second-hand public NFB had increased from \$0.3 million in 2005 by 200% to \$0.9 million in 2016;
- Audit examined 10 PSL renewals involving 41 service endorsements granted to existing PSL holders from 2014 to 2016 and discovered that

¹ The number of registered NFBs increased from 5 900 to 7 200 between 1998 and 2003, representing an increase of 22% whereas public transport patronage only increased by 2.7% from 11.1 million to 11.4 million passengers per day over the same period.

the stringent vetting requirements of supporting documents for PSL renewal applications were not always upheld;

- it was stated in the application forms that an application for operating a new scheduled contract hire service should be submitted at least 14 days prior to the service commencement. However, Audit analysed 90 such applications approved in 2016 and found that TD took an average of 30 days to process the applications;
- Audit sample checked 30 licensing services applications involving NFBs and SPLBs processed from 2015 to 2017 and found that on average, TD took nine working days to issue the approval letters after the approval dates, but such time would not be taken into account in determining whether the target processing times of five and seven working days were achieved. Audit sample checked 26 applications processed in 2015 and 2016 and found that in two cases, the pledged processing times were not met and hence the reported 100% achievement of the pledged processing times was not supported;
- TD's annual surveys² showed an increasing trend from 2004 to 2016 in the number of NFBs suspected to be operating five types of services³ without proper approval. According to the 2016 survey results, the number of residents' service NFBs suspected to be operating without the relevant endorsement was higher than the number of licensed ones;
- 3 048 of 5 870 public NFBs surveyed in 2016 were found not displaying the stipulated service signboards, which was contrary to PSL conditions. From April to May 2017, Audit performed 22 on-board surveys (i.e. taking a ride on the buses in question) on residents' service routes selected on a risk-based approach and found that 21 (95%) of them had been operated with unauthorized stop(s) and/or routeing deviation. In a spot check at a residents' service terminal conducted in 2010, TD Regional Offices ("RO") noticed the service operated might have unauthorized stops. Another round of on-board surveys were conducted in 2016 and the findings were similar. In May 2017, Audit

² TD commissions a consultant to undertake an annual survey to collect operational information and utilization of NFBs. In view of the public concerns on demand and supply of school bus service, SPLBs have been included in the annual survey since 2015.

³ These five types of services were employees' service, tour service, student service, hotel service and contract hire service.

Regulation of non-franchised bus and school private light bus services

found that the residents' service concerned still had five to eight unauthorized stops;

- in 53 surveys with irregularities found by the ROs' contractors⁴ from 2010 to 2017, omissions and delays were found in taking follow-up actions in 35 (66%) cases. In 18 complaint cases from 2012 to 2016, ROs issued letters to request the operators concerned to cease the unauthorized operations, but follow-up surveys were only conducted in 3 (17%) cases to ascertain cessation of the unauthorized operations;
- while sanctions including cancellation and suspension of licences might be imposed on substantiated unauthorized operations, it took on average two years to complete an inquiry.⁵ From January 2012 to May 2017, the offending operators in 25 of 93 concluded inquiry cases had avoided sanctions through transfer of ownership of NFBs before completion of the inquiries. In five inquiries on unauthorized services from 2011 to 2015, before the completion of the inquiry process, the ownership of three NFBs was transferred to other PSL holders (i.e. four companies with common director(s) and one individual being a shareholder of one of the companies) at \$1 each and the relevant PSLs under the inquiries were cancelled. As a result, no sanction could be imposed;
- since implementation of safer seat requirements in 2009,⁶ 3 382 (64%) of 5 261 NFBs/SPLBs providing student services had been fitted with safer seats up to July 2017. It might take up to another six years to phase in safer seats for the remaining 1 879 vehicles. TD's consultancy study report⁷ found that the benefits of safer seats could be further enhanced by providing child restraint systems for passengers aged under 4.5 years or weighing under 18 kilograms or providing

⁴ RO will arrange contractors' staff to conduct investigative surveys on black spots proactively or upon receipt of a complaint or referral.

⁵ If an unauthorized service detected by ROs persists and is substantiated after further investigation by the NFB Enforcement Team, the case will be recommended to the Commissioner for Transport for holding an inquiry.

⁶ In 2007, legislative amendment was made to require all student service vehicles registered on or after 1 May 2009 to be equipped with safer seats to protect children in the event of a crash.

⁷ In July 2010, TD commissioned a consultant to study the feasibility of installing seat belts on student service vehicles and compare the effectiveness and safety merits of seat belts with those of safer seats in the protection of students on student service vehicles. The consultant concluded its report of March 2013.

lap-shoulder seat belts which could reduce risks of injury and fatality in side-impact and rollover accidents; and

- according to TD, a number of issues had to be thoroughly considered and resolved before a decision could be taken on the types of measures to further enhance the safety of student service vehicles, e.g. safety benefits, legal issues, impact on trade and views of stakeholders.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the licensing requirements for NFBs; the handling of applications relating to NFBs and SPLBs; measures to improve the regulation on unauthorized NFB operations; and the progress and timeline for implementing the safety measures of student services vehicles. The consolidated replies from **Secretary for Transport and Housing** and **Commissioner for Transport** are in *Appendix 30*.

5. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.

The Audit Commission ("Audit") conducted a review to examine the operation of the Land Registry ("LR").

2. LR aims to provide an efficient and effective land registration system to facilitate the orderly conduct of land transactions. It maintains over three million land registers involving registered particulars of about 23.7 million land documents. In addition to ensuring secure and customer friendly land registration and information services, LR's missions also include advocating reform of Hong Kong's land registration system through introduction of title registration. The Land Titles Ordinance (Cap. 585) ("LTO") was enacted in July 2004 and aims to provide for a new land title registration system ("LTRS") which provides greater certainty to property titles and simplifies conveyancing. However, up to September 2017, LTO had not yet come into force and LTRS had not been implemented.

3. The Committee noted the following findings from the Director of Audit's Report:

- since June 2007, LR had been conducting a tidying up exercise for the Integrated Registration Information System to fill up information (e.g. names of owners of historical transactions) that was not shown in some land registers.¹ Due to high staff turnover and some vacant contract staff posts not filled, there would likely be a slippage in completing the exercise which was originally targeted for completion by the end of 2018;
- from 2012-2013 to 2016-2017, the total number of typographical errors and discrepancies corrected in the land registers each year ranged from 5 737 to 7 564;
- during 2012-2013 to 2016-2017, the three New Territories Search Offices in Tsuen Wan, Tai Po and Yuen Long providing counter search and copying, and owners' corporation services had incurred operating

¹ According to LR, certain information was not shown in some land registers due to reasons including information that might not have been recorded on the manual land registers before the computerization exercise or not input into the computerized land registers during the computerization exercise in view of cost-effectiveness.

Operation of the Land Registry

losses ranging from \$0.9 million to \$2 million each year and had low patronage;²

- during the scrutiny of the Land Titles Bill, the Government proposed that LTO would commence two years after its enactment in July 2004, and undertook to conduct a review of LTO during the two-year period between its enactment and commencement ("post-enactment review"). However, up to September 2017, LTO had not been implemented. LR's post-enactment review identified 18 significant matters³ where amendments to LTO were essential before the legislation could be brought into operation. LR might have under-estimated the complexity of the issues and the work involved in implementing LTO and LTRS. Moreover, LR had not set a target LTRS implementation date and devised an action plan with timetable for implementing LTRS as general consensus among stakeholders had not been reached;
- the enactment of LTO had incurred about \$24 million per year on average in staff costs on matters concerning the review of LTO, preparation of the Land Titles (Amendment) Bill, engagement of stakeholders on the proposed legislative amendments and implementation of LTRS;
- since 1993, LR conducted five fee reviews of all fee items at a time interval of three to seven years between each review (i.e. in 1998, 2005, 2008, 2011 and 2016). In the 2016 fee review, LR found that the overall cost recovery of non-statutory fees was only 67% and revised the non-statutory fees in April 2017. The overall fee increase was 75%, with certain fee items increased significantly by 100% to 200%;

² From 2012-2013 to 2016-2017, the daily average number of visitors requesting search and copying services was below 55 for New Territories Search Offices in Tsuen Wan and Tai Po and below 100 for New Territories Search Office in Yuen Long, and the daily average number of visitors requesting owners' corporation services at each New Territories Search Office was not more than five.

³ These issues were: (1) concept of registration of instruments; (2) instruments not effectual until registered; (3) date of registration; (4) overriding interests; (5) severance of joint tenancy; (6) consequential amendments in other legislation; (7) court orders; (8) transmission; (9) cautions; (10) caveats; (11) definitions in LTO; (12) liability of government; (13) filing of standard terms documents; (14) restriction order; (15) rectification by the Land Registrar; (16) indemnity provisions; (17) exclusion; and (18) practical implications.

Operation of the Land Registry

- from 2010-2011 to 2016-2017, the number of land documents delivered for registration had dropped significantly by 45% from 859 840 to 468 630, the related revenue had also dropped significantly by 47% from \$319 million to \$169 million. Audit noted that there was a significant under-recovery of costs of \$80 million in 2015-2016. According to LR, the revenue from registration of document services was very much susceptible to the volatility of the property market conditions; and
- Audit examination of LR's compilation of actual performance information against the 30 performance targets for 2016-2017 revealed that LR relied on a manual system for compiling the actual performance information.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the implementation of LTO, LTRS and the tidying up exercise; time interval for further fee reviews; as well as measures to track and monitor the errors in the land registers, to improve the performance of New Territories Search Offices and the accuracy of LR's actual performance information, to cut down the expenditure incurred from the enactment of LTO and to address the impact of the property market conditions on the registration of document services. The consolidated replies from **Secretary for Development** and **Land Registrar** are in *Appendix 31*.

5. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.

The Audit Commission ("Audit") conducted a review of the Home Affairs Department ("HAD")'s regulation of hotels and guesthouses under the Hotel and Guesthouse Accommodation Ordinance (Cap. 349) ("HAGAO").

2. HAGAO regulates premises that provide hotel and guesthouse accommodation at a fee with a view to safeguarding lodgers and the public against risks of building safety and fire safety. The Office of the Licensing Authority ("OLA") under HAD is delegated by the Hotel and Guesthouse Accommodation Authority (i.e. Secretary for Home Affairs) to administer HAGAO, for example, issuing licences for hotels and guesthouses and performing relevant enforcement duties. As at 30 June 2017, there were 2 024 establishments licensed under HAGAO, comprising 286 licensed hotels (providing 77 724 rooms) and 1 738 licensed guesthouses (providing 14 029 rooms). Meanwhile, advertising and booking of home-stay lodging through the internet is becoming more common, and there have been calls to develop home-stay lodging in Hong Kong.

3. The Committee noted the following findings from the Director of Audit's Report:

- from 2012 to 30 June 2017, the average lead time for granting new licences and renewal licences had respectively increased from 357 days to 469 days and from 118 days to 125 days;
- nine internal targets had been set on the target processing times for different stages of licence application,¹ but only two of them were published performance pledges and had been met, while the remaining were internal targets that had generally not been attained. From 2012 to 30 June 2017, the percentages of cases attaining four internal targets² had generally decreased, and there were significant disparities between the target time and the processing time attained for some internal targets;

¹ Licence applications usually go through six stages, i.e. "acknowledgement of applications", "initial inspection", "improvement works", "follow-up inspection", "approval of applications" and "collection of licences". OLA has not set target processing times for "improvement works" and "collection of licences" as applicants are responsible for these two stages.

² These four targets are: (i) initial inspection for renewal licence applications not involving rectification works; (ii) follow-up inspection for new licence applications; (iii) approval of applications for new licences; and (iv) approval of applications for renewal licences.

- renewal licence applications submitted not less than three months before expiration dates of existing licences were protected under HAGAO, the existing licences would remain in effect until applications were approved, regardless of existing licence expiration dates. Applications submitted within three months before expiration dates were "unprotected". However, in the first six months of 2017, the average lead time for processing unprotected cases (90 calendar days) was significantly shorter than protected cases (134 calendar days), and 61% of the unprotected cases were approved after expiration of existing licences;
- annual inspections conducted by OLA for monitoring compliance with licence requirements were neither risk-based nor conducted on a surprise basis. Information on the progress and results of annual inspections was not compiled;
- the number of outstanding suspected cases³ had doubled from 644 in January 2012 to 1 322 in June 2017, and 270 (20%) of the 1 322 cases had been outstanding for more than three years. There was a risk that some unlicensed establishments related to these outstanding cases had been in operation for a long time. However, OLA did not compile and report the number of outstanding suspected cases and their outstanding durations to HAD;
- for unlicensed establishments operated through websites not showing the full addresses on websites and serving walk-in lodgers, OLA was not able to collect sufficient evidence for prosecution. A number of overseas cities had already enacted legislation to combat illegal provision of sleeping accommodation through the internet;
- from 2012 to 2017 (up to 30 June 2017), 832 prosecutions were instigated by OLA on 467 unlicensed establishments, resulting in 779 convictions. Audit analysed the penalties imposed on the convictions and noted that unscrupulous operators might treat penalties as part of operating costs regardless of repeated prosecutions, and the persons caught red-handed and prosecuted were usually keepers rather than the business owners. Meanwhile, HAGAO continuous offence provision (i.e. imposing a fine of \$20,000 for each day the offence

³ OLA's Enforcement Team identifies suspected unlicensed establishments from various sources and takes follow-up actions accordingly.

continues) had not been invoked on recalcitrant operators of unlicensed establishments;

- based on HAD's costing review conducted at the 2016-2017 price level, the cost recovery rates of the current licence fees⁴ ranged from 32% to 75% for new licences, and from 40% to 72% for renewal licences;
- as at 30 June 2017, 24 Licensing Inspectors in OLA had in total a caseload of 1 322 outstanding cases.⁵ Audit noted that the caseloads of individual Licensing Inspectors were uneven. OLA did not compile statistics of caseloads for management information, or for discussion in regular management meetings; and
- under the existing regulatory regime of HAGAO, there were difficulties for HAD in addressing issues arising from the emergence of home-stay lodging in Hong Kong, which included land use, planning, tourism, environmental and transport issues under the purview of different bureaux and departments.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the manpower and expenditure for the processing of licence applications and outstanding suspected cases; underlying reasons for long processing time for the licence applications and not attaining the internal targets; the handling of protected and unprotected cases; follow-up actions on non-compliance establishments and outstanding suspected cases; measures to facilitate investigation and combating of suspected unlicensed establishments; penalties on non-compliance; work plan for revising the licence fees; the monitoring of the caseloads of Licensing Inspectors; and the review progress of issues relating to home-stay lodging. The replies from **Director of Home Affairs** are in *Appendix 32*.

⁴ According to the Hotel and Guesthouse Accommodation (Fees) Regulations (Cap. 349B), the fees for issuing new licences and renewal licences are based on the licence period and the number of rooms of the licensed establishment. Currently, the fees for new licences range from \$4,570 (for a 1-year licence of an establishment with one to three rooms) to \$107,100 (for a 7-year licence of an establishment with more than 500 rooms). The fees for renewal licences range from \$2,650 to \$63,150 respectively.

⁵ OLA's Enforcement Team is responsible for investigating unlicensed establishments. Cases of suspected unlicensed establishments are each assigned to a responsible Licensing Inspector.

5. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.

The Audit Commission ("Audit") conducted a review of the management of programmes, campus development and management, and administrative issues of the Hong Kong Design Institute ("HKDI").

2. HKDI is one of the member institutions of the Vocational Training Council ("VTC"). It is located at the VTC Tiu Keng Leng Campus ("TKL Campus")¹ the construction cost of which was \$1,287.3 million. In 2016-2017 academic year (unless stated otherwise, all years mentioned hereinafter refer to academic years), HKDI offered 21 full-time Higher Diploma programmes and the total number of students enrolled was 5 476.

3. The Committee noted the following findings from the Director of Audit's Report:

- according to HKDI, student over-enrolment of its programmes should be avoided in order to ensure the teaching quality and to prevent oversupply of graduates in the market and in the industry. However, 13 of the 21 programmes of HKDI were over-enrolled in 2016-2017. Due to over-enrolment, the total teaching staff establishment of HKDI increased by 23, 20 and 16 in 2014-2015, 2015-2016 and 2016-2017 respectively. Of the 59 additional teaching staff posts, 55 were filled by staff with a contract duration of one year or less ("short contract staff"), which had exceeded the 15% limit on short contract staff set by the VTC Headquarters;
- from 2012-2013 to 2016-2017, there were 14 new programmes in HKDI. However, no information was included in the programme proposals² of the five new programmes on the impact on teaching staff resources and how the planned numbers of student enrolment were derived;
- Training Boards of VTC conducted regular manpower surveys and published manpower reports for various industries, but manpower needs of some programmes offered by HKDI were not covered by the above manpower surveys. Meanwhile, notwithstanding the

¹ TKL Campus comprises HKDI building and another VTC building.

² Before a new programme is introduced, a programme proposal with details of the programme will be submitted to the VTC Design Discipline Academic Committee for endorsement and to the VTC Vocational Education and Training Academic Board for approval.

recommendations raised by the Design Discipline Advisory Board at its meeting held in November 2011, no manpower survey on the design industry had been conducted up to July 2017;

- for 2012-2013, 2013-2014 and 2014-2015, the overall programme completion rates of HKDI were 86%, 84% and 80% respectively, but the completion rates of the Higher Diploma in Architecture Design were only 71%, 58% and 51% for the respective years, and the completion rate for the Higher Diploma in Landscape Architecture in 2014-2015 was 68%. VTC did not report the completion rates³ of its Higher Diploma programmes to the Education Bureau;
- the overall employment rate for graduates of HKDI's Higher Diploma programmes was 86.4% in 2016 and had been lower than the target employment rate of 90% set by VTC since 2012;
- in the design competition for the HKDI building, contestants were required to keep their project costs strictly within \$378 million. The winning design included cost saving options to reduce the cost to \$377.4 million. However, according to the Technical Committee appointed by VTC to assess the competition entries (including their cost estimates), the revised cost of the winning design was \$405 million;
- during the project development stage, various structural schemes to develop HKDI were considered by VTC, i.e. steel primarily, reinforced concrete primarily ("RC Scheme") and a mix of steel and reinforced concrete ("modified Hybrid Scheme"). In the preparation of the funding application to the Legislative Council Finance Committee ("FC"), VTC submitted the project cost estimate of \$992.8 million based on the RC Scheme to the Architectural Services Department for vetting in March and April 2007. However, VTC eventually adopted the modified Hybrid Scheme and considered the RC Scheme only as a fall-back option. No documentary evidence was available showing that the schemes had been thoroughly discussed, the modified Hybrid Scheme had been well justified and the VTC Council or the committees had ever been explicitly informed that the RC Scheme had been considered only as a fall-back option. On 15 June 2007, the project consultant revised the project estimate to \$1,064.1 million based on the modified Hybrid Scheme, and there was no documentary evidence

³ The graduation rate of a cohort of students for the two-year Higher Diploma programmes.

showing that VTC had submitted the revised project estimate to the Architectural Services Department. In the event, the project cost estimate quoted in the paper submitted to FC on 22 June 2007 was \$992.8 million indicating the adoption of the RC Scheme;

- after funding approval of FC for the TKL Campus development project, the Education Bureau had not required VTC to submit progress reports together with updated budget forecasts and outturn income and expenditure statements at quarterly intervals. Meanwhile, no reporting of outturn income and expenditure for the project had been made at meetings of the Council, Standing Committee, Estates Committee and Steering Committee of VTC from July 2007 to June 2008;
- FC was informed that student sports and amenity facilities at TKL Campus would be open to the public during non-school hours. However, the tennis court had not been open to the public. From 2013-2014 to 2016-2017, the auditorium was closed for 81 to 129 days a year due to maintenance and was used by external parties for 2 to 10 days per year;
- the number of breakdown cases of lifts and escalators at TKL Campus had increased by 174% from 53 cases in 2014 to 145 cases in 2016. The monthly system service availability of the escalators had decreased from 99.7% in January 2015 to 71% in June 2017. One long escalator had been suspended from operation since 31 March 2017;
- HKDI had not conducted stocktaking for 2010-2011, 2012-2013 and 2014-2015 financial years as required by VTC. For 2011-2012, 2013-2014 and 2015-2016 financial years, a long time had been taken to complete the stocktaking exercises, and 810 inventory items (including 127 desktop/notebook computers and 209 portable storage devices) of original cost of \$2.7 million were found missing. There was no documentary evidence showing that HKDI had taken remedial steps as stipulated in the VTC guidance note on data breach incident handling and notifications to contain the harm or damage that might cause to the data subjects; and
- for 2014-2015 to 2015-2016, two of the three campus environmental targets (i.e. 5% reduction on electricity consumption and 5% reduction on the quantity of paper ordered) were not achieved.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the enrolment rates, completion rates, employment rates and teaching staff resources of HKDI's programmes, the planning of the TKL Campus development project, as well as the facilities and administrative management of HKDI. The replies from **Secretary for Education** and **Executive Director of the Vocational Training Council** are in *Appendices 33* and *34* respectively.

5. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.

Provision of government office accommodation and utilisation of government sites

The Audit Commission ("Audit") conducted a review of the Government Property Agency ("GPA")'s work on provision of government office accommodation and utilization of government sites.

2. Bureaux/departments ("B/Ds") are housed in joint-user general office buildings, leased premises and specialist and departmental buildings ("SDBs"). Under the policy directive of the Financial Services and the Treasury Bureau, GPA is responsible for providing administrative support services to all B/Ds in respect of acquisition, allocation and management of government-owned and leased office accommodation, as well as optimizing the development potential of government sites through reviewing existing uses. As of December 2016, GPA managed 1 023 110 square metres ("m²") office space, including 308 051 m² (30%) of leased office accommodation and 715 059 m² (70%) of government owned office accommodation in joint-user general office buildings and private developments for use by various B/Ds. In addition, SDBs of 7 348 976 m² were purposely built for specialized functions and/or office use by one or more B/Ds and managed by the concerned B/Ds in accordance with the Accommodation Regulations promulgated by the Financial Services and the Treasury Bureau. In 2016-2017, rental expenditure on leased office accommodation was \$960 million.

3. The Committee noted the following findings from the Director of Audit's Report:

- based on the 2016 returns on the annual review of office accommodation submitted to GPA by B/Ds,¹ there were 168 requests for new office space of 94 921 m² from 2017-2018 to 2021-2022. However, according to GPA's assessment, there would be a shortfall of 44 459 m², including a possible need for a site search for 29 591 m². Meanwhile, no JUB had been planned other than the three on-going JUB projects² which were mainly used for reprovisioning the offices at the Wan Chai Government Offices Compound ("WCGOC");

¹ According to the Financial Services and the Treasury Bureau's Accommodation Regulations, B/Ds should see if there is a continued need for all the office accommodation in government-owned and leased accommodation allocated to them once a year. Based on the annual review of office accommodation, B/Ds should provide a return on any request for additional office accommodation and surplus accommodation (excluding SDBs which should be reported separately in the annual stewardship statement exercise).

² The three joint-user general office buildings are the West Kowloon Government Offices, the Treasury Building and the Tseung Kwan O Government Offices Building.

Provision of government office accommodation and utilisation of government sites

- the relocation of WCGOC announced in 2008 required the construction of nine replacement buildings for 28 B/Ds and the Judiciary, but six replacement buildings projects encountered delays due to changes in project scope, technical constraints and the time taken for seeking funding approval. Meanwhile, a suitable site for reprovisioning the Wan Chai Law Courts³ was only identified in 2015 as the site proposed in 2008 was found in 2012 to be unable to provide the required floor area. The relocation of the Wan Chai Law Courts was still under planning without a projected completion date. As for the relocation of WCGOC as a whole, it was estimated to be completed in 2025-2026 at the earliest;
- among the nine replacement building projects, the West Kowloon Government Offices was an on-going project⁴ before the announcement of WCGOC relocation plan, but the project was affected by the alignment review of the Central Kowloon Route project. Eventually, the West Kowloon Government Offices had taken almost 12 years to progress from project inception to funding approval in June 2015;
- while the Government's accommodation policy was to house offices in owned buildings as far as practicable, leased accommodation increased by 13% from 271 461 m² in 2006 to 308 051 m² in 2016;
- Audit examination of three leases (Leases A, B and C) which exceeded the Rating and Valuation Department's average rents⁵ by more than 40% revealed that no reasons had been documented for not exploring alternative premises with lower rental costs before entering into or renewing such leases;
- 76% of an office in Kowloon Bay under Lease D was used for storage of case files that was not location-tied, the government paid monthly

³ The Wan Chai Law Courts occupied a net operational floor area of 26 834 m² in WCGOC.

⁴ In 2002, the West Kowloon Government Offices was planned for reprovisioning four government buildings in Yau Ma Tei affected by the Central Kowloon Route project, and for deleasing leased office accommodation in various areas.

⁵ The Rating and Valuation Department compiles average rents on a monthly basis for private office premises designed for commercial/business purposes with a breakdown by districts and office grading. The levels of average rents at a certain period depend to a large extent on various factors such as quality and location of the premises which are leased during the period. Changes in average monthly rents between different periods should not be taken as necessarily indicating a general change in value over the period.

rent of \$265 per m², compared to leased accommodation used by other B/Ds for storage purposes of \$94 to \$147 per m²;

- a godown site of 1 505 m² was acquired in 1990 for a proposed road project, but no decision had been taken on whether the project would be implemented after a lapse of some 26 years. Apart from short-term uses from 1991 to 2007, the site had been left idle for some 10 years up to 2017;
- there were 1 569 sites pending site-utilization reviews by GPA as of August 2017, while only 85 sites were selected for review each year;
- GPA developed the Government Property Information System to identify under-utilized sites. However, Audit sample check revealed that there were omissions and discrepancies in the Government Property Information System, the pertinent site and building records of an unusable property and the site information of eight premises/buildings were missing, and the status of some government sites was not up-to-date; and
- GPA conducted site-utilization reviews and drew up redevelopment proposals for endorsement by an inter-B/D Property Strategy Group. GPA's half-yearly report⁶ indicated that as of February 2017, there were 27 vacant or under-utilized premises in SDBs.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the relocation of WCGOC and the Wan Chai Law Courts, measures to meet the office accommodation needs of B/Ds, underlying reasons for rejecting/not recommending offers to B/Ds in the selection of premises for leasing office accommodation and the lack of relevant documentation, improvement measures on the accuracy of the information in the Government Property Information System, and the follow-up actions relating to the 1 569 sites pending site-utilization reviews and the 27 vacant or under-utilized premises. The replies from **Secretary for Financial Services and the Treasury, Government Property Administrator, Director of Civil Engineering and Development and Director of Architectural Services** are in *Appendices 35 to 38* respectively.

⁶ GPA regularly reports to the Property Strategy Group on a half-yearly basis the position of vacant or under-utilized premises of specialist and departmental accommodation under the purview of individual B/Ds.

5. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.

Occupational safety and health

The Audit Commission ("Audit") conducted a review of the Labour Department ("LD")'s work in occupational safety and health.

2. Occupational safety and health is regulated mainly through the Factories and Industrial Undertakings Ordinance (Cap. 59) ("FIUO") and the Occupational Safety and Health Ordinance (Cap. 509) ("OSHO"). FIUO applies to industrial undertakings (e.g. factories, construction sites and catering establishments) to provide safety and health protection for workers in the industrial sector, while OSHO extends the safety and health protection of employees to the majority of economic activities and covers almost all workplaces. LD's work is important in ensuring that risks to the safety and health of people at work are properly managed by legislation, enforcement, education and publicity efforts. For 2017-2018, the estimated expenditure of LD on occupational safety and health amounted to \$510 million. In 2016, the number of occupational injuries was about 36 000.

3. The Committee noted the following findings from the Director of Audit's Report:

- according to FIUO, the proprietor having the management or control of a Notifiable Workplace¹ should give the Commissioner for Labour notification of the workplace before commencement of operation. However, according to the Construction Sites (Safety) Regulations (Cap. 59I) made under FIUO, notification of construction work was only required to be submitted within seven days after commencement of the work. As such, there was a seven-day gap between commencement of the construction work and the submission of notification to LD;
- Audit examined 20 accident cases that occurred in 2016 at Notifiable Workplaces and found that the proprietor of eight (40%) Workplaces had not submitted the required statutory notifications to LD before the LD's investigation, and no prosecution had been taken against the non-compliance of the notification requirement from January 2012 to July 2017;

¹ Notifiable Workplaces means (i) any factory, mine or quarry; and (ii) any premises or place in which a Dangerous Trade or Scheduled Trade under FIUO is carried on or is proposed to be carried on.

- inspection priorities were given to workplaces of 23 hazardous non-building and engineering construction trades, which were identified by LD according to the assessment of the prevailing risks. However, the list of hazardous trades drawn up in January 2013 had not been reviewed until July 2017;
- as at 31 March 2017, there were 6 074 backlog cases of inspection² on inactive non-building and engineering construction workplaces (i.e. construction sites where works were carried out intermittently or sites under defects liability period), and 23 414 backlog cases on non-building and engineering construction workplaces. Audit examined 80 inspections carried out by LD in the period from 1 April 2016 to 31 March 2017 and found that 24 (30%) inspections were conducted more than 90 days after the workplace files were brought up;
- inspecting officers only documented the irregularities identified during inspections, but not the details of inspection work carried out, such as the work processes examined and the results of such examinations;
- if an inspection was conducted jointly by more than one inspecting officer, LD counted the number of inspecting officers involved, but not the number of workplaces inspected, as the number of inspections conducted;
- the highest amount and the average amount of fines under the five most common offences³ of FIUO and OSHO were significantly below the maximum amount stipulated in the legislation;

² LD had a bring-up system for workplace files to be brought up for inspections. If the file was not brought up and assigned to an inspecting officer on the scheduled date, it was counted as a backlog.

³ These five most common offences were: (i) failure to ensure that suitable and adequate access to and egress from the construction site is provided and properly maintained; (ii) failure to take adequate steps to prevent any person on the construction site from falling from height (for contractor responsible for the construction site); (iii) failure to take adequate steps to prevent any person on the construction site from falling from height (for contractor who has direct control over the construction work); (iv) failure to maintain in good condition and free from obstruction the means of escape from the workplace in case of fire; and (v) failure to ensure that all means of escape from the workplace are maintained in a safe condition and kept free from obstruction.

- in 2016, of LD's 225 inspections on 146 providers on mandatory safety training courses,⁴ 182 (81%) were conducted at a time when there was no course session and thus many aspects of the courses could not be observed;
- in 2009, LD conducted a review to devise improvement measures on recognition and monitoring of mandatory safety training courses. In April 2011, LD proposed to the Legislative Council Panel on Manpower a two-phase approach to implement the improvement measures. Two of the three Phase One improvement measures had not been fully implemented up to August 2017, and there was also no timetable to implement these measures and the Phase Two measures;
- it was stipulated in the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Cap. 59Z) and the Factories and Industrial Undertakings (Safety Management) Regulation (Cap. 59AF) that the contractors or proprietors of some workplaces were required to employ a Registered Safety Officer ("RSO") to assist in the promotion of the occupational safety and health of employees, and/or a Registered Safety Auditor ("RSA") to audit the safety management system. One of the qualifications for registering as an RSA was that the person should be an RSO. Prior to June 2002, the designation of an RSO was valid for life. However, according to the amendments made under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations in 2002, the registration of RSOs should be valid for a period of four years subject to renewal or revalidation. Under the renewal/revalidation requirement for RSOs, there was a possibility that some RSAs who ceased to be RSOs after they had become RSAs;
- the Kwun Tong Occupational Health Clinic could carry out 30 medical examinations for workers prone to exposure to radiation in each session reserved for such examinations. From 2012 to June 2017, the average number of no-show cases ranged from 11% to 15%, the average number of booked examinations in each session decreased from 27.8 to 22.9, and the number of sessions in which not more than 20 examinations were carried out increased from 17% to 56% of the total number of sessions. Moreover, the law stipulated that the

⁴ Every person engaged in specific high risk sectors, activities or machine operations is required to complete the relevant mandatory safety training course organized by a training course provider.

examinations carried out for the workers' first employment would be provided free of charge, but it did not stipulate whether the periodic examinations after the workers' first employment should be provided free of charge. Audit noted that workers and their employers were not required to pay any fee for the periodic examinations;

- LD did not monitor the number of outstanding inspections on occupational health and the delay in carrying out such inspections after they were brought up. Audit reviewed 24 inspections on occupational health conducted from July 2016 to June 2017 and discovered delays in 13 (54%) of the inspections ranging from four days to three years; and
- in 2016, LD reported in the Controlling Officer's Report the number of "investigations/surveys/examinations/assessments/clinical consultations" without the breakdown information.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the enforcement of the notification requirement for Notifiable Workplaces; the review of the list of hazardous trades and the maximum amount of fines under FIUO and OSHO; measures to clear the outstanding inspections on occupational safety and health and to address the shortcomings that some RSAs were not RSOs; inspections and improvement measures on mandatory safety training courses; arrangements for medical examination of radiation workers; and the reporting of performance indicators in the Controlling Officer's Report. The consolidated replies from **Commissioner for Labour** and **Director of Health** are in *Appendix 39*.

5. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.

SIGNATURES OF THE CHAIRMAN,
DEPUTY CHAIRMAN AND MEMBERS OF THE COMMITTEE



Abraham SHEK Lai-him
(Chairman)



Kenneth LEUNG
(Deputy Chairman)



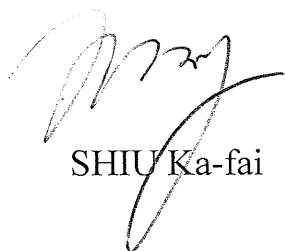
Paul TSE Wai-chun



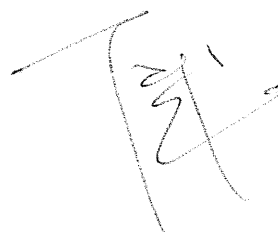
Steven HO Chun-yin



LAM Cheuk-ting



SHIU Ka-fai



Tanya CHAN

18 January 2018

**CHAPTERS IN THE DIRECTOR OF AUDIT'S REPORT NO. 69
DEALT WITH IN THE PUBLIC ACCOUNTS COMMITTEE'S REPORT**

**Director of
Audit's Report
No. 69**

**P.A.C.
Report No. 69**

<u>Chapter</u>	<u>Subject</u>	<u>Chapter</u>
1	Administration of lump sum grants by the Social Welfare Department	1
2	Procurement and maintenance of government vessels	2
3	Hospital Authority's management of public hospital projects	3
4	Regulation of non-franchised bus and school private light bus services	4
5	Operation of the Land Registry	5
6	Regulation of hotels and guesthouses	6
7	Hong Kong Design Institute	7
8	Provision of government office accommodation and utilisation of government sites	8
9	Occupational safety and health	9

**RULES OF PROCEDURE OF
THE LEGISLATIVE COUNCIL OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION**

72. Public Accounts Committee

(1) There shall be a standing committee, to be called the Public Accounts Committee, to consider reports of the Director of Audit –

- (a) on the accounts of the Government;
- (b) on such other accounts required to be laid before the Council as the committee may think fit; and
- (c) on any matter incidental to the performance of his duties or the exercise of his powers as the committee may think fit.

(2) The committee shall also consider any report of the Director of Audit laid on the Table of the Council which deals with examinations (value for money audit) carried out by the Director relating to the economy, efficiency and effectiveness of any Government department or public body or any organization to which his functions as Director of Audit extend by virtue of any Ordinance or which receives public moneys by way of subvention.

(3) The committee shall consist of a chairman, deputy chairman and 5 members who shall be Members appointed by the President in accordance with an election procedure determined by the House Committee. *(L.N. 214 of 2005)*

(3A) The chairman and 2 other members shall constitute a quorum of the committee. *(L.N. 214 of 2005)*

(3B) In the event of the temporary absence of the chairman and deputy chairman, the committee may elect a chairman to act during such absence. *(L.N. 214 of 2005)*

(3C) All matters before the committee shall be decided by a majority of the members voting. Neither the chairman nor any other member presiding shall vote, unless the votes of the other members are equally divided, in which case he shall give a casting vote. *(L.N. 214 of 2005)*

(4) A report mentioned in subrules (1) and (2) shall be deemed to have been referred by the Council to the committee when it is laid on the Table of the Council.

(5) Unless the chairman otherwise orders, members of the press and of the public shall be admitted as spectators at meetings of the committee attended by any person invited by the committee under subrule (8).

(6) The committee shall meet at the time and the place determined by the chairman. Written notice of every meeting shall be given to the members and to any person invited to attend a meeting at least 5 clear days before the day of the meeting but shorter notice may be given in any case where the chairman so directs.

(7) *(Repealed L.N. 214 of 2005)*

(8) The chairman or the committee may invite any public officer, or, in the case of a report on the accounts of or relating to a non-government body or organization, any member or employee of that body or organization, to give information or any explanation or to produce any records or documents which the committee may require in the performance of its duties; and the committee may also invite any other person to assist the committee in relation to any such information, explanation, records or documents.

(9) The committee shall make their report upon the report of the Director of Audit on the accounts of the Government within 3 months (or such longer period as may be determined under section 12 of the Audit Ordinance (Cap. 122)) of the date on which the Director's report is laid on the Table of the Council.

(10) The committee shall make their report upon the report of the Director of Audit mentioned in subrule (2) within 3 months (or such longer period as may be determined by the Council) of the date on which the Director's report is laid on the Table of the Council.

(11) Subject to these Rules of Procedure, the practice and procedure of the committee shall be determined by the committee.

**Paper presented to the Provisional Legislative Council
by the Chairman of the Public Accounts Committee
at the meeting on 11 February 1998 on
Scope of Government Audit in the
Hong Kong Special Administrative Region -
'Value for Money Audits'**

SCOPE OF WORK

1. The Director of Audit may carry out examinations into the economy, efficiency and effectiveness with which any bureau, department, agency, other public body, public office, or audited organisation has discharged its functions.
2. The term "audited organisation" shall include -
 - (i) any person, body corporate or other body whose accounts the Director of Audit is empowered under any Ordinance to audit;
 - (ii) any organisation which receives more than half its income from public moneys (this should not preclude the Director from carrying out similar examinations in any organisation which receives less than half its income from public moneys by virtue of an agreement made as a condition of subvention); and
 - (iii) any organisation the accounts and records of which the Director is authorised in writing by the Chief Executive to audit in the public interest under section 15 of the Audit Ordinance (Cap. 122).
3. This definition of scope of work shall not be construed as entitling the Director of Audit to question the merits of the policy objectives of any bureau, department, agency, other public body, public office, or audited organisation in respect of which an examination is being carried out or, subject to the following Guidelines, the methods by which such policy objectives have been sought, but he may question the economy, efficiency and effectiveness of the means used to achieve them.

GUIDELINES

4. The Director of Audit should have great freedom in presenting his reports to the Legislative Council. He may draw attention to any circumstance which comes to his knowledge in the course of audit, and point out its financial implications. Subject to these Guidelines, he will not comment on policy decisions of the Executive Council and the Legislative Council, save from the point of view of their effect on the public purse.

5. In the event that the Director of Audit, during the course of carrying out an examination into the implementation of policy objectives, reasonably believes that at the time policy objectives were set and decisions made there may have been a lack of sufficient, relevant and reliable financial and other data available upon which to set such policy objectives or to make such decisions, and that critical underlying assumptions may not have been made explicit, he may carry out an investigation as to whether that belief is well founded. If it appears to be so, he should bring the matter to the attention of the Legislative Council with a view to further inquiry by the Public Accounts Committee. As such an investigation may involve consideration of the methods by which policy objectives have been sought, the Director should, in his report to the Legislative Council on the matter in question, not make any judgement on the issue, but rather present facts upon which the Public Accounts Committee may make inquiry.

6. The Director of Audit may also -

- (i) consider as to whether policy objectives have been determined, and policy decisions taken, with appropriate authority;
- (ii) consider whether there are satisfactory arrangements for considering alternative options in the implementation of policy, including the identification, selection and evaluation of such options;
- (iii) consider as to whether established policy aims and objectives have been clearly set out; whether subsequent decisions on the implementation of policy are consistent with the approved aims and objectives, and have been taken with proper authority at the appropriate level; and whether the resultant instructions to staff accord with the approved policy aims and decisions and are clearly understood by those concerned;

- (iv) consider as to whether there is conflict or potential conflict between different policy aims or objectives, or between the means chosen to implement them;
- (v) consider how far, and how effectively, policy aims and objectives have been translated into operational targets and measures of performance and whether the costs of alternative levels of service and other relevant factors have been considered, and are reviewed as costs change; and
- (vi) be entitled to exercise the powers given to him under section 9 of the Audit Ordinance (Cap. 122).

PROCEDURES

7. The Director of Audit shall report his findings on value for money audits in the Legislative Council twice each year. The first report shall be submitted to the President of the Legislative Council within seven months of the end of the financial year, or such longer period as the Chief Executive may determine. Within one month, or such longer period as the President may determine, copies shall be laid before the Legislative Council. The second report shall be submitted to the President of the Legislative Council by the 7th of April each year, or such date as the Chief Executive may determine. By the 30th April, or such date as the President may determine, copies shall be laid before the Legislative Council.

8. The Director's report shall be referred to the Public Accounts Committee for consideration when it is laid on the table of the Legislative Council. The Public Accounts Committee shall follow the rules governing the procedures of the Legislative Council in considering the Director's reports.

9. A Government minute commenting on the action Government proposes to take in respect of the Public Accounts Committee's report shall be laid on the table of the Legislative Council within three months of the laying of the report of the Committee to which it relates.

10. In this paper, reference to the Legislative Council shall, during the existence of the Provisional Legislative Council, be construed as the Provisional Legislative Council.

26 January 2018

Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central Hong Kong
(Attn: Mr Anthony CHU)

Dear Mr CHU,

**Follow-up to Public Accounts Committee (PAC) Report No. 64
Buildings Department's Actions on Unauthorized Building Works (UBWs)**

Thank you for your letter dated 5 January 2018. Please find the required information as follows for PAC's reference.

In view of the sheer quantity of existing UBWs, the Buildings Department (BD) adopts a "risk-based" approach to prioritise its enforcement actions. Under the current UBWs enforcement policy promulgated in 2011, BD will take enforcement action against actionable UBWs by issuing statutory orders to the owners concerned for removal of the UBWs. Information on the categories of actionable UBWs is set out in the pamphlet issued by BD titled "Premises Without Unauthorized Building Works Put Your Mind At Ease". A ground floor unauthorized shop structure within an exit staircase rendering the width of the means of escape inadequate or without the provision of fire resisting construction constitutes obvious hazard or imminent danger to life or property and is therefore considered an actionable UBWs item.

While BD will from time to time engage outsourced consultants to assist in the inspection and administrative work related to enforcement action against UBWs, actual enforcement actions against UBWs are carried out by BD officers in accordance with the Buildings Ordinance and the prevailing enforcement policy. Therefore, there is no question of different enforcement criteria and priorities being adopted with regard to cases involving outsourced consultants engaged by BD.

Yours sincerely,



(CH HO)

Assistant Director / Existing Buildings 2
for Director of Buildings

c.c. Secretary of Development (Attn: Miss Nettie NG) Fax no: 2899 2916
Secretary for Financial Services and the Treasury Fax no: 2147 5239
Director of Audit Fax no: 2583 9063

Our ref.: FEHD/A&D/53-20/15 C

18 January 2018

Mr Anthony CHU
Clerk to the Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road,
Central, Hong Kong

Dear Mr CHU,

Follow-up to Public Accounts Committee Report No. 64

**Public cooked food markets managed by
The Food and Environmental Hygiene Department (FEHD)**

Thank you for your letter of 5 January 2018 requesting information regarding the latest progress of retrofitting of air conditioning (A/C) systems in cooked food markets and cooked food centres (CFCs).

As promulgated in the Policy Address in October 2017, the Government would conduct a comprehensive review of existing public markets, formulate specific improvement measures for the facilities in a systematic manner and allocate resources to improve the environment of existing public markets, including expediting the retrofitting of A/C systems.

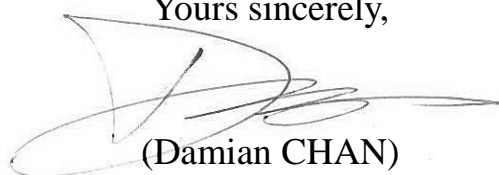
To this end, we have proposed the creation of a supernumerary post of Administrative Officer Staff Grade C in FEHD to lead a dedicated team for the above-mentioned comprehensive review. The dedicated team will give priority to speeding up the A/C retrofitting works, including formulating proposals in the light of the actual circumstances of individual markets with a view to reaching a consensus with the tenants as soon as possible on the extent of works. The Finance Committee (FC) of the Legislative Council (LegCo) approved our proposal on 5 January 2018. We are working in full swing to carry out the comprehensive review.

Since the Government Minute submitted in May 2017, the Government has now made plans to consult the LegCo Panel on Food Safety and Environmental Hygiene regarding the retrofitting of A/C systems in Tai Wai Market and seek funding approval from the FC in the first half of 2018.

Of the other 10 public markets having attained the threshold of tenants' support for the retrofitting of A/C systems, the preliminary feasibility assessment for Shui Wo Street Market CFC, Ngau Tau Kok Market CFC and Aberdeen Market cum CFC has been completed. The tenants concerned are being consulted on the extent of works. Their co-operation is of utmost importance as the market premises would have to be closed to a certain degree and for some time for the retrofitting work. After a consensus is reached, the Government will conduct a technical feasibility study to take the matter forward.

FEHD is following up with the Architectural Services Department to conduct preliminary feasibility assessment for the other markets concerned (namely Shek Tong Tsui Market CFC, Quarry Bay Market CFC, Electric Road Market CFC, Fa Yuen Street Market CFC, Ngau Chi Wan Market CFC, Yeung Uk Road Market and Tsuen Wan Market). Taking into consideration factors such as the findings of the technical feasibility studies, extent of works required, cost effectiveness, impact on business and market operation, and whether the implementation details are acceptable to the tenants concerned, the Government will decide whether there is a case for carrying out the works for retrofitting A/C systems.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Damian Chan', written over a horizontal line.

(Damian CHAN)

for Director of Food and Environmental Hygiene

c.c. Secretary for Financial Services and the Treasury
Director of Audit

香港特別行政區政府
保安局



The Government of the
Hong Kong Special Administrative Region
Security Bureau

香港添馬添美道 2 號

2 Tim Mei Avenue, Tamar, Hong Kong

本函檔號 Our Ref.: (111) in SRD 101/3/R Pt.9

來函檔號 Your Ref.: CB4/PAC/CS(64&65)

17 January 2018

Mr Anthony CHU
Clerk to Public Accounts Committee
Legislative Council
Legislative Council Complex
Central
Hong Kong

Dear Anthony,

**Reply to follow-up to Public Accounts Committee Report No. 31
Recoverability of the outstanding advances to the UNHCR**

I write in response to your letter dated 5 January 2018 to the Secretary for Security on the recoverability of the outstanding advances to the United Nations High Commissioner for Refugees (UNHCR).

2. The Government has continued to urge the UNHCR to make renewed efforts to appeal to the international community for donations with a view to settling the outstanding advances, which remain at \$1,162 million. The Security Bureau wrote to the Head of Hong Kong Sub-Office of the UNHCR again in March 2017, August 2017 and January 2018 to reiterate the Government's stance and register the Hong Kong community's expectation of an early recovery of the outstanding advances.

3. Although it is not optimistic that repayment can be made by the UNHCR in the near future, there is no indication that the UNHCR has withdrawn its commitments to repay such advances. It remains our understanding that UNHCR's reimbursement to Hong Kong will be subject to availability of funds. As such, we do not have any plans to write-off the advances as irrecoverable debt for the time being. The Government will continue to pursue early repayment of the outstanding advances from the UNHCR.

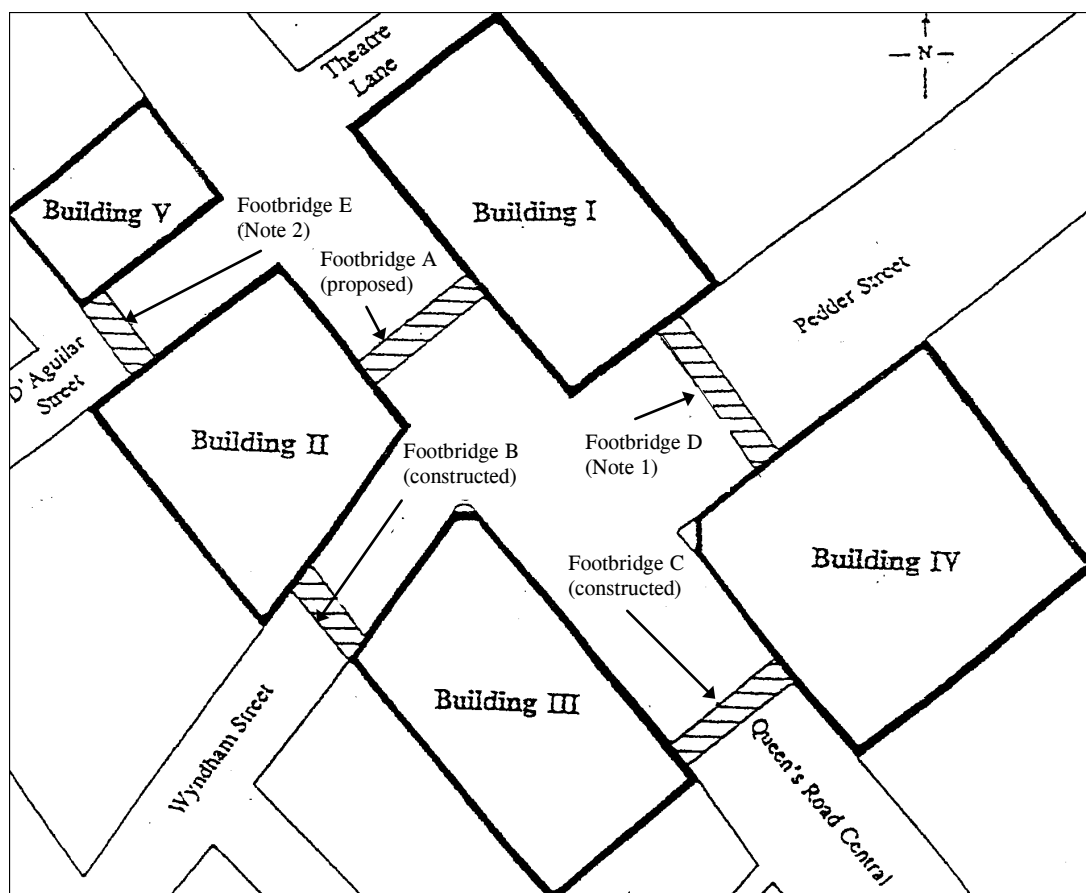
Yours sincerely,



(Freddy Chik)
for Secretary for Security

c.c. Secretary for Financial Services and the Treasury (Fax: 2147 5239)
Director of Audit (Fax: 2583 9063)

**Location of the five commercial buildings
and the five footbridges in the Central District**



Source: Planning Department records

Note 1: *The construction of Footbridge D will be dealt with when a redevelopment proposal for Building IV is received.*

Note 2: *With reference to Footbridge E, it is pertinent to note that the lease of Building V is an unrestricted lease. The requirement for footbridge connections cannot be incorporated into the lease conditions.*

政府總部
發展局
規劃地政科



Planning and Lands Branch
Development Bureau
Government Secretariat

17/F, West Wing,
Central Government Offices,
2 Tim Mei Avenue, Tamar, Hong Kong

本局檔號 Our Ref. DEVB(PL-L)35/05/206 Pt.5
來函檔號 Your Ref. CB4/PAC/CS(66,67&67A)

電話 Tel.: 3509 8831

傳真 Fax : 2845 3489

25 January 2018

By fax 2543 9197 and by email

Mr Anthony CHU
Clerk, Public Accounts Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Mr CHU,

Follow-up to Public Accounts Committee Report No. 39

Small house grants in the New Territories

Thank you for your letter dated 5 January 2018 to the Secretary for Development.

The concern of Public Accounts Committee (PAC) about the Small House Policy (the Policy) is duly noted. The existing Policy has been in operation for a long period of time. Any review inevitably involves complicated issues in aspects such as legal, environment, housing, land use planning and demand on land, all of which require careful examination. As the Development Bureau has to accord priorities to other more pressing policy issues under its purview, the review of the Policy is not a priority task for the time being.

Separately, given that the Policy is currently subject to a judicial review (JR), the Government is not in a position to make any public comment on issues that may prejudice its handling of the case. We will keep in view the development of the JR and consider the way forward for the review on the Policy.

Yours sincerely,



(Joey TANG)
for Secretary for Development

c.c.	Secretary for Financial Services and the Treasury	Fax No.: 2147 5239
	Director of Audit	Fax No.: 2583 9063
	Director of Lands	Fax No.: 2868 4707

政府總部
民政事務局

香港添馬添美道二號
政府總部西翼十二樓



APPENDIX 8

GOVERNMENT SECRETARIAT
HOME AFFAIRS BUREAU

12TH FLOOR, WEST WING
CENTRAL GOVERNMENT OFFICES,
2 TIM MEI AVENUE
TAMAR
HONG KONG

本局檔號	Our Ref.:	S/F(3) to HAB/CR 7/7/8 (RS) Pt 4
來函檔號	Your Ref.:	
電話	Tel.:	3509 8071
圖文傳真	Fax:	2519 7404

16 January 2018

(By fax 2543 9197)

Mr Anthony Chu
Clerk, Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Mr Chu,

**Follow-up to Public Accounts Committee Report No. 61
Direct land grants to private sports clubs at nil or nominal premium**

Thank you for your letter dated 5 January 2018 requesting for the progress of the review of the Private Recreational Lease policy. Our response is attached at *Annex* for your perusal, please.

Yours sincerely,

(Miss Dorothy Cheung)
for Secretary for Home Affairs

Encl.

c.c.

Secretary for Financial Services and the Treasury (Fax no. 2147 5239)
Director of Audit (Fax no. 2583 9063)

**Direct land grants to private sports clubs at nil or nominal premium
(Chapter 1 of Part 7 of P.A.C. Report No. 61)**

Review of the Private Recreational Lease (PRL) Policy

An inter-departmental working group was set up by the Home Affairs Bureau (HAB) in mid-2014 to conduct the review. The Government is aware of the public interest in the review given their strong expectation that sites subject to PRL should achieve optimal use. Given the scope and complexity of the review and having regard to the need to strike a proper balance amongst various considerations including sports development needs, land use, interests of PRL lessees and their members, as well as the wider public interest, the working group has deliberated on a wide range of issues relating to the PRL policy and will recommend a package of measures to ensure that the operation of the PRL lessees and the use of the PRL sites concerned could better meet the dual objectives of supporting sports development and optimizing use of public resources. The Government aims to brief the LegCo Panel on Home Affairs on the review findings in 2018 and then commence public-cum-stakeholder consultation.

本署檔號
OUR REF: () in EP1014/P3/11
來函檔號
YOUR REF: CB4/PAC/CS(66,67&67A)
電話
TEL NO.: «TEL_A»800
圖文傳真
FAX NO.: 2880 5141
網址:
HOMEPAGE : <http://www.epd.gov.hk>

**Environmental Protection Department
Environmental Compliance Division
Regional Office (South)**

2/F Chinachem Exchange Square
1 Hoi Wan Street
Quarry Bay, Hong Kong



環境保護署
環保法規管理科
區域辦事處(南)
香港鰂魚涌
海灣街一號
華懋交易廣場二樓

(By fax no: 2543 9197)

26 January 2018

The Public Accounts Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

(Attn.: Mr. Anthony CHU)

Dear Mr. CHU,

**Follow-up to Public Accounts Committee Report No. 61
Management of Roadside Skips**

I refer to Public Accounts Committee's letter of 5 January 2018 to the Secretary for the Environment and am authorised to give a coordinated reply on his behalf, incorporating the inputs of concerned Government Bureaux and Departments of the Joint Working Group on Management of Roadside Skips¹ (the "JWG").

As set out in the progress report in the Government Minute of October 2017, the Government has stepped up the management and control of roadside skips. Firstly, through short-term tenancies, two sites have been provided in Tseung Kwan O Area 137 and Siu Lang Shui in Tuen Mun for use by the skips trade to store idling skips since January and December 2017 respectively, so as to alleviate the problem of the lack of such storage sites. Secondly, a dedicated term service contractor ("TSC") has been engaged by the Government since February 2017 to assist enforcement departments in speeding up the removal of skips found to be posing serious obstruction to traffic and/or imminent danger to the public, so as to enhance enforcement efficiency and the deterrent effect. Joint enforcement operations have been conducted since February 2017 in tackling a number of black spots on placement of idling skips, including Tseung Kwan O, Sai Kung, Kowloon Bay, and Kai Tak areas in 2017, with the participation of the Hong Kong Police Force ("HKPF"), the Lands Department ("LandsD"), the Food and Environmental Hygiene Department, the Transport Department ("TD"), the Highways Department,

¹ The JWG is led by the Environment Bureau and the Environmental Protection Department and comprises the Development Bureau, the Transport and Housing Bureau, the Food and Environmental Hygiene Department, the Highways Department, the Hong Kong Police Force, the Lands Department, the Transport Department, and the Home Affairs Department (on a need basis).

the District Offices and the Environmental Protection Department (“EPD”). As a result, we observed that the malpractice of indiscriminate placement of idling skips has been significantly improved. The JWG will continue to coordinate joint enforcement operations at other black spots as advised by the District Offices, in order to deter malpractice of indiscriminate placement of skips at roadside.

To progressively raise the standards of skip operations and to address safety concerns associated with obstruction to traffic and road users arising from the placement of skips at roadside, the JWG has been in close liaison with the skip operators trade to support its pursuit of a trade-led skips registration system to enhance the standards of skip operations, including standardising the specifications for skips and promoting good operational and safety practices.

Below are the specific information requested in paragraphs 3(a) to (d) of your letter of 5 January 2018:

- (a) Progress of the removal of roadside skips and statistics on the number of skips that have been removed, breakdown by 18 districts;

Legislative control of roadside skips resulting in obstruction and illegal occupation of Government land are provided for under the Summary Offences Ordinance (Cap. 228) and the Land (Miscellaneous Provisions) Ordinance (Cap. 28) respectively. The HKPF and the LandsD have been vigilant about the problem of indiscriminate placement of skips on roadside and have been mounting enforcement operations from time to time in order to deter malpractice of skip operators.

In 2017, the Police took enforcement actions against operators of 16 roadside skips for causing serious obstruction and imminent danger to the public. Among these cases, a total of six (6) skips were removed by the TSC whilst the others by the operators themselves. So far, the maximum penalty meted out by the Courts in the convicted cases was \$3,500 fine.

As regards enforcement actions by the LandsD, the District Lands Offices had posted 1,521 notices on the skips which resulted in confiscating 13 skips in 2017. It also participated and contributed in the joint enforcement operations against roadside skips at the aforementioned black spots, among other participating departments.

The enforcement statistics of the HKPF by Police Districts, and of the LandsD by District Councils are tabulated at Annex 1 and Annex 2, respectively.

- (b) Reasons for the skips still placing at roadsides and measures/strategies to deal with skips at black spots, including timetable to speed up the clearance of such skips;

Since the launch of joint enforcement operations against roadside skips in February 2017, the situation of indiscriminate placement of roadside skips in a number of black spots, including Tseung Kwan O, Sai Kung, Kowloon Bay and Kai Tak areas, etc. has been improved. Having regard to the advice from District Offices, the JWG will continue to progressively organise joint operations to tackle the indiscriminate placement of roadside skips at other black spots as necessary.

The JWG’s findings revealed that idling skips are placed at roadsides owing to the lack of suitable skip storage sites at convenient locations. The JWG is monitoring closely the utilisation rates of the two skip storage sites and will

continue its efforts in searching additional suitable sites across the territory for placement of idling skips by the trade. On the advice of the District Offices, the JWG will continue to mount joint enforcement operations among the relevant Government departments in order to sustain the improvements achieved at the black spots.

- (c) Progress of setting up a skips registration system and the trade's views towards the proposal; and
- (d) Latest position on the adoption of safe practices and compliance of TD's "Guidelines for Mounting and Placing of Skips" by the trade, including the making use of colour and outlook of skips to alert drivers/road users of the existence of skips, reasons for the non-compliance of the trade with the guidelines and any measures to address the trades' concerns.

On compliance of TD's "Guidelines for Mounting and Placing of Skips", as indicated in our letter of 7 July 2017 in response to your letter of 26 May 2017, skips as well as skip operations are mobile in nature and scattered all over the territory, posing difficulty for TD to monitor the extent of compliance. The TD has therefore conducted regular surveys at the two centralised skip storage sites at Tseung Kwan O Area 137 and Siu Lang Shui in Tuen Mun regarding the colour and outlook of the skips. The survey in January 2018 revealed that 41% of the skips were painted in yellow and 8% of the skips were equipped with reflective strips.

The JWG organised a seminar for the skip operators trade on 27 September 2017, with the participation of the TD and LandsD to promote safe practices in skip operations and wider adoption of the TD's "Guidelines for Mounting and Placing of Skips". Participants were briefed on LandsD's enforcement actions against skips occupying Government land under the Land (Miscellaneous Provisions) Ordinance (Cap. 28), and that at present, the HKPF uses the TD's Guidelines as reference to assist their frontline officers in determining any serious obstruction and imminent danger when dealing with roadside skips.

The JWG held three liaison meetings with the trade in 2017 to explore setting up of a voluntary skips registration system, aiming at including compliance of applicable Government requirements and guidelines (e.g. those covered in TD's Guidelines, and the guidelines to address environmental concerns) as the criteria for registration. During the seminar, EPD also introduced JWG's plan to work with the trade in setting up a trade-led skips registration system. Many participants were receptive to the idea of exploring a voluntary skips registration system to facilitate their skip operations. To facilitate progress on this initiative, the JWG is engaging an external consultant to work with the skip operators trade in developing proposals for setting up a trade-led registration system in 2018.

The voluntary skips registration system will be instrumental in addressing trade's concern and raising the compliance rate of Government requirements and guidelines. The TD will continue to participate in the JWG to formulate action plans for regulating and facilitating skip operations.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Joe Fong', with a stylized flourish at the end.

(Joe Fong)
for Director of Environmental Protection

c.c.

The Chief Secretary for Administration (fax no. 2524 5695)
Secretary for the Environment (fax no. 2537 7278)
Secretary for Transport and Housing (fax no. 2537 6519)
Secretary for Development (fax no. 2845 3489)
Secretary for Financial Services and the Treasury (fax no. 2147 5239)
Director of Lands (fax no. 2152 0450)
Commissioner of Police (fax no. 2520 1210)
Commissioner for Transport (fax no. 2381 3799)
Director of Audit (fax no. 2583 9063)

Enforcement statistics of the Police by the Police Districts

Police District	Number of skips removed in 2017	Number of prosecutions in 2017	Number of convictions in 2017
Hong Kong Island			
Eastern	0	0	0
Western	3	8	6
Wan Chai	0	1	1
Central	0	0	0
Kowloon			
Kowloon City	0	0	0
Yau Tsim	0	0	0
Sham Shui Po	0	0	0
Mongkok	0	0	0
Sau Mau Ping	0	1	1
Wong Tai Sin	0	0	0
Kwun Tong	0	0	0
Tseung Kwan O	3	5	5
New Territories			
Tai Po	0	0	0
Tuen Mun	0	0	0
Yuen Long	0	0	0
Border	0	0	0
Airport	0	0	0
Sha Tin	0	0	0
Tsuen Wan	0	1	1
Kwai Tsing	0	0	0
Lantau	0	0	0
Total:	6	16	14

Enforcement statistics of the Lands Department by the District Councils

District Council	Number of notices posted on the skips in 2017	Number of skips removed in 2017	Number of prosecutions in 2017	Number of convictions in 2017
Hong Kong Island				
Eastern	522	1	0	0
Southern	2	0	0	0
Wan Chai	53	0	0	0
Central & Western	122	0	0	0
Kowloon				
Kowloon City	42	2	0	0
Yau Tsim Mong	49	1	0	0
Sham Shui Po	22	0	0	0
Wong Tai Sin	0	0	0	0
Kwun Tong	81	0	0	0
New Territories				
Tai Po	5	0	0	0
Tuen Mun	0	0	0	0
Yuen Long	0	0	0	0
North	3	0	0	0
Sai Kung	524	9	0	0
Sha Tin	15	0	0	0
Tsuen Wan	20	0	0	0
Kwai Tsing	61	0	0	0
Islands	0	0	0	0
Total:	1521	13	0	0

政府總部
勞工及福利局
香港添馬添美道2號
政府總部



本函檔號 Our Ref. : LWB CR 3/5093/14 Pt. 7
來函檔號 Your Ref. : CB4/PAC/CS(66,67&67A)

APPENDIX 10
LABOUR AND WELFARE BUREAU
GOVERNMENT SECRETARIAT

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22 January 2018

Mr Anthony Chu
Clerk
Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Mr Chu,

Follow-up to Public Accounts Committee Report No. 63

Provision of long-term care services for the elderly

Thank you for your letter of 5 January 2018 to the Chief Secretary for Administration seeking information on various matters about elderly services. I am authorised to reply as follows.

Latest Progress of the Implementation of the Development Projects for the Provision of New Contract Homes and Day Care Centres/Units for the Elderly

As at December 2017, the Social Welfare Department (SWD) was implementing 27 development projects for the provision of new contract residential care homes for the elderly (RCHEs) and day care centres/units for the elderly. It is estimated that about 2 400 residential care places (including subsidised and non-subsidised places) and about 880 day care places for the elderly will be progressively provided starting from 2017-18. Among these development projects, nine projects are estimated to commence service between 2017-18 to 2019-20, providing a total of 625 residential care places (including subsidised and non-subsidised places) and 298 day care places for the elderly. The rest of the development projects will commence service starting from 2020-21. The development timetable of individual projects is subject to change as we continue to work out the details of the projects.

Effects on the Waiting Time for Residential Care Places for the Elderly

In view of the service demand, the Government will continue to increase service places for the elderly through a multi-pronged approach. Apart from the development projects mentioned above, the Government is also implementing the Special Scheme on Privately Owned Sites for Welfare Uses. Based on the rough estimation of the applicant organisations, if all the projects under the scheme could be implemented smoothly, about 9 000 additional service places for the elderly would be provided, including about 7 000 residential care places and about 2 000 day care places for the elderly. Separately, SWD is implementing the Pilot Scheme on Residential Care Service Voucher for the Elderly, whereby a total of 3 000 vouchers are issued by phases from 2017 to 2019, to provide an additional choice for elderly persons.

The waiting time for subsidised residential care places for the elderly is affected by a number of factors, including whether the applicant has selected any particular RCHEs, whether the applicant has any special preference in terms of the location, diet and religious background of the RCHEs, whether the applicant accepts subsidised places provided under the Enhanced Bought Place Scheme/the Nursing Home Place Purchase Scheme, whether the applicant has requested joining family members and/or relatives in a particular RCHE, the turnover rate of individual RCHEs, etc. As a matter of fact, about 99% of applicants on the Central Waiting List have individual specific requirements for the location of RCHEs and almost 60% of them have indicated that they would only select a particular RCHE. As such, it is not possible to estimate the direct impact of the increase in service places on the waiting time for residential care places for the elderly.

Progress of the Implementation of the Two Pilot Schemes to Support Ageing in Place for the Elderly

In May 2017, the Commission on Poverty agreed to implement two pilot schemes under the Community Care Fund (CCF) to support ageing in place for elderly persons, namely the Pilot Scheme on Home Care and Support for Elderly Persons with Mild Impairment (the Pilot Scheme on Mild Impairment) and the Pilot Scheme on Support for Elderly Persons Discharged from Public Hospitals After Treatment (the Pilot Scheme on Discharge Support).

The Pilot Scheme on Mild Impairment was approved a CCF allocation of about \$383.34 million. The three-year pilot scheme will provide about 4 000 service places. All the 24 non-governmental organisations operating Integrated Home Care Services have joined the pilot scheme as Approved Service Providers (ASPs). The pilot scheme was launched on 28 December 2017. ASPs will start providing services to participating elderly persons in January 2018. SWD will commission a consultant to conduct the evaluation

study in early 2018. We will report the evaluation results to the Panel on Welfare Services after the completion of the evaluation report tentatively planned for end-2019.

Separately, the Pilot Scheme on Discharge Support was approved a CCF allocation of about \$225.9 million. The three-year pilot scheme will be implemented under a medical-social collaboration model in three Hospital Authority (HA) clusters, i.e. New Territories East, New Territories West and Kowloon East, and will benefit no less than 3 200 elderly persons. SWD invited organisations operating subvented RCHEs, contract RCHEs and EA1 Homes under the Enhanced Bought Place Scheme as well as Recognised Service Providers of the Pilot Scheme on Community Care Service Voucher for the Elderly in December 2017 to join the pilot scheme as ASPs, and will commission ASPs in January 2018. The pilot scheme is targeted to be launched in February 2018. In the first quarter of 2018, SWD will invite quotations in respect of the evaluation study of the pilot scheme and commission a consultant to conduct the evaluation study. We will report the evaluation results to the Panel on Welfare Services after the completion of the evaluation report tentatively planned for end-2019.

Yours sincerely,



(Miss Stella Chang)

for Secretary for Labour and Welfare

- c.c. Chief Secretary for Administration (Attn: Miss Yvonne Tam)
Secretary for Financial Services and the Treasury (Attn: Ms Florence Wai)
Director of Audit (Attn: Pang Kwok-sing)
Director of Social Welfare (Attn: Ms Pang Kit-ling)



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The Government of the Hong Kong Special Administrative Region

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APPENDIX 11

3 April 2017

Clerk to the Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

(Attn: Mr Anthony CHU)

Dear Mr CHU,

**Follow-up to Public Accounts Committee Report No. 63A
Administration of the Air Traffic Control and Related Services
Visit to CAD on 15 March 2017**

Thank you for your letters dated 10 and 14 March 2017 enclosing lists of questions on “Administration of the air traffic control (ATC) and related services”. Our replies in response to your questions are provided at *Annex 1* to this letter.

I would also like to take this opportunity to thank the Chairman and the Honorable Members of the Public Accounts Committee (PAC) for spending their valuable time to visit our ATC facilities and exchange views with us on the ATC system on 15 March 2017. We trust that the visit has provided the PAC with a better understanding of our ATC operations and the proven capability of the new ATC system in handling increasing air traffic movements as shown in the recent peak travel periods.

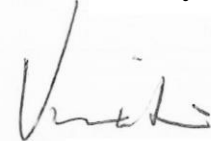
As you are aware, we have established an Expert Panel, comprising local and overseas experts in the fields of air traffic management, engineering and aviation safety management, in December 2016 to offer expert advice to the Department on teething issues encountered since the full commissioning of the new Air Traffic Management System (ATMS), which is part of the ATC system, and to share international experience and best practices. The Expert Panel has since held four meetings and paid visits to our ATC operational and training facilities. Expert Panel members have also met with frontline air traffic

controller representatives, air traffic system engineer representatives and management pilots of the Government Flying Service and major local air operators to listen to their views regarding the operations of the new ATMS.

Having reviewed the performance of the ATMS and consulted the said stakeholders in the past few months, the Expert Panel has come up with an Interim Report, which was issued on 3 April (*Annex 2*). The Expert Panel is of the view that as the new ATMS is a large-scale and complicated, comprehensive computer system, minor teething issues would occur intermittently for different reasons (including human factors). These issues did not affect the operations of the ATMS, nor did they affect ATC operations or aviation safety. After evaluating the relevant occurrences, the Expert Panel considered that safety performance of the new ATMS, so far, exceeded international requirements. The Expert Panel urged the CAD to continue to stay vigilant and to further optimise the system taking into account, among others, views of frontline staff.

Please rest assured that the CAD will spare no efforts in the optimisation work of the new ATMS in consultation with the Expert Panel and with the engagement of frontline staff. A Final Report will be prepared and published by the Expert Panel upon the expiry of its term in end November 2017. We will be pleased to share a copy of the Final Report with the PAC when it is ready.

Yours sincerely,



(Captain Victor LIU)

for Director-General of Civil Aviation

Encl.

c.c. Secretary for Transport and Housing
Secretary for Financial Services and the Treasury
Director of Government Logistics
Director of Audit

***Note by Clerk, PAC:** *Annex 2 not attached.*

Response to Questions raised by the PAC
in the letter dated 14 March 2017 to the CAD

Parts A & B: Warranty & Maintenance

1. At what date did the warranty of the Air Traffic Management System ("ATMS") begin to run?
2. How long is the warranty for?
3. What is the maintenance fee payable after the warranty period has expired?
4. We understand that in some countries the warranty arrangement for air traffic control systems is based on a "ticket" system rather than a time basis, does this ticket system apply to ATMS?
5. Is maintenance of the system carried out by Raytheon?
6. If not, why not and who carries out the ATMS maintenance?
7. Do you have separate maintenance for the software and hardware of ATMS?
8. How many Raytheon staff are stationing in Hong Kong to perform the maintenance service?

CAD's reply:

The hardware and software maintenance of the new air traffic management system (ATMS) consists of two levels, i.e. day-to-day/frontline maintenance, and faults/deficiencies identification and rectification. These two levels of maintenance work are provided by the maintenance service provider of the air traffic control (ATC) system (i.e. PCCW) and the ATMS contractor (i.e. Raytheon) respectively. Both parties are responsible for different contractual work scopes and provisions in areas of hardware and software maintenance, which are specified under the respective contracts.

As far as the ATMS (which is part of the ATC system) is concerned, the Hong Kong-based contractor, PCCW, undertakes regular frontline on-site maintenance on the ATMS to ensure that the equipment is kept operating smoothly. This includes 24-hour watch-keeping, regular preventive maintenance, corrective maintenance and procurement/management of consumable and spare items.

On the other hand, Raytheon is required to provide assistance to the maintenance personnel from the CAD and PCCW in the areas of:

- a) dealing with and rectifying all faults or deficiencies, or with faults or deficiencies not previously encountered by the Government and which are not dealt with in the maintenance documentation (i.e. written

maintenance procedures for maintenance staff's reference) within the response time specified in the ATMS contract;

- b) finding the cause(s) of those faults that occur repeatedly and preventing further occurrences within the response time specified in the ATMS contract; and
- c) carrying out corrective action (including changing the source code of the software) for any fault, deficiency, unacceptable or undesirable behaviour and/or side-effect found in the software, and updating the corresponding documentation.

The aforesaid maintenance arrangements are basically in line with those for the old ATMS.

Depending on the circumstances and service needs, Raytheon has been providing on-site technical support, ranging from one to four staff, as well as remote expert support from the Raytheon factory in the United States, on the transition, operations and maintenance of the ATMS. With the permission of the CAD, Raytheon may gain remote access to traffic data and replay traffic scenario for post-occurrence analysis in their facilities. For example, during transition from the old ATMS to the new ATMS in November 2016, Raytheon provided on-site and remote expert support to the transition. After the new ATMS was put into operational use, Raytheon has been providing post-transition expert support to follow up on teething issues and to ensure that the ATMS is operating smoothly, especially during the high traffic periods from December 2016 to February 2017.

Regarding the hardware and software warranty of the new ATMS, we assume that the question refers to the warranty provided by the system contractor, i.e. Raytheon. As mentioned in CAD's reply dated 15 January 2015 to the PAC, the hardware warranty and software warranty periods of the new ATMS provided by Raytheon last for 2 years and 5 years respectively. In accordance with the contract, the hardware warranty and software warranty periods of the new ATMS Phase 1¹ project have commenced on the date of acceptance of the new ATMS (Phase 1) on 11 November 2015, and will expire on 10 November 2017 and 10 November 2020 respectively. In other words, the new ATMS is

^{Note1} As mentioned in CAD's reply dated 25 March 2015 to the PAC, Phase 1 of the ATMS project refers to the new ATMS being installed and commissioned at the new Air Traffic Control (ATC) Centre in the CAD Headquarters building, while the Phase 2 project refers to the new ATMS to be installed and commissioned at the old ATC centre as a back-up of the new ATC system.

still within the warranty periods at the moment and no additional maintenance charges are payable to Raytheon.

After the expiry of the respective warranty periods, the CAD has an option to subscribe for maintenance services offered by Raytheon. Beyond the respective warranty periods, the annual hardware and software maintenance costs for the new ATMS (Phase 1) are US\$21,401 and US\$506,078 respectively. The CAD will consider whether or not to procure the maintenance services after further assessment and subject to operational needs.

If the CAD considers it necessary to procure maintenance services for the new ATMS from Raytheon beyond warranty period, such services would be procured on a time basis. A time-based maintenance service contract would cover all the follow-up work needed for addressing abnormal issues originated from the system design.

Part C: System Safety

1. Are all safety systems/functions² of ATMS fully activated?
2. If not, can you give an explanation why some of the safety systems/functions have not been activated?
3. Has the frequency of system stalling increased after the Electronic Flight Strip ("EFS") system is migrated from Autotrac I to Autotrac III? If yes, please provide details.
4. Whether it was necessary for the Civil Aviation Department ("CAD") to manually restart the EFS system after migration? If yes, the number of manual restart after migration?

CAD's reply:

All air traffic control officers (ATCOs) have been trained to rely on information provided in the ATMS and operational procedures to maintain safe separation among aircraft. Safety net features aim to provide additional levels of assurance in alerting ATCOs to any potential infringement of pre-defined safety margins. The new ATMS is equipped with a total of 10 safety net features as tabulated below, which have successfully passed the acceptance tests:

Safety Net Feature	Description
Special Use Airspace Intrusion Warning	The SUAIW is to indicate any infringement of an aircraft flying into a special airspace defined by the user.

² Safety functions include i) Short Term Conflict Alert; ii) Similar Callsign Warning; iii) Special Use Airspace Infringement Warning; iv) Minimum Safe Altitude Warning; v) Cleared Level Adherence Monitor; vi) Route Adherence Monitor; and vii) Medium Term Conflict Detection.

Safety Net Feature	Description
(SUAIW)	
Similar Callsign Advisory (SCA)	The SCA provides visual alerts in a list display on detection of similar aircraft identification operating under a controller.
Short Term Conflict Alert (STCA)	The STCA generates alerts on the infringement and potential infringement of user-adaptable separation standards (area of conflict) between 2 or more aircraft at any time.
Cleared Level Adherence Monitoring (CLAM)	The CLAM generates visual alert when the level of an associated track exceeds the defined tolerances of its cleared level
Route Adherence Monitoring (RAM)	The RAM generates visual alert when an associated track leaves the defined track keeping tolerances of its cleared route.
Minimum Safe Altitude Warning (MSAW)	The MSAW provides alerts controllers on aircraft proximity to terrain with reference to the minimum safe altitude for each MSAW Defined Area.
Departure Path Monitoring (DPM)	The DPM monitors the flight trajectory of departing aircraft from each runway and generates visual and audio warning when a departing associated track leaves the required track keeping tolerances.
Position Report Monitoring (PMON)	The PMON alerts the controller when the ATO and/or ETO next point stated in the position report differ from that calculated by the flight trajectory by more than a user-adaptable time interval.
Approach Path Monitoring (APM)	The APM monitors the defined 3-dimensional approach paths for each approach of the North and South runways at HKIA.
Medium Term Conflict Detection (MTCD)	The MTCD allows the user to adapt the separation standards required between aircraft in each of the MTCD defined volume of airspace.

Note: The three shaded safety net features in the table have been implemented and put into operational use since the full commissioning of the new ATMS in November 2016.

In accordance with the requirement of the International Civil Aviation Organisation (ICAO) Safety Management System that changes involved in transition of ATC systems need to be managed in order to reduce the associated risks, the CAD, like other civil aviation authorities or air navigation service providers, will implement appropriate safety net features incrementally based on local operational environment and needs. In the old ATMS, only two safety net features, namely STCA and SUAIW, were implemented for operational use, and both have been implemented in the new ATMS. The CLAM, a newly developed feature with the advancement of aviation technologies, has also been implemented since the full commissioning of the new ATMS on 14 November

2016, providing ATCOs with an additional tool to improve their situational awareness.

As mentioned above, the CAD has been adopting an incremental approach in the implementation of safety net features in the ATMS to minimise the risk involved in transition to the new ATMS, and to best suit the operational needs of ATCOs. It is the Department's plan to gradually prepare and implement the remaining safety net features in the ATMS in accordance with the requirements and procedures of the ICAO's Safety Management System, so as to provide the ATCOs with additional tools in enhancing safety. Such approach is supported by the relevant staff members involved in the ATMS development and operation, such as ATCOs and Electronic Engineers.

The implementation of safety net features is required to go through a series of processes covering functional evaluation, database creation, adaptation of parameters, testing, operational trials, optimisation, flight check (if applicable) and safety assessment. These processes will be conducted in line with the ICAO requirements and international best practice to ensure the activated safety net will not generate excessive false alerts causing nuisance to ATCOs.

All along, aviation safety has been maintained through ATCOs' professional knowledge, competence, and operating procedures with the aid of safety net features. The remaining safety net features are being reviewed regularly according to operational environment and needs to determine their priorities and implementation plan. This is also in line with one of the recommendations made by the ATMS Expert Panel in its Interim Report that "on deployment of software fixes/enhancements, CAD should prioritise the items and implement those changes prudently in order to minimise unnecessary risks while introducing any changes".

On the Electronic Flight Strip (EFS) System, the function of the system is to display flight information to ATCOs in flight strip format electronically, with automated/manual updating and posting features, replacing the conventional paper flight strips. It is supplied by an Austrian company, and was a standalone system in operational use at the ATC Tower since 2012 when the old ATMS was in operation. The new ATMS has incorporated the EFS System at the ATC Tower as one of its sub-systems, and adopted a similar application to cover also the ATC Centre.

The EFS System at both the ATC Tower and ATC Centre has been running smoothly in general since the full commissioning of the new ATMS in November 2016. ATCOs are generally satisfied with the performance of the EFS System.

So far, there has been one incident with the EFS System after the full commissioning of the ATMS. On 18 December 2016, there was an intermittent flight plan data exchange problem between the EFS System at the ATC Tower and the operational ATMS at the ATC Centre, affecting departure flights. The tower workstations could not process the flight plan data of some departure flights and relevant information had to be provided by the ATC Centre temporarily. However, the operations of the ATMS and the ATC Centre were not affected. It resumed normal operation after it had been fixed and re-booted, i.e. manually restarted by air traffic engineers/maintenance staff. Aviation safety was not undermined. After investigation by the ATMS contractor (i.e. Raytheon), the issue was identified to be caused by a software glitch in the EFS System leading to memory utilisation problem. The EFS System resumed normal operation after the servers were re-booted.

The CAD has already put in place regular housekeeping measures by maintenance staff since the above occurrence. It has also recently implemented a software fix (developed by the Austrian supplier of the Tower EFSS in collaboration with Raytheon) in March 2017 to address the issue. Since the implementation of regular housekeeping measures by maintenance staff, there has been no recurrence of stalling of the EFS System/manual-restarting of the EFS System. The Transport and Housing Bureau (THB) has invited its independent consultant, the National Air Traffic Services (NATS) from the United Kingdom, to review the occurrence. NATS noted the identified cause of the occurrence and that a permanent software fix has been implemented. Overall speaking, NATS found CAD's engineering and ATC responses effective and proportionate in responding to and resolving the issue. NATS' detailed report is being reviewed by THB. The ATMS Expert Panel has looked into this matter, as well as NATS' assessment, and considered the remedial measures taken have addressed the issue satisfactorily.

Part D: ATMS Expert Panel

1. Has the ATMS Expert Panel suggested forming an Autotrak III user group? If yes, please provide details of this user group, such as the organizer, purposes, when and where it will meet, and the costs borne by CAD, if any.

CAD's reply:

Forming an AutoTrac III user group is not among the recommendations made by the ATMS Expert Panel. That said, user groups or other exchange platforms of similar nature are useful and beneficial for all existing and potential users of various computer systems in relation to ATC services to share operational and technical experience, and to enhance users' operations and map

out future system implementation, particularly at the early stage of development of new system. As a matter of fact, a user group for the old ATMS was formed back in late 1990s.

Regarding the new ATMS, CAD is enquiring if other users of the AutoTrac III and Raytheon products (e.g. Dubai, the United States, India, etc.) are interested in organising a user group.

* * * * *

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Mr Anthony CHU
Clerk to the Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

21 April 2017

Dear Mr CHU,

New Air Traffic Control System

Thank you for your letter dated 11 April 2017 to the Secretary for Transport and Housing. I am authorised to reply on the Secretary's behalf.

The Transport and Housing Bureau (THB) and the Civil Aviation Department (CAD) have all along been stressing that our commitment to ensuring aviation safety will not be compromised. Since the full commissioning of the new Air Traffic Management System (ATMS) last November, the CAD has been closely monitoring the system's performance and proactively looking for optimisation measures to address the teething issues during the initial operation period. As stated in the interim report of the ATMS Expert Panel (Expert Panel), set up by the CAD, given the complexity of the new ATMS, it was inevitable and understandable to encounter some special or unforeseen situations during the initial stage of the new ATMS operation. Of utmost importance was that the CAD had in place an effective and established mechanism for responding to different situations and these issues did not compromise aviation safety. Nevertheless, the CAD would seriously look into the root cause(s) and identify solution(s) whenever there was an occurrence, so as to further optimise the system.

With regard to the momentary hitch experienced by the new ATMS on 8 April, the CAD had proactively issued a press release on the same day to explain the cause of the occurrence identified by the initial assessment and relevant follow-up actions taken. Upon the request of the CAD, the contractor of the new ATMS, the Raytheon Company, submitted a report on 15 April and committed to provide a software fix for testing by end April to resolve the problem in the long run. On the cause of the issue, the report was consistent with the preliminary analysis made by the contractor's staff on-site on that day. The occurrence was caused by an accumulation of users' preferences settings exceeding the preset system limit, i.e. 5,500. As a result, the Flight Data Processors could not function properly. During the occurrence, all flight targets were continuously displayed on the radar screens and the new ATMS displayed the full information of most of the flights, except for a few (eight flights) which could only show their position and altitude information. Air traffic control officers (ATCOs) were able to keep direct voice communications with the pilots at all times and obtain all the flight information through Automatic Dependent Surveillance–Broadcast technology to provide air traffic control (ATC) services. For the sake of prudence, the ATCOs deferred giving clearance to departure flights for about 15 minutes. All arrivals and flights flying through the Hong Kong Flight Information Region (HKFIR), which were also handled by the new ATMS, were not affected. Aviation safety was in no way undermined by the incident.

To address the issue above, the Raytheon Company is preparing a new software fix which will enhance the system's alert messages to technical staff when the accumulation of users' preferences settings has reached the preset system thresholds before reaching the limit. Upon receiving the alert, appropriate follow-up action will be taken by the technical staff, such as requesting the users to remove obsolete or unwanted preferences. The software fix will also give alert to the users rejecting the creation of new preferences settings once their accumulation reaches the preset system limit, without affecting the normal operation of the system. Furthermore, the new software fix will increase the maximum number of users' preferences allowed. The software fix will be tested by the Raytheon Company at its factory, followed by on-site testing in Hong Kong. Upon completion of the relevant safety assessments by the CAD, the software fix is expected to be implemented in the new ATMS by May. Before the new software fix is implemented, the CAD will continue to request the users to stop creating new preferences settings and to remove obsolete or unwanted preferences settings. Furthermore, the technical staff have been tasked to enhance the preventive maintenance of the new ATMS, which includes monitoring the accumulation of users' preferences settings round-the-clock and taking necessary actions to prevent the recurrence of similar incident. The CAD has also informed the Expert Panel immediately

and will update them closely on the follow-up actions. The CAD has also made public the report of the Raytheon Company. For details, please refer to relevant press release (www.cad.gov.hk).

As a matter of fact, the new ATMS has overcome the challenges arising from peak air traffic flow of the festive periods at the end of 2016 and in early 2017 since its commissioning. The average daily flight movements handled by the new ATMS since its full commissioning increased by 3.75 per cent when compared with the corresponding period a year earlier. Besides, during the peak air traffic flow in the last Easter holidays, the new ATMS effectively handled a daily average of 1,171 flight movements and 860 overflights, representing an increase of some 7 per cent when compared with the flights handled by the old ATMS over the corresponding period last year. This affirms the performances of the new ATMS and frontline ATCOs.

The Expert Panel's interim report also confirmed that, up till the end of February this year, the new ATMS had been providing safe, reliable and generally smooth air traffic services within the HKFIR and in compliance with the international safety standard since its full commissioning on 14 November 2016. Although the new ATMS has experienced some teething issues, the CAD's staff had handled those occurrences professionally, per standing practices, and acted prudently to minimise potential safety risk. The interim report also noted that the CAD had in place an effective and established mechanism for responding to different situations occurring after the full commissioning of the new ATMS judging from and comparing against the international best practices and the International Civil Aviation Organization (ICAO)'s safety management system process. Despite this, the CAD will continue to stay alert.

Although the occurrence on 8 April did not undermine aviation safety, THB has tasked the CAD to work closely with the Raytheon Company and keep the Expert Panel and THB informed of the development. Apart from expediting the preparation of the new software fix to resolve the occurrence on 8 April in the long run, the CAD will also:

- a) drawing on the experience from the occurrence on 8 April, urge the Raytheon Company to conduct a health check on the ATMS for other potential glitch(es) arising from the system setting. The CAD will seek independent and professional advice from the Expert Panel throughout the process and will brief the experts on the initial findings at the next Expert Panel meeting (tentatively scheduled for early June);

- b) extend the cold standby mode of the old ATMS until after the next Expert Panel meeting and consult the Expert Panel on whether the cold standby mode needs to be further extended. During the process, the CAD has to strike a balance among different considerations. For example, the extension will impose extra burden and pressure on the ATCOs if they are requested to maintain the necessary competence to handle both the new and old ATMS simultaneously for a prolonged period. It will also introduce additional and unnecessary operational risks as the ATCOs have to familiarise themselves with the operation of the old ATMS which is different from the new ATMS again. Furthermore, the replacement programme of the ATC System consists of two phases. Phase 1 refers to having the new ATC system installed and commissioned at the new ATC Centre in CAD Headquarters building (completed), while Phase 2 refers to the new ATC equipment to be extended to the old ATC centre as a back-up of the new ATC system. Extending the cold standby mode of the old ATMS for a prolonged period will unavoidably hinder the progress of the Phase 2 project. CAD will uphold the “safety first” principle and consult the Expert Panel regarding the above considerations before deciding on the way forward;
- c) spearhead to form an international user group for the AutoTrac III users and invite ATC experts from Dubai and India and also experts from the United States where the Raytheon’s ATC systems are used extensively, to share operational and technical experiences, and to enhance users’ operations and map out the development roadmap of the system in future. It will help expedite the completion of optimisation work of the new ATMS system in Hong Kong; and
- d) continue to exchange views on ATC matters through different channels, including the two overseas members of the Expert Panel (i.e. President of National School of Civil Aviation in France, Mr Marc Houalla and Chairman of ICAO Regional Air Traffic Management Sub-Group, Mr Kuah Kong Beng), with overseas civil aviation regulatory authorities and international air traffic management service providers.

We fully understand the concerns of the community and Legislative Council Members over aviation safety. Should there be any issues concerning aviation safety, we will continue to take the initiative to promulgate the issues through the established mechanism in an open and transparent manner. In the face of growing air traffic volume in future, the Government will spare no effort in upholding the highest level of aviation safety in a bid to maintain Hong Kong's status and reputation as a regional aviation hub.

Yours sincerely,

(Ms Joyce Chan)
for Secretary for Transport and Housing

c.c. Director-General of Civil Aviation



香港特別行政區政府
The Government of the Hong Kong Special Administrative Region

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APPENDIX 13

Fax 2543 9197

(Total 12 pages)

24 January 2018

Mr Anthony Chu
Clerk to the Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr Chu,

Follow-up to Public Accounts Committee Report No. 63A
Administration of the air traffic control and related services

Thank you for your letter ref CB4/PAC/CS(66,67&67A) dated 5 January 2018. We would like to provide the following response to your enquiries:

- (a) *Has the Administration implemented all the recommendations in the final report of the ATMS Expert Panel; if not, please provide a timeline for the implementation of outstanding recommendations.*

2. In December 2016, the Civil Aviation Department (CAD) set up an Expert Panel comprising local and overseas experts and academia in the fields of air traffic management, engineering and aviation safety management to offer independent advice to CAD on the teething issues identified since the full commissioning of the new Air Traffic Management System (ATMS). The final report of the Expert Panel published in November 2017 (English only) and the executive summary in Chinese are available at:

Full

report: <http://www.cad.gov.hk/reports/Final%20Report%20by%20the%20Air%20Traffic%20Management%20System%20Expert%20Panel%20dated%20November%202017.pdf>

Executive summary:

http://gia.info.gov.hk/general/201711/21/P2017112100575_272401_1_1511262331248.pdf

3. Pursuant to a total of seven meetings, the Expert Panel made a number of recommendations to CAD in addressing the teething issues of the ATMS and in the continuous monitoring of system performance. CAD had taken various actions to implement all these recommendations, including optimisation of the ATMS, enhancement of relevant system operating and maintenance procedures, strengthening the communication with and training of the frontline staff, etc.. Details are set out at **Annex**. The Expert Panel reviewed the follow-up actions then already in place by CAD and was satisfied with the implementation of the recommendations. The Expert Panel also noted that the total number of movements handled by the new ATMS between November 2016¹ and October 2017 increased by 6.7% as compared with the same period in the previous year. A record high figure of 2,341 total movements was recorded over a 24-hour period on 24 August 2017 recovering from the impact of Super Typhoon HATO. The ATMS had successfully coped with the peak air traffic flow and overcome the challenges brought by adverse weather.

4. In line with the best international practice, CAD will continue to further enhance the ATMS and refine the related operations and procedures, in order to cope with the growing air traffic as well as to meet the latest and forthcoming international requirements.

(b) Membership of the users group and for how long each member has been using AutoTrac III.

5. The purpose of setting up the AutoTrac III Users Group (AUG) is to establish a platform for the AutoTrac III international users to share operational and technical experiences in their ATMS implementation, and to enhance users' operations and map out the future system development roadmap. The AUG comprises CAD, Airports Authority of India (AAI), Dubai Air Navigation Services (DANS), Federal Aviation Administration of

¹ The ATMS was fully commissioned on 14 November 2016.

the United States (US FAA), and Raytheon Company (RTN).

6. According to information available to the AUG, AutoTrac III has been used by AAI and DANS since 2011 and 2013 respectively. Various airports in the United States have been using the core components of AutoTrac III, namely the Surveillance Data Processing system and Flight Data Processing system, provided by RTN.

- (c) *Exchanges and communications, if any, between group members on the irregularities found in the deployment of AutoTrac III, whether the irregularities identified were common among the members and measures they have undertaken to tackle the irregularities; and*
- (d) *Details of the meetings that have been held/will be held by the group, including the dates, participants, issues raised at the meetings and papers and minutes of the meetings.*

7. The first meeting of the AUG was held at the CAD Headquarters from 19 to 20 September 2017 with attendance by 20 participants from all of the participating organisations. At the meeting, the participating organisations shared their respective experiences in the implementation, operation and maintenance of AutoTrac III and systems supplied by RTN, handling of teething issues, system optimisation and post commissioning enhancements. Regarding the deliberations at and report of the meeting, it was agreed among the participating organisations of the AUG that the views expressed should be taken as those of the AUG as a whole and that the report of the meeting shall be limited to the internal use of the participating organisations. It is under this agreed principle of confidentiality that the discussion of the AUG was taken forward in a frank and open manner. We seek the Public Accounts Committee (PAC)'s understanding of the arrangement. For the reference of PAC, we set out a summary of the key issues and observations shared by the participating organisations at the meeting in the ensuing paragraphs.

8. The participating organisations of the AUG considered that their AutoTrac III systems were in general operating satisfactorily. Some common teething issues, including surveillance related issues and human factor related issues, were also discussed at the meeting with a view to further enhancing system performance.

9. For surveillance related issues, the participating organisations considered that there was general commonality of limitations of conventional radar systems and external factors affecting the conventional radar systems (such as terrain and aircraft avionics), which were extraneous to the ATMS'

robustness but could impact on its operation. To tackle the surveillance related issues caused by the limitations of conventional radar surveillance technology, CAD has implemented Automatic Dependent Surveillance – Broadcast (ADS-B). The participating organisations expressed interest in ADS-B's contribution to reduction in surveillance related issues in Hong Kong, CAD's experience in the progressive deployment of ADS-B and the associated safety management processes, as well as the subsequent continuous monitoring of the performance in accordance with the International Civil Aviation Organisation (ICAO) guidance document. The participating organisations found this experience valuable which could serve as a useful reference in their implementation or continuous monitoring of ADS-B. With the progressive implementation of ADS-B in Hong Kong, the weekly averages of split tracks, false targets and instances of an aircraft's position being temporarily not displayed had decreased from 3.4, 8.6 and 1.9 cases respectively in the period between November 2016 and March 2017 to 0, 1.3 and 0.3 cases respectively in the period between August and mid November 2017.

10. On human factor related issues, the participating organisations shared their respective experiences, such as maintenance activities carried out inadvertently at time of high traffic or inadvertent inputting of command to initiate unregistered configuration, which affected the operation of the ATMS. All the participating organisations agreed that occurrences of such human factor related issues had declined with progressive staff familiarisation with the new system and the related procedures.

11. Given the highly complicated and sophisticated nature of ATMS, the participating organisations considered the above teething issues not uncommon, and the most important thing was the availability of robust and established procedures to manage them. According to the participating organisations, all teething issues of their respective systems mentioned had been handled by all respective users in accordance with their established procedures in a satisfactory manner.

12. Other than the above teething issues, the participating organisations also shared respective system operation and maintenance experiences and practices for the upkeep of the ATMS. For optimisation and enhancement of the ATMS (including the launch of new system features), the participating organisations shared a common view that a prudent and gradual approach should be adopted by the relevant stakeholders in the optimisation and enhancement process to minimise risks. During the discussion on the ATMS post commissioning enhancements, the participating organisations discussed various new initiatives and noted that with a view to enhancing air traffic

control operation efficiency and capacity, it would be worthwhile to pursue new initiatives, such as implementation of re-categorisation of wake turbulence categories, which might necessitate further enhancement to the ATMS. The participating organisations indicated that since the local operational environment and work culture varied in different places, different users might implement new initiatives according to their own priorities and situations.

13. As detailed in the Expert Panel's final report, the Panel was appreciative of CAD's efforts in championing the AUG, and opined that CAD could further optimise the new ATMS in Hong Kong through experience sharing with international users. Indeed, after the first meeting of the AUG, the participating organisations continued to keep an open dialogue and exchange experiences in operating and optimising the ATMS. The AUG also agreed to continue with holding AUG meetings in future and sharing experience with industry players through various platforms as opportune. CAD will liaise with other AUG members on hosting future AUG meetings.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Raymond Ng', written in a cursive style.

(Raymond Ng)
for Director-General of Civil Aviation

c.c. Secretary for Transport and Housing
Secretary for Financial Services and the Treasury
Director of Audit

ATMS Expert Panel's Recommendations and CAD's Follow-up Actions

Para. No. in Final Report	Expert Panel's Recommendation	CAD Follow-up Actions
44	A few reported occurrences shared a common thread of human factor element of the frontline staff at the time of occurrences such as maintenance activities not conducted at time of low traffic, and inputting command to initiate an unregistered system configuration. The Expert Panel advocated continuous vigilance against similar inadvertent activities through the standardisation of and adherence to the relevant procedures, where applicable.	With briefings provided to staff and updates of relevant procedures against such inadvertent activities, during the latter part of the term of the Expert Panel there had been no further reported occurrences attributable to human factor issues in the conduct of maintenance activities. CAD will continue to stay vigilance against similar inadvertent activities through the standardisation of and adherence to the relevant procedures, where applicable.
45	The Expert Panel noted that it was important for the engineering staff to maintain good communication with operational controllers. It recommended that timely advice on the temporary arrangement, including fallback arrangement, and any possible impact from conduct of maintenance activities should be provided to frontline controllers to minimise risk and disruption to operation and improve response and recovery time should issues occur.	With experience gained from these teething issues and increasing familiarity with the system, CAD has implemented various measures, in the form of Operational Instructions, team briefings, handover notes, lessons learnt and maintenance instructions, to promulgate relevant information to frontline operational and maintenance staff in a timely manner.
46	The Expert Panel recommended CAD continuing its efforts to closely monitor the overall ADS-B performance with regular reviews on the operational, technical and system aspects to assess the need for further fine-tuning.	CAD has established a mechanism to closely monitor the performance of ADS-B avionics of aircraft flying within the HKFIR and follow up with relevant airlines/civil aviation authorities for aircraft with suspected degraded ADS-B avionics performance in accordance with the International Civil Aviation Organisation (ICAO) guidance document.

Para. No. in Final Report	Expert Panel's Recommendation	CAD Follow-up Actions
47	<p>The Expert Panel recommended that CAD should continue to optimise the operating procedures and system operations in order to enable the system to continue to perform to the highest standard possible as a safe and reliable tool for uninterrupted air traffic control (ATC) operations.</p>	<p>CAD has optimised relevant operating and maintenance procedures of the new ATMS and would continue to review them on a regular basis to ensure its highest performance standard. From maintenance and operational perspectives, necessary updates to reflect lessons learnt and day-to-day operational experience and knowledge have been incorporated into the respective maintenance procedures and operational instructions/practices, thereby contributing to overall improvement to system performance and stability. For example, maintenance procedures have been enhanced to avoid maintenance activities being carried out during high air traffic periods, and Operational Instruction has been issued to frontline staff to avoid inadvertent manual initiation of system configuration not relevant to the prevailing operating environment.</p>
48	<p>On deployment of software fixes/enhancements, the Expert Panel suggested that CAD should prioritise the items and implement those changes prudently in order to minimise risks when introducing any changes.</p>	<p>CAD has established a mechanism to assess and review the priority of enhancement items among ATC and engineering staff. For instance, uploading of new software builds to rectify the ATMS sub-systems related issues in June and September 2017 was prioritised and implemented under the established Safety Management System (SMS) with risks adequately mitigated. All immediately needed software builds have been successfully deployed to the new ATMS for operational use without any issues.</p>

Para. No. in Final Report	Expert Panel's Recommendation	CAD Follow-up Actions
53	The Expert Panel recommended CAD to uphold its long established and effective SMS and safety culture in safeguarding the smooth and safe provision of ATC services.	CAD has put in place a robust SMS, with controls and mitigation measures, contingency plan and the associated procedures, resilience in system design, along with a team of experienced and professional staff, in managing the risks induced by the teething issues. CAD will continue to uphold its long established and effective SMS and safety culture in safeguarding the smooth and safe provision of ATC services.
55	The Expert Panel recommended that CAD should address the staff's concerns and enhance staff's confidence in the ATMS through a series of measures including further reducing nuisance conflict alert caused by false targets, and in particular, through the on-going efforts with monitoring of ADS-B performance; fine-tuning the predictive conflict alert settings in order to best suit operational needs; and continuing to monitor and address controllers' concerns on workload through measures such as reviewing the break/relief arrangements to keep pace with growing air traffic in the longer term.	CAD has successfully integrated ADS-B technology into the ATMS to reduce false targets, optimised the predictive conflict alert settings; and progressively strengthened the ATC operational manpower to better support the air traffic growth. CAD will continue to monitor and address controllers' concerns on workload through measures such as reviewing the break/relief arrangements to keep pace with growing air traffic in the longer term.
56	On occasional occurrences of keyboards/mice not being responsive to commands for individual workstation, the Expert Panel opined that the issue was not unique to the ATMS at CAD but also other brands of ATMS in other Air Navigation Service Providers (ANSPs), and proactive housekeeping measures in accordance with international best practices were carried out to keep the number of reports relatively low. The Expert Panel recommended CAD strengthening the communication with the frontline staff in this particular aspect. The Expert Panel	CAD has strengthened communication with frontline staff through regular meetings and communication with the frontline ATC and engineering staff, including representatives from the Hong Kong ATC Association and the Electronics Engineer Branch of the Hong Kong Chinese Civil Servants' Association, in order to solicit frontline views in formulating both short term and long term plans in enhancing the ATMS with the Contractor for continuous improvement.

Para. No. in Final Report	Expert Panel's Recommendation	CAD Follow-up Actions
	recommended CAD following up with the Contractor to strive for continuous improvement in this aspect through system enhancement in view of growing air traffic.	
57	The Expert Panel recommended CAD to be proactive in sharing information with staff on management's considerations in the implementation of enhancement and optimisation measures, including practicality, priorities and timelines of implementation. CAD should continue with its good practice of gathering views and facilitating feedbacks from both the operational and engineering teams.	CAD's management has put in continuous efforts to improve the ATMS and the working environment of ATC frontline staff. CAD's management has also arranged regular informal gatherings with the frontline controllers and engineering staff and posted lessons learnt as a result of occurrence investigations on notice boards, conducted briefing sessions on system behaviours and disseminated information via intranet to enhance mutual communications and address staff's concerns.
58	The Expert Panel recommended CAD exploring ways to promote the ATC profession and knowledge to the community at large.	With the establishment of the Hong Kong International Aviation Academy (the Academy) by the Airport Authority Hong Kong (AAHK) and delivery of training programmes since May 2017, introductory courses on ATC had been available to the public as an initial step in promoting the ATC profession and knowledge to the community at large. CAD is also working with the Academy in incorporating ATC engineering training into its curriculum.
63	The Expert Panel encouraged CAD to continue to share its positive ATC transition experience, handling of teething issues, established SMS process along with the challenges it had faced at local and overseas settings.	CAD has spearheaded the forming of the AutoTrac III Users Group (AUG), which serves as an excellent forum for sharing of knowledge and operational experiences, system enhancements, future development plans and roadmaps with other AutoTrac III users. With the AUG members being supportive of

Para. No. in Final Report	Expert Panel's Recommendation	CAD Follow-up Actions
		sharing information and experience on a regular basis among AutoTrac III users, CAD is following up with other AUG members on hosting future AUG meetings.
65	The Expert Panel considers that on-going effort is required to sustain the long term development of the ATMS to meet the challenges of future traffic demand, particularly with the on-going three-runway system (3RS) Project at the Hong Kong International Airport (HKIA).	CAD's Project Team, consisting of professional ATC staff and engineers, has been considering the long term development needs of the ATMS in order to meet all these challenges. A Steering Committee, chaired by a Deputy Director-General of Civil Aviation, with representation of the Transport and Housing Bureau, oversees matters relating to the continued implementation and optimisation of the ATMS.
66	The Expert Panel considers that continuous enhancement and refinement of any ATMS is necessary and should be an on-going process. In addition, CAD should continue to keep the operating and maintenance procedures of the ATMS as living documents that need to be reviewed and updated on a regular basis.	CAD has established regular meetings with the frontline maintenance staff to review and upkeep the maintenance procedures. CAD has also established regular communication with the frontline ATC and engineering staff, including representatives from the Hong Kong ATC Association and the Electronics Engineer Branch of the Hong Kong Chinese Civil Servants' Association, in order to solicit frontline views in formulating both short term and long term plans in enhancing the ATMS for meeting the new ICAO initiatives and addressing on-going operational needs.
68	CAD should continue to upkeep its internal and external communication with relevant parties in a timely manner, collect feedbacks from staff, and thus pool wisdom to improve ATMS operations in future.	CAD has established regular communication with the frontline ATC and engineering staff, including representatives from the Hong Kong ATC Association and the Electronics Engineer Branch of the Hong Kong Chinese Civil

Para. No. in Final Report	Expert Panel's Recommendation	CAD Follow-up Actions
		<p>Servants' Association. CAD has also spearheaded the establishment of the AUG, which serves as an excellent forum for sharing of knowledge and operational experiences, system enhancements, future development plans and roadmaps with other AutoTrac III users. CAD will continue to maintain its internal and external communication with relevant parties in a timely manner, collect feedbacks from staff, and thus pool wisdom to improve ATMS operations in future.</p>
69	<p>CAD should continue to upkeep its relevant mechanisms, channels and practices to regularly monitor the performance of ATMS and its enhancement needs through:</p> <ul style="list-style-type: none"> (i) collecting comments from frontline staff via formal and informal channels; (ii) enhancing communication between engineering and operation subject matter experts via formal and informal channels; (iii) reviewing with ATMS supplier and maintenance staff via standing senior management level meetings/teleconferences and system performance review meetings; and (iv) conducting safety performance assessments under the established SMS framework such as the review of safety performance targets, review of the effectiveness of risk mitigating measures, safety audits and inspections, refresher training and fallback drills to ensure competency and continuous improvement in system maintenance and procedures. 	<p>Items (i) to (iv) are established mechanism and processes within CAD, which CAD will continuously maintain for regularly monitoring performance of ATMS and its enhancement needs:-</p> <ul style="list-style-type: none"> (i) CAD's management has established regular gatherings with the frontline controllers and engineering staff, posted lessons learnt as a result of occurrence investigations on notice boards, and conducted briefing sessions on system behaviours with information disseminated via intranet to enhance mutual communications and address staff's concerns. (ii) CAD has implemented various measures, in the form of Operational Instructions, team briefings, handover notes, lessons learnt and maintenance instructions, to promulgate relevant information to frontline operational and maintenance staff in a timely manner. (iii) CAD has regular communication/coordination

Para. No. in Final Report	Expert Panel's Recommendation	CAD Follow-up Actions
		<p>with ATMS supplier and maintenance staff via standing senior management level meetings/teleconferences and system performance review meetings.</p> <p>(iv) CAD has conducted safety performance assessments under its established SMS framework including review of safety performance targets and the effectiveness of risk mitigating measures, conduct of safety audits and inspections, refresher training and fallback drills to ensure competency and continuous improvement in system maintenance and procedures.</p>
70	A long term ATC manpower plan should be formulated to provide adequate level of competent staff to cope with the foreseeable expanded operation of the ATMS.	CAD has formulated a long term ATC manpower plan. Apart from bidding for additional manpower resources through the established procedure, CAD will also liaise with AAHK to engage experienced expatriate air traffic controllers on a time-limited basis to supplement and train local ATC manpower to meet long-term development need of the HKIA.
71	The Expert Panel believed it prudent for CAD to closely monitor developments and fine-tune and/or upgrade the ATMS on an on-going basis in maintaining the capability and resilience of the ATMS on a sustained basis, especially during contingency.	CAD will continue its on-going effort in upgrading the ATMS and refining the related operations and procedures. A Steering Committee, chaired by a Deputy Director-General of Civil Aviation, with representation of the Transport and Housing Bureau, oversees matters relating to the continued implementation and optimisation of the ATMS.



Linking people Delivering business 傳心意 遞商機

Your ref : CB4/PAC/CS(66,67&67A)

Our ref : FSD/PAC/2016 (IV)/(II)

17 January 2018

Mr Anthony CHU
Clerk to Public Accounts Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr CHU,


**Follow-up to Public Accounts Committee Report No. 65
Operation of the Hongkong Post**

I refer to your letter of 5 January 2018.

Please note that in our daily operation, delivery beat postmen do not need to deliver bulky mail items or mail items weighing more than 2 kg each, and beat surveys are conducted on this same basis. For mail items which fall under the duties of delivery beat postmen, our beat review will take into consideration the mail volume and composition as well as its size and weight. For mail items that are bulky or weigh more than 2 kg, they are delivered by the Speedpost and Parcel Delivery Teams with the support of motorised vehicles, subject to another scheme of beat management.

Please let me know if you need any further information.

Yours sincerely,


(Mr Danny CHAN)
for Postmaster General

c.c. Secretary for Commerce and Economic Development (fax no. 2588 1421)
Secretary for Financial Services and the Treasury (fax no. 2147 5239)
Director of Audit (fax no. 2583 9063)

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Our Ref.: (12) in FEHD Hy 34-105/5/2 C Pt.5
Your Ref.: CB4/PAC/CS(66,67&67A)

29 January 2018

Legislative Council
Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn. : Mr Anthony Chu)
(Fax No. 2543 9197)

Dear Mr Chu,

Follow-up to Public Accounts Committee Report No. 67

Joint-office operations on Water Seepage in Buildings

Thank you for your letter of 5 January 2018 concerning the captioned subject. Please find attached a consolidated response of Development Bureau, Food and Health Bureau, Buildings Department and Food and Environmental Hygiene Department for the information requested at **Annex I**. Furthermore, in relation to the information given at (b) of Annex I, a Joint Office's workflow on Stage I, II and III investigation is attached at **Annex II** for members of the Public Accounts Committee's internal reference.

2. For enquiry, please contact the undersigned at telephone number 2867 5912.

Yours sincerely,



(YIP Kwok-cheung)

for Director of Food and Environmental Hygiene

Encl.

c.c. Secretary for Financial Services and the Treasury (Fax No. : 2147 5239)
Director of Audit (Fax No. : 2583 9063)
Secretary for Development (Attn. : Mr TANG Lap-wing, Calvin)
(Fax No. : 2899 2916)

***Note by Clerk, PAC: Annex II not attached.**

Secretary for Food and Health (Attn. : Miss HO Tsz-ting, Agnes)
(Fax No. : 2136 3281)
Buildings Department (Attn.: Ms YEUNG Yee-man, Ella)
(Fax No.: 2868 3248)

Follow-up to Public Accounts Committee Report No. 67**Joint-office operation on water seepage in buildings**

The setting up of a Joint Office (JO) aims to improve the coordination of the Food and Environmental Hygiene Department (FEHD) and the Buildings Department (BD) in handling water seepage cases. The FEHD has the enforcement power under the Public Health and Municipal Services Ordinance (PH&MS) (Cap 132) the BD possesses building-survey expertise. By and large, the collaboration of the two departments is strong, the operations of the JO smooth, and the division of work between the departments clear. Our responses to the questions raised by the Public Accounts Committee on 5 January 2018 are set out below.

- (a) With a view to strengthening the communication and coordination between BD and FEHD in handling water seepage cases, both departments have been maintaining close liaison through regular meetings at all levels viz. directorate, and working level. The meetings discuss how best to tackle complicated seepage cases (e.g. cases involving sub-divided flats) and review prevailing policies, guidelines and procedures governing the handling of water seepage complaints. To enhance the communication between JO staff of the two departments and to improve the overall efficiency of JO, JO is seeking assistance of the Government Property Agency to identify suitable office space for the setting up of four regional joint offices (one each in Hong Kong and Kowloon and two in New Territories) for co-location of both FEHD/JO and BD/JO staff.

FEHD has arranged to form a special team, led by an experienced retiree at Senior Superintendent rank, to conduct a comprehensive review on the current JO's procedural guidelines with a view to streamlining the procedures, such as the procedures in handling recurrent seepage cases, and exploring the feasibility of setting up a tribunal to deal with seepage cases in the future. Besides, the special team will also act as a focal point to liaise with relevant government departments including

BD and Water Supplies Department in tackling issues of common concern. The recruitment exercise is underway and the special team is expected to commence work in the first quarter of 2018.

- (b) As per the prevailing JO's workflow, FEHD officers will conduct initial inspection to confirm the existence of water seepage nuisance (Stage I) and also perform non-destructive tests on the drainage outlets to identify the source of seepage (Stage II). When the source of seepage cannot be identified after Stage I and II investigation, FEHD will refer the case to BD to carry out Stage III professional investigations. To facilitate BD's staff in carrying out the investigation of water seepage complaint, the powers conferred by section 126 (the general powers of entry) and section 127 (provisions for securing abatement of nuisances which may be dealt with summarily) of the PH&MS Ordinance has been delegated to concerned BD's public officers working in the JO.

**Witnesses who appeared before the Committee
(in order of appearance)**

Dr Raymond SO Wai-man	Acting Secretary for Transport and Housing* Under Secretary for Transport and Housing**
Ms Louisa YAN Mei-ling	Acting Deputy Secretary for Transport and Housing (Transport)5* Principal Assistant Secretary for Transport and Housing (Transport)10**
Ms Maisie CHENG Mei-sze	Director of Marine
Mr Freely CHENG Kei	Deputy Director of Marine (Special Duties)
Mr Tony CHAN Cheuk-sang	Assistant Director of Marine/Government Fleet
Mr CHAN Ming-yau	General Manager/Government Dockyard Marine Department
Mr Allen LEUNG Chun-hung	Chief Management Services Officer (Special Duties) Marine Department
Mr Frank CHAN Fan	Secretary for Transport and Housing
Ms Angela LEE Chung-yan	Deputy Secretary for Transport and Housing (Transport)5

* for the hearing held on 8 December 2017.

** for the hearing held on 4 January 2018.

A brief account of Chapter 2 of Report 69
“Procurement and maintenance of government vessels”
by the Director of Audit
at the Public Hearing of the Public Accounts Committee
of the Legislative Council on Friday, 8 December 2017

Mr. Chairman,

Thank you for inviting me here to give a brief account of Chapter 2 of Report No. 69 of the Director of Audit, entitled “Procurement and maintenance of government vessels”.

This Audit Report comprises four parts.

Part 1 of the Report, namely “Introduction”, describes the background of the audit.

The Marine Department (MD) is the endorsement authority and agent for procurement of government vessels. It aims to provide cost-effective marine transport services to government departments. The Government Fleet Division of the MD is responsible for the design, procurement and maintenance of government vessels, and for managing the Government Dockyard. As of March 2017, the government fleet comprised 848 vessels under the operational control of 14 government departments. As of August 2017, there were 28 ongoing projects with funding approval of about \$2,700 million for the procurement of 94 new vessels for seven government departments. In 2016-17, the MD spent about \$280 million on the procurement of maintenance services and materials for the government fleet.

Part 2 of the Report examines the procurement of government vessels.

The Audit Commission (Audit)’s examination revealed that the average ages of four major classes of government vessels, namely major mechanised vessels, minor mechanised vessels, high-speed craft (large type) and high-speed craft (medium type), had increased significantly over the ten-year period from 2007 to 2016. Among the 187 mechanised vessels and high-speed craft in service, 76 (or 41%) had served beyond their expected lifespans by 1 to 12 years. Besides, of the 25 ongoing procurement projects for the four major classes of vessels, 11 projects had been delayed. As a result, the Government had made provision of \$92 million for additional commitments to meet the increase in the vessel construction costs. Major causes of the delays in vessel procurement projects included long time taken to review the marking scheme for tender assessment, shortage of Surveyor of Ships (SoS) grade staff, slow progress in outsourcing project management work and cancellation of a tender due to discrepancies between the tender notice and the tender documents relating to vessel specifications. In this connection, Audit has recommended that MD should improve and step up the monitoring of the overall planning for the procurement of government vessels, and address the manpower shortage problems of SoS grade staff. We noted that the Steering

Committee on Systemic Reform of the MD set up by the Transport and Housing Bureau (THB) had recommended a grade structure review in 2016, and the MD had taken forward the recommendation to address the manpower shortage and succession problems.

Part 3 of the Report examines the maintenance of government vessels.

As reported in the Controlling Officer's Report of the MD, the vessel availability rate was on a decreasing trend over the ten years from 2007 to 2016, during which the availability rates were below the target of 87% in three years. Audit examination revealed that the availability rates reported by the MD only covered two of the four major classes of government vessels, and the downtime for repair work carried out outside the Government Dockyard was not taken into account. Besides, during the five years from 2012 to 2016, the total downtime of four major classes of government vessels due to preventive service and running repair had increased. There was also a need to make the maintenance service contracts more attractive to enhance competition. Therefore, Audit has recommended that the MD should take effective measures to achieve the target availability rate of 87%, explore better ways to report the vessel availability rates, closely monitor the increasing trend in downtime, and step up efforts in managing vessel maintenance work.

Part 4 of the Report examines the management of maintenance materials.

The MD's Maintenance Section is responsible for maintaining government vessels. Audit examination revealed that there were some slow-moving stock items of maintenance materials. Due to inadequate tracking of these items, any obsolete/dormant stock could not be disposed of in a timely manner to save storage space and realise any resalable value. Regarding the management of the Government Dockyard, while the provisions of the Dangerous Goods Ordinance do not apply to the Government, the handling of diesel and petrol, and the storage of oxygen and acetylene cylinders, paints and thinner could be improved to ensure that all staff and workers work in a safe and healthy environment. In this regard, Audit has recommended that the MD should step up stock review and take timely follow-up actions, and implement measures to minimise the safety hazards in the Government Dockyard.

Our views and recommendations were agreed by the THB and the MD. I would like to take this opportunity to acknowledge with gratitude the full cooperation, assistance and positive response of the staff of the MD during the course of the audit review.

(Translation)

**Public Accounts Committee
Public Hearing on the Director of Audit's Report No. 69**

Chapter 2: Procurement and maintenance of government vessels

Opening Remarks by the Secretary for Transport and Housing

Mr Chairman,

I would like to thank the Audit Commission (“AC”) for looking into the procurement and maintenance of government vessels by the Marine Department (“MD”) in a comprehensive manner, and providing valuable comments to us. We are also grateful to the Public Accounts Committee (“PAC”) for offering this opportunity for me and relevant colleagues to explain further on related matters. We have accepted the various recommendations made by the AC in the Director of Audit’s Report (“the Report”), and are leading MD’s efforts in implementing the relevant measures. I would like to give an account on MD’s reform efforts, in particular on the recommendations put forward in the Report to improve the process in procuring government vessels.

2. In May 2013, the Government established the Steering Committee on Systemic Reform of the Marine Department (the Steering Committee). The Committee was chaired by the Secretary for Transport and Housing, who personally steered and monitored MD in conducting the review and reform. Since then, MD has, under the leadership and guidance of the Steering Committee, implemented reform measures in a progressive manner in different sections in the department. The

Steering Committee published its Final Report (“the Final Report”) in April 2016. The Final Report recommended MD to replicate the good practices introduced in certain divisions in other divisions of MD, notably the Government Fleet Division (“GFD”), which took up over 40% of the manpower and resources of MD, with a view to improving its operations and procedures. In the light of this recommendation, MD has been stepping up its efforts in reforming the GFD since 2016.

3. The Transport and Housing Bureau (“THB”) has all along been providing support at the policy level to MD. THB conducts regular meetings with the management of the department to learn about and monitor the progress of various work duties, with a view to ensuring they are aligned with the relevant targets and policy directions. As and when necessary, THB would provide additional resources to support MD’s reform work. In fact, under the steer of THB, MD has since 2013 implemented a series of reform measures to improve the progress and efficiency of the various work duties of GFD. On this point, I am glad to learn of the acknowledgment by the AC in the Report of the various reform measures taken forward by MD and their effectiveness. As pointed out in the Report, the various reform measures would be continued and supported.

4. The Report has pointed out the relatively slow progress of MD’s vessel procurement work between 2010 and 2013, leading to a backlog of vessel procurement projects and ageing of the government fleet. This was mainly due to a shortage of staff with experience and expertise in procurement at MD. In order to relieve the manpower shortage in the Government New Construction Section (“GNCS”) under GFD, THB has had provided additional funding totalling \$35 million

over a span of three financial years between 2014-15 and 2016-17 to MD for it to outsource the management work of some shipbuilding projects to external consultants on the condition that the work shall be subject to the supervision of MD staff. This was intended to be a relief measure in the short-term for MD to expedite the progress and workflow in vessel procurement.

5. In addition, with the support of THB, MD has successfully obtained resources to create three time-limited Surveyor of Ships (SoS) posts between 2014-15 and 2016-17, and an additional time-limited Senior SoS post in 2017-18. Two Supplies Officer grade officers with rich procurement experience have also been seconded to MD to strengthen the manpower of GNCS, with a view to further expediting the vessel procurement work.

6. The reform measures implemented by MD since 2013 have started to bear fruit. For example, from January 2016 to November 2017, MD has had conducted 11 tender exercises involving a total of 52 government vessels for six departments. Meanwhile, other vessel procurement projects with funding approved have also progressively commenced.

7. With regard to medium- to long-term measures, MD is committed to solve its manpower shortage problem in the long run. The Standing Commission on Civil Service Salaries and Conditions of Service has completed a grade structure review (“GSR”) of the two professional grades (i.e. the Marine Officer and SoS grades) of MD, with a report being submitted to the Chief Executive on 31 October 2017. The Civil Service Bureau (“CSB”) is now studying the GSR report and

will submit the relevant proposals to the Legislative Council Panel on Public Service on the 18th of this month for discussion. We would be working closely with CSB to facilitate the swift implementation of the recommendations made in the report, with a view to resolving fundamentally the manpower shortage problem of the two professional grades of MD and ensuring MD would be adequately-staffed to continue with its reform measures.

8. I would like to thank the Director of Audit and his colleagues for the professional and independent value-for-money audit. MD has agreed to the contents of the Report and accepted the recommendations therein. THB will continue to provide appropriate guidance and steer to MD at the policy level, as well as monitor closely the implementation progress and status of various measures, with a view to ensuring the effective and full implementation of relevant recommendations so as to further strengthen the overall management and operation of the government fleet.

9. Mr Chairman, I hope that my brief account just now could give Members of the PAC a broad understanding of the work conducted by THB and MD for the purpose of improving the services of the government fleet. I will leave it to the Director of Marine to provide Members with more details and particulars involving the daily operations of MD and technicalities in procurement. Thank you.

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Transport Branch

East Wing, Central Government Offices,
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本局檔號 Our Ref.

來函檔號 Your Ref.

28 December 2017

Mr Anthony CHU
Clerk to Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr Chu,

Public Accounts Committee

**Consideration of Chapter 2 of the Director of Audit's Report No. 69
Procurement and maintenance of government vessels**

Thank you for your letter of 12 December 2017 of the captioned, requesting information about the Steering Committee on Systemic Reform of the Marine Department, as well as the Transport and Housing Bureau's monitoring of the procurement of government vessels by the Marine Department. The requested information set out in your letter is enclosed at **Annex**.

Yours sincerely,

(Ms Louisa Yan)
for Secretary for Transport and Housing

c.c. Director of Marine (Fax No. 2850 8810)
Secretary for Financial Services & the Treasury (Fax No. 2147 5239)
Director of Audit (Fax No. 2583 9063)

Public Accounts Committee

**Consideration of Chapter 2 of the Director of Audit's Report No. 69
Procurement and maintenance of government vessels**

(a) Steering Committee on Systemic Reform of the Marine Department

The Transport and Housing Bureau ("THB") set up the Steering Committee on Systemic Reform of the Marine Department ("Steering Committee") in May 2013 to advise and steer the Director of Marine ("DM") to conduct a thorough departmental review and reform with a focus on the regulatory framework on safety of local passenger vessels, business processes and operational procedures as well as the manpower and training strategy of the Marine Department ("MD"), and to formulate a work plan for implementing the necessary reform measures. The membership and Terms of Reference of the Steering Committee are at **Appendix A** and **Appendix B** respectively.

The Steering Committee held 17 meetings in total before its disbandment in May 2016. The Steering Committee published in April 2016 a final report which summarised the discussions and the recommendations on the next steps of MD's reform. The final report can be accessed at <http://www.mardep.gov.hk/en/publication/pdf/steeringcom.pdf>. An executive summary setting out the recommendations is at **Appendix C**.

(b) - (e) THB's monitoring role in MD's procurement of vessels

Vessel procurement for use by different government departments is under the purview of the Government Fleet Division of MD. According to file records, THB was made aware of a delay in the procurement of government vessels in August 2013. Acknowledging the need to catch up the tendering schedule for vessel procurement, THB provided policy support to MD in seeking additional resources to tackle the outstanding caseload.

To provide immediate relief, THB approved funding of \$35.44 million in October 2013 for MD to engage consultants from 2014-15 to 2016-17 to manage 10 procurement projects involving 26 vessels. As a longer term measure, THB gave policy support for MD to create three time-limited Surveyor of Ships ("SoS") posts up to 2018 to complete the outstanding and new anticipated projects.

Aside from securing resources for MD to clear the backlog in procurement as quickly as practicable, THB worked with MD to understand the causes of delay in tendering, and provide the necessary steer at the policy level. Meanwhile, the Steering Committee conducted a thorough review on various aspects of MD's operation, including its long-term manpower planning, records and documentation keeping, internal monitoring and reporting mechanism.

As far as the procurement of government vessels was concerned, the backlog was in part due to a lack of sufficient and experienced staff to handle the caseload. To this end, under the leadership of the then Secretary for Transport and Housing, the Steering Committee comprehensively reviewed the overall manpower planning of MD, and recommended ways to address the manpower shortage of the two professional grades – Marine Officer (“MO”) and SoS. This has led to the conduct of a Grade Structure Review for the MO and SoS grades of MD by the Standing Commission on Civil Service Salaries and Conditions of Service (“Standing Commission”), with a view to providing a long-term solution for the chronic manpower shortage problem of MD. We are now consulting stakeholders the findings and recommendations of the Standing Commission. The two unions of the MO and SoS grades, as well as Members of the Legislative Council Panel on Public Service, supported the Grade Structure Review. Upon completion of the review findings, we will seek the necessary approval before implementing the relevant recommendations.

Apart from not having enough experienced staff to handle procurement, another cause of delay in tendering was the suspension of the processing of new shipbuilding projects since December 2009. In response to the Central Tender Board's (“CTB”) request for MD to refine the discretion provision in the tender marking scheme for a vessel in consultation with the Department of Justice, MD took the opportunity to review the entire marking scheme with a view to developing a refined standard marking scheme applicable to all vessel types. Due to the complexity of the exercise, it took about three years before a revised marking scheme for a specific type of vessel was approved by CTB in October 2012. In hindsight, the Department agrees that the review of the marking scheme could have been conducted in parallel without pre-empting vessel procurements.

Since THB had been made aware of the delay in tendering, THB and MD had been working closely together to expedite procurement. However, the process to clear the procurement backlog took time. As the

outsourcing of project management of shipbuilding to help relieve MD's manpower shortage was a novel idea for MD at the time, the Department had taken some time to ascertain the market response of such consultancy services and to prepare the relevant consultancy briefs and selection documents for outsourcing. The engagement of external consultants would also need to be carefully planned to dovetail with the vessel procurement cycle, because it could be a consultant to help prepare the conceptual design and technical specifications of the vessel in the pre-tender stage, and/or a consultant to help manage the shipbuilding work after the tender was awarded to a contractor. With experience gained in engaging consultants to help the procurement process, the progress in clearing the backlog had expedited. With efforts by both MD and the consultants, tendering documents of a total of 52 vessels in eleven projects for six Government bureau/departments were issued between January 2016 and November 2017 (compared with an average of two to three projects per year prior to 2008).

As stated in the Director of Audit's Report (para 1.13), a Task Force on Reform was set up in MD to support the work of the Steering Committee and to assist DM to take forward the Steering Committee's recommendations. The Task Force on Reform reports to DM, who reports to THB, on a regular basis, and alerts THB of issues requiring attention and policy steer. Same as our role in monitoring MD in all other aspects, THB has assessed the timetable and resources needed in the procurement of vessels based on the most realistic and accurate information provided by MD at that time. THB has agreed to the observations and recommendations in the Director of Audit's Report, and will continue to provide the necessary steer to MD to ensure the recommendations therein are properly followed up.

**Membership of the
Steering Committee on Systemic Reform of the Marine Department**

Chairman

Prof Anthony CHEUNG Bing-leung
Secretary for Transport and Housing

Members

Ms Alice TAI Yuen-ying

Mr Irving KOO Yee-yin

**Terms of Reference of the
Steering Committee on Systemic Reform of the Marine Department**

To advise and steer the Director of Marine, who shall be assisted by the Task Force on Reform and other units in the Marine Department headed by a new Deputy Director (Special Duties), to:

- (a) undertake a comprehensive review of the legislative compliance and administrative measures governing passenger safety and local vessel regulation and inspection matters, in the light of the recommendations in the Report of the Commission of Inquiry into the Vessel Collision Incident near Lamma Island, drawing up detailed improvement proposals and seeing to their implementation;
- (b) review and re-engineer the business processes, operational procedures and supervisory structure in the Marine Department's management, to strengthen internal governance; and
- (c) map out a strategy to address the long-standing vacancy situation of the professional grades in the Department and to develop a manpower training programme.

The overall objective is to ensure that the Marine Department possesses the necessary capabilities to fully and properly discharge its functions and responsibilities.

Executive Summary

1. In response to the call for a systemic change in the Marine Department (“MD”) by the Commission of Inquiry into the Collision of Vessels near Lamma Island on 1 October 2012, the Secretary for Transport and Housing set up the Steering Committee on Systemic Reform of the Marine Department (“Steering Committee”) on 3 May 2013 to advise and steer the Director of Marine to undertake a comprehensive systemic review and reform of MD. In the past three years, under the supervision of the Steering Committee, MD has made significant progress in improving and enhancing its capabilities to fully and properly discharge its functions and responsibilities.
2. On the regulation on passenger safety and local vessels, MD has formulated and implemented a series of improvement measures to enhance marine safety, including enhancing look-out, installation of navigational and communications equipment, improving provision of lifejackets, strengthening the training and examination of coxswains, increasing the minimum coverage of third party risks insurance of local vessels, etc.
3. On business processes and operational procedures, MD has conducted a two-phase organisational review to improve its regulatory functions and business procedures. MD has implemented the review recommendations which seek to strengthen communication between the frontline staff and the management; develop systems and procedures to enhance reporting and documentation; and make use of information technology to improve record-keeping and shared use of information, etc.
4. On manpower strategy and training matters, MD has implemented a series of stop-gap measures to address the acute recruitment difficulties and manpower shortage of the two professional grades, namely, the Marine Officer grade and the Surveyor of Ships grade. MD has adjusted the entry requirement on applicants’ post-qualification working experience as well as language proficiency with a view to widening the pool of eligible candidates without compromising MD’s professional services. These measures are however inadequate to address the existing and upcoming vacancies of the two professional

grades. More fundamental measures such as embarking on a grade structure review of the two grades are required.

5. The review and reform process in the past three years has revealed the need for MD to sustain the improvement measures implemented and further tackle some issues on the regulatory regimes of local vessels, internal governance, and manpower and training of the two professional grades in MD. Looking ahead, a number of legislative exercises are in the pipeline to further strengthen the regulation on passenger safety and local vessels. MD will need to replicate the good practices introduced in the Local Vessels Safety Section and the Shipping Division to address similar deficiencies in the business processes and operational procedures in other Divisions of MD. MD will explore all possible means to tackle the very severe manpower shortage and succession problems of the two professional grades in MD in a bold and innovative manner.
6. The challenge ahead is to sustain the momentum of change and improvement in MD, and inculcate in the mindset of officers in MD the need for change and to improve the business processes and practices on a continuous basis. This will be a long process and will take time. The Steering Committee has set the broad directions and priorities for further systemic reforms in MD. MD will take forward the reform process in the years ahead.

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MARINE DEPARTMENT

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29 December 2017

Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Attn : Mr Anthony CHU)

Dear Mr CHU,

Public Accounts Committee
Consideration of Chapter 2 of the Director of Audit's Report No. 69
Procurement and maintenance of government vessels

Thank you for your letter dated 12 December 2017 to the Director of Marine, which I am authorized to reply on her behalf.

The replies in seriatim to the questions raised by the Public Accounts Committee are set out in the **Annex** attached.

I should be grateful if you could relay the attached information to Members of the Public Accounts Committee for their reference.

Yours sincerely,

(Tony C.S. CHAN)
for Director of Marine

Encl.

c.c. Secretary for Transport and Housing (Attn: Ms Louisa YAN)
Secretary for Financial Services and the Treasury (Attn: Miss Pat CHUNG)
Director of Audit (Attn: Mr LEE Sik-yum)

**Public Accounts Committee
Consideration of Chapter 2 of the Director of Audit's Report No. 69
Procurement and maintenance of government vessels**

Procurement of government vessels

- (a) According to paragraph 2.4 of the Audit Report, of the 187 mechanized vessels and high-speed craft in service as at 31 March 2017, 76 (41%) vessels had exceeded their expected lifespans by one to 12 years. Please advise whether the use of these vessels beyond their expected lifespans would adversely affect their safe operation;

Reply: The Marine Department (“MD”) attaches top priority on safety in maintaining the Government Fleet. A well maintained vessel can be used safely for years beyond its expected lifespan. Unlike vehicles, every part of a vessel from hull plates to propulsion engine can be replaced if necessary for upkeeping the vessel condition. That said, maintaining a vessel beyond its expected lifespan may not be desirable from value-for-money perspective as it may incur extra maintenance cost and downtime.

(b) With reference to paragraph 2.5 of the Audit Report, please provide

(i) a copy of the Government Fleet Division Circular No. 10/2008;

Reply: The Government Fleet Division Circular No. 10/2008 is attached at **Appendix A**.

(ii) when did the review of the application of the Government Fleet Division Circular No. 10/2008 start, and the reasons for the review;

Reply: The Task Force on Reform of the MD (“Task Force”) first reviewed the vessel replacement mechanism in October 2016 and suggested that there was a need to update the ship replacement guide taking into account other factors such as vessel types and the operating hours of the vessels (i.e. whether the vessel operates for eight hours or round-the-clock) when determining the vessel expected lifespans instead of solely based on the hull material of the vessels. Besides, since a vessel procurement project would take at least three to five years to complete, it will be much more difficult to consolidate procurement of vessels of similar types from different user departments at the same time. The MD thus took the opportunity to start the review on the Government Fleet Division Circular No. 10/2008.

(iii) the reasons for taking a long time to conduct the review mentioned in (ii) above; and

Reply: Since December 2016, the Government New Construction Section (“GNCS”) has been working with major user departments on their respective 10-year vessel replacement plans to project the upcoming procurement requirements. The exercise is still on-going and the experience gained from preparing the 10-year vessel replacement plans is useful and will be consolidated for the review of the Circular.

In addition, the Supplies Officer grade staff have been providing expert advice to the officers in the GNCS in vessel

procurement since February 2016 and the experience hitherto gained will also be taken into account in the review of the Circular.

(iv) expected completion date of the review;

Reply: The review is expected to be completed in the first quarter of 2018.

(c) With reference to paragraph 2.5(b) of the Audit Report, please provide:

(i) reasons for adopting a 10-year vessel replacement plan since December 2016;

Reply: Considering that a vessel procurement/replacement project would take at least three to five years to complete, it is considered that a 5-year rolling plan is insufficient to fulfil the purpose of long term planning for user departments. The MD has therefore adopted a more pragmatic approach in preparing a 10-year vessel replacement plan for user departments, which is a more comprehensive planning to meet the operational needs of user departments, and provides a more accurate forecast on the manpower resources requirement for the MD to take forward these projects in a practicable and longer term basis. Besides, a longer term planning provides the opportunity for bundling similar procurement projects into a single tender to shorten tender preparation time, reduce cost of tender administration and achieve economy of scale in procurement. Hence, the MD has worked with the Fire Services Department (“FSD”) to prepare a 10-year vessel replacement plan for the latter in December 2016 as a start.

(ii) the progress of implementing a tentative 10-year vessel replacement plan with major user departments; and

Reply: Subsequent to the preparation of a 10-year vessel replacement plan for the FSD in December 2016, the MD is now working with other major user departments, *viz.* the Hong Kong Police Force, the Customs & Excise Department, the Agriculture, Fisheries and Conservation Department, and user sections within the MD to formulate their 10-year vessel replacement plans.

(iii) whether considerations would be given to bundling similar procurement projects into a single tender to reduce cost of tender administration and speed up implementation time;

Reply: With the assistance of the Supplies Officer grade staff, the MD has started to bundle procurement of similar types of vessels from user departments into a single tender. Having the knowledge of the 10-year vessel replacement plans of major user departments, the MD would explore every opportunity to bundle similar procurement projects into a single tender to shorten tender preparation time, reduce the cost of tender administration and achieve economy of scale in procurement, which will help expedite vessel procurement.

- (d) According to paragraph 2.6 of the Audit Report, of the 76 vessels serving beyond their expected lifespans, 22 (29%) had not been included in the July 2017 vessel replacement plan. The Marine Department (“MD”) had not conducted condition assessments for two vessels and there were inadequate follow-up actions on the assessment results for 18 vessels. In this regard, please advise/provide:
- (i) interim measures taken/to be taken to ensure the continued safe and efficient operation of these 22 vessels;

Reply: The MD has been conducting inspections¹ and maintenance services to all government vessels, including these 22 vessels, from time to time, which include preventive services² and running repairs³ as necessary. In this connection, the conditions of these vessels are continuously under the close monitoring of the MD to ensure safety.

- (ii) the reasons for not conducting conditional assessments for two vessels one year and six years respectively after passing their expected lifespans;

Reply: As these two vessels are specialised vessels for pollution control and mainly put on stand-by mode for emergency readiness (i.e. oil pollution at sea), their conditions are assessed to be satisfactory owing to their operation mode and low frequency of use in comparison with other vessels of similar age. Indeed, the MD has been conducting preventive services

¹ An inspection conducted on a government vessel prior to the preventive services to identify any major maintenance items to be followed up at the coming scheduled docking.

² Preventive services mean the scheduled maintenance services to be conducted for a government vessel. Owing to a more comprehensive maintenance/repair is required during the occasion, the vessel will usually be lifted on dry-dock for an overall inspection, repair and other necessary maintenance services. This maintenance service would be conducted in suitable intervals in accordance with the operating mode and condition of the vessel.

³ Running repairs are carried out for a vessel under emergency condition or after an accident, etc. to bring the vessel back to a safe and operative condition for the user.

and running repairs to these two vessels and their conditions are closely monitored during the maintenance services to ensure that they are safe and efficient to operate despite the fact that condition assessments were not conducted previously.

The purpose of condition assessment is to assess the need and timing for vessel replacement taking into account previous maintenance records. As the vessels are still in satisfactory condition, there is no imminent need to conduct condition assessments to trigger vessel replacement. That said, the MD has carried out condition assessments on the two vessels (i.e. “Marine 38” and “Marine 59”) on 30 November 2017 and 1 December 2017 respectively, and they are re-confirmed safe and fit to operate.

- (iii) whether maintenance service had been conducted for the two vessels after passing their expected lifespans and provide a copy of the relevant maintenance logs;

Reply: Maintenance services have been conducted for these two vessels, namely “Marine 38” and “Marine 59”. Copies of the maintenance logs are attached at **Appendix B**.

- (iv) a copy of the maintenance logs for other types of vessels showing the frequency of maintenance services performed from January to December 2016;

Reply: Referring to our reply to question (d)(iii) above, “Marine 38” is a minor mechanised vessel type vessel and “Marine 59” is a major mechanised vessel type vessel. While the maintenance logs of these two types of vessels have been provided at **Appendix B**, the maintenance logs of the other type of vessel under paragraph 2.6 of the Audit Report, i.e. the high-speed craft (medium type), is attached at **Appendix C**.

- (v) the reasons for not taking adequate follow-up actions on the assessments results for 18 vessels; and

Reply: Although the expected lifespans of the 18 vessels have been exceeded, they are continuously maintained and under the

***Note by Clerk, PAC:** *Only a sample of maintenance log is attached.*

close monitoring by the maintenance staff of the MD. For vessels which have been advised for replacement according to the assessment results, the GNCS is now working with the users concerned to formulate their 10-year vessel replacement plans and will assist them to kick start the replacement work as early as possible. For other vessels which are subject to further assessments, they are still in satisfactory condition based on their maintenance records. The MD considered that there was no imminent need to conduct further condition assessment to trigger vessel replacement at the material time. Nonetheless, condition assessments for these vessels are being arranged.

(vi) measures taken/to be taken in response to the recommendations of the Audit Commission in paragraph 2.36(a)(ii) of the Audit Report;

Reply: Apart from the follow-up actions taken by the MD for user departments as mentioned in (v) above, the MD is examining means to enhance the Government Fleet Information System to facilitate better planning of condition assessment and vessel replacement. The system enhancement will allow better utilisation of maintenance records to improve planning for condition assessments, and better utilisation of condition assessment reports to facilitate scheduling and bringing up of the vessels concerned for follow-up action with the user departments. .

- (e) According to paragraphs 2.9 and 2.10 of the Audit Report, as at 31 August 2017, MD was managing 25 ongoing procurement projects for 90 vessels of the four major classes, eight of which were approved by the Finance Committee ("FC") of the Legislative Council and the remaining 17 projects were approved by the Legislative Council in the context of the Appropriation Bill or by the Financial Secretary. Five of the eight FC approved projects could not meet their target dates of vessel delivery (from August 2013 to March 2017). The delays ranged from five months to four years up to August 2017, with three projects still in tender stage. For the other 17 projects, seven (involving 19 vessels) were approved before 2013-2014. The progress of three projects was particularly slow, i.e. they were still in the tender stage some five years after funding approval. In this connection, please provide measures taken/to be taken to speed up the implementation of these delayed procurement projects;

Reply: The relatively slow progress in the procurement of government vessels during the period from 2010 to 2013 has led to the ageing of major vessels in the government fleet. The main reason was a shortage of staff with procurement experience in the MD.

Unlike vehicles, new vessels are usually tailor-made and thus take more time to procure. In general, it will take three to five years to complete the entire procurement process including design, finalising requirements of user departments, tendering, supervising vessel construction, testing and delivery. Once there is a backlog of government vessel procurement projects, it would be difficult to clear them within a short period of time, and hence further aggravating the ageing problem of the vessels.

The MD has implemented a series of measures to expedite the replacement of government vessels as a means to lower the average age of the fleet. The measures include strengthening the management oversight of the Government Fleet Division ("GFD"), strengthening the manpower of the Surveyors of Ships ("SoS") grade in the GNCS and proactively adopting the outsourcing approach to further expedite the progress of shipbuilding work.

To strengthen the management oversight of the GFD, the Director of Marine had changed the reporting line of the GFD to the Deputy Director of Marine (Special Duties) in phases since December 2015. Furthermore, the Director of Marine and Deputy Director of Marine (Special Duties) had attended the Government Dockyard management meetings since February 2016 on a regular basis.

In order to strengthen the manpower for government vessel procurement, apart from recruiting retired civil servants to serve as Contract SoS in the GNCS to assist in the related work, the MD has launched direct recruitment for Senior SoS to help relieve the manpower shortage problem. Besides, two Supplies Officer grade staff with rich procurement experience have been deployed to the GNCS since early 2016 to assist in vessel procurement work. With the assistance of the Supplies Officer grade staff, the GNCS has implemented a series of measures to improve the procurement procedures since early 2016, including standardisation of provisions of tender documents and contracts, and the bundling of procurement projects involving vessels of the same type in tendering, so as to speed up the vessel procurement work.

Moreover, the MD has been proactive in outsourcing some of the work of shipbuilding projects to external consultants on the condition that the work shall be subject to the supervision of the MD staff, so as to further expedite the progress of shipbuilding work.

The above measures have started to deliver results. From January 2016 to November 2017, the MD has already conducted 11 tender exercises involving 52 government vessels for six departments. Other vessel procurement projects with funding approved are also underway.

- (f) With reference to Item 3 of Table 3 in paragraph 2.9 of the Audit Report, the reasons for the substantial delay in the implementation of the procurement project as the fireboat in question had been in service since 1990;

Reply: Following MD's advice on the result of condition assessment on the vessel (i.e. Fireboat 7) in 2009 and taking into account the performance of the vessel at that time, the FSD initiated actions to procure a replacement vessel in late 2009. After the proposal was approved by the Standing Committee on Government Craft of the MD in May 2010, the FSD further revised the requirements of the new vessel in April 2011 to include enhanced functions for modern operational needs and equipment in handling chemical, biochemical, radiological and nuclear ("CBRN") related incident. As there was no fireboat or rescue boat in Hong Kong had ever been installed with CBRN protective system at that time, the MD conducted research and liaised with experts to acquire relevant information to estimate the costs for the preparation of the funding submission to the Finance Committee ("FC"). The funding proposal, including a general framework of the new requirements, was finally approved by the FC in June 2012. The delay in planning the procurement of the replacement vessel is also mentioned in the Audit Report No. 67 Chapter 3 and the Audit Commission advised that the FSD needed to improve the planning of operational requirements for vessel replacement projects (relevant parts extracted at **Appendix D**)

Although general information on the CBRN protective system was acquired to enable cost estimation for the FC's approval, they were not sufficient for tendering purpose. More detailed information on the technology and equipment available in the market was necessary for preparing the tender documents and such information was difficult to acquire. To ensure that the technical specifications would incorporate the latest technology and meet the user's need, longer time had been taken to conduct research and discussions with the FSD and overseas experts. In June 2013, the FSD came up with the user requirements for the CBRN system. Major tasks taken place from June 2012 to June 2013 are highlighted below:

- Conducted research and study the classification society rules on the CBRN system;

***Note by Clerk, PAC:** *Appendix D not attached.*

- Liaised with relevant classification societies and overseas experts in providing expert advice on the detailed technical specifications and technology of the CBRN equipment;
- Arranged presentation and meeting with overseas experts and the user to understand the latest development and the best practices of the CBRN technology and to exchange views on the detailed requirements on the equipment; and
- Discussed with the overseas experts and the user on the detailed technical specifications and refined the requirements further to meet operational needs.

As the MD had been suffering from serious manpower shortage of Surveyors of Ship (“SoS”) grade staff and there was backlog of vessel procurement projects, the GNCS informed the FSD in writing in mid-2013 that tender invitation for the project could only be issued in December 2017 unless sufficient SoS grade staff were employed and project management work was outsourced to external consultants. While the two initiatives were subsequently implemented, the manpower situation at the GNCS was not significantly improved at the material time as the vacant SoS grade posts could not be filled and the progress of the outsourcing work was slow at the start (detailed at (m) below). As a result, in early 2015, the MD informed the FSD in writing that the Fireboat 7 project would be suspended. Following the appeal from the FSD that priority should be accorded to commence the project, the GNCS re-prioritised workload and resumed the tender preparation work for Fireboat 7 in June 2015. The progress of the project was slow at the beginning, and the situation had improved when two Supplies Officer grade staff with rich procurement experience were deployed to the GNCS in early 2016 to assist in vessel procurement work. The delay in implementing the replacement project was also mentioned in the Audit Report No. 67 Chapter 3 and Audit Commission advised that the MD needed to take measures to ensure that the FSD’s projects are implemented in a timely manner (relevant parts extracted at **Appendix D**). The MD has implemented a series of measures to expedite the procurement of government

***Note by Clerk, PAC:** *Appendix D not attached.*

vessels with details mentioned at (e) above. The tender invitation for Fireboat 7 was issued in October 2016 and the shipbuilding work is in progress.

- (g) With reference to paragraph 2.13 of the Audit Report, the reasons for taking almost three years (from December 2009 to October 2012) to review the marking scheme for assessing tenders of vessel procurement projects, and provide a copy of the relevant documents/correspondences between all relevant parties, such as the Government New Construction Section ("GNCS") of MD, the Central Tender Board, the Department of Justice ("DoJ") and the Financial Services and the Treasury Bureau ("FSTB"), on the review of the marking scheme;

Reply: The Central Tender Board ("CTB") advised the MD in December 2009 to refine the provision on discretion of the marking scheme in consultation with the DoJ. At that time, the MD would like to take the opportunity to conduct a fundamental review on the marking scheme with a view to establishing a refined standard marking scheme suitable for all vessel types to save tender preparation time. As the review was very complicated and there was no Supplies Officer grade staff in the GNCS to provide technical advice at that time, it took a long time for the GNCS staff to review the marking scheme. However, due to the uniqueness of individual vessel types, it was finally concluded in April 2012 by all relevant parties that establishing a refined standard marking scheme suitable for all vessel types was not feasible. Instead, a marking scheme for a specific vessel type could be submitted to the CTB for approval. Finally, the marking scheme for the high speed craft project was approved by the CTB in October 2012.

With the lesson learnt from the review and in hindsight, to avoid recurrence of similar incident, the MD should have adopted a dual track approach, i.e. continuing the procurement work using the previous marking scheme with the provision on discretion reviewed, while conducting the comprehensive review of the marking scheme in parallel and keeping the senior management updated and obtaining steer if required, and actively and closely liaising with relevant parties to resolve any issues encountered as early as possible.

A copy of the relevant documents/correspondences on the review of the marking scheme is enclosed at **Appendices E⁴ and F**.

***Note by Clerk, PAC:** *Appendices E and F not attached.*

4 As the legal advice contained in the relevant documents/correspondences is subject to legal professional privilege, they are provided herewith subject to the conditions that: (a) the legal advice will be disclosed to PAC members only for the purpose of PAC's consideration of the Audit Report; (b) the PAC members must not disclose the legal advice to any other persons; and the contents of the legal advice shall not be referred to in any public hearings or public documents; and (c) the disclosure is without prejudice to our stance that the legal advice is privileged and no waiver thereof shall be deemed.

(h) With reference to paragraphs 2.14 and 2.15 of the Audit Report, please explain:

- (i) the reasons for having no record showing any reporting/discussion at the meetings of the Government Dockyard or the MD's senior management of the likely impact of the protracted review mentioned in (g) above and any possible measures to mitigate the impact (such as reassessing the need for using marking schemes for the pending procurement projects); and

Reply: We have searched all available records in the MD, but there is no record showing any discussion of the impact of the review of the marking scheme on the procurement projects, and/or measures to mitigate the impact at the meetings of the Government Dockyard or the MD's senior management. This is due to unsatisfactory record keeping in the MD at the material time. The situation has been improved since May 2014. Notes of meeting are prepared for regular meetings with the senior management to record the deliberations of the meetings.

- (ii) the reasons for having no record showing that MD had responded to DoJ's suggestion that MD should review the need for using a marking scheme in December 2010;

Reply: We have searched all available records in the MD, but there is no record showing that the MD had responded to the DoJ's suggestion to review the need for using a marking scheme in December 2010. However, the MD had in fact followed the DoJ's advice. During 2012 to 2014, there were three projects making use of marking scheme and three tendering projects were found without marking scheme as the use of marking scheme was considered not necessary.

(i) According to paragraph 2.14 and Appendix C of the Audit Report, MD had stopped using marking scheme for new construction projects since FSTB issued Circular Memorandum No. 8/2014 in August 2014 to remind bureaux/departments to avoid excessive use of marking scheme. In this connection, please provide:

(i) a copy of the relevant documents, such as minutes of meetings or internal circulars, relating to MD's decision to stop using marking scheme for new construction projects upon receipt of FSTB Circular Memorandum No. 8/2014;

Reply: A briefing session on the subject matter was held by the Government Logistics Department (“GLD”) on 12 January 2015 for officers in bureaux/departments responsible for handling procurement matters and most of the GNCS staff responsible for vessel procurement attended the briefing. GLD distributed the materials discussed at the briefing session to the participants and the materials were put on file for future reference.

It has been the MD’s understanding that the use of marking schemes in tender evaluation is not the only means to secure better quality for the goods and services procured. It is clearly stipulated in the circular memorandum that setting clear and attainable quality-based tender specifications, cutting excessive “essential requirements” especially those at risk of protecting the interest of incumbents, and proactive marketing of tenders which repeatedly attracted only one or two bidders are often more direct and effective for promoting real competition. MD is mindful that some 70 – 80% of contracts with marking schemes approved by the CTB and the Government Logistics Department Tender Board (“GLDTB”) between January 2012 and May 2014 were ultimately awarded to bidders with the lowest price offered, and that it is debatable whether the use of marking schemes *per se* has offered extra safeguard to the quality of the tender returns in these cases.

For the MD, some 90% of contracts with marking schemes used by the vessel procurement projects from 2003 to 2014 were ultimately awarded to bidders with the lowest price

offered. Based on the above figure and after careful consideration, the MD considers that setting essential requirements including technical specifications clearly as assessment criteria in the tender documents could serve the same objective for using marking scheme to secure good quality for the vessels to be procured from value-for-money perspective.

- (ii) how MD interpreted FSTB Circular Memorandum No. 8/2014, i.e. under what conditions/circumstances a marking scheme should be used; and

Reply: Please refer to our reply to question (i)(i) above.

- (iii) the evaluation criteria used by MD in tender assessment since then, including how many times MD has used marking schemes in evaluating tenders;

Reply: The MD conducted tender evaluation according to the guidelines set out in the Stores and Procurement Regulations (SPR) 370 (Evaluation of Tenders) (see attached **Appendix G**). Since the second quarter of 2014, the following evaluation criteria are used by the MD in tender assessment which involves three stages as detailed in Annex A of the Conditions of Tender (see attached **Appendix H** and **Appendix I**) and are summarised below:

Stage 1 (Price Assessment) - Tenders will be checked to identify the Tenderer which has submitted the lowest Total Purchase Price among all Tenderers.

Stage 2 (Completeness Check) - Tenders will be checked for their completeness in compliance with the procedural requirements stipulated in the tender documents.

Stage 3 (Assessment of Compliance with Essential Requirements) - Tenders will be checked for their compliance with the essential requirements and tender specifications as detailed in the tender documents. Any tender which fails to meet any of the essential requirements will not be considered further.

A Tenderer which has quoted the lowest Total Purchase Price and has passed Stages 2 and 3 assessments will be recommended for acceptance. If the tender has failed in Stage 2 or Stage 3 assessment, the tender with the second lowest Total Purchase Price will undergo Stages 2 and 3 assessments. This assessment process will be repeated until a successful tenderer is identified (if any).

To protect the interest of the Government, it has been stipulated in the Conditions of Tender that, in evaluating the tender submitted and awarding the contract, (a) the Government is not bound to accept the tender offering the lowest Total Purchase Price; and (b) the award will normally be made to the recommended Tenderer identified in Annex A to the Conditions of Tender or to the Tenderer whom the Government considers to be fully capable of undertaking the Contract.

The MD has not used marking schemes in tender evaluation for procurement of government vessels since the second quarter of 2014. Since then, in each vessel procurement exercise, we would assess if the above-mentioned evaluation criteria in tender assessment are sufficient and appropriate to handle the project, and marking scheme will only be used if considered necessary.

(j) With reference to paragraphs 2.17 and 2.21 of the Audit Report, please provide:

(i) details of the actions taken to mitigate the impact of the shortage of Surveyors of Ship ("SoS") grade staff on the delivery of procurement projects;

Reply: The MD has implemented a series of measures to expedite the replacement of government vessels as a means to lower the average age of the fleet. Such measures include strengthening the manpower of the SoS grade in the GNCS and proactively adopting the outsourcing approach so as to further expedite the progress of shipbuilding work.

In order to strengthen the manpower for government vessel procurement, apart from recruiting retired civil servants to serve as Contract SoS in the GNCS to assist in the related work, the MD has obtained additional resources to enhance the staffing of the GNCS including the creation of three additional SoS posts on a time-limited basis from 2014/15 to 2021/22 and the creation of an additional Senior SoS on a time-limited basis from 2017/18 to 2021/22. With the creation of these additional SoS grade posts, the MD is able to form two procurement teams comprising a total of eight SoS grade staff posts for clearing the vessel procurement projects. In addition, two Supplies Officer grade staff with rich procurement experience have been deployed to the GNCS since early 2016 to assist in the vessel procurement work.

Moreover, the MD has been proactive in outsourcing some of the work of shipbuilding projects to external consultants on the condition that the work shall be subject to the supervision of MD staff, so as to further expedite the progress of shipbuilding work.

(ii) short-term measures taken as well as other measures to be taken by MD to address the difficulties of recruiting new SoSs while at the same time ensure that they possess the mechanical knowledge essential to the procurement of vessels; and

Reply: In order to alleviate the manpower shortage of the SoS grade, the MD has implemented various stop-gap measures in order to cast a wider net in recruiting SoS in recent years. Measures taken include granting of incremental credits for working experience, relaxation of the language proficiency requirement and waiving/relaxation of entry requirement on working experience through sub-entry point. Besides, the MD has recruited retired SoSs to serve as Contract SoS in the GNCS to assist in the related work and has launched direct recruitment for Senior SoS.

For medium- and long-term measures, the Standing Commission on Civil Service Salaries and Conditions of Service completed a review of the grade structure of the two professional grades (i.e. SoS grade and the Marine Officer grade) of the MD and submitted a report to the Chief Executive on 31 October 2017. The proposal was discussed and received members' support at the meeting of the Panel on Public Service of the Legislative Council on 22 December 2017. The MD hopes that the recommendations in the report could be implemented as soon as possible to solve the manpower shortage and succession problems of the SoS grade fundamentally.

- (iii) measures taken and other measures to be taken to retain experienced SoSs and reappoint retired SoSs, including under what circumstances retired SoSs would be reappointed as non-civil service contract staff or civil servants in MD, and the conditions of service under each of these reappointments;

Reply: In order to retain the experience of the SoS grades, the MD has employed retired officers in the SoS grades as Non-Civil Service Contract Staff. Following the introduction of the Post-retirement Service Contract ("PRSC") Scheme by the Government in November 2015, the MD has employed retired SoS grade officers as PRSC staff. The circumstances under which retired SoSs were employed and the conditions of service for these appointments are in line with the purposes and guidelines of the schemes as stipulated in the relevant civil service circulars. The MD also welcomes the introduction of the Further Employment beyond Retirement Age ("FE") policy

rolled out in June 2017. After completion of the 2018 promotion board of the SoS grade, the MD will go through a due process to consider the need for the FE Scheme, and if required, to invite eligible officers to apply for the FE Scheme so as to retain experienced SoSs grade staff in the MD.

- (k) According to paragraph 2.23 of the Audit Report, as a measure to clear the backlog of vessel procurement projects, the Transport and Housing Bureau approved funding of \$35.44 million in October 2013 for the MD to engage consultants from 2014-2015 to 2016-2017 to manage 10 procurement projects of 26 vessels. In this connection, please advise the division of work between GNCS and the consultants in the management of these procurement projects during the different stages of procurement process, in particular in the tendering and contract award stage (paragraph 1.7 of the Audit Report refers);

Reply: The consultancy services include carrying out conceptual design and preparing technical specifications prior to the award of shipbuilding contracts, and providing project management services after the award of shipbuilding contracts.

For consultants engaged prior to the award of shipbuilding contracts, they are under the supervision of the GNCS, and responsible for arranging meetings with stakeholders (including the GNCS, user departments, equipment suppliers, etc.) for preparation of the conceptual design of vessels, conducting feasibility study and preparation of vessel design and technical specifications. The GNCS, in addition to monitoring the consultant's work, is responsible for preparation of tender documents, tendering and evaluation as well as award of shipbuilding contracts.

For consultants engaged after the award of shipbuilding contracts, they are also under the supervision of the GNCS, and responsible for project management including monitoring of progress, plan review of drawings, supervising vessel construction, dock trial and equipment commissioning, and sea trial and vessel delivery. The GNCS, in addition to monitoring the consultant's work, is responsible for confirmation of milestones completion and arranging payment, vessels acceptance, etc.

- (1) Which grade of officers in GNCS or in other sections of MD are responsible for preparing/vetting tender documents for procurement of vessels;

Reply: The SoS grade officers in the GNCS of the MD are responsible for the preparation/vetting of tender documents for vessel procurement.

- (m) With reference to paragraphs 2.23 and 2.24 of the Audit Report, the reasons for the slow progress in outsourcing the management of the project management work;

Reply: In October 2013, the MD obtained funding from the Transport and Housing Bureau to engage consultants from 2014-15 to 2016-17 to manage ten vessel procurement projects in order to relieve the manpower shortage of the GNCS. In recent vessel procurement projects, the MD has included the costs on project management when bidding funding for vessel procurement projects. On the latest progress of outsourcing of project management work, the MD has engaged one, two, two and nine⁵ consultancy services in 2014, 2015, 2016 and 2017 respectively. This clearly shows that although the progress in outsourcing was slow at the start, there is significant improvement after gaining experience on outsourcing in recent years.

As the outsourcing of project management of shipbuilding to help relieve the MD's manpower shortage at that time was a new frontier of work for the MD, the MD had taken some time to ascertain the market response of such consultancy services, deliberate the division of labour between consultants and the GNCS staff, and prepare the relevant consultancy briefs and selection documents for outsourcing. This explains why the outsourcing work was slow at the start.

With the experience gained from the first few outsourcing contracts, the MD has accumulated better knowledge on market response as well as developed the necessary documents for the consultant selection process. The engagement of external consultants would also need to be carefully planned to dovetail the vessel procurement cycle because it could be a consultant to help prepare the conceptual design and technical specifications of the vessel in the pre-tender stage and/or a consultant to help manage the shipbuilding work after the tender was awarded to a contractor. That said, with the manpower shortage situation improved and the backlog in procurement projects gradually cleared, it is envisaged that the need for engaging consultancy services could be reduced in future.

⁵ Including three invitations on consultancy services under evaluation.

- (n) According to paragraphs 2.28 and 2.29 of the Audit Report, discrepancies were found in the tender documents of two vessel procurement projects after invitation of tenders. As a result, one of the projects was delayed by one year. Please advise the underlying causes of the discrepancies and the measures to be taken to prevent recurrence of similar problems;

Reply: The discrepancies were caused by human error arising from the oversight of the GNCS staff responsible for preparation of the tender documents concerned. Two procurement teams have been set up under the GNCS with additional manpower resources acquired to expedite vessel procurement work. The two teams would cross-check and verify each other's work to strengthen the checking of tender documents and prevent recurrence of similar problems.

- (o) According to paragraphs 2.33 to 2.35 of the Audit Report, frequent machine failures were found in two new vessels during the warranty period from February 2015 to February 2016 and/or in the following year, resulting in downtime of 196 days and 125.5 days respectively. Please advise:
- (i) the reasons for not conducting any review of the excessive downtime of the two vessels up to August 2017;

Reply: Up to November 2017, the MD has given priority to urging the contractor to rectify the defects found and pressing the contractor to ensure the repair items would operate smoothly under their expenses, as well as instigating penalty measures on the contractor (detailed at (v) below). MD has started the review on the issue.

- (ii) did any defects in relation to the radar, navigation light and alarm recur or other new defects occur since March 2017 for the two vessels; and the downtime of the vessels since March 2017;

Reply: After the contractor had fixed the defects in March 2017, only a defect of the alarm on one vessel occurred once on 25 July 2017. Adjustment was made to the alarm panel by the manufacturer to resume the system back to normal where no downtime was involved as it did not affect the operation of the vessel.

- (iii) measures to be taken to prevent recurrence of similar problems;

Reply: To avoid the recurrence of similar incidents, the MD has taken the following measures:

- Reduction in waiting time for spare parts – the MD has enhanced the availability of essential spare parts by including the items in new shipbuilding contracts with a view to reducing the waiting time for spare parts. In addition, regular reviews on the stock level of essential

spare parts for vessels are conducted to ensure that maintenance needs can be met effectively taking into account the trend of utilisation of relevant items;

- Improvement of internal work coordination – the MD has strengthened the GNCS's monitoring on ship construction work and a checklist has been devised to ensure that all necessary items are in satisfactory condition at surveys during shipbuilding stage and vessel acceptance. A special team comprising of project surveyor and technical staff has been set up to look after the vessels under warranty; and
- Relief of manpower shortage – the MD has been engaging consultants to supervise the construction of vessels at the shipyard to ensure the quality of the design, craftsmanship and construction of the vessels with a view to relieving the manpower shortage of the GNCS.

- (iv) whether the relevant repair cost was borne by the contractor concerned after the warranty period; and

Reply: In view of the frequent machine failures of the vessels, the warranty period was extended for three months after expiry of the 12-month warranty period. The MD has subsequently agreed with the contractor that the contractor is required to step up monitoring of the condition of certain key items and bear the repair cost of such items even after the extended warranty period.

- (v) any penalty measures were instigated on the contractor concerned, such as points deduction in future tenders or barring the contractor concerned from submitting any tenders in the future;

Reply: The MD has instigated penalty measures on the contractor concerned as follows:

- (a) The warranty period for the generator was extended for three months after expiry of the original 12-month

warranty period. Under Clause 18.3 (Warranty Services) of the Conditions of Contract, the warranty services shall be provided by the contractor free of charge to the Government throughout the warranty period. The contractor was therefore required to absorb the cost incurred at the extended period.

- (b) A portion (5%) of the instalment payment was retained by the Government as retention money. According to Clause 22.5 of the Conditions of Contract and Schedule 3, the entire retention money was released recently after all the warranty items have been rectified.
- (c) A warning letter has been issued to the contractor to reiterate the relevant provisions of the tender document for the Government to exercise its rights in future award of tenders. In view of the frequent machine failure of the two vessels during the warranty period, in accordance with Clause 27 (Contractor Performance Monitoring) of the Conditions of Tender, the contractor has been reminded that its subsequent performance will be monitored and will be taken into account when its future tenders are evaluated.

Maintenance of government vessels

- (p) With reference to paragraph 3.3 of the Audit Report, the measures to be taken to improve the declining rate of vessel availability;

Reply: The measures taken by the MD include –

- setting up a special vessel inspection team in the Maintenance Section to arrange on-site inspection and maintenance at the marine bases of user departments;
- conducting weekly meetings among the Maintenance Section, the Supplies Services Unit and the team responsible for ship repair co-ordination and sea trial, etc. to plan for the maintenance work by arranging spare parts and coordinate the use of the shipyard maintenance facilities as early as possible so as to shorten the waiting time for spare parts and shipyard maintenance facilities; and
- exploring the feasibility of optimising the Government Fleet Information System to enable the MD to analyse the past trend on spare part consumption and order the required spare parts in advance so as to reduce the waiting time for spare parts.

- (q) According to paragraph 3.8 of the Audit Report, the total downtime of the four major classes of vessels increased by 24.6% from 2012 to 2016, with the average downtime per vessel increasing from 36 days in 2012 to 44 days in 2016. According to paragraph 3.9 of the Audit Report, MD said that the main reason for the increase in downtime was the ageing problem of the government vessels and with a view to counteracting the ageing effect of the vessels, such as maintaining their service speed, preventive service had been enhanced which also caused extra downtime. Please advise whether it is cost-effective to maintain vessels serving beyond their expected lifespans in this regard;

Reply: It is not desirable from value-for-money perspective to maintain vessels serving beyond their expected lifespans having regard to the extra maintenance costs to be incurred and increased downtime. However, in view of the ageing problem of the government vessels, it is a responsible move for the MD to acquire additional resources to enhance adequate preventive maintenance service to vessels serving beyond their expected lifespan to ensure that the vessels are safe to operate.

- (r) With reference to Case 3 in paragraph 3.13 of the Audit Report, a copy of initial investigation report prepared by MD on the flooding of a high-speed craft of the Hong Kong Police Force and actions to be taken to prevent recurrence of similar problems;

Reply: Subsequent to the initial investigation report conducted by the MD, instruction was given to the maintenance inspectors of the MD in conducting similar inspection of this type of vessel on 27 September 2017, including the maintenance materials to be used during preventive services. A copy of the initial investigation report prepared by the MD is attached at **Appendix J**.

- (s) With reference to paragraphs 3.17 and 3.18 of the Audit Report, the measures to be taken to enhance competition in the procurement of vessel maintenance services; and

Reply: The MD is all along committed to enhancing the competitiveness of procurement of vessel maintenance services. Starting from early 2017, a range of measures to enhance competitiveness have been introduced. For example, since early 2017, the contract periods of a total of 20 fixed-term maintenance contracts have been increased from one year to two years. So far, out of a total of 33 fixed-term service contracts, the contract periods of 26 contracts have been designated as two years. For the remaining seven fixed-term service contracts, the MD will also consider increasing their contract periods from one year or 18 months to two years.

Furthermore, taking into account market affordability and its impact on small businesses, the MD has adopted the tendering strategy of consolidating same type of maintenance service contracts as far as possible to enhance the attractiveness of the contracts to bidders.

- (t) According to paragraph 4.17 of the Audit Report, in 2016, MD commissioned a consultant to conduct a pre-feasibility study of the modernisation of the Government Dockyard. Please provide the scope, progress and expected completion date of this study.

Reply: The Electrical and Mechanical Services Department assists the MD to conduct a pre-feasibility of the modernisation of the Government Dockyard. The scope of the pre-feasibility study is to review the entire operations of the Government Dockyard and the corresponding installation including equipment, facilities, site layout, logistics and operating methods with a view to proposing and giving direction to a further feasibility study. The final report of the pre-feasibility study will propose a selection of available technology and methods of operation, facilities, logistics for the servicing, handling and storage of vessels, parts equipment and other materials and technologies for a further feasibility study.

The pre-feasibility study is at the final stage and expected to be completed in March 2018. Upon completion of the current study, the Government will embark on the feasibility study.

List of Appendices

- Appendix A:** The Government Fleet Division Circular No. 10/2008
- Appendix B:** MD038, a Minor Mechanised Vessel Type Vessel – Maintenance Log,
(from 1 Jan 2012 to 30 Nov 2017)
MD059, a Major Mechanised Vessel Type Vessel - Maintenance Log,
(from 1 Dec 2016 to 30 Nov 2017)
- Appendix C:** MP08, a High-Speed Craft (Medium Type) - Maintenance Log,
(from 1 Jan 2016 to 31 Dec 2016)
- Appendix D:** Extracts of the Audit Report No.67 Chapter 3
- Appendix E:** Correspondences with Department of Justice (Restricted to PAC Members Only)
- Appendix F:** Correspondences with Financial Services and the Treasury Bureau and Government Logistics Department
- Appendix G:** Stores and Procurement Regulations (SPR) 370 (Evaluation of Tenders)
- Appendix H:** Extracts of MD Shipbuilding Tender No. 2/2017 - Tender Evaluation
- Appendix I:** Extracts of MD Shipbuilding Tender No. 3/2015 - Tender Evaluation
- Appendix J:** Initial Investigation Report for Case 3 (redacted version)

***Note by Clerk, PAC:** *Only a sample of maintenance log is attached.
Appendices D to F not attached.*

Ref.: MDGFGR 1-125/3 (1)

GOVERNMENT FLEET DIVISION CIRCULAR NO. 10 / 2008

To: All Staff of Government Fleet Division

Rolling Plan of 5 Years on New or Replacement of Government Vessels

Government Fleet Division (GFD) is responsible for maintaining the efficient marine transport services for all Government departments. Hence, GFD would routinely examine the cost-effectiveness of existing Government fleet (GF), plan ahead for their replacement with new vessels and also liaise with GF user departments ^(Note 1) on any of their new requirements.

2. Under the role of SCOGC, Section Heads of GFD would meet routinely to review the **“Government Fleet Replacement Projection Plan for 10 Years”** with the purpose to identify any existing vessel within three to five years from the end of its expected lifespan due for replacement. On the other hand, if GF user departments find out the need with justifications for acquiring new vessels for their operation, they could also seek assistance of GFD. A **“Rolling Plan of 5 Years on New or Replacement of Government Vessels”** will be compiled by concerned sections for submission to SCOGC yearly in April or May for consideration and being updated as required.

3. In general, Maintenance Section (MS) is tasked to advise concerned GF user departments regarding the proposal on vessel(s) replacement plan based on the information from “Condition Assessment Report” of the existing vessel(s). Once the user department has decided to pursue replacement plan as suggested by MS, Government New Construction Section (GNCS) will be contacted. GNCS will then advise GF user departments on the issues of feasibility study of replacement vessel or a series of vessels or new vessels.

4. The procedures of procurement of new vessels, whether for additional needs or replacement purpose of a GF user department, are elaborated in the following.

Note 1 “GF User-department” means user-department of Government fleet or GFD maintenance programme as well as the owner-department (on behalf of the Government of HKSAR) of Government vessel(s) for which the funding for procurement of new vessel(s) and their maintenance expenditure were justified and obtained by the concerned department.

4.1. Replacement of an Existing Government Vessel

(A) Preferably, two years (usually not more than three years) before the expected life-span of an existing Government vessel is due, condition assessment report of the concerned vessel would be compiled by Maintenance Section (MS) which includes the following information:-

- (a) Assess the physical condition of the concerned vessel (hull, machinery and electrical conditions) with comments of possible shortcomings and recommendations for any rectification required for safe operation in its remaining lifespan;
- (b) Evaluate the average annual maintenance cost/expenditure of the existing vessel (to adopt last 4 years average) from information extracted from the GFIS system – These figures will be used for projecting the adequate average annual maintenance cost of the vessels for the remaining 2 to 3 years' operating life in comparison with the baseline budget vote. For proper control of expenditure of an existing vessel planned for phased out, such average annual expenditure is normally reducing towards its full lifespan for reason of keeping it at a reasonable minimum level as far as practicable.
- (c) Estimate the average annual maintenance cost/expenditure for the new vessel to cover its projected lifespan – it is required to evaluate the average annual maintenance cost/expenditure of the existing vessel being replaced covering its full lifespan, including the projected expenditure for operation till the remaining operation of 2 to 3 years indicated in above paragraph. **This average annual maintenance cost/expenditure (the mean value) denoted as \bar{X} is defined as the total cost/expenditure ^(Note II) of the vessel for full lifespan divided by number of years of its lifespan.**
- (d) The following scenarios should be derived and closely examined:-
 - (i) For situation no BLOCK VOTE non-recurrent cost has been used, the total lifespan expenditure (actual or projected) of the existing vessel minus its agreed annual maintenance expenditure budget assigned at new-building stage would be the amount of overspending (i.e under budgeted) if it is positive or vice-versa.

^{Note II} *Currently, about 10 years cost/expenditure of each vessel is available from the GFIS system which can be used for projecting its cost/expenditure covering full lifespan (i.e. 8, 15 or 20 years' lifespan for hull material of rubber/plastic, GRP/ aluminum or steel respectively). The total cost/expenditure must be presented in two parts, one part expenditure is from the baseline recurrence cost and the other part is from BLOCK VOTE non-recurrent cost (if any) to test scenarios as indicated at sub-paragraph (d) below.*

- (ii) For situation BLOCK VOTE non-recurrent cost has been used, the total lifespan expenditure of the existing vessel minus its block vote non-recurrent cost and also minus its agreed maintenance expenditure budget assigned at new-building stage would be the amount of over-spending (i.e. under-budgeted) for the existing vessel if it is positive or vice-versa.
- (iii) For the average of annual maintenance budget of the new vessel (X), the amount X to be adopted would be the average annual maintenance cost/ expenditure of the existing vessel covering its full lifespan as explained in para. 4(A)(c) above plus any topping up adjustment for any extra item or variation of design or inflation where justifiable.
- (e) For any surplus of maintenance budget or amount over-budgeted from the baseline vote of the existing vessel, we should make sure no BLOCK VOTE non-recurrent cost/expenditure amount to be surrendered as saving for the new building replacement.
- (f) Estimates of fuel and luboil consumption and expenditure are to be made for the new vessels with reference to expenditures and budget amount of the existing vessel by FOS/ ASS/ GF user department, as appropriate.

The above costing evaluation must be consulted with and vetted/endorsed by Accounts Services Section (ASS) before finalized and reported.

(B) MS would inform the concerned GF user department through a Memo (with cc copy to GNCS) enclosing with "Proposal on Vessel(s) Replacement of an existing vessel or a series of existing vessel(s)" including information of the above condition assessment report and urge for their follow up action on their intention and decision to either :-

- (a) seek replacement; or
- (b) outsource the service without replacement; or
- (c) dispose the aging vessel at an agreed date without replacement. GNCS will follow up action in liaison with GF user department, such as preparing feasibility study, funding arrangement, project specification, tendering of contract and awarding contract, building new vessel and inspection/testing and delivery as per procedure (procedural flow chart) approved by FSTB.

4.2. New Vessel

GF user departments will be required to submit full justifications for acquiring new vessel(s) for their operational needs to GNCS with the support endorsement of their respective

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Bureau. GNCS will follow up necessary action in liaison with GF user department on the intended procurement of new vessels. MS is required to give a near-estimate for the average annual maintenance cost/expenditure as baseline budget (the mean value) for the new vessel by making reference to the expenditure/cost of a similar class/type of an existing vessel with appropriate adjustment and justification. Similarly, FOS/ASS/GF user department, as appropriate, will be required to prepare estimate of fuel and luboil consumption and expenditure. GNCS will base on these figures to advise user department for appropriate funding arrangement.

4.3 Register an Existing Vessel from unknown source or direct purchase requested by a User Department

On occasions, a user department may request GFD to register an existing vessel from unknown source or direct purchase. GFD would have to request the user department to provide necessary builder information and building specification, safety and inspection document of the concerned vessel. All these documentary evidence should have satisfied comparable standards for a local vessel as required under local legislation for the purpose of a working barge, pontoon, work boat or a passenger launch appropriate to the number of carrying capacity for working crew or passengers. In addition, documentary evidence of approval (from directorate officer of concerned department) of usage, operational profile and funding for the recurrent maintenance cost of the concerned vessel from relevant department and bureau are to be submitted to SCOGC for consideration and approval. User department must be notified the necessity of inspection of the vessel in the dockyard prior to registration formality to confirm safety requirements are met and decide whether initial maintenance programme is required for the vessel before it is recommended fit for commissioning and registration.

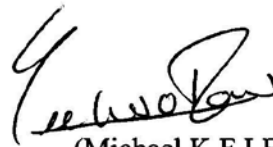
5. As a general guidance, the range of the percentage of average annual maintenance budget cost (usually expressed as a percentage of the vessel's asset cost) for a new or replacement vessel would be :-

- (a) around 2 ~ 4 % for inflatable, dinghies, LCSD's craft largely non-mechanized craft (INFL, DING and LCSN classes) at 24 months RO interval;
- (b) around 4 ~ 8 % for steel lighters (LGTR class) at 18 ~ 24 months RO interval;
- (c) around 5 ~ 12 % for mechanized vessels (MINF, LCSM, MIMC and MECV classes) of rubber/plastic, GRP, aluminum or steel hull at 12 ~ 24 months RO interval;
- (d) around 7 ~ 14 % for high speed craft (HSCL and HSCM classes) of GRP or aluminum hull at 12~ 24 months RO interval;

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and the above percentages are varying/depending on the parameters such as vessel's size, propulsion power, any peculiar type of propulsion engine(s) fitted, sophistication, its operating profile (i.e. daily running hours of propulsion system and shift arrangement (daily on-duty hours) and RO maintenance interval/period. In future when experience is gained, we may systematically compute or estimate the percentage figure based on these parameters.

6. Concerned Section Heads of GFD are required to make progress report on subject issue in the routine SCOGC meetings so that rolling plan could be updated annually or as required.



(Michael K F LEE)

General Manager, Government Dockyard

Date: 28 May 2008

c.c. File ref.: MDGRGF 1-50/ 4 (1)

A sample of maintenance log

AC001 (A) (06/98)

Government Dockyard - Marine Department

13-Dec-2017 08:43:01

Job Sheet (Audit)

Page 1 of 1

Vessel / GD Equipment : MD059 MD Launch MD59

Work Order Number : 390790



Job Type : RUNN Running Repair (RU)

Extra / Task :

Nature : MA Maintenance (PM / RU)

Team / MRC : T3 Team 3 - Dir. Vsl. Maint. (S/H 120 & 121)

GF220 No. : ME003502

Requester : T3-EI CHENG Kwok-kei

Contractor Code : KWONG SANG

Workshop :

Currency : HKD

Tender / Quotation No : TG001017

Total Cost : 769.00

P. O. Number : 310483



Activity	Trade	Trade Desc	Cost Code/ Chargeable	Warrant No/ User Code	Activity Amount
10	ELEC	Electrical (EL)	JO B34695001	B346950016603	\$ 769.00

1) Section / Part : C

Section / Part Description :

Miscellaneous Electrical Repair Items

Item No : C9

Item Description :

Miscellaneous Electrical Repair Items

Job Description :

Check and repair the starting circuit c/w fuel solenoid, battery switch and cables for one auxiliary engine. Renew the defective items and re-insulate the cables as found.

Fix Rate : \$ 769.00 x Qty : 1.00 = \$ 769.00

Refer A&C Form No. : 7929

*** End of Job Sheet ***

	Name	Date
Requester	CHENG Kwok-kei	30-Oct-2017
Recommended by	CHENG Kwok-kei	30-Oct-2017
Confirmed Recommend By	CHENG Kwok-kei	30-Oct-2017
Approved by	LEE Kin-chung (DO/H)	30-Oct-2017

CONDITIONS (Applicable to contract job only)

1. This work is genuinely urgent. 2. This work is required to be undertaken by MD Approved Contractors. 3. This price as quoted by MD Approved Contractor, is considered fair and reasonable. I certify that the above conditions have been observed.

CERTIFICATION (For Official use)

Certified that the services have been carried out to my satisfaction and the material specified on the issue Voucher(s) have been incorporated in this job. Material not required for the job and unserviceable items salvaged from the job have been returned to stores on Return Vouchers(s). Payment is in order.

Completion	14-Nov-2017
Labour Completed by	T3-EI
Certified for Payment	T3-DO/H
Completed (Overall) by	SCHEDULER

For Contractor Jobs:
Original - To be attached to Contractor invoice.
Duplicate - Retained in vessel's maintenance file.
Triplicate - Retained in file for auditing purpose.

For Workshop Jobs:
Original - Retained in vessel's maintenance file.
Duplicate - Retained in file for auditing purpose.

Electronic Form - No Signature Required

EVALUATION OF TENDERS

370. (a) Tender evaluation should normally be conducted by a TAP consisting of not less than two persons. To safeguard the integrity of government procurement exercises, the TAP should comprise only government officials. Departments should ensure that only properly qualified persons are appointed to assess technical submissions in their tender exercises. Where practicable, tender documents should be drawn up to allow assessment to be made without the TAP knowing the identity of the tenderers. For works tenders, departments should also follow the guidelines laid down in the relevant DEVB TC(W) currently in force issued by the DEVB.
- (b) The TAP shall examine tenders against the technical specifications, essential requirements, terms and conditions laid down in the notices of tender invitations and tender documents to determine whether they are fully conforming. In recommending a tender for acceptance, the department should also take into account the following in the evaluation, as appropriate —
- (i) technical and financial capability of the tenderers and their past performance records. For works contracts, the guidelines laid down in the relevant DEVB TC(W) currently in force issued by the DEVB shall be followed. For service contracts of a value exceeding \$15 million, or contracts for supply of stores which require also the provision of services of a value exceeding \$15 million, financial vetting shall be conducted of a tenderer who is being considered for the award of the contract in order to ensure that the tenderer is financially capable of fulfilling the contract requirements (see Appendix III(H));
 - (ii) timely delivery or completion;
 - (iii) compatibility with existing or planned purchases;
 - (iv) after sale support and service including maintenance and spare parts provision, warranty and/or guarantees;
 - (v) running and maintenance costs; and
 - (vi) fair market prices.

Requirements (ii)-(iv), where applicable, should be included in the tender specifications. In respect of requirement (v), departments should ask tenderers to provide an estimate of running and maintenance costs for the equipment or system supplied to enable a fair price comparison to be made.

- (c) Where prior approval has been given for the use of a marking scheme in the evaluation of tenders, TAPs shall assess the tenders according to the criteria previously endorsed by the relevant tender board or DTC. To avoid any undue influence, members of TAPs are encouraged to score the tenders individually in accordance with the marking scheme. Normally, the tender which attains the passing marks (if any) and the highest overall score under the marking scheme should be recommended. The methods for evaluating technical and price proposals are set out at Appendix III(G).
- (d) In normal circumstances, departments shall determine the ranking of the tenders received according to the original tender prices or the adjusted tender prices made in accordance with SPR 365(i), or the overall scores they have attained when a marking scheme is used in tender evaluation. Where price negotiations are undertaken under SPR 385, departments shall use the negotiated prices to determine the ranking of the tenders or their price scores. Departments may only consider other proposals on discounts by a tenderer if his tender is recommended for acceptance.
- (e) Any negotiation with a tenderer shall be undertaken in accordance with SPR 385. Such negotiations may also be used to seek resolution of any qualification or counterproposal put forward by a tenderer and if the qualification seeks to reduce the tenderer's risk or to construct payment terms which are more to his advantage, departments should seek a corresponding adjustment in the tender price before formally recommending the tender for acceptance.
- (f) In recommending the acceptance of a tender to a tender board or DTC, departments shall have value for money in mind. If the tendered sums are very close or if the contract to be awarded involves payments over a number of years, e.g. interim payments to the contractor, the department shall compare the tenders by discounting future payments to obtain the present value. The present value of the tendered sum should prevail in determining the ranking of tenders. In assessing the present values of tenders, departments may approach the Management Accounting Division (MA Division) of Financial Services and the Treasury Bureau (The Treasury Branch) (FSTB) for advice.

- (g) If none of the tenders received is fully conforming with the technical specifications, essential requirements, terms and conditions laid down in the tender document and/or attains the passing marks (if any) of the marking scheme, departments shall cancel the tender exercise (see SPR 380(e)) and re-tender with revised specifications, essential requirements, terms and conditions, where applicable. If exceptionally departments wish to recommend a non-conforming tender, they shall state clearly in the tender report any deviation of the recommended tender from the specifications, essential requirements, terms and conditions laid down in the tender document, the assessment criteria under the marking scheme, and the reasons for so recommending. As a general practice, departments should clear their tender recommendations with the D of J, or in the case of works tenders, LAD(W)/DEVB if they wish to recommend a non-conforming tender. A copy of the relevant legal advice should be attached to the tender report for relevant tender board or DTC's reference.

TENDER REPORTS

375. (a) Departments shall prepare a tender report containing a clear recommendation in the standard format as at Appendix III(I). Tender reports for consideration by the CTB and subsidiary tender boards must be signed or endorsed by the Head of Department concerned or his representative at directorate level. Tender reports for consideration by DTCs should be signed by the chairman of TAP of the procuring department. For submissions to the tender boards, the originals of the tenders received should be submitted together with the tender report to the tender board as follows —
- (i) when the ranking of tenders is based on the tendered prices, i.e. no marking scheme is used in tender evaluation —
- if the recommended tender is the lowest (highest for revenue contracts), only the three lowest (highest) tenders should be submitted. If the recommended tender is not the lowest (highest for revenue contracts), the lower (higher) tenders, the recommended tender and the next two higher (lower) tenders should be submitted; or
- (ii) when the ranking of tenders is based on the overall scores, i.e. a marking scheme is used in tender evaluation —
- if the recommended tender is the highest overall scorer, only the tenders of the three highest overall scorers should be submitted. If the recommended tender is not the highest overall scorer, the tenders of the higher scorers, the recommended tender and the tenders of the next two lower overall scorers should be submitted.

Annex A – Tender Evaluation

Without prejudice and in addition to the powers of the Government under the Tender Documents to disqualify a Tenderer, tenders submitted in response to this Invitation to Tender will be evaluated in the following manner:

(a) Price Assessment

- (i) The tenders will be checked to identify the Tenderer which has submitted the lowest Total Purchase Price among all Tenderers.
- (ii) The Tenderer which has submitted the lowest Total Purchase Price will proceed to the assessment mentioned in Paragraphs (b) and (c) below.

(b) Completeness Check

A completeness check will be conducted by checking whether the Tenderer's tender has been submitted in accordance with the requirements stipulated in the Tender Documents. If a Tenderer fails to submit any of the documents stipulated in Paragraph (a) of Annex B to this Part (Information / Documents to be Submitted for Tender Evaluation) before the Tender Closing Date, its tender **will not be considered further**.

(c) Assessment of Compliance with Essential Requirements

- (i) A tender will be checked for its compliance with the Essential Requirements as detailed in the Tender Documents.
- (ii) Any tender which fails to meet any of the Essential Requirements (viz., those set out in Annex C to this Part, those identified as such in Part VII and in any other parts of the Tender Documents) **will not be considered further**.
- (iii) Besides the Essential Requirements, the Government may also exercise all or any of its rights and powers to not consider a Tenderer's tender further under all or any of the applicable provision of the Tender Documents. Where the Government does so under any such applicable provision, the Tenderer's tender will not be considered further.

Award

The Tenderer which has quoted the lowest Total Purchase Price amongst all Tenderers, and which has passed the assessment mentioned in Paragraphs (b) and (c) above will normally be recommended for acceptance. If the Tenderer has failed the assessment mentioned in Paragraph (b) or (c) above, the next Tenderer who has quoted the lowest Total Purchase Price will undergo the assessment mentioned in Paragraphs (b) and (c) above. This shall be done until a recommended Tenderer is identified (if any).

Annex A – Tender Evaluation

Without prejudice and in addition to the powers of the Government under the Tender Documents to disqualify a Tenderer, tenders submitted in response to this Invitation to Tender will be evaluated in the following manner:

Stage 1 - Price Assessment

- 1) The tenders will be checked to identify the Tenderer which has submitted the lowest Total Purchase Price among all Tenderers.
- 2) The Tenderer which has submitted the lowest Total Purchase Price will proceed to Stage 2 and Stage 3.

Stage 2 – Completeness Check for Technical Proposal and Statement of Compliance Check

- 1) The Tenderer's Technical Proposal will be checked for its completeness as per Annex B to this Part (Checklist for the Completeness of Documents Submitted for Tender Evaluation).
- 2) In addition, the Tenderer will be checked whether it has confirmed in Schedule 5 compliance with all requirements in Part VII (regardless of whether they are labelled as [E] or not). If the Tenderer has indicated non-compliance with any such requirements, the Tenderer will be disqualified (subject to any clarification which may be made in the manner as mentioned in Clause 5.3 of the Conditions of Tender).
- 3) Even if the Tenderer has indicated compliance with all requirements in Part VII, the Tenderer may still be disqualified in the manner specified in Clause 17.7 of the Conditions of Tender.
- 4) If the Tenderer has passed the completeness check as mentioned above, has confirmed compliance with all requirements in Schedule 5 (after all clarification if any), and there is no counter-proposal or other information which could lead to its disqualification under Clause 17.7 of the Conditions of Tender, it will proceed to Stage 3 below. If otherwise, its tender will not be considered further.

Stage 3 – Assessment of Compliance with Essential Requirements

- 1) The Tenderer which has passed Stage 1 will be checked to verify its compliance with all the Essential Requirements (viz., those set out in Annex C to this Part, and those identified as such in Part VII).
- 2) If the Tenderer fails to meet any of the Essential Requirements, its tender will not be considered further.

Award

- 1) The Tenderer which has quoted the lowest Total Purchase Price amongst all Tenderers, and which has passed Stages 2 and 3 will be identified as the successful Tenderer and will normally be recommended for acceptance. If the Tenderer has failed Stage 2 or Stage 3, the next Tenderer who has quoted the lowest Total Purchase Price will undergo Stages 2 and 3. This shall be done until a successful Tenderer is identified (if any).

Investigation Report

of Police Vessel Flooding on 30 June 2017

1. Brief of the Accident

On 30 June 2017, the Police vessel was found submerged at the aft part at

base during Police stand-by duties and the case was reported to Maintenance Section (MS) of Government Dockyard (GD).

and was later towed back to GD for urgent slipping-on arrangement the same day. The following picture shows the flooded condition of the vessel while the accident happened.



The Accident First Report (**Appendix 1**) (according to the requirement of GFDC 16/2013) was submitted to GD pending the detailed investigation of the case. The MS subsequently contacted with of Police for following up their submission of the detailed investigation of the accident by email on 20 July 2017 and 8 Sep 2017.

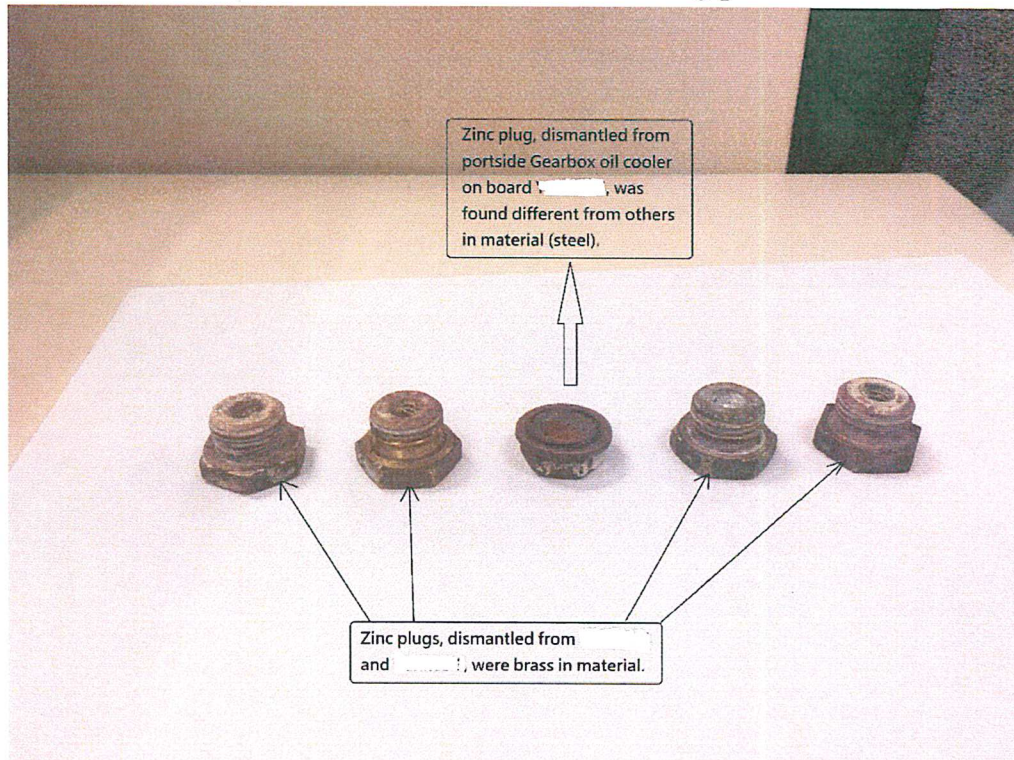
2. Maintenance Background

According to the maintenance record, the vessel had been arranged for Preventive Service in GD during 27 Mar 2017 to 2 May 2017, where both engines were removed out for servicing, outdrives were dismantled for repair and hull & fenders were maintained as required, etc. All the items on the vessel inspection check-list (**Appendix 2**) were checked,

inspected and / or function tested in order, including the engine room bilge pumps, level sensors and control systems, etc. prior to returning her to for operation.

3. Analysis on the Root Cause for Water Ingress

After the vessel returned to GD, detailed check and inspection on board the vessel was carried out. It was believed that the failure of the zinc plug of oil cooler of the starboard side propulsion gearbox contributed to the water ingress in the engine compartment due to heavy corrosion. As the failed plug, the MS had to check the same plug of oil cooler of the port side propulsion gearbox of and compared it with the plugs of her sister vessels, i.e. and , as shown in following picture.



4. Preventive measures

From the above case review, it was concluded that the same or similar plugs on oil coolers of gearboxes on board all concerned government vessels should be specified and included in the maintenance specification (including material requirement) as well as the chemical cleaning and hydraulic test for the tube stacks of the oil cooler from now onwards as a preventive measures.

5. Engine Room Bilge System

The engine compartment of was equipped with two bilge switches (the primary bilge switch and secondary bilge switch), electrical bilge pump and hand bilge pump. The primary bilge switch would automatically activate the electrical bilge pump to pump out the bilge water in the engine compartment if the switch detects the bilge water level and the electrical bilge pump is on 'AUTO' mode. Certainly, the electrical bilge pump can also be operated manually when the vessel operator deems necessary. The secondary bilge switch will activate the alarm with light and sound when the bilge water level in engine compartment gets higher. **Appendix 3** and **Appendix 4** are the illustration and diagram of the bilge system in engine compartment on board for easy reference.

6. Old Parts Function Test

To investigate whether the bilge switch, bilge pump and the bilge light and sound alarms could be a cause to the flooding of , and as a preventive measure on her sister vessels if deem necessary. On 7 September 2017, MS conducted a function test on the two bilge switches, and the electrical bilge pump which were removed from during the subsequent recovery repair of the vessel in GD, by connecting them to the vessel's electrical cable and control panel. The attached video attached below shows that both the bilge switches and electrical bilge pump were in normal working condition. Meanwhile, the engine compartment bilge alarm, i.e. sound and light, were automatically activated during the test where the water level was detected by the secondary bilge switch.



VID_20170907_170528.mp4

Maintenance Section
Government Dockyard
Marine Department
12 September 2017

ACCIDENT FIRST REPORT (意外報告)

To be first report of accident to, or damage caused by any Government vessel To be treated as URGENT and rendered as soon as possible after the accident and within 24 hours.

(此意外報告須於意外發生二十四小時內填寫)

From : Commissioner of Police	To : Director of Marine
Ref. :	:
Tel. :	Fax :
Fax :	c.c. :
Date : 2017-07-05	:

Part I Particular of Accident

- 1 Time and date of accident
(意外發生時間及日期) 0645 hours on 2017-06-30
- 2 Position (位置)
- 3 Name of Government Vessel(s) involved
(有關船隻名稱)
- 4 Name and service number of Government Vessel's Coxswain (船長名字和編號)
- 5 Name of any witness(es)
(現場目擊者名字) N/A
- 6 Estimate damage of Government Vessel(s)
(現場政府船隻損毀情況) Ingress of water into engine, steering battery and cockpit compartments.
- 7 Estimate damage of Government Vessel(s)
(其他船隻或物品損毀情況) N/A
- 8 Casualty (傷亡) None
- 9 Brief report of Accident with sketch plan
(意外簡報附位置圖)

On 2017-06-30 at 0645 hours craft were engaged in operational stand by duties. The craft in a high state of readiness were ready to be deployed to support the operation. was lying alongside when at 0645 hours she was found to have sustained serious flooding of the engine, battery, steering and cockpit compartments with the stern of the craft submerged. Actions were immediately initiated to pump out water from the flooded compartments of . When the water had been expelled was towed back to GD arriving at 1050 hours awaiting inspection from the Mechanical Inspectors of the Maintenance Section.

10 Weather Condition at time of Accident Wind South force 1-2, Visibility 10-15km
(事發時的天氣情況) Clear skies with a few showers, 28°C

Signature : _____ Rank and Name : _____
(簽署) (姓名和職級)
Date : 2017-07-05 Section / : _____
(日期) Department : Hong Kong Police
(組別 / 部門)

Part II Brief Report of Investigation

Craft were standing by at the _____ in a state
of immediate readiness for a security operation . _____ was found to be flooded in a semi
submerged condition at 0645 hours on 2017-06-30 whilst berthed at _____

Base. The cause of the flooding remains to be investigated but water
ingressed into the boat engine, battery, steering and cockpit compartments causing the stern of
to be partially submerged.

The flooded compartments of _____ were then pumped out. _____ was towed back to the
Government Dockyard at 1050 hours to be hoisted up and inspected for the cause of the
flooding.

Signature : _____ Name : _____
Date : 2017-07-05 Post : _____
Section / Department : Hong Kong Police

Part III Comments by Section / Unit Head

The craft are ageing vessels in use since 2004. It was fortunate that the water ingress was spotted before the had taken on more water, which would have resulted in her sinking completely. The causes of the flooding of are unknown and will need to be investigated. As the Boat fleet reaches the end of its operational life it is essential that all inspections and routine maintenance are carefully conducted to ensure the watertight integrity of the vessels are maintained in order for the to remain viable.

Signature : _____

Name : _____

Date : 2017-07-05

Post : _____

Section / Department : Hong Kong Police



Government Fleet Division - Government Dockyard

Vessel Name:

User Department:

Last Inspection: 6 Jan 2016

Date of Inspection: 27 March to 2 May 2017

	Duration : 12 Months	Yes	Inspected by
A	Hull and Deck Fittings		
1.	Hull External Inspection	<input checked="" type="checkbox"/>	
2.	Hull Internal Inspection (including void space whenever readily accessible)	<input checked="" type="checkbox"/>	
3.	Coating on Hull and Decks (External)	<input checked="" type="checkbox"/>	
4.	Closing Appliances on Deck	<input checked="" type="checkbox"/>	
5.	Bilge Piping	<input checked="" type="checkbox"/>	
6.	Fendering System	<input checked="" type="checkbox"/>	
7.	Watertight Bulkhead Visual Inspection (whenever readily accessible without removal of obstructions)	<input checked="" type="checkbox"/>	
B	Machinery Installation		
1.	Main Engines Servicing (i.e. according to manufacturer's manual) <i>Remove for engine check servicing and refit.</i>	<input checked="" type="checkbox"/>	
2.	Engine Exhaust Piping System	<input checked="" type="checkbox"/>	
3.	Fuel Oil Delivery and Piping System(s)	<input checked="" type="checkbox"/>	
4.	Filter cartridges / Elements	<input checked="" type="checkbox"/>	
5.	Heat-exchangers and after coolers (open-up) <i>as mentioned in above B.1.</i>	<input checked="" type="checkbox"/>	
6.	Analysis Engine L.O. sample	<input checked="" type="checkbox"/>	
7.	Engine mountings and vibration dampers	<input checked="" type="checkbox"/>	

8.	Gearboxes Servicing <i>(change oil & clean filter; where tube stack of oil coolers cleaned / hyd. test for leak)</i>	<input checked="" type="checkbox"/>	
9.	Bilge Hand Pump	<input checked="" type="checkbox"/>	
10.	Portable Fire Extinguishers <i>serviced by MFR</i>	<input checked="" type="checkbox"/>	
11.	Outdrives Servicing (for)	<input checked="" type="checkbox"/>	
12.	Tailshafts and Propellers (for)	<input checked="" type="checkbox"/>	
13.	Rudders and Rudder Stocks	<input checked="" type="checkbox"/>	
14.	Fire Smothering System of Engine Room <i>CO2 Bottle examination by H&M; control linkages & gas pipe by W/C</i>	<input checked="" type="checkbox"/>	
15.	Sea Water piping system, including Valve, Strainer and Piping of Auxiliary Engines <i>Propulsion</i>	<input checked="" type="checkbox"/>	
16.	Steering System <i>verified in sea trial d.d. 2/5/17</i>	<input checked="" type="checkbox"/>	
17.	Watertight Bulkhead Visual Inspection (whenever readily accessible without removal of obstructions) <i>for penetration pieces of mech. means / etc.</i>	<input checked="" type="checkbox"/>	
C	Electrical Installation		
1.	Navigation Lights and Sound System	<input checked="" type="checkbox"/>	
2.	Insulation Test of Electrical Circuits	<input checked="" type="checkbox"/>	
3.	Meters on Main Switch Board	<input checked="" type="checkbox"/>	
4.	Main Engine Control System	<input checked="" type="checkbox"/>	
5.	Ventilation Fans and Control System	<input checked="" type="checkbox"/>	
6.	Bilge Pumps, Level Sensors and Control System	<input checked="" type="checkbox"/>	
7.	Gearboxes Control System	<input checked="" type="checkbox"/>	
8.	Fire Alarm Test	<input checked="" type="checkbox"/>	

9.	Remove batteries from vessel to check condition and re-install on board.	<input checked="" type="checkbox"/>	
10.	Watertight Bulkhead Visual Inspection (whenever readily accessible without removal of obstructions)	<input checked="" type="checkbox"/>	

/ DOM

/ MM(E)

/ SMM

11 SEP 2017

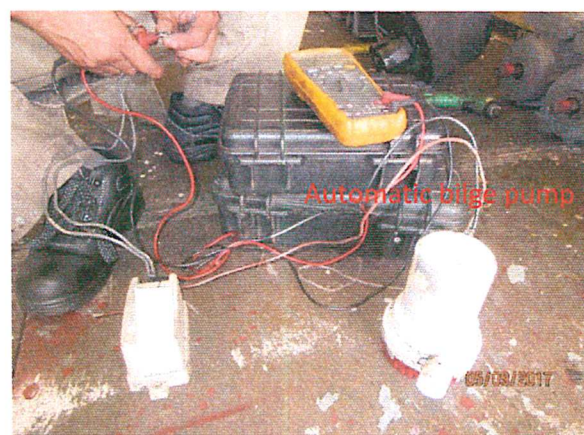
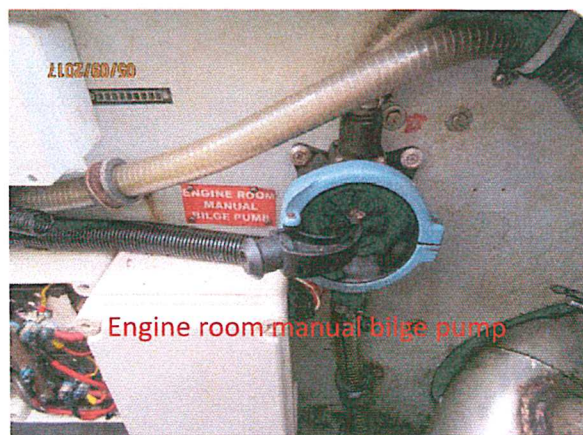
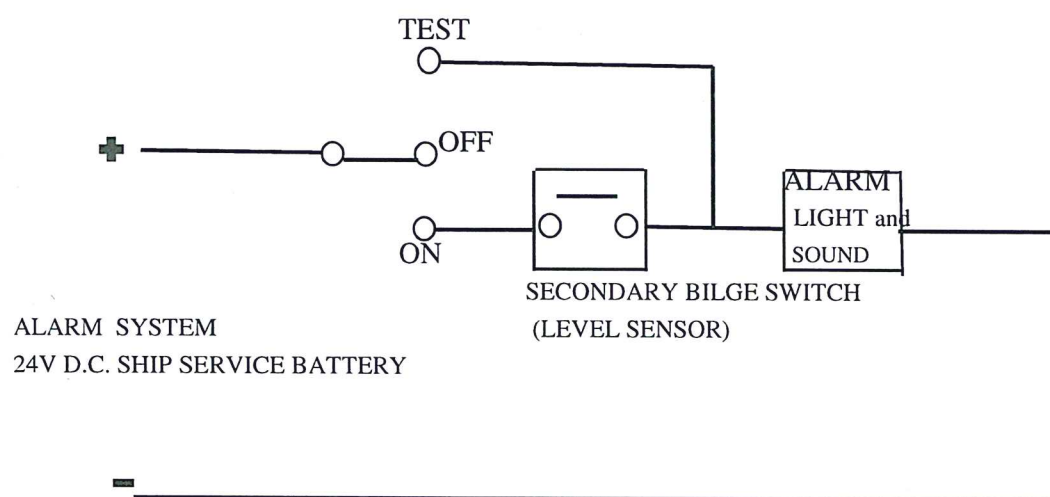
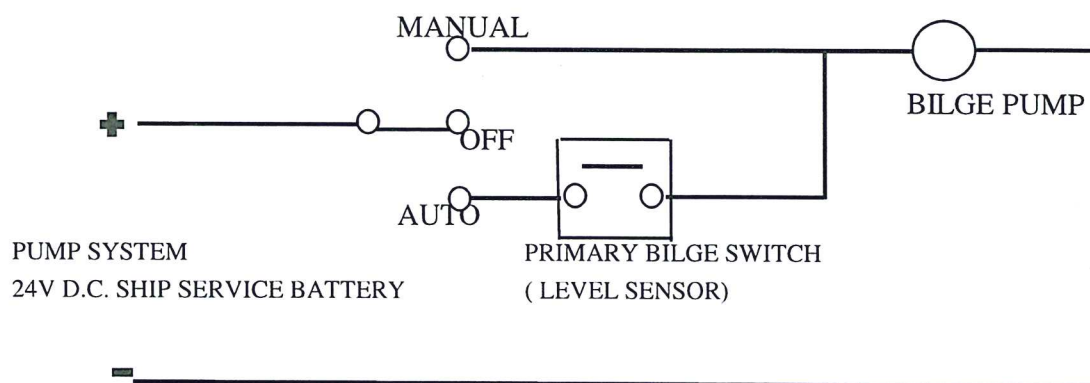


Illustration of bilge system in engine room of



FOR ENGINE ROOM AND RUDDER CABIN

BILGE SYSTEM

財 經 事 務 及 庫 務 局
(庫 務 科)



FINANCIAL SERVICES AND
THE TREASURY BUREAU
(The Treasury Branch)

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本函檔號 Our Ref. : L/M(6) to TsyB T 00/810-6/71/0
來函檔號 Your Ref. : CB4/PAC/R69

By fax and email
21 December 2017

Mr Anthony Chu
Clerk to Public Accounts Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
[email address: ahychu@legco.gov.hk]

Dear Mr Chu,

Chapter 2 of the Director of Audit's Report No. 69

Procurement and maintenance of government vessels

Thank you for your letter dated 12 December 2017 to Secretary for Financial Services and the Treasury.

At your request, I attach a copy of the Circular Memorandum No. 8/2014 issued by the Financial Services and the Treasury Bureau in August 2014 ("FSTBCM No. 8/2014") at **Annex I** (only English version is available).

FSTBCM No. 8/2014 reminds procuring departments to critically review the need and continued need for the adoption of marking schemes and avoid any excessive use. As stated in the Marine Department ("MD")'s tender reports in respect of new vessel construction projects submitted to the Central Tender Board since 2016, it has stopped using a marking scheme for tender evaluation. Instead, we note that MD has specified the more important requirements originally assessed in the relevant standard marking scheme (e.g. tenderers' relevant past experience and vessels' technical specifications) as

“essential requirements” to ensure the quality of the procured vessels. Non-compliance with these essential requirements will render the tenders non-conforming. We trust that it is MD’s conscious decision to cease adopting a marking scheme for this type of procurement after considering the department’s operational need and the pros and cons involved, in line with the guidelines set out in FSTBCM No. 8/2014. At the same time, we note that MD has continued to use marking schemes in tenders for the provision of marine cleansing services in 2016 and 2017. We respect MD’s decision as each procurement exercise ventures to meet specific needs of the department.

Government procurement is a means to obtaining goods or services in support of government programmes and activities. As procurement is conducted to meet departments’ operational needs, procuring departments are responsible for formulating their procurement plan and tendering strategy, including whether a marking scheme should be adopted. In general, a marking scheme is used when price is not the sole consideration and the quality of the goods/services procured is an important consideration. If a procuring department decides to adopt a marking scheme in a tender exercise, it should have user-friendliness in mind and avoid lengthy or overly complicated design of the marking scheme as set out in FSTBCM No. 8/2014.

I attach two samples of marking scheme that are considered disproportionately detailed and lengthy having regard to their estimated contract values (both under \$50 million) at **Annexes II and III** (only English version is available). They have 17 – 21 pages, with 14 assessment criteria/ sub-criteria each. In line with FSTBCM No. 8/2014, the departments concerned subsequently simplified the marking schemes to nine to 11 pages, and reduced the assessment criteria/ sub-criteria to eight to ten respectively in 2015 and 2016.

I should be grateful if you could relay the above information to Members of the Public Accounts Committee for reference.

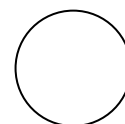
Yours sincerely,



(Miss Pat Chung)
for Secretary for Financial Services
and the Treasury

***Note by Clerk, PAC:** *Annexes II and III not attached.*

c.c. Secretary for Transport and Housing (fax no.: 2523 9187)
Director of Marine (fax no.: 2850 8810)
Director of Audit (fax no.: 2583 9063)



FSTBCM No. 8/2014

MEMO

<p><i>From</i> Secretary for Financial Services and the Treasury</p> <p><i>Ref.</i> in TsyB T 00/810-6/33/0 Pt 5</p> <p><i>Tel. No.</i> 2810 2540</p> <p><i>Fax No.</i> 2596 0729 <i>Total Pages :</i> 7</p> <p><i>Date</i> 4 August 2014</p>	<p><i>To</i> Directors of Bureaux and Controlling Officers</p> <p><i>(Attn :</i> _____)</p> <p><i>Your Ref.</i> _____</p> <p><i>Dated</i> _____ <i>Fax No.</i> _____</p>
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Keeping Tender Documentation Simple

Purpose

Further to Financial Circular No. 4/2013 entitled “Streamlining Procurement Procedures” promulgated on 27 June 2013, this memo reminds procuring departments to avoid excessive use of marking schemes and offers guidelines on how to avoid tender documentation becoming overly burdensome – for procuring departments as much as tenderers.

Current inadequacies

2. Stores and Procurement Regulation (SPR) 350(h) allows procuring departments to adopt marking schemes in tender evaluation for the procurement of goods or services where **quality** (rather than price alone) is of paramount importance. While the use of marking schemes is permissible, we are concerned that the evaluation criteria and evaluation basis in many marking schemes are getting disproportionately detailed and lengthy, **delaying** the tender preparation work of departments, **discouraging** new operators especially small and medium enterprises with no tendering expert support from bidding, **inhibiting** competition, **without necessarily improving the quality of the goods and services procured**. Streamlining is called for.

Measures

(A) *Critically review the need to adopt marking schemes*

3. The use of marking schemes in tender evaluation is not the only means to secure better quality for the goods and services procured. Setting clear and attainable quality-based tender specifications, cutting excessive “essential requirements” especially those at risk of protecting the interest of incumbents, and

proactive marketing of tenders which repeatedly attracted only one or two bidders are often more direct and effective for promoting real competition. In fact, some 70 – 80% of contracts with marking schemes approved by the Central Tender Board (CTB) and the Government Logistics Department Tender Board (GLDTB) between January 2012 and May 2014 were ultimately awarded to bidders with the lowest price offered. It is debatable whether the use of marking schemes *per se* has offered extra safeguard to the quality of the tender returns in these cases.

4. Procuring departments should critically review the need and continued need for the adoption of marking schemes in tender evaluation. This is especially the case for low value procurement not exceeding \$5 million under the purview of Departmental Tender Committees (DTCs).

(B) Keep marking schemes simple

5. Where the use of marking schemes is justified, the evaluation criteria and length of the entire section including the evaluation basis should be streamlined, as follows –

Value per Contract	Use of Marking Scheme
≤ \$5 million	Discouraged
> \$5 million and ≤ \$100 million	10 - 10 guideline
> \$100 million plus complex requirements	20 - 20 guideline

6. Under the **10 - 10 guideline**, the marking scheme proper (excluding appendices) should comprise not more than ten assessment criteria/sub-criteria and ten pages. The **20 - 20 guideline** allows 20 assessment criteria/sub-criteria within 20 pages.

7. CTB and GLDTB will expect strict observance of these guidelines; exceptions may be allowed but must be justified. We are not specifying font size, line spacing or other detailed requirements because the guidelines are meant to help rather than enslave departments.

(C) Limit the length of tender submissions

8. To make the government tendering experience less user-unfriendly and speed up tender evaluation, we would invite departments to –

- (a) **shorten and simplify** the tender invitation documents for all non-works contracts; and
- (b) **consider imposing a page limit** on the length of tender returns. Depending on the complexity of the goods or services to be procured, tender returns (excluding the original tender documents and supporting documentary proof) should preferably be contained as follows –

Nature of Tender	Page Limits on Tender Returns
Non-complicated, standard or low-valued (below \$50 million in this context) cases	≤ 50 pages
Complicated cases or cases involving higher value	≤ 100 pages
Highly complicated cases	≤ 200 pages

NB : Pages in A4 size

9. We would defer to procuring departments to decide whether to impose an upper limit for tender returns and if so, what that page limit should be **provided** the Controlling Officer (or designate) is satisfied that –

- (a) the overriding principles of keeping tender requirements **simple** and **clear** and keeping the tendering process **less user-unfriendly** are observed; and
- (b) the exact page limit to be set by the procuring department is **commensurate with** the overall complexity of the tender concerned.

(D) Avoid common pitfalls in designing marking schemes

10. Procuring departments are reminded to avoid some common pitfalls in designing marking schemes –

- _____
- (a) **Tenderer's experience** – if joint ventures (JVs) are not common in the market for the types of goods or services under acquisition, there is no need to specify complicated rules for counting a JV tenderer's experience. Our memorandum of 5 October 2012 at the Annex is relevant.
 - (b) **Qualification and experience of proposed key personnel** – the number of key personnel to be assessed in a marking scheme should be kept to the minimum. For instance, the full-time top management of a property management services contract would be “key”, but not the entire team of property attendants. Alternatively, procuring departments may actually impose the minimum qualification and experience requirements of the key personnel as contract requirements and remove the relevant assessment criteria/sub-criteria from the marking scheme.
 - (c) **Management / work / quality assurance / contingency plans** – when inviting tenderers to submit various plans to facilitate evaluation, procuring departments should be realistic, limit the types of plans sought and the details sought for each plan to the minimum necessary, and consider imposing a page limit to reflect the expected level of detail. It is more important for tenderers to deliver quality goods or services than for them to deliver quality tender portfolios. Since tender submissions are meant to be binding after contract award, procuring departments should ensure that the level of detail sought is not disproportionate with the resources available for contract management.

11. For a tender exercise involving more than one contract and restrictions on the number of contracts to be awarded to a contractor at any one time, procuring departments would normally recommend the award of contracts on the basis of a tender combination that is least costly to the Government (**the least costly approach**). However, it might not be cost-effective in applying the least costly approach in all circumstances. In a recent tender exercise involving ten contracts and 58 conforming tenders from six tenderers, the procuring department had spent enormous efforts and time in working out over 100 000 combinations to identify the one that was least costly to the Government. To avoid similar complications, please consider –

- (a) **staggering** the contract start and end dates with a view to minimising the chance of similar contracts being dominated by one single contractor at any point in time; and

- (b) **simplifying** the tender acceptance rule (e.g. pre-setting the priority of contracts to be awarded based on the contract value) where necessary, and seeking the prior approval of the relevant tender board or DTC, as appropriate, for use of the pre-determined tender acceptance rule instead of the least costly approach in a tender exercise.

(E) *Standardise marking schemes for contracts of similar nature*

12. Procuring departments should review the number of marking schemes in the pipeline which require the prior approval of the relevant tender board or DTC, as appropriate, and standardise those for contracts of similar nature (e.g. security, cleansing, facility management, IT maintenance, technical support services in different venues or facilities).

Implementation

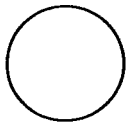
13. The guidelines apply to all tender exercises which fall within the purview of CTB, GLDTB or DTC. They do not apply to works tenders and consultants selection exercises. Marking schemes that have been approved for on-going tender exercises and standard marking schemes approved by CTB, GLDTB or DTC before the issue of this memorandum are **not** affected.

14. In the light of operational feedback, we may incorporate the new guidelines into SPR.

15. Enquiries on this memorandum may be directed to Principal Executive Officer (Tender) at 2810 2257, Treasury Officer (Tender)² at 2810 2518 or Chief Supplies Officer (Procurement Administration) of the Government Logistics Department at 2231 5232.



(Ms Elizabeth Tse)
for Secretary for Financial Services
and the Treasury



M E M O

<p><i>From</i> Secretary for Financial Services and the Treasury</p> <p><i>Ref.</i> (11) in TsyB T 00/810-6/45/0 Pt 2</p> <p><i>Tel. No.</i> 2810 2257</p> <p><i>Fax No.</i> 2523 5722 <i>Total Pages :</i> 2</p> <p><i>Date</i> 5 October 2012</p>	<p><i>To</i> Controlling Officers</p> <p><i>(Attn :</i> _____ <i>)</i></p> <p><i>Your Ref.</i> _____</p> <p><i>Dated</i> _____ <i>Fax No.</i> _____</p>
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Tenders for Contracts involving Joint Ventures

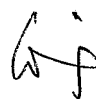
This memorandum draws your attention to the factors that need to be taken into account in the design of tender documents and marking schemes if joint ventures (“JVs”) are accepted in tenders for government procurement.

2. The Central Tender Board noted at a meeting that while a procuring department was prepared to accept JVs in its tender exercise for a service contract, the specific form of JV to be accepted had not been spelt out clearly in the tender document and the marking scheme for the tender exercise had not been designed in such a way enabling the qualification, experience and past performance of JVs to be assessed if JV tenders were received. This might render the procuring department unable to proceed with the tender assessment in an open and fair manner and/or lead to disputes from the JV tenderers or abortion of the tender exercise.

3. While JVs are common in tenders for works projects and information technology systems for reasons such as need for pooling of different expertise and resources, bureaux/departments should consciously consider from the operational perspective in each case as to whether it is desirable to allow JVs to participate in their tender exercises, particularly those for service contracts which are relatively straight-forward in nature. If a bureau/department decides to accept JVs in its tenders, it should ensure that the tender document, the marking scheme (if any) and the related financial vetting requirements have incorporated suitable provisions to cater for different scenarios of JVs. To this end, bureaux/departments may draw reference to the Technical Circulars (Works) (“TCW”) issued by the then Environment, Transport and Works Bureau (“ETWB”) including ETWB TCW Nos. 50/2002

and 8/2004 (both available on the Development Bureau's website) in which arrangements related to JVs, including the rules for counting the qualification, experience and past performance of JV tenderers, the special conditions of tender, the form of JV Guarantee for incorporated JV, the Articles of Agreement for unincorporated JV, etc. are set out in detail.

4. For further enquiries on this memorandum, please contact Treasury Officer (Tender)2 at 2810 2518.



(Miss Winky Wong)

for Secretary for Financial Services and the Treasury

海 事 處

政府船塢
香港九龍深水埗
昂船洲昂船路



MARINE DEPARTMENT

Government Dockyard
Ngong Shung Road,
Stonecutters Island
Sham Shui Po, Kowloon

網 站 Web Site: <http://www.mardep.gov.hk>
電 郵 Email: gnc@mardep.gov.hk
來件檔號 Your Ref.: CB4/PAC/R69
本處檔號 Our Ref.: MDGFGR1-145/
電 話 Tel.: (852) 2307 3600
電 傳 Fax. No.: (852) 2307 3578

1 December 2017
(By fax: 2543 9197 and by email)

Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

(Attn : Mr Anthony CHU)

Dear Mr CHU,

Public Accounts Committee
Consideration of Chapter 2 of the Director of Audit's Report No. 69
Procurement and maintenance of government vessels

Thank you for your letter of 27 November 2017 to the Director of Marine which I am authorized to reply.

Please find attached a copy of the standard marking schemes for assessing tenders of vessel procurement projects as at December 2009 (Appendix I) and the revised marking scheme as mentioned in paragraphs 2.12 and 2.13 of the Audit Report (Appendix II) for the Public Accounts Committee's information.

For the changes that had been made to the revised marking scheme, they are briefly highlighted below for ease of reference -

(a) Price-to-Quality Weighting

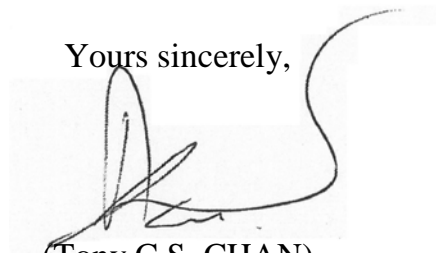
Having regard to the value for money considerations, the price-to-quality weighting ratio was changed from 60 : 40 to 70 : 30 in the revised marking scheme.

(b) Assessment Criteria

The assessment criteria on quality elements were customized for the tender requirements in the revised marking scheme, and included explanatory notes for the respective assessment items for the sake of clarity.

Should you require further information, please contact the undersigned at 2307 3600 or Mr M.Y. CHAN, General Manager/Government Dockyard at 2307 3602.

Yours sincerely,

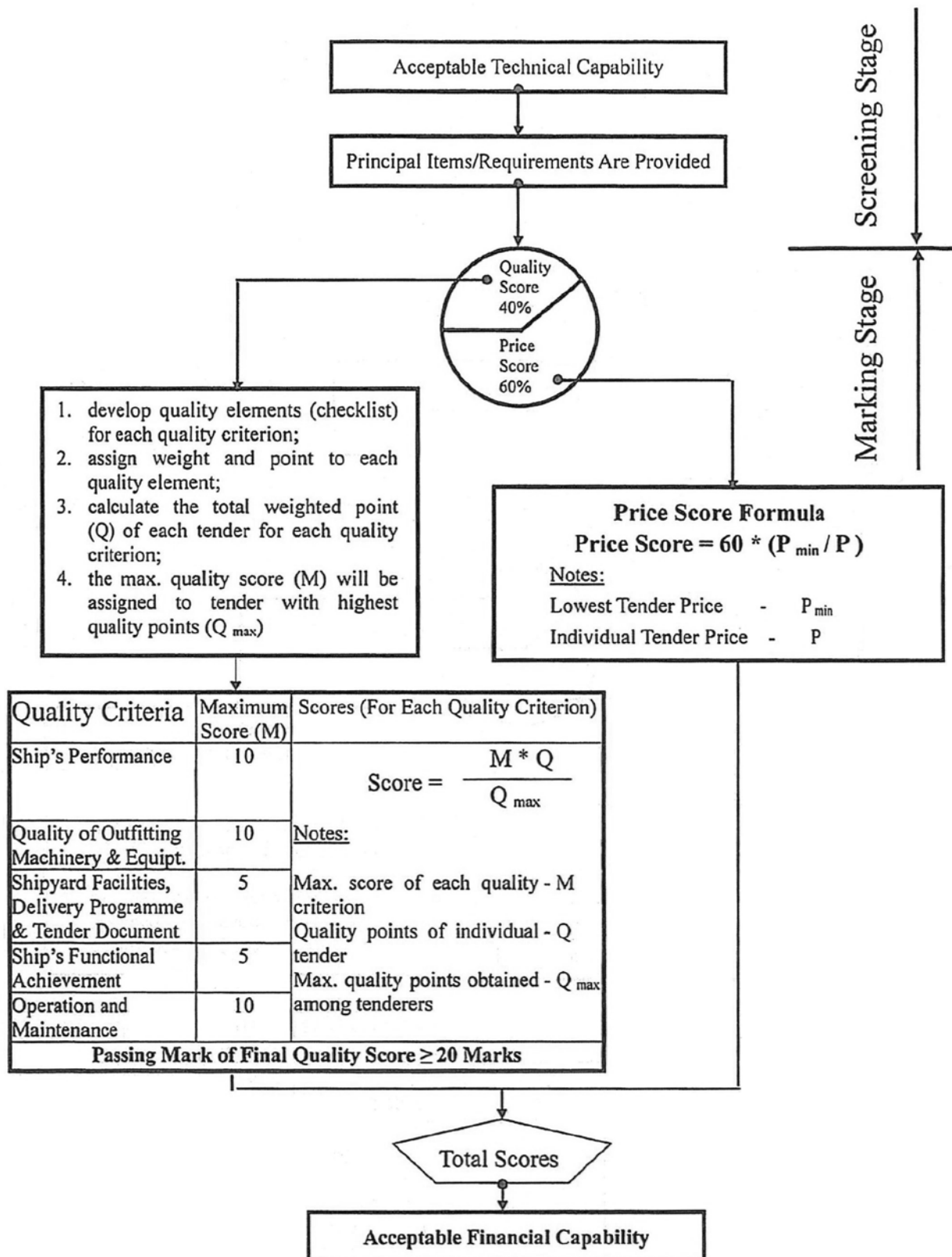
A handwritten signature in black ink, appearing to be 'Tony C.S. Chan', written over a light grey rectangular background.

(Tony C.S. CHAN)
for Director of Marine

Encl.

c.c. Secretary for Transport and Housing (Attn: Ms Louisa Yan) (fax no. 2523 9187)
Secretary for Financial Services and the Treasury (fax no. 2147 5239)
Director of Audit (fax no. 2583 9063)

MARKING SCHEME



Annex A – Tender Evaluation and Marking Scheme

Stage 1 – Completeness Check for Technical Proposal

- 1) A Tenderer's Technical Proposal will be checked for its completeness as per Annex B (Checklist for the Completeness of Documents Submitted for Tender Evaluation).
 - 2) Any tender which fails to meet requirement of completeness check will not be considered further.
- Those tenders which have passed this stage will proceed to Stage 2.

Stage 2 – Assessment of Compliance with Mandatory Requirements

- 1) A Tender which has passed Stage 1 will be checked to verify its compliance with all the mandatory requirements laid down in Annex C (Mandatory Requirements) to this Part.
 - 2) Any tender which fails to meet any of the mandatory requirements will not be considered further.
- Those tenders which have passed this stage will proceed to Stage 3.

Stage 3 – Technical Assessment

The maximum mark is 30 and there is no required passing mark in this stage. The tender will be assessed according to the items in the following table.

Item	Items to be assessed	Criteria			Marks		Remarks
1.	Tenderer's experience in the relevant design and construction contract(s) (Maximum marks: Range from 6 to 8 marks)	Length of Overall (LOA)	Speed	Number of contract completed	Maximum	Scored	See Note 1, 2 and 3
		a) $LOA \geq L_0$ m	$\geq S_1$ knots	$\geq N_1$	M_4 marks		
				N_3	M_3 marks		
				N_2	M_2 marks		
				N_1	M_1 marks		
		b) L_0 m $\leq LOA \leq L_1$ m	$\geq S_1$ knots	$\geq N_1$	M_4 marks		
				N_3	M_3 marks		
				N_2	M_2 marks		
				N_1	M_1 marks		
2.	Tenderer's capability of quality and environmental management (Maximum marks: 5)	a) The tenderer has a valid ISO 9000 Certificate as at the Tender Closing Date.			3 marks for YES and 0 mark for NO		See Note 4
		b) The tenderer has a valid ISO 14000 Certificate as at the Tender Closing Date.			2 marks for YES and 0 mark for NO		
3.	Vessel(s) offered with speed higher than the specification (Maximum marks : Range from 0 to 6 marks)	$S_{Contract} \geq S_3$ knots			M_5 marks		See Note 5, 6 and 7
		$S_{Contract} \geq S_2$ knots and $< S_3$ knots			M_6 marks		

Tender Ref.: GNC Tender No. xxxx/20xx

Appendix 1

4.	Vessels' general arrangement to suit user's operational need and maintenance purpose (Maximum marks: Range from 8 to 12 marks)	a) Optimisation of the overall general arrangement.	M ₇ marks		See note 8, 10 and 16
		b) Optimisation of the overall control/display console layout.	M ₈ marks		See note 9, 10 and 16
5.	Technical and logistic support for the machineries and other equipment (Maximum marks: Range from 3 to 5 marks)	a) Availability of Technical Representative in Hong Kong for the main propulsion engines.	M ₉ marks for YES and 0 mark for NO		See Note 11
		b) Availability of Technical Representative in Hong Kong for the navigational and communication equipment.	M ₁₀ marks		See Note 11 and 12
Total Technical Marks scored in this Stage (Maximum Mark is 30)					
	The calculation of weighted score of Technical Assessment	$= 30 \times \frac{\text{The Total Technical Marks of Tender being assessed}}{\text{The highest Total Technical Marks amongst the Tenders that have passed Stages 1 and 2}}$			See Note 13 and 16

Stage 4 – Price Assessment

The maximum mark for this stage is 70. The marks scored will be calculated as follow:

Marks scored in Price Assessment (Maximum Mark is 70)					
	The calculation of weighted score of Price Assessment	$= 70 \times \frac{\text{Lowest Total Purchase Price amongst the tenders that have passed Stages 1 to 2}}{\text{The Total Purchase Price offered by the Tenderer}}$			See Note 14 and 16

Stage 5 – Calculation of combined score for Technical and Price Assessment

Combined score for Technical and Price Assessment					
	Weighted score of Technical Assessment + Weighted score of Price Assessment =				See Note 15

Note 1: Mark(s) will be given according to the number of design and construction contract(s) completed by the Tenderer on vessel(s) of the length of overall (LOA) and the speed fulfilling the specified criteria in the past five (5) years prior to Tender Closing Date.

For example to the case N₁ = 1, N₂ = 2, M₁ = 1, M₂ = 2, if the tenderer has completed 2 design and construction contracts with LOA ≥ L₀ m and speed ≥ S₁ knots, 2 marks will be scored from Item 1a). If

I of the aforesaid completed contract with $L_0 \text{ m} \leq \text{LOA} \leq L_1 \text{ m}$ and speed $\geq S_1$ knots, I additional mark will be scored from Item 1b).

Note 2: "completed" means that the design and construction of the vessel(s) in the previous contract(s) had been completed and the vessel(s) had been delivered to the owner. All the vessel(s) delivered in the same contract must fulfil the specified criteria as stipulated in Item 1.

Note 3: The Tenderer shall provide relevant contracts and delivery acceptance documents or other equivalent documentary evidence to the satisfaction of the Government to prove its claim of the experience.

Note 4: Mark(s) will be given to the Tenderer holding the valid ISO 9000 certificate and/or ISO 14000 certificate issued by Recognised Organisation. Documentary proof to the satisfaction of the Government is required.

Note 5: Mark(s) will be given to the Tenderer who offers the Vessel(s) with speed higher than the essential requirement stipulated by the Clause 6.5 of Part VII. The higher speed offered by the Tenderer shall be the Contract Speed (S_{Contract}) and form part of the contract. Liquidated Damages as stipulated on Part B of Schedule 4 shall be applied.

Note 6: If the Tenderer does not offer the Vessel(s) with higher contract speed, it shall be deemed that the Tenderer will offer the Vessel(s) with the speed as per essential requirement stipulated by the Clause 6.5 of Part VII and no mark will be given at this item.

Note 7: Tenderer shall provide documentary evidence demonstrating to the satisfaction of the Government that the Vessel(s) with higher Contract Speed is a reasonable offer. The documentary evidence could be official sea-trial report of vessel(s) of the same make and model as those offered by the tenderer substantiating the higher Contract Speed or Tank-Test Report with Calculations.

The official sea-trial of the vessel(s) must be done by the tenderer in the presence of the vessel owner's representative and the report must be endorsed by the owner's representative and the tenderer.

The Tank-Test Report with Calculations means a test to obtain a new designed vessel's hull resistance against the speed by using a scale model. The test must be carried out by a research institute/laboratory which is a member of the International Towing Tank Conference (ITTC). The test report must be issued by the research institute/laboratory in according to ITTC's requirements.

Note 8: Mark(s) will be given to the Tenderer's proposal on optimization of the general arrangement of the Vessel(s) having regard to the following sub-criteria:

- Arrangement of the machineries and equipment to facilitate easy access for monitoring and servicing (M_{11} mark);
- Fenders arrangement to give adequate protection to the hull structure (M_{12} mark);
- The position of the seats for the coxswain, navigator and persons to give clear field of vision to facilitate their operational needs (M_{13} mark);
- Effective arrangement of the spaces for storing and securing the equipment to facilitate the operation's need (M_{14} mark);
- Easy access of Passageway on deck to facilitate the operational need (M_{15} mark);
- Effective mooring and anchoring arrangement to facilitate the operational need (M_{16} mark);
- Adequate Protection arrangement for persons onboard during intercepting operation (M_{17} mark);
- Effective arrangement of the search lights / flood lights to facilitate the operational need (M_{18} mark);
- Other items will be specified if deemed to be required for individual tender (M_{19} mark).

Note 9: Control/Display Console is a centralised work station with the instruments to control and monitor all the machineries and equipment. Mark(s) will be given to the Tenderer's proposal on optimization of layout of the Console having regard to following sub-criteria:

- Allow the coxswain to control the vessel easily (M_{20} marks);
- Allow the navigator to monitor all data for ship control and safe navigation effectively (M_{21} marks);
- Other items will be specified if deemed to be required for individual tender (M_{22} mark).

Note 10: Each sub-criteria as stated in Note 8 and Note 9 will be rated and marks according to following table.

Marking Yardstick

Rating	% of Maximum Mark to be given
Most Preferable	100
More Preferable	75

Preferable	50
Less Preferable	25
Not Preferable	0

- Note 11: The Technical Representative in Hong Kong is required to have an office in Hong Kong. The Tenderer shall provide the documentary evidence to the satisfaction of the Government to support the availability of the Technical Representatives in Hong Kong for the main propulsion engines and navigational equipment offered.
- Note 12: Mark(s) will be given to the Tenderer who has the Technical Representative in Hong Kong for the following navigational and communication equipment:
- Marine Daylight Viewing Colour Radar (M_{23} mark);
 - Fluxgate Compass (M_{24} mark);
 - Differential Global Positioning System (M_{25} mark);
 - Electronic Navigational Chart System (M_{26} mark);
 - Night Vision System (M_{27} mark);
 - Inter-communications System (M_{28} mark);
 - International Maritime Mobile VHF Portable Radio (M_{29} mark);
 - Other items will be specified if deemed to be required for individual tender (M_{30} mark).
- Note 13: The Tender that have passed Stages 1 and 2 and attained the highest total technical mark will be given the maximum weighted score of 30 for Technical Assessment and the score for the rest will be calculated in accordance with the Formula.
- Note 14: The lowest Total Purchase Price amongst all other Tenders that have passed Stages 1 to 2 will be given the maximum weighted score of 70 and the score for the rest will be calculated in accordance with the Formula.
- Note 15: The tender with the highest combined score will be recommended for acceptance. However, if it is in the Government interest to do so, MD reserves the right not to recommend the tender with the highest combined score.
- Note 16: All calculations of marks will be rounded to two decimal places for this item (e.g. figures at 0.005 or above but below 0.01 will be rounded to 0.01 while figures below 0.005 will be rounded to 0.00).

Remarks for the reference of Central Tender Board:

1. L_0 , L_1 , S_1 to S_3 , N_1 to N_4 and M_1 to M_{30} are variables and the actual figures will be included into each tender based on the results of the feasibility study or user department's requirements.
2. S_1 is the speed stipulated by the Clause 6.5 of Part VII.
3. Normally S_2 and S_3 will be set 1-2 knot higher than that of S_1 due to technology limitation.
4. Total marks of M_7 shall be the sum of M_{11} to M_{16} .
Total marks of M_8 shall be the sum of M_{20} to M_{22} .
Total marks of M_{10} shall be the sum of M_{23} to M_{30} .
5. Sub-criteria of Note 8, Note 9 and Note 12 are subjected to change depending on the equipment to be installed.

政府總部
運輸及房屋局

運輸科
香港添馬添美道 2 號
政府總部東翼



**Transport and
Housing Bureau
Government Secretariat
Transport Branch**

East Wing, Central Government Offices,
2 Tim Mei Avenue,
Tamar, Hong Kong

本局檔號 Our Ref.

來函檔號 Your Ref. CB4/PAC/R69

18 January 2018

Mr Anthony Chu
Clerk to Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr Chu,

Public Accounts Committee

**Consideration of Chapter 2 of the Director of Audit's Report No. 69
Procurement and maintenance of government vessels**

Thank you for your letter of 9 January 2018 on the captioned, requesting information with regard to the measures taken/to be taken to address the shortage of manpower in the maritime industry, and to enhance competition in the procurement of maintenance service in Hong Kong at the policy level. The requested information is enclosed at **Annex**.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Louisa Yan".

(Ms Louisa Yan)

for Secretary for Transport and Housing

c.c. Director of Marine

(Fax No. 2850 8810)

Secretary for Financial Services & the Treasury (Fax No. 2147 5239)

Director of Audit

(Fax No. 2583 9063)

Public Accounts Committee

**Consideration of Chapter 2 of the Director of Audit's Report No. 69
Procurement and maintenance of government vessels**

Measures to address shortage of manpower in the maritime sector

To nurture talents for the long-term development of the maritime and port industry, the Government established the Maritime and Aviation Training Fund ("MATF") with a commitment of \$100 million in April 2014. The MATF aims at attracting and encouraging young people and in-service practitioners to receive aviation and maritime education and training, thereby enhancing the overall competitiveness and the professional standards of the industries. On maritime front, as at end-2017, the MATF has already benefitted over 2 780 students and maritime practitioners, involving an amount of \$31 million. At present, there are a total of 12 maritime-related training subsidy and incentive schemes funded under MATF, including the Maritime and Aviation Internship Scheme ("MAIS"), the Hong Kong Maritime and Logistics Scholarship Scheme, the Local Vessel Trade Training Incentive Scheme and the Sea-going Training Incentive Scheme.

Apart from the above subsidy and incentives schemes, sponsorships are provided under MATF for respective maritime-related organisations such as the Hong Kong Seamen's Union and the Maritime Professional Promotion Federation to organise promotion activities targeting secondary and tertiary students to introduce them to the maritime industry and seafaring careers. We have also engaged the Hong Kong Maritime Museum ("HKMM") to produce a maritime-themed education learning pack for the senior secondary school students, so as to offer them an early exposure and understanding of subjects with maritime elements, with the hope of inspiring them to consider the maritime industry as a possible career choice.

To step up promotional efforts to encourage young people in Hong Kong to join the maritime profession, the Government has been participating in the annual Education and Careers Expo and organising various maritime promotion and awareness events during the Hong Kong Maritime Week in collaboration with the Hong Kong Shipowners Association and the HKMM. We have also been collaborating with the industry to provide internship positions for tertiary students under the MAIS. Since its

inception in 2014, a total of 557 students have undertaken the internship places offered by 118 maritime-related companies under MAIS.

All in all, the Government will continue to work closely with the Manpower Development Committee under the Hong Kong Maritime and Port Board, the maritime industry stakeholders and various training providers to review the operation of the MATF, devise more initiatives and implement suitable measures, with a view to catering for the manpower needs of the maritime and port industry and building a vibrant pool of maritime talents for Hong Kong.

Measures to enhance competition in the procurement of maintenance service in Hong Kong at the policy level

As reported at the 3rd hearing of the Public Accounts Committee held on 9 January 2018, MD has implemented measures with a view to enhancing competition in the procurement of vessel maintenance service in Hong Kong, including lengthening the duration of contracts and considering bundling similar services in a single contract to make them more attractive to potential bidders. On top of this, MD has invited the Independent Commission Against Corruption to assist in reviewing the tendering process of vessel maintenance contracts, with a view to ensuring a fair procedure and enhancing competition. Besides, MD has approached the Competition Commission to seek its expert assistance in reviewing the procurement of maintenance services in the Government Dockyard to enhance competition. Subject to the findings of the reviews, the Transport and Housing Bureau will examine issues which require policy steer and provide necessary support for the implementation of any improvement measures.

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**Transport and
Housing Bureau
Government Secretariat
Transport Branch**

East Wing, Central Government Offices,
2 Tim Mei Avenue,
Tamar, Hong Kong

本局檔號 Our Ref.

來函檔號 Your Ref. CB4/PAC/R69

19 January 2018

Mr Anthony CHU
Clerk to Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr Chu,

Public Accounts Committee

**Consideration of Chapter 2 of the Director of Audit's Report No. 69
Procurement and maintenance of government vessels**

Thank you for your letter of 5 January 2018 on the captioned, requesting information with regard to measures taken by the Transport and Housing Bureau ("THB") to address the shortage of vessel maintenance contractors in Hong Kong. Our response is set out below.

As reported by the Director of Marine at the hearing on 4 January 2018, the Department maintained a list of contractors who were eligible to bid government's vessel maintenance contracts. THB had not been informed of the issues concerning vessel maintenance contractors.

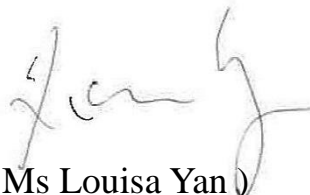
Notwithstanding this, THB is aware that there has been a general scaling down of ship maintenance industry in Hong Kong, mainly because nowadays it has been more common for ship building to be carried out in the Mainland of China.

In April 2014, THB established the \$100-million “Maritime and Aviation Training Fund” (“MATF”). Among the established incentive training schemes funded by the MATF is the “Ship Repair Training Incentive Scheme” (“SRTIS”).

SRTIS aims to attract people of suitable caliber to receive training and become skilled workers to alleviate the workforce shortage in the ship repair industry, so to enhance the competitiveness and the professionalism of the industry. Under the Scheme, a maximum subsidy of \$54,000 is provided to eligible graduates of the Vocational Training Council who have enrolled for apprenticeship in the ship repair industry over a maximum period of 36 months. We will from time to time consult the industry and the related education institutes on the MATF and operation of subsidy schemes, as well as explore other possible measures and policies to further strengthen the human resources in the vessel maintenance industry, with a view to addressing its manpower shortage problem.

Your letter also requested information on the regular meetings between THB and the Marine Department. We will provide our response to this matter soon.

Yours sincerely,



(Ms Louisa Yan)

for Secretary for Transport and Housing

c.c. Director of Marine (Fax No. 2850 8810)

Secretary for Financial Services & the Treasury (Fax No. 2147 5239)

Director of Audit (Fax No. 2583 9063)

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**Transport and
Housing Bureau
Government Secretariat
Transport Branch**

East Wing, Central Government Offices,
2 Tim Mei Avenue,
Tamar, Hong Kong

本局檔號 Our Ref.

來函檔號 Your Ref. CB4/PAC/R69

24 January 2018

Mr Anthony CHU
Clerk to Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr Chu,

Public Accounts Committee

**Consideration of Chapter 2 of the Director of Audit's Report No. 69
Procurement and maintenance of government vessels**

Further to our reply to your letter dated 5 January 2018 on the captioned, this letter provides the requisite information with regard to the regular meetings between the Transport and Housing Bureau ("THB") and the Marine Department ("MD").

The Secretary for Transport and Housing and the Permanent Secretary for Transport and Housing (Transport) have regular meetings, generally on a monthly basis, with the senior management of MD including the Director of Marine. MD reports to THB the overall work performance and progress on various issues, and as and when necessary, brings to THB issues requiring the Bureau's attention and seeks its policy steer. There are meeting briefs to facilitate the discussion. Follow-up actions after the meetings are taken forward in accordance with the established work procedures, and reported at the next round of regular meetings. At PAC's request, samples of the meeting briefs (available in English only) are provided at Annex. It should be noted that the documents are graded "confidential". The samples are provided on the

***Note by Clerk, PAC:** *Annex not attached.*

clear understanding that they are for PAC Members' internal reference only and shall not be referred to in any public documents, public discussions, or made public in any other ways. Further, as the meeting briefs contain, among others, information concerning the privacy of third parties and information on the internal working of Government, some parts have been redacted.

The communication between THB and MD is not limited to the regular meetings. Division 5 of the THB, headed by a Deputy Secretary and supported by a Principal Assistant Secretary, is responsible for house-keeping the MD. The Division maintains ongoing communications with the Department on different issues requiring policy inputs.

Further, certain indicators have been developed and adopted to help monitor the Department's work. These indicators are set out in MD's Controlling Officer's Report, which is published annually. THB and the management of MD will assess and monitor the performance accordingly, and examine the issues and reasons in case a target is not met, as well as consider whether further steer and guidance from THB is necessary.

In respect of whether THB was informed about MD's decision to postpone procurement of vessels between December 2009 and October 2012 while the Department was conducting a review of the tender marking scheme, file records show that THB was made aware of the delay in the procurement of government vessels in August 2013 and was not informed of the said review prior to August 2013.

Yours sincerely,



(Marquis Yip)

for Secretary for Transport and Housing

c.c. Director of Marine (Fax No. 2850 8810)

Secretary for Financial Services & the Treasury (Fax No. 2147 5239)

Director of Audit (Fax No. 2583 9063)

海 事 處

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MARINE DEPARTMENT

Government Dockyard
Ngong Shung Road,
Stonecutters Island
Sham Shui Po, Kowloon

網 站 Web Site: <http://www.mardep.gov.hk>
來件檔號 Your Ref.: CB4/PAC/R69
本處檔號 Our Ref.: MDGFCR1-160/12
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17 January 2018

Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Attn : Mr Anthony CHU)

Dear Mr CHU,

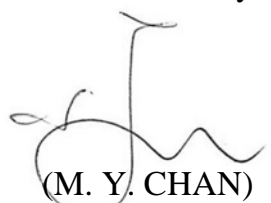
Public Accounts Committee
Consideration of Chapter 2 of the Director of Audit's Report No. 69
Procurement and maintenance of government vessels

Thank you for your letter dated 5 January 2018 to the Director of Marine, which I am authorized to reply on her behalf.

The replies in seriatim to the questions raised by the Public Accounts Committee are set out in the **Annex** attached.

I should be grateful if you could relay the attached information to Members of the Public Accounts Committee for their reference.

Yours sincerely,



(M. Y. CHAN)
for Director of Marine

Encl.

c.c. Secretary for Transport and Housing (Attn: Ms Louisa YAN)
Secretary for Financial Services and the Treasury (Attn: Miss Pat CHUNG)
Director of Audit (Attn: Mr LEE Sik-yum)

Public Accounts Committee
Consideration of Chapter 2 of the Director of Audit's Report No. 69
Procurement and maintenance of government vessels

- (a) With reference to item (i) (i) in the Annex to your reply dated 29 December 2017, please provide a copy of materials received by the staff of the Marine Department ("MD") at the briefing session on 12 January 2015;

Reply: The materials received by the staff of the MD at the briefing session on 12 January 2015 are attached at **Appendix A**.

***Note by Clerk, PAC:** *Appendix A not attached.*

- (b) With reference to paragraph 2.26 (b) of the Audit Report on the inadequacies of the consultancy services received by the Hong Kong Police Force, the delay caused by the consultant not having technical staff stationed in Hong Kong to facilitate discussion;

Reply: The selected consultant is an internationally recognised maritime expert with headquarters based in Italy and a small representative office set-up in Hong Kong. The arrangement enables the consultant to pull together their worldwide expertise.

The contract was awarded to the above consultant for developing a conceptual design and drafting the technical specifications of one ship building project on 22 September 2015. According to the consultancy agreement, the consultant was required to submit the deliverables in two months after commencement of the project, i.e. by 21 November 2015.

According to the MD's record, following the signing of the consultancy service contract on 22 September 2015, the consultant, the Hong Kong Police Force ("HKPF") and the MD had agreed on 25 September 2015 that the first meeting would be held on 13 October 2015 among the three parties by means of video conferencing. After that, the three parties exchanged views on the drafting of the conceptual design and technical specifications through emails. The consultant completed delivery of the service by returning the agreed deliverables to the MD by 20 November 2015 as scheduled. In other words, the entire project was completed by the consultant within two months. The MD considers that there was no delay in the delivery of the consultancy service though some degree of communication inconvenience might have been caused by the time zone difference.

The MD considers that, through setting out the requirement in subsequent consultancy service contracts that the consultant is required to have representatives in Hong Kong, and through the use of modern-day communication technology, the above inconvenience has been mitigated.

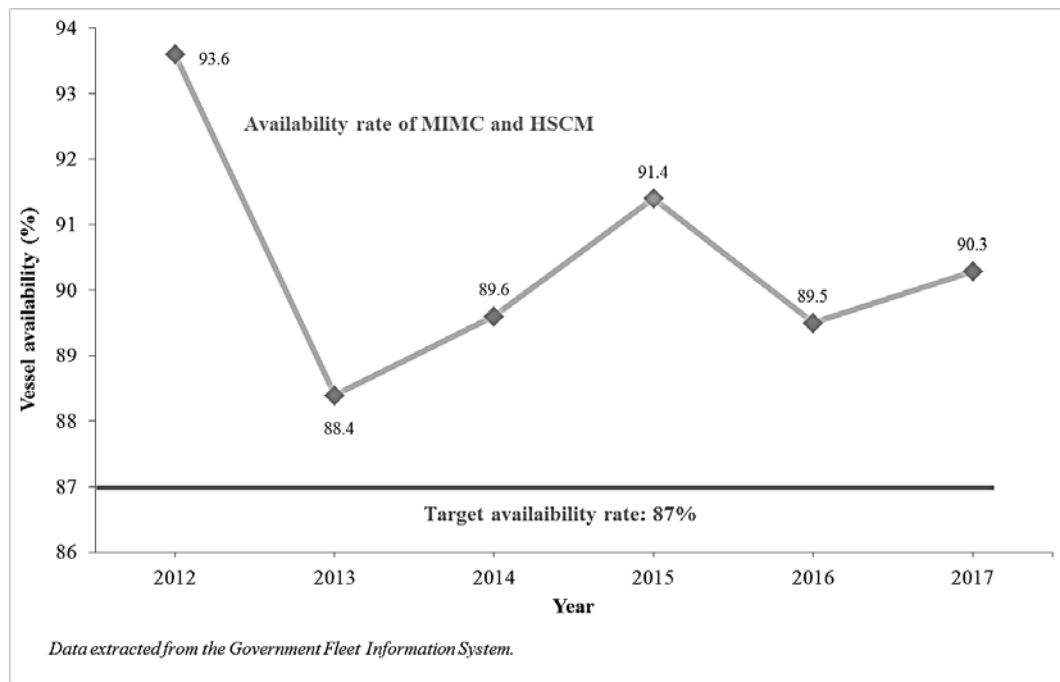
(c) According to paragraph 3.5 of the Audit Report, while MD stated in its Controlling Officer's Report that the target vessel availability rate was set for all users, the reported availability rates only covered two of the four major classes of vessels (i.e. the major mechanised vessels and high-speed craft (large type)). According to Note 15 to paragraph 2.3 of the Audit Report, MD has indicated that the four major classes of vessels need closer monitoring and attention because of the higher maintenance expenditure. In addition, as stated in paragraph 3.6 of the Audit Report, the downtime for repair carried out outside the Government Dockyard was not taken into account in the calculation of the availability rates. In this regard, please provide:

(i) the reasons for only covering two of the four major classes of vessels in reporting availability rates;

Reply: Currently, the vessel availability rates in the Controlling Officer's Report ("COR") of the MD only cover two of the four major classes of vessels, i.e. major mechanised vessels ("MECV") and high-speed craft (large type) ("HSCL"). The MD has to monitor closely the availability of these vessels as they are mission critical vessels which are vital to the operations of user departments. Breakdown of these two classes of vessels would hinder user departments' operations as the maintenance and repair work for these vessels are usually more time-consuming, and there are only a limited number of reserve vessels available for respective user departments. Thus, the MD considers that the availability rates of these vessels would more aptly reflect the MD's performance in maintaining the government vessels.

For the remaining two classes of vessels, i.e. minor mechanised vessels ("MIMC") and high-speed craft (medium type) ("HSCM"), more reserve vessels in respective user departments are available for use in case of sudden vessel breakdown. Also, the time required for repair services for these two classes of vessels is relatively short and the chance of affecting user departments' operations due to vessel breakdown is relatively low.

Although the figures for MIMC and HSCM are not reported in the COR, the MD has been monitoring the availability rates of these vessels continuously. The availability rates of MIMC and HSCM from 2012 to 2017 are shown in the graph below.



From the graph above, it is noted that the vessel availability rates for MIMC and HSCM are continuously above the performance target of 87% for the past six years. Exclusion of the availability rates of these two classes of vessels in the MD's COR might have actually deflated, rather than inflated, the MD's performance in government vessel maintenance. That notwithstanding, the MD agrees with the recommendation in the Audit Report and will consult relevant parties including the user departments concerned to consider a more effective way to report the vessel availability rates in the COR.

- (ii) the reasons for not taken into account the downtime for repair carried out outside the Government Dockyard in the calculation of the availability rates;

Reply: The maintenance and repair work carried out outside the Government Dockyard are usually minor and simple in nature. Examples of such work include repair of fluorescent lamp and wiper and fixing of oil leakage of the engine and exhaust pipe, which can normally be completed within two hours. In order not to cause interruption to the operations of the user department, the MD would liaise with the user department in advance to arrange for such work to be carried out at a time when the vessels have returned to their bases upon completion of operations. Under this arrangement, the normal operation of the government vessels can be maintained and the downtime arising from these minor repairs is minimal.

- (iii) the downtime of maintenance and repair both inside and outside the Government Dockyard of the four major classes of vessels by user departments from 2012 to 2017;

Reply: The downtime of maintenance and repair inside the Government Dockyard of the four major classes of vessels by user departments from 2012 to 2017 are at **Appendix B**.

Maintenance and repair outside the Government Dockyard are referring to those work carried out at the five Marine Police forward bases, i.e. Sai Kung, Tai Lam Chung, Ma Liu Shui, Sai Wan Ho and Aberdeen of the Hong Kong Police Force (“HKPF”). Maintenance and repair at the forward bases are performed by 15 MD maintenance staff, who belong to the Artisan grade and are stationed in the forward bases for the upkeeping of the HKPF vessels on site (details at (c)(iv) below).

Each Artisan grade staff is provided with logbooks to manually record what have been done on a work day. To extract and compile the information in the logbooks for all the five forward bases from 2012 to 2017 is a very time consuming exercise. It is therefore extremely difficult to come up with the required information within a short time frame.

That said, the MD has collected the records of one of the forward bases as an example to illustrate the repair time carried out in 2016 and 2017. The result, which is set out in the below table, shows that over 99% of the repair work were completed within two hours.

Duration of repair work	No. of jobs completed
≤ 2 hours	2,132 (99.9%)
> 2 hours and ≤ 4 hours	3 (0.1%)

- (iv) manpower of MD stationed at each user department and their job duties, and the division of work between these MD staff and those of the user departments;

Reply: There are 15 MD maintenance staff stationed at the five regional forward bases of the Marine Police, i.e. Sai Kung, Tai Lam Chung, Ma

Liu Shui, Sai Wan Ho and Aberdeen respectively. The maintenance staff belong to the Artisan grade and are required to carry out on-site minor repairs on the fittings, installations, equipment and machineries of the HKPF vessels at the forward bases.

- (v) the vessel availability rates for four major classes of vessels from 2012 to 2017 by using the total downtime in (iii) above in the calculation; and

Reply: As explained in (c)(ii) above, the maintenance and repair work carried out outside the Government Dockyard are usually minor and simple in nature, and the normal operation of the government vessels would not be affected and the downtime arising from these minor repairs is minimal. Thus, there is no impact on the vessel availability rates for the downtime of maintenance and repair work outside the Government Dockyard. The vessel availability rates for the four major classes of vessels are at **Appendix B**. Nonetheless, the MD will consult user departments on the review of the calculation methods of vessel availability rates.

- (vi) measures to improve the reporting and calculation of vessel availability rates;

Reply: The Task Force on Reform of the MD is reviewing the Arrival and Completion Form so as to improve the reporting and calculation of vessel availability rates. The MD will also consult user departments on the review of the calculation methods of vessel availability rates.

(d) With reference to Table 9 of paragraph 3.11 of the Audit Report, please provide:

- (i) the basis for the classification of "Major reason" for extra downtime for preventive service of four major classes of vessels, in particular the rationale for classifying some reasons under "Others" and whether these reasons under "Others" could be instead included under "Extra work not covered in service contract". If not, reasons why not; and

Reply: The seven "Major reasons" classified for extra downtime for preventive service of the four major classes of vessels in Table 9 of the Audit Report are common and frequently occurred reasons leading to extra downtime. The reasons grouped under "Others" are those which cannot be grouped under the seven "Major reasons" and these reasons do not occurred frequently.

- (ii) examples of reasons under "Others" included the submission of claims to suppliers, dimension measurements and remedial hull painting work. In this regard, please explain how the submission of claims would contribute to the increase in downtime, whether dimension measurements are a standard procedure which could be included in the original preventive service contracts, if not, why not, and what are the reasons for the need for remedial hull painting work;

Reply: Material warranty claims to suppliers

During the 5-year period from 2012 to 2016, there was only one warranty claim case in 2016. In this case, the supplier was required to rectify a defective material part on the request of the maintenance inspector. Repeated sea trials and testing were carried out to ensure that the quality was to the satisfaction of the MD. The extra downtime caused was 14 days, which was about 44% of the 32 days under the "Others" category in 2016.

Dimension measurements

The length of the vessel's hull plating at the engine compartment has to be very accurate to ensure the safe and smooth operation of the main propulsion engines and tail shaft. If there is change in vessel

length beyond the tolerance level after the replacement of hull plates, dimension measurements have to be carried out to check and rectify the discrepancy. The dimension measurement work is a post-maintenance follow-up which does not occur frequently and hence could not be anticipated at the stage of preparing the maintenance tender/ quotation.

Remedial hull painting work

After the hull painting work is completed, the maintenance inspector will conduct quality check on the painting work. If it is found that the work is not satisfactory, the contractor will be requested to conduct remedial hull painting work until the quality is up to the required standard.

- (e) According to paragraph 3.12 of the Audit Report, extra work not covered in service contract has caused delays to the maintenance work of 32 vessels by 1 to 17 days each in 2016. Regarding these extra work in 2016, please provide:

(i) the number of contract variations involved;

Reply: No contract variation was made for the extra maintenance work of the 32 vessels in 2016. In considering contract variation, the MD follows the guiding principles set out in the Government Stores and Procurement Regulations. According to the relevant guidelines, contract variation should be avoided as far as possible and should normally be used as a stop-gap measure. It is because contract variation may be perceived as single quotation to the existing contractor, which will preclude other potential service providers from bidding under the principles of fair competition and transparency. Regarding the extra maintenance work of the 32 vessels carried out in 2016, the MD noted that, in view of the small value of the extra maintenance work involved, the time taken for obtaining quotations from potential service providers to provide the extra work would not be longer than the time required for contract variation. Besides, in some cases, the original contractor did not have the expertise to carry out the extra maintenance work involved. In these cases, contract variation could not be done anyway.

(ii) the number of new contracts involved; and

Reply: The number of new contracts involved is 25.

(iii) measures taken/to be taken to minimize extra work after the award of a contract;

Reply: To minimise the extra work after the award of a contract during preventive maintenance, the scope for pre-docking inspection has been extended to ensure all maintenance work will be included in the specifications of the service contracts as far as practicable.

Furthermore, the MD is considering the enhancement of the Government Fleet Information System to analyse past maintenance records with a view to predicting the upcoming maintenance needs and

the materials required which will also help minimise extra work after award of a contract.

- (f) According to paragraph 3.18 of the Audit Report, MD had 33 term contracts for the maintenance of government vessels in 2016-2017. Among the 33 term contracts, Audit noted that 23 (70%) were each awarded to the only bidder, indicating that there had been limited competition in the procurement exercises. In this regard, please provide:
- (i) the number of invitations to bid sent to the maintenance service providers and the number of bids received in each of the procurement exercises; and

Reply: The number of invitations to a bid sent to the maintenance service providers and the number of bids received in each of the procurement exercises are tabulated below.

Serial No.	No. of invitations issued	No. of bid(s) received
1	31	2
2	31	1
3	18	1
4	18	2
5	18	2
6	15	1
7	31	1
8	15	3
9	31	1
10	15	2
11	15	1
12	31	1
13	18	1
14	18	1
15	18	1
16	31	3
17	15	1
18	18	2
19	31	1
20	31	2
21	15	2
22	31	1

Serial No.	No. of invitations issued	No. of bid(s) received
23	15	1
24	31	1
25	15	1
26	18	1
27	31	1
28	15	1
29	15	1
30	31	1
31	15	2
32	16	1
33	15	1

(Note: Among the 33 term contracts commenced in 2016/17, the number of invitations issued for each quotation exercise ranged from 15 to 31. Among these 33 quotation exercises, only one bid was received for 23 exercises. The 23 contracts were awarded to 11 different companies.)

- (ii) whether consideration would be given to seeking advice from the Competition Commission on how to promote competition in the procurement exercises and whether anti-competition conduct/agreement might be involved; and

Reply: The MD has requested the Corruption Prevention Department of the Independent Commission Against Corruption to examine the existing arrangements in procurement exercises to examine whether there is any risk of corruption. The MD has also approached the Competition Commission to discuss relevant issues for a possible study to ensure that the procurement process is fair and competitive to potential bidders.

- (g) Details of enhancements to the Government Fleet Information System, including the timeline and costs involved.

Reply: The Government Fleet Information System (“GFIS”) is an online computer system providing an integrated operation platform for Government Dockyard to manage its physical assets, plan maintenance activities and initiate the processes of maintenance/ spare parts procurement for all Government vessels/ dockyard plant facilities. The GFIS was first implemented in 1994 and subsequently enhanced in 1999 and 2015.

To strengthen the functions of the GFIS with a view to enhancing the analytical capacity and management reporting as well as to improving stock management, the following enhancements are proposed for the time being –

- Monitoring of vessel age and results of condition assessments with a view to formulating vessel replacement plans;
- Re-engineering the workflow in stock management with a view to adopting barcode or similar technologies in handling receipt and issue of maintenance materials;
- Capturing digital images of materials for assisting daily store operations as well as stock management;
- Analysing past maintenance records with a view to predicting the upcoming maintenance needs, and determining the re-order level of maintenance materials by analysing their past consumption rates and the ordering lead time etc. with a view to implementing a “Just-in-time” stock strategy; and
- Producing regular management reports for effective monitoring of the stock level, slow-moving materials, vessel downtime, vessel age, etc.

User requirements on the enhancements are being collected and the necessary funding will be sought accordingly. The system enhancements are targeted to be completed by mid-2019 with implementation costs roughly estimated at \$3.5M.

Downtime and Vessel Availability of Four Major Classes of Vessels by User Departments from 2012 to 2017

Agriculture, Fisheries and Conservation Department

Year / Vessel class	2012		2013		2014		2015		2016		2017	
	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate
MECV	103	90.6%	110	90.0%	68	93.8%	161	85.3%	196	82.2%	87	92.1%
HSCL	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
MIMC	83	92.5%	38	96.6%	112	89.8%	61	94.4%	128	88.3%	88	92.0%
HSCM	141	95.2%	317	89.1%	377	87.1%	399	86.3%	412	85.8%	271	89.4%
Total	327	93.6%	464	90.9%	557	89.1%	621	87.8%	736	85.6%	445	90.6%

Customs and Excise Department

Year / Vessel class	2012		2013		2014		2015		2016		2017	
	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate
MECV	296	88.5%	243	90.5%	257	89.9%	287	88.8%	280	89.1%	273	89.3%
HSCL	110	90.0%	178	83.7%	163	85.1%	172	84.3%	181	83.5%	196	82.1%
MIMC	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
HSCM	90	87.7%	148	79.8%	97	86.8%	74	89.8%	18	91.9%	Nil	Nil
Total	496	88.7%	569	87.0%	516	88.2%	533	87.8%	478	87.7%	469	87.2%

Fire Services Department

Year / Vessel class	2012		2013		2014		2015		2016		2017	
	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate
MECV	395	88.0%	349	89.4%	392	88.1%	442	86.6%	530	83.9%	471	85.7%
HSCL	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
MIMC	46	95.8%	159	85.5%	94	91.4%	27	97.5%	143	87.0%	103	88.8%
HSCM	92	87.4%	142	80.6%	129	82.3%	26	96.5%	46	93.8%	68	90.7%
Total	533	89.6%	649	87.3%	615	88.0%	494	90.3%	719	86.0%	642	87.0%

Hong Kong Police Force

Year / Vessel class	2012		2013		2014		2015		2016		2017	
	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate
MECV	1392	89.4%	1573	88.0%	1490	88.7%	1591	87.9%	1790	86.4%	1589	87.9%
HSCL	790	80.4%	616	83.1%	934	74.4%	1096	70.0%	774	78.9%	663	81.8%
MIMC	76	97.4%	190	93.5%	42	98.5%	105	94.7%	0	100.0%	12	99.4%
HSCM	1087	92.2%	1825	86.8%	1744	87.4%	1210	91.3%	1526	87.8%	1352	88.4%
Total	3345	90.2%	4204	87.5%	4209	87.4%	4003	87.7%	4090	86.9%	3615	88.1%

Immigration Department

Year / Vessel class	2012		2013		2014		2015		2016		2017	
	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate
MECV	362	85.9%	364	85.8%	298	88.4%	338	86.8%	333	87.0%	367	85.6%
HSCL	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
MIMC	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
HSCM	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total	362	85.9%	364	85.8%	298	88.4%	338	86.8%	333	87.0%	367	85.6%

Marine Department

Year / Vessel class	2012		2013		2014		2015		2016		2017	
	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate	Downtime (days)	Availability Rate
MECV	989	90.0%	1243	86.9%	1276	86.6%	1036	88.9%	1109	87.9%	1171	87.0%
HSCL	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
MIMC	36	96.7%	39	96.4%	20	98.2%	59	94.6%	29	97.4%	43	96.1%
HSCM	79	95.7%	248	86.4%	195	89.3%	252	87.6%	197	89.2%	187	88.1%
Total	1104	91.4%	1530	87.7%	1491	88.0%	1347	89.2%	1335	88.9%	1401	88.0%

Source: Data of Government Fleet Information System

Note: MECV - Major mechanised vessel
 HSCL - High-speed craft (large type)
 MIMC - Minor mechanised vessel
 HSCM - High-speed craft (medium type)

N.A. - Not applicable as no such class of vessels
 Nil - No downtime was recorded

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23 January 2018

Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Attn : Mr Anthony CHU)

Dear Mr CHU,

Public Accounts Committee
Consideration of Chapter 2 of the Director of Audit's Report No. 69
Procurement and maintenance of government vessels

Thank you for your letters dated 18 January 2018 to the Director of Marine, which I am authorized to reply on her behalf.

The replies in seriatim to the questions raised by the Public Accounts Committee are set out in the **Annex** attached.

I should be grateful if you could relay the attached information to Members of the Public Accounts Committee for their reference.

Yours sincerely,

(M. Y. CHAN)
for Director of Marine

Encl.

c.c. Secretary for Transport and Housing (Attn: Ms Louisa YAN)
Secretary for Financial Services and the Treasury (Attn: Miss Pat CHUNG)
Director of Audit (Attn: Mr LEE Sik-yum)

Public Accounts Committee
Consideration of Chapter 2 of the Director of Audit's Report No. 69
Procurement and maintenance of government vessels

- (a) Regarding the routine engine oil replacements and engine inspections for government vessels, please advise:
- (i) a breakdown of the frequency of engine oil replacements and engine inspections by types of major vessel and the respective number of vessels;

Reply: The frequency of engine oil replacements and engine inspections by types of major vessel and the respective number of vessels in 2017 are shown at the table below.

Type of vessels	Frequency of engine oil replacements and engine inspections	No. of vessels involved
Major mechanised vessels	322	76
High speed craft (large type)	27	11
Minor mechanised vessels	14	7
High speed craft (medium type)	116	43

- (ii) whether engine oil replacements and engine inspections will become more frequent after the major vessels had been used for some time, say 400 hours or more. If yes, please provide the figures as in (i) above for these vessels;

Reply: The interval of engine oil replacements and engine inspections generally follows the manuals provided by the engine manufacturers. Therefore, engine oil replacements and engine inspections will not become more frequent after the vessels had been used for some time.

- (iii) whether the engine oil replacements and engine inspections were conducted inside the Government Dockyard or at the forward bases;

Reply: The engine oil replacements and engine inspections are conducted either inside the Government Dockyard or at the forward bases.

- (iv) a breakdown of the time required for engine oil replacements by major vessels in 2017; and

Reply: The time required for engine oil replacements and engine inspections by major types of vessels in 2017 are at the table below.

Type of vessels	Total servicing time (hours)
Major mechanised vessels	1,565
High speed craft (large type)	100
Minor mechanised vessels	40
High speed craft (medium type)	325

- (v) whether the downtime arising from engine oil replacements and engine inspections was already taken into account in calculating the downtime of maintenance and repair inside as well as outside the Government Dockyard as provided in item (c)(iii) of the Annex to your reply dated 17 January 2018; and

Reply: As explained at (iii), engine oil replacements and engine inspections are carried out either inside the Government Dockyard or at the forward bases. For those engine oil replacement and engine inspection work carried out inside the Government Dockyard, they are usually done together with preventive maintenance or running repairs concurrently. Downtime for the preventive maintenance or running repair has already included the servicing time taken for engine oil replacements and engine inspections.

For the engine oil replacement and engine inspection work outside the Government Dockyard, they would also be carried out together concurrently with the maintenance and repair work as far as possible.

Moreover, prior appointments with the users will be made to ensure that normal operations of the vessels will not be affected. As such, the work is usually carried out after the vessels have completed their daily operations and returned to their bases. Under such arrangement, the normal operations of the users are not affected and the Marine Department considers that the downtime arising from these kinds of work is minimal.

(b) Regarding the Government Fleet Information System (“GFIS”), please advise:

(i) whether GFIS was used by the Marine Department to order maintenance spare parts; and

Reply: The GFIS is an online computer system providing an integrated operation platform for Government Dockyard to manage its physical assets, plan maintenance activities and initiate the processes of maintenance for all Government vessels, etc. Ordering maintenance spare parts is one of the many functions of the GFIS.

(ii) whether any system problems or incidents had occurred with GFIS from 2015 to 2017 which had affected its normal operation. If yes, the annual number of occurrence and the downtime of GFIS in each occurrence.

Reply: To examine the past records of system logs to identify problems or incidents affecting the normal operation of GFIS from 2015 to 2017 is very time consuming and it is extremely difficult to come up with the required information within a short time frame. That said, the Marine Department has tried hard to look into the records of 2017 and found five occasions of system problems or incidents of GFIS which had affected its normal operation. The downtime in each of the five occasions is 1 hour (two times) and 1 hour and 45 minutes (three times).

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MARINE DEPARTMENT

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18 January 2018

Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Attn : Mr Anthony CHU)

Dear Mr CHU,

Public Accounts Committee
Consideration of Chapter 2 of the Director of Audit's Report No. 69
Procurement and maintenance of government vessels

Thank you for your letters dated 9 and 16 January 2018 to the Director of Marine, which I am authorized to reply on her behalf.

The replies in seriatim to the questions raised by the Public Accounts Committee are set out in the **Annex** attached.

I should be grateful if you could relay the attached information to Members of the Public Accounts Committee for their reference.

Yours sincerely,


(M. Y. CHAN)
for Director of Marine

Encl.

c.c. Secretary for Transport and Housing (Attn: Ms Louisa YAN)
Secretary for Financial Services and the Treasury (Attn: Miss Pat CHUNG)
Director of Audit (Attn: Mr LEE Sik-yum)

Public Accounts Committee
Consideration of Chapter 2 of the Director of Audit's Report No. 69
Procurement and maintenance of government vessels

- (a) With reference to paragraph 3.6 of the Audit Report, the reasons that a statement that "the downtime for carrying out maintenance and repair both inside and outside the Government Dockyard would be recorded for working out the vessel availability rates" was contained in the Marine Department ("MD")'s quality manual of 2016. Is the statement contained in previous versions of the quality manual;

Reply: The MD has gone through all two versions of the quality manuals issued in 2013 and 2016. Since the first version of the quality manual issued in 2013, there has been no mention that "the downtime for carrying out maintenance and repair both inside and outside the Government Dockyard would be recorded for working out the vessel availability rates". Moreover, there has been no express requirement in any version of the quality manual for the MD staff to record the work performed outside the Government Dockyard for calculating the vessel availability rates. The flowchart at Appendix D of the Audit Report is used to feature the maintenance work processes only.

- (b) The write-off policy for stock items in MD and the number of items and the amount involved for spare parts written off in the past three years, and how these items were disposed of;

Reply: The MD follows the guiding principles set out in the Stores and Procurement Regulations to write off stock items that are unserviceable. According to the relevant guidelines, a Departmental Disposal Committee has been established to process the disposal cases of unserviceable stock items for approval of the appropriate authority. In the past three years, a total of 78 items of spare parts involving a total amount of \$2.6 million have been written off by the MD by means of commercial disposal (auction exercises) in two disposal cases.

- (c) While the provisions of the Dangerous Goods Ordinance (Cap. 295) and the Factories and Industrial Undertakings Ordinance (Cap. 59) do not apply to the Government, but MD is committed to minimizing potential hazards and risks, and ensuring that all its staff and workers work in a safe and healthy environment. In this connection, please advise:
- (i) what is the current understanding of MD in respect of the responsibilities and liabilities of MD and its maintenance contractors in handling dangerous goods (such as diesel and petrol, oxygen and acetylene gas cylinders, and paints and thinner) in the Government Dockyard in accordance with the provisions in the Dangerous Goods Ordinance and the Factories and Industrial Undertakings Ordinance; and

Reply: Although the provisions of the Dangerous Goods Ordinance (Cap. 295) and the Factories and Industrial Undertakings Ordinance (Cap. 59) do not apply to the Government, the MD is committed to ensuring all staff and workers are working in a safe and healthy environment. To this end, the MD inspects the amount of dangerous goods (“DG”) held by the contractors on each working day to ensure that the amount will not exceed the exempted quantity specified in the Dangerous Goods Ordinance. In case the exempted quantity is exceeded, the excessive DG will be stored in the licensed DG stores.

- (ii) details of the work carried out currently by MD to clarify the responsibilities and liabilities of MD and its maintenance contractors in this respect;

Reply: All along the contractors are well informed of the DG store facilities provided by the MD which are made available for their use as and when required. The MD will inspect the amount of DG held by the contractors on each working day to ensure that the amount will not exceed the exempted quantity specified in the Dangerous Goods Ordinance. In case the exempted quantity is exceeded, the excessive DG will be stored in the licensed DG stores.

The MD has engaged a dangerous goods consultant in March 2017 to provide advice on how the Government Dockyard could better manage DG to meet both its operational needs and the requirements of the Dangerous Goods Ordinance / Regulations. The study is in progress and will be completed by the second quarter of 2018. The study will

help clarify further the responsibilities and liabilities of the MD and its maintenance contractors.

- (d) According to paragraph 4.10 of the Audit Report, notwithstanding the system enhancements in 1999 and 2015, some intended benefits of the Government Fleet Information System ("GFIS") could not be realized, such as re-order levels generated by GFIS and the use barcodes for inventory items. In this regard, please provide the measures to enhance the functions of GFIS together with the implementation timetable and the costs involved to address the issues identified in paragraph 4.10. Will MD further consider any other measures to reduce the quantity of maintenance materials, such as adopting the Just-in-time inventory strategy;

Reply: The MD is now working on the enhancements of the GFIS with a view to strengthening its analytical capacity and management reporting functions. Amongst others, the enhancements will include compilation of the re-order levels, and the use of barcodes for inventory management. The enhancements of the GFIS can facilitate the MD in implementing the "Just-in-time" stock strategy to increase efficiency in stock re-ordering, reduce stock level, and minimise the downtime of vessels due to waiting of spare parts.

- (e) According to paragraphs 4.17(a) and 4.18(a) of the Audit Report, the Government Dockyard had to handle large quantity of fuels unloaded from vessels coming for maintenance/repair service. However, there was a long travelling distance for the transfer of fuels from the docking area and the defueling area to the designated dangerous goods stores. Manual handling of petrol and diesel further increased the possibility of accidents. In this regard, the measures taken/to be taken by MD to minimize the safety hazards arising from the fuel transfer;

Reply: Measures taken to minimise safety hazards:

- The MD has updated the guidelines for the unloading and conveyance of diesel and petrol respectively (see **Appendix A** and **Appendix B**) to minimize the safety hazards arising from the fuel transfer.

Measures to be taken to minimise safety hazards:

- The dangerous goods consultant in consultation with the Labour Department and the Fire Services Department will develop a set of safety measures for the better handling and conveyance of fuel suitable for the operation of the Government Dockyard.
- In the fuel store renovation project now underway, the Architectural Services Department and the Electrical and Mechanical Services Department are asked to explore the feasibility of installing piping systems and supporting facilities for fuel transfer at the berths of the fuel store.

(f) With reference to paragraph 4.18(b) and (c) of the Audit Report, and your statement at the public hearing that a Senior Safety Officer was hired recently at the Government Dockyard, please provide:

(i) MD's guidelines in handling of diesel and petrol, storage of oxygen and acetylene cylinders; and storage of paints and thinner;

Reply: The MD's guidelines in handling of diesel and petrol are provided at **Appendices A & B**, the guidelines in storage of oxygen and acetylene cylinders are at **Appendix C**; and the guidelines in issuing and storage of paints and thinner are at **Appendix D**.

These safety guidelines are of paramount importance in alerting the contractors to observe the safe working practices. As such, copies of these safety guidelines are issued to all relevant staff and contractors, and they are required to attend regular seminars on the compliance of the health and safety measures. Besides, regular reminders will be issued to all contractors to refresh their understanding on the safety practices.

(ii) MD's guidelines on the issuing of paints and thinner to meet the contractors' daily operation needs, including the quantity to be issued;

Reply: See reply to (f)(i) above.

(iii) what is the existing monitoring system to ensure that the oxygen and acetylene cylinders and the unused paints/thinner would be returned to the designated dangerous goods stores after daily operation if necessary;

Reply: The MD inspects the amount of DG held by the contractors during and after the daily operation to ensure that the amount will not exceed the exempted quantity specified in the Dangerous Goods Ordinance. In case the amount exceeds the exempted quantity, the excessive DG will be stored in the licensed DG stores. Inspection records are kept for checking. The monitoring mechanism has been revised in the past three years from time to time when updating and consolidation of relevant safety guidelines, manuals and bulletins are required.

- (iv) was the above monitoring mechanism in (iii) above revised in the past three years, if yes, please provide details of and reasons for the changes;

Reply: See reply to (f)(iii) above.

- (v) copies of documentation showing that the quantities of the oxygen and acetylene cylinders and the unused paints/thinner were checked after daily operation; and

Reply: A copy of the documentation showing that the quantities of the oxygen and acetylene cylinders and the unused paints/thinner were checked after the daily operation is provided at **Appendix E**.

- (vi) the measures taken/to be taken to improve the situation;

Reply: Measures taken to improve the situation:

- (a) In 2016, the MD applied for funding for creation of additional posts to upgrade the Industrial Safety Sub-unit to an Industrial Safety Unit. A full-time Industrial Safety Manager has been employed to lead three Industrial Safety Inspectors to step up routine inspections to ensure that maintenance works are in compliance with relevant safety requirements. The Industrial Safety Manager assumed his post in October 2017;
- (b) The Industrial Safety Unit has compiled a “Safety Guidelines for transfer of Diesel between Government Vessel and Oil Barge” and “Safety Procedures for Petrol Unloading/ Conveyance/ Loading Within Government Dockyard” and has strengthened its supervision of the fuel disposal and conveyance processes;
- (c) The Industrial Safety Unit keeps records of the quantities of used oxygen and acetylene cylinders and oversees the daily return of oxygen and acetylene cylinders not in use to licensed DG stores; and

- (d) Apart from setting the appropriate quantities of paints and thinner to be issued each time, the Industrial Safety Unit also oversees the return of unused paints and thinner to dangerous goods stores by maintenance contractors at the end of a working day.

Measures to be taken to improve the situation:

A dangerous goods consultant is engaged to look into the current situation and suggest measures to improve the situation. The study will be completed by the second quarter of 2018.

- (g) According to paragraph 4.19 of the Audit Report, MD engaged another consultant to provide advice on how the Government Dockyard could better manage the dangerous goods to meet both its operational needs and the requirements of the Dangerous Goods Ordinance and its Regulations. Please provide the progress of this study and submit a copy of the report to the Committee upon its completion;

Reply: The MD has engaged a dangerous goods consultant to provide advice on how the Government Dockyard could better manage the DG to meet both its operational needs and the requirements of the Dangerous Goods Ordinance / Regulations in March 2017. The study is in progress and will be completed by the second quarter of 2018. A copy of the study report will be submitted to the PAC upon completion.

- (h) With reference to Appendix E of the Audit Report on the approved storage quantities of dangerous goods at the Government Dockyard, please provide:
- (i) the maximum quantity of diesel, petrol, oxygen cylinders, acetylene cylinders, paints, and thinners having stored at the Government Dockyard in the past three years;

Reply: The maximum quantity of diesel, petrol, oxygen cylinders, acetylene cylinders, paints, and thinners stored at the Government Dockyard in the past three years are as follows:

	Approved quantities of DG stores	Maximum quantities stored at Government Dockyard DG stores		
		2015	2016	2017
Diesel	120,000 litres (L)	12,130 L	13,450 L	8,560 L
Petrol	27,000 L	2,000 L	2,640 L	2,610 L
Oxygen Cylinders	22 cylinders	4	5	16
Acetylene Cylinders	44 cylinders	2	2	10
Paints	30,000 L and 42,083 L ^{Note}	1,148 L	1,115 L	1,414 L
Thinners	2,000 L and 42,083 L ^{Note}	361 L	250 L	318 L

Note: The approved quantities are for both paints and thinners.

- (ii) the highest number of maintenance contractors working in the Government Dockyard at the same time in the past three years; and

Reply: The highest number of maintenance contractors working in the Government Dockyard at the same time in the past three years are as follows :

	2015	2016	2017
Highest number of maintenance contractors working in the Government Dockyard at the same time	13	13	14

- (iii) the measures taken by MD to ensure that the quantities of dangerous goods at the Government Dockyard would not exceed the approved quantities by the Fire Services Department;

Reply: See reply to (f)(iii) above.

- (i) With reference to Appendix F and the fact that there are 22 berths/jetties and 10 boat repair sheds, please advise

- (i) whether repair works will be carried out at the berths/jetties. If yes, what types of repair works will be carried out;

Reply: The berth/jetties are mainly used for berthing of vessels and may sometimes be used for the preparation of docking and sea-trial.

- (ii) the area of the 10 repair sheds; and

Reply: The area of the 10 repair sheds is tabulated below.

Repair Shed	Area (ft²)
CB1	9,940
CB2	6,930
CB3	6,930
CB4	9,680
CB5	2,370
CB6	2,370
CB7	2,370
CB8	2,370
CB9	2,370
CB10	2,370

- (iii) apart from the size of the boats, are there any considerations as to which repair sheds will be used to repair a vessel; and

Reply: There is no other consideration apart from the size of the vessels as to which repair shed is used for the repair of a vessel.

- (j) Number of staff in the Industrial Safety Unit of MD and their job duties, and the improvement measures put in place by this unit since its set up in 2017.

Reply: The Industrial Safety Sub-Unit was upgraded to Industrial Safety Unit (ISU) in October 2017 after a dedicated Industrial Safety Manager was created to take lead the Unit. The Unit consists of five technical staff in addition to the Industrial Safety Manager.

The job duties of the ISU will focus on formulating the Government Fleet Division work safety policy, coordinating the planning and implementation of various safety measures, promoting the general safety awareness, and ensuring compliance with various safety-related legislations by all parties in GD. The post incumbent is also required to conduct regular reviews of the safety procedures to ensure effective controls, and organise relevant trainings for the officers and contractors to ensure observance of safe working practices.

See reply to (f)(vi) above for the improvement measures put in place by this unit since its set up in 2017.



效率安全 齊步向前

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政府船塢工業安全分組

安全通訊 2017 / 10

柴油駁運安全指引

因應船塢的油艙停止運作，政府船舶在政府船塢內維修時船上的柴油駁運程序會改變為由政府船上駁運到油船上或由油船駁運到政府船上。

此通訊附上中、英文的《政府船舶與駁油船之間柴油駁運安全指引》，各承辦商在作上述柴油駁運時必須依從指引。

如有疑問，可向技術及安全經理或工業安全分組查詢。



陳富

技術及安全經理

日期：2017年8月18日

分發：	AD/GF	SMM	SS/GNC	TA/GD
	GMD	SSSM	SSM	各政府船塢承辦商
	SFM	EO/GF(P)	EO/GF(A)	

檔案: MDGFGR 5-35/2(1)； GF/GR137/19

網頁: http://www.mardep.gov.hk/en/aboutus/safe_bulletin.html

本文：1 頁

政府船舶與駁油船之間柴油駁運安全指引

1 柴油駁運前

- 1.1 政府船塢承辦商安全督導員必須先從工業安全分組取得「柴油駁運作業安全許可證」。安全督導員必須持有勞工處認可有效安全督導員證書。許可證必須展示在工作地點之當眼處。
- 1.2 柴油駁運過程中，政府船塢承辦商的安全督導員必須全程監察並執行安全措施。
- 1.3 承辦商安全督導員必須對柴油駁運前的火災、爆炸、漏油和人身傷害進行風險評估。
- 1.4 安全督導員應確保和檢查處理駁油船和政府船舶上處理燃油喉管的工人必須持有由認可培訓中心發出有效的《船上貨物處理工程督導員證書》，並在燃油喉管處理過程中，在駁油船和政府船舶上的工程主管至少具有《船上貨物處理工程督導員證書》。
- 1.5 如燃油喉管需要由船舶起重機搬運，起重機操作人員必須持有有效的起重機操作員證書。
- 1.6 參與柴油駁運的人員必須有經驗或曾接受燃油駁運培訓。
- 1.7 必須展示「不准吸煙」及「禁止明火」警告牌。
- 1.8 必須將手機關閉。
- 1.9 現場必須準備滅火筒及沙箱。
- 1.10 現場必須準備一罐化油劑及滅火筒。
- 1.11 將甲板上所有排水孔及油盤中的排油孔封閉。
- 1.12 確保駁油船和政府船舶的繫泊已經穩固。
- 1.13 檢查喉管和連接有否鬆動/不均勻旋緊，及有否損壞。
- 1.14 確保接收柴油油缸的閥門打開。
- 1.15 確保駁油船和政府船舶上的接地良好。
- 1.16 駁油船和政府船舶上必須有足夠數量的人員來處理燃油駁運。
- 1.17 確保政府船舶和駁油船上的人員建立互相理解的通信系統。
- 1.18 為免油渣濺潑，確保喉管放置離缸底大約 200mm。
- 1.19 在完成所有安全措施後，政府船舶人員在進行柴油駁運開始前，必須確認駁油船操作人員亦準備妥當。

2 柴油駁運期間

- 2.1 檢查任何洩漏情況，並在過程中定期檢查。
- 2.2 政府船舶人員與駁油船人員之間必須保持密切聯絡。
- 2.3 政府船舶人員如果發現柴油駁運不再安全；如閃電、風暴或任何超出他控制的事件，可以停止駁運。
- 2.4 在緊急情況下，負責人員必須立即終止柴油駁運操作，並向其上級報

告。

2.5 定期檢查繫泊繩纜並進行適當的調整。

2.6 在進行柴油駁運其間，嚴禁其他船舶靠泊駁油船或政府船舶。

3 完成柴油駁運

3.1 關閉所有用於柴油駁運被開啟的閥門。

3.2 將封閉的排水孔及油盤中的排油孔還原。

***Note by Clerk, PAC: Chinese version only.**



效率安全 齊步向前

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政府船塢工業安全組

安全通訊 2017/19

政府船塢內的電油卸載/運輸/裝載的安全程式

因應船塢的油艙停止運作，政府船舶在政府船塢內維修時，船上的電油駁運程式會改變以便配合實際運作需要。

此通訊附上《政府船塢內的電油卸載/運輸/裝載的安全程式》，各承辦商在作上述電油駁運時必須依從此指引進行。

如就此通訊有任何問題，可聯絡工業安全經理或工業安全組查詢。



麥發安

工業安全經理

日期：2017-12-07

分發：AD/GF
GMD
SFM

SMM
SSSM
EO/GF(P)

SS/GNC
SSM
EO/GF(A)

TA/GD
各政府船塢承辦商
GD staffs

檔案: MDGFGR 5-35/2(1)； GF/GR137/19

網頁: http://www.mardep.gov.hk/en/aboutus/safe_bulletin.html

本文：1 頁 3 張附頁

政府船塢工業安全組

政府船塢內的電油卸載/運輸/裝載的安全程式

I. 從船上卸載電油到電油容器或從容器裝載回到船上

1. 卸載/裝載電油的船隻必須牢固地放置在政府船塢（GD）的指定電油船泊位區內之托架上，電油櫃及相關的位置必須遮蔽，盡量避免陽光直接照射。
2. 開始電油運輸前，承辦商必須首先獲得工業安全組所發出之電油駁運作業許可證表格 F20，方可開始作業。
3. 承辦商必須委任具有資格的安全督導員對整個電油卸載/裝載及運輸過程負責及監察。
4. 獲委任的安全督導員必須持有由勞工署認可之安全督導員證書和曾具有電油運輸的相關經驗。
5. 安全督導員必須對所有可能性危害作出風險評估，特別是火災、爆炸、熱源、汽油漏出和身體傷害等。安全督導員必須確保所有防預設施是完整滿意，方可開始作業。
6. 安全督導員必須確保距離船隻 8 米範圍內沒有熱源，及排除未經授權的人仕進入。
7. 使用搬運之容器必須是由處方批准不超過 200 公升的油桶。承辦商須檢查容器狀態良好。
8. 承辦商必須在作業時提供充足人手。一般來說，一名工作人員在船上油櫃附近和一人必須在可搬運容器旁作緊急支援。另外，一名工作人員須駐守在氣動泵的開關制旁邊。
9. 獲委任的安全督導員必須確保及注意操作整個過程之所有安全。
10. 盛油盤子必須放在搬運容器之下。
11. 保證船隻和容器有效的接地。
12. 可以使用氣動泵或手吸管泵，但泵送速度不能超出每分鐘 37 公升。氣動泵必須為設計適用於電油之類型及使用膠喉連接。使用的油泵必須處於良好工作狀態。不可注滿油桶，應預留最少 5% 空間以備因溫度變化引致的超壓。
13. 必須避免令電油飛濺，排放軟管的末端必須位於容器底部附近，以減少靜電。

政府船塢工業安全組

14. 在卸載/裝載電油工作處，必須放置不少於兩個 9 公升有效的泡沫滅火器。
15. 必須在附近顯示“不准吸煙”、“不准明火”、“關閉手機”、“汽油運輸”等標誌。
16. 操作開始後，立即檢查軟管和連接處有否洩漏。
17. 在電油傳輸期間，定期檢查有沒有洩漏情況發生。
18. 萬一有可能閃電、大雨和惡劣天氣，則停止操作。

II. 容器搬運至/搬離開危險倉

1. 安全督導員必須在搬運前再次檢查盛載電油容器的狀態，以確保在運輸過程中不會發生洩漏和過度裝載。
2. 電油桶運輸必須使用防爆叉車，並檢查叉車之滅火器檢驗日期。
3. 從船塢到危險倉或危險倉到船塢的道路及相關地方，必須由承辦商暫時用道路標誌封閉，直到電油容器運送到燃油庫為止。
4. 承辦商在道路入口處應顯示“不可進入”和“汽油運輸”等道路標誌。
5. 安全督導員必須確保運輸道路上沒有熱源。
6. 在搬運過程期間，機動車輛禁止進出。承辦商的一名工作人員應駐守在入口處停止機動車和未經批准的人仕進入。

***Note by Clerk, PAC:** Chinese version only.



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政府船塢工業安全組

安全通訊 2018/02

政府船塢內的乙炔, 氧氣瓶及壓縮氣體的管理

根據香港法例第295A章《危險品(適用及豁免)規例》規定, 乙炔及氧氣的豁免量分別為各二瓶。

為妥善監察政府船塢內的乙炔及氧氣使用及存放量, 政府船塢要求各承辦商在各自正在使用或備用的乙炔及氧氣瓶上掛上承辦商的名牌以作識別。若日後發現有上述乙炔或氧氣瓶上沒有任何適當名牌, 將會對該氣瓶的使用的承辦商扣分處理。如當時無法確認該氣瓶屬於哪一間承辦商, 政府船塢將會代為處理並送回氣體供應商。承辦商日後不可對該氣瓶作出追討, 同時政府船塢有權要求該承辦商繳交處理氣瓶的費用。

此外, 在每個工作天需要申報在船塢內的壓縮氣體存放數量, 申報表F19附在此通訊之內。必須申報的壓縮氣體包括乙炔、氧氣、氫氣、氮氣及其他屬第二類氣體瓶。除非有特殊情況, 例如颱風等, 所有在政府船塢內的承辦商, 無論當天有沒有壓縮氣體存放在船塢內, 都必須填寫此申報表, 並於每個工作天的下午四時前交送至政府船塢工業安全組。承辦商必須確保申報內容正確。

此通訊已取代工業安全組的安全通訊 2017/12 及 2017/13號, 並即日生效。如就此通訊有任何問題, 可聯絡工業安全經理或工業安全組查詢。



麥發安
工業安全經理

日期：2018-01-11

分發：AD/GF
GMD
SFM

SMM
SSSM
EO/GF(P)

SS/GNC
SSM
EO/GF(A)

TA/GD
各政府船塢承辦商
GD staffs

檔案: MDGFGR 5-35/2(1); GF/GR137/19

網頁: http://www.mardep.gov.hk/en/aboutus/safe_bulletin.html

本文：1 頁 1 張附頁

政府船塢工業安全組政府船塢承辦商壓縮氣體申報表

ISU 表格 F19

承辦商：		日期：	
------	--	-----	--

	1		2		3		4		5	
	數量	位置	數量	位置	數量	位置	數量	位置	數量	位置
風										
煤										
氫氣										
氮氣										

註：承辦商須於每個工作天的下午四時前交至政府船塢工業安全組

公司蓋章_____



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政府船塢工業安全組

安全通訊 2009 / 08 油漆、溶劑儲存的管理

最近工業安全組人員在執行檢查時發現有承辦商在露天船排的儲物屋內外存放着大量油漆、溶劑及雜物。根據《消防條例》及《職業安全健康條例》，工場及工地應時常保持整潔，易燃物品包括油漆及天拿水等不應大量儲存。天拿水及油漆類的儲放上限有明確規定分別為20升及250升。

因此，現呼籲各承辦商，若有過量或未用完的油漆可於每天收工前送回船塢的油漆中途倉暫存。油漆中途倉聯絡人為周恆翔先生；聯絡電話是：2307 3402。而雜物、空罐等則應每天收拾好。

船塢的安全管理是有賴各人的通力合作，請各承辦商遵守配合。



鄧慶江

工業安全主任（署任）

日期：29-4-2009

分發：	AD/GF	SMM	SS/GNC	GD staffs
	GMD	SSSM	SSM	各認可承辦商
	SFM	EO/GF	TA/GD	
	TMU, Marine Region, HK Police Force (Attn.: Mr. H.S. Lau)			
	ANM Unit (Attn.: Mr. K.S. Yip)			

檔案: MDGFGR 1-55/20 ; GF/GR137/19

網頁: http://www.mardep.gov.hk/en/aboutus/safe_bulletin.html

本文：1 頁

4.5. 髹漆及噴漆

4.5.1. 一般油漆及溶劑均會產生不同程度的危害使用及貯存時應參閱本章第十二節《一般化學品的使用及貯存》和本章第十三節《常用危險品的使用及貯存》

4.5.2. 在船上或政府船塢範圍內使用油漆及溶劑，應遵照以下守則：

4.5.2.1. 進行油漆或噴漆工序時，不能同時進行熱工作業，亦須確保工作四週範圍內的設備或其他工種不會產生火花或明火。油漆時亦須確保有足夠的通風及要留心風向的變化帶來的影響；

4.5.2.2. 當在船舶內部進行油漆或噴漆工序時或完成油漆工作後，均不應在該地方進行其它工作，直至船舶內部情況被確認為安全；

4.5.2.3. 在狹小的艙室進行噴/髹漆時，要注意通風，防止化學品蒸氣積聚；

4.5.2.4. 使用噴漆機及其輔助設備時，施工的員工須熟悉該機器的運作及安全措施；

4.5.2.5. 當高壓無氣噴漆機停噴時，應將高壓槍保險掣鎖住，噴嘴在任何情況下不可指向自己或他人；

4.5.2.6. 切勿隨意向任何地方噴射以測試噴漆槍；時則須戴上含活性炭吸收劑的口罩及護眼罩；

4.5.2.8 油漆工場及工地現場內要禁絕火源，並要有足夠的滅火設備，場內外亦要有「嚴禁煙火」的明顯警告標誌；

4.5.2.9 密切注意油漆現場內汽化了的天拿水、松節油等有機溶劑的濃度，以防止中毒或引起爆炸；

4.5.3. 在密閉空間內髹漆/噴漆是高危作業，承辦商必須確保：

4.5.3.1 所有密閉空間內的照明及電器設備，均須為防爆型號，電線絕緣良好；

4.5.3.2 風機如非防爆型號，必須放置在密閉空間之外，採用長風管以保證送風至空間死角；

4.5.3.3 密閉空間相對應的內外上下四週鐵板均嚴禁任何明火及熱工作業，而進行油漆作業前，應在四周設置警告標誌，當進行髹漆工序時須派人現場監察。

4.12.一般化學品的使用及貯存

- 4.12.1. 大部份化學品均會損害健康,嚴重的會引起火警或爆炸。其中有些化學品的危害是慢性的,短期接觸未必即時對身體帶來明顯的影響,但長期接觸卻可嚴重危害身體健康。另外一些化學品卻屬烈性的,即是稍加接觸,亦可帶來嚴重後果。根據工廠及工業經營(危險物質)規例,可將危險分為以下 7 類:
 - 4.12.1.1. 爆炸性
 - 4.12.1.2. 助燃
 - 4.12.1.3. 易燃
 - 4.12.1.4. 有毒
 - 4.12.1.5. 有害
 - 4.12.1.6. 腐蝕性
 - 4.12.1.7. 刺激性
- 4.12.2. 有關組別或承建商須列出所使用的化學品,並記錄以下資料:
 - 4.12.2.1. 化學品種類
 - 4.12.2.2. 貯存數量
 - 4.12.2.3. 貯存地點
 - 4.12.2.4. 使用地點
 - 4.12.2.5. 使用數量
- 4.12.3. 有關組別或承辦商須收集每一種化學品的物料安全資料表(MSDS),載明化學品成份、對健康的影響、急救需知、貯存及使用要點等,供所有須接觸有關化學品的員工參閱,而化學品容器應貼上標籤,以清楚地識別所載化學品,以確保使用安全。
- 4.12.4. 有關組別或承辦商須根據物料安全資料表的資料為工作時使用或有可能接觸該化學品的員工提供適合的防護衣物及設備例如提供安全眼罩以防止化學品濺入眼睛,提供半面罩呼吸器以防止吸入煙霧塵埃等。
- 4.12.5. 所有員工必須充分及適當地使用所提供的防護衣物及設備並遵守有關的安全措施、工作程序等。
- 4.12.6. 有關組別或承辦商須定期評估風險以確定現有的安全措施及程序是否足夠。
- 4.12.7. 化學品必須根據其性質而妥善貯存,例如天拿水、松節油、電油等常用有機溶劑,此類化學品必須儲存在小於 35 公升的密封金屬容器內,加上標籤,再放入有門的金屬櫃內,櫃外須標明「易燃物品」並應放在遠離明火或熱源的地方。
- 4.12.8. 如化學品屬危險品,則根據危險品(一般)規例,須將超過無須領取牌照分量的危險品貯存在適當的危險品倉內。
- 4.12.9. 剩餘或過期的化學品不能隨意棄置,要根據有關的法例例如廢物處置(化學廢物)(一般)規例處理,如有疑問可徵詢化學品供應商。

4.13. 危險品的使用及貯存

4.13.1. 根據香港法例第 295 章 - 危險品（一般）規例，危險品共分為以下 10 類：

- 4.13.1.1. 第 1 類 爆炸品
- 4.13.1.2. 第 2 類 壓縮氣體
- 4.13.1.3. 第 3 類 腐蝕性物質
- 4.13.1.4. 第 4 類 有毒物質
- 4.13.1.5. 第 5 類 發出易着火蒸氣的物質
- 4.13.1.6. 第 6 類 與水相互影響會變為危險的物質

4.13.7.4. 在政府船塢範圍內使用油漆等第 5 類危險品時，須遵守以下一般守則：

- 4.13.7.4.1. 盛載漆油的容器在不使用時要緊密地蓋好，空的容器須盡快移走；
- 4.13.7.4.2. 盛載漆油的容器要放置在遠離火花、熱源及猛烈太陽光線的地方；
- 4.13.7.4.3. 處理油漆時，應避免油漆濺落在地面或流入任何地下渠道；
- 4.13.7.4.4. 如有油漆意外地濺落在地面，須立刻清理；
- 4.13.7.4.5. 不超出法例規定的貯存上限的油漆，應儲放在易燃物品儲存櫃內，櫃外應有警告標誌，示明油漆的危險性及數量；
- 4.13.7.4.6. 根據危險品（一般）規例，將超出須領取牌照份量的油漆貯存在第 5 類危險品倉內；
- 4.13.7.4.7. 使用油漆工作，特別是進行噴漆工序，附近不能同時進行熱工作業，確保有足夠的通風，但要小心風向帶來的影響；
- 4.13.7.4.8. 在船舶內部使用油漆進行工作時或完成工作一段時間後，直至情況安全前，均不應在該地方進行其它工作；
- 4.13.7.5. 負責有關第 5 類危險品倉的組別須確保：
 - 4.13.7.5.1. 任何人不得在危險倉內吸煙；
 - 4.13.7.5.2. 任何人不得將任何無遮蓋燈火、火焰或用作燃點易着火物質或蒸氣的東西引進或置於危險倉範圍內；
 - 4.13.7.5.3. 危險倉 6 米範圍內有沒有火或其它熱源；
 - 4.13.7.5.4. 危險倉門外當眼處須展示禁止吸煙和禁止使用無遮蓋燈火的中英文警告；
 - 4.13.7.5.5. 危險品倉內貯存的危險品種類及存放數量應不能超出消防處批准的上限；
 - 4.13.7.5.6. 危險品倉被穩固地鎖上，除獲負責組別的獲授權人准許外，任何人不得進入危險倉。

Daily Checking Procedure of Paint & Thinner

Item	Description	Document	Action Officer
1	Assessment for consumption of paint &/or thinner on that day by consulting the painting work manpower of the contractor(s). Send email with GF277 on paint &/or thinner issued on that day to respective inspectors of SSS/MSS respectively, SMM, ISM, SSO, and DO.	GF277	SSII/SSU
2	Patrol each vessel under maintenance on boatyard and record total quantity of (i) paint; and (ii) thinner.		WSI/MS
3	Report to MS inspector if quantity of any repair shed or any contractor exceeds the exempted quantity (i.e. 250 litres for paint & 20 litres for thinner).	維修船排油漆存放量紀錄	WSI/MS
4	Inspector instructs concerned contractor(s) to transfer the paint or thinner to PK03 if exceeding the exempted quantity.	副本致：有關承辦商 Email to：SSO、SMM、 MM(H)、MM(E)、ISM、 DO	SI/MS
5	SSU officer ready for collection of paint/thinner at PK03.		SSII/SSU
6	Site safety patrol and proceed Demerit Point System if contractor fails to comply the above.	GFDC 11/2011 Performance Appraisal System for Government Dockyard Maintenance Contractors	ISI/ISU

維修船排油漆存放量紀錄

日期：

巡查職員：

巡查時間：

由

至

甲部：

船排	船名	承辦商	天拿水（升）	油漆（升）

註：* 以上存放量為未開封罐的總數量。

乙部：

船排	船名	承辦商

根據政府船塢安全通訊 2009/08，_____ (Post) 於同日下午_____ 已通知上述承辦商將過量的天拿水及油漆送回政府船塢儲存，並同時知會高級物料供應主任及工業安全組。

副本致：有關承辦商

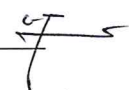
Email to : SSO、SMM、MM(H)、MM(E)、ISM、DO

****Note by Clerk, PAC: Chinese version only.***

Inspection Record of DG (Oxy-Acetylene, Paint & Thinner) After Work

Date : 2 Jan. 2018Time : 18:00

位置 \ 危險品	氧氣瓶(樽)	乙炔瓶(樽)	油漆(公升)	天拿水(公升)
CB1	0	0	0	0
CB2				
CB3	0	0	0	0
CB4	2	2	0	0
CB5				
CB6	0	0	0	0
CB7				
CB8				
CB9				
CB10			200	
Total	2	2	200	0


Checked By : JOE HUI  151/1511

Inspection Record of DG (Oxy-Acetylene, Paint & Thinner) After Work

Date : 3 Jan 2018

Time : 18:00

位置 \ 危險品	氧氣瓶(樽)	乙炔瓶(樽)	油漆(公升)	天拿水(公升)
CB1	0	0	0	0
CB2	0	0	0	0
CB3	0	0	0	0
CB4	0	0	0	0
CB5	0	0	0	0
CB6				
CB7				
CB8				
CB9				
CB10	0	0	200	10
Total	0	0	200	10

Checked By : Joe Chan  151/152

Inspection Record of DG (Oxy-Acetylene, Paint & Thinner) After Work

Date : 4 Jan 2018

Time : 18:00

位置 \ 危險品	氧氣瓶(樽)	乙炔瓶(樽)	油漆(公升)	天拿水(公升)
CB1	0	0	0	0
CB2	0	0	0	0
CB3	0	0	0	0
CB4	0	0	0	0
CB5	0	0	0	0
CB6				
CB7				
CB8				
CB9				
CB10	0	0	160	0
Total	0	0	160	0

Checked By : Joe Lam 151/152

Inspection Record of DG (Oxy-Acetylene, Paint & Thinner) After Work

Date : J Tan . 2018
 Time : 18:00

位置 \ 危險品	氧氣瓶(樽)	乙炔瓶(樽)	油漆(公升)	天拿水(公升)
CB1	0	0	0	0
CB2	0	0	0	0
CB3	0	0	0	0
CB4	1	1	0	0
CB5	0	0	0	0
CB6				
CB7	0	0	0	0
CB8	0	0	0	0
CB9				
CB10	0	0	160	0
Total	1	1	160	0

Checked By : J Tan 15/1/18



中華人民共和國香港特別行政區政府總部食物及衛生局
Food and Health Bureau, Government Secretariat
The Government of the Hong Kong Special Administrative Region
The People's Republic of China

本函檔號 Our Ref. : L/M to FH CR 2/2191/17 Pt.1

電話號碼 Tel. No. : 3509 8973

來函檔號 Your Ref. : CB4/PAC/R69

傳真號碼 Fax No. : 2840 0467

11 January 2018

Mr Anthony Chu
Clerk to Legislative Council Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Fax No. : 2543 9197)

Dear Mr Chu,

Public Accounts Committee
Consideration of Chapter 3 of the Director of Audit's Report No.69
Hospital Authority's management of public hospital projects

Thank you for your letter of 22 December 2017 on the above subject.

We provide at Annex a coordinated response to your questions raised for the Public Accounts Committee on issues related to the Food and Health Bureau and Hospital Authority.

Yours sincerely,

(Kevin Ng)

for Secretary for Food and Health

c.c. Chief Executive, Hospital Authority

**Coordinated Responses to PAC's Questions on
Chapter 3 of the Director of Audit's Report No.69
Hospital Authority's management of public hospital projects**

Response from Food and Health Bureau and Hospital Authority

Part 3: Commissioning of facilities of the North Lantau Hospital (Phase 1)

- 1) *According to paragraph 3.9, as of June 2017, only 40 beds (22% of the planned 180 beds) were commissioned at the North Lantau Hospital (Phase 1) ("NLTH Phase 1") to provide public hospital services for some 123 000 Lantau residents. Prior to this audit review, were the Food and Health Bureau ("FHB") and the Hospital Authority ("HA") aware that 120 in-patient beds of NLTH Phase 1 had not yet been commissioned? If so, when were FHB and HA aware of the issue, and has FHB/HA taken any steps to alleviate the shortage of in-patient beds on Lantau? Do FHB and HA consider that NLTH Phase 1 is now able to provide sufficient public hospital services for meeting the demand of Lantau residents? If yes, why did FHB inform the Legislative Council ("LegCo") in 2009 that 180 beds would be sufficient for the Lantau population of 123 000?*

Reply:

Special Considerations for New Hospital in Lantau

In accordance with the general planning standard, an acute hospital would be planned for a district when the population of the district reached 200,000. The Government decided to develop a new hospital in North Lantau before the population in the district reached the relevant planning threshold to cope with the projected population growth of the Lantau Island from 100,000 in 2006 to 123,100 by 2015 and further to around 220,000 upon the full development of North Lantau New Town in the long term. Moreover, having regard to the fact that the Hong Kong International Airport and some major tourist facilities are situated in the North Lantau, the new hospital will play a key role in providing emergency treatment to the most acute cases and augmenting the capability of the public hospital system on the whole to cope with possible major disasters. With that special consideration, the priority of the NLTH was to cover mainly Accident & Emergency (A&E), acute and extended care

in-patient, specialist out-patient, as well as primary and day care services. The NLTH is supported by the Kowloon West Cluster (KWC) where a good referral system is available for acute in-patient services, specialist out-patient (SOP) services, extended care, community care and mental health services etc.

Hospital Service Commissioning Plan

HA commenced the hospital service commissioning planning prior to the completion of the hospital construction with a view to ensuring that the high priority services could commence with the necessary support in resources (especially manpower for clinical services) when the hardware development of the hospital was completed and ready for use. After consulting key stakeholders and considering key factors such as service needs, community expectation, readiness of the service, availability of resources, KWC proposed to HA Head Office (HO) the service scope, proposed service timeline and the manpower and financial requirements for the initial service opening of NLTH. For further expansion in services, a phased approach had been proposed and adopted.

Similar to other service programmes in HA, the initiatives for opening new services in NLTH needed to go through the annual planning (AP) and budgeting process. As the overall public hospital service demand both in quantity and quality exceeded the resource (especially manpower for clinical services) availability, the NLTH services commissioning proposals would have to compete with other service enhancement initiatives in HA. Once supported, AP programmes would be monitored according to the established annual planning mechanism and reported to HA Board Meeting and Bureau quarterly.

Key Factors Affecting Commissioning of NLTH

The key factors affecting the commissioning of medical services at NLTH were the manpower shortage (especially for clinical professional staff) and competing needs across the HA.

Manpower shortage

The persistent manpower shortage of healthcare professionals in Hong Kong could be traced back to the economic downturn two decades ago. Due to the

adverse economic condition in the aftermath of the Severe Acute Respiratory Syndrome epidemic, student intake of the two medical schools in Hong Kong was reduced from 301 to 280 in 2003 and to 250 in 2005. The intake was subsequently increased to 320 in 2009 and to 420 since 2012. With the government policy of upgrading basic nursing education to degree level for enhancing the quality of healthcare services, majority of nursing schools of HA except the nursing school in Queen Elizabeth Hospital, have ceased student intake to the nursing programmes run by the HA since July 1999. It was not until 2009 that the number of places for nursing programmes was increased respectively from 550 to 590 at the degree level and from 110 to 160 at the associate degree level. Also, the student intake for radiographers, occupational therapist and physiotherapist was increased gradually since 2012.

The HA had been adopting a multi-faceted approach to attract and retain staff, and managed to achieve steady growth of manpower including doctor, nurses and allied health in the past years. However, with the accumulative effect over the years, the severe manpower shortage had become one of the major constraining factors confining the pace and extent of the healthcare service expansion to cope with the escalating demand in public healthcare services.

Competing Needs

In planning for its services, HA will take into account a number of factors, including population growth, demographic changes, advancement in medical technology, manpower provision, organisation of services of the clusters and hospitals, service demand of local communities, etc. Geographical population is only one of the many factors under consideration. On the other hand, patients may, according to their needs, receive treatment in hospitals other than those in the districts where they reside. Moreover, some specialised services are available only in certain hospitals, and hence certain clusters and the beds in these clusters have to provide services for patients throughout the territory.

Furthermore, the public healthcare system usually faces upsurge in service demand from around December to May in the following year. During the surge periods, wards will become increasingly congested, imposing immense pressure on hospital staff in maintaining the standard of care in patient management. To cope with the overwhelming demands, augmenting the bed capacity in HA is one of the corporate priority areas. From 2013-14 to

2017-18, HA has planned to open a total of 915 new beds in various clusters, including those 40 in-patient beds already in operation in NLTH. For 2018-19, more than 500 new beds are being planned for, including 40 in-patient beds and 10 day beds in NLTH. Due to the shortage of manpower especially professional staff, the growth of HA's bed capacity is still unable to catch up with the escalating demand.

Within the KWC cluster, there are also other competing needs, both qualitative and quantitative, in many service areas. For example, in 2016-17, the overall bed occupancy rate for NLTH and PMH was 87.0% and 98.4% respectively, indicating that the bed situation in PMH is more stringent than which of NLTH. HA also informed the Audit Commission as under Note 33 of the Audit Report that majority of the Lantau residents currently admitted to PMH are due to the complexity of their clinical situation which required treatments in an acute tertiary hospital. From the cluster service perspective, the initiative to open new beds at NLTH may not be accorded higher priority when compared with the needs of the other service areas within the cluster.

By the same token, at corporate level, the HA management needs to balance the competing needs and prioritise the initiatives submitted by the clusters, the professional service coordinating committees as well as other corporate supporting services. To make the best use of available resources, there are practical needs to prioritise various initiatives critically and realistically so as to ensure resources will be allocated to the most needed areas. For details, please refer to Appendix E of the Audit Report.

Reporting to HA/FHB

As for the service planning of NLTH, which is a new public hospital in North Lantau, starting from February 2011, the service planning work had been discussed by Medical Services Development Committee (MSDC), and progress report of MSDC was also submitted to the Board where there is FHB representation in both MSDC and Board. Separately, the Board had been consulted on the consultancy study on development of a public-private-partnership model for phase two of NLTH as well as the development of NLTH and the proposed service scope in 2013-14 and thereafter. The relevant MSDC and Board meetings are listed at **Appendix A**.

In April 2013, the HA management informed the HA Board of the service scope of NLTH Phase 1 in 2013-14 and the related challenges and way forward, including the fact that *“the remaining medical services would be commissioned in phases in subsequent years subject to resources available under the prevailing mechanism.”*

Apart from the reporting of the initial opening to MSDC and Administrative and Operation Meeting (AOM) in 2013, the subsequent phased opening were also reported to AOM as part of HA annual plan of those years. Therefore, there is a mechanism in place to report all funded programmes to HA board and for selected programmes to FHB quarterly. Major AP programmes are also published in HA Annual Plan and Annual Report to the public. Although there is no regular report from HA specifically on the commissioning of the remaining medical services in NLTH, FHB has maintained close liaison with HA, and both parties have jointly considered the planning of the remaining services of NLTH phase 1 and its phase 2 project in view of the rising demand for medical services in the district arising from the proposed Tung Chung New Town Extension project.

Follow Up Action

To follow up Audit’s recommendation, aside from the existing reporting mechanism on the phased opening of medical services at NLTH to the HA Board or its relevant Committees and the quarterly reports to the FHB, the HA will additionally report the remaining facilities/services yet to be opened so as to keep the FHB abreast of the overall progress of the service commissioning. Besides, HA will review and report the updated timeline for opening all medical services of all completed hospital projects including NLTH, annually at the MSDC starting from third quarter of 2018 until all the medical services of the hospital projects are fully commissioned.

To address manpower shortage of healthcare professionals, the Government would continue to increase the number of publicly-funded undergraduate places for training doctors, nurses and other relevant allied health professionals. To facilitate HA’s service planning, the Government has announced that we would introduce a new arrangement by undertaking to increase the recurrent funding for HA progressively on a triennium basis, having regard to population growth rate and demographic changes. This will enable HA to address the

staffing issue and service demands arising in a more effective and sustained manner.

- 2) *According to paragraph 3.8, as of June 2017, three types of medical services had not yet been commissioned at NLTH Phase 1. According to paragraph 3.15, the anticipated timeline for commissioning the above medical services had not been provided to HA Board and FHB. Have any HA Broad member(s) raised query on this issue at Board meeting(s)? Have any LegCo Members, District Council members or public officers raised questions in this regard? If yes, please provide the reply. Has FHB received any updates, including the proposed commissioning dates, from HA regarding the commissioning of the above medical services? Is FHB satisfied with the current handling by HA with the delay on the commissioning of medical services? If not, how will FHB follow up the issue with HA? With reference to paragraph 3.20(c), what kinds of measures are FHB and HA considering to prevent delays from recurring?*

Reply:

Competing Needs

As mentioned above, the key factors affecting the commissioning of medical services at NLTH were the manpower shortage (especially for clinical professional staff) and competing needs across the HA. To make the best use of available resources, there are practical needs to prioritise various initiatives critically and realistically, both at cluster level and corporate level, so as to ensure resources will be allocated to the most needed areas.

Prioritisation

Through KWC internal discussion and subsequent discussion in the Service Steering committee co-chaired by HAHO and KWC, and subsequently endorsed in HA's Directors' Meeting, the priority service areas for service opening at NLTH in 2013-14 included Accident & Emergency service, medical and psychiatry specialist outpatient services, relocation of Tung Chung General Outpatient Clinic, community outreach services and allied health services.

Among the three types of medical services not yet commissioned at NLTH as mentioned in paragraph 3.8, HA has planned to open 20 acute beds, 20 extend care beds and 10 day beds in 2018-19. As HA is operated under a cluster structure, services are provided by all hospitals within the clusters as a whole. The service needs for specialist outpatient clinics for gynaecology and paediatrics by the Tung Chung population are currently provided by Princess Margaret Hospital within the KWC. As the population of North Lantau has not reached the above mentioned planning threshold of 200 000, the merits for opening specialist outpatient clinics for gynaecology and paediatrics in NLTH at this stage was insufficient to merit higher priority in the priority service list. The questions raised by LegCo Members in this regard and our replies are provided in **Appendix B**.

Consultation

During the planning process, KWC has consulted key stakeholders and considered a basket of factors such as service needs, community expectation, readiness of the service, availability of resources to work out the proposed service timeline, the manpower for the initial service opening of NLTH. Besides, the cluster management has been maintaining regular communication with the District Council (DC) to collect views from the local community. As reflected by DC members, there were higher priority needs for A&E services, general outpatient services and outreach services for the residents of North Lantau when the NLTH commenced operation. Constraints to open all services in NLTH were explained and well understood by DC members. The meetings of Islands District Council with discussion related to NLTH services are listed at **Appendix C**.

Aside from consultations with local community, the NLTH service commissioning plan was also made transparent to the public. A paper was submitted to the Legislative Council Panel on Health Services on 20 May 2013 to update LegCo Members on the commissioning of the NLTH. It was stated that *“HA will continue to strive to commission the remaining services early, including the phased opening of the remaining inpatient beds and other specialist outpatient clinics such as surgery, orthopaedics, gynaecology and paediatrics, having regard to the growth in service demand and the manpower availability. Before the full operation of NLTH, other specialist services will continue to be provided by other hospitals in the Kowloon West Cluster, in*

particular the Princess Margaret Hospital which is the tertiary referral centre within the cluster.”

Follow Up Action

FHB and HA agree with Audit’s recommendation. HA will review and report the updated timeline for opening all medical services of NLTH at the hospital governing committee meeting NLTH starting from second quarter of 2018. HA will also schedule annual reporting at the MSDC starting from third quarter of 2018 until all the medical services of NLTH are fully commissioned.

Response from Hospital Authority

Part 2: Project management of the Redevelopment of Caritas Medical Centre (Phase 2)

- 1) *With reference to paragraph 2.8, what actions had HA taken in vetting the consultants' project cost estimate for the Redevelopment of Caritas Medical Centre (Phase 2) ("CMC Phase 2") before the tender exercise? What measures will HA take to better gauge the construction prices in future so as to improve the accuracy of project cost estimates?*

Reply:

HA vetted the consultants' cost estimate for a particular project before the tender exercise by comparing its overall construction unit cost per square metre (m²) covering building, building services installations, site development, furniture and equipment, consultants' fees as well as contingencies with that of an earlier approved project of similar nature and complexity, updated to the same price level using relevant tender price indices. In this instance, the Pok Oi Hospital Redevelopment and Expansion (POH) was used as the reference project for comparison. The overall construction unit cost of \$12,244 per m² for CMC Phase 2 was comparable to the \$11,942 per m² for POH at September 2006 prices. With more and more hospital projects completed over the years, HA has been building up a cost database and benchmarks for better gauging the construction prices for its hospital projects in future.

- 2) *According to paragraph 2.11, from November 2007 to October 2008, HA and its consultants conducted a design review ("2008 Design Review") for CMC Phase 2. The 2008 Design Review identified cost savings of at least \$236 million and improved competitiveness of tenders by revising the building design and the contract strategy of CMC Phase 2. Why were such cost savings and improvement of tender competitiveness not identified in vetting HA consultants' original design? Does HA consider that a more detailed design review should have been conducted before the first tender exercise in 2007? What lessons has HA drawn from the 2008 Design Review for improving the planning of hospital projects in future? After the occurrence of the above incident which resulted in splitting the project into three works contracts, has HA adopted a single works contract for new hospital development/existing*

hospital redevelopment projects? If yes, please provide details, such as the name of hospital(s), the contract amount and the reasons(s).

Reply:

For vetting purposes, the design of a project had been deemed to have achieved an acceptable degree of cost effectiveness so long as its overall construction unit cost was comparable to that of an earlier approved project with similar scale. The 2008 Design Review revealed that planning efficiency was a more important consideration than the overall construction unit cost in ensuring cost effectiveness of a project. As noted by Audit Commission in paragraph 2.13, HA engaged in May 2016 an international expert team to carry out a consultancy study on the planning efficiency of local and overseas hospitals. The consultancy study has recently been concluded and HA will adopt its recommendations on achieving an optimal planning efficiency as part of the cost control mechanism for its future projects.

After the occurrence of the concerned incident, HA has adopted a single works contract only for those hospital projects relatively small in scale, when better co-ordination of construction activities by a single contractor outweighs enhanced competitiveness of separate works packages. Details of those projects are as follows:

<u>Project</u>	<u>Contract Amount (\$M)</u>
Expansion of Haven of Hope Hospital	1,799.00
Expansion of Blood Transfusion Service Headquarters	796.48
Refurbishment of Hong Kong Buddhist Hospital	438.68

- 3) *With reference to note 13 in paragraph 2.12, please compare the floor area and number of parking spaces of the car park before and after the 2008 Design Review. What is the current utilization rate of the car park?*

Reply:

The floor area for carpark was reduced by 2,923m² after the 2008 Design Review and the number of parking spaces was reduced from 250 to 210. The

current utilization rate of the car park ranges between 90% and 100%.

- 4) *According to paragraph 2.31, notwithstanding that HA had taken various remedial actions, the accident frequency rate of one contractor for CMC Phase 2 still reached 0.99 reportable accident per 100 000 man-hours worked during July to August 2013, which exceeded HA's limited of 0.5. Does HA consider that the remedial actions were not effective in improving the contractor's construction site safety performance? What other safety measures will HA taken when implementing hospital projects in future?*

Reply:

Given that the Contractor's accident frequency rates had been as high as 1.47 reportable accidents per 100 000 man-hours worked as noted by Audit Commission in paragraph 2.29, HA's remedial actions did improve on the Contractor's site safety performance. HA has engaged an external safety consultant to conduct an independent safety audit in early 2017, covering safety inspections to seven major capital works projects and four term contracts for minor works. This audit also included interviews with HA project staff as well as its appointed architects, engineers, surveyors and contractors. Relevant documents such as construction contracts, safety plan, reports, site records, risk assessments, and method statements for execution of works will also be reviewed. HA will implement the recommendations of the safety audit report once it is concluded.

- 5) *With reference to paragraph 2.33, three reportable accidents which occurred during the construction period involving three workers employed respectively by three sub-contractors of the contractor with high accident frequency rate were not included in the pertinent monthly reports submitted to the Site Safety and Environmental Management Committee. Please explain the reasons and whether sanctions had been imposed on the concerned contractors; if yes, please provide details; if not, why not.*

Reply:

The three accidents were reported by workers of the Contractor's sub-contractors to the Labour Department direct without the knowledge of the Contractor or the Architect. As a result, they had not been included in the

pertinent monthly reports submitted by the Contractor to the Site Safety and Environment Management Committee. No sanction had been imposed on the concerned contractors as it was clearly not a case of willful misconduct.

- 6) *According to paragraph 2.41, HA management had not reported the accident statistics of its hospital projects from January 2012 to October 2013 to HA Board or HA's Capital Works Subcommittee. Please explain the reasons. How will HA ensure that similar problem will not recur?*

Reply:

HA had been reporting accident statistics to its Supporting Services Development Committee / Capital Works Subcommittee at irregular intervals having regard to the number of agenda items required to be covered at each meeting. HA will make this subject a regular reporting item to the relevant committee in future.

- 7) *According to paragraph 2.53(a), as of September 2017, nine outstanding defect items under the contracts of CMC Phase 2 would be rectified by end October 2017. Has HA followed through all the defects as promised? If not, what are the reasons for the delay and is there an updated deadline for completion?*

Reply:

All outstanding defect items under the contracts of CMC Phase 2 have been rectified by end October 2017.

- 8) *Accordingly to paragraph 2.53(b), HA has promised to identify appropriate measures to be taken for further quality assurance of construction works. Has HA made any progress on the matter, and when will HA publish the measures identified?*

Reply:

HA will deploy resident site staff to strengthen quality supervision of construction works. Regular quality assurance audits will also be conducted to identify enhancement opportunities.

Part 3: Commissioning of facilities of the North Lantau Hospital (Phase 1)

- 9) *According to paragraph 3.9, as of June 2017, only 40 beds (22% of the planned 180 beds) were commissioned at the North Lantau Hospital (Phase 1) (“NLTH Phase 1”) to provide public hospital services for some 123 000 Lantau residents. Prior to this audit review, were the Food and Health Bureau (“FHB”) and the Hospital Authority (“HA”) aware that 120 in-patient beds of NLTH Phase 1 had not yet been commissioned? If so, when were FHB and HA aware of the issue, and has FHB/HA taken any steps to alleviate the shortage of in-patient beds on Lantau? Do FHB and HA consider that NLTH Phase 1 is now able to provide sufficient public hospital services for meeting the demand of Lantau residents? If yes, why did FHB inform the Legislative Council (“LegCo”) in 2009 that 180 beds would be sufficient for the Lantau population of 123 000?*

Reply:

Please refer to the reply to Question 1 by FHB which serves as a consolidated reply.

- 10) *According to paragraph 3.8, as of June 2017, three types of medical services had not yet been commissioned at NLTH Phase 1. According to paragraph 3.15, the anticipated timeline for commissioning the above medical services had not been provided to HA Board and FHB. Have any HA Board member(s) raised query on this issue at Board meeting(s)? Have any LegCo Members, District Council members or public officers raised questions in this regard? If yes, please provide the reply. Has FHB received any updates, including the proposed commissioning dates, from HA regarding the commissioning of the above medical services? Is FHB satisfied with the current handling by HA with the delay on the commissioning of medical services? If not, how will FHB follow up the issue with HA? With reference to paragraph 3.20(c), what kinds of measures are FHB and HA considering to prevent delays from recurring?*

Reply:

Please refer to the reply to Question 2 by FHB which serves as a consolidated reply.

- 11) *According to paragraph 3.6(b), good supply of working population (particularly for junior positions) was expected in Tung Chung. Please provide the number of junior positions at NLTH Phase 1 during its commissioning stage and the number of junior staff of NLTH who are currently living in Tung Chung?*

Reply:

As at 31 March 2017, the number of staff recruited through HA internal transfer and other external sources were 245 and 152 respectively, which are for the service scope committed through the annual plan process. These included the initial service opening in 2013 and subsequent service opening in 2014-15, 2015-16 and 2016-17. For programmes supported under the annual plan, there will be overall coordination at corporate level and proactive recruitment plan at cluster level to recruit the required manpower for the scale and scope of services committed. The limiting factors for the phased opening of NLTH Phase 1 are mainly due to manpower shortage especially for clinical professional staff and competing needs across HA.

The breakdown by staff group in NLTH as at 31 March 2017 is at Appendix D. Out of the 103 supporting staff, 64 (about 62%) live in Tung Chung and Lantau Island.

- 12) *According to Note 30 in paragraph 3.4(d), the annual recurrent expenditure arising from NLTH Phase 1 of \$300 million provided to LegCo in December 2009 was a rough estimation based on the latest cost data at that time. In 2011, the hospital management estimated that an annual recurrent expenditure of \$476 million would be required for full operation of NLTH Phase 1. Why was the estimated cost provided to LegCo significantly underestimated? What measures will HA take to improve the cost estimates in future?*

Reply:

The original estimation of annual recurrent expenditure arising from NLTH Phase 1 (i.e. \$300 million) was made with reference to the recurrent cost of Pok Oi Hospital expansion project at that time with a broad brush adjustment by the bed number and bed type. As the planning for the medical services for NLTH reached a mature stage alongside with the progress of capital works, HA

refined the recurrent cost estimation by factoring in the proposed medical services and models of care, to derive the manpower and other resource implication for NLTH. In the recurrent cost estimation for subsequent major capital works projects, HA has adopted the refined approach for recurrent cost estimation.

Notwithstanding the refined estimation methodology, the actual resources required for new hospitals would be constantly monitored and reviewed. Any additional resources would be requested through the Government annual RAE process.

- 13) *According to paragraphs 3.28(a) and (b) and 3.29, HA has agreed to explore measures to put vacant areas at NLTH Phase 1 into gainful uses in the interim period before such areas could be utilized, and to review whether areas temporarily used for other unintended functions (e.g. storage) could be put into better alternative use. What is the progress? To what extent will such areas be put into gainful use or better alternative use?*

Reply:

For those vacant areas, HA will continue to explore measures to put the unused areas at NLTH Phase 1 into gainful use where practicable, such as for organising staff / patient activities in the interim period before such areas could be utilised.

The vacant areas mainly included two areas: ward areas and canteen area.

For the ward areas, currently they are temporarily used as in-patient rehabilitation (for convenience of patients) and staff training (by making use of the ward environment). It is planned to use the yet unopened ward to have more staff training sessions including cluster colleagues until the phased opening of all the wards in NTLH Phase one. As mentioned above, HA already has plan to open 20 acute beds, 20 extend care beds and 10 day beds in 2018/19.

For the canteen area, further to the unsuccessful tender exercise for the provision of canteen service at NLTH Phase 1 in 2013, the KWC management has issued the tender for the Provision of Canteen Services for North Lantau

Hospital on 17 November 2017. However, it was again not successful. As the utilization of the canteen area involves significant cost e.g. energy consumption, the area is temporarily planned for staff engagement events including workshops and forums for cluster colleagues. It is anticipated that, the chance of successful tender exercise will be increased with opening of more wards in the coming years, while KWC management will keep looking for all the possibilities to facilitate the opening of canteen service.

- 14) *According to Table 4 in paragraph 3.31, the utilization rate of the digital radiography system has reached 279%. Will HA consider procuring more equipment under this item so as to prevent overloading of the system?*

Reply:

There are two identical digital radiography systems listed in Table 4, namely item 9 designated for accident and emergency department (AED) and item 10 for general use in NLTH Phase 1. According to the phased service opening plan of NLTH Phase 1, AED would commence services in the first stage; hence, the expected utilisation per year for item 9 was 20,000 no. of examination, which was much higher than the expected utilisation of 9,000 no. of examination per year for item 10. In actual, the numbers of examinations conducted by these two equipment items in 2016 were 24,131 and 25,115 respectively. By calculating the ratio between actual utilisation and expected utilisation per year, it resulted significant difference in the utilisation rates of item 9 ($24,131 / 20,000 = 121\%$) and item 10 ($25,115 / 9,000 = 279\%$). The high utilisation rates of both items reflected that the digital radiography systems were well utilised and exceeded original expected utilisation. Further increase in utilisation is expected when more services are opened in NTLH.

In view that both digital radiography systems are used within their capacity without overloading, at this stage HA has no plan to procure more equipment in NLTH. HA will continue to monitor the utilisation rate of the digital radiography system and will follow the prevailing mechanism to procure additional equipment if needed.

- 15) *With reference to Table 5 in paragraph 3.33, please inform this Committee whether the useful life of the medical equipment was calculated from the date of purchase or the date the item was used for the first time; if the former is*

used, whether the wheelchair would pass its useful life in 2018-2019, and whether the other items in Table 5 would reach the end of the useful life within two to five years?

Reply:

The “useful life” of the medical equipment was provided by the supplier as part of the tender document under the heading of “life expectancy” being the expected normal life span of the equipment. The “life expectancy” mainly serves as a reference for HA’s equipment replacement plan and does not confine how long the equipment can be used.

In actual case, the life span of each equipment item varies due to a number of factors, such as the frequency of its usage, the practice and the circumstances where it is used, the maintenance arrangement etc. In general, the medical equipment will be used until it is beyond economical repair.

Part 4: Management of minor hospital projects

- 16) According to paragraph 4.2, Finance Committee of LegCo approved in December 2013 a one-off grant of \$13 billion to HA for carrying out minor works projects, and HA would invest funds which would not be immediately required in low-risk investments. In this regard, please inform this Committee of the amount invested and returns from the investments each year since 2014.

Reply:

Information on the amount invested and returns from the investments each year since 2014 is provided in the table below:

<u>Period</u>	<u>Fund balance as at Period- end</u>	<u>Investment Allocation (Based on Fund Balance as at Period-end)</u>		<u>Returns from Investments during the Period</u>		
		<u>Placement with the Exchange Fund</u>	<u>Bank deposits and Fixed Income Instruments</u>	<u>Placement with the Exchange Fund</u>	<u>Bank deposits and Fixed Income Instruments</u>	<u>Total</u>
		<u>HK\$M</u>	<u>HK\$M</u>	<u>HK\$M</u>	<u>HK\$M</u>	<u>HK\$M</u>
12 Feb 2014 to 31 Mar 2015	12,389	7,491	4,898	191	88	279
1 Apr 2015 to 31 Mar 2016	11,661	7,903	3,758	412	60	472
1 Apr 2016 to 31 Mar 2017	10,753	8,164	2,589	261	56	317
<i>Total (since 12 Feb 2014)</i>				<i>864</i>	<i>204</i>	<i>1,068</i>

- 17) *According to Table 7 to paragraph 4.5, during 2014-15 to 2016-17, only 64% to 77% of the new minor works projects initiated each year had been included in the relevant 3-year rolling plan, falling short HA's 90% target. What actions had HA taken to urge the clusters concerned to improve their planning? What actions will HA take to strengthen the vetting of the 3-year rolling plan?*

Reply:

The performance of each cluster in planning minor works projects is annually reported and reviewed in HA's Directors' Meeting at which all Cluster Chief Executives (CCEs) are present. CCEs of those clusters failing to meet the target will be urged to use their best endeavors to plan ahead and HA Head Office subject officers will closely monitor progress. All proposed deviations from the approved 3-year rolling plan will have to be fully justified for approval by the Chief Executive, HA prior to proceeding.

- 18) *Accordingly to paragraph 4.10(b), HA will review its internal guidelines for future planning of minor works projects. Has the review been completed? If not, when will the review be completed?*

Reply:

The review is planned to be completed by third quarter of 2018.

- 19) *According to Table 8 in paragraph 4.11, HA did not specify the target to be implemented under the category of universal accessibility. Please explain why and whether any internal target has been set; if not, how would HA monitor the implementation progress?*

Reply:

Projects to be implemented under the category of universal accessibility include:

1. Provision of a Lift Tower with Associated Pedestrian Facilities at Wong Tai Sin Hospital and Wu York Yu General Outpatient Clinic
2. Provision of Escalator and Lift Tower at Ruttonjee Hospital
3. Provision of Lift Tower at Gascoigne Road site of Queen Elizabeth Hospital

4. Addition and Enhancement of Passenger Lifts at Main Block and East Block, Pamela Youde Nethersole Eastern Hospital (under planning and will be kicked off in 2019-20)

HA monitors the implementation progress of these projects through its regular project management meetings.

- 20) *Does HA consider the minor works progress as sated in paragraph 4.12 satisfactory? What is the plan for implementing the minor works projects so as to ensure their completion within 10-year (i.e. by 2023-2024)?*

Reply:

HA has put in place a work plan for implementing the committed deliverables over a ten-year period, taking into account clinical requirements, operational needs and planned cash flows. The minor works progress as stated in paragraph 4.12 is in line with this work plan.

- 21) *According to paragraph 4.17 and Note 41, a large number of work orders having delay were carried out by term contractors (“TCs”), and progress of work orders carried out by two TCs was less than satisfactory. What action will HA take against TCs whose performance is less than satisfactory and/or resulted delays in completing work orders? Is there a mechanism for appointing TCs and reviewing their performance? If not, will HA consider implementing such mechanism, including some form of disciplinary mechanism against poorly performing TCs?*

Reply:

HA has an established performance appraisal system for contractors and consultants. The appraisal is conducted at quarterly intervals and its results will have direct bearing on the technical scores of concerned contractors and consultants in their bidding for future HA contracts. Poorly performing contractors and consultants may also have their contracts with HA terminated.

- 22) *According to paragraph 4.38(a), HA will put into operation a new information system for processing of work orders. What is the current progress on the*

implementation of the system, and how effective is the system in assisting relevant staff members for monitoring the progress of work orders? Will HA arrange training sessions for staff members on how to operate the new system?

Reply:

The system is currently under user acceptance testing with live run scheduled for second quarter of 2018. The system will provide comprehensive management information for effective end-to-end monitoring of the works order process. HA will arrange training sessions for concerned staff members on how to operate the new system.

List of relevant MSDC and Broad Meetings

- (i) Consultancy Study on Development of a Public-Private Partnership (“PPP”) Model for Phase Two of the North Lantau Hospital (“NLTH”) Project (AOM-P746) at AOM held on 24 February 2011
- (ii) Update on Service Planning Works of North Lantau Hospital, Phase 1 (MSDC-P298) at MSDC Meeting held on 14 November 2011
- (iii) MSDC Progress Report (AOM-P813) at AOM held on 22 December 2011
- (iv) Update on North Lantau Hospital Phase I (AOM-P919) at AOM held on 25 April 2013
- (v) Services expansion of North Lantau Hospital (AOB) at AOM held on 25 September 2014

Questions raised by LegCo Members and Replies

- | | |
|--|------------------------------|
| 1. Question raised by Dr Hon Kwok Ka-ki and reply | Pages 2 to 4 of Appendix B |
| 2. Question raised by Hon Emily Lau Wai-hing and reply | Pages 5 to 6 of Appendix B |
| 3. Question raised by Dr Hon Kwok Ka-ki in examining the Estimates of Expenditure 2016-17 and reply | Pages 7 to 8 of Appendix B |
| 4. Question raised by Dr Hon Kwok Ka-ki in examining the Estimates of Expenditure 2017-18 and reply | Pages 9 to 10 of Appendix B |
| 5. Question raised by Dr Hon Lau Siu Lai regarding PWSC(2017-18)3 – 786CL – Tung Chung New Town Extension and reply | Pages 11 to 18 of Appendix B |
| 6. Letter from Hon Chow Ho Ding dated 26 June 2017 regarding specialist services provided by North Lantau Hospital and reply | Pages 19 to 21 of Appendix B |

Replies to LegCo questions

LCQ17: North Lantau Hospital

Following is a question by the Dr Hon Kwok Ka-ki and a written reply by the Secretary for Food and Health, Dr Ko Wing-man, in the Legislative Council today (November 13):

Question:

The North Lantau Hospital came into operation in September this year. Recently, I have received complaints from Tung Chung residents that the service hours of the Accident and Emergency (A&E) Department of the hospital are too short and there are too few specialties providing outpatient services at the hospital, thus failing to meet their needs, and that the ancillary transport facilities to and from the hospital are also inadequate. In this connection, will the Government inform this Council:

(a) as the Hospital Authority (HA) has indicated that the service hours of the A&E Department of the hospital will be extended in phases from eight hours a day (9am to 5pm) at present to round the clock, whether the Government knows the latest implementation timetable and plan for the various phases; as well as the medical staff and other resources required for the implementation of the various phases;

(b) apart from maintaining the evening General Outpatient Clinic service of the hospital until 11.45pm from Monday to Friday, whether the Government knows if HA has other plans to ensure that residents on Lantau Island can receive treatment late at night before round-the-clock A&E service is available at the hospital; if HA has such plans, of the details of the various plans; if not, the reasons for that;

(c) as HA has indicated that the specialist outpatient services of the hospital will be extended in phases from the existing two specialty services (Medicine and Psychiatry) to include surgery, orthopaedics and traumatology, paediatrics and gynaecology, whether the Government knows the latest implementation timetable and plan for the various phases; as well as the medical staff and other resources required for the implementation of the various phases; and

(d) as the only means of public transport to and from the hospital available at present are taxis and New Lantau Bus Routes 37 and 38, which pass the hospital en route but

are often full, whether the authorities have any plan to introduce services of franchised buses and green minibuses travelling between the hospital and various places on Lantau Island, including Tung Chung MTR station, Tai O and Mui Wo; if they have such a plan, of the details; if not, the reasons for that?

Reply:

President,

Opening a new hospital for public use is a complicated exercise requiring assembling a large number of professionals with different backgrounds to work together in a new environment. Taking into account such co-ordinating efforts and the present shortage of healthcare manpower, we consider it pragmatic and responsible to commence operation of the North Lantau Hospital (NLTH) in phases so that appropriate services could be provided for the public as soon as possible. My reply to the various parts of the question is as follows:

(a) The Accident and Emergency (A&E) department of NLTH has been providing eight hours of service a day (9am to 5pm) since September 24, 2013. Subject to the availability of manpower resources and relevant supporting facilities, NLTH plans to extend its service hours to 16 hours a day (8am to midnight) by January 2014 the latest. With new medical graduates contributing to the manpower supply in July next year, we expect that the service hours of the A&E department can be extended to 24 hours in the third quarter of 2014.

(b) Patients under the care of general out-patient (GOP) clinics comprise two major categories, namely the chronically ill with stable medical conditions, such as patients with diabetes mellitus or hypertension, and patients with episodic diseases whose symptoms are relatively mild, such as those suffering from influenza, cold, fever, gastroenteritis, etc. Patients with chronic diseases will be assigned a timeslot for next visit after each consultation and do not need to make separate appointments. As for patients with episodic diseases, consultation timeslots at GOP clinics in the next 24 hours are available for booking through the telephone appointment system. NLTH has also put in place a special consultation arrangement by providing extended evening GOP services for patients with episodic diseases. In general, the existing arrangement at NLTH has fully catered for the local demand for GOP services. Considering the need to use GOP resources efficiently, extending GOP services into the small hours or providing overnight GOP services is not cost-effective and will create greater pressure

on healthcare staffing. In this connection, the Hospital Authority (HA) has no plan to operate GOP services at late hours or round-the-clock at this stage.

(c) The Medicine and Psychiatry Specialist Out-patient Clinics of NLTH has already commenced operation. Physiotherapy and occupational therapy services are now available to take up referrals from the A&E department and the GOP clinic. NLTH will, having regard to the service demand and the operation situation, provide services in other specialties such as surgery, orthopaedics and traumatology, paediatrics and gynaecology in phases.

(d) The Transport Department (TD) has maintained close contact with HA to collect information about the transport demand of the public travelling to and from NLTH in different periods of time in order to make the appropriate public transport arrangements. To cope with the commissioning of NLTH, TD, after consulting the Traffic and Transport Committee of the Islands District Council, has made arrangements with the New Lantau Bus Company Limited (NLB) for extending the service hours of bus route no. 37 (between Yat Tung Estate and Tung Chung North (Caribbean Coast)) and increasing the frequency of bus route no. 38 (between Yat Tung Estate and the Tung Chung MTR Station) to facilitate travelling to and from the hospital. As for residents living in South Lantau, such as Tai O and Mui Wo, they can travel to and from NLTH by NLB bus route nos. 11 and 3M. According to an on-site survey conducted by TD, the services of the above-mentioned routes at present can generally meet the demand of passengers. That said, TD will pay close attention to the changes in transport demand as more services are gradually offered by NLTH, and will strengthen public transport services timely according to demand. Both introduction of new services as well as enhancement of existing services will be measures under consideration then.

Ends/Wednesday, November 13, 2013

Issued at HKT 15:27

Replies to LegCo questions

LCQ20: North Lantau Hospital

Following is a question by the Hon Emily Lau Wai-hing and a written reply by the Secretary for Food and Health, Dr Ko Wing-man, in the Legislative Council today (November 12):

Question:

Some Tung Chung residents have relayed to me that since the commissioning of the North Lantau Hospital (NLH) last year, there has all along been a shortage of healthcare personnel in NLH. One of the causes is that NLH is located far away from other residential areas, and the Hospital Authority (HA) has not provided travel allowances to those staff members who have to travel long distance to work at NLH, resulting in healthcare personnel unwilling to work at NLH. In this connection, will the Executive Authorities inform this Council whether they know:

(1) the shortage of healthcare personnel in various specialties since the commissioning of NLH, and if there have been occasions where service demand cannot be met or new services cannot be launched as scheduled due to a shortage of healthcare personnel; if so, of the details; and

(2) if HA will consider providing travel allowances or other incentives to its staff members who are not residing in Tung Chung district, so as to attract them to work at NLH; if HA will, of the details; if it will not, the reasons for that?

Reply:

President,

The North Lantau Hospital (NLTH) has come into operation in phases since September 2013. My reply to the various parts of the question is as follows:

(1) At present, the NLTH provides 24-hour Accident and Emergency (A&E) service, inpatient service, day procedures, day rehabilitation service, specialist outpatient service (including medicine, surgery, orthopaedics and traumatology, and psychiatry), a community health centre, allied health service, community nursing service, geriatric

outreach service and psychiatric outreach service. Pharmacy, diagnostic radiology and pathology services are also provided. These services have been launched as planned.

To cope with the service development of the NLTH, the Hospital Authority (HA) is carrying out its recruitment plan and good progress has been made. As at September 2014, the HA has employed 327 staff members for the NLTH, including 31 doctors and 79 nurses. Various measures have also been implemented to attract healthcare personnel to join the hospital. For example, briefing sessions were held at hospitals in the cluster to enhance staff's understanding of the NLTH. A number of job fairs targeting local residents were organised, and recruitment advertisements were posted in nearby housing estates to attract more residents of the district to join the NLTH team. Moreover, the HA has an established mechanism to review the remuneration and benefits of staff. Training and development opportunities are also provided to attract and retain staff.

(2) The NLTH is about 1.3 kilometres (approximately 15-minute walk) from the Tung Chung MTR Station. It is easily accessible by buses from different districts of Hong Kong and Kowloon. Currently, some staff members of the NLTH are residing in Tung Chung, Tsing Yi and other nearby areas.

The HA is maintaining close liaison with the Transport Department and the Islands District Council to explore the feasibility for setting up minibus service for directly reaching the hospital. This will facilitate access to the hospital by staff members living in other districts and attract more interested citizens to join the NLTH team.

The HA will continue to keep in view the service demand of the district and maintain close contact with relevant stakeholders for continuous expansion of services in phases after considering such factors as service demand, resources and manpower supply.

Ends/Wednesday, November 12, 2014

Issued at HKT 12:57

Examination of Estimates of Expenditure 2016-17

Reply Serial No.

CONTROLLING OFFICER'S REPLY

FHB(H)312

(Question Serial No. 4823)

Head: (140) Government Secretariat: Food and Health Bureau
(Health Branch)

Subhead (No. & title): (-) Not

Specified Programme: (1) Health

Controlling Officer: Permanent Secretary for Food and Health (Health) (Richard YUEN)

Director of Bureau: Secretary for Food and

Health Question:

According to the planning endorsed by the Legislative Council in 2009, phase 1 of the North Lantau Hospital (NLTH) Project would provide 180 beds, including 80 beds for emergency medicine, 80 beds for extended care to provide convalescence and rehabilitation services, and 20 day beds. Phase two of the project would add another 170 beds. In this regard,

- a. what are the services commissioned in the NLTH so far, details of the disparity between current services and the services the original plan intended to provide (including the streams of services commissioned, number of beds and strength of healthcare staff), and reasons for the disparity?
- b. are there any plans for full commissioning of services in the NLTH in 2016-17? If yes, what are the plans? If not, what are the reasons?

Asked by: Dr Hon KWOK Ka-ki (Member Question No. 407)

Reply:

It is planned that upon the full operation of its Phase 1 development, the North Lantau Hospital (NLTH) will have 160 beds (including 80 acute and 80 extended care beds), an Accident & Emergency (A&E) department providing 24-hour services, as well as diagnostic and treatment facilities. Ambulatory care services including specialist outpatient (SOP) clinics, primary care/general outpatient (GOP) clinics, a day rehabilitation centre, an ambulatory surgery/day procedure centre with 20 day beds, and community care services will also be provided.

NLTH has commenced patient services in phases since 24 September 2013. At present, the hospital provides 24-hour A&E services, inpatient services with 20 acute and 20 extended care beds, GOP services, SOP services (Medicine & Geriatrics, Orthopaedics & Traumatology, Psychiatry and Surgery), radiology services, pathology services, allied health services including physiotherapy, occupational therapy, dietetic services, speech therapy, medical social services and pharmacy as well as day rehabilitation services and ambulatory surgical services. Community care services including Community Nursing Services, Community Psychiatric Services and Community Geriatric Assessment Team (CGAT) services are also provided. In 2015-16, NLTH has expanded its service capacity in SOP, Community Psychiatric and CGAT services.

NLTH will, having regard to the service needs and availability of manpower and other resources, continue to roll out its services gradually. The Hospital Authority will monitor the situation and keep in close contact with the Islands District Council on service provision of NLTH.

- End -

CONTROLLING OFFICER'S REPLY

FHB(H)300

(Question Serial No. 4598)

Head: (140) Government Secretariat: Food and Health Bureau
(Health Branch)

Subhead (No. & title): (-) Not

Specified Programme: (1) Health

Controlling Officer: Permanent Secretary for Food and Health (Health) (Patrick TK

NIP) Director of Bureau: Secretary for Food and Health

Question:

According to the planning endorsed by the Legislative Council in 2009, Phase one of North Lantau Hospital (NLTH) Project would provide 180 beds, including 80 beds for emergency medicine, 80 beds for extended care to provide convalescence and rehabilitation services, and 20 day beds. Phase two of the project would add another 170 beds. In this regard,

- a. What were the services and the number of beds for each specialty the original plan intended to provide?
- b. Please set out the services commissioned in the NLTH so far, details of the disparity between current services and the services the original plan intended to provide (including the streams of services commissioned, number of beds and strength of healthcare staff), and reasons for the disparity.
- c. Please list in detail the utilisation of various services commissioned so far.
- d. Are there any plans for full commissioning of services in NLTH in 2017-18? If yes, what are the plans? If not, what are the reasons?

Asked by: Hon KWOK Ka-ki (Member Question No. 96)

Reply:

(a)

It is planned that upon the full operation of its Phase 1 development, North Lantau Hospital (NLTH) development (Phase 1) will have 160 beds (including 80 acute and 80 extended care beds), an Accident & Emergency (A&E) department providing 24-hour services, as well as diagnostic and treatment facilities. Ambulatory care services including specialist outpatient (SOP) clinics, primary care/general outpatient (GOP) clinics, a day rehabilitation centre, an ambulatory surgery/day procedure centre with 20 day beds, and community care services will also be provided.

(b)

NLTH has commenced patient services in phases since 24 September 2013. At present, the hospital provides 24-hour A&E services, inpatient services with 20 acute and 20 extended care beds, GOP services, SOP services (Medicine & Geriatrics, Orthopaedics & Traumatology, Psychiatry and Surgery), radiology services, pathology services, allied health services including physiotherapy, occupational therapy, dietetic services, speech therapy, medical social services and pharmacy as well as day rehabilitation services and ambulatory surgical services. Community care services including Community Nursing Services, Community Psychiatric Services and Community Geriatric Assessment Team services are also provided. In 2016-17, NLTH has expanded its service capacity in SOP and day rehabilitation services.

(c)

Statistics on utilisation of various services commissioned in NLTH are as follows :

Services commissioned in NLTH	2016-17 (up to 31 December 2016) [Provisional figures]
No. of A&E attendances	71 968
No. of beds	40
Inpatient bed occupancy rate	86%
No. of operations ¹	966
No. of SOP (clinical) attendances	8 961
No. of GOP attendances ²	73 108
No. of allied health (outpatient) attendances	25 604
No. of home visits by community nurses	4 380
No. of psychiatric outreach attendances	1 917
No. of geriatric outreach attendances	2 847

Note:

1. Include procedures / surgical operations performed for inpatients and outpatients (whether carried out inside or outside a major operating theatre and with or without a local or general anaesthetic).
2. Besides GOP clinic attendances provided by NLTH, attendances for Mui Wo General Out-patient Clinic and Tai O Jockey Club GOP Clinic, which are managed by NLTH, are also included.

(d)

NLTH will, having regard to the service needs and availability of manpower and other resources, continue to roll out its services gradually. The Hospital Authority will monitor the situation and keep in close contact with the Islands District Council on service provision of NLTH.

- End -



劉小麗立法會議員辦事處

Office of Hon Lau Siu Lai Member of Legislative Council

立法會 PWSC192/16-17(03)號文件

LC Paper No. PWSC192/16-17(03)

敬啟者：

關於：786CL 東涌新市鎮擴展

東涌長期有醫院資源短缺的問題，北大嶼山醫院第一期全面投入運作後，亦只有 180 個床位，要服務現時區內約 10 萬人口，每千人口的病床數目仍未及全港平均的一半（3.75 vs 1.71），遑論要符合《香港規劃標準與準則》、每千人口 5.5 張病床的要求。此外，北大嶼山醫院第一期的專科門診只得內科及老人科、精神科、外科和骨科，東涌居民要到婦科、兒科等部門覆診，都要長途跋涉到瑪嘉烈醫院。

即使當局已預留毗鄰的東涌 22 區用地發展北大嶼山醫院第二期，由於東涌新市鎮擴展超過一倍人口，病床比率只會進一步下跌（1.31）。唯在分區大綱圖中，卻未見政府有意在東涌東另外覓地建醫院。

東涌醫院嚴重不足

	病床數字	人口	每千人口／病床
香港規劃標準與準則			5.5
全港平均	27645	737 萬	3.75
東涌現時情況 北大嶼醫院只得第 1 期	180	10.5 萬	1.71
東涌東、西全面入伙後 假設北大嶼醫院第 2 期落成	180+170 =350	26.8 萬	1.31
東涌東、西全面入伙後 假設北大嶼醫院 第 2 期遲遲未落成	180	26.8 萬	0.67

更甚者，北大嶼山醫院第二期並未納入政府的 2000 億「十年公營醫院發展計劃」！根據政府最近一年的說法，只停留在「預留土地」、「初步規劃」；「醫管局會定期監察和檢討當區醫院服務的供求情況」、「適時開展策略性規劃、可行性研究」，之後才會制訂擴建時間表。如果在東涌新市鎮擴建的人口遷入後，醫院第二期遲遲未落成，病床比率就會再跌到 0.67，即規劃標準 5.5 的 1/8。

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劉小麗立法會議員辦事處

Office of Hon Lau Siu Lai Member of Legislative Council

而在 6 月 7 日的工務小組會議，政府當局並未提供上述政策的理據，只謂會將意見向醫管局反映。就此，當局請告知本人：

1. 北大嶼山醫院第一期的病床使用率，及其與瑪嘉烈醫院的個案轉介安排及相關數字。
2. 北大嶼山醫院第二期擴展，為何未納入「十年公營醫院發展計劃」？政府當局如何理解現時北大嶼山醫院第一期床位及專科服務不足的問題？
3. 根據上表本人估算，東涌的每千人口／病床比例嚴重落後香港規劃標準及全港平均水平。如根據政府估算，在東涌新市鎮擴展完成後，東涌區內的每千人口／病床比例為何？
4. 政府認為此每千人口／病床比例，是否足以證成在東涌新市鎮擴展項目中預留土地作北大嶼山醫院第三期、或另建一所醫院？政府會否預留土地作此用途？
5. 在東涌新市鎮擴展部份居民由 2023 年起分批遷入後，屆時很有可能北大嶼山醫院第二期仍未落成，當局計劃如何處理新增的醫療需要？是否仍然交由瑪嘉烈醫院跟進？

盼請回覆，萬分感謝。

此致

財委會工務小組委員會主席盧偉國議員
發展局副秘書長（規劃及地政）陳松青

立法會議員劉小麗謹啟

二零一七年六月九日

***Note by Clerk, PAC:** *Chinese version only.*

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Public Works Subcommittee Meeting on 7 June 2017

**PWP Item No. 786CL – Tung Chung New Town Extension
Reclamation and Advance Works**

At the request of the Chairman of the Public Works Subcommittee, the Government provides supplementary information in respect of the request and questions submitted by Dr Hon LAU Siu-lai vide her letter of 9 June 2017 (shown in *italics* below). In consultation with the Food and Health Bureau and the Planning Department, the Government's consolidated reply is set out as follows.

The hospital occupancy rate of Phase I of North Lantau Hospital (NLTH Phase I), as well as the case referral arrangement with Princess Margaret Hospital (PMH) and the figures concerned.

2. North Lantau Hospital (NLTH) has commenced services for patients in phases since 24 September 2013. Currently, the hospital provides 24-hour accident and emergency (A&E) services, while for in-patient service there are 20 acute general beds and 20 extended care beds. For the hospital occupancy rate and the number of in-patient cross-referrals between NLTH and PMH, please refer to **Table 1** and **Table 2**.

How does the Government interpret the current problem of insufficient bedspaces and specialist services provided by NLTH Phase I?

3. The services currently provided by NLTH include 24-hour A&E services, in-patient services, general out-patient clinic services, specialist out-patient services (Medicine & Geriatrics, Orthopaedics & Traumatology, Psychiatry and Surgery), diagnostic radiology, pathology and allied health services (including physiotherapy, occupational therapy, dietetics, speech therapy, podiatry, medical social service, pharmacy, day rehabilitation and ambulatory surgery services). NLTH also provides community care services, community psychiatric services and community geriatric assessment services.

4. The Hospital Authority (HA) further enhanced the service capacity of NLTH in 2016-17, including the provision of 15 new day rehabilitation places in day

rehabilitation centre and 1 350 daily rehabilitation attendances, and 760 specialist out-patient attendances in Medicine & Geriatrics, etc. In addition, the service capacities of North Lantau Community Health Centre and the allied health services have been strengthened, with increases of 5.4% and 12.3% respectively as compared with those in 2015-16.

5. The hospitals in Kowloon West Cluster (KWC), to which NLTH belonged, will continue to support NLTH in various service areas. The HA will continue to expand the services of NLTH in phases, taking into account various considerations such as service demand, availability of manpower and resources.

6. In order to better plan for the future hospital services, the HA has formulated a longer-term Clinical Services Plan (CSP) for each cluster to strategically expand and integrate hospital services, with a view to providing more appropriate medical care to the citizens. To meet the long-term needs of the public on medical services, the HA will carry out the CSP for KWC in the second half of 2017 to outline the role of existing hospitals and the future development approach in Kowloon West, including the future development and expansion of NLTH.

7. As regard the hardware facilities, in the long run, a site adjacent to NLTH has been reserved for the future expansion of NLTH. The initial planning reveals that the site could be used for providing 320 additional beds and development of the HA supporting services. The HA will carry out the NLTH Phase II development taking into account the service demand.

Why the NLTH Phase II expansion has not been included in the 10-Year Hospital Development Plan?

According to my own estimates, the ratio of hospital beds per 1 000 population in Tung Chung is far below that set out in the Hong Kong Planning Standards and the territory-wide average. According to the estimates by the Government, what will be the ratio of hospital beds per 1 000 population in Tung Chung upon completion of the Tung Chung New Town Extension (TCNTE)?

Does the Government find such a ratio of hospital beds per 1 000 population a sufficient proof that land should be reserved in the TCNTE project to develop NLTH Phase II or another new hospital? Will the Government reserve land for such a purpose?

It is very likely that NLTH Phase II will still not be completed when residents begin to move into the TCNTE in phases starting from 2023. How will the Government handle the resulting extra demand for healthcare services? Will the medical cases still be referred to PMH for follow-up?

8. The HA plans, arranges and provides services on a hospital cluster basis, and public health care services for the population of Lantau Island (including Tung Chung) are provided by KWC. The following tables set out the population estimates and projection for Lantau Island and the KWC catchment districts in 2016 and 2026 respectively⁽¹⁾.

Year	Population of Lantau Island (a)	Population of Tsuen Wan, Kwai Tsing, Sham Shui Po and Lantau Island (b)	The Percentage share of the Population of Lantau Island (a) / (b)
2016	124 400 ⁽²⁾	1 369 700 ⁽²⁾	9.1%
2026	188 000 ⁽³⁾	1 429 000 ⁽³⁾	13.1%

As at 1 April 2017, KWC had a total of 3 423 general care beds. Taking into account the number of existing and planned beds, it is estimated that the number of beds will increase to around 4 150 by 2026. The following tables set out the number of general care beds per 1 000 population in the catchment districts of KWC. The HA has yet to commence its post-2026 hospital development plan and such data are thus unavailable.

Year	Number of Existing and Planned General Care Beds in KWC	Population of Tsuen Wan, Kwai Tsing, Sham Shui Po and Lantau Island	Number of Hospital Beds per 1 000 Population in the Catchment Districts
As at 1 April 2017	3 423 (existing number of beds)	1 369 700 ⁽²⁾ (2016 Population By-census)	2.5
2026	4 150	1 429 000 ⁽³⁾ (Population projection)	2.9

Note:

- (1) The 2016 and 2026 population figures provided by the HA are compiled on the basis of the 2016 Population By-census conducted by the Census and Statistics Department (C&SD) and the Projection of Population Distribution 2026 provided by the Planning Department (PlanD). One should take special note while making comparison as the two sources adopted different systems of district demarcation.
- (2) The population figure is based on the 2016 Population By-census of the C&SD.
- (3) The population figure is based on the population projection of the PlanD.
- (4) The above bed information includes only the general beds in the HA, while those of infirmary, mentally ill and mentally handicapped beds are not included given their specific nature.
- (5) Wong Tai Sin District and Mong Kok District have been re-delineated from KWC to KCC since 1 December 2016. The service units in the concerned communities have therefore been re-delineated from KWC to KCC to support the new KCC catchment districts with effect from the same date. As a transitional arrangement, reports on services/manpower statistics and financial information will continue to be based on the previous clustering arrangement (i.e. concerned service units still under KWC) until 31 March 2017. Reports in accordance with the new clustering arrangement (i.e. concerned service units grouped under KCC) will start from 1 April 2017.

9. The numbers of hospital beds vary among clusters at different times, and such variances and the ratios of hospital beds per 1 000 population cannot be used to compare the level of service provision directly among the clusters at different times because:

- (a) When planning the hospital services and hospital beds, the HA will consider various factors including the healthcare services estimates based on the population growth and demographic change in the district, possible change in the mode of healthcare services delivery, the service arrangement in each cluster and hospital, medical technology development as well as cross-cluster utilisation rate, etc.. As the population covered by each cluster and the change of demographic structure thereof are different, the public healthcare service demand as reflected by the demographic structure and social economic status is also different, the service coverage and types of facilities in each cluster are not the same;
- (b) Patients may receive treatment in hospitals other than those in their own residential districts; and

- (c) Some specialised services are available only in certain hospitals, and hence certain clusters and the beds in these clusters are providing services for patients throughout the territory.

10. The HA will take into account various factors when planning and developing the public healthcare services and facilities. Such factors include the healthcare services estimates based on population growth and demographic change, distribution of service target groups, mode of healthcare services delivery, growth of services of individual specialties, supply of healthcare services in the district concerned etc. To meet the rising demand from the ageing population, as well as enhancing existing services, the Government and the HA announced the 10-Year Hospital Development Plan in 2016, with \$200 billion earmarked to implement several hospital development projects.

11. Besides implementing the projects under the 10-Year Hospital Development Plan, a site adjacent to NLTH has been reserved by the Government for the future expansion of NLTH, so as to enhance its service capacity. In order to better plan for the future hospital services, the HA has formulated a longer-term CSP for each cluster to strategically expand and integrate hospital services, with a view to providing more appropriate medical care to the citizens. To meet the long-term needs of the public on medical services, the HA will carry out the CSP for KWC in the second half of 2017 to outline the role of existing hospitals and the future development approach in Kowloon West, including the future development and expansion of NLTH.

Development Bureau
Food and Health Bureau
Planning Department
June 2017

Table 1

Year	2014-15	2015-16	2016-17 (Provisional Figures)
Number of Hospital Beds (As at 31 March)	40	40	40
Hospital Occupancy Rate	80.2% (September 2014 to March 2015)	92.2%	87.0%

Table 2

In-patient referrals from NLTH to PMH:

Year	2014-15	2015-16	2016-17
Number of Cases	37	123	116

In-patient referrals from PMH to NLTH:

Year	2014-15	2015-16	2016-17
Number of Cases	190	331	456



中華人民共和國香港特別行政區
Hong Kong Special Administrative Region of the People's Republic of China

立法會 LEGISLATIVE COUNCIL

區議會 (第二) 功能界別 Functional Constituency - District Council (Second)



周浩鼎議員

Hon Holden Chow Ho-ding

香港添馬添美道二號
政府總部東翼十八樓
食物及衛生局
高永文醫生，BBS，JP

高局長：

有關北大嶼山醫院開設更多專科部門一事

特區政府在最新公佈的東涌發展計劃指出，東涌新市鎮在全面發展後，人口將達二十八萬人。由於東涌人口在未來數年將會不斷增加，北大嶼山醫院所提供的醫療服務也必須同步提升。惟現時北大嶼山醫院的專科門診服務卻只有內科及老人科、精神科、外科和骨科，專科部門的數量明顯不足。據了解，這是因為應付專科的人手不足所致。就此，不少需要使用其他專科醫療服務的東涌居民，經常要長途跋涉到位於葵青區的瑪嘉烈醫院就診，非常不便。

正如本人於二零一七年六月七日的立法會工務小組發言指出，並特此致函，望當局能在東涌新市鎮擴展的時候，同時跟北大嶼山醫院商討如何增加更多專科門診服務，例如腎科及泌尿科等，造福市民。讓東涌居民可以留在區內使用適當的醫療服務。肅此奉達，敬候回覆。

順祝
政安！

立法會議員周浩鼎 謹啟

二零一七年六月二十六日

****Note by Clerk, PAC: Chinese version only.***



中華人民共和國香港特別行政區政府總部食物及衛生局
Food and Health Bureau, Government Secretariat
The Government of the Hong Kong Special Administrative Region
The People's Republic of China

本函檔號 Our ref.: L/M to FHB/H/33/94
來函檔號 Your ref.:

電話號碼 Tel. No.: (852) 3509 8958
傳真號碼 Fax No.: (852) 2102 2519

香港中區
立法會道 1 號
立法會綜合大樓 610 室
周浩鼎議員

周議員：

有關北大嶼山醫院開設更多專科部門一事

你於 2017 年 6 月 26 日致食物及衛生局局長的來函收悉。繼我們於 2017 年 7 月 14 日給你的簡覆，我們現就來函內容，回應如下。

醫院管理局（醫管局）一直密切關注東涌居民對醫療服務的需求。北大嶼山醫院現時提供的服務，包括 24 小時急症室服務、住院服務、普通科門診服務、專科門診服務（內科及老人科、骨科、精神科及外科）、放射診斷服務、病理化驗服務及專職醫療服務（當中包括物理治療、職業治療、營養師服務、言語治療、足病診療、醫療社會服務、藥房、日間康復及日間手術服務）。醫院亦提供社康護理服務、社區精神科服務及社區老人評估小組服務等社區護理服務。為應付市民日增的醫療服務需求，在 2016-17 年度，醫管局進一步提升了北大嶼山醫院的服務量，當中包括在日間康復中心增設 15 個日間康復名額和 1350 個日間康復人次，以及增加內科及老人科 760 個專科門診人次等等。此外，北大嶼山社區健康中

心及專職醫療的服務量亦已有所提升，與 2015-16 年度比較，增幅分別為 5.4%和 12.3%。

北大嶼山醫院所屬的九龍西醫院聯網的各醫院亦會繼續在各服務範疇支援該院。醫管局會視乎服務需求、人手及資源等各項因素的考慮，繼續分階段擴展北大嶼山醫院的各項服務。

為了更好籌劃未來的醫院服務發展，醫管局為每個聯網制訂更長遠的「臨床服務計劃」，從而策略性地擴展和整合醫院服務，務求向市民提供更適切的醫護治療。醫管局將會在 2017 年下半年開展九龍西聯網的「臨床服務計劃」制訂工作，勾劃九龍西聯網各現有醫院的角色定位和未來的發展方針，其中包括北大嶼山醫院的未來發展及擴建，以滿足市民對醫療服務的長遠需求。

至於硬件設施方面，長遠而言，政府已在北大嶼山醫院毗鄰預留用地供未來發展之用，初步規劃顯示所有毗鄰用地足以增加 320 張病床，和發展醫管局的支援服務。醫管局會因應服務需求，適時開展北大嶼山醫院發展計劃第二期。

食物及衛生局局長

(盧永康



代行)

2017年7月31日

***Note by Clerk, PAC:** *Chinese version only.*

Meetings of Islands District Council
with discussion related to NLTH Services

2017 Islands District Council Meetings

Date	Papers number	Discussion Papers Summary
2017-9-4	IDC 84/2017	Development Plan of North Lantau Hospital Phase II
2017-6-26	IDC 55/2017	Annual Plan 2017/18 of the North Lantau Hospital
2017-4-24	IDC 31 & 32 /2017	Question on provision of specialist services in North Lantau Hospital

2016 Islands District Council Meetings

Date	Papers number	Discussion Papers Summary
2016-6-27	IDC 68 & 69 /2016	Annual Plan 2016/17 of North Lantau Hospital Question on extending the opening hours of the dispensary in North Lantau Hospital

2015 Islands District Council Meetings

Date	Papers number	Discussion Papers Summary
2015-9-7	IDC 81/2015	Question on handling patients in critical condition by North Lantau Hospital
2015-6-16	IDC50/2015	Progress Report on North Lantau Hospital
2015-2-16	IDC4/2015	Updates on North Lantau Hospital

2014 Islands District Council Meetings

Date	Papers number	Discussion Papers Summary
2014-10-20	IDC92/2014	Updates on North Lantau Hospital
2014-6-23	IDC70/2014	Brief on Kowloon West Cluster Annual Plan 2014/15 and Progress Report on North Lantau Hospital
2014-4-28	IDC32/2014	Question on supply of North Lantau Hospital Beds
2014-2-24	IDC4/2014	Progress Report on North Lantau Hospital

2013 Islands District Council Meetings

Date	Papers number	Discussion Papers Summary
2013-12-16	IDC111/2013 IDC130/2013	Updates on Accident & Emergency Service in North Lantau Hospital Question on request to increase the quota of Tung Chung General Out-patient Clinic and to establish Chinese medicine service
2013-10-21	IDC 97/2013	Updates on North Lantau Hospital
2013-9-2	IDC 74/2013	Progress Report on North Lantau Hospital
2013-7-22	T&TC 36/2013	Question on traffic arrangements after opening of North Lantau Hospital
2013-6-24	IDC 52/2013	Progress Report on North Lantau Hospital
2013-4-22	IDC 28/2013	Progress Report on North Lantau Hospital Phase 1
2013-2-25	IDC 7/2013 IDC 8/2013 IDC13/2013	Question on future medical services of Tung Chung Question on phased implementation of services of North Lantau Hospital Question on North Lantau Hospital

2012 Islands District Council Meetings

Date	Papers number	Discussion Papers Summary
2012-11-19	TAFEHC 69/2012	Question on the effects of the operation of North Lantau Hospital on the environment
2012-06-18	IDC 85/2012 IDC 65/2012	Question on services of North Lantau Hospital Set-up of Chinese Medicine Clinic at Tung Chung Health Centre
2012-02-20	IDC 30/2012	Question on the quality of public medical services of Tung Chung

2011 Islands District Council Meetings

Date	Papers number	Discussion Papers Summary
2011-8-22	IDC80/2011 IDC93/2011	Question on appointment arrangement of Tung Chung General Out-patient Clinic Question on improving the quality of medical services of Tung Chung
2011-6-20	IDC65/2011	Question on the medical services of Mui Wo
2011-2-21	IDC13/2011 IDC15/2011	Question on non-emergency ambulance transfer service Question on establishment of public Chinese medicine clinic in North Lantau Hospital

2010 Islands District Council Meetings

Date	Papers number	Discussion Papers Summary
2010-2-8	IDC14/2010	Question on North Lantau Hospital project

2009 Islands District Council Meetings

Date	Papers number	Discussion Papers Summary
2009-12-14	IDC135/2009	Private Hospital Development
2009-10-19	IDC106/2009	Question about the connection of On Tung Street and Chui Kwan Drive in the North Lantau Hospital project
2009-08-17	IDC80/2009	Question on the possible impact of the North Lantau Hospital construction work on nearby residents

2008 Islands District Council Meetings

Date	Papers number	Discussion Papers Summary
2008-12-15	IDC144/2008	Question on additional quota for general out-patient service at Tung Chung Health Centre
2008-12-15	IDC145/2008	Question on provision of dental service in Tung Chung
2008-10-20	IDC 117/2008	Question on the Development of North Lantau Hospital project
2008-4-14	IDC 50/2008	North Lantau Hospital Project
2008-2-4	IDC 22/2008 IDC 23/2008	Question on the progress of the provision of North Lantau Hospital & Question on North Lantau Hospital and medical services in Tung Chung

2007 Islands District Council Meetings

Date	Papers number	Discussion Papers Summary
2007-8-20	IDC77/2007	Question on North Lantau Hospital
2007-6-18	IDC57/2007	Special Night Clinic service for those requiring early medical attention in Tung Chung General Outpatient Clinic

2006 Islands District Council Meetings

Date	Papers number	Discussion Papers Summary
2006-8-21	IDC69/2006	Question on allowing private medical practitioners to utilize facilities of the government for providing 24-hour medical services to the residents of Tung Chung
2006-4-24	IDC36/2006	Question on the development of the hospital proposed for Northern Lantau

2005 Islands District Council Meetings

Date	Papers number	Discussion Papers Summary
2005-8-22	IDC105/2005 IDC97/2005	Hospital Authority Annual Plan 2005/2006 and improvement measures for general outpatient clinics Question on the special night out-patient service that has been implemented at Tung Chung Medical & Health Centre for five months
2005-6-20	IDC73/2005	Question on the programme of provision of a hospital in Northern Lantau
2005-4-18	IDC44/2005	Question on the requirement for general out-patient services in Tung Chung

2004 Islands District Council Meetings

Date	Papers number	Discussion Papers Summary
2004-10-18	IDC121/2004	Question on the provision of a hospital in northern Lantau

2004 Islands District Council Meetings (Cont'd)

Date	Papers number	Discussion Papers Summary
2004-10-18	IDC119/2004	Report on Hospital Authority Annual Plan 2004/2005 and Consultation on Hospital Authority Annual Plan 2005/2006
2004-6-18	IDC66/2004	Management of general outpatient clinics in Tai O and Mui Wo by the Control Office, HK Island Cluster of Hospital Authority starting July 2004
2004-6-18	IDC67/2004	Question on provision of hospital and 24-hour general outpatient services in Tung Chung

Breakdown of Staff Group in NLTH

<i>Staff Group</i>	<i>No. of staff as at 31 March 2017</i>
Doctors	34
Nurses	100
Allied Health	68
Supporting	103
Others	92
Total	397

English Translation

Our Ref : (1) in LM (1/2017) Pt.3 to PVC 15/5-1 Pt. 2
Your Ref : CB4/PAC/R69
Tel No : 2829 5206
Fax No : 2824 0433

10 January 2018

Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Attn: Mr Anthony Chu)

Dear Mr Chu,

Public Accounts Committee

Chapter 4 of the Director of Audit's Report No. 69
Regulation of non-franchised bus and school private light bus services

Thank you for your letters of 22 December 2017 to the Transport and Housing Bureau and Transport Department on the captioned subject. I am authorized to give a coordinated response of the Transport and Housing Bureau and the Transport Department, which is set out in Annex.

Yours sincerely,

(Chan Ying-kit)
for Commissioner for Transport

Encl

c.c. Secretary for Transport and Housing (Fax: 2104 7274)
Secretary for Financial Services and the Treasury (Fax: 2147 5239)
Director of Audit (Fax: 2583 9063)

Report No. 69 of the Director of Audit – Chapter 4
Regulation of Non-franchised Bus and School Private Light Bus Services

Coordinated Response to the Public Accounts Committee

Public Accounts Committee raised a series of enquiries in its letters of 22 December 2017. This note sets out the response of the Transport Department (TD) to these enquiries, as well as the coordinated response of the Transport and Housing Bureau (THB) and TD to three of these enquiries addressed to both.

Part 2: Administration of licensing requirements

Question 1: According to paragraph 2.7(c) of the Report, the Government encourages passenger service licence (PSL) applicants who wish to introduce new services to source vehicles from the existing fleet on the market, in lieu of purchasing additional vehicles. However, paragraphs 2.11(a) and (b) of the Report show that the utilisation rate of public non-franchised buses (NFBs) has increased from 81% in 2004 to 86% in 2016, while the number of second-hand public NFB transfer cases increased from 53 in 2005 to 142 in 2016. Will the Government advise whether the procuring of vehicles from the existing fleet on the market is bundled with the transfer of the service endorsement and PSL of the vehicle? Does the Government agree that a growing demand for second-hand public NFBs in the market makes it necessary to further review the sourcing requirement? [Note: This question has been addressed to both TD and THB.]

2. The “sourcing requirement”, which is to encourage PSL applicants to source vehicles from the existing fleet on the market, has been implemented smoothly since its introduction in 2005. At present, the number of NFBs has been standing at some 7 000 and applicants have been able to source NFBs from

the existing operators in the market. The overall service supply remains stable and is capable of coping with passenger demand.

3. The operation of NFB service is regulated through PSLs issued under the Road Traffic Ordinance (Cap. 374). Any person who wishes to provide NFB service is required to submit to the TD a PSL application, together with valid proof of service (e.g. service contract) and obtain relevant service endorsements. A PSL is renewable but not transferrable. A PSL holder may be authorised to operate one or more than one type of services. Upon purchasing an NFB on the market, the applicant is required to apply afresh to the TD for a new PSL and the relevant service endorsements. The TD will, based on the proof provided by the applicant, consider the application and grant the appropriate service endorsements.

4. The TD has been making active efforts to meet the public's demand for NFB services. For example, the TD has since 2015 granted exemption for complying with the "sourcing requirement" to NFBs exclusively used for student services, in light of the increasing demand for student services. In 2016, to tie in with the development of Hong Kong, Macao and Zhuhai, the TD decided to grant exemption from sourcing requirement to shuttle buses plying the Hong Kong-Zhuhai-Macao Bridge and NFBs allocated quotas for accessing Macao, in order to cope with the additional passenger demand. Such measures show that the Government is by no means rigid in implementing the "sourcing requirement", and will make adjustments according to actual circumstances with a view to striking a reasonable balance between road traffic and NFB services. In view of the diversified views expressed by stakeholders on relaxing the "sourcing requirement", the TD will keep an open mind and listen to the views of various parties, while closely monitoring the overall demand and supply of NFBs. The Government will step in where necessary in the event of market imbalance.

Question 2: According to paragraph 2.7(d) of the Report, the then Environment, Transport and Works Bureau opined that it was not appropriate to impose a cap on the NFB fleet because it might lead to undesirable speculative activities and thus generate premium for PSLs and NFB vehicles, increasing the cost of NFB services which would eventually be passed on to the passengers. However, according to paragraph 2.11(c) of the Report, the average transaction price of a second-hand public NFB had increased from \$0.3 million in 2005 to \$0.9 million in 2016 while the average price for a new bus normally ranged from \$0.6 million to \$0.9 million. Will the Government explain why the average transaction price of a second-hand public NFB was roughly the same as the average price of a new bus? [Note: This question has been addressed to both TD and THB.]

5. The Government has not imposed a cap on the number of public NFB fleet, nor has it regulated the commercial activities related to the transactions of public NFBs (including their businesses and vehicles, etc). The transaction prices of second-hand public NFBs are adjusted under the operation of market mechanism and affected by various factors, including the prevailing economic situation and economic prospects of the trade, vehicle age, seat capacity, vehicle amenities and condition, etc. For example, some NFB operators acquired double-deck NFBs with a view to increasing the carrying capacity to meet its operational needs. Since the supply of double-deck NFBs is much smaller, the second-hand market of the double-deck NFBs is different from that of the single deck NFBs and the transaction price of double-deck NFBs would be higher than that of single-deck NFBs in general (for example, the transaction price of two double-deck NFBs in 2016 was about \$4.9 million each as quoted in the Report). Therefore, the average transaction price of second-hand NFBs in 2016 as quoted under paragraph 2.11(c) of the Report includes the above kind of transaction, leading to an increase of the overall average transaction price.

Question 3: According to paragraph 2.14 of the Report, a PSL holder shall provide a service contract of any duration to justify the continued need for the service to support a PSL renewal application. However, when examining renewals approved from 2014 to 2016, Audit found that 6 PSL holders had not submitted relevant service contracts but only letters declaring that the NFBs under the concerned PSLs would be deployed for such services. Does the Government agree that it should uphold the requirement on a PSL holder to submit a service contract or other relevant documents for supporting each service endorsement when applying for PSL renewal? If yes, how will the Government prevent the recurrence of similar situation? If no, what are the reasons?

6. The cases in which Audit found that no service contract had been submitted involved 2 PSL holders with a total of 6 tour service (A01) and hotel service (A02) endorsements.

7. The PSL holders concerned were travel agents. Under the current arrangement, they could submit documentary proof to justify the need for tour service so as to apply for the renewal of the relevant endorsements. On the other hand, as indicated in the Transport Advisory Committee Working Group Report on Review of Regulation of Non-Franchised Bus Operation in 2004, tour service and hotel service endorsements are complementary to each other and serve the same or very similar clienteles. Therefore, the TD adopted a relatively flexible approach when processing applications for these two types of service endorsements. If a PSL holder could provide a contract entered with a licensed travel agent, or a PSL holder who is a travel agent could justify the service need on its own, and the contracts or supporting documents state that the public NFB would be deployed to provide transport services to and from a hotel, the TD would accept these documents as valid proof for renewal of hotel service endorsements.

8. In response to the Audit's recommendations, the TD has liaised with the NFB trade and will take measures to strictly enforce the requirements for processing renewal applications. PSL holders are requested to submit contracts or other supporting documents to support the renewal of each service endorsement when applying for PSL renewal. The subject officers will also strictly examine each application to ensure compliance with the relevant requirements.

Question 4: According to paragraph 2.21 of the Report, it is stated in the application forms that an application for operating a new scheduled contract hire service should be submitted at least 14 days prior to the service commencement. However, Audit analysed 90 such applications approved in 2016 and found that the average processing time by the TD was 30 days. What are the reasons for that the processing time taken by the TD is 2 times longer than the time required for submission of applications? How much manpower has the TD deployed to undertake such task? Will the TD consider introducing an express vetting procedure to meet the applicants' legitimate expectation of TD's service?

9. When processing an application for contract hire service, the TD will consider a series of factors regarding the proposed service, including the impact of the pick-up/drop-off points and the routings on road traffic and public transport services. At present, the processing of applications for contract hire service is coordinated by the Public Vehicles Unit of the TD, with inputs from Regional Offices overseeing the traffic and public transport matters of the districts concerned, depending on the routings and pick-up/drop-off points of the proposed service.

10. The TD has all along targeted to complete the processing of applications within 14 days. However, as the proposed pick-up/drop-off points of some applications are located in busy road sections or restricted zones, and

some routings may pose adverse impact to the regular public transport services, the TD has to be particularly careful when processing the applications. Where necessary, the subject officers will discuss with the applicants on the alternative pick-up/drop-off points or routings. Of the 90 applications mentioned by Audit, 47 of them involved multiple pick-up/drop-off points, and thus longer processing time was required. The TD officers have strived to complete the processing of the applications prior to the proposed service commencement date.

11. In order to improve the relevant processing work, the TD has further reviewed the workflow of the processing procedures, and has implemented targeted measures to streamline the processing procedures. For example, repeated internal consultation will no longer be required for those usual pick-up/drop-off points, so as to complete the process within 14 working days as far as possible after the applicants' submission of the required supporting documents. This can better meet the expectation of the applicants.

Question 5: According to paragraph 2.28 (a) of the Report, it has been the practice of the TD to count the processing time of an application from the date of the receipt to the date of approval. However, in practice, it takes 9 working days to issue the approval letters after the approval dates. Why is it that the TD's calculation method for counting the target processing time did not follow the good practices promulgated in CSB Circular No. 7/2009? Why does the Government need another 9 days to issue the approval letters? Can operators operate their businesses prior to the receipt of approval letters?

12. The cases mentioned by Audit involved applications for display of advertisements/markings on the bodies of public service vehicles. After approving these applications, the TD would first verbally inform the applicants that they should go to the relevant offices to complete the formalities and pay the relevant charges. After the applicants have completed the procedures, the

TD would then issue the formal approval letters. Since the TD could not estimate the actual time required by the applicants in completing the procedures, it was the practice of the TD in the past that the processing time of an application was counted from the date of the receipt of the application to the date of approval. In fact, among the 15 cases mentioned in the Report, it took an average of 9 working days for the applicants to complete the formalities and pay the relevant charges after the TD had approved the applications, and hence be issued with the approval letters. Therefore, there was a time lapse of 9 working days between the approval dates and the dates of issue of approval letters.

13. In response to Audit's recommendations, the TD has improved the methodology for evaluating the achievement of target processing time regarding the above type of applications. The TD will issue an approval-in-principle letter to the applicant on the approval date, and the processing time will be calculated from the date of receipt of an application to the date of issue of the approval-in-principle letter. The approval-in-principle letter will inform the applicant that he/she should go to the TD office to complete the formalities and pay the relevant charges as soon as possible. Only after the completion of the above procedures will a PSL holder be issued a formal approval letter for operating the business concerned.

Question 6: According to paragraph 2.28(b) of the Report, Audit found that the TD's reported 100% achievement of the pledged processing times was not supported. Please explain why such misinformation was made.

14. According to the TD's previous internal guidelines, two random surveys would be conducted annually to assess whether the performance pledges of the public vehicle licensing services have been met. However, there have been omissions of the surveys in recent years due to staff movements and other operational requirements, thus giving rise to the situation in which the

achievement of performance target reported by the TD was not supported.

15. The TD has since August 2017 introduced a new regular mechanism and updated the internal guidelines to record the processing time of **each application** electronically, with a view to ensuring accurate reporting of the result of performance pledge measurement and comprehensively monitoring the achievement for each month. Meanwhile, the TD has also reminded the subject officers to strictly adhere to the procedures and requirements for measuring performance pledge.

Part 3: Regulatory controls over unauthorised operations

Question 7: According to paragraph 3.8 of the Report, the number of NFBs suspected to be operating without suitable endorsements was generally on an increasing trend. Figure 6 reflects that the NFBs with the most significant increasing trend were those providing tour services. Moreover, Table 4 shows that among the NFBs providing residents' services, the number of NFBs suspected to be operating without the relevant service endorsements was higher than the number of licensed ones. Has the Government assessed whether the phenomenon arose because the number of endorsements granted by the Government was too small or the processing time for endorsement applications was too long? Or were there other reasons? What measures will the Government adopt to improve the situation?

16. The number of public NFBs suspected to be operating without service endorsements as reported in the surveys included those NFBs not displaying the stipulated service signboards or displaying service signboards without the relevant service endorsements. Buses failing to display the stipulated service signboards do not necessarily mean that their operation was unauthorised. Therefore, the actual number of public NFBs operating without service

endorsements would be lower than the survey data. In any case, the survey information would help ascertain the possible number of breaches of the PSL conditions or regulations for not displaying service signboards. The TD has followed up on the matter in this respect.

17. The TD has all along been maintaining close communication with the trade on matters relating to applications for PSLs and other service endorsements, such as relevant requirements, processing procedures and timeframe, etc. Meanwhile, the TD has requested NFB operators to comply with the PSL requirements, including displaying the stipulated service signboards, through regular trade conferences and bulletins issued to the trade. The TD will closely monitor the implementation situation and take follow-up actions where necessary. The TD will also conduct on-board surveys to ascertain whether there are breaches and whether enforcement actions are required.

Question 8: According to paragraph 3.14 of the Report, Audit conducted 22 on-board surveys on residents' service routes and found that 21 (95%) routes had not been operated in accordance with the approved schedules of service, revealing that such irregularities were not uncommon. Has the Government already noticed such irregularities? If yes, what follow-up actions had been taken? If no, what are the reasons? Has the Government assessed whether monitoring by means of on-board surveys is inadequate? What measures does the Government consider effective to enhance the monitoring work?

18. Operators of residents' service are required to provide service in accordance with the schedules of service (including the routeings, stopping points, operating hours, service frequency, etc.,) as approved by the TD. If the TD finds that any operators do not follow the requirements (such as unauthorised stops or/and routeing deviation), the TD will immediately request the operator to cease the non-compliant operations and undertake an

investigation. If such irregularities persist, the TD will issue a warning letter to the operator or conduct an inquiry into the case. The TD has set up a centralized database for recording all such cases and follow-up details to facilitate monitoring of follow-up actions.

19. To monitor the operation of residents' service, the TD has been conducting field surveys, including terminal surveys and on-board surveys. The TD will arrange appropriate surveys with regard to the actual needs. Terminal surveys are undertaken mainly for monitoring passenger demands, operating hours, service frequency and vehicle deployment of residents' services, etc, while on-board surveys are undertaken for monitoring the routings and en-route stops of the services concerned. The TD will strengthen the existing monitoring guidelines to stipulate that officers should consider the type of field surveys to be adopted having regard to the actual situation and risk-based approach principles (for example, for suspected cases of routing deviation and observing unauthorised stops of residents' services, the TD will carry out on-board surveys). In fact, since mid-2017, the TD has progressively carried out regular terminal surveys and on-board surveys on residents' services in order to monitor the operation of residents' services more closely.

20. As for 21 routes as mentioned by Audit, the TD has conducted surveys on these routes and carried out follow-up actions in accordance with the abovementioned procedures. To pragmatically address the problem, the TD will request the operators and passenger representatives to review the routings and stopping points of these residents' services, and, where necessary, to submit applications to the TD for revising the routings and stopping points.

Question 9: According to paragraph 3.15(a) and Table 6 of the Report, in the 53 surveys with irregularities found by the Regional Offices' contractors from 2010 to 2017, there had been omissions and delays in taking follow-up actions

in 35 (66%) cases. Will the Government explain in detail why cases of omissions and delays constituted over 50% of the cases, and how can the situation be improved?

21. In the past, omissions and delays in taking follow-up actions stemmed from failure of individual TD officers to follow through the procedures when taking follow-up actions on cases of unauthorised operations, or failure to keep systematic records on follow-up actions. Such situation is considered not desirable. To address the problem, the TD has set up a centralised database to record all such cases and follow-up details to facilitate effective monitoring of follow-up actions on cases of unauthorised operation.

Question 10: According to paragraph 3.15(b)(ii) of the Report, among the 18 complaint cases from 2012 to 2016, the Regional Offices issued letters to inform the operators concerned that complaints had been received and requested them to cease the unauthorised operations. However, the Regional Offices had only conducted follow-up surveys to ascertain cessation of the unauthorised operations in 3 (17%) of the cases. What are the reasons that no follow-up survey had been conducted on the other 15 complaint cases? Have any other follow-up actions been taken? What measures does the Government consider in order to improve the situation?

22. When the Regional Offices of the TD followed up on these on the 15 complaint cases, the officers concerned did not follow the procedures to carry out the follow-up investigation to ascertain whether the operators concerned had ceased the unauthorised operations. Such situation is considered not desirable. To address the problem, the TD has set up a centralized database to record all such cases and follow-up details to facilitate effective monitoring of follow-up actions on cases of unauthorised operation.

Question 11: According to Case 2 cited at paragraph 3.15 of the Report, there might be unauthorised stops in a residents' service route. Although the TD had subsequently issued clarification letters and repeated reminders to the PSL holder, Audit's on-board surveys in May 2017 still found that the residents' service had 5 to 8 unauthorised stops. Please advise whether the unauthorized operation concerned have persisted for at least 7 years, and whether the Government has conducted any follow-up surveys or has taken any enforcement actions during the period?

23. For the case concerned, when the TD discovered the route had not operated in accordance with the schedule of service in 2010, the TD had already issued a letter to the operator urging it to operate the route in accordance with the schedule of service. Subsequently, surveys conducted by TD on the route concerned between 2013 and 2015 also found that the route had not operated in accordance with the schedule of service. As a result, when the operator applied for renewal of its PSL, the TD shortened the licence period from the usual 12 months to 6 months. The on-board survey conducted by the TD on the route in mid-2017 also found that there were picking up/dropping off activities at unauthorised stops. In this connection, the TD met with the operator and urged the operator that it had to operate in accordance with the schedule of service. The TD also requested the operator and passenger representatives to review the routeings and stopping points of the residents' service, and, where necessary, to submit the application to the TD for revising the routeings and stopping points, with a view to pragmatically addressing the problem.

24. The TD will continue to monitor the service of the route concerned. If the irregularity persists, the TD will consider referring the case to the Non-franchised Bus Enforcement Team for follow up.

Question 12: According to paragraph 3.22 of the Report, among the 93 concluded cases, 67 cases were sanctioned. However, it took 24 hours on average from the date of recommending to the Commissioner for Transport for holding an inquiry to the date of implementing sanctions. This was 1.4 times longer than the average time of 10 months found in the 2008 audit review. Would the Government please explain why the above situation arose? Which part of an inquiry took the longest time? Given the lengthy and time-consuming inquiry procedures, Audit found that unauthorised operations had continued in all of the cases when the inquiries were in progress. Will this pose safety risks to the public? What measures does the Government think can be taken to improve the situation?

25. The TD has all along been adopting a strict, cautious and fair approach in handling every inquiry case. The TD will scrutinize the survey data of each suspected case of operations of NFB or school private light bus services which were not authorized under the PSL, and will conduct inquiry only when there are sufficient grounds for doing so. Having decided to conduct inquiry, the responsible public officers shall accurately record and consider any evidence/representations given by PSL holders and TD representatives when preparing inquiry reports. Moreover, in considering sanctions, the TD will take into account previous inquiry cases with similar nature, the objective of imposing sanctions and sanctions permitted by the law.

26. As seen from the above, during the process from recommending to the Commissioner for Transport for holding an inquiry to imposing sanctions, multiple procedures and officers with different duties are involved. The processing time of each case is affected by various factors, including the complexity of the cases and whether the operators under inquiry are cooperative, etc, and so the processing time of each case varies. In response to Audit's recommendations, the TD has devised an internal inquiry progress reminder mechanism so as to closely monitor and expedite the inquiry procedures as far

as possible.

27. Regarding the cases where Audit found that unauthorised operations continued while the inquiries were still on-going, the TD will conduct follow-up surveys. If it is found that unauthorised services are still in operation, the TD will issue letters to request the operators to cease the operations and the TD will follow up on the matters. The vehicle owners or operators will be held fully liable for the possible risks arising from the continuation of such unauthorized services.

Question 13: According to paragraph 3.2(a) of the Report, the TD has since 2004 focused resources on taking enforcement actions against unauthorised operations by means of inquiry. However as indicated in paragraph 3.23(b) of the Report, there were 25 concluded cases in which the offending PSL holders had avoided sanctions through transfer of ownership of NFBs. In Case 3 cited in the Report, the PSL holder concerned (Company A) applied to the TD for transferring the ownership of all 3 NFBs in its fleet at \$1 each to Company B, and the transfer of NFBs and change of service operator were subsequently approved by the TD. As a result, no sanction could be imposed when the PSL of Company A was cancelled. Does the Government agree that there is a pressing need to impose more stringent sanction or introduce legislative amendments in order to plug the loophole in the system? If no, has the Government explored other feasible measures to plug the sanction avoidance loophole, including considering withholding the processing of applications for transfer of ownership from service operators who are involved in outstanding inquiry cases? [Note: This question has been addressed to both TD and THB.]

28. Under the existing Road Traffic Ordinance, when it is established that a PSL holder has contravened the relevant legislation or conditions, the Commissioner for Transport may suspend, cancel, or vary the PSL concerned.

If the PSL holder transfers the ownership of the vehicle to be sanctioned prior to the implementation or expiry of the sanction, the sanction may be imposed on another vehicle under the same PSL until the PSL is cancelled when there is no more registered vehicle under that PSL. PSL holders can transfer the ownership of their vehicles due to different considerations (such as other business development, personal or commercial reasons, etc). Under the existing legislative framework, the Commissioner for Transport is not empowered to forbid the transfer of vehicle ownership by PSL holder.

29. The TD has contemplated measures to prevent the operators from avoiding sanction by transferring the ownership of all their vehicles (such as imposing restrictions on the transfer of vehicles before conclusion of an inquiry, or imposing penalty on a NFB transferred before sanction is decided). However, such measures would involve complex legal issues, such as the property rights of PSL holders, which may not be feasible.

30. In response to Audit's recommendations, the TD will explore afresh the feasibility of introducing possible measures to prevent the offending PSL holders to avoid sanctions, with due regard to the relevant legal restrictions, and will consult the Department of Justice on the proposed measures.

31. At the present stage, the TD will expedite the investigation and handling of inquiries as far as possible.

Question 14: According to paragraph 3.30 of the Report, there was a media report in September 2016 that the information displayed on some stop signs was outdated, and all the relevant updating work carried out by the Highways Department had been completed in April 2017. However, Audit's site inspections from May to August 2017 found that 3 of the stop signs were still with outdated information. Please advise what information was used as the basis for TD's response to Audit. What follow-up action will be taken for

stop signs found to be erected on public roads without the TD's approval?

32. In August 2017, the TD updated the information on the 3 concerned stop signs containing outdated information as stated in Audit's report. The TD will strengthen the monitoring work and update the internal working guidelines, in order to ensure the accuracy of information displayed on the stop signs for residents' service.

33. The TD understands that some individual operators have erected stop signs at some major stopping points to facilitate proper passenger queuing orders and to display information such as headway frequency of the services. Hence, such signs may serve certain functions. The TD has commenced a comprehensive review of the stop signs of residents' service with a view to formulating practicable arrangements to rationalize the situation. If any stop signs are found to impose serious obstruction or danger to traffic or pedestrians, the TD will request the operators to remove them.

Part 4: Safety measures on student service vehicles

Question 15: According to paragraph 4.7 of the Report, the TD reckoned that through a normal replacement cycle, it may take up to some 6 years to phase out/replace the remaining 1 879 student service vehicles without safer seats. Does the Government agree that there is a need to speed up the progress of phasing in student service vehicles with safer seats to ensure the safety of students? If yes, what are the follow-up work and timetable? If no, what are the reasons?

34. To further enhance the safety of student service vehicles, we have amended the Road Traffic (Construction and Maintenance of Vehicles) Regulations (Cap 374A) to require student service vehicles registered on or

after 1 May 2009 to be equipped with safer seats.

35. The TD has been keeping in view the figures of student service vehicles equipped with safer seats. With the progressive replacement of student service vehicles by the new ones, the proportion of vehicles equipped with safer seats has been on the rise. To encourage owners of commercial vehicles (including light buses and NFB for carriage of students) to replace their old vehicles with more environmentally-friendly new models, the Environmental Protection Department has repeatedly provided subsidies to the trade. Meanwhile, pre-Euro IV diesel commercial vehicles would also be phased out on or before the end of December 2019 as required. With the above vehicle replacement arrangement and relevant measures, there will be a continual increase in the proportion of vehicles equipped with safer seats. Moreover, we have also introduced legislative amendments to increase the maximum seating capacity of light buses to 19 seats, and the amended legislation is also applicable to school private light bus. With the enactment of legislative amendments, operators of school private light buses will speed up the replacement of vehicles, which will lead to an increase in the proportion of vehicles equipped with safer seats.

36. The TD will continue to keep track of the progress of installation of safer seats and publicise their benefits to members of the public, particularly schools and parents, with a view to encouraging the operators to use student service vehicles with safer seats. In this connection, we have all along been providing information about safety of student service vehicles to parents and guardians through different channels, such as publicity leaflets, Road Safety Bulletin, Guidelines for Ensuring Safety of Students on Student Service Vehicles, etc. We will update relevant guidelines and publicity materials in due course to enable parents and guardians to better understand the statutory requirements, benefits and related safety matters in relation to safer seats. We will also continue to work with the Education Bureau to enhance the dissemination of information to schools and parents.

Question 16: According to paragraph 4.9(a) of the Report, safer seats provided less significant protection to passengers aged under 4.5 years or weighing under 18 kilograms (kg) compared to older children. Has the Government considered asking the operators of student service vehicles and stakeholders to use appropriate child restraint device (CRD) for young child passengers placed in the rear seats? If yes, what are the follow-up work and timetable? If no, what are the reasons?

37. CRDs are classified into different types according to the height, weight or age of the children. Specific choice of suitable CRDs with appropriate adjustments is necessary to suit individual children. If CRDs are not needed for one particular trip of student service, arrangements have to be made on the storage of those CRDs in the vehicle. Hence, mandating the passengers of student service vehicles to use CRDs would involve diverse considerations such as actual operation, legal liability, the views of the trade, etc. For instance, whether the CRDs would prevent prompt egress from the vehicles as students might not be able to unfasten their seat belts on their own when the need arises; the issue of which parties be held responsible for the proper installation and wearing of the CRDs in student service vehicles is yet to be resolved. Moreover, we also note that mandatory requirements imposed on the use of CRDs by students are not common practice in overseas countries. In view of the above, the Government at present has no plan to mandate the use of CRDs by student passengers on board the student service vehicles.

Question 17: According to paragraph 4.17 of the Report, the 2013 consultancy study report indicated that lap-belts were inferior to lap-shoulder seat belts in reducing the risks of severe head and neck injuries in frontal crashes. In this connection, has the Government recommended to the operator of student service vehicles the type of seat belt to be installed in the student service vehicles?

38. Operators of student service vehicles who install seat belts at the passenger seats of their vehicles have to comply with the standards specified in Schedule 2 to the Road Traffic (Safety Equipment) Regulations (Cap 374F). Both lap-belts and lap-shoulder seat belts conform to the standards specified in the legislation, and can provide proper protection to passengers as long as they are properly worn.

39. As stated in the reply to Question 15, to further enhance the safety of student service vehicles, we have amended the Road Traffic (Construction and Maintenance of Vehicles) Regulations (Cap 374A) to require all student service vehicles registered on or after 1 May 2009 to be equipped with safer seats. The 2013 consultancy study also pointed out that installation of additional restraint device can give better protection to passengers. Nevertheless, after examining other relevant factors such as technical feasibility, operational consideration and implementation issues, the consultant came to the conclusion that the overall performance of “safer seats with lap-shoulder seat belts” was similar to that of “safer seats” alone.

Question 18: According to paragraph 4.18 of the Report, the installation of CRDs would require a substantial change of existing mode of operation which could have impacts on the operating cost of, and fee payable for, student service vehicles, and there were a number of issues to be thoroughly considered and resolved before a decision could be taken on the types of measures to further enhance the safety of student service vehicles. In this connection, has the Government drawn up a timetable for follow-up on the issues? If yes, please provide the details.

40. The TD attaches great importance to the safety of student passengers on board the student service vehicles. We have been closely monitoring the accident statistics in relation to student service vehicles. We have from time to

time reviewed and introduced measures where necessary to enhance the safety of the student passengers.

41. The TD will continue to keep abreast of the latest developments of measures adopted by overseas countries in enhancing the safety of student passengers and listen to the views of different stakeholders. If the measures are considered suitable to be implemented in Hong Kong after taking into account relevant factors such as the safety benefits, cost implications, operation and implementation as well as the impacts on the trade, we will consider introducing them in Hong Kong at an appropriate juncture.

香港特別行政區政府
The Government of the Hong Kong Special Administrative Region

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By Fax

17 January 2018

Clerk

Public Accounts Committee

Legislative Council

Legislative Council Complex

1 Legislative Council Road

Central, Hong Kong

(Attn: Mr Anthony CHU)

Dear Mr Chu,

Public Accounts Committee

**Consideration of Chapter 5 of the Director of Audit's Report No. 69
Operation of the Land Registry**

I refer to your letters of 20 December 2017 to the Secretary for Development and the Land Registrar. Our responses are now set out at **Appendix** for reference by the Public Accounts Committee.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Jasmine Choi".

(Ms Jasmine CHOI)
for Secretary for Development

c.c. Land Registrar

**Public Accounts Committee
Consideration of Chapter 5 of the Director of Audit's Report No. 69
Operation of the Land Registry**

Consolidated Response from the Development Bureau (DEVB) and the Land Registry (LR) on Part 3 (other than the question concerning paragraph 3.30)

Part 3: Implementation of land title registration system

- 1) According to paragraphs 3.10 and 3.23, during the scrutiny of the Land Titles Bill (introduced into the Legislative Council in December 2002) by the Bills Committee, the Government proposed to commence the Land Titles Ordinance (Cap. 585) (“LTO”) two years after its enactment in July 2004. However, up to September 2017, LTO had not yet been implemented. On what basis did the Administration make the assessment that LTO could commence two years after its enactment? Does the Administration agree that LR had under-estimated the complexity of the issues and the work involved in implementing LTO and land title registration system (“LTRS”)? What measures will the Administration take to fully assess the complexity of the issues and the work involved?**

Shortly before the Land Titles Bill (“LTB”) was passed in 2004, a number of substantial changes were made to the bill, including the change from gradual conversion to daylight conversion and the inclusion of the Mandatory Rectification (“MR”) rule (mandatory rectification of title in favour of the former owner in fraud case and the current owner being displaced) in the rectification provisions to address the concern on the indemnity cap. During the closing stage of the committee stage discussion, at the request of members of the Bills Committee, the Government undertook to conduct a review of the LTO and the preparatory work before bringing LTO into effect. The work envisaged then included, inter alia, engaging relevant stakeholders to address any subsisting points of concern and any issues that might emerge on further consultation before the implementation of LTO, and taking the follow-up actions set out in the

Report of the Bills Committee on Land Titles Bill (“Bills Committee’s Report”)¹.

LTRS is inherently complicated as it involves complex legal issues and carries significant implications. The Government has never underestimated its complexity and has been endeavouring to bridge different expectations on LTRS from pertinent stakeholders. Since the enactment of LTO, detailed internal review of the LTO provisions had been conducted by LR. In fact, the Government had either resolved or identified solutions for most of the issues raised in the Bills Committee’s Report by 2007.

However, further issues were identified during the review which would require substantial amendments to LTO to ensure the efficient operation of the new system. These issues mainly relate to the conversion mechanism (there were difficulties with the operation of the daylight conversion mechanism e.g. how registers with indeterminate ownership should be dealt with) and the rectification and indemnity arrangements (there were concerns over the effect of the MR rule in fraud case which would result in restoration of title to the former owner and the current owner being displaced with only capped indemnity) adopted in LTO which might undermine title certainty and the purchasers’ confidence in the new system. Efforts have been made to sort out and resolve these issues before an amendment bill can be submitted to the Legislative Council (“LegCo”) for implementation of LTRS. Throughout the years, the Government has put forward different proposals to address the views of stakeholders with regard to the conversion mechanism as well as the rectification and indemnity arrangements. Despite our continuous efforts, a consensus amongst key stakeholders over certain major issues has yet to be reached.

Looking forward, we will continue the engagement with major stakeholders and strive to resolve the outstanding issues. We will also actively pursue the ‘new land first’ proposal with the goal of forging consensus for an earlier implementation of LTRS.

¹ See Appendix VI and the specific undertakings set out in paragraphs 120 to 122 of LC Paper No. CB(1)2219/03-04.

- 2) With reference to paragraphs 3.13(c) and (d), why were the 18 issues involving significant matters for substantial amendments not identified before the enactment of LTO? Given that substantial amendments to LTO are required, does the Administration agree that the preparatory work before the enactment of LTO was inadequate?**

LTRS is inherently complicated and it involves complex legal issues and carries significant implications. LTB was passed with the Government's undertaking that a range of issues and various practical arrangements would be reviewed and worked out in consultation with the stakeholders before the Ordinance can commence operation.

In addition, LTB had undergone major changes shortly before enactment, including the change from gradual conversion to daylight conversion and the inclusion of the MR rule in the rectification provisions to address the concern on the indemnity cap.

Against the above backdrop, notwithstanding the enactment of LTO, a thorough review of the LTO provisions is therefore required to ensure a sound LTRS for both legal practitioners and the public. The review revealed that, in addition to the major issues of the conversion mechanism as well as the rectification and indemnity arrangements, there were certain specific issues that needed clarification (e.g. date of registration, whether court order is required to be registered to be effectual, caution provisions) and relevant amendments to LTO were essential to ensure the efficient operation of the new system.

- 3) According to paragraph 3.24(c), LR was exploring the proposal of implementing LTRS on new land only at this stage and was seeking the stakeholders' views. What is the progress and implementation timetable? Does the Administration agree that this proposal could be implemented first to early reap the benefits of LTRS; if not, please explain the reasons.**

The proposal of implementing LTRS on new land only at this stage (“‘new land first’ proposal”) was raised as one of the four options in LTO Steering Committee (“LTOSC”) Paper No.14 (2014) by the Government with a view to reaping the benefits of LTRS early.

From 2014 onwards, LR had exchanged views with different members of LTOSC on the options set out in LTOSC Paper No. 14. At the same time, internal deliberations on the scope of new land and assessment on the major amendments required to be made to LTO if it were to be applied to new land first were carried out. In December 2016, the 11th LTOSC meeting was held and the ‘new land first’ proposal was further discussed. The majority of LTOSC members considered that the ‘new land first’ proposal was a feasible way forward and it would enable earlier implementation of title registration system in Hong Kong. Throughout 2017, the Government continued to reach out to different stakeholders to solicit their views about the ‘new land first’ proposal. The general feedback was positive, though there were some queries on the implication of the proposal, for example the parallel running of two systems. At the 12th LTOSC meeting held in November 2017, members were briefed on further details of the ‘new land first’ proposal, especially on the scope of new land.

It remains our wish to first implement the ‘new land first’ proposal, and to this end, we are continuing our efforts in engaging major stakeholders.

- 4) According to paragraph 3.27(a), in September 2017, LR said that it was not practical to prepare a realistic implementation timetable for LTRS at this stage as a general consensus among stakeholders on the main issues had not been reached. Given that LR was able to set a target time and devise action plan for implementing LTRS during 2004-2005 to 2009-2010 (paragraph 3.26), why is it not able to do so now? Given that setting a target LTRS implementation date and devising an action plan with implementation timetable would facilitate steering and coordinating the various work for implementing LTRS, will the Administration re-consider setting the target date and devising the action plan?**

The proposed timetable for the implementation of LTO submitted to LTOSC in 2004-2005 was prepared on the basis that the follow-up work to be undertaken by the Government would take two years to complete. As pointed out above, the post-enactment review of LTO revealed that there were further issues requiring substantial amendments to LTO before its implementation.

A public consultation was carried out on the proposed amendments on these issues in 2009.

The public consultation exercise revealed that respondents generally favoured the automatic conversion approach, meaning that the proposed gradual conversion approach was not supported. Moreover, the stakeholders had divergent views as to the application of the MR rule after the public consultation. While further implementation timetables were submitted to LTOSC for information in 2009-2010, these were formulated on the assumption that a consensus could be forged amongst stakeholders on the said issues within a short period of time.

As stakeholders continued to have divergent views on these issues, the implementation timetable was not included as an agenda item in the subsequent LTOSC meetings. However, members have been kept informed regarding the progress of the review of LTO.

As regards timetable, tentatively, subject to a broad consensus being reached with major stakeholders on the ‘new land first’ proposal by around mid-2018, we would consult the LTO Review Committee and the LTOSC in the latter half of 2018. We would then refine the ‘new land first’ proposal in the light of their comments, and brief the LegCo Panel on Development before conducting a public consultation on the whole package of proposals including the proposed scope of new land and proposed rectification and indemnity arrangements. Depending on the outcome of the public consultation, a more concrete timetable for the preparation and introduction of the Land Titles (Amendment) Bill (“LT(A)B”) to the LegCo for scrutiny could then be prepared.

- 5) According to paragraph 3.32(c), many jurisdictions had converted to title registration gradually involving parallel running of title registration and their original systems over a considerable period of time. Please inform this Committee whether the Administration would adopt similar measures; if yes, what is the timeline; if not, why not?**

Under LTB 2002, the Government proposed to convert existing land to LTRS gradually with conversion to take place upon the first transfer of the property supported by a solicitor's certificate of good title. Due to reservation about the requirement for a solicitor's certificate of good title, the conversion mechanism was revised in 2004 to allow for automatic conversion of existing land after a 12-year interim period.

The conversion mechanism (i.e. the daylight conversion mechanism) as enacted in LTO was an automatic conversion mechanism. During the post-enactment review of LTO, issues concerning the daylight conversion mechanism were identified and in 2009 the Government proposed to adopt a modified gradual conversion approach². However, the outcome of the public consultation in 2009 revealed that the public generally preferred to retain an automatic conversion mechanism as provided under LTO. The Government is now pressing ahead with the 'new land first' proposal and shall keep under review the most appropriate conversion approach.

² It was then suggested that owners should apply for upgrading of title after a period of time after the commencement of operation of LTO.

LR's Response on Part 2, Part 3 (on question concerning paragraph 3.30) and Part 4

Part 2: Provision of services

- 6) With reference to paragraphs 2.7 and 2.8, what measures will LR take to expedite the progress of the tidying up the land registers? What is the revised target completion date of the tidying up exercise? How will LR ensure that there will be no further slippage?**

The tidying up exercise of land registers comprises three tasks: (a) filling in information (e.g. names of owners) of historical transactions not shown in the land registers; (b) inputting the full address of the property in the “address” field for land registers which contain only partial address in the “address” field with the remaining part of the address recorded in the “property remarks” field; and (c) filling in the nature of registered documents of some historical transactions not shown in the land registers.

For task (a), as of December 2017, about 2.7 million (84% of the total 3.25 million) memorial entries have been checked and updated with related particulars as needed. We expect that task (a) would be completed in early 2019, slightly behind the original schedule of end 2018.

For task (b), the processing of all 120,000 land registers involved has been completed ahead of schedule in April 2017.

For task (c), about 44,000 (40% of the total 110,000) land registers have been checked and updated. In order to expedite the updating of the remaining land registers, LR is developing an information technology programme and plans to redeploy staff working on task (a) to task (c) upon completion of task (a). With these arrangements, it is estimated that the time required for completing task (c) will be shortened from around 3 years to around 1.5 years and expect to complete before end 2019.

We will closely monitor the progress and keep in view of the resources requirement to ensure that there will be no further slippage for tasks (a) and (c).

- 7) According to paragraph 2.23, LR will explore using the Integrated Registration Information System ("IRIS") for tracking and monitoring the errors that were made after the implementation of IRIS in 2005. What is the progress so far? Please provide details how LR could make use of IRIS for tracking and monitoring the errors.**

The enhancement to IRIS for tracking and monitoring errors made after the implementation of IRIS in 2005 will be implemented by two phases.

For Phase 1, IRIS will be enhanced to generate log reports recording the amendments made to the registers and the officers concerned for tracking and monitoring the errors. System design for Phase 1 is in progress. The enhancement is targeted to be released by March 2018.

For Phase 2, IRIS will be enhanced to capture more information (e.g. types of errors) to facilitate analyses of the errors. The tentative implementation date is by end 2018.

- 8) According to paragraph 2.39(a), LR said that possible measures will be explored to improve the performance of the three New Territories Search Offices ("NTSOs"), having regard to their continued operating losses and low patronage as stated in paragraphs 2.27 and 2.28. What is the progress so far? What measures will LR take to further improve the performance of NTSOs?**

The three NTSOs have been operating with a minimum number of staff for the delivery of services. That said, to improve the operational performance of NTSOs, aside from assignment of additional tasks of preparing reports on owners' corporation records for "reports on title" requested by government departments and agencies, and compiling returns to the Home Affairs Department on registration of owners' corporations and filing of documents to the staff of NTSOs, we will continue to explore other possible measures in this respect having regard to service needs.

With a view to improving the financial performance of NTSOs, we are reviewing the office accommodation for NTSOs to see if there is any room for optimising the utilisation of the office space concerned. Proposals are being worked out.

We will continue to monitor and take measures to enhance the performance and financial positions of NTSOs.

Part 3: Implementation of land title registration system

- 9) According to paragraph 3.30, since the enactment of LTO in July 2004, LR had incurred about \$24 million per year on average in staff costs on matters concerning the review of LTO, preparation of the Land Titles (Amendment) Bill, engagement of stakeholders on the proposed legislative amendments and implementation of LTRS. Has the Administration come up with any measures to cut down the above expenditure? If yes, please provide the details; if not, please explain the reasons and inform this Committee whether the Administration has studied other measures to address the above issue.**

The LTO review involves complex legal issues and will have far reaching implications on property conveyancing. Throughout the years, different proposals have been devised with the aim of addressing the concerns of stakeholders which required delicate balancing of the divergent views over the key interrelated issues of conversion, rectification and indemnity. The proposals have to be feasible both legally and practically. Thus the review of LTO requires thorough consideration of the LTO provisions and preparation of a LT(A)B for the necessary amendments before implementation of LTRS.

In conducting the LTO review and related work, LR has all along been keeping in view the resources requirements and has taken measures to contain its expenditures. Staff resources have been suitably deployed based on the requirements for the LTO review and related work.

LR will continue to keep in view the resource requirements and ensure the resources deployed are necessary and appropriate for dealing with the LTO review and related work.

Part 4: Financial issues and performance reporting

10) According to paragraph 4.4, since its establishment in 1993, LR conducted five fee reviews of all fee items supported by costing statements at a time interval of three to seven years between each review (i.e. in 1998, 2005, 2008, 2011 and 2016). Why were the fee reviews not conducted at more regular intervals? Will LR issue guideline on the time interval for conducting future fee reviews?

Under the Trading Funds Ordinance (Cap. 430), LR is required to achieve a reasonable return on the fixed assets employed. To meet this financial objective, LR follows the general principle stipulated in Financial Circular No. 6/2016 “Fees and Charges” issued by the Secretary for Financial Services and the Treasury (“FSTB”) to set its fees at levels adequate to recover the full cost of providing its services on an overall basis and to attain the target rate of return on average net fixed assets (“ANFA”). Hence, instead of a fee review of all fee items supported by costing statements, LR conducts a fee review on an overall basis annually by comparing LR’s overall revenue against its overall expenditure with reference to the achievement of the target rate of return on ANFA in the context of formulating its Corporate-cum-Annual Business Plan (“Corporate Plan”).

LR has conducted five fee reviews (in 1998, 2005, 2008, 2011 and 2016) covering all fee items supported by costing statements on a need basis. For example, LR has conducted a fee review of all fee items supported by costing statements in 2016 in response to FSTB’s request for a fee proposal as it was forecasted in the financial projections in LR’s Corporate Plan for 2016-17 that operating loss might be incurred in the coming years.

While LR will continue to conduct a fee review on an overall basis annually, with reference to the guideline for non-trading fund departments

as set out in the said Financial Circular No. 6/2016 issued by FSTB, LR will see to it that all fee items will be subject to a fee review at regular intervals of once around every four years.

- 11) According to paragraphs 4.9 and 4.10, the number of land documents delivered for registration had dropped significantly by 45% and the related revenue had also dropped by 47% from 2010-2011 to 2016-2017. According to the results of the fee reviews, there was a drastic change from over-recovery of costs of \$93 million in 2010-2011 to under-recovery of costs of \$80 million in 2015-2016. LR said that the revenue from the services is very much susceptible to the volatility of the property market conditions (paragraph 4.11). What is the current cost recovery rate of the services? What measures will LR take to address the impact of the property market conditions on the services?**

The cost recovery rate of registration of document services in 2016-17 was 68%, 1% higher than the rate in 2015-16.

While revenue from registration of document services is very much susceptible to the volatility of the property market conditions, LR will continue to keep in view its financial position and take measures to contain its expenditures and explore new business opportunities to seek additional revenue. To meet the property market conditions in the past few years, LR has implemented various cost saving measures including re-engineering the registration workflow by separating the data input function from the registration function, temporarily leaving some vacant permanent establishment posts unfilled, redeploying staff flexibly to perform other duties and employing contract staff to cope with fluctuations in workload. As for new business, LR launched an e-Alert Service with modified features for Authorized Institutions under the Banking Ordinance (Cap. 155) (i.e. licensed banks, restricted licence banks and deposit-taking companies) in February 2017 with a view to generating additional and relatively steady income.

The financial result of LR improved in 2016-17, i.e. its rate of return on ANFA improved from 4.1% in 2015-16 to 8.1% in 2016-17.

12) According to paragraph 4.20, LR relied on a manual system for compiling the actual performance information. Why was more technology not used in compiling LR's actual performance information? Does LR consider that IRIS could be used in this regard? If not, why not and what measures will be adopted to address the problem?

IRIS was implemented in 2005 to support central registration so that geographic boundaries for lodgement of documents for registration could be removed, as well as to provide online search services to the public over the Internet. LR has completed the upgrading of IRIS so as to cater for additional loading to perform other functions, including to compile information on LR's actual performance of the 30 performance targets under the nine service types mentioned in paragraph 4.16(a) of the Audit Report as far as practicable. In order to perform such functions using IRIS while at the same time protect the stable and smooth running of the existing IRIS services, LR has commenced a feasibility study in November 2017 to study the enhancements to IRIS including analysing sample data and reviewing user requirements. Our plan is to implement the enhancements for providing the performance information of six service types by end 2018. As regards the remaining three service types concerning registration services, the implementation schedule will have to be subject to the findings of the study, which is expected to be completed by Q3 2018.

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16 January 2018

Mr Anthony CHU
Public Accounts Committee
Legislative Council Complex,
1 Legislative Council Road,
Central, Hong Kong

Dear Mr CHU,

**Consideration of Chapter 6 of the Director of Audit's Report No. 69
Regulation of Hotel and Guesthouses
Queries and Information Requested by the Public Accounts Committee
Responses from the Home Affairs Department**

Thank you for your letter dated 19 December 2017 to the Director of Home Affairs.

In response to your request, our responses to the matters raised are set out in **Annex**. Please contact the undersigned for further enquiries.

Yours sincerely,

(Ammon TAM)

for Director of Home Affairs

c.c. Secretary of Financial Services and the Treasury (fax no.: 2147 5239)
Director of Audit (fax no.: 2583 9063)

Chapter 6 of the Director of Audit's Report No. 69
Regulation of Hotels and Guesthouses
Questions raised and Information required by the Public Accounts Committee
Responses from the Home Affairs Department

Questions to be responded by the Home Affairs Department

Part 2: Regulating Licensed Establishments

1) Paragraph 2.4 – Need to monitor lead time

Regarding the situation mentioned in paragraph 2.4 of the Report, please advise:

- (a) What are the current procedures of handling new licence applications and renewal applications, and the respective manpower and expenditure involved?

Reply to (a) As mentioned in paragraph 2.2 of the Director of Audit's Report No. 69 (the Report), the Office of the Licensing Authority (OLA) under the Home Affairs Department (HAD) processes applications for new and renewal guesthouse licences, and these applications usually go through six stages, including (a) acknowledgement of applications, (b) initial inspection, (c) improvement works by applicants, (d) follow-up inspection, (e) approval of applications and (f) collection of licences by applicants.

Apart from issuing licences pursuant to the Hotel and Guesthouse Accommodation Ordinance (HAGAO), the OLA is also responsible for issuing 11 types of licences and carrying out relevant duties pursuant to other ordinances. Since the OLA carries out its duties conferred by respective ordinances as a team, we do not have a breakdown of the manpower and funding devoted solely to processing applications for new or renewal licences pursuant to HAGAO. As a whole, for 2017-18, the establishment of the OLA is 132 (including civil servants and Non-Civil Service Contract staff) and the staff cost is \$66.3 million.

- (b) Will the Government consider adjusting the manpower establishment for handling the related work so as to reduce the disparities in lead time between new licence application and renewal application?

Reply to (b) As mentioned in paragraph 2.2 of the Report, processing applications for new and renewal guesthouse licences involves six sequential steps, during which many factors will affect the processing time for new and renewal applications. As shown in Table 2 of the Report, the time taken by applicants to carry out improvement works and submit the required documents accounts for about two-thirds of the processing time for new licence applications, and manpower establishment is just one of the factors affecting the processing time for applications. The HAD has implemented a number of measures to improve the situation, which included monitoring closely the processing time for licence applications, reviewing the internal workflow and target time for processing licence applications and implementing measures that facilitate the submission of necessary documents so as to shorten the processing time. To expedite vetting and approval of licence applications, the OLA has employed part-time staff to help clear the backlog.

- (c) What measures will the Government take to strengthen control of the lead time? When will the measures be implemented?

Reply to (c) The OLA closely monitors the progress of processing licence applications through a number of measures, which include issuing weekly reports by the Chief Officer (Licensing Authority) to the head of respective teams to remind them of the progress of processing applications, holding monthly internal meetings to monitor the lead time, and reporting to and discussing with the Headquarters the situation of processing licence applications on a regular basis. Besides, the OLA has already applied for funding with the aim to upgrade the computer system in 2018-19 to better monitor the progress of its licensing work.

2) Paragraphs 2.6 to 2.8 – Internal targets not attained and need to enhance performance management practices

Paragraph 2.7 of the Report largely suggests that the seven internal targets are unattained, please advise the following:

- (a) It is mentioned in paragraph 2.6 of the Report that “the two performance pledges (see Table 2 in para. 2.3) are the OLA’s promulgated commitments of performance to the public. The OLA spares more efforts and resources to meet these two performance pledges as far as possible.” Does it mean

that since there is no need to give an account of the performance of the other seven internal targets to the public, the Government considers it unnecessary to step up efforts to attain the targets, thus becomes lax in handling the cases?

Reply to (a) As mentioned in paragraph 2.6 of the Report, the purpose of the seven internal targets are for the OLA's reference for guiding its work priority. Amongst the seven internal targets, three of them were 100%, 96% and 94% attained, the remaining four internal targets were 38% to 78% attained. As these four targets are mainly affected by the progress of improvement works conducted by applicants (including whether applicants have applied to the OLA for extension of time to complete the improvement works) and timeliness of submission of the complete set of necessary documents by applicants. Accordingly, the attainment of these internal targets is not solely under the control of OLA, as they are different in nature from the other two promulgated performance pledges. Nonetheless, apart from endeavouring to attain its performance pledges, the OLA will step up its efforts to achieve its internal targets, without any lax in efforts.

(b) It is mentioned in paragraph 2.7 of the Report that the percentages of cases attaining the four internal targets had generally decreased. What are the reasons for that and whether corresponding follow-up actions have been taken?

Reply to (b) The percentages of cases attaining the four internal targets have generally decreased mainly due to the increasing number of licence applications. As shown in Figure 1 of the Report, the number of licensed hotels and guesthouses steadily increased from 1 493 in early 2012 to 2 024 in June 2017, representing an increase of 36%. Moreover, to assist the industry to adapt to the new licensing regime after the review of the HAGAO, the OLA has implemented different measures by phases. These included restricting the licence period for guesthouse (general) licences and guesthouse (holiday flat) licences to a period of (i) not more than 24 months for licences issued during September 2014 to December 2015, and (ii) not more than 12 months for licences issued thereafter. As a result of the shortening of licence period, renewal of licence applications have become relatively frequent. Furthermore, licences granted between September 2014 and December 2015 started to expire gradually from the latter half of 2016 and the end of 2017.

The OLA has to process the related renewal applications. The OLA has also implemented three administrative enhancement measures in December 2015 and applicants may require more time to understand and comply with the relevant requirements. The OLA has employed additional part-time staff since 2015 to cope with the increased workload, and monitor the lead time for granting licences more closely, with a view to taking timely action for improvement.

- (c) In view of the unsatisfactory situation mentioned in paragraph 2.8(a) of the Report, will the Government formulate guidelines for compliance by staff members so as to attain the internal targets? If yes, has the Government drawn up initial directions for the guidelines, and when will the guidelines be implemented?
- (d) What are the progress and effectiveness of the follow-up actions to be taken by the Home Affairs Department (HAD) in response to paragraph 2.16(b) of the Report?

Reply to (c) & (d)

The OLA will enhance the practices in managing performance on internal targets, and suitably review the appropriateness of such targets, with a view to publishing appropriate target times. The OLA is also reviewing its workflow for processing licence applications, so as to set up reasonable targets to shorten the time for licence applications.

3) Paragraphs 2.10 to 2.13 – Long processing time for licence applications due to many rounds of submission

Regarding Case 1 in paragraph 2.10 of the Report, an applicant had made 16 submissions of reports/documents. Please advise:

- (a) whether similar issues were detected in the past, and if yes, whether the Government had rectified such situations or rendered assistance to the applicants; and
- (b) whether the Government will take any measures to shorten the processing time.

Reply to a) and b)

As licence applications involve various building safety and fire safety requirements, applicants are required to submit a number of related reports and certificates in the course of application. The case quoted in the Report is in fact an extreme and isolated incident.

The OLA has implemented a number of measures to assist applicants in carrying out improvement works and submitting information on the completion of such works, including:

- (i) since 2011, “A Layman’s Guide to Licence Applications under the HAGAO”, setting out the general requirements and procedures of licence applications, has been uploaded onto the OLA’s website at www.hadla.gov.hk;
- (ii) since September 2013, the OLA has held meetings with applicants and their agents (e.g. consultants and contractors) to go through the letter of requirements or any list of outstanding requirements;
- (iii) since July 2015, for information of applicants, e-mail addresses of responsible officers have been uploaded onto the Application Tracking Facility System (to which applicants have access); and
- (iv) since August 2017, all licence conditions and requirements have been uploaded onto the OLA’s website.

Apart from reviewing its workflow for processing licence applications and modifying the letter of requirements to enhance applicants’ understanding of the works requirements and submission of necessary documents, the OLA will closely liaise with applicants to explain the requirements by using a checklist of documents. Moreover, the OLA will duly update its website on the relevant guides and necessary documents to be submitted, as well as the Frequently Asked Questions. The OLA is also examining to upgrade the computer system to better monitor its licensing work.

4) Paragraphs 2.17 to 2.27 – Renewing licences for unprotected cases

Regarding paragraph 2.19, please advise the following:

- (a) Is there any existing ordinance or regulation requiring the OLA to accord priority to processing unprotected cases? Will separate teams be assigned to process the two types of cases?

- (b) It is mentioned in paragraph 2.20 of the Report that “according to the OLA, this practice had taken into account the consequence to the licensees concerned if the applications were not approved before the licence expiration date”. That is why these cases were accorded priority. However, has the Government considered that it may be unfair to cases with timely submission if the OLA accords priority to processing unprotected cases in which the hotel or guesthouse concerned has not submitted a renewal licence application in a timely manner? In this connection, will the Government take any action to rectify the situation?
- (c) Has the HAD conducted the review mentioned in paragraph 2.27 of the Report? What are the results of the review?

Reply to (a), (b) and (c)

As the OLA carries out the above duties as a team, both the protected and unprotected cases are processed by the same team. Although the OLA is not required to accord priority to processing unprotected cases, as unprotected cases may be subject to the risk of ceasing business after expiration of licences until the renewal applications are approved, on the premise of supporting the Government to facilitate business operations, the OLA, as the licensing regulatory body, has to strike a balance in according priority to processing unprotected cases without affecting the processing of protected cases as appropriate. Given the larger number of protected cases and those licences will remain in effect until the applications are determined by the Authority, the current practice of the OLA does not have any substantial impact on protected cases. In fact, the present practice is an established practice and in line with the general call of the trade. Nonetheless, the OLA will step up its effort in promoting timely submission of applications under section 9(1) of the HAGAO.

5) Paragraphs 2.30 to 2.35 – Need to ensure compliance with licence requirements

Regarding the three guesthouses in which irregularities were found as mentioned in paragraph 2.31 of the Report, please advise the following:

- (a) The three guesthouses have apparent potential safety hazards. Has any follow-up action been taken by the Government upon detection of the irregularities?
- (b) Has the Government imposed any penalty on the guesthouses? If yes, what are the details? If no, what are the reasons?

Reply to (a) and (b)

Regarding paragraphs 2.31(a) and (b) of the Report, the OLA issued warning letters to the guesthouse licensees after detecting the irregularities. The licensees had rectified the irregularities within the required timeframe.

- (c) Has the HAD conducted the review mentioned in paragraph 2.35(b) of the Report? When will the HAD incorporate a risk-based approach and surprise elements for annual inspections of licensed premises?

Reply to (c) The OLA is reviewing the arrangements of the annual inspections. The initial target is to incorporate a risk-based approach and surprise elements into the inspections by phases in 2018-19.

Part 3: Combating Unlicensed Establishments

6) Paragraphs 3.2 to 3.8 – Keeping watch on suspected unlicensed establishments

Regarding paragraph 3.4 of the Report, please advise the following:

- (a) What are the current procedures of handling outstanding suspected cases, and the respective manpower and expenditure involved?
- (b) Why did the OLA not compile and report information on the number of outstanding suspected cases and their outstanding durations (paragraph 3.6 of the Report)?
- (c) It is worrying that the unlicensed establishments related to outstanding cases have been in operation for a long time as mentioned in paragraph 3.5 of the Report. Given the considerable number of outstanding cases accumulated over the years, has the Government taken any follow-up actions to expedite processing of the cases?

Reply to (a), (b) and (c)

Regarding outstanding suspected cases, the OLA will adjust its enforcement strategies with reference to individual merits and difficulties of each case.

As the OLA carries out its duties conferred by the HAGAO as a team, both newly reported cases and outstanding suspected cases are processed by the respective responsible teams. Therefore, we do not have a breakdown of the manpower and funding devoted solely to processing outstanding suspected

cases. As a whole, for 2017-18, the establishment of the OLA is 132 (including civil servants and Non-Civil Service Contract staff) and the staff cost is \$66.3 million.

The OLA has been requiring its staff from different teams to submit information on outstanding cases to their team supervisors for review every month in order to adjust enforcement strategies. After reviewing the outstanding suspected cases, the OLA found that prosecution had been instigated against some cases, but subsequent inspections after prosecutions revealed no unlicensed guesthouse operation or insufficient preliminary evidence, and hence follow-up investigation was terminated. The OLA will actively follow up the cases and require the investigation teams to provide a monthly update of the investigation progress to the management. Prosecutions will be instigated against the offenders if there is sufficient evidence that the establishments concerned are involved in operation of unlicensed hotels/guesthouses.

Given the existing difficulties faced by the OLA in collecting evidence, the HAD has completed the review on the HAGAO and will put forward legislative proposals to enhance the OLA's enforcement actions. The OLA will step up its effort in monitoring and following up outstanding suspected cases, and explore ways to further combat suspected unlicensed establishments.

- (d) Will the Government consider increasing the manpower for handling outstanding cases? If yes, when will it be implemented, and what are the related staffing and expenditure? If no, what are the reasons?

Reply to (d) The OLA reviews its manpower requirement from time to time, and plans to strengthen its manpower (including Licensing Inspectors) in 2018-19. It will deploy its staff flexibly and effectively to ensure that all outstanding cases are duly processed, monitored, and followed up.

- (e) What are the details of the new measures to be adopted by the HAD in response to paragraph 3.8 of the Report?

Reply to (e) The OLA will complete enhancement of the Enforcement Management Information System in the second half of 2018.

7) Paragraphs 3.10 to 3.18 – Investigating suspected unlicensed establishments

Regarding Case 2 in paragraph 3.10 of the Report, please advise the following:

- (a) Will the Government review why prosecution is yet to be instigated against the establishment despite the considerable efforts and resources spent on investigation during the five years from 2012 to 2017?
- (b) Are any follow-up actions being taken on the case by the Government?

Reply to (a) and (b)

As the operation of unlicensed hotels/guesthouses is a criminal offence, the court has very stringent requirements for evidence. In order to institute prosecution, the OLA must collect sufficient admissible evidence during investigation and prove the offence beyond reasonable doubt. The OLA will continue to actively follow up the case and collect during investigation sufficient admissible evidence. Prosecution will be instituted immediately if there is sufficient evidence that the establishment concerned is involved in the operation of unlicensed hotel/guesthouse.

- (c) Will the Government step up the existing enforcement measures or establish a more effective investigation mechanism to ensure that breaches will be prosecuted through efficient use of resources?

Reply to (c) Apart from continuing its work in carrying out proactive inspections, web browsing and instituting prosecutions, the OLA also mounts inter-departmental joint operations and organises experience sharing sessions with other relevant departments (such as the Hong Kong Police Force, Immigration Department and Labour Department) in order to combat unlicensed hotels/guesthouses effectively. Given the existing difficulties faced by the OLA in collecting evidence, the HAD has completed the review on the HAGAO and will put forward legislative proposals to enhance the OLA's enforcement powers. Moreover, the OLA will explore ways to further combat suspected unlicensed guesthouse operation, and deploy staff flexibly and effectively to ensure the proper performance of relevant regulation and enforcement duties of the HAGAO.

- (d) When are the amendments in paragraph 3.14 of the Report expected to be implemented?

Reply to (d) The HAD is working closely with the Department of Justice (DoJ) to review the HAGAO with a view to introducing the Hotel and Guesthouse Accommodation (Amendment) Bill into the Legislative Council (LegCo) in 2018.

Regarding the HAD's response in paragraph 3.18(a) of the Report, please advise the following:

- (e) What is the progress of the exploration? What overseas experience has the HAD made reference to and is there anything to learn from? If yes, will the Government draw on such experience? If yes, when will the Government implement the measures and what are they? If no, what are the reasons?

Reply to (e) The HAD has completed the review on the HAGAO and proposed to enhance enforcement powers. It is proposed that the Authority will be empowered to rely on circumstantial evidence showing that any premises are used as an unlicensed guesthouse, to prosecute the owner, tenant, or occupier, who will be liable, unless the statutory defence is met (i.e. they do not have control over the use of the premises); apply for a search warrant to break into a suspected unlicensed guesthouse; and apply for a closure order against an unlicensed guesthouse if there is a previous conviction in respect of the premises concerned within a specified period. The above-mentioned proposals are generally similar to the overseas experience to which we have made reference. We are working closely with the DoJ with a view to introducing the Hotel and Guesthouse Accommodation (Amendment) Bill into the LegCo in 2018.

- (f) Has the HAD formulated any measures to facilitate investigating and combating suspected unlicensed establishments? If yes, when will they be implemented? If no, what are the reasons?

Reply to (f) As regards combating and raiding unlicensed hotels/guesthouses soliciting lodgers via online platforms, the OLA has strengthened intelligence collection by forming a dedicated team to search information and intelligence on suspected unlicensed hotels/guesthouses through browsing webpages, mobile applications, social media, discussion fora, blogs, etc. Law enforcement officers of the OLA will initiate follow-up investigation when information on unlicensed hotels/guesthouses is found. Prosecution will be

instituted immediately if there is sufficient evidence that the establishments concerned are involved in operation of unlicensed hotels/guesthouses.

The OLA also writes to all online platform operators on a regular basis to emphasise the licence requirement for operating a hotel/guesthouse in Hong Kong and request them to post only information of licensed hotels/guesthouses in Hong Kong on their websites, including the type of licence issued to and the licence number of the premises concerned, and appeal to them to remind lodgers to patronise licensed premises.

Furthermore, with the arrival of the festive season, to ensure the safety of tourists and combat unlicensed hotels/guesthouses letting out through online platforms, the HAD has, in collaboration with members of the local community and owners' corporations of estates and buildings, launched a new round of enhanced enforcement actions and public education activities, inspected housing estates and residential buildings on Hong Kong Island and in Kowloon and the New Territories, and posted advisory notices in target estates and residential buildings, alerting tourists and visitors that there are no licensed hotels/guesthouses in those buildings.

8) Paragraphs 3.22 to 3.25 – Prosecuting unlicensed establishments

Please advise the following:

- (a) Regarding the situation mentioned in paragraph 3.22 of the Report, will the Government consider increasing the term of imprisonment and fine to enhance the deterrent effect? Will the Government, in consultation with the DoJ, relay to the Judiciary that increased term of imprisonment and fine should be imposed on recalcitrant operators?

Reply to (a) The HAD has completed the review on the HAGAO and proposed to increase the maximum fines for operating unlicensed hotels/guesthouses from \$200,000 to \$500,000 and imprisonment from two years to three years, and empower the Authority to apply to the Court for a Closure Order of six months against the relevant premises upon the second conviction of operating an unlicensed hotel/guesthouse.

- (b) Regarding paragraph 3.23 of the Report, what is the latest progress of the review on the Hotel and Guesthouse Accommodation Ordinance (Cap. 349)?

Reply to (b) The HAD has reported to the Panel on Home Affairs of the Legislative Council the progress on the proposed legislative amendments to the HAGAO and the implementation of the administrative enhancement measures, and sought Members' views on the further legislative proposals to amend the HAGAO on 17 July 2017. The relevant proposals were generally supported by Members and the general public. The DoJ is now actively assisting the HAD in drafting the Hotel and Guesthouse Accommodation (Amendment) Bill and we expect to submit the specific proposed legislative amendments to the LegCo in 2018.

- (c) As mentioned in paragraph 3.24 of the Report, the continuous offence provision set out in paragraph 3.19 has so far not been invoked. What are the reasons for the Government's failure to instigate prosecutions pursuant to the existing legislation? Will the Government confirm that the said provision will be invoked to prosecute recalcitrant operators? If no, what are the reasons?

Reply to (c) To instigate prosecution of continuous operation of an unlicensed hotel/guesthouse is rather difficult, as it requires the collection of sufficient evidence to prove that the offender has committed a continuous offence in the relevant premises over the relevant period. Therefore, the usual practice of the OLA is to consider instituting a new prosecution against a recalcitrant operator if there is sufficient evidence to prove that he is operating an unlicensed hotel/guesthouse. Nevertheless, the OLA will seek legal advice for warranted cases for instituting prosecution by invoking the continuous offence provision.

Part 4: Other Administrative and Licensing Issues

9) Paragraphs 4.2, 4.3 and 4.6 to 4.11 – Cost recovery

Please advise the following:

- (a) Does the Government also consider the situation that “the cost recovery rates ranged from 32% to 75% for new licences, and from 40% to 72% for renewal licences” mentioned in paragraph 4.6 and that in paragraph 4.7 of the Report unsatisfactory? What new policy/initiative will be implemented to tackle the problems?

- (b) Will the Government consider reviewing the cost recovery system on a regular basis, say, at least once a year, to recover the cost as far as possible?
- (c) Please advise of the implementation progress by the HAD in response to paragraph 4.11 of the Report, including the schedule for licence fees revision.

Reply to (a), (b) and (c)

Generally speaking, the OLA conducts annual costing exercise for issuing licences. Considering that the proposed amendments to the HAGAO will result in substantial changes in the licensing conditions, and have an impact on the processing of new and renewal applications in terms of procedures and workload, and these uncertainties will affect the calculation of cost recovery, we consider it more prudent and reasonable to conduct a review on the fees after the amendments to the HAGAO are finalised. The HAD is working closely with the DoJ to review the HAGAO with a view to introducing the Hotel and Guesthouse Accommodation (Amendment) Bill into the LegCo in 2018. We will closely monitor the progress of amending the HAGAO and devise a work plan for reviewing the fees (including regular review) with a view to achieving cost recovery.

10) Paragraphs 4.15 to 4.18 – Need to closely monitor caseloads

Please advise the following:

- (a) Why the OLA has never compiled statistics of caseloads for management information or for discussion in regular management meetings, which eventually resulting in uneven caseloads among Licensing Inspectors? Will the Government formulate guidelines at the earliest convenience to facilitate management of caseload data?

Reply to (a) The OLA has been monitoring the caseloads of Licensing Inspectors. Apart from conducting monthly reviews, random checks will also be performed to verify the situation. If the caseload of an individual Licensing Inspector is getting unmanageable, the supervisor (i.e. the Senior Licensing Inspector) will review the situation and assign other Licensing Inspectors to assist as appropriate, or conduct inspections personally if the situation warrants. Since November 2017, the OLA has established standing arrangements and required all teams to report to the management the caseloads of their

members to facilitate monitoring.

As all cases vary in complexity and factors such as operating hours of the premises (mainly open to lodgers during holidays or night-time) and the scale and mode of operation (letting out via online platforms) may also affect the time taken for investigation, the workload of individual Licensing Inspectors should not be assessed by the number of cases. Some cases are rather complicated that investigation can hardly be completed within a short period of time. Therefore it is inevitable that there are uneven caseloads among Licensing Inspectors.

The OLA will complete upgrading the Enforcement Management Information System in the second half of 2018, to better monitor the caseloads of Licensing Inspectors.

- (b) The caseloads of individual Licensing Inspectors are quite uneven. Why is that so? What are the procedures and rules of case distribution and handling? Have any corresponding follow-up actions been taken against the situation?

Reply to (b) Generally, when allocating cases, supervisors will consider allocating cases in the same or nearby locations to the same Licensing Inspector so as to minimise the travelling time required and facilitate follow-up action. With the reduction in travelling time, Licensing Inspectors allocated with cases in the same or nearby locations can take up relatively more cases. Therefore, the number of cases allocated to each Licensing Inspector may be different at the same time. Depending on the progress of individual cases, the number of outstanding cases held by each Licensing Inspector varies. Supervisors will keep in view the situation of each Licensing Inspector, including the number of cases on hand, nature and complexity, and suitably reallocate the cases when necessary.

- (c) Has the Government conducted any assessment to see if the existing manpower can cope with the current workload?
- (d) Will the Government consider re-organising and increasing manpower to prevent overloading individual officers?

Reply to (c) and (d)

The OLA reviews its manpower requirement from time to time. It plans to strengthen its manpower (including Licensing Inspectors) in 2018-19 and will deploy its staff flexibly and effectively to ensure that cases are duly processed, monitored and followed up.

11) Paragraphs 4.22 to 4.25 – Need to conduct comprehensive review of issues relating to home-stay lodging

- (a) Regarding paragraphs 4.24 and 4.25 of the Report, please advise the follow-up actions taken by the HAD so far in connection with the comprehensive review of issues relating to home-stay lodging.

Reply to (a) HAD notes that regulation of hotels and guesthouses in different regions varies with the overall environment and living conditions without any uniform standard. In reviewing the HAGAO, HAD will fully consider the views of different stakeholders and actual circumstances, for instance, there are many densely populated multi-storey buildings in Hong Kong, etc. to ensure that the HAGAO can keep pace with the times and suit the needs of Hong Kong.

In fact, currently, HAGAO does not preclude licence applications for “home-stay lodging”. Any premises, including “homestay-like” guesthouses, may apply for a licence provided that they comply with the prescribed fire and building safety requirements. The OLA has all along been issuing guesthouse (holiday flat) licences to village-type houses in the New Territories operating in the mode of “home-stay lodging” with reference to “A Guide to Licence Application for Holiday Flat”. The OLA will continue to adopt a flexible and pragmatic approach in processing the relevant licence applications.

Home Affairs Department
January 2018



中華人民共和國香港特別行政區政府總部教育局
Education Bureau
Government Secretariat, The Government of the Hong Kong Special Administrative Region
The People's Republic of China

本局檔號 Our Ref. : EDB(FE) 11/581/05
來函檔號 Your Ref. : CB4/PAC/R69

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4 January 2018

Clerk
Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Attn: Mr Anthony Chu)

Dear Mr Chu,

**Legislative Council
Public Accounts Committee**

**Consideration of Chapter 7 of the Director of Audit's Report No. 69
Hong Kong Design Institute**

I refer to your letter of 20 December 2017 to the Secretary for Education. The requested response/information is now set out at Annex for reference by the Public Accounts Committee.

Yours sincerely,

(Elaine MAK)
for Secretary for Education

cc Vocational Training Council, Executive Director (fax no. 2591 4773)
Secretary for Financial Services and the Treasury (fax no. 2147 5239)
Director of Audit (fax no. 2583 9063)

**Legislative Council
Public Accounts Committee (PAC)**

Consideration of Chapter 7 of the Director of Audit's Report No. 69

Hong Kong Design Institute

**Secretary for Education's reply to
a written question raised by the PAC**

Question

According to paragraphs 3.28 and 3.29 [of Chapter 7 of the Director of Audit's Report No. 69], after approval of the Legislative Council Finance Committee ("FC") funding, the Education Bureau ("EDB") had not required the Vocational Training Council ("VTC") to submit progress reports together with updated budget forecasts and outturn income and expenditure statements at quarterly intervals for the Tiu Keng Leng Campus ("TKL Campus") development project. Did EDB closely monitor the progress of the TKL Campus development project? If yes, how did EDB do so without the progress reports from VTC?

Reply

EDB accepts the recommendation of the Audit Commission and agrees that there is room for improvement in performing our monitoring role over the Tiu Keng Leng Campus development project. As an improvement measure, EDB has requested VTC to submit the latest works progress as well as the updated financial position of the ongoing subvented capital works projects on a quarterly basis since March 2017. We will also ensure that quarterly progress reports are submitted for upcoming capital works projects, and will closely monitor the progress of the projects to ensure compliance with the relevant Financial Circular.

In respect of the Tiu Keng Leng Campus development project, EDB monitored the overall progress of the project after funding approval had been sought from the Legislative Council Finance Committee through reports submitted by VTC on the actual expenditure, outturn forecast and cashflow of the project. Furthermore, EDB also maintained liaison and communication with VTC on various matters in relation to the project.

Vocational Training Council 職業訓練局

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Mrs Carrie Yau 尤曾家麗 GBS JP
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Our Reference 本局檔號

Your Reference 來函檔號 CB4/PAC/R69

3 January 2018



Mr Anthony Chu
Clerk
Public Accounts Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr Chu,

Public Accounts Committee

Consideration of Chapter 7 of the Director of Audit's Report No. 69

Hong Kong Design Institute

Referring to your letter dated 20 December 2017, I attach herewith our reply to your written questions for your perusal. Thank you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Carrie Yau', written over a horizontal line.

Carrie Yau
Executive Director
Vocational Training Council

Encl.

c.c. Secretary for Education (fax no. 2810 7235)
Secretary for Financial Services and the Treasury (fax no. 2147 5239)
Director of Audit (fax no. 2583 9063)

Part 2: Management of programmes

- 1) With reference to paragraphs 2.3 and 2.4, what measures have VTC and the Hong Kong Design Institute ("HKDI") taken to avoid significant difference between the actual enrolment and the planned enrolment of HKDI's programmes?

Against the backdrop of the overall declined S6 student population from year 2014 to 2017, it is only reasonable to adjust the planned enrolment figure downward accordingly. However, given some programmes were highly popular, the actual enrolment had been unexpectedly outperformed in the last few years, resulting in an over-enrolment.

Having reviewed the over-enrolment in the last three years, VTC and the HKDI have adjusted the planned enrolment figures. These adjustments include the increased planned places for the popular and over-enrolled Higher Diploma programmes and the reduction of the places for the under-enrolled Higher Diploma programmes having regard to resources implications, quality assurance and industry needs. The number of over-enrolled programmes has been reduced and at the same time the difference between the actual enrolment and the planned enrolment of HKDI's programmes has been largely reduced in AY2017/18 (see Appendix 1).

- 2) According to paragraphs 2.9 and 2.10, due to over-enrolment, 55 out of the 59 additional teaching staff posts in HKDI were filled by short contract staff from 2014-2015 to 2016-2017 academic years (all years mentioned hereinafter refer to academic years), which had exceeded the 15% limit on short contract staff issued by the Headquarters' Human Resources Division. Given that many programmes were consistently over-enrolled, why did HKDI not consider hiring additional staff with contract duration of more than one year or with open-ended contract?

For manpower planning purposes, the number of short-term contract posts is set at 15% of the total establishment. Nevertheless, the actual filling of posts by staff on various contract terms is subject to the long term operational needs of the VTC. In VTC, manpower is usually provided on Term post basis for special projects, time-limited initiatives and over-enrolment to allow greater flexibility for annual review and adjustment to changes. Maintaining staffing flexibility is particularly important to enable HKDI to stay current with the needs of industries and identify experts for its teaching workforce.

In view of EDB's projected S6 graduate numbers from year 2018 to 2027 (see Appendix 2), a continual drop of the student population is anticipated until year 2022. This was reflected in the admission exercise in year 2017 with considerable reduction of student number. Indeed, in AY2017/18, some staff contracts have not been renewed owing to the reduced student number. Over-enrolment is only a transient nature amidst the declining student population. Offering longer-term contracts is therefore considered not appropriate given the continuous actual downward trend of student population.

The manpower plan for HKDI in the AY2018/19 has ascertained no more than 15% of the total establishment under short-term contract mode.

- 3) With reference to paragraphs 2.14 and 2.15, can HKDI provide further information on how its planned enrolment numbers of the proposed new programmes were derived in the past three academic years, and how HKDI concluded that there would be no impact of the new programmes on teaching staff resources in its proposals? More importantly, given that the new programme proposals submitted by HKDI lacked critical information on student enrolment numbers and staff resources, how and why did the Design Discipline Academic Committee and the Vocational Education and Training Academic Board endorse and approve the 14 new programmes mentioned in paragraph 2.13 in the period 2012-2013 to 2016-2017?

The new Higher Diploma programmes proposed in the past three academic years include the following:

For launch in AY2015/16

Higher Diploma in Transmedia (planned enrolment: 90)

Higher Diploma in Jewellery and Image Product Design (planned enrolment: 60)

Higher Diploma in Furniture and Lifestyle Product Design (planned enrolment: 60)

Higher Diploma in Stage and Set Design (planned enrolment: 30)

For launch in AY2016/17

Higher Diploma in Fashion Media Design (planned enrolment: 30)

Higher Diploma in Costume Design for Performance (planned enrolment: 30)

Higher Diploma in Fashion Design Menswear (planned enrolment: 30)

Higher Diploma in Jewellery Design and Technology (planned enrolment: 60)

For launch in AY2017/18

Higher Diploma in Visual Design for Journalism (planned enrolment: 30)

In line with the corporate programme planning policy and procedures of the VTC, the Design Discipline's plan for full-time pre-employment programmes is reviewed and updated annually to better respond to the needs and new developments of Hong Kong's economy and students' aspirations. Factors such as manpower demand, changes in market supply, advice from industry, past application / enrolment statistics, progressing rates of existing programmes, and supporting resources are taken into account in the planning process. Under VTC's overall admission plan which has taken into consideration the predicted downward trend of number of secondary school leavers in Hong Kong, the planned enrolment number of each new programme proposed by the Design Discipline for AY2016/17 and AY2017/18 was set at 30 students. The planned enrolment for "Higher Diploma in Jewellery Design and Technology" was set at 60 places as in the previous year given the industry demand of the current year.

The statement about "no significant impact on teaching resources" as mentioned in the Audit Report was mainly found in the Definitive Programme Documents of the transformed or transferred programmes reviewed by the Audit. Out of the five sets of "programme proposals" (definitive programme documents) reviewed by Audit, three of them were programmes transformed from existing programmes ("Higher Diploma in Publication Design and Print Media" from "Higher Diploma in Printing and Publishing", "Higher Diploma in Fashion Design Menswear" from "Higher Diploma in Fashion Design") or transferred from another VTC Discipline ("Higher Diploma in Jewellery Design and Technology" from the Engineering Discipline). For these transformed or transferred programmes, the student places and teaching staff were transferred from the existing programmes or the former Discipline respectively, and hence no significant impact was found on existing resources.

The "definitive programme document" reviewed by the Audit is one of the documents in VTC's Quality Assurance (QA) mechanism guiding programme development. The Design Discipline Academic Committee discussed and considered the development of programmes at different stages,

including the review of the “feasibility study report” for new programmes at the initial programme proposal stage, and the validation report submitted by the programme validation panel after the validation exercise.

Following the QA process, the Design Discipline Academic Committee ultimately endorsed the new/revised programmes considering the recommendation of the Programme Validation Panel in the Programme Validation Reports. The Vocational Education and Training Academic Board (VETAB) discussed further the submitted programmes and approved the overall allocation of student places and resources to Disciplines, and the Disciplines would periodically report the progress of academic development and activities to the VETAB.

- 4) According to paragraph 2.17, the Programme Boards of VTC have to obtain information on the industry manpower demand from outside channels for programmes not covered by the manpower surveys of the Training Boards of VTC. Has VTC assessed whether such third-party information is useful in determining manpower demand in these industries?

Manpower surveys of the following VTC Training Boards have covered the industries relevant to the majority of the Design Discipline’s programmes:

- Fashion and Textile Training Board
- Jewellery, Watch and Clock Training Board
- Media and Communications Training Board
- Print Media and Publishing Training Board
- Building, Civil Engineering and Built Environment Training Board
- Beauty Care and Hairdressing Training Board

The Design Discipline and its Programme Boards exercise due diligence to obtain relevant information published by external trade or design bodies and the government statistics, and through consultation with the advisory boards served by industry members such as the Design Discipline Advisory Board (DEDAB) and the Design Institute Advisory Board (DIAB). Such information is found useful as industry practitioners who sit on these bodies/boards have provided the most up-to-date market information.

- 5) According to paragraph 2.21(b), VTC will consider the need for conducting a manpower survey on the design industry. What is the result of VTC's consideration? Does VTC have a plan to conduct such survey?

We shall review the merit as well as the usefulness of information of manpower surveys provided by the existing training boards, external trades or design bodies in considering the need for VTC to conduct a manpower survey on the design industry according to paragraph 2.21(b).

- 6) According to paragraph 2.41(a), VTC will consider monitoring the completion rate of HKDI's Higher Diploma programmes. What is the result of VTC's consideration? Does VTC agree that the programme completion rate and the module retention rate measure different aspects of the programmes and it is important for VTC to monitor the programme completion rate in addition to the module retention rate?

While the retention rate and the completion rate measure different aspects of the programmes, the programmes of HKDI/IVE are so designed with a module accumulation structure. Hence the rationale of calculating the retention rate on a module basis is practical and applicable. Consistent with the strategy of “multiple-entry” and “multiple-exit” of Vocational and Professional Education and Training, VTC has been mindful in designing a performance indicator measuring the proportion of students completing their studies.

- 7) According to paragraph 2.41(b), VTC will ascertain the reasons for low completion rates of some programmes (in particular Higher Diploma in Architectural Design and Landscape Architecture), and identify areas for improvement. What is the progress of the review and has VTC ascertained the reasons for low completion rates and areas for improvement?

In respect of Appendix F in Audit Report concerning the low completion rate of the graduates of HD in Architectural Design and HD in Landscape Architecture, the main reason is that the curricula of the two programmes consist of a number of core modules with prerequisites requiring the students to pass specific modules before starting those core modules. Also, other programmes offered by HKDI often require students to satisfy the skill building sequence according to their industry nature. Such curricular design aims to train up each student to join the industry workplace with stronger confidence and readiness upon graduation, but such industry simulated training approach becomes quite a challenge for some of the pre-employed youths who are not familiar with the workplace setting. As a result, some students of Architecture, Interior and Product Design may take more than 2 years to complete their study programme (while the Audit analysis shows a completion rate at the end of the second year study). We would set up a task force to further assist students and enhance the authentic workplace training.

- 8) With reference to paragraph 2.28, has VTC/HKDI investigated into the reasons behind the failure of HKDI to meet the target employment rate? If so, what is the result of the investigation? With reference to paragraph 2.41(c), what kind of measures is VTC considering to improve the employment rate? In addition, please provide the employment rates of the other 12 member institutions for the past five years for the sake of comparison with the employment rate of HKDI.

The fluctuation of employment rates for some programmes is due to the changing industry environments. For instance, upheavals in the television industry in recent years, including the closure of TV and broadcast stations, might have affected the job hunting pace of the Higher Diploma in Film and Television graduates of 2015 (showing an employment rate of 77.4%). With the increasing demand of the industry in late 2016, the employment rate of the Higher Diploma in Film and Television graduates of 2016 returned to 90.4% at the time of the survey. On the other hand, the recruitment for fashion or product designers might have also been cut back around 2015 and 2016 due to the global economic downturn leading to shrinking exports and retail trade of Hong Kong. The employment rate of HKDI by programmes for graduates of 2014-2016 is set out in Appendix 3.

From the above findings, the industry environment, different job natures in the design industry, and the characteristics and aspirations of the design graduates are among the factors affecting the surveyed results. VTC and the Disciplines are regularly reviewing and updating the match of the graduates' attributes and the industry's manpower needs through the QA mechanisms, such as the Programme Quality Analysis Reports, the programme revalidation cycle, and consultation with the industry through various channels including the discipline/institute advisory boards and the industry training boards.

VTC is also reviewing with the Statistics Section and the Programme Teams to more closely track the employment situation of the Design graduates. The Statistics Section is considering ways to improve the response rate from Design graduates in the Graduate Employment Survey so as to reflect a more holistic picture. The Programme Teams are working on ways for the timely sharing of job opportunities with graduates to help accelerating their rate of taking up employment.

The employment rates of HKDI and the other member institutions from AY2011/12 to AY2015/16 are listed in Appendix 4 as requested.

Part 3: Campus development and management

- 9) According to paragraphs 3.16 and 3.17, in the funding application submitted to FC on 22 June 2007, VTC submitted the project cost estimate of \$992.8 million based on the reinforced concrete ("RC") Scheme to the Architectural Services Department for vetting in March and April 2007. However, the modified Hybrid Scheme had been adopted in the Client Consultants Group meeting on 30 April 2007, and the project consultant revised the project cost estimate from \$992.8 million to \$1,064.1 million on 15 June 2007 based on the modified Hybrid Scheme. Why had VTC not submitted the revised project cost estimate to the Architectural Services Department and not revised the project cost estimate in the funding application submitted to FC on 22 June 2007?

The submission to PWSC/FC was prepared before the modified Hybrid Scheme was adopted since such consideration required further deliberation. Therefore, the revised estimate of the scheme has not been incorporated into the project cost estimate in the final submission made to FC in June 2007.

- 10) According to paragraph 3.23, since April 2007, the modified Hybrid Scheme had been adopted and the RC Scheme had been considered only as a fall-back option. Why had the Steering Committee for the TKL Campus development project not been informed that the RC Scheme was only a fall-back option before the Steering Committee recommended to pursue the RC Scheme at the meeting held in January 2008 (paragraph 3.22)?

As pointed out in paragraph 3.33 (a) which stated that "At its meeting on 26 October 2007, the Steering Committee noted that the cost estimates could well exceed the LegCo approved budget by over \$100 million and asked that alternative scheme be explored. The Consultant Team has put forward a more economical alternative which would use reinforced concrete (RC) for the 4 towers and the sky platform, but which would be bulky in outlook.", the Steering Committee under VTC Council was aware of the RC Scheme as a fall back option.

- 11) According to paragraph 3.33(c), the Executive Director, VTC has said that measures will be taken to ensure thorough discussion on scheme adoption for Government subvented projects. What measures have been taken or will be taken?

The VTC has, since 2014, provided to the Estates Committee under VTC Council details of project information, and up-to date cost estimates to the ArchSD for comments in seeking funding from the FC. Measures will be taken i.e. alternative development schemes will be presented to relevant Committees, and the final scheme to be adopted will be discussed with ArchSD before implementation.

- 12) According to paragraph 3.30, the Audit Commission ("Audit") reviewed the meeting records (from July 2007 to June 2008) of the Council, Standing Committee, Estates Committee and Steering Committee of VTC, and noted that no reporting of outturn income and expenditure for the TKL Campus development project had been made at the meetings of Council/Committees. Is there currently any policy on preparing and safekeeping these meeting records, including how long the records will be held, in order to ensure that discussion and decisions on changes to the construction of future works will be documented? If yes, what are the reasons that reporting could not found in the meeting records?

During the period from July 2007 to June 2008, the progress of the HKDI project and breakdown of its up-to-date (pre-tender) cost estimates against the FC approved budget were presented to the Steering Committee in Oct 2007, and there were various Committee papers seeking Council's and Committees' approval on award of tenders and expenditure of the project. Final accounts of the construction contracts were also submitted to ArchSD and they had no adverse technical comments.

Since the inception of VTC in year 1982, it is VTC's policy to keep all Council and Committees meeting records.

- 13) According to paragraph 3.39, the auditorium of HKDI was closed for about a quarter to a third of a year due to maintenance and was used by external parties for 2 to 10 days per year. Will HKDI follow through with the Audit recommendations in paragraphs 3.53(c) and 3.53(d)?

HKDI will explore possible measures to shorten the maintenance period of the auditorium with due consideration of the safety issues. For the renovation works of the auditorium, contractors will be asked to propose ways in minimizing the maintenance time.

HKDI will follow through the audit recommendation in paragraph 3.53(c) and 3.53(d) with best endeavour.

- 14) According to paragraph 3.50, VTC has appointed a consultant on the issue of management of lifts and escalators in HKDI, and the consultant is preparing recommendations and a study report. When will the recommendations and report be published?

VTC regularly met with the Consultant who briefed VTC on its work and findings in the meetings. The Consultant submitted an interim report on its findings in August 2017 and agreed to submit a final report with its recommendations to the VTC in the first quarter of 2018.

Part 4: Administrative issues

- 15) According to paragraph 4.6, amongst the 810 inventory items found missing in annual stocktaking exercises, 623 (77%) were computer equipment of which, 127 were desktop or notebook computers and 209 were portable storage devices. However, there was no documentary evidence showing that HKDI had taken remedial steps as stipulated in the VTC guidance note on data breach incident handling and notifications to contain the harm or damage that might cause to the data subjects. Why has HKDI not taken these remedial steps? What measures has HKDI taken to ensure that the abovesaid guidance note will be complied with in future?

All VTC staff are reminded, on a regular basis, of the Guidance on Data Breach Handling and Information Security Handling. So far, no data breach incident of HKDI has been identified. Campus Secretariat/DILWL has sent a reminder to all DILWL staff on 9 October 2017 again to alert all staff of the VTC guidelines on data security and protection. The relevant circulars would be re-circulated to all DILWL staff every 6 months.

- 16) According to paragraph 4.11(a), HKDI will review and take more rigorous effort to enhance its procedures, controls and documentation in inventory management in response to irregularities as revealed in paragraphs 4.4 to 4.6: stocktaking had not been conducted for three financial years, the long time required to complete some stocktaking exercises, and some inventory items were found missing in the three annual stocktaking exercises. What is the result of the review?

Since the release of the Audit Report, Finance & Supplies Division at VTCHQs has been undertaking the review of the stocktaking guidelines. While awaiting recommendations from Finance & Supplies Division, HKDI has shared the audit findings and recommendations with all its Heads of Departments in November 2017. HKDI will take corresponding follow up action upon review of the guidelines and draw up improvement measures as necessary. It is targeted that the recommendations and specific measures be drawn up in the first quarter of 2018.

- 17) According to paragraph 4.27, the Corporate Environmental Office of the VTC Headquarters will propose ways to enhance environmental awareness among staff and students; the Estates, Health and Safety Division has also devised an implementation plan to enhance the overall energy performance in the campus. What measures have been taken to enhance environmental awareness among staff and students? What are included in the implementation plan to enhance the overall energy performance in the campus?

The following measures have been taken to enhance environmental awareness among staff and students in the HKDI:

- a) activities organized by VTC Corporate Environmental Office for VTC staff to enhance their environmental awareness include talk, seminar, workshop, visit, guided tour, etc.
- b) mass emails have been sent to all VTC staff promoting behaviour on mitigating emission of greenhouse gases, energy saving.

- c) environmental guidelines have been promulgated for staff including Guidelines of good practices of saving electricity and water use and Guidelines of greening measures to be taken in organizing events and meetings.
- d) sticker labels of “Please switch off before you leave” and “離開前請關掉電源” have been distributed to campuses for posting (a total of ~7000 labels distributed in March 2017).
- e) a set of 3 posters of “慳啲啦” series of posters (on reducing consumption of electricity, water and paper) was printed and distributed to campuses for posting in December 2017.
- f) a set of public notices on environmental behaviours (on conserving water, electricity and paper, and waste reduction and recycling) was distributed for campuses’ use in March 2017.
- g) participation of student environmental ambassadors in volunteer service of community environmental events.
- h) VTC’s headquarters has been promoting environmental programmes, charters and award schemes to campuses and facilitating their participation.

As regards the implementation plan to enhance the overall energy performance in the campus, the following measures have been adopted:

- a) replace downlight, fluorescent lamps and flood light by energy efficient LED lamps.
- b) replace split type air conditioners by inverter types to save energy.
- c) raise temperature set points of air conditioning systems in summer months.
- d) exercise stringent control of switching off electrical services, equipment and appliance during non-operating hours.
- e) adjust temperature settings of chiller plants to cope with the cooling load.

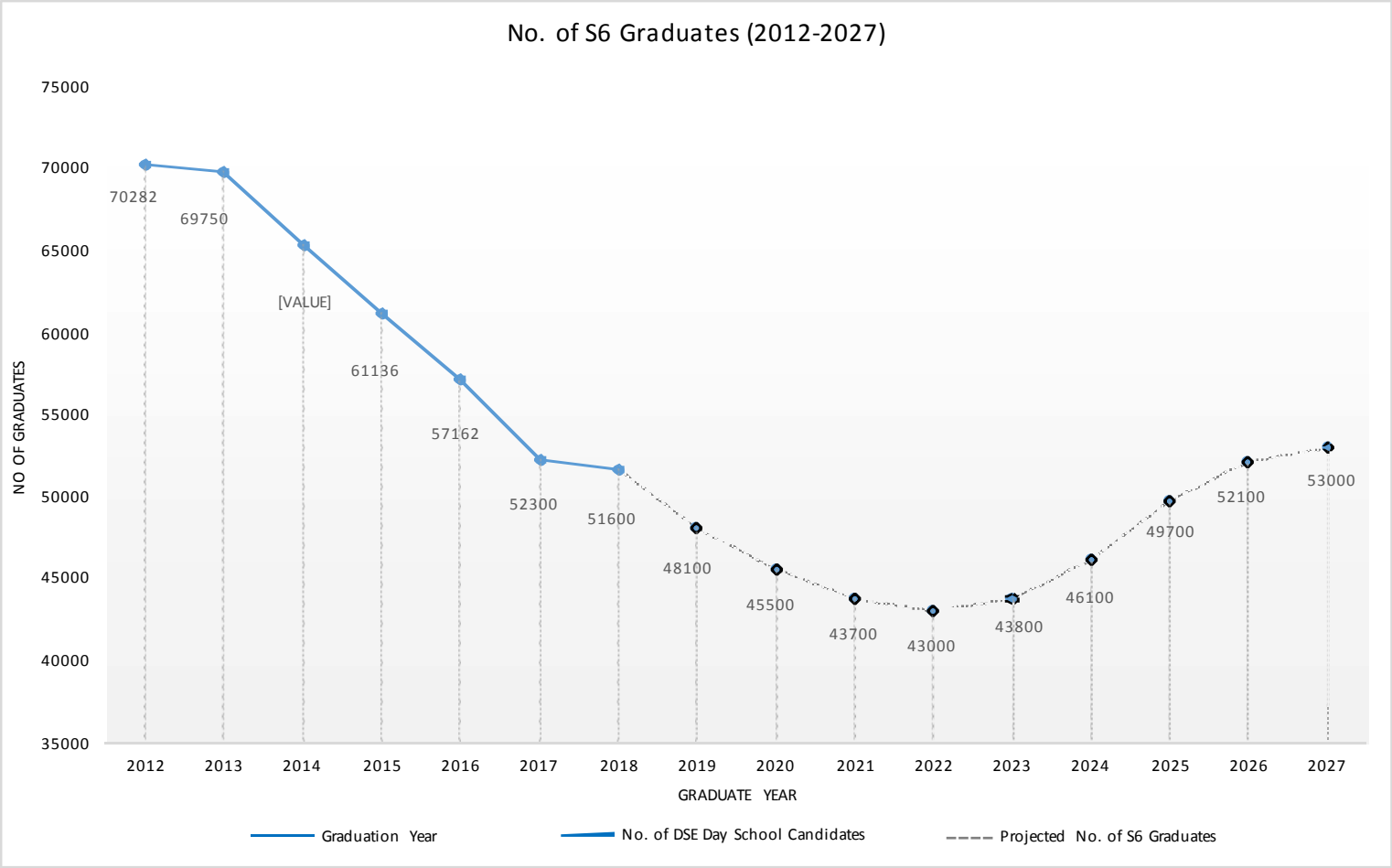
Appendix 1

Over-enrolment of Year 1 new students Hong Kong Design Institute (2014/15 to 2017/18)

Year	No. of programmes offered	No. of programmes with over-enrolment	All programmes			Over-enrolled programmes		
			Planned enrolment	Actual enrolment	Over-enrolment	Planned enrolment	Actual enrolment	Over-enrolment
2014/15	13	12	2,190	2,795	605 (27.6%)	2,040	2,648	608 (29.8%)
2015/16	17	13	2,220	2,804	584 (26.3%)	1,710	2,382	672 (39.3%)
2016/17	21	13	2,265	2,729	464 (20.5%)	1,530	2,143	613 (40.1%)
2017/18	22	9	2,070	2,209	139 (6.7%)	1,110	1,506	396 (35.7%)

Appendix 2

Graduation Year	No. of S6 Graduates ^(Note)
2012	70282
2013	69750
2014	65270
2015	61136
2016	57162
2017	52300
2018	51600
2019	48100
2020	45500
2021	43700
2022	43000
2023	43800
2024	46100
2025	49700
2026	52100
2027	53000



Notes:

1. 2012 - 2017 figures refer to the actual no. of HKDSE Day School Candidate (source from HKEAA)
2. 2018 - 2027 figures refer to the projected no. of S6 graduates (source from EDB Sep 2016)

Appendix 3

Employment Rate of HKDI by programmes (Graduates of 2014 - 2016)

Dept		Programme Title	Employment Rate			Remarks
			Graduates of			
		2014	2015	2016		
Product and Interior Design ^(Note)	HD in Architectural Design	n/a	100%	100%	All graduates of 2014 pursued further study	
	HD in Furniture and Lifestyle Product Design				commenced in AY2015/16	
	HD in Jewellery and Image Product Design				commenced in AY2015/16	
	HD in Landscape Architecture	83%	88%	100%		
	HD in Stage and Set Design				commenced in AY2015/16	
	HD in Interior Design	100%	83%	88%		
	HD in Product Design	91%	70%	82%		
	HD in Exhibition Design	90%	90%	85%		
	HD in Jewellery Design and Technology				operated by Design Discipline since AY2016/17	
Communication Design and Digital Media	HD in Advertising Design	79%	89%	91%		
	HD in Creative Media	82%	86%	78%		
	HD in Digital Music and Media	84%	85%	86%		
	HD in Film and Television	96%	77%	90%		
	HD in Printing and Publishing	78%	86%		discontinued in AY2014/15	
	HD in Publication Design and Print Media			95%	commenced in AY2014/15	
	HD in Transmedia				commenced in AY2015/16	
	HD in Visual Communication	96%	87%	90%		
Design Foundation Studies	HD in Visual Arts and Culture	73%	67%	75%		
	HD in Visual Design for Journalism				commenced in AY2017/18	
Fashion and Image Design	HD in Fashion Branding and Buying			90%	commenced in AY2014/15	
	HD in Fashion Design	79%	75%	80%		
	HD in Fashion Image Design	61%	90%	83%		
	HD in International Fashion Business	84%	82%		discontinued in AY2014/15	
	HD in Fashion Media Design				commenced in AY2016/17	
	HD in Costume Design for Performance				commenced in AY2016/17	
	HD in Fashion Design Menswear				commenced in AY2016/17	
Overall		84%	84%	86%		
Target of VTC		90%				

Note: The Department of PID was renamed the Department of Architecture, Interior and Product Design with effect from 2017/18.

Appendix 4

Employment Rate of VTC by Institutes from AY 2011/12 to AY 2015/16

Full-time programmes

Institutes	Employment rate				
	AY 2011/12	AY 2012/13	AY 2013/14	AY 2014/15	AY 2015/16
Hong Kong Design Institute (HKDI)	88%	87%	83%	84%	86%
Technological and Higher Education Institute of Hong Kong (THEi)					95%
School for Higher and Professional Education (SHAPE)	87%	89%	89%	87%	89%
Hong Kong Institute of Vocational Education (IVE)	90%	91%	90%	90%	91%
Hotel and Tourism Institute (HTI)^	95%	96%	93%	94%	89%
Chinese Culinary Institute (CCI)^	97%	98%	96%	96%	94%
International Culinary Institute (ICI)^				100%	90%
Maritime Services Training Institute (MSTI)^	98%	92%	91%	98%	93%
Youth College (YC)	94%	89%	90%	88%	88%

Notes :

(1) Employment rate is not available in the following institutes :

- Institute of Professional Education and Knowledge (PEAK)
- Pro-Act by VTC
- Integrated Vocational Development Centre (IVDC)
- Shine Skills Centre

(2) Employment rate = No. of employed graduates / (No. of employed graduates + No. of graduates seeking job)

(3) ^ Include all full-time pre-employment programmes with job placement services

(4) No graduate of THEi from AY2011/12 to AY2014/15

(5) No graduate of ICI from AY2011/12 to AY2013/14

Source : Statistics Section

Date : 27 December 2017

財 經 事 務 及 庫 務 局



(庫 務 科)

香 港 添 馬 添 美 道 二 號

政 府 總 部 二 十 四 樓

**FINANCIAL SERVICES AND
THE TREASURY BUREAU**

(The Treasury Branch)

24/F, Central Government Offices
2 Tim Mei Avenue, Tamar
Hong Kong

傳真號碼 Fax No. : 2524 0567

電話號碼 Tel. No. : 2810 2407

本函檔號 Our Ref. : TsyB E 173/520-1/7/0 (C)

來函檔號 Your Ref. : CB4/PAC/R69

5 January 2018

Mr Anthony Chu
Clerk to Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr Chu,

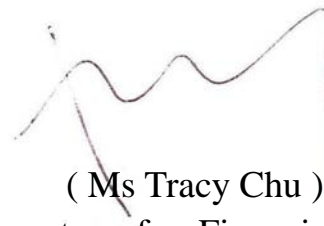
Public Accounts Committee

**Consideration of Chapter 8 of the Director of Audit's Report No. 69
Provision of government office accommodation and
utilisation of government sites**

Thank you for your letter of 19 December 2017 of the captioned,
requesting our response to the matter raised at **Annex**. Our response has

been added to **Annex** for the consideration of the Public Accounts Committee.

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'Ms Tracy Chu', written over a faint rectangular stamp.

(Ms Tracy Chu)
for Secretary for Financial Services
and the Treasury

c.c. Director of Architectural Services (Fax No. 2810 7341)
Government Property Administrator (Fax No. 2583 9758)
Director of Civil Engineering and Development (Fax No. 2246 8708)
Director of Audit (Fax No. 2583 9063)

Public Accounts Committee

**Consideration of Chapter 8 of the Director of Audit's Report No. 69
Provision of government office accommodation and
utilisation of government sites**

Question

With reference to paragraph 2.16, what measures will the Administration take to prevent further slippage to the six projects which had encountered delays? As the relocation of the Wan Chai Law Courts is still under planning without a projected completion date, does the Administration consider that the estimated completion date of 2025-2026 is realistic and achievable?

Response from the Financial Services and the Treasury Bureau

The relocation of the Wan Chai Government Offices Compound (“WCGOC”) is a mega project involving 28 bureaux/departments (“b/ds”) and the Judiciary, with a total staff headcount of over 10 000. A project of such scale and complexity calls for detailed planning, extensive preparatory work and careful implementation. As set out in paragraph 2.16 of Chapter 8 of the Director of Audit’s Report No. 69, while the delay of the six replacement building projects were mainly due to unforeseeable factors such as changes in project scope to meet local needs and technical constraints, the concerned b/ds are making concerted efforts to work towards the target of completing the replacement building projects under the relocation exercise by 2025-26.

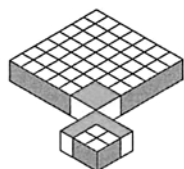
The Financial Services and the Treasury Bureau (“FSTB”) assumes an overall policy role in monitoring the WCGOC relocation exercise. FSTB is assisted by the Government Property Agency (“GPA”), which serves as a coordinator in liaising with the Architectural Services Department (“ArchSD”) (works agent of the replacement building

projects) and the user departments (including the project proponents of the replacement buildings and the b/ds to be relocated in the exercise). FSTB agrees with the recommendation of the Audit Commission and will, in collaboration with GPA and ArchSD, closely monitor the implementation of the nine replacement building projects for the WCGOC relocation exercise. GPA will continue to submit regular progress reports to FSTB. The progress of WCGOC is also a standing discussion item discussed at regular meetings held by FSTB with GPA. Should any individual projects encounter problems, on the advice of GPA and / or ArchSD, FSTB stands ready to help resolve interface issues between departments and drive for progress.

GPA will continue to assist FSTB in monitoring the overall relocation schedule, closely liaise with the concerned b/ds in tracking progress, and update FSTB promptly of issues of concerns, if any, to facilitate early resolution. For the three replacement buildings for which GPA is responsible (namely the West Kowloon Government Offices in Yau Ma Tei, the Treasury Building in Cheung Sha Wan, and the Joint-user Government Office Building in Tseung Kwan O), GPA will work hand in hand with ArchSD and the b/ds to be relocated therein to meet the target completion dates.

ArchSD, as the works agent of the projects, will carry out building design for the projects in a timely manner and provide technical support to the project proponents to facilitate early completion of consultations and the funding approval process. Barring further significant changes to the project scope and design requirements due to unforeseeable circumstances, ArchSD will proceed with the procurement of works contracts expeditiously, and closely monitor the progress of the construction works until project completion.

Taking into account the progress to date of and the procedures required for all the replacement building projects, including the future District Court Complex for the relocation of the Wan Chai Law Courts, it is our target to complete the replacement building projects under the WCGOC relocation exercise by 2025-26.



Government
Property Agency
政府產業署

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香港灣仔告士打道五號稅務大樓三十一樓

網址 Web Site: <http://www.gpa.gov.hk>

Fax: 2877 9423/2827 1891/2596 0859/
2877 7607/2877 8993/2598 5281

Tel: 2594 7611

本署檔號 Our Ref.: (17) in GPA/CR/1-125/80 Pt.3

來函檔號 Your Ref.: CB4/PAC/R69

5 January 2018

Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn: Mr Anthony CHU)

Dear Mr CHU,

Public Accounts Committee
Consideration of Chapter 8 of the Director of Audit's Report No. 69
Provision of government office accommodation and
utilisation of government sites

I refer to your letter dated 19 December 2017.

Please find attached our responses to the issues mentioned in your letter.

Yours sincerely,

(Kevin SIU)
for Government Property Administrator

Encl.

c.c. Secretary for Financial Services and the Treasury (Fax No. 2537 3539)
Director of Civil Engineering and Development (Fax No. 2246 8708)
Director of Architectural Services (Fax No. 2810 7341)
Director of Audit (Fax No. 2583 9063)

Public Accounts Committee

Consideration of Chapter 8 of the Director of Audit's Report No. 69 Provision of government office accommodation and utilisation of government sites

Part 2: Provision of government-owned office accommodation

For the Financial Services and the Treasury Bureau (“FSTB”) / Government Property Agency (“GPA”) / Architectural Services Department (“ArchSD”)

- 1) With reference to paragraph 2.16, what measures will the Administration take to prevent further slippage to the six projects which had encountered delays? As the relocation of the Wan Chai Law Courts is still under planning without a projected completion date, does the Administration consider that the estimated completion date of 2025-2026 is realistic and achievable?

Consolidated reply of FSTB, GPA and ArchSD

The relocation of the Wan Chai Government Offices Compound (“WCGOC”) is a mega project involving 28 bureaux/departments (“b/ds”) and the Judiciary, with a total staff headcount of over 10 000. A project of such scale and complexity calls for detailed planning, extensive preparatory work and careful implementation. As set out in paragraph 2.16 of Chapter 8 of the Director of Audit’s Report No. 69, while the delay of the six replacement building projects were mainly due to unforeseeable factors such as changes in project scope to meet local needs and technical constraints, the concerned b/ds are making concerted efforts to work towards the target of completing the replacement building projects under the relocation exercise by 2025-26.

The FSTB assumes an overall policy role in monitoring the WCGOC relocation exercise. FSTB is assisted by the GPA, which serves as a coordinator in liaising with the ArchSD (works agent of the

replacement building projects) and the user departments (including the project proponents of the replacement buildings and the b/ds to be relocated in the exercise). FSTB agrees with the recommendation of the Audit Commission and will, in collaboration with GPA and ArchSD, closely monitor the implementation of the nine replacement building projects for the WCGOC relocation exercise. GPA will continue to submit regular progress reports to FSTB. The progress of WCGOC is also a standing discussion item discussed at regular meetings held by FSTB with GPA. Should any individual projects encounter problems, on the advice of GPA and / or ArchSD, FSTB stands ready to help resolve interface issues between departments and drive for progress.

GPA will continue to assist FSTB in monitoring the overall relocation schedule, closely liaise with the concerned b/ds in tracking progress, and update FSTB promptly of issues of concerns, if any, to facilitate early resolution. For the three replacement buildings for which GPA is responsible (namely the West Kowloon Government Offices in Yau Ma Tei, the Treasury Building in Cheung Sha Wan, and the Joint-user Government Office Building in Tseung Kwan O), GPA will work hand in hand with ArchSD and the b/ds to be relocated therein to meet the target completion dates.

ArchSD, as the works agent of the projects, will carry out building design for the projects in a timely manner and provide technical support to the project proponents to facilitate early completion of consultations and the funding approval process. Barring further significant changes to the project scope and design requirements due to unforeseeable circumstances, ArchSD will proceed with the procurement of works contracts expeditiously, and closely monitor the progress of the construction works until project completion.

Taking into account the progress to date of and the procedures required for all the replacement building projects, including the future District Court Complex for the relocation of the Wan Chai Law Courts, it is our target to complete the replacement building projects under the WCGOC relocation exercise by 2025-26.

For the GPA

- 2) With reference to the paragraphs 2.6 and 2.7, how is the GPA going to meet the 168 requests for new office space of 94 921 m² additional accommodation needs of the bureau/departments for the five-year period from 2017-18 to 2021-22? Will GPA need to increase its leased office accommodation?

Reply

The 168 requests for new office space of 94 921 m² arising from the additional accommodation needs of b/ds are indicative estimates for the five-year period from 2017-18 to 2021-22. The new office space requirements can be met partly by the surplus space to be released (about 50 500 m²) by b/ds and partly by possible construction of new specialist/departmental buildings (about 30 000 m²) by the relevant b/ds if suitable sites can be identified.

GPA will continue to assist b/ds to meet their accommodation needs through the construction of new buildings, direct purchase, provision through lease conditions in private developments or leasing.

- 3) According to paragraph 6 of Case 2 in paragraph 2.24, GPA assisted the Judiciary in identifying the ex-Western Police Married Quarters site in Sai Ying Pun for relocating the Wan Chai Law Courts as early as 2008. However, it was only in 2012 that the ex-Quarters site was identified as not feasible for reprovisioning the Wan Chai Law Courts. How is GPA going to prevent recurrence of similar problems in future reprovisioning projects?

Reply

In future reprovisioning projects, GPA will continue to consult the user b/ds on the technical parameters at an early stage to ensure the suitability of the proposed site. For instance, user b/ds will be required to clearly advise any special requirements on accommodation, fitting-out, services installation, parking provision, etc.

GPA will also consult concerned departments at an early stage, including the Planning Department and the Architectural Services Department on the planning assumptions/parameters and preliminary advice on technical feasibility, etc. before firming up the reprovisioning proposal.

In addition, once a user b/d accepts a proposed site for relocation, GPA will request it to complete the project definition statement (“PDS”) with special user and operational requirements as early as possible to facilitate confirmation of the site’s technical feasibility by the works departments.

Part 3: Administration of leased government offices

- 4) According to paragraph 3.5, in 2014, in addition to the two potential office premises recommended by GPA for meeting the Labour and Welfare Bureau’s new office requirement of 4 800 m², GPA’s estate agents had also identified seven office premises of comparable/lower rent. However, there was no documentation of the reasons for rejecting/not recommending these offers to Bureau for its consideration, contrary to the GPA’s laid-down requirement. Why was there no documentation and what measures will GPA take to ensure compliance in future?

Reply

In the Labour and Welfare Bureau (“LWB”)’s leasing case, taking into account LWB’s accommodation needs, GPA had obtained asking rents from estate agents and exercised judgment to select suitable premises for LWB’s consideration. As in all other leasing cases, GPA considered factors such as timing, location, space availability, land use, etc. in the selection process. The reasons for rejecting/not recommending other rental offers in the LWB’s case included timing mismatch, undesirable location, incompatible land use and insufficient space available.

Noting that the case officer concerned failed to properly document the reasons for rejecting/not recommending other rental offers in accordance with the divisional instruction, GPA has already reminded its staff to comply with the documentation requirement. GPA has also checked and confirmed that all recent leasing cases are in order and will carry out sample supervisory checks periodically to ensure compliance.

- 5) With reference to paragraph 3.6, there were no documented reasons for not considering a nearby new Grade A office building leased by GPA at a rent which was 43% lower than that under Lease C. What were the reasons for not considering this option to achieve rental savings?

Reply

Before GPA commits to renew an existing lease, the case officer of GPA is required under the established procedures to assess whether the offered rent is reasonable before recommending the lease renewal for approval. All considerations as well as the decision should be properly documented.

According to GPA's valuation report in July 2009 for the subject case, the monthly rentals payable by the private sector in recent lettings of comparable premises in the locality were within a range of \$270/m² to \$455/m² on an internal floor area ("IFA") basis. The GPA case officer therefore considered that the monthly rent offered under Lease C at \$293/m² on IFA was reasonable.

In lease renewal cases, other than the rental level, GPA also takes into account other considerations including the proposed rental package of the existing and alternative premises, reprovisioning costs (such as new fitting out costs, reinstatement costs and removal costs), etc.

Although GPA was able to secure the leasing of a nearby property (with a larger floor area) for another department at a lower rent in January 2009, there was no other suitable alternative premises available for letting for the subject case in the locality in July 2009

which offered a rental difference that could offset the reprovisioning costs to be incurred by moving to a new office. As office market rentals may fluctuate greatly from time to time, a single deal (the rental of which was particularly low side in this case) should be used only for general reference.

- 6) According to paragraphs 3.12 to 3.14, the use of some 76% of 4 010 m² of Grade A office in Kowloon Bay (monthly rent of \$265 per m²) for the Social Welfare Department's non-location-tied storage is not good value for money. Does GPA agree that it should help the Social Welfare Department to meet its needs in a more cost-effective manner? What considerations GPA had when it proposed the reprovisioning of the Central Casefile Depository in late 2015?

Reply

GPA agrees that it should assist the Social Welfare Department ("SWD") to meet its non-location-tied storage needs in a more cost-effective manner where feasible. In the renewal of leased accommodation, GPA needs to take into account factors such as justification for the continuing need for the leased premises, the proposed rental package and lease terms, the availability of other suitable premises in the market, the economics of a new lease, new fitting-out costs and removal costs. GPA did not consider SWD's proposed reprovisioning plan from a leased accommodation to another leased accommodation cost-effective for reasons stated in paragraph 3.12 of Audit's Report. However, GPA will take note of Audit's observations and follow its recommendation in paragraph 3.17(b) when handling other similar cases in future.

In late 2015, GPA proposed and SWD accepted to reprovision the latter's Central Casefile Depository from the leased accommodation in Kowloon Bay to government-owned premises to be constructed with a view to achieving rental savings and security of tenure.

Part 4: Utilisation of government sites

- 7) With reference to paragraph 4.15, would GPA explain why the omissions and discrepancies in the Government Property Information System occurred? What measures will GPA take to improve the situation? Will GPA review all government-owned sites information recorded in the Government Property Information System with a view to ensuring that the information is accurate and up-to-date? If yes, when will this review be completed?

Reply

GPA updates the information of government sites in the Government Property Information System (“GPIS”) upon receiving b/ds’ notifications of changes in site particulars, such as completion of government buildings, changes in planning parameters including zoning, land use, site area, etc. GPA will also update the site information where appropriate upon performing various scheduled functions such as annual site utilisation reviews.

Information of the majority of government sites is provided by other b/ds in the capacity of managing b/ds, works agents, etc. Such information is subject to change from time to time without prior notice to GPA. Despite such constraints, GPA will strengthen its existing communication with the data providers (i.e. the concerned b/ds) with a view to capturing on a more frequent and regular basis up-to-date information for the GPIS. Separately, GPA has since August 2017 been undertaking a computer development project to enhance the GPIS for keeping up with changing operational needs and requirements. The project is estimated to be completed in April 2019. GPA will also take the opportunity to consider enhancing the system capabilities to perform more automatic cross-checking of various processes to prevent data omissions/discrepancies during routine data updating exercises.

Reviewing government site information is an on-going process as the site particulars are not static and will change from time to time. Since such review processes often require input from relevant b/ds and

are very labour intensive, GPA will accord priority to those developed government sites in annual site utilisation reviews. In view of Audit's findings, GPA has already rectified the data where discrepancies/omissions have been identified (i.e. those without relevant site records). GPA will also consider adopting a targeted approach to reviewing those records with obvious data discrepancies in the GPIS. Completion of such review is expected to tie in with the rolling out of the relevant GPIS enhancements by April 2019.

- 8) According to paragraphs 4.17(c) and 4.19, GPA has agreed with the Audit Commission's recommendation that GPA should set priority in selecting sites with better development potential from the 1 569 sites pending site-utilization reviews for review and follow-up actions. Please provide a timeline for the review and follow-up actions. Will GPA explore other measures to speed up the reviews?

Reply

Whether any government site possesses development potential depends on a range of factors including land use, zoning, topography, availability of vehicular access, feasibility of reprovisioning existing facilities, presence of conservation elements, changes to neighbouring developments, etc. The annual site utilisation review is hence not a simple desktop calculation exercise. It requires inputs from other relevant departments including planning assessment, reviews of existing facilities and proposals for future uses, etc. The time required for completing the review by GPA depends on a range of factors beyond GPA's control including the timely feedback from relevant b/ds. Nevertheless, GPA will endeavor to liaise closely with the relevant b/ds so as to speed up the review.

In addition, the total number of government sites is not static due to site disposal, change in zoning, land use and redevelopment, etc. In future annual site utilisation reviews, GPA will continue to set priority to review those more deserving sites meeting specific criteria applicable to that particular year, e.g. facilitation of new policy initiatives, completion of new infrastructure, changes to the locality, etc., in addition to site specific characteristics as mentioned in the

above. The ultimate objective is to assist the managing b/ds in better optimising the utilisation of their under-utilised sites as early as possible or releasing them for alternative uses or disposal as appropriate.

- 9) Please provide information, such as the floor area, building conditions (please specify if there are monuments or historic buildings) and reasons for vacancy, of the 27 premises mentioned in paragraph 4.23. Will GPA consider leasing these premises to public or allowing application for use from non-profit making organizations?

Reply

The information of the 27 vacant or under-utilised premises of specialist and departmental accommodation as referred to in paragraph 4.23 of Audit's Report is shown at Annex. They are all managed by other b/ds, and GPA has not been informed of the reasons for their vacancy.

B/Ds are responsible for the proper management of all of their allocated accommodation and for putting the accommodation to gainful use. If there are accommodation surplus to the b/ds' operational requirements, they may seek GPA's assistance in identifying other interested user departments or, failing that and if conditions permit, exploring commercial lettings. Surplus government accommodation may also be let out to non-governmental organisations ("NGOs") provided that policy support has been given by the relevant b/ds. To facilitate NGOs' consideration, GPA has posted on its website such surplus accommodation. If all the above attempts fail, GPA will suggest the managing b/ds explore the possibility of releasing the sites for alternative uses or disposal where appropriate.

Of the 27 premises concerned, as of 27 December 2017, five (items 1, 12, 17, 18 and 22 of table at Annex) had been taken up by b/ds for alternative use, and two (items 4 and 27) were being considered for use by b/ds. One (item 8) was being processed for use by an NGO and one (item 19) being considered for demolition. For the rest of

the premises, GPA will continue to assist their managing b/ds to explore alternative uses.

- 10) According to Case 6 in paragraph 4.10, some 26 years after acquiring the godown in 1990, no decision had been taken on whether the proposed road project would be implemented. Can the Administration explain why? While GPA had put the godown into short-term uses from 1991 to 2007, it had been left vacant for some 10 years up to August 2017. What measures will the Administration take to prevent recurrence of similar problems?

Reply

Since taking over the subject godown in 1991, GPA had from time to time invited the relevant b/ds to confirm the implementation or otherwise of the road project. In the meantime, GPA had leased out the godown in the market for industrial use until 2007 when it had become too dilapidated. Since then, GPA had also explored alternative use of the godown within the government but the attempts were not successful due to the substantial repair costs involved. In 2012, GPA proposed to re-zone the site from “Road” to “Industrial” for alternative long-term use, and demolish the building to save maintenance and management costs. Upon confirmation from relevant b/d in 2014 that there was no immediate need for the implementation of the road project and unsuccessful leasing to NGOs in 2015 and 2016, GPA obtained funding in 2017 to demolish the building with a view to releasing the site for alternative uses.

In handling dilapidated buildings which may require substantial maintenance costs in future, GPA will invite the relevant departments to review if these buildings are beyond reasonable economic repairs, and if warranted, to consider demolition for releasing the site for alternative uses.

**27 Vacant or Under-utilised Government-owned Premises
of Specialist and Departmental Accommodation as referred to in
paragraph 4.23 of Audit's Report**

Item	Premises	Vacant floor area (m2)	Managing b/d	Monument (M)/Historic Building (Grade)	Latest Position (if any, as at 27 December 2017)
1	Lower Shing Mun Raw Water Pumping Station Staff Quarters at Tai Wai	208 Wholly vacant	Water Supplies Department (WSD)	NA	Already taken up for use by a b/d.
2	Albany Fresh Water Pumping Station Staff Quarters at Mid-levels (<i>Note</i>)	232 Wholly vacant	WSD	NA	
3	Part of Nam Cheong District Community Centre at Sham Shui Po	460 Partly vacant	Home Affairs Department	NA	
4	Tsuen Wan Environmental Resources Centre at Tsuen Wan	115 Wholly vacant	Environmental Protection Department	NA	Already applied for use by a b/d.
5	Part of Fu Shan Crematorium Staff Quarters at Sha Tin	25.7 Partly vacant	Food and Environmental Hygiene Department	NA	
6	Elliot Treatment Works at Western District (<i>Note</i>)	70 Wholly vacant	WSD	III	
7	Tsuen Wan Raw Water Pumping Station Staff Quarters at Tsuen Wan (<i>Note</i>)	278.4 Wholly vacant	WSD	NA	
8	Peak Depot at Upper Central (<i>Note</i>)	150 Wholly vacant	WSD	II	An NGO has applied for use of the premises.
9	Albany Garden Staff Quarters at Mid-levels (<i>Note</i>)	263.6 Wholly vacant	Leisure and Cultural Services Department	NA	

Item	Premises	Vacant floor area (m2)	Managing b/d	Monument (M)/Historic Building (Grade)	Latest Position (if any, as at 27 December 2017)
10	Ex-NT Heung Yee Kuk Southern District Secondary School at Mui Wo, Lantau Island	6,852 Wholly vacant	Education Bureau	NA	
11	Mui Wo Fire Boat Berthing Pier at Mui Wo, Lantau Island (<i>Note</i>)	24 Wholly vacant	Fire Services Department	NA	
12	Cheung Sha Water Treatment Works Staff Quarters at Cheung Sha, Lantau Island	139 Wholly vacant	WSD	NA	Already taken up for internal use by WSD.
13	Workmen's Quarters at Tai Tam Byewash Reservoir at Tai Tam (<i>Note</i>)	111 Wholly vacant	WSD	III	
14	Red-brick Building at Tai Tam Reservoir Road at Tai Tam (<i>Note</i>)	64 Wholly vacant	WSD	III	
15	Workmen's Quarters at former Wong Nai Chung Reservoir at Wong Nai Chung (<i>Note</i>)	76.8 Wholly vacant	WSD	II	
16	Tai Tam Tuk Raw Water Pumping Station No. 2 Staff Quarters at Tai Tam (<i>Note</i>)	120 Wholly vacant	WSD	M	
17	Part of Cheung Chau Fresh Water Pumping Station Staff Quarters at Cheung Chau	60.8 Partly vacant	WSD	NA	Already taken up for internal use by WSD.
18	Part of Lamma Island Depot Staff Quarters at Lamma Island	32 Partly vacant	WSD	NA	Already taken up for internal use by WSD.
19	Part of Diamond Hill Fresh & Salt Water Pumping Station Staff Quarters at Wong Tai Sin	119.8 Partly vacant	WSD	NA	Demolition being considered.
20	Part of Silver Mine Bay Staff Quarters at Lantau Island	255 Partly vacant	WSD	NA	

Item	Premises	Vacant floor area (m2)	Managing b/d	Monument (M)/Historic Building (Grade)	Latest Position (if any, as at 27 December 2017)
21	Tai O Depot Staff Quarters at Lantau Island	90 Wholly vacant	WSD	NA	
22	Part of Aberdeen Water Treatment Works Staff Quarters at Aberdeen	302.7 Partly vacant	WSD	NA	Already taken up for internal use by WSD.
23	Tai O Depot at Tai O, Lantau Island	55 Wholly vacant	WSD	NA	
24	Part of Peng Chau Depot Staff Quarters at Peng Chau	60 Partly vacant	WSD	NA	
25	Part of Cheung Chau Depot Staff Quarters at Cheung Chau	59.9 Partly vacant	WSD	NA	
26	Tai Lam Chung Reservoir Staff Quarters Bungalow 10 at Tai Lam Chung	50 Wholly vacant	WSD	NA	
27	Part of Sandy Bay Fresh Water Pumping Station Staff Quarters Block B at Pok Fu Lam	215 Partly vacant	WSD	NA	Already applied for use by b/ds.

Note: Sites currently uploaded at GPA's website inviting interested NGOs to apply for use.



Web site 網址 : <http://www.cedd.gov.hk>
E-mail 電子郵件 : whchoi@cedd.gov.hk
Telephone 電話 : (852) 2762 5057
Facsimile 傳真 : (852) 2760 9401
Our ref 本署檔號 : CEDD(CR) 11/39
Your ref 來函檔號 : CB4/PAC/R69

香港九龍公主道 101 號
土木工程拓展署大樓
Civil Engineering and
Development Building,
101 Princess Margaret Road,
Kowloon, Hong Kong

5 January 2018

(Urgent by fax 2543 9197)

Mr. Anthony CHU
Public Account Committee
Legislative Council Complex
Legislative Council Road,
Central, Hong Kong

Dear Sir,

Public Accounts Committee
Consideration of Chapter 8 of the Director of Audit's Report No. 69
Provision of government office accommodation and
utilization of government sites

Thank you for your letter of 19 December 2017 enquiring information on Case 6 in paragraph 4.10 of the subject Audit Report. I attach our reply in English and Chinese for your reference please.

A handwritten signature in black ink, appearing to read "Brian W H Choi".

(Brian W H Choi)

for Director of Civil Engineering and Development

c.c. Secretary for Financial Services and the Treasury (fax no. 2537 3539)
Government Property Administrator (fax no. 2583 9758)
Director of Architectural Services (fax no. 2810 7341)
Director of Audit (fax no. 2583 9063)

Internal
PM(W), CEDD
DDCED, CEDD

For the Civil Engineering and Development Department

Part 4: Utilisation of government sites

- 1) According to Case 6 in paragraph 4.10, some 26 years after acquiring the godown in 1990, no decision had been taken on whether the proposed road project would be implemented. Can the Administration explain why? While GPA had put the godown into short-term uses from 1991 to 2007, it had been left vacant for some 10 years up to August 2017. What measures will the Administration take to prevent recurrence of similar problems?

Reply

The need for the proposed Kwai Chung Circumferential Road Project was initiated under a transport study for Tsuen Wan completed in 1983 having regard to the traffic situation and the projected traffic demand at that time. Although the implementation programme of the proposed road project had yet to be confirmed, the proposed road was incorporated in the pertinent Outline Zoning Plan in 1989 forming a statutory basis for preservation of the road route. In March 1991, the Administration took possession of the godown site. Since then, the Administration had conducted a number of reviews but could not formulate a definitive implementation programme for the road project. In 2014, the Administration confirmed that there was no need for the road project up to 2026. Nevertheless, the Administration will take into account the latest proposed developments including housing developments in the vicinity and review the need of this project. A decision will be made in 2018.

The Administration has reviewed the relevant guidance notes for project implementation and considers that the current guidelines in respect of timing for land acquisition are adequate to address the concern. In gist, works departments have been specifically reminded by the Environment, Transport and Works Bureau Technical Circular (Works) No. 4/2006 'Delivery of Capital Works Projects' issued in August 2006 to critically consider the need for clearing/resuming land before the funding approval of the Finance Committee vis-à-vis the risk of not proceeding with the projects. Works departments are also particularly required to keep the Lands Department closely informed of the funding situation, or if there is any change in circumstances in which a project (involving land resumption) might be put on hold.



ARCHITECTURAL SERVICES DEPARTMENT 建築署

QUEENSWAY GOVERNMENT OFFICES, 66 QUEENSWAY, HONG KONG. 香港金鐘道六十六號金鐘道政府合署

來函檔號 Your Ref. : CB4/PAC/R69
 本函檔號 Our Ref. : 10/1-125/32
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By fax 2543 9197 and e-mail
 (ahychu@legco.gov.hk, kmho@legco.gov.hk & pkwlai@legco.gov.hk)

5 January 2018

Mr Anthony CHU
 Clerk to the Public Accounts Committee
 Legislative Council
 Legislative Council Complex
 1 Legislative Council Road
 Central, Hong Kong

Dear Mr CHU,

Public Accounts Committee
Consideration of Chapter 8 of the Director of Audit's Report No. 69
Provision of government office accommodation and
utilisation of developed government sites

Thank you for your letter dated 19 December 2017 requesting response / information to facilitate the Public Accounts Committee's consideration of the above chapter. Please find our reply below:

1. With reference to paragraph 2.16, what measures will the Administration take to prevent further slippage to the six projects which had encountered delays? As the relocation of the Wan Chai Law Courts is still under planning without a projected completion date, does the Administration consider that the estimated completion date of 2025-2026 is realistic and achievable?

The relocation of the Wan Chai Government Offices Compound ("WCGOC") is a mega project involving 28 bureaux/departments ("b/ds") and the Judiciary, with a total staff headcount of over 10 000. A project of such scale and complexity calls for detailed planning, extensive preparatory work and careful implementation. As set out in paragraph 2.16 of Chapter 8 of the Director of

Audit's Report No. 69, while the delay of the six replacement building projects were mainly due to unforeseeable factors such as changes in project scope to meet local needs and technical constraints, the concerned b/ds are making concerted efforts to work towards the target of completing the replacement building projects under the relocation exercise by 2025-26.

The Financial Services and the Treasury Bureau ("FSTB") assumes an overall policy role in monitoring the WCGOC relocation exercise. FSTB is assisted by the Government Property Agency ("GPA"), which serves as a coordinator in liaising with the Architectural Services Department ("ArchSD") (works agent of the replacement building projects) and the user departments (including the project proponents of the replacement buildings and the b/ds to be relocated in the exercise). FSTB agrees with the recommendation of the Audit Commission and will, in collaboration with GPA and ArchSD, closely monitor the implementation of the nine replacement building projects for the WCGOC relocation exercise. GPA will continue to submit regular progress reports to FSTB. The progress of WCGOC is also a standing discussion item discussed at regular meetings held by FSTB with GPA. Should any individual projects encounter problems, on the advice of GPA and / or ArchSD, FSTB stands ready to help resolve interface issues between departments and drive for progress.

GPA will continue to assist FSTB in monitoring the overall relocation schedule, closely liaise with the concerned b/ds in tracking progress, and update FSTB promptly of issues of concerns, if any, to facilitate early resolution. For the three replacement buildings for which GPA is responsible (namely the West Kowloon Government Offices in Yau Ma Tei, the Treasury Building in Cheung Sha Wan, and the Joint-user Government Office Building in Tseung Kwan O), GPA will work hand in hand with ArchSD and the b/ds to be relocated therein to meet the target completion dates.

ArchSD, as the works agent of the projects, will carry out building design for the projects in a timely manner and provide technical support to the project proponents to facilitate early completion of consultations and the funding approval process. Barring further significant changes to the project scope and design requirements due to unforeseeable circumstances, ArchSD will proceed with the procurement of works contracts expeditiously, and closely monitor the progress of the construction works until project completion.

Taking into account the progress to date of and the procedures required for all the replacement building projects, including the future District Court Complex for the relocation of the Wan Chai Law Courts, it is our target to complete the replacement building projects under the WCGOC relocation exercise by 2025-26.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Winnie Ho', written in a cursive style.

(Ms. Winnie HO)

for Director of Architectural Services

- c.c. Secretary for Financial Services and the Treasury (fax no. 2537 3539)
Government Property Administrator (fax no. 2583 9758)
Director of Civil Engineering and Development (fax no. 2246 8708)
Director of Audit (fax no. 2583 9063)



Labour Department (Headquarters)

勞工處 (總處)

Your reference 來函編號: CB4/PAC/R69
Our reference 本處檔案編號: LD CR/4-35/9 Pt.1
Tel. number 電話號碼: 2852 4134
Fax number 傳真機號碼: 2543 3194

10 January 2018

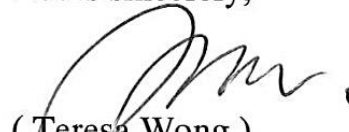
Mr Anthony CHU
Clerk, Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Mr Chu,

Public Accounts Committee
Consideration of Chapter 9 of the Director of Audit's Report No. 69
Occupational safety and health

I refer to your letter dated 22 December 2017 regarding the captioned subject. Please find attached our reply. The response of the Department of Health has been incorporated.

Yours sincerely,


(Teresa Wong)
for Commissioner for Labour

Labour Department's response to the questions

Part 2: Occupational Safety: Inspection and Enforcement

(1) According to paragraph 2.5 of the Report, Audit found that the personnel concerned of eight Notifiable Workplaces had not submitted the required statutory notifications to LD before LD's investigation, while operation had commenced for 90 days to 18 years and 5 months. Besides, as shown from the records of LD for the period from January 2012 to July 2017, no prosecution had been taken by LD against non-compliance of the notification requirement. Please advise of the following:

- (a) the existing procedures for submission of statutory notifications of Notifiable Workplaces; if the notifications cannot be submitted before the scheduled date, whether there are any penalties; if so, of the details; if not, the reasons for that;

Section 9 of the Factories and Industrial Undertakings Ordinance (Cap. 59) stipulates that the proprietor of a Notifiable Workplace¹ shall give the Commissioner for Labour ("CL") notification of his workplace using a prescribed form before the first occasion on which any industrial process commences in the workplace. Any proprietor who contravenes the above provision is liable on conviction to a maximum fine of \$10,000.

- (b) the procedures for investigations of accidents at Notifiable Workplaces, the manpower establishment and expenses concerned;

Occupational Safety Officers ("OSOs") of the Occupational Safety - Operations Division ("Operations Division") of the Labour Department ("LD") are responsible for investigating work accidents that occurred in various workplaces (including notifiable workplaces). The procedures generally involve carrying out on-site investigations, enquiring personnel met on the spot about the accidents, securing relevant evidence in relation to the accidents (e.g. checking documents, taking

¹ Notifiable Workplace (not including construction site) means:

(i) any factory, mine or quarry; and

(ii) any premises or place in which a **Dangerous Trade** or **Scheduled Trade** is carried on or is proposed to be carried on.

Examples of **Dangerous Trade** defined under the FIUO include: (a) boiler chipping; (b) vermilion manufacture; (c) chromium plating; and (d) the manufacture of hydrochloric, nitric or sulphuric acids.

Examples of **Scheduled Trade** defined under the FIUO include: (a) any industrial undertaking involving the use of any dangerous goods specified in Category 5 in the Schedule to the Dangerous Goods (Application and Exemption) Regulations (Cap. 295A) and for which a licence is required under the Dangerous Goods Ordinance (Cap. 295); and (b) any industrial undertaking involving the use of any X-ray or radioactive substance.

photographs and measurements, conducting tests or examinations and seizing articles/samples, etc.), and taking statements (i.e. declarations of truth or records of interview) from related personnel on the spot or through interviews by appointments.

Upon completion of accident investigation, OSOs will compile accident reports and identify the legal liability of relevant duty holders. If breaches of occupational safety and health (“OSH”) legislation are discovered, prosecutions will be initiated against offenders, in consultation with the Department of Justice (“DoJ”) as necessary.

As at 30 November 2017, the manpower establishment of OSOs of the Operations Division was 315. Work accident investigation and the associated OSH enforcement work are integral parts of LD’s routine work, and the manpower and expenditure involved cannot be separately identified.

- (c) apart from notification by persons concerned of Notifiable Workplaces, whether there are other channels for LD to know if the workplaces will commence/have commenced operation;

The statutory notification mechanism for Notifiable Workplaces is one of the various means for LD to be made known of these workplaces. LD also gets to know Notifiable Workplaces that will commence/ have commenced work processes through other means. For instance, LD gets knowledge of the workplaces concerned and conducts OSH inspections and enforcement work through referrals under various notification mechanisms established with other entities, including other divisions of LD (e.g. the Labour Inspection Division and the Employees’ Compensation Division), relevant government departments (e.g. the Fire Services Department, the Food and Environmental Hygiene Department, the Electrical and Mechanical Services Department and the Environmental Protection Department, etc.) and other public organisations (e.g. the Housing Authority). Besides, OSOs are on the alert for unrecorded workplaces during routine inspections or special enforcement operations targeting high-risk trades and work processes launched every year. In addition, the LD also pays particular attention to any newly established notifiable workplaces during area patrol exercises.

- (d) the reasons why no prosecution had been taken against non-compliance with the notification requirement, and whether human negligence or a loophole in law is involved;

The Audit Report pointed out that LD had not initiated prosecution against any

non-compliance with the notification requirement from January 2012 to July 2017. This is because LD has been adopting a risk-based approach in law enforcement and taking immediate prosecutions against offences that may directly pose imminent OSH risks to employees. As non-compliance with the notification requirement may not directly pose imminent OSH risks to employees, LD's prevailing course of actions is to first issue warning letters, and initiate prosecution if the duty holders fail to submit notification within the time allowed after receiving the warnings. Under normal circumstances, upon receipt of warning letters, duty holders will provide the relevant information and submit the statutory forms to comply with the legal requirement.

- (e) whether the notification requirement was reviewed in the past; if so, why the above situation still occurred; if not, the reasons for that; and
- (f) the progress of the implementation of the measures recommended in paragraph 2.11(a) of the Report by LD, so as to strengthen the enforcement of the notification requirement for Notifiable Workplaces.

LD has reviewed the notification requirements from time to time. Taking into account the consideration as stated in the replies to (c) and (d) above, LD has continued with the above-mentioned enforcement and prosecution strategy. In light of the Audit Commission's recommendation, LD agrees that it is necessary to step up enforcement action regarding the notification requirements, including considering to take immediate prosecution against duty holders failing to give notification in compliance with the legal requirement. At the same time, LD will also enhance promotion of the relevant statutory requirement to the duty holders concerned. If necessary, LD will also consider amending the relevant legislation with a view to enforcing the notification requirement more effectively.

(2) Regarding the recommendation in paragraph 2.11(b) of the Report that reviewing the need to tighten the exemption criteria of the notification requirement mentioned in paragraph 2.7, please advise of the progress and results of the review, and whether legislative amendments are involved; if so, when will the legislative amendments be introduced; if no review has been conducted by LD, of the reasons and the timetable for conducting such review.

LD agrees with the relevant recommendation made by the Audit Commission, and is reviewing the notification mechanism, with a view to expanding its coverage to include more building and engineering construction workplaces. LD is now

conducting a research on relevant legislation and aims to come up with an amendment proposal as soon as possible.

(3) According to paragraphs 2.9 and 2.10 of the Report, it was recommended that similar review of the List of Hazardous Trades should be conducted at a three-year interval. While the last review was completed in January 2013, a new round of such review was not commenced until July 2017. Please advise of the following:

- (a) the current procedures for conducting the review, the staff establishment and expenses concerned; whether LD has regularly examined such procedures, the staff establishment and expenses concerned; if so, of the outcome; if not, of the reasons and whether LD will consider examining the above items;

Review of the List of Hazardous Trades is mainly carried out by the Operations Division of LD. In conducting the review to revise the hazardous trades on the list, reference is made to accident figures, accident rates, types and severity of accidents, etc. of various trades in the past years. The work is one of the duties of the Operations Division, and the manpower establishment and expenditure involved cannot be separately identified. LD will examine and review the relevant procedures and manpower arrangement when necessary with a view to carrying out the relevant reviews in a timely manner.

- (b) the reasons why a new round of such review was not commenced by LD until July 2017, whether it was due to problems with the staff establishment; if so, whether LD will consider reviewing and adjusting the establishment; and
- (c) LD's work progress concerning the recommendation in paragraph 2.11(d) as well as the response in paragraph 2.12 of the Report, so as to ensure that the next review of the list of hazardous trades will be conducted after three years according to schedule.

The List of Hazardous Trades is devised on the basis of the occupational injury figures of all trades in the past few years. The List serves as a reference for LD to set priorities of routine inspection and enforcement. Apart from this List, LD also makes reference to the prevailing OSH risks (e.g. whether there are serious accidents recently) and relevant accident statistics of various trades, in order to ensure that our inspection and enforcement work can address the latest risk situations and community concerns effectively. In 2016, according to the accident statistics available to LD at the time, LD considered that the List of Hazardous Trades could still effectively reflect the risks of different trades and there was therefore no

urgency to conduct a review. Although the new round of review only commenced in July 2017, LD had been keeping close track on the latest accident statistics and apparent OSH risk (if any) in any trade or work process, in order to formulate or revise the OSH enforcement strategy in a timely manner. LD agrees to the recommendation of the Audit Commission and will complete the current review as soon as possible.

The relevant task force is now conducting the review in full gear and plans to complete the task in the second quarter of 2018. The task force will also establish a management system and review the relevant internal guidelines with a view to ensuring that the reviews will be conducted in a timely manner in future.

(4) According to paragraphs 2.15 to 2.17, 2.19, 2.22 and 2.24, as at 31 March 2017, there were 6 074 backlog cases of inspection on inactive building and engineering construction (“BEC”) workplaces and 23 414 backlog cases on non-BEC workplaces. Meanwhile, LD only monitored the backlog in bringing up the workplace files but not whether inspections were carried out according to schedule, resulting in a serious situation in which inspections were conducted long after the files had been brought up. Please advise of the following:

(a) the staff establishment and expenses involved in the current inspections

Inspection of workplaces is an integral part of LD’s ongoing work. The staff involved are also responsible for accident/complaint investigation as well as assisting in promotional work. The manpower establishment and expenditure for inspection therefore cannot be separately accounted for.

(b) the reason for not monitoring whether inspections were carried out according to schedule, and whether it was caused by problems in the staff establishment or the entire system;

(c) in view of a large number of backlog cases for a long period of time, whether review has been conducted regularly by LD to solve the problem; if so, why there are still so many backlog cases; if not, the reasons for that;

(d) the details and timetable of LD’s follow-up work concerning the recommendation in paragraphs 2.26(a) and (b) as well as the response in paragraph 2.27 of the Report, so as to ensure that cases will be brought up for inspections according to schedule and the backlog of inspections will be cleared as soon as possible;

(e) when will the backlog of inspections be expected to be cleared;

LD adopts a risk-based inspection strategy with priorities on workplaces with higher risks e.g. workplaces subject to notification requirement under OSH legislation, active construction sites, complaint cases and workplaces with OSH concern at different times, etc. We consider that, compared with handling workplace files according to their bring-up schedule, this strategy is more effective to ensure our inspection efforts can achieve the best impact in safeguarding employees' OSH. In accordance with the risk-based principle, LD has been monitoring whether workplace files are brought up as scheduled and whether inspections are completed in a timely manner to ensure timely handling of cases with relatively higher risk. In fact, LD has reviewed the backlog brought-up cases highlighted in the Audit Report and reaffirmed that they were all low-risk cases. Nevertheless, we agree that although they are all low-risk cases, the situation is still not satisfactory. LD is therefore actively following up on the Audit recommendations. We are now reviewing the handling of low-risk cases and will embark on tackling the backlog as soon as the review is completed.

(f) LD's progress in improving the documentation of the inspection work performed as recommended in paragraph 2.26(c) of the Report, and devising a checklist to further strengthen the monitoring work of the Divisional Occupational Safety Officer as undertaken in paragraph 2.27(b) of the Report; and

(g) in addition to devising the list as stated in paragraph 2.27(b) of the Report, whether LD has formulated other measures to improve the documentation of the inspection work.

To improve record-keeping of inspection work and strengthen Divisional OSOs' inspection monitoring work, LD is now preparing a checklist for use by the officers concerned. The relevant work is expected to be completed by the first half of 2018. Besides, LD is also reviewing and revising the relevant internal guidelines for officers' compliance.

(5) According to Table 12 of the Report, the highest and average amounts of fines under the five most common offences were significantly lower than the maximum statutory amounts, the deterrent effect of the relevant legislation is obviously inadequate; whether LD will consider an immediate review with a view to raising the penalties; if so, of the timetable and specific details; if not, the reasons for that and the measures to be taken by LD to mitigate the problems.

To strengthen the deterrent effect of penalties so that they can lead to improvement of overall OSH situation, LD has been seeking imposition of heavier penalties on duty holders through various means, including submitting comprehensive information to the court for reference in sentencing (like the serious consequences of the concerned accidents, the number of related accidents, and the highest penalty imposed for similar cases in the past, etc). Depending on the circumstances of individual cases, LD also requests DoJ to consider filing reviews or appeals to the court when necessary.

Nonetheless, LD considers that the penalties are still too low to reflect the seriousness of the offences and consequences of the accidents. LD is therefore of the view that it is necessary to increase the penalties for contravening OSH legislation, and is reviewing the OSH legislation in full swing. LD reported to the Panel on Manpower of the Legislative Council on the preliminary direction of amending the legislation in December last year. For instance, LD is considering whether the maximum fines should be suitably raised by pegging them with the financial means of the convicted, especially for serious cases (such as those causing serious injuries or fatalities and those involving serious culpability), thus enabling the court to impose penalties with sufficient deterrent effect to alert the industry. LD is reviewing the relevant legislation in full speed and aims to submit the amendment proposal to the Legislative Council as soon as possible.

Part 3: Occupational Safety: Training

(6) According to paragraph 3.6 of the Report, of the inspections conducted by LD, 182 (81%) were conducted when there were no course sessions, and LD conducted checking on documentation of the training course providers (“TCPs”) instead. However, seven of the ten aspects of the inspection checklist can only be observed during course sessions, indicating that the results might not specifically reflect the actual situation. Please advise of the following:

(a) the staff establishment and expenses for monitoring TCPs;

TCP inspection is mainly undertaken by OSOs of LD’s Occupational Safety and Health Training Centre (“OSHTC”). However, the OSOs are also responsible for the centralised issuance of examination papers and other duties related to Mandatory Safety Training (“MST”) courses. As at 30 November 2017, the establishment for

discharging the above duties was four OSOs, and the manpower and expenditure for TCP inspection cannot be identified separately.

- (b) whether observation was arranged by LD based on the course schedule provided by TCPs; if so, why were the aforementioned 182 inspections conducted when there were no course sessions, and whether human negligence or manpower problems were involved;
- (c) whether the differences of monitoring effectiveness between checking on documentation and during-class inspections have been assessed; if so, of the outcome; if not, whether an assessment of the differences in effectiveness between these two methods will be conducted, so as to examine the effectiveness of the existing monitoring system;
- (d) whether a review on the arrangement for TCP inspection is regularly conducted; if so, of the details; if not, the reasons for that;

LD is highly concerned about the quality of MST courses. Various modes of inspection, including surprise inspection including inspection during class sessions (hereafter referred to as “during-class” inspection) and inspection when there is no class session (hereafter referred to as “outside-class” inspection) and covert inspection are adopted to achieve effective monitoring. Outside-class inspection focuses on checking of training records and related documents, whether the TCPs issue certificates in accordance with LD’s requirements and whether the TCPs organise training courses in accordance with the course schedules submitted to LD, etc. On the other hand, during-class inspection focuses on monitoring trainers’ performance, course delivery, course durations, etc. For covert inspection, staff of LD in the guise of students participate in the entire courses. This allows effective monitoring of all aspects of course delivery, including examination, marking of examination papers and practical training, etc. Different modes of inspection have different focuses and there is no question of discrepancy in effectiveness. Instead, they complement one another to achieve the best monitoring impact.

In 2016, LD conducted 225 inspections to MST courses. This figure did not include covert inspections conducted in the same year. Among the 225 inspections, 95 were to follow up on whether TCPs had acted in accordance with the warning letters and written directions previously issued to them. These follow-up inspections were required to be conducted within a certain period of time and there was no need for them to be conducted during class. For the remaining 130 inspections, 43 were during-class inspections, while 87 were outside-class inspections. LD had issued warnings in respect of the irregularities detected in

both types of inspections. In early 2016, LD also conducted 10 covert inspections, during which 17 warning letters were issued. In addition, written directions were issued to three TCPs, requiring them to comply with LD's approval conditions.

LD reviews the effectiveness of our MST monitoring strategy from time to time and has suitably adjusted the mix of different modes of inspection to maximise the monitoring effectiveness. For example, in view of the effectiveness of covert inspections, LD had increased the frequency of covert inspection since 2015 and regularised it from 2017 onwards.

- (e) the progress of the follow-up actions in respect of the recommendation in paragraph 3.10(a) of the Report that inspections on the TCPs should be arranged during time period when there are course sessions taking place as far as possible, and the undertaking by LD in paragraph 3.11(a) of the Report that it would arrange more during-class inspections.

Starting from November 2017, LD has taken administrative measures to arrange more during-class inspections. Furthermore, LD is also undertaking a comprehensive review on the concerned internal inspection guidelines to formalise the increase in proportion of during-class inspections.

(7) According to paragraph 3.9, as at August 2017, two of the three Phase One improvement measures for the remaining five types of mandatory safety training ("MST") courses had not been implemented, while LD had yet drawn up a timetable to implement the above improvement measures as well as those for Phase Two. Please provide:

- (a) the timetable, procedures, staff establishment and expenses involved in the improvement measures already implemented; whether regular reviews on the implementation progress of the improvement measures were conducted at that time; if so, of the outcome; if not, the reasons for that;

Implementing improvement measures on MST programmes is mainly undertaken by OSOs of LD's OSHTC. As at 30 November 2017, the establishment for discharging the above duty was four OSOs. As they are also responsible for other duties, the manpower and expenditure involved in implementing the improvement measures cannot be separately accounted for.

- (b) of the two Phase One improvement measures for the remaining five types of MST courses which had not been implemented;
- (c) the reasons why Phase One measures have not yet been implemented and the timetable for implementing the remaining Phase One measures and Phase Two measures has not been drawn, and whether it has something to do with the improper staff arrangements; whether LD will adjust or employ more staff in view of the delay in the implementation of the measures concerned; if so, please specify the estimated expenses and details; and
- (d) the progress and details of LD's follow-up actions in respect of the recommendation in paragraph 3.10(b) of the Report.

In 2011, LD implemented the Phase One improvement measure on "Consolidation of the Guidance Notes", and also the "Standardisation of Course Contents" and "Centralisation of Issuance of Examination Papers" measures for the Mandatory Basic Safety Training Course (commonly known as "Green Card Course"). At the request of the industry, LD had subsequently on three different occasions enhanced the Green Card Course to enrich its course content and refine its approval conditions to ensure the Course can better equip all construction workers with OSH knowledge. As a result, such efforts have delayed the implementation of improvement measures for the five remaining types of MST courses.

LD has just completed the latest review of the Green Card Course and will roll out the new curriculum in the first quarter of 2018. Upon completion of this review, LD will concentrate its resources on the implementation of the remaining Phase One improvement measures, viz "Standardisation of Course Contents" and "Centralisation of Issuance of Examination Papers". We aim to draw up a practicable implementation timetable in the first quarter of 2018. As stated in the paper submitted to the Manpower Panel of the Legislative Council in April 2011, the suggested Phase Two improvement measures involve more complicated issues, and LD needs to conduct more in-depth studies and consult relevant parties before determining the measures to be implemented in Phase Two.

(8) Regarding the recommendation in paragraph 3.25(a) of the Report that LD should review whether there is a need to revise the Factories and Industrial Undertakings (Safety Management) Regulation (Cap. 59AF) to address the shortcomings that some Registered Safety Auditors ("RSAs") are not Registered Safety Officers ("RSOs"), and as stated by LD in paragraph 3.26(a) of the Report

that it will ensure that RSAs are RSOs, please advise of the follow-up actions already taken and the outcome, including when the above Regulation will be reviewed and amended.

It is LD's policy intention that an RSA should also be an RSO. LD had consulted DoJ on the issue identified in the Audit Report. DoJ advised that CL might impose a registration condition, under section 6 of the Factories and Industrial Undertakings (Safety Management) Regulation, that an RSA should be an RSO and has to maintain his/her RSO status. LD is studying the relevant legal advice in order to devise appropriate measures to ensure that all RSAs are RSOs.

Part 4: Occupational Health

(9) According to paragraphs 4.6 to 4.8, the utilization of the reserved sessions for radiation medical examinations had decreased during the period from 2012 to June 2017. The number of no-show cases had increased. Moreover, the number of sessions in which not more than 20 examinations were carried out had increased to 56%, coupled with the fact that no other clinical service could be provided by the doctor manning the session during the reserved sessions, causing a serious mismatch of resources. Please advise of the following:

- (a) the respective amounts of wasted expenses due to no-show cases and the decrease in the number of bookings per session;

Medical examination of radiation workers is carried out by the doctors of the Kwun Tong Occupational Health Clinic ("KTOHC") of LD. Apart from the work on medical examination, the clinic doctors are also responsible for other duties. As such, there is no specific breakdown on the manpower cost for this area of work. The consultation service of KTOHC is provided on an appointment basis. If some radiation workers fail to turn up for their appointments or cancel their appointments on short notice, the clinic cannot immediately arrange other patients to make use of the vacated time slots. The doctor responsible for the medical examination will make use of the time for other duties (e.g. reviewing patients' radiology and laboratory test reports, writing medical reports and workplace assessment reports, etc.) instead of idling themselves.

- (b) whether LD and Department of Health ("DH") have conducted regular reviews

on the utilization of reserved sessions; if so, why the above situation persists; if not, the reasons for that;

LD sets aside a number of sessions for medical examination of radiation workers according to the yearly evaluation by DH. In September each year, DH will base on the actual number of radiation workers examined in that year and the expected possible increase in the number of radiation workers to assess the number of medical examination sessions required for the coming year. In order to facilitate the rescheduling of medical examinations for individual radiation workers who need to change their appointments, and for those who may default their appointments, the number of medical examination sessions reserved is higher than the actual need to ensure that the radiation workers can undergo medical examination within the statutory time limit. This accounts for under-utilisation of some sessions.

- (c) regarding the fact that LD agrees with the recommendation in paragraph 4.16(a) of the Report that it should, in collaboration with DH, reduce the no-show rate of radiation workers for medical examination, the follow-up work involved and the effectiveness. Apart from the above recommendation, whether the Administration will consider other measures, such as making adjustments to the reserved sessions or allowing the doctor manning the session to provide other clinical service during the reserved sessions in case of no-show of the patient concerned, in order to ensure the proper utilization of clinical resources.

LD concurs with the advice of the Audit Commission that there is a need to reduce the overall number of reserved sessions, step up measures to encourage radiation workers to attend the medical examination as scheduled and arrange appointment rescheduling in a more stringent manner with a view to making full use of the reserved sessions.

In order to align the total annual number of sessions reserved for medical examination more closely with the number of radiation workers, DH has collaborated with LD to improve the mechanism for assessing the yearly number of medical examination sessions and suitably reduce the number of medical examination sessions each year. At the same time, utilisation of the medical examination sessions is closely monitored on a monthly basis to enable moderation of the number of sessions in accordance with actual need. This helps ensure that scheduled sessions can be fully utilised whilst the medical examination services for radiation workers will not be affected.

Moreover, to better utilise each of medical examination sessions, DH has worked

with LD to introduce improvement measures. These include informing the employers of the radiation workers four weeks before the scheduled examination session (instead of the current practice of two to three weeks), and reminding them to inform DH within ten days from the date of the notification letter if their radiation workers cannot attend the examination as scheduled. This enables the employers and the radiation workers concerned to make early arrangement for the medical examination, and allows more time for DH to arrange other radiation workers to substitute in case any workers are unable to attend the scheduled appointment. In view of the fact that some radiation workers have chosen not to provide their mobile phone number and hence cannot receive reminding messages from DH through SMS three days before the scheduled appointment, staff of DH will call the employers of these radiation workers three to four working days prior to the scheduled appointment so as to remind the employers of the coming medical examination scheduled for their radiation workers.

The above arrangements have been implemented since November 2017. Statistics of the first three sessions after the implementation show that the number of workers defaulting appointment per session has significantly reduced and the actual number of radiation workers examined per session has noticeably increased.

(10) According to paragraphs 4.10 and 4.11 of the Report, under existing legislation, the examinations carried out for the radiation workers' first employment should be provided free of charge, but whether the periodic examinations after the workers' first employment should be charged is not specified. At present, the radiation medical examinations (including those for the first employment or periodic examinations after the first employment) conducted at KTOHC are provided free of charge. Please advise of the following:

- (a) the grounds for KTOHC to allow workers and their employers not to pay for the periodic examinations after the first employment of the workers concerned; and
- (b) whether DH will consider amending the legislation to specify if the periodic examinations carried out for the radiation workers after their first employment would be provided for a fee or free of charge; if so, of the details and implementation timetable; if not, why, how will DH address the question of whether periodic examinations should be provided for a fee.

The subsidiary regulations of the Radiation Ordinance require radiation workers to undergo pre-employment medical examination and periodic medical examination

after employment, and be certified fit for employment in radiation work before they can engage in relevant duties. The regulations state that medical examinations on first employment are provided free of charge. As for periodic examinations, although there is no similar provision that they are provided free of charge, there is also no stipulation of any required fee. Since the regulations have clearly set out the requirements and fees for chargeable items, and the medical examinations on first employment and periodic medical examinations are basically of the same nature, fees have not been collected for the periodic medical examination of radiation workers all along.

LD and DH are studying the relevant provisions of the regulations in detail and the justifications for the existing practices. Legal advice from DoJ will be sought when necessary. In addition, views of relevant stakeholders including the Radiation Board, employers and employees concerned will be taken into account before any decision is taken on legislative amendments or chargeable fees. LD will work closely with DH on this matter and there is no definite timetable at this stage.

(11) According to paragraph 4.18 of the Report, LD did not monitor the number of outstanding inspections on occupational health, as well as the delay in carrying out inspections after they were brought up. Please advise of the following:

- (a) whether staff establishment is the reason for not monitoring; whether regular reviews on the arrangement of carrying out of inspections on occupational health were conducted in the past; if so, why does the above situation persists; if not, the reasons for that;
- (b) whether guidelines have been drawn up to specify the time frame from bringing up the inspections on occupational safety to actually carrying out inspections; if so, of the details; if not, whether LD will consider including such a time frame in the guidelines; and

LD adopts a risk-based approach in inspections on occupational health. The relevant Technical Note of LD stipulates the bring-up mechanism and follow-up arrangements of inspection on occupational health. According to the Technical Note, workplaces identified as high-risk should be brought up within one year and be inspected within three months from the brought up dates; and workplaces classified as moderate-risk should be brought up within three years and be inspected within six months from the brought up dates. Owing to their nature, low-risk cases normally are not required to be brought up and there is no prescribed inspection

deadline. The Audit Commission noted that there were some cases of outstanding and delayed brought-up inspections. LD examined all such cases and confirmed that all (except for one) were low-risk cases.

Inspections on occupational health are conducted by Occupational Hygienists of the Occupational Hygiene Divisions of LD and such work is monitored by the Division Heads. The monitoring mainly focuses on ensuring that brought-up cases classified as high-risk and moderate-risk are handled appropriately. As workplaces classified as low-risk are not required to be brought up and have no prescribed inspection deadline as stated in the relevant Technical Note of LD, these workplaces are not the priority of the Occupational Hygiene Divisions under the risk-based approach.

- (c) the timetable for following up the recommendations in paragraph 4.21 of the Report, the progress, specific measures, and effectiveness of the measures in this respect.

LD noted that some workplaces classified as low-risk were brought up not according to the relevant Technical Note of LD. To ensure effective implementation of the bring-up mechanism, the monitoring system of inspections on occupational health has been enhanced. Besides, a monthly progress report showing the number of brought-up cases and any delay in inspection is submitted to the management for monitoring purpose. The new monitoring system has been implemented since 1 January 2018. All existing backlog cases will be cleared by April 2018.

(12) According to paragraph of 4.23, LD did not report separately the respective numbers of investigations, surveys, examinations, assessments, and clinical consultations in its Controlling Officer's Report ("COR"). Please advise of the following:

- (a) the current staff establishment and expenses for handling COR;

Handling of the COR is part of the day-to-day work of LD. Manpower establishment and expenditure relating to the work cannot be separately identified.

- (b) whether Audit's recommendation for separate reporting of the respective numbers of investigations, surveys, examinations, assessments, and clinical consultations will be further considered; if so, the details of the estimated additional staff establishment and expenses required.

CL agrees with the Audit Commission's recommendation and will report the number of investigations, surveys, examinations, assessments and clinical consultations separately in the COR from 2018 onwards to enhance transparency. The work does not involve additional manpower and expenditure.

ACRONYMS AND ABBREVIATIONS

1993 Practice Note	Practice Note for Professional Persons 5/93 "Drainage Plans subject to Comment by the EPD"
ACMs	Asbestos-containing materials
AFCD	Agriculture, Fisheries and Conservation Department
ATMS	Air Traffic Management System
Audit	Audit Commission
Audit Report	Director of Audit's Report
B/Ds	Bureaux/departments
BD	Buildings Department
CAD	Civil Aviation Department
CFCs	Cooked food centres
CFMs	Cooked food markets
CMC	Caritas Medical Centre
DoJ	Department of Justice
EDB	Education Bureau
EMSTF	Electrical and Mechanical Services Trading Fund
EPD	Environmental Protection Department
ESPP	Elderly Services Programme Plan
FC	Legislative Council Finance Committee
FDHs	Foreign Domestic Helpers
FEHD	Food and Environmental Hygiene Department
FHB	Food and Health Bureau
FIUO	Factories and Industrial Undertakings Ordinance (Cap. 59)
FMO	Fish Marketing Organization
FSD	Fire Services Department
FSTB	Financial Services and the Treasury Bureau

ACRONYMS AND ABBREVIATIONS

GFD	Government Fleet Division
GFIS	Government Fleet Information System
GNCS	Government New Construction Section
GPA	Government Property Agency
HA	Hospital Authority
HAB	Home Affairs Bureau
HAD	Home Affairs Department
HADF	Hospital Authority Drug Formulary
HAGAO	Hotel and Guesthouse Accommodation Ordinance (Cap. 349)
HD	Housing Department
HKAPA	Hong Kong Academy for Performing Arts
HKDI	Hong Kong Design Institute
HKHA	Hong Kong Housing Authority
HKP	Hongkong Post
IIAs	In-flat Inspection Ambassadors
ImmD	Immigration Department
JO	Joint-office
LandsD	Lands Department
LD	Labour Department
LegCo	Legislative Council
LR	Land Registry
LTO	Land Titles Ordinance (Cap. 585)
LTRS	Land title registration system
m ²	Square metres
MATF	Maritime and Aviation Training Fund
MD	Marine Department

ACRONYMS AND ABBREVIATIONS

MSW	Municipal solid waste
NFBs	Non-franchised buses
NLTH	North Lantau Hospital
NN	Nuisance notices
OLA	Office of the Licensing Authority
OSHO	Occupational Safety and Health Ordinance (Cap. 509)
PRH	Public rental housing
PRL	Private Recreational Lease
PSL	Passenger Service Licence
RGC	Research Grants Council
RIMS	Responsive In-flat Maintenance Services
RSA	Registered Safety Auditor
RSO	Registered Safety Officer
RVD	Rating and Valuation Department
SDBs	Specialist and departmental buildings
SoS	Surveyor of Ships
SPLBs	School private light buses
SSB	School sponsoring body
STS	Septic-tank-and-soakaway
SWD	Social Welfare Department
TD	Transport Department
THB	Transport and Housing Bureau
TKL Campus	Tiu Keng Leng Campus
TMS	Total Maintenance Scheme
UBWs	Unauthorized building works
UGC	University Grants Committee

ACRONYMS AND ABBREVIATIONS

UNHCR	United Nations High Commissioner for Refugees
VSP	Vacant school premises
VTC	Vocational Training Council
WCGOC	Wan Chai Government Offices Compound
WSD	Water Supplies Department