

立法會
Legislative Council

LC Paper No. FC227/18-19

(These minutes have been
seen by the Administration)

Ref : FC/1/1(14)

Finance Committee of the Legislative Council

Minutes of the 14th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 15 February 2019, at 3:00 pm

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon CHAN Chun-ying, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, BBS, JP

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

Members absent:

Hon Michael TIEN Puk-sun, BBS, JP
Hon YUNG Hoi-yan
Hon CHEUNG Kwok-kwan, JP

Public officers attending:

Ms Alice LAU Yim, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Carol YUEN, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Mike CHENG Wai-man	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Miss Eliza LEE Man-ching, JP	Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism)
Ms Vivian SUM Fong-kwang, JP	Deputy Secretary for Commerce and Economic Development (Commerce and Industry)1
Miss Connie CHEUNG Suet-fan	Principal Executive Officer (Administration), Commerce and Economic Development Bureau
Dr Christine CHOI Yuk-lin, JP	Under Secretary for Education
Mrs Elina CHAN NG Ting-ting	Principal Assistant Secretary for Education (Infrastructure and Research Support)
Ms Winnie HO Wing-yin, JP	Deputy Director of Architectural Services
Ms Maria TSANG Pui-shan	Chief Project Manager 102, Architectural Services Department
Mr Jack CHAN Jick-chi, JP	Under Secretary for Home Affairs
Ms Sandy CHEUNG Pui-shan	Principal Assistant Secretary for Home Affairs (Culture)2
Ms Michelle LI Mei-sheung, JP	Director of Leisure and Cultural Services
Miss Rochelle LAU Shuk-fan	Assistant Director of Leisure and Cultural Services (Libraries and Development)
Ms Jenny MAN Chi-wai	Head (Information Technology), Leisure and Cultural Services Department

Clerk in attendance:

Ms Anita SIT

Assistant Secretary General 1

Staff in attendance:

Ms Ada LAU

Senior Council Secretary (1)7

Miss Bowie LAM

Council Secretary (1)1

Miss Queenie LAM

Senior Legislative Assistant (1)2

Mr Frankie WOO

Senior Legislative Assistant (1)3

Miss Mandy POON

Legislative Assistant (1)1

Action

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

Item 1 — FCR(2018-19)80

**RECOMMENDATION OF THE ESTABLISHMENT
SUBCOMMITTEE MADE ON 23 JANUARY 2019**

EC(2018-19)21

**HEAD 96 — GOVERNMENT SECRETARIAT: OVERSEAS
ECONOMIC AND TRADE OFFICES**

**HEAD 152 — GOVERNMENT SECRETARIAT: COMMERCE AND
ECONOMIC DEVELOPMENT BUREAU
(COMMERCE, INDUSTRY AND TOURISM
BRANCH)**

Subhead 000 — Operational expenses

2. The Chairman advised that the item sought the approval of the Finance Committee ("FC") for the recommendation of the Establishment Subcommittee ("ESC") made at its meeting held on 23 January 2019 regarding the proposals in EC(2018-19)21 to create three permanent posts as follows:

- (a) one Administrative Officer Staff Grade C ("AOSGC") (D2) post in the new Hong Kong Economic and Trade Office ("ETO") in Bangkok to head the new Bangkok ETO;
- (b) one Administrative Officer Staff Grade B ("AOSGB") (D3) post in the new Hong Kong ETO in Dubai to head the new Dubai ETO; and

- (c) one AOSGC (D2) post in the new ETO Policy Division of the Commerce, Industry and Tourism Branch ("CITB") of the Commerce and Economic Development Bureau ("CEDB") to head the new ETO Policy Division.

The Chairman advised that no member had requested that the proposals concerning the creation of the aforesaid permanent directorate posts in the Bangkok and Dubai ETOs be voted on separately, so he would put the proposals set out in (a) and (b) of FCR(2018-19)80 to vote first and then deal with the proposal set out in (c) of the paper which as requested by some members was to be voted on separately.

Voting on proposals set out in (a) and (b) of FCR(2018-19)80

3. At 3:01 pm, the Chairman put the proposals set out in (a) and (b) of FCR(2018-19)80 to vote. The Chairman declared that the majority of the members present and voting were in favour of the two proposals, and the two proposals were approved.

Proposal set out in (c) of FCR(2018-19)80

4. The Chairman advised that some members had requested that the proposal set out in (c) of EC(2018-19)21 regarding the creation of one AOSGC post in CITB of CEDB be voted on separately at the FC meeting. ESC had spent about 2 hours and 21 minutes on the scrutiny of EC(2018-19)21. The Administration had also provided two supplementary information papers.

Need for creating the proposed post

5. Mr Tony TSE expressed support for the Government to set up ETOs in more regions to assist enterprises in identifying opportunities in other markets. Given that overseas ETOs were under the purview of CEDB, while the Constitutional and Mainland Affairs Bureau ("CMAB") was responsible for ETOs in the Mainland, he enquired how CEDB and CMAB coordinated and liaised with each other to achieve the greatest benefits. Mr Christopher CHEUNG enquired about the measures to be taken by ETOs to assist Hong Kong enterprises in dealing with the pressures created by the trade conflict between China and the United States ("US").

6. In response, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) ("PS/CED(CIT)")

advised that the two bureaux had all along maintained close contact and coordination with each other at work. For instance, regarding Hong Kong's full participation in the country's two key strategies, i.e. the Belt & Road ("B&R") Initiative and the development of the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area"), CEDB was responsible for implementing work relating to the B&R Initiative, while CMAB was responsible for coordinating the development of the Greater Bay Area. In fact, the work of the two bureaux was closely interconnected. Separately, amid the China-US trade conflict, the two governments had imposed additional tariffs on goods imported from each other. The indirect consequences brought to Hong Kong enterprises had started to emerge, not only affecting the overall investment atmosphere, but also creating significant impacts on Hong Kong enterprises with factories established in the Mainland producing goods for export to the US. On the one hand, CEDB had gathered information about the situations and needs of Hong Kong manufacturers in the Mainland through various Mainland offices; and on the other hand, the overseas ETOs concerned had closely kept in view the progress of negotiations between China and the US, so that critical assessment reports could be provided in a timely manner. Having regard to the views expressed by the industry, the Government had introduced various supporting measures since June last year. For example, assistance was provided to the industry to diversify their production and sourcing locations, so that the enterprises could "go global" and set up factories or offices in other regions (including the Association of Southeast Asian Nations countries).

7. Expressing support for the item, Mrs Regina IP said that she was aware of the heavy workload of the departments concerned. With the increasing number of ETOs to be set up, it would be very time-consuming to discuss various detailed arrangements with the respective host governments and/or their Consul Generals ("CGs") in Hong Kong, such as the privileges and immunities to be given to the ETOs. Thus, it was necessary to create the new post to take forward the initiatives to expand the overseas ETO network and strengthen the policy support.

8. Mr LUK Chung-hung expressed his views and dissatisfaction towards the work of CEDB on tourism matters. In particular, he had reservation about the creation of the new post in CEDB to take forward new tourism projects. He opined that the Administration must show its commitment to prove that the creation of the new post could solve various existing problems in tourism matters and foster the development of the tourism industry. He asked the Administration to elaborate the importance of the proposed post.

9. Mr Tony TSE sought information about the progress of the Administration's plan to establish the remaining three ETOs in Moscow, Mumbai and Seoul.

10. PS/CED(CIT) advised that since the establishment of the first ETO in 1946, the Government of the Hong Kong Special Administrative Region ("HKSAR") had set up only 12 ETOs so far. Hong Kong was currently the world's seventh largest trading entity in goods, and such an achievement did not come easily. Given the uncertainties in the prevailing international situation and external economic and trading environment, the current-term Government considered it necessary to actively expand the ETO network and enhance the functions of ETOs in helping various enterprises develop their markets, so as to maintain the status of Hong Kong as the world's key trading entity. She supplemented that while preparing for the establishment of the Bangkok and Dubai ETOs, CEDB was also actively pursuing the proposals to set up new ETOs in Moscow, Mumbai and Seoul respectively. Such proposals involved substantial detailed arrangements and preparatory work, including discussions with local governments and/or their CGs in Hong Kong on privileges and immunities to be given for the ETOs and ETO officers. As it was difficult for the Administration Division headed by a Principal Executive Officer to cover the policy work relating to ETOs, which was increasing in volume as well as complexity, it was proposed that a dedicated ETO Policy Division be set up and the proposed AOSGC post be created to head the division and take forward the related work.

Flexible ranking system

11. Expressing concern over the flexible ranking system ("the system"), Mr AU Nok-hin said that according to the information set out in the Annex to ESC60/18-19(01), a total of 21 supernumerary posts had been created under the system since 2002, and he enquired about the following:

- (a) under what circumstances and for what reasons the Administration created those supernumerary posts;
- (b) the meaning of "HKETCO" as mentioned in the aforesaid Annex; and
- (c) the reasons for creating the supernumerary post of Principal Government Counsel under the system in the Berlin ETO, rather than a head post of the Administrative Officer grade as in other ETOs generally; and whether the said two posts fell under two different pay scales.

Mr AU said that as the existing system had not been revised for 22 years, he requested the Administration to conduct a detailed review on the system and provide an annual report to FC starting from the current financial year on the number of flexible deployments made to directorate officers under the system over the year, the relevant justification and the amount of public expenditure involved, so as to maintain the transparency of the system.

12. In response, PS/CED(CIT) advised that the flexible ranking system was only applicable to the directorate head and deputy head posts in overseas ETOs. Under the system, the Secretary for the Civil Service might exercise delegated authority in specific situations as set out in paragraph 3 of Enclosure 3 to EC(2018-19)21 to create supernumerary posts at a pre-determined higher rank to be held against the permanent directorate head and deputy head posts of the lower rank, so that the permanent posts of the lower rank could be filled temporarily. The scope and authority of the system were very clear. Since 2002, the Secretary for the Civil Service had only exercised such authority 21 times. Among the existing 18 directorate head and deputy head posts in overseas ETOs, only one supernumerary post was created under the system. For the Berlin ETO, a supernumerary post at the rank of Directorate (Legal) 3 ("DL3") was created from March 2007 to January 2012 as no suitable AOSGB could be arranged to take up the head post in the ETO at that time, and DL3 and AOSGB were of the same rank. She further explained that "HKETCO" referred to the Hong Kong Economic, Trade and Cultural Office (Taiwan) which was Hong Kong's multi-functional office in Taiwan, with major responsibilities in promoting economic, trade and cultural exchanges between Hong Kong and Taiwan.

Key performance indicators

13. Mr Christopher CHEUNG expressed support in principle for the item, but he considered the description of major duties for heads of the Bangkok and Dubai ETOs (such as facilitating the economic and trade interests of Hong Kong in the countries concerned, deepening and widening the scope of bilateral ties among Hong Kong and those countries, etc.) too general and enquired whether specific standards would be formulated by the Administration for the said posts (such as the number of promotional activities to be organized and the results to be achieved by those activities), so that members of the public and Members could monitor their performance more effectively, while allowing the Administration to gauge the cost effectiveness of the relevant posts and objectively assess whether the officers concerned had duly performed their duties. Mr Gary FAN also raised similar questions and requested the Administration to

provide quantifiable indicators (for example, the amount of investment or volume of business successfully generated through overseas ETOs, future work plans for the short to long terms, etc.) for members' reference. He also asked whether different investment and promotional strategies would be adopted for emerging markets.

14. Mr Holden CHOW suggested that the Administration could make reference to the practice of other countries in adopting alternative performance indicators, such as through assessing whether the work of ETOs had helped build the image of the country or Hong Kong. Citing the US as an example, he said that its overseas consulates or ETOs would hold video conferences with US businessmen or investors with local investments and answer their questions in order to provide necessary assistance.

15. In response, PS/CED(CIT) advised that the Administration would provide Members with an account of the work results of ETOs regarding in the Controlling Officer's Report of the budget each year the three major areas of "commercial relations", "public relations" and "investment promotion". Quantifiable performance indicators, such as the number of exhibitions, workshops and seminars organized, the number of investment and promotional projects completed, etc., would be used to indicate the work targets of ETOs and whether such targets had been met. Such indicators could also reflect the results of promotion efforts launched by ETOs in countries under their respective purviews to dovetail with the HKSAR Government's policy directions and key initiatives (including participation in the B&R Initiative and development of Greater Bay Area, promotion of innovation and technology and creative industries, etc.). Such performance indicators were also applicable to the new ETOs, and CEDB would set the work targets to be achieved for those ETOs. Moreover, ETOs would submit bimonthly work reports to the Legislative Council ("LegCo"), while the heads of overseas ETOs would also take the opportunity to brief the Panel on Commerce and Industry ("CI Panel") on their work when they returned to Hong Kong to attend the annual meeting of ETO heads.

Work and staff training of overseas Economic and Trade Offices

16. Mr Dennis KWOK and Mr Alvin YEUNG expressed support for ETOs to promote Hong Kong and expand its network of economic and trade ties in the international arena. Mr KWOK said that some European and US parliamentary representatives and government officials had relayed to him that the local ETOs (especially those in the United Kingdom and the US) had failed to play their role and establish their presence properly, while

members of the US-China Economic and Security Review Commission ("USCC") even claimed that no ETO officials had ever contacted them. He expressed the following views:

- (a) the Administration should review why ETOs had failed to establish their presence locally, such as whether they were understaffed;
- (b) apart from government organizations such as the Department of Commerce and the Department of State, the ETO concerned should step up lobbying outside the US Parliament and strengthen its ties with key counterparts and think tanks such as the Council on Foreign Relations, the Asia Society and the Heritage Foundation;
- (c) transparency of the work of ETOs should be enhanced; in particular, the Geneva ETO, which was responsible for handling matters relating to the World Trade Organization ("WTO"), should brief Members on matters such as its position and initiatives that had been undertaken; and
- (d) ETOs should proactively engage other regions in discussions on the signing or joining of relevant trade agreements. For example, the Tokyo ETO could proactively approach the local government to discuss and understand matters relating to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

17. Mrs Regina IP concurred with the views expressed by Mr Dennis KWOK and enquired whether the Administration had still engaged law firms or lobbying companies to conduct lobbying work locally. She suggested that for the sake of raising the international profile of Hong Kong, overseas ETOs could establish contacts with Hong Kong students studying abroad, support overseas visits and exchanges conducted by LegCo Members and organize activities to promote Hong Kong's culture and movies. Mr Alvin YEUNG was of the view that the negotiation and discussions on free trade agreements were often complicated and, as a small economic entity, Hong Kong's bargaining power was relatively weak, thus adding to the difficulty of the negotiation process. He enquired whether the Administration had provided specialized support and training for the staff stationed abroad and whether locally-engaged ("LE") staff could represent the interests of Hong Kong.

18. PS/CED(CIT) advised that at present, ETOs were headed by Hong Kong-based directorate Administrative Officers ("AOs"), while other Hong Kong-based staff came from various civil service grades. They were all familiar with the system and operation of the HKSAR Government and possessed relevant working experience of their respective grades, so that they were capable of handling the daily work of ETOs. ETOs also engaged local staff who were familiar with local affairs and had good personal networks to take up investment, promotion and public relations duties. In addition, ETOs also engaged local staff to provide supporting services, such as clerical, secretarial or general administrative duties. The current staffing arrangement could adequately meet the operational needs of ETOs and safeguard the interests of Hong Kong. Furthermore, a number of Hong Kong-based staff serving abroad had taken up different positions in ETOs. For instance, among the existing 18 Hong Kong-based directorate AO grade staff, 10 had served in other ETOs, and their accumulated experience would help the HKSAR Government in promoting external relations.

19. PS/CED(CIT) added that the ETOs had all along maintained contacts with the relevant offices responsible for Chinese affairs, economic and trade matters, etc., in the parliaments of countries under their respective purviews. Taking the Washington ETO as an example, the ETO officers contacted the relevant Members of the Congress and relevant organizations such as USCC immediately after the opening of the new US Congress in January this year to explain the latest situation of Hong Kong. Responding to the enquiries made by Members, she advised that the Hong Kong Trade Development Council had engaged consultants in the US to take up economic and trading policy research and lobbying work. Separately, it was a part of the routine work of ETOs to make contacts with Hong Kong citizens in foreign countries, provide assistance to overseas visits conducted by LegCo Members, etc. ETOs also organized or sponsored local cultural and art activities from time to time to promote Hong Kong. She also pointed out that ETOs (including the Geneva ETO) would submit bimonthly work reports to LegCo Members for information. She also clarified that the work relating to negotiation and discussions on free trade agreements and investment agreements was handled by officers of CEDB and the Trade and Industry Department and did not form part of the major duties of ETOs.

Participation in the Belt & Road Initiative

20. Mr Gary FAN said that according to EC(2018-19)21, Hong Kong would actively participate in and implement the B&R Initiative and was committed to strengthening its links with countries along B&R. He

enquired whether it was the Administration's plan to gradually expand the coverage of ETO locations to most or even all of the countries along B&R and whether Bangkok and Dubai were pilot locations for establishing ETOs in countries along B&R.

21. Dr KWOK Ka-ki expressed support for the item, but he considered that B&R Initiative was a political action of the state and was worried that if the B&R infrastructures could not be implemented, locally-based ETOs would be affected, leading to a reduction in manpower or even closures of the ETOs. He also enquired about the importance of the B&R Initiative to the two ETOs in Bangkok and Dubai.

22. In response, PS/CED(CIT) advised that the HKSAR Government currently had a total of 12 overseas ETOs, covering Hong Kong's top 20 merchandise trading partners. However, given the recent China-US trade conflict and the rise of trade protectionism, Hong Kong could not overly rely on existing trading partners, and it was necessary for the Government to help enterprises diversify markets and risks as well as promote diversification of industries. When deciding the locations of new ETOs, the Administration would strive to open up emerging markets with economic development potentials and investment opportunities, so as to drive Hong Kong's future economic development. Among the five proposed new ETOs, three were located in Asia and two in Eastern Europe and the Middle East respectively, covering various regions around the world. While expanding the ETO network, the HKSAR Government would continue to actively participate in and implement the B&R Initiative and the development of Greater Bay Area to capitalize on the advantages of Hong Kong and develop in concert with the Mainland, thus promoting the professional services of Hong Kong and attracting foreign investment.

Arrangement of scrutiny of this item

23. At 3:54 pm, the Chairman advised that members had spent nearly an hour on the discussion of the item, and he would conclude the discussion and put the item to vote after all members currently on the wait-to-speak list had spoken.

Motion proposed by a member under paragraph 37A of the Finance Committee Procedure

24. At 4:02 pm, FC started to vote on whether the [motion](#) proposed by Mr AU Nok-hin under paragraph 37A of the Finance Committee Procedure ("FCP 37A motion") should be proceeded with forthwith. The Chairman put to vote the question that the FCP 37A motion should be proceeded with

forthwith. At the request of members, the Chairman ordered a division. The Chairman declared that the question on proceeding with the motion forthwith was negatived.

Voting on proposal set out in (c) of FCR(2018-19)80

25. At 4:07 pm, the Chairman put the proposal set out in (c) of FCR(2018-19)80 to vote. The Chairman declared that the majority of the members present and voting were in favour of the proposal, and the proposal was approved.

Item 2 — FCR(2018-19)81

**HEAD 96 — GOVERNMENT SECRETARIAT: OVERSEAS
ECONOMIC AND TRADE OFFICES**

Subhead 000 — Operational expenses

26. The Chairman advised that the item invited FC to approve:

- (a) the pay scales and pay adjustment methods for LE staff in the new Hong Kong ETOs in Bangkok and Dubai respectively; and
- (b) the delegation of authority to PS/CED(CIT) or an officer designated by him/her to approve the pay scales and pay adjustment methods for LE staff of overseas ETOs, as well as their future pay adjustments according to the pay adjustment methods.

27. The Chairman advised that some members had requested that the proposals set out in (a) and (b) of the paper be voted on separately at the FC meeting. He would put the two proposals to vote one by one after the discussion of the whole item had been completed. CEDB had consulted CI Panel on the relevant proposals on 17 July 2018. The Panel had spent about 51 minutes on the discussion of the proposals.

28. At the invitation of the Chairman, Mr YIU Si-wing, Chairman of CI Panel, briefed members on the salient points of the Panel's discussion. He said that CI Panel discussed the Administration's paper on the establishment of new ETOs and the new ETO Policy Division under CITB of CEDB at its meeting held on 17 July 2018, including the proposals relating to the mechanism for devising the remuneration packages for LE staff of ETOs and the delegation of authority. The Panel supported the proposals in principle. Mr YIU added that members had expressed

concern on whether the direction of the Administration's strategy in promoting trade relations would be re-focused on Asia, given that the geographical distribution of the new ETOs would primarily cover Asian cities. Concerns were also raised over the potential of markets under the respective purviews of the new ETOs, as well as the strategies in tapping such markets. Members were also concerned about the roles of the new ETOs and the new ETO Policy Division in mitigating the impact caused by the China-US trade conflict to Hong Kong. They suggested that the Administration should expand Hong Kong's overseas trade and market network and reduce trade barriers, while making use of Hong Kong's separate membership under WTO to develop more diversified trading partners in order to avoid over-dependence on a single market. Members also called on the Administration to support Hong Kong enterprises with production lines based in the Mainland and help them tide over the difficulties caused by the China-US trade conflict.

Arrangements for delegation of authority

29. Mr AU Nok-hin expressed his disagreement with FC's delegation of authority to PS/CED or an officer designated by him/her to approve the pay scales and pay adjustment methods for LE staff in overseas ETOs, as well as future pay adjustments made accordingly. As far as he knew, the arrangements for delegation of authority had never been discussed by the relevant LegCo Panel or ESC, and the matter was discussed by FC today for the first time. He asked when the new proposal was made by the Administration and whether the Administration had plans to adjust the remuneration of LE staff in certain regions with the delegated authority.

30. Mr YIU Si-wing was of the view that as the number of LE staff and amount of resources involved in the relevant pay adjustments were limited in general, it was appropriate to delegate the authority concerned to PS/CED or an officer designated by him/her for the sake of streamlining the procedures. The arrangement would not only save manpower, resources and costs, but also enhance flexibility, so that the Administration could make pay adjustments in a timely manner according to the prevailing local circumstances to prevent the loss of talents. He enquired whether similar proposals had been rejected by LegCo previously, and whether there would be any changes to the pay adjustment mechanism and the relevant powers after the delegation of authority.

31. In response, PS/CED(CIT) advised that CEDB had provided a paper for the meeting of CI Panel held on 17 July 2018, setting out the proposals in five major areas, including the aforesaid delegation of authority proposal with explanation of the justifications. In concluding

the meeting, the Chairman of CI Panel stated that the Panel supported the Administration to seek ESC's endorsement and FC's approval for the five proposals. Thus, it was not the case of the Administration putting forth the delegation of authority proposal to members for the first time today.

32. PS/CED(CIT) further pointed out that as listed out in paragraphs 10 and 11 of FCR(2018-19)81, there was a set of standardized principles and an objective mechanism which the Administration must adhere to in devising the remuneration packages for LE staff in overseas ETOs, so as to ensure that the remuneration packages could be maintained at a reasonable level and were sufficiently competitive. The Administration had all along adopted the aforesaid principles and mechanism in devising the remuneration packages for LE staff in the existing ETOs, and all relevant proposals had been approved by FC. The pay scales and pay adjustment methods for LE staff in the new Bangkok and Dubai ETOs would also be determined according to the same principles and mechanism. The existing practice would remain unchanged after the delegation of authority. CEDB must still adhere to the established principles and mechanism in devising/reviewing the remuneration arrangements for LE staff in both the new and existing ETOs. She stressed that given the small number of LE staff in overseas ETOs, the annual expenditure on their remuneration incurred by individual ETOs was only in the range of a few million dollars. The proposed delegation of authority would help streamline the vetting and approval procedures, thereby improving the operational efficiency.

33. Ms Claudia MO pointed out that Bangkok was the capital of Thailand, while Dubai was the largest commercial and trading city in the United Arab Emirates ("UAE"), and both Thailand and UAE were countries along B&R. She enquired whether the Administration's move to seek FC's approval for the delegation of authority was intended to dovetail with China's development and promotion of the B&R Initiative in the aforesaid two regions.

34. PS/CED(CIT) reiterated that the existing 12 ETOs almost covered the top 20 merchandise trading partners of Hong Kong. To retain Hong Kong's position as the world's seventh largest trading entity in goods, apart from maintaining cooperative relations with those trading partners, Hong Kong must also keep moving forward, develop business opportunities and attract foreign investment to avoid being overtaken by other regions. The five ETOs mentioned in the discussion paper, including the Bangkok ETO that would be set up soon, the Dubai ETO for which satisfactory progress of preparation had been made and the other three proposed ETOs in Moscow, Mumbai and Seoul, were all established in potential markets with business and investment opportunities, thus helping Hong Kong take

forward its economic and trading development in various aspects. She reiterated that while expanding the ETO network, the Government would continue to participate in and implement the B&R Initiative and the development of Greater Bay Area proactively.

Pay scales and pay adjustment methods for locally-engaged staff

35. Mr AU Nok-hin noted that the international human resources consultant commissioned by the Administration recommended that taking into account the relatively less competitive pay levels of Thai civil service to local employment market, the pay scales of the LE staff of the Bangkok ETO should be devised by making reference to those of the United Nations. As for Dubai, given that there were positions in the Dubai civil service which performed similar duties as those of the LE staff in the Dubai ETO, the consultant recommended that the Dubai civil service's pay ranges for the relevant positions should be adopted for the devising the pay scales of the LE staff of the Dubai ETO. However, no pay arrangements had ever been established for the LE staff of the Berlin ETO. He sought the reasons for such a marked difference in the pay arrangements adopted for various overseas ETOs.

36. PS/CED(CIT) explained that as LE staff in overseas ETOs were not Hong Kong civil servants, the pay scale system of the Hong Kong civil service was not applicable. The pay scales and pay adjustment methods for these staff would be devised by referring to the pay levels for comparable job positions in the local employment market, with the local civil service and major international organizations with offices established in the host cities of the ETOs as the primary basis, while their pay adjustments afterwards would also be made in accordance with the established pay adjustment methods. The pay arrangements for each ETO varied according to the employment market conditions in the host cities. The basis of pay scales and pay adjustments for the existing ETOs had been approved by FC, and the relevant arrangements were set out in paragraph 25 of FCR(2018-19)81. As regards the Berlin ETO, in light of the urgent need for the ETO to commence operation at that time, the LE staff had all along been employed under non-civil service contract terms. The Berlin ETO had already commissioned an international human resources consultant to conduct a study and make recommendations regarding the remuneration packages (including the establishment of pay arrangements) for the LE staff.

37. Mr Holden CHOW noted from paragraph 25 of FCR(2018-19)81 that most of FC's approvals for the pay adjustment methods for a number of overseas ETOs were given before 1997. He was concerned whether any

adjustment had been made to the relevant remuneration packages in the past 20 years or so and enquired whether the Administration would inform FC of the amount of pay adjustments in the future.

38. Mr Kenneth LEUNG said that he supported in principle the establishment of the new ETOs in Bangkok and Dubai because Hong Kong, as an open economic entity, must expand internationally and develop overseas markets as far as possible in the midst of the China-US trade conflict. While the delegation of authority would provide certain freedom in respect of pay adjustments for LE staff, he asked whether the Administration would set any financial ceilings on the pay adjustments. Mr Jeremy TAM enquired about the reporting process and mechanism in case pay adjustments were to be made and whether there were any precedent cases involving a drastic increase in the remunerations of LE staff due to the occurrence of sudden incidents, such as a strike of the basis for pay adjustments.

39. PS/CED(CIT) explained that it was not the case of no adjustments ever been made to the remunerations of LE staff in overseas ETOs since 1997. As a matter of fact, adjustments would be made according to the established pay adjustment methods annually, if applicable. At present, such adjustments were approved by the Financial Services and the Treasury Bureau. She also stressed that the delegation of authority would not result in the Administration being given excessive powers as regards the pay adjustments. For instance, the pay adjustment methods adopted for LE staff of the Brussels ETO were based on the pay adjustments of the World Customs Organization ("WCO"). In other words, the ETO could only adjust the remunerations of its LE staff at the same level as and when WCO adjusted the remunerations of its local staff. Hence, it was impossible to make adjustments unlimitedly. She supplemented that so far, no sudden incident had occurred in the host cities of the ETOs, which resulted in a drastic increase in the remunerations of LE staff. The Administration would gladly report to CI Panel the remuneration arrangements adopted for LE staff of the new ETOs in the future.

40. Referring to the proposed pay scales with a total of 14 grades of LE staff set out in Enclosure 2 to FCR(2018-19)81, Mr Jeremy TAM asked why the monthly salary of the Investor Relations Officer ("IRO") was higher than that of the Office Manager ("OM"), and whether the Public Relations Officer ("PRO") or Commercial Relations Officer ("CRO") could be promoted to the post of IRO. Mr TAM also called on the Administration to consider developing business opportunities in Africa. He stated that he had made contacts with Members of the Parliament in Ghana, Africa, and they said that they welcomed investment from foreign

governments in cocoa production as well as the financing of infrastructural development. They pointed out that Singapore had also participated in such investments.

41. PS/CED(CIT) explained that the items listed as I to XIV in the pay scales were not "grades" but "salary steps". A total of 12 local staff would be engaged by the Bangkok ETO to perform various duties relating to investment promotion, public relations and general administrative support. As IRO would be responsible for investment promotion, and the ETO's work in relation to business and trade promotion must be carried out through his/her personal network, the said post was relatively important with a higher salary. Separately, the holders of PRO or CRO posts could not be promoted to IRO. In case of any vacancy, the ETO would conduct an open recruitment exercise, and all serving LE staff in the ETO who were eligible could apply for the post. Mr TAM suggested the Administration change the titles of those posts, so as to reflect their rankings more clearly. PS/CED(CIT) noted his view.

Studies conducted by the international human resources consultant

42. Mr AU Nok-hin enquired about the scope, detailed content and expenditure of the studies conducted by the international human resources consultant on the pay arrangements for LE staff in overseas ETOs. In response, PS/CED(CIT) advised that studies were conducted by the international human resources consultant in accordance with the principles and mechanism set out in paragraphs 10 and 11 of FCR(2018-19)81. The consultant then made recommendations to the Administration accordingly.

Arrangement of scrutiny of this item

43. At 4:47 pm, the Chairman advised that he would conclude the discussion and put the item to vote after all members currently on the wait-to-speak list had spoken.

Voting on FCR(2018-19)81

44. The Chairman put the two proposals in item FCR(2018-19)81 to vote separately.

(a) *Pay scales and pay adjustment methods for LE staff in the new Hong Kong ETOs in Bangkok and Dubai respectively*

45. At 5:00 pm, the Chairman put the said proposal of the item to vote. At the request of members, the Chairman ordered a division. The

Chairman declared that 41 members voted in favour of and no member voted against the proposal, and one member abstained from voting. The votes of individual members were as follows:

For:

Mr Tommy CHEUNG Yu-yan	Mr WONG Ting-kwong
Ms Starry LEE Wai-king	Mr CHAN Hak-kan
Dr Priscilla LEUNG Mei-fun	Mr WONG Kwok-kin
Mrs Regina IP LAU Suk-yee	Ms Claudia MO
Mr Steven HO Chun-yin	Mr Frankie YICK Chi-ming
Mr YIU Si-wing	Mr Charles Peter MOK
Mr CHAN Chi-chuen	Mr CHAN Han-pan
Mr LEUNG Che-cheung	Mr Kenneth LEUNG
Ms Alice MAK Mei-kuen	Mr Christopher CHEUNG Wah-fung
Dr Fernando CHEUNG Chiu-hung	Mr IP Kin-yuen
Mr Martin LIAO Cheung-kong	Mr POON Siu-ping
Ir Dr LO Wai-kwok	Mr CHUNG Kwok-pan
Mr Alvin YEUNG	Mr Andrew WAN Siu-kin
Dr Junius HO Kwan-yiu	Mr LAM Cheuk-ting
Mr Holden CHOW Ho-ding	Mr SHIU Ka-fai
Mr SHIU Ka-chun	Mr Wilson OR Chong-shing
Dr Pierre CHAN	Mr CHAN Chun-ying
Mr LUK Chung-hung	Mr LAU Kwok-fan
Mr KWONG Chun-yu	Mr Jeremy TAM Man-ho
Mr Gary FAN Kwok-wai	Mr AU Nok-hin
Mr Tony TSE Wai-chuen	
(41 members)	

Abstained:

Dr CHENG Chung-tai
(1 member)

46. The Chairman declared that the said proposal was approved.

(b) *Delegation of authority to PS/CED(CIT) or an officer designated by him/her to approve the pay scales and pay adjustment methods for LE staff of overseas ETOs, as well as their future pay adjustments according to the pay adjustment methods*

47. The Chairman put the said proposal of the item to vote. The Chairman declared that the majority of the members present and voting were in favour of the proposal, and the proposal was approved.

48. At 5:00 pm, the Chairman instructed that the meeting be suspended for 10 minutes. The meeting resumed at 5:10 pm.

Item 3 — FCR(2018-19)82

**RECOMMENDATION OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 11 JANUARY 2019**

PWSC(2018-19)34

HEAD 703 — BUILDING

Education — Primary

**360EP — First 30-classroom primary school at Queen's Hill,
Fanling**

**361EP — Second 30-classroom primary school at Queen's Hill,
Fanling**

49. The Chairman advised that the item sought FC's approval of the recommendation made by the Public Works Subcommittee ("PWSC") at its meeting held on 11 January 2019 regarding PWSC(2018-19)34 for the upgrading of 360EP concerning the first 30-classroom primary school at Queen's Hill, Fanling and 361EP concerning the second 30-classroom primary school at Queen's Hill, Fanling to Category A at estimated costs of \$386.1 million and \$386.6 million in money-of-the-day prices respectively. Some members requested that the recommendation be voted on separately at the FC meeting. PWSC had spent about two hours on the scrutiny of the aforesaid proposals. The Administration had also provided four information papers.

50. The Chairman declared that he was an independent non-executive director of The Bank of East Asia and a senior advisor of the Well Link Insurance Group Holdings Limited.

School building planning

51. Expressing support for the construction of two primary schools at Queen's Hill, Fanling, Mr Gary FAN pointed out that the public housing development ("PHD") at Queen's Hill was scheduled for completion in phase by 2021, while the two primary schools would also be completed in a timely manner to start operation from the 2021-2022 school year. On the contrary, there was no provision of any primary school in Shui Chuen O Estate, Shatin so far since the intake of residents in 2015. He sought details about the decisions or measures taken by the Education Bureau ("EDB") to enable the commissioning of the two primary schools to dovetail with the scheduled completion of housing development, and asked

how the Administration could learn from the present case and avoid repeating the same mistake of Shui Chuen O Estate, Shatin. Expressing similar views, Mr KWONG Chun-yu, Mr AU Nok-hin and Mr Alvin YEUNG said that they were pleased to note that PHD and public sector school development at Queen's Hill were properly planned in tandem and considered that the present case could serve as a reference for the future planning of new development areas ("NDAs"). Mr KWONG enquired whether it was the responsibility of EDB to review each NDA and conduct prompt and proper school building planning at the early stage of development by using the projects at Queen's Hill as an indicator, as well as allocate the school places according to the principle of vicinity, so that students would not need to travel a long distance to attend schools.

52. In response, Under Secretary for Education ("US(Ed)") advised that consistent principles were adopted by the Administration in conducting school building planning for NDAs to ensure the provision of sufficient public sector primary school places for all school-age children. Factors taken into account by the Administration in planning the construction of public sector schools included:

- (a) the projected demand for public sector school places;
- (b) the actual supply and demand situation of school places in the district;
- (c) the opinions of schools in the district; and
- (d) whether there was long-term demand for school building in the district, etc.

53. US(Ed) added that the principles adopted by the Administration for school building planning and the methods used for projecting the school-age population at Queen's Hill, Fanling and Shui Chuen O Estate, Shatin were exactly the same. But as Shui Chuen O Estate was within the school nets in the Shatin District, and Queen's Hill was within the school nets in the North District, they belonged to different school nets and districts. Separately, the projection of school-age population would be subject to certain factors and limitations, including the long-term development of schools, stability of the education sector, choices of parents, etc. She stressed that while the Administration had all along allocated primary school places according to the principle of vicinity, some students might need to attend schools in other districts due to factors such as moving home and parental choice. The Administration would also help students in need change schools upon the intake of residents for new

housing estates. She added that under the Primary One Admission System, the 18 districts in the territory were currently demarcated into 36 school nets. The smaller the district, the fewer the number of schools from which the parents could choose. The Administration would strike a balance as far as possible between the number of schools available for choice by parents and students, and the actual need. In fact, apart from the travelling distance, parents would also consider other factors when selecting schools for their children such as educational philosophy, course features and ethos of the schools.

54. Expressing support for the item, Mr Wilson OR hoped that the item could be implemented as soon as possible. He pointed out that residents of On Tat Estate and On Tai Estate at Anderson Road, Kwun Tong were also faced with a similar problem as that of Shui Chuen O Estate. While around 50 000 residents were now living in the two estates since their intake in 2016 and 2017 respectively, only one primary school was scheduled for completion in 2022. Nearly 1 200 students must attend schools in other areas such as Ngau Tau Kok, Lam Tin, Yau Tong and Shun Lee Estate, which was highly unsatisfactory. He called on the Administration to undertake to conduct a comprehensive review on the issues relating to the supply of school places and school building policies in NDAs as soon as possible, and to formulate clear guidelines to address the serious delay in school building planning. Mr Jeremy TAM and Mr AU Nok-hin also expressed similar views.

55. In response, US(Ed) advised that upon the intake of residents in NDAs, parents and students would be provided with a good variety of school choices in various school nets. Taking Shui Chuen O Estate as an example, the school nets in the Shatin District had more than 40 primary schools. For Queen's Hill, 28 primary schools were available for selection in the corresponding school nets in the North District. As regards On Tat Estate and On Tai Estate mentioned by Mr OR, the Administration had decided to reprovision the Maryknoll Secondary School in Kwun Tong to Anderson Road, and the relevant school building project would soon be submitted to PWSC for consideration. She noted members' views on school building planning, the principle of vicinity and school nets, and the Administration would enhance communication with the departments concerned, so as to promptly grasp the latest information as far as practicable to facilitate the decision making on the need for building new schools and the initiation of related school building projects in a timely manner.

Traffic design and safety

56. Expressing concern over the emission problem caused by the close proximity of the schools to a transport interchange, Mr Jeremy TAM was pleased to note that the Administration had proposed to install proper ventilation systems and block the emissions by walls. As for the proposed public transport terminus ("PTT") adjacent to the schools concerned, he expected that there would be high pedestrian flow at the PTT in the future and requested the Administration to install railings and examine the design of vehicular ingress/egress in light of the need of students, so as to prevent traffic accidents from happening.

57. In response, Deputy Director of Architectural Services ("DDAS") advised that the proposed PTT would be located at the east side of the schools, while the main entrance/exit of the schools would be located at the west side. Hence, a relatively safe distance would be maintained between the students' entrance/exit and the PTT. She noted the views expressed by Mr TAM and would closely liaise and discuss with the Transport Department on the provision of railings at locations where needed.

Traffic Impact Assessment report

58. Mr AU Nok-hin suggested that the Administration should also provide the relevant Traffic Impact Assessment ("TIA") reports for public works projects to LegCo for discussion in the future. Referring to Table 4.3 on page 15 of the TIA report (Annex 1 to PWSC110/18-19(02)), Mr CHU Hoi-dick requested the Administration to explain clearly the meaning of the terms "Attraction" and "Generation". If the term "Attraction", as he understood, meant the number of vehicles drawn to the two primary schools, he asked whether the estimation of only 62 vehicles during the morning peak hours was too conservative; whether the Administration had a detailed breakdown of those 62 vehicles by type; and whether the Administration had merely mapped the traffic generation rates set out in Table 4.2 of the report to the development at Queen's Hill, without due regard to the geographical and environmental factors of the specific location. He was of the view that the Administration had underestimated the number of vehicles drawn to the schools concerned because given the unique geographical location of Queen's Hill, students must travel to schools by transport unless they lived in Queen's Hill.

59. In response, US(Ed) advised that most of the students were expected to travel to and from the two primary schools on foot or by public transport, while the schools would also provide school bus or nanny van

services on a need basis. As currently planned, school bus parking spaces would be provided in the schools. The Administration would minimize the provision of private car parking spaces to alleviate the traffic load and impact. DDAS supplemented that Mr CHU was correct in saying that "Attraction" referred to the number of student-carrying vehicles drawn to the schools, while the term "Generation" referred to the number of vehicles driving out from the schools. She explained that a private car would be counted as one vehicle, while school buses, minibuses or nanny vans which could carry a number of students would be given different values. Taking into account the number of various types of vehicles including private cars, taxis, school buses and nanny vans to be drawn to the schools during morning peak hours, the Administration had come up with a lump sum figure, i.e. 62 vehicles as mentioned by Mr CHU. She pointed out that the relevant TIA report was prepared by the Civil Engineering and Development Department ("CEDD") for the housing development at Queen's Hill. Using the department's own statistics, such as survey findings relating to primary students in the North District, CEDD had worked out the projected traffic demand brought by the primary schools concerned and then applied to the development at Queen's Hill.

External works of the proposed schools

60. Mr Alvin YEUNG noticed that the layout and design of the two primary schools at Queen's Hill were generally the same as the school project at Shui Chuen O Estate which was discussed by PWSC earlier, while their respective breakdowns of capital costs were also similar. However, there was a huge difference between their costs of external works, i.e. about \$26 million for the primary school at Shui Chuen O Estate and about \$42 million for each of the two primary schools at Queen's Hill. He enquired about the meaning of "external works"; the reasons for a difference of nearly \$16 million between the cost of external works for each of the two primary schools at Queen's Hill and that for the primary school at Shui Chuen O Estate; and whether the Administration could further provide a more detailed breakdown for members' reference.

61. DDAS explained that under the present item, the relevant contract would stipulate that land resumption was to be carried out in phases and certain demolition works were required upon the resumption of land. Those projects were also different in respect of the selection of paving materials, as well as greening and tree planting works. Moreover, the site locations of the two projects and the transport arrangements were also different. All the above factors would affect the cost of external works. Mr Alvin YEUNG suggested the Administration to replace the term

"external works" with "land resumption" in the future to facilitate members' understanding and follow-up work. DDAS noted his view.

62. Mr AU Nok-hin requested the Administration to specify the lands to be acquired and the structures to be demolished under the item. US(Ed) responded that under the proposed projects, land resumption of two agricultural lots with a total area of about 542.8 sq m was required. The lots were currently used for open storage purpose. The Lands Department conducted a freezing survey for the land resumption on 7 April 2017, and no household was affected. After consulting the Panel on Education, a Government Notice for the land resumption was published in the Gazette on 7 December 2018, and no objection to the land resumption had been received so far. The landowners had to revert the land to the Government within three months after the Gazette was published, so it was anticipated that the Government could resume the land in April 2019 for commencement of the works by EDB and the Architectural Services Department. Compensation would be paid to the business operators, if eligible, in accordance with the prevailing policy. The estimated cost of land resumption and clearance was \$5.6 million.

Voting on FCR(2018-19)82

63. At 5:48 pm, the Chairman put item FCR(2018-19)82 to vote. The Chairman declared that the majority of the members present and voting were in favour of the item, and the item was approved.

Item 4 — FCR(2018-19)83 CAPITAL WORKS RESERVE FUND HEAD 710 — COMPUTERISATION Leisure and Cultural Services Department New Subhead — "Development of Smart Library System"

64. The Chairman advised that the item invited FC to approve a new commitment of \$877,299,000 for development of a Smart Library System. The Home Affairs Bureau had consulted the Panel on Home Affairs ("HA Panel") on the relevant proposal on 19 December 2018. The Panel had spent about 33 minutes on the discussion of the proposal.

65. At the invitation of the Chairman, Mr KWOK Wai-keung, Chairman of HA Panel, briefed members on the salient points of the Panel's discussion. He advised that HA Panel discussed the funding proposal of \$877,299,000 to develop the Smart Library System on 19 December 2018. Members generally supported in principle the development of the proposed

new system to improve the library services. Some members considered that the proposed system should be developed to provide more self-service facilities, enhance the system's book search function, as well as implement and support digital payment function as soon as possible. Some members were concerned as to whether the proposed system could facilitate the extension of library opening hours and how it would support the development of Hong Kong as a smart city. Some members were of the view that performance indicators should be formulated for the proposed system, while some members requested the Administration to provide more information on the hardware, software and network equipment of the proposed system when the proposal was submitted to FC. Members raised no objection to the submission of the aforesaid funding proposal to FC for consideration.

Total capital expenditure

66. Mr AU Nok-hin enquired about the length of each repair, maintenance and upgrade cycle of the proposed new system, as well as the related arrangements (such as whether the costs so incurred were covered under the total capital expenditure). In response, Under Secretary for Home Affairs ("USHA") advised that with the rapid advancement of technology, the existing two major library information technology ("IT") systems would reach the end of their serviceable life by 2021 when technical support for the obsolete hardware or software would no longer be available in the market. Thus, the development of a new system was required to meet with the needs of the times. According to the expert views, the proposed new system could meet the demand for the next 10 years. He supplemented that if there was a need for software update or system enhancement during the said period, the Administration would be open-minded about enhancing the system continuously to keep up with the technological development. Of the total capital expenditure of some \$870 million, about 10% or some \$79 million was the provision for contingency that could be deployed by the Administration when necessary.

67. Mr AU Nok-hin further asked whether, according to the Administration's estimation, the said contingency provision could adequately meet the need for upgrading and unforeseen repair works in the future; whether the total capital expenditure covered education or publicity expenses for the establishment of the new system to enhance public knowledge of the system, thereby promoting its greater usage; and the estimated expenses on publicity or education. USHA replied that the total capital expenditure would mainly be used for the development of the new system, acquisition of necessary computer hardware and software as well as equipment, etc., while the contingency provision of some \$79 million

could be used to cover the expenses arising from the handling of emergencies. While education or publicity expenses were not covered under the total expenditure, the Leisure and Cultural Services Department ("LCSD") had set aside recurrent provisions for publicity and promotion purposes. He said that it was very important to conduct publicity to promote the greater use of the new system by members of the public.

68. Mr Charles Peter MOK expressed support in principle for the item. He considered that while a substantial amount of capital expenditure was involved, it was indeed necessary as many computer software and hardware as well as equipment were required under the new system, such as the installation of smart lockers in various libraries, the adoption of Radio Frequency Identification ("RFID") technology to provide self-service facilities and the development of mobile applications. He hoped that the Administration would optimize the use of existing in-house resources of the Government (such as the cloud computing technology) to cope with the rapidly changing IT development and demand. Mr MOK pointed out that notwithstanding the expert view that the serviceable life of the new system would be around 10 years, it would be necessary to upgrade the system continuously given the ever-changing development and requirements of technologies. Mr MOK said that some government departments had relayed to him that there were greater limitation on the use of recurrent expenditure and suggested that the Financial Services and the Treasury Bureau ("FSTB") should increase the provision of recurrent expenditure to individual departments and enhance the flexibility of financial arrangements, so as to allow greater sharing of resources among the departments to cope with the current trend of technological advancement and explore more technically sustainable options. Mr Tony TSE also raised similar views and questions.

69. Permanent Secretary for Financial Services and the Treasury (Treasury) noted the views expressed by Mr MOK. She pointed out that FSTB vetted and approved proposals submitted by various departments mainly from the financial management perspective. In general, FSTB would respect the departments' wishes and rely on their technical knowledge, so as to meet their actual operational needs in terms of hardware, software and manpower, etc. FSTB would not impose any mandatory requirements on the types or models of technology products proposed for procurement. Moreover, in recent years, the Government had also earmarked an additional recurrent expenditure of about 3% to the departments to provide them with greater flexibility in meeting their operational needs.

Savings and cost avoidance

70. Referring to paragraph 19(d) of FCR(2018-19)83 which stated that a one-off cost avoidance of \$400 million-odd would be achieved as replacement of the existing systems using barcode technology would no longer be required, Mr KWOK Wai-keung enquired whether substantial costs would be involved if the proposed system was to be upgraded in 10 years' time. Director of Leisure and Cultural Services ("DLCS") replied that it was anticipated that the proposed new system could meet the demand for the next 10 years without any need for large-scale replacement. That said, the Administration would keep pace with the times, pay close attention to the technological development and keep in view any opportunity to upgrade or enhance the system to increase its functions in a timely manner. She added that as stated in paragraph 19(d) of FCR(2018-19)83, the existing systems would be decommissioned upon the implementation of the proposed new system, thereby achieving a cost avoidance of \$400 million-odd because replacement of the existing systems using barcode technology and delivery of multi-media content on traditional media formats would no longer be required. In addition, cost savings would be achieved with the full application of RFID-enabled equipment under the new system.

Promotion of reading culture

71. Mr AU Nok-hin considered that notwithstanding the declining borrowing rate of library materials globally, the Administration should still encourage and promote the reading culture. He hoped that the new system could not only benefit the readers, but also become an incentive to promote the reading culture. Mr KWONG Chun-yu also expressed concern over the declining borrowing rate. In response, USHA pointed out that in 2018, while the number of physical visits to public libraries had declined by 2.7%, and the borrowing rate had also decreased slightly by about 4% as compared with 2017, the number of loans of books still reached 48 million-odd, and the borrowing rate of e-books had even increased significantly by 48%. In addition, the number of participants taking part in promotional activities in 2018 had increased by about 22% as compared with 2017, while the attendance of book fairs reached up to 15 million-odd per year. These figures bore out Hong Kong people's keen interest in reading.

72. Expressing support for the item, Mr Tony TSE considered that the Smart Library System was pivotal to the development of Hong Kong as a smart city. He enquired how the new system would cater for the needs of

different groups of readers, including readers who preferred reading physical books and elderly readers.

73. In response, USHA and DLCS advised that:

- (a) the new system would serve as a one-stop platform for readers to access all kinds of library resources and library services via the website and the mobile application including borrowing of physical books and reading of e-books, so as to address the demands of different readers. In response to the public demand for e-books, LCSD had acquired about 270 000 e-books in 2017, and the current number of e-books had increased significantly to 290 000;
- (b) for elderly readers, assistive computer hardware and software would be provided in libraries to facilitate access to library collections by the elderly and the visually impaired. Such facilities included video magnifiers, Cantonese and English screen readers and audio e-books; and
- (c) the Administration would spare no effort in promoting the library collections to the community, such as through the provision of library resources to schools (e.g. kindergartens), so that students could borrow the books in schools. Moreover, different kinds of promotional activities (e.g. pop-up libraries) would be organized in the community, with a view to increasing the overall reading rate.

74. Expressing support for the item, Mr SHIU Ka-fai sought information about how members of the public could borrow e-books in the future and the ways through which the e-books were acquired by the Administration. DLCS replied that the Administration would acquire e-books either through acquiring the copyright of e-books or an annual subscription of e-books, so that readers could borrow e-books via the public library platform. As recurrent expenditure would be involved in the latter option, the Administration would sign agreements with e-book publishing platforms to clearly specify the right to use, such as the number of readers that could access an e-book or a volume of e-books concurrently.

Enhancement of data analytics capability

75. Mr KWOK Wai-keung said that members of HA Panel generally supported the item and hoped the Administration would implement the Smart Library System along the direction of developing Hong Kong into a

smart city. Meanwhile, members of the public also welcomed the Administration's move to increase the provision of self-service facilities in libraries and consider extending the opening hours of libraries. He enquired how the enhanced data analytics capability of the new system could help LCSD upgrade and improve its services.

76. In response, USHA advised that data analysis was a crucial part of the new system. In order to stay close to the needs of the public, the Administration must have a good grasp of the types of books popular among members of the public, as well as their reading patterns. For instance, 20% of the physical books on loan in adult libraries were novels and 30% in children's libraries were picture books. It would be very difficult and time-consuming to compile a detailed classification of those novels and picture books manually. In the future, the proposed system would help collect big data that could be used for book classification, analyzing the recent reading preferences and requests of readers in various districts, as well as their preferred locations for loan and return of books, etc., so that service quality could be greatly improved in terms of acquiring new books, deciding the distribution of books among different locations, returning books, etc.

Loans of books in closed stack

77. Mr CHAN Chi-chuen enquired how the books in closed stack would be handled under the proposed new system and whether readers could search the names or introductions of those books through the new system. In response, DLCS advised that given the rich content of the library's collections, it was impossible to put all books on shelf. However, readers could perform keyword search for all books in the central catalogue (including books on shelf and those kept in reserve stack due to various reasons) via the website or the mobile application to ascertain their locations and status and then borrow the books either through making enquiries with the library staff or making reservations.

Extension of library opening hours

78. Citing the example of Macau, Mr KWONG Chun-yu pointed out that after the extension of library opening hours in Macau, the visitor flow had increased by 45%. He enquired whether the Administration had any plan to extend the library opening hours through the proposed new system, so that members of the public could also enjoy the library services after work or on public holidays. Mr AU Nok-hin said that members of the public welcomed the extension of library opening hours by LCSD, particularly as candidates sitting for public examinations could study in the

libraries. He enquired about the results of the trial scheme for extending the opening hours of four public libraries from July to October 2018 and whether the Administration had any plan to extend the opening hours of other libraries. Mr AU suggested that the Administration could make reference to the practice of some universities to allow the public libraries and study rooms be partially open in the evenings, implement self-service borrowing and returning of books through the adoption of smart technology, as well as extend the opening hours to ensure the proper use of resources.

79. In response, USHA advised that the Administration fully understood the public's demand for extending the library opening hours. At present, the 37 major/district libraries under LCSD opened for 71 hours per week, while the Hong Kong Central Library even opened for 74 hours per week. The Administration would continue to explore whether there was room to extend the opening hours. He added that the current difficulty faced by the Administration was the limited manpower. Subject to FC's approval of the funding proposal, the new system could provide a wide array of self-services in libraries, including borrowing and returning of books, patron registration and conducting stocktaking exercises by robots, etc. As such, considerable manpower could be saved and the resources could then be devoted to extend the library opening hours.

80. DLCS supplemented that:

- (a) the Administration would explore ways to strengthen the library services from various aspects, including the extension of library opening hours. Under the trial scheme conducted from 1 July to 1 October 2018, the opening hours of four designated libraries were extended on Sundays and public holidays. According to the results, the usage rates of some libraries were within expectation, while the usage rates at certain periods of time were lower than the general usage rates. As such, the Administration was now reviewing the popularity of the relevant measures;
- (b) at present, there were two 24-hour self-service library stations in the territory located in the Island East District and the Yau Tsim Mong District in Kowloon respectively, and the third station would be commissioned later this year. The Administration hoped that with the use of technology, such as RFID technology, around-the-clock services could be provided, including borrowing and returning books, picking up reserved books, paying library fees, etc.;

- (c) subject to FC's approval of the funding proposal, smart lockers or dispensers would be installed in the future for patrons to pick up their reserved items outside the library opening hours;
- (d) with enhanced functions of the mobile application, readers could read e-books, access electronic information or enjoy relevant library services without leaving their homes; and
- (e) taking into account the operational mode of RFID technology, the Administration would examine the extension of service hours where practicable in the context of upgrading library facilities, so as to explore additional modes to extend library service hours.

81. In response to Mr AU Nok-hin's enquiry, DLCS pointed out that members of the public could still use their existing library cards or smart Identity ("ID") cards for library services in the future. Moreover, the new system would also support e-IDs, with a view to providing more options for members of the public. Mr KWONG Chun-yu enquired when the review on the trial scheme of extending library opening hours would be completed, and whether the Administration would give an account of the details on extending library opening hours to the relevant LegCo Panel within the current session. In response, DLCS advised that depending on the work progress, the Administration would give an account of the relevant details to the Panel concerned in due course.

Voting on FCR(2018-19)83

82. At 6:39 pm, the Chairman put item FCR(2018-19)83 to vote. The Chairman declared that the majority of the members present and voting were in favour of the item, and the item was approved.

83. The meeting ended at 6:40 pm.

Legislative Council Secretariat
26 August 2019