

Your Ref. : CB4/PAC/R75  
Our Ref. : (16) in FEHD CI&PC/32-60/10/7

10 April 2021

Ms Wendy JAN,  
Clerk to Public Accounts Committee,  
Legislative Council Complex,  
1 Legislative Council Road,  
Central, Hong Kong

Dear Ms JAN,

**Public Accounts Committee**  
**Consideration of Chapter 2 of the Director of Audit's Report No. 75**  
**Government's efforts in tackling shoreline refuse**

I refer to your letter of 30 March 2021. The information as requested in items (a) to (k) therein is set out in the ensuing paragraphs.

*Part 5: Clean-up operations by Food and Environmental Hygiene Department*

Item (a) – re: paragraph 5.6(a) of the Audit Report

2. Under the existing arrangement, the Food and Environmental Hygiene Department (FEHD) issues a work order to the contractor, generally 7 days before the day of providing the services, specifying the work sites requiring the services. Senior Foremen (SF) inspect at least 50% of the scheduled work sites on the day of providing the services and have to upload his Daily Inspection Report with the locations inspected to the Contract Management System (CMS).

3. Insofar as the contents of monitoring the clean-up service in respect of ungazetted beaches and coastal areas and other territorial sites in the Operational Manual for Management of Public Cleansing Contract (OM) are concerned, apart from the updates made in December 2020 relating to documentation of inspection frequency in such sites, FEHD has completed a review on the above-mentioned contents and consolidated the relevant provisions (updated as appropriate) for inclusion in a separate chapter in OM, with a view to further enhancing the monitoring and evaluation of the overall performance of the contractors concerned. District management has been advised to devise an inspection programme relating to SF inspection of at least 50% of the scheduled work sites

on the day of providing the services. The guidelines were issued on 25 March 2021.

Item (b) – re: paragraph 5.7(b) of the Audit Report

4. The “Daily Inspection Report” is one of the means of conducting the checking. Emails have been issued on 28 December 2020, 7 January 2021 and 25 March 2021 to remind all colleagues concerned to log into the System in accordance with OM.

5. There are other means availed to Senior Health Inspectors and Health Inspectors (supervisory officers) to assess the contractor’s performance and the supervision work of SF, including paper records (e.g. daily work programmes, daily attendance records, daily returns with photographs submitted by the contractors within two days after the completion of clean-up service, documents relating to enforcing the contracts); contractors’ webpage containing geo-tagged photographs and geo-tapped videos taken by the contractors and uploaded onto contractors’ servers to show the conditions of each work site before, during and after providing clean-up operation; a separate page on “Key Inspection Report” in CMS containing locations of inspection, time of inspection and photos uploaded by SF to CMS with a view to assessing the work of the SF and the performance of the contractors.

Item (c)

6. Our IT colleagues are working on the following more user-friendly measures to enhance CMS to facilitate supervisory staff to comply with the monitoring requirements as stated in OM. These enhancements are expected to be completed in Q3 2021 -

- (i) to develop a function in CMS to assist the district management in checking compliance with inspection by SF of at least 50% of the scheduled work sites on the day of providing the services; and
- (ii) to facilitate monitoring the supervision of the work of SF and performance of the contractors, an enhanced feature will be added to provide log records of viewing locations of inspection, time of inspection and photos filtered by types of contracts (including the clean-up service in respect of ungazetted beaches and coastal areas and other territorial sites) under that separate page on “Key Inspection Record”.

Item (d) – re: paragraph 10 of FEHD’s reply dated 1 March 2021

7. Table showing numbers of sites, frequencies of clean-up operations and monthly wages of outsourced cleansing workmen under Contracts A to E are provided at **Annex A**.

Item (e)(i) – re: Case 1 in paragraph 5.18 of the Audit Report

8. Under the established mechanism and procedures, the following measures are put in place to handle cases of a tenderer making false declaration in tender submission -

- (i) during the bidding stage, FEHD checks tenderers’ conviction records with the Labour Department and the Immigration Department by memo and the Mandatory Provident Fund Schemes Authority through its website; and
- (ii) if the contract has been awarded and the contractor is subsequently found to have made a false declaration at the bidding stage, the contract may be terminated in accordance with the relevant clause in the contract as appropriate.

Item (e)(ii) – re: Case 1 in paragraph 5.18 of the Audit Report

9. Please see our letter dated 29 March 2021 (**Annex B**). FEHD was notified by the Immigration Department on 22 October 2019 that Contractor X had one conviction record. FEHD immediately liaised with the Immigration Department to check that we were on the same page in terms of relevant contracts involved. FEHD referred the case to the Police on 5 November 2019 for investigation and actions on the suspected false declaration made by Contractor X. A separate need for FEHD to seek legal advice has thus not arisen.

Item (e)(iii) – re: Case 1 in paragraph 5.18 of the Audit Report

10. FEHD held a meeting with the Immigration Department on 12 December 2019 in search of rooms for improvement on the conviction record checking arrangement. It was concurred that a standard memo enclosing a reply template would be useful for the Immigration Department for this purpose. FEHD has also consulted the Prosecution Division and the Legal Services Division of the Labour Department and agreed to use a refined memo for similar purpose. In August 2020, the Prosecution Division of the Labour Department provided a standardised proforma for conviction record checking for use by bureaux/departments.

**\*Note by Clerk, PAC:** *See Appendix 25 of this Report for the reply dated 1 March 2021 from Director of Food and Environmental Hygiene.*

Item (e)(iv) – re: Case 1 in paragraph 5.18 of the Audit Report

11. Apart from Contract D, Contractor X was also awarded 10 contracts under FEHD from April 2017 to October 2019. Among the 10 contracts, 3 contracts had already expired by 22 October 2019 (hence no follow-up action could be taken by FEHD), 3 contracts and 4 contracts were due to expire between April and June 2020 and at a later time respectively. Given the lead time required for obtaining DoJ's advice on terminating the contracts concerned and 7 months or so for completing open tender exercises for appointing new contractors, the latter 3 contracts were allowed to continue until expiry while the remaining 4 contracts were terminated before expiry under the Conditions of Contract. Under the debarment mechanism set out in Financial Circular No. 3/2019, if the tenderer has been convicted of any offence, it shall be debarred from bidding non-skilled worker contracts for a period of five years from the date of conviction. As Contractor X was convicted on 6 April 2017 of the offence, it shall be debarred from bidding non-skilled worker contracts from 6 April 2017 to 5 April 2022. Please see paragraph 9 above for the referral made by FEHD to the Police for investigation and actions on the suspected false declaration made by Contractor X.

Item (f)(i) and (ii) – re: paragraph 5.19 of the Audit Report

12. FEHD experienced unforeseen incidents that required pooling up resources of districts to conduct massive/urgent/contingent clean-up operations in individual districts affected, such as typhoons (e.g. Hato in 2017 and Mangkhut in 2018), spillage incidents etc. The public would expect the Government to restore the affected area to the normal cleanliness level expeditiously. Hence, it is necessary for FEHD to have flexibility in mobilising adequate contractors' staff within a short period to cope with a sudden surge of refuse in any district due to unforeseeable circumstances, by a reasonably-sized contract of District Groups and suitable grouping of districts in such District Groups. Using Contract E for illustration purposes, contract staff within District Group I could be mobilised from Kwai Tsing District and Tsuen Wan District to Lantau Island (e.g. Shui Hau) through the connecting road networks.

13. The Central Tender Board advised in May 2018 in the context of Contract D (involving a one year contract from 1 June 2018 to 31 May 2019 covering all Districts) that as Government's over-reliance on a single contractor was undesirable from the risk management perspective, FEHD should explore whether there would be better options, other than combining the three District Groups Contracts into one territory-wide Contract, for achieving the said objective. In processing the tender exercise for Contract E since July 2018,

FEHD has split the Contract into two District Groups Contracts (Groups I and II) having regard to our operational needs as set out in paragraph 12 above.

14. Decision on Contract E had already been made by the Central Tender Board, before the Financial Services and the Treasury Bureau Circular Memorandum No. 4/2019 was issued in April 2019. The Circular in force at the time of processing the tender for Contract E was the predecessor version (the Financial Services and the Treasury Bureau Circular Memorandum No. 4/2017 issued on 31 March 2017), which did not mention anything about restriction on the number of contracts to be awarded to the same tenderer if a tenderer was involved in more than one contract.

15. The Circular in force at the time of processing the tender for the future Contract F (from 1 June 2021 to 31 May 2023) is the Financial Services and the Treasury Bureau Circular Memorandum No. 4/2019, which states that all B/Ds are encouraged to take early action to implement appropriate means to enhance tender competition and exert more efforts to proactively forestall any disruption of services to the public. Under the category on promotion of competition therein, FEHD has fulfilled all four measures under the future Contract F, including restriction on the number of contracts to be awarded to the same tenderer if a tenderer was involved in more than one contract. Procurement of the clean-up service is subject to the Agreement on Government Procurement of the World Trade Organisation. To pre-empt any risk of tenderers challenging such restrictions imposed, we have obtained clearance from DoJ by justifying the restriction from the perspectives of safeguarding public interest or protecting public safety or health. The follow-up actions are in line with the suggestions in the Financial Services and the Treasury Bureau Circular Memorandum No. 4/2019 and this Audit Report on the imposition of the restriction in the tender exercise for the future Contract F.

Item (g)(i)

16. Under the future Contract F, the following tender clauses (relating to the restrictions on awarding contracts) shall apply in recommending a tenderer for acceptance and award of the contract:

- (i) a tenderer may tender for one or all two District Groups Contract;
- (ii) the number of District Groups Contract that may be awarded to the same tenderer is one; and
- (iii) if a tenderer achieves the highest combined scores in both District Groups I and II Contracts, the Government shall make recommendation to the Central Tender Board for acceptance and award of Contract to one of its bids on the basis of a tender combination (i.e. the total contract amount for

the two District Groups) which is the least costly to the Government, and is entitled at the Government's absolute discretion to award the other District Group Contract to the tenderer who achieves the next highest combined score.

Item (g)(ii)

17. In considering the imposition of the restriction, FEHD has to strike a fine balance having regard to all relevant factors. The restriction would help manage the concentration risk of over-reliance on a single contractor. Other relevant factors include the feasibility of imposing the restriction in terms of the availability of service providers in the market, tender response rates, the terms of services (measured in terms of technical scores and price scores) obtained, and the issue of fairness as perceived by tenderers. Besides, there is a risk of tenderers challenging the restriction if it is not set from the perspectives of safeguarding public interest or protecting public safety or health. Having considered the pros and cons, and with clearance from DoJ obtained, we have taken follow-up actions in line with the suggestions in the Financial Services and the Treasury Bureau Circular Memorandum No. 4/2019 and this Audit Report on the imposition of the restriction in the tender exercise for the future Contract F.

Item (h)(i)

18. The total estimated hours for clean-up services in the future Contract F are 157 358 (17.94% less than that in Contract E), which include a reduction of the total estimated hours by about 44% and 46% for Islands and Sai Kung Districts respectively. The manpower deployment arrangements in the future Contract F are on an outcome basis. The contractor is required to work out the manpower in the work programme based on the estimated hours and the minimum manpower requirements stipulated in the contract for performing the clean-up services. The contractor is required to cope with the additional workload if a site is found to have an upsurge of refuse. No additional payment will be paid.

Item (h)(ii)

19. The estimated hours for clean-up services under the future Contract F are worked out based on past contract data and a number of factors including weather conditions, local and regional rainfall, water current/tidal movement, spillage incidents, flooding incidents in neighbouring waters, and prevailing wind direction for the existing contract. Given the scale and complexity involved, the clean-up operations are by no means easy. The amount of refuse collected fluctuates and is affected by many unforeseeable circumstances. FEHD has suitably made use of the actual hours performed by the contractors under Contract

E for completing the clean-up services as well as the information of refuse washed ashore at priority sites from 360-degree camera system to provide more realistic estimation in the future contract. Hopefully, with more data obtained from weighing shoreline refuse under the future Contract F, these could also be taken into account in processing future contracts beyond the expiry of Contract F.

Item (h)(iii)

20. The future Contract F allows flexibility to deal with the situation where the estimated hours for clean-up services are insufficient to meet the operational needs. Relevant contract provisions are as follows –

- (i) the use of total quota allocated within the same district for additional services;
- (ii) the use of pre-determined quota allocated in the Contract for additional services with a 14-day notification;
- (iii) the use of pre-determined quota allocated in the Contract for emergency services by a prior notification in 2 days or 8 hours;
- (iv) in any additional services exceeding the quota allocated for (i), (ii) and (iii), variation of services could be made with a limit up to 30% of the estimated contract price; and
- (v) the two contractors to accept the deployment of manpower across these two contracts, namely Group I contractor could deploy his manpower to serve in Group II Districts and vice versa.

*Part 6: Other related issues*

Item (i)(i) and (ii) – re: paragraph 6.14 to 6.17 of the Audit Report

21. The application of the 360-degree camera system for monitoring remote and hard-to-reach coastal sites is a trial scheme. Teething problems encountered in pioneering an innovative venture were inevitable and the contractor investigated the cases and took out remedial actions to resolve the connectivity problems and the technical problems as and when necessary –

- (i) successful data transmission of the captured photos from the system presented great challenges. The technical problems on the on-line data transmission when the contract commenced were rectified subsequently. Progressive improvements to the system were witnessed, and it worked well in January, February and March 2021; and
- (ii) apart from connectivity, delicate devices of the system were susceptible to the high salty and humid environment; the deposit of salt on the camera

cover affected the capture of clear images; the camera was stolen, etc. The contractor proactively carried out improvement, e.g. using double water-proof casing to protect delicate devices inside, installation of remote control water sprayers to clear the salt deposit on the camera covers in order to capture better images.

22. For data transmission failures, FEHD requested the contractor to submit photograph files to respective district environmental hygiene offices via a dedicated website. The contractor was able to shorten the time of completing such actions from within 3 days previously to within 2 days since March 2021, in line with the contract clause of completing the repair of damaged and malfunctioned camera system and relevant equipment. FEHD has deducted about \$364,000 of service charge upon detection of malfunctioned services provided by the contractor.

23. Besides, FEHD has sought the assistance of the Office of the Communications Authority, who conducted the survey with FEHD and the contractor, and provided professional advice on working out solutions to deal with weak mobile signals at some remote locations.

#### Item (j)(i)

24. According to the future two-year contract (from 1 May 2021 to 30 April 2023), FEHD has incorporated punitive clauses in the contract, namely default notice which may be issued in respect of substandard contractor's performance (e.g. failing to provide images) with deduction of service charge in the form of liquidated damages.

#### Item (j)(ii)

25. The 360-degree camera system could be extended to cover other priority sites under FEHD's purview if the situation warrants. As a matter of fact, the 15 priority sites in the contract have been reviewed with some changes. Please see our letter dated 29 March 2021 (**Annex B**). Its annex set out the 15 locations including the existing contract and the future contract, and gives the reason(s) for the replacement. The operational need of the remaining priority sites under FEHD's purview is not as high as that of these 15 sites.

#### Item (k) – re: Note 40 of paragraph 6.14 of the Audit Report

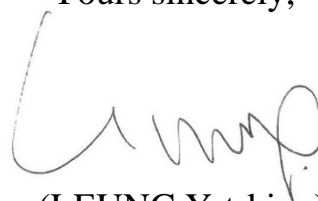
26. The key objective of the set-up of the 360 degree-camera system installed at priority sites which are remote and hard-to-reach is to monitor the scale of marine refuse washed ashore and accumulated thereon, so as to facilitate FEHD



staff to monitor their condition by viewing the photos and plan and schedule timely clean-up operations. This has proven to be effective in saving the time and cost of monitoring, particularly for those coastal sites that are remote and hard-to-reach.

27. As the priority sites are remote and many are hard-to-reach, the number of visitors is small and the cases of littering offences are comparatively speaking fewer than those in other places. Images obtained from the 360 degree-camera system are insufficient to serve as evidence for enforcement actions against littering offences. At present, we have no plan to seek advice from DoJ or the Office of Privacy Commissioner of Personal Data on using the 360-degree camera system to facilitate the enforcement actions against shoreline littering.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Leung Yat-king', written in a cursive style.

(LEUNG Yat-king)

for Director of Food and Environmental Hygiene

c.c.

Secretary for the Environment (email: sen@enb.gov.hk)

Director of Agriculture, Fisheries and Conservation

(email: dafcoffice@afcd.gov.hk)

Director of Environmental Protection (email: dep@epd.gov.hk)

Director of Leisure and Cultural Services (email: dlcoffice@lcsd.gov.hk)

Secretary for Financial Services and the Treasury (email: sfst@fstb.gov.hk)

Director of Audit (email: john\_nc\_chu@aud.gov.hk)

**Table showing numbers of sites, frequencies of clean-up operations  
and monthly wages of Contracts A to E**

<b>Contract particulars</b>	<b>Mode of Manpower Deployment</b>	<b>Average annual contract price (HK\$ in million)</b>	<b>Numbers of sites (ungazetted beaches and coastal areas)</b>	<b>Average annual clean-up frequencies</b>	<b>Monthly wages of outsourced cleansing workmen (HK\$)</b>
<b>Contracts A<sup>1</sup>, B<sup>1</sup> and C<sup>2</sup></b>	Outcome basis approach	15.0	240	6 735	<b>Contract A:</b> \$8,556 <b>Contract B:</b> \$8,432 <b>Contract C:</b> \$8,680
<b>Contract D<sup>3</sup></b>	Input basis approach	38.0	270	8 766	\$10,500
<b>Contract E<sup>4</sup></b>	Outcome basis approach	25.9	287	9 336	\$11,750

*Note:*

- 1. Contracts A and B were two-year contracts at a total contract price of \$5.4 million. The average annual contract price for Contracts A and B was therefore \$2.7 million.*
- 2. Contract C was a one-year contract at a contract price of \$12.3 million. Therefore, using the second year figures of Contracts A to C (at an aggregate contract price of \$15 million) would facilitate meaningful comparison to be made with other scenarios.*
- 3. When comparing the \$38 million for the one-year Contract D with the \$15 million for the second-year Contracts A to C, there was an increase of about 150%.*
- 4. Contract E was a two-year contract at a total contract price of \$51.8 million. When comparing \$25.9 million (the average annual contract price) for Contract E with the 38 million for the one-year Contract D, there was a decrease of about 32%.*

Your Ref.:

Our Ref.: (X) in FEHD Cl&PC/32-60/10/7

29 March 2021

Ms Wendy JAN,  
Clerk to Public Accounts Committee,  
Legislative Council Complex,  
1 Legislative Council Road,  
Central, Hong Kong

Dear Ms JAN,

### **Public Accounts Committee**

#### **Consideration of Chapter 2 of the Director of Audit's Report No. 75**

#### **Government's efforts in tackling shoreline refuse**

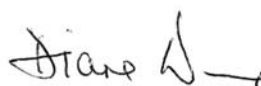
In response to the requests made by Members at the public hearing on 27 March 2021, we provide the supplementary information below.

Regarding the declaration of no record of conviction by a contractor, upon receipt of notification about the case on 22 October 2019, we immediately liaised with the notifying party to check that we were on the same page in terms of relevant contracts involved; and on 5 November 2019 referred the case to the Police for investigation and actions on the suspected false declarations submitted by the contractor.

Regarding the 15 locations under the existing contract and the new contract for the 360-degree camera system and related services, two of their locations are different. The Annex sets out the locations concerned and gives the reason(s) for replacement.

Please inform the Chairman and Members of the Legislative Council Public Accounts Committee. Thank you.

Yours sincerely,



WONG Shuk-han, Diane  
Acting Director of Food and Environmental Hygiene

Encl.

c.c.

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**15 Marine Refuse Priority Sites under the Existing Contract and the New Contract for 360-degree Camera System and Related Services**

Serial Number	Existing contract		New contract	
	District	Installation location	District	Installation location
1	Southern	Lap Sap Wan, Shek O	Southern	Lap Sap Wan, Shek O
2	Islands	Shek Pai Wan	Islands	Shek Pai Wan
3	Islands	Sam Pak Wan	Islands	Sam Pak Wan
4	Islands	Shap Long	Islands	Shap Long
5	Islands	Shui Hau	Islands	Shui Hau
6	Islands	Tai Long Wan, Shek Pik	Islands	Tai Long Wan, Shek Pik
7	Islands	Fan Lau <sup>1</sup>	Islands	Tong Fuk *
8	Sha Tin	Starfish Bay <sup>2</sup>	Islands	Ham Tin *
9	Tuen Mun	Lung Kwu Tan and Lung Kwu Sheung Tan	Tuen Mun	Lung Kwu Tan and Lung Kwu Sheung Tan
10	Tai Po	Ting Kok	Tai Po	Ting Kok
11	Tai Po	Sha Lan	Tai Po	Sha Lan
12	Tai Po	Yim Tin Tsai and Ma Shi Chau Tombolo	Tai Po	Yim Tin Tsai and Ma Shi Chau Tombolo
13	Tai Po	Tap Mun (East)	Tai Po	Tap Mun (East)
14	Tai Po	Tap Mun (West)	Tai Po	Tap Mun (West)
15	Sai Kung	Tung Lung Island	Sai Kung	Tung Lung Island

Note:

<sup>1</sup> The clean-up service of shoreline refuse at Southwest Lantau coastal areas including Fan Lau, which were designated as a marine park in April 2020, will be taken up by the Agriculture, Fisheries and Conservation Department from June 2021 onwards. Therefore, the location will be excluded from the new contract.

<sup>2</sup> Given the development of the area, Starfish Bay has become easily accessible now and there is no need to install 360-degree camera for monitoring. Therefore, the location will be excluded from the new contract.

\* Tong Fuk and Ham Tin are marine refuse priority sites. Taking into consideration the remoteness of the sites on Lantau, the two locations will therefore be included in the new contract.