

LegCo Panel on Economic Services

**Follow-up to the conclusions and recommendations
of the Select Committee's Report, Commission's Report
and the Executive Summary of the Ombudsman's Report
on the opening of the new airport**

At the House Committee meeting held on 26 February 1999, Members requested for a checklist of the issues to be followed up in relation to the conclusions and recommendations of the three reports on the opening of the new airport. In this regard, the following papers have been prepared for Members' reference:

- Annex A A proposal on the follow-up to the conclusions and recommendations in Chapters 7 and 8 of the *Select Committee's Report*;
- Annex B A summary of the conclusions and recommendations in Chapters 7 and 8 of the *Select Committee's Report*;
- Annex C A proposal on the follow-up to the conclusions and recommendations in Chapter 18 of the *Commission's Report*;
- Annex D A summary of the conclusions and recommendations in Chapter 18 of the *Commission's Report*;
- Annex E A proposal on the follow-up to the conclusions and recommendations in Chapters 15 and 16 of the *Executive Summary of the Ombudsman's Report*; and
- Annex F A summary of the conclusions and recommendations in Chapters 15 and 16 of the *Executive Summary of the Ombudsman's Report*.

Report of the Legislative Council
Select Committee to inquire into the circumstances leading to
the problems surrounding the commencement of the operation of
the new Hong Kong International Airport at Chek Lap Kok
Since 6 July 1998 and related issues

A proposal on the follow-up to the conclusions and recommendations
In Chapters 7 and 8 of the Select Committee's Report

Item no. of the summary prepared by the Legislative Council Secretariat	Paragraph no. of the Report	Subject	Legislative Council Panel on			
			Economic Services	Public Service	Planning, Lands and Works	Home Affairs
7-A	7.2 to 7.18	Responsibilities of ADSCOM	-	✓	-	-
7-A1	7.19 to 7.25	Responsibilities of Mrs Anson CHAN, CS and Chairman/ADSCOM	-	✓	-	-
7-A2	7.26 to 7.34	Responsibilities of Mr KWONG Hon-sang, Secretary for Works	-	✓	-	-
7-A3	7.35 to 7.38	Responsibilities of Mr Billy LAM, as former Director/NAPCO	-	✓	-	-
7-A4	7.39 to 7.48	Responsibilities of Mr KWOK Ka-keung, Director/NAPCO	-	✓	-	-
7-A5	7.52	Responsibilities of Mr Richard SIEGEL, former Director of Civil Aviation	-	✓	-	-
7-B	7.53 to 7.70	Responsibilities of AA Board	✓	-	-	-

Item no. of the summary prepared by the Legislative Council Secretariat	Paragraph no. of the Report	Subject	Legislative Council Panel on			
			Economic Services	Public Service	Planning, Lands and Works	Home Affairs
7-B1	7.71 to 7.74	Responsibilities of Mr WONG Po-yan, Chairman/AA	✓	-	-	-
7-B2	7.75 to 7.77	Responsibilities of Mr LO Ching-hing, Vice-Chairman/AA	✓	-	-	-
7-C	7.78 to 7.87	Responsibilities of AA Management	✓	-	-	-
7-C1	7.88 to 7.98	Responsibilities of Dr Henry TOWNSEND, former CEO/AA	✓	-	-	-
7-C2	7.99 to 7.104	Responsibilities of Mr Billy LAM, former DCEO/AA	✓	-	-	-
7-C3	7.105 to 7.117	Responsibilities of Mr Douglas OAKERVEE, former PD/AA	✓	-	-	-
7-C4	7.118 to 7.127	Responsibilities of Mr Chern HEED, former AMD/AA	✓	-	-	-
7-C5	7.128 to 7.135	Responsibilities of Mr Kiron CHATTERJEE, former HIT/AA	✓	-	-	-
7-C6	7.136 to 7.148	Responsibilities of Mr TSUI King-cheong, PM(E&M Works)/AA	✓	-	-	-
8(1)	8.4 to 8.5	Governing bodies of executive authorities must be given authority commensurate with their responsibility	✓	-	-	✓

Item no. of the summary prepared by the Legislative Council Secretariat	Paragraph no. of the Report	Subject	Legislative Council Panel on			
			Economic Services	Public Service	Planning, Lands and Works	Home Affairs
8 (2)	8.6 to 8.7	The authority of governing bodies should not be undermined	✓	-	-	✓
8 (3)	8.8	Only competent people who are prepared to commit their time and effort should be appointed to governing bodies of executive authorities	-	-	-	✓
8 (4)	8.9	User requirements must be clear from the start of a project and there should be a point in time beyond which no further changes should be allowed	✓	-	✓	-
8 (5)	8.10 to 8.11	The head of monitoring body for a large scale infrastructure project should be a professional	-	-	✓	-
8 (6)	8.12 to 8.13	Avoid creating too many committees with overlapping functions and responsibilities in the same organisation	✓	-	✓	-
8 (7)	8.14 to 8.16	Progress reports should be well prepared, studied and followed up	✓	-	✓	-
8 (8)	8.17 to 8.18	Decisions in any organisation should be well documented	✓	-	✓	-

Item no. of the summary prepared by the Legislative Council Secretariat	Paragraph no. of the Report	Subject	Legislative Council Panel on			
			Economic Services	Public Service	Planning, Lands and Works	Home Affairs
8 (9)	8.19	Development of largescale and complex projects should be managed by personnel with relevant experience	-	-	✓	-
8 (10)	8.20	Activities of business partners should be co-ordinated	✓	-	✓	-
8 (11)	8.21 to 8.24	Project completion date should be fixed before related contracts are awarded	✓	-	✓	-
8 (12)	8.25 to 8.27	Risk assessment and contingency plans are a must for large-scale or complex operations	✓	-	✓	-
8 (13)	8.28 to 8.29	Recognise the importance of information technology	✓	-	✓	-
8 (14)	8.30 to 8.31	Allow ample time for testing and commissioning systems involving new and advanced technology	✓	-	✓	-
8 (15)	8.32 to 8.33	Government should recognise the importance of community consideration in project planning	-	-	✓	-

Remark:

This is only a proposal on the follow-up to the conclusions and recommendations of the Report of the Legislative Council Select Committee. It would be up to the individual Panels to decide which of the subjects should be followed up and the action to be taken.

**Report of the Legislative Council
Select Committee to inquire into the circumstances leading to
the problems surrounding the commencement of the operation of
the new Hong Kong International Airport at Chek Lap Kok
since 6 July 1998 and related issues**

**Summary of conclusions and recommendations
(Chapters 7 and 8 of the Report)**

**Legislative Council Secretariat
March 1999**

Chapter 7 -- Responsibilities

Conclusions of the Select Committee

(Paragraph 7.1 of the Report)

- (1) Most of the problems on the Airport Opening Day (AOD) were clearly foreseeable.
- (2) The new airport was overall not ready for operation on AOD.
- (3) In particular, the problems of the two critical items, Flight Information Display System (FIDS) and Hong Kong Air Cargo Terminals Limited (HACTL), which seriously affected the smooth and efficient operation of the new airport on 6 July 1998 were not teething problems. These items were just not ready on AOD.
- (4) The key bodies, namely, Airport Development Steering Committee (ADSCOM), Airport Authority (AA) Board, AA Management, and HACTL, and some of the key persons of these bodies should take varying degrees of responsibilities for the chaos on AOD.

Responsibilities of key bodies and persons

(Paragraphs 7.2 to 7.155 of the Report)

- A. ADSCOM
- B. AA Board
- C. AA Management
- D. HACTL

A. *ADSCOM*

(Paragraphs 7.2 to 7.18 of the Report)

- (1) Exercising commendable caution and keeping the standard originally set, Chairman/ADSCOM decided to postpone the April opening date. Yet the same high degree of care was signally missing with respect to the decision for the 6 July 1998 opening date.
- (2) ADSCOM let down its guards once the July airport opening date was fixed. The clear warnings of its consultants based on observations of actual developments, notably in the Situation Reports (SITREPs) of Consultant Project Manager(CPM)/New Airport Projects Co-ordination Office(NAPCO), were consistently played down or ignored, and the views of the AA Management preferred.
- (3) ADSCOM knew very well that the AA Management was unsound. It was familiar with the problems due to Chief Executive Officer (CEO)/AA's weak leadership and style of management, and the combination of the domineering personality of Project Director (PD)/AA and the compliant attitude of Airport Management Director (AMD)/AA. It appreciated the threat this posed but failed to take effective action.

In this respect, although ADSCOM claims that it has no direct authority over the AA Management, as the Government is AA's sole shareholder, it can exert considerable influence through the AA Board and the Government officials serving as members of the Board. Yet ADSCOM did not use its influence as forcefully as it could. For example, ADSCOM did nothing about CEO/AA.

- (4) On the special issue of FIDS, ADSCOM plainly did not exercise enough caution. Only a few members appreciated the complexity and level of sophistication of the systems, the propensity for things to

go wrong and therefore the significance of adequate testing and training, and the drastic impact this could have on airport operations.

- (5) In spite of the authority it commands and the resources available to it, ADSCOM has not fully discharged its duty in ascertaining the readiness of the airport on AOD.

A1. Mrs Anson CHAN, Chief Secretary for Administration and Chairman/ADSCOM
(Paragraphs 7.19 to 7.25 of the Report)

- (1) Chairman/ADSCOM appeared to have allowed herself to be too easily persuaded by the AA Management following the postponement of the airport opening date to July 1998, where she should have been taking more pains to demand that by AOD the airport should be operating safely, smoothly and efficiently.
- (2) Mrs CHAN took on a very special personal responsibility because only she was aware that if at any time before 6 July 1998 there had been any indication that the airport could not cope with either the passenger or the cargo flow on the scheduled date, Government would not have hesitated to defer the opening date. She therefore assumed the personal responsibility to watch out for the indication she referred to, and for following up with investigation to evaluate whether there were any potentially serious problems. She did not do so, despite the many indications that could not have escaped her notice prior to AOD.
- (3) In so far as Chairman/ADSCOM failed to lead ADSCOM to fully assess the readiness of the new airport before deciding on a July airport opening date and, having so decided, failed to ensure that ADSCOM seriously consider all the signs of risk which might give cause for a deferral of AOD, she remains responsible.

A2. Mr KWONG Hon-sang, Secretary for Works
(Paragraphs 7.26 to 7.34 of the Report)

In so far as his roles as the co-ordinator of the airport project and as professional adviser to ADSCOM and the AA Board, S for W failed to fulfil these roles.

A3. Mr Billy LAM, as former Director/NAPCO (From 22 March 1993 to 4 January 1998)

(Paragraphs 7.35 to 7.38 of the Report)

As Director(D)/NAPCO, Mr Billy LAM failed to fully discharge his duty as the watchdog. He was not sufficiently alert to the risks over the progress of the new airport project and did not give adequate warnings to ADSCOM.

A4. Mr KWOK Ka-keung, Director/NAPCO (Since 5 January 1998)

(Paragraphs 7.39 to 7.48 of the Report)

Mr KWOK Ka-keung has, throughout, misconstrued his role as D/NAPCO. He showed little real understanding of what was required to monitor and act as a watchdog of the progress of the new airport project, and therefore failed to discharge his duty.

A5. Mr Richard SIEGEL, Director of Civil Aviation (DCA) (Up to 5 October 1998)

(Paragraph 7.52 of the Report)

On the issue of aircraft noise, Mr SIEGEL has to take the blame for failing to appreciate its impact on people living and working under the new flight paths after he became DCA in January 1996. Had he been more sensitive of community considerations, he would have taken the necessary steps to hold a consultation exercise to forewarn residents in areas likely to be affected, and to ensure that everything needed to be done was done to reduce the impact of aircraft noise before AOD.

B. AA Board

(Paragraphs 7.53 to 7.70 of the Report)

- (1) Problems with the AA Management did exist but were not resolved. The AA Board had not taken effective action to rectify the situation. For example, consideration had been given to replacing Dr TOWNSEND but finally it was decided not to do so.
- (2) Though the AA Board was aware of the problems of the Management, the Board still put trust in the Management and accepted its assurances that the airport would be ready for an April opening date, and made a recommendation to ADSCOM accordingly. The AA Board should be held responsible for making such a risky recommendation to ADSCOM.
- (4) The AA Board had failed to ensure that the new airport was ready for safe, smooth and efficient operation on AOD.

B1. Mr WONG Po-yan, Chairman/AA

(Paragraphs 7.71 to 7.74 of the Report)

Mr WONG as Chairman/AA, should be held responsible for not having taken effective action to supervise the AA Management but instead, allowed himself to be manipulated with the result that he and the AA Board were misled on the operational readiness of the new airport to open in April and July 1998.

B2. Mr LO Chung-hing, Vice-Chairman/AA

(Paragraphs 7.75 to 7.77 of the Report)

In the run up to AOD in 1998, Mr LO chaired half of the Board meetings. He shared the leadership and therefore responsibility with Chairman/AA. Together with the Chairman/AA, he should also be held responsible for the AA Board's failure

in taking effective action to supervise the AA Management to ensure that the new airport was ready for safe, smooth and efficient operation on AOD.

C. AA Management
(Paragraphs 7.78 to 7.87 of the Report)

The AA Management bears the greatest and most direct responsibility for the fiasco on AOD.

- (1) The AA Management mismanaged the project. The main causes of mismanagement are its organisation structure, the management style of CEO/AA and personality of key persons.
- (2) It also consistently misinformed and misled the AA Board and ADSCOM and tried to keep the true and full picture from them. Its papers to ADSCOM and the AA Board were vague and painted glowing pictures more with assurances and hopes than concrete facts.
- (3) On HACTL, while the Select Committee does not accept that ADSCOM was entitled to rely entirely on the AA Management's assurance for its franchisee's readiness on AOD, the main responsibility must be on AA. The AA Management knew of the slippages and problems of HACTL. It chose not to supervise more rigorously. It must bear the consequences.

C1. Dr Henry TOWNSEND, CEO/AA (Up to 30 November 1998)
(Paragraphs 7.88 to 7.98 of the Report)

Dr TOWNSEND has failed in his duty to provide comprehensive support to the AA Board, whose Chairman and members do not serve the AA full time. He has also failed in his duty to provide leadership to direct the AA Management to fulfil its responsibilities. His tendency of using positive and rosy expressions in his reports to gloss over slippages and problems in the construction of the new airport and not providing all the facts and essential information in his reports has resulted in the AA Board and ADSCOM being misled.

C2. Mr Billy LAM, Deputy Chief Executive Officer (DCEO)/AA (From 5 January to 30 November 1998)
(Paragraphs 7.99 to 7.104 of the Report)

- (1) Although Mr LAM was the second in command in AA, with responsibility over the Airport Management Division, he had not carried out a thorough risk assessment of opening the new airport in the face of the problems that he was aware of. Furthermore, he should also have ensured that comprehensive contingency plans, not simply workarounds, were in place to deal with possible problems on AOD.

- (2) Mr LAM should have been alert to the impact of the problems with the facilities and systems, especially FIDS, on the safe, smooth and efficient operation of the new airport on AOD.

**C3. Mr Douglas OAKERVEE, Project Director/AA (Up to December 1998)
(Paragraphs 7.105 to 7.117 of the Report)**

Mr Douglas OAKERVEE, Project Director(PD)/AA, had the heaviest responsibility in the AA Management as the Project Division covered not only the physical works, but also with systems design and development. He was also responsible for monitoring the progress of HACTL. His poor project management, unco-operative attitude and overbearing personality which undermined the team work within AA, and provision of inaccurate and misleading information to the AA Board and ADSCOM, were among the main causes of the problems. Mr OAKERVEE has failed in his job as Project Director.

**C4. Mr Chern HEED, Airport Management Director/AA
(Paragraphs 7.118 to 7.127 of the Report)**

Mr HEED's performance as Airport Management Director(AMD)/AA is most disappointing. He is most directly responsible for delivering the smooth and efficient operation which was the very core of AOR. He did nothing to ensure that his responsibilities were properly discharged. He is not any less to blame than PD/AA for the chaos in the new airport on AOD. Mr HEED is unfit for his job.

**C5. Mr Kiron CHATTERJEE, Head of Information Technology/AA
(Paragraphs 7.128 to 7.135 of the Report)**

Mr CHATTERJEE has let down the Airport Management Division, whom he represented within AA. He did not give timely advice and warning to AA, and in particular to the Airport Management Division about the risks of not following standard procedures to test FIDS, and after his advice had been rejected, he was content to leave the matter, knowing there would be risks if his advice was not followed. He did not demonstrate the qualities required for leading the IT Department.

**C6. Mr TSUI King-cheong, Project Manager - E & M Works, Project Division/AA
(Paragraphs 7.136 to 7.148 of the Report)**

Mr TSUI is responsible for a number of important systems contracts which are crucial to the operations of the new airport. The Select Committee takes a

severe view of the way Mr TSUI handled the projects in his care. He is no less to blame than PD/AA with whom he worked closely together.

- (1) On C381 (FIDS), Mr TSUI not only shared in the mismanagement; he also made several vital and erroneous decisions regarding FIDS' development in order to meet the target airport opening date in April. The most serious was the decision in early December 1997 to cancel the Factory Acceptance Test (FAT). He then tried to play down the importance of this decision by presenting to the AA Board that FAT would be combined with the Site Acceptance Test (SAT).
- (2) On C382 (PA System), the system was not ready for AOD.
- (3) Together with Mr OAKERVEE, Mr TSUI should be held responsible for the problems of C383 (Telephone System) and C396 (Assess Control System).

D. HACTL
(Paragraphs 7.151 to 7.155 of the Report)

The suspension and then curtailment of air cargo handling service by HACTL from AOD to 24 August 1998, in the view of the Select Committee, is largely the responsibility of HACTL. HACTL has made a serious misjudgment as to ST1's readiness for opening in July. Its assurance to the Government and AA that it was ready had given them a false sense of security. It has let down the people of Hong Kong and has brought Hong Kong into disrepute.

Chapter 8 -- Lessons to be learned

Lessons 1 to 15

(Paragraphs 8.4 to 8.33 of the Report)

- (1) Governing bodies of executive authorities must be given authority commensurate with their responsibility

When the chairman of an authority is not also the chief executive, as in the case of AA, the board should be given unqualified power to hire or fire, particularly the most senior staff member in the authority.

- (2) The authority of governing bodies should not be undermined

In order not to undermine the authority of governing bodies of executive authorities, and also to hold such governing bodies responsible in the event of any problems or failures, the Government should deal directly with the governing bodies and not with the staff; staff participation at Government's meetings with such governing bodies should be limited to providing support to the governing bodies.

- (3) Only competent people who are prepared to commit their time and effort should be appointed to governing bodies of executive authorities

One lesson that the Government can learn from the AA Board's failure to supervise AA Management effectively is that, when appointing members to the governing bodies of executive authorities, the Government should ensure that only those who are competent and committed are appointed and that the chairman and deputy chairman of these bodies are people with leadership qualities. Before their appointment, they should be made aware of their responsibility clearly in the organization. To ensure the continued effectiveness of such governing bodies, the performance and commitment of the chairman and members should be evaluated regularly during their tenure, and those who are found unsuitable should be replaced at the first available opportunity.

- (4) User requirements must be clear from the start of a project and there should be a point in time beyond which no further changes should be allowed

When a project, be it a structure or a system, is being planned, the end users should be identified and involved from the very beginning so that their requirements can be taken into consideration early.

- (5) The head of monitoring body for a large scale infrastructure project should be a professional

The current and former directors of NAPCO are Administrative Officers. While they may be capable administrators, the inquiry shows that they failed to grasp the implications of the discrepancies between the actual work progress and the work schedule. In order to ensure that the true picture of the progress of a large-scale and complex project is reflected accurately and any problems detected in the monitoring process are flagged up in the appropriate forum, the head of the monitoring body for such a project should be a professional.

- (6) Avoid creating too many committees with overlapping functions and responsibilities in the same organisation

The lesson to be learned from the organization structure of AA is that if committees are established to coordinate the activities of different units in an organization, the number of such committees should be kept to the minimum and the terms of reference of these committees clearly set out so as to avoid any overlapping of responsibility and confusion.

- (7) Progress reports should be well prepared, studied and followed up

While it is good practice to set up a system to check the work progress in any organization, the frequency and number of progress reports should be appropriate and their accuracy assured so as to be effective. Duplicative reports from different sources should be avoided. If reports from different resources are deemed necessary, different observations, if any, in these reports should be analysed critically. Reports should not be treated as routine documents and just browsed through or merely filed away, but should be studied carefully and digested, and any problems that can be identified from such reports should be brought up for discussion in the appropriate forum.

(8) Decisions in any organisation should be well documented

In the interest of accountability, discussions and decisions made, and subsequent action should be properly documented.

(9) Development of large-scale and complex projects should be managed by personnel with relevant experience

If the Government were to entrust a large-scale project such as the new airport to an outside organization, it is important to ensure that the senior key personnel in that organization must have relevant experience in managing project and operations.

(10) Activities of business partners should be co-ordinated

If outside agents or business partners are involved in the provision of services, the relationship of these agents should be carefully defined, their activities properly co-ordinated and the people involved fully briefed on their relationship and individual responsibilities.

(11) Project completion date should be fixed before related contracts are awarded

For large-scale projects, it is important to have from the very start a project completion date. After the completion date has been fixed, the relevant contracts or franchise or service agreements should be awarded in time so that they may tie in with the project completion date.

(12) Risk assessment and contingency plans are a must for large-scale or complex operations

In the planning of any large-scale or complex operations or functions, the party responsible should carry out a thorough risk assessment. And having taken the decision to proceed with the operation or function, there should be detailed contingency plans to cope with any emergencies.

(13) Recognise the importance of information technology

It is important to recognise that in this day and age IT permeates every aspect of human activity and IT's importance should be given due regard. There should be IT expertise at the appropriate level in any organization and decisions on IT systems should take expert IT opinions into consideration.

- (14) Allow ample time for testing and commissioning systems involving new and advanced technology

The lesson to be learned from the FIDS project is that whenever projects or systems involving new and advanced technology are developed, ample time should be allowed for thorough testing, commissioning and staff training.

- (15) Government should recognise the importance of community consideration in project planning

The community's reaction to the aircraft noise nuisance under the new flight paths provides another lesson to be learned. While it is necessary to stick to standards, especially international standards in any planning process, decision-makers should also be alert to the possible impact of a decision on the community, anticipate the community's reaction, and consult the people who may be affected. CAD is strongly advised to begin the consultation process well before the second runway comes into service. The lesson to be learned is, that the Government should recognise the importance of community consideration when planning large-scale projects.

Report of the Commission of Inquiry on the New Airport

A proposal on the follow-up to the conclusions and recommendations in Chapter 18 of the Commission's Report

Section/Item no. of the summary prepared by the Legislative Council Secretariat	Paragrap h no. of the Report	Subject	Legislative Council Panel on		
			Economic Services	Public Service	Planning, Lands and Works
Section 3	18.123 to 18.167	Causes of the Problems and Responsibility - <i>FIDS malfunctioning</i>	✓	-	-
Section 4	18.227 to 18.229	Adequacy of Communication and Coordination - <i>ADSCOM and NAPCO (Items (2) and (3))</i>	-	✓	-
Section 4	18.230 to 18.231	Adequacy of Communication and Coordination - <i>Government and AA (Item (2))</i>	✓	-	-
Section 4	18.232 to 18.235	Adequacy of Communication and Coordination - <i>Within AA (Items (1) and (2))</i>	✓	-	-
Section 5	18.236 to 18.256	Responsibility of AA <i>(Items (1) to (5))</i>	✓	-	-
Section 5	18.246 to 18.256	Misstatements and responsibility of the top management of AA	✓	-	-

Section/Item no. of the summary prepared by the Legislative Council Secretariat	Paragraph no. of the Report	Subject	Legislative Council Panel on		
			Economic Services	Public Service	Planning , Lands and Works
Section 8 (Items (1) to (3))	18.268 to 18.269	Lessons learned - <i>The role and responsibility of NAPCO</i>	-	-	✓
Section 8 (Item (4)(a) to (c))	18.270 to 18.272	Lessons learned - <i>Within AA</i>	✓	-	-
Section 8 (Item (5))	18.273	Lessons learned - <i>Over - confidence of the key players</i>	✓	-	-
Section 8 (Item (6))	18.274	Lessons learned - <i>Risk assessment and contingency plans</i>	✓	-	✓

Remark:

This is only a proposal on the follow-up to the conclusions and recommendations of the Report of the Commission of Inquiry on the New Airport. It would be up to the individual Panels to decide which of the subjects should be followed up and the action to be taken.

Report of the Commission of Inquiry on the New Airport

**Summary of conclusions and recommendations
(Chapter 18 of the Report)**

**Legislative Council Secretariat
March 1999**

Chapter 18 - Conclusions

Section 1 :	The Decision to Open the Airport
Section 2 :	Extent of Readiness and the Problems
Section 3 :	Causes of the Problems and Responsibility
Section 4 :	Adequacy of Communication and Coordination
Section 5 :	Responsibility of AA
Section 6 :	The Present Situation
Section 7 :	Could the Chaos and Confusion have been Avoided?
Section 8 :	Lessons Learned

Section 1 : The Decision to Open the Airport

(Paragraphs 18.1 to 18.7 of the Report)

- (1) The Airport Development Steering Committee (ADSCOM) did not make any mistake in deciding that 6 July 1998 should be the date for the operational opening of the new airport. Indeed, ADSCOM members had exercised great care and diligence in reaching that decision. It was a proper and wise decision.
- (2) During the period between January 1998 after the decision was made up till Airport Opening Day(AOD), ADSCOM exerted no less effort and care regarding the progress of AOR issues.
- (3) No one ever suggested a deferment or put situations before ADSCOM that would, at the time, justify a revisit of the decision. All concerned were taken by surprise by the chaotic situations that occurred on AOD. It would be unreasonable to hold ADSCOM or any of its members responsible for not appreciating the risks of keeping AOD in the then prevailing circumstances.

Section 2 : Extent of Readiness and the Problems

(Paragraphs 18.8 to 18.12 of the Report)

The Commission has classified the 42 problems that occurred since AOD into three categories: teething or minor, moderate and major. The three major problems are:

- Flight Information Display System (FIDS) malfunctioning
- Cargo Handling System (CHS) malfunctioning
- Baggage handling chaos

About 30 of the 42 problems occurred on AOD. Although the three major problems caused the greatest adverse effect on the operating of the new airport on AOD and for a period thereafter, all the other 27 problems occurred on AOD. Relating to airport operational efficiency, each of most of these 27 problems would not have raised concern or even been noticeable by itself. It was the concatenation of all these problems that created the chaos on AOD. In anyone's standard, the new airport was not ready to open on AOD.

Section 3 : Causes of the Problems and Responsibility

(Paragraphs 18.13 to 18.226 of the Report)

Within the time allowed by its terms of reference, the Commission is only able to find out the causes of and responsibility for most of the 42 problems, but not all. A summary of the causes and responsibilities of the three major problems are set out below.

FIDS Malfunctioning

(Paragraphs 18.123 to 18.167 of the Report)

In the eyes of the public, FIDS “crashed” or “broke down” on AOD and had problems for about a week or so thereafter. While there were some hardware problems and display server problems that affected the availability of devices and the update of information displayed, the lack of reliable flight information was mainly caused by problems with the FIDS software.

The Commissioners have analysed the evidence presented to it on factors that contributed to the malfunction of FIDS into five broad areas:

(1) **Compression of software development time**

The Commissioners are of the opinion that compression of software development time was the most fundamental and significant cause for the problems encountered with FIDS, as it forced testing, problem resolution and training for operators to be severely compromised. The responsibility for slippage in the development of FIDS from the end of 1997 to AOD lies with both AA and EDS, though it remains a contractual matter between AA and GEC and between GEC and EDS.

(2) Insufficient testing and rectification of software errors before AOD

The Commissioners are of the opinion that GEC and EDS as contractor and sub-contractor for the supply of FIDS are both responsible for the problems encountered with FIDS, including problems with the Oracle database, with EDS being mostly to blame. As between EDS and Preston, the Commissioners find it difficult to decide on responsibility.

(3) Insufficient training and practice of operators on software functionality

The Commissioners find that the inadequate training was a major contributing factor to problems on AOD. The inadequate training was caused by the compression of time caused by continued slippage in the development of FIDS. AA must be primarily responsible for the resultant inadequate training, while some of the responsibility may be apportioned to GEC, EDS and Preston for not providing all functionalities in training.

(4) Lack of or late confirmation of stands

ACC operators could not confirm allocations promptly because they were hampered by difficulties with the Terminal Management System (TMS) and because of the practice of not confirming allocations until the Estimated Time of Arrival(ETA) was received. AA and in particular Mr Alan LAM Tai Chi, General Manager - Airfield Operations of the Airport Management Division, should be responsible for adopting this practice, which was changed after AOD.

(5) Lack of communication and coordination

(a) Within AA

Dr Henry TOWNSEND, CEO/AA, and the rest of AA management and relevant departments and divisions are to be blamed.

(b) Between AA and other parties

AA is to be blamed for not informing CAD that it would use ETA from the radar tracker without prior authorisation or screening, and thus for the problems caused by the invalid ETA, causing green bars on the TMS Gantt chart. AA must also take the blame for not consulting EDS and Preston before AOD on the merits of using TMS only to input stands allocated, and

not to use TMS as an optimisation stand allocation tool. The lack of communication between AA and City University also contributed to the development of Stand Allocation System (SAS) not to accept illogical states, resulting in the system hanging up in the morning of AOD, though the Commission do not find sufficient evidence to apportion responsibility between the two.

(c) Between GEC, EDS and Preston

GEC is responsible for not communicating with EDS and thus misrepresenting to AA that it would take only a short time to revert to development of standalone builds. Both EDS and Preston are responsible for not ensuring that Apron Control Centre (ACC) operators were aware of the implications and the correct method of usage of the prompt linking flights by registration numbers, resulting in problems for ACC operators in the early morning of AOD, which triggered a series of delays on the apron and in the airport in general. On the evidence available, however, the Commissioners are not able to apportion blame between them.

(6) Other matters

GEC as main contractor must be responsible to AA for the defective monitors and Liquid Crystal Display (LCD) boards, while AA is responsible for cable problems that caused display devices to malfunction. To the public, AA is responsible for failing to ensure that FIDS worked for smooth and efficient airport operations on AOD and the week after. As a result, the efficient movement of passengers was not achieved and airlines and service providers were seriously affected in their operations.

CHS Malfunctioning

(Paragraphs 18.168 to 18.199 of the Report)

The Commissioners find, on the balance of probabilities, that the following parties are responsible for the breakdown of Super Terminal 1 (ST1) on AOD and in the period of about a month thereafter:

- (1) Hong Kong Air Cargo Terminals Limited (HACTL) is responsible for giving the assurances to AA and Government that ST1 would be ready to provide 75% of its throughput capacity on AOD.

- (2) The main causes for the breakdown of ST1 were:
- (a) the faults with CHS which resulted in the inefficiency of the Logistic Control System (LCS) in controlling and operating the Programmable Logic Controller (PLC) and the mechatronics;
 - (b) the insufficient testing of the Cargo Handling System (CHS) in fully integrated mode; and
 - (c) the insufficient training and unfamiliarity of HACTL's operation staff with operating the Container Storage System (CSS) and Box Storage System (BSS) in manual mode.

For all these HACTL is solely responsible.

- (3) Either HACTL or GPY or both are responsible for the delay in the construction works at ST1.
- (4) Either HACTL or GPY or both are responsible for the delay caused to the installation of the machinery and systems at ST1 and in the testing and commissioning of such machinery and systems.
- (5) HACTL knew of the delays in (3) and (4) above, and is responsible for under-estimating their effects on the readiness of ST1 to operate efficiently on AOD.
- (6) Contamination of the environment on AOD was very minor, and would have posed little difficulty to HACTL in the operation of its CHS.
- (7) Contamination of the environment, anyhow, was known to HACTL as early as late April 1998, and HACTL is responsible for not sufficiently clearing the environment for the proper and efficient operation of CHS.
- (8) The circumstances of there being three Ramp Handling Operators (RHOs) and two Cargo Terminal Operators (CTOs) were known to HACTL long before AOD, and the RHOs' involvement with cargo handling could hardly be described as an appreciable cause for the breakdown of HACTL.
- (9) The ramp chaos and alleged insufficiency of dollies were consequences of the slow response of CHS in processing cargo and not the causes of the slow response.

- (10) The failure of the Flight Data Display System (FDDS) and Flight Display Data Feed Services (FDDFS) (for which AA and others are responsible) also would not have been a serious threat to the efficient operation of CHS, as HACTL could have used a few employees to obtain the necessary flight information.
- (11) The late delivery of pre-manifests by airlines and the new Customs and Excise Department customs clearance procedures would cause some inconvenience to HACTL but did not contribute to the breakdown of ST1.

Baggage Handling Chaos

(Paragraphs 18.200 to 18.226 of the Report)

It is clear that the problems were caused by a number of separate and discrete matters, including human error. Some problems were the effect of other problems encountered in airport operations, eg, with FIDS and Trunk Mobile Radio (TMR). The Commission has identified 19 factors leading to the chaos. Not one single factor, by itself, can be said to have caused the chaos.

Section 4 : Adequacy of Communication and Coordination

(Paragraphs 18.227 to 18.235 of the Report)

ADSCOM and NAPCO

(Paragraphs 18.227 to 18.229 of the Report)

- (1) There is no evidence received by the Commissioners to justify a finding that there was any lack of coordination or communication between ADSCOM and New Airport Projects Co-ordination Office (NAPCO) in relation to ADSCOM's decision to open the airport on 6 July 1998 or in NAPCO's overall monitoring of AOR issues.
- (2) NAPCO failed in two aspects in the performance of its function:
 - (a) First, it should have inquired with AA whether it had the necessary expertise in monitoring HACTL's progress relating to the installation, testing and commissioning of ST1's 5-level CHS equipment and systems, but it did not do so.
 - (b) Secondly, it should have checked whether AA had plans and contingency measures and should have an overall assessment whether such plans and measures were adequate in view of the then prevailing circumstances. As a corollary, NAPCO should also examine if AA had an overall risk assessment.

- (3) The evidence shows that ADSCOM had the duty of an overall monitor and it had delegated the duty of the overall monitor of the progress of AOR to its executive arm, NAPCO, and directed it to discharge the duty. The public looks upon ADSCOM, as opposed to NAPCO, to discharge the duty as the overall monitor. On this premises, ADSCOM is ultimately responsible for that duty not having been satisfactorily discharged by NAPCO.

Government and AA

(Paragraphs 18.230 to 18.231 of the Report)

- (1) There was difficulty in Government obtaining information from AA which showed a lack of cooperation. From mid-1996 onward, AA became more open to Government. It shared its internal reports with NAPCO and allowed NAPCO to take part in system tests. Towards AOD, coordination and cooperation between AA and NAPCO improved significantly that NAPCO was no longer complaining.
- (2) AA's business includes the operation of the new airport. In conducting such operation, it shall have regard to the safe and efficient movement of air passengers and air cargo. The problems encountered on AOD revealed that AA did not have sufficient regard in these respects when opening the airport for operation on 6 July 1998. AA should therefore be responsible.

Within AA

(Paragraphs 18.232 to 18.235 of the Report)

- (1) Coordination and cooperation between the Airport Management Division and Project Division was particularly important from about the last quarter of 1997 since the new airport was in a transition from the construction stage to the operation stage. The coordination between the two Divisions continued to cause concern up to mid-1998.
- (2) A consultant report dated October 1997, commissioned for the purpose of advice on management structure post-AOD, revealed deficiencies in the leadership and teamwork of the senior management and incompetence of some senior managers. It is unfortunate that such important deficiencies were exposed at such a late stage. At that time, barely about six months before the AA Board's target date of April 1998 for airport opening, it would be too risky to introduce a change of the senior management. The

Commission accepts this as a reasonable explanation and does not attach any blame to the AA Board.

Section 5 : Responsibility of AA

(Paragraphs 18.236 to 18.256 of the Report)

The Commission finds that the AA management failed to maintain a right balance between the Project Division and Airport Management Division in two ways. First, the Airport Management Division's participation in project and systems development was not provided for in an early stage. Secondly, the personalities of the persons occupying key posts caused problems.

The acts and omissions and therefore the responsibilities of the following persons in the top AA management have been examined in detail:

(1) Dr Henry TOWNSEND, CEO/AA

- (a) Dr TOWNSEND was not in control of the management, resulting in lack of coordination between the Project Division and the Airport Management Division. He did not give sufficient priority and adequate support to operational requirements of the Airport Management Division, especially since the end of 1997 when more preponderance should have been accorded to the Airport Management Division in the transition from the project stage to operation sphere. He did not assign sufficient resources to the Airport Management Division at an early stage, and failed to give sufficient support to AMD/AA.
- (b) He did not engage an expert to monitor HACTL's system.
- (c) He must be responsible for failing to have any or any proper global assessment of AOR.
- (d) He is further responsible for the misstatements he made to the AA Board and ADSCOM.

(2) Mr Douglas OAKERVEE, PD/AA

There is no evidence that Mr OAKERVEE has failed in his duties as PD/AA, although he should be primarily responsible for the slippages in respect of the construction and systems works vis-a-vis the Airport Management Division which caused the time necessary for training and familiarisation of the Airport Management Division operators on the systems to have been compressed.

(3) Mr Chern HEED, AMD/AA

Mr HEED, as AMD/AA, must take the major share of blame of the problems and shortcomings witnessed on AOD.

- (a) First, his personality was too weak. He ought to have stood firm vis-a-vis the Project Division, in particular his counterpart Mr OAKERVEE, to ensure that the Airport Management Division would have sufficient time to be properly prepared for AOD.
- (b) Secondly, he failed in his duty to ensure that he was kept properly informed of the progress of the FIDS development so as to enable him, as head of the Airport Management Division, to make an informed assessment as to the readiness of FIDS for AOD.
- (c) Thirdly, he failed to ensure that an appropriate overall risk assessment was carried out to assess the risks involved in proceeding with the opening and the sufficiency of the contingency measures that were in place. He admitted that there was no global contingency plan. His weakness and deficiencies deprived Hong Kong of the chance of a smoother and more efficient airport on AOD.

(4) Mr Kiron CHATTERJEE

Mr CHATTERJEE, as Head of IT, had failed in his duties in two respects:

- (a) First, he did not assess properly the risks involved in deferring the stress test for FIDS.
- (b) Secondly, he did not advise the Airport Management Division properly of the risks involved in not undergoing such test before AOD.

He was also grossly negligent in allowing the misstatement contained in the ADSCOM Paper about the reliability of FIDS unexplained at the ADSCOM meeting when the Paper was discussed.

(5) AA Board

The AA Board is ultimately responsible for the problems which occurred on AOD because the duty for developing and operating the new airport is placed on it by Section 4 of the Airport Authority

Ordinance. The Commissioners do not accept the arguments that the AA Board should be responsible for Dr TOWNSEND's acts and omissions or the acts and omissions of the AA management, nor that the Board should be professionally qualified. However, the Board may be criticised for not having appointed outside consultants to advise itself on the progress of important projects such as FIDS, instead of allowing AA management to have such consultants. However, this view may be derived from the wisdom of hindsight, which might have not been clear to the AA Board at the material time. This failure of the AA Board should not therefore be overstated.

Misstatements and Responsibility for Them
(Paragraphs 18.246 to 18.256 of the Report)

Two misstatements were identified during the inquiry. One was the reliability of FIDS as a whole was 98.7% available and the other was that the Access Control System (ACS) had been tested successfully. Although these misstatements are not related to any direct cause for the chaos on AOD, they had significant bearing on the top management of AA. They might also have created a false sense of security in ADSCOM.

Section 6 : The Present Situation
(Paragraphs 18.257 to 18.262 of the Report)

Looking at the evidence received by the Commission and excluding problems not yet surfaced (which are outside the Commission's work), it can be said that the new airport has completely come out of the pit of problems to attain the standard of a world-class airport. There have been remarkable improvements to the operation of the new airport.

Section 7 : Could the Chaos and Confusion have been Avoided?
(Paragraphs 18.263 to 18.266 of the Report)

- (1) A comprehensive risk assessment would have identified that in the case of failure of FIDS, the various means of communication for the dissemination of flight information would need to be ensured or their capacities increased. Contingency plans consequent upon such an assessment would have been developed by AA in conjunction with all other necessary airport operators, like the airlines, RHOs, Baggage Handling Operator (BHO), line providers and CTOs. If all these had been done, then the chaos in Passenger Terminal Building (PTB) could have been alleviated if not eliminated altogether.

- (2) Moreover, regarding ST1, if there had been effective monitoring by AA of the readiness of HACTL's CHS, HACTL might have been warned against its over-confidence. There might have been more testing of its systems and their operation in an integrated manner. If the airport trials had been prepared in such a way as to be much closer to a live situation of operation and participated by HACTL, it would have also helped expose problems in CHS. There are, however, grave doubts whether there would have been sufficient time to do all these things when the risks of not having a smooth and efficient operation became apparent.
- (3) When AOD was getting closer, when problems with regard to a number of systems in PTB, notably FIDS, ACS, Public Address System (PA) and telephones persisted, it would realistically be the first time that they should consider whether the risks justified a reconsideration of AOD. That would be too late for all the required risk assessment to be made or contingency measures to be planned and fully coordinated. That would only leave those involved with a Hobson's choice: to defer AOD.
- (4) While a postponement of AOD would prevent the chaos and confusion, it must be understood that it would not have helped if AOD, when it was announced in January 1998, was not 6 July 1998 but sometime later. The reason is that the risks affecting a smooth AOD would only have surfaced close to AOD. Had a later AOD been announced right from January 1998, the added time would not have exposed the risks at an early stage.
- (5) With the full benefit of hindsight and having examined all the evidence, the Commissioners feel that if a deferment were sought and considered about a fortnight before 6 July 1998, airport operation commencement should be deferred for about two months.

Section 8 : Lessons Learned

(Paragraphs 18.267 to 18.275 of the Report)

- (1) NAPCO was tasked with coordinating all the 10 Airport Core Programme (ACP) projects, and also monitoring the progress of AA's work relating to AOR. This monitoring role is nebulous because, at times as the Chief Secretary pointed out, NAPCO was a critical observer, but when problems were noticed with FIDS, NAPCO adopted a more proactive attitude in getting more information than a critical observer would. This was perfectly fine for all concerned save that it would unwittingly lay a trap for AA whose Chairman and Vice-Chairman, ie, Mr WONG Po-yan and Mr LO Chung-hing,

thought, albeit perhaps unjustifiably that AA could rely on NAPCO's monitoring. This had unintentionally given AA a sense of security which should have been avoided, either by reminding AA of its statutory functions and obligations, or by telling it in no uncertain terms that NAPCO was purely working for ADSCOM.

- (2) The involvement of an organisation like NAPCO could also have conjured up a false idea in the public that Government was to ensure that the work for which AA was solely responsible would be satisfactorily performed. In other words, getting more involved than its position required in a project which is the sole responsibility of a statutory corporation might give rise to a misunderstanding that the success or otherwise of the project is a Government responsibility.
- (3) While intervening more than NAPCO should in its overall monitoring of FIDS, its role regarding HACTL's systems is viewed by way of comparison. NAPCO is criticised for failing to inquire if AA had the required expertise in monitoring HACTL's systems. As a critical observer, NAPCO had, according to the Commissioners' opinion, failed to satisfy itself that AA had such necessary expertise. Its reliance on HACTL's good reputation and past record is not a reasonable excuse and its assumption that AA had the expertise was not proper, for the assumption could have been clarified with simply a question or a letter.
- (4) Within AA itself, the main lessons that have been learned are three-fold:
 - (a) First, whatever the organisational structure of a company, the most important aspect is the fitness of the personality and character of the persons occupying key posts, which must be viewed not only whether the persons fit the posts alone, but the interaction of the personalities of those occupying such posts should be considered carefully.
 - (b) Secondly, for a large project or in a large organisation, the eventual user should be given an early, if not a first, opportunity to work with the provider of the services. Had the Airport Management Division and IT Department been involved in the planning stage of the projects, and the development of the systems in particular, there would certainly have been less changes to the systems because of the late notice of the operational requirements.

- (c) Thirdly, there should always be a global and comprehensive risk assessment, especially when various risky factors occurred incessantly during the development process.

- (5) Connected with the lack of global risk assessment and preparation for the worst is the over-confidence of the key players, namely, AA and HACTL. Both of these groups of people in AA and HACTL had tried so hard and been so immersed in their work that they had failed to provide for the worst scenario. The over-confidence that had resulted in AA not seeking any deferment of AOD had similarly caused HACTL to reiterate the assurance of its readiness instead of even considering at a late stage to retract it or asking for a soft opening by retaining resort to Kai Tak, which it eventually did but only after AOD.

- (6) Delay with a deadline is always risky. To prevent this from happening, it is necessary for those who are required to accomplish by a deadline to have a conscientious risk assessment of the situation and make comprehensive contingency plans to cater for various eventualities when delay is experienced.

**Executive Summary of the Ombudsman's
Report of the Investigation into the Commissioning
and Operation of the New Airport at Chek Lap Kok**

**A proposal on the follow-up to the conclusions and recommendations
in Chapters 15 and 16 of the Executive Summary of the Ombudsman's Report**

Item no. of the summary prepared by the Legislative Council Secretariat	Paragraph no. of the Executive Summary of the Report	Subject	Legislative Council Panel on		
			Economic Services	Public Service	Planning, Lands and Works
15 (2)	15.5	Airport problems not teething problems but are indications of misjudgement and mismanagement	✓	-	-
15 (3)	15.7	Airport problems caused by inadequate supervision, management, coordination and communication	✓	-	-
15 (4)	15.8 15.10	Airport opening date should be subject to review in the light of actual progress	-	-	✓
15 (5)	15.9	Lack of advice and experience of international experts	✓	-	✓
15 (6)	15.12	Obscure working/communication arrangement	✓	-	✓
15 (8)	15.13	ADSCOM should critically assess and re-assess the practicability of the airport opening date	-	✓	-

Item no. of the summary prepared by the Legislative Council Secretariat	Paragraph no. of the Executive Summary of the Report	Subject	Legislative Council Panel on		
			Economic Services	Public Service	Planning, Lands and Works
15 (10)(a)	15.16	Responsibilities of the Administration	-	✓	-
15 (10)(b)	15.16	Responsibilities of AA	✓	-	-
16 (1)	16.4	Ownership of facilities, systems and procedures	✓	-	-
16 (2)	16.4	The challenge of change	✓	-	-
16 (3)	16.4	Public expectations	✓	-	-
16 (4)	16.4	Government-AA relationship	✓	-	-
16 (5)	16.4	Performance pledges	✓	-	-
16 (6) 16 (7) 16 (12)	16.4	Relationship with business partners	✓	-	-
16 (8)	16.4	Public suggestions and complaints	✓	-	-
16 (9)	16.4	Contingencies and training	✓	-	-
16 (10)	16.4	Staff development	✓	-	-
16 (11)	16.4	Organization structure	✓	-	-
16 (13)	16.4	The role, powers and functions of all key players	-	-	✓
16 (14)	16.4	Lines of responsibilities and communication	-	-	✓
16 (15)	16.4	Maximum transparency and openness	-	-	✓

Item no. of the summary prepared by the Legislative Council Secretariat	Paragraph no. of the Executive Summary of the Report	Subject	Legislative Council Panel on		
			Economic Services	Public Service	Planning, Lands and Works
16 (16)	16.4	- Prior consultation	-	-	✓
		- Review and assess the state of readiness prior to commissioning			
16 (17) 16 (18)	16.4	External expertise and independent monitors	✓	-	✓
16 (19)	16.4	Publicity activities	✓	-	✓
16 (20)	16.4	Monitoring role of the Administration/AA	✓	-	✓

Remark:

This is only a proposal on the follow-up to the conclusions and recommendations of the Executive Summary of the Ombudsman's Report. It would be up to the individual Panels to decide which of the subjects should be followed up and the action to be taken.

**Executive Summary of the Ombudsman's
Report of the Investigation into the Commissioning
and Operation of the New Airport at Chek Lap Kok**

**Summary of conclusions and recommendations
(Chapters 15 and 16 of the Executive Summary of the Report)**

**Legislative Council Secretariat
March 1999**

Chapter 15 - Conclusions

- (1) Problems which surfaced before the Airport Opening Day all pointed to doubts to a smooth opening of the new airport
(Paragraph 15.3 of the Executive Summary)

Problems which surfaced between January 1998 and June 1998 all pointed to doubts, if not risks, to a smooth opening of the new airport.

- (2) Airport problems not teething problems but are indications of misjudgement and mismanagement
(Paragraph 15.5 of the Executive Summary)

Essential AOR activities including training were compressed and trials were conducted in parallel with construction of physical works. As a consequence, it was impossible to have a well tested and practised airport critical to ensure smooth and efficient operations from Day 1. It is much regretted that the insufficiently practised operations, which gave rise to foreseeable risks leading to significant efficiency problems at opening, occurred as expected. The immensity of the airport problems was neither teething problems nor inaugural glitches. They are indications of misjudgement and mismanagement of disastrous proportions on airport opening.

- (3) Airport problems caused by inadequate supervision, management, coordination and communication
(Paragraph 15.7 of the Executive Summary)

The airport problems were also caused by inadequate supervision, management and coordination on the part of AA and the insufficient communication between AA and its partners in the AOR planning and in anticipating and containing the expected teething problems.

- (4) Airport opening date should be subject to review in the light of actual progress
(Paragraphs 15.8 and 15.10 of the Executive Summary)

There is no evidence that parties concerned including AA, HACTL or other AA franchisees or contractors had officially reported that any aspect of airport operation would not be ready by the AOD. The impression that the AOD was irreversible might have discouraged parties concerned to make such reports even though problems on various aspects of airport operations were

foreseen. The ideal scenario would be to critically review the AOD after completion of all essential works, systems and training, critical to the airport opening on all aspects of airport operations, including Passenger Terminal Building and HACTL. Even if the AOD had been announced it should still be subject to review in the light of actual progress on the ground. The airport problems could have been avoided or at least the magnitude of these problems could have been reduced to acceptable and tolerable level.

- (5) Lack of advice and experience of international experts
(Paragraph 15.9 of the Executive Summary)

There is no record that the Government or the AA had tapped the advice and experience of international airport management and/or cargo handling experts.

- (6) Obscure working/communication arrangement
(Paragraph 15.12 of the Executive Summary)

A somewhat obscure working/communication arrangement existed between ADSCOM, AA non-Government and Government board members, AA senior management and NAPCO. This situation created communication problems to the point of less-than-open or mistrust and contributed to an underestimate of problems on AOD.

- (7) NAPCO has discharged its duty
(Paragraph 15.13 of the Executive Summary)

NAPCO being the executive arm of ADSCOM had a duty to draw to ADSCOM's attention any inadequacies on the part of AA which may lead to AOR problems. In this regard, it is observed that NAPCO had discharged its duty.

- (8) ADSCOM should critically assess and re-assess the practicability of the airport opening date
(Paragraph 15.13 of the Executive Summary)

From minutes of its meetings, ADSCOM had repeatedly expressed dissatisfaction over AA's delays and slippages on a number of projects. It was also aware of AA's internal organisation problems. Against such background, any reports or "assurances" from AA should be taken with caution and be subject to meticulous scrutiny. Clearly there were differences in the level of confidence on AOR between AA and NAPCO and one would

have expected ADSCOM, being the decision maker on AOD, should critically assess, and re-assess the practicability of the AOD in the light of NAPCO's reports. It is regretted that this was not done.

(9) New airport not ready for commissioning on 6 July 1998
(Paragraph 15.15 of the Executive Summary)

All points considered, The Ombudsman is of the view that on the basis of the Administration's requirements, there were ample indications that the new airport was not ready for commissioning on 6 July 1998.

(10) Responsibilities
(Paragraph 15.16 of the Executive Summary)

The Administration, AA, and HACTL should be responsible for the chaos on AOD. Such chaos was caused in no small measure by oversight, inadequate communications and mutual understanding between the Government and AA, by internal organization problems of the AA and by over confidence on the ability of HACTL to achieve readiness. In specific terms -

- (a) The Administration (represented by the ADSCOM) had failed to act on various problems, including internal problems of the AA as soon as they became apparent. In the run up to AOD, it had also failed to assess the credibility of AA's assurances in the light of the NAPCO's repeated advice on risks. This lack of proactiveness was compounded by the impression created by the Government that the AOD was strictly irreversible;
- (b) There was a lack of communication between AA senior management and the Board of Directors to the extent that inadequate or even misleading information was submitted to the latter. The onus to resolve internal conflict amongst Divisions fell squarely on the AA senior management and the Board of Directors but regrettably no positive action was taken to stop the conflict. Over confidence on the ability of HACTL to the extent of leaving the latter to operate by itself also lent to the chaos of air cargo handling; and
- (c) although not an organization under The Ombudsman's Ordinance, The Ombudsman holds that HACTL, through over confidence and failure to achieve an integrated readiness on AOD, was responsible for the breakdown of air cargo handling from AOD until August 1998.

Chapter 16 -- Recommendations

(Paragraph 16.4 of the Executive Summary)

For AA

(1) Ownership of Facilities, Systems and Procedures

The AA should put in place mechanisms and measures to include the taking up of ownership among staff at various levels for both new and existing facilities, systems and procedures. AA should also encourage its business partners to share and take up this ownership if the facilities, systems and procedures required their input, support and/or co-operation.

(2) The Challenge of Change

Whilst the new airport has been commissioned, changes and adjustments are on-going. Every Division within AA should stand ready to respond to change with a view to upkeeping a world class airport.

(3) Public Expectations

It is recommended that AA should stand ready to anticipate and manage problems, and if possible, to give public advance notice to such problems and/or prompt explanations thereafter.

(4) Government-AA Relationship

It is recommended that the government members of the AA Board should continue to act as a bridge between the “non-government AA”, AA senior management and the Government. In turn the AA should continue to monitor the performance of its franchisees and other business partners to achieve operations and customer service excellence.

(5) Performance Pledges

To provide the highest possible service performance at the airport and for accountability purposes, it is recommended that performance pledges for various services directly provided by AA should be drawn up. AA should also encourage other service providers at the airport to draw up their own performance pledges. An information leaflet listing the principal service

providers and their telephone numbers should be produced for information of visitors and the travelling public if such services are not directly provided by the AA.

(6) Relationship with Business Partners

The Customers Liaison Group which represented the views of business partners and users of the airport services during the Kai Tak days should continue to function at CLK.

(7) It is equally important for AA to set up mechanisms to strengthen the working relationship and establish rapport among its business partners in order to upkeep and continue to seek operations and customer service excellence.

(8) Public Suggestions and Complaints

A comprehensive complaints handling system should be drawn up within AA. The AA should also encourage its key business partners to have such system in place. Apart from receiving and investigating complaints, it is recommended that AA should develop a positive complaints culture with ways and means to reducing complaints and achieving customer service excellence. It is also recommended that AA should conduct customer opinion surveys regularly and review the findings with its business partners as appropriate with a view to gauging feedbacks and improving its services.

(9) Contingencies and Training

All existing contingency plans should be regularly reviewed, updated and promulgated. Initial and refresher training should be organized for new recruits and serving staff, and where appropriate extended to staff of AA's business partners respectively.

(10) Staff Development

It is for consideration of the AA to devise a staff development programme with a view to enhancing the professionalism of its staff in the management and operation of the new airport. The airport must be run by people with a high standard of professionalism to support a world-class airport.

(11) Organization Structure

The organization structure has necessarily changed with the commissioning of the airport. The size of the Project Division, for example has diminished whilst responsibilities for the Airport Management Division have correspondingly increased. AA should review the management structure including the duties of responsibilities of the DCEO post in light of the experience of airport operations.

- (12) The chaos on or shortly after AOD had enabled AA business partners to make concerted efforts to overcome difficult problems within a very short time. Whilst such experience must be necessarily painful and unwanted, the chaos has built up a good working relationship amongst business partners. It is recommended that all parties concerned should make efforts to sustain such a relationship, to work towards a common goal - a world-class airport - and to meet challenges and competitions.

For the Administration

- (13) For major public projects, the Administration must clearly define the role, powers and functions of all key players, and their relationships with each other.
- (14) Lines of responsibilities and communication, both intra and inter organization, must be clearly drawn up and agreed amongst the organizations. This applies in particular to working systems and procedures which may not be adequately covered by statute or by commercial contracts. The intention is that every organization should be left in no doubt of its duties and responsibilities and they must be made known to each other.
- (15) All inter-organizational activities should be conducted with maximum transparency and openness. There should be established channels to facilitate candid exchanges of views and opinions towards the common goals. All parties should be encouraged to report any difficulties and concerns even if such reports may lead to significant rectification measures, alteration of plans or target dates.

- (16) In like manner important decisions or directives should as far as possible be made in full prior consultation with the organizations and key players concerned and with their participation in the decision-making process. There should be an effective mechanism to critically review and assess the state of readiness of various key developments prior to commissioning. This is particularly important when full scale testing is not possible.

For the Administration/AA

Expertise and Independent Monitor

- (17) For future important projects, the Administration and AA should seriously consider enlisting the advice of external expertise as early as possible on aspects where such knowledge and expertise might not be available or adequate in Hong Kong.
- (18) It is for consideration whether external monitors should be appointed to give independent assessment on the activities and issues critical to the operational readiness of the project at opening.

(19) Publicity Activities

It is strongly recommended that any publicity activities must not interfere with normal operations or project work. The latter must take precedence under all circumstances.

(20) Monitoring Role

The Administration must monitor the performance of the AA which in turn must monitor the performance of its franchisees. For large scale projects, integrated plans, timely completion, adequate training and near “real life” trials should be closely monitored and the effects of any slippages, faults, malfunctioning, etc. must be examined in time.