

立法會  
*Legislative Council*

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**Finance Committee of the Legislative Council**

**Minutes of the 5th meeting  
held at the Legislative Council Chamber  
on Friday, 24 January 2003, at 2:30 pm**

**Members present:**

Dr Hon Philip WONG Yu-hong (Chairman)  
Hon NG Leung-sing, JP (Deputy Chairman)  
Hon Kenneth TING Woo-shou, JP  
Hon James TIEN Pei-chun, GBS, JP  
Dr Hon David CHU Yu-lin, JP  
Hon Cyd HO Sau-lan  
Ir Dr Hon Raymond HO Chung-tai, JP  
Hon LEE Cheuk-yan  
Hon Martin LEE Chu-ming, SC, JP  
Hon Eric LI Ka-cheung, JP  
Dr Hon David LI Kwok-po, GBS, JP  
Hon Fred LI Wah-ming, JP  
Dr Hon LUI Ming-wah, JP  
Hon Margaret NG  
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP  
Hon James TO Kun-sun  
Hon CHEUNG Man-kwong  
Hon HUI Cheung-ching, JP  
Hon CHAN Yuen-han, JP  
Hon Bernard CHAN, JP  
Hon CHAN Kam-lam, JP  
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP  
Hon LEUNG Yiu-chung  
Hon SIN Chung-kai  
Hon Andrew WONG Wang-fat, JP  
Hon Jasper TSANG Yok-sing, GBS, JP

Hon Howard YOUNG, JP  
Dr Hon YEUNG Sum  
Hon YEUNG Yiu-chung, BBS  
Hon LAU Chin-shek, JP  
Hon LAU Kong-wah  
Hon LAU Wong-fat, GBS, JP  
Hon Miriam LAU Kin-yee, JP  
Hon Ambrose LAU Hon-chuen, GBS, JP  
Hon Emily LAU Wai-hing, JP  
Hon CHOY So-yuk  
Hon Andrew CHENG Kar-foo  
Dr Hon LAW Chi-kwong, JP  
Hon TAM Yiu-chung, GBS, JP  
Dr Hon TANG Siu-tong, JP  
Hon Abraham SHEK Lai-him, JP  
Hon LI Fung-ying, JP  
Hon Henry WU King-cheong, BBS, JP  
Hon Tommy CHEUNG Yu-yan, JP  
Hon Michael MAK Kwok-fung  
Hon Albert CHAN Wai-yip  
Hon LEUNG Fu-wah, MH, JP  
Dr Hon LO Wing-lok  
Hon WONG Sing-chi  
Hon IP Kwok-him, JP  
Hon LAU Ping-cheung  
Hon Audrey EU Yuet-mee, SC, JP  
Hon MA Fung-kwok, JP

**Members absent:**

Hon Albert HO Chun-yan  
Hon CHAN Kwok-keung  
Hon WONG Yung-kan  
Hon SZETO Wah  
Hon Timothy FOK Tsun-ting, SBS, JP  
Hon Frederick FUNG Kin-kee

**Public officers attending:**

Mr Frederick MA Si-hang, JP	Secretary for Financial Services and the Treasury
Mr Alan LAI Nin, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)

Mr Stanley YING, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Michael WONG	Deputy Secretary for Security
Mr Alan CHU	Principal Assistant Secretary for Security
Mr WONG Wai-man, IMSM	Acting Assistant Director of Immigration
Mr LAI Chak-man	Chief Systems Manager of Immigration Department
Mr CHEUNG Chin-hung	Principal Immigration Officer of Immigration Department
Mr Alan SIU	Deputy Secretary for Commerce, Industry and Technology (Information Technology and Broadcasting)
Miss Helen TANG	Principal Assistant Secretary for Commerce, Industry and Technology (Information Technology and Broadcasting)
Mr PO Pui Leong	Acting Commissioner for Television and Entertainment Licensing
Mr Alfred W F FOK	Chief Executive Officer of Television and Entertainment Licensing Authority
Mr Raymond YOUNG, JP	Deputy Secretary for Commerce, Industry and Technology (Commerce and Industry)
Mr Kevin HO, JP	Director-General of Trade and Industry
Mr Joseph LAI, JP	Deputy Director-General of Trade and Industry
Mr Victor NG	Principal Assistant Secretary for Financial Services and the Treasury (Treasury)
Ms Maria KWAN, JP	Government Property Administrator
Mr Jack CHENG	Chief Property Manager of Government Property Agency
Ms LI Sau-woon	Senior Property Manager of Government Property Agency

**Clerk in attendance:**

Ms Pauline NG	Assistant Secretary General 1
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**Staff in attendance:**

Miss Polly YEUNG	Chief Assistant Secretary (1)3
Mr Matthew LOO	Senior Assistant Secretary (1)3
Ms Caris CHAN	Senior Legislative Assistant 1
Mr Frankie WOO	Legislative Assistant 2

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**Item No. 1 - FCR(2002-03)50****RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE  
MADE ON 18 DECEMBER 2002**

The Committee approved the proposal.

**Item No. 2 - FCR(2002-03)51****CAPITAL WORKS RESERVE FUND  
HEAD 710 - COMPUTERISATION****Immigration Department****♦ New Subhead “Implementation of Phase II of the Updated Information  
Systems Strategy for the Immigration Department”**

2. Members noted that the Panel on Security had been consulted on the present proposal on 5 December 2002.

3. On the Automated Passenger Clearance (APC) System, Mr NG Leung-sing recalled a recent incident in which a mentally retarded child could slip through immigration clearance without being detected. He enquired whether there were any precautions, such as guidelines for immigration control officers (ICOs) overseeing the self-service channels of APC System, to cater for such possibilities. Mr Howard YOUNG, while supporting the proposal on behalf of Members of the Liberal Party, also expressed concern about the reliability of the automated clearance systems to guard against slip-throughs.

4. In response, the Deputy Secretary for Security (DS(S)) said that the initial thinking was that each ICO would supervise up to five unmanned APC channels, and the ICO would intervene where the situation so warranted, such as providing assistance to passengers or taking enforcement actions. The conventional type of manned counters would still be open for visitors who needed such service, such as the elderly, people with disabilities or children. For illustration, the Acting Assistant Director of Immigration (AD of Imm) referred to a diagram of the proposed design of the APC channel and highlighted that unlike the open design of conventional manned counters, an entrance and an exit gate would be installed in each APC channel to deter slip-throughs. The entrance gate would open to allow a passenger to enter the channel. After his entrance, this gate would close. Inside the channel, the passenger would insert his smart identity card into the card reader and place his thumb onto the fingerprint scanner for verification. The passenger could only leave the channel through the exit gate upon completion of all clearance procedures. ICOs would render assistance to passengers if required.

5. Miss CHOY So-yuk cautioned that despite maturity of the finger verification, overseas experience indicated that impersonation by using fake fingerprints might be

possible. Considering that there would only be one ICO to oversee up to five unmanned APC channels, she expressed concern whether the biometric identification technology adopted in the proposed APC System was secure enough in preventing deliberate slip-through.

6. In response, AD of Imm advised that the development of fingerprint verification technology had reached a very advanced stage, such that the device was able to detect the livelines of the finger by reading pulse beats, sweat glands, red blood-cells and oxygen concentration of the blood inside the finger etc. Other technologies including hand geometry, retina scan and iris recognition had been appraised, but the fingerprint verification technology was considered to be most suitable in view of its high accuracy, distinctiveness, acceptability, repeatability and reliability. AD of Imm assured members that security requirements of the new systems to prevent the use of fake fingerprints would be clearly specified in the tender document. AD of Imm also advised that the system would accept either the left or right thumbprints. If a user could not register either thumbprint (such as in case of injuries to both thumbs), he could still use the conventional counter for immigration clearance.

7. DS(S) further confirmed in reply to Mr Howard YOUNG that the design of the proposed APC System and Automated Vehicle Clearance (AVC) System had taken into account the co-location of immigration and customs facilities in Huanggang although there was not yet a timetable for the implementation of the co-location arrangement.

8. Mr CHAN Kam-lam questioned the need to commission a consultancy study on the feasibility of introducing automated immigration clearance at immigration control points in Hong Kong as the Administration could readily draw on the experience of Shenzhen which had implemented a similar automated immigration clearance system for some time. He also stressed that the new systems should be carefully designed to facilitate synchronised immigration clearance at Hong Kong and the Mainland.

9. In response, DS(S) advised that the Administration had made reference to Shenzhen's experience in the design of the proposed systems. However, the design of the Hong Kong systems was different from that of Shenzhen as the needs of and considerations relevant to the two sides might not be the same. For example, compared with the Shenzhen system, the one proposed by Hong Kong would place more emphasis on fingerprint verification rather than photo recognition.

10. In reply to Dr David CHU's enquiry about monitoring and assistance available to users, AD of Imm advised that all vehicles entering and leaving the AVC kiosks would be monitored by closed circuit television systems to prevent slip-throughs and the drivers might use the intercommunication facilities installed at each kiosk to call for assistance if required.

11. Dr LUI Ming-wah supported the present proposal and considered that the proposed automated clearance systems for Hong Kong were more advanced and reliable than those of Shenzhen. On the APC, he reckoned that the clearance processing time could be shortened to about nine seconds under the "fast" mode which was faster than that of the Shenzhen system.

12. Mr IP Kwok-him supported the proposal and considered that the processing time could be shortened in view of technological advances. He also hoped that the implementation of the new automated systems would provide some relief to frontline ICOs who often had to work under pressure continuously for a long period of time under the current arrangement.

13. Ms Emily LAU noted that the average processing time of APC System was about 12 seconds, which was roughly the same as that under the existing human inspection clearance system. She also referred to a past demonstration which she had viewed and expressed reservation about the effectiveness of the currently proposed systems in reducing the average processing time for immigration clearance. She was of the view that the average processing time should be shortened in view of technological advances and further enquired about the "fast" mode.

14. In reply, DS(S) explained that 12 seconds was the average processing time recorded in around 1 000 tests conducted in the feasibility study. Under the existing arrangement, many immigration clearance counters were not in operation because there was insufficient manpower to man these counters. However, when the APC System was implemented, some of these counters, which would be converted to automated channels, could be opened to meet the needs of immigration clearance. AD of Imm supplemented that the 12-second processing time began after the passenger had entered the channel and started to insert the smart identity card into a card reader up to the point when the passenger left the APC channel. In the event that passengers using APC channels were required to queue up, a "fast" mode would be activated whereby the passenger in the head of the queue could insert the smart identity card into a smart card reader installed in front of the APC channel to have his personal information pre-fetched before he entered the APC channel for self-service immigration clearance. This concurrent processing feature of APC would speed up the processing time of subsequent passengers at the APC channels, and hence reduced the processing time by three seconds or more. At the request of Ms LAU, AD of Imm undertook to arrange a demonstration on the automated passenger clearance systems for interested members.

Admin

*(Post-meeting note : The Administration had arranged a demonstration on the prototype of APC System and the Smart Identity Card System on 8 March 2003).*

15. Mr LAU Kong-wah also enquired whether the Administration would specify in the tender document that the processing time of nine seconds under the "fast" mode of

the APC System would be specified as a minimum requirement of system performance in the tender document.

16. In response, AD of Imm advised that the nine-second processing time would be specified as the minimum system performance requirement in the tender document. He said that as revealed in the feasibility study, the average processing time of APC System was about 12 seconds. About three seconds could be saved if the “fast” mode was triggered and hence the fastest processing time would be around nine seconds. Both AD of Imm and DS(S) nevertheless pointed out that the processing time included both the system response time and the time required by users to complete the manual process. It was expected that the average processing time could be further reduced when users became more familiar with the operation of the new system over time.

17. In this connection, Mr James TO considered it rather strange to specify a minimum requirement in processing time in the tender document unless the figure was based on some objective tests or studies. He doubted whether such a requirement was realistic given that it might be difficult to ascertain the time required by individual users in doing the manual process while using the system. Instead, he said that it would be more desirable to allow tenderers the flexibility to devise a system with the fastest processing time at a cost which was acceptable to the Administration. The Chairman also remarked that the Administration might only need to specify the requirement on system response time in the tender document. The Administration noted members' views and said that reasonable requirements would be included in the tender document.

18. As regards the AVC, Mr IP Kwok-him noted that only the drivers could use their smart identity cards and fingerprint for self-service immigration clearance. He enquired whether the Administration had plans to allow passengers travelling in the same vehicle to undergo self-service immigration clearance as well. In response, AD of Imm advised that prospective tenderers would be invited to suggest some options, such as using movable mechanical arms to extend the immigration clearance devices to passengers in vehicles, to facilitate those passengers who had smart identity cards for self-service immigration clearance.

19. In reply to Dr TANG Siu-tong's enquiry about overseas experience in automated immigration clearance systems, AD of Imm advised that the Administration had made reference to similar systems in other countries including Malaysia and Singapore. The average processing time for the Malaysian system was around 14 seconds, and the immigration clearance channel in Singapore was equipped with only one gate. Demonstrations of these systems could be arranged at the department.

20. Referring to the use of the Home Visit Card for immigration clearance at Shenzhen, Dr TANG Siu-tong was concerned whether the new system could meet the increasing demand for immigration clearance at the border. In response, DS(S)

advised that the device for reading the Home Visit Card in the Mainland was different from the optical character recognition (OCR) technology currently used for the Hong Kong identity card. The OCR readers installed in the immigration clearance counters might fail to recognise characters printed on the existing identity cards due to wear and tear of the cards over time. This would necessitate the manual input of data and prolong the immigration clearance process. DS(S) added that this problem could be resolved when the existing identity cards were replaced by the new smart identity cards.

21. Mr James TIEN noted that despite the annual recurrent savings of \$140 million to be brought about by the implementation of the APC and AVC, an estimated non-recurrent expenditure of about \$80 million for “Implementation and contract staff services” and an estimated recurrent expenditure of \$10.5 million for “Maintenance and contract staff services” would be required under the two projects. He was particularly concerned about the number of contract staff required, and whether the Administration had consulted the industry to ensure that the estimates were in line with market rates, or whether the estimates had been worked out with reference to the salary level of civil servants.

22. Mr Henry WU expressed support for the present proposal but shared similar concerns about the cost implications of the projects.

23. In response, AD of Imm explained that the implementation and maintenance of the new systems would be outsourced and hence, the contractors would determine the number of staff required for the work. Instead of estimating the cost with reference to the number of staff required, a function point analysis had been used under which focus was put on the functions and volume of the work required. The consultants of the feasibility study had identified the functions and efforts of the different types of tasks for the projects, and worked out the estimated cost required for completing these tasks at a specified quality level. AD of Imm confirmed that the quoted estimated expenditures had not been drawn up with reference to the salary level of civil servants.

24. As regards Mr James TIEN's concern that prospective tenderers might prepare their bids on the basis of the costs estimated by the Administration instead of referring to the actual market rates, AD of Imm advised that the award of the contract would be subject to competitive bidding in accordance with the requirements of the Agreement on Government Procurement of the World Trade Organization. It was believed that to stand a better chance of securing the contract, prospective tenderers would put up bids which reflected competitive market prices.

25. Regarding the stability and reliability of the proposed system and contingency measures, AD of Imm assured members that system performance was one of the major concerns in the design of the system, and the related requirements would be clearly specified in the tender document. After implementation of the APC System, about 35% of the total number of counters/channels would no longer require manning.



The remaining 65% would be the conventional manned counters to cater for those visitors who did not have smart identity cards, the elderly, children under 11 and other persons who could not use the automated channels. In case of system breakdown of the automated channels, passengers would be diverted to use the conventional manned counters for immigration clearance. In case of suspension of electricity supply, AD of Imm advised that detailed arrangements had been considered in the feasibility study. In brief, if there was power failure, the gates of automated APC channels would open and the inserted smart identity cards would be ejected from the system.

26. Referring to past incidents of breakdowns in automated systems such as the immigration clearance system in Shenzhen and those of the Hong Kong Exchange and Clearing Limited, Mr Henry WU suggested that to better safeguard against unexpected failures, the proposed automated systems should be implemented by phases. In this connection, AD of Imm confirmed that implementation of the APC and AVC Systems would need to tie in with the smart identity card replacement exercise and hence, their implementation would be carried out in phases. Under the current plan, a number of automated APC channels would first be installed as test points at major land, sea and air control points in November 2004. In 2005, over 100 automated APC channels would have been installed. The entire exercise was scheduled for full completion in 2006-07.

27. In reply to Mr LAU Kong-wah's enquiry on whether the Administration would consider issuing "Hong Kong Visit Cards" to visitors from the Mainland to facilitate immigration clearance in anticipation of future upsurge in the number of visitors from the Mainland, DS(S) said that this was not yet on the drawing board and would in any case require further discussion with the Mainland authorities if this possibility was taken forward in the long term future.

28. The Committee approved the proposal.

### **Item No. 3 - FCR(2002-03)52**

#### **HEAD 180 - TELEVISION AND ENTERTAINMENT LICENSING AUTHORITY**

##### **◆ Subhead 700 General other non-recurrent**

##### **Item 008 Film Development Fund**

##### **New Item "Film Guarantee Fund"**

29. Members noted that the present proposal had been discussed at the Panel on Information Technology and Broadcasting on 3 December 2002.

30. In reply to Ms Emily LAU's enquiry about the invitation of advisers to provide professional advice to local banks about the film production process and how conflict of interests could be avoided, the Deputy Secretary for Commerce, Industry and Technology (Information Technology and Broadcasting) (DS(ITB)) explained that

during public consultation on the proposed Film Guarantee Fund, it was proposed that the film industry should be invited to draw up a list of advisers or organizations that could offer professional advice to participating lending institutions (PLIs) on various aspects of film production. However, it would be up to individual PLIs to approach the individuals/organizations concerned for such service. DS(ITB) said that the PLIs would likely take into consideration any possible conflict of interests which might arise before deciding whether or not to seek advice from certain adviser(s).

Admin 31. At Ms Emily LAU's request, DS(ITB) agreed to provide the aforesaid list of advisers after it had been drawn up. Members also noted that the list would be posted on the Website of the Television and Entertainment Licensing Authority.

32. The Committee approved the proposal.

#### **Item No. 4 - FCR(2002-03)53**

#### **HEAD 181 - TRADE AND INDUSTRY DEPARTMENT**

##### **◆ Subhead 700 General other non-recurrent**

##### **Item 520 SME Business Installations and Equipment Loan Guarantee Scheme**

##### **Item 521 SME Training Fund**

##### **Item 522 SME Export Marketing Fund**

33. Members noted that the present proposal had been discussed at the Panel on Commerce and Industry on 16 December 2002.

34. Mr HUI Cheung-ching declared his interest as a member of the Small and Medium Enterprises Committee which had conducted a review during August to December 2002 on the four funding schemes to assist small and medium enterprises (SMEs). He said that Members of the Hong Kong Progressive Alliance supported the present proposal.

Admin 35. Mr NG Leung-sing expressed support for the present proposal. Nevertheless, he said that according to the feedback he had received from the banking sector, it took considerable time for the Government as the guarantor to release the guaranteed amount to the PLI concerned for non-performing loans. The Director-General of Trade and Industry (DG of TI) took note of Mr NG's comments and undertook to examine whether the Government could improve the way in which it discharged its responsibility as the guarantor, such as the feasibility of specifying a time-frame for the release of the guaranteed amount in default cases.

36. Ms Emily LAU noted that the business installations and equipment covered by the proposed SME Business Loan Guarantee Scheme (SGS) might be located outside Hong Kong. While reckoning that SMEs could benefit under such arrangements, she sought the Administration's clarification on how Hong Kong's economy as a whole would benefit if the SMEs receiving the loan guarantee actually located their

business installations and equipment for operations outside Hong Kong. She also enquired about the number of SMEs receiving assistance under the existing SME Business Installations and Equipment Loan Guarantee Scheme (BIG) (to be renamed SGS) which located their installations and equipment in the Mainland or overseas.

Admin

37. In response, DG of TI said that as he was aware, over 50% of the business installations and equipment covered by the BIG were located outside Hong Kong. Nevertheless, he stressed that the SMEs receiving assistance under the BIG must be operating concerns based in Hong Kong. At Ms Emily LAU's request, he undertook to provide further information on the percentage of SMEs covered by the BIG which had located their installations and equipment outside Hong Kong.

38. Referring to manufacturing activities as an example, Ms Emily LAU expressed grave concern about how Hong Kong's overall interests such as the creation of more job opportunities could be promoted through funding installations and equipment located outside Hong Kong. DG of TI explained that while the SMEs concerned might base some or most of their production facilities outside Hong Kong, many other supporting services and business transactions would continue to be undertaken in Hong Kong. Given that the service sector accounted for a sizable portion of Hong Kong's GDP, he considered that the local economy and job market would be able to benefit despite the fact that some manufacturing activities might take place outside Hong Kong.

39. Miss Margaret NG opined that the benefits or otherwise of the SGS should be assessed in a more objective and comprehensive manner. In this connection, DG of TI informed members that about 70% of the SMEs covered in a survey indicated that the BIG was useful in addressing their needs in financing and marketing. He advised that generally speaking, SMEs were not in a position to operate their businesses entirely offshore. Besides, they also obtained credit facilities from and repaid their loans to local banks, as well as exported their products from Hong Kong. DG of TI therefore believed that the SMEs receiving assistance under the SGS would likely continue to conduct the bulk of their business activities in Hong Kong, notwithstanding that some of them might locate their business installations and equipment outside Hong Kong.

Admin

40. Miss Margaret NG said that according to some surveys, the number of local employees employed by companies engaged in China trade ranged from one to four and there might be a further drop as more companies relocated into the Mainland. She therefore requested the Administration to assess the cost-effectiveness of the proposed SGS in a more quantifiable manner such as by conducting studies on the employment of local workers and how far other services in Hong Kong were being used by the SMEs concerned. DG of TI agreed to consider Miss NG's suggestion of conducting such studies to obtain more relevant information. Miss Margaret NG requested the Administration to confirm in due course whether it would proceed with the studies.

Admin

41. To better assess how far the employment opportunities of local workers could be improved, Mr LEUNG Fu-wah suggested that the Administration should consider requiring the applicant for SGS to state the number of local employees it would employ. In reply, DG of TI agreed to consider the suggestion but reiterated that whether or not the loan would be granted to the SME concerned would be decided by the PLI.

42. Mrs Sophie LEUNG recalled that a similar loan scheme had been implemented by the Government in the 1980s to assist SMEs. As regards the business installations and equipment loans guaranteed under the SGS, Mrs LEUNG considered that the loans should be used to acquire equipment which was incidental to and necessary for the business operations of SMEs. In response, DG of TI confirmed that loans under the proposed SGS should be used for acquiring installations and equipment to facilitate the business of the SME concerned. He pointed out that given a loan guarantee ceiling of \$2 million, it was not likely that SMEs would be able to procure the equipment needed for full-scale operation outside Hong Kong. DG of TI also advised that to better cater for the needs of SMEs, the scope of the SGS would cover office equipment, communication system, computer software and hardware which were necessary for the business operation of the SME.

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Clerk

43. Ms Emily LAU was keen to ensure that effective measures should be in place to prohibit PLIs from offloading bad loans onto the SGS, and recalled that the issue in question had been considered by the Public Accounts Committee when examining the former Special Finance Scheme (SFS) for SMEs. She requested the Administration to provide in due course a copy of the Deed to be signed between the Government and PLIs prohibiting the latter from using the SGS to help SMEs repay and restructure other loans and credit facilities. She also suggested that upon receipt, a copy of the legal document should also be forwarded to the Secretariat's Legal Adviser for examination.

44. Regarding the default situation of guaranteed loans under the former SFS, DG of TI informed members that the default rate was 7.5% of the total amount of guaranteed loans. He pointed out that not all the default cases involved offloading of bad loans onto the SFS by the PLIs. There were only a few cases as referred to in the Director of Audit's Report in which it appeared that the PLI concerned had offloaded bad loans onto the SFS.

45. Mr James TIEN noted that the Administration had assumed a projected default rate of not greater than 15% for the BIG. However, as at end December 2002, out of the commitment of \$1.1 billion under the BIG, only 16 claims for compensation involving some \$3.9 million had been received. He therefore questioned whether it was still appropriate to use the same projected default rate (i.e. not greater than 15%) for the SGS and considered that the projected default rate should be reviewed in the light of operational experience. Mr TIEN further enquired whether apart from improving the ceiling of loan guarantee and extending the loan guarantee period,

consideration would also be given to relaxing the vetting of loan applications in order that more SMEs could benefit under the SGS.

Admin 46. In response, DG of TI took note of Mr TIEN's view and advised that as the BIG had only been implemented for about a year, it was still too early to ascertain the actual default situation. For financial planning purpose, the Government had adopted a conservative estimate of a 15% default rate. He nevertheless stressed that the assumed default rate would in no way operate as an obstacle in the vetting of applications. In case the actual default rate turned out to be lower, more funds under the SGS would be available for assistance and this would be to the benefit of the Government, SMEs and PLIs.

47. On whether the vetting of loan applications could be relaxed, DG of TI pointed out that assessment of individual applications was entirely a matter for PLIs which would assess the applicants' creditworthiness based on all relevant and available information. The proposed SGS would operate on market-driven and risk-sharing principles. The main purpose of the government guarantee was to assist SMEs in obtaining the necessary credit facilities from PLIs.

48. The Committee approved the proposal.

#### **Item No. 5 - FCR(2002-03)54**

#### **HEAD 51 - GOVERNMENT PROPERTY AGENCY**

##### **◆ Subhead 104 Light and power**

49. Members noted that an information paper on the present proposal had been circulated to the Panel on Financial Affairs on 14 January 2003.

50. Noting that according to the Administration, a large part of the increase in electricity consumption might be attributable to the wider use of computers in government departments, Mr Jasper TSANG Yok-sing asked whether arrangements had been made to locate computer servers in an enclosed area so as to reduce electricity consumption. He also expressed concern about measures to monitor electricity consumption as the departments in government joint-user buildings were not individually metered in their use of electricity.

Admin 51. In reply, the Government Property Administrator (GPA) advised that her general understanding was that servers requiring 24-hour air-conditioning were usually located in enclosed rooms. At Mr Jasper TSANG Yok-sing's request, she agreed to confirm whether there were still cases where the servers were not located in enclosed areas, thus necessitating the provision of air-conditioning to the entire premises round the clock.

52. Mr Fred LI said that electricity charges incurred by government departments had increased by some 26% over the last five years. He expressed grave concern about the increase in electricity consumption and pointed out that the problem might be more serious than what members were aware of because if the additional expenditure incurred was below \$10 million, the Administration was not required to seek the funding approval of the Finance Committee. To effectively address the problem, he urged the Administration to seriously consider installing electricity meters for individual departments.

53. GPA informed members that electricity consumption had increased by some 6% during the period April to December 2002. On monitoring measures, GPA advised that at present, the Government Property Agency would compile statistics on electricity consumption and submit an analysis of the collected data to the management committee of each government joint-user office building on a quarterly basis with a view to examining the pattern of consumption and whether there was room for energy saving. Starting from the next financial year, the analysis would be prepared and submitted to the relevant building management committee at monthly intervals.

54. GPA further said that by using a common meter for each government building, the Government would be able to benefit from the Bulk Tariffs offered by the electricity companies. Mr Fred LI was of the view that on account of its total amount of electricity consumption, the Government would still be able to enjoy the Bulk Tariffs, irrespective of whether common or individual meters were installed.

55. On the question of installing individual meters to better monitor electricity consumption, GPA said that the Administration would need to carefully assess the technical feasibility of such retrofitting work, the impact on user departments, as well as its cost-effectiveness. As there were at present 46 joint-user buildings, as well as other accommodation housing offices of 66 bureaux/departments, GPA advised that according to the Administration's preliminary estimate, the retrofitting of individual meters, which involved the laying of ducts and cables, would likely cost tens of millions.

56. Ms Emily LAU was gravely concerned that despite a reduction in civil service staff, there was an increase in electricity consumption the reasons of which could not be clearly accounted for. She shared Mr Fred LI's concern about the need to set up individual meters for the user departments so as to hold them accountable for their electricity consumption. Ms LAU considered that while the Administration should be mindful of the cost implications, it should seriously study the option of installing individual meters. She stressed the importance of energy saving and opined that the Administration should consider providing incentives to encourage government departments to reduce energy consumption. As expenditure on electricity charges incurred by government departments involved the use of public money, both Ms LAU and Mr Fred LI urged the Secretary for Financial Services and the Treasury to take heed of the matter.

57. Miss CHOY So-yuk was surprised that the Government had to seek additional funding for increased electricity charges, given that a wide range of energy-saving devices/systems were currently available. She cited as examples the installation of an energy-saving system for the entire building in return for the sharing of savings in electricity charges between the Government and the contractor, the installation of self-adjusting lighting systems etc. Miss CHOY urged the Administration to seriously consider using energy-saving devices which were already well tested and widely used worldwide in existing government buildings.

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Admin

58. In reply, GPA informed members that a series of energy-saving measures had been implemented in government office buildings, such as the use of fluorescent tubes with electronic ballast and a computerized building management system to adjust the operation of lifts and air-conditioning. Variable volume air handling units and occupation sensors capable of self-adjusting the supply of lighting and air-conditioning according to room conditions were installed in new government joint-user office buildings. She undertook to ask the Electrical and Mechanical Services Department (EMSD) to explore further energy-saving measures in existing government buildings. At the request of Ms Emily LAU, GPA agreed to provide after the meeting details on various energy-saving measures currently implemented and how far they were being adopted by the departments.

59. Mr Kenneth TING highlighted the importance of energy conservation and recalled that during the energy crisis in 1975, the Government had implemented a series of measures for the purposes of saving energy and reducing government expenditure. He said that the Administration should explore such options on this occasion.

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60. Mrs Sophie LEUNG considered that electricity consumption and energy-saving measures by government departments should be followed up by the relevant Panel(s). She pointed out that environmental consideration should be taken into account in the design stage of new buildings.

61. Miss Margaret NG cautioned that in deciding whether individual departments had been effective or not in implementing energy-saving measures, due consideration should be given to the constraints inherent in the design of the building or premises concerned. GPA said that it might be difficult to attribute the increase in electricity consumption to specific factors. Nevertheless, as advised by the EMSD, the annual average electricity consumed in government offices was 270 kwh per square meter compared to 294 kwh per square meter for private-sector offices.

62. Ms Cyd HO asked whether the Administration would consider the use of renewable energy in government offices because there was available space to accommodate the necessary installations. In reply, GPA advised that the EMSD was currently running a trial scheme on photovoltaic installations at Wanchai Tower. The Administration would need to consider the resources implications and cost-

effectiveness of renewable energy systems before deciding whether and how far they should be adopted for government buildings. Ms Ho questioned why a lengthy pilot study would need to be conducted.

63. Ir Dr Raymond HO observed that the trial scheme in question might be required to test the equipment in all seasons with varying weather conditions. GPA also considered it useful to test the system under different climate conditions but said that such technical matters were within the realm of EMSD.

64. While supporting in principle the use of renewable energy, Miss CHOY So-yuk pointed out that to generate economic efficiency, renewable energy should be used on a wide scale instead of in a few government buildings only. On the present proposal, she said that she could provide certain contacts to the Administration for further information on energy-saving measures and asked whether the Administration would consider withdrawing the paper for the time being.

Admin 65. In response, GPA confirmed that funding approval for the supplementary provision in question was needed and the Administration would not withdraw the paper. Nevertheless, she noted Miss CHOY's concern and undertook to convey her suggestion to EMSD for further consideration.

66. The Committee approved the proposal.

67. The Committee was adjourned at 4:30 pm.