

III. Report of the Public Accounts Committee on Report No. 38 of the Director of Audit on the Results of Value for Money Audits [P.A.C. Report No. 38]

Laying of the Report Report No. 38 of the Director of Audit on the results of value for money audits was laid in the Legislative Council on 24 April 2002. The Committee's subsequent Report (Report No. 38) was tabled on 10 July 2002, thereby meeting the requirement of Rule 72 of the Rules of Procedure of the Legislative Council that the Report be tabled within three months of the Director of Audit's Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 38 was laid in the Legislative Council on 16 October 2002. A progress report on matters outstanding in the Government Minute was issued on 20 October 2003. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 8 below.

3. **Mechanised street cleansing services** (Chapter 1 of Part IV of P.A.C. Report No. 38). The Committee was informed that:

Disciplinary actions instituted by the Discipline Section of the Food and Environmental Hygiene Department (FEHD) in respect of substantiated complaints

- the FEHD had implemented new measures to heighten staff's awareness of their work performance while on duty, including the establishment of the Quality Assurance (QA) Section in 2000 and strengthening the functions of the Discipline Section;
- up to 31 July 2003, the QA Section had completed the investigation of 984 complaints alleging staff misconduct and was still investigating 80 cases. Out of the 984 cases, 171 were substantiated. They were mainly about unauthorised absence, unauthorised outside work, non-performance of duties, neglect of supervisory responsibility and unpunctuality. On the concluded cases, disciplinary action was taken against 241 officers including verbal/written warnings to 236 of them, and formal disciplinary action against the remaining five in the form of reprimand, severe reprimand with fine and compulsory retirement;

Progress made in implementing the recommendations of the review of the mechanised street sweeping service

- the FEHD had implemented all the recommendations of the review and had outsourced all the mechanised street sweeping service since November 2002;

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Results of the review of the mechanised gully cleansing service

- the FEHD had implemented all the recommendations of the review. In view of the surplus of Workmen I, the FEHD would need to reschedule the outsourcing programme for the existing five in-house mechanised gully cleansing routes to ensure satisfactory redeployment of surplus staff;

Progress made in streamlining the organisational structure of the FEHD

- the FEHD had accepted and implemented most of the Management Services Unit (MSU)'s proposals in the Staffing Review of Foreman Grade with regard to the streamlining of the organisational structure. The only outstanding item was the re-engineering and streamlining of the supervisory hierarchy of the Cemeteries and Crematoria Section. Subject to the satisfactory redeployment of staff, the initiative would be fully implemented in 2003-04 and an estimated net annual recurrent saving of around \$4 million would be achieved. In response to the Committee's enquiry, the **Director of Food and Environmental Hygiene** provided the breakdown of the recurrent annual savings in Annex I of his letter of 15 January 2004, in *Appendix 3*; and
- in response to the Committee's question as to whether, after implementing the MSU's proposals, the number of tiers of staff involved in supervisory duties over the delivery of mechanised street cleansing services had been reduced, the **Director of Food and Environmental Hygiene** advised, in the same letter, that:
 - (a) for the delivery of mechanised street cleansing services, the FEHD had removed two tiers of staff at Overseer and Foreman levels. The FEHD would also soon proceed to review the need to retain in the hierarchy the tier of Superintendent. The relevant post had been left vacant for some time. Revised organisation charts showing the current tiers of staff, from the Director of Food and Environmental Hygiene, involved in the provision of mechanised street cleansing services were provided in Annex II of his letter;
 - (b) the day-to-day supervision of the Mechanised Street Cleansing Services Unit rested with the two tiers of staff at Health Inspector and Senior Foreman levels. They were responsible for supervising the outsourced services as well as in-house staff. With the gradual phasing in of outsourcing, the Ganger posts, who were the leaders of the frontline operatives, would also be deleted; and

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- (c) the other tiers of staff in the hierarchy performed policy work and system management functions. The management of the Mechanised Street leashing Services Unit only formed a small part of their daily duties.

4. The Committee wishes to be kept informed of the result of the FEHD's review of the need to retain the tier of Superintendent in the hierarchy.

5. **Liberalisation of the local fixed telecommunications market** (Chapter 2 of Part IV of P.A.C. Report No. 38). The Committee was informed that:

Measurement and reporting of the progress of competition

- the Office of the Telecommunications Authority (OFTA) had commissioned a consultant in end 2002 to develop a set of objective indicators to measure the effectiveness of and consumer benefits due to competition introduced into the telecommunications market in Hong Kong. The report had been published in June 2003. The OFTA planned to conduct a similar study in about every two years to observe the trends and effects of market competition in the telecommunications industry;

Availability of consumer choice

- the OFTA continued to conduct telephone random checks every month on the performance of the three new network operators. Over the past year, one operator achieved almost 100% service availability and the other two operators achieved around 90%. Those cases that reported to have no service were due to the fact that demand for the operators' services in the particular exchanges had reached the operators' equipment capacity. The three new network operators were therefore not in breach of the licence conditions without satisfactory explanation;

Difficulties relating to interconnections

- the OFTA had published the interconnection agreements which the incumbent, PCCW-HKT Telephone Limited, had entered into with other telecommunications service providers since October 2002;

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Procedures for making determinations on interconnection-related issues

- the OFTA had continued to monitor the progress of all determination cases to ensure timely completion of the determinations. It had published progress of interconnection determination cases on its website since July 2002; and

Opening up of the incumbent's exchanges to new operators and monitoring of fulfillment of commitments by new operators

- the three new network operators had met the milestones under the Deeds of Undertakings up to the end of 2002.

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

7. **Financial performance of the Post Office** (Chapter 4 of Part IV of P.A.C. Report No. 38). The Committee was informed that:

The results of the Post Office (PO)'s review of the postshop service, e-post service and remittance service

- the PO had changed the layout of the Postshop to maximise its usage. The PO had also expanded the product range and increased the sales outlets for postshop products, which had also been selling through the Electronic Service Delivery Life e-shop and CP1897.com since October 2002 and January 2003 respectively. The postshop service achieved breakeven in 2002-03 and the PO expected the postshop service to generate a small profit on a full cost basis in 2003-04;
- the e-post service achieved breakeven in 2001-02 and recorded a profit in 2002-03. To ensure sustained profitability, in addition to providing a one-stop shop service to print, envelop and post items for major customers, the PO would continue to look for additional business opportunities to make better use of the capacity of the existing centre so as to optimise productivity and enhance equipment utilisation;
- the result of the PO's market research on its remittance service conducted in February 2002 showed that the service was competitive for low-value transactions (below HK\$3,000). The service had been extended to cover Canada and Japan in September 2002 and May 2003 respectively. To

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shorten the remittance time, the PO was discussing with the New Zealand Post and the State Postal Bureau in the Mainland the use of their networks for the implementation of electronic remittance with major cities of the world within 2003-04. In the first quarter of 2003-04, the service recorded an increase of 50% in transaction volume and revenue, as compared with the same period in 2002-03. With the automation of counter procedures in June 2003, the operating cost for the service had been further reduced;

The progress and results of the PO's delivery beat review

- the PO started a new round of beat reviews in 2001 covering all the 21 Delivery Offices and 1,730 delivery beats. The reviews would be completed by late 2004;
- in parallel, in June 2002, the PO commenced a survey of all twice-delivery beats to fast-track the exercise to identify beats that might be converted into once-delivery beats. The survey was completed in March 2003. The PO considered it feasible to convert all twice-delivery beats to once-delivery beats and the number of delivery beats would be reduced by about 100 after the conversion. In response to the recommendation of the Committee, the PO would, together with the Economic Development and Labour Bureau (EDLB), consult the Legislative Council on plans to change these beats. The PO had revised the working hours of all twice-delivery beats in March 2003. This had resulted in a reduction of 26 delivery beats and productivity enhancement;

The progress of the PO's review of the system of controlling and monitoring the overtime work of delivery postmen

- the data from the comprehensive recording system which the PO introduced in June 2002 were transferred to the Weekly and Quarterly Mail Count Reports. The Area Postal Inspectors used these reports to monitor changes in workload, mail pattern and mode of delivery of each individual beat for cost control and operational management purposes;
- the PO had put in place an additional checking system requiring Senior Postal Inspectors of delivery offices to monitor the Area Postal Inspector's assessment of the daily workload of delivery postmen; and

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The results of the comprehensive review of postal policy and services

- the PO, together with the EDLB and the Financial Services and the Treasury Bureau, had continued to critically examine the challenges to the PO's operation identified by the Committee. Apart from the PO's financial performance and its operation as a trading fund, the studies had covered issues related to the postal services market. The PO had said that the complexity of the many issues involved had necessitated more detailed studies.

8. The Committee wishes to be kept informed of:

- the progress and results of the PO's conversion of the twice-delivery beats to once-delivery beats; and
- the results of the comprehensive review of postal policy and services.