

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 11th meeting
held at the Legislative Council Chamber
on Friday, 25 May 2007, at 3:06 pm

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Hon CHAN Kam-lam, SBS, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Dr Hon David LI Kwok-po, GBS, JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, SBS, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, GBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum
Hon LAU Chin-shek, JP
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon CHOY So-yuk, JP
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, SBS, JP

Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon LI Kwok-ying, MH, JP
Dr Hon Joseph LEE Kok-long, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG
Hon KWONG Chi-kin
Hon TAM Heung-man

Members absent:

Hon Albert HO Chun-yan
Hon Martin LEE Chu-ming, SC, JP
Hon Margaret NG
Hon LAU Wong-fat, GBM, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Daniel LAM Wai-keung, SBS, JP
Hon MA Lik, GBS, JP

Public officers attending:

Mr Alan LAI Nin, GBS, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Miss Amy TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Ms Annette LEE	Deputy Secretary for the Environment, Transport and Works (Transport)3
Mr LO Yat-cheung	Principal Transport Officer/Management Transport Department
Mr SHE Siu-kuen	Airport and Vehicle Manager Electrical and Mechanical Services Department
Miss CHEUNG Siu-hing	Deputy Secretary for Security 1

Ms Manda CHAN	Principal Assistant Secretary for Security A
Ms Priscilla TO	Principal Assistant Secretary for Commerce, Industry and Technology (Commerce and Industry) ³
Mr CHOW Kwong, CDSM, CMSM	Assistant Commissioner of Customs and Excise (Boundary and Ports)
Mr LAM Chi-keung	Divisional Commander (Marine Enforcement) Customs and Excise Department
Mr Michael LEE	General Manager/Government Dockyard Marine Department
Mr CHOI Chi-chuen	Acting Senior Surveyor of Ships Marine Department
Mr Stephen MAK, JP	Deputy Government Chief Information Officer (Operation)
Mr Alfred NG	Assistant Government Chief Information Officer (Technology Management, Sourcing and Facilities Management)
Mr Alex LEE	Chief Systems Manager (Technology Management, Sourcing and Facilities Management) Office of the Government Chief Information Officer
Mr Anthony WONG, JP	Commissioner for Innovation and Technology
Mr Gordon LEUNG	Deputy Commissioner for Innovation and Technology
Mr David WONG	Assistant Commissioner for Innovation and Technology (Infrastructure)

Clerk in attendance:

Ms Pauline NG	Assistant Secretary General 1
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Staff in attendance:

Miss Becky YU	Chief Council Secretary (1)1
Mrs Mary TANG	Senior Council Secretary (1)2
Ms Alice CHEUNG	Senior Legislative Assistant (1)1
Mr Frankie WOO	Legislative Assistant (1)2

Item No. 1 - FCR(2007-08)10

**RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE
MADE ON 9 MAY 2007**

The Chairman put FCR(2007-08)10 to the vote. The Committee approved the proposal.

Item No. 2 - FCR(2007-08)11

HEAD 186 – TRANSPORT DEPARTMENT

♦ **Subhead 603 Plant, vehicles and equipment**

New Item “Replacement of Specialised Vehicles for Tsing Ma Control Area”

2. The Chairman informed members that the Environment, Transport and works Bureau issued an information paper on the proposal for circulation to the Panel on Transport on 23 April 2007.

3. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 3 - FCR(2007-08)12

HEAD 31 – CUSTOMS AND EXCISE DEPARTMENT

♦ **Subhead 603 Plant, vehicles and equipment**

New Item “Replacement of Three Sector Patrol Launches”

4. The Chairman informed members that the Panel on Security was consulted on the proposal at its meeting on 6 March 2007.

5. Mr LAU Kong-wah, Chairman of the Panel on Security, said that the Panel was supportive of the proposal.

6. Mr WONG Kwok-hing noted that the maximum speed of the three replacement sector patrol launches (SPLs) to be procured to replace the Damen Mark III (DM III) type SPLs by the Customs and Excise Department (C&ED) was 25 knots, which was the same as the existing Challenger SPLs (in use since 2000) and was only slightly faster than the DM III SPLs (in use since 1986) to be replaced, which had a maximum speed of 22 knots. He questioned whether the new SPLs would be able to perform their role in intercepting smuggling activities which were often carried out by vessels with much higher speeds. He opined that the Government should be more forward-looking in its procurement policies to ensure that the SPLs to be procured would be fully equipped to perform their intercepting functions. His view was shared by Mr WONG Yung-kan who pointed out that the new SPLs to be procured should have higher speed and horse power to facilitate the interception of target speed boats.

7. The Deputy Secretary for Security 1 (DS/S1) said that the specifications for the SPLs to be procured had been worked out having regard to the operational needs of C&ED. The Assistant Commissioner of Customs and Excise (Boundary and Ports) (AC/(BP)/C&E) supplemented that the replacement SPLs would act as Customs command centres and would be used to intercept fishing vessels and river trade vessels which usually traveled at 20 knots or below. Meanwhile, high-speed pursuit craft and shallow water speed boats, which could reach 49 and 39 knots respectively, would be used to intercept target speed boats and mechanized sampans during anti-smuggling operations. With the funding approval for the procurement, C&ED could, in association with the Marine Department (MD), endeavour to procure SPLs which were manufactured with the latest technology and higher speeds, as long as these were within the budget. The General Manager/Government Dockyard (GM/GD) added that the SPLs to be procured would have a higher power than the existing SPLs. It would be more costly to procure SPLs with maximum speeds of more than 25 knots.

8. Mr WONG Kwok-hing further enquired if C&ED would consider his request of procuring SPLs with higher maximum speeds, given that these SPLs were expected to serve for many years and hence should be of a sufficiently high standard with higher maximum speeds to facilitate interception of high-speed vessels. Mr Albert CHENG echoed that the SPLs with higher speeds and better performance standards should be procured although this would incur higher costs. He considered it necessary that the cost implications as well as the cost effectiveness of procuring better and faster SPLs should be made available for members' reference before approving the funding.

9. AC/C&E(B&P) reiterated that SPLs with maximum speeds of 25 knots would be sufficient to meet the operational needs of C&ED. Besides, there were four high-speed pursuit craft and two shallow water speed boats which would be used for the pursuit and interception of target speed boats. In view of the specific roles of different types of vessels in the Customs fleet, he was confident that C&ED could be able to maintain its enforcement capability at sea. DS/S1 explained that the existing DM III SPLs, despite having a maximum speed of 22 knots upon commissioning, could only sustain a maximum speed of 18 knots after being in use for more than 20 years. The decision on the replacement of SPLs with maximum speeds of 25 knots was made upon the professional advice of C&ED and MD, based on a review of the operational needs and future service demand of C&ED. The Permanent Secretary for Financial Services and the Treasury (Treasury) (PS(Tsy)) added that as SPLs with a maximum speed of 25 knots would be sufficient to meet the operational needs of C&ED, it might not be justified to incur additional Government expenditure to procure SPLs with higher maximum speeds in pursuit of speed boats when there were already other types of vessels within C&ED's fleet which could serve the purpose. He said that in drawing up the marking scheme for the tender for SPLs, the purchasing department could, without exceeding the budget, accord greater weighting to the speed of SPLs so that those with higher speeds could be given favourable consideration.

10. Mr LEUNG Kwok-hung said that it would be more effective from an operational point of view that the SPLs to be procured as command centres could also operate at high speeds in pursuit of speed boats suspected of being involved in smuggling activities. AC/(BP)/C&E said that SPLs would mainly be used for patrolling duties. It could also be used to intercept fishing vessels and river trade vessels which usually traveled at 20 knots. Through the use of an effective communication system, the command centres would be able to mobilize other vessels to serve different purposes.

11. Dr Joseph LEE enquired if the average speed of the target vessels in the coming 20 years would be expected to increase and if so, the SPLs to be procured might not be fast enough to intercept the target vessels. AC(BP)/C&E said that as the target vessels were mainly fishing vessels and river trading vessels with speed not more than 20 knots, the use of SPLs with a maximum speed of 25 knots for interception should be sufficient for the purpose. Where necessary, high-speed pursuit craft would be engaged in the interception.

12. Mr WONG Yung-kan said that as command centres, the SPLs should be able to arrive at the scene promptly and take command. As such, it would be more desirable for SPLs to be able to travel at a higher speed when required to do so, particularly when pursuing target vessels travelling at high speeds. He enquired whether the tender specifications for SPLs could be revised by increasing the engine power requirement. Mr Albert CHENG also said that he was aware of the availability of launches with maximum speeds above 25 knots and similar sizes as that of the existing SPLs. He would suggest that the present proposal be withdrawn such that a review could be made on the specifications for speed requirement for SPLs.

13. PS(Tsy) added that based on the review by C&ED, SPLs with maximum speed of 25 knots would be sufficient for use as command centres. He reiterated that the purchasing department could devise the marking scheme in such a way that favourable consideration would be given to tender bids which were able to provide SPLs with higher speeds within the budget price. DS/S1 said that SPLs with higher speeds would tend to be smaller in size in order to meet with higher speed requirements. As such, they would be much more expensive. Besides, as SPLs with a maximum speed of 25 knots were found to be most cost effective and sufficient to meet the purpose, the Administration was not prepared to withdraw the present proposal.

14. Mr WONG Ting-kwong indicated support for the proposed procurement, adding that he would accept the professional advice from C&ED and MD that the use of SPLs with a maximum speed of 25 knots would be sufficient as these would mainly be used as command centres.

15. Mr Fred LI said that to better understand the operation of the Customs SPLs, he and other members of the Panel on Security had taken short rides on one of the three DM III SPLs to be replaced and compared its performance with the newer Challenger launches during their visit on 17 May 2007. He found that the performance of the existing DM III SPLs was not entirely satisfactory and they were

much slower than the newer launches. As such, he would agree to the need for replacement. As the new SPLs would be acting as command centres and not for intercepting target speed boats in anti-smuggling operations, the maximum speed of 25 knots was considered acceptable. He enquired about the use of the existing DM III SPLs after replacement. DS/S1 said that MD would consult other departments if they would consider taking over the three existing DM III SPLs. If not, they would be put up for sale in public auction as there were demands for SPLs in other areas.

16. While expressing support for the proposal, Mr James TO noted that the Marine Police had a separate and larger fleet of SPLs. He enquired if consideration could be given to sharing these SPLs between the Marine Police and C&ED to optimize their usage rather than procuring new ones. Instead of relying on the use of SPLs as command centres, consideration could also be given to using advanced technologies to monitor activities at sea, for example, through the use of platforms/observation towers. AC(BP)/C&E said that before a decision was made to replace the existing SPLs, due consideration had been given to the operational needs of C&ED, and that C&ED had been working closely with the Marine Police as well as the enforcement agencies in the Mainland in anti-smuggling operations. It was concluded that the existing anti-smuggling strategy of regular patrolling and anti-smuggling operation based on intelligence would be effective in curtailing sea smuggling activities. It was therefore recommended that the three existing DM III SPLs should all be replaced with new vessels upon expiry of their serviceable lives. He nevertheless undertook to take into consideration the improvement measures suggested by Mr TO.

17. Mr WONG Kwok-hing enquired whether the SPLs to be procured could be manufactured locally so that more job opportunities could be created for the local workforce. DS/S1 said that as the procurement of SPLs would be subject to a public tendering exercise, local ship manufacturers would be able to compete with others in the tender process. GM/GD added that the tender process was in line with the principles of the World Trade Organization Agreement on Government Procurement. In the past, local ship manufacturers had been successful in the tendering of Government vessels.

18. Dr LUI Ming-wah asked if the capability of local ship manufacturers in meeting the speed requirements was a factor for consideration in the procurement. The Acting Senior Surveyor of Ships said that while local ship manufacturers were capable of building SPLs with maximum speeds of 25 knots or more, this was not a factor for consideration in the procurement. In the past, some of the SPLs procured by MD which were similar to those used by C&ED were built by local ship manufacturers.

19. The Chairman enquired about the rationale behind the provisions for higher fuel consumption of \$0.9 million per year. AC(BP)/C&E explained that the additional fuel cost was attributed to the greater horse power of the replacement vessels which were longer, heavier and faster than the existing DM III SPLs. He added that the Challenger SPLs consumed 29 500 litres of fuel per month while the

DM III SPLs would consume 24 000 litres of fuel per month. In response to the Chairman's further question on the lack of information on the environmental performance of SPLs, i.e., their emission levels and the type of fuel to be used, GM/GD said that the Government had been using environment friendly engines for its vessel fleet which ran on ultra low sulphur diesel. These requirements would be set out in the tender specifications, in line with general practice. He nevertheless agreed that to set out in future funding proposals for procurement of vehicles and vessels the environmental performance in the vehicles and vessels.

20. Referring to a recent magazine article which stated that Mainland-bound smuggling activities occurred due to the substantive price and taxation differences between the Mainland and Hong Kong, Mr James TO enquired whether it was necessary to commit large amount of resources for combating such smuggling activities as most of the contrabands were not dutiable in Hong Kong and there was no apparent loss to Hong Kong's economy. AC(BP)/C&E said that smugglers who smuggled goods from Hong Kong to the Mainland were often involved in smuggling other goods from the Mainland to Hong Kong. Therefore, C&ED would enforce the law rigorously to combat all forms of sea smuggling activities.

21. The Chairman put the item to vote. Three members asked to put on record their objection to the proposal. They were Mr WONG Kwok-hing, Mr Albert CHENG and Miss CHAN Yuen-han. The Committee approved the proposal.

Item No. 4 - FCR(2007-08)13

CAPITAL WORKS RESERVE FUND

HEAD 710 – COMPUTERISATION

Office of the Government Chief Information Officer

♦ New Subhead “Provision of Wi-Fi Facilities at Government Premises”

22. The Chairman informed members that the Panel on Information Technology and Broadcasting (ITB Panel) was consulted on the proposal at its meeting on 17 April 2007.

23. Mr Albert CHENG, Chairman of ITB Panel, said that the following concerns on the proposed provision of Wireless Fidelity (Wi-Fi) facilities at Government premises was raised at the Panel meeting-

- (a) libraries and community halls/community centres would have the largest share of the facilities while only three large parks would be provided with such facilities. Consideration should be given to providing Wi-Fi facilities in premises, such as major tourist spots and museums, where private service operators did not see any commercial incentives to offer such services;

- (b) the Government should refrain from competing with the commercial sector in the provision of Wi-Fi facilities to avoid unfair competition and adverse impact on the trades;
- (c) there was a need to ensure that service providers for Wi-Fi facilities should comply with the law, and that they should apply for the appropriate licences for the provision of Wi-Fi facilities in Government premises; and
- (d) the Administration should work out measures to assess the cost-effectiveness of the Wi-Fi Programme in view of the huge amount of public resources involved.

While supporting in principle that the proposal could be submitted to the Finance Committee (FC) for consideration, the Panel had requested for a written response to (b) to (d) above to be included in the discussion paper to FC.

24. Miss TAM Heung-man welcomed the provision of free Internet access through Wi-Fi facilities at Government premises which would help lower the economic barrier for Internet access by needy families. In response to her enquiry about the expenses incurred, the Deputy Government Chief Information Officer (Operation) (DGCIO(O)) said that the present proposal sought to provide funding for the installation of Wi-Fi facilities at Government premises through the setting up of Wi-Fi access points (commonly known as "hotspots").

25. Noting that the Administration would adopt an open tendering approach and would engage more than one contractor to deliver the Wi-Fi services, Miss CHAN Yuen-han opined that efforts should be made to prevent the monopolization of services by major industry players who would be able to participate in the tender under different company names. DGCIO(O) said that the Wi-Fi facilities in the 350 Government premises would be tendered in three lots and more than one contractor would be engaged to deliver the services. The tender would be carried out in accordance with the World Trade Organization Agreement on Government Procurement and industry players could choose to compete in all three lots.

Security of information

26. While agreeing that the proposal would facilitate the public in wireless Internet access, Dr KWOK Ka-ki stressed the need to protect the security of information in the use of Wi-Fi facilities to prevent unauthorized access to the system. DGCIO(O) said that the Administration had conducted in-depth studies on the security measures that are applicable to both the users and service providers of Wi-Fi facilities. It would be clearly set out in the tender specifications that the service providers had to meet stringent security requirements. An assessment on the security risk in the use of Wi-Fi facilities would be conducted by specialists engaged for the purpose and regular security audits would be conducted after the commissioning of Wi-Fi facilities. To facilitate the use of Wi-Fi services under the Programme, a series of publicity and

promotional activities, including dissemination of guidelines and leaflets, would be carried out to educate the public on the proper use of the Internet and the security knowledge of using Wi-Fi services.

27. As the provision of Wi-Fi facilities would be outsourced, Miss TAM Heung-man enquired if there would be regular reviews of the performance of service providers, particularly in respect of the security of information, since the public would have reservation in using the services if they did not have confidence over the security of information. DGCIO(O) said that the tender specifications would set out in detail the performance requirements for service providers. Regular reviews would be conducted on their performance and penalties would be imposed if they failed to deliver their services in accordance with the contracts. A series of publicity and promotional activities, including road shows, would be arranged to educate the public on the use of Wi-Fi service and the necessary security measures. Responding further to Miss TAM on the availability of resources to protect the security of information, DGCIO(O) said that sufficient resources would be earmarked for the updating of security measures. He added that new tenders would be invited for the provision of Wi-Fi facilities after the programme had been implemented for three to five years, to ensure the competency of service provided.

Patronage of Wi-Fi facilities

28. Given the huge public resources involved, Dr KWOK Ka-ki considered it necessary that a study should be made on the cost effectiveness of the proposal by assessing the utilization rates of Wi-Fi facilities in different Government premises like libraries, museums, Government buildings and public parks. DGCIO(O) advised that the Administration would progressively install Wi-Fi facilities in 350 Government premises with high public patronage within two years after funding approval. In selecting the sites for the provision of Wi-Fi facilities, the Administration would have regard to the expected patronage of the premises which were set at 300 per day for indoor premises, 1 000 per day for Government complexes, such as the Central Government Offices, and 20 000 per day for outdoor premises, such as public parks. Based on the criteria and the feedback from departments, a priority list had been worked out for the installation of Wi-Fi facilities.

29. Dr KWOK Ka-ki enquired about the rationale behind the patronage requirements for the provision of Wi-Fi facilities. DGCIO(O) advised that in addition to the expected patronage, the number of persons who would use the Wi-Fi services under the Programme would be used to provide a more accurate assessment on the usage. In response to Dr KWOK's further question on whether, apart from Government funding, proceeds from advertisements placed on the Internet by service providers could be partly used to fund the provision of Wi-Fi facilities, DGCIO(O) said that the Government would adopt a tendering approach for the service acquisition and such approach did not normally involve the sharing of proceeds. However, tenderers were allowed to make proposals that offset part of the cost to the Government through resource sharing.

30. While indicating support for the proposal, Mr SIN Chung-kai was concerned that the low usage rate of some Wi-Fi access points might subsequently invite criticisms from the Director of Audit for being wasteful. In this connection, he asked whether, instead of providing Wi-Fi facilities in accordance with the two-year plan as set out in the Administration's paper, consideration could be given to reviewing the usage rate after the first year of implementation before proceeding to the second year. DGCIO(O) said that a steering committee which included representatives from the Leisure and Cultural Services Department and the Home Affairs Department had been set up to oversee the provision of Wi-Fi facilities and to make adjustments as appropriate based on the actual usage rates. Some flexibility would be included in the tender specifications for the provision of Wi-Fi facilities so that suitable adjustments could be made to take account of actual usage.

Websites filtering mechanism

31. Miss TAM Heung-man expressed concern that the installation of filtering software, which aimed at preventing access to obscene websites, would invite criticisms that the Government was seeking to obstruct freedom of access to information. DGCIO(O) clarified that the Government would not obstruct the public in using the Wi-Fi facilities to access the Internet. To prevent users from accessing obscene websites, a list of such websites would be provided to the service providers for filtering to prevent users from accessing them. Network monitoring systems would be implemented to monitor and stop improper use of the service.

Bridging of digital divide

32. Miss CHAN Yuen-han said that she would support the proposed provision of free Internet access through Wi-Fi facilities at Government premises as it would help bridge the digital divide in the community. She however noted that most of the Wi-Fi access points were located in commercial districts and not in the vicinity of public housing estates where free Internet access was in great demand by needy families who could not afford paid Internet services at home. She considered it necessary that more Wi-Fi services should be provided in community halls and centres to facilitate Internet access by the under-privileged. DGCIO(O) explained that the Administration had taken into account the needs of the under-privileged in the provision of Wi-Fi facilities, based on the feedback from District Councils. If there was a high demand for Wi-Fi services in the community halls and centres, consideration would be given to expanding the services.

33. Miss CHAN Yuen-han recalled that back in 2000, the Home Affairs Department had, in association with other relevant departments, organized an educational programme on information and communication technology (ICT) to help bridge the digital divide in the community at large. She considered that similar efforts should continue, and that a working group should be set up for the purpose. DGCIO(O) explained that the digital inclusion programme aiming to promote ICT in the community was an integral part of the 2007 Digital 21 Strategy, one of the objectives of which was to ensure that the benefits of ICT adoption were widely available to different segments of the community, including the under-privileged, so

as to move Hong Kong towards an inclusive, knowledge-based society. A task force on digital inclusion would be set up to take forward relevant programmes under the Strategy.

34. Mr Fernando CHEUNG pointed out that the under-privileged would not be able to benefit from the provision of Wi-Fi facilities if they did not have computers of their own. In this connection, he would suggest that studies should be conducted to ascertain the extent of digital divide in the community with a view to identifying measures to help bridge the digital divide. Apart from the usage rate of the Wi-Fi facilities, studies should also be carried out to identify the users of the facilities. DGCIO(O) said that in addition to the studies on digital divide conducted by the Census and Statistics Department, the Subcommittee on the Digital Strategy 21 had also examined the findings of research studies undertaken by the Hong Kong University on the subject. Further studies would continue to be made on measures to bridge the digital divide in the community, particularly among the elderly and low-income families. He also agreed to conduct studies on the usage rate and users of the Wi-Fi facilities.

35. Mr LEUNG Kwok-hung remained of the view that the Government would be competing with commercial service providers in the provision of Wi-Fi facilities at premises with high public patronage. He opined that instead of providing Wi-Fi facilities, a more cost-effective means to bridge the digital divide was for the Government to provide free use of computers with Internet access at premises with high public patronage. DGCIO(O) said that the purpose of the Wi-Fi facilities was to provide free Internet access at Government premises with high public patronage. The Government would not be competing with commercial service providers in the provision of Wi-Fi facilities as the latter would mainly be provided in densely populated commercial areas, such as fast food shops, cyber cafes, restaurants, convenience stores and shopping malls. The Wi-Fi facilities aimed to help stimulate and facilitate the development of wireless and mobile applications in all sectors. The wider availability of Wi-Fi networks would facilitate the delivery of more e-government services through the wireless and mobile channel, and allow multiple users to obtain the same Government service simultaneously. The initial objection from 3G service providers stemmed from their misunderstanding that the Government would be installing Wi-Fi network in all premises in Hong Kong and competing with their services. While the provision of computers for needy families would be dealt with separately, it was worth noting that more than 5 000 computers were made available in a number of Government premises for free use by the public.

36. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 5 - FCR(2007-08)14

HEAD 155 – GOVERNMENT SECRETARIAT : INNOVATION AND TECHNOLOGY COMMISSION

♦ Subhead 700 General non-recurrent

New Item “Hong Kong Design Centre”

37. The Chairman informed members that the Panel on Commerce and Industry (CI Panel) was consulted on the proposal at its meeting on 17 April 2007.

38. Mr Vincent FANG, Chairman of the CI Panel, said that the Panel supported in principle the proposed funding of \$100 million over five years for the Hong Kong Design Centre (HKDC) as this would be conducive to the development of local enterprises as well as the long-term economic development of Hong Kong. The following concerns were raised when the proposal was discussed at the Panel meeting on 17 April 2007-

- (a) the promotional activities conducted overseas by HKDC to showcase Hong Kong's design talent should aim at creating more business opportunities; and
- (b) there was a need for HKDC to put in place safeguards to protect the intellectual property of Hong Kong designers and their products.

39. Referring to the limited activities conducted by HKDC over the years as set out in Enclosure 1 to the paper, Mr WONG Kwok-hing questioned the justifications for the proposed funding of \$100 million over a five-year period. The Commissioner for Innovation and Technology (C for IT) said that Enclosure 1 had only set out the major activities conducted by HKDC. There were a variety of other activities, including initiatives under the first three-year business plan, which were set out in Enclosure 2 to the paper.

40. Despite that HKDC had accumulated a deficit from its operation over the years, Mr WONG Kwok-hing noted that it was expected to operate on a self-financing basis and the Government had no plan to provide recurrent subvention to HKDC upon depletion of the \$100 million commitment. C for IT explained that the disbursement of the five-year Government funding would be subject to a review and exit mechanism. HKDC was expected to operate on a self-financing basis through donations and other non-Government incomes to cover their liabilities and expenditures. Apart from conducting annual reviews on its performance, HKDC would be required to conduct a major review in the fourth year of the five-year funding period to evaluate its overall performance, strategy and financial position. The results of the review would enable Government to assess whether HKDC could be operationally and/or financially self-sustainable at the end of the five-year funding period. HKDC might be required to draw up a timely exit plan if it was unlikely to be financially self-sustainable within a reasonable period of time. Meanwhile, the operation and programmes of HKDC funded by Government must be kept in a specific account distinct and separate from that for operation not funded by

Government and as such, the Government funding could not be used to cover the deficit accumulated by HKDC over the years. As at April 2007, the accumulated deficit for HKDC was about \$2.9 million. It had managed to solicit donations of some \$1.4 million in 2006-07.

41. Mr James TIEN noted from Enclosure 4 that the income to be derived from sponsorship from industry and other income by HKDC was expected to rise from \$5.3 million in 2007-08 to \$15.9 million in 2011-12. He questioned if the said income increase could be attainable as otherwise, HKDC could not be able to balance its accounts. C for IT said that the indicative income and expenditure as set out in Enclosure 4 were based on a five-year estimate and it was hoped that more sponsorship could be obtained from the industry after HKDC had been in operation for a longer time. A major review would be conducted in the fourth year of the five-year funding period to evaluate its financial position. He added that other income to be derived by HKDC would include course fees, consultancy fees and proceeds from the sales of admission tickets to events and exhibitions organized by HKDC.

42. Miss CHAN Yuen-han supported the proposal but considered it necessary for HKDC to do more in promoting design and innovation given the availability of design talent, particularly among the younger generation in Hong Kong. In this connection, the Government should further look into the problem associated with the lack of venues to display the work of young designers. C for IT said that apart from the new funding now being sought to support HKDC, the Government had also set up the DesignSmart Initiative with a funding commitment of \$250 million. Programmes funded under the Initiative included the annual young design talent awards and the Design-Business Collaboration Scheme which would provide the necessary assistance to small and medium enterprises (SMEs) to integrate design and innovation into their business and industrial processes with a view to enhancing their competitiveness and development. Furthermore, the InnoCentre in Kowloon Tong would provide incubation services for design start-ups and let out office space to design SMEs. Regarding HKDC, it was planning to undertake activities as set out in Enclosure 2 to the paper, like education courses and the summer student internships, to promote design and innovation.

43. While supporting for the proposal, Mr SIN Chung-kai pointed out that the recent incident involving the lack of supervision over the management of the Hong Kong Applied Science and Technology Research Institute (ASTRI) had called for the tightening of control over publicly-funded organizations. Being in charge of the funding for a number of publicly-funded organizations, the Innovation and Technology Commission (ITC) should exercise proper supervision over the operation of these organizations. He opined that there was a need for a review of corporate governance of publicly-funded organizations, such as ASTRI, Science Park and HKDC etc, given that non-executive directors appointed on a voluntary basis to oversee the strategic planning of these organizations might have difficulties in monitoring all aspects of operation and management. C for IT said that there had been enhanced control and review mechanism in the corporate governance of HKDC and further improvements would be made as appropriate, taking into account

members' views. To improve governance, the membership of the Board of Directors had been revised to provide for a balanced composition comprising representatives from the relevant design-related industrial and business sectors and professions, as well as government officials. ITC would disburse funds to HKDC quarterly subject to necessary safeguards and funding requirements to be concluded between HKDC and ITC. The deployment of HKDC's resources was being monitored by a Finance and Administration Committee and consideration could be given to the setting up of an Audit Committee. If required by the Government, HKDC could be subject to checks by the Audit Commission.

44. The Chairman put the item to vote. The Committee approved the proposal.

45. The meeting was adjourned at 5:05 pm.

Legislative Council Secretariat
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