

LC: Speech by CS in presenting Government Minute in response to Report No. 83 of Public Accounts Committee

â€œFollowing is the speech (translated from Chinese) by the Chief Secretary for Administration, Mr Chan Kwok-ki, in presenting the Government Minute in response to Report No. 83 of the Public Accounts Committee in the Legislative Council today (May 21):

President,

Laid on the table today is the Government Minute (GM) responding to Report No. 83 of the Public Accounts Committee (PAC) presented to the Legislative Council (LegCo) on February 19, 2025.

I welcome the Report of the PAC and am grateful for the time and efforts devoted by the Chairman of the PAC, Mr Shiu Ka-fai, and members of the PAC. The Government accepts the PAC's various recommendations and sets out in detail in the GM the specific responses of the relevant bureaux and departments (B/Ds). The PAC conducted public hearings on the chapters on "Nano and Advanced Materials Institute" and "Tuen Mun – Chek Lap Kok Link". I would like to highlight the key follow-up measures taken and progress made by the Government and relevant organisations in response to the PAC's recommendations.

Nano and Advanced Materials Institute

First, the Nano and Advanced Materials Institute (NAMI). Regarding project management, NAMI would set both ambitious and feasible targets in comprehensive consideration of factors such as economic environment, market demand, NAMI's technological development, business development plans and human resources. To improve patent management, NAMI will conduct regular market demand analyses, strengthen co-operation with universities, research institutes and enterprises, enhance market promotion and brand building. To improve the level of laboratory safety management, NAMI has enhanced the inspection procedures and requirements. For any non-compliance identified, remedial actions or improvement measures must be documented by staff of NAMI in detail and submitted to Research and Development (R&D) Director and Chief Technology Officer for endorsement.

The Innovation and Technology Commission (ITC) would continue to encourage NAMI to liaise with the industry to explore room of co-operation, as well as promote wider participation from the industry in R&D. On the other hand, NAMI would also endeavour to transfer technology to the industry and promote commercialisation of project deliverables etc, convincing the industry with actual results that the applied R&D work of NAMI can help

address enterprises' pain points as well as improve their productivity and competitiveness. The ITC raised the target "Level of Industry and Other Income" to 40 per cent in 2024-25, and would explore the possibility of further raising the target to 50 per cent in the long run with a view to further encouraging R&D Centres to strengthen co-operation with the industry.

The ITC agreed that there was room for improvement in NAMI's relevant guidelines in business travel arrangements, claims for subsistence allowances and entertainment expenses. NAMI revised the guidelines in the fourth quarter of 2024, which clearly set out the corresponding approval mechanism and arrangements for staff at all levels; optimised the approval procedures for modification of business travel arrangement due to personal reasons/overspending of subsistence allowances and entertainment expenses; specified the NAMI staff to guest ratio for entertainments, and so on. The new guidelines stipulate that all subsistence allowances and entertainment expenses involving the Chief Executive Officer must be approved by the Chairperson of the Board. The new guidelines also clearly state that employees should avoid modifying the itinerary of business trips due to personal reasons and need to bear the additional costs involved.

The ITC has implemented a series of control measures for R&D projects funded by the Innovation and Technology Fund, including: (i) assessing whether the estimates of expenditure set out in the project proposals are reasonable and meet the actual R&D needs when reviewing NAMI's applications; (ii) requiring NAMI to submit progress/final reports and audited accounts for launched projects to facilitate assessment on project deliverables and spending; and (iii) requiring NAMI to return all unspent funds to the Government upon project completion. The ITC will continue to follow the principle of prudent financial management and control the operating expenditure of the R&D Centres in order to ensure the proper use of public money in fostering innovation and technology.

Tuen Mun – Chek Lap Kok Link (TM-CLKL)

As regards the TM-CLKL project, it comprises eight inter-related works contracts and the scale of works is large and complex. On the supervision of consultants of public works projects, the Development Bureau (DEVB) will reflect the consultants' performance in their quarterly performance assessment reports at various implementation stages of public works projects in order to take appropriate regulatory actions when necessary, including suspending the consultant's eligibility to tender or removing the consultant from the list of consultants. Besides, the consultancy agreement for public works projects has clearly stipulated that the consultants shall indemnify the Government for any claims, damages, losses or expenses arising from their professional negligence in their performance of duties or provision of services to protect the Government's interests. The DEVB will continue to review the performance evaluation system for consultants and, where necessary, introduce enhancement measures to prompt consultants to improve their service performance.

Regarding the tender evaluation mechanism, the past performance scores of public works consultants and contractors currently account for 20 to 40

per cent of their technical scores in future tenders, which has considerable impact on their chances of winning future tenders. In addition, the DEVB has already established a mechanism to deal with public works consultants and contractors who seriously violate regulations or whose performance is extremely unsatisfactory, including suspending their eligibility to tender or removing their names from the relevant approved lists of consultants and contractors. The DEVB believes that the relevant measures can effectively drive consultants and contractors to improve their service quality so as not to affect their chances of winning tenders in the future.

Regarding the management of works contracts, works departments have made more extensive use of the "New Engineering Contract" form in public works contracts in accordance with the prevailing guidelines issued by the DEVB. "New Engineering Contract" introduces an early warning mechanism to encourage the client's representatives and contractors to identify and raise potential risks that may affect the project at an early stage, and to jointly negotiate and work out the best solution to facilitate the smooth implementation of the project according to the prescribed framework and timeframes in the contract in the event of any difficulties or problems encountered during construction. On the other hand, the Highways Department has now adopted Building Information Modelling technology and relevant software in the early planning and design stages of the projects to enhance the accuracy of quantity surveying, and is actively exploring the use of new technologies for site investigation, such as geophysical survey technology, to better ascertain the geological conditions and estimate the associated project costs.

Regarding the management, operation, and maintenance of the Tuen Mun-Chek Lap Kok Tunnel, the Transport Department (TD) will continuously review and assess the staff manning of the tunnel operator, and will timely require the operator to adjust its human resources plan to ensure that manning at all levels meets the requirements of the management agreement. At the same time, the TD will continuously review and, as necessary, refine the criteria for evaluating the overall performance of the operator and the process for preparing quarterly reports to ensure that assessments are completed on time. It will also work with the Electrical and Mechanical Services Department to improve the use of heavy recovery vehicles in the tunnel as mentioned in the report. Furthermore, the TD will continue to explore the application of new technologies to assist the operator in identifying out-of-gauge vehicles, with a view to enhancing traffic safety and management efficiency.

For the traffic management of TM-CLKL and the relevant road sections in Tuen Mun, the TD will actively and continuously keep under review the traffic conditions in the area and will implement appropriate and effective traffic management measures in a timely manner.

We understand that the Audit Commission and the PAC are concerned that surplus in the provisions for price adjustments in some of the works contracts had to be deployed to cover additional costs incurred due to unforeseen circumstances under the TM-CLKL project, and have urged works departments of the Government to adhere to the resource allocation originally planned in works projects during their implementation. The DEVB and the Financial Services and the Treasury Bureau (FSTB) are reviewing the current

mechanism for utilising resources for public works projects, including areas for optimisation in contingency expenses and price adjustment provisions. The DEVB and the FSTB also plan to strengthen the existing supervisory mechanism and regularly report to the LegCo on the use of provisions for price adjustments in public works projects, so as to further ensure the proper use of resources and to enhance the transparency of resource utilisation and allocation. In addition, the Government has widely adopted parallel tendering arrangement to increase the accuracy of approved project estimates for public works projects. We are confident that the actual total expenditure of this project will remain within the total approved estimate of about \$46.7 billion and there will be no cost overrun for the whole project.

President, I would like to thank the PAC again for its efforts and suggestions. The B/Ds concerned will strictly adhere to their responses and implement various improvement measures as set out in the GM with full efforts.

Thank you, President.