

# LC: Speech by CS in presenting Government Minute in response to Report No. 78A of Public Accounts Committee

Following 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. 78A of the Public Accounts Committee in the Legislative Council today (July 5):

President,

Laid on the table today is the Government Minute (GM) responding to Report No. 78A of the Public Accounts Committee (PAC) presented to the Legislative Council on April 19, 2023.

I welcome the Report of the PAC and am grateful for the time and efforts devoted by the Chairman of the PAC, Hon 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 chapter on "Management of the development at Anderson Road project" in the Director of Audit's Report No. 78. I would like to highlight the key measures taken and progress made by the Government and relevant organisations in response to the recommendations.

Regarding the PAC's concern about the division of responsibilities for a works project, the Housing Bureau (HB), as the policy bureau, has actively supervised the Civil Engineering Development Department (CEDD) in the implementation of the public works project in relation to the public housing development. During the implementation of the public works project, the HB and the CEDD have been maintaining close communications. The HB requires the CEDD to provide sufficient justifications and consult the HB before making critical decisions. In order to take a more proactive role in supervision, the HB has requested the CEDD to include the reporting of prospective matters, such as variation orders that would potentially lead to cost overrun or programme delays in the regular reports, in order to allow the HB to make early comments and provide guidance for formulation of the most cost-effective solution.

With regard to the implementation of projects, the Government will continue to proactively meet the local needs. In the implementation of public housing development projects in recent years, the Housing Department (HD) and the CEDD generally consult the relevant district councils or district organisations together. This arrangement helps co-ordinate district consultation and strengthen communications with local communities, with a

view to better understanding the views of various stakeholders in the early stage of the implementation of the works project and reflect them in the project designs and contract arrangements, so as to reduce the risks arising from significant design changes after the contract is awarded. The Government will learn from experience and will fully consider the views expressed by stakeholders in future.

Regarding the arrangement of works contracts, given the complexity in different parts of a project and the interplay between them, works departments will carefully weigh different options and factors before deciding on the contract arrangement, with a view to achieving the target within a manageable timeframe and cost. In addition, for public works projects in recent years, the CEDD has requested the consultants to study the procurement options and prepare reports during the feasibility study stage and the investigation and design stage to record in detail the procurement considerations and the final adopted options for future reference.

As regards the PAC's recommendation on estimation and control of project costs, when estimating the project contingency provisions, works departments will conform to the Development Bureau (DEVB) Technical Circular (Works) No. 22/93 "Estimating using Risk Analysis" to estimate the contingency sum based on the uniqueness and risk factors of each project. The CEDD has followed the latest guideline to adopt the parallel tendering arrangement. The returned tender price will be reflected in the funding application paper. The arrangements can provide a more concrete project estimate to the Finance Committee and can effectively reduce the risk of cost overrun.

In respect of contract management of works projects, currently, in addition to the daily site inspection by frontline resident works supervisors appointed by the CEDD and supervisory staff of contractor, resident site supervisory staff and contractor jointly inspect the construction sites and activities every week to ensure that the works are carried out safely in accordance with the contract requirements. Any areas which require improvement will be recorded and followed up until the follow-up works are properly completed.

In addition, a Site Safety Management Committee, comprising site management staff, management staff of the contractor and representatives of the CEDD, is formed to review potential safety hazards during project implementation, conduct risk assessment and formulate appropriate safety measures. The Committee also conducts monthly site inspections to ensure that the construction works are carried out in accordance with safe construction practices.

With regard to the monitoring of contractors' progress of defects rectification works, when implementing other works projects in future, the CEDD will closely monitor the contractor's performance, directorate staff will also intervene as soon as problems are identified to ensure that the defects rectification works can be completed on time.

In addition, when handling the contractors' claims in works contracts

in future, the CEDD will ensure that the consultants will list in detail the incidents and assessments involved for the CEDD's information and record.

As regards the indicators of contractor performance management, under the DEVB's contractor management mechanism, works departments are required to closely monitor the performance of contractors during the construction period and conduct quarterly performance appraisals for contractors in areas such as progress of works, site safety, environmental protection measures, company organisation structure, general responsibilities and resource input. Poor performance will result in a lower score in the assessment report and affect the contractor's chances of being awarded new public works contracts in future. In addition, if a contractor's performance continues to be unsatisfactory, the Government may take regulatory actions under the mechanism, including suspension of the contractor's tender status or even removal of the contractor from the Approved List of Public Works Contractors. The DEVB will review the performance assessment mechanism from time to time to meet the needs of public works projects.

Drawing on the experience of the development project at Anderson Road, the project teams of the CEDD will monitor the performance of contractors of various public works projects more closely. Where necessary, the CEDD will take appropriate regulatory actions against the contractors in accordance with the DEVB's contractor management mechanism, so as to urge the contractors to take immediate improvement measures to ensure timely completion of the works.

With regard to the PAC's recommendation on management of footbridges, the Highways Department (HyD) has commissioned the Electrical and Mechanical Services Department (EMSD) to provide repair and maintenance services of the electrical and mechanical works of the lifts at the footbridges of the Anderson Road project, and will continue to work with the EMSD in closely monitoring the operation of the lifts. The EMSD has also adopted a series of enhancement measures, and is regularly reviewing and updating the terms of the repair and maintenance contracts for lifts to enhance the quality of repair and maintenance services. The HyD and the EMSD will continue to monitor the performance of the lifts concerned, and collaborate with relevant departments in taking forward follow-up actions as appropriate, with a view to maintaining reliable and efficient lift services.

The Transport Department will, in collaboration with the relevant government departments, keep under review the usage of footbridges concerned, taking into account the local residents' demand for supporting transport facilities.

Regarding the PAC's recommendations on the post-completion review of works contracts, the CEDD has included the "post-completion reviews" of projects as a standing item on the agenda of the CEDD executive management meeting to monitor the progress of the "post-completion reviews" on a regular basis to ensure that the reviews concerned are completed in a timely manner.

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 improvement measures as set out in the GM.

Thank you, President.