

A. Introduction

The Audit Commission ("Audit") conducted a review of the provision of office accommodation and facilities in the new Civil Aviation Department ("CAD") headquarters built on the Airport Island.

Background

2. In January 2008, the Finance Committee ("FC") of the Legislative Council ("LegCo") approved funding of \$1,997 million to construct the new CAD headquarters with a construction floor area¹ ("CFA") of about 65 000 square metres ("m²") and net operational floor area² ("NOFA") of about 22 775 m², including 3 240 m² of area which was reserved for future expansion. Although the new CAD headquarters project was commissioned on schedule (in December 2012) and the actual expenditure was within the approved provision, Audit identified that the information in the funding proposal and papers submitted to the committees of LegCo was incomplete and there were numerous cases of non-compliance in the implementation of the new CAD headquarters project.

Inadequacies/non-compliances identified by Audit

3. The Committee was particularly concerned about the following inadequacies/non-compliance identified in the Director of Audit's Report ("the Audit Report"):

- in addition to the 3 240 m² which was a space approved by the Property Vetting Committee³ ("PVC") for future expansion of the new CAD headquarters, a 1 500 m² of area which was reserved for future expansion beyond 2025 was built instead of making provision in the building foundation and design as the original plan supported by the Transport and Housing Bureau ("THB"). This area built was not specified in the schedule of accommodation vetted by the Government

1 CFA includes all areas within the building structure envelope. Besides NOFA, it includes areas for facilities such as toilets, shower rooms, lift lobbies, stair halls, public corridors, escalators, flat roofs, plant rooms and carparks.

2 NOFA refers to the floor area actually allocated to the users for carrying out the intended activities.

3 PVC is established under the Accommodation Regulations to vet and approve schedules of accommodation for departmental specialist buildings to ensure that optimum utilization of the site is duly considered. It is chaired by an Assistant Director of the Architectural Services Department and comprises representatives of the Financial Services and the Treasury Bureau and the Government Property Agency as members.

Property Agency ("GPA") and not approved by PVC and its inclusion in the contract was without the knowledge of THB;

- this 1 500 m² additional space was not mentioned in the relevant funding proposal and papers submitted by the Administration to LegCo;
- three facilities, including the toilet/shower facilities in the Director-General of Civil Aviation's office, the rest rooms for accident investigators and the multi-function room with recreational facilities, were not built in accordance with the approved schedule of accommodation; and
- prior approval had not been sought for procuring some system equipment. More liquid crystal display ("LCD") video display units were purchased than the quantity mentioned in the application to the Financial Services and the Treasury Bureau ("FSTB") for approval.

4. Flowcharts detailing the process of obtaining approval for the accommodation provision and the acquisition of new equipment under the new CAD headquarters project and the observed non-compliance are in ***Appendix 24***.

The Committee's Report

5. The Committee's Report sets out the evidence gathered from witnesses. The Report is divided into the following parts:

- Introduction (Part A) (paragraphs 1 to 9);
- Provision of reserve space for future expansion (Part B) (paragraphs 10 to 23);
- Control over deviations from approved schedule of accommodation (Part C) (paragraphs 24 to 36);
- Provision of furniture and equipment (Part D) (paragraphs 37 to 52);
- Provision and utilization of car parking spaces (Part E) (paragraphs 53 to 55);
- Dedicated project team of CAD (Part F) (paragraphs 56 to 58);

- Way forward (Part G) (paragraphs 59 to 62); and
- Conclusions and recommendations (Part H) (paragraphs 63 to 65).

Public hearings

6. The Committee held two public hearings on 9 December 2014 to receive evidence on the findings and observations of the Audit Report.

Opening statement by the Secretary for Transport and Housing

7. **Professor Anthony CHEUNG, Secretary for Transport and Housing**, made an opening statement at the beginning of the Committee's first public hearing held on 9 December 2014, a summary of which is as follows:

- as a policy bureau, the role of THB was to consider the relevant proposals made by departments under its purview taking into account its policy objectives, and to examine whether such proposals were in line with its policy direction. As the development of the new CAD headquarters and replacement of the air traffic control ("ATC") system would help enhance the overall operational efficiency of CAD and its handling capacity, and strengthen Hong Kong's status as an international and regional aviation hub, THB had given policy support to both projects;
- CAD was responsible for defining the project scope and carrying out necessary public consultation for the new CAD headquarters project. The Architectural Services Department ("ArchSD") was the project director and responsible for overseeing the quality, progress and expenditure of the project. The Director of Architectural Services was also the Controlling Officer for this project. The two departments had to work closely together to implement the project, ensuring that the project cost would not exceed the project estimate approved by FC, and that the project scope should comply fully with the one approved by FC;
- as agreed by the Director of Audit in paragraph 6.2 of the Audit Report, the new CAD headquarters project was both a complex and time-critical project. On one hand, it had to cater for the specialized requirements of a modern ATC system and reserve sufficient spaces for

future expansion of services. On the other hand, it had to be completed under a tight schedule. The complexity and tight schedule of the project were not excuses for the various issues pointed out in the Audit Report; and

- as the Secretary for Transport and Housing, he was very concerned about the deviations from established procedures and requirements, and had requested the Director-General of Civil Aviation to proactively follow up the recommendations made in the Audit Report, including formulating relevant internal guidelines, informing CAD staff of the Audit findings and lessons learnt, and reinforcing the culture of "compliance" with the related procedures and systems. In addition, THB had also requested the Director-General of Civil Aviation to submit a detailed report on the issues pointed out in the Audit Report together with their sequence of events for necessary follow-up.

The full text of the Secretary for Transport and Housing's opening statement is in *Appendix 25*.

Opening statement by the Director-General of Civil Aviation

8. **Mr Norman LO Shung-man, Director-General of Civil Aviation**, made an opening statement at the beginning of the Committee's first public hearing held on 9 December 2014, the summary of which is as follows:

- CAD accepted all the recommendations in the Audit Report. In response to the Audit's findings, CAD had taken effective improvement measures and strengthened internal management to ensure CAD's compliance with relevant Government regulations and guidelines in future;
- staff of CAD understood the need to comply with Government regulations and approval procedures. As far as the new CAD headquarters project was concerned, the provision of furniture and equipment, and the planning of office accommodation requirements were all based on CAD's operational needs; and
- for staff of CAD, this project was an unprecedented building project. Although it was completed as scheduled and its actual expenditure was within the approved budget, he admitted that staff of CAD lacked adequate experience to manage this kind of project in an effective

manner. The non-compliance mentioned in the Audit Report was mainly due to their inadequacies in following the approved procedures and in communication. Being the head of CAD, he assumed supervisory accountability for those inadequacies.

The full text of the Director-General of Civil Aviation's opening statement is in *Appendix 26*.

Opening statement by the Director of Architectural Services

9. **Mr LEUNG Koon-kee, Director of Architectural Services**, made an opening statement at the beginning of the Committee's first public hearing held on 9 December 2014, the summary of which is as follows:

- ArchSD agreed with all the recommendations in the Audit Report and would actively follow up the recommendations made by the Public Accounts Committee and the Audit;
- the Chairman of PVC (an Assistant Director of ArchSD) had already issued a memo reminding Heads of Department to submit schedules of accommodation to PVC for approval in a timely manner;
- ArchSD had implemented an electronic-room data sheet information system since May 2014 to collect and review the accommodation requirements of user departments more effectively. The system could check whether the accommodation requirements and the approved schedules of accommodation were consistent; and
- ArchSD had already added more check points at different stages of projects in the ArchSD Project Administration Handbook to remind its staff responsible for project management to timely follow up and ensure the work scope was based on the approved schedule of accommodation.

The full text of the Director of Architectural Services's opening statement is in *Appendix 27*.

B. Provision of reserve space for future expansion

Building of an additional 1 500 m² for expansion beyond 2025

10. The Committee noted that the funding approved by FC was to construct the new CAD headquarters with a CFA of about 65 000 m² and NOFA of about 22 775 m², including 3 240 m² reserved for future expansion (i.e. NOFA supported by GPA and approved by PVC).

11. According to paragraph 2.15(a) of the Audit Report, THB acknowledged in its memorandum of 21 September 2007 that the provision of further reserve space of 1 500 m² for expansion beyond 2025 on day one might not be justifiable. It only requested PVC to consider the possibility of making provisions in the building's foundation and design without significant increase in construction costs to provide flexibility for this in future. However, this 1 500 m² for future expansion was built in the CAD headquarters without the knowledge of THB. In this regard, the Committee enquired whether consideration had been given to the provision of this 1 500 m² for future expansion in vetting and approving the total NOFA for the new CAD headquarters by GPA and PVC respectively.

12. **Mr Alan SIU Yu-bun, Government Property Administrator**, replied that GPA and PVC had already taken into consideration THB's policy support for inclusion of future expansion capabilities in the design and foundation of the new CAD headquarters as well as the views of members of the LegCo Panel on Economic Development on reserving extra space to cater for future expansion in coming up with the total NOFA of about 22 775 m², including 3 240 m² of area reserved for future expansion for the new CAD headquarters. The 1 500 m² additional space for future expansion was not in the NOFA approved by PVC.

13. Under the above circumstance, the Committee queried why this 1 500 m² additional space was built instead of making provisions in the building's foundation, and why the Director of Architectural Services, as the Controlling Officer of the project, had not requested CAD to seek prior approval from PVC for building the 1 500 m² additional space.

14. **Director-General of Civil Aviation** replied that it was the understanding of both CAD and ArchSD that the 1 500 m² additional space for future expansion had

been agreed to by GPA via its memorandum dated 3 October 2007 and approved by PVC via its memorandum dated 22 October 2007.

15. **Director of Architectural Services** explained at the public hearings and in his letter dated 19 December 2014 (in *Appendix 28*) that:

- in April 2007, CAD submitted a draft schedule of accommodation for its new headquarters proposing the space requirements. When the vetting of the draft schedule of accommodation was in progress, CAD made a further request to GPA for an additional reserve area of 1 500 m² for expansion to cater for air traffic growth beyond 2025;
- on 21 September 2007, THB wrote to PVC to request the latter to consider the possibility of making provisions in the building's foundation and design for the 1 500 m² without significant increase in construction costs to provide flexibility for this in future;
- on 3 October 2007, GPA completed its vetting of the draft proposed schedule of accommodation and informed CAD and PVC by a memorandum that the supported NOFA requirement was 22 775 m², and GPA noted that members of the LegCo Panel on Economic Development had urged the provision of sufficient space to cater for future expansion and that THB supported CAD's proposal in this regard. GPA therefore had no objection to include in the schedule of accommodation the expansion requirements based on CAD's operational plan for this project (in *Appendix 29*);
- On 22 October 2007, PVC informed CAD (with copies of the memorandum sent to GPA, FSTB, THB and ArchSD) that the schedule of accommodation for the new CAD headquarters was approved subject to comments in GPA's memorandum of 3 October 2007 among others (in *Appendix 30*);
- it was the understanding of both CAD and ArchSD that the building of 1 500 m² additional space for future expansion had been agreed to by GPA and approved by PVC via their memoranda dated 3 and 22 October 2007 respectively;
- he admitted that the extra future expansion area of 1 500 m² had been included in the 65 000 m² CFA of the new CAD headquarters, which was the basis for the tender documents of the new CAD headquarters;

- with hindsight, he agreed that there was ambiguity in GPA's memorandum dated 3 October 2007 on whether the 1 500 m² additional space for future expansion had been supported by GPA, and that ArchSD should have clarified with PVC and/or GPA on the matter; and
- ArchSD had undertaken to clarify with PVC and/or GPA in future when there was ambiguity in handling space reserved for future expansion.

16. **Ms CHAN Hoi-ming, Project Director/2 of ArchSD**, supplemented at the public hearings that, according to CAD's requirements, the 1 500 m² additional space for future expansion would be allocated to individual departments of CAD at various locations beyond 2025. Under this condition, if provision was only made in the foundation and the structure, the foundation design would need to allow extra loading of the additional areas at uncertain locations, which would result in ineffective design of the foundation and the structure, hence higher cost. In view of the technical feasibility and the requests from various parties, the 1 500 m² additional space for future expansion was included in the tender documents as unenclosed pocket spaces at various locations in the building in accordance with the Employer's Requirements provided by CAD.

Information submitted to LegCo for prior consultation/funding approval

17. As reported in paragraph 2.6 of the Audit Report, on 3 October 2007, CAD provided ArchSD with the Employer's Requirements which in effect required the 1 500 m² to be built. However, this 1 500 m² additional space was omitted from the papers submitted by Administration to the Panel on Economic Development in November 2007 and Public Works Subcommittee ("PWSC") in December 2007, and from the supplementary information provided by the Administration in January 2008 in response to Members' specific request at the PWSC meeting on 21 December 2007 for information on the area required for future expansion. As such, the Committee questioned why this 1 500 m² was omitted from the three papers to LegCo, and the source of funding for building this 1 500 m².

18. **Secretary for Transport and Housing** stated at the public hearings and in his letter dated 19 December 2014 (in *Appendix 31*) that:

- THB's established position at that time was that the reserved area of 1 500 m² would not be built on day one, and that making provisions in the building's foundation and design for allowing flexibility for future expansion should not involve substantial costs;
- in consideration of the above position and after taking into account CAD's view that the provision of 1 500 m² for future expansion would not involve substantial costs, THB agreed during the preparation of the paper on the "Development of a new Civil Aviation Department Headquarters on the Airport Island" (in *Appendix 32*) for discussion at the meeting of the Panel on Economic Development on 26 November 2007 that the paper would only mention that additional space had been earmarked in the building to cater for further expansion requirements arising from the growth in air traffic; and
- he agreed that CAD should have sought PVC's approval for building the additional 1 500 m² for future expansion in the new CAD headquarters building, and then submitted supplementary information on this additional area to PWSC/FC.

19. **Director-General of Civil Aviation** explained at the public hearings that:

- the 1 500 m² further expansion area had been included in the 65 000 m² CFA but not in the 22 775 m² NOFA of the CAD headquarters in the three papers submitted by the Administration to LegCo in paragraph 17 above since this further expansion area was an undesignated expansion area not correlated to any approved future manpower provision for carrying out intended activities at the time;
- in response to paragraph 2.16 of the Audit Report which stated that in October 2007 when preparing the paper for briefing the Panel on Economic Development by the Administration, THB consulted CAD on whether the paper should mention that provision would be made in the building's foundation and design to allow a further expansion in NOFA up to 1 500 m² if needed in future, CAD advised THB on 8 October 2007 that it would suffice to inform Members that adequate provision for future expansion had been made as the cost for such provision would not be significant;
- the responsible officers of CAD had no intention to conceal the 1 500 m² further expansion area from LegCo. When they informed

the Panel on Economic Development that the proposed funding of \$1,997 million was for the construction of 22 775 m² NOFA and that "additional space has been earmarked to cater for the replacement of the new ATC system in the future and further expansion requirements arising from the growth in air traffic", they intended to mean that the space for future expansion was in addition to the 22 775 m² NOFA; and

- with hindsight, he agreed that CAD should have mentioned the 1 500 m² in the papers submitted by the Administration to LegCo, and that more comprehensive and updated information should have been provided to LegCo.

20. Responding to the question as to why he, as the head of CAD who was responsible for defining the project scope, had not mentioned the 1 500 m² further expansion area to Members when answering Members' questions at the meeting of PWSC on 21 December 2007, **Director-General of Civil Aviation** stated that:

- when he attended the meeting of PWSC, he had no knowledge of the contents of the Employer's Requirements which in effect required the 1 500 m² to be built, and he based on the information in the schedule of accommodation approved by PVC in answering Members' questions; and
- one of the task forces under the CAD dedicated project team was set up to follow up the construction works of the new CAD headquarters project, and he was not informed of all the decisions made by the task force. Yet, he agreed that he, being the head of the department, should shoulder supervisory accountability for the inadequacies.

21. In response to the Committee's enquiry about the cost of building the extra 1 500 m² area for future expansion in the new CAD headquarters, **Director of Architectural Services** stated in his letter dated 19 December 2014 (in Appendix 28) that, the exact cost of building the 1 500 m² in NOFA for future expansion in the new CAD headquarters could not be separately retrieved from the design-and-build contract. As an estimate making reference to the prices in the contract, the cost was about \$51.7 million.

Need for a review of space utilization in the CAD premises

22. As revealed in paragraph 2.24 of the Audit Report, the reserve space of 3 240 m² included in the approved schedule of accommodation for expansion had not been fully utilized, and after the relocation of the entire Air Traffic Management Division to the new ATC centre which might take place in 2015, some 1 960 m² NOFA would be vacated in the old ATC centre on the air-side of the Hong Kong International Airport. In the light of this, the Committee doubted the need for CAD to further request an additional area of 1 500 m² for future expansion and asked about the relevant guidelines or criteria for working out 3 240 m² and 1 500 m² areas provided for future expansion as well as the estimated timeframe for utilization of these areas.

23. **Director-General of Civil Aviation** stated at the public hearings and in his letter dated 31 December 2014 (in *Appendix 33*) that:

- the expansion areas of 3 240 m² was worked out having due regard to the future accommodation requirement arising from the projected growth in air traffic up to at least 2025 as well as the additional area required to cater for the future in-situ equipment replacement for CAD's operational centres;
- the 3 240 m² expansion area consisted of a total of seven different items, namely ATC Centre (540 m²), Supporting equipment, systems and facilities of the ATC Centre (1 200 m²), Aircraft Search and Rescue Coordination Centre (100 m²), Aeronautical Network Centre (160 m²), Training and Examination Facilities (464 m²), Operational Evaluation, Research and Development Facilities (400 m²) and Ancillary Facilities (375.3 m²). Part of the above expansion area had already been utilized for its intended purpose. CAD had also made use of the relevant area as temporary storage for Phase 2 equipment of the new ATC system project;
- for the 1 500 m², it was an estimate of expansion requirement based on 6% of CAD's proposed schedule of accommodation of 25 380 m². The 6% estimate was adopted on the basis of the general trend of growth in aircraft movement in early 2000's;
- on 24 October 2014, PVC approved CAD's request to use 926 m² of the 1 500 m² reserve area for accommodating 119 additional staff. As for

the remaining 574 m², CAD had requested the assistance from GPA to identify other interim users; and

- the overall review of the space utilization of the CAD premises was under way and was anticipated to be completed by end January 2015. The review results would be submitted to GPA for approval.

C. Control over deviations from approved schedule of accommodation

Toilet/shower facilities in the Director-General of Civil Aviation's office

24. According to paragraphs 3.2 to 3.4 of the Audit Report, the proposed toilet/shower facilities in the Director-General of Civil Aviation's office were not supported by GPA and were not included in the schedule of accommodation approved by PVC. In September and December 2013, CAD informed FSTB and THB that while it was understood that the shower facility in the Director-General of Civil Aviation's office was not supported by PVC, it was retained in the room data sheet⁴ in order to make a reserve in the contract on the assumption that CAD would further pursue the request with GPA. However, it turned out that CAD had not followed up the request with GPA and the toilet/shower facilities were built without PVC's approval. In this regard, the Committee queried why CAD had not subsequently followed up the request with GPA.

25. **Director-General of Civil Aviation** stated at the public hearings and in his letter dated 31 December 2014 (in Appendix 33) that:

- he proposed to build the toilet/shower facilities in his office because he was appointed as the Chief Inspector of Accidents who would be in the office at small hours or overnight to take charge of the Accident Investigation Division in the event of aircraft accident;
- after submitting the Employer's Requirements to ArchSD on 3 October 2007, the CAD project team had focused on the funding application processes. Coupled with the lack of proper coordination and internal communication and the related heavy workload, the CAD project team had overlooked its follow-up action with GPA on this issue;

⁴ The room data sheet is a standard template designed by ArchSD for the user department to specify its requirements such as finishes, fixtures and furniture, lighting provision and other special needs. The room data sheet facilitates ArchSD in the collection, checking, alignment and control of room requirements.

- CAD had already converted the toilet/shower facilities in the Director-General of Civil Aviation's office into a departmental store room; and
- he held himself responsible for this mistake made by CAD.

26. In reply to the Committee's enquiry about the cost of building the toilet/shower facilities in the Director-General of Civil Aviation's office and the cost of converting these facilities into a store room, **Director of Architectural Services** stated in his letter dated 19 December 2014 (in Appendix 28) that the exact cost of building the toilet/shower facilities in the Director-General of Civil Aviation's office could not be separately retrieved from the design-and-build contract. As an estimate making reference to the prices in the contract, the additional cost of building the toilet/shower facilities was about \$0.16 million and the cost of converting the toilet/shower facilities into a store room was \$4,200.

Rest rooms for accident investigators

27. The Committee noted from paragraph 3.10 of the Audit Report that GPA and CAD had agreed in September 2007 on the provision of a common rest area of 123 m² (accommodating a total of 22 investigators) which was approved by PVC. However, CAD amended the room data sheet in November 2007 such that this schedule of accommodation item consisted of six rest rooms each with individual toilet and one common room with a toilet. In the event, six rest rooms and one common room (totalling 131 m²) were built instead of one common rest area (123 m²) approved by PVC.

28. The Committee further noted from paragraphs 3.11 and 3.16 of the Audit Report that based on the understanding that CAD would further pursue GPA's acceptance of the rest rooms and would align the room data sheet and the approved schedule of accommodation afterwards, ArchSD retained the requirement for six rest rooms in order to make a reserve in the contract. However, it turned out that CAD had not followed up on the matter.

29. Against the above background, the Committee asked:

- why CAD in November 2007, after GPA and CAD had agreed in September 2007 on the provision of a common rest area of 123 m² for

accident investigators, amended the room data sheet such that this schedule of accommodation item consisted of six rest rooms each with individual toilet and one common room with a toilet;

- whether the International Civil Aviation Organization had specified the basic requirement for the provision of rest room for accident investigators;
- whether consideration had been given, from a value for money point of view, for accident investigators to staying at hotels instead of purpose-built rest rooms in the new CAD headquarters during accident investigations;
- whether the revised design of the rest rooms could still accommodate 22 accident investigators as originally planned; and
- how many times the six rest rooms each with individual toilet had been used.

30. **Director-General of Civil Aviation** stated at the public hearings and in his letter dated 31 December 2014 (in Appendix 33) that:

- the room data sheet was amended in November 2007. However, as the CAD project team had focused on the funding application processes, and coupled with the lack of proper coordination and internal communication, they had overlooked the follow-up action with GPA on this issue;
- it was CAD's mistake that the rest rooms for investigators were not built in accordance with the approved schedule of accommodation;
- the International Civil Aviation Organization had not formulated any requirements for the provision of rest room for accident investigators. As accident investigators might need to take rest after working long hours at the new CAD headquarters, CAD had made reference to the facilities provision for accident investigators in some other countries in revising the facilities requirements;
- the revised design of the rest rooms could still accommodate 22 accident investigators at any one time as originally planned. Upon the enquiry from the public and the press on this incident, the six rest

rooms were locked up from use. There were two minor air traffic accidents last summer, and the accident investigators had not used these rest rooms; and

- CAD was seeking the views of GPA and FSTB to use the space of the rest rooms for accident investigators as a common rest area as originally approved by PVC.

31. The Committee was of the view that it was a further waste of public money for CAD to lock up the six rest rooms from use. The Committee then asked for the additional cost of building the six rest rooms each with individual toilet over one common rest area as approved by PVC.

32. **Director of Architectural Services** stated in his letter dated 19 December 2014 (in Appendix 28) that the exact cost of building the six rest rooms each with individual toilet for accident investigators in the CAD headquarters could not be separately retrieved from the design-and-build contract. As an estimate making reference to the prices in the contract, since the building of the six rest rooms involved an additional floor area of 8 m² and more sanitary fitments and partitions etc., the additional cost over one common rest area as approved by PVC was about \$0.21 million.

Gate-keeping role of ArchSD

33. As to why the Director of Architectural Services, as the Controlling Officer of this project, had not followed up with PVC and/or GPA on whether CAD had obtained the relevant approval, before incorporating the provision of the toilet/shower facilities in the Director-General of Civil Aviation's office and the rest rooms for accident investigators in the tender documents, **Director of Architectural Services** stated at the public hearings and in his letter dated 19 December 2014 (in Appendix 28) that:

- when PVC's approval for the schedule of accommodation was given on 22 October 2007, ArchSD noted that the toilet/shower facilities in the Director-General of Civil Aviation's office and the individual rest rooms for accident investigators had not yet been approved. The provision was made on the understanding that CAD would further pursue with GPA the toilet/shower facilities and the individual rest

rooms for accident investigators and would align the room data sheets and the approved schedule of accommodation afterwards;

- including such requirement in the tender documents would enable advanced planning of the associated water carrying services to be incorporated in the building main design and could also avoid subsequent claims from the contractor for major additional variation works; and
- he admitted that it was the omission on the part of ArchSD not to follow up with PVC and/or GPA on whether CAD had obtained the relevant approval to build the two facilities which were deviated from the approved schedule of accommodation.

Multi-function room with recreational facilities

34. As revealed in paragraphs 3.6 and 3.7 of the Audit Report, a space of 70 m² which had originally planned for use as a viewing gallery was converted into a multi-function room with recreational facilities (i.e. mirrors with handrails and timber floor resembling those of a dance room) without the approval of PVC. The Committee enquired:

- how such converted use was determined by CAD and whether consideration had been given to using the space for the expansion of the training centre in the new CAD headquarters;
- why PVC's approval was not sought at the time when CAD requested ArchSD to convert the viewing gallery into a multi-function room; and
- whether extra cost was involved in changing the design of the space originally planned for use as a viewing gallery to a multi-function room.

35. **Director-General of Civil Aviation** stated at the public hearings and supplemented in his letter dated 31 December 2014 (in Appendix 33) that:

- a room along the education path was planned to serve as a tower simulator viewing gallery to enable visitors to view the ATC training inside the simulator. During the detailed design stage of the tower simulator and the viewing gallery in late 2010, it was noted that due to

a different technology adopted, the new simulator should be placed at a level three meters above ground and visitors would not be able to view through a glass panel the training sessions from the originally planned viewing gallery;

- in discussing the design of the viewing gallery among CAD, ArchSD and the Design-and-Build Contractor, the CAD project team initiated to enhance the flexibilities of the overall functions of the area and hence introduce the multi-function room concept in its design. Apart from entertaining visitors for screen presentation of ATC tower simulator training and holding meetings, mirrors with retractable blinds and timber floor were adopted to facilitate staff recreational activities. Such changes were concluded on the basis that no additional cost would be incurred;
- he admitted that consideration had not been given to using the space for expansion of the training centre in the new CAD headquarters;
- in hindsight, CAD recognized that such enhancement was in fact a change of usage of the area and CAD had neglected to seek prior approval from PVC for the conversion;
- CAD had dismantled the handrail and permanently covered the wall mirror in the multi-function room; and
- he undertook that for future works projects, CAD would seek PVC's prior approval before making any significant changes to the facilities/provision approved in the schedule of accommodation, and consideration would be given, from the value for money point of view, to putting space into gainful use.

36. **Director of Architectural Services** confirmed that no extra cost was involved in the conversion of the viewing gallery into a multi-function room since the only change was to build a solid wall instead of a glass wall.

D. Provision of furniture and equipment

Security and electronic systems purchased under the design-and-build contract

37. According to paragraph 4.4 of the Audit Report, CAD had not sought FSTB's approval for the purchase of the security and electronic systems until 21 months after the Government was contractually bound to acquire the systems under the design-and-build contract, which did not conform to the requirements of Financial Circular No. 9/90⁵ (in *Appendix 34*). The Committee queried:

- why CAD, as the user department of this project, and ArchSD, as the project director of this project, had not complied with the requirements of Financial Circular No. 9/90 to seek approval from FSTB before committing funds to purchase the security and electronic systems; and
- whether CAD and ArchSD were required to comply with the requirements of Financial Circular No. 9/90.

38. **Director-General of Civil Aviation** stated at the public hearings and in his letter dated 31 December 2014 (in *Appendix 33*) that:

- CAD considered that the delay for seeking approval for the purchase of the security and electronic systems was due to a lack of communication between CAD (as user department) and ArchSD (as project director of the project);
- based on the advice from ArchSD, CAD was given to understand that the contractor was required to submit the design of the system to CAD for comment and then to ArchSD for approval in two stages, in accordance with the requirements of the design-and-build contract;
- the first stage was "Approval In Principle", in which the contractor prepared the overall design concepts and layouts to meet the user requirements of CAD for future operation of the building. After "Approval In Principle" stage, the contractor moved to "Detail Design

⁵ In its reply dated 24 December 2014 (in *Appendix 35*), FSTB advised that according to Financial Circular No. 9/90, controlling officers for Capital Works Reserve Fund heads may not allocate funds for furniture and equipment to client departments, or commit funds themselves for the purchase of furniture and equipment, without the prior approval of FSTB or GPA. Procurement of non-standard furniture and equipment items costing \$50,000 or below per department per project and not more than \$3,000 per item is delegated to the user departments. Procurement of non-standard furniture and equipment items costing between \$50,000 and \$5 million per department per project may be approved by GPA. Procurement of non-standard furniture and equipment beyond \$5 million rests with FSTB.

Approval" stage to further develop the design in more details, e.g. detailed design of different systems, and their location, etc. in accordance with CAD's operational requirements and comments to meet CAD's operational need. Therefore sufficient design details could only be available at the end of the "Detail Design Approval" stage for furniture and equipment vetting by FSTB;

- the new CAD headquarters was a complicated project and the "Detail Design Approval" stage took about 20 months to complete after the contract was awarded; and
- he agreed that CAD was required to comply with the requirements of Financial Circular No. 9/90.

39. **Director of Architectural Services** replied that ArchSD was required to comply with the requirements of Financial Circular No. 9/90. He further said that ArchSD had drawn lessons from this incident. For future design-and-build contracts, if the details of the furniture and equipment items were not yet available and funding approval was not yet sought by the time of tenders, those items would only be included as provisional sums to avoid premature funding commitment.

40. As regards the appropriate juncture for user departments to seek approval from FSTB for purchasing furniture and equipment items under the design-and-build contracts in accordance with the requirements laid down in Financial Circular No. 9/90, **Secretary for Financial Services and the Treasury** stated in his letter dated 24 December 2014 (in Appendix 35) that, in some design-and-build contracts, it might not be possible for the user departments or the controlling officers to confirm the details of the furniture and equipment items (including quantity and cost) at the time of awarding the contract as such details were subject to detailed design. In such cases, the user departments or the controlling officers should at least seek FSTB's in-principle approval before committing funds and then seek formal approval when the details of the furniture and equipment items were available in the design stage.

Video display equipment for integrated information display system

41. Regarding CAD's requirement for 50 units of LCD video display for the integrated information display system⁶, the Committee noted from paragraph 4.6 of the Audit Report that FSTB questioned whether it was more cost-effective if meeting details were displayed in lift lobbies on a floor basis instead of outside each conference/meeting room, and requested CAD to consider reducing its requirement for 50 LCD video display units. In response, CAD said that as the office layout was longitudinal in shape, it would be difficult for visitors to walk back a long distance to view information in lift lobby. CAD maintained the view that 50 LCD video display units were the minimum requirement for effective information dissemination. Against this background, the Committee queried whether it was necessary to install LCD video display units outside each conference/meeting room for effective information dissemination, as the lift lobby was located at the centre of the building, and it was just about 50 metres away from either end of the corridor.

42. **Director-General of Civil Aviation** responded that with hindsight, he agreed that the number of LCD video display units for information dissemination purposes should have been reduced. CAD was consulting FSTB regarding a review of the operational needs for all the LCD units purchased and would seek the advice of FSTB to redeploy surplus LCD units for other purposes.

43. The Committee reminded CAD and FSTB to be prudent in the purchase of furniture and equipment items with due regard to actual operational need in future and requested CAD to ensure that no additional cost would be incurred in disposing of surplus LCD video display units.

Video display equipment for multi-media presentation system

44. According to paragraph 4.8 of the Audit Report, of the 143 LCD video display units purchased for the new CAD headquarters, 79 units with a total cost of \$1.4 million were used for the multi-media presentation system, and Audit found that LCD video display unit was not specifically mentioned in CAD's equipment list for this system which was approved by FSTB in September 2010. In addition, only 41 out of the 79 LCD video display units purchased under the funding application for this system were provided in dedicated meeting/training facilities, with the other 38 units located at offices of senior staff, accident investigator rest rooms, the

⁶ While FSTB approved the purchase of 50 units of LCD video display for the integrated information display system, a total of 57 units were purchased by CAD.

canteen, common rooms, recreation room and the library/aviation resources centre which were not dedicated for training and meeting purposes. In this connection, the Committee asked:

- why CAD had not complied with the requirements of Financial Circular No. 9/90 to seek approval from FSTB before purchasing the 79 LCD video display units under the multi-media presentation system; and
- about the criteria adopted by CAD to review the operational needs for LCD video display units purchased under this system.

45. **Director-General of Civil Aviation** stated at the public hearings and in his letter dated 31 December 2014 (in Appendix 33) that:

- in the funding application to FSTB for the purchase of equipment for the multi-media presentation system, CAD only stated that, depending on the functional need of each venue, the system would include a combination of different equipment such as video projector and screen, video and tele-conferencing system, and audio/video playback and recording system. Although LCD video display unit was an integral part of the system, it was not mentioned in the application;
- the criteria adopted by CAD project team to review the operational needs for LCD video display units for the multi-media presentation system included divisional operational requirements, room layout and size, professional advice from the Electrical and Mechanical Services Trading Fund⁷, etc. for coming up with procurement quantities and concerned requirements; and
- CAD had sought FSTB's covering approval for all the LCD video display units purchased under the multi-media presentation system. Upon obtaining FSTB's approval, CAD would consult the Government Logistics Department on proper ways to redeploy surplus LCD units to other bureaux/departments.

⁷ CAD has entrusted the Electrical and Mechanical Services Trading Fund ("EMSTF") to be the project implementation agent for the procurement of LCD video display units and concerned requirements. EMSTF was also CAD's in-house technical service provider for electrical, mechanical and electronic equipment.

Purchase of video display equipment for upgrading

46. The Committee noted from paragraphs 4.12 and 4.13 of the Audit Report that CAD purchased seven more LCD video display units for upgrading purpose without seeking FSTB's approval in 2012. The additional expenditure involved was \$156,000. In this regard, the Committee asked why CAD purchased seven more LCD video display units for upgrading purpose in 2012 after the purchase of 79 units for the multi-media presentation system in 2011.

47. **Mr Richard WU Chi-kwong, Chief Electronics Engineer (Projects) of CAD**, replied that seven replacements units which were equipped with video conferencing function were to replace those without such function originally installed inside the senior management's offices.

48. At the request of the Committee,

- **Director-General of Civil Aviation** stated in his letter dated 31 December 2014 (in Appendix 33) that the size of the seven LCD video display units purchased for upgrading purpose included five 46" LCD video display units and two 55" LCD video display units; and
- **Director of Architectural Services** provided the sizes of the Director-General of Civil Aviation's office and the five Assistant Director-General of Civil Aviation's offices in his letter dated 19 December 2014 (in Appendix 28). According to ArchSD's reply, the approved NOFA of their offices ranged from 20.2 m² to 51 m².

49. The Committee doubted the need for CAD to install an LCD video display unit with video conferencing function inside each of the senior management's offices as all of them should already have a computer in their offices that could serve the function of video conferencing. The Committee also doubted whether CAD had exercised strict economy in installing such a large size LCD video display units inside each of the senior management's offices.

Video-wall

50. As reported in paragraph 4.14 of the Audit Report, a video-wall costing \$5.03 million was installed on the first floor of the Office and Training Block of the

new CAD headquarters. In this regard, the Committee asked about the purpose of having a video-wall at the Office and Training Block of the new CAD headquarters.

51. **Director-General of Civil Aviation** explained at the public hearings that the video-wall was for education purposes and dissemination of multi-media messages to staff and visitors. The screen of the video-wall could be divided into sections and each section could display different information at the same time. The video-wall could be used for display of information such as future development roadmap of the Hong Kong International Airport, airframe design/construction and Hong Kong ATC operation to arouse the interest of visitors in aviation. It could also display information relating to meetings being held in the auditorium, ATC information including aircraft movements inside the Hong Kong Flight Information Region, real-time closed-circuit television images of aircraft movements on runways and airfield, information downloaded from the Airport Collaborative Decision Making System, airport security alert status and relevant meteorological information.

52. Since all of the functions mentioned in paragraph 51 above could be served by an LCD video display unit, the Committee has reservation on the need to install a video-wall at a cost of \$5.03 million in the Office and Training Block of the new CAD headquarters.

E. Provision and utilization of car parking spaces

53. According to paragraph 5.7 of the Audit Report, the average monthly utilization of the 209 parking spaces in the new CAD headquarters from April to July 2014 ranged from 21% to 23% for weekdays and from 6 % to 7 % for weekends and public holidays. The Committee enquired about the updated utilization level of the parking spaces up to the December 2014.

54. **Director-General of Civil Aviation** replied that the utilization level of the parking spaces remained at a similar level up to December 2014 due to the delayed commissioning of the new ATC centre. It was expected that the utilization of the parking spaces in the new CAD headquarters would increase substantially after the full operation of the new ATC centre which was expected to be in the first half of 2016.

55. On the measures that CAD could take to put the under-utilized parking spaces into gainful use, **Government Property Administrator** stated in his letter dated 19 December 2014 (in *Appendix 36*) that GPA had suggested and CAD had agreed for a user department to immediately take up on temporary basis about 900 m² (involving 40 under-utilized parking spaces and related access road) for storage use as from early 2015 until the relocation of the Air Traffic Management Division to the new ATC centre. GPA would continue to work with CAD to make gainful use of any other under-utilized space.

F. Dedicated project team of CAD

56. The Committee noted from paragraph 1.7 of the Audit Report that CAD had set up a dedicated project team to oversee the preparation and implementation of the new CAD headquarters project. As Audit had identified inadequacies and numerous cases of non-compliance in the implementation of the new CAD headquarters project, the Committee queried whether the dedicated project team had fulfilled its duties in overseeing the preparation and implementation of the new CAD headquarters project effectively.

57. **Director-General of Civil Aviation** explained in his letter dated 31 December 2014 (in *Appendix 33*) that for CAD staff, the new CAD headquarters was an unprecedented building project. CAD had noted and agreed that there were areas of non-compliance as revealed in the Audit Report and would take corresponding improvement measures. However, the fact that the new CAD headquarters project was completed as scheduled and within the approved budget, and CAD had been operating smoothly in the past two years since the office relocation in 2012, should be attributed to the concerted efforts of the whole project team to dutifully oversee and coordinate the preparation and implementation of every task of the project.

58. At the request of the Committee, **Director-General of Civil Aviation** provided the information on the composition of the dedicated project team in his reply dated 31 December 2014 (in *Appendix 33*).

G. Way forward

59. With regard to the inadequacies and non-compliance in the implementation of the new CAD headquarters project, **Director-General of Civil Aviation** stated at the public hearings that, he, being the head of CAD, assumed supervisory

accountability for those inadequacies and non-compliance, and he apologized for the mistakes made by CAD.

60. In the light of the inadequacies and non-compliance identified by Audit in the implementation of this project, the Committee asked about the measures to be taken by the Secretary for Transport and Housing to avoid similar incidents from recurring in the departments under his purview in future.

61. **Secretary for Transport and Housing** advised that:

- there were established Government policies and guidelines imposing checks and balances to regulate the use of public money by Government departments. LegCo's approval was also required for public expenditure;
- despite any operational difficulties, it was important for departments to comply with such Government regulations and procedures and seek approval from the relevant approval authorities and LegCo to ensure proper use of public money; and
- THB has requested the Director-General of Civil Aviation to provide a detailed report to review the irregularities on the implementation of the new CAD headquarters project. Upon receipt of the detailed report, THB would look into the details of events in depth and their sequence to see if there was any room for procedural improvements apart from those recommended in the Audit Report. If there was any misconduct of staff, THB would follow up in accordance with established procedures and take appropriate administrative or disciplinary action where necessary.

62. On how FSTB, as the bureau responsible for the management of public revenues and expenditure, could close the loopholes in the management of Government accommodation and public expenditure, with a view to enhancing and tightening the control on the proper use of public money, **Mr YEUNG Tak Keung, Deputy Secretary for Financial Services and the Treasury (Treasury)**³, said that FSTB/GPA had completed a review on the Accommodation Regulations. The updated Accommodation Regulations which took effect on 1 December 2014 would facilitate Bureaux/Departments a better and clearer understanding of the rules and regulations relating to government accommodation. In addition, briefings were held

in mid-October 2014 for GPA to explain to Bureaux/Departments the proposed amendments and to impress on them the need to strictly observe the various rules and regulations set out in the Accommodation Regulations.

H. Conclusions and recommendations

<p style="text-align: center;">Overall comments</p>
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63. The Committee:

- emphasizes that:

- (a) Article 73(3) of the Basic Law vests in the Legislative Council ("LegCo") the constitutional power and function to approve public expenditure, and Article 64 of the Basic Law states that "The Government of the Hong Kong Special Administrative Region must abide by the law and be accountable to the Legislative Council of the Region: ...it shall obtain approval from the Council for taxation and public expenditure." As such, the Administration, to fulfil its constitutional duty under Article 64 of the Basic Law, must provide accurate, complete and not misleading information on public expenditure to LegCo and its committees for approval;
- (b) in the light of the above mentioned constitutional role of LegCo in approving and monitoring the use of public money by the Government, it is of paramount importance that the information in the papers which are submitted by the Administration to LegCo (including but not limited to the Public Works Subcommittee ("PWSC") and the Finance Committee ("FC") for funding approval as well as to the relevant LegCo Panels for prior consultation) must be accurate, complete and not misleading. Further, the Administration should obtain FC's approval for any subsequent substantial variations in its approved funding proposals;
- (c) the Administration has established a mechanism to regulate the use of public funding by Government departments through relevant Government regulations and guidelines. Government departments must comply with such regulations and guidelines to ensure effective control on the proper use of public money;

- (d) the Accommodation Regulations lay down the procedures and space standards which govern the provision of office space and ancillary facilities in government buildings, including the construction of purpose-built buildings for departments. Further, the Property Vetting Committee⁸ ("PVC") is established under the Accommodation Regulations to vet and approve schedules of accommodation for departmental specialist buildings to ensure that optimum utilization of the site is duly considered; and
 - (e) Financial Circular No. 9/90 sets out the arrangements for seeking approval⁹ for the purchase of furniture and equipment for projects in the Public Works Programme to ensure that the furniture and equipment items purchased are cost effective and public money is well spent;
- considers it inexcusable and condemns the Civil Aviation Department ("CAD") and the Architectural Services Department ("ArchSD") that, in the implementation of the new CAD headquarters project:
- (a) CAD had deliberately overridden the Administration's internal mechanism to regulate the use of public money, and ArchSD had failed to perform its role as the project director of the new CAD headquarters project to ensure CAD's compliance with the relevant regulations and guidelines, undermining the Administration's internal mechanism of checks and balances;
 - (b) CAD had, without the requisite approval, turned a future provision of a 1 500 m² of area (which was reserved for future expansion of the headquarters beyond 2025) into a present construction. In so doing, CAD and ArchSD have blatantly ignored the compliance requirements and the established system of checks and balances within the Government;

8 PVC is chaired by an Assistant Director of the Architectural Services Department and comprises representatives of the Financial Services and the Treasury Bureau and the Government Property Agency as members. See Note 5 of the Audit Report.

9 According to Financial Circular No. 9/90, approval should be sought from the Government Property Agency for the purchase of standard furniture and appliances by providing details of the items required, their estimated cost and the justification for the requirement, and approval should be sought from the Financial Services and the Treasury Bureau for non-standard furniture and all equipment items. The approval will be issued in the form of a memo with which a client department can seek allocation from the Controlling Officer.

- (c) in preparing the Employer's Requirements for the new CAD headquarters project, ArchSD had turned a blind eye to the approval status of CAD's applications to the Government Property Agency ("GPA") for building the toilet/shower facilities in the Director-General of Civil Aviation's office and the six rest rooms each with a toilet for accident investigators, and CAD's application to the Financial Services and the Treasury Bureau ("FSTB") for purchasing the security and electronic systems, by including items that had not been approved; and
- (d) although the new CAD headquarters project was commissioned on schedule and the actual expenditure was within the approved provision of \$1,997 million¹⁰, the wilful non-disclosure of material information by CAD to LegCo rendered LegCo unable to consider the relevant funding proposal on a properly informed basis. As such, it may undermine the constitutional role of LegCo in approving and monitoring Government expenditure set out in Article 73(3) of the Basic Law. In addition, the numerous incidents of wilful non-compliance with the approved schedule of accommodation and the requirements of the relevant Government circulars in the implementation of the project may also undermine the well-established Government mechanism to control the use of public money by Government departments;
- considers that the present case is a deliberate and blatant violation of the relevant established rules, regulations and practices at its worst by CAD and ArchSD and expresses grave concern that this culture of circumventing the established rules and regulations, if unchecked, may spread to other Government bureaux and departments;
 - deplores that the Director-General of Civil Aviation, as the head of the user department of the new CAD headquarters project, had wilfully neglected his responsibilities and duties to provide complete, accurate and not misleading information to LegCo for funding approval and had deliberately overridden PVC and FSTB in respect of the approved schedule of accommodation and the requirements of relevant Government circulars in the implementation of the new CAD headquarters project, as evidenced below:

¹⁰ The funding proposal was approved by FC in January 2008.

Building additional reserve space without approval

- (a) on top of the 3 240 m² expansion area built in accordance with the approved schedule of accommodation, a 1 500 m² of area which is reserved for future expansion of the headquarters beyond 2025 was also built in the new CAD headquarters instead of making provision in the building's foundation and design which was the original plan supported by the Transport and Housing Bureau ("THB") (as shown in the Secretary for Transport and Housing's memorandum dated 21 September 2007 to the Chair of PVC (in Appendix 31)). The area built was not specified in the schedule of accommodation vetted by GPA and not approved by PVC and its inclusion in the contract was without the knowledge of THB;

Wilful non-disclosure of material information to LegCo

- (b) on 3 October 2007, CAD provided ArchSD with the Employer's Requirements, which in effect required the 1 500 m² to be built. However, this 1 500 m² additional space was omitted from the papers submitted by the Administration to the Panel on Economic Development in November 2007 and PWSC in December 2007; and from the supplementary information provided by the Administration in January 2008 in response to Members' specific request at the PWSC meeting on 21 December 2007 for information on the area required for future expansion;

Deliberately and consciously overriding the approved schedule of accommodation and the requirements in relevant Government circulars

- (c) three facilities, including the toilet/shower facilities in the Director-General of Civil Aviation's office¹¹, the rest rooms for accident investigators¹² and the multi-function room with recreational facilities which was converted from a viewing gallery¹³, were not built in accordance with the approved schedule of accommodation; and

11 The provision of toilet/shower facilities in the Director-General of Civil Aviation's office was not supported by PVC.

12 PVC only approved the provision of a common rest area of 123 m² for accident investigators, but subsequently six rest rooms each with individual toilet and one common room with a toilet were built in the new CAD headquarters for accident investigators.

13 A multi-function room with recreational facilities was converted from a viewing gallery without the approval of PVC.

- (d) CAD had not complied with the requirement in Financial Circular No. 9/90 in seeking FSTB's prior approval for the purchase of the security and electronic systems at \$64.54 million under the design-and-build contract. In addition, 93 out of the 143 liquid crystal display ("LCD") video display units purchased for the two other systems had been purchased without FSTB's approval;
- considers it inexcusable and condemns ArchSD, as the project director of the new CAD headquarters project, had turned a blind eye to CAD's blatant violation of the approved schedule of accommodation and the requirements in relevant government circulars in the implementation of the new CAD headquarters project, as evidenced below:
 - (a) ArchSD had not followed up with PVC and/or GPA on whether CAD had obtained the relevant approval for building the area of 1 500 m² for expansion beyond 2025, the toilet/shower facilities in the Director-General of Civil Aviation's office and individual rest rooms for accident investigators, and for converting the space originally planned for use as a viewing gallery into a multi-function room with recreational facilities; and
 - (b) prior to the award of the design-and-build contract, ArchSD failed to confirm with CAD that it had already sought approval from FSTB in accordance with the requirements of Financial Circular No. 9/90 for the purchase of the security and electronic systems. According to FSTB's advice, CAD should seek its in-principle approval before committing funds and then seek formal approval when the details of the systems were available at the design stage;
- expresses grave concern and finds it unacceptable that THB, as the Bureau overseeing the operations of CAD, failed in performing the following responsibilities:
 - (a) to closely monitor CAD in the implementation of the new CAD headquarters project; and
 - (b) to ensure that the information in the papers submitted by the Administration to LegCo was accurate, complete and not misleading, since the additional expansion area of 1 500 m² was not mentioned in the relevant papers to LegCo. Instead, THB had taken the advice of CAD that, since the cost for such provision would not be significant, it would suffice to inform Members that

adequate provision for future expansion had been made, without specifically mentioning the additional expansion area of 1 500 m²;

- notes that ArchSD admitted that the extra future expansion area of 1 500 m² had been included in the 65 000 m² construction floor area of the CAD headquarters, which was the basis for the tender documents of the CAD headquarters. According to ArchSD, the cost of building the 1 500 m² net operational floor area was estimated to be about \$51.7 million;
- is unconvinced by the explanation of the Director-General of Civil Aviation that the Employer's Requirements, which in effect required the 1 500 m² additional space to be built, was provided to ArchSD by CAD without his knowledge;
- does not accept the explanation given by the Director of Architectural Services that ArchSD had agreed to include 1 500 m² in the Employer's Requirements because it considered that this extra space for future expansion had been agreed to by GPA and PVC via their memoranda approving the schedule of accommodation dated 3 October 2007 and 22 October 2007 as nothing can be deduced directly from the relevant memoranda that the relevant approval has been granted by the authorities concerned;
- notes that:

CAD

- (a) the Director-General of Civil Aviation had apologized for CAD's non-compliance with the approved schedule of accommodation and the requirements of relevant Government circulars in the implementation of the new CAD headquarters project;
- (b) the Director-General of Civil Aviation agreed that more comprehensive and updated information should have been provided to FC for funding approval and the relevant panel for prior consultation;
- (c) the Director-General of Civil Aviation undertook to implement measures to rectify the non-compliance identified in the Audit Report;

- (d) the Director-General of Civil Aviation promised to take effective improvement measures and strengthen internal control to ensure CAD's compliance with the relevant Government regulations and guidelines in the future;

ArchSD

- (e) the Chairman of PVC (an Assistant Director of ArchSD) had already issued a memorandum reminding Heads of Department to submit schedules of accommodation to PVC for approval in a timely manner;
 - (f) ArchSD had implemented an electronic-room data sheet information system since May 2014 in order to collect and review the accommodation requirements of user departments more effectively. The system can check whether the accommodation requirements and the approved schedules of accommodation are consistent;
 - (g) ArchSD had already amended the ArchSD Project Administration Handbook in order to add more check points at different stages of projects to remind its staff responsible for project management to timely follow up and ensure the work scope is based on the approved schedules of accommodation;
 - (h) ArchSD had already taken measures to tighten the control on compliance with the approved schedule of accommodation and requirements in the relevant Government circulars by user departments; and
 - (i) ArchSD had undertaken to verify with PVC and/or GPA in the future when there is ambiguity in handling space reserved for future expansion;
- urges the Director-General of Civil Aviation to:
- (a) ensure that the information provided to LegCo is accurate, complete and not misleading in the future;
 - (b) ensure the compliance of requirements in Government regulations and guidelines in the implementation of future works projects;

- (c) ensure that for future works projects, the approved schedule of accommodation is strictly adhered to and PVC's and FC's approvals have been sought before making any significant changes to the approved provision;
- (d) expedite the overall review of space utilization of the CAD premises including the new headquarters and other offsite offices, with a view to identifying any surplus space that could be made available to other users; and
- (e) expedite the review of operational needs for LCD video display units installed in the CAD headquarters;
- urges the Director of Architectural Services to:
 - (a) ensure that the user requirements to be included in the tender documents of building projects should not deviate from the approved schedules of accommodation for tenders; and
 - (b) ensure that any discrepancies between the user requirements and the approved schedules of accommodation should be clarified with the proper authorities before making tender invitations;
- urges the Administration to review the role of PVC in overseeing the provision of office space and facilities in departmental specialist building and take necessary measures to strengthen the role;
- urges the Secretary for Transport and Housing to step up his supervision to ensure the departments under his purview should provide accurate, complete and not misleading information to LegCo;
- considers that the non-compliant cases as revealed by the Audit Report should serve as an alarm for the Administration to review how to strengthen the existing mechanisms on approving and monitoring the schedule of accommodation as well as the implementation, and the procurement of equipment and furniture for new Government offices projects in order to assure LegCo and the public that Government departments cannot or should not, deliberately or otherwise, circumvent the monitoring role of LegCo and the relevant Government departments as "gate-keepers";

- acknowledges the statement made by the Secretary for Transport and Housing at the public hearing that he had requested the Director-General of Civil Aviation to provide a detailed report to review the irregularities on the implementation of the CAD headquarters project. THB will look into the details of events in depth and their sequence to see if there is any room for procedural improvements apart from those recommended in the Audit Report. If there is any misconduct of staff, THB will follow up in accordance with established procedures and take appropriate administrative or disciplinary action where necessary; and
- wishes to be informed of the findings of the report of the Director-General of Civil Aviation and any follow-up actions to be taken by THB.

Specific comments

Provision of reserve space for future expansion

64. The Committee:

- considers it inexcusable and condemns CAD and ArchSD that:
 - (a) an additional reserve space of 1 500 m² for expansion beyond 2025 was built in the new CAD headquarters instead of making provision in the building's foundation and design as originally intended by THB. While the 1 500 m² constituted close to 50% on top of the expansion area of 3 240 m² approved by PVC in the schedule of accommodation, CAD had not made a resubmission to PVC in respect of this 1 500 m² area. With the exception of ArchSD, other PVC members (namely GPA and FSTB) had not been informed of such change in user requirements;
 - (b) the Panel on Economic Development, PWSC and FC of LegCo were not informed of the construction of the 1 500 m² expansion area in the papers submitted to them by the Administration. For PWSC in particular, while members had specifically requested information on the area required to cope with future expansion, the Information Note provided by the Administration only stated that the area provided for future expansion was 3 240 m² without mentioning the 1 500 m² which would also be built; and

- (c) the 1 500 m² expansion area, planned for meeting air traffic growth beyond 2025, was not expected to be required for use by CAD until some years later. However, no provision was made in the building design to facilitate its interim use by third parties;
- notes that:
 - (a) the Director of Architectural Services has agreed with the Audit's recommendations in paragraph 2.25 of the Audit Report;
 - (b) the Director-General of Civil Aviation has agreed with the Audit's recommendations in paragraph 2.26 of the Audit Report;
 - (c) the Secretary for Transport and Housing has accepted the Audit's recommendation in paragraph 2.27 of the Audit Report; and
 - (d) the Secretary for Financial Services and the Treasury, and the Government Property Administrator have accepted the Audit's recommendation in paragraph 2.28 of the Audit Report. For general office accommodation, GPA will include in future a note in the approval memorandum to remind the user departments and works agents to make allowance in the building design to facilitate interim use of any areas for future expansion by third parties. FSTB will also ask PVC to do the same for departmental specialist accommodation;

Control over deviations from approved schedule of accommodation

- considers it inexcusable and condemns CAD and ArchSD that:
 - (a) three of the facilities (namely toilet/shower facilities in the Director-General of Civil Aviation's office, the rest rooms for accident investigators and the multi-function room) in the new CAD headquarters were not built in accordance with the approved schedule of accommodation, not conforming to the Accommodation Regulations, and there were inadequacies in the internal control system of CAD to ensure that the user requirements in the tender documents complied with the approved schedule of accommodation;
 - (b) CAD had not sought PVC's prior approval before it converted the space originally planned for use as a viewing gallery of the

education path into a multi-function room for meeting and recreational purposes; and

- (c) there were inadequacies in the internal control system of ArchSD to ensure that the user requirements in the tender documents were consistent with the approved schedule of accommodation;
- notes that:
 - (a) since May 2014, ArchSD has implemented an electronic-room data sheet information system to strengthen the checking of the room data sheet against the approved schedule of accommodation. The Director of Architectural Services has agreed with the Audit's recommendation in paragraph 3.18 of the Audit Report; and
 - (b) the Director-General of Civil Aviation has agreed with the Audit's recommendations in paragraph 3.19 of the Audit Report;

Provision of furniture and equipment

- considers it inexcusable and condemns CAD and ArchSD that:
 - (a) CAD had not sought FSTB's in-principle/prior approval for the purchase of the security and electronic systems until 21 months after the award of the contract and the Government was then contractually bound to acquire such systems under the design-and-build contract, not conforming to Financial Circular No. 9/90 requirements. ArchSD (as the project director of the new CAD headquarters project) had also not taken steps to ensure compliance in this regard;
 - (b) CAD had not obtained FSTB's approval for purchasing 79 LCD video display units at a total cost of \$1.4 million under the multi-media presentation system. While FSTB was informed that the multi-media presentation system would be provided in conference and lecture rooms for meeting and training, 38 LCD video display units were installed in venues not dedicated for such purposes, such as individual offices of senior officers, accident investigator rest rooms and canteen. Besides, 24 other units were installed in venues already equipped with video projectors and screens; and

- (c) the user requirements had not been well defined before purchasing the LCD video display units in 2011, resulting in additional expenditure of \$156,000 in purchasing seven replacement units in 2012. FSTB's approval was again not sought for purchasing these replacement units;
- notes that:
 - (a) the Director-General of Civil Aviation has agreed with the Audit's recommendations in paragraph 4.18 of the Audit Report;
 - (b) the Director of Architectural Services has agreed with the Audit's recommendation in paragraph 4.19 of the Audit Report; and
 - (c) the Secretary for Financial Services and the Treasury has accepted the Audit's recommendation in paragraph 4.20 of the Audit Report;

Provision and utilization of car parking spaces

- expresses grave concern and finds it unacceptable that:
 - (a) the average monthly utilization of the 209 parking spaces at the new CAD headquarters from April to July 2014 was at a low level ranging from 21% to 23% for weekdays. The utilization level remained at a similar level up to December 2014. While the utilization of parking spaces might improve after the relocation of the Air Traffic Management Division to the new headquarters, CAD had not put the under-utilized parking spaces into gainful use during the interim;
 - (b) insufficient information on parking space usage was provided by CAD for GPA's assessment of the parking space provisions at the new CAD headquarters; and
 - (c) ArchSD stipulated in the Employer's Requirements that a minimum of 180 parking spaces should be provided in the new CAD headquarters instead of specifying the exact number of parking spaces approved by PVC (i.e. 178 parking spaces), resulting in the provision of additional five private car parking spaces;

- notes that:
 - (a) the Director of Architectural Services has agreed with the Audit's recommendations in paragraph 5.14 of the Audit Report;
 - (b) the Director-General of Civil Aviation has agreed with the Audit's recommendations in paragraph 5.15 of the Audit Report;
 - (c) Government Property Administrator has accepted the Audit's recommendation in paragraph 5.16 of the Audit Report; and
 - (d) GPA has suggested and CAD has agreed for a user department to immediately take up on temporary basis about 900 m² (involving 40 under-utilized parking spaces and related access road) for storage use as from early 2015 until the relocation of the Air Traffic Management Division to the new Air Traffic Control Centre. GPA will continue to work with CAD to make gainful use of any other under-utilized space;

Way forward

- although a dedicated project team had been set up to oversee the implementation of the new CAD headquarters project, numerous incidents of non-compliance with various government regulations still occurred and the information conveyed to FC was inaccurate/incomplete;
- considers that the Administration should draw lessons to be learnt from the new CAD headquarters project and remind other bureaux and departments to observe government regulations, and adhere to the prudence principle in managing similar departmental specialist building projects in the future; and
- notes that:
 - (a) the Director-General of Civil Aviation has agreed with the Audit's recommendations in paragraph 6.9 of the Audit Report;
 - (b) the Director of Architectural Services has agreed with the Audit's recommendation in paragraph 6.10 of the Audit Report; and

- (c) the Secretary for Financial Services and the Treasury, and the Government Property Administrator have accepted the Audit's recommendation in paragraph 6.11 of the Audit Report.

<p style="text-align: center;">Follow-up action</p>
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65. The Committee:

- wishes to be kept informed of the progress made in implementing the various recommendations made by the Committee and the Audit Commission; and
- wishes to be informed of the findings of the report of the Director-General of Civil Aviation to review the irregularities on the implementation of the new CAD headquarters project and any follow-up actions to be taken by THB.