

LICENSING AND EXAMINATION SERVICES FOR VEHICLES

Executive Summary

1. The Transport Department (TD) is the authority for administering the Road Traffic Ordinance (Cap. 374) and the legislation for the management of road traffic, regulation of public transport services and operation of major transport infrastructures. In order to protect the safety of road users, all vehicles running on road are required to be registered (normally a one-off process which gives the vehicle a registration mark and puts it into its appropriate class, e.g. private car and light goods vehicle) and licensed (which allows the vehicle to be legally driven on roads) under the Road Traffic Ordinance. Except for private cars manufactured less than 6 years before licensing, motorcycles and motor tricycles, all other vehicles (e.g. buses, taxis, goods vehicles, and trailers, etc.) have to pass an annual vehicle examination before their owners can apply for vehicle licences. The Audit Commission (Audit) has recently conducted a review to examine the vehicle licensing and examination services provided by TD with a view to identifying areas for improvement.

Operation of Transport Department's Licensing Offices

2. *Services provided by licensing offices.* As at 31 December 2020, the numbers of registered and licensed vehicles (including trailers and government vehicles) were 928,041 and 815,366 respectively. Similar to vehicle licensing, a person is required to hold a valid driving licence before he can drive a vehicle. As at 31 December 2020, the number of full driving licence holders was 2.3 million. TD operates four licensing offices (i.e. the Hong Kong Licensing Office (HKLO), Kowloon Licensing Office (KLO), Kwun Tong Licensing Office (KTLO) and Sha Tin Licensing Office (STLO)) to provide various types of licensing services for vehicles and drivers. An application for licence or permit can be made in person, by post, by drop-in box or via online. The range of services available at the four licensing offices are set with reference to their locations, sizes and staffing (paras. 1.5, 1.6, 2.2 and 2.3).

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3. ***Need to critically review the manpower requirements of licensing offices.***

From 2016 to 2019, while the number of transactions increased by 408,000 (12%) from 3,275,000 to 3,683,000, the number of staff increased by 47 (19%) from 242 on 1 April 2016 to 289 on 1 April 2019. From 2019 to 2020, while the number of transactions dropped to 3,039,000 mainly due to the coronavirus disease (COVID-19) epidemic, the number of staff increased by 69 (24% — comprising mainly agency staff) from 289 as at 1 April 2019 to 358 as at 1 April 2021 to cope with the substantial increase in the number of applications received through non-counter means. Audit considers that TD needs to critically review the manpower requirements and explore effective ways to cope with the change of mode of operations (e.g. from walk-in counter services to non-counter means) of the licensing offices (para. 2.5).

4. ***Need to compile management information to facilitate the monitoring of workload of licensing offices.***

In response to Audit's request to provide the workload statistics for each of the four licensing offices from 2016 to 2020 for analysis, in August 2021, TD said that the pertinent management information was not readily available. Based on TD's estimate of workload by taking stock of the number of transactions from 26 to 30 July 2021 in each licensing office, Audit noted that the number of transactions per staff in HKLO and KLO for the five-day period was around 1.5 times those of KTLO and STLO. In Audit's view, TD needs to compile statistics on the number of transactions of individual licensing offices and closely monitor the workload of the four licensing offices and flexibly deploy staff among the offices (paras. 2.6 and 2.7).

5. ***Need to take measures to further relieve the congested environment at KLO.***

In August and September 2021, Audit visited the four licensing offices (three times per office) and noted longer queues and more congested environment at KLO as compared with the other three offices. Audit considers that TD needs to take measures to further relieve the congested environment at the waiting hall of KLO, taking into account the need for maintaining social distancing amid COVID-19 epidemic (para. 2.9).

6. ***Renewal of vehicle licences after expiry.***

According to Road Traffic (Registration and Licensing of Vehicles) Regulations, no motor vehicle shall be upon or used on any road unless a valid vehicle licence in respect of the vehicle is displayed. Audit examination revealed that there were 119,708 cases of renewal of vehicle licences after expiry from 1 August 2020 to 31 July 2021. Since April 2012, TD has introduced an e-service to remind the vehicle owners of the expiry dates of their

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vehicle licences. As at 30 June 2021, the number of vehicles having this e-service was 15,204, representing only 2% of total licensed vehicles. Audit considers that TD needs to continue to promote the use of the e-service of providing reminder messages for renewal of vehicle licences and step up efforts to remind vehicle owners about timely renewal of vehicle licences (paras. 2.10 to 2.12 and 2.14).

7. ***Need to explore the feasibility of establishing a queue ticketing system at the licensing offices.*** At present, members of the public who opt to receive TD's licensing services in person need to queue up physically at the licensing offices. In 2015 and 2016, TD conducted two trial runs on the queue ticket arrangement at HKLO to ascertain the practicability and effectiveness of adopting a queue ticket arrangement which obviated the need for physical queueing. Despite the positive customer feedback, TD decided not to take forth the implementation of a queue ticket arrangement because of the complexity of setting up a queue ticketing system for vehicle-related licensing services and other higher priority tasks such as preparing for the upsurge for renewal of full driving licences. Audit considers that TD needs to explore the feasibility of setting up a queue ticketing system to replace the existing queueing system for driving licence-related services, where practicable (paras. 2.15, 2.16, 2.18 and 2.20).

8. ***Allocation of appointment booking service (ABS) quota and no-show cases of applicants using ABS.*** Audit analysed the utilisation of ABS quota in the period from January to June 2021 and noted that: (a) the utilisation of ABS quota for international driving permits was particularly low, with an overall utilisation rate of 5%; (b) though the utilisation of ABS quota for retention/assignment of vehicle registration mark was high with full booking in some days, the corresponding ABS quota had not been increased; and (c) the overall utilisation of ABS quota in the four licensing offices was only 37%. Audit also analysed the applications using ABS in the period from 2016 to 2020 and found that 19% to 25% of the booked appointments turned out to be no-show cases (paras. 2.23 and 2.24).

9. ***Need to promote the use of online renewal of driving/vehicle licences.*** Audit examination revealed that, from 2016 to 2020, while the percentage of online application for renewal of full driving licences increased from 23% to 34%, the percentage of online application for renewal of vehicle licences was less than 1% and increased to 3.7% in the first half of 2021. According to the annual public opinion surveys conducted in 2016 to 2019, more than 30% (ranging from 33% to 58%) of the respondents were not aware of the online submission channel for renewal of full

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driving licences or vehicle licences. Audit considers that TD should continue to step up publicity efforts to promote the use of online application for licensing services (para. 2.26).

10. ***Need to enhance the performance of provision of non-counter licensing services.*** In 2020, due to outbreak of COVID-19 epidemic, there was a substantial increase in applications received through non-counter means such as drop-in box, by post and online. Audit noted that the actual performance reported in TD's Controlling Officer's Report for providing non-counter licensing services within 10 working days upon application in 2020 was only 89%, not meeting the target of 95%. Audit considers that TD needs to take measures to improve the workflow of non-counter licensing services with a view to improving the efficiency in providing non-counter services (paras. 2.30 and 2.33).

11. ***Room for improvement in assessing the performance of the licensing services.*** For assessing the performance of the licensing services, every year TD conducts two types of surveys: (a) waiting time survey for recording the queueing time and processing time; and (b) public opinion survey for assessing the quality of driving and vehicle licensing services and to identify areas for improvement. Audit examination has identified room for improvement, as follows (paras. 2.36 and 2.37):

- (a) ***Use of technology in gauging services performance.*** The sampling period for the waiting time survey is 10 working days in a year, which accounts for only 4% of some 246 working days in a year. To reduce the workload involved and to gauge TD's pledged performance more accurately, Audit considers that TD needs to: (i) explore the feasibility of implementing a queue ticketing system which helps TD capture data of queueing time and processing time automatically for over-the-counter transactions; and (ii) make use of computer software to capture dates of receipt of applications and dates of completion of processing for analysis of the processing time of non-counter transactions (para. 2.37(a)); and
- (b) ***Need to take measures to obtain public opinion for non-counter transactions.*** TD's public opinion survey did not cover applicants applying for licensing services through non-counter means. With the anticipated increase in the number of online applications in future, TD needs to take measures to solicit public opinion from applicants applying for licensing services through non-counter means (para. 2.37(d)).

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Vehicle examination

12. As at 30 June 2021, operation of three government vehicle examination centres was under the oversight of TD, including two wholly operated by TD and the Transport Department Vehicle Examination Complex (TDVEC) which was partly operated by a contractor under a management, operation and maintenance contract. In addition, there were also 40 privately-owned Designated Car Testing Centres (DCTCs) for conducting annual vehicle examinations of private cars and light goods vehicles with gross vehicle weight not exceeding 1.9 tonnes. In 2020, some 170,400 and 372,000 vehicles were inspected at the government vehicle examination centres and DCTCs respectively (paras. 1.4 and 3.3).

13. *Non-compliance with TD's guidelines for defective vehicle inspections.* Under the Road Traffic Ordinance, if a vehicle is suspected to have defects, the driver or the registered owner may be ordered to produce the vehicle concerned at a government vehicle examination centre for an inspection to ensure that the reported defects, if verified, are rectified to the required standard. According to its guidelines, the Vehicle Inspection Office (VIO) of the Vehicle Safety and Standards Division (VSSD) should, as far as practicable, issue a Vehicle Examination Order to the vehicle owner not later than 5 working days, and the inspection date should be within 3 weeks upon receipt of the defective vehicle report. For any requests for deferring a defective vehicle inspection, documentary proof should be produced by the vehicle owner. Audit found that in 2020, VIO took more than 3 weeks to inspect 716 (14% of 4,946) vehicles after receipt of the respective defective vehicle reports. In one case, VIO had taken 21 working days to issue the Vehicle Examination Order to the vehicle owner, and there was no record showing that VIO had advised the vehicle owner to produce documentary proof for justifying the deferrals of defective vehicle inspection twice. In Audit's view, TD needs to take actions to ensure that defective vehicle inspections are conducted in accordance with the timeframe specified in its guidelines and require a vehicle owner to produce documentary proof for justifying a request for deferring an inspection (paras. 3.9, 3.12, 3.13 and 3.15).

14. *Need to step up efforts in enhancing system security to minimise the risk of potential hacking in future.* TD has two online booking systems, namely the Online Booking System for Type Approval and Pre-registration Vehicle Inspection and the Online Vehicle Annual Examination Booking and Rescheduling System, for making appointments for pre-registration examination and annual examination to be

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conducted in government vehicle examination centres respectively. On 17 June 2021, the Vehicle Inspection Scheduling Control System, which supported the online booking systems of the government vehicle examination centres and DCTCs, broke down. The online vehicle examination booking systems have since been suspended. Shortly after the discovery of the suspected hacking into the computer system of TDVEC, TD had taken prompt remedial actions including: (a) setting up telephone booking hotlines for booking and scheduling of vehicle examinations to be conducted in TDVEC on 23 June 2021; and (b) forming a working group comprising TD, the Electrical and Mechanical Services Trading Fund (EMSTF) and the contracted system developer in late June 2021 to oversee the implementation of the follow-up actions on the information security controls. Furthermore, following the completion of an investigation conducted by a specialist investigator engaged by EMSTF, a thorough system review, system security enhancements and a Security Risk Assessment and Audit would be conducted to minimise the risk of potential hacking in future. In Audit's view, TD needs to take actions to resume the online vehicle examination booking systems as soon as possible and draw lessons from the TDVEC's system security incident with a view to enhancing TD's system security so as to minimise the risk of potential hacking in future (paras. 3.6, 3.7 and 3.20 to 3.23).

15. ***Need to plan ahead to ensure that recruitment exercises are conducted in a timely manner.*** TD's Motor Vehicle Examiner (MVE) and Vehicle Tester (VT) grades staff are deployed on the day-to-day operation of vehicle examination services. As at 1 April 2021: (a) 5 MVE I posts were vacant and were filled by acting arrangements by MVE II rank staff; (b) 10 MVE II posts were vacant, and 10 post-retirement service contract (PRSC) staff were employed to meet the manpower shortfall and assist in the relocation of the vehicle examination centres; and (c) 7 VT posts were vacant and 6 PRSC staff were employed to meet the manpower shortfall. Audit found that, despite that vacancies of MVE II and VT were anticipated on 1 April 2020 and 1 April 2021 respectively, recruitments of the two ranks only commenced in October 2020 and July 2021 respectively (paras. 3.24, 3.26 and 3.29).

16. ***Need to increase the number of on-site surprise checks and spot checks.*** The DCTC Monitoring Unit of VSSD is responsible for monitoring the operations of DCTCs and each MVE I and MVE II conducts 10 and 40 surprise checks (covering all DCTCs) respectively per month on average. Besides, a MVE I/II performs spot checks on vehicles undertaking annual examination in a DCTC during his surprise check. Audit noted that from 2018 to 2020: (a) while the number of DCTCs slightly dropped from 41 to 40, the number of surprise checks significantly decreased by 829 (43%) from 1,911 to 1,082 during the period; and (b) while the number of vehicle

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examinations conducted at the DCTCs increased by 26,320 (8%) from 345,377 to 371,697, the number of spot checks decreased by 737 (21%) from 3,584 to 2,847 during the period. For the first seven months of 2021, the percentage of spot checks was 0.6%, which was below the 1% target laid down in DCTC Monitoring Procedures (paras. 3.33 and 3.35).

Administration of Lantau Closed Road Permits

17. Lantau Closed Road Permits (LCRPs) cover all closed roads on South Lantau (designated as closed roads since the 1970s). Vehicles travelling on those closed roads must possess valid LCRPs issued by TD. Four types of LCRPs are issued under the Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374E), namely the Long-term LCRPs (LCRP(LT)s), Temporary LCRPs (LCRP(T)s), Temporary LCRPs (for tour services of non-franchised buses) (LCRP(NFB)s) and Temporary LCRPs (under the Driving on Lantau Island Scheme) (LCRP(DLS)s). While LCRP(LT)s and LCRP(T)s are generally issued to residents/business operators on South Lantau and people with temporary needs to enter South Lantau respectively, the other two types are for tourism purposes (paras. 1.8 and 4.2). Audit examination revealed the following areas for improvement:

- (a) ***Need to improve the processing of applications for LCRP(LT)s/LCRP(T)s.*** Audit sample check of the 50 applications for LCRP(LT)s/LCRP(T)s (involving the issue of 20 LCRP(LT)s and 67 LCRP(T)s) approved on 30 November 2020 and 1 June 2021 revealed the following issues:
 - (i) ***Irregularities in supporting documents not found by TD.*** In two cases in which TD had issued to each of the two applicants a 12-month LCRP(T), there were irregularities (e.g. invoices not showing the concerned South Lantau address) in the supporting documents submitted by the applicants; and
 - (ii) ***Checklist for vetting applications not used or not properly completed.*** Since January 2020, TD had introduced a manual checklist for vetting applications to enhance the consistency of handling applications by different officers. However, in some cases, the checklist was not used or not properly completed (e.g. in nine cases, the processing officers did not use the checklist for vetting applications) (para. 4.7); and

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- (b) ***Need to take measures to address the use of illegal or invalid LCRPs.*** From time to time, there are reported cases on suspected illegal activities involving LCRPs (e.g. using forged LCRPs or photocopied LCRPs). While there have been requirements in place to control the use of expired LCRPs and LCRP(LT)s that may no longer be needed by the applicants to meet their daily transportation needs, Audit noted inadequacies in the enforcement of such requirements, as follows:
- (i) ***Statutory requirement on expired LCRPs.*** According to the Road Traffic (Registration and Licensing of Vehicles) Regulations, permittees are required to return LCRPs to TD upon expiry. Any person who without reasonable excuse contravenes such requirement commits an offence and is liable to a fine. While the return rate of expired LCRPs was very low, TD had not taken any follow-up actions with the permittees concerned on the return of their expired LCRPs; and
- (ii) ***Requirement on LCRP(LT)s that may no longer be needed to meet daily transportation needs.*** Upon submission of the application form, an applicant undertakes to notify TD in writing immediately upon any change in the particulars given in the application form. In one case, Audit noted that in May 2021, a permittee, who was no longer a resident on South Lantau, had not informed TD of the change of address nor applied for cancellation of LCRP(LT) issued to him until TD issued to him a letter for clarification (paras. 4.8 and 4.9).

Audit recommendations

18. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has recommended that the Commissioner for Transport should:**

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Operation of Transport Department's Licensing Offices

- (a) **critically review the manpower requirements and explore effective ways to cope with the change of mode of operations of the licensing offices (para. 2.27(a));**
- (b) **compile statistics on the number of transactions of individual licensing offices, and closely monitor the workload of the four licensing offices for flexible deployment of staff among the offices (para. 2.27(b) and (c));**
- (c) **take measures to further relieve the congested environment at the waiting hall of KLO (para. 2.27(d));**
- (d) **continue to promote the use of the e-service of providing reminder messages for renewal of vehicle licences and step up efforts to remind vehicle owners about timely renewal of vehicle licences (para. 2.27(e));**
- (e) **explore the feasibility of setting up a queue ticketing system to replace the existing queueing system for driving licence-related services, where practicable (para. 2.27(f));**
- (f) **reassess the allocation of ABS quota among different licensing services and licensing offices taking into account the prevailing service demand (para. 2.27(h));**
- (g) **closely monitor the no-show rate of ABS and take measures to reduce the no-show rate (para. 2.27(i));**
- (h) **continue to step up publicity efforts to promote the use of online application for licensing services (para. 2.27(j));**
- (i) **take measures to improve the workflow of non-counter licensing services with a view to improving the efficiency in providing non-counter services (para. 2.38(a));**

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- (j) **improve the assessment of the performance of licensing services, including:**
 - (i) **exploring the feasibility of implementing a queue ticketing system which helps TD capture data of queueing time and processing time automatically for over-the-counter transactions (para. 2.38(c)(i));**
 - (ii) **making use of computer software to capture dates of receipt of applications and dates of completion of processing for analysis of processing time of non-counter transactions (para. 2.38(c)(ii)); and**
 - (iii) **taking measures to solicit public opinion from applicants applying for licensing services through non-counter means (para. 2.38(c)(vi));**

Vehicle examination

- (k) **take actions to ensure that defective vehicle inspections are conducted in accordance with the timeframe specified in TD's guidelines and require a vehicle owner to produce documentary proof for justifying a request for deferring an inspection (para. 3.16(b));**
- (l) **take actions to resume the online vehicle examination booking systems as soon as possible and draw lessons from the incident with a view to enhancing TD's system security so as to minimise the risk of potential hacking in future (para. 3.30(a));**
- (m) **plan ahead to better address staff shortage due to normal retirement and take measures to ensure that recruitment exercises are conducted in a timely manner (para. 3.30(b));**
- (n) **take measures to ensure that the number of on-site surprise checks and spot checks comply with the targets as laid down in TD's DCTC Monitoring Procedures (para. 3.38);**

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Administration of LCRPs

- (o) **strengthen the checking of supporting documents with a view to ensuring that only applications for LCRP(LT)s/LCRP(T)s that are fully supported will be approved, and remind TD staff to strictly follow the requirements in TD's guidelines in respect of using the manual checklist for vetting applications (para. 4.12(a) and (c)); and**

- (p) **remind permittees to return their expired permits and notify TD in writing immediately upon any change in the particulars given in the application form (para. 4.12(f) and (g)).**

Response from the Government

19. The Commissioner for Transport agrees with the audit recommendations.