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LC Paper No. CB(2) 918/02-03

(These minutes have been seen by
the Administration)

**Subcommittee to follow up the outstanding capital works projects
of the former municipal councils**

**Minutes of meeting
held on Thursday, 14 November 2002 at 8:30 am
in Conference Room A of the Legislative Council Building**

Members Present : Dr Hon TANG Siu-tong, JP (Chairman)
Hon Cyd HO Sau-lan
Hon Fred LI Wah-ming, JP
Hon CHAN Yuen-han, JP
Hon WONG Yung-kan
Hon IP Kwok-him, JP
Hon LAU Ping-cheung

Members Absent : Hon Andrew WONG Wang-fat, JP
Hon Albert CHAN Wai-yip
Hon WONG Sing-chi

Public Officers Attending : Agenda item III

Mrs Ingrid YEUNG
Acting Deputy Secretary (Food and Environmental Hygiene)
Health, Welfare and Food Bureau

Mr Edward LAW
Principal Assistant Secretary (Food and Environmental Hygiene) 2
Health, Welfare and Food Bureau

Mrs Marion LAI
Deputy Director of Food and Environmental Hygiene
(Administration and Development)

Mr K K LEE
Assistant Director (Operations) 2
Food and Environmental Hygiene Department

Mrs Angel CHOI
Chief Executive Officer (Planning) 2
Food and Environmental Hygiene Department

Mr Y S LEE
Project Director 3 (Acting)
Architectural Services Department

Agenda items IV & V

Ms Miranda YEAP
Assistant Secretary for Home Affairs
(Recreation and Sport)

Mr HO Wing-him, JP
Deputy Director of Leisure and Cultural Services
(Leisure Services)

Ms Pamela CHAN
Chief Executive Officer (Planning) 1
Leisure and Cultural Services Department

Mr Daniel MAK
Chief Executive Officer (Planning) 2
Leisure and Cultural Services Department

Mr Y S LEE
Project Director 3 (Acting)
Architectural Services Department

Clerk in Attendance : Mrs Constance LI
Chief Assistant Secretary (2)5

Staff in Attendance : Miss Betty MA
Senior Assistant Secretary (2)1

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I Confirmation of minutes of meetings

[LC Paper No. CB(2) 2457/01-02]

The minutes of the meetings held on 7 March, 2 May and 4 July 2002 were confirmed.

II Paper(s) issued since the last meeting

[LC Paper No. CB(2) 236/02-03(01)]

2. Members noted that a letter dated 23 October 2002 from the Hong Kong Japanese Tour Operators Association expressing support for the Hammer Hill Road District Park had been circulated to members.

III The 19 projects for retro-fitting of air-conditioning to existing markets and/or cooked food centres

[LC Paper No. CB(2) 333/02-03(01)]

3. Deputy Director of Food and Environmental Hygiene (Administration and Development) (DD(A&D)) said that at the last Subcommittee meeting on 4 July 2002, members suggested that the Administration should also consider taking forward those projects for which the support rate was less than 85%. She advised that the Administration had carefully considered the suggestion and remained of the view that a support rate of 85% or more should be attained for carrying out the projects.

4. DD(A&D) informed members that following further efforts made by her staff after the last meeting, two more cooked food centres (CFCs) had attained the required support rate of 85%. There were altogether five CFCs in which the retro-fitting of air-conditioning works would be proceeded with. DD(A&D) further informed members that for the remaining markets and/or CFCs, although FEHD staff would try to approach individual lessees again to further explain the project details and encourage them to return the letter of intent, she did not envisage that many of the lessees concerned would change their mind and express support for the projects. Nevertheless, essential improvement works would be carried out for these remaining markets/CFCs to bring them in compliance with the latest statutory requirements, including fire safety requirements. She believed that these improvement works would greatly enhance the environment and viability of the markets concerned without overburdening the stall lessees in terms of disruption to their business and the need to bear the air-conditioning recurrent costs.

5. DD(A&D) explained that it was necessary to obtain a support rate of 85% or more for carrying out the retro-fitting of air-conditioning projects, as a number of stalls would have to cease operation or be relocated during the works period. It would be very difficult, if not impossible, to proceed with the works without the support of

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such a percentage of stall lessees. She pointed out that there had been a response rate of 100% for a few markets where none or only a small minority of the market lessees expressed support for the projects and paying the recurrent air-conditioning costs. It was clear that these stall lessees did not consider the proposed retro-fitting of air-conditioning works necessary, especially when the general improvement works would also enhance the ventilation and environment of the markets.

6. DD(A&D) stressed that it was necessary to ensure that the projects received a reasonable level of support from the lessees, even with turnover of lessees during and after the completion of projects. She pointed out that there would be problems if many lessees were opposed to the project and chose to terminate the tenancy or requested for re-location of their stalls.

7. Referring to the five CFCs for which a support rate of 85% or more had been attained, Mr IP Kwok-him asked whether the Administration had envisaged that there could still be changes in the support rate as the stall lessees could terminate their tenancies after the works had commenced. Mr IP further said that for those markets which did not attain a support rate of 85% for the retro-fitting of air-conditioning projects, the implementation of general improvement works would also cause disruption to the operation of the stalls concerned. He considered that the Administration could not avoid the problem of relocating those stalls affected by the improvement projects in carrying out the general improvement projects.

8. DD(A&D) responded that the 85% support rate was adopted to ensure that there was support from the vast majority of stall lessees concerned, taking into account the turnover of lessees during and after completion of the projects. DD(A&D) said that ample time had been allowed for the lessees to return the letter of intent, and she believed that those lessees who had expressed support for the projects had made a conscious decision. As regards the possible disruption to stall lessees when general improvement works were carried out, DD(A&D) said that such works were of a smaller scale than retro-fitting of air-conditioning and should not cause too much disruption to the stall lessees.

9. Mr IP Kwok-him asked whether the Administration had in mind a baseline or a minimum support rate for taking forward the retro-fitting of air-conditioning projects. The Chairman also enquired whether the Administration had calculated a minimum support rate which was required to ensure the recovery of the additional air-conditioning electricity charges.

10. DD(A&D) responded that the Administration did not have a baseline other than the 85% support rate for taking forward the projects. With a support rate of 85%, the Administration was confident that there would be a reasonable percentage of lessees willing to pay the recurrent costs upon completion of the projects, even if there was turnover of stall lessees during and after the works period. DD(A&D) said that FEHD staff had tried very hard to boost the support rate. She said that for those stall lessees

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who had expressed support for the projects, they had already considered the financial implications and their business turnover.

11. Responding to Mr IP Kwok-him, DD(A&D) said that it was the established policy that a rental waiver would be granted to those stalls which had to cease business during the works period, and a two-month rental waiver would also be granted upon completion of the project. For those affected stalls which could continue to operate during the works period, there would be a rental reduction of 50% if such stalls were situated on the same floor where the works were carried out, or a 30% rental reduction if they were situated on the next floor.

12. Ms Cyd HO said that even though some CFCs were able to attain the 85% support rate at present, some of the stall lessees concerned might change their mind and withdraw their support any time, as they were not required to bear the project costs. She asked whether the Administration would still take forward the projects if many lessees subsequently withdrew their support for the projects. If the reply was in the affirmative, she wondered why the Administration should stick to the 85% support rate from the outset.

13. DD(A&D) stressed that in view of the large investment for the retro-fitting works, the Administration had to ensure a reasonable level of support from the lessees for the projects even with turnover of tenancies. DD(A&D) said that it was difficult to draw up any concrete plans to deal with unexpected changes in the support rate afterwards. However, she believed that the projects should continue after they had commenced, and her department would take action to re-lease any vacant stalls. She pointed out that once the lessees had gone through the works period, it was less likely for them to quit their business. Moreover, since the lessees should have made a conscious decision when indicating support for the projects, she could not see why these lessees would not support the projects after the projects were completed.

14. Ms Cyd HO pointed out that those CFCs with a support rate of 85% or more actually had a small number of stalls, and changes in tenancies of a few stalls would significantly affect the support rate of the CFCs concerned.

15. Mr WONG Yung-kan said that members of the Subcommittee had all along raised the concern that it was unrealistic to set a support rate as high as 85%. He pointed out that if the Administration adhered to the 85% support rate, it would mean that no air-conditioning works would be carried out in any of these 19 markets. Mr WONG further said that the Administration should consider carrying out air-conditioning works in those markets with majority support. He pointed out that some of the markets had over 200 stalls, and a 70% support rate would already mean that over 140 stalls were in support of the projects. He considered that many stall lessees had not expressed support for the projects because they had yet to see the benefits after the retro-fitting of air-conditioning works. He was of the view that the Administration should try out the retro-fitting of air-conditioning projects in a few markets and once

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these projects were completed, the other markets would be pleased to follow suit. He therefore urged the Administration to critically review whether a lower support rate should be adopted for large markets. Mr WONG pointed out that the general improvement works for these markets would cost about \$360 million.

16. DD(A&D) said that as she had explained earlier, adopting a support rate of 85% or more was to ensure that the projects would be implemented smoothly and the lessees were willing to pay the recurrent costs after completion of the projects. DD(A&D) further said that she agreed with Mr WONG Yung-kan that more lessees would support the projects in their markets when they learnt about the improved business turnover in those markets which had been retro-fitted with air-conditioning. However, she pointed out that despite the efforts made by FEHD staff during consultations with the lessees, none of these markets could attain the support rate of 85% or more. She said that the Administration was prepared to take forward the projects if those markets which had a support rate close to 85% could attain 85% support from the lessees concerned by early 2003. She explained that the deadline for attaining the 85% support rate could not be further extended as the Administration could not set aside the funding earmarked for the projects for an indefinite period.

17. DD(A&D) further explained that provisions had been made for the annual refurbishment of public markets, and some \$100 million was spent in this respect in 2001-02. She believed that the Administration could secure support from the stall lessees concerned for the general improvement works after the details had been explained to the respective Market Management Consultative Committees. She added that the Administration would start the improvement works as soon as possible.

18. As regards Mr WONG Yung-kan's suggestion of lowering the support rate for markets with a large number of stalls, DD(A&D) explained that it was necessary to obtain a reasonable level of support from the lessees concerned irrespective of the number of stalls involved, since a 70% support rate in a 200-stall market would also mean that there were 60 stalls opposing to the project.

19. The Chairman said that members were gravely concerned that none of the 19 public markets was included in the retro-fitting of air-conditioning programme. He agreed with other members that that it might not be appropriate to adopt a 85% support rate for all existing public markets/CFCs, given that the size and conditions of public markets varied greatly. He pointed out that a few markets had attained a support rate close to 80%, e.g. San Hui Market. He asked whether the Administration would reconsider lowering the support rate for markets with a large number of stalls.

20. DD(A&D) said that the Administration's position was that the 85% support rate should be adopted for public markets and CFCs. However, as San Hui Market, Fa Yuen Street Market and Yue Wan Market had attained a support rate close to 80%, FEHD staff could make further efforts to boost the support rate by early 2003. She

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said that the stall lessees concerned would still have a few months to consider whether they really wanted to proceed with the retro-fitting projects.

21. Mr IP Kwok-him agreed with the Chairman that the 85% support rate should not be adopted across the board for all public markets. He said that it was extremely difficult for markets with a large number of market stalls to attain a support rate as high as 85%. He further said that he had no objection to dropping those projects with a very low support rate, e.g. Tokwawan Market which only attained a support rate of 9.1%. However, he had reservations about dropping those projects which involved markets with a large number of stalls and had a relatively high support rate (e.g. Yue Wan Market had 301 stalls and attained a support rate of 61.5%). Mr IP pointed out that Yue Wan Market was very hot and the lessees were facing very keen competition from the air-conditioned market in the vicinity. Mr IP strongly urged that the Administration should be flexible in setting the support rate for the retro-fitting of air-conditioning projects in individual markets.

22. Mr IP further said that it was understandable that stall lessees would mainly focus on the immediate benefits in considering whether to support the projects. Therefore, those stalls which were currently located near the entrance or had less problem with ventilation might not be willing to pay the additional recurrent air-conditioning electricity costs and therefore refused to support the projects.

23. Mr IP Kwok-him commented that the purpose of the retro-fitting of air-conditioning projects in markets was to improve the business environment of those markets with poor ventilation. He said that as a result of the Administration's insistence on applying the 85% support rate for all public markets, none of the 19 markets would be retro-fitted with air-conditioning. Mr IP said that this was unreasonable and unacceptable. He urged that the Administration should work out a more practical approach for those large markets with a support rate close to 70%.

24. DD(A&D) said that she fully understood members' concern. She stressed that for those markets which were unable to attain a support rate of 85%, the Administration would carry out general improvement works to enhance their business environment. She further said that the ventilation in these markets would also be improved after such works. DD(A&D) added that as a result of the assistance of members of Eastern District Council, Yue Wan Market was now able to attain a support rate of 73.5%.

25. The Chairman said that the Subcommittee was greatly disappointed that no retro-fitting of air-conditioning projects would be carried out in any of the 19 public markets. He pointed out that Yue Wan Market and San Hui Market had already attained a support rate of 73.5% and 75% respectively. The Chairman suggested that the Administration should, as a pilot scheme, proceed with the retro-fitting works in a few markets with a support rate close to 80%.

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26. Mr WONG Yung-kan said that the five CFCs which had attained the 85% support rate were in fact housed under the same roof with the markets. Mr WONG urged that the Administration should consider including these markets, e.g. Bowrington Road Market, Fa Yuen Road Market and Yue Wan Market in the retro-fitting of air-conditioning projects.

27. Mr WONG also expressed concern that the retro-fitting of air-conditioning works to be carried out in the five CFCs would adversely affect the business of the market stalls currently situated in the same building.

28. Acting Project Director 3/Architectural Services Department (PD3/ArchSD) advised that disruption to the operation of stalls would be kept to the minimum during the works period. Moreover, the works would be carried out during the off-peak business hours as far as practicable. He envisaged that the markets concerned would not have to be closed during the works period.

29. DD(A&D) responded that the Administration was also disappointed that none of the 19 markets had attained the support rate of 85%. She said that the Administration had considered various options, and concluded that there was no strong justification for adopting a support rate lower than 85% after balancing all relevant factors. She further said that adopting a lower support rate for some markets after consultations would lead to criticisms that the Administration had changed its mind in respect of the support rate. Moreover, if only a few markets were selected for the pilot scheme, those not included in the pilot scheme might also complain that they were not treated fairly. DD(A&D) reiterated that the Administration therefore proposed to carry out general improvement works for all those markets which could not attain the 85% support rate. Nevertheless, the FEHD staff would still try their best before early 2003 to see whether the support rate of these markets could be boosted to 85%.

30. Mr WONG Yung-kan requested the Administration to provide further information, such as the breakdown of trades and the locations of stalls which were in support of and which were against the proposed projects. DD(A&D) agreed.

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31. In response to Mr WONG Yung-kan, DD(A&D) further said that some lessees did not support the projects because they were unwilling to pay the additional air-conditioning recurrent costs, while others considered that the benefits to be derived from the projects could not cover the additional recurrent costs. She pointed out that the lessees' decisions were based on their assessment on the impact of the works on their own business.

32. Miss CHAN Yuen-han criticised that the Administration should bear full responsibility for not proceeding with the retro-fitting of air-conditioning projects in the 19 markets. She said that she had accompanied the Secretary for Health, Welfare and Food to visit three public markets recently. During the visit, the lessees had made

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it clear that they supported the proposed retro-fitting works, but they could not afford to pay the recurrent air-conditioning electricity costs because of poor business. She further said that because of the poor business environment in the markets, the stalls therein could not compete with the superstores nearby. Miss CHAN expressed strong dissatisfaction that the Administration failed to look after the interests of the stall lessees and did little to assist them. She had the impression that the Administration had acted in favour of the superstores. She further said that as the former ex-Provisional Urban Council (PUC) had approved and earmarked funding for the retro-fitting projects, the Administration should honour its commitment that it would take forward these projects. Miss CHAN suggested that the Chairman should, on behalf of the Subcommittee, write to the Secretary for Health, Welfare and Food inviting him to attend the Subcommittee meeting and explain the Administration's policy in this respect.

33. DD(A&D) explained that the ex-PUC had only approved in principle ten projects relating to retro-fitting of air-conditioning to markets and CFCs, of which two projects were selected for a pilot scheme. While the pilot scheme was subsequently deferred and not implemented as a result of an ex-PUC's decision, no specific timetable had been set for the implementation of the remaining eight projects. DD(A&D) pointed out that the nine projects in the New Territories were actually not included in the ex-Provisional Regional Council Capital Works Programme but were included in the Public Works Programme by the Administration on its initiative.

34. DD(A&D) said that she could not agree that the Administration had not assisted the public markets in their operation, as some \$100 million were spent annually in subsidising the operating costs of public markets and carrying out general improvement works to enhance their business environment. DD(A&D) further said that to strengthen the management of public markets, the Administration had launched the market managers scheme in four public markets from March to August 2002. The pilot scheme would last for one year, and a review would be carried out afterwards.

35. Miss CHAN Yuen-han said that the 19 markets were mostly large markets, and many of them might have to close down as they would not be able to compete with the air-conditioned markets and superstores. She urged that the Administration should formulate policies and plans to improve the competitiveness of public markets.

36. Acting Deputy Secretary for Health, Welfare and Food (Food and Environmental Hygiene) said that the Administration was fully aware of the difficulties of the market operators. However, she pointed out that some public markets were doing very well even without air-conditioning. As the viability of markets depended on a number of factors, the Administration had adopted a multi-pronged approach to improve the situation, for example, a market manager trial scheme had been introduced recently to draw on private sector experience in market management.

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37. Mr LAU Ping-cheung asked about the mode of operation of the market manager scheme. He suggested that to provide more incentive for market managers, their performance and remuneration could be assessed on the basis of the business turnover of the respective markets.

38. DD(A&D) explained that at present, market managers were engaged in four public markets and they were employed on one-year non-civil service contract terms. The Administration would decide whether the scheme would be extended to other public markets after a review.

39. Responding to Mr LAU Ping-cheung's further question, DD(A&D) said that apart from launching the market manager scheme, the Administration was actively considering contracting-out the management of public markets to private companies.

40. Mr Fred LI said that he disagreed that the support rate for proceeding with the retro-fitting of air-conditioning projects should be set at 85%. He further said that to his knowledge, the Housing Department would study the feasibility of such projects if more than 50% of the lessees concerned had expressed support, and the project would be taken forward with a support rate of 70% or more. Mr LI believed that stall lessees would be willing to pay the additional recurrent costs when they saw the benefit brought to their business by air-conditioning. He considered that the Administration should take forward the retro-fitting projects based on a support rate similar to that of the Housing Department. As regards those lessees who refused to pay the recurrent costs of air-conditioning, Mr LI considered that FEHD could just terminate their tenancies.

41. Mr IP Kwok-him proposed the following motion for a decision of the Subcommittee :

"The Subcommittee urges the Administration to adopt a support rate of 70% in determining whether the retro-fitting of air-conditioning works in existing public markets should be proceeded with."

42. Miss CHAN Yuen-han said that the proposed 70% support rate was acceptable. She agreed that the Administration should make reference to the Housing Department's policy in respect of the retro-fitting of air-conditioning projects. She considered that the Administration should make its best efforts to implement these projects especially in those markets with majority support.

43. The Chairman put Mr IP Kwok-him's proposal to vote. The result was four members voted for the proposal and no member voted against the proposal. One member abstained from voting. The Chairman requested the Administration to take note of the Subcommittee's view and take necessary action.

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(*Post-meeting note* : The Subcommittee Clerk has conveyed the Subcommittee's view to the Secretary for Health, Welfare and Food on 14 November 2002 and the letter was circulated to members vide LC Paper No. CB(2) 403/02-03 dated 20 November 2002.)

IV Stanley Complex and Hammer Hill Road District Park
[LC Paper No. CB(2) 333/02-03(02)]

Stanley Complex

44. Assistant Secretary for Home Affairs (Recreation and Sport) (AS(HA)) said that the Southern District Council had been consulted on and supported the tree preservation plan of the Stanley Complex project on 8 July 2002. She further said that the Administration planned to upgrade the project to Category A before the end of this year. The construction work would start in mid-2003, aiming at completion in early 2006. The estimated capital and annual recurrent costs of the project were \$172.4 million and \$6.3 million respectively.

45. Mr IP Kwok-him said that he had no strong views to the tree preservation plan for the Stanley Complex project. He hoped that the Administration could implement the project as soon as possible.

46. Deputy Director of Leisure and Cultural Services (DD/LCSD) responded that in view of the budget deficit, the Administration had reviewed the priority for all public works projects. However, he assured members that the Administration was committed to taking forward the Stanley Complex and the Hammer Hill Road District Park projects. He said that the Administration aimed to make a submission on the Stanley Complex project to the Public Works Subcommittee (PWSC) at the end of November 2002.

Hammer Hill Road District Park

47. AS(HA) said that the Administration intended to make a submission to the PWSC and the Finance Committee to upgrade the project to Category A by the end of 2002.

48. Mr IP Kwok-him and Miss CHAN Yuen-han were of the view that the architectural and landscaping works of the Hammer Hill Road District Park should be compatible with that of Chi Lin Nunnery Monastic Complex. Miss CHAN also expressed appreciation that the Administration had taken into account members' views on the design of the park.

49. Responding to Mr Fred LI, DD/LCSD said that the Administration would consider renaming the park and its management at a later stage.

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50. Mr Fred LI asked whether Government's commitment for the entire project should remain to be capped at \$177 million, in view of the recent reduction of prices for manpower and materials. DD/LCSD said that his department had reviewed the project cost estimates jointly with the ArchSD in mid 2002, and considered the estimation reasonable. He further said that to revisit the matter would unavoidably delay making a submission to PWSC.

51. Mr Fred LI said that he had no objection to cap the capital cost at \$177 million, but the Administration should secure higher quality work with the same budget since building material costs had gone down. Chief Executive Officer (Planning)/LCSD (CEO(P)/LCSD) responded that as agreed with Chi Lin previously, the add-on works of the park would be contributed by Chi Lin in the form of donations. She informed members that the estimated budget of \$177 million would be able to cover the expenses for the design work and basic infrastructure works. However, Chi Lin had requested that if the cost of such works which were to be borne by Government turned out to be lower than \$177 million, the balance of the project costs to be funded by Chi Lin should be reduced correspondingly. She said that the Administration had agreed to Chi Lin's request in principle.

52. Mr LAU Ping-cheung enquired about the entrustment arrangements of the project. DD/LCSD responded that the Administration intended to entrust the design, construction and site supervision works of the project to Chi Lin, and the details of the entrustment arrangements were under discussion. He said that a committee comprising representatives of Government and Chi Lin would be set up to monitor the project. DD/LCSD further said that the future management of the park would be considered after implementation of the project. Acting PD3/ArchSD added that the entrustment agreement would set out the details of the arrangements, and the final draft of the entrustment agreement was near completion. He expected that the relevant documents would be ready by the end of November 2002.

53. Miss CHAN Yuen-han expressed support for entrusting the project to Chi Lin given its experience and knowledge in Tang style design and construction. However, she considered that the entrustment arrangement should clearly define the respective responsibilities of the Government and Chi Lin in the construction and management of the project, in order to ensure overall effective coordination of the project. Miss CHAN further said that there should be effective monitoring of the project costs in view of the reduction of construction and material prices.

54. Acting PD3/ArchSD informed members that Chi Lin would be required to comply with Government tendering rules in respect of all works for which Government funds were used, and the project should meet the Government standards.

55. Mr IP Kwok-him urged that the Administration should proceed with the project as soon as possible. The Administration noted the request.

V Projects involving leisure and cultural facilities

[LC Paper No. CB(2) 333/02-03(03)]

Projects under the Accelerated Programme for implementation in 2002-03

56. AS(HA) said that of the 15 projects under the Accelerated Programme for implementation in 2002-03, six projects had been upgraded to Category A and another two projects would be carried out as minor works. AS(HA) further said that the Administration remained committed to delivering the other projects in the Accelerated Programme. As the schedule was currently under review, members would be informed of the progress in due course.

57. DD/LCSD added that at its meeting on 11 November 2002, PWSC had approved the upgrading of one more project under the Accelerated Programme to Category A for implementation in 2002-03. The Administration intended to submit the remaining six projects to PWSC for upgrading to Category A before the end of March 2003.

58. Miss CHAN Yuen-han enquired whether the Financial Secretary's recent remarks on the need to review the priorities of public works projects had any impact on the implementation schedule for the remaining projects under the Accelerated Programme. She was concerned that these projects could not satisfy the criteria for priority treatment as they might not bring much benefit to Hong Kong's economy. Miss CHAN requested the Administration to provide the updated position in respect of the implementation timetable of the remaining projects in the Accelerated Programme.

59. DD/LCSD said that given the budgetary constraints, his department was currently reviewing the priority of its public works projects. While his department would endeavour to take forward all the projects in the Accelerated Programme, it was possible that the implementation timetable might have to be adjusted having regard to the constraints in meeting the recurrent operating and maintenance costs for the projects. He further said that his department was also exploring other more cost-effective options to meet the changing demand and needs of the public for certain recreational and cultural facilities.

60. Mr Fred LI said that to his knowledge, government departments were facing a 1.8% cut in departmental expenses in 2003-04, and an annual 1% cut in the following three consecutive years. He asked whether this would have any adverse impact on the implementation of the projects under the Accelerated Programme in the coming years, as the recurrent operating costs would have to be absorbed within the reduced departmental budget.

61. DD/LCSD said that Mr LI's concern was exactly what the Administration would have to consider in taking forward the remaining projects under the Accelerated Programme. He further said that under the new one-line vote funding arrangement for

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government departments, there would be greater flexibility for his department to implement the projects under the Accelerated Programme. However, his department would also need to consider ways to meet the additional recurrent costs arising from the implementation of these new projects. It was likely that projects with lower recurrent costs would be accorded higher priority. DD/LCSD added that as the Administration had not yet completed the review, members would be updated on the latest position in due course.

Admin 62. Mr Fred LI urged that the Administration should continue to take forward all the projects under the Accelerated Programme. He requested that the Administration should revert to the Subcommittee after completion of the review.

63. Mr LAU Ping-cheung said that to reduce the recurrent operating cost of individual projects, the Administration should seriously consider contracting out the management of the new recreational and cultural facilities to private companies. He considered that this would help expedite the taking forward of these projects. DD/LCSD said that the Administration was currently studying the feasibility of the suggestion.

Admin 64. Miss CHAN Yuen-han requested the Administration to provide the latest position of the remaining outstanding projects currently not included in the Accelerated Programme for consideration by the Subcommittee at its next meeting.

VI Any other business

65. The Chairman said that members would be informed of the date of the next meeting.

66. There being no other business, the meeting ended at 10:35 am.