

LC Paper No. CB(2) 1410/00-01(01)

Tel: 2810 2540

Fax: 2596 0729

Your Ref.: CB 2/HS/1/00

Our Ref.: FP 12/2001 to FIN P6/538

25 April 2001

Dr the Hon. Tang Siu-tong, JP
Chairman of the Subcommittee
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Funding of the Outstanding Capital Works Projects of the Former Provisional Municipal Councils

Thank you for your letter of 9 April setting out the Subcommittee's concern about the funding mechanism for the 169 outstanding capital works projects of the two former Provisional Municipal Councils (PMCs).

We fully appreciate and agree with Members' concerns that ex-PMC projects should not be stalled and that past efforts in design and local consultation should not be rendered abortive. Community building, promotion of sports and recreation, and environmental hygiene remain key priority areas within the Government. Thus, provided the justifications for the concerned projects are established and accepted by the policy bureaux concerned, and provided the scope of projects is agreed and feasibility confirmed, it is in the interest of all including the Government to take these projects forward in a timely manner. In recognition of the planning efforts already devoted to some of these projects and with a view to avoiding abortive work, Finance Bureau is also prepared to process the Client Project Briefs (CPB) and Preliminary Project Feasibility Studies (PPFS) for ex-PMC projects in a flexible manner.

Commitments to date

Before elaborating on the above points, I would like to recapitulate Government's financial commitments upon the dissolution of the two PMCs. In late 1999, Finance Committee approved an allocation of \$5.4 billion to fund 149 capital works projects and over 3000 minor items for which the two PMCs had entered into contractual commitment. Government also undertook to earmark funding, in the order of \$2.4 billion, to deal with 12 other projects which had already secured PMC's funding approval even though there were no contractual commitments associated with these projects at the time. To date, nine of the 12 projects had already been upgraded to Category A.

Resource allocation for other projects

The status of the other 169 outstanding projects varies a lot and, even in the normal course of events, would need to be taken forward in phases over a relatively long period. As we explained to the Finance Committee in December 1999, these projects would still be subject to the resource allocation mechanism within the Administration. This means that all Controlling Officers need to go through the due process of -

- (a) establishing or confirming the **justification**, including cost-effectiveness, for each of the outstanding ex-PMC projects,
- (b) agreeing on the project **scope**, and
- (c) confirming the **technical feasibilities**

before requesting the Administration to set aside funding for each.

Whilst accepting that this process should be as short as possible, I would advise against suggestions to waive these essential steps in entirety. As guardian of the public purse, Members will appreciate that funding should not be set aside unless the scope and feasibility are all firmed up. Nor do I see any time gain in creating a separate vote to deal with these projects. Controlling Officers must still go through all the basic steps and be subject to Government's overall resource allocation mechanism whatever the source of funding is.

The kind of “special arrangement” that I had in mind when offering in late 1999 to waive “the usual pre-requisites for a project client brief and a project feasibility study” involves updating and supplementing the previously-completed feasibility studies for the PPFS submissions, primarily to avoid unnecessary duplication of efforts; and simplifying the CPB and PPFS formats particularly for straightforward and rather standard facilities. The departments concerned are already aware of Finance Bureau’s requirements.

We note the Subcommittee’s views on a number of ex-PMC projects. Please rest assured that the Government will adopt a fair and objective approach in determining project priority and funding allocation for all ex-PMC projects, having due regard to feedback from the Legislative Council and others.

(Miss Denise Yue)
Secretary for the Treasury

c.c.

SHA (Attn: Mr Arthur Ng)

Fax: 2591 6002

SEF (Attn: Mrs Stella Hung)

Fax: 2136 3281