

立法會
Legislative Council

LC Paper No. CB(1) 929/00-01
(These minutes have been seen
by the Administration)

Ref: CB1/PL/EA/1

LegCo Panel on Environmental Affairs

Minutes of meeting
held on Tuesday, 2 January 2001, at 2:30 pm
in the Chamber of the Legislative Council Building

- Members present** : Prof Hon NG Ching-fai (Chairman)
Hon Cyd HO Sau-lan (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, JP
Hon Martin LEE Chu-ming, SC, JP
Hon Eric LI Ka-cheung, JP
Hon Bernard CHAN
Hon CHOY So-yuk
Hon LAW Chi-kwong, JP
Hon Abraham SHEK Lai-him, JP
Hon Henry WU King-cheong, BBS
Hon Tommy CHEUNG Yu-yan, JP
Hon Michael MAK Kwok-fung
Hon Albert CHAN Wai-yip
Dr Hon LO Wing-lok
Hon LAU Ping-cheung
Hon Audrey EU Yuet-mee, SC, JP
- Member attending** : Hon Mrs Selina CHOW LIANG Shuk-ye, JP
- Members absent** : Hon WONG Yung-kan
Hon Mrs Miriam LAU Kin-ye, JP
Hon Emily LAU Wai-hing, JP

**Public officers
attending : For item IV**

Environment and Food Bureau

Mr Thomas CHOW
Deputy Secretary(C)

Mr Howard CHAN
Principal Assistant Secretary

Environmental Protection Department

Mr TSE Chin-wan
Assistant Director (Air)

For item V

Environment and Food Bureau

Mr Kim SALKELD
Deputy Secretary(B)

Mr Donald TONG
Principal Assistant Secretary

For item VI

Environment and Food Bureau

Mr Kim SALKELD
Deputy Secretary(B)

Mr Donald TONG
Principal Assistant Secretary

Drainage Services Department

Mr W H KO
Assistant Director/Projects and Development

Mr W Y SHIU
Chief Engineer/Project Management

Mr K B TO
Senior Engineer

For item VII

Environment and Food Bureau

Mr Kim SALKELD
Deputy Secretary(B)

Mr Donald TONG
Principal Assistant Secretary

Drainage Services Department

Mr C H LAM
Assistant Director/Sewage Services

Mr C K HON
Chief Engineer/SSDS

Mr K M HO
Senior Engineer

Clerk in attendance : Miss Odelia LEUNG
Chief Assistant Secretary (1)1

Staff in attendance : Ms Pauline NG
Assistant Secretary General 1

Mrs Mary TANG
Senior Assistant Secretary (1)2

I Confirmation of minutes of meeting
(LC Paper Nos. CB(1) 308/00-01 and CB(2) 582/00-01)

The minutes of the joint meeting with the Transport Panel on 7 November 2000 and of the regular Panel meeting on 7 November 2000 were confirmed.

II Date of next meeting and items for discussion

(LC Paper No. CB(2) 571/00-01(01) - List of follow-up actions arising from discussion

LC Paper No. CB(2) 571/00-01(02) - List of issues to be considered)

2. Members agreed to discuss the progress report on environmental protection at the next Panel meeting scheduled for 6 February 2001. Members noted that the Administration had requested that the discussion on the greening policy be deferred to the meeting in March 2001.

III Information papers issued since last meeting

3. Members noted that the following information papers were issued since the last meeting -

LC Paper No. CB(2) 485/00-01(01) - Administration's paper on "Proposed arrangement for stallholders in Central Market";

LC Paper No. CB(2) 530/00-01(01) - Administration's paper on "Clean Hong Kong"; and

LC Paper No. CB(2) 583/00-01(01) - Administration's paper on "Testing guideline on the degradability and food safety of containers and bags".

IV Vapour recovery of dry-cleaning machines

(LC Paper No. CB(2) 397/00-01(05) - Administration's paper on "Vapour recovery of dry-cleaning machines"

LC Paper No. CB(2)431/00-01(01) - Submission provided by Hon Cyd HO)

4. Members noted that a further submission had been prepared by Ms Cyd HO and was tabled at the meeting.

(Post meeting note: The further submission prepared by Ms Cyd HO was circulated to members vide LC Paper No CB(1) 395/00-01.)

5. At the invitation of the Chairman, the Deputy Secretary for the Environment and Food (C) (DSEF(C)) briefed members on the Administration's proposals to reduce the emission of perchloroethylene(PCE) from dry-cleaning machines, highlighting the salient points of the information paper. He clarified that "178 times" in the last sentence of paragraph 3 should be "170 times" and "17.9 Mglm³" in paragraph 4 should be "16.9Mglm³".

6. Miss CHOY So-yuk enquired about the cost implications of modifying existing vented dry-cleaning machines to meet the proposed stipulated standard, the time needed for the modification process, and the extent of consultation with the trade. In response, the Assistant Director of Environmental Protection (Air) (ADEP) advised that the relevant trade associations representing 490 laundries had been consulted on the proposal. The Administration had initially proposed a grace period of 4 years for the proposed modification or replacement of vented and non-vented machines that did not meet the standard. Following extensive consultation with the trade, it had revised the proposal to allow longer grace periods of 5 and 7 years for vented and substandard non-vented machines respectively. Further extension of the grace periods was not recommended because most existing vented machines would approach their normal retirement age at the expiry of the respective grace periods and would have to be replaced even if the proposed control scheme was not to be introduced. The trade associations had not raised strong objections to the proposal but had requested that financial assistance be given to assist them to comply with the requirements. It was estimated that modification of a substandard non-vented machine would cost about \$30,000 to \$40,000. ADEP advised members that a dry-cleaning machine that met the standard would consume considerably less PCE as the majority of the chemical would be recycled. For a normal operation, the saving could be up to \$10,000 per machine per year depending on the intensity of the operation. Therefore, the operators would be able to lower their operating cost after modifying or replacing their machines.

7. Mrs Selina CHOW said that the trade was most concerned about the replacement cost of the machines which would constitute a major part of their operating costs. Referring to paragraph 14 of the information paper which indicated the support of the Advisory Council on the Environment (ACE) to the provision of financial assistance to the trade, she queried why the Administration had been so adamant about its refusal to offer financial assistance. Making reference to the provision of financial incentives in the implementation of the Liquefied Petroleum Gas (LPG) Taxi Scheme, she opined that financial assistance would be justified if it could facilitate the implementation of the proposal and help achieve environmental objectives sooner. The Administration should consider granting low interest loans to the trade. Sharing the same concern, Mr Henry WU enquired about the stance of the ACE on the provision of financial assistance. DSEF(C) said that the trade had written to the Environmental Protection Department on 22 December 2000 requesting the grant of a subsidy of \$50,000 to \$100,000 for modification or replacement of a dry-cleaning machine. The Administration was of the view that as the proposed grace periods should cover the normal useful life of the majority of the existing machines, there did not appear to be sufficient grounds to use public money to subsidize the modification or replacement of the machines. For the same reason, it would not consider providing loans to the operators. He further stated that the proposed control scheme differed from that of the LPG Taxi Scheme in that the objective of latter was to encourage early replacement of diesel taxis which had yet to reach their the normal useful life.

8. Noting that the cost would not be significant, Mrs Selina CHOW remained of the view that the Administration should consider providing financial assistance so that the grace periods could be shortened. DSEF(C) said that, given the low ambient level of PCE, the emission of PCE for dry-cleaning machines did not pose an immediate threat to public health. The proposed control scheme was a precautionary measure. The Administration therefore considered that there was no overriding urgency for modifying or replacing all existing machines that did not meet the standard. Members noted that the suggestion of providing financial assistance to the trade was put forward by some members of the ACE but no decision was made on the matter.

9. Ms Cyd HO questioned the rationale for introducing legislation to control the residual PCE concentration in dry-cleaning machines but not the emission of PCE from dry-cleaning machines since the latter would have a direct impact on the surrounding environment. She also enquired about the place for taking the air samples, the results of the analysis of the air samples, whether the results indicated an adverse health impact on employees of laundries and if so, whether the use of PCE should be banned and replaced with other more environmental friendly dry-cleaning agents such as petrol solvents.

10. In response, DSEF(C) advised that the maximum indoor PCE level allowable was 25 parts per million by volume (ppmv). Regular checks made by the Labour Department indicated that the average PCE level in dry-cleaning laundries was below 2 ppmv and was well within the allowable limit. As for the concern about the impact of PCE emission on the surrounding environment, DSEF(C) said that this was governed by existing environmental legislation which controlled the emission of all types of pollutants. There was no restriction on the use of alternative dry-cleaning agents such as petrol solvents, but there might be cost implications on the trade. ADEP added that the approved machines had no vents and hence would be of zero emission. These non-vented machines had no exhaust and the vapour for the drying process would be recycled through a control device. Some PCE vapour would remain inside the non-vented machine after the completion of the whole dry-cleaning cycle and would be released into the air when the machine door was opened. The proposed regulation to be made under the Air Pollution Control Ordinance would require that all new dry-cleaning machines sold in Hong Kong should be of the non-vented type plus a maximum residual concentration of below 300 ppmv which represented the best current technology. He stressed that the present annual ambient PCE level of 2.34ug per cubic metre recorded by the Environmental Protection Department in 1999 was much lower than the actionable level because 1 ppmv of PCE would be equivalent to 6,780 micrograms per cubic metre (ugm³).

11. Ms Cyd HO was concerned about the high exposure of employees of laundries to PCE and queried if the air samples taken had reflected their actual exposure to PCE, in particular, when they were operating on existing modes of dry-cleaning machines. Sharing the same concern, Mr LAU Ping-cheung enquired about the likely impact of PCE emission on regular customers of laundry shops. ADEP said that the 13 surveys conducted by the Labour Department in the past three years had indicated that the PCE

concentration was lower than 2 ppmv. Laundry employees who opened the doors of the dry-cleaning machines after the cleaning process were exposed to PCE vapour intermittently. PCE vapour would be quickly diffused into the air, resulting in minimal impact on the surrounding environment. The actionable level of 25 ppmv meant a constant exposure to PCE at such level for eight hours.

12. On members' concern about the impact on health, ADEP advised that PCE was classified by the International Agency for Research on Cancer as a "probable human carcinogen". This meant that long term exposure to high concentrations of PCE might increase the risk of cancer in human bodies but there had not been sufficient evidence on this. Indeed, in a recent study on humans conducted earlier, there was no indication of an adverse impact on health of humans who were exposed to a PCE level of 150 ppmv for 7 1/2 hours per day for 5 days a week over a period of 11 weeks. Although exposure to very high concentrations of PCE might cause irritation, dizziness, nausea, headaches, and liver and kidney damage, the effect of exposure to low concentrations would be difficult to assess. However, given the low concentration of residual PCE found in dry-cleaned materials, it would unlikely have an health impact on customers. The purpose of the proposed regulation was to reduce PCE emission without creating undue difficulties to the trade.

13. While expressing support for the proposal to control the emission of PCE, Mr LAW Chi-kwong said that the main concerns of members were the pace of implementation and the need or otherwise for the provision of financial assistance to the trade. To facilitate members' consideration in these respect, he suggested that the Research and Library Services Division (RLSD) of the LegCo Secretariat conduct a research study on the following -

- whether the proposed provision of grace periods of 5 years for vented machines and 7 years for non-vented machines to meet the statutory emission standard was a reasonable timeframe; and
- the effect of PCE emission on human bodies.

14. DSEF(C) said that the proposal of providing grace periods of 5 years for vented machines and 7 years for non-vented machines was made after considering the findings of the research study conducted by the Hong Kong Productivity Council on the useful life of the existing dry-cleaning machines. The Administration had also consulted local academics on the issue and had been advised that the ambient PCE level did not pose a threat to public health and that a precautionary approach could be adopted. He would be pleased to provide the results of the study and expert opinion for members' reference. The Chairman suggested that consideration be given to commissioning a further study by RLSD after receiving the information from the Administration.

(Post-meeting note: the Administration's information was circulated to members vide LC Paper No. CB(1) 538/00-01 on 5 February 2001)

V Proposed remuneration for the Chairman of the Environmental Impact Assessment Appeal Board on the appeal case on the Sheung Shui to Lok Ma Chau Spur Line Project
(LC Paper No. CB(2) 571/00-01(03))

15. The Deputy Secretary for the Environment and Food (B)(DSEF(B) briefed members on the proposed remuneration for the Chairman of the Environmental Impact Assessment (EIA)Appeal Board on the appeal case on the Sheung Shui to Lok Ma Chau Spur Line Project. He advised members that as the Chairman and the Deputy Chairman of the EIA Appeal Board had withdrawn themselves from hearing the Spur Line case because of conflict of interest, there was a need to appoint a new Chairman within 60 days from the date of lodging of the appeal by the Kowloon-Canton Railway Corporation (KCRC) in order to give directions. The Administration would have to find someone who was both available and qualified to act in the case. The Administration had been advised by the Judiciary that the existing permanent judges at the level of District Court Judges or above were all committed. Furthermore, a judge from the Appeal Court could not be considered because there was a right of reference from the Appeal Board to the Appeal Court on matters of law. The appointment of a judge of the Court of Final Appeal (CFA) was considered more appropriate as he would unlikely be involved in any of the proceedings which might arise from the case. He stressed that there was no implication that members from the Bar was not suitable to take up the case but the problem of conflict of interest could arise. It was on this basis that Mr Justice MORTIMER, a non-permanent CFA judge was recommended for appointment. The proposed remuneration package was considered appropriate for a person of such experience.

16. Ms Audrey EU sought justifications for the appointment of a non-permanent CFA judge to hear the Spur Line case. She also queried the need for spending extra sums of money in the appointment of an overseas judge as she was aware that there were many persons available locally who were qualified as District Court judges and suitable for appointment. In fact, quite a few of them had been appointed to act as Chairman for the many Appeal Boards which had been set up in the past.

17. DSEF(B) said that the primary consideration was urgency. With the withdrawal of both the Chairman and the Deputy Chairman from taking up the chairmanship of the Appeal Board, there was an urgent need to find a replacement within a very short span of time. The legal requirement was that the person appointed as Chairman should be qualified for appointment as a District Court judge. The Administration did not seek to appoint a CFA judge as the Chairman. It sought to appoint a person who was willing to and capable of taking up the case. In identifying the candidates for such appointment, the Administration had sought the advice from the Judiciary. Their advice was that no serving judge was available and the persons to be considered were the non-permanent CFA judges. In response to Ms EU's further enquiry on the urgency of the matter, DSEF(B) said that under the regulations that governed the conduct of the appeal under the EIA Ordinance, it would be highly desirable for the Chairman of the Appeal Board to be in place within 60 days of the

date of the appeal to give directions on how to proceed with the hearing of the case. Since a lot of papers had already been submitted, there was a need to appoint a person who was available now to deal with the procedural matters, although the actual hearing might not take place yet. The Administration did not have the time to go through another selection process for the Chairman and Deputy Chairman after both of them had withdrawn themselves in this case.

18. Referring to paragraph 5 of the Finance Committee paper, Mr Henry WU sought explanation on the reasons why the Deputy Chairman of the Appeal Board panel had disengaged himself from the case. He also enquired if the same remuneration package would be offered to the Deputy Chairman were he appointed as Chairman to hear the case. In response, DSEF(B) advised that the Deputy Chairman had withdrawn himself from hearing the case on grounds of potential conflict of interest and had submitted his reasons to the Administration in writing. If either the Chairman or the Deputy Chairman had accepted the case, then as Chairman of the Appeal Board Panel, they would be entitled to an annual retainer and a fee of \$4440 per sitting. The main difference in costs for appointing an overseas judge was the hotel charges and airfare, plus the daily rate. He said that the estimate of \$580,000 was based on the assumption that the case might take up to two months. The Administration would be seeking approval in principle of the package from the Finance Committee.

19. Miss CHOY So-yuk said that she did not consider it appropriate that the Chairman and the Deputy Chairman of the Appeal Board panel could be allowed to withdraw themselves from hearing the case. She shared Ms EU's concern about the appointment of an overseas non-permanent CFA judge. She further pointed out that in considering appointment of the Chairman, due regard should be given to appointing someone who was knowledgeable on environmental matters. DSEF(B) said that the present case was the first of its kind under the EIA Ordinance. The EIA Appeal Board comprised a wide range of members and many of them were experts on environmental issues. It was unfortunate that both the Chairman and the Deputy Chairman had withdrawn from the panel due to conflict of interest. The appointment of a non-permanent CFA judge was recommended on the advice of the Judiciary as it would not be in a position to release a serving judge at the level of District Court due to the heavy workload. The appointment of a CFA judge would not imply any pressure on anybody as he would be acting as the Chairman of the Appeal Board. The CFA judge would not, by his status, be drawn into any continuation of the case and therefore the question of conflict of interest would not arise.

VI Stage 2 Phase 1 works of the Central, Western and Wanchai West Sewerage - 143DS

(LC Paper No. CB(2) 571/00-01(04))

20. With the aid of a computer power point, the Senior Engineer of the Drainage Services Department (SE/DSD) briefed members on the Administration's proposal to

seek the Public Works Subcommittee's approval on 14 February 2001 to upgrade part of Public Works Project Item 143DS, namely Central, Western and Wanchai West Sewerage, stage 2 phase 1 works, to Category A at an estimated cost of \$202 million in money-of-the-day prices for carrying out local sewerage improvement works in Central, Western and Wanchai West.

21. Miss CHOY So-yuk enquired whether the proposed project was related to the Strategic Sewage Disposal Scheme (SSDS) and whether it had taken into account the sewerage needs of the urban renewal projects. DSEF(B) confirmed in response that there was no relationship between the proposed project and what was being proposed by the International Review Panel for SSDS. The proposed project would be improving the basic local collection system to increase capacity, to replace old inadequate sewers and to ensure that there was adequate capacity to support new developments which might include urban renewal and reclamation projects. The works would be needed regardless of the type of sewage treatment system that was chosen for SSDS.

22. Regarding Miss CHOY's further enquiry about whether the trenchless method could be used on a wider scale, the Assistant Director of Drainage Services/ Projects and Development (ADDS/PD) said that while the trenchless method could be applied to construct new sewers, there were practicable difficulties in applying it to upgrade existing shallow sewers as these were constrained by the levels of the downstream sewers. The Administration would consider suitably applying the trenchless method wherever possible. The proposed project would increase the existing sewerage capacity and would cater for the needs of new developments including urban renewal projects within the area.

23. Mr Henry WU queried why the trenchless method would not be applied along the road works at Pedder Street and Wing Lok Street, which were the busiest part of Central. He further pointed out that the proposed works at Wing Lok Street should not be conducted during the rainy season as the area was flood-prone. SE/DSD said in response that the use of the trenchless method in these areas was not feasible because the existing sewers were too shallow to provide sufficient covers and branch connections had to be provided. The Administration was well aware of the traffic congestion problem in the area. It would arrange to cover the road openings during peak hours to facilitate traffic flow. As regards the road works at Wing Lok Street, SE/DSD advised that this would be performed at the section near the Western District where the traffic was not that busy. As Wing Lok Street provided a one-way traffic, there would not be much traffic problem with the closure of one of the two lanes during the construction process. A Traffic Management Liaison Group comprising representatives from the Transport Department, Highways Department, Police as well as District Councils and public transport companies would be set up to meet monthly to assess the traffic impact of the proposed works and the required temporary traffic arrangements. Where necessary, the Group would consider suspending the works during peak hours. The Administration would monitor the schedule of works and avoid working on slopes and flood-prone areas during periods of heavy rainfall. Mr

Henry WU hoped that the proposed works would not create too much disturbance to the road traffic. He remained concerned over the closure of one of the lanes at Wing Lok Street as the area was often packed with trucks loading and unloading their goods.

24. Ms Audrey EU enquired if the Administration would consider offering compensation to the affected business operators for their business losses resulting from the prolonged road opening works of the proposed project. She also enquired whether the District Councils had been consulted, whether similar upgrading works would be carried out in other districts and whether non-destructive detection techniques would be deployed to determine the exact locations of the utilities to avoid unforeseen underground utility obstruction.

25. The Chief Engineer/Project Management, Drainage Services Department (CE/PM/DSD) said that the Administration had consulted the relevant District Councils and would minimize the disturbance to the business operators by working on road sections of not more than 50 metres at a time. It would also maintain close liaison with affected business operators on the progress of works. The Drainage Services Department (DSD) would have to be satisfied that the contractors did have adequate manpower and resources to cope with the works before approval was given for the commencement of the works. Provisions would be included in the terms of the contract to ensure that the construction sites would be actively worked on and would not be left unattended. He assured members that before the commencement of the works, the contractors would reconfirm the exact location of the utilities with the utilities undertakers, provide DSD with the implementation details and liaise with the Transport Department concerning traffic diversion. Non-destructive detection techniques would be applied and where necessary, trial pits and trenches would be excavated. The Stage 1 works of the project had progressed smoothly with the application of trenchless method on some locations. It involved the construction works relating to trunk sewers which was similar to the proposed sewerage improvements works to be carried out at North Point. As regards compensation for business losses, he advised that there were no provisions for compensation for disturbances arising from public works projects. However, the affected business operators might take legal action to pursue the matter.

26. Mr Eric LI shared the concern about the business losses arising from road opening works. He said that it was difficult for the affected business operators to take legal proceedings against the Government for their losses. The Administration should learn from previous experience and provide mitigating measures which would help reduce such losses. Close liaison should also be maintained with the affected business operators. It should also devise a mechanism to deal with complaints arising from the works. Miss CHOY So-yuk said that the issue of compensation for business losses due to delays in progress of road opening works should be further pursued. Ir Dr Raymond HO agreed and said that the subject should be dealt with by the Panel on Planning, Lands and Works.

27. In response to the Chairman's enquiry on the lessons learnt from the Nathan

Road sewerage improvement project, CE/PM/DSD said that the Administration would give advance notices on the scope and duration of road works to the affected business operators, as in the recent works along Nathan Road/Shan Tung Road where the shopowners were duly notified before the commencement of the road opening works.

28. On Ms Audrey EU's concern about the availability or otherwise of a performance pledge for road opening projects, CE/PM/DSD advised that the contractors were mostly able to adhere to the schedule of works except for unforeseen ground conditions which might give rise to a delay. Mr Martin LEE said that as a responsible government, it should give the reasons for the delay whenever this occurred. CE/PM/DSD said that the delay in the works was mostly due to inclement weather or reasons which were beyond control. Notices were put up on site to advise the public of the revised completion date. The Administration would consider the member's view of stating the reasons for the delay in the notice posted at the site. On Mr LEE's further enquiry on why some sections of the road openings were covered while others were not, SE/DSD advised that the need for covering of the road openings was determined by the Traffic Management Liaison Group and its decision was made after assessing the traffic situation. On road sections with busy traffic, consideration would be given to covering the road openings with metal plates at peak hours. Meanwhile, for road sections which were not as busy, it would be more cost effective and efficient to provide temporary traffic arrangements to ease the traffic flow. As regards Mr Martin LEE's enquiry on the possibility of undertaking road works at night, SE/DSD said that permits would be required from the Environmental Protection Department.

29. Mr Eric LI said that the Administration had made use of the opportunity during the redevelopment at Kings Road to update and record the correct locations of the underground utilities. He enquired whether the same would be done in the course of the proposed works along Central, Western and Wanchai. CE/PM/DSD advised that a coordinating system for road opening works had already been in place. This would reduce the frequency of road openings by utility companies and Government departments. Application for road opening works in the same location would normally not be permitted within 5 years after the completion of a road opening project.

30. Ms Cyd HO was of the view that utility undertakers, rather than the Administration, should pay for the charges for determining the exact locations of the utilities as after all, they were responsible for the laying of their underground utilities. CE/PM/DSD advised that the underground detection work was undertaken by the Administration with the assistance from utility undertakers. Where there was a need for diversion or re-connection, these would be paid for by the utility undertakers concerned. Ms HO said that the utility undertakers should be required to provide an accurate plan showing the location of underground utilities. In the event that the information given was not correct, they should be required to pay compensation to the affected parties. DSEF(B) said that there were practical difficulties in determining the exact locations of underground utilities in developed districts as these were laid

many years ago. There might be a need for the Works Bureau and its departments to sort out the issue of compensation with the utility undertakers.

VII SSDS Stage I - “Stonecutters Island Sewage Treatment Works : pumping stations, building and site development - 308DS”
(LC Paper No. CB(2) 571/00-01(05))

Choice of sewage treatment

31. DSEF(B) briefed members on the changes arising from the recommendations of the International Review Panel (IRP) in 1995. He said that in 1994, Government commissioned the IRP to undertake a review of the proposed options for the further stages of SSDS including the treatment process at the Stonecutters Islands Sewage Treatment Works (SCISTW) to be built under Stage I. Originally, a chemically enhanced primary treatment (CEPT) process involving the addition of lime was adopted for SCISTW. In April 1995, the IRP recommended, amongst other things, that ferric chloride should be used instead of lime in the CEPT process. This was because with the removal of the industries from Hong Kong to the Mainland, there was a reduced need for lime to treat the heavy metals in discharges from the industries. The recommended process using ferric chloride was more environmental friendly and economical as it would reduce the number of sedimentation tanks required, the quantities of chemical to be dosed and the volume of sludge produced. The treatment process had been adopted in 1995 and had dispensed with the need to build new treatment works at Mount Davis. It was on the basis that the ferric chloride treatment process had been working better than predicted that the new IRP appointed in 2000 had recommended it possible to provide tertiary treatment at SCISTW. The recommendation was made on the assumption that the ferric chloride treatment would be continued.

32. Responding to Miss CHOY’s enquiry on whether the tertiary treatment works was a stand-alone project or one that could be incorporated into the main system, DSEF(B) said that the tertiary treatment depended on previous treatment through the CEPT process. The additional funding requested was to complete the works associated with the ferric chloride treatment. The Administration was open about the options for improving the treatment process. Any tertiary treatment works would be add-on units which would treat the effluent from the chemical treatment works and would become part of the treatment process. The Assistant Director of Drainage Services/Sewage Services (ADDS/SS) added that the SSDS Stage I works were needed irrespective of the options chosen for the subsequent stages. The use of the ferric chloride to replace lime in the CEPT process was considered more cost effective and had resulted in the reduction in the number of sedimentation tanks required, and consequently savings in space requirements. This had also provided more flexibility in the consideration of the options for subsequent stages of SSDS, including the use of tertiary treatment as a continuation of the CEPT process. The new IRP appointed in 2000 had recommended several options which included the adoption of centralized or decentralized treatment. The choice of option would largely depend on the working capacity of the sedimentation tanks at the SCISTW.

Funding

33. Ir Dr Raymond HO enquired about the allocation of funds for the different contracts. ADDS/SS said the additional funding requested would in part pay for the prolongation costs associated with the delay in completion of the unfinished works which were left behind by the forfeited contracts. These works included the interfacing works with Public Works Project Item 308DS at the adit to the Stonecutters Island Main Pumping Station (SCIMPS), which had to be completed before the subsequent works for SCIMPS under 308DS could proceed and complete. To minimize delay to the works of 308DS, the contractor of 308DS was instructed to carry out the said interfacing works which were critical to the completion of the project. These works delayed the completion of SCIMPS under 308DS by nine months. As the contractor for 308DS was not responsible for the delay, the prolongation costs had to be borne by Government under the terms of the contract. The Chief Engineer/SSDS supplemented that with the forfeiture of the two tunnel contracts in December 1996, the construction of the six eastern and western tunnels were awarded to three contractors under three separate contracts. The funding request of about \$2,000 million for the contract works for the eastern tunnels was approved in late 1997. As regards Dr HO's enquiry on whether the approved funding had included the cost for the conversion from the use of lime to ferric chloride in the CEPT process, ADDS/SS said that the adoption of ferric chloride in the treatment process was made in 1995 and was not related to that funding request.

34. Ms Audrey EU asked if there was no other choice but to approve the funding as the Administration stated in paragraph 15 of the paper that without the extra funding, it would not be able to settle payments for claims which were certified by the Consulting Engineer. She also enquired about the amount of the claims. ADDS/SS said that the Consulting Engineer was finalizing his assessment of the claims for additional payments from the contractors and was expected to come up with a figure soon. As a standard procedure, the Engineer would need to seek Government's views before making final decisions on the claims. For claims involving contentious issues, legal advice would also be sought on the Engineer's assessment.

35. Mr Henry WU noted with concern the huge cost overruns of the SSDS project. He recalled that not too long ago, the Administration had requested for further funding with an undertaking that it would be able to complete the SSDS Stage I project within the overall project estimate of \$8.3 billion. He was dissatisfied that the Administration had again sought further funding to settle the additional payments for claims. In response, DSEF(B) referred members to paragraph 22 of the paper which set out the financial position of the project. Of the 19 projects under SSDS Stage I, 13 had achieved savings. However, these savings could not be transferred to the other projects. Therefore, there was a need to increase the approved project estimate for some of the projects which had encountered problems. The extra funding would not change the overall position as the SSDS Stage I project could still be able to complete within the overall project estimate of \$8.3 billion. Since some of the project works were still on-going, he could not give an absolute guarantee that there would not

be any alterations to these projects but he would not expect any significant changes. By spending an extra \$60 million on 308DS, the Administration had saved the cost of another sewage treatment plant at Mount Davis, estimated at several billions of dollars. The overall package of works would give a very high level of sewage treatment to 70% of the sewage in the urban area and was considered a very cost effective way of treatment as compared to the existing sewage treatment plants at Shatin and Taipo. The Administration regretted that there had been changes in the costs of some of the projects but it would seek to recover these costs as far as possible. About \$40 million was expected to be recovered from liquidated damages and through arbitration with the original tunnel contractor who withdrew from the contract. Despite the engineering problems, the Administration would try its best to control the costs and to complete the project as soon as possible. It would continue to report the latest progress of the works to members. There were set procedures to follow in managing contracts and it would set a damaging precedent if the Administration was to refuse settlement for payments in accordance with the terms of the contract.

36. Mr WU pointed out that the assessment of claims made by the Consulting Engineer might not be the final claims as the contractors might seek further claims. The Chairman enquired whether the Administration was confident that it would not seek further funding to settle these claims. ADDS/SS said that the Consulting Engineer was in the process of assessing the claims within the terms of the contract. If the contractors were not satisfied with the assessment, they could initiate legal proceedings to seek for additional claims. Despite this, the Administration was confident that the requested funding should be able to settle the claims by the contractors.

37. Referring to paragraph 20, Mr LAU Ping-cheung pointed out the proposed increase in the approved project estimate of 308DS from \$97.3 million by \$60 million to \$157.3 million represented an increase of 60 % rather than a mere 15.5% as claimed by the Administration, as the percentage increase should be based on the project estimate but not the original estimate of \$386 million. ADDS/SS said in response that the 308DS was one of the 19 projects making up the SSDS Stage I programme that were transferred to the Capital Works Reserve Fund in April 1998 after the closure of the Sewage Services Trading Fund (SSTF). The original estimate for the project was \$386 million and part of it was spent under SSTF while the remaining \$97.3 million was included under CWRF. Therefore, the \$60 million increase should be set against the original project estimate of \$386 million and this would represent a percentage increase of 15.5%.

Contract management

38. Noting that the prolongation costs for the 308DS, in particular, those arising from the delays caused by the E&M interfacing contract 307DS, had accounted for a large proportion of the increase to the approved project estimate, Mr LAU Ping-cheung enquired if these interfacing E&M works could be included in the contract signed with the main contractor in future. In this way, the main contractor would be held

responsible for the entire work process, thereby ensuring proper and timely interfacing with other civil works. ADDS/SS said that there were both technical and administrative difficulties in incorporating the E&M contract in question into the civil works contract because of their inherent differences. Moreover, the combination of these contracts would involve huge sums of money and would enlarge the scale of the works, to the extent that few contractors would be able to have the necessary resources to bid for the contract. This would limit the number of possible tenders and reduce competition. For these reasons and in view of the scale of the E&M works required by a pumping station, the Administration therefore designed separate contracts for E&M works and civil works, so that the best available expertise could be employed for the purpose.

39. Mr LAU did not agree that the combination of these contracts would pose a problem as he was aware that most building contracts were awarded to a main contractor under one contract however large the project might be. ADDS/SS acknowledged that there were advantages in combining the E&M and civil works in one contract and this in fact had been done in some of the projects of SSDS. However, given that the extent of the engineering technology required for the pumping works at the SCIMPS was much wider than in most building contracts, it would be better to have separate contracts for 307DS and 308DS. CE/SSDS added that the circular structure of the pumping station was very large in size, measuring 55 metres in diameter and 35 metres in depth below ground. The pumps were also immense in scale and their procurement and installation would require special expertise. The Administration had pre-screened the tenders and only about four to five tenders were qualified. It would be difficult to find a contracting firm which could be able to carry out both E&M and civil works for a project of such scale and complexity. Moreover, the project could be better supervised if the E&M and the civil works were awarded under separate contracts.

Lessons learnt

40. Responding to Ms Audrey EU's enquiry on the lessons learnt from the present project, DSEF(B) said that the Administration did learn a lot. One of the major reasons for appointing the new IRP in 2000 was to address all the technical issues before committing to further stages of sewage development. The Environment and Food Bureau would be working closely with the Works Bureau in reviewing the way contracts should be managed and operated.

41. Mr Eric LI appreciated the difficulties faced by the Administration in disclosing in detail the settlement of claims lest it would be placed in a disadvantaged position in the arbitration process. He however expressed disappointment that the Administration had not mentioned in its paper its response to the recommendations made by the Public Accounts Committee (PAC) regarding the SSDS project. He said that before submitting the funding proposal to the Finance Committee for approval, the Administration should address the concerns raised by PAC and respond to its recommendations. As the various SSDS projects were interrelated to each other and

were carried out simultaneously, the delays in any one contract would have a knock-on effect on the others. Therefore, the PAC saw it necessary to request the Director of Audit to continue to follow-up on the SSDS project so that there would be an overall picture on its progress and expenditure. He reminded the Administration that members would be very cautious about the funding request for the settlement of claims and would have to be completely satisfied about the need for these claims before giving approval. He suggested that the Administration should provide an audit trail for the funding of the entire project. Any settlement of claims resulting from the arbitration process should be clearly justified.

42. DSEF(B) welcomed Mr LI's comments on the SSDS project. He assured members that the Administration was fully committed to providing in detail the latest information on the SSDS project. Referring to Annex D of the paper, he said that the Administration had provided the full financial details of the different components of SSDS projects so that members would be aware of the savings achieved and the increases proposed. The Administration was fully aware of the need to learn and do better in future. He also informed members that the SSDS Stage I project was already achieving benefit as about 20% of the total sewage flow had been treated at present.

(Post meeting note: A table setting out the Administration's response to PAC's recommendations on SSDS Stage I and relevant extracts on the Administration's responses from Government minutes had been provided by the Administration and were circulated under LC Paper No. CB(1)441/00-01 on 10 January 2001.)

VIII Any other business

Proposed overseas duty visit (LC Paper No. CB(1)380/00-01)

43. Referring to the paper on the subject, the Chairman sought members' views on a proposed duty visit to Britain, Germany, France and Monaco which was planned to take place in early April 2001. Members endorsed the paper and agreed that the Panel would proceed to invite membership of the proposed visit and submit its proposals to the House Committee for consideration.

44. There being no other business, the meeting ended at 5.15 pm.