

立法會
Legislative Council

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seen by the Administration)

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Finance Committee of the Legislative Council

**Minutes of the 8th meeting
held at the Legislative Council Chamber
on Friday, 8 March 2002, at 2:30 pm**

Members present:

Dr Hon Philip WONG Yu-hong (Chairman)
Hon NG Leung-sing, JP (Deputy Chairman)
Hon Kenneth TING Woo-shou, JP
Hon James TIEN Pei-chun, GBS, JP
Dr Hon David CHU Yu-lin, JP
Hon Cyd HO Sau-lan
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, JP
Hon LEE Cheuk-yan
Hon Martin LEE Chu-ming, SC, JP
Hon Eric LI Ka-cheung, JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching, JP
Hon CHAN Kwok-keung
Hon CHAN Yuen-han, JP
Hon Bernard CHAN
Hon CHAN Kam-lam
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai
Hon Andrew WONG Wang-fat, JP
Hon WONG Yung-kan

Hon Howard YOUNG, JP
Dr Hon YEUNG Sum
Hon LAU Chin-shek, JP
Hon LAU Kong-wah
Hon LAU Wong-fat, GBS, JP
Hon Miriam LAU Kin-yea, JP
Hon Ambrose LAU Hon-chuen, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon CHOY So-yuk
Hon Andrew CHENG Kar-foo
Hon SZETO Wah
Hon LAW Chi-kwong, JP
Hon TAM Yiu-chung, GBS, JP
Dr Hon TANG Siu-tong, JP
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, JP
Hon Henry WU King-cheong, BBS
Hon Tommy CHEUNG Yu-yan, JP
Hon Michael MAK Kwok-fung
Hon Albert CHAN Wai-yip
Hon LEUNG Fu-wah, MH, JP
Dr Hon LO Wing-lok
Hon WONG Sing-chi
Hon IP Kwok-him, JP
Hon LAU Ping-cheung
Hon Audrey EU Yuet-mee, SC, JP
Hon MA Fung-kwok

Members absent:

Dr Hon David LI Kwok-po, GBS, JP
Hon Jasper TSANG Yok-sing, JP
Hon YEUNG Yiu-chung, BBS
Hon Timothy FOK Tsun-ting, SBS, JP
Hon Frederick FUNG Kin-kee

Public officers attending:

Miss Denise YUE, GBS, JP
Mr Stanley YING, JP
Mr K K LAM

Secretary for the Treasury
Deputy Secretary for the Treasury
Principal Executive Officer (General),
Finance Bureau

Mr Paul TANG, JP	Deputy Secretary for Transport
Mr Y C LO, JP	Director of Highways
Mr K K NG	Deputy Project Manager/Major Works (3) of Highways Department
Mr George LAI, JP	Deputy Commissioner for Transport
Mr Tony SO	Chief Engineer/Strategic Roads of Transport Department
Mr E J ROBLIN, JP	Deputy Project Manager/Major Works (1) of Highways Department
Mr Raymond YOUNG, JP	Deputy Secretary for Commerce and Industry
Miss Viola CHAN	Principal Executive Officer of Commerce and Industry Bureau
Mrs Alice CHEUNG	Principal Assistant Secretary for the Civil Service
Mr Philip CHAN	Principal Assistant Secretary for Commerce and Industry
Mr Alex MA	Assistant Director of Information Technology Services (Departmental Services)
Mr John C F LEUNG	Principal Assistant Secretary for Education and Manpower (9)
Mrs Betty IP	Assistant Director of Education
Mr Clement LEUNG	Principal Assistant Secretary for Education and Manpower (1)
Mr P T CHEUNG, JP	Secretary-General, University Grants Committee
Mr Alan SIU	Deputy Secretary for Information Technology and Broadcasting
Miss Adeline WONG	Principal Assistant Secretary for Information Technology and Broadcasting
Mr Simon YAN	Assistant Director of Information Technology Services (Management & Community Services)

Clerk in attendance:

Ms Pauline NG	Assistant Secretary General 1
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Staff in attendance:

Miss Polly YEUNG
Miss Yvonne YU

Chief Assistant Secretary (1)3
Senior Assistant Secretary (1)4

Action

Item No. 1 - FCR(2001-02)63

**RECOMMENDATION OF THE ESTABLISHMENT
SUBCOMMITTEE MADE ON 6 FEBRUARY 2002**

The Committee approved the proposal.

Item No. 2 - FCR(2001-02)64

**RECOMMENDATIONS OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 30 JANUARY 2002 AND 6 FEBRUARY
2002**

2. At members' request to consider and vote on PWSC(2001-02)96 and PWSC(2001-02)97 separately, the Chairman put FCR(2001-02)64, except PWSC(200-02)96 and PWSC(2001-02)97, to the vote. The Committee approved the proposal.

HEAD 706 – HIGHWAYS

Transport - Roads

PWSC(2001-02)96	759TH	Shenzhen Western Corridor
	736TH	Deep Bay Link

3. Members noted that Mr Albert CHAN's letter dated 6 March 2002 in relation to FCR(2001-02)64 and the Administration's response dated 7 March 2002. (The letters were subsequently circulated to members vide LC Paper No. FC53/01-02 on 11 March 2002.)

4. Mr Albert CHAN pointed out that at the Public Works Subcommittee (PWSC) meeting on 9 January 2002, the Administration only sought funding of \$60.8 million for the detailed design and associated site investigations of the Deep Bay Link (DBL) project. However, at the PWSC meeting on 30 January 2002, members' endorsement was sought for a proposed funding of \$87.7 million because of the inclusion of an additional \$26.9 million for the design and site investigations of an easterly link road (ELR) from DBL to Yuen Long Highway. He was disappointed that the Administration had not provided

sufficient information on this link road. Mr CHAN said that Members of the Democratic Party (DP) were in support of the Shenzhen Western Corridor (SWC) and the DBL. Nevertheless, they considered that the funding request for ELR had deviated from the standing practice and no prior consultation with the local community had been conducted. They therefore requested that the proposed funding in relation to the ELR should be voted on separately from the rest of the project proposed under PWSC(2001-02)96. Mr CHAN was of the view that the ELR could be constructed independently and there was no need to incorporate it in the present proposal.

5. The Deputy Secretary for Transport (DS(T)) explained that the provision of the ELR from DBL to Yuen Long Highway was in response to some members' strong requests raised at past meetings of the Transport Panel and the PWSC meeting on 9 January 2002. The Administration agreed that preparatory work for ELR had to commence as soon as possible and in tandem with the detailed design for the DBL so as to synchronize the commissioning of the ELR with that of DBL to facilitate eastbound traffic from SWC to Route 3 or Tolo Highway via Yuen Long Highway. DS(T) assured members that the Administration would consult the relevant local organizations and report to the Transport Panel and PWSC on the preferred alignment before proceeding with the detailed design for the ELR.

6. In this regard, the Secretary for the Treasury (S for Tsy) said that under normal circumstances, funding request for the detailed design of a road project would be submitted after its feasibility and preliminary design had been established. However, under special circumstances, the Administration would need to exercise flexibility. As the Administration considered that the ELR was an important component of the DBL project, it was desirable to incorporate ELR into the DBL project. In addition, this was a cost-effective option as the Administration could appoint the same consultant to oversee both projects to ensure proper interface of works and progress in tandem. She assured members that the Administration would seek the approval of the PWSC and the Finance Committee (FC) when it was ready to proceed with the construction of the ELR.

7. In her capacity as Chairman of the Transport Panel, Ms Miriam LAU informed members that it had not been resolved at the Panel meeting as to whether the ELR should be incorporated in the DBL project. Nevertheless, a number of Panel members considered that the Administration should construct a link road from DBL to Yuen Long Highway so as to divert the eastbound traffic effectively. Ms LAU said that personally, she was in favour of the proposed inclusion of the ELR in the present proposal. Having regard to the transport trade's request for the early construction of the SWC, she considered that the preparatory work for ELR should commence as soon as possible.

8. Dr Raymond HO said that the proposed inclusion of the ELR was not a usual arrangement, but he appreciated that the present proposal was put up in response to the views expressed by some members and deputations. In his capacity as the PWSC Chairman, Dr HO recalled that at the PWSC meeting on 30 January 2002, Mr Albert CHAN had requested that the ELR be voted on separately from the rest of the project under PWSC(2001-02)96. Dr HO said that having sought the Administration's view on the matter, he had agreed that the ELR should be considered in the context of the entire project rather than on its own.

9. Mr TAM Yiu-chung expressed support for the present proposal. Noting that the first stage of the investigation and design of the ELR would involve the investigation and planning of three alignments options at an estimated cost of \$5 million, Mr TAM remarked that before proceeding with the second stage of the detailed design, the Administration should report to the Transport Panel and PWSC on the preferred alignment. He considered that while it was necessary to construct the ELR, it was equally important to choose the most appropriate alignment option. On some members' concern about deviation from the standing practice, Mr TAM recalled that it was not the first time that the Administration modified a proposal in response to Members' comments. The Administration had always been criticized as being too rigid and bureaucratic. The proposed inclusion of the ELR in the present project should be viewed as a positive response to the concerns raised by members and deputations.

10. Mr LAU Kong-wah expressed support for the proposal. He pointed out that the three alignment options for the ELR were set out in a paper presented to the Transport Panel. Very in depth discussion on the three alignment options had taken place. It was after detailed discussion that some Transport Panel members agreed with the Administration that it was necessary to construct the ELR. In his view, it was justified to construct the ELR as by the time the SWC was completed in 2005, there would be heavy traffic congestion in Yuen Long and Tuen Mun if there was no link road to divert the traffic. Mr LAU added that he might not support the present funding proposal if the ELR was not provided and disagreed that the ELR should be voted on separately.

11. Dr TANG Siu-tong supported the present proposal and welcomed the Administration's proposed inclusion of the ELR. He said that the Yuen Long District Council was the first party to put up a suggestion to the Administration to construct a link road to alleviate the traffic congestion problem in Tin Shui Wai.

12. Mr LAU Ping-cheung agreed with the proposed inclusion of the ELR under the present proposal as a special arrangement. He also considered it necessary to construct the ELR as a dual two-lane carriageway to ensure that it could effectively perform its traffic diversion function. He further remarked that if the funding proposal for Route 10 (PWSC(2001-02)97) was rejected, the traffic diversion function would be jeopardized if the ELR was not provided expeditiously.

13. Ms Emily LAU said that while she had all along supported the streamlining of administrative procedures, she was concerned about the exceptional fast-track approach adopted in respect of the ELR. As the Administration had yet to establish the feasibility of the link road and conduct consultation with local organizations, she was not convinced that the departure from the usual funding procedures was warranted. She further cautioned that such an hasty approach might lead to a waste of public money if it was subsequently found that the ELR was not feasible.

14. In response, S for Tsy reiterated the need to incorporate the ELR in the present proposal having regard to all relevant factors and on account of the urgency of the SWC and DBL projects. On the criteria adopted by the Administration in deciding whether or not to depart from the established funding procedures, S for Tsy explained that each case had to be considered on its merits. S for Tsy assured members that as the Administration had agreed to report to the PWSC on the preferred alignment option before proceeding with the detailed design for the ELR, members would still have the opportunity to consider the proposed ELR in greater detail.

15. Mr Andrew WONG maintained his view expressed at the Transport Panel meetings and PWSC meeting that the SWC project (759TH) and the DBL project (736TH) should be voted on separately in view of the strong controversy about the ELR.

16. The Chairman put the item in its present form (which comprised projects 759TH and 736TH) to vote. 33 members voted for the item, 3 members voted against and 11 abstained -

For:

Mr Kenneth TING Woo-shou
Dr David CHU Yu-lin
Mr Eric LI Ka-cheung
Mr NG Leung-sing
Mrs Selina CHOW LIANG Shuk-ye
Mr CHAN Kwok-keung
Mr Bernard CHAN

Mr James TIEN Pei-chun
Dr Raymond HO Chung-tai
Dr LUI Ming-wah
Miss Margaret NG
Mr HUI Cheung-ching
Miss CHAN Yuen-han
Mr CHAN Kam-lam

Mr Andrew WONG Wang-fat
Mr Howard YOUNG
Mr LAU Wong-fat
Mr Ambrose LAU Hon-chuen
Mr TAM Yiu-chung
Mr Abraham SHEK Lai-him
Mr Henry WU King-cheong
Mr LEUNG Fu-wah
Mr IP Kwok-him
Mr MA Fung-kok
(33 members)

Mr WONG Yung-kan
Mr LAU Kong-wah
Ms Miriam LAU Kin-yee
Miss CHOY So-yuk
Dr TANG Siu-tong
Ms LI Fung-ying
Mr Tommy CHEUNG Yu-yan
Dr LO Wing-lok
Mr LAU Ping-cheung

Against:

Ms Cyd HO Sau-lan
Ms Audrey EU Yuet-mee
(3 members)

Ms Emily LAU Wai-hing

Abstention:

Mr Albert HO Chun-yan
Mr James TO Kun-sun
Mr SIN Chung-kai
Mr Andrew CHENG Kar-foo
Mr LAW Chi-kwong
Mr WONG Sing-chi
(11 members)

Mr Fred LI Wah-ming
Mr CHEUNG Man-kwong
Dr YEUNG Sum
Mr SZETO Wah
Mr Albert CHAN Wai-yip

17. The Committee approved the item.

HEAD 706 - HIGHWAYS

Transport - Roads

PWSC(2001-02)97

519TH

**Route 10 - North Lantau To Yuen
Long Highway**

18. Members noted that a press release dated 7 March 2002 from Route 3 (CPS) Company Limited (Route 3 Company), a submission dated 8 March 2002 from the Democratic Alliance for Betterment of Hong Kong (DAB), and a letter dated 8 March 2002 from a group of residents in Yuen Long and Tin Shui Wai and YLDC members in relation to FCR(2001-02)64 under discussion were tabled at the meeting. (The letters were subsequently circulated to members vide LC Paper No. FC53/01-02 on 11 March 2002.)

19. Mr HUI Cheung-ching considered that the project of "Route 10 - North Lantau to Yuen Long Highway" (Route 10) should not be proceeded with until the site and construction timetable for Container Terminal 10 had been finalized. While Route 10 was to cope with the increasing cross-boundary vehicular traffic demand between Hong Kong and the Mainland due to the rapid economic development of the Pearl River Delta Region, it was questionable whether Route 10 would be compatible with the infrastructural development of the Guangdong province. In view of the uncertain cost-effectiveness of Route 10 and the budgetary deficits of the Government, Mr HUI considered that there was no urgency to proceed with the Route 10 project at this stage.

20. Ms Miriam LAU concurred with Mr HUI Cheung-ching's view. In her capacity as the Chairman of the Transport Panel, she recalled that the Panel had held seven meetings to discuss the project from October 2001 to January 2002. The Panel had received views from 24 deputations and individuals and the majority of them did not support the construction of Route 10. The Panel noted that the SWC and DBL were scheduled for completion by 2005 while the earliest completion time for the northern section of Route 10 was 2007-08. As such, the traffic congestion on Tuen Mun Road would remain a serious problem during the interim period. There was also uncertainty over the future sites for the new container terminal and lack of realistic assessments on the impact on cargo flow of China's accession to the World Trade Organization. Ms LAU said that even the Administration could not come to a firm conclusion that Route 10 would be effective in meeting the needs of the future development of logistics in Hong Kong. She also had serious reservation over the cost-effectiveness of the Route 10 project having regard to the under-utilization and spare capacity of Route 3, which was a tolled road, and the fact that Route 3 had not been effective in diverting traffic from Tuen Mun Road and Yuen Long Highway. She considered that it would not be prudent for members to approve a substantial provision of \$133.7 million for the detailed design for the northern section of Route 10 and stated that Members of the Liberal Party (LP) could not support the present proposal at this stage.

21. In response to members' concerns on the need and timing of the construction of Route 10, DS(T) stressed that Route 10 Northern Section was needed to meet the forecast traffic demand generated by the anticipated growth in the north west New Territories (NWNT) as well as by cross-boundary activities. In the absence of Route 10 Northern Section, Tuen Mun Road would be very congested in 2011 and Route 3 would also be saturated by then. To address the concerns of members of the Transport Panel and the Yuen Long and Tuen Mun District Council members for early implementation of Route 10 Northern Section, the Administration had proposed to start the detailed design of Route 10 Northern Section in mid 2002 for completion in end 2003 in order

to have the flexibility of completing the project between 2007-08 and 2010-11.

22. Mr LAU Kong-wah referred to the submission tabled by DAB at the meeting and said that Members of DAB did not support the present proposal. While Members of DAB agreed that a new road linking NWNT with the urban areas was necessary, there was no urgency to construct Route 10 at this stage. The project should not be proceeded with until a clearer picture of future logistics development in Hong Kong and other aspects of economic development of Hong Kong and the Mainland were ascertained, and until the community had reached a general consensus on the need and timing for the Route 10 project. He requested the Administration to consider deferring the funding request for the detailed design of the northern section of Route 10 and advise members on:

- (a) the outcome of discussion with relevant Mainland authorities on the proposed two bridges to Zhuhai and Macau;
- (b) details of the study of Sir Gordon WU's proposal on a direct tunnel-bridge link between Tuen Mun and Chek Lap Kok; and
- (c) the Administration's explanation given to the P-logistics Project Group on the Route 10 project.

23. In response, DS(T) advised that a bridge to Zhuhai and Macau could form the fifth cross-boundary link and the matter was being studied by the Planning Department under the Hong Kong 2030 - Planning Vision and Strategy Study. On the direct tunnel-bridge link between Tuen Mun and Chek Lap Kok (the TM-CLK Link) as put forth by Sir Gordon WU, DS(T) explained that the Administration indeed had a similar long-term plan for a direct link from Tuen Mun to Chek Lap Kok. Such a link was identified in the Third Comprehensive Transport Study as the third link to Lantau and the Airport. Nevertheless, having considered the strategic functions of Route 10, the Administration considered that priority should be given to Route 10 but would not preclude building the TM-CLK Link at a later stage. DS(T) further informed members that the Administration had explained to the P-logistics Project Group that the Route 10 project had been planned mainly on the basis of the planned developments on Lantau (including the Hong Kong Disneyland), the increase in traffic from the boundary to the urban area, the need to relieve the Lantau Link and to provide a second strategic link to the Airport.

24. Mr James TIEN said that while Members of LP had all along supported proposals on infrastructural facilities to bring about improvements in the economy or business environment of Hong Kong, the projected daily traffic flow of vehicles using Route 10 could hardly justify its construction. Given

the current budgetary deficits, he requested the Administration to consider deferring the present proposal. Mr TIEN was also concerned about the reliability of the traffic forecasts, particularly on the increase in daily traffic flow of large vehicles and trucks. Referring to past information provided by the Administration to the Economic Services Panel that there would not be any increase in container terminal throughput, Mr TIEN queried whether there was sufficient coordination among different bureaux within the Administration including the Economic Services Bureau and the Commerce and Industry Bureau to make realistic traffic forecasts on the increase in daily traffic flow of large vehicles and trucks, and whether consensus had been reached by various bureaux for the construction of Route 10.

25. In response, DS(T) confirmed that the implementation of the Route 10 Northern Section project was a decision reached by the Government. The Chief Engineer/ Strategic Roads of Transport Department (CE/SR, TD) pointed out that the cost-effectiveness of Route 10 Northern Section should also be assessed in terms of its function in relieving the traffic congestion of the NWNT, thereby saving the time of road users and bringing about economic benefits to the whole community. On the traffic forecasts, CE/SR, TD clarified that not all goods vehicles from the Mainland would be destined to the container terminals. In addition, the traffic forecasts were based on up-to-date planning parameters which had taken into account the latest set of land use and economic planning data including updated projections and distributions of population, employment and cross-boundary traffic.

26. Mr Andrew WONG said that he was in support of the construction of SWC. He opposed to the construction of DBL and Route 10 because he did not agree with the routing. He said that although his opposition to the construction of Route 10 might be misunderstood as safeguarding the financial interest of the Route 3 operator, he maintained his stance as expressed at the Transport Panel meetings that a link between SWC and Route 3 should be constructed.

27. Owing to the divergent views on the construction of Route 10, Mr Abraham SHEK considered it inappropriate to approve the commitment of \$133.7 million at this stage for the detailed design of the northern section of Route 10 amidst the present economic environment and huge deficits of the Government.

28. Ms Emily LAU highlighted that at a Transport Panel meeting, Professor Richard WONG, Acting Dean and Professor of Economics, Faculty of Business and Economics, the University of Hong Kong, had suggested a pecuniary measure to divert traffic from Tuen Mun Road to Route 3 in the form of "shadow toll" which meant that the Government would purchase road

capacity from Route 3. While the Administration was not convinced of this suggestion, it had no other possible alternatives to relieve the congestion on Tuen Mun Road. Apart from the green groups, the Hong Kong Institute of Planners also expressed their opposition to the Route 10 project. As the main reason for under-utilization of Route 3 was because it was a tolled road, Ms LAU considered that Route 10 would also risk under-utilization if a toll was charged. Given the current budgetary constraints of the Government, Ms LAU did not agree that further expenditure should be committed for the project. She said that Ms Cyd HO and herself did not support the proposal.

29. In this connection, Mr Andrew CHENG remarked that Professor WONG's suggestion would require very careful study as the purchase of road capacity by the Government would amount to a subsidy to the Route 3 Company and result in a long-term financial burden on the Government. In order to ensure that precious road resources were maximized while achieving traffic diversion, Mr CHENG said that Members of DP had suggested that the Administration should consider setting up a Tunnels and Bridges Authority to take over the ownership of all privately-owned bridges and tunnels and formulate a preferred tolling strategy for all competing tolled facilities for the purpose of better balancing of demand and capacity among tolled and untolled roads/tunnels/bridges. Under this regime, the Legislative Council could exercise its influence to require the Government to impose an appropriate level of toll to achieve traffic diversion.

30. Mr Andrew CHENG had great reservation about the piecemeal approach adopted by the Administration in the implementation of major transport infrastructural projects. He considered that SWC, DBL and Route 10 formed an integrated strategic road network to cope with the increasing traffic generated from the developments in NWNT and Lantau and the increasing cross boundary activities. As funds had already been approved for the detailed design of the southern section of Route 10, he did not see the reasons for not proceeding with the detailed design of the northern section of Route 10 so as to complete the entire project to bring about early relief. He remarked that after the opening of SWC and DBL, Tuen Mun Road and Route 3 could not cope with the traffic demand.

31. In response, DS(T) said that the DP's suggestion would require further examination. On Professor WONG's proposal relating to a "shadow toll", DS(T) explained that at present, the Administration did not see any justification to use public funds to subsidize the Route 3 Company or the users of Route 3, bearing in mind that it was a commercial decision on the part of the company to build and operate Route 3 and that all commercial decisions carried risks.

32. Mr Albert HO remarked that the need for Route 10 had been raised over years and reiterated that SWC, DBL and Route 10 formed an integrated strategic road network. If the SWC and the DBL projects were to be implemented without Route 10 project, over one million residents of NWNT would suffer from serious traffic congestion upon completion of SWC and DBL. Furthermore, he considered that some members were too concerned about the cost-effectiveness of Route 3 and pointed out that the construction of Route 10 was a separate issue which should be assessed on its own merits.

33. Dr TANG Siu-tong agreed that SWC, DBL and Route 10 should form an integrated strategic road network and expressed support for the present proposal. He conveyed the concern of residents of Yuen Long that the toll of Route 3 was unreasonably high toll and looked forward to Route 10 an alternative access to urban areas. As funding had been approved for the detailed design of the southern section of Route 10, Dr TANG opined that work on the southern section would be aborted if funds were not provided for the detailed design of the northern section. In view of the controversy over the construction of Route 10 at this stage, he considered that detailed design of the northern section should be proceeded with while the construction schedule could be further considered.

34. Dr Raymond HO concurred in general with the long-term need for Route 10, but pointed out that the main contention was the timing for the project. Notwithstanding the possibility of early completion of Route 10, he still perceived the time gap between completion of SWC/DBL and Route 10 as a potential problem, particularly in view of the fact that the projected population in the NWNT would increase to 1 400 000 by 2011. If the detailed design of the northern section was further delayed, the problem would be further worsened. Having regard to the above reasons and the supportive views expressed by the Hong Kong Institution of Engineers and the Association of Consulting Engineers of Hong Kong, Dr HO said that he would support the present proposal.

35. Mr Albert CHAN did not subscribe to the objection raised by some members to Route 10 and considered that these views were biased towards the financial interest of the Route 3 Company rather than the well-being of the NWNT residents and the community as a whole. He also considered that the Administration had not made sufficient lobbying effort to convince members of the merits of the project. Mr CHAN pointed out that if the present proposal was rejected, the Administration should take up the responsibility and make its best endeavour to relieve traffic congestion on Tuen Mun Road.

36. Mr Albert HO sought information from the Administration on the tolling strategy for Route 10 as it would have a serious impact on the future utilization

of Route 10, Route 3 and Tuen Mun Road. DS(T) advised that in order to examine the impact of a toll for Route 10 on other road networks, the Administration had assumed that the toll level of Route 10 was pitched at the same level as that of Route 3. The tolling strategy of Route 10 had yet to be finalized and the level of toll would be considered nearer the time of completion. Factors such as the need for traffic diversion, public acceptance and affordability would be taken into account.

37. Ms Miriam LAU highlighted the importance of a clear tolling strategy for Route 10. She informed members that the respective construction cost for Route 3 and Tsing Ma Bridge was some \$7 billion and their toll level was about \$30. As the estimated construction cost for Route 10 was some \$22 billion, she queried whether Route 10 could support a toll level that was significantly lower than that of Route 3. While she fully appreciated the concerns of residents in NWNT, she had strong reservation on the cost-effectiveness of the Route 10 project having regard to the under-utilization and spare capacity of Route 3. She recalled that Transport Panel members were dissatisfied with the Government's detached stance on the problems faced by the Route 3 operator and further pointed out that the Administration had a duty to balance different needs and take measures to ensure the even utilization of routes.

38. The Chairman sought the Administration's comments on some members' suggestion to defer the present proposal. In response, S for Tsy said that the Administration would not withdraw the paper.

39. The Chairman put the item to vote. 19 members voted for the item, 32 members voted against and none abstained -

For:

Mr Albert HO Chun-yan

Mr LEE Cheuk-yan

Mr James TO Kun-sun

Mr LEUNG Yiu-chung

Dr YEUNG Sum

Mr Andrew CHENG Kar-foo

Mr LAW Chi-kwong

Dr TANG Siu-tong

Mr Michael MAK Kwok-fung

Mr WONG Sing-chi

(19 members)

Dr Raymond HO Chung-tai

Mr Fred LI Wah-ming

Mr CHEUNG Man-kwong

Mr SIN Chung-kai

Mr LAU Chin-shek

Mr SZETO Wah

Mr TAM Yiu-chung

Ms LI Fung-ying

Mr Albert CHAN Wai-yip

Against:

Mr Kenneth TING Woo-shou	Mr James TIEN Pei-chun
Dr David CHU Yu-lin	Ms Cyd HO Sau-lan
Mr Eric LI Ka-cheung	Dr LUI Ming-wah
Mr NG Leung-sing	Miss Margaret NG
Mrs Selina CHOW LIANG Shuk-yee	Mr HUI Cheung-ching
Mr CHAN Kwok-keung	Miss CHAN Yuen-han
Mr Bernard CHAN	Mr CHAN Kam-lam
Mrs Sophie LEUNG LAU Yau-fun	Mr Andrew WONG Wang-fat
Mr WONG Yung-kan	Mr Howard YOUNG
Mr LAU Kong-wah	Ms Miriam LAU Kin-yee
Mr Ambrose LAU Hon-chuen	Ms Emily LAU Wai-hing
Miss CHOY So-yuk	Mr Abraham SHEK Lai-him
Mr Henry WU King-cheong	Mr Tommy CHEUNG Yu-yan
Mr LEUNG Fu-wah	Dr LO Wing-lok
Mr IP Kwok-him	Mr LAU Ping-cheung
Ms Audrey EU Yuet-mee	Mr MA Fung-kwok

(32 members)

40. The Committee rejected the item.

Item No. 3 - FCR(2001-02)65

HEAD 96 - GOVERNMENT SECRETARIAT : OVERSEAS OFFICES

- ◆ Subhead 002 Allowances
- ◆ Subhead 149 General departmental expenses

HEAD 152 - GOVERNMENT SECRETARIAT : COMMERCE AND INDUSTRY BUREAU

- ◆ Subhead 002 Allowances

HEAD 35 - GOVERNMENT SECRETARIAT : BEIJING OFFICE

- ◆ Subhead 002 Allowances

HEAD 31 - CUSTOMS AND EXCISE DEPARTMENT

- ◆ Subhead 002 Allowances

HEAD 122 - HONG KONG POLICE FORCE

- ◆ Subhead 000 Operational expenses

41. Members noted that the present proposal had been discussed at the Panel on Commerce and Industry on 4 February 2002.

42. Noting that the proposed new methodology for determining the Special Posting Allowance (SPA) would consist of two components, one of which was a cost of living element to compensate the officer concerned for the extra cost of living in the city of posting, Mr James TIEN enquired on the related

arrangements if the officer was posted to a city with a cost of living lower than that of Hong Kong. Mr Henry WU was of the view that in such cases, the cost of living allowance should be reduced correspondingly.

43. In reply, the Deputy Secretary for Commerce and Industry (DS(CI)) advised that under the arrangements adopted by overseas governments and corporations, the allowance payable for officers posted overseas might not necessarily be reduced even if the place of posting had a lower cost of living. To maintain the incentive for local-based staff to live and work abroad, the Administration therefore decided that the rate of allowance for the incentive part would not be reduced, while the allowance for the cost of living part would not be payable. DS(CI) further advised that at present, most of the Economic and Trade Offices (ETOs) were located in cities with a cost of living higher than that of Hong Kong. In the foreseeable future, it was quite unlikely that consideration would be given to setting up ETOs in places with a cost of living significantly lower than that of Hong Kong. On the component of the SPA, DS(CI) confirmed that the SPA did not include rent for the officer's residence in the city of posting.

44. In reply to Mr Henry WU's enquiry on the rationale for pitching the incentive allowance (IA) at 10%, 15% and 20% of the salary for single officers, officers accompanied by spouses and officers accompanied by spouses and children respective, DS(CI) informed members that in devising the said rates, the Administration had made reference to the information provided by a reputable international human resources consultant which had a network of over 1 500 members/clients of governments and companies worldwide, 22 international representative offices and a data bank on various employment conditions abroad. DS(CI) also confirmed that any future changes to the SPA mechanism would require the approval of FC.

45. On comparing the cost of living in Hong Kong with cities where overseas offices were set up, DS(CI) advised that currently, with the exception of Singapore, Sydney, Toronto and Guangzhou where the cost of living was slightly lower or comparable, all the other cities (viz. Brussels, Geneva, London, New York, San Francisco, Tokyo and Washington) had a higher cost of living.

46. In this connection, Ms Emily LAU sought the Administration's comments on recently released surveys which seemed to indicate that Hong Kong was among the top of expensive cities worldwide. In response, DS(CI) said that the Administration was aware of a recent study conducted by the Economist. However, since it was from the perspective of a New York businessman posted to different parts of the world, its findings were not highly relevant to the posting of Hong Kong-based civil servants abroad. At the

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request of Ms Emily LAU, DS(CI) agreed to provide information after the meeting on the ranking of cost of living for cities where Hong Kong-based officers were posted in relation to Hong Kong.

47. Ms Emily LAU said that all along, she had strong reservation on the system of overseas postings. She questioned the need for IA if certain officers were very interested or keen on being posted overseas and asked for the number of such cases. In response, DS(CI) advised that the purpose of IA was to compensate the officers concerned and their families for uprooting themselves to live and work abroad. The Administration would not be able to provide the figures as requested by Ms LAU since individual officers were not required to declare their reasons for accepting an overseas posting. Moreover, the preference of an officer was not the sole consideration in deciding whether or not he should take up an overseas posting. His capability for the post was also an important factor for consideration.

48. Miss Margaret NG considered that postings in cities like Beijing and Guangzhou would be beneficial in terms of career development and as such, she questioned the need for IA. In response, DS(CI) stressed the need to duly motivate and compensate the staff concerned and their families for relocating themselves abroad for several years and for giving up their own employment in Hong Kong in some cases. In proposing the current mechanism, the Administration had also made reference to prevalent practices adopted by overseas governments and major international corporations for their externally posted staff.

49. Mr IP Kwok-him pointed out that there should be sufficient incentive for officers heading overseas offices as most of them were offered acting appointment on such overseas postings. He therefore considered the payment of IA unjustified. His view was echoed by Ms Emily LAU who reiterated her concern raised at the last Establishment Subcommittee (ESC) meeting about the ranking and remuneration for these overseas posts and the arrangements for filling these posts.

50. In reply, DS(CI) said that if an officer was identified as suitable for acting in a higher rank, he would be offered an acting appointment in a Hong Kong-based post or, if appropriate, in an overseas posting. The Principal Assistant Secretary for Civil Service also confirmed that the current system of identifying officers for acting appointment and for filling posts in overseas offices were two separate sets of arrangements which should not be mingled.

51. In this connection, the Deputy Secretary for the Treasury (DS(Tsy)) supplemented that acting appointments should not be regarded as a form of incentive for overseas posting. Whether or not an officer would be given an

acting opportunity was determined through a separate process which took into account the officer's ability to perform duties of a higher rank as reflected in his performance appraisal.

52. In this connection, members noted the supplementary information on the existing flexible ranking system in ETOs provided to members after the ESC meeting held on 6 February 2002 in which the number and rank of supernumerary posts created under the flexible ranking system since 1991 were given.

(Post-meeting note: At the request of Mr IP Kwok-him, the Secretariat arranged to re-circulate a copy of the said supplementary information (LC Paper ESC25/01-02 issued to members of the ESC and copied to all FC members) to him after the meeting)

53. Ms LI Fung-ying enquired about the arrangements for the payment of IA if the officer concerned was not accompanied by his spouse or children for the overseas posting and sought the Administration's confirmation that the proposed arrangements would be compatible with the Family Status Discrimination Ordinance. In reply, DS(CI) confirmed that where a married officer was not accompanied by his spouse or children, he would receive IA at the rate for single officers. He further advised that the proposed SPA mechanism would not give rise to any incompatibility with the Family Status Discrimination Ordinance.

54. Ms LI Fung-ying questioned the reasons for the significant difference in SPA payable to officers posted to the Beijing Office and the ETO in Guangzhou. She was also concerned about the maximum level of Rent Allowance (RA) which the Secretary for Commerce and Industry could approve under delegated authority. In response, DS(CI) explained that the RA was determined having regard to typical monthly rentals of residential units for different ranks of executives of major Hong Kong/international corporations in Guangzhou which ranged from RMB18,000 to over RMB40,000. The currently proposed levels of RA had been set by the Secretary having regard to the information of the consultancy and the advice of the Government Property Administrator.

55. In reply to Mr Howard YOUNG, DS(CI) confirmed that the officers on overseas posting would be exempted from payment of taxes in their place of posting.

56. Mr Kenneth TING recapped that when the present proposal was discussed at the Panel on Commerce and Industry, members considered that the current proposal was a more systematic mechanism for dealing with SPA and

should therefore be supported.

57. Mrs Sophie LEUNG remarked that the concerns expressed by members about the need for incentive for overseas postings were in fact related to the values and culture of the civil service as a whole. She considered that while the issue could be pursued at the relevant Panel, the present proposal should be supported as an improvement over the existing arrangements.

58 The Committee approved the proposal. Ms Emily LAU requested that her reservation on the proposal be recorded.

Item No. 4 - FCR(2001-02)66

CAPITAL WORKS RESERVE FUND

HEAD 710 - COMPUTERISATION

Government Secretariat : Commerce and Industry Bureau

◆ Subhead A008XV Electronic data interchange system

59. Members noted that the present proposal had been discussed by the Panel on Commerce and Industry on 4 February 2002.

60. Mr CHAN Kam-lam said that Members of DAB supported the present proposal. He nevertheless enquired about the compatibility of the systems of the prospective new service providers with the Government's back-end computer systems and whether the new service providers would be required to purchase certain hardware or software products in order to achieve interoperability as a result of the upgrading of the Government's systems.

61. In reply, the Principal Assistant Secretary for Commerce and Industry (PAS(CI)) confirmed that after upgrading, the existing back-end computer systems of the Government would be able to support the latest technology standards such as ISO 10646 and Extensible Mark-up Language (XML). The Administration planned to invite formal proposal for front-end service providers towards the end of the first quarter of 2002 and one of the requirements would be their capability to process transactions using ISO 10646 and XML. Hence, the two sets of systems would be compatible. The Assistant Director of Information Technology Services (Departmental Services) further advised that with the adoption of XML, there would be data interchange capability between the systems of the Government and those of the new service providers. Hence, it would not be necessary for the service providers to acquire proprietary hardware/software products.

62. In reply to Mr CHAN Kam-lam's enquiry about the staff cost of \$3.58 million in the Information Technology Services Department (ITSD), PAS(CI) advised that the cost was for creating the required posts in the ITSD for 24 months for project management and monitoring and other technical assistance.

63. The Committee approved the proposal.

Item No. 5 - FCR(2001-02)67

HEAD 40 - EDUCATION DEPARTMENT

◆ Subhead 326 Kindergarten Subsidy Scheme

64. Members noted that the present proposal had been discussed at the Panel on Education on 21 January 2002.

65. Mr CHEUNG Man-kwong expressed support for the proposal. Noting that future revisions to the group rates of subsidy would be determined in accordance with the movement of the Consumer Price Index (A) (CPI(A)), Mr CHEUNG enquired on the arrangements at times of deflation.

66. In response, the Principal Assistant Secretary for Education and Manpower (PAS(EM)9) advised that the existing subsidy disbursement under the Kindergarten Subsidy Scheme (KSS) had been implemented since 1995. The enhanced level of subsidy under a group grant mechanism had been worked out on the basis of the existing class grant of \$41,000 per class per annum. The Administration had planned to submit its proposal to FC for approval in October 2001 but was unable to do so owing to the need to consider the views expressed by the kindergarten sector. As such, deflation had not been taken into account when the present proposal was drawn up. However, PAS(EM)9 confirmed that future revisions to the group rates of subsidy would be made in accordance with the movement of CPI(A).

67. Mr CHEUNG Man-kwong considered that if the rates of subsidy for kindergartens were adjusted downwards as a result of deflation, the possible consequence might be an increase in school fees which would add to the burden of parents. He did not wish to see any reduction in subsidy resulting from deflation and requested that his view be put on record.

68. PAS(EM)9 pointed out that the present proposal only sought to revise the basis for subsidy disbursement to ensure the effective and equitable use of resources while CPI(A) had all along been used as the basis for adjustments. Nevertheless, he took note of Mr CHEUNG's view for consideration in the future.

69. Mr IP Kwok-him said that Members of DAB supported the proposal. He nevertheless enquired on the reasons for using CPI(A) as the basis for adjustment. In this regard, DS(Tsy) advised that the Administration considered it appropriate to continue to use CPI(A) as the basis for future adjustments because the said index reflected the consumer prices of the lower income brackets and covered about 60% of households in Hong Kong.

70. Noting that 143 existing kindergartens would opt for the progressive phase-in arrangements, Mr Henry WU enquired about the relevant arrangements at the expiry of the three-year grace period. In reply, PAS(EM)9 advised that for existing KSS kindergartens with a serious problem of under-enrolment, the proposed change from a class grant to a group grant system would mean less subsidy. Hence, to minimize disruption to the operation of these kindergartens, the Administration would allow them to change over to the new system in three years' time to give them sufficient lead time to adjust their intake of pupils and the number of classes. Existing pupils would not be affected by the change as they would have completed their studies in three years.

71. Ms LI Fung-ying pointed out that certain recurrent expenditure such as staff salaries and rental could not be revised in accordance with the movements of the CPI(A). She recalled past cases in which the salaries of staff in primary and secondary schools were cut as a result of reduced government subsidies to the schools and urged the Administration to critically examine the present proposal so as to prevent recurrence of such problems.

72. In response, PAS(EM)9 said that the major source of income of a kindergarten was school fees rather than subsidies. Adjustments to school fees could be made having regard to the kindergarten's operating costs. Upon the approval of FC, the Administration had improved the Kindergarten Fee Remission Scheme in December 2001 to provide greater assistance to needy families in paying school fees. He also confirmed that the subsidy payable under the KSS would not be correspondingly reduced even if there was a reduction in the salaries paid to the kindergarten teachers.

73. While expressing support for the present proposal, Ms Emily LAU requested to put on record her view that as early childhood education was the important foundation for subsequent developments, the Government should provide full subsidy.

74. The Committee approved the proposal.

Item No. 6 - FCR(2001-02)68

HEAD 190 - UNIVERSITY GRANTS COMMITTEE

◆ Subhead 700 General other non-recurrent

New Item “Student exchange programmes for undergraduate students of the UGC-funded institutions”

New Item “Scholarship scheme for outstanding Mainland students to attend undergraduate programmes at the UGC-funded institutions”

75. Members noted that the present proposal had been discussed by the Panel on Education on 1 March 2002.

76. As the Administration would propose to limit its subsidy to around half of the costs (i.e. about \$40,000) for Hong Kong students participating in exchange programmes overseas, Ms Audrey EU expressed concern about local students who could not afford to share half of the cost, as well as the arrangements after 2004-05 when the one-off grant ceased to be payable.

77. In response, the Principal Assistant Secretary for Education and Manpower (PAS(EM)1) advised that at present, students participated in exchange programmes with non-local higher education institutions on a self-paying basis and there might also be some private sponsorship or donations. However, in view of the benefits of these programmes and the difficulty in securing private sponsorship under the current economic climate, the Administration had decided to provide the grant on an one-off basis to support an expansion of student exchange programmes of the University Grants Committee (UGC)-funded institutions. As regards the arrangements in the longer term, PAS(EM)1 and the Secretary-General, University Grants Committee (SG, UGC) confirmed that consistent with the objective of encouraging community contribution to education, the UGC sector would continue their efforts to secure other sources of sponsorship.

78. Ms Audrey EU questioned the Administration's policy stance and pointed out that the Government should continue to provide financial support beyond 2004-05 if it believed in the benefits of the student exchange programmes. In this connection, SG, UGC informed members that the present proposal aimed to sponsor 1 000 student exchange places on top of some 800 existing places which had already secured private sponsorship. He assured members that in administering the exchange programmes, the institutions concerned could exercise certain flexibility whereby less well-off students could be placed into sponsored programmes. SG, UGC pointed out that the currently proposed subsidy by the Government on a matching basis would make it easier to secure sponsorship or donations.

79. On Ms Audrey EU's enquiry on why the annual allowance payable to scholarship recipients from the Mainland (\$100,000) was higher than the average cost of \$80,000 for a Hong Kong student participating in an exchange programme overseas, PAS(EM)1 explained that the Mainland student would also have to pay a tuition fee of \$42,100 per annum as their local counterparts. The Administration considered the annual allowance of \$100,000 appropriate taking into account the level of tuition fee, hostel charges and other living expenses.

80. Dr YEUNG Sum supported the present proposal in principle and enquired whether there was a good chance of securing private-sector funding to support the student exchange programmes in the longer term. Ms Cyd HO expressed support for the present proposal and shared some members' concern about the future arrangements after 2004-05.

81. In response, PAS(EM)1 confirmed that the Government, UGC and the institutions concerned were making active efforts to secure the financial support of the private/business sectors. He said that the UGC sector would sustain the student exchange programmes at the enhanced level beyond 2004-05.

82. Noting that under the proposed expansion in student exchange programmes, the institutions should only recognize credit-bearing exchange activities, Ms Cyd HO asked whether recognition would also be given to programmes currently not available in Hong Kong, such as environmental technology. In reply, SG, UGC advised that the said requirement was for preventing abuse. It would be acceptable if the course(s) in question was recognized by the institutions as a proper academic activity. Regarding the arrangement for the university places vacated by students participating in overseas exchange programmes, PAS(EM)1 clarified that these places would be taken up by incoming students on exchange programmes.

83. Whilst expressing support for the present proposal, Miss Margaret NG considered the proposed arrangements too restrictive and might not be conducive to enhancing undergraduates' ability and outlook in a globalized and knowledge-based economy. On the places of study for outgoing Hong Kong students, PAS(EM)1 said that places of exchange included the Mainland and countries all over the world. He also confirmed that the scholarship scheme supported by the Hong Kong Jockey Club Charities was confined to students from the Mainland.

84. The Committee approved the proposal.

Item No. 7 - FCR(2001-02)69

LOAN FUND

NEW HEAD “INFORMATION TECHNOLOGY”

♦ New Subhead “Loan to Hong Kong Internet Registration Corporation Limited”

85. Members noted that the proposal had been discussed by the Panel on Information Technology and Broadcasting on 8 February 2002.

86. The Committee approved the proposal.

87. The Committee was adjourned at 5:15 pm.

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