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Public Works Subcommittee of the Finance Committee

Minutes of the 14th meeting
held in the Chamber of Legislative Council Building
on Wednesday, 11 June 2003, at 10:45 am

Members present :

Ir Dr Hon Raymond HO Chung-tai, JP (Chairman)

Hon Albert CHAN Wai-yip (Deputy Chairman)

Dr Hon David CHU Yu-lin, JP

Hon Cyd HO Sau-lan

Hon Eric LI Ka-cheung, JP

Hon Fred LI Wah-ming, JP

Hon James TO Kun-sun

Hon CHAN Yuen-han, JP

Hon CHAN Kam-lam, JP

Hon SIN Chung-kai

Hon WONG Yung-kan

Hon YEUNG Yiu-chung, BBS

Hon LAU Kong-wah

Hon Miriam LAU Kin-yee, JP

Hon Emily LAU Wai-hing, JP

Hon CHOY So-yuk

Hon Andrew CHENG Kar-foo

Dr Hon LAW Chi-kwong, JP

Hon TAM Yiu-chung, GBS, JP

Dr Hon TANG Siu-tong, JP

Hon Abraham SHEK Lai-him, JP

Hon Henry WU King-cheong, BBS, JP

Hon WONG Sing-chi

Hon IP Kwok-him, JP

Hon LAU Ping-cheung

Members absent:

Hon Kenneth TING Woo-shou, JP
Hon Andrew WONG Wang-fat, JP

Public officers attending:

Miss Elizabeth TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) ³
Mr Y C LO, JP	Permanent Secretary for the Environment, Transport and Works (Works)
Mr Thomas TSO, JP	Permanent Secretary for Housing, Planning and Lands (Planning and Lands) 1
Mr Rob LAW, JP	Director of Environmental Protection
Miss Janice TSE	Principal Assistant Secretary for Financial Services and the Treasury (Treasury)
Ms Annie CHOI	Principal Assistant Secretary for the Environment, Transport and Works (Environment) 2
Mr Alex NG	Principal Environmental Protection Officer (Facilities Development)
Mr Michael WONG	Deputy Secretary for Security (3)
Mr Alan CHU	Principal Assistant Secretary for Security (D)
Ms Ernestina WONG	Principal Assistant Secretary for the Environment, Transport and Works (Transport) ⁵
Mr WAI Chuen	Commander, Border Division, Immigration Department
Mr NG Chee-kin	Acting Regional Commander, New Territories North, Hong Kong Police Force
Mr CHEUNG Kwok-fu	Head of Control Point Command Customs and Excise Department
Mr C H YUE, JP	Director of Architectural Services
Mr Tony SO	Chief Engineer/Strategic Roads Transport Department

Clerk in attendance:

Ms Anita SIT	Chief Assistant Secretary (1) ⁶
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Staff in attendance:

Ms Pauline NG	Assistant Secretary General 1
Mr Matthew LOO	Senior Assistant Secretary (1) ³
Ms Caris CHAN	Senior Legislative Assistant 1
Mr Frankie WOO	Legislative Assistant 2

HEAD 705 - CIVIL ENGINEERING**PWSC(2003-04)29****45DR****Restoration of Pillar Point Valley
Landfill**

Members noted that the Administration had consulted the Legislative Council (LegCo) Panel on Environmental Affairs (EA Panel) on 26 May 2003. On behalf of Miss CHOY So-yuk, Chairman of EA Panel, the Chairman reported that members of EA Panel supported in principle the proposed restoration of Pillar Point Valley Landfill (PPVL). As landfill gas was a source of energy, Panel members considered that the planned arrangement of utilizing only half of the landfill gas produced from PPVL was a waste of energy resources. The Administration was requested to explore the feasibility of conveying the surplus landfill gas to power generation plants for electricity generation, and to stipulate in the restoration contract that the contractor was required to optimize the use of landfill gas. Panel members had requested the Administration to provide information on the amount of landfill gas produced at PPVL, the amount of electricity that could be generated and the amount of landfill gas that would not be used and thus simply burnt. Members of EA Panel also expressed concerns about leachate pollution and the high cost of the seven-year post-commissioning works.

2. Mr LAU Ping-cheung declared interest that the company he worked for might bid for the contract of this project.

3. Mr LAU Ping-cheung enquired why the restoration works had not started since the closure of PPVL in 1996. In response, the Principal Assistant Secretary for the Environment, Transport and Works (Environment)2 (PAS(E)2) advised that part of PPVL lied within the Castle Peak Firing Range which was a military site that belonged to the Garrison. The Administration had to secure the Garrison's agreement for access to the site. Thereafter, the Administration commissioned a feasibility study on the restoration project and also on the development of a recycling park at PPVL. However, it was subsequently decided that only the restoration works would need to be carried out, as another site had been identified for the recycling park. PAS(E)2 also confirmed that PPVL was the only one of the 13 closed landfills in Hong Kong that had yet to be fully restored.

4. In response to Mr LAU Ping-cheung's enquiry about the scope and duration of the post-commissioning works for PPVL restoration, PAS(E)2 said that the post-commissioning works included operation and maintenance of the landfill gas and leachate management systems to avoid leakage and pollution, environmental monitoring as well as monitoring of differential settlement of the landfill's surface to ensure slope stability. In the light of overseas experiences, the period of post-commissioning works might last for two to three decades. The Administration would review the situation every five years, starting from the commissioning of the restoration works, to determine if PPVL was completely restored and whether further post-commissioning works were required. The estimated cost of \$411.3 million for

the restoration of PPVL had already included the post-commissioning works for the first seven years.

5. In reply to Mr TAM Yiu-chung's enquiry, PAS(E)2 advised that the Administration had over the years acquired good experience in building and operating landfills, and now had good knowledge of the latest technologies to address various problems in relation to landfills. She pointed out that all the problems encountered at the closed landfills had been satisfactorily addressed in the three strategic landfills that were currently in operation in Hong Kong.

6. Mr TAM Yiu-chung doubted if the landfill gas produced at PPVL would be put to effective use. PAS(E)2 advised that the Administration would encourage the contractor to utilize as much landfill gas as possible. The landfill gas produced would mainly be used for generating electricity to support the on-site restoration facilities such as sewage treatment systems. The Administration estimated that the amount of landfill gas to be used on-site would be about 1 500 cubic metres per hour (m^3/hr). By early 2006 when the restoration works were completed, the landfill gas generation rate in PPVL would be about 2 230 m^3/hr . The amount of landfill gas generated would decrease over time and the generation rate would be reduced to 1 530 m^3/hr by early 2009. Hence surplus landfill gas at PPVL would only be available between 2006 and early 2009. Given the limited supply of landfill gas and the remote location of the site where no facility in the vicinity could make use of this surplus landfill gas, the Administration considered it not cost-effective to build a whole infrastructure network to convey the small amount of surplus gas to power generation plants.

7. Ms Emily LAU recapitulated members' concerns raised at the EA Panel meeting on 26 May 2003 on the utilization of landfill gas. Apart from supplying the surplus landfill gas to power companies for electricity generation, Ms LAU urged that the Administration should explore other options to maximize the use of the surplus. In this connection, the Chairman suggested that the Administration might consider storing the surplus for future use. Noting that only 67% of the landfill gas generated from PPVL would be used on-site, Ms LAU requested the Administration to estimate the value of the surplus landfill gas, which would not be used under the existing arrangement.

8. In response, PAS(E)2 advised that relevant provisions would be included in the landfill restoration contract to require the contractor to utilize the landfill gas on-site. As a rough estimate, the minimum capital cost for using the surplus landfill gas at PPVL to generate electricity was about \$18 million, but the estimated revenue from the electricity that could be produced would only amount to about \$5 million.

9. While affirming that the Administration was keen to optimize the use of landfill gas, the Director of Environmental Protection (DEP) advised that different options for utilizing landfill gas had been considered but they were not viable due to the high capital costs for the related infrastructures and the limited supply of landfill gas. The Shuen Wan Landfill was the only closed landfill where the landfill gas was beneficially used by the nearby Towngas production plant in the Tai Po Industrial

Estate. DEP advised that the Administration would continue to explore various options to utilize landfill gas.

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10. At the request of the Chairman and Ms Emily LAU, the Administration agreed to provide information on the respective quantity of the landfill gas generated at all closed landfills in the territory, and details on the utilization of the landfill gas at individual landfills. The information should include the various utilization options explored and the reasons for the current landfill gas utilization arrangements for individual landfills.

11. Mr Henry WU noted that the contractor would be required to appoint an independent assessor to ensure that the restoration facilities would comply with the contract requirements. He enquired whether it was a standard arrangement for the contractors instead of the Administration to appoint independent assessors for public works projects. PAS(E)2 said that the proposed PPVL restoration was a “design-build-and-operate” (DBO) project. It was a normal requirement under DBO contracts to appoint an independent assessor at the design and construction stage to ensure that the project design would comply with the contract requirements. The contractor was required to seek the Administration’s approval for the appointment. The Permanent Secretary for the Environment, Transport and Works (Works) (PSW) also advised that the existing arrangement for the contractor under design and build contracts to appoint independent assessors was only an administrative arrangement. The assessor would be required to work as an independent third party to assess the project design. As the appointment was subject to the consent of both the Government and the contractor, whether the assessor was appointed by the Administration or by the contractor should not affect its independence. As regards the independent assessor’s fees, PAS(E)2 said that the \$5 million included in the project cost for employing the independent assessor was only an estimate. The actual amount would depend on the quotations obtained by the contractor.

Admin

12. Noting that the building of heavy structure on the site was not technically viable due to ground settlement problems of landfills, Mr Fred LI said that the Administration should consider putting the restored site to recreational uses. In response, PAS(E)2 advised that the afteruse of the restored site had not been confirmed. The Administration would consult the relevant District Council on this matter and invite interested private developers to submit proposals for the afteruse.

13. In response to Mr Abraham SHEK’s enquiry about the provision of \$43 million for contingencies of the project, PAS(E)2 advised that having regard to the experiences in other landfill restoration projects as well as the special situation of PPVL, the Administration included the contingency provision for unforeseeable events and works at about 10% of the total cost of other items. Mr SHEK considered the provision too high and opined that there was no need to provide contingencies for some items such as “Landfill gas management system” and “Leachate management system” because variations on the estimated costs for these items would be minimal. He considered that the Administration should estimate the provision for contingencies in a more prudent manner to avoid tying up unneeded public funds. PSW shared Mr SHEK’s views and agreed that the level of contingency provision for

various types of projects could be different.

14. The item was voted on and endorsed.

HEAD 703 - BUILDINGS

PWSC(2003-04)28 9GB Construction of boundary-crossing facilities at Shenzhen Western Corridor under the “co-location” arrangement

15. Members noted that the Administration had consulted the LegCo Panel on Security and Panel on Transport at the joint meeting on this project on 6 May 2003. Ms Miriam LAU, Chairman of the joint Panel meeting, reported that all members who had spoken on the project at the joint meeting expressed support for the project in principle. At the meeting, the Administration undertook to include in the proposal to the Public Works Subcommittee (PWSC) the estimated number of jobs which could be created for Hong Kong local workers under this project and details of the entrustment arrangements. The Administration also agreed to inform members of the land development cost and actual capital cost of the project when the information was available.

16. Mr TAM Yiu-chung expressed support for the proposal. He raised concern that the co-location arrangement involved complicated legal matters, and enquired about the progress of the work to settle these matters. In response, the Deputy Secretary for Security (3) (DS(3)/SB) advised that the principle agreed between the Hong Kong Special Administrative Region (HKSAR) and the Mainland was that the management areas of the two sides would not overlap so as to avoid any confusion or vacuum in jurisdiction. To this end, the Administration would introduce legislative amendments to define a Hong Kong Management Area to be managed by the HKSAR Government, and to extend the laws of the HKSAR to the Hong Kong Management Area. In consultation with the Department of Justice and other Bureaux, the Administration was finalizing the details of the proposed legislative amendments and would introduce the relevant legislative proposal to LegCo in the 2003-04 legislative session.

17. Mr TAM Yiu-chung and Mr David CHU enquired about the estimated land development cost to be borne by the HKSAR. DS(3)/SB responded that the land development cost was not confirmed at this stage, but the principle agreed between the two sides was that each side would bear the actual cost incurred in developing the land to be used by that side. The Administration would seek funding for the cost of land development as and when the relevant cost figures were ascertained.

18. In reply to Mr TAM Yiu-chung's enquiry about the annual recurrent expenditure of \$426.5 million arising from the project, DS(3)/SB advised that the estimate had taken into account the funding requirement of the bureaux and departments concerned for running the co-location facilities, and had been drawn up with reference to the experience of the existing boundary-crossing facilities.

DS(3)/SB also said that the estimate on recurrent expenditure cost would be kept under review by the Financial Services and the Treasury Bureau.

19. Mr SIN Chung-kai said that he did not object to the entrustment of the construction of the boundary-crossing facilities to the Shenzhen authorities, as the project site was located at Shekou in Shenzhen. He however expressed strong reservation about the necessity of entrusting to the Shenzhen authorities the procurement of the systems and equipment to be used at the new control point, especially the specialist non-confidential electronic systems, the estimated cost of which was about \$135 million. In response, DS(3)/SB advised that the entrustment arrangement aimed to facilitate coordination and avoid interface problems that might arise from the two governments implementing their respective portions of the works on the same site. Unless there were other overriding considerations such as security considerations, the entrustment package should cover the various items involving building and builder's works in order to ensure cost-effectiveness and smooth implementation of the works. DS(3)/SB also stressed that the project would be put out to competitive tender and all qualified contractors from Hong Kong and the Mainland could bid for the entrusted works.

20. DS(3)/SB further advised that the Administration had discussed with the Shenzhen authorities about members' concern on whether the entrustment agreements would include a provision requiring the successful tenderer to employ workers from the HKSAR. The Shenzhen authorities indicated that there was no provision in the laws of the Mainland for such an arrangement. Besides, such an arrangement would undermine the autonomy of enterprises. DS(3)/SB further said that the inclusion of a requirement in the entrustment agreements to employ HKSAR workers would tantamount to a trade barrier, and this would have a pernicious impact on Hong Kong as a major centre for export of goods and services. He requested members to also take into account the substantial benefits which the new control point could bring to the HKSAR. According to the Feasibility Study for Additional Cross-border Links (Stage 2) conducted by the Planning Department (PD), the net benefits of SWC on its own would be about \$175 billion (at 1998 prices).

21. Mr SIN Chung-kai said that DS(3)/SB's response did not address his concern. Having regard to the fact that the tendering mechanisms in the HKSAR and the Mainland were different, he was of the view that the HKSAR Government to undertake at least the procurement of specialist non-confidential electronic systems instead of entrusting virtually the entire project to the Shenzhen authorities.

22. Mr James TO shared Mr SIN Chung-kai's views and considered that in addition to the installation of specialist non-confidential electronic systems, the HKSAR Government should also undertake the design and installation of the fixed vehicle X-ray system, the estimated cost of which was about \$160 million. He urged the Administration to reconsider the entrustment arrangement and undertake those items the design and installation of which required little coordination with the Mainland.

23. In this connection, the Chairman pointed out that currently, companies in Hong Kong were not eligible to bid tenders in the Mainland directly. He asked the Administration to consider the feasibility and desirability of the HKSAR to undertake certain parts of the project.

24. DS(3)/SB reiterated that, except for some overriding considerations, entrusting the whole project to a single entity would be a cost-effective arrangement. PSW supplemented that the entrustment arrangement was to facilitate coordination and reduce the implementation time so that the boundary-crossing facilities could be ready by end 2005. On specialist non-confidential electronic systems, PSW said that the installation of these systems needed intricate integration with some builder's works, and hence entrusting this part of the project to the Shenzhen authorities was preferred.

25. Ms CHAN Yuen-han said that she did not consider it justified to entrust the entire project to the Shenzhen authorities. She opined that the Administration should accord priority consideration to the interests of local workers in Hong Kong and undertake the project itself as far as possible.

26. Mr Albert CHAN stated his objection to the arrangement to entrust the design and construction of the SWC boundary-crossing facilities to the Mainland. He questioned that the Administration's decision to entrust the project to the Mainland was merely for administrative convenience, and this attitude was apathy towards the livelihood of the unemployed people in Hong Kong. Mr CHAN strongly urged the Administration to undertake and tender the project in accordance with the tendering procedures in Hong Kong. He also stated his view that this project involved substantial public funds of the HKSAR and it would be absurd if the local workforce could not benefit from the job opportunities arising from the project. He therefore demanded that the Administration should require the successful tenderer to employ Hong Kong workers for the project works.

27. In response, PSW advised that the construction of SWC boundary-crossing facilities was a project jointly undertaken by the HKSAR and the Mainland. A Joint Working Group with representatives from both sides would closely monitor the project and ensure that qualified contractors from both sides could bid for the construction contracts. It would be stipulated in the entrustment agreements also that Hong Kong consultants should be employed as advisors to ensure compliance with the standards and statutory requirements of the HKSAR. DS(3)/SB reiterated that the Administration had successfully contended that qualified contractors from the HKSAR and the Mainland could bid for the entrusted works through competitive tendering. On the employment of Hong Kong workers, DS(3)/SB reiterated that the Mainland did not have any requirement in law for such a mandatory arrangement and employment. Decisions should best be left to successful tenderers.

28. Mr Albert CHAN said that he was not convinced of the Administration's reply, and pointed out that there was little chance that Hong Kong companies could successfully bid the contracts under the tendering mechanisms in the Mainland.

29. Ms Emily LAU was concerned about the measures to ensure that qualified contractors from the Hong Kong side could compete fairly with Mainland contractors for the entrusted works. PSW and the Director of Architectural Services (D Arch S) advised that the requirement to ensure qualified contractors from both sides could bid for the entrusted works would be clearly set out in the entrustment agreements, which would be in the form of government-to-government agreements signed between the Government of the HKSAR and the relevant Shenzhen authorities. The Administration would forward a list of qualified contractors to the Shenzhen authorities, and monitor the tendering process and implementation of the entrusted works through the said Joint Working Group. In reply to Ms LAU's enquiry about the tendering arrangement in other public works entrusted to Mainland authorities, D Arch S advised that the above requirement to ensure qualified Hong Kong contractors could bid the contracts tendered in the Mainland was a new arrangement for building projects.

30. Mr YEUNG Yiu-chung expressed support for the construction of boundary-crossing facilities at SWC and considered it appropriate to entrust the construction of these facilities to the Shenzhen authorities as the project site was located in Shenzhen. In reply to his enquiry, DS(3)/SB confirmed that the cost estimates were based on Hong Kong prices. He remarked that based on a rough price comparison between Hong Kong and the Mainland, the outturn capital cost of the entrusted works could be 30% lower than the current estimate if those works were awarded to Mainland contractors. D Arch S added that for commercial buildings, the construction costs in the Mainland were some 30% to 60% lower than those of similar projects in Hong Kong. However, for special government facilities such as the proposed co-location facilities at SWC, the construction cost in the Mainland might be about 30% to 40% lower than the construction cost in Hong Kong.

31. Mr James TO opined that if the project was put out to tender in the Mainland, the Administration should draw up the funding proposal based on the labour and construction prices in the Mainland. DS(3)/SB advised that the arrangement to apply Hong Kong prices in drawing up the project estimate had been adopted in other projects with all or part of the works entrusted to Mainland authorities, such as river training works for the Shenzhen River.

32. Mr Henry WU raised concern about the entrustment fees. He pointed out that the consultants' fees for some large-scale projects, such as the Mass Transit Railway Corporation's railways projects, had been reduced to about 10% of the project cost in the past few years. Mr WU therefore considered that the entrustment fees estimated at 14% of the value of the entrusted works was on the high side and asked for more details. He also opined that the project estimate should be based on the Mainland prices. D Arch S responded that the entrustment fees were estimated according to the fee scale established by the State Development Planning Commission in 2002. The 14% entrustment fees covered 2% of the value of the entrusted works for application fees of the project, about 5% for the design works, 3% to 4% for site supervision fees, and 2% to 3% for project management fees.

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33. Mr IP Kwok-him said that Members of the Democratic Alliance for Betterment of Hong Kong supported the project. He shared some members' concern on whether it was appropriate to draw up the project estimate based on Hong Kong prices, and requested the Administration to provide an alternative project estimate based on the labour and construction prices in the Mainland. D Arch S advised that unlike commercial building projects, there was limited reference information available for the Administration to estimate the costs of SWC boundary-crossing facilities based on Mainland prices. Nevertheless, he undertook to provide the alternative estimate to members before FC considered the proposal.

34. In response to Ms Miriam LAU's enquiry about the 45 jobs for consultants created under the project, D Arch S affirmed that all these jobs would be taken up by Hong Kong consultants, as they were jobs arising from the consultancies to ensure compliance with the standards and statutory requirements of the HKSAR.

35. Ms Emily LAU raised concern about the dispute resolution mechanism for the entrusted works, and enquired whether provisions resolution mechanism would be included in the entrustment agreements. In response, DS(3)/SB said that in case of litigation, disputes over the entrusted works would be handled mainly by the trustee in accordance with the Mainland judicial system. D Arch S added that liquidated damages provisions for delayed works would be incorporated into the works contracts. Both sides were working on the details of the entrustment agreements and the consultancies and construction contracts. Appropriate provisions on dispute resolution would be included.

36. In this connection, PSW assured members that the entrustment agreements would set out the relevant arrangements, including the scope and the standards of the entrusted works, and the Shenzhen authorities would be responsible for ensuring that the project works fully complied with the standards specified in the entrustment agreements.

37. Noting that there had been an average annual growth of 5% in daily vehicular traffic using the existing three vehicular boundary crossings over the past five years, Mr YEUNG Yiu-chung raised concern about the expandability of the boundary-crossing facilities of SWC to meet the increasing demand of boundary-crossing traffic. DS(3)/SB advised that the planned reclaimed site for the facilities at SWC would be adequate for meeting the projected traffic demand up to 2016, and no land had been reserved for future expansion. Nevertheless, PD would keep the long-term planning on the adequacy of boundary-crossing facilities under review, and was considering various options for new control points.

38. Ms Miriam LAU asked about the size of the public transport drop-off and pick-up area. Recalling the discussion on an oral question raised at a recent Council meeting (22 January 2003) about the implementation of co-location of immigration and customs facilities at border control points, Ms LAU also enquired whether a public transport interchange would be provided at the SWC control point.

39. In reply, the Principal Assistant Secretary for Environmental, Transport and Works (Transport)5 (PAS(T)5, ETWB) advised that the Administration had earmarked an area of about 6 000 m² as a public transport drop-off and pick-up area at the SWC control point. Whilst the Administration would discuss with the Mainland on the public transport services to be provided, the current design of the drop-off and pick-up area had catered for possible uses of different types of public transport services including coaches, public light buses and taxis. Owing to site constraint, PAS(T)5, ETWB said that it might not be feasible to provide a large public transport interchange at the SWC control point, but she undertook to follow up on the possibility of providing a small public transport interchange as suggested by Ms LAU.

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40. DS(3)/SB added that SWC was mainly designed for cargo traffic and hence there was no public transport drop-off and pick-up area in the original design of the boundary-crossing facilities. In view of Members' concerns raised at various recent occasions, the Administration had recently included a public transport drop-off and pick-up area of 6,000m² in the boundary-crossing facilities after consultation with the Shenzhen authorities.

41. Noting that SWC was mainly designed for cargo traffic, Mr LAU Kong-wah was concerned that the design of the SWC boundary-crossing facilities might not meet the demand of passenger traffic at SWC. In reply, DS(3)/SB advised that the boundary-crossing facilities were designed based on the estimations on cargo and passenger traffic demand provided by the Transport Department and PD. The Chief Engineer/Strategic Roads, Transport Department (CE/SR, TD) advised that the Administration had reached a consensus with the Mainland on the traffic volume forecast for the design of the facilities. SWC was designed to cater for mainly cargo traffic and the recent proposal to include a public transport pick-up/drop-off area in SWC boundary-crossing facilities had already taken heed of the call to cater for a certain extent of passenger flow at this control point. At Mr LAU's request, CE/SR, TD agreed to provide the forecast vehicular and passenger flows at the new control point, and hence the adequacy of the proposed clearance facilities.

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42. Ms CHAN Yuen-han raised concern about the availability of health check and quarantine facilities at border control points, and enquired about the relevant planned facilities at the SWC control point. Mr Henry WU shared Ms CHAN's concern and noted that only limited space had been earmarked for the Department of Health (DH) Building and there might not be adequate space available for the installation of health check facilities. DS(3)/SB advised that the project estimate had included the installation of facilities for detecting the Severe Acute Respiratory Syndrome (SARS). Under the existing arrangement, travellers suspected of having SARS would be referred to hospital for further examination rather than isolated for treatment at cross-border points. Nevertheless, DS(3)/SB undertook to convey Ms CHAN's concerns to the Health, Welfare and Food Bureau and the Department of Health for follow-up actions as appropriate.

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43. At this juncture (12:45 pm), the Chairman suggested and the

Subcommittee agreed to defer the discussion of agenda items PWSC(2003-04)25, PWSC(2003-04)26, PWSC(2003-04)27, PWSC(2003-04)30, PWSC(2003-04)31, PWSC(2003-04)32, PWSC(2003-04)33 and PWSC(2003-04)34 to the next meeting. Mr SIN Chung-kai also suggested adjoining the discussion of the current item, PWSC(2003-04)28, to the next meeting so that the Administration could have time to consider members' views and provide further information for members' consideration. Mr CHAN Kam-lam did not support Mr SIN's suggestion. The Chairman then put the proposal to adjoin the discussion of item PWSC(2003-04)28 to vote. The majority of members present supported that the discussion of this agenda item should continue.

44. Mr Abraham SHEK expressed support for the construction of SWC boundary-crossing facilities but considered that the Administration should have submitted the funding proposal earlier in view of the urgency of the project. He also opined that the Administration should make more effort to enhance the involvement of Hong Kong companies and workers in the project in order to create a win-win situation.

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45. Dr David CHU suggested that consideration should be given to provide some parking spaces and a cafeteria at the SWC control point as the case in other overseas co-location facilities. Mr CHAN Kam-lam supported that a small carpark should be provided but did not consider that there was a need to provide catering facilities at the control point for passengers. DS(3)/SB and CE/SR, TD undertook to consider members' suggestions.

46. Mr CHAN Kam-lam was of the view that the SWC boundary-crossing facilities were a long-term infrastructure project. He hoped that members would take into account the substantial benefits that the control point would bring to Hong Kong and the practical need to entrust the project to the Mainland to ensure cost-effectiveness and smooth implementation of the entire project. He also did not consider it reasonable to require the contractors for the entrusted works to employ Hong Kong workers to undertake the works.

47. Mr SIN Chung-kai said that he shared Mr CHAN Kam-lam's view on the importance of SWC and the proposed boundary-crossing facilities in boosting the Hong Kong economy, but he was also concerned about the plight of Hong Kong workers. He considered that the Administration should make more effort to create a win-win situation and he did not see the need to sacrifice the interests of Hong Kong workers in this case. He reiterated his suggestion that the HKSAR Government should undertake the installation of specialist non-confidential electronic systems in this project. In response, DS(3)/SB advised that the HKSAR was importing a service from the Mainland through the entrustment arrangement and it was inappropriate to impose any restrictions in the entrustment agreements which would undermine the autonomy of the enterprises awarded the works contracts.

48. Mr James TO opined that the Administration had betrayed the interests of Hong Kong as workers in Hong Kong would not benefit from this project which involved substantial public funds of the HKSAR. He was not satisfied with the

attitude of the Administration and doubted if the Administration had made any effort to contend for the interests of Hong Kong people in the negotiations with the Mainland. Mr Albert CHAN shared Mr TO's view and demanded the Administration's confirmation on the feasibility for the HKSAR to undertake the design and construction of its own facilities at the SWC control point.

49. PSW highlighted that the construction of SWC boundary-crossing facilities was a very complicated project. It was technically feasible for Hong Kong to undertake its own project works but it was more desirable in terms of cost and efficiency in project implementation to entrust the project to the Shenzhen authorities.

50. Mr YEUNG Yiu-chung and Mr CHAN Kam-lam expressed disagreement with Mr James TO and Mr Albert CHAN that the Administration had betrayed the interests of Hong Kong, which they considered was a serious but unjustified accusation. Mr YEUNG said that the main duty of the Administration was to keep the project cost down to the minimum which would be achieved through the open tendering approach under the entrustment agreements. He did not consider it reasonable to require the contractors concerned to employ Hong Kong workers for the entrusted works.

51. Dr David CHU was of the view that members should focus on the cost-effectiveness and the practical aspects of the project, and it was inappropriate to confound the discussion with other issues such as unemployment problems.

52. The Chairman summed up the major concerns raised by members and requested the Administration to provide detailed information on the following before the relevant FC meeting:

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- (a) an alternative project estimate based on the labour and construction prices in the Mainland;
- (b) the feasibility and desirability of the HKSAR Government undertaking certain parts of the project, such as the installation of specialist non-confidential electronic systems and the fixed vehicle X-ray system, and the design/vetting of communications and electronics etc., instead of entrusting virtually the entire project to the Shenzhen authorities;
- (c) details of the entrustment arrangements/agreements with particular regard to the dispute resolution mechanism and the engagement of consultants and contractors to ensure compliance with the standards and statutory requirements of the HKSAR and to ensure that qualified contractors from both sides could compete fairly for the works contracts;
- (d) the estimations on cargo and passenger traffic volume at the new control point, and hence the adequacy of the proposed cargo

processing facilities and passenger clearance facilities and the need to provide reserve space for future expansion of the facilities;

- (e) the adequacy of the proposed public transport drop-off and pick-up area and coach passenger drop-off and pick-up areas and the need for a public transport interchange; and
- (f) details of the health check and quarantine facilities at the new control point.

Admin
Clerk

53. The item was voted on and endorsed. Ms Emily LAU requested to separate the discussion and voting of this agenda item from other PWSC items at the relevant FC meeting.

54. Owing to insufficient time, the consideration of the remaining items on the agenda i.e. PWSC(2003-04)25, 26, 27, 30, 31, 32, 33 and 34 was deferred to the next meeting on 25 June 2003.

55. The meeting ended at 1:23 pm.

Council Business Division 1
Legislative Council Secretariat
10 July 2003