

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 7th meeting
held at the Legislative Council Chamber
on Friday, 18 March 2005, at 2:30 pm**

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Hon CHAN Kam-lam, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Martin LEE Chu-ming, SC, JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum
Hon LAU Chin-shek, JP
Hon LAU Kong-wah, JP
Hon LAU Wong-fat, GBS, JP
Hon Miriam LAU Kin-ye, GBS, JP

Hon CHOY So-yuk
Hon Andrew CHENG Kar-foo
Hon Timothy FOK Tsun-ting, GBS, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon LI Kwok-ying, MH
Dr Hon Joseph LEE Kok-long
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon MA Lik, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG
Hon KWONG Chi-kin
Hon TAM Heung-man

Members absent:

Dr Hon David LI Kwok-po, GBS, JP
Hon Margaret NG
Hon James TO Kun-sun
Hon Daniel LAM Wai-keung, BBS, JP

Public officers attending:

Mr Frederick MA Si-hang, JP	Secretary for Financial Services and the Treasury
Mr Alan LAI Nin, GBS, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)

Miss Elizabeth TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Stephen FISHER, JP	Deputy Secretary for Home Affairs (1)
Ms Esther LEUNG	Principal Assistant Secretary for Home Affairs (1)
Ms Fony LUI	Senior Executive Officer (1)4 Home Affairs Bureau
Mr Jonathan YUNG Chun-wai	Acting Chief Project Manager 301 Architectural Services Department

Clerk in attendance:

Ms Pauline NG	Assistant Secretary General 1
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Staff in attendance:

Mr Jimmy MA	Legal Adviser
Miss Becky YU	Chief Council Secretary (1)1
Mrs Mary TANG	Senior Council Secretary (1)2
Ms Caris CHAN	Senior Legislative Assistant (1)1
Mr Frankie WOO	Legislative Assistant (1)2

Item No. 1 - FCR(2004-05)50

HEAD 703 – BUILDINGS

Social Welfare and Community Buildings – Community centres and halls

173SC – Centre for Youth Development

The Chairman advised that the subject was last discussed by the Finance Committee (FC) at a special briefing on 25 February 2005.

2. The Deputy Secretary for Home Affairs (DSHA) briefed members on the background to the Centre for Youth Development (CYD). He said that funding for the construction of CYD was approved in November 2001. Under the original proposal, CYD would be operated on a self-financing basis through a limited company. Since then, the economic conditions in Hong Kong had gone through significant changes. In mid-2003, the updated financial assessment indicated that the outlook for CYD was much less optimistic. Taking account of the problems envisaged in the original model, the Administration commissioned the IBM Business

Consulting Services (the Consultants) to conduct a study to review the project scope and to assess the feasibility of constructing, financing, operating and maintaining CYD through a Public Private Partnership (PPP) approach. The findings of the study were presented to the Panel on Home Affairs which had also invited youth organizations and interested parties, including the Eastern District Council, to express their views on CYD. While there was general support for the implementation of CYD, concerns were raised on the propriety of adopting the PPP approach for managing and operating CYD as it would be difficult for the Government to exercise effective control over the private sector operator. The Panel then requested the Administration to consider relaxing the restriction that CYD should operate on a self-financing basis, so as to increase the flexibility in drawing up an appropriate management and operation arrangement for the CYD. Having considered the views, the Administration had decided –

- (a) that the Government would directly take up the responsibility of managing and operating CYD, rather than performing this role through a limited company; and
- (b) that efforts would be made to achieve full cost recovery, but in the event of an operating deficit, this would be covered through internal redeployment of resources within the envelope of the Secretary for Home Affairs (SHA) or public donations.

3. The Chairman enquired whether FC's approval was required for the proposed changes. DSHA explained that while funding approval had been given for the construction of CYD, the proposed changes in the operation and management mode, which might incur recurrent financial expenditure, would need to be accounted for by the Administration. If the proposed changes were voted down by FC, the CYD project would not be able to proceed.

4. Mr CHEUNG Man-kwong said that when the proposal to construct CYD was first submitted to FC in 2001, Members of the Democratic Party (DP) voted against the proposal as they could not agree to the proposed operation mode under which a limited company would be set up to operate a Government-owned project on a self-financing basis. They considered the arrangement at variance with the established funding mechanism. DP Members were concerned that under the self-financing model, the limited company could use the profits generated from the operation of CYD to finance its own activities. This would set a bad precedent for future operation of publicly-funded projects. Since the original operation and management mode for CYD was flawed from the start and might give rise to abuse, this should not have been adopted in the first place. Hence, it was no surprise to DP Members that the initial self-financing model was found to be financially non-viable. Given that the Administration had now decided to take up the responsibility for managing and operating CYD by funding the necessary recurrent expenditure, DP Members were willing to re-assess the situation. Mr CHEUNG however pointed out that FC might have no choice but to approve the CYD project since the formation

works for the site had already been completed. Any changes to the use of the site would incur additional resources to reinstate the site to its original form. Further delay in the construction of superstructure works for CYD would also incur additional maintenance cost of \$200,000 per month for the site. Nevertheless, the Administration should have learnt a hard lesson from the present case. In future, the usual funding mechanism should be adhered to when planning for youth centres.

5. DSHA said that since he took up this post, he had gone through the past papers on the subject and was not able to find any documentation which indicated that the operation and management of CYD would be entrusted to any specific group or organization. He said that the original intention was to set up a limited company, with its board of directors appointed by the Government, to assume responsibility for managing and operating CYD. The primary objective was to enable CYD to operate on a self-financing basis. There was no intention of transferring any interests to any organization, nor was there any “misjudgment” involved. Based on the economic forecast made in 2000-2001, the self-financing model of CYD was considered viable. However, with the economic downturn, the updated financial assessment made in 2003 indicated that the outlook was much less optimistic, and that the original self-financing mode might not be viable. Having regard to the experience in handling CYD project, the Administration would be more cautious in assessing the financial viability of public facilities in future.

6. Mr Albert CHAN said that he was strongly opposed to the CYD project from the outset since the site at Chai Wan was not a good location for such a large youth development centre. The wrong planning decision might have led to the non-viability of the project. As a result, additional public expenditure had to be incurred to operate and manage the project. He held the view that the Administration should not proceed with the project despite that land formation works for the project had been completed. The site could be put up for auction in its present form without having to reinstate it. The CYD project, if need to be constructed, should be provided in a better location with proper planning and design. DSHA said that although the current site at Chai Wan might not be the best location, it was conveniently located adjacent to a MTR station. The location was considered suitable and there was no better alternative. He added that while efforts would be made to achieve full cost recovery, any additional resources required for operating and managing CYD would be met by internal redeployment within SHA’s envelope or public donations.

7. Mr Fernando CHEUNG opined that the Government had made a series of mistakes and misjudgements in the CYD project which should be further looked into. Nevertheless, he would support the Administration to proceed with CYD without delay to save the high monthly maintenance cost of \$200,000 for the site. Furthermore, the Administration should consult the relevant stakeholders to ensure that the resources for CYD would be well utilized for youth activities. He then enquired about the relationship between the management advisory committee and the Commission on Youth (COY), and whether the Administration would keep the

Legislative Council (LegCo) informed of the progress of CYD. In reply, DSHA explained that the management advisory committee to be set up to advise on the operation and management of CYD would comprise representatives from COY, youth organizations and non-governmental organizations involved in youth development work. Their views would be taken into account in operating and managing CYD. He undertook to keep LegCo informed of the progress of the CYD project.

8. Dr KWOK Ka-ki said that the proposal of setting up a limited company to operate and manage a public project was unprecedented. He also questioned the need for CYD since there was no shortage of similar multi-purpose facilities for youths in Hong Kong. It might be more worthwhile to use the investment for CYD to sponsor youth organizations to organize activities for youths. He held the view that the Administration should not be bound to proceed with the project simply because the formation works were completed. Instead, it should assess the need for CYD based on the demand for such facilities. He then enquired the basis upon which the 100% usage rate of the multi-function facilities of CYD was arrived at. DSHA said that the usage rate was worked out on the assumption that some of the multi-function facilities would be rented out through long-term tenancies for training or other youth activities.

9. Mrs Sophie LEUNG asked if the Administration would review the uses of CYD facilities taking into account the needs of youth development. DSHA said that the purpose of converting the originally planned Arts Centre and IT Centre into multi-purpose areas was to allow flexibility to cater for changing demand of youths.

10. Miss CHOY So-yuk said that CYD was needed to provide a focal point for youth activities. She however had reservation on the design of CYD, in particular the situation of the retail areas at the upper floors of the development. Given that the design could not be changed now because the land formation works had already been completed, she would request that an escalator be provided to facilitate users and to promote patronage of the retail areas. DSHA agreed to consider the provision of an escalator, adding that such could be absorbed within the original construction cost.

11. Mr Tommy CHEUNG declared that he was a member of the Eastern District Council (EDC). He then enquired about the mode of operation of CYD and the income and expenditure projections for CYD, in particular, whether all the income-generating facilities would be contracted out to different service providers. He said that EDC was concerned about the high cost for renting the CYD facilities. DSHA explained that while the day-to-day management and operation of the CYD premises and facilities would be contracted out through service contracts, the organization and co-ordination of youth development programmes in CYD would remain Government's responsibility. The staff employed would be on non-civil service terms. As to EDC's concern about the high cost for renting CYD facilities, DSHA said that concessions would be granted to district organizations in renting the Multi-purpose Hall with compatible function as a community hall. He assured members that EDC would be consulted on the usage and rental concessions of the

facility concerned. On Government's financial responsibility for the operation and management of CYD, the Secretary for Financial Services and the Treasury advised that while incomes generated from the operation of CYD would be included as revenue, the operating expenditure would be met by the overall allocation within SHA's operating expenditure envelope, to be approved on an annual basis in the context of the Appropriation Bill.

12. Mr James TIEN noted that the annual total income and operating expenditure of CYD under the revised mode of operation would be \$44 million and \$49 million respectively, representing a net cost of about \$5 million per annum. He requested the Administration to provide a breakdown on the operating expenditure, adding that it would be more acceptable to members if the net cost could be reduced to under \$5 million per annum. DSHA said that the Administration would refrain from making any undertaking about the net cost as the income and expenditure projections were only estimates.

13. The Chairman sought clarification on the staff cost for CYD as it appeared that the staff cost as calculated by the Consultants was different from what was provided in the Enclosure to the paper. DSHA said that the staff cost worked out by the Consultants was based on the assumption that 75 staff would be employed. Government had reassessed the operation of CYD taking into account the contracting out of the day-to-day management and operation of the CYD premises and facilities and estimated that around 22 staff would be required. The Principal Assistant Secretary for Home Affairs (1) supplemented that Government and the Consultants had adopted different methods in presenting the accounts. At the Chairman's request, the Administration agreed to provide a more detailed breakdown of the income and expenditure projections for CYD.

14. Mrs Sophie LEUNG expressed support for the CYD project as it would provide a focal point for youth development activities. While not opposing to the Administration's taking up of the responsibility for managing and operating CYD, she was of the view that the PPP approach should be advocated so that the expertise and the experience of the private sector could be utilized in the development of youth activities. DSHA said that although the PPP approach was considered a feasible option and had the support of COY, the outcome of consultation with youth organizations indicated that there were concerns about the propriety of adopting a PPP approach, particularly the difficulties for the Administration to exercise effective control over the single operator, who would strive to achieve the self-financing objective in ways that could undermine the role of CYD in youth development. Mrs LEUNG said that the Administration should not have backed down on the PPP approach, and that consideration should be given to undertaking some of the public projects under a PPP approach in future.

15. The Chairman put FCR(2004-05)50 to the vote. 35 members voted for the proposal and 13 members voted against it. The individual results were as follows:

For :

Mr James TIEN Pei-chun, GBS, JP
Dr LUI Ming-wah, JP
Miss CHAN Yuen-han, JP
Mr CHAN Kam-lam, JP
Dr Philip WONG Yu-hong, GBS
Mr Jasper TSANG Yok-sing, GBS, JP
Mr LAU Kong-wah, JP
Miss CHOY So-yuk
Mr TAM Yiu-chung, GBS, JP
Ms LI Fung-ying, BBS, JP
Mr Frederick FUNG Kin-kee, JP
Mr Vincent FANG Kang, JP
Mr LI Kwok-ying, MH
Mr Jeffrey LAM Kin-fung, SBS, JP
Mr Alan LEONG Kah-kit, SC
Mr CHEUNG Hok-ming, SBS, JP
Mr Ronny TONG Ka-wah, SC
Mr KWONG Chi-kin
(35 members)

Ir Dr Raymond HO Chung-tai, S.B.St.J., JP
Mrs Selina CHOW LIANG Shuk-yeet, GBS, JP
Mr Bernard CHAN, JP
Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Mr WONG Yung-kan, JP
Mr Howard YOUNG, SBS, JP
Ms Miriam LAU Kin-yeet, GBS, JP
Mr Timothy FOK Tsun-ting, GBS, JP
Mr Abraham SHEK Lai-him, JP
Mr Tommy CHEUNG Yu-yan, JP
Ms Audrey EU Yuet-mee, SC, JP
Mr WONG Kwok-hing, MH
Dr Joseph LEE Kok-long
Mr MA Lik, JP
Dr Fernando CHEUNG Chiu-hung
Mr WONG Ting-kwong, BBS
Mr Patrick LAU Sau-shing, SBS, JP

Against :

Mr Albert HO Chun-yan
Mr Fred LI Wah-ming, JP
Mr LEUNG Yiu-chung
Dr YEUNG Sum
Mr Albert CHAN Wai-yip
Dr KWOK Ka-ki
Miss TAM Heung-man
(13 members)

Mr Martin LEE Chu-ming, SC, JP
Mr CHEUNG Man-kwong
Mr SIN Chung-kai, JP
Mr Andrew CHENG Kar-foo
Mr LEE Wing-tat
Mr Albert Jinghan CHENG

16. The Committee approved the proposal.
17. The meeting was adjourned at 3:40 pm.

Legislative Council Secretariat

5 July 2005