

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 12th meeting
held at the Legislative Council Chamber
on Friday, 1 June 2007, at 3:00 pm

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Hon CHAN Kam-lam, SBS, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon Martin LEE Chu-ming, SC, JP
Hon Fred LI Wah-ming, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, GBS, 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 Kong-wah, JP
Hon CHOY So-yuk, JP
Hon Andrew CHENG Kar-foo
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 Frederick FUNG Kin-kee, SBS, 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, JP
Dr Hon Joseph LEE Kok-long, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG
Hon KWONG Chi-kin
Hon TAM Heung-man

Members absent:

Hon LEE Cheuk-yan
Dr Hon David LI Kwok-po, GBS, JP
Dr Hon LUI Ming-wah, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LAU Chin-shek, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Albert CHAN Wai-yip
Hon Daniel LAM Wai-keung, SBS, JP
Hon MA Lik, GBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon CHIM Pui-chung

Public officers attending:

Mr Alan LAI Nin, GBS, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Miss Amy 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 MAK Chai-kwong, JP	Permanent Secretary for the Environment, Transport and Works (Works)
Miss Janet WONG, JP	Deputy Secretary for the Environment, Transport and Works (Works)1

Mr Joe WONG	Deputy Secretary for Financial Services and the Treasury (Treasury)3
Mr Davey CHUNG	Principal Assistant Secretary for Financial Services and the Treasury (Treasury)(W)
Mr YUE Chi-hang, JP	Director of Architectural Services
Mr John CHAI, JP	Director of Civil Engineering and Development
Mr WONG Chee-keung, JP	Director of Drainage Services
Mr CHAN Chi-chiu, JP	Director of Water Supplies
Mr CHEUNG Hing-wan, JP	Deputy Director of Highways
Mr LAM Kin-chung	Chief Assistant Secretary (Works)2 Environment, Transport and Works Bureau
Mr Vincent LIU	Deputy Director of Leisure and Cultural Services (Leisure Services)
Mrs Karen YUEN	Chief Executive Officer (Planning)1 Leisure and Cultural Services Department

Clerk in attendance:

Ms Pauline NG	Assistant Secretary General 1
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Staff in attendance:

Miss Becky YU	Chief Council Secretary (1)1
Mrs Mary TANG	Senior Council Secretary (1)2
Ms Alice CHEUNG	Senior Legislative Assistant (1)1
Mr Frankie WOO	Legislative Assistant (1)2

Action

- I Issues relating to the implementation of public works projects**
- (FCRI(2007-08)2 - Paper provided by the Administration entitled "Implementation of Capital Works Projects"
 - FCRI(2007-08)3 - Paper provided by the Administration entitled "Capital Works Expenditure Measures to Expedite Delivery of Capital Works Projects"
 - FCRI(2007-08)4 - Background brief prepared by the Legislative Council Secretariat)

The Chairman said that at the special meetings of the Finance Committee (FC) to examine the Draft Estimates of Expenditure 2007-2008, questions were raised on the failure of the Administration to fully utilize the \$29 billion which the Government had pledged to set aside each year for public works projects. To enable members to better understand the planning and implementation of public works projects, the Administration had provided information papers outlining the general process and procedures for taking forward these projects. The Legislative Council (LegCo) Secretariat had also prepared a background brief on the subject.

2. Mr James TIEN was disappointed that the Secretary for the Environment, Transport and Works (SETW) had not attended the meeting to answer members' queries regarding her preliminary proposal made at the resumption of the Second Reading debate of the Appropriation Bill 2007 on 18 April 2007 to increase the financial ceiling of the delegated authority of approving Category D items funded by the Capital Works Reserve Fund (CWRF) block allocations from \$15 million to \$30 million. While acknowledging that there was a need to review the ceiling, which had not been revised since 1995, to take account of inflationary adjustments, he could not accept the allegation that delay in the delivery of public works projects was attributed to the need to obtain LegCo's approval and hence an increase in the ceiling of the delegated authority would help expedite the process. He pointed out that the mere fact was that the Government had spent too much time in planning and conducting studies on the projects, leaving very little time for LegCo to scrutinize the funding proposals. His views were shared by Dr KWOK Ka-ki.

3. The Permanent Secretary for the Environment, Transport and Works (Works) (PSETW(W)) explained that SETW had not attended the meeting because the subject matter was more related to administrative procedures rather than policy issues. He clarified that there had never been any allegations that the delivery of public works projects was delayed due to the need to obtain LegCo's approval. There had all along been close cooperation between LegCo and the Administration in the scrutiny of funding proposals for public works projects to ensure timely delivery of these projects which had created a large number of jobs for the construction industry. As set out in FCRI(2007-08)3, the Administration's proposal of increasing the financial ceiling of the delegated power of approving minor works items from \$15 million to \$30 million was meant to enable more minor works projects of a larger scale in terms of cost to be pursued as Category D items which usually took one to two years to complete. This would shorten the delivery process for some larger minor works projects, which would otherwise be required to be approved by the Finance Committee, by as much as seven months. Besides, the financial ceiling had not been revised since 1995. In view of the 40% inflation over the years, it should have been revised upward to \$21 million to reflect the value in real terms. Taking into account the need to improve the spending for public works projects, it was recommended that the ceiling be further increased to say, \$30 million.

4. Mr James TIEN said that Members of the Liberal Party (LP) would support an increase in the financial ceiling to \$21 million on account of inflation but not any further increase which was not justifiable. In this respect, PSETW(W) referred to Appendix II to FCRI(2007-08)4 prepared by LegCo Secretariat setting out the background to the revision of the financial ceiling from \$2 million in 1987 to \$15 million in 1995. He pointed out that apart from inflationary adjustments, the revisions had also taken into account other factors, including the need to relieve the workload of the Public Works Subcommittee (PWSC) so that it did not have to deal with so many PWSC submissions. It was undeniable that a longer delivery process was required for projects implemented through the Capital Works Programme (CWP) where projects were upgraded on a step-by-step basis to Category A, involving detailed consultation and planning. It was estimated that by increasing the ceiling of Category D items to \$30 million, the implementation timeframe for projects falling

between \$15 million to \$30 million in cost could be shortened by around seven months. He added that of the 102 public works projects submitted to PWSC in 2006-2007, only eight fell into this category. If the ceiling had been raised to \$30 million, these eight projects valued at about \$160 million would have been proceeded as Category D items through the minor works route to be funded under CWRP block allocations.

5. Dr KWOK Ka-ki said that LegCo was responsible for scrutinizing funding proposals to ensure that the funding being sought was justified. The proposed increase would have the effect of bypassing LegCo such that projects less than \$30 million would no longer need to go through the CWP upgrading route which required more detailed consultation and planning. Referring to the flow of public works projects as set out in Appendix IV to FCRI(2007-08)4, he pointed out that most of the projects submitted for consideration by LegCo were approved within weeks. He pointed out that it was the Administration rather than LegCo which could decide on when the projects should be taken forward. In fact, LegCo Members had been repeatedly urging the Administration to take on board the outstanding projects of the former Municipal Councils but were in vain. He said that he would object to the proposal of increasing the financial ceiling as this would unfairly give the impression that LegCo was the reason for the delay in the delivery of public works projects. In fact, the Administration should be the one to find out how it could address members' concerns about the present problems over the planning and implementation of public works projects.

6. In reply, the Deputy Secretary for the Environment, Transport and Works (Works)1 (DSETW(W)1) said that there had never been any inference by the Administration that the delivery of public works projects was delayed by LegCo. The Administration was thankful to LegCo, in particular PWSC which had held additional meetings to deal with all the works items. The reasons for increasing the financial ceiling were to preserve the value in real terms to take account of inflation and to address the concern about under-spending of the \$29 billion earmarked for public works projects with a view to creating more job opportunities for the construction industry since minor works were more labour intensive. The proposed increase would also shorten the delivery process for projects falling within the range between \$15 million and \$30 million in cost, and allow the Administration to react more efficiently to the aspirations of the community.

7. Miss TAM Heung-man opined that the Administration was exploiting LegCo's concern on under-spending to increase the financial ceiling. She was concerned that the proposed increase would bypass LegCo in the approval process and reduce the monitoring role of LegCo. She sought justifications for the proposed increase to \$30 million which was way above the increase to \$21 million on account of inflation since 1995. She was concerned that the proposed increase, if approved, would give rise to corresponding increases in other public spending. PSETW(W) explained that the purpose of the increase in financial ceiling was not meant to bypass LegCo but to expedite the delivery of minor works. Every year, the Administration would provide the LegCo Secretariat with a list of public works projects to be undertaken through the minor works route for members' information. An annual

report on the spending under CWRF block allocation in the preceding financial year would also be provided. The proposed increase had taken into account the need to preserve the value in real terms as well as the number and value of public works projects submitted to PWSC for consideration.

8. Mr LEE Wing-tat considered that public works projects should be taken forward expeditiously, particularly when most of the projects were readily approved by LegCo with the exception of some controversial projects. This was evidenced by the work flow of public works projects, which showed that the Administration had taken several years to plan and implement the projects while LegCo was only given weeks to scrutinize them. He said that measures should be worked out to expedite the public works projects without undermining LegCo's power in the scrutiny process. These would include, among others, conducting comprehensive consultation at an early stage and in parallel with other statutory requirements such as environmental impact assessment and gazettal. Noting that the movements of Civil Engineering Works Index (CEWI) had been used as the basis for assessing changes in construction cost, he enquired if the Administration had made reference to other indices as well. PSETW(W) explained that apart from CEWI, the Administration also used the Highways Department Construction Cost Index and the Building Cost Index in working out the movements in construction cost. These indices also provided useful reference to work out the real term value of the financial ceiling of about \$21 million.

9. Mr WONG Kwok-hing said that Members of the Hong Kong Federation of Trade Unions agreed that public works projects should be expedited with a view to creating more jobs for workers. While accepting the proposed increase in the financial ceiling to \$21 million to take account of inflationary adjustments, he had reservation on further increase of the ceiling to \$30 million. Given that there was no commitment on the part of the Administration to address the under-spending on public works projects, it was doubtful how the proposed increase in the financial ceiling of the delegated power of approving Category D items from \$21 million to \$30 million could expedite the implementation of works projects. He considered it necessary for the Administration to streamline the procedures and improve the transparency of the planning process, particularly in respect of CWP as members were not made aware of the progress of planning and/or how the projects were prioritized. He also enquired if the lead time of 45 and 21 months for medium size civil engineering projects and minor works respectively could be further reduced through streamlining of various procedures, and what measures the Administration would take to expedite the delivery of works projects, including those on Lantau Island.

10. PSETW(W) explained that a list of capital works projects under CWP with construction commenced, including Category B items which would commence construction within the following year, was provided in the annual estimates while reports on the progress of works were provided on a quarterly basis. For minor works funded by the CWRF block allocations, these were made available to members through the LegCo Secretariat. Quarterly Reports on Public Works Programme under the purview of the Works Branch were also submitted to the LegCo Secretariat and published at the website of the Environment, Transport and Works Bureau so that members who wished to raise questions on these projects could do so. The Deputy

Director of Leisure and Cultural Services (Leisure Services) explained that with rising construction cost, many of the minor works projects would cost over \$15 million each. By way of illustration, a 7-a-side soccer pitch would almost exceed \$15 million to build while a park of an area of about 4 000 square meters would have required close to \$15 million. Therefore, the increase in the financial ceiling of the delegated authority of approving Category D items would have provided greater flexibility in the implementation of minor works projects, including those undertaken by District Councils (DCs) which would be delegated to take charge of and prioritize on the minor works projects to be carried within their districts starting from 2008. Meanwhile, DSETW(W)1 said that separate allocation had been made to take forward projects recommended by DCs and adequate consultation would be held on projects which would have impacts on the traffic in the area.

11. Mrs Selina CHOW reiterated that LP Members would accept the increase in financial ceiling, which had long been overdue since the last revision in 1995, to take account of inflation in order to restore the value of the ceiling in real terms to facilitate the delivery of minor works projects. She added that members were supportive of the need to implement public works projects in an efficient and effective manner and would not mind holding additional meetings to scrutinize the relevant funding proposals if necessary. PSETW(W) said that the Administration was appreciative of LegCo's efforts in scrutinizing the funding proposals and in holding additional meetings for the purpose. It was worth noting that much time and effort were needed on the part of the Administration in the planning of projects, in particular mega infrastructure projects, before these were ready for submission to LegCo for funding approval. The increase in financial ceiling would allow more relatively small scale projects to be implemented via the minor works route.

12. Ir Dr Raymond HO said that PWSC had been holding additional meetings in the past to scrutinize funding proposals for public works projects. He shared members' views that the revision in the financial ceiling for delegated powers was long overdue. Timely revision would have allowed small-scale projects, such as those involving the provision of recreational facilities and sewage treatment services which were badly needed by districts, to be completed more expeditiously. This would also create more job opportunities for construction workers as small-scale projects were usually more labour intensive. DSETW(W)1 said that projects undertaken through the minor works route could be completed within a shorter time frame as they were not required to undergo the various planning steps for admission/upgrading through the CWP upgrading route. The expedition of projects would create more job opportunities since experience showed that a \$100 million worth of minor works projects could create about 200 jobs for the construction industry. It was expected that minor works projects undertaken by DCs would benefit most from the proposed increase in the financial ceiling.

13. Miss CHAN Yuen-han noted that there was public misconception that LegCo was delaying the delivery of works projects which indeed was not the case. While supporting the revision of financial ceiling to take account of inflation, she opined that further increase of the ceiling beyond the restoration of value in real terms would require justifications. She also stressed the need for adequate consultation

with DCs on works projects within their districts, irrespective of the scale of projects. DSETW(W)1 said that it had been 12 years since a revision was made to the financial ceiling of the delegated powers. There was a need to increase the ceiling to restore the value in real terms. She assured members that the Administration attached great importance to consultation with DCs. It had also allocated funds to DCs for implementing improvement projects.

14. Dr YEUNG Sum said that Members of the Democratic Party would not support any proposal to increase the financial ceiling. Despite that LegCo had a constitutional role to monitor public expenditure, this had been diminishing since the handover in 1997. As such, he was not prepared to support any further delegation of LegCo's powers.

15. Mr LEUNG Kwok-hung said that the crux of the matter was that the Government was not elected by the people. He opined that the Government should have undertaken more public works projects during deflation to achieve savings on the one hand and create job opportunities on the other. He also questioned why SETW was not present at the meeting to answer members' queries.

16. Mr Abraham SHEK was concerned about the unemployment situation of the construction industry as about 10% of construction workers had remained unemployed. With the proposed increase in financial ceiling, more minor projects could be taken forward expeditiously, thereby providing the much needed job opportunities for the construction sector. Given the higher public expectation and more stringent standards, many of the minor works projects would cost more than \$15 million and hence he would support the proposed increase of the ceiling to \$30 million. While agreeing to the need to streamline the planning procedures with a view to expediting the works projects, he called upon members to support the proposed increase which would help to resolve the plight of unemployed construction workers.

17. Expressing similar concern on the need to create more job opportunities for construction workers, Mr LAU Kong-wah opined that it was pointless to argue who was responsible for the delay in the delivery of works projects. Based on his own experience as a District Councillor, minor works projects undertaken by DCs would often exceed the financial ceiling of \$15 million. In order that these projects could be implemented through the minor works route, strenuous efforts had been made to reduce the construction cost to below \$15 million. Therefore, he would support the revision of the financial ceiling to reflect the value in real terms and to take into account the needs of districts. Moreover, consultation with DCs was essential for works projects affecting their districts. He also enquired about the measures to be taken to expedite the works at district level, some of which had been put on hold because DCs were requested to shoulder the recurrent costs of the projects. As a long time District Councillor, Mr WONG Yung-kan said that he would support the proposed increase in financial ceiling as it would facilitate the implementation of works projects and create more job opportunities within districts. He also considered that more training should be provided to District Councillors in the management of district facilities.

18. The Permanent Secretary for Financial Services and the Treasury (Treasury) said that some years ago, Government departments were required to shoulder the recurrent cost of some of the works projects due to the fiscal constraints of the Government. Such an arrangement had ceased since 2005 and Government funding was now provided for both the capital and recurrent costs of all approved projects, except for minor works projects which normally involved minimal recurrent costs. With the proposed increase in financial ceiling, the Administration might need to consider whether Government funding would be provided to cover the recurrent cost of minor works projects exceeding \$15 million.

19. Prof Patrick LAU expressed support for the expedition of public works projects. Noting that the difference in lead time for delivery of projects between the CWP mechanism and the minor works route was partly due to the need for completion of Project Definition Statement (PDS) and Technical Feasibility Statement (TFS) which would take about seven months, he asked if consideration could be given to dispensing with these requirements for smaller scale projects with a view to expediting these projects. PSETW(W) said that while the Administration was committed to expediting the delivery process as far as practicable, it could not dispense with PDS and TFS which were part of the standard requirements under CWP for approval by PWSC and FC. DSETW(W)1 added that under the CWP mechanism, a project proposal could only attain Category C status upon the submission of PDS and approval of TFS by the Works Branch of the Environment, Transport and Works Bureau. Bids for funding could then be made to upgrade the proposal to Category B status. Minor works of smaller scale projects were grouped under Category D items and were not required to go through the CWP mechanism.

20. Prof Patrick LAU held the view that the decision of whether PDS and TFS should be conducted should be determined by the complexity of the project rather than its cost. By dispensing with the need for PDS and TFS, the implementation of simple projects, such as sewage and renovation projects, could be expedited, resulting in much saving in time and resources. DSETW(W)1 explained that as some 8 000 projects were implemented each year, it would be difficult to exercise discretion on each of these projects, taking into account their nature and complexity. The Administration had been using the financial ceiling of \$15 million as the benchmark in deciding whether the projects should go through the CWP mechanism or the minor works route. It was expected that more flexibility could be provided by increasing the financial ceiling to \$30 million. Given the large number of works projects to be implemented, PSETW(W) said that there was a need for an objective guideline to determine whether planning and feasibility studies should be conducted. As such, it had been the practice to set a financial ceiling under which projects below the ceiling would go through the minor works route while those above the ceiling would go through the CWP mechanism involving the conduct of PDS and TFS.

21. While supporting the need to implement public works projects expeditiously, Ms Audrey EU stressed that this should not undermine the monitoring role of members who had discharged their role dutifully without delaying the projects in any way. The problem appeared to rest with the rigidity of the CWP mechanism to require all CWP projects to go through all the established procedures, regardless of

the nature and complexity of the projects. Hence, the Administration should fine-tune the CWP mechanism, such that different procedures would be applied to different projects having regard to their costs and complexity, with a view to expediting the delivery process before consideration could be given to increasing the financial ceiling from \$15 million to \$30 million. PSETW(W) reiterated that given the large number of projects, the easiest way to differentiate between minor and major projects was by way of pricing. The increase in the financial ceiling of the delegated power of approving Category D items would provide greater flexibility in implementing works projects and allow more projects to be delivered through the simpler minor works route.

22. As the proposed increase in financial ceiling would have serious implications and impact on the monitoring role of LegCo under Article 73 of the Basic Law, Ir Dr Raymond HO said that prior consultation with all stakeholders, including DCs and political parties, should be carried out before the proposal was put forward to FC for consideration.

23. Mr LAU Kong-wah enquired about the way forward on the proposed increase in financial ceiling. PSETW(W) said that the Administration would set out more clearly the justifications for increasing the financial ceiling further from \$21 million (to reflect the value in real term) to the proposed level of \$30 million. It would also try to work out measures to compress the implementation schedule so as to expedite the delivery of projects. Mr LAU stressed the need for the Administration to clearly explain the level of increase in the financial ceiling as this was not set out in certainty in the Administration's paper. He also requested that illustrations on projects costing between \$21 million to \$30 million should be given to facilitate members' understanding on the types of projects which would go through the minor works route rather than the CWP mechanism. The Administration should also advise whether recurrent expenses arising from minor works projects could be absorbed by the Centre.

24. Before concluding, the Chairman said that the Administration should provide justifications for the proposed increase in financial ceiling of the delegated power in approving Category D items for members' consideration as soon as practicable. In view of the long agenda for the next meeting on 8 June 2007, the Chairman said that the Secretariat would issue a notice to consult members on the feasibility of holding of an additional meeting on the same day at 5:05 pm to allow sufficient time for discussion on all the agenda items.

(Post-meeting note: The FC meeting on 8 June 2007 was subsequently rescheduled to 12 June 2007 to make way for the continuation of the Council meeting on 6 June 2007.)

25. The meeting was adjourned at 5:03 pm.