

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 4th meeting
held at the Legislative Council Chamber
on Friday, 21 November 2008, at 3:00 pm**

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Prof Hon Patrick LAU Sau-shing, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, JP
Dr Hon Margaret NG
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, SBS, JP
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
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
Hon CHEUNG Hok-ming, SBS, JP
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king
Dr Hon LAM Tai-fai, BBS, JP
Hon CHAN Hak-kan
Hon Paul CHAN Mo-po, MH, JP
Hon CHAN Kin-por, JP
Hon Tanya CHAN
Dr Hon Priscilla LEUNG Mei-fun
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon WONG Sing-chi
Hon WONG Kwok-kin, BBS
Hon WONG Yuk-man
Hon IP Wai-ming, MH
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon PAN Pey-chyou
Hon Paul TSE Wai-chun

Members absent:

Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Dr Hon Samson TAM Wai-ho, JP

Public officers attending:

Professor K C CHAN, SBS, JP	Secretary for Financial Services and the Treasury
Mr Stanley YING, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Bernadette LINN, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1

Ms Elsie YUEN	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr MAK Chai-kwong, JP	Permanent Secretary for Development (Works)
Mr Enoch LAM Tin-sing, JP	Deputy Secretary for Development (Works) ²
Mr MA Lee-tak, JP	Director of Water Supplies
Mr Bobby NG Mang-tung	Assistant Director of Water Supplies (Development)
Mr Adolph LEUNG Wing-sing	Principal Economist (2), Financial Secretary's Office
Mr Alan CHU King-man	Deputy Secretary for Transport and Housing (Transport) ³
Mr TSANG King-man	Assistant Commissioner for Transport (Technical Services)
Miss Shirley CHU Ming-po	Acting Chief Superintendent of Police (Traffic), Hong Kong Police Force
Ms Nancy NGAN Suk-fan	Chief Inspector of Police (Law Revision and Projects) (Traffic), Hong Kong Police Force

Clerk in attendance:

Mrs Constance LI	Assistant Secretary General 1
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Staff in attendance:

Ms Anita SIT	Chief Council Secretary (1) ⁴
Mr Simon CHEUNG	Council Secretary (1) ¹
Ms Alice CHEUNG	Senior Legislative Assistant (1) ¹
Mr Frankie WOO	Legislative Assistant (1) ²

Action

Item No. 1 - FCR(2008-09)44

**RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE
MADE ON 7 NOVEMBER 2008**

The Chairman put FCR(2008-09)44 to vote. The Committee approved the proposal.

Item No. 2 - FCR(2008-09)45**HEAD 194 - WATER SUPPLIES DEPARTMENT****• Subhead 223 Purchase of water**

2. At the invitation of the Chairman, Prof Patrick LAU, Deputy Chairman of the Panel on Development, reported that the Panel on Development had discussed the Administration's new Dongjiang (DJ) water supply agreement for the years 2009 to 2011 with the Guangdong authorities on 28 October 2008. Panel members in principle supported the water supply arrangements under the new agreement. The Panel noted that the increases in the purchase price of DJ water under the new agreement mainly reflected the appreciation of Renminbi (RMB) against Hong Kong dollar (HKD) and the inflation in the Mainland and Hong Kong in the past three years, as well as the projected trends of inflation and the exchange rate in the years 2009 to 2011. While Panel members supported the flexible water supply arrangement, they sought explanation for adopting the package deal lump sum approach instead of the unit water price approach. Some members expressed concern about the need to maintain the ultimate annual DJ water supply quantity at 1 100 million cubic metres (mcm), and enquired about the impact it might have on the purchase price of DJ water. As regards water resource management, Panel members expressed concern about the progress of the territory-wide water mains replacement and rehabilitation programme, and urged the Administration to expedite the works for extension of the seawater toilet flushing system and step up public education on water conservation.

Quantity and purchase price of water supply

3. Mr WONG Kwok-hing said that while the new DJ water supply agreement would not have an immediate effect on the water charges as the Financial Secretary had pledged to freeze water charges for 2008-2009 and 2009-2010, he was worried that there would be a substantial increase in water charges after the two years' freeze. Pointing out that DJ water was a precious resource for Hong Kong and the nearby cities in Guangdong, he asked whether there would be a more flexible supply of DJ water to Hong Kong under the new agreement so as to avoid discharging excessive DJ water to the sea.

4. The Permanent Secretary for Development (Works) (PS(W)) advised that since 2005, no DJ water supplied to Hong Kong had been discharged to the sea, because the Administration had been communicating regularly with the Guangdong authorities on the supply of an appropriate quantity of DJ water to avoid wastage. He affirmed that as promulgated by the Financial Secretary, there would be no increase of water charges in 2008-2009 and 2009-2010. As regards the water charges thereafter, the Administration would review the situation taking into account various relevant factors before making a decision.

5. In reply to Mr WONG Kwok-hing's enquiry about the package deal lump sum approach for the new water supply agreement, the Director of Water Supplies

(DWS) explained that the lump sum DJ water price for the next three years was calculated on the basis of an annual supply of 820 mcm. The arrangement would for the next three years ensure a reliable supply of water meeting the needs of Hong Kong under a 100-year return period drought.

6. Mrs Sophie LEUNG said that for the new water supply agreement, the Guangdong authorities had not included the costs arising from various improvement projects that aimed to enhance the quality of DJ water. The costs of these projects were substantial. If the Guangdong authorities demanded for inclusion of the costs, the purchase price of DJ water might have to increase substantially in future. She requested the Administration to take note of the possible financial implication in this regard. In response, DWS advised that inflation and the exchange rate between RMB and HKD were the only two factors taken into account by both sides in arriving at the purchase price of DJ water under the new agreement.

7. Mr IP Kwok-him said that he had visited DJ some years ago in the capacity of member of the National People's Congress, and he noted that the Guangdong authorities had indeed invested a great deal of resources to ensure a steady supply of DJ water to Hong Kong. He was in full support of the present proposal.

8. Mr WONG Yuk-man queried the need to reserve and pay towards a water supply of 1 100 mcm to cater for extreme drought conditions with a return period of one in 100 years. He said that in an extremely drought condition, Hong Kong would have to compete with Guangdong for scarce water resources, and reserving a large quantity of DJ water for Hong Kong would therefore be unrealistic. In his opinion, Hong Kong should play its part in conserving water and identifying new water resources.

9. PS(W) said that apart from seeking a steady supply of DJ water through the new agreement, the Administration would actively pursue other measures including seawater desalination and the use of reclaimed water, in line with the Total Water Management Strategy. DWS advised that the purchase price of DJ water under the new agreement was based on the annual supply ceiling of 820 mcm. This supply quantity was based on the territory's actual consumption in previous years, and would be adequate to meet the needs under a 100-year return period drought. The 1 100 mcm was the ultimate annual DJ water quantity reserved for Hong Kong. It was anticipated that Hong Kong would not reach this consumption level until around 2030.

10. Ir Dr Raymond HO said that given the strong competition among Guangdong cities for DJ water supply, it was necessary to lay down the annual supply quantity ceiling of 820 mcm in the new agreement to ensure reliable and adequate water supply to meet Hong Kong's needs.

11. Mr Paul TSE questioned the bases for the proposed increases of DJ water price for the years 2009 to 2011. He anticipated that with the outbreak of the global

financial crisis in October 2008, there would be a downturn of Hong Kong's economy and thus Hong Kong would have deflation rather than inflation in the next few years. Given that the negotiations with the Guangdong authorities were conducted before the global financial crisis broke out, there might be grounds for the Administration to start negotiations again with the Guangdong authorities for a better deal. Dr PAN Pey-chyou shared similar views and suggested the Administration negotiate with the Guangdong authorities for more favourable terms and introduce a mechanism to allow annual adjustment of the price of DJ water based on relevant factors such as inflation rate and exchange rate between RMB and HKD.

12. In response, the Deputy Secretary for Development (Works)2 and the Principal Economist (2) explained that for the three-year period from mid-2005 to mid-2008, the cumulative appreciation of RMB against HKD was 14%. In the first 10 months of 2008, RMB had appreciated by 6.1% against HKD. As regards the inflation for the same period, the average annual inflation of Guangdong and HK was about 3%. Notwithstanding the current global financial crisis, the latest forecast of private financial institutions in October 2008 was that the average annual inflation rate of the Mainland and Hong Kong for the years of 2009 to 2011 would be around 3.6% and 4% respectively. In a bid to battle against economic downturn caused by the global financial crisis, the Central Government had decided to implement a stimulus package involving a total of RMB 4,000 billion in the next two years. These measures would have a direct effect on the inflation rate of the Mainland. On the exchange rate of RMB, forecast of private financial institutions was that there would still be an appreciation of 2.2% and 4.8% respectively in 2009 and 2010.

13. On Dr PAN's suggestion to bring in a mechanism to facilitate annual adjustment of DJ water price, PS(W) said that such a mechanism might not be suitable since both sides preferred an agreement that could guarantee a stable supply of water on one hand and steady returns to investments on the other. Besides, given the involvement of a great deal of time and resources in the government-to-government negotiations, annual negotiation for adjustment of DJ water price was not preferred.

Quality of water

14. Mr WONG Yuk-man expressed concern that the pollution of DJ water had been a matter of wide public concern some years ago. DWS said that the quality of DJ water had significantly improved following the commissioning of the designated aqueduct for the Dongshen Water Supply System in mid-2003. Daily monitoring showed that DJ water met the national Type II standard of GB 3838-2002.

Water leakage problem

15. Ms Audrey EU expressed grave concern about the water leakage problem and urged the Administration to speed up the current water mains replacement and rehabilitation programme. She remarked that based on the current purchase price for DJ water, the leakage problem at the existing rate of 23% was already costing the

tax-payers some \$500 million each year. The cost of the water loss would increase following the adjustment of the DJ water price in 2009, 2010 and 2011. Mrs Sophie LEUNG expressed similar concern and enquired about the Administration's efforts to address the problem.

16. In reply, DWS said that the water mains replacement and rehabilitation programme had started for some time to replace and rehabilitate some 3 000 km of aged water mains by 2015. The estimated leakage rate had been reduced from around 25% in 2001 to around 23%. . On completion of the current water mains replacement and rehabilitation programme in 2015, the leakage rate would be further reduced to 15%.

17. Mr LEUNG Yiu-chung considered that the leakage rate of 23% was unacceptable and urged the Administration to take all possible measures to bring forward the completion date of the water mains replacement and rehabilitation programme. Ms Audrey EU and Mr LEUNG Kwok-hung suggested that the Administration should engage more workers in the relevant works, and if necessary, the works could be carried on during night time.

18. DWS explained that the current programme was originally scheduled for completion in 2020 and the Administration had already brought forward the completion date to 2015. The revised time frame was reasonable and realistic, given that there were already some 700 to 1 000 worksites involving excavations in roads each day. Further attempt to speed up the programme or increase the scale might generate undue nuisances and traffic problems, which in turn would lead to great inconvenience to members of the public. He assured members that the Administration would monitor the progress closely and would take all possible measures to speed up the works to replace and rehabilitate old water mains. To enable members to have a better understanding of the Administration's efforts in tackling the leakage problem and worksite limitations, PS(W) offered to arrange a visit for members to relevant worksites.

19. Ir Dr Raymond HO expressed concern that upon completion of the current programme in 2015, another large-scale water mains replacement and rehabilitation programme had to commence shortly for the remaining 4 700 km water mains, many of which would have become aged water mains by then. DWS advised that the new water mains were made of more durable materials, and therefore could last for a longer lifespan up to 50 or 60 years. Meanwhile, WSD would implement comprehensive pressure management to optimize pressure on water mains, and this would extend the service life of new and existing water mains.

Use of seawater for toilet flushing

20. Mr WONG Kwok-hing urged the Administration to extend the supply of seawater for toilet flushing to save fresh water. PS(W) and DWS advised that at present, more than 80% of Hong Kong's domestic households were using seawater for

toilet flushing. Projects to extend the supply of seawater for toilet flushing were on the pipeline. The project for the Disneyland area on Lantau Island was currently underway, the project for Pokfulam would start in late 2008, and the project for the Yuen Long and Tin Shui Wai areas would start in 2009.

21. Mr LEUNG Yiu-chung criticized that seawater supply in public housing estates was often disrupted. In many cases, even though the seawater supply problem only affected a few units, the estate management often chose to switch off seawater supply for the whole residential block for repair. As a result, the tenants had to resort to using fresh water for toilet flushing. He urged the Administration to look into the problem to avoid wasting fresh water. DWS responded that cleanliness and good maintenance were crucial to ensuring a steady supply of seawater for toilet flushing. He would relay Mr LEUNG's concern to the Housing Department, and exchange views with the Department for possible improvement.

Seawater desalination and use of reclaimed water

22. Noting that the Administration had completed a pilot desalination plant study using the latest reverse osmosis technology, Mr Albert HO enquired about the latest development. In response, DWS advised that reverse osmosis technology was a well-proven technology for water desalination that had been tried out successfully in Hong Kong in the two pilot plants in Tuen Mun and Ap Lei Chau. However, the new technology was far more expensive than DJ water. The unit cost for each cubic metre of desalinated water and DJ water was about \$10 and \$6 respectively. The Administration would keep abreast of the development of the technology to see if seawater desalination could be turned into a reliable and cost-effective source of fresh water for the territory.

23. In reply to Mrs Sophie LEUNG's enquiry about the use of reclaimed water for non-potable purposes, DWS advised that the Administration was conducting a pilot scheme at Shek Wu Hui Sewage Treatment Works on water reclamation, and subject to final results of the pilot scheme, reclaimed water might be provided to consumers in Sheung Shui and Fanling for toilet flushing and other non-potable uses.

Proposed construction of new reservoirs

24. Mr LEUNG Kwok-hung disagreed that Hong Kong should set aside a large amount of public funds for a fixed quantity of DJ water to cater for an extreme drought condition in Hong Kong at the expense of the needs of the people of the Guangdong province. He considered that instead of relying heavily on DJ water, Hong Kong should explore new water resources, in particular the construction of new reservoirs in HK which would also create new job opportunities. In response, PS(W) pointed out that due to geographical constraints, it would be very difficult to identify sites for new reservoirs in the territory. Besides, even with more reservoirs, there would still be no guarantee of reliable and adequate water supply.

Public education on water conservation

25. Mr IP Wai-ming opined that the Administration should step up public education on water conservation, and enquired about the efforts made by the Administration in this respect. DWS advised that as part of the Total Water Management Strategy, public education would be stepped up for all sectors, in particular the younger generation. Besides, the Water Supplies Department would develop a "Water Efficiency Labelling Scheme" to facilitate consumers in selecting plumbing fixtures and appliances that would help to conserve water.

26. The Chairman remarked that water conservation was a global issue and Hong Kong had the obligation to protect valuable water resources.

27. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 3 - FCR(2008-09)46**CAPITAL WORKS RESERVE FUND****HEAD 708 - CAPITAL SUBVENTIONS AND MAJOR SYSTEMS AND EQUIPMENT : Transport Department****• Subhead 8111ZN Expansion of Speed Enforcement Camera System, Phase 2**Justification for additional funding for the project

28. Noting that the present funding proposal was to increase the funding commitment approved by the Finance Committee on 13 June 2008 for the "Expansion of the Speed Enforcement Camera (SEC) System, Phase 2" project, Ms Cyd HO sought explanation for the need for additional funding after a lapse of only five months. She also asked why the present proposal still included training cost, as the project had been implemented for some time.

29. The Deputy Secretary for Transport and Housing (Transport)3 (DS(T)) explained that two serious traffic accidents had occurred in New Hiram's Highway in Sai Kung and Garden Road in Central in May and June 2008 respectively. These accidents had prompted the Administration to conduct a review on 29 long downhill roads in the territory with a view to identifying necessary safety improvement measures. The Panel on Transport was briefed on 30 June 2008 on the findings of the Administration's review. The Administration took heed of Panel members' view that subject to technical feasibility, SEC housings should be installed at all these road sections to deter speeding. The purpose of the current proposal was to obtain additional funding to install additional SEC housings at 26 long downhill roads. As regards training cost, the Chief Superintendent of Police (Traffic) (CS of P(T)) advised that the training cost only accounted for a very small portion of the project

estimate and was for training additional staff for repositioning of SECs among the SEC housings.

Effectiveness of SECs

30. Replying to Mr WONG Kwok-hing, DS(T) advised that in deciding the number and locations of SEC housings, the Administration had to consider various factors such as resources implications, actual deterrence effect, and the need to avoid repeated prosecutions within a short distance between SECs. With the increase of SECs from 10 to 20 and SEC housings from 85 to 127 upon completion of the Phase 2 project, the camera-to-housing ratio would be improved from 1:8.5 to 1:6.35. The new provision should be adequate in attaining the desired outcome for the time being. As for the new digital cameras, all of them were of not lower than 4 million pixels and would therefore function more effectively than the existing ones which were either non-digital wet film cameras or old digital cameras with a resolution of 1.3 million pixels. On Mr WONG's concern about the adequacy of SECs, DS(T) assured members that the Administration would monitor the situation of the traffic accidents and speeding cases closely and would introduce other improvement measures if necessary. Apart from the SEC system, the Administration would continue to control speeding through other means including the use of laser guns and mobile enforcement actions. Mr WONG asked to put on record his view that the Administration should seek to acquire more SECs to deter speeding.

31. Referring to a recent case involving the reliability of the SECs which was brought to court by a well-known local tycoon, Mr Paul TSE expressed doubt about the effectiveness of SEC system in deterring speeding since the camera positions were often tipped off by telecommunications companies. He considered that physical presence of policemen would pose greater deterrence against speeding. DS(T) stressed that the SEC system was only one of the measures adopted by the Administration to curb speeding. With the installation of the additional SECs and SEC housings under the Phase 2 project, the number of prosecutions against speeding was expected to increase by 136%. To maximize enforcement effect, cameras would be repositioned by Police Officers from time to time to detect speeding. As the new SEC system was based on latest technologies, he was confident about its accuracy and reliability in detecting and recording speeding offences. As for the speeding case mentioned by Mr TSE, he clarified that the case was related to the use of laser gun and not SECs. CS of P(T) supplemented that so far, no speeding prosecution case based on evidence collected through SECs had been overruled at court.

Installation cost and location of the SEC housings

32. Ms Cyd HO, Mr LEUNG Yiu-chung and Mr James TO expressed grave concern about the apparently high installation cost for the 26 SEC housings which amounted to \$6.44 million (i.e. a unit cost of \$246,000). The Assistant Commissioner for Transport (Technical Services) (AC for T(TS)) explained that the installation of each SEC housing would involve considerable on-site civil works

including wiring for electricity supply, repositioning of underground facilities, and the testing and calibrations by specialists. Depending on the location, the installation cost might vary between SEC housings.

33. Ms Cyd HO considered that installation of a SEC housing at an inappropriate location might adversely affect traffic flow and induce unnecessary traffic accidents. The Administration should therefore consult the relevant District Councils on the proposed locations of SECs. Mr James TO queried the basis for selecting the locations of the SEC housings. He considered that, a road as steep as Old Peak Road would require no speeding surveillance, as it was unlikely that the driver would risk his/her life speeding downhill. The Magazine Gap Road was also not a black spot for speeding. Mr LEUNG Yiu-chung, Mr Paul TSE and Mr IP Kwok-him expressed similar concerns.

34. In response, DS(T) explained that only long downhill roads with a gradient of 10% to 17% and a length of 500 to 2000 metres would be considered for installation of SEC housings in the current project. AC for T(TS) added that the Administration had considered other factors such as the frequency of accidents, seriousness of speeding on site, and the possible obstruction a SEC housing might cause to traffic flow. For some locations, steepness of the road would be a major consideration, since a traffic accident at these locations could be disastrous. While the Administration had not consulted District Councils on the SEC housing locations, the Panel on Transport had called for the installation of SEC housings at the 29 long downhill roads in the territory subject to technical feasibility.

35. Mr IP Kwok-him said that while he supported the funding proposal, he would suggest that the relevant District Councils should be allowed to give views on the locations of the new SEC housings. At the suggestion of the Chairman, DS(T) agreed to gauge the views of the relevant District Councils before the installation of the new SEC housings at Old Peak Road and Magazine Gap Road.

Admin

The Administration's approach to the speeding problem

36. Mr WONG Yuk-man criticized the Administration's approach in tackling the speeding problem. He opined that instead of enhancing the SEC system and stepping up prosecutions against speeding, the Administration should take concrete steps to improve the road designs and conditions and strengthen public education on good driving habits.

37. DS(T) responded that the Administration had conducted detailed site inspections at the 29 long downhill roads. The site inspections revealed that the designs of these roads and road signs were in order. Improvement measures such as the laying of anti-skid surfacing and the banning of road use by long cars in certain sections of Magazine Gap Road and Clearwater Bay Road had already been taken. Miss Tanya CHAN requested the Administration to conduct regular inspection and carry out necessary maintenance works such as repair of anti-skid surfacing from time

to time to maintain good road condition. DS(T) said that the Administration would check the road condition regularly, and would endeavour to step up public education on safe driving. The Administration also welcomed views from Members and District Councils on improvement measures.

38. The Chairman put the item to vote. The Committee approved the proposal.

39. The meeting was adjourned at 4:56 pm.

Legislative Council Secretariat
18 March 2009