

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 16th meeting
held at the Legislative Council Chamber
on Friday, 5 June 2009, 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
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, JP
Dr Hon Margaret NG
Hon CHEUNG Man-kwong
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Hon WONG Yung-kan, SBS, JP
Hon LAU Kong-wah, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
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 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
Hon Paul TSE Wai-chun

Members absent:

Hon James TO Kun-sun
Dr Hon Philip WONG Yu-hong, GBS
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Albert CHAN Wai-yip
Hon WONG Ting-kwong, BBS
Dr Hon PAN Pey-chyou
Dr Hon Samson TAM Wai-ho, JP

Public officers attending:

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| 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 |

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| Ms Elsie YUEN | Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch) |
| Mr WONG Ming-to | Principal Assistant Secretary for Development (Works) ² |
| Mr John CHAI Sung-veng, JP | Director of Civil Engineering and Development |
| Mr CHAN Chi-chiu | Project Manager (New Territories North and West), Civil Engineering and Development Department |
| Mrs Sorais LEE KWAN Siu-kuen | Chief Engineer (Project 1), New Territories North and West Development Office, Civil Engineering and Development Department |
| Mr Edward YAU Tang-wah, JP | Secretary for the Environment |
| Mr Albert LAM Kai-chung, JP | Deputy Director of Environmental Protection (2) |
| Dr Ellen CHAN Ying-lung, JP | Assistant Director of Environmental Protection (Environmental Infrastructure) |
| Mr Alex NG Yau-wing | Principal Environmental Protection Officer (Special Waste and Landfill Restoration), Environmental Protection Department |
| Miss Yvonne CHOI, JP | Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) |
| Mr Joseph LAI Yee-tak, JP | Director-General of Trade and Industry |
| Miss Vivian LAU | Deputy Director-General of Trade and Industry (Commercial Relations, Controls and Support) |

Clerk in attendance:

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| Mrs Constance LI | Assistant Secretary General 1 |
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Staff in attendance:

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| Ms Anita SIT | Chief Council Secretary (1) ⁴ |
| Mr Simon CHEUNG | Senior Council Secretary (1) ⁵ |
| Ms Alice CHEUNG | Senior Legislative Assistant (1) ¹ |
| Mr Frankie WOO | Legislative Assistant (1) ² |

Item No. 1 - FCR(2009-10)19

RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE MADE ON 7, 20 AND 25 MAY 2009

The Chairman put FCR(2009-10)19, except PWSC(2009-10)16 and 27 to vote. The Committee approved the proposal.

PWSC(2009-10)27 259RS Cycle tracks connecting North West New Territories with North East Territories

2. Mr IP Wai-ming said that Members belonging to The Hong Kong Federation of Trade Unions (HKFTU) considered that the promotion of cycling tourism would help enhance the development of tourism in Hong Kong. In this connection, he asked whether the Administration would expedite the development of cycle track network and conduct studies on relevant overseas experience such as that in Europe and the United States in encouraging cycling tourism activities.

3. The Principal Assistant Secretary for Development (Works)2 (PAS(Works), DEVB) advised that the planning of cycle track network to integrate with nearby scenic spots was part of the Administration's ongoing initiative to enhance the leisure and recreational value of cycle tracks. At the same time, the Administration was liaising closely with the tourism industry including the Hong Kong Tourism Board (HKTB) on the promotion of cycling tourism and the development of local ancillary facilities. Since November 2008, HKTB together with the tourism industry had been launching guided cycling tours under the Nature Kaleidoscope Programme to promote cycling travel activities at the Deep Bay and Mai Po areas in Northwest New Territories to overseas visitors so as to test out the market, and this had received favourable response. The Administration would continue its efforts to link up cycle track network with scenic and ecological spots such as those along the section of cycle tracks from Tuen Mun to Sheung Shui, while there were similar initiatives made by the non-Government sector. At the request of Mr IP Wai-ming, he agreed to provide supplementary information on the possibility of using the proposed cycle tracks for promoting cycling tourism, and whether there were other initiatives for promoting cycling tourism in Hong Kong.

(Post-meeting note: The relevant supplementary information provided by the Administration was circulated to members vide FC130/08-09 on 22 June 2009.)

4. Mr WONG Kwok-hing expressed support for the proposal and suggested the Administration expedite the provision of cycle tracks in individual districts (such as Tsuen Wan) in advance of inter-district networking. PAS(Works), DEVB responded that the cycle tracks in the Tsuen Wan - Tuen Mun section under project 268RS would be taken forward in phases, starting from those areas which did not involve land

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resumption, with a view to commissioning some standalone sections for early enjoyment by the public before the whole section was completed. Mr WONG said that some residents in the Tsing Yi district had requested for ancillary facilities such as lifts to facilitate cyclists to access the Tsing Yi Bridge. The Director of Civil Engineering and Development took note of the request.

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5. Mr WONG Kwok-hing enquired about the Administration's follow-up action to improve the design of bollards along cycle tracks as suggested by some members of the Public Works Subcommittee (PWSC) at the meeting on 20 May 2009. PAS(Works), DEVB advised that an improved design to enhance the safety of cyclists was undergoing trial by the Transport Department, and the results would be reported to the Road Safety Research Committee of the Road Safety Council.

6. Mr CHEUNG Hok-ming sought the Administration's response to his request made at the PWSC meeting on 20 May 2009 concerning the construction of feeder cycle tracks to villages in the development of cycle track networks in the New Territories. In view of the implementation of the reduced coverage of the Frontier Closed Area and the construction of a secondary boundary fence, he suggested that the Administration should consider providing pedestrian walkways and cycle tracks to facilitate access to and from the new Boundary Patrol Road. PAS(Works), DEVB advised that the suggestion would be considered in the context of the current studies on the planning and development of the released frontier land.

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7. Prof Patrick LAU expressed concern about the safety risks posed by the steep gradient of some existing cycle tracks and subways, and asked whether provision was available under this proposal for making improvements in this regard. PAS(Works), DEVB advised that the gradients of existing cycle tracks and bridges were in the range of 8% to 10% (i.e. 1:12.5 to 1:10), and were up to the established standard. The Transport Department would regularly assess and review the safety of cycle tracks and implement improvement measures where necessary to enhance the safety to cyclists. While a sum of \$3 million would be provided for improvement works at selected sections of existing cycle tracks within the proposed project scope, those outside the project area would be undertaken with separate funding under the Block Allocations for minor improvement works.

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

PWSC(2009-10)16 233DS Sludge treatment facilities

Construction of obnoxious facilities in Tuen Mun

9. Mr Albert HO said that Members belonging to the Democratic Party (DP) supported the Administration's initiative to improve the general water quality of Hong Kong and the associated sewage treatment projects including the Harbour Area Treatment Scheme (HATS) Stage 2A. However, the selection of site for the construction of obnoxious facilities such as the proposed sludge treatment facilities

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(STF) had long been a subject of contention. In particular, residents of the Tuen Mun district and the Tuen Mun District Council (TMDC) had raised strong objection that a number of unwelcomed public facilities were placed in Tuen Mun. Mr HO noted that, in response to the suggestion of establishing an inter-departmental group to discuss with TMDC the development of the proposed STF, the Environment Bureau (ENB) had taken the lead to set up a Tuen Mun Development Liaison Working Group to discuss the overall planning and development of Tuen Mun. He commended the Administration for its efforts made to address the residents' concerns. Having considered various factors and the progress made by the Working Group in relation to the 10 proposals raised by TMDC for the betterment of Tuen Mun, Mr HO said that DP Members supported the construction of the proposed STF in Tuen Mun. He stressed that DP Members' support was based on the merits of the current proposal and the change in circumstances following consultation with TMDC. It did not imply that DP Members would support similar facilities in future, such as the proposed municipal solid waste treatment facility.

10. Mr WONG Kwok-hing held the view that TMDC had only expressed "no objection" to the submission of the proposal to PWSC but had not expressed support for the proposed project. As there was still objection from TMDC members, Members belonging to HKFTU would not support the proposal. Mr WONG said that he was the convenor of the meeting between the Legislative Council (LegCo) Members and TMDC members on 12 March 2009, at which TMDC members had raised strong objection to the proposed STF in Tuen Mun. At the meeting, he had suggested that representatives of different bureaux/departments should meet with TMDC members to resolve the issues, and ENB subsequently set up the Working Group.

11. Mr Albert HO added that before TMDC members met with the LegCo Members on 12 March 2009, TMDC members had already been urging the Administration to formulate an overall policy on the development of Tuen Mun and the planning of obnoxious facilities. He noted that there had been a change in the stance of TMDC during the discussions in the past few months. He observed that TMDC members had lately come to express no objection to the submission of the proposal to PWSC.

12. Mr WONG Kwok-hing referred to the two motions passed by TMDC at its meeting on 22 April 2009 objecting to the Administration's submitting the funding application before the Working Group and TMDC had reached agreement on the development of Tuen Mun. In his view, the two motions still represented the non-supportive stance of TMDC.

13. Mr Frederick FUNG criticized that the Administration had placed too many obnoxious facilities in Tuen Mun. He expressed concern that while TMDC did not object to the submission of the funding proposal to PWSC, it had not expressed support for the proposal. As such, he would not support the proposed project.

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14. Ms Miriam LAU said that Members belonging to the Liberal Party supported the proposed STF, as treatment of sludge by incineration would mitigate the odour problem and alleviate the environmental impact brought about by landfill disposal. She considered that the provision of environmental protection facilities should not be confined to particular districts, and compensatory measures should be put in place to enhance the development of the districts where obnoxious facilities were built.

15. Ms Audrey EU and Miss Tanya CHAN said that Members belonging to the Civic Party supported the proposal given that there was a need to take forward HATS Stage 2A, and that the sludge generated by the scheme would need to be disposed of.

16. Mr CHEUNG Hok-ming said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) had expressed reservation about the proposed STF at the early stage of discussion because the public and TMDC had objected to the project. Nevertheless, DAB Members noted that the Administration had now set up the Working Group and made some progress in the discussion of the 10 proposals with TMDC. Given this development and as TMDC members did not object to the submission of the proposal to PWSC for consideration, DAB Members supported the construction of the proposed STF. While expressing concern about the possible impact of the proposed STF, Mr CHAN Hak-kan said that he would support the proposal considering the need for relieving the pressure on existing landfills and to mitigate the problem of odour emission from landfills. In view of the benefits of the provision of STF to the community at large and the stringent emission standards to be adopted for the facility, Mr LAU Wong-fat expressed support for the construction of STF at Tsang Tsui.

17. The Secretary for the Environment (SEN) said that the Administration was well aware of the sentiment and concerns of local residents towards the placing of certain unwelcome facilities in their districts. The Administration would exercise due care in the selection of sites, carry out environmental impact assessment (EIA) and conduct public consultation before proceeding with the construction of environmental protection facilities. It was the prevailing policy to adopt stringent emission standards and a better design for the facilities concerned.

18. As regards the municipal solid waste treatment facility, SEN advised that related EIA studies were still in progress and it was not appropriate at this stage to presume where the facility would be built. The Administration did not have a policy to develop such facilities in a specific district. He further advised that TMDC members generally shared an understanding of the need for the provision of STF and its benefits to the community at large. The Administration would continue to work in partnership with TMDC through the Working Group to map out strategies and measures to promote the development of Tuen Mun.

19. Mr Frederick FUNG asked whether the proposed facility could be placed on an outlying island. SEN explained that the Administration had conducted a comprehensive site search for the proposed STF. Nine potential sites were

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short-listed for detailed assessment based on a number of essential selection criteria, and Tsang Tsui near Nim Wan in Tuen Mun was identified as the most technically viable location. SEN said that it was unavoidable that the public would have different views on the location of unwelcome facilities, and even the proposed new liquefied natural gas terminal at South Soko Island attracted criticisms. The Administration would conduct thorough consultation with the relevant district councils and local communities to ensure that they had a clear understanding of the proposed facilities and to allay their concerns.

20. Mr CHEUNG Hok-ming requested the Administration to obtain consensus from the Working Group before taking forward any future expansion of the proposed STF. SEN advised that the planned progressive expansion of HATS Stage 2A together with the expansion and upgrading of regional sewage treatment works would result in an increase in the amount of sludge requiring disposal from the current quantity of about 800 tonnes per day to some 1 500 tonnes per day by 2014 and subsequently over 2 000 per day by 2020. He assured members that future expansion of STF, if any, would be undertaken in a gradual manner and the Working Group would be consulted in the process.

Compensatory measures for the Tuen Mun district

21. Regarding the proposed compensatory measures for the Tuen Mun District, Mr Frederick FUNG noted that the Administration had made commitment to only two of the 10 proposals suggested by representatives of TMDC. He requested the Administration to demonstrate more commitment by positively responding to the remaining proposals. Mr WONG Kwok-hing also expressed dissatisfaction about the slow progress made in respect of the 10 proposals.

22. Mr KAM Nai-wai requested the Administration to confirm that the proposed crematorium would be taken out from the outline zoning plan for Tuen Mun Area 46, as stated in the Administration's written response (PWSC103/08-09) issued on 27 May 2009.

23. Mr CHEUNG Hok-ming urged that the Working Group led by ENB should not be disbanded after the proposed STF was approved. He considered that the Working Group should continue its work and follow up on other projects impacting on Tuen Mun. There should also be a liaison group to monitor the STF project and discuss issues arising from its construction or operation in future.

24. SEN responded that the Administration would work closely with TMDC through the platform of the Working Group and follow up on the provision of facilities to enhance the development of Tuen Mun. The Working Group was meant to facilitate partnership with TMDC to map out strategies and measures to promote the development of Tuen Mun on a long-term basis and such strategies and measures were not confined to the 10 proposals under study. Some of these proposals would need more time for detailed study and discussion of the various options, such as the

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alternative locations for the provision of the new columbarium. He assured members that the Administration was committed to seriously consider the 10 proposals put forward by TWDC.

25. Mr Albert HO suggested that, as a compensatory measure, electricity generated by the incineration of sludge should be made available for use by the Tuen Mun residents, such as the provision of a heated swimming pool. Mr KAM Nai-wai requested the Administration to undertake that the proposed STF project would include recreational facilities for enjoyment by local residents. SEN said that the Administration would consult TMDC on the environmental education or recreational facilities to be provided at the site in order to make good use of the energy generated from STF.

Environmental impact

26. In reply to Prof Patrick LAU, the Assistant Director (Environmental Infrastructure), Environmental Protection Department (AD of EP, EPD) said that the proposed treatment using incineration method would adopt the most stringent target emission standards equivalent to the European Union Standards. She explained that biological degradation of sludge at landfills would release methane, which was 23 times higher than carbon dioxide in terms of Global Warming Potential, i.e. the relative strength of greenhouse gas with respect to its impact on global warming. Incineration of sludge could therefore reduce the generation of greenhouse gases.

27. Ir Dr Raymond HO enquired whether the relevant emission standards had been discussed under the Pearl River Delta (PRD) Regional Air Quality Management Plan by the Hong Kong/Guangdong Joint Working Group on Sustainable Development and Environmental Protection. SEN advised that while the proposed project had not been discussed by the Joint Working Group, the relevant authorities of Hong Kong and Guangdong province would continue to regularly exchange information and views on issues relating to air quality.

28. Mr LEUNG Kwok-hung opined that the proposed treatment of sludge by incineration was not environmental-friendly as ferric chloride was used in the sedimentation process of sludge, and the subsequent burning process would release harmful gases such as dioxin and other carcinogenic substances from the contaminated organic and inorganic compounds in the sludge.

29. While agreeing that treatment of sludge by incineration was a better option than marine disposal, Mr LEUNG Yiu-chung had reservation whether the method was commonly practised overseas and was the best option available. He was worried that the incineration process would produce harmful emission such as dioxin.

30. AD of EP, EPD explained that the treatment process did not involve burning of raw sludge. Domestic wastewater and faeces would first undergo mechanical and biological treatment process at sewage treatment works to form sludge after

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sedimentation. With stringent control, harmful emission would not be produced during the incineration process at the proposed STF.

31. SEN advised that the proposed treatment method was widely adopted overseas. The method would substantially reduce the volume of sludge by 90% and comply with emission standards. The method was proven to have better emission performance, and was more beneficial to the environment and sustainable as compared to the current arrangement of landfill disposal. It would also mitigate the odour problem. SEN stressed that with the planned progressive expansion of HATS Stage 2A and the consequent production of a large quantity of sludge, it was necessary to have dedicated sludge treatment and disposal means to relieve the pressure on the existing landfills.

32. Mr LEUNG Yiu-chung said that he was concerned about the environmental impact of the proposed STF while noting that there would be emission control to minimize the release of dioxin and other harmful emission from the proposed STF. He considered that the Administration should continue to explore other options for the treatment of sludge in the long run, and search for possible sites for landfill disposal of sludge.

33. Mr LEE Wing-tat expressed concern about the cumulative environmental impact of the various obnoxious facilities in Tuen Mun. He suggested that the operators should regularly assess the emission performance of the facilities and publish the latest data on their websites monthly. He asked whether the Castle Peak Power Station and the Green Island Cement Plant at Tsing Chau currently published emission data.

34. SEN stressed that the emission performance of environmental protection facilities was subject to regulation. Under the Scheme of Control Agreements signed with the Government, the power companies were required to meet specific emission reduction targets and emission caps stipulated in the specified process licences. The CLP Power Hong Kong Limited published on its website quarterly emission performance of its power stations. As for the cement plant at Tsing Chau, it had to comply with the emission limits specified in the licence issued by the Environmental Protection Department, and monitoring equipment was installed at the plant to closely monitor the emission level. He would convey Mr LEE Wing-tat's suggestion to Green Island Cement (Holdings) Limited (GIC(H)Ltd.) about disclosing its emission performance data on a regular basis.

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35. Mr LEE Wing-tat considered that these enterprises should discharge their corporate social responsibility and enhance the transparency of the emission performance of the environmental protection facilities. Such disclosure requirement should be incorporated in the respective licences upon renewal. The Administration noted the suggestion.

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36. Referring to the visit to the PRD Region by a delegation of the LegCo Members from 15 to 18 May 2009, Ms Miriam LAU said that she was impressed that the waste treatment plants in the Mainland displayed instant data of the emission performance giving details of the level of different pollutants. She enquired whether the Administration would adopt similar practice for the proposed STF in future. Miss Tanya CHAN expressed a similar view.

37. AD of EP, EPD advised that the emission performance of the proposed STF would be disclosed for public information and the Administration would consider the method for disclosure, e.g. display of data at the facility, or uploading the data onto the website. She added that as measurement of the dioxin level had to undergo specific laboratory tests, real-time data would not be available instantly, but could be provided on a regular basis.

38. Referring to the malodour from the Stonecutters Island Sewage Treatment Works which had been a subject of frequent complaint from residents in the nearby waterfront such as the Sham Shui Po district, Mr Frederick FUNG had doubts that the Administration would actively follow up on nuisances generated by the facility in future. SEN assured members that the Administration would work closely with TMDC in taking necessary follow-up actions in future.

39. Prof Patrick LAU suggested that consideration be given to recycling the treated sludge for cement manufacture or other uses. AD of EP, EPD said that after incineration and treatment, the size of sludge would be reduced by around 90% and the residual ashes would be disposed at landfills. The Administration was open-minded to suggestions of utilizing the treated sludge to bring about more environmental benefits.

40. In response to Mr KAM Nai-wai's enquiry, SEN said that as the proposed STF was to provide treatment of sludge generated mainly from the Stonecutters Island Sewage Treatment Works, most of the sludge would be delivered by sea to the proposed STF.

41. Noting that the sludge would be mixed with municipal solid waste and/or construction waste in a ratio of about one to ten (sludge-to-waste) before their co-disposal at the landfills under the current practice, Ms Cyd HO urged the Administration to devise more effective measures to reduce and recycle municipal solid waste. SEN noted the suggestion and agreed to discuss related issues with the Panel on Environmental Affairs. Replying to Ms Audrey EU, SEN said that the Administration would continue to take forward progressive expansion of HATS Stage 2A in future.

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Tender arrangements and alternative proposal

42. In reply to Prof Patrick LAU, AD of EP, EPD advised that the proposed project would be taken forward by a design-build-operate tender. The

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Administration had recently completed the tender prequalification exercise in which three companies among five applicants had been prequalified to participate in the tender.

43. Prof Patrick LAU and Mr Jeffrey LAM enquired if the Administration would consider alternative design and treatment method that were different from the prescribed specification. Mr LAM opined that the technology of some alternative proposals might become more viable and mature in the near future.

44. Ms Miriam LAU referred to a letter from GIC(H)Ltd. dated 3 June 2009, in which GIC(H)Ltd. challenged the justification for the Administration to spend some \$5.2 billion to build the proposed STF when there was a much less costly option (i.e. adoption of Eco-co-combustion system for sludge treatment at the Tap Shek Kok facility of GIC(H)Ltd. at an upfront cost of around \$950 million). She asked the Administration to explain its position to the proposal. The Chairman informed members that the Administration had provided a written response on 3 June 2009 to the issues raised in GIC(H)Ltd.'s letter (PWSC110/08-09).

45. While agreeing that incineration was an effective way to treat sludge, Ir Dr Raymond HO expressed concern about the huge cost of the current proposal. He said that it was difficult for members to consider the Administration's proposal when it appeared that there was a less costly option. In his view, different technology could be adopted to treat sludge and the Administration should be open-minded to the technology and location for the proposed facility. Noting that the project would be undertaken by way of a design-build-operate contract, he suggested that the Administration should encourage more companies, not necessarily only those companies that had gone through the prequalification exercise, to bid for the project, so that more design options would be available for comparison and consideration. As GIC(H)Ltd.'s proposal might be worthwhile for further study and the company had only missed the deadline for prequalification submission by two days, he considered that the company should be given the chance to submit tender. If GIC(H)Ltd.'s bid was found not complying with the tender requirements, the Administration could then disregard its bid. He was not convinced of the Administration giving up GIC(H)Ltd.'s proposal at this stage before the company had the chance to submit a detailed design. He considered that without the Administration's confirmation that the company would be allowed to participate in the tender, it would be difficult for GIC(H)Ltd. to carry out an EIA for its proposal.

46. Mr KAM Nai-wai opined that the Administration should follow the established mechanism for inviting tenders for the proposed STF. He considered that the tender should be conducted in a fair and open manner and the Administration should not succumb to the pressure from large conglomerates. Mr Albert HO expressed a similar view and pointed out that the proposed location at GIC(H)Ltd.'s cement plant in Tsing Chau was very close to residential areas and would lead to more opposition from the local community.

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47. Ir Dr Raymond HO clarified that he only suggested that public resources should be used in a prudent manner and he was not in favour of any particular enterprise. Citing the examples of the Tamar Development Project and the West Kowloon Cultural District Project, he pointed out that re-tendering had been carried out in the past if there was unsatisfactory market response or there was a need to review the design or tender requirements. Prof Patrick LAU said that the current tendering procedures were open and fair, and were not biased towards the interests of large conglomerates. He agreed with Ir Dr HO that the Administration should explore more options, where appropriate, to take forward the proposed STF. Mr Abraham SHEK shared Ir Dr HO's view that the Administration should review the existing arrangements to enable more interested parties to participate in the tender.

48. Ms Audrey EU and Miss Tanya CHAN said that Members belonging to the Civic Party would welcome alternative options to proceed with the STF project, as long as the construction works and commissioning of service of the facility would not be delayed. Ms EU considered that GIC(H)Ltd. should conduct an EIA for its proposal, before it could be given further consideration.

49. Ms Cyd HO supported the proposed treatment of sludge by incineration as a better alternative to landfill disposal. She said that while the GIC(H)Ltd.'s proposal appeared attractive by proposing a much lower project cost, she found it difficult to compare it with the Administration's proposal in the absence of detailed information of GIC(H)Ltd.'s proposal.

50. AD of EP, EPD said that the Administration was open to different alternatives for sludge treatment, and in accordance with the Government's tendering procedures, the prequalified bidders could submit non-conforming bids for consideration. Referring to the Island West Transfer Station for refuse disposal, she said that there were precedent cases in which the Administration had accepted non-conforming bid in the design of environmental protection facilities, in consideration of a lower project cost.

51. SEN said that in considering any proposals for STF, it was necessary that the proponents should comply with the prescribed procedures as well as requirements in respect of EIA, technology and location. Prequalification exercise and tendering were essential for identifying technically and financially capable contractors in an open and fair manner. The mechanism was applicable to all companies bidding for government projects. If a bid did not conform to the technical or location requirement, the proponent would need to demonstrate feasibility of the proposal by carrying out an EIA and also local consultation.

52. SEN further advised that while GIC(H)Ltd. had approached the Administration several times previously proposing to treat municipal solid waste at its existing cement plant site at Tap Shek Kok, it was not until 23 January 2009 that the company had formally proposed to the Administration to use the Eco-co-combustion technology for treating sludge at the plant. As the letter from GIC(H)Ltd. was only a

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document indicating its intent and was made after the prequalification submission deadline, it could not be regarded as a prequalification submission and the proposal could not be pursued further. SEN said that it was essential that GIC(H)Ltd. should carry out an EIA and conduct local consultation to confirm the feasibility of its proposal before it could be considered. He added that although there had been some pilot tests to experiment with the Eco-co-combustion method to treat municipal solid waste, the same technology was not yet proven for the treatment of sludge. Since GIC(H)Ltd. had not provided any breakdown or the basis of calculation on the project estimates at \$950 million, and that it was uncertain the proposal would be compatible with the current "Other Specified Uses" annotated "Cement Plant" zoning status of the site, the Administration was not able to further assess GIC(H)Ltd.'s proposal. It would neither be justified to re-open the prequalification exercise for any company which had not met the deadline for prequalification submissions.

53. As there were other members wishing to speak on the proposal at around 4:58 pm, the Chairman said that she would extend the meeting for 15 minutes.

54. Mr Jeffrey LAM enquired whether amendments to the design and treatment method would be allowed after publication of the tender document. SEN said that as the project would be procured by a design-build-operate contract, the successful bidder would be allowed some flexibility to adjust the design as long as the basic requirements and standards were met. The Principal Environmental Protection Officer (Special Waste and Landfill Restoration), EPD added that in view of the tight time frame for construction, major adjustments to the design and technology proposed by the bidder in his tender would not normally be allowed.

55. Ms Cyd HO asked whether the Administration would consider GIC(H)Ltd.'s proposed treatment technology if it was implemented on the specified site at Tsang Tsui instead of at the company's current cement plant. AD of EP, EPD explained that treatment of sludge by incineration was different from the burning of municipal solid waste in terms of technology and specification of facilities. As GIC(H)Ltd. had not provided the details on how the sludge would be treated in the Eco-co-combustion process, the Administration could not provide further information in this regard.

56. Mr Abraham SHEK considered it important for the Finance Committee members to play a gate-keeping role to ensure prudent use of public monies. Despite the lengthy discussion on the proposal, he was still not convinced of the need to build the proposed STF at a huge cost of \$5.2 billion. He said that he would object to the proposal.

57. The Chairman put the item to vote. The Committee approved the funding proposal, with 30 members voting for it and eight members voting against it. Two members abstained from voting. The individual results were as follows --

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For:

Mr Albert HO Chun-yan
Mr Fred LI Wah-ming
Mr CHEUNG Man-kwong
Mrs Sophie LEUNG LAU Yau-fun
Mr LAU Wong-fat
Mr Andrew CHENG Kar-foo
Mr Tommy CHEUNG Yu-yan
Mr LEE Wing-tat
Mr Alan LEONG Kah-kit
Mr Ronny TONG Ka-wah
Ms Cyd HO Sau-lan
Dr LAM Tai-fai
Mr CHAN Kin-por
Mr CHEUNG Kwok-che
Mr IP Kwok-him
(30 members)

Mr LEE Cheuk-yan
Dr Margaret NG
Mr CHAN Kam-lam
Mr WONG Yung-kan
Ms Miriam LAU Kin-yee
Mr TAM Yiu-chung
Ms Audrey EU Yuet-mee
Mr Andrew LEUNG Kwan-yuen
Mr CHEUNG Hok-ming
Mr KAM Nai-wai
Ms Starry LEE Wai-king
Mr CHAN Hak-kan
Miss Tanya CHAN
Mr WONG Sing-chi
Mrs Regina IP LAU Suk-yee

Against:

Ir Dr Raymond HO Chung-tai
Mr Abraham SHEK Lai-him
Mr LEUNG Kwok-hung
Mr WONG Yuk-man
(8 members)

Mr LEUNG Yiu-chung
Mr WONG Kwok-hing
Prof Patrick LAU Sau-shing
Mr IP Wai-ming

Abstention:

Mr Frederick FUNG kin-kee
(2 members)

Mr Paul TSE Wai-chun

Item No. 2 - FCR(2009-10)22

HEAD 181 – TRADE AND INDUSTRY DEPARTMENT

• **Subhead 700 General non-recurrent**

Item 520 SME Loan Guarantee Scheme

Item 524 SME Export Marketing and Development Funds

Item 802 Special Loan Guarantee Scheme

58. Referring to the policy objective of "supporting enterprises and preserving employment" put forward by the Chief Executive, Mr WONG Kwok-hing said that many employees were worried about their employment. He requested the Administration to follow up on the suggestion of issuing letters to business enterprises which applied for the loans and funds under the proposal, advising them not to lay off staff during this difficult period following the financial crisis. The Administration took note of the suggestion.

Admin

Action

(*Post-meeting note:* The letter dated 24 June 2009 from the Administration to Mr WONG Kwok-hing regarding preservation of employment was circulated to members vide FC157/08-09 on 23 September 2009.)

59. As members did not raise further questions, the Chairman put the item to vote. The Committee approved the proposal.
60. The meeting was adjourned at 5:15 pm.

Legislative Council Secretariat
30 October 2009