

財經事務及庫務局

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中區政府合署



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本函檔號 Our Ref. :

來函檔號 Your Ref. :

20 July 2010

Ms Anita Sit  
Legislative Council Secretariat  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Ms Sit,

### **District Cooling System at the Kai Tak Development**

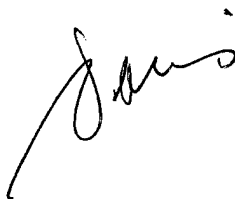
Thank you for your letter dated 19 July.

After the Public Works Subcommittee (PWSC) discussed the District Cooling System (DCS) project on 6 May last year, the Finance Committee (FC) approved the upgrading of the project to Category A at an estimated cost of \$1,671 million in money-of-the-day prices at its meeting on 5 June (please see FCR(2009-10)19).

The Environment Bureau (ENB) mentioned the procurement arrangement of the project in a footnote to its PWSC submission on 6 May last year. It was stated that the project would be implemented under a Design-Build-Operate (DBO) contract. According to ENB's latest thinking, the DBO approach would still be adopted. Nonetheless, after careful consideration, the project would be implemented under three contracts. We are of the view that the adjustment to the procurement arrangement would not affect the validity of FC's decision on 5 June last year. Reasons for adjusting the procurement arrangement have been accounted for in ENB's letters to the FC and PWSC Chairmen dated 16 July, as well as the information paper enclosed therewith.

Paragraph 3 of your letter raises the issue of whether to proceed with Phases I and II of the project before reverting to PWSC / FC would constitute a departure from established practice. We need to point out that even though ENB now proposes to arrange tendering based on three contracts, the scope and scale of the whole project have not gone beyond FC's earlier approval. To ensure the estimated cost of this project would not exceed the approved project estimate (APE) as approved by FC, ENB has made clear in the aforementioned information paper that if, after inviting tenders for Phases I and II in accordance with the revised procurement arrangements, the returned tender prices for these two Phases together with the estimated cost of Phase III are expected to exceed the APE, ENB will update the Panel on Environmental Affairs (EA Panel) on the tender outcome, and seek PWSC / FC's approval for implementing Phases I and II before awarding the contracts and for increasing the APE as necessary. Moreover, ENB would, depending on the progress of the Kai Tak Development and the Phase III tendering results of the DCS project, report to the EA Panel, and seek approval from PWSC / FC for proceeding with Phase III.

Yours sincerely,



( Ms Doris Ho )

for Secretary for Financial Services and the Treasury

c.c.

Hon Emily LAU Wai-hing, Chairman of FC

Ir Dr Hon Raymond HO Chung-tai, Chairman of PWSC

Hon Audrey EU Yuet-mee, Chairman of EA Panel