

立法會
Legislative Council

LC Paper No. CB(1)395/08-09
(These minutes have been seen
by the Administration)

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Panel on Development

Minutes of meeting
held on Tuesday, 28 October 2008, at 2:00 pm
in Conference Room A of the Legislative Council Building

Members present : 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 James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon WONG Yung-kan, SBS, JP
Hon Emily LAU Wai-hing, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon LEE Wing-tat
Hon Alan LEONG Kah-kit, SC
Hon CHEUNG Hok-ming, SBS, JP
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king
Hon CHAN Tanya
Dr Hon Priscilla LEUNG Mei-fun
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon Samson TAM Wai-ho, JP

Members attending : Hon Ronny TONG Ka-wah, SC
Hon WONG Sing-chi
Hon IP Wai-ming, MH
Hon Paul TSE Wai-chun

Members absent : Hon LAU Wong-fat, GBM, GBS, JP (Chairman)
Dr Hon Philip WONG Yu-hong, GBS
Hon Albert CHAN Wai-yip

Public officers attending : **Agenda item IV**

Mr Stephen LAM Sui-lung, JP
Secretary for Constitutional and Mainland Affairs

Mr Howard CHAN Wai-kee
Permanent Secretary for Constitutional and Mainland
Affairs (Acting)

Mr LEE Kwok-bun
Principal Assistant Secretary
(Constitutional & Mainland Affairs)⁷

Mrs Carrie LAM, JP
Secretary for Development

Mr MAK Chai-kwong, JP
Permanent Secretary for Development (Works)

Mr David TONG Sek-por
Principal Assistant Secretary for Development

Miss Shirley YUNG Pui-man
Deputy Director of Administration

Mr FUNG Pak-yan
Deputy Director of Social Welfare (Services)

Mr Daniel CHENG Chung-wai
Principal Assistant Secretary for Education

Miss Pamela LAM Nga-man
Principal Assistant Secretary for Food & Health

Mr Anthony LI Ping-wai
Principal Assistant Secretary for Home Affairs

Agenda item V

Mrs Carrie LAM, JP
Secretary for Development

Mr Enoch T S LAM
Deputy Secretary for Development (Works) 2

Mr L T MA
Director of Water Supplies

Mr M T NG
Assistant Director (Development)
Water Supplies Department

Mr Adolph W S LEUNG
Principal Economist (Ag)

Agenda item VI

Mrs Carrie LAM, JP
Secretary for Development

Mr Raymond YOUNG Lap-moon, JP
Permanent Secretary for Development
(Planning & Lands)

Mr K K LING
Principal Assistant Secretary
(Planning & Lands) 5

Mr Raymond WONG Wai-man
Deputy Director/Territorial (Ag)
Planning Department

Mr LAW Hin-wing, JP
Assistant Director (Acquisition)
(Lands Administration Office, Headquarters)
Lands Department

Clerk in attendance : Ms Anita SIT
Chief Council Secretary (1)4

Staff in attendance : Mr WONG Siu-yee
Senior Council Secretary (1)7

Ms Christina SHIU
Legislative Assistant (1)7

Action

As Mr LAU Wong-fat, Chairman of the Panel, could not attend this meeting, Prof Patrick LAU, Deputy Chairman of the Panel, chaired this meeting.

I Confirmation of minutes and matters arising

(LC Paper No. CB(1)91/08-09 -- Minutes of meeting on
14 October 2008

LC Paper No. CB(1)115/08-09 -- Paper on "Follow-up on matters
raised at the meeting on
14 October 2008" prepared by
the Legislative Council
Secretariat)

2. The minutes of the meeting held on 14 October 2008 were confirmed.
3. Regarding the site visit scheduled for 15 November 2008, Ms Emily LAU expressed disappointment that the site of the proposed Liantang/Heung Yuen Wai Boundary Control Point on the Shenzhen side was not included in the visit. She suggested that the site visit should start at 8:30 am instead of 9:30 am to allow more time for discussion during the visit. Mr KAM Nai-wai said that the site visit would be more fruitful if Members could discuss with relevant Mainland officials on issues relating to the proposed boundary control point. The Deputy Chairman said that based on his personal experience, he could confirm that the site in Liantang on the Shenzhen side could be viewed from the Hong Kong side. The Administration would be requested to advance the starting time of the visit to 8:30 am.
4. The Deputy Chairman then solicited members' views on the suggestions made at the meeting on 14 October 2008 in relation to forming subcommittees under the Panel.
5. Mr LEE Wing-tat said that early formation of a subcommittee to study the planning for the Central harbourfront would be desirable, as Legislative

Council Members and members of the public would have more opportunities to provide views on the relevant issues.

6. Dr Priscilla LEUNG said that the scope of work of the subcommittee should include the planning for the harbourfront areas on the Kowloon side. Ms Starry LEE expressed the same view. Mr IP Kwok-him said that the harbourfront should be returned to the public and shared the view that the scope of work of the subcommittee should be broader to cover both sides of the harbour.

7. Ms Emily LAU said that members should consider whether to study the planning for different harbourfront areas together or by stages. She hoped that the discussion of the subject would be efficient and systematic.

8. At the invitation of the Deputy Chairman, the Clerk said that the approval of the House Committee was not required for formation of a subcommittee under a Panel, but the Panel should decide the terms of reference of the subcommittee. As such, the Secretariat would prepare a paper on the terms of reference and the work plan of the proposed subcommittee for the Panel's consideration.

9. Regarding the suggestion of forming a subcommittee to review the functions of the Town Planning Board and town planning procedures, the Deputy Chairman said that according to the Administration, it had no plan to conduct such a review at present. Ms Cyd HO considered that members should take forward the matter if the Administration had no plan to do so. Members could provide their views to the Administration for its response. Mr Alan LEONG expressed the view that even if a subcommittee was not formed, the Panel should discuss the subject. The Deputy Chairman said that the Panel would discuss the subject later.

10. As regards the suggestion of forming a subcommittee to study the review of the Urban Renewal Strategy, members agreed that the Panel should first discuss the review with the Administration in December 2008.

II Information papers issued since last meeting

(LC Paper No. CB(1)76/08-09(01) -- Information paper on "109CD -- Drainage improvement works in Shuen Wan, Tai Po" provided by the Administration

LC Paper Nos. CB(1)80/08-09(01)-(06) -- Six submissions from members of the public on proposal to facilitate private redevelopment

LC Paper No. CB(1)89/08-09(01) -- Information paper on "Capital Works Reserve Fund Block Allocations for 2008-09 -- Supplementary Provision for Subhead 5001BX -- Landslip

LC Paper No. CB(1)131/08-09(01) -- Preventive Measures" provided by the Administration
-- Submission from a member of the public on proposal to facilitate private redevelopment)

11. Members noted that the above information papers had been issued since the last meeting.

III Items for discussion at the next meeting

(LC Paper No. CB(1)90/08-09(01) -- List of outstanding items for discussion

LC Paper No. CB(1)90/08-09(02) -- List of follow-up actions)

12. Members agreed that the following items would be discussed at the regular meeting scheduled for 25 November 2008 and that the meeting would be extended to allow sufficient time for discussion --

- (a) 7343CL -- Central Reclamation Phase III -- engineering works;
- (b) Central-Wan Chai Bypass and Wan Chai Development Phase II;
- (c) Planning and Engineering Study on North East New Territories New Development Area (Stage 1 Public Engagement);
- (d) Property developments at West Rail Nam Cheong Station and Yuen Long Station; and
- (e) Measures to prevent new developments from creating a wall effect and reduce development intensity in developed areas.

Members also agreed that the discussion of items (d) and (e) would be combined.

13. The Deputy Chairman informed members that the Administration had indicated its plan to put up about 10 items for discussion by the Panel in December 2008. As such, apart from extending the regular meeting scheduled for 19 December 2008, the Panel would probably need to hold a special meeting in December 2008. He then solicited members' views on holding a special meeting on Saturday, 6 December 2008. Members considered that if possible, the special meeting should be held on a weekday.

IV Hong Kong Special Administrative Region's post-quake reconstruction support work in Sichuan

(LC Paper No.
CB(1)112/08-09(01))

-- Information paper provided by
the Administration)

14. The Secretary for Constitutional and Mainland Affairs (SCMA) and the Secretary for Development (SDEV) briefed members on the progress of Hong Kong's post-quake reconstruction support work in Sichuan.

(Post-meeting note: The speaking notes of SCMA and SDEV (LC Paper Nos. CB(1)146/08-09(01) and (02) respectively) were issued to members on 30 October 2008.)

Project and fund management

15. Mr LEE Wing-tat said that although the public would support the reconstruction work in Sichuan, Hong Kong's financial commitment should be provided over a longer duration in view of the current economic climate. While essential projects for the Wolong Natural Reserve to allow it to function again should be supported, providing support for other additional enhancement projects might need further consideration. The Administration should inform the public of its plans as early as possible.

16. Expressing a similar concern, Mr James TO asked whether the Administration would review the appropriateness of the HK\$10 billion financial commitment in view of the financial tsunami. As Hong Kong's economic situation and the amount of public donation might be affected, he asked whether the Administration would adopt measures to tackle the situation, such as spreading out the period of providing the funding. As regards the funds remaining after the completion of all reconstruction support projects of the Hong Kong side, he asked why the arrangement of such funds would be subject to mutual agreement instead of returning the unspent funds to Hong Kong. He expressed concern about whether this arrangement was in line with the established practice or it was put in place as an incentive to attain the best tender prices for the reconstruction projects.

17. In response, SCMA said that the overall financial commitment of Hong Kong would not exceed HK\$10 billion. The actual amount would be subject to the amount approved by the Legislative Council and the amount of public donation. This basic principle had been included in the cooperation arrangement. As each project would require about 24 to 36 months for construction, funding would be released in phases over a period of two to three years. The Sichuan side hoped that all projects could be completed within three years. The needs of the victims remained the same despite the occurrence of the financial tsunami. There would be thorough discussion between the Sichuan side and Hong Kong side on the details of the pre-selected projects and other projects which might require Hong Kong's participation. As the total amount of funds required for reconstruction would be over RMB 1,000 billion, the unspent funds from the Hong Kong side

could be spent on other projects or services subject to negotiation between the two sides. The Administration would report on how the funds would be used and there would be complete transparency.

18. SDEV said that for the Wolong Natural Reserve, only one project involving planning studies was included in the first stage projects. For the remaining 25 projects, the Administration would seek further details from the Sichuan side and would endeavour to seek further funds from the Legislative Council in late 2008 or early 2009. Due to its geographic location, no works projects could be carried out in the Wolong Natural Reserve in winter. As such, early confirmation by the end of 2008 or early 2009 on which projects could be supported would enable the Sichuan side to do preparatory work so that those projects could commence in March 2009 when the weather permitted. She added that Hong Kong's early confirmation of the projects to be supported would be useful so that the Sichuan side might consider seeking support from international sources to finance other projects given the significance of the Wolong Natural Reserve not only in China but globally.

19. Ms Emily LAU welcomed that the Administration had provided estimated project costs for the support work in Sichuan, and said that reports on how the funds for relief work for previous natural disasters in the Mainland had been spent should be provided to facilitate Members' consideration of approving further financial commitments for the support work in Sichuan. She asked how the shortfall in estimated project costs for the remaining pre-selected projects would be handled, and whether the Hong Kong Jockey Club had agreed to use part of its previously pledged HK\$1 billion fund for some of those projects. She remarked that the Administration should not make excessive commitments for the remaining projects too early. In relation to the three secondary school projects included in the first stage, she considered that the estimated project costs ranging from RMB 55.7 to 77.37 million were on the high side and sought explanation.

20. Miss Tanya CHAN also enquired about the progress of the discussion with the Hong Kong Jockey Club. She also enquired about the time frame for completing the remaining pre-selected reconstruction projects if the shortfall in funds could be secured, and the nature of further batches of reconstruction projects, if any.

21. Regarding the use of the approved funding for provision of emergency relief to snowstorm victims in the Mainland, the Deputy Director of Administration said that the Administration had provided a paper to the Finance Committee on 27 October 2008 to report on the matter.

22. As regards project costs, SCMA said that a total of some RMB 3.8 billion or HK\$4 billion would be needed for all the pre-selected projects. With the approval of the Legislative Council, the Administration had already secured HK\$2 billion. Contact between the Hong Kong Jockey Club and the Sichuan side had been established so that the former could decide which projects to support. The

Administration would further discuss with the Sichuan side on the scope of other remaining projects and report to Members before seeking approval for further funding. The Permanent Secretary for Constitutional and Mainland Affairs (Acting) added that the Hong Kong Jockey Club was expected to make a decision soon on the possibility of using part of the pledged funds for some of the pre-selected projects so that they could also be implemented in the first stage reconstruction.

23. With regard to the estimated project costs for the three secondary schools, the Principal Assistant Secretary for Education explained that the schools at Cangxi County and Santai County would be sizable schools, each of which could accommodate up to some 6 000 resident students coming from different counties. The school at Wenchuan County required non-in-situ reconstruction with relatively higher unit cost due to serious damage of the original site. As such, the estimated project costs for the three secondary schools were relatively higher. In Hong Kong, the estimated project cost was some HK\$0.2 billion for a secondary school and slightly below HK\$0.2 billion for a primary school, both with 30 classrooms.

24. Ir Dr Raymond HO said that he had visited the damaged 303 Provincial Road and the Sichuan side had provided detailed information on the reconstruction project. His understanding was that the earthquake resistance standards had been raised substantially after the earthquake and structures to be reconstructed in Sichuan would be at a higher standard when compared with other places. There should be participation by professionals in the reconstruction work as this was very meaningful and could provide valuable experience. He said that setting an upper limit for the financial commitment of Hong Kong and providing funding in phases were reasonable arrangements, and he hoped that Members could visit Sichuan again during the implementation stage of the reconstruction projects.

25. In response, SCMA said that he had taken note of Ir Dr Raymond HO's views.

26. Ms Starry LEE was pleased to note the information provided by the Administration because the public expected that the funds would be well spent. She shared the view that there was urgency in implementing much needed projects such as the section of the 303 Provincial Road from Yingxiu to Wolong and integrated social welfare facilities and education facilities. As regards project duration, she sought clarification on why many projects were estimated to take 24 months. She considered that if possible, expediting the works of some of the projects would benefit residents in Sichuan. In relation to auditing, she asked how Hong Kong's experience in this area of work could contribute to the enhancement of transparency and whether there would be interim or final audit reports to inform the public of how the funds were spent.

27. In response, SDEV said that the durations of the projects were based on the Sichuan side's target to strive to complete all the reconstruction work within

three years. She believed that the Sichuan side would expedite those projects as far as practicable. The Administration would reflect to the Sichuan side that it would provide assistance in this regard. A timeline of 24 months for completing the section of 303 Provincial Road from Yingxiu to Wolong was indeed very tight, but it was a lifeline project. Non-in-situ reconstruction of education facilities requiring the identification of suitable sites would require a longer duration. As regards auditing and funding management, a milestone payment approach would be adopted. For each project, the project implementation unit of the Sichuan side should submit supporting documents such as report by an independent notary. The Sichuan Provincial Audit Office would also participate in the auditing work.

28. Dr Priscilla LEUNG relayed the impression of a senior citizen in Hong Kong that some HK\$1.9 billion funding would be spent solely on the reconstruction of the Wolong Natural Reserve. She expressed concern that such an impression might be the result of insufficient publicity in respect of the reconstruction support work. She considered that publicity and regular progress reports would be conducive to gaining support from the public and Members. She emphasized that quality assurance of the reconstruction projects was important for inspiring public confidence in the quality of the reconstruction projects and in making the best use of the funds.

29. In response, SCMA said that he noted the incorrect impression of some members of the public. The Administration had indicated in end of July 2008 that reconstruction projects would not be limited to those for the panda facilities in the Wolong Natural Reserve, but would also include medical, social welfare and other facilities. The Administration had briefed the media on the first stage projects on 11 October 2008 and informed them that the only first stage project for Wolong Natural Reserve was related to planning studies. Platforms to facilitate contribution by professionals on technical, medical, education and other aspects were being established. The Administration had been disseminating relevant information through its website to enhance the public's understanding of its support work. As regards quality assurance, SDEV said that both sides would strive to attain quality and efficiency, and funds would be well spent. The newly promulgated national earthquake resistance standards would be adhered to. There would be regular and irregular inspections on the quality and progress of the projects.

30. As regards release of funds for reconstruction projects under the milestone payment approach, Mr Alan LEONG asked whether the independent certification entity or independent notary responsible for certifying the completion of the required works would be a Mainland entity or a Hong Kong entity. As release of funds was an important ring in monitoring the use of funds, he asked whether the reports of the certification entities or notaries could be reviewed if the Administration was dissatisfied with the works.

31. In response, the Principal Assistant Secretary for Development advised that certification entities or notaries would be appointed by the implementation

units of the Sichuan side. The intention was that they should be independent entities with international reputation. The Administration would further discuss the detailed arrangements with the Sichuan side. SCMA said that each successful NGO applicant was required to submit audited accounts containing, among others, the auditor's report. The auditor's report would be prepared in accordance with Hong Kong's auditing standards.

Tendering process and technical standards

32. Mr LEE Wing-tat enquired about the Mainland tendering procedures to be adopted for the reconstruction projects. He asked whether there would be open tendering and how rigging of tenders could be avoided. He also expressed concern about the monitoring of the progress and standards of the projects and asked whether the Mainland technical standards, in particular earthquake resistance standards, would be on a par with Japanese or international standards.

33. In response, SDEV said that the intention of both sides was that there would be open tendering for the reconstruction projects and only enterprises with a higher level of qualification could participate in the tendering. The estimated project costs for the projects would only be confirmed after the implementation drawings were available and the estimations would be made using a procedure similar to that adopted in Hong Kong. Both sides would jointly examine the progress of the projects through regular and irregular inspections. Any problems identified would be discussed and addressed by both sides in a timely manner. As regards technical standards, the Permanent Secretary for Development (Works) (PS(W)) said that different requirements in earthquake resistance would be needed for different types of buildings. In Japan and some other countries, there might even be earthquake proof foundation for high-rise buildings. The buildings in the reconstruction projects had to attain national standards in earthquake resistance, and there would be specific requirements in areas such as building height, the materials to be used and the strength of the joints of the beams and pillars. As long as those requirements were met in the design and implementation stages, the earthquake resistance of the buildings should be up to standard.

34. Ms Emily LAU considered that it would be desirable for the Administration to state that the Independent Commission Against Corruption (ICAC) in Hong Kong had studied the entire tendering process and that it was satisfied with it.

35. Mr James TO also expressed concern that the tendering of the projects would follow the Mainland rules and regulations, not those in Hong Kong. He was worried about how to safeguard the integrity of the tendering process if the relevant Mainland regulations were less stringent than those of the ICAC. There would be no such concern if the Mainland regulations were more stringent. He was also worried that the Sichuan side might have an impression that adopting the best practice in tendering would affect the progress of the projects. As regards project management, he sought clarification on whether the technical standards for

the reconstruction projects funded by the Hong Kong side would comply with the unified national standards; and that Hong Kong's technical standards would only serve as a reference.

36. Dr Priscilla LEUNG said that she understood that a mechanism existed whereby the ICAC and its Mainland counterparts would cooperate with each other, especially if criminal acts were involved. This would be conducive to monitoring the use of public funds.

37. In response, SCMA said that in using the HK\$2 billion public funds, the Administration would comply with Hong Kong legislation and be subject to the examination by the Director of Audit and the ICAC. The Administration would consult the ICAC, and the Sichuan side had indicated that it would follow stringent tendering regulations promulgated by the relevant Mainland authorities. As regards technical standards, SDEV said that the projects funded by Hong Kong would be up to unified national standards, in particular earthquake resistance standards. While the technical standards would comply with Mainland legislation and regulations, the Sichuan side was eager to draw on Hong Kong's technical and project management experience in implementing the projects. She added that the Administration would not carry any legal responsibilities arising from the reconstruction support projects.

Participation of non-government organizations and professionals

38. Ms Cyd HO said that the Administration had provided few details on providing support services to Sichuan. Some voluntary organizations and individuals in the Mainland had set up facilities such as refuge centres for children. They might have the potential for self-help and self-rescue but required assistance in organization. The Administration should assist Hong Kong voluntary organizations in gaining more flexibility in planning and delivering their support services and helping Mainland voluntary organizations in capacity building. Providing support services and training the trainer should be done in parallel. She expressed concern about how different views held by Hong Kong voluntary organizations and the Mainland authorities would be handled, and whether resources could be put to the best use if such difference in views could not be resolved. She hoped that there would be a channel to assist Hong Kong voluntary organizations if they had difficulties or complaints when carrying out reconstruction support work in Sichuan.

39. In response, SCMA said that Hong Kong's support work in Sichuan would also include software support, such as providing medical and rehabilitation services, and staff of the Hospital Authority and other professionals would have opportunities to contribute. Non-government organizations (NGOs) in Hong Kong could cooperate with partner organizations in Sichuan to provide support services. Such a partnership arrangement would be conducive to cooperative efforts and interaction between NGOs from both sides. The Sichuan side had been making every effort to take forward the reconstruction support work and would

facilitate the participation of Hong Kong NGOs and their approved partners in Sichuan.

40. Mr CHAN Kam-lam was pleased that the Administration had provided details of the reconstruction projects to be funded by Hong Kong. He believed that the public would consider those projects, especially medical facilities and education facilities, worthwhile endeavours. As such, those projects should be implemented as soon as possible. He asked how professionals in Hong Kong could be organized to participate in the implementation of those projects, such as design and supervision. He suggested that they could be invited to join working groups to follow through the implementation process with their Mainland counterparts.

41. In response, PS(W) said that at the present stage, it was important to define the actual scope and timeline of the projects. Four major works milestones would be set for each project. Professional organizations such as The Hong Kong Institute of Architects, The Hong Kong Institution of Engineers, The Hong Kong Institute of Planners and Hong Kong Construction Association had already agreed to participate in a joint panel, and their representatives had conducted a site visit to Sichuan in October 2008 at their own expenses. Each funded project would be a separate project item and professionals would be invited to join dedicated project groups to provide advice and exchange views with their Mainland counterparts on various aspects of the projects.

42. Mrs Sophie LEUNG said that as long as the reconstruction projects were indeed necessary, they should be implemented even when faced with great difficulties. All would feel the perseverance behind the implementation of the reconstruction work. The opportunity to participate in the support work should be taken to gain experience in how to overcome difficulties, and this experience should be shared with people in Hong Kong and other parts of the world. Likewise, the financial tsunami might lead to changes in people's values. How people could regenerate after a disaster through concerted efforts of various parties would be a valuable experience for those who had never undergone such traumatic events. As a lot of reconstruction work had to be done, excessive monitoring would not be conducive to assisting those in need. Apart from hardware reconstruction, what was important was reconstruction of the mind and spirit. The NGOs in Sichuan were doing well in enhancing their support services.

43. In response, SCMA thanked Mrs Sophie LEUNG for her views and commitment in the support work. The Deputy Director of Social Welfare (Services) added that the Administration would consider arranging experience sharing activities at suitable stage(s) of the support work.

44. Mr Alan LEONG considered that the best way to establish rapport with the Sichuan earthquake victims was for Hong Kong people to participate directly in the reconstruction support work. In relation to grants to NGOs from the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas, he

was concerned about the fairness of the assessment process and asked whether there was any channel for NGOs to challenge the assessment criteria if their applications were rejected.

45. In response, SCMA said that the Administration would adopt a practical and fair approach in assessing applications from NGOs to ensure that their proposed projects would suit the needs of the Sichuan victims and dovetail with the overall planning for the reconstruction work. NGOs would be required to provide details of their project and form partnership with a government department or an approved organization in Sichuan. If NGOs were dissatisfied with the decision of the Steering Committee on the Hong Kong Special Administration Region's Support for Reconstruction in the Sichuan Earthquake Stricken Areas, they could provide additional justifications for the Steering Committee's further consideration. NGOs could also appeal to the Chief Executive should they remain dissatisfied with the decision of the Steering Committee.

46. Ms Emily LAU enquired about the total amount of funds to be set aside for NGOs in Hong Kong to apply. She was concerned about how they could contribute in the support work because the general financial limit for each project was only HK\$10 million, much lower than the estimated project costs for most of the reconstruction projects.

47. In response, SCMA said that HK\$100 million would be set aside initially. If additional funds were provided by the Hong Kong Jockey Club or approved by the Legislative Council, the funds for NGOs could be increased.

V New agreement for supply of Dongjiang water

(LC Paper No. CB(1)90/08-09(03) -- Information paper provided by the Administration

LC Paper No. CB(1)125/08-09(01) -- Supplementary information paper provided by the Administration

LC Paper No. CB(1)90/08-09(04) -- Background brief on new agreement for supply of Dongjiang water prepared by the Legislative Council Secretariat)

48. Members noted the Administration's booklet entitled "Total Water Management in Hong Kong" tabled at the meeting.

(Post-meeting note: The booklet (LC Paper No. CB(1)146/08-09(01)) was issued to members on 30 October 2008.)

49. SDEV said that the Administration had to ensure a stable, reliable and flexible supply of Dongjiang (DJ) water so as not to waste valuable water resource while meeting the needs of Hong Kong. As enhancing the quality of DJ water was

another area of public concern, the Administration had been monitoring the quality of DJ water on a regular basis. The purchase price of DJ water was not based on the ultimate annual DJ water supply quantity of 1 100 million cubic metres (mcm). Under the current agreement, the purchase price for the years 2006 to 2008 was a fixed lump sum and there was no price adjustment mechanism provided in the agreement. The purchase price increases for the years 2009 to 2011 under the new agreement were mainly due to the appreciation of Renminbi and inflation. The Administration had attained the most reasonable arrangements for the public under the new agreement.

Dongjiang water supply quantity

50. Mr LEE Wing-tat referred to the ultimate annual DJ water supply quantity of 1 100 mcm and the actual annual supply quantity of some 800 mcm over the past few years. He asked whether the "reserved capacity" would lead to a higher purchase price and whether the Administration would negotiate for a lower ultimate annual DJ water supply quantity. Ms Starry LEE expressed a similar concern about the ultimate supply quantity.

51. In response, SDEV said that the ultimate annual DJ water supply quantity of 1 100 mcm was needed for long-term planning and ensuring adequate water supply for Hong Kong's use. She clarified that there was no "reserved capacity" because Hong Kong had informed the Guangdong (GD) side of its need for the next three years, which was 820 mcm per year. There were past occasions where Hong Kong's demand for DJ water had been close to 820 mcm and reducing the annual quantity supplied would risk instable water supply for Hong Kong. The Administration had to be prudent in considering whether to lower the ultimate supply quantity because in the long run, Hong Kong would need such a quantity of DJ water. Assuming an average growth rate of 1.3% on water demand, the target date for reaching this quantity would likely be 2030.

52. Mr IP Kwok-him said that he had traveled from Jiangxi to Shenzhen in 2005 to inspect the quality of DJ water and noted that the GD side had attached great importance to the use of DJ water. Ensuring a stable supply of DJ water for Hong Kong was a prime concern of the GD side. If Hong Kong reduced its demand for DJ water, the GD side could immediately take up the reduced amount. An ultimate annual supply quantity of 1 100 mcm was important for Hong Kong's economy. He sought clarification on whether reducing that ultimate supply quantity, say to 900 mcm, would have any effect on the DJ water price.

53. In response, the Director of Water Supplies (DWS) said that the DJ water price for the next three years was calculated on the basis of an annual supply of 820 mcm from 2008-2009 to 2010-2011. The 1 100 mcm ultimate supply quantity was for planning purposes and it had no bearing on the water price for the next three years. The Deputy Secretary for Development (Works)2 (DS(W)2) added that as many GD cities like Shenzhen, Huizhou and Heyuan also had keen competition for DJ water and the GD authorities had recently set an upper limit of

extracting water from DJ at 10 700 mcm per annum for allocation, Hong Kong would therefore have to retain the ultimate annual quantity of 1 100 mcm in the new agreement as a long-term supply capacity.

54. Ir Dr Raymond HO concurred that if Hong Kong reduced its demand for DJ water, other cities in GD would take up the quantity relinquished by Hong Kong because there was keen competition for DJ water. Ensuring a steady supply of DJ water was important because drastic climatic changes had made it difficult to predict the rainfall. Otherwise, Hong Kong might face water shortage or have to pay an even higher water price for additional supply of DJ water in excess of the agreed supply quantity.

Dongjiang water price and Hong Kong water charges

55. Mr CHEUNG Hok-ming sought explanation on the large cumulative percentage increase in water price of some 30% for 2011. He enquired about the annual water consumption for Hong Kong over the past 10 years and asked whether the quantity of surface water collected locally from water gathering grounds was included in the water supply figures.

56. In response, DS(W)2 said that the annual water purchase price for 2006 to 2008 was fixed and there had been no adjustment. Due to the significant appreciation of Renminbi and the inflation rates of both sides from mid-2005 to mid-2008, the annual water price in 2009, 2010 and 2011 would need to be suitably adjusted and each of the proposed annual increase over the preceding year was considered reasonable. DWS said that the annual consumption of DJ water in 2004 was about 810 mcm, hence an annual supply quantity of DJ water of 820 mcm was a reasonable estimate. SDEV said that that the annual water consumption was some 900 mcm on the average and surface water collected locally from water gathering grounds varied substantially from year to year, ranging from 100 mcm to 320 mcm. She undertook to provide the annual quantity of water consumption and provision for the past 10 years, with a breakdown by sources of supply.

57. Mr KAM Nai-wai noted that there was flexibility in DJ water supply and asked whether there would be flexibility in paying DJ water price as well so as to save public funds. In view of the substantial percentage increases in DJ water price for the years from 2009 to 2011, he expressed concern about whether this would lead to corresponding increases in water charges. He asked whether the Administration would pledge that there would be no increase in water charges until 2010-2011 in view of the anticipated gloomy economic situation in the next few years.

58. In response, SDEV said that under commercial principles, the price of DJ water would depend on the terms of the agreement for supplying DJ water to Hong Kong. It would be impossible to ask for a low water price with a small quantity but at the same time requiring a large guaranteed supply. Under the present flexible

DJ water supply arrangement at a lump-sum cost, the water price Hong Kong had to pay had already been reduced substantially as previous agreement required the collection of the ultimate quantity of 1 100 mcm much earlier. The new DJ water agreement was based on the existing mechanism and the adjustment in water price only reflected the appreciation of Renminbi and inflation. The Administration had already announced the freeze of water charges for the 2008-2009 and 2009-2010 financial years. Any future adjustment in water charges would be by way of subsidiary legislation and subject to the vetting of the Legislative Council. DJ water price was only one of the factors for consideration in determining water charges under the waterworks accounts system.

59. Ms Starry LEE also expressed concern about the substantial increase in the purchase cost of DJ water from 2008-2009 to 2010 to 2011. As the financial tsunami might provide some room for lowering the production cost of DJ water and the demand for DJ water in 2009-2010 and 2010-2011 would not likely increase by a large amount, she asked whether there was any adjustment mechanism to reduce the DJ water purchase cost to be paid by Hong Kong. She also enquired about the party responsible for the maintenance cost of the DJ water mains, and the current water charges.

60. On water charges for domestic use, DWS advised that the first 12 cubic metres in every four months were free of charge. The next 31 and 19 cubic metres would be charged at HK\$4.16 and HK\$6.45 per cubic metre respectively. Thereafter, the charge would be at HK\$9.05 per cubic metre. For commercial use, the charge would be at a flat rate of HK\$4.58 per cubic metre. SDEV added that there had been no adjustment to water charges in Hong Kong since 1995. For DJ water mains outside the Hong Kong territory, DWS said that the GD side would be responsible for their maintenance cost. The increase in DJ water price was reasonable as it only reflected Renminbi appreciation and inflation factors, based on established mechanism.

Water conservation

61. Mrs Sophie LEUNG said that as the living standard in GD improved, GD's demand for DJ water was on the rise and whether Hong Kong could secure sufficient DJ water in future to meet its need was a crucial issue. According to her understanding, the cost for the relevant infrastructure projects undertaken by the GD side for enhancing the quality of DJ water was not borne by Hong Kong and this factor should be taken into consideration. Although water was a very valuable resource, the public might not use water wisely in their daily lives. Public education in water saving measures should be stepped up. As regards using seawater for toilet flushing, she suggested that the salinity and odour of the seawater should be reduced so as to prevent corrosion of the pipes.

62. In response, SDEV said that the GD side had attached importance to ensuring an adequate supply of DJ water for Hong Kong even when the supplies for other cities in GD had to be regulated. DWS said that the Administration

would continue to explore the feasibility of desalinization as a supply measure although the high cost and environmental problems had to be solved. Desalinization would be introduced at an appropriate time to increase water supply. As a measure to conserve fresh water, the Administration would extend the present supply network for seawater toilet flushing to Pokfulam, Yuen Long and Tin Shui Wai. In using seawater for toilet flushing, attention should be given to regular maintenance and cleaning of the water pipes and water tanks. As a demand management measure, the Administration would further step up public education in water conservation.

63. Mr KAM Nai-wai concurred that seawater should be used for toilet flushing as far as practical because it could save fresh water. In this regard, he asked whether the extension plan could be expedited.

64. DWS said that the extension works of the present supply network for seawater toilet flushing to Pokfulam would commence in early 2009; and works for Yuen Long and Tin Shui Wai would commence in mid-2009 subject to funding approval. The Administration would expedite the extension works as far as practicable.

65. Miss Tanya CHAN noted that some 20% of the annual quantity of water consumption or 200 mcm was wasted due to water pipe leakage and she expressed concern about the situation. She noted that the water mains replacement and rehabilitation programme in Central and Western District would be completed by around 2010 to 2011 and enquired about the completion dates for other districts.

66. Mr LEE Wing-tat considered that reducing water pipe leakage and implementing water conservation measures could lower water consumption.

67. In response, DWS said that the current water mains replacement and rehabilitation programme would be carried out in four stages and was expected to be completed in 2015. The programme involved the replacement and rehabilitation of some 3 000 km of aged water mains which were more prone to bursting out of a total of some 7 700 km of water mains in Hong Kong. More than 700 waterworks sites were in operation each day and the works had to tie in with other public utilities works projects so as to minimize the effect on traffic and the public. The Administration would select water mains that were more advanced in age or subjected to settlement and therefore more likely to burst. The Administration would expedite the works as far as practicable. The overall water leakage rate in Hong Kong was over 20% and it included leakage from all sources. Other cities using similar old and less durable materials for their water mains had a comparable water leakage rate.

68. Mr WONG Yung-kan was concerned about whether the expedition of the South-to-North Water Diversion Project would affect the water resource of GD and Hong Kong. As regards water conservation, he said that bursts of water mains often occurred at some places such as Kwong Fuk Road in Tai Po. He asked

whether the progress of the water mains replacement and rehabilitation programme could be expedited so that the programme could be completed before 2015. He also asked what measures the Administration would adopt to promote water conservation and suggested that using reclaimed water could be a possibility.

69. In response, DWS said that in selecting areas where water mains replacement and rehabilitation works would be carried out, the Administration had a mechanism of conducting monthly reviews and it could raise the priority of certain areas if necessary. The Administration had various measures to promote water conservation, such as publishing publicity booklets, promoting the installation of water saving devices, investigating the feasibility of developing a Water Efficiency Labelling Scheme and using reclaimed water for non-potable purposes. Upon completion of the water mains replacement and rehabilitation programme and the implementation of the other measures in the Total Water Management Strategy, the target date of reaching the ultimate annual DJ water supply quantity of 1 100 mcm could be further deferred. An annual supply quantity of 820 mcm in the next three years and the ultimate annual supply of 1 100 mcm were appropriately set to cater for our needs.

70. Ir Dr Raymond HO concurred that public education in water conservation was important. As regards the water mains replacement and rehabilitation programme, he considered that the Administration should strike a balance between minimizing the effect on traffic and the progress of the works. He also expressed concern that when the programme was completed by 2015, some other water mains not included in the programme would have become aged by then. He asked when the Administration would carry out the next stage of the programme for those water mains.

71. In response, DWS said that the Administration had implemented a new technique of comprehensive pressure management to optimize water mains pressure. The pressure was adjusted based on actual water flow and this could reduce the water mains pressure. The Administration would use the technique for water mains included in the current programme but awaiting for the rehabilitation/replacement works to commence, as well as for water mains not included in the programme, so as to prolong the service life of those water mains.

72. The Deputy Chairman said that the views of members would be relayed to the Finance Committee.

VI 013GB -- Liantang/Heung Yuen Wai Boundary Control Point and associated works

(LC Paper No. CB(1)90/08-09(05) -- Information paper provided by the Administration

LC Paper No. CB(1)90/08-09(06) -- Background brief on Liantang/Heung Yuen Wai

Boundary Control Point
prepared by the Legislative
Council Secretariat)

73. Owing to time constraints and in view that the site visit of the Panel on 15 November 2008 would include the site of the proposed Liantang/Heung Yuen Wai Boundary Control Point, members agreed that the item would not be discussed at the meeting.

VII Any other business

74. There being no other business, the meeting ended at 4:45 pm.

Council Business Division 1
Legislative Council Secretariat
17 December 2008