

For discussion
on 20 January 2009

Legislative Council Panel on Development

Delivery of Minor Works Projects in the Capital Works Programme

PURPOSE

The purposes of this paper are to -

- (a) brief Members on the arrangements for implementing minor works projects; and
- (b) seek Members' support of the Administration's proposal to increase the approved total allocation for works-related block allocations under the Capital Works Reserve Fund (CWRF) for 2009-10 by \$988.3 million, from \$7,573.8 million to \$8,562.1 million in order to implement more minor works projects which will create additional jobs for the construction sector.

CAPITAL WORKS PROGRAMME

2. Government's Capital Works Programme (CWP) covers various works items including related preconstruction works such as feasibility studies and site investigations. The nature of works range from site formation, highways, bridges, water treatment works, sewerage treatment plants to hospitals, university/schools and Government buildings. In terms of scale, they are divided into two categories -

- (a) major works projects – with a cost estimate of more than \$21 million and are classified into Categories A, B and C depending on the different stages in planning/funding status of the project

under the capital works resources allocation system; and

- (b) minor works projects – with a cost estimate of not more than \$21 million¹. They are also referred to as Category D projects and are implemented via various block allocations for which a provision for each will be approved annually.

WORKS-RELATED BLOCK ALLOCATIONS UNDER THE CAPITAL WORKS RESERVE FUND (CWRF)

3. There are a total of 21 works-related block allocations under the CWRF Heads of Expenditure providing for minor works items in respect of the various infrastructures such as civil engineering, buildings, drainage, waterworks and landslip preventive works, as well as minor works for the subvented sector.

4. Despite their ‘smallness’ in scale, these minor works projects are valuable in the current situation when the Government’s priorities are to preserve and create jobs and support small and medium-sized enterprises. This is because –

- (a) minor works projects are capable of speedy implementation as there is generally no need to go through elaborate statutory procedures and will create jobs early;
- (b) minor works projects are more labour intensive as compared with major projects and will generate demand for a larger number of labourers as per the value of works; and
- (c) minor works are also in general more suitable to be implemented by small to medium-sized contractors, thus allowing a more healthy and balanced construction industry to be developed.

5. In December/January each year, the Administration submits to the

¹ Except Subhead 5001BX – Landslip Preventive Measures under Head 705 – Civil Engineering, under which the controlling officer is empowered under delegated authority of Finance Committee to approve individual items without a financial limit, provided the spending is a proper charge to the subhead and the aggregate expenditure does not exceed the annual allocation approved by Finance Committee.

Public Works Subcommittee (PWSC) of Finance Committee (FC) the proposed annual funding to be sought in regard to block allocations for the following financial year. A full list of such minor works items proposed to be funded under each block allocation is deposited in the LegCo Secretariat for Members' reference but in the course of the year, items outside of the original list may also be funded from the annual block allocation given their urgency and justifications provided that adequate funding is available.

6. As regards the time required for implementation, as reported to the Development Panel and FC respectively in October 2007 and November 2007 (in the context of the review of the delivery of capital works projects), for minor works projects which do not involve statutory procedures pertaining to Environmental Impact Assessment Ordinance (EIAO), statutory gazettal and land resumption, the planning lead time is 19 months as illustrated in the flow chart in **Annex A**. In this case, the minor works project is implemented using a consultant and a non-term contractor (i.e. there will be a need to carry out the process of consultant appointment as well as tendering to select a contractor). Moreover, public consultation and traffic assessment have to be undertaken.

7. The planning lead time may be shortened to six months if the project can be implemented using Government in-house resources for design as well as a term contractor for construction (i.e. doing away with the process of procurement of consultancy services and tendering for works contract). This fast-track route is shown at **Annex B**. For example, the minor works project "Site formation works for Tin Shui Wai (TSW) Area 112" with an estimated cost of \$16 million was implemented through this channel and the project has taken only six and a half months, including consultation with the relevant District Council, before works commenced on site.

8. However, despite the short implementation lead time of the fast-track approach mentioned at para. 7 above, it is not always desirable to adopt it for all minor works projects because of the following reasons –

- (a) works departments have staffing constraints and we should be vigilant in controlling staff numbers especially when minor works projects cannot always be sustained at the same high level; and

- (b) term contracts are often held by large contractors and extensive use of existing term contracts to implement minor works project would deprive small and medium-sized contractors of the opportunities to take on such works.

The Administration will therefore adopt the best way to expedite the implementation of minor works projects taking account of the various constraints and considerations.

9. At **Annex C** is a table showing the approved provision/expenditure of works-related block allocations from 2004-05 onwards as well as their respective contributions to the Capital Works Programme. It can be seen that in recent years, minor works projects have played a rather significant role in CWP expenditure because a number of planned large scale projects such as Central-Wan Chai Bypass, and Wan Chai Development Phase II could not commence as scheduled, as they require more time for completing the statutory procedures and for undertaking the needed preparatory work including public engagement. The share of minor works projects in the CWP steadily increases from 14% in 2004-05 to 28% in 2007-08 and 32% in 2008-09. In other words, at present about one third of the CWP expenditure is accounted for by minor works projects.

10. On 2 November 2007, FC approved the Administration's proposal to increase the financial ceiling of the delegated authority for minor works projects from \$15 million to \$21 million. As a result, some 85 projects have been benefited and their implementation were expedited. Some examples of these projects are listed at **Annex D**.

PROPOSAL TO INCREASE ALLOCATION FOR MINOR WORKS IN 2009-10

11. On 9 January 2009, FC approved a total of \$7.57 billion for 2009-10 for works-related block allocations, i.e. an increase of \$0.71 billion (or about 10%) over the approved 2008-09 allocation of \$6.86 billion.

12. With the occurrence of the financial tsunami, the public and the Administration share the view that concerted efforts should be made to preserve and create jobs. There is a general consensus that the

Administration should press ahead with major infrastructure and undertake more minor works to create additional employment opportunities in the construction sector. On 10 December 2008, the LegCo unanimously passed a resolution urging the Government to speed up infrastructure development.

13. Works departments have hence critically reviewed the position and have identified some 22 additional batches of minor works projects to be funded under CWRP. These projects have been identified taking account of views expressed by LegCo Members during the above-mentioned Motion Debate. As a result, the proposed additional minor works projects are of the following two themes -

- (a) Enhancing Government's infrastructural asset management - apart from new capital projects, we should not lose sight of the importance of enhancing our the management of our infrastructural assets. This is to ensure that our infrastructure is resilient to adverse external conditions and old facilities are adequately upgraded to meet present day safety and operational standards. The exceptionally heavy rainfall in 2008 demonstrates clearly the need to better manage our infrastructural assets, for instance in the areas of flood prevention and landslip mitigation. Projects under this theme include -
 - (i) refurbishment of the exterior of 50 Government buildings;
 - (ii) renovation of aged protective surface of 500 slopes including provision of safe maintenance access and greening features;
 - (iii) enhancement of the outlook of sewage treatment plants and facilities to better integrate them with the local communities;
 - (iv) provision of internal linings for aged stormwater drains and sewers to sustain their serviceability and structural integrity;
 - (v) upgrading of critical E&M installations that are old and

due for replacement;

(vi) footpath and street furniture enhancement; and

(vii) strengthening harbour control capability.

(b) Enhancing green and sustainable environment - the promotion of green buildings contributes to achieving sustainable development. To this end, we are committed to putting into practice green and sustainable building features through various means. Projects under this theme include -

(i) installation and retrofitting energy efficient E&M facilities for various government departments;

(ii) provision of green roofs in 40 Government buildings;

(iii) retrofitting plumbing with water saving devices in Government buildings and schools; and

(iv) refurbishment of building services installations in 100 Government buildings to incorporate energy efficient features in lighting systems, lifts and escalators, air-conditioning systems and power supply systems.

14. A full list of the additional batches of minor works projects is at **Annex E**. The total cost of these additional items to be funded under CWRP block allocations is about \$1.6 billion, of which \$0.99 billion is anticipated to be spent in 2009-10. In other words, the spending on minor works projects under CWRP will be further increased from \$7.57 billion to \$8.6 billion in 2009-10, representing a 25% increase over the 2008-09 expenditure.

15. We estimate that the proposed additional allocation of \$0.99 billion for works-related block allocations in 2009-10 will create about 1 600 jobs (1 500 for labours and another 100 for professional/technical staff) for a total employment of 19 200 man-months.

16. There have been suggestions that projects should be sub-divided into smaller contracts to allow for participation of more small

and medium-sized contractors. Works departments would actively consider splitting the projects into more packages provided that this would not create practical problems in works co-ordination and interface, undermine works efficiency or lower overall cost effectiveness.

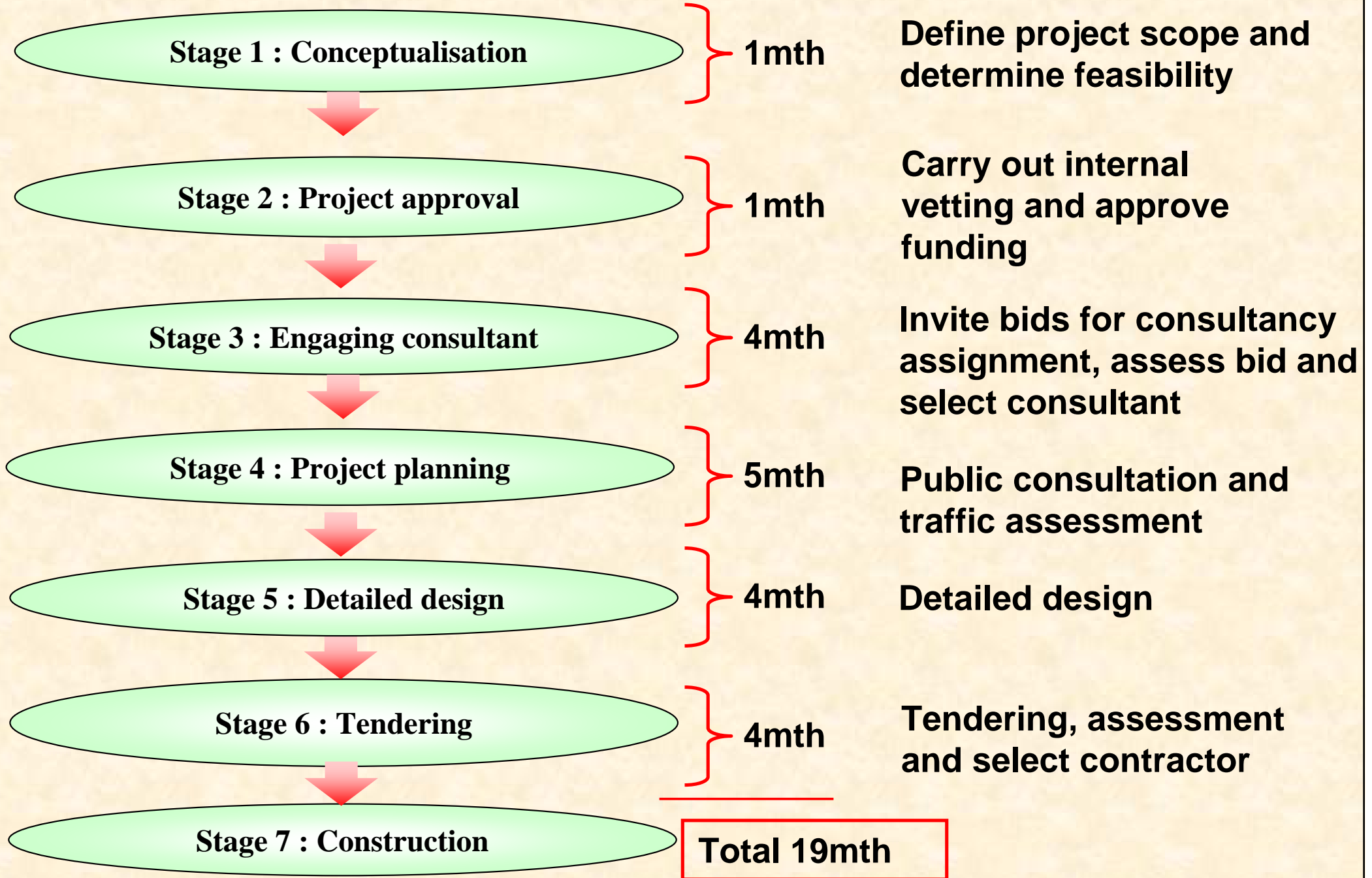
ADVICE SOUGHT

17. Members are invited to comment on the above and indicate their support to the proposed increase in total allocation for works-related block votes under the CWRP for 2009-10 from \$7,573.8 million to \$8,562.1 million.

Development Bureau
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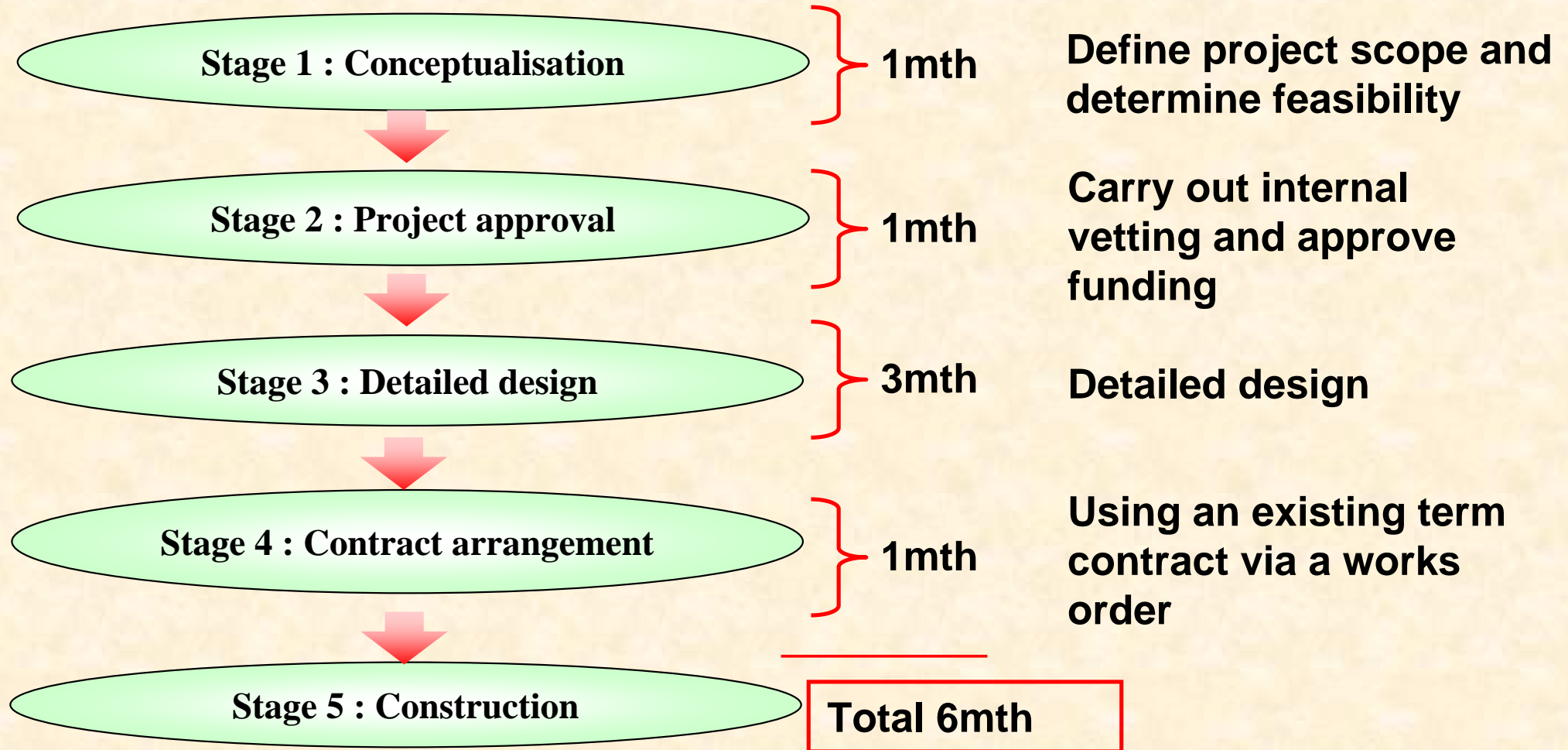
Implementation timeframe for medium sized minor works items

Annex A



Expedited implementation timeframe for minor works items

Annex B



If the works do not involve procedures such as traffic assessment, implemented using in-house resources and the works are carried out under an existing term contract, the pre-construction lead-time can be shortened to 6 months. Examples include minor improvement to local open space, minor greening works, etc.

Approved Provisions and Actual Expenditure for Works Related Block Allocations from 2004-05 onwards

(as at 12 January 2009)

Financial year		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Approved Provision (\$Bn)	(A)	4.9	5.3	5.6	6.1	6.9 [@]	7.6 <i>(proposed to be further increased to \$8.6 Bn in this paper)</i>
Actual Expenditure (\$Bn)	(B)	4.5	5.0	5.4	5.8	-	-
Under-spending (%)	(C) = 1 – (B)/(A)	8%	6%	4%	5%	-	-
Actual Expenditure of Capital Works Programme (\$Bn)	(D)	31.4	26.5	21.7	20.5	21.8 [#]	-
Contribution of minor works to expenditure of Capital Works Programme (%)	(E) = (B)/(D)	14%	19%	25%	28%	32% [^]	-

[@] This is the latest approved provision for the block allocations in 2008-09, which already included the supplementary provisions of \$58 million for **Subhead 5001BX** as approved by the Finance Committee in November 2008 and \$14.68 million for **Subhead 7100CX** as approved under delegated authority in July 2008.

[#] This is the original estimate in 2008-09 Budget. It excludes the upfront endowment of \$21.6 Bn to the West Kowloon Cultural District Authority.

[^] Percentage of contribution on the basis of the latest approved provision for the block allocations for 2008-09 versus the original estimate for 2008-09 for the Capital Works Programme.

**Examples of Projects Benefited by the Increase in Level of
Delegated Authority from \$15 million to \$21 million
(with effect from November 2007)**

Subhead	Project Title	Project Estimate (\$M)
3004GX	Complete internal and external refurbishment of Kwun Tong Government Primary School	19.0
3004GX	Refurbishment of guardhouse, gateway, rain shelter in Police Tactical Unit including upgrading the security and electrical and mechanical system to current standard	16.3
3101GX	Conversion works and upgrading of fire services installation at Fu Shan Public Mortuary	19.5
4100DX	Village sewerage for Tung Wan Tau, Chung Hau, Tai Tei Tong and Pak Ngan Heung in Mui Wo, Lantau Island	17.2
6100TX	Road improvement at Junction of Wo Yi Hop Road near Cheung Wing Road	20.4
7100CX	Temporary promenade along Kwun Tong public cargo working area	18.0
8001SX	Provisioning of a care and attention home for severely disabled persons at Shek Kip Mei Phase 2	15.4
8001SX	Provisioning of a social security field unit at Shek Kip Mei Phase 2	19.7
8001SX	Provisioning of a hostel for severely mentally handicapped persons at the ex-Cheung Sha Wan Police Married Quarter site	21.0
8100EX	Construction of covered student activities area at the Central Plaza, The Hong Kong Institute of Education	18.9
8100QX	Construction of an annex to Meng Tak Catholic School	20.9

Additional Minor Works Projects

Proponent	Project Title	Description of the Projects	Estimated Cost (HK\$M)	Expenditure in 2009-10 (\$M)	
Theme - Enhancing Government's infrastructural asset management (total of 15)					
1	ArchSD	Refurbishment of the Exterior of Various Government Buildings	To refurbish the exterior of 50 government buildings including renovation of building façade and provision of barrier free access and green features	335.0	100.0
2	ArchSD	Renovation of protective surface of slopes	To renovate aged protective surface of 500 slopes (chunam surface) including provision of safe maintenance access and greening features	180.0	76.0
3	DSD	Greening and Landscape Enhancement Works for Buildings at Shatin STW, Ma On Shan SPS, Tung Chung SPS & Shek Wu Hui STW	The DSD plants are close either to residential areas, trunk roads, or cross-boundary railway. The concerned landscape works aims at beautifying the DSD facilities	10.3	5.0
4	DSD	Preventive Lining Works in (i) Hong Kong Island and Islands; (ii) Tai Po and North District; and (iii) Shatin, Ma On Shan, Sai Kung and Tseung Kwan O	To provide internal linings for the aged stormwater drains and sewers with different levels of defects to sustain their serviceability and structural integrity while avoiding the need of open trench excavation	20.0	10.0
5	DSD	Associated works for two sewer duplications in Shatin (2 projects) [under ENB policy purview]	To provide associated and supporting works for the existing and proposed duplicated crossings in Shatin facilitating cross connection between the new and existing sewers, as well as safe and easy operation and maintenance of the local networks	20.0	5.0
6	DSD	Retro-fitting pumping systems as a pilot scheme in 3 selected medium size sewage pumping stations. [under ENB policy purview]	To provide engineering service solution including investigation, design, construction, modification and trial operation on pump and pipework retrofit to optimize energy usage in 3 selected sewage pumping stations, taking into account up-to-date flow pattern and future flow build-up and promoting energy saving	20.0	10.0

Proponent		Project Title	Description of the Projects	Estimated Cost (HK\$M)	Expenditure in 2009-10 (\$M)
7	DSD	Electrical power management and quality improvement works at Shek Wu Hui and Yuen Long sewage treatment works [under ENB policy purview]	To provide engineering service solution including investigation, design, construction and commissioning to provide power management and improve power quality of the electrical systems at Shek Wu Hui and Yuen Long sewage treatment works, and to promote energy saving	20.0	10.0
8	DSD	Enhancement of odour control and management systems as pilot scheme in selected 4 sewage treatment facilities for improvement [under ENB policy purview]	To further enhance the existing odour control systems performance and provide odour management system for effective environmental performance at Ho Pong Street sewage pumping station, Stonecutters Island STW, Kwun Tong PTW and Chai Wan PTW	20.0	10.0
9	EMSD	Replacement and upgrading of E&M Installations	To replace and upgrade 187 critical E&M installations of 14 departments that are old and due for replacement	298.9	298.9
10	EMSD	Upgrading works for 5 public Transport Interchanges	To renovate the passengers waiting area for the improvement of air-quality, image and maintenance and operation arrangements for the 5 Public Transport Interchanges	63.8	63.8
11	WSD	(i) Improvement to Tuen Mun salt water pumping station (ii) Retrofitting of accelerator at Sha Tin Water Treatment Works (iii) Improvements to Tai Tam West catchwater	(i) To carry out desilting work at the intake culvert and to carry out ancillary improvement works at Tuen Mun salt water pumping station (ii) To install inclined tubes at Accelerator N5 to improve the capacity of the clarifier at Sha Tin Water Treatment Works (iii) To re-line about 2 Km of catchwater channel	26.8	26.8
12	WSD	Building renovation and improvement works to a number of small pumping stations and waterworks access roads in NT Region	To carry out renovation works and greening works to a number of small pumping stations in NT West Region of WSD and to re-pave waterworks access roads and to carry out ancillary improvement works in Sha Tin and Tai Po area	11.0	11.0

Proponent		Project Title	Description of the Projects	Estimated Cost (HK\$M)	Expenditure in 2009-10 (\$M)
13	HyD*	Improving road asset [under THB policy purview]	To improve lighting works, road surfacing works, footpath and streetscape enhancement works, slope improvement, structure painting and renovation, road improvement and parapet strengthening works, footbridge lift retrofitting and other structure works, other works projects, and maintenance inspections/road asset inventory	97.0	97.0
14	MD*	Strengthening harbour patrol capability [under THB policy purview]	To construct a two-storey building for the Harbour Patrol Section	18.0	1.8
15	TD*	Enhancing traffic monitoring [under THB policy purview]	To install trial/pilot detectors for monitoring of traffic flow at sections of strategic road network	5.0	1.5
Theme - Enhancing green and sustainable environment (total of 7)					
16	EMSD	Energy saving initiatives for various government departments	To install and retrofit energy efficient lighting systems, air-conditioning plants and other E&M facilities for 87 government premises, with anticipated annual saving of HK\$11 M in electricity charges upon completion of the project	76.5	76.5
17	ArchSD	Construction of Green Roofs in Various Government Buildings	Construction of green roofs in 40 government buildings	20.0	10.0
18	CEDD	Greening Enhancement in Tin Shui Wai	To convert existing hard paved central median of carriageway at Tin Shui Road and Tin Sau Road in Tin Shui Wai to greening areas	3.5	3.0
19	WSD	Retrofit plumbing appurtenance with water saving devices in Government Buildings and Schools	To retrofit plumbing appurtenance with water saving devices in Government buildings and schools	163.7	60.0

Proponent		Project Title	Description of the Projects	Estimated Cost (HK\$M)	Expenditure in 2009-10 (\$M)
20	DSD	Pilot applications of membrane technologies in the reuse of treated effluent in 12 selected sewage treatment facilities. [under ENB policy purview]	To design, construct and operate various effluent treatment systems with appropriate membrane technologies in providing treated effluent meeting different reuse application standards, including irrigation, polymer preparation and plant cleaning to be used in 12 sewage treatment facilities as pilot trial	50.0	25.0
21	HyD*	Green initiatives for road asset [under THB policy purview]	To install energy-saving lighting installation and to enhance roadside slope greening	11.0	11.0
22	ArchSD	Refurbishment of the Building Services Installations in various Government buildings	Advanced programme for refurbishment of the building services installations in 100 government buildings to incorporate energy-efficient features in lighting system, lifts and escalations, air-conditioning systems and power supply systems	130.0	76.0
		Grand Total		1,600.5	988.3
* Departments outside the purview of DEVB.					