

**立法會**  
**Legislative Council**

LC Paper No. CB(1) 1003/08-09  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/EA/1

**Panel on Environmental Affairs**

**Minutes of meeting**  
**held on Wednesday, 21 January 2009, at 2:30 pm**  
**in Conference Room A of the Legislative Council Building**

- Members present** : Hon Audrey EU Yuet-mee, SC, JP (Chairman)  
Hon CHAN Hak-kan (Deputy Chairman)  
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP  
Hon James TO Kun-sun  
Hon LAU Kong-wah, JP  
Hon Miriam LAU Kin-ye, GBS, JP  
Hon Andrew CHENG Kar-foo  
Hon Albert CHAN Wai-yip  
Hon LEE Wing-tat  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon CHEUNG Hok-ming, SBS, JP  
Prof Hon Patrick LAU Sau-shing, SBS, JP  
Hon KAM Nai-wai, MH  
Hon Cyd HO Sau-lan  
Hon CHAN Kin-por, JP
- Members absent** : Hon WONG Yung-kan, SBS, JP  
Dr Hon Priscilla LEUNG Mei-fun
- Public officers attending** : **For item IV**  
  
Dr Kitty POON  
Under Secretary for the Environment  
  
Mr Elvis AU  
Assistant Director (Water Policy)  
Environmental Protection Department  
  
Mr Gordon WAN  
Senior Environmental Protection Officer (Sewerage  
Infrastructure)  
Environmental Protection Department

Mr TSUI Wai  
Assistant Director/Projects & Development  
Drainage Services Department

Mr LEE Tai-kwan  
Chief Engineer/Sewerage Projects  
Drainage Services Department

**For item V**

Dr Kitty POON  
Under Secretary for the Environment

Mr TSE Chin-wan  
Assistant Director (Environmental Assessment)  
Environmental Protection Department

Mr Maurice YEUNG  
Principal Environmental Protection Officer (Assessment  
and Noise)  
Environmental Protection Department

Mr CHOW Chun-wah  
Chief Engineer / Major Works  
Highways Department

**For item VI**

Dr Kitty POON  
Under Secretary for the Environment

Mr Vincent TANG  
Assistant Director (Nature Conservation & Infrastructure  
Planning)  
Environmental Protection Department

Mr Joseph SHAM  
Assistant Director (Country & Marine Parks) Agriculture,  
Fisheries and Conservation Department

Mr Edward WONG  
Senior Marine Parks Officer  
Agriculture, Fisheries and Conservation Department

**For item VII**

Dr Kitty POON  
Under Secretary for the Environment

Mr Benny WONG  
Deputy Director of Environmental Protection (1)  
Environmental Protection Department

Ms Connie HO  
Acting Senior Treasury Accountant (Business Services)  
Environmental Protection Department

**Clerk in attendance** : Miss Becky YU  
Chief Council Secretary (1)1

**Staff in attendance** : Mrs Mary TANG  
Senior Council Secretary (1)2

Miss Mandy POON  
Legislative Assistant (1)4

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**I. Confirmation of minutes**

- (LC Paper No. CB(1) 595/08-09 — Minutes of the meeting held on  
24 November 2008  
LC Paper No. CB(1) 604/08-09 — Minutes of the meeting held on  
15 December 2008)

The minutes of the meetings held on 24 November and 15 December 2008 were confirmed.

**II. Information paper issued since last meeting**

2. Members noted that an information note on land contamination policy provided by the Administration had been circulated vide LC Paper No. CB(1) 474/08-09(01) since last meeting. They also agreed to delete the subject from the list of outstanding items for discussion.

**III. Items for discussion at the next meeting**

- (LC Paper No. CB(1) 605/08-09(01) — List of follow-up actions  
LC Paper No. CB(1) 605/08-09(02) — List of outstanding items for  
discussion)

3. Members agreed to discuss the following items at the next regular meeting scheduled for Monday, 23 February 2009, at 2:30pm –

- (a) 4274DS and 4235DS – Provision of sewerage in Yuen Long and Kam Tin;

- (b) Establishing a geological park in the eastern part of the New Territories; and
- (c) Latest progress of measures to tackle fly-tipping.

*(Post-meeting note: At the request of the Administration and with the concurrence of the Chairman, an additional item on “Banning idling vehicles with running engines” was included in the agenda for the meeting.)*

#### **IV. 357DS - Sewage interception scheme in Kowloon City**

(LC Paper No. CB(1) 605/08-09(03) — Administration's paper on 357DS - Sewage interception scheme in Kowloon City)

4. The Under Secretary for the Environment (USEN) briefed members on the Administration's proposal to upgrade 357DS - Sewage interception scheme in Kowloon City to Category A at an estimated cost of about \$700 million. The Assistant Director of Drainage Services /Projects & Development (ADDS/P&D) then gave a power-point presentation on the project by highlighting the salient points in the information paper.

5. While supporting the upgrading of sewerage facilities, Mr Jeffrey LAM was concerned about traffic impact associated with the project, which covered a long stretch of land across Kowloon City. He enquired about the measures taken to reduce the noise and odour nuisances arising from the construction works. Expressing similar concerns, Ms Miriam LAU stressed the need to cover the road openings to facilitate traffic when no construction works were carried out on site. ADDS/P&D said that as the 1.5-kilometre twin rising mains would run along the edge of the Kai Tak Development area, which had yet to be developed, no traffic impact was expected from the construction works. However, the construction of the 200 metres of gravity sewers at To Kwa Wan Road might have certain effects on the traffic. Measures, such as constructing the gravity sewers by phases, were being worked out in consultation with the Transport Department (TD) and the Police to mitigate the traffic impact. Consideration would be given to adopting silenced construction plant to reduce the noise nuisance. Construction works would not be carried out at night. The Assistant Director of Environmental Protection (Water Policy) (ADEP(WP)) added that the pumping stations would be enclosed structures to contain the odour, which could be further abated through the use of activated carbon as an effective means for deodorization.

6. The Chairman enquired if the project was necessitated by the Kai Tak Development. ADDS/P&D explained that there was a need to upgrade the sewerage facilities in the aged districts of Wong Tai Sin and San Po Kong to cater for the planned developments, such as the redevelopment of Wong Tai Sin Estate and Nga Tsin Wai Village. USEN added that a number of sewerage upgrading projects were on the pipeline to upgrade the sewerage facilities in the aged districts and to cater for

planned developments, including the proposed sewage inception scheme which was decided early as 2003. It was shelved to give way to other housing projects. With the approval of the Kai Tak Development in 2006 and the planning of other developments within the district, there was a need to proceed with the project. In response to the Chairman's further enquiry on the inadequacy of the existing sewers in the area and the reasons for siltation inside the sewers, ADEP(WP) said that surcharging and siltation inside the existing sewers often occurred due to the flat and inverted gradients along the sewers, thereby causing possible overflow of sewage into nearby drainage systems including Kai Tak Nullah. The situation would be aggravated with additional sewage flows from future developments. The proposed sewage interception scheme in Kowloon City would help improve the situation by diverting the sewage flows from upstream catchments direct to the downstream sewerage in Ma Tau Kok.

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7. Given the many sewerage upgrading projects within the district, Mr LEE Wing-tat stressed that road opening works for these drainage and other utility projects should be better coordinated, and that the related works should be expedited to minimize inconvenience caused to the public. Efforts should also be made to avoid re-opening of the same roads within a short time. ADDS/P&D explained that before implementing the sewerage upgrading works, Drainage Services Department (DSD) would consult TD and the Police and coordinate road opening works with other utility undertakings, with a view to minimizing inconvenience caused. At members' request, USEN agreed to provide an information paper on the work schedule of sewerage upgrading projects to be carried out in Kowloon, and how the road opening works of different departments were coordinated.

8. Mr KAM Nai-wai noted that in many aged districts like Kowloon City, sewage drain pipes were connected to storm water drainage. He enquired if the sewerage upgrading projects would help resolve these problems. ADDS/P&D said that the proposed sewage interception project would help resolve the problem associated with the inadequacies of existing sewers, particularly at San Po Kong.

9. Noting that the sewage interception project would last from 2009 to 2012, Ms Miriam LAU enquired if the project could be expedited to minimize the inconvenience to the public. Mr KAM Nai-wai also sought an undertaking from the Administration that no public works projects involving road re-opening works of similar scale would be carried out within the district in the next three years. ADDS/P&D said that the construction of pumping stations would take a longer time to complete as extensive piling and deep excavation works were required. Consideration would be given to implementing the gravity sewer construction works by phases to minimize the inconvenience to the public. As far as he knew, there would not be other road opening works of similar scale in the vicinity in the next three years.

10. Professor Patrick LAU enquired if the sewage pumping stations would affect the harbourfront developments. ADDS/P&D said that as the related construction works would be carried out in the northern rim of Kai Tak Development, it was not

expected that the harbourfront developments would be affected.

11. In concluding, the Chairman said that members did not object to the proposal being submitted for consideration by the Public Works Subcommittee (PWSC).

**V. PWP Item Nos. 805TH - Retrofitting of noise barriers on Fanling Highway (MTR Fanling Station to Wo Hing Road)  
807TH - Retrofitting of noise barriers on Fanling Highway (Po Shek Wu Road to MTR Fanling Station)**

(LC Paper No. CB(1) 605/08-09(04) — Administration's paper on PWP Item Nos. 805TH - Retrofitting of noise barriers on Fanling Highway (MTR Fanling Station to Wo Hing Road) and 807TH - Retrofitting of noise barriers on Fanling Highway (Po Shek Wu Road to MTR Fanling Station)

LC Paper No. CB(1) 605/08-09(05) — Paper on the measures to address noise impact on existing roads prepared by the Legislative Council Secretariat (updated background brief))

12. USEN briefed members on the Administration's proposal to upgrade PWP Item Nos. 805TH - Retrofitting of noise barriers on Fanling Highway (MTR Fanling Station to Wo Hing Road), and 807TH - Retrofitting of noise barriers on Fanling Highway (Po Shek Wu Road to MTR Fanling Station) to Category A at the estimated costs of \$231.4 million and \$474.4 million in September 2008 prices respectively.

13. While supporting the need to reduce traffic noise, Mr Jeffrey LAM was concerned that the noise reduction measures might not be effective in reducing traffic noise despite the resources being allocated. A typical example was the noise barriers installed along the Tolo Highway, part of which were subsequently relocated to other highways. USEN said that over 70% of the dwellings along the two road sections of Fanling Highway would be fully protected from the proposed noise barriers with a noise level not exceeding the limit of 70 dB(A).

14. Mr CHAN Hak-kan said that residents in the North District and Fanling would welcome the early provision of the proposed noise barriers at Fanling Highway as they had been exposed to excessive road traffic noise for a long time. Noting that only about 76% of the dwellings would benefit from the noise barriers, he expressed concern about situation of the remaining 24% of dwellings. USEN clarified that while about 76% of the dwellings would fall within the noise limit of 70 dB(A), about 95% of dwellings would enjoy a reduction in traffic noise. Only a few percent of dwellings would not be able to benefit from the installation.

15. Mr Jeffrey LAM noted that noise barriers built along the roads were only able to mitigate noise from road traffic, but not noise from trains for developments located next to the rail, as in the case of the proposed noise barriers at Fanling Highway. He queried why the noise reduction measures for trains and roads had to be considered separately. The Assistant Director of Environmental Protection (Environmental Assessment) (ADEP(EA)) said that having regard to the alignments of rail and roads, noise barriers which would effectively shield the residential developments from both train noise and road traffic noise would need to be of a very large scale, which would not only require extensive construction works, but also block the views of some of the dwellings. Therefore, it had been decided that separate noise reduction measures for train and road traffic noise on a smaller scale should be provided to achieve the best and most cost-effective results. In the case of the Fanling Highway, the MTR Corporation Limited had been requested to implement noise mitigation measures to reduce the noise generated from East Rail, which had since been able to comply with the noise limits. With the completion of the proposed barriers, about 95% of the dwellings would benefit from the reduction in traffic noise, while 76% would be protected to noise levels below 70 dB(A).

16. Mr Jeffrey LAM further enquired about the materials to be used for the noise barriers. He asked if consideration could be given to using trees as noise barriers for better aesthetic and greening effects. His views were shared by Professor Patrick LAU. Mr CHAN Hak-kan also asked if trees would be planted near the proposed noise barriers to shade the neighbouring dwellings from possible refractive glare from the barriers. CE/MW said the most of the noise barriers were made of transparent materials to reduce the visual impact and trees would be planted alongside the barriers. CE/MW added that a lot of greening efforts had been made in the relevant greening plans which had been supported by the District Council in November 2008. The noise barriers would be fitted into the greening plans. USEN said that while some trees would be relocated to make way for the noise barriers, more trees would be re-planted to provide for greening in the area. She also pointed out that an interdepartmental working group had been set up to improve the design of noise barriers to ensure that future noise barriers would be aesthetic and effective in the reduction of traffic noise.

17. Professor Patrick LAU said that he had conducted some studies on the design of noise barriers. He held the view that the design of noise barriers should be representative of the district in which they were located. By way of illustration, the noise barriers at Kwai Chung had reflected the industrial image of the district. He therefore supported the Government's initiative of holding an open competition on the design of noise barriers to collate views from stakeholders, including architects, designers and district councils. The Chief Engineer/Major Works (CE/MW) said that the purpose of the open competition was meant to identify conceptual designs for noise barriers to be built in Hong Kong. Some locations for noise barriers which were typical of the situation in Hong Kong, such as the Gascoigne Road Flyover, Tuen Mun Town Centre and Tai Wo Road in Tai Po, were chosen for the design competition. CE/MW added that practicality had to be considered in designing noise barriers. In the case of the current retrofit projects along Fanling Highways, the North District

Council had been consulted on the design which was followed by a visit to the site in which the noise barriers would be installed. The views gathered would be incorporated into the design of the noise barriers, taking into account the unique characteristics of the district. Architectural input had been provided in the design of noise barriers and greening measures would be applied as appropriate.

18. In response to Professor Patrick LAU's questions on why the proposed noise barriers at Fanling Highway were not included as part of the competition, and whether the winning design would be applicable to the proposed noise barriers, CE/MW said that where possible, the Administration would endeavour to make reference to the outcome of the open competition. USEN however pointed out that as the Administration planned to commence construction works for two noise barriers in September 2009, there might not be sufficient time to incorporate the ideas gathered from the open competition in the design of the barriers.

19. Professor Patrick LAU enquired if the design for the proposed noise barriers could be incorporated in the proposal to be submitted to PWSC in April 2009. ADEP(EA) said that design of the noise barriers would not be ready by April 2009. However, more information on the conceptual design and the means to improve the aesthetics of the barriers could be provided for members' reference.

20. In concluding, Chairman said that members did not object to the proposal being submitted for consideration by PWSC.

## **VI. Banning of commercial fishing in marine parks**

(LC Paper No. CB(1) 605/08-09(06) — Administration's paper on banning of commercial fishing in marine parks)

21. USEN briefed members on the proposal to ban commercial fishing in marine parks, a new initiative under the Policy Agenda of the Policy Address 2008 which aimed at improving the ecosystems in marine parks and offering better protection for marine organisms.

22. Mr CHAN Kin-por enquired about the outcome of consultation with the affected fishermen who were concerned about the impact of the ban on their livelihood. The Assistant Director of Environmental Protection (Nature Conservation & Infrastructure Planning) (ADEP(NCIP)) said that the Administration had consulted the Country and Marine Parks Board and the Marine Parks Committee, which comprised representatives from the fishing industry, on the proposed ban. While there was general support for the ban which could improve the ecosystems in marine parks and offer better protection for marine organisms, there were concerns about the adverse impact of the ban on the livelihood of fishermen who used to fish in marine parks. The Administration would conduct further consultation with the affected fishermen from February to May 2009 with a view to resolving the difficulties associated with the ban. USEN added that as marine parks only comprised about 2% of the fishing

areas in Hong Kong, bona fide fishermen could still be able to fish in the remaining 98% of the fishing areas. It was not expected that the ban would have significant impacts on the livelihood of fishermen.

23. While supporting the need to protect and conserve marine habitats, Mr CHAN Hak-kan considered it necessary that the affected fishermen should be adequately consulted before a decision to introduce the proposed ban was reached. He said that according to the fishermen, the Administration had undertaken to allow them to fish in marine parks in return for their support for designating these areas under the Marine Parks Ordinance (Cap.476) (MPO). USEN said that under the Marine Parks and Marine Reserve Regulations (Cap. 476A) (the Regulation), 380 valid fishing permits were issued to bona fide fishermen for fishing in the marine parks. Permit holders were required to renew their fishing permits once every two years and permits not renewed would no longer be valid. The proposed amendments to the Regulation would enable the Director of Agriculture, Fisheries and Conservation, being the Authority, to stop issuing new permits or renewing existing permits to bona fide fishermen for fishing in marine parks. The Administration planned to introduce the relevant legislative amendments to the Legislative Council in 2009 for implementation in 2010. The ban would take full effect in 2012 upon expiry of the two-year validity period of the existing permits. ADEP(NCIP) added that overseas experience had proved that a fishing ban within marine protected areas could help protect marine habitats and recovery of fishery resources, which could in turn benefit the adjacent waters in the long run.

24. Mr CHAN Hak-kan enquired about the fishing locations of the 380 permit holders. He pointed out that if some of them fished in marine parks, the proposed ban would have serious impacts on their livelihood. The Senior Marine Parks Officer explained that according to staff of Agriculture, Fisheries and Conservation Department (AFCD) who conducted regular patrol in marine parks, about 40 valid fishing permit holders were regularly seen fishing within the marine parks, and some of them were doing so on a weekly basis. Apart from marine parks, there were many other fishing areas where bona fide fishermen could carry out their fishing activities. The affected fishermen had also indicated that they would find alternative fishing grounds after implementation of the ban, albeit they would prefer to be able to continue fishing in marine parks as well.

25. Ms Miriam LAU expressed concern that the proposed ban was formulated in the absence of adequate consultation with the affected trades, which was at variance with the established practice. She emphasized that Members would need to be apprised of the outcome of consultation with the affected fishermen, whose livelihood might be adversely affected by the ban, before they could decide whether to support the proposed ban or not. The Administration should refrain from introducing any new initiative without adequately consulting the affected trades. She opined that the Administration should take measures to address the trades' concerns before taking forward a new initiative. By way of illustration, if the fishing methods adopted by bona fide fishermen were considered detrimental to the marine habitats, consideration should be given to requiring them to use less destructive methods, such as cage

trapping, hand lining and hand netting. This would enable the affected fishermen to continue fishing in the marine parks without endangering the marine habitats. USEN reiterated that there was general support for the protection and conservation of marine resources. Nevertheless, the Administration would conduct further consultation with the affected fishermen in the next few months. Efforts would be made to address their concerns about the impact of the ban on their livelihood.

26. Given that the proposed ban would only apply to bona fide fishermen and not local residents in marine parks, Mr CHAN Kin-por expressed concern that affected fishermen would apply as local residents for permits to fish in these areas. USEN said that the rationale for non-applicability of the ban to local residents was because their fishing was confined to cage trapping, hand lining and hand netting only. These kinds of fishing activities, unlike the commercial scale fishing conducted by bona fide fishermen, were in small scale and conducted sporadically. Their fishing impact on marine habitats was hence very much limited. With the enactment of the legislation to ban commercial fishing, it was expected that the marine habitats would be better protected and conserved in future.

27. Ms Cyd HO found it hard to accept that the Administration should disallow commercial fishing by bona fide fishermen on the one hand, and allow hand netting by local residents, which was equally destructive, on the other. She had seen some local residents riding in sampans who could hand net large fish catch enough for sale in the markets. If these local residents were not skilful in hand netting and left their nets in the seabed, this would damage the coral reefs and other marine habitats. She opined that the Administration should clearly define the types of fishing methods to be banned, and that only those who caught fish for their own consumption and not on a commercial scale could be exempted from the ban. The Assistant Director (Country & Marine Parks) said that the fishing activities referred to by Ms HO involving the use of vessels and casting of nets would be regarded as commercial fishing. The proposed ban would be targeted at this type of fishing which could deplete the fishery resources in marine parks. The kinds of fishing activities allowed in marine parks would be confined to cage trapping, hand lining and hand netting where the scale was much smaller and vessels would not normally be used. USEN said that the purpose of the ban was meant to protect and conserve marine ecosystems in marine parks. While commercial fishing would be banned in marine parks, cage trapping, hand lining and hand netting by local residents would still be allowed given their minimal impact on fishery resources.

28. The Chairman said that according to section 17(3) of the Regulation, the Authority might grant a fishing permit to a bona fide fisherman or a person who ordinarily resided near a marine park to which a permit related. However, the proposed ban, if imposed, would apply only to bona fide fishermen and not local residents. There were also no restrictions on the number or size of fish to be caught, nor the type of equipment to be used in fishing. It would be indeed very absurd for the ban to apply to certain persons but not the types of fishing. She also failed to understand the rationale for not restricting the issue of fishing permits to persons who ordinarily resided near a marine park. SMPO explained that when MPO was first

introduced, there were requests from fishermen and local residents that they should be allowed to fish in the designated marine parks. Accordingly, it was set out in the Regulation that the Authority could, at her discretion, grant fishing permits to bona fide fishermen and local residents. The permit would set out the types of fishing methods to be used by fishermen who were fishing on a commercial scale, and the licence numbers of vessels. The types of fishing methods to be used by local residents were also specified in their permits. While the proposed ban would first be applied to commercial fishing where more destructive methods of fishing were used, consideration would be given to extending the scope of the ban to cover other modes of fishing.

29. Mr Albert CHAN opined that the proposed ban had not been well thought out. Unlike overseas countries which imposed strict restrictions on the size of fish and other marine organisms that could be caught, there lacked a comprehensive package of measures to protect the fishery resources in Hong Kong. To combat illegal fishing, there was a need for concerted efforts from different departments to step up enforcement. USEN said that the Administration had set up a Committee on Sustainable Fisheries to formulate plans and measures for the future development of sustainable fisheries in Hong Kong. It would submit its report to the Food and Health Bureau later this year. As regards illegal fishing, USEN said that there was close liaison with the Mainland authorities to curb the problem. The Senior Marine Parks Officer (SMPO) added that AFCD staff conducted regular patrol in marine parks, and if necessary would join forces with the Marine Police and provide facilitation to the Mainland authorities in enforcement actions against illegal fishing. Mr CHAN was dissatisfied that the problem was dealt with in a piecemeal manner as evidenced by the rampant illegal fishing activities despite the efforts being made. He was not prepared to accept the present proposal and considered a need for further discussion with a view to working out a more comprehensive package of measures to protect fishery resources.

30. The Chairman said that while members were supportive of the need to protect and conserve marine resources, they found it unacceptable that the Administration had not consulted the affected trades before submitting the proposal to the Panel for consideration. Given that there would be another round of consultation with the affected trades, she requested the Administration to report the outcome of consultation to the Panel as soon as practicable. A review of the coverage of the ban should also be made to ascertain the feasibility of prohibiting the types of fishing rather than the types of persons.

## **VII. Supplementary provision for the operating expenses of waste management facilities under the Environmental Protection Department**

(LC Paper No. CB(1) 605/08-09(07) — Administration's paper on supplementary provision for the operating expenses of waste management facilities under the Environmental Protection Department)

31. USEN explained that the request for supplementary provision of \$76 million for the operating expenses of waste management facilities under the Environmental Protection Department (EPD) was made because the original estimate was inadequate to meet the increased expenditure arising from inflation in 2008-09.

32. Ms Miriam LAU noted that unlike the monthly operation fees for waste management facilities which were adjusted in accordance with the price fluctuation adjustment provisions specified in the contracts, those for refuse transfer stations (RTS)/Chemical Waste Treatment Centre, and landfills were determined based on Consumer Price Index (B) (CPI(B)) and a Composite Index (comprising 40% on construction material index, 25% on labour index and 35% on CPI(B)) respectively. She questioned the need to make reference to the construction material index in the price fluctuation adjustment for landfills, and rationale for the Administration to pay for the construction materials when these could be obtained for free from fill banks.

33. In response, the Deputy Director of Environmental Protection (1) (DDEP(1)) explained that civil engineering works, including construction of access roads, covering of landfilled waste etc. were required in the operation of landfills where construction materials were used. Construction materials were also required in the installation of the capping layer, pipework and pumps for the collection and treatment of landfill gas. However, not all materials in the fill banks could be used for the civil engineering works at landfills. While inert materials would be used as far as possible, construction materials would need to be procured for the construction of the above facilities. Hence, reference to the construction material index had to be made in the price fluctuation adjustment for the operation expenses of landfills.

34. Given the likely impact of the recent financial turmoil, the Chairman enquired if the price indices were expected to drop in the months to come and if so, whether there was room for downward adjustments for future contracts to offset the inflation costs in 2008-09. Ms Miriam LAU also enquired if the future provisions for the operating expenses of waste facilities were expected to reduce significantly as a result of the drop in price indices. USEN said that the unprecedented high inflation rates from October 2007 to July 2008 had led to higher price fluctuation adjustments than expected by EPD in mid 2007, resulting in a significant increase in payments for the operation fees. The Government, being the client, was obliged to apply for a supplementary provision of \$76 million to meet the shortfall in the original estimates. New estimates would be made having regard to the projections on the trend of CPI(B) and Composite Index. DDEP(1) supplemented that the operation fees for RTS and landfills to be paid in the remaining months in 2008-09 would be calculated based on CPI(B) up to January 2009 and Composite Index up to November 2008 respectively. Any further reduction of price fluctuation indices in December 2008 and the first quarter of 2009 would not have significant impact on the operation fees of RTS and landfills to be paid in the 2008-09 financial year. Taking into account the likely impact of the recent financial turmoil and economic downturn on the price fluctuation indices, EPD had not built in any further increase of price fluctuation adjustments in the projection of operation fees to be paid in the remaining months of 2008-09. At

Admin members' request, the Administration would provide a breakdown on the operating expenses of the waste management facilities under EPD for 2008-09 and the contractual arrangements for adjustment of operation fees according to the price indices.

35. Noting that the Government would have to provide supplementary provisions to make up for any under-estimated operation expenses made by EPD, Ms Cyd HO asked whether there were price adjustment mechanism that would provide for reduction of operation fees when there was downward adjustment of relevant price indices.. DDEP(1) said that the price adjustment mechanism, which was drawn up on the basis of a fair apportionment of risks between the contractor and the government, had provision for both upward and downward adjustments. He confirmed that there had been reduction in operation fees due to significant downward movement of price indices in 2003.

36. In concluding, Chairman said that members did not object to the submission of the proposal for consideration by the Finance Committee.

#### **VIII. Any other business**

37. There being no other business, the meeting ended at 4:25 pm.