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**FINANCIAL SERVICES AND THE
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27 May 2010

Clerk to Public Accounts Committee
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road,
Central, Hong Kong
(Attn.: Ms Macy Ng)
[Fax: 2537 1204]

Dear Ms Ng,

**The Director of Audit's Report on the
results of value for money audits (Report No. 54)**

Development of EcoPark (Chapter 5)

Thank you for your letter of 17 May 2010 seeking additional information regarding the captioned Chapter. Our responses are as follows –

(a) Savings in landfill disposal cost of the EcoPark project

In seeking to upgrade the EcoPark project to Category B, the then Environment, Transport and Works Bureau (ETWB) set out in its submission a number of reasons and data justifying the project. These include the point that there could be savings in the disposal cost of the materials that would be recycled/recovered instead of being dumped in the landfills. We believe that all this information was given due consideration, but we have no records as to what weight was given to the point about savings in landfill disposal costs, in the decision.

We have no records showing that our colleagues asked the then ETWB to include the point about savings in landfill disposal costs in the submission to the Public Works Subcommittee (PWSC) in 2006. It would seem that for our colleagues involved at that time, their analysis of the proposal and its justifications was such that savings in landfill disposal costs were not pertinent to the financial justification of the proposal.

We would understand such an analysis, having gone through the submissions at that time to the Environmental Affairs Panel and PWSC. As can be seen from the “JUSTIFICATION” section of the PWSC paper, the justifications were mainly to provide an “outlet for locally recovered materials”, “alleviate the heavy reliance on the export of these recyclable materials”, “encourage the development of value-added environmental and recycling technologies”, etc. Direct reduction in materials dumped in the landfills and savings arising from such reduction was not among the justifications.

We also think it is relevant that, as explained in Environmental Protection Department’s letter to you on 25 May 2010, the materials in question could be exported instead of sent to the landfills.

As for future PWSC/Finance Committee (FC) submissions, we will as recommended by Director of Audit continue to provide information on cost, benefits and cost savings arising from works projects in the PWSC/FC papers where appropriate.

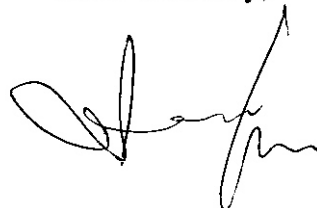
(b) Funding source of the EcoPark waste electrical and electronic equipment (WEEE) processing centre

The capital cost of a works project is chargeable to a subhead (be it a project vote created under Public Works Programme or a block allocation) if it falls within the ambit of the subhead concerned. In this case, the EcoPark WEEE processing centre falls within the scope of both the EcoPark project vote (i.e. 5703CL) and the relevant block allocation (i.e. 5101DX – Environmental works, studies, and investigations for items in Category D of the Public Works Programme). Based on the information the Environment Bureau (ENB) provided to us earlier this year, we do not find it improper for ENB to use the block allocation 5101DX to cover the expenditure of the EcoPark WEEE processing centre as it is not the increased expenditure of the EcoPark project under 5703CL. We therefore consider that both funding routes are appropriate.

(c) **Financial Circular No. 8/2001**

A copy of the Financial Circular No. 8/2001 is attached. Paragraph 4.21 of the audit report mentions that according to the Financial Circular, departments should not use block allocations to cover increased expenditure on a project or part of a project that is already funded under the Capital Works Reserve Fund. This reference can be found in paragraph 4 of Enclosure 3 to the Financial Circular.

Yours sincerely,



(Miss Sandra Lam)
for Secretary for Financial Services and
the Treasury

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***Note by Clerk, PAC: Financial Circular No. 8/2001 not attached.**