

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 10th meeting
held at the Legislative Council Chamber
on Friday, 18 February 2011, at 5:05 pm**

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
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 LEE Cheuk-yan
Hon Fred LI Wah-ming, SBS, JP
Dr Hon Margaret NG
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, SBS, JP
Hon LAU Kong-wah, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon Andrew CHENG Kar-foo
Hon Timothy FOK Tsun-ting, GBS, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon LI Fung-ying, SBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP

Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Dr Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon CHEUNG Hok-ming, GBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, BBS, JP
Hon CHAN Hak-kan
Hon Paul CHAN Mo-po, MH, JP
Hon CHAN Kin-por, JP
Dr Hon Priscilla LEUNG Mei-fun
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon WONG Sing-chi
Hon WONG Kwok-kin, BBS
Hon IP Wai-ming, MH
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Dr Hon PAN Pey-chyou
Dr Hon Samson TAM Wai-ho, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Tanya CHAN
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man

Members absent:

Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon Paul TSE Wai-chun

Public officers attending:

Professor K C CHAN, SBS, JP	Secretary for Financial Services and the Treasury
Mr Stanley YING, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Alice LAU, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Ms Elsie YUEN	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr YAU Shing-mu, JP	Under Secretary for Transport and Housing
Ms Maisie CHENG, JP	Deputy Secretary for Transport and Housing (Transport) 1
Mr C W CHOW	Principal Assistant Secretary (Transport) 7
Mr LAU Ka-keung, JP	Director of Highways
Mr Henry CHAN	Principal Government Engineer (Railway Development) Highways Department
Ms Maggie SO	Senior Manager (Projects and Property Communications) MTR Corporation Limited
Mr Henry LAM	General Manager (SCL/KTE)
Mr James CHOW	MTR Corporation Limited Project Manager (SCL/KTE Civil)
Mr FONG Yeun-tsin	MTR Corporation Limited Assistant Postmaster General (Corporate Development)
Mr Mark CUZNER	Project Manager (SIL Civil) MTR Corporation Limited

Clerk in attendance:

Mrs Constance LI	Assistant Secretary General 1
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Staff in attendance:

Ms Annette LAM	Chief Council Secretary (1)7
Mr Daniel SIN	Senior Council Secretary (1)7
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Christy YAU	Legislative Assistant (1)8

Action

Item No. 1 - FCR(2010-11)59

**RECOMMENDATIONS OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 17, 19 AND 25 JANUARY
2011**

HEAD 706 – HIGHWAYS

PWSC(2010-11)34 Shatin to Central Link — construction of railway works

PWSC(2010-11)35 Shatin to Central Link — construction of non-railway works

The Committee resumed discussion of FCR(2010-11)59 at 5:05 pm. The Chairman said that PWSC(2010)34 would be discussed together with PWSC(2010-11)35 but they would be put to vote separately.

2. The Chairman advised that the PWSC(2010-11)34 sought the Committee's approval to carry out advance works of the Shatin to Central Link (SCL) railway construction project at \$6,254.9 million at money-of-the-day prices, while PWSC(2010-11)35 sought approval of \$1,448.2 million to carry out advance works for the construction of non-railway works of the SCL project.

Project cost and financial arrangement

3. Mr Andrew CHENG said that he found it difficult to support the funding proposal in view of the exorbitant construction cost involved. He criticized that the amount of on-cost estimated at 16.5% of the project cost was disproportionately high, as such indirect expenditure was equivalent to the construction cost of the entire SCL line at 2009 cost level. Noting that the on-cost would cover expenditure items such as consultancy fees, he considered that there should be considerable savings in terms of the consultancy studies, design, works supervision and contract management, if the Administration took forward SCL together with two other railway lines.

4. Mr Alan LEONG and Mr Ronny TONG also expressed concern about the on-cost which was set at 16.5% of the project estimate. Mr TONG criticized that the Administration's cost estimate of railway projects had low credibility, as the estimates for the SCL were even higher than the Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link. He commented that the escalation of project cost was due to the Administration's delays in taking forward the project in the past years.

5. Mr WONG Sing-chi said that while many people welcomed the implementation of SCL, they were concerned about the high project cost. He sought a detailed breakdown of the on-cost for the SCL main construction works, and urged the Administration to undertake to reduce the rate of such cost. Ms Starry LEE expressed similar concern and commented that the on-cost should be reduced to below 10%.

6. Ms Miriam LAU said that the SCL project had been discussed since 2000 and the project had been much delayed. While the public expected that SCL should be taken forward expeditiously, many people found the on-cost, which was set at 16.5% of the project cost, unreasonable.

7. Under Secretary for Transport and Housing (USTH) explained that the on-cost of SCL was estimated with reference to the usual expenditure pattern in previous public work projects entrusted to railway companies. Director of Highways (DHy) supplemented that the on-cost was not meant to be a commission to MTR Corporation Limited (MTRCL) and the cost covered a series of work items such as works preparation, technical studies, vetting of design, supervision of works, contract management and quality assurance. The on-costs for previous railway entrustment projects had worked out to be around 16.5% of the total project cost, while the project costs of other entrustment projects in the past five years were valued between \$36 million and \$4.78 billion, with the on-cost ranging from 15.8% to 26.4% of the project cost. The use of 16.5% for on-cost estimate was generally considered appropriate.

8. USTH further said that while the on-cost was expressed as a percentage of the project cost, the actual amount for SCL, which was a large-scale project that could achieve economy of scale, would likely be less than 16.5%. There was room for adjusting the on-cost when the detailed cost estimates were worked out by the independent consultant based on the detailed design of SCL. An updated funding proposal for SCL would then be prepared for Finance Committee (FC)'s consideration in early 2012. He added that the compensation proposals, if any, in Wong Tai Sin district could be followed up by the Subcommittee on Matters Relating to Railways formed under the Panel on Transport.

9. Mr Paul CHAN sought clarification on whether the on-cost of the SCL project was a payment for MTRCL's service or reimbursement for actual expenses incurred by MTRCL for undertaking the works of the project. He asked whether the 16.5% on-cost was also charged for projects entrusted to the Government. Mr Ronny TONG also asked whether the on-cost would be paid to MTRCL from the outset or on a reimbursement basis.

10. USTH explained that the on-cost represented the amount of actual expenses incurred by MTRCL and was expressed as a percentage of total project cost. DHy advised that there had been two occasions where MTRCL had entrusted railway works to the Highways Department in connection with the Tsing Ma Bridge and the North Lantau Highway. The on-costs involved were \$490 million and \$580 million respectively. There were cases of entrustment works from other organizations and the on-costs were as high as 20% of project cost.

11. Mr Paul CHAN asked about the overseas practice on on-cost of works projects. DHy advised that the Imperial College, UK conducted a study comparing the on-costs of capital projects in Hong Kong and London. However, the report concluded that direct comparison was not meaningful due to the difference in procurement policies, accounting systems and other political factors. As a reference, DHy pointed out that the on-cost for the proposed London – Birmingham high speed rail would be in the order of 16%.

12. Mr Albert CHAN commented that the cost of SCL was unreasonably high, and that MTRCL had monopolized railway development. He criticised the Administration for not requiring MTRCL to honour the pledge made by the former Kowloon-Canton Railway Corporation (KCRC) that SCL would be constructed with its own funds. He was of the view that as MTRCL was allowed to make a profit of some \$8 billion to \$9 billion, it should be able to finance the project on its own. To finance SCL and other railway projects with public money was tantamount to subsidizing MTRCL while its profit was distributed among shareholders. He considered the proposed financial arrangements unfair to taxpayers.

13. Deputy Secretary for Transport and Housing (Transport)1 (DS(T)1) responded that the former KCRC, being wholly government-owned, had planned to finance the construction of SCL from its reserved capital and raise debts backed by its assets. She said that the capital and assets of the former KCRC were public resources.

14. Mr LEUNG Kwok-hung criticized that implementing SCL amidst a heated macro-economic environment was against the Administration's anti-cyclical fiscal policy. He considered that MTRCL, being a public corporation, should have access to many financial instruments to take forward its projects, and financing SCL by public funding was not justified. USTH responded that SCL was financially not viable. However, the Administration considered that the project should proceed because of transport and socio-economic considerations.

15. Mr Frederick FUNG said that the SCL project had been dragging on for many years and should be implemented without further delay. However, he considered that the construction cost, estimated at more than \$60 billion, was too high, and requested the Administration to consider reducing the cost.

16. Ms Starry LEE declared that she had properties along the proposed SCL route. She said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong supported the funding proposal, as people in Hong Kong had waited for the implementation of SCL for a long time. If the funding proposals were not approved, the South Island Line (East) and the Kwun Tong Line Extension would also be delayed, and the construction cost would only escalate. Ms LEE further said that the escalated project cost for SCL was caused by the delay of the Administration in taking forward the project, but it would be unfair to deny people of the railway lines because of negligence of the Administration.

17. Mr Abraham SHEK declared that he was a non-executive director of MTRCL and had long experience in railway projects. He said that the on-cost was used to cover expenses such as staff salaries and other reimbursable claims. The same principle applied to other previous entrustment projects. He said that the Administration should explain the background and conditions of the use of the on-cost and should not commit to reducing the level of on-cost too easily at this stage, because the cost might not be reducible in the end. He further said that the escalation of cost of SCL was due to the Administration's procrastination, and that SCL should have been completed had it not been for the suspension of the project due to the merger. He cautioned that the current rise in construction cost would have bearing on future fares.

18. Ms Cyd HO urged the Administration to be more transparent in setting the on-cost in the project estimates. She was of the view that the consultancy fee should not be linked with the construction and material cost, as the consultants would not need to share the risks of escalating material costs.

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19. Ir Dr Raymond HO declared that he was an independent non-executive director of an engineering firm. He said that setting the on-cost at the rate of 16.5% was the practice of many public works projects, and the rate was set with reference to the remuneration of works supervisors, professionals and other staff during the project implementation stage. Dr HO considered that the Administration should provide information to explain the background of on-cost. The Administration agreed to provide further information on the background and coverage of on-cost for public works projects.

Impact of SCL on existing buildings along its alignment

20. Mr LEE Wing-tat noted that the SCL would pass through old districts including Kowloon City, To Kwa Wan, and Yau Tsim Mong, which were lined with many aged buildings. He asked whether the Administration had conducted geotechnical investigation and whether such reports, especially those on the impact of underground works on existing buildings, could be made available for members' reference.

21. Principal Assistant Secretary (Transport)⁷ advised that MTRCL was carrying out geotechnical investigation, and would provide the findings to the Buildings Department (BD) in accordance with the Buildings Ordinance (Cap. 123). Subject to BD's approval, MTRCL would proceed with ground improvement works as necessary. USTH said that the investigation report might contain information involving property rights of the affected buildings. While individual property owners could ask for inspection of the information, their consent would be necessary for releasing the report to members.

22. Mr LEE Wing-tat did not accept the Administration's explanation. He said that as the SCL project (including any compensation to affected property owners and geotechnical improvement works) would have to be funded by public money, FC members should be informed of the impacts of SCL works. Mr LEE was concerned that the FC might be committed to approving unknown amount of compensation arising from the SCL construction.

23. Mr James TO considered that there was public interest in the geotechnical investigation as any accident related to underground works might threaten pedestrian safety. Moreover, the FC should be informed of the full impact of the SCL project, including the compensation and ground improvement works required. He further said that despite MTRCL's investigation, owners might still wish to seek independent assessment on how the SCL construction works would affect their properties. He asked if the

Administration would bear such costs. Mr LEUNG Kwok-hung commented that similar to the legal aid scheme, it would be reasonable for the Administration to provide assistance to people affected by a public works project to seek independent technical assessment.

24. USTH responded that MTRCL would examine how underground works would affect any buildings above the rail line, and determine the extent of ground improvement to be carried out. The MTRCL's report would be reviewed by BD independently.

25. Dr Priscilla LEUNG declared that she had properties in Hung Hom area. She considered that the Administration should allay the concerns of the affected residents about the impact of SCL construction works on the structural safety of buildings along the SCL alignment, by commissioning an independent assessment and explaining the impact to the residents. She said that the Administration should engage the local community and consider realigning SCL between the proposed Ma Tau Wai Station and Ho Man Tin Station.

26. Senior Manager (Projects and Property Communications), MTRCL said that based on previous public consultation experience, the corporation would work with the Administration and the relevant District Councils (DCs) to explain to affected residents once the alignment was determined. Issues such as the resumption of underground strata and the structural safety of buildings affected would be further discussed.

Public engagement and consultation with the local community

27. Mr WONG Kwok-kin said that he was a regular user of the East Rail Line. While he personally hoped to see SCL implemented as early as possible, Members from the Federation of Trade Unions would not support the funding application because the Administration had not fully addressed the concerns of residents affected by the construction works, especially those in Wong Tai Sin District. Issues which had not been satisfactorily resolved included the location of Diamond Hill transport interchange and the ventilation building in Ma Chai Hang Recreation Ground, and resumption of underground strata in Tsui Chuk Garden. Mr WONG urged the Administration to continue to consult the local community in addressing their concerns.

28. Mr Alan LEONG said that one of the major concerns of the Civic Party was that the Administration had not responded positively to the concerns of the local community such as exit locations, temporary traffic diversion arrangements, noise from train depot, restoration of facilities and sites occupied for works purposes, and the use of Ma Chai Hang recreational ground.

Mr LEONG asked how the Administration intended to tackle the issues before seeking funding for the whole of SCL construction works in early 2012.

29. USTH said that the rail project had been gazetted and the public could raise objection if there was sufficient ground. The Administration would consider public objections and resolve them before proceeding further with implementation. The suggestion of providing a public transport interchange in the open space near Wong Tai Sin Temple was under consideration, and local views would continue to be sought.

30. Mr Fred LI expressed disappointment that MTRCL had not honoured its promise before the merger that a Tsz Wan Shan station would be provided. While the proposal was subsequently found not feasible for geological reasons, an alternative of providing un-manned monorail shuttle linking Tsz Wan Shan and Diamond Hill had been proposed. However, after the merger, MTRCL only agreed to provide sets of escalators and elevators connecting the two areas, and such access facilities were now bundled with the SCL development. He said that residents in Wong Tai Sin District doubted if the railway projects would really benefit them. He further said that the Administration had not taken heed to local residents' concerns about the loss of open space to make way for the ventilation building for the SCL project, and had not addressed the noise nuisance arising from the operation of the train depot in Diamond Hill. He urged the Administration to discuss with the local community to address their concerns.

31. USTH said that the SCL project was still at the statutory consultation stage, and the Administration would continue to consider public comments and objections to the project. As regards the pedestrian access between Tsz Wan Shan and Wong Tai Sin, USTH explained that due to the weak geological conditions, it was not considered feasible to construct a SCL station in Tsz Wan Shan. The Administration agreed, however, that suitable access facilities should be provided for the area to facilitate access to the SCL station, and these were considered part of SCL rather than a separate public work project. The facilities would be implemented subject to funding approval for SCL. In response to Mr WONG Sing-chi, USTH said that he and his colleagues had personally attended some of the public consultation sessions or discussion forum and would continue to do so.

32. Mr Frederick FUNG referred to the discussion at the Wanchai DC where DC members raised concerns about the use of a recreation ground for construction of a ventilation building. He said that the Administration should conduct more detailed consultation sessions and consider compensatory measures for the affected residents.

33. Dr PAN Pei-chyou asked if the Administration could first proceed with South Island Line (East) and the Kwun Tong Line Extension, leaving the SCL platform in Admiralty Station and Ho Man Tin Station to a later stage when the Administration had resolved all objections to the SCL project. Mr KAM Nai-wai expressed a similar view, and requested the Administration to take out the SCL portion until all outstanding issues had been resolved, in order not to delay the implementation of the other two railways.

34. USTH and DS(T)1 explained that the Admiralty Station would have six levels while the Ho Man Tin station would have eight levels to accommodate the works of SCL together with the South Island Line (East) and Kwun Tong Line Extension, and certain civil engineering works had to be constructed together and could not be isolated from the project scope.

35. Ms Starry LEE urged the Administration to send senior officials to attend local consultation sessions. Ms Regina IP commented said that while many people hoped that SCL could be operational as early as possible, the Administration should address the concerns about the semi-sunken design and the ventilation shafts of the SCL depot.

36. USTH said that the Administration would continue to discuss with local residents, including those in Wong Tai Sin and San Po Kwong areas, to address their concerns. He explained that larger areas and more excavation would be required to accommodate ventilation facilities in a fully sunken depot design, and such a design if adopted would cause delay in construction.

Environmental impacts

37. Mr KAM Nai-wai expressed concern about the treatment of inert construction waste generated by the Admiralty Station construction works. As such waste would be disposed of by the barging facility in Belcher's Bay, he asked the Administration to improve the management of the facility to minimize nuisance to neighbourhood during the construction period.

38. PAS(T)7 advised that the disposal of inert construction waste would be in compliance with all environmental requirements to minimize nuisance to the public. As regards the dust problem from the disposal facility, PAS(T)7 said that the construction waste would be transferred to the barging facilities by land transport, and all vehicles carrying public fill would also be covered to reduce dust on road.

39. Mr KAM Nai-wai commented that SCL should be renamed as Shatin-Admiralty Line as it would no longer reach Central. DS(T)1 said that the Administration was examining the possible connection between the Admiralty station and Central, including the feasibility of locating an exit for Central (South) near the government building. A decision would be taken before the Administration sought FC's funding approval for the whole of SCL in early 2012. DS(T)1 undertook to report progress on SCL development to the Subcommittee on Matters Relating to Railways.

Voting on PWSC(2010-11)34

40. The Chairman put PWSC(2010-11)34 to vote. As requested by Mr Wong Kwok-kin, the Chairman ordered a division. A total of 42 members voted, with 38 members voted for and four members voted against the proposal. The voting results of individual members were as follows:

For:

Mr Albert HO Chun-yan	Ir Dr Raymond HO Chung-tai
Mr LEE Cheuk-yan	Mr Fred LI Wah-ming
Mr James TO Kun-sun	Mr CHEUNG Man-kwong
Mrs Sophie LEUNG LAU Yau-fun	Mr LEUNG Yiu-chung
Dr Philip WONG Yu-hong	Mr WONG Yung-kan
Mr LAU Kong-wah	Mr LAU Wong-fat
Ms Miriam LAU Kin-yee	Mr Tam Yiu-chung
Mr Abraham SHEK Lai-him	Ms LI Fung-ying
Mr Frederick FUNG Kin-kee	Ms Audrey EU Yuet-mee
Dr Joseph LEE Kok-long	Mr Jeffrey LAM Kin-fung
Mr CHEUNG Hok-ming	Mr WONG Ting-kwong
Mr Ronny TONG Ka-wah	Mr CHIM Pui-chung
Prof Patrick LAU Sau-shing	Mr KAM Nai-wai
Ms Cyd HO Sau-lan	Ms Starry LEE Wai-king
Mr CHAN Hak-kan	Mr Paul CHAN Mo-po
Mr CHAN Kin-por	Dr Priscilla LEUNG Mei-fun
Mr CHEUNG Kwok-che	Mr WONG Sing-chi
Mr IP Kwok-him	Mrs Regina IP LAU Suk-yee
Mr Alan LEONG Kah-kit	Ms Tanya CHAN
(38 members)	

Against:

Mr Andrew CHENG Kar-foo
Mr WONG Kwok-kin
(4 members)

Mr WONG Kwok-hing
Dr PAN Pey-chyou

41. The Chairman declared that the Committee approved the proposal.

Voting on PWSC(2010-11)35

42. The Chairman put PWSC(2010-11)35 to vote. As requested by Mr WONG Kwok-kin, the Chairman ordered a division. A total of 42 members voted, with 38 members voted for and four members voted against the proposal. The voting results of individual members were as follows:

For:

Mr Albert HO Chun-yan
Mr LEE Cheuk-yan
Mr James TO Kun-sun
Mrs Sophie LEUNG LAU Yau-fun
Dr Philip WONG Yu-hong
Mr LAU Kong-wah
Ms Miriam LAU Kin-yee
Mr Tam Yiu-chung
Ms LI Fung-ying
Ms Audrey EU Yuet-mee
Mr Jeffrey LAM Kin-fung
Mr WONG Ting-kwong
Mr CHIM Pui-chung
Ms Cyd HO Sau-lan
Mr CHAN Hak-kan
Mr CHAN Kin-por
Mr CHEUNG Kwok-che
Mr IP Kwok-him
Mr Alan LEONG Kah-kit
(38 members)

Ir Dr Raymond HO Chung-tai
Mr Fred LI Wah-ming
Mr CHEUNG Man-kwong
Mr LEUNG Yiu-chung
Mr WONG Yung-kan
Mr LAU Wong-fat
Mr Timothy FOK Tsun-ting
Mr Abraham SHEK Lai-him
Mr Frederick FUNG Kin-kee
Dr Joseph LEE Kok-long
Mr CHEUNG Hok-ming
Mr Ronny TONG Ka-wah
Prof Patrick LAU Sau-shing
Ms Starry LEE Wai-king
Mr Paul CHAN Mo-po
Dr Priscilla LEUNG Mei-fun
Mr WONG Sing-chi
Mrs Regina IP LAU Suk-yee
Ms Tanya CHAN

Against:

Mr Andrew CHENG Kar-foo
Mr WONG Kwok-kin
(4 members)

Mr WONG Kwok-hing
Dr PAN Pey-chyou

Action

43. The Chairman declared that the Committee approved the proposal.
44. The meeting was adjourned at 7:00 pm

Legislative Council Secretariat

30 November 2011