

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 4th meeting
held at the Conference Room 1 of the Legislative Council Complex
on Friday, 18 November 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
Hon LEE Cheuk-yan
Dr Hon Margaret NG
Hon CHEUNG Man-kwong
Hon CHAN Kam-lam, SBS, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-yeet, GBS, JP
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon LI Fung-ying, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon WONG Kwok-hing, MH
Dr Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon CHEUNG Hok-ming, GBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon CHIM Pui-chung
Hon KAM Nai-wai, MH
Hon Starry LEE Wai-king, JP

Hon CHAN Hak-kan
Hon Paul CHAN Mo-po, MH, JP
Hon CHAN Kin-por, JP
Dr Hon Priscilla LEUNG Mei-fun, JP
Hon CHEUNG Kwok-che
Hon WONG Sing-chi
Hon WONG Kwok-kin, BBS
Hon IP Wai-ming, MH
Hon Mrs Regina IP LAU Suk-ye, 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:

Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, SBS, JP
Hon James TO Kun-sun
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Hon WONG Yung-kan, SBS, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon LEE Wing-tat
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Cyd HO Sau-lan
Dr Hon LAM Tai-fai, BBS, JP
Dr Hon LEUNG Ka-lau
Hon IP Kwok-him, GBS, JP
Hon Paul TSE Wai-chun, JP

Public officers attending:

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)
Ms Eva CHENG, GBS, JP	Secretary for Transport and Housing
Ms Maisie CHENG Mei-sze, JP	Deputy Secretary for Transport and Housing (Transport) 1
Mr Edward TO Wing-hang	Principal Assistant Secretary for Transport and Housing (Transport) 5
Mr LAU Ka-keung, JP	Director of Highways
Mr Albert CHENG Ting-ning, JP	Project Manager (HZMB), Highways Department
Mr Chris CHAN Yu-yuen	Chief Engineer (Strategic Roads), Transport Department
Miss Jennifer MAK, JP	Director of Administration
Miss Agnes WONG, JP	Deputy Director of Administration
Mr Joshua LAW Chi-kong, JP	Permanent Secretary for Constitutional and Mainland Affairs
Miss Charmaine LEE Pui-sze	Deputy Secretary for Constitutional and Mainland Affairs (2)
Mr WAI Chi-sing, JP	Permanent Secretary for Development (Works)
Mr MA Lee-tak, JP	Director of Water Supplies
Mr Bobby NG Mang-tung, JP	Assistant Director of Water Supplies (Development)
Mr Adolph LEUNG Wing-sing, JP	Principal Economist (2), Economic Analysis and Business Facilitation Unit

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

**Item No. 2 - FCR(2011-12)48
RECOMMENDATIONS OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 8 NOVEMBER 2011**

The Finance Committee (FC) resumed discussion of this item at 5:07 pm.

2. Ms Audrey EU queried that the construction of the Hong Kong-Zhuhai-Macao Bridge (HZMB) related local projects was delayed because the projects were not yet ready for tendering in early 2010 rather than due to the judicial review. She referred to the Administration's earlier explanation that construction works could not commence because it could not then seek authorization from the Chief Executive in Council and funding approval from FC when the Court of First Instance revoked the Environmental Permits (EPs). Ms EU said that it was only between April and September 2011 that the Administration had no valid EPs for HZMB. Even so, the work of taking forward the HZMB-related local projects, such as site investigation, design and preparation of the tender documents, had been in progress and remained unaffected by the revocation of the EPs or the legal proceeding of the judicial review.

3. Ms EU further said that the Administration's explanation appeared to be inconsistent with some press reports which stated that more than 40% of public works involving more than 200 works items in 86 projects had faced delay. The reports also quoted a senior engineer in the Highways Department as saying that HZMB would be delayed by one year because of the need to revise the tender documents given the complexity of the project. The judicial review proceedings were, however, not mentioned as a reason for the project delay. She asked the Administration to clarify whether or not the press reports were accurate.

4. Mr LEUNG Kwok-hung urged the Administration to issue a formal statement to clarify the facts if the press reports cited by Ms Audrey EU were inaccurate or misleading. He further said that in anticipation of the possible

delay due to the judicial review, the Secretary for the Environment could have initiated remedial measures to avoid contesting the judicial review application and to minimize delay.

5. Director of Highways (DHy) reiterated that it was originally planned to invite tender for the HKBCF reclamation works in early 2010 with a view to commencing such works before end 2010. By early 2010, the tender documents were already ready for tendering as scheduled. However, in view of the judicial review and the uncertainty in the outcome of the judicial review, the Administration could not seek funds from FC. To make up for the lost time in view of the delay due to the court proceeding, the Administration had to work out measures to compress the works schedule. To cope with the uncertainty, the Administration had included certain terms and conditions in the tender documents to avoid possible claims by the tenderers in the event that the Administration failed to award the tender. By taking such arrangements, the Administration managed to invite tenders and undertake the prerequisite work, so as to enable works to commence as early as possible after funds were approved by the FC. DHy said that he did not have knowledge of the press reports and could not confirm their accuracy. He surmised that these reports might be referring to the revisions of tender documents to reflect the acceleration measures to make up for the lost time due to the judicial review.

6. Deputy Secretary for Transport and Housing (Transport)1 reiterated that in order for the construction of HZMB and related works to commence before end 2010, it was necessary to complete all the preparatory work (including site investigation, detailed design, preparation of tender documents), seek the necessary authorization from the Chief Executive in Council, and secure funding approval from the FC. However, due to the judicial review in January 2010, the said processes, except the preparatory work, could not proceed as planned until the Court of Appeal quashed the Court of First Instance's decision in September 2011.

7. Mr LEUNG Kwok-hung doubted that the HZMB-related local projects might not be able to create many jobs as claimed. He said that civil engineering works which mainly used prefabricated components did not require many on-site workers. He remarked that the funding sought for HZMB-related local projects could have financed the building of many public housing units.

8. The Chairman put the item PWSC (2011-12) 30 to vote. Mr Abraham SHEK declared that he represented the real estate and construction sector. Mr CHAN Kin-por declared that he was a director of an insurance company. Mr Jeffrey LAM declared that he was a director of a construction

company. Mrs Regina IP declared that she was a shareholder of a construction company.

9. At the request of Dr PAN Pei-chyou, the Chairman ordered a division. A total of 38 members voted, 35 members voted for the funding proposal and three voted against. The voting results of individual members were as follows:

For:

Mr Albert HO Chun-yan	Mr LEE Cheuk-yan
Dr Margaret NG	Mr CHEUNG Man-kwong
Mr CHAN Kam-lam	Dr Philip WONG Yu-hong
Mr LAU Kong-wah	Ms Miriam LAU Kin-yee
Mr Andrew CHENG Kar-foo	Mr TAM Yiu-chung
Mr Abraham SHEK Lai-him	Ms LI Fung-ying
Ms Audrey EU Yuet-mee	Mr WONG Kwok-hing
Dr Joseph LEE Kok-long	Mr Jeffrey LAM Kin-fung
Mr CHEUNG Hok-ming	Mr WONG Ting-kwong
Mr CHIM Pui-chung	Prof Patrick LAU Sau-shing
Mr KAM Nai-wai	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 WONG Kwok-kin	Mr IP Wai-ming
Mrs Regina IP LAU Suk-yee	Dr PAN Pey-chyou
Dr Samson TAM Wai-ho	Mr Alan LEONG Kah-kit
Ms Tanya CHAN	
(35 members)	

Against:

Mr LEUNG Kwok-hung	Mr Albert CHAN Wai-yip
Mr WONG Yuk-man	
(3 members)	

10. The Chairman declared that the Committee approved the item.

11. The Chairman put PWSC (2011-12) 31 to vote. The Committee approved the proposal.

12. The Chairman put PWSC (2011-12) 32 to vote. The Committee approved the proposal.

Item No. 3 - FCR(2011-12)49

2011-12 JUDICIAL SERVICE PAY ADJUSTMENT

13. The Chairman advised that the item invited FC to approve an increase in pay by 4.22% for judges and judicial officers with effect from 1 April 2011 and to note the financial implications of about \$11.902 million in 2011-2012.

14. Dr Margaret NG, Chairman of the Panel on Administration of Justice and Legal Services, reported that the Panel had no objection to the proposed salary adjustment, and suggested that a pay adjustment formula acceptable to both the Judiciary and the Administration should be worked out. She said that the Panel would follow up the judicial service pay adjustment mechanism with the Administration separately.

15. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 4 - FCR(2011-12)50

HEAD 144 – GOVERNMENT SECRETARIAT: CONSTITUTIONAL AND MAINLAND AFFAIRS BUREAU

Subhead 000 Operational expenses

16. The Chairman advised that the item invited FC's approval of the rates of Rent Allowance payable to officers posted to the Hong Kong Economic, Trade and Cultural Office in Taiwan.

17. Mr Wong Ting-kwong, Chairman of the Panel on Commerce and Industry, reported that the Panel was briefed on the detailed arrangements for the establishment of the Hong Kong Economic, Trade and Cultural Office in Taiwan, including the creation of a directorate post to head the office and the proposed rates of Rent Allowance payable to officers to be posted to the office. Panel members supported the proposal in principle.

18. The Chairman put the item to vote. The Committee approved the funding proposal.

Item No. 5 - FCR(2011-12)51

HEAD 194 – WATER SUPPLIES DEPARTMENT

Subhead 223 Purchase of water

19. The Chairman advised that the item invited FC to note the financial implications of the new water supply agreement with the Guangdong authorities for purchasing Dongjiang water between 2012 and 2014, and to approve the supplementary provision of \$35.4 million under Head 194 Water Supplies Department Subhead 223 Purchase of water to meet the additional purchase cost for Dongjiang water in 2011-2012.

20. Prof Patrick LAU, Chairman of the Panel on Development, reported that the Panel was briefed on 25 October 2011 on the proposed new agreement and financial implications on the supply of Dongjiang water between 2012 and 2014, and the proposed supplementary provision to meet the additional purchase cost of Dongjiang water in 2011-2012. While Panel members generally supported the Administration's proposal, they suggested that other water supply options, such as seawater desalination, should be explored to reduce reliance on Dongjiang water. The Administration was requested to set specific targets for, and introduce effective measures to, encourage water conservation. Panel members also urged the Administration to step up efforts in reducing incidents of water main bursts and leaks to prevent water wastage.

21. Mr KAM Nai-wai expressed concern about the problem of water wastage due to water main bursts and unauthorized water consumption. He commented that the current "package deal lump sum approach" for purchase of Dongjiang water was not conducive to conserving water, since water supply was fixed at an annual ceiling of 820 million cubic metres (mcm) regardless of the actual needs and consumption. He opined that the Administration should pay for Dongjiang water according to the actual annual consumption based on a unit water price to be agreed with the Guangdong authorities. He asked whether the Administration had in fact explored the actual consumption payment option with the Guangdong authorities during negotiation. Noting that the Administration had already completed negotiations with the Guangdong authorities on the terms of the new water supply agreement for 2012 to 2014, he asked when the Administration would start to negotiate the next water supply agreement, and whether the Administration would negotiate for an agreement on payment based on actual consumption.

22. Permanent Secretary for Development (Works) (PS(W)) replied that the Administration would commence negotiation on the next water purchase

agreement around end 2013 or early 2014. The Administration already had extensive discussions with the Guangdong authorities on the payment options during negotiations. The rationale of the "package deal lump sum approach" and the annual water supply ceiling had been discussed at length by the Panel on Development. He said that demand for fresh water within the Pearl River Delta region had been increasing and there were competitive needs of other Guangdong cities which also depended on Dongjiang water. The proposed arrangement was easy to manage and was in the best interests of Hong Kong to ensure a reliable and flexible supply of fresh water round-the-clock even under extreme drought conditions. He said that water supplied but not consumed would be stored in reservoirs.

23. PS(W) further advised that Hong Kong's ability to collect and store fresh water was limited. In the worst times during the past ten years, only about 14% to 15% of Hong Kong's fresh water supply per annum was surface water collected from local water catchment. The Water Supplies Department had conducted a detailed risk analysis based on the latest water demand forecast and estimated that the current annual ceiling of 820 mcm would be required to meet the actual needs of Hong Kong with 99% reliability in water supply up to the end of 2014. The current approach would also allow flexibility in water supply to avoid wastage. Director of Water Supplies (DWS) added that in view of the low rainfall in the year, it was estimated that the actual consumption of Dongjiang water in 2011 would be about 818 mcm, close to the annual supply ceiling of 820 mcm. An annual supply ceiling of 820 mcm was considered reasonable to better prepare Hong Kong for uncertainties such as acute climate changes or low rainfall.

24. On the "package deal lump sum approach", PS(W) explained that if the water purchase price was based on the actual amount of water supplied without any pre-determined agreed quantities, the unit cost would likely be higher. Without an agreed annual water supply ceiling, it was likely that the Guangdong side would factor in such uncertainties when fixing the unit water price in order to ensure a stable return. Guangdong authorities would also have to build the necessary infrastructure, such as large reservoirs and ancillary facilities, to buffer Hong Kong's water demand surges, and such costs would be shifted onto the user.

25. Mr LEUNG Kwok-hung asked whether Hong Kong was paying a higher water price than the other Guangdong cities, and expressed concern whether Hong Kong had been subsidizing other Guangdong cities in using Dongjiang water.

26. DWS said that adjustment of water price was based on operation

costs in supplying Dongjiang water to Hong Kong having regard to inflation, the exchange rate between Renminbi and Hong Kong dollar, as well as the relevant consumer price indices of both sides. It was difficult to draw direct comparison between the unit prices paid by Hong Kong and the other Guangdong cities. He highlighted that although the unit cost of water paid by other Guangdong cities was notionally lower than Hong Kong, other cities were facing higher rates of cost increase.

27. Mr LEUNG Kwok-hung suggested that water catchment system should be developed in Hong Kong to capture more rain water and to store unused water, so as to reduce the quantity of water to be bought in under the next water supply agreement. If Hong Kong did not have the land for the facility, he asked if reservoirs could be built in the Mainland to store water for supply to Hong Kong.

28. PS(W) said that the Guangdong authorities had promulgated a "Water Resources Distribution Plan in the Dongjiang River Basin of Guangdong Province" in 2008 setting out the maximum amount of water that Hong Kong and five other cities in the Guangdong Province could draw from Dongjiang. Under this distribution plan, Hong Kong had been allocated an ultimate annual supply of 1 100 mcm. The latest estimate indicated that this ultimate supply quantity should be adequate to meet the actual needs of Hong Kong beyond 2030.

29. On water storage, PS(W) said that the total capacity of all the reservoirs in Hong Kong amounted to about 590 mcm which were sufficient to cater for about seven months' usage. Due to geographical constraints, there were presently no more suitable sites for building any major reservoirs in the territory. The last major reservoir, the High Island Reservoir, was built from the sea. This method however would cause considerable concern to the marine ecology. PS(W) further explained that building more reservoirs in the Mainland to store water for supply to Hong Kong might not be a viable option given the difficulties in identifying suitable sites in the Mainland for the purpose and the long distance and high cost in transporting water to Hong Kong. DWS supplemented that land resources in the Mainland were very tight as there were already three major reservoirs in the Guangdong Province for supplying water to Hong Kong and other Guangdong cities. He said that the Administration would strive to explore alternative water sources and other solutions.

30. Mr CHAN Hak-kan said that the Mainland authorities had invested heavily on infrastructure to obtain fresh water from the upstream of Dongjiang to ensure steady and stable supply of water to Hong Kong. As water resources were precious, it was necessary to conserve water. He called on the

Administration to step up efforts to minimize water wastage due to water main bursts and leakage. Noting with concern that fresh water was still being used to flush toilets in some major housing estates in New Territories North, he urged the Administration to extend the supply of seawater for toilet flushing to save fresh water. He further enquired about the use of reclaimed water for non-potable purposes, and queried why the Administration had taken so long in conducting the relevant tests when some schools and government community halls were already applying such technology.

31. DWS responded that using sea water for flushing toilets required an entirely different water supply system. Works were underway to provide or extend the supply of seawater for toilet flushing in Pokfulam, WanChai, Yuen Long and Tin Shui Wai. The Administration would also use reclaimed water for flushing and other non-potable uses in the developments under planning in the Lok Ma Chau Loop and adjacent communities in Fanling, Sheung Shui and new development areas in New Territories North. A consultancy study had been conducted to establish technical standards for recycling grey water and harvested rainwater for non-potable reuses. As regards water leakage problem, DWS said that the staged implementation of the Water Mains Replacement and Rehabilitation (R&R) Programme which aimed at replacing and rehabilitating about 3 000 kilometres of old water mains had progressed well. The number of bursts had been significantly reduced to some 600 in 2010-2011 and further down to 212 in the first half of 2011-2012. Funding would be sought from the FC to commence the remaining phase of the R&R programme in early 2012 with a view to completing the entire programme by 2015.

32. There being no further questions on the item, the Chairman put the item to vote. The Committee approved the funding proposal.

33. The meeting was adjourned at 5:48 pm.