

立法會
Legislative Council

LC Paper No. ESC113/14-15

(These minutes have been
seen by the Administration)

Ref : CB1/F/3/2

Establishment Subcommittee of the Finance Committee

**Minutes of the 13th meeting
held in Conference Room 1 of Legislative Council Complex
on Wednesday, 10 June 2015, at 8:30 am**

Members present:

Hon Kenneth LEUNG (Chairman)
Hon SIN Chung-kai, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Frederick FUNG Kin-kee, SBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon WONG Ting-kwong, SBS, JP
Hon Cyd HO Sau-lan, JP
Hon Starry LEE Wai-king, JP
Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, SBS
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon NG Leung-sing, SBS, JP
Hon Steven HO Chun-yin
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK

Hon CHAN Chi-chuen
Dr Hon Kenneth CHAN Ka-lok
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon Martin LIAO Cheung-kwong, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Hon CHUNG Kwok-pan

Members absent:

Hon Emily LAU Wai-hing, JP
Hon Ronny TONG Ka-wah, SC
Hon Claudia MO
Hon Dennis KWOK
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen

Public Officers attending:

Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Mr Eddie MAK Tak-wai, JP	Deputy Secretary for the Civil Service 1
Mr YAU Shing-mu, JP	Under Secretary for Transport and Housing
Miss Winnie WONG	Principal Assistant Secretary for Transport and Housing (Transport)3
Mr Peter LAU, JP	Director of Highways
Mr TAM Hon-choi	Government Engineer (Railway Development 2), Highways Department
Mr Stanley YING, JP	Permanent Secretary for Transport and Housing (Housing)
Ms Ada FUNG, JP	Deputy Director of Housing (Development and Construction)

Clerk in attendance:

Ms Connie SZETO	Chief Council Secretary (1)4
-----------------	------------------------------

Staff in attendance:

Ms Anita SIT	Assistant Secretary General 1
Mr Jason KONG	Council Secretary (1)4
Ms Alice CHEUNG	Senior Legislative Assistant (1)1
Miss Yannes HO	Legislative Assistant (1)6
Ms Clara LO	Legislative Assistant (1)8

Action

The Chairman drew members' attention to the information paper ECI(2015-16)4 which set out the latest changes in the directorate establishment approved since 2002. He then reminded members that in accordance with Rule 83A of the Rules of Procedure ("RoP"), they should disclose the nature of any direct or indirect pecuniary interest relating to the funding proposals under discussion at the meeting before they spoke on the items. He also drew members' attention to RoP 84 on voting in case of direct pecuniary interest.

EC(2014-15)21 Proposed retention of a supernumerary post of Chief Engineer (D1) for a maximum period of four years and six months from 7 July 2015 or with immediate effect upon approval of the Finance Committee (whichever the later) in the Railway Development Office of Highways Department to continue providing dedicated support to and monitoring the completion of the Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link project by the MTR Corporation Limited

2. The Chairman remarked that discussion on the item was carried over from the last meeting on 27 May 2015. The Administration's proposal was to retain a supernumerary post of Chief Engineer ("CE") in the Railway Development Office ("RDO") of the Highways Department ("HyD"), designated as Chief Engineer/Railway Development 2-3 ("CE/RD2-3"), for a period of four years and six months to continue providing dedicated support to and monitoring the completion of the Hong Kong section ("HKS") of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") project by the MTR Corporation Limited ("MTRCL").

Justifications for retaining the supernumerary post and the proposed duration

3. Mr LEUNG Kwok-hung said that all along he was opposed to the XRL project and was extremely disappointed about the issue of cost overrun. He considered that the Administration should explain whether the incumbent

CE/RD2-3 would be replaced given his unsatisfactory performance, and how the Administration would prevent recurrence of problems associated with the project monitoring mechanism. He also enquired if the Administration had considered a shorter extension period for the post.

4. Under Secretary for Transport and Housing ("USTH") responded that the proposal was to retain the CE/RD2-3 post to meet the operational needs of the Railway Development Division 2-3 ("RDD2-3"). The matter of selecting a candidate for filling the post should be considered separately and the Director of Highways ("DHy") would exercise his professional judgement on the matter. USTH said that according to the Programme to Complete ("PTC") proposed by MTRCL in May 2014, the commissioning target of HKS of XRL would be by the end of 2017. After the commissioning of HKS of XRL, CE/RD2-3 would need to monitor its initial operation, oversee the finalization of relevant construction contracts, monitor and review the claims assessment by MTRCL, and resolve claims and disputes with MTRCL in connection with the XRL Entrustment Agreement. In order for CE/RD2-3 to deal with the above tasks, it was proposed that the post be retained for two years after the commissioning of HKS of XRL, until the end of 2019.

5. Mr LEE Cheuk-yan considered that the Administration should provide sufficient justifications for retaining the CE/RD2-3 post. He pointed out that CE/RD2-3 and the Government had acted in a perfunctory manner in monitoring the XRL project. For instance, the Government did not have a good grasp of the project progress, and even acceded to the request of MTRCL not to disclose the potential delay of the XRL project to the Subcommittee on Matters Relating to Railways ("Railways Subcommittee") in November 2013. Moreover, CE/RD2-3 had failed in exercising independent professional judgement to urge for expeditious implementation of the project. As such, Mr LEE was of the view that the CE/RD2-3 post might be redundant and the relevant duties could be discharged by a less senior officer or the monitoring and verification ("M&V") consultant instead.

6. Mr Gary FAN and Mr WU Chi-wai concurred that CE/RD2-3 had not exercised proper independent judgement in monitoring the XRL project and over-relied on the information provided by MTRCL. Mr FAN expressed serious doubt as to whether the incumbent CE/RD2-3 had effectively discharged his responsibilities in the past years, especially in monitoring the work of MTRCL. He pointed out that although the incumbent was involved in the monthly meetings of the Project Supervision Committee ("PSC"), he and his team were overly confident about the effectiveness of MTRCL's mitigation measures and had underestimated the potential impacts of the delays in individual contracts on the overall project progress. Moreover, Mr FAN was concerned whether the Administration and MTRCL had conspired to cover up the project delay.

7. Mr WU Chi-wai sought details about the new responsibilities of CE/RD2-3 after announcement of the project delay in April 2014 in enhancing monitoring over MTRCL's work. Mr LEE Cheuk-yan and Mr LEUNG Kwok-hung requested the Administration to provide further information on PSC, including its purpose and attendees of its meetings.

8. DHy explained that the Government had put in place a multi-level mechanism for monitoring the XRL project. The supernumerary post in question was pitched at the CE rank because the incumbent needed to possess relevant experience and capability to lead RDD2-3 in taking forward its work. Under the monitoring mechanism, MTRCL was required to report to the Government a substantial amount of technical information relating to the XRL project. CE/RD2-3 and his team were responsible for analyzing the information submitted by MTRCL and giving independent views. PSC was established in accordance with the XRL Entrustment Agreement. Meetings of PSC were chaired by DHy and attended by representatives of MTRCL and HyD. Apart from attending the monthly PSC meetings, CE/RD2-3 had to participate in other meetings relating to the XRL project, including chairing the monthly Contract Review Meetings to monitor the progress of individual contracts. DHy added that he had also explained the role and duties of CE/RD2-3 in the XRL project to the Select Committee to Inquire into the Background of and Reasons for the Delay of the Construction of HKS of XRL set up by the Legislative Council ("LegCo Select Committee") through provision of written statements and attending hearings.

9. As regards the new responsibilities of CE/RD2-3, DHy said that the Government had been implementing the recommendations of the Independent Expert Panel ("IEP"), including, among others, adopting a new reporting system by MTRCL to enable a clearer understanding of the project status, strengthening the M&V consultant's participation in the monitoring work (such as requiring the consultant's attendance at the monthly PSC meetings since February 2015), and the establishment of a new committee chaired by CE/RD2-3 and assisted by the M&V consultant to monitor the progress of the XRL project. He said that the Government would continue to make its best endeavours in monitoring the work of MTRCL under the multi-level mechanism and pursuant to the XRL Entrustment Agreement.

10. USTH supplemented that RDD2-3 had given advice on the XRL project which was at times different from MTRCL's assessments. This was evidence of the independent role taken up by the Division in monitoring the implementation of the XRL project. Moreover, RDD2-3 and the M&V consultant had been following up the progress of the cross-boundary tunnelling works persistently. He remarked that the public had aspiration on the Government to closely monitor the implementation of the XRL project.

It was necessary to retain the CE/RD2-3 post who would act as the gatekeeper in handling claims from contractors in safeguarding the interests of the Government.

Establishment of the Railway Development Division 2-3 and experience of its staff members

11. Mr WU Chi-wai stressed the importance for staff members in RDO and RDD2-3 to have the necessary experience in monitoring railway development projects to ensure effective discharge of their duties. He was aware that there was a potential succession problem in RDD2-3 arising from the imminent retirement of some staff members. Moreover, Mr WU pointed out that DHy himself also lacked experience in monitoring railway development projects in his previous work before he took up the post of DHy. Mr WU expressed concern as how the Government could ensure that the relevant expertise and experience accumulated by staff members in RDD2-3 would be passed on so as to maintain the effectiveness of the Division.

12. For the effective discharge of the functions of RDD2-3, DHy said that staff members in the Division needed to possess experience in taking forward large-scale infrastructure projects and knowledge in railway developments. Besides deploying officers with extensive experience in railway developments to work in the Division, an M&V consultant which had relevant experience from local or overseas railway projects had been engaged to assist the work of the Division. The current M&V consultant had undertaken relevant work in large-scale railway development projects in the United Kingdom and Taiwan. DHy clarified that the incumbent CE/RD2-3 was not approaching his retirement age and was expected to be able to continue leading RDD2-3 in the coming years. As regards succession planning, he said that prior arrangement would be made for the relatively less experienced staff members to receive necessary training and learn from the more experienced staff members for an appropriate period before the latter retired so as to facilitate a smooth transition and ensure continuity of the expertise and experience. If necessary, consideration could also be given to extend service of the retiring staff members. DHy assured members that the Government would closely monitor the manpower situation of RDD2-3, and ensure retention of experienced staff members for effective discharge of the duties of the Division. DHy added that he possessed the relevant experience in railway projects before taking up the position of DHy. He remarked that he was involved in the double tracking and electrification programme of the Kowloon-Canton Railway when he was a Civil Engineer Graduate.

13. As requested by Mr WU Chi-wai, the Administration would provide supplementary information on the current ages and expected retirement ages of the professional staff and the succession planning for RDD2-3, if any, within

the proposed extension period of four years and six months for the CE/RD2-3 post.

[Post-meeting note: The supplementary information submitted by the Administration was circulated to members on 22 June 2015, vide LC Paper No. ESC93/14-15(01).]

14. Mr Alan LEONG noted that the estimated total expenditure on the salary and office expenses for RDD2-3 during the proposed extension period of the CE/RD2-3 post was around \$113 million, and requested for a breakdown of the figure. He also sought details on the establishment of RDD2-3 which was not shown in Enclosures 1 or 4 to EC(2014-15)21.

15. DHy explained that the estimated expenditure referred to by Mr Alan LEONG covered, among others, salary and staff on-cost of all 15 professional staff members of RDD2-3 (including one CE, i.e. CE/RD2-3, five Senior Engineers, eight Engineers and one Assistant Engineer) in the coming four years and six months. The organization chart of RDD2-3 was not provided in the Administration's paper. Enclosure 4 of the paper presented the overall organization of HyD and showed the distribution of all CEs who were heads of divisions in the Department, and Enclosure 1 gave a detailed structure of RDO and the major duties of all divisions under Railway Development Group 2, including RDD2-3.

Duties and past performance of the Railway Development Division 2-3 and Highways Department

16. Mr LEUNG Kwok-hung noted from paragraph 6 of the Administration's paper that IEP had put forward in its report several recommendations for improving the systems, processes and practices in the implementation and monitoring of the XRL project. He queried whether CE/RD2-3 would be tasked to implement all such recommendations. DHy explained that it would be the duty of HyD, instead of specific officers, to implement the recommendations.

17. As IEP's report had pointed out the lack of regular reports provided by MTRCL on the forecast for overall project completion and the effectiveness of the delay recovery measures, as well as the absence of HyD in making independent judgement on aspects, such as plan, programme, forecast, etc. of the XRL project prior to April 2014, Mr WU Chi-wai queried what advice RDD2-3 had provided to HyD and the Transport and Housing Bureau ("THB") in respect of the potential delay and cost overrun of the project before April 2014, and what were RDD2-3's assessments of the PTC and the Cost to Complete ("CTC") submitted by MTRCL in 2014.

18. USTH responded that RDD2-3 had examined the information in PTC and CTC of \$71.52 billion submitted by MTRCL and actively discussed the details with MTRCL. During the process, RDD2-3 had identified certain items which had not been included in CTC and the conditions which must be satisfied in order to meet the target commissioning date suggested in PTC. DHy added that he had responded to similar questions at the hearings of the LegCo Select Committee. In accordance with the established mechanism, meetings were held to vet and approve the delay recovery measures proposed by MTRCL. Approved delay recovery measures would become part of the construction works and subject to supervision under the monitoring system of the XRL project. He reiterated that prior to the announcement of the project delay, HyD had discovered delays in individual works contracts, such as construction of the cross-boundary tunnel, and had requested MTRCL to submit relevant quarterly reports and implement measures to recover the delays. Since the submission of PTC and CTC by MTRCL, RDD2-3 had been working in close collaboration with the M&V consultant to verify the details, and urging MTRCL to review PTC and CTC based on the findings.

19. Mr LEUNG Kwok-hung expressed concerns about HyD's work in monitoring the implementation of the XRL project, and the negotiation between the Government and MTRCL on the liability for the cost overrun. DHy reaffirmed that HyD had fulfilled its responsibility in this regard. He said that the Government would provide supplementary information on the work of HyD to the LegCo Select Committee in response to its request.

20. USTH supplemented that MTRCL would, after completing the review on CTC and PTC and with the results confirmed by the MTRCL Board, report the revised CTC and PTC to the Government in the second quarter of 2015. The Government would examine the figures submitted by MTRCL and report its findings to LegCo in due course.

Delay of the construction of the West Kowloon Terminus

21. Mr Gary FAN remarked that one of the major causes for the delay and cost overrun of the XRL project was the unforeseen ground conditions at the construction site of the West Kowloon Terminus ("WKT"). He queried if the incident was due to the negligence of CE/RD2-3, and why the construction works for WKT could have commenced in the absence of adequate ground investigation studies, especially those conducted at the location of the former City Golf Club. Mr LEUNG Kwok-hung echoed the concern and questioned the responsibility of parties involved for the delay in the construction of WKT.

22. DHy clarified that ground investigation studies at the WKT work site were not a major cause for the project delay and he had explained the matter to the LegCo Select Committee clearly. The reports of MTRCL's

Independent Board Committee ("IBC") on the XRL project had confirmed that adequate ground investigation studies had been conducted on the WKT work site. Before awarding the WKT Station North contract and commencing the construction works, MTRCL had studied the ground conditions through making over 600 boreholes at the work site, including the location of the former City Golf Club. The M&V consultant had reviewed the ground investigation studies conducted by MTRCL, and contractors had been informed of the ground conditions and technical requirements through the relevant works contracts and tender documents. CE/RD2-3 and his team had performed their role in monitoring the work of both MTRCL and the M&V consultant, and ensuring the foundation works of WKT had taken into account results of the ground investigation studies. Regarding the unforeseen ground conditions, DHy explained that while the ground investigation studies had helped identify the location of the rock strata and the volume of rock for undertaking the excavation work, some weak rock seams and subsurface boulders could not be revealed by making the boreholes. The construction of the diaphragm wall was therefore delayed.

Control of public works expenditure and mechanism for monitoring implementation of infrastructure projects

23. Mr Albert CHAN expressed grave concern about the serious problems of delays and cost overrun in the implementation of infrastructure projects in recent years. He remarked that the problems were attributed by the lack of coordination among Government bureaux/departments in taking forward various infrastructure projects concurrently resulting in acute shortage of construction workers and hence serious delays and cost overrun. He urged the Government to make reference to the approach adopted in pursuing the 10 large-scale infrastructure projects under the Airport Core Programme in the 1990s when the Government had engaged overseas experts to develop an effective mechanism for monitoring the implementation of various projects. He stressed the need for the Financial Services and the Treasury Bureau ("FSTB") to take up the role of a central coordinator in prioritizing the various infrastructure projects and controlling the project costs, as well as making improvement in the current project monitoring mechanism.

24. Deputy Secretary for Financial Services and the Treasury (Treasury)¹ said that the Government was aware of Mr Albert CHAN's concern which he had also raised at the meetings of the Finance Committee ("FC"). She advised that FSTB would continue to exercise tight control on the expenditure of capital works projects in collaboration with the Development Bureau ("DEVB"), and would closely monitor the utilization of funds in all approved capital works contracts. FSTB would discuss with DEVB the need for reviewing the cost monitoring mechanism.

25. Mr Albert CHAN remarked that during the discussion on the funding proposals relating to the XRL project by FC in early 2010, he and many other Members had expressed concerns on a number of issues, including adequacy of the ground investigation studies and the Entrustment Agreement with MTRCL in protecting the interests of the Government. The then Secretary for Transport and Housing ("STH") had assured members that such issues would be properly handled. Mr CHAN considered that the problems of delay and cost overrun of the XRL project had indicated serious negligence on the part of the Government, and the Government should explain to LegCo on the parties accountable for the problems. He was not convinced that retaining the CE/RD2-3 post could resolve the problems, and hence was opposed to the proposal.

26. USTH responded that various parties had strived to identify the causes and formulate solutions to address the delay and cost overrun in the HKS of the XRL project. The Board of MTRCL had established IBC to review the reasons for the delay, the Government had also appointed IEP to investigate the issue and the LegCo Select Committee had been formed to inquire into the matter. The Government would continue to study and follow up on IEP's recommendations, as well as those of the LegCo Select Committee. For instance, the Government would review the institutional arrangements for future railway development projects under the concession approach in accordance with IEP's recommendation.

Motion on adjournment of discussion on EC(2014-15)21

27. Mr LEUNG Kwok-hung expressed grave disappointment at the unsatisfactory performance of HyD in monitoring the implementation of the XRL project. Noting that IEP had proposed various recommendations on the monitoring work, he found it unacceptable that DHy had not made suggestions to THB before the announcement of the project delay in April 2014. He also considered that DHy had not given clear instructions to CE/RD2-3 in his work. He then moved a motion to adjourn the discussion on the item pursuant to paragraph 32 of the Establishment Subcommittee Procedure.

28. The Chairman said that the Subcommittee would proceed to deal with Mr LEUNG Kwok-hung's motion. He said that each member could speak once on the motion for a maximum of three minutes.

29. Mr LEUNG Kwok-hung considered that the Administration had not made timely reports to LegCo on the problems encountered in the XRL project, such as the difficult ground conditions at the construction site of WKT, and the performance of HyD had failed in meeting public expectation. He held the view that concurrent implementation of a large number of infrastructure projects and adoption of the concession approach under which the construction

of both railway and non-railway works were entrusted to MTRCL were the main reasons attributing to the delay and cost overrun of the XRL project. Moreover, the incumbent STH and USTH also lacked the relevant experience in monitoring large-scale infrastructure projects.

30. Mr Albert CHAN said that the effectiveness of the project monitoring mechanism was under serious question, as there were loopholes in the XRL Entrustment Agreement and the incumbent CE/RD2-3 had not fulfilled his duties. He was disappointed that senior officials of HyD who were expected to possess the necessary professional expertise and experience had not alerted THB about the potential delay and cost overrun of the XRL project. He reiterated that the Administration should consider engaging an external party to take charge of the monitoring work.

31. At the invitation of the Chairman, USTH responded to the motion and said that the Government was fully aware of LegCo Members' concerns about the delay and cost overrun of the XRL project and the effectiveness of the monitoring mechanism. The Government was also mindful of the public expectation for it to perform the gatekeeper role. The CE/RD2-3 post was pivotal to the Government's monitoring work. He appealed for members' support for the establishment proposal to continue providing RDD2-3 with the needed directorate support.

32. The Chairman put the motion to vote. At the request of Mr LEE Cheuk-yan, the Chairman ordered a division. Eighteen members voted for and nine voted against the motion. The Chairman declared that discussion on EC(2014-15)21 be adjourned. The votes of individual members were as follows –

For

Mr Albert HO
Mr James TO
Mr Frederick FUNG
Mr CHEUNG Kwok-che
Mr LEUNG Kwok-hung
Mr WU Chi-wai
Mr Charles MOK
Dr Kenneth CHAN
Dr Fernando CHEUNG
(18 members)

Mr LEE Cheuk-yan
Mr LEUNG Yiu-chung
Ms Cyd HO
Mr Alan LEONG
Mr Albert CHAN
Mr Gary FAN
Mr CHAN Chi-chuen
Dr KWOK Ka-ki
Mr SIN Chung-kai

Against

Mr WONG Ting-kwong
Mr WONG Kwok-kin
Mr NG Leung-sing
Mr MA Fung-kwok
Mr POON Siu-ping
(9 members)

Ms Starry LEE
Mrs Regina IP
Mr Steven HO
Mr Christopher CHEUNG

EC(2015-16)2 Proposed creation of one permanent post of Chief Architect (D1) in the Development and Construction Division of Housing Department with effect from the date of approval by the Finance Committee to cope with the additional workload arising from the further increase in public housing production target as pledged in the 2014 Policy Address and promulgated in the Long Term Housing Strategy 2014

33. The Chairman said that the Administration's proposal was to create a permanent post of Chief Architect ("CA") in the Development and Construction Division ("DCD") of Housing Department ("HD") to cope with the additional workload arising from the further increase in public housing production target as pledged in the 2014 Policy Address and promulgated in the Long Term Housing Strategy ("LTHS") 2014.

34. The Chairman remarked that the Panel on Housing ("HG Panel") had discussed the proposal at the meeting on 2 March 2015. Panel members supported the Administration submitting the proposal to the Establishment Subcommittee. Panel members conveyed the concerns of HD's staff unions about the lack of professional and frontline support to cope with the additional workload arising from various new housing initiatives. They stressed the need for HD to strengthen the professional support and establish a mechanism to ensure the quality of housing developments and avoid the recurrence of short-piling incidents.

Manpower resources in the Housing Department

35. While expressing support for the establishment proposal, Dr KWOK Ka-ki expressed disappointment about the Administration's slow progress in increasing housing supply in the past years, and questioned if creation of the proposed CA post alone could achieve timely delivery of the public housing production target. He urged that the Administration should ensure there would be sufficient frontline personnel in HD to expedite implementation of various housing initiatives.

36. Permanent Secretary for Transport and Housing (Housing) ("PSTH(H)") agreed that the increasing workload of HD called for additional frontline support. As such, apart from the proposed CA post to head a new team, HD had planned to create about 150 non-directorate civil service posts of various disciplines at various grades in 2015-2016.

37. Mr MA Fung-kwok agreed that it was necessary to expand the establishment of HD to cope with its increasing workload. He and Mr Albert CHAN enquired about whether the directorate and non-directorate establishment in HD were commensurate with changes in the housing production targets over time.

38. PSTH(H) responded that before the amalgamation of the former Housing Bureau and HD in 2002, there were a total of 78 directorate posts. The number was reduced to 49 in March 2007 after the reorganization of HD. Since then, there had been a net increase of 17 directorate posts in HD due to the gradual increase in the housing production target, and the current directorate establishment was 66.

39. Mr MA Fung-kwok asked if reduction in the number of directorate posts from 78 to 49 was a result of the lapse of supernumerary posts or deletion of permanent posts, and the rationale for creating a permanent CA post instead of a supernumerary post under the current proposal. PSTH(H) explained that supernumerary posts were normally created to take forward tasks with a limited timeframe. Since a public housing project would usually last for five to seven years or even longer, it would be inappropriate to create a supernumerary post to handle a public housing project. He assured members that HD would closely monitor its manpower situation and requirements, and if necessary, would consult the Legislative Council on deletion of permanent directorate posts taking into account operational needs, for instance when the public housing production target reduced in future.

Admin

40. At the request of Mr MA Fung-kwok and Mr Albert CHAN, the Administration would provide supplementary information on (a) the current and past directorate establishment of HD responsible for planning and implementation of public housing developments and the actual/expected public housing production output; and (b) the number of supernumerary posts, if any, among the 78 directorate posts in HD and the former Housing Bureau in 2002-2003. PSTH(H) cautioned against making a linear comparison between the directorate establishment of HD and housing production, as other factors were involved, such as the time lag between manpower input and completion of housing projects and the fact that the nature of sites and the development processes had become much more complex.

Measures to increase housing supply

41. Dr KWOK Ka-ki pointed out that the public housing production target promulgated in LTHS 2014 was far from adequate for meeting the housing demand of the general public. While the Administration would introduce the Green Form Subsidized Home Ownership Pilot Scheme ("GSH") to sell subsidized flats to eligible "Green Form" applicants, Dr KWOK was concerned that GSH, which was only a means to re-allocate the existing housing resources, could not help increase the overall housing supply to tackle the acute shortage. Furthermore, he opined that GSH might distort the normal development of public rental housing ("PRH") and reduce the number of PRH and Home Ownership Scheme units available in the market. He urged the Administration to provide details on the concrete measures to increase public housing supply in the coming 10 years.

42. PSTH(H) responded that HG Panel had discussed the GSH proposal at the meeting on 1 June 2015. Flats to be supplied under GSH would contribute to the supply target of subsidized sale flats. The Pilot Scheme was mainly concerned with the use of public housing units, and it would not have any impact on the construction of public housing. Nor would it affect the established procedure for housing development projects managed by DCD.

43. As regards public housing supply, PSTH(H) said that public housing developments required investment of substantial public resources, including land, financial and manpower resources. In particular, land supply had remained a challenge to the Government in recent years. The Government would make its best efforts to attain the public housing production targets.

44. Dr KWOK Ka-ki commented that, to enhance utilization of land resources, the Administration should expedite redevelopment of aged PRH estates and pursue conversion or redevelopment of under-utilized flatted factories. Moreover, development of sites occupied by governmental facilities with low plot ratios (such as waste treatment plants) had not been maximized. He considered that the Administration should strengthen coordination among Bureaux and Departments with a view to rationalizing land use.

45. PSTH(H) said that the Administration had taken into account views from respondents to the LTHS 2014 consultation about the need to redevelop aged PRH estates. The four principles adopted by the Housing Authority ("HA") in considering redevelopment of PRH estates were namely, structural conditions of the buildings concerned, cost-effectiveness of repair works, availability of suitable re-housing resources in the vicinity, and potentials of redevelopment. He pointed out that while redevelopment might

increase PRH supply over the long term, it required significant public resources and would in the short term reduce PRH stock available for allocation to new PRH tenants due to the need to reallocate units to affected PRH tenants. If HA decided to proceed with redevelopment, HA would give sufficient advance notice to affected tenants. As regards usage of flatted factories, PSTH(H) said that the management of these premises was under the purview of HA's Commercial Properties Committee ("CPC"). According to CPC, at present most flatted factories had achieved a satisfactory occupancy rate and many of the units were taken up by small enterprises, which indicated that such premises had met their objective.

Quality assurance and designs of public housing

46. Mr LEUNG Yiu-chung was concerned that HD's heavy workload and compressed work schedule to expedite housing developments might lead to quality problems in new housing projects. He enquired about measures HD had put in place, especially the monitoring mechanism, to ensure quality and standard of the new housing stock. Mr Martin LIAO expressed support for the establishment proposal and shared the concern about the quality of public housing. He sought details on HD's quality assurance system.

47. PSTH(H) responded that while the heavy workload did pose a challenge to the quality assurance of public housing developments, it was the objective of HD to achieve the housing production target without comprising the quality and standard. The staffing proposal in question and the plan to create about 150 non-directorate posts in HD had been formulated in line with this objective.

48. Deputy Director of Housing (Development and Construction) ("DDH(D&C)") added that HA implemented a reform in 2000 to enhance the public housing quality, and HD had subsequently put in place a quality assurance system adopting the 50 quality housing initiatives endorsed by HA. For instance, to ensure the quality of piling works, HD had adopted the use of engineer's design in lieu of the design-and-build approach and conducted more comprehensive geotechnical investigations to achieve more pragmatic risk sharing with contractors and prevent sub-standard works of contractors. Moreover, HD had reinforced site supervision and established an Independent Checking Unit, which was similar to the Buildings Department's monitoring mechanism for private housing developments. Besides, HD had adopted the radio frequency identification technology for tracking building materials to prevent contractors from replacing them with materials of inferior standard. Other measures to enhance the quality of public housing included the wider use of prefabricated components, strengthening the requirements and establishing clear guidelines for handover inspections of superstructure works, etc. The various initiatives had been implemented for over 10 years and had

proven effective. Moreover, results from the tenant satisfaction surveys on newly-built PRH units ("satisfaction surveys") had shown continuous improvement in satisfaction ratings of tenants from around 70% at the launch of the surveys to 95% recently.

49. Mr Albert CHAN criticized the poor designs of PRH units, including placing laundry racks inside kitchens, overly-small bathrooms in units, and noise disturbance to tenants as a result of recreational facilities in close proximity to residential units. He stressed that HD should gain a better understanding of the needs of tenants in order to improve its public housing designs and estate management. PSTH(H) responded that HD accepted criticisms and endeavoured to enhance public housing designs catering to users' needs. To this end, tenants were encouraged to provide feedback on the designs of housing units through the satisfaction surveys.

50. Mr WU Chi-wai concurred that designs of public housing should have regard to estate management issues. He enquired about the co-operation between DCD and the Estate Management Division ("EMD") of HD in this regard. Moreover, he asked why HD had ceased to provide empty bays in new housing developments, which were often found in older public housing developments. He pointed out that empty bays could be converted into community facilities to meet residents' needs.

51. PSTH(H) said that HD recognized that staff members responsible for construction and development and those involved in estate management would have different professional views towards the designs of housing developments. Various communication channels were available to facilitate collaboration and co-operation among divisions in HD, including the inter-divisional meetings chaired by PSTH(H) where directorate officers from both DCD and EMD were involved to discuss and exchange views on design-related matters. Advice on designs for public housing projects was also sought from HA's Building Committee. PSTH(H) and DDH(D&C) further supplemented that meetings which were attended by architects, engineers and staff members from EMD were often held to discuss and exchange views on design issues relating to housing projects. CAs were reminded to take into account issues including estate management, maintenance, safety and life cycle of housing estates in public housing designs.

52. On the question about empty bays, DDH(D&C) said that such areas were incorporated in the designs with the purposes to enhance ventilation and cater for future development of community facilities. Provision of empty bays was however subject to availability of space and construction of other essential facilities for housing estates. Due to space constraints, empty bays could not be provided in some newer estates.

53. Mr WU Chi-wai observed that some original fixtures and fittings of newly-built PRH units had been disposed of by new tenants when undertaking fitting out works for their units, resulting in wastage of resources and producing large amount of construction wastes. He enquired about measures to reduce wastes.

54. PSTH(H) and DDH(D&C) responded that HD and the Administration had conducted a review on the issue raised by Mr WU. To reduce construction wastes, original fixtures and fittings in the kitchens and bathrooms of newly-built PRH units had been kept to a minimum. With increasing popularity of electric stoves used in kitchens, and taking into account that some electric stoves required the cooking benches to be set at a different height, HA had adopted an adjustable design for cooking benches and provided a one-off adjustment service for new tenants. HD would closely monitor the situation in newly-built PRH units, and encourage interior design companies to make use of existing fixtures and fittings as far as practicable.

Admin

55. Mr WU Chi-wai requested the Administration to provide supplementary information on the measures to reduce disposal of original fixtures and fittings of new PRH units by tenants.

(At 10:28 am, the Chairman announced that the meeting be extended for not more than 15 minutes. Members agreed.)

56. The Chairman put the item to vote. Members agreed that the Subcommittee should recommend the item to FC for approval. No members had requested for separate voting on this item at FC.

57. The Chairman advised that the next meeting would be held on 23 June 2015, at 8:30 am.

58. There being no other business, the meeting ended at 10:35 am.