

立法會
Legislative Council

LC Paper No. FC128/14-15

(These minutes have been
seen by the Administration)

Ref : FC/1/1(1)

Finance Committee of the Legislative Council

**Minutes of the 2nd meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 17 October 2014, at 4:00 pm**

Members present:

Hon Tommy CHEUNG Yu-yan, SBS, JP (Chairman)

Hon CHAN Kin-por, BBS, JP (Deputy Chairman)

Hon Albert HO Chun-yan

Hon LEE Cheuk-yan

Hon James TO Kun-sun

Hon CHAN Kam-lam, SBS, JP

Hon LEUNG Yiu-chung

Dr Hon LAU Wong-fat, GBM, GBS, JP

Hon Emily LAU Wai-hing, JP

Hon TAM Yiu-chung, GBS, JP

Hon Abraham SHEK Lai-him, GBS, JP

Hon Frederick FUNG Kin-kee, SBS, JP

Hon WONG Kwok-hing, BBS, MH

Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN

Hon Jeffrey LAM Kin-fung, GBS, JP

Hon Andrew LEUNG Kwan-yuen, GBS, JP

Hon WONG Ting-kwong, SBS, JP

Hon Ronny TONG Ka-wah, SC

Hon Cyd HO Sau-lan, JP

Hon Starry LEE Wai-king, JP

Dr Hon LAM Tai-fai, SBS, JP

Hon CHAN Hak-kan, JP

Dr Hon Priscilla LEUNG Mei-fun, SBS, JP

Dr Hon LEUNG Ka-lau

Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, SBS
Hon IP Kwok-him, GBS, JP
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 WONG Yuk-man
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon Steven HO Chun-yin
Hon Frankie YICK Chi-ming
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, JP
Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon CHUNG Kwok-pan
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS

Members absent:

Hon Vincent FANG Kang, SBS, JP
Dr Hon KWOK Ka-ki
Hon Dennis KWOK
Dr Hon Helena WONG Pik-wan

Public officers attending:

Professor K C CHAN, GBS, JP	Secretary for Financial Services and the Treasury
Ms Elizabeth TSE Man-yee, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr WONG Kam-sing, JP	Secretary for the Environment
Mr Howard CHAN Wai-kee, JP	Deputy Director of Environmental Protection (2)
Mr Elvis AU Wai-kwong, JP	Assistant Director of Environmental Protection (Nature Conservation and Infrastructure Planning)

Clerk in attendance:

Mr Andy LAU	Assistant Secretary General 1
-------------	-------------------------------

Staff in attendance:

Mr Derek LO	Chief Council Secretary (1)5
Mr Daniel SIN	Senior Council Secretary (1)7
Mr Ken WOO	Senior Council Secretary (1)5
Mr Raymond SZETO	Council Secretary (1)5
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Christy YAU	Legislative Assistant (1)7

The Chairman reminded members that, at the request of the Administration, two Finance Committee ("FC") meetings would be convened on each of the regular meeting dates scheduled from October to December 2014 to deal with the funding proposals put forward by the Administration.

Item No. 1 – FCR(2014-15)49
CAPITAL WORKS RESERVE FUND
HEAD 705 – CIVIL ENGINEERING
Environmental Protection – Refuse Disposal
172DR – Organic waste treatment facilities phase 1

2. The Chairman advised that the item invited the Committee's approval of upgrading 172DR to Category A at an estimated cost of \$1,589.2 million in money-of-the-day prices for the design and construction of the organic waste treatment facilities ("OWTF") phase 1.

3. Mr Albert CHAN raised a point of order and requested the Chairman to liaise with the Administration to rearrange the agenda items to allow the Committee to deliberate the less controversial or urgent funding proposals that affected people's livelihood. The Chairman said that this was not a point of order and he would conduct the business of the Committee in accordance with the agenda issued to members. The Chairman reminded members that the Committee should now focus on the discussion of the OWTF Phase 1 proposal.

Deliberation on the motion to adjourn further proceedings of the Committee

4. Mr LEE Cheuk-yan moved, without notice, a motion under paragraph 39 of the FC Procedure that further proceedings of the Committee be now adjourned. Mr LEE commented that the large-scale demonstrations taking place since late September 2014 showed that the Administration had lost the popular mandate to put forward any funding proposals. He considered that the meeting should not proceed further.

5. The Chairman thereupon proposed the question on Mr LEE's motion to adjourn. The Chairman directed that each member, when speaking on the question, should not make a speech for more than three minutes.

6. Mr LEE Cheuk-yan introduced his motion. Mr CHAN Chi-chuen, Mr LEUNG Yiu-chung, Ms Cyd HO, Mr Frederick FUNG, Mr WU Chi-wai, Mr Gary FAN, Mr Albert HO, Dr Kenneth CHAN, Dr Fernando CHEUNG, Mr Alan LEONG, Mr Albert CHAN spoke in support of the motion.

7. The Chairman reminded Mr Albert CHAN not to use offensive and insulting language about members in his speech.

8. Mr LEUNG Kwok-hung, Mr SIN Chung-kai, Mr Kenneth LEUNG and Mr IP Kin-yuen spoke in support of Mr LEE Cheuk-yan's motion. Members who supported Mr LEE's motion argued that the mass rallies being held in quest for political reform reflected that the Administration had lost its mandate of the population. To uphold and defend public interests, FC should not approve the Administration's funding proposals until the Administration had duly responded to the demands of the public. These members considered that many of the Administration's funding proposals, especially the works projects, were introduced to benefit the rich and powerful. By adjourning further proceedings of the meeting, these members hoped that the Administration would reconsider and rearrange the agenda to allow the Committee to deliberate the less controversial or urgent funding proposals that affected people's livelihood. These members said that if the Administration would rearrange the agenda items to facilitate early discussion of these livelihood-related items, they would be ready to expedite consideration and approval of these items.

9. Mrs Regina IP, Mr James TIEN, Dr Priscilla LEUNG, Mr Abraham SHEK, Dr LO Wai-kwok, Mr CHAN Hak-kan, Mr Michael TIEN, Ms Starry LEE, Mr CHAN Kin-por, Mr NG Leung-sing spoke against the motion. In gist, these members commented that FC had accumulated many items pending funding approval, and those items were important in meeting the imminent and pressing needs of the community as well as for the long term economic development of Hong Kong. It was FC's statutory duty to consider and vote on the items expeditiously and efficiently. They also argued that the reasons put forward by the motion's proponent and supportive members were mostly unrelated to the funding proposal under deliberation. They appealed to these members to avoid politicizing the work of FC and to focus on the funding items.

10. The Chairman invited the Secretary for Financial Services and the Treasury ("SFST") to respond. SFST said that 18 funding proposals on the agenda had been carried over from the previous Legislative Council session. These included the OWTF phase 1 project under deliberation as well as the three landfill extension projects and the proposed integrated waste management facilities ("IWTF") phase 1. The estimated cost of six public works projects had increased significantly during this period. Further cost escalation was expected if delay in FC's approval continued.

11. SFST added that in the 2013-2014 legislative session, FC only approved 13 public works proposals in comparison with 39 public works

proposals the 2012-2013 session. As a result, many of the development schedules and the public works timetables were seriously affected.

12. SFST commented that the Government attached great importance to the livelihood of Hong Kong people and that most of the items awaiting FC's funding approval were closely related to the well-being of the community.

13. At the invitation of the Chairman, the Secretary for the Environment ("SEN") responded that the proposed OWTF phase 1 as well as the landfill extension and IWMF phase 1 proposals were essential waste management infrastructure closely related to people's livelihood and that they should be allowed to proceed as a matter of urgency. The OWTF phase 1 project, for example, which was supported by environmental experts, academics and the community, would contribute to the on-going efforts of promoting resource recovery and reuse, and would ameliorate odour arising from the disposal of municipal solid waste with food waste constituent in landfills.

14. SEN added that tenders for the design and construction of OWTF phase 1 had been invited and bids had already been received. As the item did not receive FC's approval in the last session, the Administration had extended the tender validity date. Further delay in a decision on the OWTF phase 1 project would further delay the commissioning date and risk further cost escalation. The project might have to be re-tendered if the contract could not be awarded by the expiry of the tender validity period. If that happened, SEN said that the OWTF phase 1 might be delayed for years from its original schedule.

15. Mr LEE Cheuk-yan gave concluding remarks.

16. The Chairman put the question of Mr LEE Cheuk-yan's motion to vote. At the request of members, the Chairman ordered a division and the voting bell was rung for five minutes. The Chairman announced that 22 members voted for and 34 members voted against the motion. The voting results of individual members were as follows –

For:

Mr Albert HO Chun-yan
Mr James TO Kun-sun
Ms Emily LAU Wai-hing
Prof Joseph LEE Kok-long
Ms Cyd HO Sau-lan
Mr Alan LEONG Kah-kit
Mr Albert CHAN Wai-yip

Mr LEE Cheuk-yan
Mr LEUNG Yiu-chung
Mr Frederick FUNG Kin-kee
Mr Ronny TONG Ka-wah
Mr CHEUNG Kwok-che
Mr LEUNG Kwok-hung
Mr WU Chi-wai

Mr Gary FAN Kwok-wai
Mr CHAN Chi-chuen
Mr Kenneth LEUNG
Mr SIN Chung-kai
(22 members)

Mr Charles Peter MOK
Dr Kenneth CHAN Ka-lok
Dr Fernando CHEUNG Chiu-hung
Mr IP Kin-yuen

Against:

Mr CHAN Kam-lam
Mr TAM Yiu-chung
Mr WONG Kwok-hing
Mr Andrew LEUNG Kwan-yuen
Mr CHAN Hak-kan
Mr WONG Kwok-kin
Mrs Regina IP LAU Suk-yee
Mr NG Leung-sing
Mr Frankie YICK Chi-ming
Mr MA Fung-kwok
Miss CHAN Yuen-han
Miss Alice MAK Mei-kuen
Mr Christopher CHEUNG Wah-fung
Mr Martin LIAO Cheung-kong
Mr TANG Ka-piu
Ir Dr LO Wai-kwok
Mr Christopher CHUNG Shu-kun
(34 members)

Dr LAU Wong-fat
Mr Abraham SHEK Lai-him
Mr Jeffrey LAM Kin-fung
Ms Starry LEE Wai-king
Mr CHAN Kin-por
Mr IP Kwok-him
Mr Paul TSE Wai-chun
Mr Steven HO Chun-yin
Mr YIU Si-wing
Mr CHAN Han-pan
Mr LEUNG Che-cheung
Mr KWOK Wai-keung
Dr Elizabeth QUAT
Mr POON Siu-ping
Dr CHIANG Lai-wan
Mr CHUNG Kwok-pan
Mr Tony TSE Wai-chuen

17. The Chairman declared that the motion that further proceeding of Committee be then adjourned was negatived.

18. The meeting resumed discussion on the item.

Request for rearranging the order of agenda items

19. Mr LEE Cheuk-yan raised a point of order and asked whether the Chairman would exercise his authority, or liaise with the Administration, to rearrange the order of the agenda items to facilitate the early discussion of the less controversial but more pressing livelihood-related funding proposals.

20. The Chairman said that he would conduct the meeting of the day according to the agenda already issued to members. He undertook, however, to liaise separately with the Administration on the arrangement of items on the agenda for the ensuing meetings outside the meeting and in due course.

21. Mr Alan LEONG noted that the FC Chairman normally followed the Committee's established practice to deal with the agenda items in the order as proposed by the Administration. He said that should the Chairman decided to set a precedent to exercise his authority to change the order of the agenda items, the Chairman should consult members' views on how the items should be arranged.

22. The Chairman reiterated his decision of not altering the order of the agenda items for the current meeting. He might consult members' views outside FC meetings if necessary on the arrangement of the agenda items, so as to avoid taking up the Committee's time in handling the Administration's funding proposal.

SEN's introductory remarks on the development of OWTF phase 1

23. At the invitation of the Chairman, SEN commented that during previous discussion on the item, members were mainly concerned about the cost of the OWTF phase 1 project and the treatment of food waste. He explained that at present, about 30% of solid municipal wastes disposed of at landfills were food waste. The Administration adopted a four-pronged approach in the management of food waste. Measures introduced included the Food Wise Campaign, promotion of food donation, waste recovery and waste-to-energy conversion.

24. SEN supplemented that, in the following year, the Administration would commission a consultancy study on the development of a mechanism for collecting and recovering source-separated food waste. A network of five to six OWTFs would be necessary in order to handle more than 1 000 tonnes of organic waste per day. The first phase of OWTF was expected to come into operation in 2017.

25. SEN further explained that on-site recycling of food waste into compost was not the most suitable mainstream solution in Hong Kong because of cost-effectiveness consideration and the limited demand of compost products. The Administration planned to develop a network of OWTFs to recycle food waste mainly into renewable energy because Hong Kong could use large quantities of energy either in the form of biogas or electricity.

26. The Chairman directed that members' speaking time on the item should not exceed four minutes, including the Administration's reply.

Implication of further delay in the tendering process

27. Mr TANG Ka-piu said that the landfill extensions and IWMF phase 1 proposals were closely related people's livelihood and he appealed to members to support the proposal. Mr TANG asked if the Administration had assessed the implications if the proposals could not be approved by end October or November 2014.

28. Deputy Director of Environmental Protection (2) ("DDEP(2)") said that tenders had been invited but given that funding approval for the project had yet to be approved, the Administration had sought agreement from the tenderers to extend the tender validity period to mid-January 2015. If funding approval was not received soon and the tenders refused to accept further extension of the validity period, the project would have to be re-tendered, and the commissioning date of the OWTF phase 1 project would have to be delayed by one-and-a-half years to two years.

29. DDEP(2) also explained that some lead time was required for the preparatory work for award of contract even after FC had approved the proposal. He urged the Committee to expedite deliberation of the matter.

Location of OWTF phase 1

30. Mr Gary FAN noted that as the proposed OWTF phase 1 was located in Siu Ho Wan in North Lantau which was far away from the urban areas, the cost of transporting food waste for treatment would be higher.

31. Mr Gary FAN asked if the proposed OWTF phase 1 at Siu Ho Wan was developed mainly to handle organic waste from markets managed by the Food and Environmental Hygiene Department and the Link REIT. He also asked if the logistics cost would be substantially reduced if OWTF phase 1 was to be located in the site in Tai Po, so that the private sector would have higher incentive to send their food waste for treatment at OWTF phase 1.

32. SEN advised that the Administration was planning to develop two OWTFs in Siu Ho Wan of North Lantau and Sha Ling in North District. The two sites were selected as they were large enough for building facilities that could handle 200 to 300 tonnes of source-separated biodegradable food waste and achieve economy of scale.

33. Assistant Director (Nature Conservation and Infrastructure Planning) ("AD(NC & IP)") supplemented that the proposed OWTF phase 1 at Siu Ho Wan could serve operators of commercial and industrial ("C&I") sectors in

Lantau, Tsuen Wan, Kwai Tsing and West Kowloon areas. According to "A Food Waste and Yard Waste Plan for Hong Kong 2014-2022", Hong Kong needed a network of around five to six OWTFs to be distributed in different parts of the territory, so that each OWTF could handle food waste from the C&I sectors in the nearby areas to reduce their logistics costs.

Tendering process

34. Mr CHAN Chi-chuen asked what preparation was necessary for award of OWTF phase 1 tender following the funding approved by FC, and whether there was any difference in the requirement if FC approved the funding in January 2015 as compared with an earlier approval. Mr CHAN also asked if the tender validity period could be extended again upon its expiry in mid-January 2015.

35. SEN responded that if the funding approval was delayed until January 2015, the commissioning of the project would be deferred for months, and the project cost might be further increased. DDEP(2) explained that after FC's funding approval, there were some tender procedures that needed to be completed including submission to the Central Tender Board for final tender approval before the contract could be awarded.

36. SEN added that there was already a long lapse of time between submission of tenders and the expiry of the extended tender validity period. The cost components might have changed over time. It was very unlikely that bidders of OWTF phase 1 would agree to further extension of the tender validity period.

Motion to adjourn the discussion on the item

37. Mr CHAN Chi-chuen said he did not find the Administration's response acceptable. He moved, without notice, a motion that discussion on the item FCR(2014-15)49 be then adjourned.

38. The Chairman thereupon proposed the question on the motion to adjourn. He directed that a member, when speaking on the question, should not speak more than once and should not make a speech for more than three minutes.

39. Mr TANG Ka-piu asked if the debate on the question would be carried forward to the following meeting of the day if it could not be finished during the current meeting. He further sought clarification whether members could move another motion to adjourn at the next meeting.

40. The Chairman said that the debate on Mr CHAN Chi-chuen's question would be carried forward to the following meeting of the day if it could not be finished during the current meeting. The meeting would proceed to the next item on the agenda if the motion was carried, otherwise discussion on the item would continue.

41. Mr CHAN Chi-chuen introduced his motion. Ms Cyd HO and Dr Fernando CHEUNG spoke on the question. In gist, these members queried the urgency of the OWTF phase 1 proposal as claimed by the Administration since the Administration could have placed the item on the agenda ahead of the proposal related to the North East New Territories new development areas in the previous legislative session. They also queried the cost effectiveness of the OWTF phase 1 as the private sector could develop a similar facility at a fraction of the estimated cost of OWTF phase 1.

42. Miss CHAN Yuen-han said that Members belonging to the Federation of Trade Unions supported the funding proposal as the Administration had already separately clarified their queries on the item.

43. As the meeting had reached the appointed closing time, the Chairman declared that the meeting was adjourned and the debate on Mr CHAN Chi-chuen's motion would continue at the meeting that followed.

44. The meeting was adjourned at 6:00 pm.