

立法會
Legislative Council

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seen by the Administration)

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Finance Committee of the Legislative Council

Minutes of the 3rd meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 17 October 2014, at 6:10 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 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 Cyd HO Sau-lan, JP
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon CHAN Hak-kan, JP
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 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 Dennis KWOK
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Dr Hon Helena WONG Pik-wan
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 Abraham SHEK Lai-him, GBS, JP
Hon Vincent FANG Kang, SBS, JP

Hon Ronny TONG Ka-wah, SC
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Dr Hon LEUNG Ka-lau
Hon WONG Yuk-man
Hon Claudia MO
Dr Hon KWOK Ka-ki

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
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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

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

The meeting continued deliberation on the motion moved by Mr CHAN Chi-chuen, without notice, that discussion on the item FCR(2014-15)49 on the organic waste treatment facilities ("OWTF") phase 1 be then adjourned pursuant to the Finance Committee Procedure paragraph 39.

Deliberation on the motion to adjourn the discussion on the item

2. Mr CHAN Hak-kan spoke in support of the item under discussion and against the motion to adjourn its discussion.

3. Dr Fernando CHEUNG, Mr LEUNG Kwok-hung, Mr WU Chi-wai, Mr LEE Cheuk-yan, Mr CHEUNG Kwok-che, Ms Emily LAU, Mr Frederick FUNG, Mr Gary FAN, Mr CHAN Wai-yip and Mr Alan LEONG spoke in support of the motion. In gist, these members queried the urgency of the OWTF phase 1 proposal as claimed by the Administration and urged the Administration to advance uncontroversial items on the agenda for approval. Mr CHAN Chi-chuen gave concluding remarks.

4. The Chairman put the motion to vote. At the request of members, the Chairman ordered a division. Twenty members voted in favour of 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
Mr Frederick FUNG Kin-kee
Ms Cyd HO Sau-lan
Mr Alan LEONG Kah-kit
Mr Albert CHAN Wai-yip
Mr Gary FAN Kwok-wai
Mr CHAN Chi-chuen
Mr Kenneth LEUNG
Mr SIN Chung-kai
(20 members)

Mr LEE Cheuk-yan
Ms Emily LAU Wai-hing
Prof Joseph LEE Kok-long
Mr CHEUNG Kwok-che
Mr LEUNG Kwok-hung
Mr WU Chi-wai
Mr Charles Peter MOK
Dr Kenneth CHAN Ka-lok
Dr Fernando CHEUNG Chiu-hung
Mr IP Kin-yuen

Against:

Mr CHAN Kam-lam	Dr LAU Wong-fat
Mr TAM Yiu-chung	Mr WONG Kwok-hing
Mr Jeffery LAM Kin-fung	Mr Andrew LEUNG Kwan-yuen
Ms Starry LEE Wai-king	Mr CHAN Hak-kan
Mr CHAN Kin-por	Mr WONG Kwok-kin
Mr IP Kwok-him	Mrs Regina IP LAU Suk-yee
Mr Paul TSE Wai-chun	Mr Michael TIEN Puk-sun
Mr James TIEN Puk-chuen	Mr NG Leung-sing
Mr Steven HO Chun-yin	Mr Frankie YICK Chi-ming
Mr YIU Si-wing	Mr MA Fung-kwok
Mr CHAN Han-pan	Ms CHAN Yuen-han
Mr LEUNG Chi-cheung	Ms Alice MAK Mei-kuen
Mr KWOK Wai-keung	Mr Christopher CHEUNG Wah-fung
Dr Elizabeth QUAT	Mr Martin LIAO Cheung-kong
Mr POON Siu-ping	Mr TANG Ka-piu
Ir Dr LO Wai-kwok	Mr CHUNG Kwok-pan
Mr Christopher CHUNG Shu-kun	Mr Tony TSE Wai-chuen
(34 members)	

5. The Chairman declared that the motion was negated.

6. Ms Cyd HO requested the Chairman to clarify whether he had pecuniary interest in the item under discussion. The Chairman replied that his used cooking oil recycling business was not in any way related to the present item which dealt with food waste and he therefore did not consider it necessary to declare interest, pecuniary or otherwise, in the item. He further clarified that he had given up his plan to invest in a business venture in food waste treatment which he told the Committee at the meeting on 11 July 2014 when it last discussed the present item.

7. The meeting resumed deliberation of the item.

8. Mr Frederick FUNG enquired about the Administration's rationale in converting part of the food waste treated by the proposed OWTF project to compost instead of fish feed. Assistant Director (Nature Conservation and Infrastructure Planning) ("ADEP(NC&IP)") replied that OWTF phase 1 would recycle food waste partly into biogas for generating electricity and partly into compost as fertilizer. The amount of commercial and industrial ("C&I") food waste that required treatment far exceeded the capacity of OWTF phase 1. Moreover, the demand for fish feed in Hong Kong was limited.

9. Mr Dr LO Wai-kwok said that the item had been thoroughly discussed at the Panel on Environmental Affairs and the Public Works Subcommittee, and it had support by members of the Panel and the Subcommittee. He expressed support for expediting the deliberation and approval of the item.

10. Mr NG Leung-sing enquired about the cost per tonne of organic waste processed in similar projects overseas. ADEP(NC&IP) cited the example of a treatment plant in Korea with a capacity of treating 98 tonnes of food waste per day at a cost of \$440 million.

Project cost and financing

11. Mr WU Chi-wai asked the Administration to explain the reason for the large difference between the cost of OWTF phase 1 at \$1,500 million and that of a similar facility proposed by the private sector at \$300 million as mentioned in the supplementary information provided by the Administration (issued vide LC Paper No. FC9/14-15 on 13 October 2014), on the expenditure estimate of the design and construction of OWTF phase 1. ADEP(NC&IP) explained that the current project estimate of OWTF phase 1 reflected the latest market price for the construction of such facility whereas the cost for the above-mentioned facility proposed by the private sector was made at an preliminary stage. As there were differences in project details and cost estimation basis between the two facilities, including the site location, treatment process, residual wastes treatment, ancillary facilities and treatment capacity, etc., it would not be appropriate to compare the two directly. The Chairman drew members' attention to the Administration reply to his queries (issued vide LC Paper Nos. FC11/14-15(04) and (03) respectively) highlighting the differences in facilities, wastewater treatment and treatment of residues between the OWTF phase 1 and the private-sector proposal.

12. Mr SIN Chung-kai and Dr Helena WONG asked whether the cost of the transportation of organic waste to OWTF phase 1 would be borne by the users. ADEP(NC&IP) confirmed this understanding. On Mr SIN's request, ADEP(NC&IP) further clarified the details of the Design-Build-and-Operate ("DBO") scheme, and Secretary for the Environment ("SEN") confirmed that all revenue collected from OWTF phase 1, if any, would be credited to the Government.

13. Referring to practices adopted by South Korea, Dr Helena WONG enquired whether the Administration would introduce administrative guidelines to the C&I sector for better separation of food waste at source in order to reduce the cost of OWTF in the process of recycling food waste. SEN replied that the Administration would conduct a study on food waste collection and delivery in

order to shed light on appropriate arrangements for relevant matters. ADEP(NC&IP) supplemented that the C&I sector had gained experience in food waste separation through participation in various relevant initiatives launched in recent years such as the Food Waste Recycling Partnership Scheme.

14. Dr Fernando CHEUNG expressed concern that the DBO contract arrangement of OWTF phase 1 might encourage the contractor to compress the estimate for the design and construction expenditure of the project at present and charge a high recurrent expenditure when it operated the facilities in future. SEN replied that adopting a DBO contract arrangement was common and appropriate for projects such as OWTF phase 1, and that the estimate of the project expenditure had been conducted prudently and comprehensively. Deputy Director for Environment Protection (2) ("DDEP(2)") supplemented that as stated in the Administration's paper on the item (Enclosure 1 to LC Paper No. FCR(2014-15)49), the annual recurrent expenditure for OWTF phase 1 would be about \$72.4 million.

15. Mr Albert CHAN Wai-yip commented that the processing of organic waste should be commercially viable and the Administration should not be required to finance the construction and operation of organic waste facilities with public money. He enquired about overseas examples of such large-scale Government-funded food waste treatment facility. SEN cited as an example a food waste treatment plant in Milan, Italy, which used a treatment technology similar to that used in OWTF phase 1. He pointed out that the United Kingdom had been considering the wider use of such technology in converting food waste to renewable energy.

Performance assessment

16. Dr Kenneth CHAN asked how the Administration would monitor the performance of the contractor in operating OWTF phase 1 considering the possibility that the plant might be operating below its capacity of treating 200 tonnes of food waste a day. SEN said that the current daily amount of food waste from the C&I sector far exceeded the treatment capacity of OWTF phase 1, and as with other projects under the DBO contract arrangement, the Administration would put in place a rigorous mechanism for monitoring and assessing the performance of the contractor during the operation of the OWTF phase 1 project.

Waste management

17. Mr CHAN Hak-kan asked whether the Administration would further step up its initiative on installing on-site food waste composting systems in

public housing estates and how it would take forward the future phases of OWTF development. SEN said that since most estates had limited space, on-site composting had limited potentials. In the long term, HK needed to build a network of five to six OWTFs. Apart from OWTF at Siu Ho Wan, sites had been identified at Sha Ling and Shek Kong. It was necessary for the network of OWTFs to be built as quickly as possible.

18. With reference to the Administration's paper on 29 September 2014 (issued vide LC Paper No. 153/13-14(01)), Ms Emily LAU questioned the effectiveness of the Food Wise Hong Kong Campaign. SEN said that the Campaign was to galvanize the community, from individuals to households to C&I operators, to avoid and reduce food waste at source. Its aim was to avoid up to 10% of food waste by 2017-18. Various activities under the Campaign, such as the Food Wise Ambassadors and Food Wise Charter, had helped promote behavioural change in the community. Through the promotion of food waste reduction at source together with action plans to drive food donation, recyclable collection and turning food waste into energy, the Administration hoped to reduce food waste disposal to landfills by 40% by 2022.

19. Mr CHEUNG Kwok-che noted the cost overruns in public works projects and expressed concern that the Administration might seek supplementary provisions from this Committee for OWTF phase 1 in future. He also asked about the Administration's plan for implementing phases 2 and 3 of OWTF. SEN said that as set out in "A Food Waste and Yard Waste Plan Hong Kong 2014-2022", Hong Kong needed to build a network of around five to six OWTFs for achieving the target of food waste reduction. Apart from OWTF phase 1 at Siu Ho Wan, the sites proposed for phases 2 and 3 of OWTF were Sha Ling and Shek Kong respectively. The environmental impact assessment for OWTF phase 2 had been completed. DDEP(2) said that subject to the Committee's timely approval of funding for the project, the Administration should be able to proceed with the project within the approved estimate. In this connection, annual price adjustment had already been provided in the project cost estimate and the Administration did not envisage the need for supplementary provision at this stage.

20. Ms CHAN Yuen-han asked in what way the approach in food waste treatment presently adopted in OWTF phase 1 was better than that in Japan, which was considered more advanced in waste treatment. SEN explained that in Japan, food waste was disposed of together with other municipal solid waste by incineration whereas under the proposed project, food waste would be separated from municipal waste at source and would then be collected for conversion into energy and compost, thereby making a better use of resources.

Waste reduction target and cost effectiveness

21. Mr Alan LEONG asked how confident the Administration was in meeting its target of reducing food waste disposal at landfills by 40% by 2022 as claimed in its paper. SEN briefly explained the current progress of various phases of development of OWTF. He appealed to the members to expedite the deliberation of the proposed OWTF project.

22. Mr Frederick FUNG and Mr LEE Cheuk-yan expressed similar concern that the Administration's goal on reducing organic waste would not be met by 2022, and asked the Administration to provide performance indicators on the reduction of food waste. SEN reiterated the various initiatives on reducing food waste adopted by the Administration and said that significant progress had been made.

23. The Chairman considered that the Administration's current approach of BDO contract arrangement in implementing OWTF phases was not cost effective as the contractor would have little incentive to save public money. He criticized that the choice of the site for OWTF phase 1 as well as the ways adopted for treating food waste and waste water in the Administration's proposal all unnecessarily contributed to the high cost of the project and considered the reasons provided by the Administration in replies to his letters (issued vide LC Paper Nos. FC11/14-15(02) and (04)) unconvincing. He urged the Administration to consider a more economical approach for implementing future OWTF phases.

24. Mr NG Leung-sing noted that the project estimate was based on an open tender exercise through open and competitive bidding without prequalification of bidders. He asked whether such exercise was sufficient in selecting an appropriate contractor with the required technical expertise and financial soundness. ADEP(NC&IP) explained that in accordance with established procedures in an open tender, no pre-conditions on tenderers had been set for receiving tenders and that for all the tenders received, the technical and financial capabilities of tenderers would be assessed rigorously.

Electricity converted from food waste

25. Mr CHUNG Kwok-pun enquired whether the revenue from the sale of surplus electricity generated from the OWTF would be used for subsidizing the tariff of nearby residents on Lantau Island. ADEP(NC&IP) said that the Administration had explored with a power company the viability of connection OWTF phase 1 to the existing power grid. In the negotiation with the power company on the terms of sales, the Administration would ensure that the sale of

surplus electricity to the power company would not cause any increase in electricity tariffs to the public. If the electricity was sold to the power company, the relevant revenue would be credited to the Government.

26. Mr Gary FAN enquired whether the Administration would consider supplying the electricity generated by OWTF phase 1 to nearby residents on Lantau Island or offering them concession in electricity tariff as a measure for compensating the impact on local communities brought about by the project. SEN said that according to international practice in similar projects, compensatory measures, such as direct reimbursement of electricity to local communities, were rare.

27. The Chairman said that the deliberation of item would be carried over to the meeting on 24 October 2014.

28. The meeting was adjourned at 8:10 pm.

Legislative Council Secretariat
20 March 2015