

**立法會**  
***Legislative Council***

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**Finance Committee of the Legislative Council**

**Minutes of the 49<sup>th</sup> meeting**  
**held at Conference Room 1 of the Legislative Council Complex**  
**on Friday, 29 May 2015, at 3:00 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 CHAN Kam-lam, SBS, JP

Hon LEUNG Yiu-chung

Hon Emily LAU Wai-hing, JP

Hon TAM Yiu-chung, GBS, JP

Hon Frederick FUNG Kin-kee, SBS, JP

Hon Vincent FANG Kang, SBS, JP

Hon WONG Kwok-hing, BBS, MH

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 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 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  
Dr Hon KWOK Ka-ki  
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  
Dr Hon Elizabeth QUAT, JP  
Hon Martin LIAO Cheung-kong, SBS, JP  
Hon POON Siu-ping, BBS, MH  
Dr Hon CHIANG Lai-wan, JP  
Hon CHUNG Kwok-pan

**Members absent:**

Hon James TO Kun-sun  
Dr Hon LAU Wong-fat, GBM, GBS, JP  
Hon Abraham SHEK Lai-him, GBS, JP  
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN  
Hon Ronny TONG Ka-wah, SC  
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP  
Dr Hon LEUNG Ka-lau

Hon LEUNG Kwok-hung  
Hon Frankie YICK Chi-ming  
Hon IP Kin-yuen  
Hon TANG Ka-piu, JP  
Ir Dr Hon LO Wai-kwok, BBS, MH, JP  
Hon Christopher CHUNG Shu-kun, BBS, MH, JP  
Hon Tony TSE Wai-chuen, BBS

**Public officers attending:**

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) <sup>1</sup>
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr HON Chi-keung, JP	Permanent Secretary for Development (Works)
Mr CHAN Chi-ming, JP	Deputy Secretary for Development (Works) <sup>2</sup>
Mr CHENG Ting-ning, JP	Project Manager (New Territories East), Civil Engineering and Development Department
Mr WONG Kin-por	Chief Engineer (Boundary Control Point), Civil Engineering and Development Department
Mr Stephen TANG, JP	Deputy Director of Architectural Services
Mrs Sylvia LAM	Project Director (2), Architectural Services Department
Mr Michael LI	Chief Project Manager 202, Architectural Services Department

**Clerk in attendance:**

Ms Anita SIT	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 Frankie WOO	Senior Legislative Assistant (1)3
Ms Michelle NIEN	Legislative Assistant (1)5
Miss Yannes HO	Legislative Assistant (1)6

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Action

**Item No. 1 – FCR(2015-16)13**

**RECOMMENDATION OF THE ESTABLISHMENT  
SUBCOMMITTEE MADE ON 12 MAY 2015**

The Chairman advised that the item invited the Committee's approval of the recommendation of the Establishment Subcommittee made on 12 May 2015. There being no question from members, the Chairman put the item to vote. At the request of Mr Albert CHAN, the Chairman ordered a division and the division bell was rung for five minutes.

2. The Chairman announced that 38 members voted for and none voted against the item. The votes of individual members were as follows –

*For:*

Mr LEE Cheuk-yan	Mr CHAN Kam-lam
Ms Emily LAU Wai-hing	Mr TAM Yiu-chung
Mr WONG Kwok-hing	Mr Andrew LEUNG Kwan-yuen
Mr WONG Ting-kwong	Ms Cyd HO Sau-lan
Mr CHAN Hak-kan	Mr CHAN Kin-por
Mr CHEUNG Kwok-che	Mr WONG Kwok-kin
Mr IP Kwok-him	Mrs Regina IP LAU Suk-ye
Mr Paul TSE Wai-chun	Mr Alan LEONG Kah-kit
Mr Albert CHAN Wai-yip	Mr Michael TIEN Puk-sun
Mr James TIEN Pei-chun	Mr NG Leung-sing
Mr Steven HO Chun-yin	Mr WU Chi-wai
Mr Gary FAN Kwok-wai	Mr MA Fung-kwok
Mr Charles Peter MOK	Mr CHAN Han-pan
Dr Kenneth CHAN Ka-lok	Miss CHAN Yuen-han
Mr LEUNG Che-cheung	Mr Kenneth LEUNG
Miss Alice MAK Mei-kuen	Dr KWOK Ka-ki
Mr Christopher CHEUNG Wah-fung	Dr Fernando CHEUNG Chiu-hung
Mr SIN Chung-kai	Dr Helena WONG Pik-wan
Dr Elizabeth QUAT	Mr Martin LIAO Cheung-kong
(38 members)	

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

**Item No. 2 – FCR(2015-16)11**

**CAPITAL WORKS RESERVE FUND**

**HEAD 705 – CIVIL ENGINEERING**

**Support – Boundary facilities (other than road works)**

**19GB – Liantang/Heung Yuen Wai Boundary Control Point and associated works – site formation and infrastructure works**

**Item No. 3 – FCR(2015-16)12**

**CAPITAL WORKS RESERVE FUND**

**HEAD 703 – BUILDINGS**

**Support – Boundary facilities (other than road works)**

**13GB – Liantang/Heung Yuen Wai Boundary Control Point and associated works – construction of boundary control point buildings and associated facilities**

4. The Committee continued with the deliberation on items FCR(2015-16)11 and FCR(2015-16)12 related to Liantang/Heung Yuen Wai Boundary Control Point ("LT/HYW BCP") and associated works which were carried over from the meetings on 22 May 2015.

5. The Chairman said that members who wished to submit proposed motions to be moved under paragraph 37A of the Finance Committee Procedure ("FC Procedure") to express views on the items FCR(2015-16)11 and FCR(2015-16)12 should clearly state in each proposed motion the item, i.e. FCR(2015-16)11 or FCR(2015-16)12, on which the view was to be expressed. The Chairman said that the Committee would deal with the motions after completing the combined discussion on the items. He would first put the proposed motions that he had ruled to be directly related to FCR(2015-16)11 to the Committee to decide whether they should be proceeded forthwith. After the Committee had dealt with those motions, he would then put the item FCR(2015-16)11 to vote. He would then deal with the proposed motions with respect to FCR(2015-16)12 and put the item to vote in the same manner.

Site investigations for the Lung Shan Tunnel

6. Mr Gary FAN noted that the contractors for the Lung Shan Tunnel under the LT/HYW BCP project had to carry out site investigation works repeatedly before the tunnel construction works could start. Mr FAN also noted that the Administration had spent some 1.5% of the total project estimates on site investigation works in connection with the Lung Shan Tunnel

construction, which was three times the normal rate for site investigations in similar projects. He enquired whether this was because of the deficiencies of the earlier investigations, or the inaccurate data produced by the site investigation contractors and if so, whether the Administration had claimed damages or compensation from these contractors.

7. Project Manager (New Territories East) ("PM(NTE)") said that the detailed design in respect of the Lung Shan Tunnel had been completed in early 2012. As the ground condition of the site was complicated, the Administration decided to conduct further site investigations to collect more data to refine the design before tenders were invited. He added that the Administration had conducted more site investigations than were required under existing standards and international practice. This helped minimize the difference between the Administration's cost estimates and the tender price. It was expected that the present revised estimate was more realistic than the previous estimate in reflecting the cost required. He said that the decision to conduct more site investigations was not due to any faults on part of the contractors and no claims against contractors had been filed.

8. The Chairman directed that members' speaking time for the fourth round of questions, including the Administration's response, should be limited to two minutes each.

Point of order on members' speaking order

9. Mr Gary FAN raised a point of order and asked the Secretariat to include members who had pressed the "Request to speak" button in the speaking queue according to the order of their pressing the button, so that the members who were temporarily absent from the meeting would be duly notified to return to the conference room when it was near to their turn to speak.

10. The Chairman said that he would only call upon those members who were on the top of the speaking queue and who were present in the conference room to speak. He would invite members who had missed their turns to speak when they returned to the conference room.

11. In response to Mr Gary FAN's query and at the invitation of the Chairman, the Clerk explained that the first three or four members on the speaking queue as shown on the information display system would receive an automatic pager message notifying them of their speaking order. It was an on-going practice of the Committee that members who had pressed the "Request to speak" button and were present in the conference room would first be included in the speaking queue.

Loss incurred by the Shenzhen side

12. Dr KWOK Ka-ki criticized the Administration for passing the blame of cost overrun in public works projects to factors such as unforeseen complication of ground conditions, inflation of labour and material costs, etc. Dr KWOK noted the Administration's suggestion that the Shenzhen side would potentially incur loss due to delay in the commissioning of LT/HYW BCP and criticized the Administration for putting the Mainland's interests ahead of the interests of Hong Kong. In this connection, Dr KWOK asked about the extent to which the proposed project would benefit Shenzhen's economic development, and the number of project contractors which were owned by Mainland interests.

13. In response, Permanent Secretary for Development (Works) ("PS(W)") said that the Administration had not taken into account the contribution of the LT/HYW BCP project to Shenzhen's economy when evaluating the economic benefits of the project. In the discussion paper, the Administration was simply stating the fact that the Shenzhen authorities were proceeding with the construction works for the part of BCP on its side based on the target completion date of end-2018. If LT/HYW BCP was delayed, there would be potential loss on the Shenzhen side due to wasted or idle construction works. He said that the Administration did not have information on the quantified loss to Shenzhen as a result of delay in the project.

14. PM(NTE) supplemented that of the three civil engineering contracts that had been awarded, none of the contractors were owned by Mainland interests. In response to a further query from Dr KWOK, PM(NTE) explained that the proportion of cost increase attributed to complicated ground conditions of the Lung Shan Tunnel was relatively small. The major cost increase was due to surge in construction prices (which accounted for \$3.97 billion or 45.6% of the total increase) and the increase in provision for price adjustment (which amounted to \$3.3 billion or 38.1% of the total increase).

Ways to deal with project cost overrun

15. Mr Albert CHAN said that while he accepted that cost of individual projects might be affected by unforeseen circumstances, members were gravely concerned about the recent spate of huge costs escalation among many major public works projects which had been rolled-out more or less at the same time. Mr CHAN queried what measures the Administration had introduced to control construction cost overrun and to reduce the impact of high inflation in construction price levels since 2011.

16. PS(W) said every public works project was unique and it would be inappropriate to generalize the cause of cost overrun in these projects. The Administration had set up a dedicated team to monitor construction costs in different projects. For the LT/HYW BCP case, PS(W) admitted that the Administration had not had an accurate grasp of the market situation when drawing up the original project estimates. As tenders for most of the works items had been returned, the Administration was confident that the latest cost estimates presented to members should reflect the prevailing market price levels.

17. Ms Claudia MO queried whether LT/HYW BCP and the associated works should be shelved to avoid further cost overrun; the works carried out so far could be converted to other community facilities. PS(W) said that LT/HYW BCP would play a strategic role linking Hong Kong with the eastern part of Guangdong Province, which would help promote Hong Kong's long-term growth in commerce and other economic activities. Many of the works carried out so far were road works and other infrastructure facilities and could not be converted to other community uses such as parks. PS(W) added that contracts that had been awarded were worth some \$12.3 billion. These works items could not serve the original purpose if the project was now shelved.

18. The Chairman directed that speaking time for the fifth round of questions, including the Administration's response, should not exceed one minute each.

19. Mr Gary FAN noted that the majority of electrical and mechanical ("E&M") works in connection with LT/HYW BCP would only be carried out in around 2017 or 2018, by which time there might be further escalation in the cost of E&M works, and the increase might be reflected in the future tender price. Mr FAN asked if the Administration had made independent assessment of the trend in the price levels of E&M works. PM(NTE) said that the Administration had analyzed the cost of E&M works from recent returned tenders, and projected that the E&M costs would likely increase.

20. Ms Claudia MO expressed objection to the proposal. She criticized the Administration for pushing infrastructure projects ahead in the name of fostering integration of Hong Kong and the Mainland, in spite of the huge cost overrun involved and for failing to take into consideration of whether the community would find this acceptable.

21. Mr LEE Cheuk-yan considered that the problem of cost overrun among public works projects was attributed to the bunching of construction items. He asked whether there was an optimum amount of public works

projects in that these projects could be rolled out without pushing up construction costs significantly, and if so, whether the construction price levels could be maintained at a reasonable level by postponing some of the public projects. Similarly, Mr Gary FAN asked if the Administration would spread out its construction programmes by postponing the implementation of LT/HYW BCP and associated works.

22. PS(W) reiterated that the Administration was carrying out about \$70 billion worth of public works projects each year while the whole construction sector was handling about \$200 billion worth of works a year which was about 90% of the volume of construction works during the peak of the Airport Core Programme. PM(NTE) said that it was unlikely that the construction cost would fall in the near future and postponing the implementation of the LT/HYW BCP project would not bring about any benefit.

23. Mr Gary FAN noted that the supply of specialist sub-contractors required to carry out certain operations of the LT/HYW BCP project was tight, resulting in higher-than-expected tender prices and causing cost overrun for the LT/HYW BCP project. He asked how the Administration had monitored the variation in labour costs.

24. PM(NTE) said that the costs of specialist services were determined by the market and that the current system of implementing public works subjects using an hierarchy of contractors had been in practice for years and had demonstrated to be effective.

#### Works progress and target completion date

25. Mr WU Chi-wai noted that three works contracts had been awarded in respect of LT/HYW BCP and associated works and enquired about their progress. Noting the risks that the LT/HYW BCP facilities might not be completed by the target date of end-2018, he asked how the delay might affect Shenzhen, and whether the Administration would include additional terms in the relevant contract (i.e. Contract No. 6) to require the contractor to expedite construction so as to ensure that LT/HYW BCP would be commissioned in end-2018 as scheduled.

26. PS(W) said that the progress of the above-mentioned three contracts was satisfactory. The Administration's target that LT/HYW BCP and associated works should be completed by end-2018 was viable provided that funding was approved by early June 2015, although there might be risk in missing the target date.

27. PS(W) supplemented that Contract No. 6 was tendered two years ago. There had not been changes to the terms of contract, nor had there been adjustment in the contract cost. The Administration would not impose unreasonable terms on the contractor at extra cost just to meet the target completion date of end-2018.

28. Upon Mr WU Chi-wai's further enquiry, PS(W) said that works in Chuk Yuen Wai was 58% complete, the Lung Shan Tunnel was 14% complete and the Fanling Public Transport Interchange was 26% complete. PM(NTE) said that there was no major claim from the contractors, and the works progress was largely on schedule.

29. Ms Claudia MO asked the Administration to provide more detailed information on the progress of the LT/HYW BCP project so far, including the progress of various components of works (e.g. cashflow, claims made by contractors and the part of works that had been completed, etc.). PS(W) undertook to provide the requested information after the meeting.

[*Post meeting note:* The information provided by the Administration was issued to members vide LC Paper No. FC188/14-15(01) on 5 June 2015.]

#### Socio-economic impacts of the project

30. Mr CHAN Chi-chuen said that during the discussion of the proposed LT/HYW BCP and associated works at the Public Works Subcommittee ("PWSC"), members expressed concerns about the economic benefits and strategic importance of the proposed works. However, Mr CHAN commented that the Administration had not quantified such benefits in the current discussion papers. He asked the Administration for more concrete elaboration.

31. PS(W) explained that the Administration evaluated the cost-effectiveness of LT/HYW BCP in terms of the time saved in vehicle trips and reduction in vehicle operation cost as a result of the improvement in traffic from the construction of new road networks. Other strategic and economic benefits were not quantifiable. As regards the social impact from the increase in Mainland visitors and traffic flow arising from LT/HYW BCP project, PS(W) supplemented that that for every three persons using the BCP facilities, two were Hong Kong residents.

Passenger handling capacity of the Liantang / Heung Yuen Wai Boundary Control Point facilities

32. Mr Michael TIEN noted that LT/HYW BCP was expected to handle about 18 000 passenger trips per day when it was commissioned in 2018, and the passenger volume would increase to about 30 000 passenger trips per day in 2030. Mr TIEN commented that the anticipated growth in passenger volume was small compared with BCP at Shenzhen Bay, where passenger flow increased from 20 000 passenger trips per day when it was commissioned to the current 100 000 trips per day.

33. PS(W) responded that the Administration adopted the same methodology in projecting the growth in passenger volume in LT/HYW BCP as in the case of the Shenzhen Bay BCP. Under the current forecast, LT/HYW BCP could handle around 30 000 passenger trips per day in 2030. With some modifications in the facilities, PS(W) supplemented that LT/HYW BCP could handle a passenger volume of 50 000 passenger trips per day.

34. Mr Michael TIEN queried why the projected passenger handling capacity of LT/HYW BCP in 2030 was lower than the current level of Shenzhen Bay BCP. PS(W) reiterated that LT/HYW BCP was designed to handle 30 000 passenger trips per day, but the design could be modified to allow about 50 000 passenger trips per day to be handled.

35. Ms Claudia MO expressed concern that the LT/HYW BCP facilities would bring in even more Mainland visitors than Hong Kong's tourism infrastructure could handle. She asked whether the Administration had evaluated how many of these 30 000 to 50 000 passenger trips involved Mainland visitors engaging in smuggling or parallel import/export activities. PS(W) said that the Administration had not made such assessment. Based on existing forecast, for every three passengers using LT/HYW BCP, two would be Hong Kong residents.

Motion to adjourn discussion of item FCR(2015-16)11

36. Mr CHAN Chi-chuen said that the Administration had not responded on the question of social impact of LT/HYW BCP and the associated works and whether the cost overrun was justified. He moved, without prior notice, a motion under paragraph 39 of the FC Procedure that discussion on the item FCR(2015-16)11 should be then adjourned. Thereupon the Chairman proposed the question on Mr CHAN Chi-chuen's motion to adjourn. The Chairman directed that each member, when speaking on the question, might speak once for not more than three minutes.

37. At the invitation of the Chairman, Mr CHAN Chi-chuen introduced his motion.

38. Mr Gary FAN, Mr Alan LEONG, Dr Fernando CHEUNG, Mr Albert CHAN, Ms Emily LAU, Mr LEE Cheuk-yan, Dr KWOK Ka-ki, Ms Claudia MO, Ms Cyd HO, Mr LEUNG Yiu-chung, Mr WU Chi-wai, Mr Kenneth LEUNG and Mr WONG Yuk-man spoke in favour of the motion. These members mainly considered that cost overrun was not justified, and the proposed project should not proceed. Some members considered that the LT/HYW BCP facilities were implemented mainly to benefit Shenzhen at the expense of Hong Kong. These members also criticized the Administration for not having addressed the concerns of PWSC members following the Subcommittee's rejection of the proposals before seeking FC's approval.

39. Mr IP Kwok-him, Mr YIU Si-wing, Mr CHAN Kin-po, Mr WONG Kwok-kin and Dr CHIANG Lai-wan spoke against the motion. They considered the LT/HYW BCP facilities were important for Hong Kong's long-term development and they criticized the pan-democrat members for procrastinating the funding process.

40. At the invitation of the Chairman, Permanent Secretary for Financial Services and the Treasury (Treasury) ("PS(Tsy)") responded to members' criticism that the Administration had circumvented the FC Procedure by seeking the Committee's approval for the items notwithstanding that they had been rejected by PWSC. She said that according to paragraph 3 of the FC Procedure, the Committee was free to accept or overturn any recommendation from its subcommittees and as such, the FC Procedure allowed the Committee to examine an item not supported by a subcommittee.

41. PS(Tsy) added that funding for the proposals related to LT/HYW BCP and associated works was urgently required and FC's approval needed to be sought as early as possible. The Administration did not resubmit the items to PWSC because, firstly there was a long list of items awaiting deliberation by PWSC, and secondly, prior to submission of the proposals to FC, there had already been substantial discussions at the relevant Panel as well as PWSC. PWSC members had clearly stated their positions about the project, and the Administration had responded to PWSC Members' comments and queries. PS(Tsy) considered it appropriate that the items be submitted to the FC for a decision.

42. At the invitation of the Chairman, PS(W) said that there was considerable urgency to push forward the items related to LT/HYW BCP and the associated works. He explained that over the past 10 years, passenger flow

across the Hong Kong and Mainland border had increased by 80%. On festive occasions, the passengers using the various BCPs had exceeded the design capacity of these facilities. There was a need to expand passenger handling capability. Moreover, there were insufficient BCP facilities linking Hong Kong and the eastern part of Shenzhen and Guangdong; the mere improvement of existing facilities could not meet the long term development needs.

43. PS(W) referred to some members' claim that the Hong Kong 2030 Planning Vision and Strategy ("Hong Kong 2030") did not support the development of LT/HYW BCP given the remoteness of its location and pointed out that one of the working papers prepared in the course of the Hong Kong 2030 study suggested that there was a need to expand Hong Kong's hinterland. While acknowledging the remoteness of LT/HYW BCP site, the Hong Kong 2030 study concluded that further investigation was necessary in determining the feasibility of developing a BCP at that location. Regarding the economic benefits of the proposed BCP facilities, PS(W) said that over the period between 2018 and 2050, the facilities should be able to produce positive economic benefits net of their construction cost.

44. As regards members' comments on the escalation of construction costs and bunching of public works, PS(W) said that the Administration would examine other cost control measures such as adopting simpler design, programme management measures, contract management approaches, etc.

45. At the invitation of the Chairman, Mr CHAN Chi-chuen delivered concluding remarks.

46. At 4:58 pm, when the Chairman was about to put Mr CHAN Chi-chuen's motion to vote, Mr CHAN Chi-chuen indicated his intention to request for a division. The Chairman said he now adjourned the meeting and deferred the voting on Mr CHAN's motion to the next meeting after a break of 10 minutes.

47. The meeting was adjourned at 4:59 pm.