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24 October 2014

Hon Tommy CHEUNG Yu-yan, SBS, JP
Chairman
Finance Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear *Chairman*,

Sequence of the Finance Committee Agenda Items

At the meeting of the Finance Committee (FC) held on 17 October, some Members proposed that the sequence of the FC agenda items be revised to facilitate early discussion of some livelihood-related items. Hon CHEUNG Kwok-che has subsequently requested that priority be given to the discussion of four of the 18 FC agenda items deferred from the 2013-14 legislative session. At your request, I write to set out the Government's views on the proposal.

It has been a longstanding practice adopted by both the executive and legislative authorities on the management of public finance for funding items to be proposed by the Government for the consideration of the Legislative Council (LegCo). The established practice is for the Chairman of the FC to adhere to the order of items proposed by the Government. FC will in turn deliberate on the agenda items and, in accordance with the FC Procedure, approve, adjourn or reject the items. This arrangement has been working smoothly and has allowed funding proposals under the Public Finance Ordinance to be handled in a systematic and orderly manner. The arrangement fully demonstrates the mutual respect, co-operation as well as proper

checks and balances in the relationship between the executive and legislative authorities. Unilateral changes to the established practice would not be appropriate.

When considering the sequence of FC agenda items, the Government would have regard to a host of factors, including the importance, urgency, readiness and consultation progress (like whether the respective LegCo panels have been consulted) of the relevant proposals. The sequencing of FC agenda items is driven by practical considerations and a wish to seek the earliest resolution of all the proposals. Priority will not necessarily be accorded on the basis of a particular policy portfolio an FC agenda item falls within. Upon giving notice to the FC, the sequence of agenda items reflects the Government's overall priorities attached to the proposals involved. Unless in exceptional circumstances such as emergency relief or avoiding expiry of tender validity, the sequence of funding items will not normally be revised.

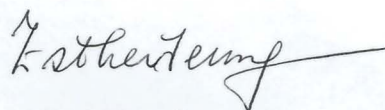
The Government attaches great importance to the livelihood of the Hong Kong community. All the 18 deferred FC agenda items are livelihood-related. The item on "Organic Waste Treatment Facilities Phase 1" (OWTF1) under discussion and the subsequent items relating to three landfill extensions and the "Integrated Waste Management Facilities" (IWMF) are an important and essential part of the waste treatment infrastructure. If the OWTF1, three landfill extensions and IWMF projects are not implemented in time, Hong Kong will be unduly exposed to the risk of excessive waste materials, posing a serious threat to public health. Apart from the item on civil service pay adjustment, the proposals relating to the promotion of economic development, enhancement of social services and upgrading/replacement of information technology systems and rescue equipment, etc. straddling various policy portfolios are all closely intertwined with people's livelihood.

All the 18 deferred items are important and urgent in different ways. They need to be deliberated and voted on as soon as possible within the 2014-15 financial year. Their current sequence largely follows the chronological order of the dates when the items were first submitted to FC. For instance, the first item on the agenda, i.e. OWTF1, was submitted to FC as early as May this year, while the remaining items were first submitted on 4 and 11 July respectively. All items have been carefully scrutinised by the Government, as well as thoroughly discussed and supported by the respective LegCo panels and FC sub-committees. Owing to the serious blockage in the FC agenda, they have been stalled for quite some time and deliberations have yet to start.

In the light of the prolonged deliberations in the FC, the Government will keep under review the sequence and overall priority amongst all the deferred and new items. At this juncture, OWTF1 and the landfill extensions cum IWTF remain the most urgent items among all the funding proposals. They are both imminent livelihood-related items which cannot be further delayed. The commissioning of OWTF1 has been delayed for six months, resulting in a \$56 million hike in the estimated project cost. The tender validity date will be expiring in mid-January 2015. The three landfill extensions and IWTF projects are essential infrastructure in the "Hong Kong Blueprint for Sustainable Use of Resources 2013-2022". A series of meetings have been held to discuss these four projects at the concerned LegCo panels and Public Works Subcommittee since 2012, before the items were put forth to FC for deliberation. Their delayed approval has resulted in a \$1.3 billion hike in the estimated project costs, yet another heavy toll thrust on the public coffers. The dire consequences of further delays cannot be overstated.

The Government has no intention to alter the sequence of the agenda items at this juncture. A more pragmatic approach is for the FC to press full steam ahead with the most urgent agenda items, namely the OWTF1 and the landfills extensions cum IWTF at the top of the FC agenda. We earnestly appeal to all FC members to consider and approve the proposals as early as possible so that the relevant public services can be taken forward without delay.

Yours sincerely,



(Ms Esther Leung)

for Secretary for Financial Services and the Treasury