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**Notes on the Special Briefing for Finance Committee Members
on Friday, 3 December 1999, at 2:30 pm
in the Legislative Council Chamber**

Members present:

Hon Ronald ARCULLI, JP, Chairman of the Finance Committee (Convenor)
Hon CHAN Kam-lam, Deputy Chairman of the Finance Committee
Hon Kenneth TING Woo-shou, JP
Hon James TIEN Pei-chun, JP
Hon David CHU Yu-lin
Hon HO Sai-chu, SBS, JP
Hon Edward HO Sing-tin, SBS, JP
Hon Albert HO Chun-yan
Hon Michael HO Mun-ka
Ir Dr Hon Raymond HO Chung-tai, JP
Hon LEE Wing-tat
Hon LEE Cheuk-yan
Hon Martin LEE Chu-ming, SC, JP
Hon Eric LI Ka-cheung, JP
Hon LEE Kai-ming, SBS, JP
Dr Hon David LI Kwok-po, JP
Hon Fred LI Wah-ming, JP
Hon NG Leung-sing
Prof Hon NG Ching-fai
Hon MA Fung-kwok
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon Ambrose CHEUNG Wing-sum, JP
Hon HUI Cheung-ching
Hon Christine LOH
Hon CHAN Kwok-keung
Hon CHAN Yuen-han
Hon CHAN Wing-chan

Dr Hon LEONG Che-hung, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, JP
Hon LEUNG Yiu-chung
Hon Gary CHENG Kai-nam, JP
Hon SIN Chung-kai
Hon Andrew WONG Wang-fat, JP
Dr Hon Philip WONG Yu-hong
Hon WONG Yung-kan
Hon Jasper TSANG Yok-sing, JP
Dr Hon YEUNG Sum
Hon YEUNG Yiu-chung
Hon LAU Kong-wah
Hon Ambrose LAU Hon-chuen, JP
Hon Emily LAU Wai-hing, JP
Hon CHOY So-yuk
Hon Andrew CHENG Kar-foo
Hon SZETO Wah
Hon LAW Chi-kwong, JP
Hon TAM Yiu-chung, GBS, JP
Hon FUNG Chi-kin
Dr Hon TANG Siu-tong, JP

Public officers attending:

Miss Denise YUE, JP	Secretary for the Treasury
Mrs Carrie LAM, JP	Deputy Secretary for the Treasury (1)
Mr K K LAM	Principal Executive Officer (General), Finance Bureau
Mr Augustine LEE	Assistant Secretary for the Treasury
Mrs Maureen CHAN, JP	Deputy Head, Task Force on Reorganization of Municipal Services
Miss Elizabeth TSE	Deputy Secretary for the Treasury (3)
Mr James HERD	Principal Assistant Secretary for the Treasury
Mr Peter CHEUNG, JP	Deputy Secretary for Home Affairs
Ms Janet WONG, JP	Deputy Director of Urban Services (Administration)
Mr Y T LAM	Assistant Director of Urban Services (Planning and Development)
Mr K K LAM	Deputy Director of Regional Services (Administration)

Staff in attendance:

Ms Pauline NG	Assistant Secretary General 1
Miss Polly YEUNG	Chief Assistant Secretary (1)3
Ms Anita SIT	Senior Assistant Secretary (1)8

Mr Ronald ARCULLI, Chairman of the Finance Committee (FC), convened the briefing. As an introductory remark, he informed members that this briefing was held in response to some members' concern about the future arrangements regarding the capital works projects of the two Provisional Municipal Councils (PMCs) after their dissolution and to enable the Administration to brief members on the way forward.

2. The Deputy Head, Task Force on Reorganization of Municipal Services (DH,TFRMS) apologized for the late provision of the paper PWSC(1999-2000)76 for this briefing as the paper could only be finalised and issued after the passage of the Provision of Municipal Services (Reorganization) (PMS(R)) Bill on 2 December 1999. She said that the Bill provided, inter alia, that all property, rights and liabilities of the PMCs would be vested in the Government as from the appointed day on which the PMS(R) Ordinance would come into operation. To fulfill the contractual obligations incurred by the PMCs, the Administration proposed the inclusion of 149 capital works projects and 3 098 minor items into Category A and Category D of the Public Works Programme (PWP) respectively. The 149 projects and the 3 098 minor items involved outstanding financial commitments of \$5,037.77 million and \$367.21 million in money-of-the-day prices respectively.

3. In reply to Miss Emily LAU's enquiry on whether the transfer of the outstanding projects from the PMCs to the Government would incur additional costs, DH,TFRMS confirmed that as the PMCs had already entered into contractual commitments for all the 149 projects and the 3 098 minor items in question, the transfer per se would not give rise to additional costs for the delivery of these projects/items.

4. Referring to the list of 61 outstanding capital works projects of the Provisional Urban Council (PUC) provided by Mr Ambrose CHEUNG Wing-sum in his letter dated 17 November 1999 to the Chairman of FC (issued to members vide LC Paper No. FC 24/99-00 dated 25 November 1999), Miss Emily LAU sought clarification on whether any of the 61 projects had been included in the proposal PWSC(1999-2000)76 and how the remaining projects would be dealt with by the Administration.

5. In reply, the Deputy Director of Urban Services (DD(US)) informed members that apart from the 149 projects for which the PMCs had entered into contractual commitments and which had been included under PWSC(1999-

2000)76, there were a further 181 outstanding projects for which no contractual commitment had been made. These projects would be followed up by the Administration as appropriate. Regarding the list of 61 outstanding projects of PUC provided by Mr Ambrose CHEUNG, DH,TFRMS advised that items no. 30 and 33, for which contractual commitment had been made, were included in PWSC(1999-2000)76.

6. Regarding the status of the 61 PUC projects listed in Mr Ambrose CHEUNG's letter in relation to the classification of the projects of PUC, the Assistant Director of Urban Services provided the following information -

- (a) There were four categories of projects under the capital works programme (CWP) of PUC:

<u>Stage</u>	<u>Status</u>		<u>Item No. in Mr CHEUNG's letter</u>
I	Project under Construction))	Nil
II	Project with layout plans and cost estimates approved by Council))	30 to 37
III	Project with scope of development and schedule of accommodation approved by Council		2-17, 19, 38, 39, 45, 49 and 61
IV	Project under preliminary planning		1, 18, 20-23, 25- 29, 40-43, 46, 47, 51, 52, 54 to 60

- (b) Item no. 24 was implemented as a minor works project costing less than \$15 million; and

- (c) Items no. 44, 48, 50 and 53 had been deleted from the CWP of PUC.

7. Mr HUI Cheung-ching welcomed the Administration's move to fulfill the contractual obligations incurred by the PMCs and enquired whether the responsible Policy Bureaux would review the policies laid down by the PMCs to ensure that these policies were compatible with the Government's long-term plans and policies on municipal services.

8. In reply, DH,TFRMS confirmed that upon the transfer of responsibilities on municipal services to the Government, implementation of all the capital works projects and service programmes related to municipal services would

need to follow the normal resource allocation procedures applicable to all other Government projects and programmes.

9. Mr Ambrose CHEUNG was of the view that the Administration should not include only those projects for which contractual commitments had been made into PWSC(1999-2000)76. He informed members that extensive consultation with the relevant district board(s) and the general public had been undertaken before a project was put to the PUC for a policy decision on whether a project should be pursued. With PUC's endorsement at the policy level, a project would then be included on the list of capital works projects for detailed planning and allocation of funds. Mr CHEUNG then sought confirmation on whether the Administration would honour commitments which had been made by PUC in respect of the outstanding projects on the capital works programme and put up funding proposals in accordance with PUC's original implementation schedule for consideration by the Legislative Council (LegCo).

10. In response, DD(US) said that although the procedures adopted by the PMCs for implementing capital works projects were different from the Administration's procedures under the PWP, PMC projects, like PWP projects, had to undergo a long planning process before funding approval was given. She pointed out that the 181 outstanding projects varied significantly in terms of their readiness in the planning process. She assured members that all information and records on the outstanding projects would be handed over to the two departments taking up the responsibilities for municipal services to continue with the planning work for the projects. Subject to the support of the responsible Policy Secretaries, consideration would be given to including these projects into the PWP.

11. Mr Ambrose CHEUNG emphasized that the PMCs, comprising elected members, had made pledges to the public regarding the implementation of their capital projects with respective target commencement and completion dates. However, he gathered from the Administration's explanation so far that whether these pledges would be honoured or not would in future depend entirely on the decision of the responsible Policy Secretaries. Whilst he had not formed a definite view on the appropriate mechanism for handling the outstanding projects, he considered that LegCo, comprising also elected representatives, should take over the PMCs' role in monitoring and overseeing the implementation of the outstanding projects after the dissolution of the two Councils.

12. DH,TFRMS explained that upon transfer of the responsibilities on municipal services from the PMCs to the Government, the normal funding procedures for public works projects would need to be followed for handling PMCs' outstanding projects. While she was not in a position to give an undertaking on behalf of the responsible Policy Secretaries, she believed that

the outstanding projects would be considered on their merits and admitted into the PWP, and that the Policy Secretaries would make their best efforts to bid for the necessary funding to take the projects forward.

13. In this connection, the Convenor commented that apparently, it was the Administration's stance that for all those outstanding projects of the PMCs which had not been included under PWSC(1999-2000)76 would be injected into the PWP and their implementation or otherwise would be determined through the existing resource allocation mechanism under the PWP.

14. Mr LEE Wing-tat commented that the Administration's stance was a back-off from the PMCs' pledges made to the public in respect of the outstanding projects. The FC would also find itself in a very difficult situation as it would be asked to give funding approval for the projects under proposal PWSC(1999-2000)76 without being assured of the way forward for the remaining projects of the PMCs. He considered that the Administration should at least seek to implement all those projects which had the policy approval of the relevant PMC to proceed to tendering stage rather than only those for which contractual commitment had been made. Mr LAU Kong-wah shared a similar view and stressed that approval by the relevant PMC for tendering a project was in effect a pledge to the public that the facility concerned would be available at a future date. In response, DH,TFRMS undertook to convey to the responsible Policy Secretaries their views.

15. Mr LEE Wing-tat asked whether, upon passage of the Bill on 2 December 1999, the two PMCs could still instruct the Urban Services Department and the Regional Services Department to tender out approved projects according to the normal procedures of the two councils. In reply, DH,TFRMS said that while the two PMCs would continue to operate until the date of dissolution, considerable lead time was required to complete the normal tendering procedures before works contracts for any of the 181 outstanding projects could be awarded.

16. In response to Mr LAU Kong-wah's request for a full list of the 181 outstanding projects with indication on whether and when the projects would be implemented, DH,TFRMS said that it would be difficult to provide such a list before the Public Works Subcommittee (PWSC) meeting on 8 December 1999 to consider PWSC(1999-2000)76 as details of the 181 outstanding projects would need to be further studied by the responsible Policy Bureaux and departments after dissolution of the PMCs.

17. With regard to FC's role in monitoring the outstanding PMC projects, the Convenor pointed out that having regard to its jurisdiction, FC could only decide on funding proposals as and when such proposals were put up by the Administration. Whilst members might take the opportunity of this briefing to identify grey areas and make known their suggestions regarding the

outstanding projects of the PMCs, it was beyond the purview of FC to determine the priority among the outstanding projects and oversee whether they would be upgraded to Category A for implementation. He considered it more appropriate for the relevant LegCo Panel(s), whether existing or new one(s), to take up the subject with the Administration and seek its clear indication on how the outstanding projects would be taken forward within a shorter time frame.

18. Mr Fred LI concurred that the subject should be followed up by a new LegCo Panel to monitor the provision of municipal services. As regards the 149 projects and 3 098 minor items proposed for inclusion into Category A and Category D of the PWP, he urged the Administration to adhere to the original implementation programme of these projects/items.

19. DH,TFRMS recalled that at the Bills Committee on PMS(R) Bill, members had expressed concern on the future monitoring of municipal services and the obligations incurred by the PMCs and they were of the view that it would be desirable for a new Panel to be formed for the purpose. DH,TFRMS confirmed that the Administration would be prepared to exchange views with the new Panel, if one was to be formed. She reiterated that the responsible Policy Secretaries would examine all the outstanding projects and would put up relevant proposals to the LegCo Panel(s) concerned in due course. She stressed that the Administration would give due weight to the views of the Panel(s) in according priority among the projects.

20. Mrs Sophie LEUNG said that to facilitate members' deliberation, it would be useful for the PMCs to indicate their views on the handling of the outstanding projects and the relative priority among these projects. She further suggested that as most members did not have knowledge of the funding procedures adopted by the PMCs, the Administration should provide a paper to explain the procedures to members. The Administration agreed to provide information on the capital works programmes of the PMCs.

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(Post-meeting note : The Administration has provided information on the categorized capital works programmes of the PMCs vide information note FCRI(1999-2000)17 issued to members on 7 December 1999.)

21. Mr Andrew WONG concurred that relevant information on the funding and categorization systems of the PMCs should be provided to members. He expressed disappointment with the absence of a firm undertaking by the Administration regarding the 181 outstanding projects. He considered that as the PMCs were elected bodies and part of the constitutional structure of the Hong Kong Special Administrative Region (HKSAR), the Administration should honour the commitments made by the PMCs and undertake to take forward all the 181 outstanding projects according to the original plans of the PMCs. He urged the Administration to consider his view and remarked that notwithstanding such commitment, the Administration would still be in a

position to subsequently seek to alter the implementation of these projects, provided that any such proposed move should first be thoroughly discussed at the relevant LegCo Panel(s). He said that he would not vote for the proposal PWSC(1999-2000)76 in the absence of any firm undertaking by the Administration in respect of the 181 outstanding projects.

22. In response, the Secretary for the Treasury (S for Tsy) recapitulated the categorization system under the Government's PWP: all projects under Category A had received funding approval for implementation; projects under Category B had received the Star Chamber's agreement to allocate funds for implementation; and projects under Category C had obtained the policy support of the relevant Policy Secretaries. After taking over the responsibilities for municipal services, the Administration would need to consider all projects related to municipal services in the context of the Government's overall resource allocation exercise and in accordance with the existing procedures under the PWP. She suggested that upon confirmation of the mechanism to monitor municipal services, whether by way of LegCo Panel(s) or a subcommittee, the relevant bureaux would provide a paper for the consideration of the Panel(s)/subcommittee with recommendations on whether and how the 181 outstanding projects of the PMCs would be taken forward. Having regard to members' views, the Policy Secretaries would put up proposals for consideration by the Star Chamber as to which of the outstanding projects should be allocated funds for implementation under the Government's five-year expenditure plan.

23. S for Tsy further advised that for the purpose of drawing up the Estimates of Expenditure for the year 2000-01, it was the Administration's intention to obtain FC's approval for proposal PWSC(1999-2000)76 on 17 December 1999 after endorsement by PWSC on 8 December 1999 so that the 149 projects and 3 098 minor items already contracted out by the PMCs could be duly included in the Estimates.

24. Dr TANG Siu-tong enquired whether the Administration had any plan to implement those projects which had been approved by the whole council of the Provisional Regional Council (ProRC) to proceed to the construction stage, although no contracts had yet been entered into for these projects. S for Tsy undertook to suggest to the responsible Policy Secretaries to categorize the 181 outstanding projects having regard to their respective status under the current capital works programmes of the PMCs and include the information in the paper for the relevant LegCo Panel(s). In response to Dr TANG, the Deputy Director of Regional Services advised that currently, there were four projects approved by ProRC to proceed to the tendering and construction stage but had not been contracted out.

25. Mr Eric LI said that the Administration should take note of LegCo Members' speeches during the Second Reading debate on the PMS(R) Bill.

Albeit their support for the Bill, some Members, including himself, had made it clear that the powers vested with the PMCs should not be transferred to the Administration in their entirety. To a certain extent, LegCo should play a more active role in formulating and overseeing the transitional arrangements. He considered that the Administration must consult the relevant LegCo Panel(s) on the priority of the outstanding projects while the relevant Panel(s) should also hear the views of the PMCs and should, as far as possible, adhere to the PMCs' original pledges in delivering these projects.

26. Dr YEUNG Sum was of the view that the Government had the obligation to honour the pledges made by the PMCs as they were part of the constitutional structure of the HKSAR and, being elected bodies, they were capable of representing the aspirations of the public.

27. Mr SZETO Wah said that he would not support the proposal PWSC(1999-2000)76 if the Administration would not confirm in parallel the way forward for the 181 outstanding projects for members' consideration. He also appealed to those Members who had supported the PMS(R) Bill to urge the Administration to honour the pledges made by the PMCs in respect of the outstanding projects.

28. Miss CHAN Yuen-han expressed the concerns of Members of the Federation of Trade Unions about the transitional arrangements for the outstanding projects of the PMCs. She urged that due regard should be given to the views expressed by district organizations on the outstanding projects. She concurred that LegCo should play a more active role in overseeing the implementation of the outstanding projects.

29. In this connection, Mr SIN Chung-kai asked whether the Administration would consult the relevant District Councils on the handling of the outstanding projects of PMCs. In reply, DH,TFRMS said that according to her understanding, the PMCs would consult the relevant District Board(s) before including a project into their capital works programmes.

30. Mr Eric LI concurred that to ensure a satisfactory taking over of responsibilities from the PMCs by the Government, there should be a clear indication on the way forward for the 181 outstanding projects before the dissolution of the PMCs. Although he would not vote against the proposal PWSC(1999-2000)76 as the funds requested were necessary to enable the Government to fulfill the contractual obligations incurred by the PMCs and disapproval by FC might give rise to claims against the Government, he nevertheless urged the Administration to initiate discussion with the PMCs to gauge their views on the 181 outstanding projects, such that LegCo and the Administration could work out the way forward for these projects with the PMCs' views being taken into account.

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31. Miss Emily LAU considered that the Administration should implement all those projects which had received all the necessary approvals of the PMCs and that the two PMCs should be consulted on the handling of their outstanding projects.

32. DH,TFRMS agreed that it might be useful to solicit views from the PMCs on the relative priority among the outstanding projects. She anticipated that for those projects which were at an advance planning stage and were ready for tender, the responsible Policy Secretaries would make the best endeavour to implement the projects as soon as possible.

33. Taking note of members' views, Mr Ambrose CHEUNG considered that the PMCs should be given an opportunity to make their views known to members on the 181 outstanding projects and to provide members with relevant details on the outstanding projects. He opined that it would be preferable for the PMCs to give their recommendations on the outstanding projects before the dissolution of the two Councils. Mr CHEUNG further stressed that due regard should be given to the views of the PMCs on the implementation of the outstanding projects as the PMCs would consider project proposals from a perspective different from that of the Administration. For instance, a project given a low priority by the Administration might be accorded very high priority by the relevant PMC on consideration of the pledges made to the public and the community's needs.

34. As regards the funding for the PMCs' capital works projects, the Deputy Secretary for the Treasury (1) pointed out that under the Rates financing arrangements, the Administration would carry out discussion with the PMCs on a triennial basis to decide on the level of income to be made available to the Councils for both recurrent and capital expenditure. In most cases, the Administration would not accede to the PMCs' funding requests in full due to resource constraints and/or taking account of the capacity constraints to deliver works projects within the period.

35. Before closing the briefing, the Convenor suggested that to enable members to have a better understanding of all the PMC projects, it would be useful for the Administration to provide, before the PWSC meeting on 8 December 1999 to consider the item, a list of all the outstanding projects with information on their current status under the categorized capital works programmes of the respective PMCs.

36. The briefing ended at 4:00 pm.

Legislative Council Secretariat

29 April 2000