

Water purchased from Guangdong Province

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Extract of PAC Report No. 33B on "Water purchased from Guangdong Province"

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76. Conclusions and recommendations The Committee:

- express dismay that, by agreeing to the terms and conditions contained in the 1989 Water Supply Agreement (the 1989 Agreement), the Administration had put itself in a disadvantaged position in its subsequent negotiations with the Guangdong Authority on both the quantity and quality of water which was to be supplied from Dongjiang, due to the fact that the Agreement committed Hong Kong to a long period of fixed supply quantity without:
 - (i) a mechanism for adjusting the annual supply quantities in the ensuing years which would take into account the reservoir storage level and the actual consumption level in the preceding year;
 - (ii) a mechanism for ensuring that the water supplied to Hong Kong would comply with the 1983 Standard and that the water quality standards would be reviewed and continue to be upgraded;
 - (iii) a mechanism for monitoring and reporting on the quality of Dongjiang water; and
 - (iv) a mechanism for dispute resolution and a provision for penalty or compensation in case of non-compliance with the terms of the Agreement by either party;
- express concern that prior to 1995, the Government had not raised with the Guangdong Authority the concern about the excess water supply with a view to setting up a mechanism to adjust the quantities of annual water supply, despite the fact that:
 - (i) there had been a drop in the growth rate of actual water consumption since 1990;
 - (ii) the industrial water consumption had decreased since 1990; and

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- (iii) the reservoir storage had continued to build up, resulting in reservoir overflow since 1992;
- express grave dismay and alarm at the statement made by the Secretary for Works at the public hearing on 4 January 2000 that, as the quality of Dongjiang water had already failed to meet some of the parameters of the 1983 Standard at the time when the 1998 Loan Agreement was signed, the Administration, therefore, had to accept as a fact that the 1988 Standard, which was more stringent, could not be achieved;
- express serious dismay that though the Government had attempted to negotiate with the Guangdong Authority for a reduction or a deferment of water supply since 1995, it had failed to capitalise on the opportunity to obtain more tangible results, when negotiating the 1998 Loan Agreement with the Guangdong Authority, by:
 - (i) insisting that the water supplied to Hong Kong complied with the 1988 Standard which had already been in use in the Mainland for eleven years and adopted by the Guangdong Authority since 1991;
 - (ii) requiring a remedial clause for substandard water, despite the fact that this had been suggested by the Secretary for Justice in 1997;
 - (iii) including a mechanism for monitoring and reporting on the water quality through an independent accredited body, so as to enhance effectiveness;
 - (iv) requesting an alternative source of water supply; and
 - (v) incorporating more flexibility in the Agreement for adjusting the annual supply quantities;
- express concern that the Water Supplies Department has cumulatively incurred additional recurrent costs of \$115 million since 1993 to tackle the problem of substandard quality of Dongjiang water, and another \$35 million as capital costs to upgrade the water treatment works;

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- condemn the Administration for having provided Members of the Legislative Council (LegCo) with inaccurate and incomplete information of a material nature, thereby influencing the direction of Members' discussion at the relevant meetings leading to the decisions to approve the financial proposals for making advance payment of water charges and a loan to the Guangdong Provincial People's Government for water quality improvement project. In arriving at this conclusion, the Committee have taken into account the following:

- (i) the statement made by the Director of Water Supplies at the Finance Committee on 17 November 1989, that there could be an appeal to Beijing in the event of dissatisfaction with the quality of Dongjiang water, was factually incorrect;
- (ii) material information relating to:
 - (a) the adoption of the 1988 Standard in the Mainland since 1 June 1988 and in Guangdong Province since 1991;
 - (b) the discussion with the Guangdong Authority on the deterioration of water quality as early as in 1993;
 - (c) the results of the consultancy study in 1996 which indicated that the quality of raw water would continue to deteriorate;
 - (d) the approval of \$14.7 million in 1995 and \$13.8 million in 1997 to improve the chlorination facilities at the various water treatment works; and
 - (e) a total of \$115 million of additional recurrent costs and \$35 million of capital costs having been incurred for water treatment since 1993,

was omitted from the papers submitted for discussion at the meetings of the LegCo Panel on Environmental Affairs on 10 April 1997 and 2 July 1999, the Finance Committee on 3 April 1998, and the joint meeting of the LegCo Panels on Environmental Affairs and Planning, Lands and Works on 5 February 1999; and

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- (iii) although the above material information was available at that time, the Administration still maintained at the Panel meeting on 10 April 1997, and subsequently at the Finance Committee meeting on 3 April 1998, that there was no trend in quality changes of any proportion which warranted material concern, that there was no cause for alarm and that the water supplied was clean at source and was up to the standard stipulated in the 1989 Agreement;
- express grave dismay and alarm at the statement made by the Acting Director of Water Supplies at the public hearing on 25 February 2000 that if he were given another opportunity to participate in the discussion at the meeting of the LegCo Panel on Environmental Affairs on 10 April 1997, he would have presented the same information on the quality of Dongjiang water at the meeting, even though the above material information which indicated a deterioration in the quality of Dongjiang water was available at that time;
- reject the explanation given by the Secretary for Works at the public hearing on 25 February 2000 and subsequently in the letter of 9 March 2000 that material information relating to the deterioration of Dongjiang water was not disclosed at the various LegCo meetings because it was not related to the focus of the issue being pursued;
- express concern that:
 - (i) the quality of the treated water did not fully comply with the aesthetic levels of residual chlorine of the 1993 World Health Organisation Guidelines for Drinking Water Quality (the WHO Guidelines) and the Water Supplies Department's Final Treated Water Quality Targets for turbidity, aluminium and residual chlorine;
 - (ii) notwithstanding the fact that the WHO Guidelines were revised in 1993, the Water Supplies Department's standards and Final Treated Water Quality Targets were based on the 1984 WHO Guidelines;
 - (iii) the monitoring of the quality of treated water is essentially a self-regulatory process of the Water Supplies Department because the Waterworks Ordinance or other legislation has not specified the parameters and the standards which the treated water should meet. This is not in line with international best practices; and

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- (iv) the Administration has not been more forthcoming in taking on the responsibility to publish test results of both raw water and treated water; instead, it has relegated this responsibility to the independent Advisory Committee on Water Supply which will be formed in early 2000 to discuss and make recommendations on issues related to water supplies;
- acknowledge that:
- (i) the Secretary for Works and the Director of Water Supplies gave an assurance at the public hearing on 4 January 2000 that the quality of Dongjiang water had improved significantly since 1999;
 - (ii) through various channels and meetings, the Government will continue to urge the Guangdong Authority to step up measures to protect the quality of Dongjiang water;
 - (iii) the Government will continue to follow the WHO Guidelines including those relating to the level of residual chlorine in treated water;
 - (iv) the Water Supplies Department will regularly review and update the Department's performance standard;
 - (v) the Water Supplies Department, in consultation with the Department of Health, has formulated a contingency plan for possible Cryptosporidiosis and Giardiasis outbreaks; and
 - (vi) the subject on the quality of Dongjiang water had been discussed at the Hong Kong/Guangdong Environmental Protection Liaison Group Meetings held in November 1998 and March 1999;
- urge the Administration to:
- (i) continue to negotiate with the Guangdong Authority, with a view to:
 - (a) incorporating in future water supply agreements more flexibility in adjusting the annual supply quantities;
 - (b) stipulating a requirement that the water supplied to Hong Kong must comply with the 1988 Standard; and

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- (c) enabling Hong Kong to stop drawing unneeded water in order to avoid wasting water due to overflow and to achieve some savings in the electricity cost of pumping operations and treatment cost;
 - (ii) continue to discuss the subject of the quality of Dongjiang water at the Joint Working Group on Sustainable Development and Environmental Protection, and consider escalating the level of discussion to Beijing if the various issues raised cannot be resolved;
 - (iii) in line with international best practices, actively consider legislating on the standard of quality of treated water in accordance with the WHO Guidelines, so that consumers are given a statutory undertaking as to the quality of treated water;
 - (iv) publish on a timely basis the test results of both raw water and treated water and increase the transparency of the monitoring and reporting process through the establishment of the Advisory Committee on Water Supply at the earliest possible date;
 - (v) make public the presence of Cryptosporidiosis and Giardiasis in treated water if this has been confirmed by testing; and
 - (vi) expeditiously finalise the study on the local water storage level and alternative sources of water supply, and publish the study results as soon as available;
- recommend that the Administration should:
- (i) adopt a more pragmatic approach in determining a more reasonable storage level and formulating a strategy for planning water supply, in view of the exceptionally high reservoir storage level being maintained at present (99%). In doing so, factors such as the trend of water consumption, existing reservoir storage level and forecasts of future water demand should be taken into account;
 - (ii) explore alternative sources of water supply if the quality of Dongjiang water continues to deteriorate;

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- (iii) increase the local water storage capacity by enlarging the storage capacity of existing reservoirs and by building more reservoirs so as to reduce water overflow and to make better use of the cleaner water collected from rainfall;
 - (iv) include a dispute resolution clause and a provision for penalty or compensation in future water supply agreements;
 - (v) continue to explore with the Guangdong Authority the option of appointing an independent accredited body to monitor and report on the quality of Dongjiang water; and
 - (vi) shift the annual business meetings with the Guangdong Authority to the end of the wet season every year so that up-to-date information on the annual rainfall can be made available at the meetings;
- invite the Director of Audit to consider conducting a value for money study of the pricing mechanism for determining the price of Dongjiang water as a follow up to this report, taking into account the deterioration in water quality and the trend of rising prices; and
- wish to be kept informed of the progress of:
- (i) the project to build a closed aqueduct on a regular basis and its effectiveness in protecting the quality of Dongjiang water;
 - (ii) the establishment of the Advisory Committee on Water Supply;
 - (iii) the publication of the pledged targets and key results achieved on the quality of both raw water and treated water;
 - (iv) the study on the local water storage level and alternative sources of water supply;
 - (v) monitoring the quality of Dongjiang water near Huizhou;
 - (vi) the negotiations and discussions with the Guangdong Authority on the various issues relating to the quantity and quality of Dongjiang water supplied to Hong Kong; and

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(vii) the discussion in the Joint Working Group on Sustainable Development and Environmental Protection on the quality of Dongjiang water.

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