

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 7th meeting
held at the Legislative Council Chamber
on Friday, 7 March 2003, at 2:30 pm**

Members present:

Dr Hon Philip WONG Yu-hong (Chairman)
Hon Kenneth TING Woo-shou, JP
Ir Dr Hon Raymond HO Chung-tai, JP
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching, JP
Hon CHAN Kwok-keung
Hon Bernard CHAN, JP
Hon Andrew WONG Wang-fat, JP
Hon Howard YOUNG, JP
Dr Hon YEUNG Sum
Hon LAU Kong-wah
Hon CHOY So-yuk
Hon Andrew CHENG Kar-foo
Hon SZETO Wah
Dr Hon TANG Siu-tong, JP
Hon LI Fung-ying, JP
Hon Henry WU King-cheong, BBS, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Michael MAK Kwok-fung
Hon Albert CHAN Wai-yip
Hon LEUNG Fu-wah, MH, JP
Dr Hon LO Wing-lok

Hon WONG Sing-chi
Hon Frederick FUNG Kin-kee
Hon LAU Ping-cheung
Hon Audrey EU Yuet-mee, SC, JP

Members absent:

Hon NG Leung-sing, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Dr Hon David CHU Yu-lin, JP
Hon Cyd HO Sau-lan
Hon Albert HO Chun-yan
Hon Martin LEE Chu-ming, SC, JP
Hon Eric LI Ka-cheung, JP
Dr Hon David LI Kwok-po, GBS, JP
Dr Hon LUI Ming-wah, JP
Hon CHAN Yuen-han, JP
Hon CHAN Kam-lam, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai
Hon WONG Yung-kan
Hon Jasper TSANG Yok-sing, GBS, JP
Hon YEUNG Yiu-chung, BBS
Hon LAU Chin-shek, JP
Hon LAU Wong-fat, GBS, JP
Hon Miriam LAU Kin-yee, JP
Hon Ambrose LAU Hon-chuen, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon Timothy FOK Tsun-ting, SBS, JP
Dr Hon LAW Chi-kwong, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon IP Kwok-him, JP
Hon MA Fung-kwok, JP

Public officers attending:

Mr Alan LAI Nin, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Mr Stanley YING, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1

Mr Eddy CHAN, JP	Deputy Secretary for Health, Welfare and Food
Miss Vivian KO	Principal Assistant Secretary for Health, Welfare and Food
Mr Gary YEUNG	Principal Assistant Secretary for Housing, Planning and Lands
Mr K S LEE	Chief Housing Manager of Housing Department
Mr R C BARAM, JP	Assistant Director of Lands
Mr C W LAI	Assistant Director of Agriculture, Fisheries and Conservation
Miss Angela LUK	Principal Assistant Secretary for Health, Welfare and Food
Dr. P Y LAM, JP	Deputy Director of Health
Dr. T H LEUNG, JP	Assistant Director of Health
Mr W L LEUNG	Chief Assistant Secretary for Environment, Transport and Works
Mr Alex MA	Assistant Director of Information Technology Services

Clerk in attendance:

Ms Pauline NG	Assistant Secretary General 1
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Staff in attendance:

Miss Polly YEUNG	Chief Assistant Secretary (1)3
Ms Rosalind MA	Senior Assistant Secretary (1)9
Ms Caris CHAN	Senior Legislative Assistant 1
Mr Frankie WOO	Legislative Assistant 2

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Item No. 1 - FCR(2002-03)61

**RECOMMENDATIONS OF THE ESTABLISHMENT
SUBCOMMITTEE MADE ON 19 FEBRUARY 2003**

The Committee approved the proposal.

Item No. 2 - FCR(2002-03)62

**RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE
MADE ON 29 JANUARY 2003**

2. Mr LAU Kong-wah requested sight of the supplementary information note provided by the Administration in connection with PWSC(2002-03)85 endorsed by the Public Works Subcommittee on 29 January 2003. The note PWSCI(2002-03)50 was issued to members on 6 March 2003 vide PWSC92/02-03.

3. The Committee approved the proposal.

Item No. 3 - FCR(2002-03)63

CAPITAL WORKS RESERVE FUND

HEAD 701 - LAND ACQUISITION

**Ex-gratia allowance for pig and poultry farmers affected by land
resumption and clearance**

4. Members noted that the present proposal had been discussed at the Panel on Food Safety and Environmental Hygiene at its meeting on 28 January 2003. Mr Fred LI, Panel Chairman, reported that members present at the said meeting supported the proposal.

5. The Committee approved the proposal.

Item No. 4 - FCR(2002-03)64

HEAD 37 - DEPARTMENT OF HEALTH

• Subhead 700 General other non-recurrent

Item 728 Studies on Chinese medicinal herbs

6. Members noted that the present proposal had been discussed at the Panel on Health Services on 10 February 2003. The Chairman also informed members that a submission from the Hong Kong Society of Chinese Medicines had been issued to members by fax upon receipt in the afternoon of 6 March 2003.

7. Mrs Selina CHOW considered the development of regulatory standards for Chinese medicinal herbs (herbs) worthy of support. However, referring to the submission of the Hong Kong Society of Chinese Medicines, she enquired about the financial implications of developing the Hong Kong Chinese Materia

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Medica (HKCMM) standards for some 600 herbs as specified under the Chinese Medicine Ordinance (Cap.549).

8. In response, the Deputy Director of Health (DD of Health) clarified that of the 600 herbs specified in the Chinese Medicine Ordinance (Cap.549), the Department of Health (DH) aimed at developing HKCMM standards for 200 herbs which represented the majority of herbs being prescribed by local Chinese medicine practitioners, and made up the bulk of raw materials used in the manufacture of proprietary Chinese medicines in Hong Kong. DD of Health confirmed that the present funding proposal would cover the development of HKCMM standards for a total of 60 herbs in about three years. When the Administration decided to develop HKCMM standards for the remaining 140 herbs, it would seek the approval of the Finance Committee (FC) for additional funding. DD of Health however believed that the marginal cost would likely diminish as universities became more familiar with the work, thereby achieving greater cost effectiveness over time.

9. Regarding Mrs Selina CHOW's concern about the lack of transparency in conducting research work, DD of Health assured members that DH would work closely with the profession to ensure that the herbs being selected were of economic value and were commonly used. He pointed out that the objective of developing HKCMM standards was not to regulate the profession, but to safeguard public health as well as support the modernization and globalization of Chinese medicines, paving the way for Hong Kong to develop into an international centre for Chinese medicines. The needs and interests of the profession would certainly be borne in mind.

10. Mrs Selina CHOW was concerned that consumers might not be able to benefit from the development of regulatory standards if the herbs on sale were counterfeit products. In this regard, DD of Health advised that ascertaining the ingredients of the herbs in question was one of the objectives of the HKCMM standards. DH would conduct random checks on the genuineness of the herbs on sale in the market against the regulatory standards. The set of standards would also be issued to local Chinese medicines importers who would have the obligation to ensure that the products they procured from overseas suppliers were in compliance with the standards. Places of origin of products were traceable under this arrangement. DD of Health considered that the above measures could protect the interests of consumers.

11. In reply to the Chairman's enquiry, DD of Health confirmed that counterfeit Chinese medicine could be dealt with under existing legislation. However, there were considerable difficulties in ascertaining the genuineness or otherwise of the products in question in the absence of a set of objective regulatory standards to test the products.

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12. Mr Michael MAK considered that the development of Chinese medicines should be sped up, in particular since the Chief Executive had announced in his 1997 Policy Address the Government's commitment to developing Hong Kong into an international centre for Chinese medicine. He enquired about the Administration's plan on developing the regulatory standards for the remaining 140 herbs and whether legislation would be introduced to the effect that in future, only the 200 herbs in question could be prescribed by local Chinese medicine practitioners.

13. In reply, DD of Health said that if Hong Kong could develop HKCMM for 60 herbs as presently proposed, Hong Kong would be taking a big step forward in the development of Chinese medicine. He confirmed that the purpose of developing regulatory standards was not to restrict the scope of herbs in use. The 200 herbs had been selected on account of their widespread use in the community, their high economic value in the local market and the international concern over their safety and quality. DD of Health reiterated that developing regulatory standards for these 200 selected herbs could cover the bulk of herbs commonly in use. However, he would not rule out the possibility of researching on more herbs where feasible.

14. Mr Michael MAK enquired whether the Chinese University of Hong Kong (CUHK) and Hong Kong Baptist University (HKBU) would continue to be commissioned to research on the development of regulatory standards for the 52 herbs covered under the present proposal. DD of Health advised that in the opinion of the International Advisory Board (IAB) set up in 2001, the research capability of local universities was indeed very high. As CUHK and HKBU were already conducting researches on this subject, IAB was of the view that they were in a position to undertake the research work under the present proposal. However, the Administration expected that more local universities and some advanced research laboratories in the Mainland could participate in due course. DD of Health also reported that the development of HKCMM had the support of the State Drug Administration in the Mainland.

15. Noting that extensive research on Chinese medicines had been conducted in the Mainland and other countries such as Japan, Mr LEUNG Fu-wah asked whether the Administration would make reference to these past researches. In response, DD of Health advised that in the Mainland, the adoption of standard for herbs had taken into account varying economic development of different localities and was therefore not applicable to Hong Kong which was seeking to develop internationally recognized regulatory standards. Despite the many studies conducted in the Mainland, they were not all internationally recognized. Nevertheless, past studies by Mainland universities and research institutions had provided a useful foundation for the development of HKCMM standards. In future, manufacturers of proprietary Chinese medicines in the Mainland could also adopt the HKCMM standards for the purpose of quality assurance to gain international recognition of their

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products.

16. In reply to Dr TANG Siu-tong's enquiry about how the HKCMM standards were to be set, DD of Health said that the IAB, which consisted of 12 renowned local, Mainland and overseas experts, had advised on the principles, methodology, parameters and analytical methods for developing the HKCMM standards. Their support helped promote acceptance and recognition by regulatory authorities worldwide of the future HKCMM standards. Hong Kong had an edge over other places because it could rely on the Mainland for the supply of herbs.

17. As regards the content of HKCMM standards, DD of Health said that on the advice of IAB, DH had drawn up an outline content of HKCMM standards comprising parameters such as the name of the herb, its source, description and tests and analyses for identification.

18. On the estimated staff cost for the proposed project, Mr LEUNG Fu-wah commented that the staff costs in respect of the posts of Senior pharmacist, Pharmacist/Chemist and Mainland expert seemed to be on the high side. In reply, DD of Health clarified that the figures given represented the total staff cost for four years for each category of posts. In response to members' enquiries, DD of Health clarified that those officers pitched at the Senior pharmacist, Pharmacist/Chemist level would be remunerated according to civil service pay at the respective rank, while the salaries for the Mainland expert would be based on market rate.

19. Mr HUI Cheung-ching said that Members of the Hong Kong Progressive Alliance supported the present proposal. In reply to Mr HUI's enquiry about the recruitment of staff, DD of Health advised that the required staff would mainly be recruited from the market at the entry point of the salary scale of their civil service counterparts. If no suitable candidate was available, the Administration would consider re-deployment of existing staff.

20. Miss Margaret NG enquired about the measures taken to ensure that the proposed funding was value for money. In response, DD of Health informed members that the present project was the first of its kind in Hong Kong. The Administration had negotiated with the participating universities for a favourable fee of \$400,000 per herb for conducting the research and laboratory test. DD of Health confirmed that by and large, the funding being sought was reasonable.

21. The Committee approved the proposal.

Item No. 5 - FCR(2002-03)65

CAPITAL WORKS RESERVE FUND

HEAD 710 - COMPUTERISATION

Government Secretariat : Housing, Planning and Lands Bureau (Planning and Lands) and Environment, Transport and Works Bureau (Transport and Works)

- **New Subhead “System Development and Implementation of the Public Works Programme Information System”**

22. Members noted that an information paper on the present proposal had been circulated to the Panel on Planning, Lands and Works on 29 January 2003.

23. On the cost-effectiveness of the proposed Public Works Programme Information System (PWPIS), Dr Raymond HO noted from Enclosure 4 to the paper that net cumulative savings of \$27,138,000 could be achieved in 2009-10. He asked why it would take some seven years before the savings of PWPIS could offset its capital cost of \$28,767,000.

24. In reply, the Chief Assistant Secretary for Environment, Transport and Works (CAS(ETW)) clarified that the PWPIS could achieve annual savings in the region of \$10 million. Hence, the pay-back period for the proposed system was less than three years. The \$27,138,000 in question represented the net cumulative savings achieved as a result of implementation of the PWPIS.

25. On the serviceable life span of the PWPIS, CAS(ETW) advised that it was not unusual to expect a 10-year serviceable life span for a computer system. Referring to the existing Public Works Management System, CAS(ETW) recalled that it was first rolled out in 1994. By the time of its replacement in November 2004, it would have been in operation for some 10 years.

26. On the proposed engagement of external service providers for the present project, Mrs Selina CHOW said that she could accept the need for engaging external service providers for site preparation, relocation of existing equipment and related services. However, she queried why in-house staff of the Government could not take up project management and technical support, system implementation and data conversion, as well as training. Mrs Selina CHOW pointed out that there was no need for these various services to be awarded under different contracts. Instead, the Administration should tender related services under a single contract with a view to achieving greater cost-effectiveness.

27. In response, CAS(ETW) agreed that in principle, one single contract, instead of separate contracts, would be awarded for outsourced services where appropriate. For the proposed PWPIS, he advised that for project

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management and technical support, contract staff consisting of civil and structural engineers and IT professionals would be engaged. He also confirmed that a single contract would be awarded for system development and implementation and the provision of training. (i.e. paragraphs 8(c) and (e) of the Administration's paper)

28. In this connection, Mrs Selina CHOW pointed out that since the expertise required for system development and implementation service and provision training was quite similar. These services could therefore be grouped under one expenditure item with an estimated cost for a combined contract for members' consideration. She further remarked that once FC had approved a higher expenditure ceiling, the Administration would have no further incentive to explore other economical options. In clarification, CAS(ETW) confirmed that the estimated cost for system development and implementation and provision of training given in the paper already represented their respective cost under a single contract.

29. Referring to the estimated cost of \$3,589,000 for engaging external service providers to provide technical and project management support to the Bureau and the works group of departments, Mrs Selina CHOW asked whether it was due to insufficient in-house staff or a lack of the required expertise in the civil service. In reply, CAS(ETW) confirmed that although the required expertise was available, the additional work could not be absorbed by existing staff due to manpower constraints. Nevertheless, he assured members that even if funding approval was obtained, the Administration would only resort to engage external service providers after ascertaining that internal re-deployment of staff was not possible.

30. Mrs Selina CHOW stressed that this was exactly the problem which the Government was facing when exploring means to cut its expenditure. There was no mechanism to facilitate cross-utilization of manpower resources on a service-wide basis, hence confining the redeployment of staff within the department concerned. Mr LAU Kong-wah echoed Mrs CHOW's concern and considered that the Financial Services and the Treasury Bureau (FSTB) should take the lead in co-ordinating the re-deployment of manpower resources on a service-wide basis.

31. In response, the Deputy Secretary for Financial Services and the Treasury (Treasury) 1 (DS(Tsy)1) advised that FC's approval was being sought for a new commitment which was in fact an expenditure ceiling under which the Bureau or department concerned had to explore the most cost-effective means to achieve its target. As far as the present proposal was concerned, the Environment, Transport and Works Bureau (ETWB) was in a position to examine the staffing position of the Bureau and its executive departments with a view to ascertaining whether there was any room for re-deployment. Under the existing arrangements, if the Bureau or department was able to absorb the

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additional work by existing manpower, thereby obviating the need to engage external service providers, the Treasury Branch of the FSTB would freeze the amount previously earmarked for such purpose. DS(Tsy)1 supplemented that the Administration would need to account for the financial implications for staffing support in its submissions on financial proposals, irrespective of whether the staffing arrangement involved the engagement of external service providers or the deployment of existing staff .

Admin 32. Mrs Selina CHOW remained deeply concerned about the proposed engagement of external service providers. At her request, the Administration agreed to provide a paper to report on how it had explored the feasibility of deploying existing in house staff in the bureaux and departments concerned, or from other bureaux and departments to take up the requisite tasks for the proposed PWPIS.

Admin 33. In reply to Mr Henry WU's enquiry on whether access to the PWPIS would be available for use by other government departments, CAS(ETW) confirmed that access to the new system would be available for use by ETWB, and other bureaux as well as other users of the six works departments. In essence, access was available to those bureaux and departments which needed to refer to data on public works projects such as the Environmental Protection Department and the Food and Environmental Hygiene Department. As regards communication amongst the various computer systems within the Government, CAS(ETW) informed members that the Information Technology Services Department (ITSD) had established an Interoperability Framework to enable disparate computer systems of bureaux and departments to interoperate. To better ascertain the cost effectiveness of the PWPIS, Mr Henry WU requested the Administration to inform members of the accessibility of the proposed system among government departments, including those bureaux/departments which could not access the system at present. The Administration agreed to provide the information after the meeting.

Admin 34. On the notional savings achieved after implementation of the proposed system, Mr Henry WU asked whether the Administration could provide a more realistic estimate. CAS(ETW) explained that the notional savings in question had been worked out on the basis of fragmented staff savings arising from operating the PWPIS in works departments and ITSD as well as fragmented savings in office accommodation. As such savings could not be quantified by, say, the full deletion of a post, they were therefore not realizable. Mr HUI Cheung ching shared Mr Henry WU's concern and commented that no savings might ultimately be achieved. Miss Margaret NG appreciated that it might not be easy to describe notional savings. To better reflect the nature of the savings achieved, she suggested that a more appropriate Chinese translation of "notional savings" be identified to avoid the misconception that the savings were merely theoretical. The Administration took note of her suggestion.

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35. Mr Henry WU considered that the estimated annual recurrent cost for maintenance and support of the PWPIS, which accounted for over 20% of the non-recurrent cost, was disproportionately high and queried the basis for making such a projection. In this regard, CAS(ETW) said that the aforesaid percentage of recurrent cost vis-a-vis non-recurrent cost was not uncommon among computer systems. The estimated annual recurrent cost had been derived from a feasibility study conducted by a consultant earlier on. He informed members that the annual recurrent cost for maintaining the existing Public Works Management System amounted to \$8.5 million while the estimated cost for the new system was only \$6 million. In reply to the Chairman, CAS(ETW) reckoned that the age of the computer system, as well as the software requirement, often led to high recurrent cost.

36. The Committee approved the proposal.

37. The Committee was adjourned at 3:30 pm.

Council Business Division 1
Legislative Council Secretariat
May 2003