

財經事務及庫務局  
(庫務科)

香港下亞厘畢道  
中區政府合署



**FINANCIAL SERVICES AND THE  
TREASURY BUREAU  
(The Treasury Branch)**

Central Government Offices,  
Lower Albert Road,  
Hong Kong

電話號碼 Tel. No. : 2810 3132  
傳真號碼 Fax No. : 2523 5722  
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30 December 2003

Ms Dora Wai  
Clerk to Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong  
(Fax : 2537 1204)

Dear Ms Wai,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 41)**

**Chapter 8 : The acquisition and clearance of shipyard sites**

Thank you for your letter of 16 December 2003.

We have checked our records and would like to confirm that this Branch had not been previously informed of the increase in the estimated cost of decommissioning the Penny's Bay shipyard site from \$22 million in November 1999 to \$100 million in January 2001. This piece of information came to our knowledge in the context of the first draft report circulated by the Director of Audit on 28 August 2003 for our comments.

In the submission of 17 November 1999 to the Public Works Subcommittee (PWSC)/Finance Committee (FC) for acceptance in principle the financial implications at a rough order of \$13.6 billion for funding the infrastructure to support the development of an international theme park at Penny's Bay, the Administration included an estimated cost of \$22 million for miscellaneous works including decommissioning of an existing shipyard, i.e. the Penny's Bay shipyard site. The submission also stated that the detailed design work for various components of the project had still to be undertaken and the capital cost estimates would be refined further as we proceeded with the detailed design process. At the PWSC meeting, the Administration made clear that we would submit further funding proposals to PWSC/FC for upgrading the project works in phases to Category A of the Public Works Programme and that Members would have further opportunities to scrutinise the details of the project when considering the respective funding proposals. The Administration also undertook to carry out a detailed Environmental Impact Assessment (EIA) study for the Hong Kong Disneyland Project to address potential environmental issues that might arise during the construction and the operation stages.

As a normal practice in the planning of public works projects, works departments would refine the project estimates in the light of information available from site investigation, feasibility study, EIA studies and preliminary/detailed design. In that connection, works departments should ensure that the financial implications of a project, including the capital and recurrent cost, as set out in the PWSC/FC submissions are the most realistic estimates at the time of seeking funding approval and represent the best value for money. The Controlling Officer must seek funding approval from the PWSC/FC for any subsequent changes in the approved project estimates exceeding \$15 million with full justifications. For changes costing less than \$15 million, approval from the Financial Services and the Treasury Bureau is required.

In the present case, Treasury Branch was not informed in early 2001 of the increase in the estimated cost of decommissioning the Penny's Bay shipyard site from \$22 million to \$100 million, which was still subject to the completion of the EIA study. However, all relevant departments/bureaux including Treasury Branch were alerted of the more serious contamination and the likely increase in the decontamination cost due to the presence of dioxin after the completion of EIA studies on the decommissioning of CLS in end 2001. The project estimates were subsequently revised to include a higher and more

accurate estimation of the decommissioning cost with justifications in the submission to PWSC for funding approval for the package 3 infrastructure works in May 2002. In that context, we see that the preparation of the project estimates is in line with the normal practice.

Yours sincerely,



(Miss Amy Tse)  
for Secretary for Financial Services  
and the Treasury

cc Secretary for the Environment, Transport and Works  
Director of Civil Engineering  
Director of Lands  
Director of Environmental Protection  
Commissioner for Tourism  
Director of Audit