

立法會
Legislative Council

LC Paper No. FC85/05-06

(These minutes have been seen
by the Administration)

Ref : CB1/F/1/2

Finance Committee of the Legislative Council

**Minutes of the 6th meeting
held at the Legislative Council Chamber
on Friday, 17 February 2006, at 2:30 pm**

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Hon CHAN Kam-lam, SBS, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, SBS, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum
Hon LAU Chin-shek, JP
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon CHOY So-yuk, JP
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, JP

Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon LI Kwok-ying, MH
Dr Hon Joseph LEE Kok-long
Hon Daniel LAM Wai-keung, BBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon MA Lik, GBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG
Hon KWONG Chi-kin
Hon TAM Heung-man

Members absent:

Hon Martin LEE Chu-ming, SC, JP
Dr Hon David LI Kwok-po, GBS, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP

Public officers attending:

Mr Frederick MA Si-hang, JP	Secretary for Financial Services and the Treasury
Mr Alan LAI Nin, GBS, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Miss Elizabeth TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Ms Bernadette LINN	Deputy Secretary for Education and Manpower (2)

Ms Maisie CHAN	Principal Assistant Secretary for Education and Manpower (Infrastructure and Research Support)
Mr John STEWART	Acting Head of Facilities Development of English Schools Foundation
Mr John CHAI Sung-veng, JP	Director of Civil Engineering & Development
Mr TANG Wai-yip	Acting Chief Engineer/Land Works
Mrs Davina YUEN LEUNG Kwok-kan	Chief Project Manager Architectural Services Department
Mr Peter MOK Ying-kit	Project Manager Architectural Services Department
Mr M Y CHENG	Deputy Secretary for Education and Manpower (3)
Mrs Betty IP	The Principal Assistant Secretary for Education and Manpower (School Administration and Support)
Ms Sandra LEE, JP	Permanent Secretary for Economic Development and Labour (Economic Development)
Miss Janice TSE	Deputy Secretary for Economic Development and Labour (Economic Development)
Mr Martin GLASS, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 2
Miss Winky SO	Principal Assistant Secretary for Economic Development and Labour
Mr Roy TANG	Deputy Director of Environmental Protection
Mr Eric CHAN	Assistant Director (Conservation) of Environmental Protection
Miss Christina CHONG	Senior Administration Officer (Conservation) of Environmental Protection Department

Clerk in attendance:

Ms Pauline NG Assistant Secretary General 1

Staff in attendance:

Miss Becky YU	Chief Council Secretary (1)1
Mrs Mary TANG	Senior Council Secretary (1)2
Ms Caris CHAN	Senior Legislative Assistant (1)1
Mr Frankie WOO	Legislative Assistant (1)2

Item No. 1 - FCR(2005-06)41

**RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE MADE
ON 11 JANUARY 2006**

The Chairman put FCR(2005-06)41 except PWSC(2005-06)40, PWSC(2005-06)43 to vote. The Committee approved the proposal.

**PWSC(2005-06)43 37EC A private independent school
(secondary-cum-primary) at Area N4b,
Discovery Bay**

2. The Chairman said that a number of submissions regarding the construction of a private independent school (PIS) (secondary-cum-primary) at Area N4b, Discovery Bay (DB) had been circulated to members over the past few days.

3. Mr Tommy CHEUNG and Mr Albert CHENG declared interest as the representatives of the Legislative Council to serve on the Board of the English School Foundation (ESF), which was the school sponsor for the PIS at DB.

4. Dr YEUNG Sum, Chairman of the Panel on Education, said that the Panel had not discussed the proposal because there was a consensus that proposals on the provision of schools which would not affect the student intake of other schools would be supported by the Panel. As the proposed PIS was an international school and would accept students on a territory-wide basis, its operation would not have significant impact on the supply and demand of public school places.

Demand for school places

5. While acknowledging that the proposed PIS was welcome by some residents of DB, Dr YEUNG Sum noted that there were others who queried the need for building a school of such a scale in DB given the declining birth rate and the reduced demand for school places over the next few years. By way of illustration, a school in Stanley which was opened in 2000 was forced to close down due to low demand for school places in the area. He sought justifications for the proposal.

6. The Deputy Secretary for Education and Manpower (2) (DS(EM)2) explained that the proposed PIS would accept enrolment on a territory-wide basis, and would particularly attract students from DB, New Territories West and Tung Chung given the convenient access provided by the Tung Chung Line. Being the first of its kind in the New Territories West, the proposed PIS would provide a choice for families residing in the area. The closure of the international school at Lai King operated by the same school sponsor would also increase the demand for international school places. Besides, the uniqueness of DB was expected to attract more expatriates to move in the area in the near future and hence further increase the demand for international school places. Dr YEUNG Sum however pointed out that there might

not be too many families in New Territories West which could afford to send their children to an international school. He also requested to put on record his reservation on the proposed PIS given the low demand for school places, which would be further reduced in the near future.

7. Mr CHEUNG Man-kwong said that Members of the Democratic Party were not opposed to the provision of an international school in DB so long as there was sufficient demand for school places. However, according to demographic studies, there would be sufficient demand for the 30 classes in the secondary section, but under-enrolment for the 18 classes in the primary section. The primary student population, including those from DB and the to-be-closed Lai King School, would only be able to take up about 12 classes in the primary section. With the declining birth rate, the under-enrolment problem would be further intensified. Therefore, it might not be justified to build a school of such a scale in DB, at least not one with as many as 48 classes, which in his view was a waste of resources. DS(EM)2 said that the school site at DB was designed for the development of a through-train school. If changes were made at this stage, it would cause much disruption to the delivery of the school, which was well supported by many residents in DB.

8. Mr Albert CHENG expressed support for the proposal. He also drew members' attention to the fact that the proposed school was not a local school, but an international school which would not be affected by the declining birth rate in Hong Kong. As pointed out by rating studies, one of the major concerns of investors and executives coming to Hong Kong was their children's education. As there was a serious shortfall of international school places in Hong Kong, the waiting list was unacceptably long. Therefore, the concern about under-enrolment was unfounded. The proposed PIS in DB would attract students from all over the territory and should have no problem in the enrolment of students since many students residing in DB had to travel by ferry to international schools on the Hong Kong Island.

9. Expressing similar concern, Mr Howard YOUNG said that the high demand for international school places was territory-wide and had no direct relation to the declining birth rate. He recalled that back in the 1980s and the early 1990s, there was a serious shortfall of international school places, which had adversely affected the business environment and dampened investors' interest in Hong Kong. Neighboring cities such as Macau and Zhuhai had been developing international schools in an attempt to attract overseas investors. He enquired whether an assessment had been made by Invest Hong Kong on the growth in number of multinational companies setting up offices in Hong Kong and if so, whether this had taken into account the development of international schools. The Chairman also enquired about the number of students on the waiting list for international school places

10. DS(EM)2 said that the Education and Manpower Bureau had maintained close liaison with Invest Hong Kong regarding the needs of overseas investors in terms of children's education. It was aware of the growing demand for international school places from overseas investors and executives who planned to come to Hong Kong,

judging from the waiting list for international school places. Applicants on the waiting list were from both local and expatriate families. The Bureau had recently provided an update to the Panel on Education and would continue to do on a regular basis.

Scale of development of the PIS in DB

11. Mr Albert CHAN said that it was rather rare that such a large number of submissions of dissenting views were received on the construction of a school. This had reflected serious inadequacy in the design and planning for the school, including the transport arrangements for access to the school. He noted that the original plan was to provide a small district school in DB, but this had been changed and an international school of a much larger scale was proposed, which had given rise to concern about possible wastage of resources in the event of insufficient demand to fill the places to be provided by the proposed secondary-cum-primary school. Besides, the design of the seven-storeyed glass-panel school building was also not compatible with the tranquil environment of DB. He also found it absurd that a large new school was to be built in DB while another fully-equipped school in Mui Wo, which was only 10 minutes away from DB by ferry, had to be closed in 2007 due to insufficient demand despite the strong objections from Mui Wo residents. He said that while he was not opposed to the provision of an international school in DB, he considered the proposed scale and design unacceptable. Under such circumstances, he would have no choice but to vote against the proposal, which in his view was not an appropriate use of public resources.

12. Mr Patrick LAU was also dissatisfied with the design of the school as this was incompatible with the low-density developments in DB. He opined that the small size of the school site had placed considerable constraints on the architect. As a result, the school could not be designed in a manner to blend with the surrounding environment, which mainly consisted of low-rise residential developments. He did not object that the school premises could be located in separate locations and he supported that the facilities in Mui Wo could be used if this would be able to scale down the project.

13. DS(EM)2 clarified that it had never been the Administration's intention to build a small district school in DB. When the outline zoning plan (OZP) of DB was published for consultation by the Planning Department in 2001, it was clearly indicated that a school with a height of not more than 30 metres would be built in DB. The Administration had consulted the Island District Council in 2003 and had obtained its support in the construction of the school. Residents were consulted on the design of the school after it was worked out by the school sponsor. Further to the consultation, the school sponsor had agreed to reduce the number of storeys of the school building and to install noise barriers to reduce the noise impact. As there was adequate consultation on the proposed provision of the school, it would be unfair to the residents and school sponsor if the school had to be re-designed at this stage. The Acting Head of Facilities Development of the English Schools

Foundation (Head of FD,ESF) added that before the project was awarded in 2001, ESF had taken into account all factors associated with the design of the school, including the concerns of residents along the Siena One area. Efforts had been made to minimize the environmental impact while maximizing the use of the site through the use of canopies instead of roof structures to create a terrace effect. Other planning measures had also been adopted to reduce the overall size of the school.

Utilization of Mui Wo school premises

14. As regards the school in Mui Wo, DS(EM)2 confirmed that it would be closed in 2007 due to under-enrolment and possibly the remoteness of its location. She also pointed out that the Administration was not aware of the under-enrolment problem of the school at Mui Wo when approving the school sponsor to proceed with the planning of the proposed PIS in 2001. In any case, the school in Mui Wo could not replace the PIS in DB because students in DB would take 20 to 25 minutes to reach Mui Wo while those in Tung Chung would take at least 45 minutes to reach there. Besides, any changes to the planning of the PIS in DB would delay the delivery of the school.

15. Mr Albert CHAN however pointed out that with the completion of the Tung Chung Road, land transport from Tung Chung to Mui Wo would only take 20 minutes. He found it hard to accept that the Administration was unaware of the impending closure of the school in Mui Wo and had not made subsequent changes to the land planning of DB taking into account the latest developments, particularly when the school in Mui Wo had ceased accepting primary one students two years ago. He was also dissatisfied that the Administration was not able to provide members with updated information on the actual situation.

16. Mr CHEUNG Man-kwong expressed regret about the closure of the Government aided school at Mui Wo, which was sponsored by the Heung Yee-kuk, providing for 27 classes, a fully equipped football pitch and 11 activity rooms. As a decision on the use of the school facilities in Mui Wo upon its closure in 2007 had yet to be made, consideration could be given to developing the vacated school premises as a subsidiary of the proposed PIS, thereby downsizing the scale of development of the school in DB. This would not cause undue inconvenience to students as the ferry ride from DB to Mui Wo would only take 15 to 20 minutes. Expressing similar views, Mr Ronny TONG said that while members would generally support the provision of schools, they would need to ensure that resources were well spent, and that there was no wastage. He also asked if the Administration and/or the school sponsor would consider the feasibility of utilizing the Mui Wo school premises. DS(EM)2 said that the Administration would consider how best the closed school premises at Mui Wo could be used taking into account the needs of different bureaux/departments.

17. Mr LEUNG Kwok-hung stressed the need to ensure that public resources were well spent. He failed to see the need to construct a school of such a scale in DB, and why the primary and secondary section of the DB school could not be separately

located to make full use of the available premises at Mui Wo. He added that the most expedient way to resolve the shortfall in international school places was to make use of the school premises in Mui Wo for the development of an international school. This would not only achieve savings on resources but also resolve DB residents' concern about the environmental and traffic impacts associated with the development of the proposed school. He called upon members to vote against the proposal.

18. Mr Albert CHENG opined that consideration could be given to using the school in Mui Wo as an extension of the PIS in DB. Given the remoteness of the Mui Wo area, Mr CHEUNG Man-kwong said that few uses could be made of the closed school premises. He considered that the use of the closed school in Mui Wo as an extension of the proposed PIS in DB might be the best option, which would not only downsize the scale of development but also alleviate the residents' concern about the environmental and visual impacts of the PIS concerned. The scale of development of a number of schools in Tuen Mun and Yuen Long had also been downsized as a result of the demographic changes.

19. DS(EM)2 said that the school sponsor had not been requested to downsize the scale of development through the use of facilities at the school in Mui Wo. Besides, the Administration also found the arrangement at variance with the original intention to provide a through-train school in DB. However, the proposal of utilizing the school premises in Mui Wo as an extension of the school in DB could be further explored as part of its future development, but this would have to be dealt with separately. Head of FD,ESF said that ESF anticipated that there would be sufficient demand for a school of the proposed scale in DB, and that the majority of students enrolling in the PIS in DB would be from Tung Chung, Sunny Bay, Northern Lantau and DB. On the use of the closed school premises at Mui Wo as an extension of the school, he said that from ESF's perspective, it would be very difficult to manage and monitor students at a split geographical location let alone the additional resources to be incurred, which ESF would be reticent to consider such changes at the present stage. Head of FD,ESF added that the utilization of the Mui Wo school premises had not been discussed in the present project but any such consideration, be it feasible or not, would have a serious impact on the timing of delivery of the project.

20. Mr CHEUNG Man-kwong opined that the proposed changes to the plan might only cause a delay of about one year in the delivery of the PIS in DB. He reiterated that he was not opposed to the provision of the school in DB, but the scale of development. He urged the Administration to review its decision taking into account the latest situation and the views expressed. Mr Ronny TONG said that the delivery of the project could be expedited if the scale of the school was reduced. He enquired if the Administration would consider withdrawing the proposal and reverting back to the Finance Committee (FC) after reconsideration of the views put forward. DS(EM)2 said that the Administration would not wish to withdraw the proposal given its urgency since many DB residents were looking forward to its early completion.

21. Mrs Selina CHOW said that Members of the Liberal Party fully supported the construction of the proposed PIS given the acute shortage of international school places in Hong Kong and there should not be any problem with student enrolment. Referring to a recent article in South China Morning Post which speculated that the property prices of DB might rise as a result of the proposed PIS, she would tend to agree with the writer because many families might consider moving to DB with the opening of the school. Mrs CHOW added that she was opposed to the proposal of downsizing the scale of development of the school in DB through utilization of the facilities of the school in Mui Wo since separation of school premises might adversely affect the operation and management of the school and would not be in the best interest of students. In fact, the scale of the school had been downsized taking into account the views of some DB residents. Given that the planning, design and development of the school were made based on the expertise of the school sponsor, it would not be appropriate to request them to further downsize the scale of development of the school in DB at this stage merely because of some members' proposal of making use of the school premises in Mui Wo, which was not even supported by the Administration. Besides, any revision on the scale of development would delay the completion of the project, which was already behind its expected completion in 2008.

22. Mr Fernando CHEUNG said that as a parent himself, he would support the proposed PIS and he believed that a lot of students would wish to enroll in the school. However, he could not accept that there was no control on the scale of development of the school, and that Administration had declined to address the legitimate concerns about the present scale of development. As such, he would find it hard to support the proposal if the Administration adopted such an unyielding attitude. He asked if the Administration would re-consider the request of withdrawing the proposal so that the concerns could be adequately addressed before re-submitting it to FC.

23. Dr Joseph LEE also queried the urgency for the proposed PIS. Given the substantial amount of \$137 million of Government subvention to be provided for the school which would be charging tuition fees beyond the affordability of the general public, he considered it necessary for the Administration to address the concerns on the scale of development of the school. Therefore, he agreed that the Administration should withdraw the proposal and revert back to FC after reconsideration of the views put forward.

24. DS(EM)2 said that many residents in DB had urged for the early provision of the proposed PIS as their children had to commute a long way to the Hong Kong Island for their studies. The provision of international school places would also cater for the needs of investors and executives from overseas. She added that the school sponsor had prepared the design for the school in accordance with the planning guidelines and curriculum needs, which was well supported by the residents. Hence, the Administration did not see the need to downsize the scale of development.

25. Mr Abraham SHEK declared interest as one of the directors of the South Island School. While supporting the proposed PIS, he held the view that instead of upholding its earlier plans which had failed to take into account the latest situation, the Administration should endeavour to address members' concerns about the need to downsize the scale of development, and use the school premises in Mui Wo as part of the school to save resources. Besides, the provision of separate campuses was not uncommon for many schools. He did not believe that changes to the scale of development would unduly delay the completion of the project beyond its expected completion in 2008. He added that it would be unfair to ESF if the proposed PIS was constructed amid objections from the neighboring community.

26. Dr YEUNG Sum said that Members of the Democratic Party would support the development of international schools in Hong Kong, in particularly those operated by ESF which provided much needed support to disabled students. He shared Mr Abraham SHEK's concern about the difficulties which ESF might face in operating the proposed PIS when concerns of the DB community about the environmental and traffic impacts associated with the school had yet to be resolved. He also supported that the school premises in Mui Wo, which was only 20 minutes from DB by ferry, should be used as an extension of the proposed PIS. He held the view that separate locations for the primary and secondary sections of the school would not pose any management problems. The use of the school premises in Mui Wo could help in scaling down the development of the proposed PIS, thereby alleviating residents' concern about the environmental and traffic impact arising from the school's operation.

27. Ms Audrey EU said that while she had all along been supporting the provision of schools, there was a need to justify public spending. Given that the school in Mui Wo would be closed in 2007, she queried why the Administration had not considered using the vacated site for developing the PIS in DB. Now that the Administration was made aware of the closure of the school in Mui Wo, it was reluctant to make changes to the original plan on grounds that planning and consultation had been done well ahead of time. Given the substantial amount of \$137 million of funding involved, members had to ensure that the financial proposal was well justified. She considered that further thoughts should be given to the use of the school premises in Mui Wo for the development of the proposed PIS.

28. DS(EM)2 said that while the Administration was not aware of the availability of the school site in Mui Wo when the PIS in DB was first planned, it had considered the feasibility of incorporating the site into the school development after the closure of the school in Mui Wo was known, but found it not feasible. She assured members that good use would be made of the vacated site in Mui Wo, and that there would not be any wastage of public resources. The Administration held the view that it would be very regretful if the design of the proposed PIS had to be changed at the present stage. Head of FD,ESF said that ESF had been actively communicating with DB residents. It had received two petitions, one signed by 1 300 residents supporting the proposed PIS, while another signed by 120 residents opposing to the

proposal. The main objection was from an environmental and traffic point of view, rather than the size and location of the school. ESF would continue dialogue with DB residents and would try to mitigate the environmental and traffic impacts by fine-tuning the transport arrangements.

Transport and environmental considerations

29. On transport arrangements, DS(EM)2 said that students residing outside DB could access the school by the Tung Chung Line, to be followed by a 15-minute ride on the school bus. There would be about 19 bus trips every day, including eight for primary students during school opening and closing hours. At the residents' request, arrangement would be made for the school buses not to enter the Siena Park, but dropping off students at an existing bus stop near the Siena Club entrance. Students could then walk a short distance of about 200 metres along the western footpath of the Siena Park to the school. Residents would be further consulted on the proposed transport arrangements with a view to reaching a satisfactory agreement on the matter. The school sponsor was prepared to adjust the school bus service taking into account students' demand.

30. While acknowledging that parents were eager for the early provision of the proposed PIS, Ms Margaret NG noted that there was objection from others who were concerned about the environmental and traffic impacts associated with the provision of the school. Judging from the recent submissions, it seemed that residents remained concerned about the transport arrangements and they were not satisfied that they had not been consulted at an earlier stage of planning when changes could be made more easily. In this connection, she enquired if further consultation would be held with the residents in an attempt to allay their concerns.

31. DS(EM)2 said that the Administration had held meetings with DB residents since early 2005 and there were a lot more exchanges with the residents during the past few weeks. Their main concern was whether DB would cope with the increased traffic demand arising from the school. The residents were informed that arrangements would be made such that buses would not enter the Siena Park. Further discussions would be held with the residents and the transport arrangements would be refined and kept under review in the light of the profile of students admitted to the school and their choice of transport mode. The school sponsor undertook to review the situation when the school was in operation and would adopt measures to ensure its smooth operation.

32. Dr YEUNG Sum requested and the Chairman agreed that the meeting be suspended for five minutes to enable members to discuss the proposal among themselves.

33. The Chairman put PWSC(2005-06)43 to the vote. 26 members voted for the proposal, 10 members voted against and 10 members abstained. The individual results were as follows:

For :

Mr James TIEN Pei-chun
Mrs Selina CHOW LIANG Shuk-yee
Mr Bernard CHAN
Mrs Sophie LEUNG LAU Yau-fun
Mr Jasper TSANG Yok-sing
Mr LAU Kong-wah
Miss CHOY So-yuk
Mr Abraham SHEK Lai-him
Mr Tommy CHEUNG Yu-yan
Mr LI Kwok-ying
Mr MA Lik
Mr CHEUNG Hok-ming
Mr Albert Jinghan CHENG
(26 members)

Dr LUI Ming-wah
Miss CHAN Yuen-han
Mr CHAN Kam-lam
Mr WONG Yung-kan
Mr Howard YOUNG
Ms Miriam LAU Kin-yee
Mr TAM Yiu-chung
Ms LI Fung-ying
Mr Vincent FANG Kang
Mr Jeffrey LAM Kin-fung
Mr Andrew LEUNG Kwan-yuen
Mr WONG Ting-kwong
Mr KWONG Chi-kin

Against :

Ms Margaret NG
Mr Frederick FUNG Kin-kee
Dr Joseph LEE Kok-long
Mr LEUNG Kwok-hung
Mr Ronny TONG Ka-wah
(10 members)

Mr Albert CHAN Wai-yip
Ms Audrey EU Yuet-mee
Mr Alan LEONG Kah-kit
Dr Fernando CHEUNG Chiu-hung
Mr CHIM Pui-chung

Abstention :

Mr Albert HO Chun-yan
Mr James TO Kun-sun
Mr SIN Chung-kai
Mr Andrew CHENG Kar-foo
Dr KWOK Ka-ki
(10 members)

Mr Fred LI Wah-ming
Mr CHEUNG Man-kwong
Dr YEUNG Sum
Mr LEE Wing-tat
Miss TAM Heung-man

34. The Committee approved the proposal.

PWSC(2005-06)40 688CL Site formation for primary school at Inverness Road, Kowloon City

35. The Chairman said that due to time constraints, the Administration had requested that discussion on PWSC(2005-06)40, 688CL, Site formation for primary school at Inverness Road, Kowloon City be deferred.

Item No. 2 - FCR(2005-06)42**HEAD 156 – GOVERNMENT SECRETARIAT : EDUCATION AND
MANPOWER BUREAU****• Subhead 000 Operational expenses**

36. The Chairman informed members that the Panel on Education was consulted on the proposal at its meeting on 26 January 2006.

37. Mr YEUNG Sum, Chairman of the Panel on Education, said that members of the Panel on Education generally supported the provision of additional funding of the Capacity Enhancement Grant (CEG) for government and subvented schools as this would assist in relieving the workload of teachers.

38. While acknowledging that the additional funding of CEG would be able to relieve teachers' workload through employment of additional teachers or ancillary staff, Mr CHEUNG Man-kwong was concerned that the additional time-limited funding of CEG would only be payable for three school years. By the end of the three-year period, the provision of CEG would revert back to the existing levels and thereafter, the teachers would be faced again with similar work pressure. He requested that the additional funding should be made on a recurrent basis as otherwise its original purpose would have been defeated. The Deputy Secretary for Education and Manpower (DS(EM)3) said that a similar request was also raised at the meeting of the Panel on Education on 26 January 2006, and the Administration had agreed to conduct a review before the end of 2007/08 school year to evaluate the effectiveness of the additional time-limited funding of CEG in relieving teachers' workload and improving students' learning. Subject to the outcome of the review and the availability of resources, the Administration would consider whether the proposed additional time-limited funding should become recurrent.

39. Mr CHEUNG Man-kwong further enquired about the actions to be taken against schools which had used the additional funding under CEG for purposes other than employment of additional teachers and ancillary staff. DS(EM)3 said that efforts would be taken to ensure that the schools would be using the additional funding under CEG mainly for employment of additional teachers and ancillary staff and not for implementation of new initiatives which would increase teachers' workload.

40. Miss TAM Heung-man noted with concern that since schools would no longer be provided with the additional funding under CEG at the end of the three-year period, the remuneration for the teachers and ancillary staff who were employed using the said funding would thereafter be met by other resources of the schools. She enquired if there were any means to ensure the stability of employment of these teachers and ancillary staff. She also enquired about the criteria for review of the effectiveness of the additional funding under CEG and whether consideration would be given to extending the additional funding beyond the three-year period if the schools had yet to

be familiarized with the Territory-wide System Assessment (TSA) and to institutionalize the School-based Assessment (SBA). DS(EM)3 said that the schools would be made aware that the additional funding under CEG would just be provided for three school years with effect from the 2005-06 school year so that suitable arrangements could be made in advance in their recruitment of additional staff. The review to be conducted before the end of 2007/08 school year would assess if the additional funding had actually reduced the workload of teachers. It was expected that schools would get familiarized with TSA and complete institutionalizing SBA in three years' time. After that, schools could deploy its resources, including the basic provision of CEG to facilitate the subsequent implementation of these initiatives.

41. The Chairman put the item to vote. The Committee approved the proposal.

42. The Chairman advised that the Administration had requested that the order of agenda items be revised such that the meeting would proceed to discuss the FCR(2005-06)44 before FCR(2005-06)43.

Item No. 4 - FCR(2005-06)44**CAPITAL INVESTMENT FUND
NEW HEAD – “DIGITAL TRADE AND TRANSPORTATION NETWORK
LIMITED”**

- **New Subhead “Purchase of Equity in Digital Trade and Transportation Network Limited”**

43. The Chairman informed members that the Panel on Economic Services (ES Panel) was consulted on the proposal at its meetings on 24 October 2005 and 23 January 2006.

44. Mr James TIEN, Chairman of ES Panel, said that the proposal was first submitted to the Panel for discussion at its meeting on 24 October 2005 and a number of questions were raised about the need and rationale for the Financial Secretary Incorporated (FSI) to become a Digital Trade and Transportation Network Limited (DTTNCo) shareholder, and whether FSI involvement in DTTNCo might give the company an unfair advantage over prospective competitors. Subsequent to the meeting, various industry organizations had written to the ES Panel in support of the proposal. The Administration consulted the Panel again at its meeting on 23 January 2006, elaborating on the need for Government involvement in DTTNCo. Most of the members who expressed views at the meeting were supportive of the proposal. He indicated that members of the Liberal Party would support the proposal.

45. Mr SIN Chung-kai said that he was perplexed by the complexity of the proposal. He said that it was rare for the Government to hold a minority share in a corporate entity and there had not been any such arrangement apart from the Disney

project. He questioned the justifications for Government involvement in DTTNCo through purchase of its equity, and suggested that consideration should instead be given to allowing the industries to participate as shareholders. As further injection of funding and/or raising of capital would be required if DTTNCo turned out to be non-profitable, he was concerned about the financial implications of Government involvement in DTTNCo, apart from the initial commitment of \$31.5 million, given that the Government would need to retain its veto power by holding no less than 21% of the company's share.

46. In response, the Permanent Secretary for Economic Development and Labour (Economic Development) (PSED) said that as DTTNCo provided an information infrastructure to facilitate trade and enhance the efficiency and productivity of the logistics sector, there was a strong industry consensus for direct Government involvement in DTTNCo as this would help steer the operation of the company in compliance with the principles of neutrality and non-exclusivity. The current proposal sought to enable the launch of the DTTN initiative through minimal Government investment in commercial endeavours. After Government's policy objectives for the investment had been realized, it would be prepared to sell down its shares to allow more private sector participation. The Government was confident about the business operation of DTTNCo. As a start, FSI would be holding about 29% of DTTNCo's issued share capital and would be entitled to appoint a majority of company's directors. The proposal would allow for the recruitment of other shareholders and already 43 industry and trade organizations had been invited to participate. It was envisaged that the eventual proportion of shareholding by FSI would be diluted to 21%. With at least 21% shareholding in DTTNCo, FSI would still retain its veto power over the company's major decisions.

47. PSED further said that to ensure that entry into DTTN services would be free from any artificial barrier, DTTNCo was not granted any exclusive franchise. Furthermore, it had been set out in the Operating Agreement between Government and DTTNCo that the latter should grant a non-exclusive, royalty-free, non-revocable and worldwide licence to anyone who applied to use its intellectual property rights. This would ensure that all standards, protocols and specifications, to the extent that DTTNCo was the author, would be open and non-proprietary. As the use of DTTN services was voluntary, DTTNCo and its services were thus subject to market forces and industry scrutiny.

48. Mr SIN Chung-kai however said that consideration could have been given to setting out in the Memorandum of Articles of DTTNCo that the Government would have a nominal share which would enable it to have veto power over the company's major decisions. In this way, the Government would not be financially committed to the purchase of DTTNCo's shares. PSED said that it should be noted that the DTTN initiative represented the development of a new information infrastructure, and the current arrangement would allow for the launch of the DTTN initiative with minimal Government investment.

49. Mr Ronny TONG said that the development of a DTTN system and the purchase of equity in DTTNCo were two separate issues. He was aware that objections had been raised by stakeholders against Government involvement in DTTNCo as they were concerned that such would give the company an unfair advantage over prospective competitors. He queried the justifications for Government purchase of equity in DTTNCo instead of allowing interested parties to participate in the provision of DTTN services on a fair and equitable basis.

50. PSED said that pursuant to the Study on the Development of the DTTN System (the DTTN Study), the E-Logistics Project Group (ELPG) had openly invited interested parties to submit DTTN proposals. An Assessment Panel comprising members with no declared conflict of interest was set up by ELPG to evaluate the three proposals received. After careful and thorough consideration, the Assessment Panel considered that the proposal from the Tradelink Electronic Commerce Limited (Tadelink) was the closest available one to the blueprint envisaged in the consultancy report of the DTTN Study in terms of compliance with the guiding principles, service coverage and technical standards. The other two project proponents were allowed seven days after their presentation to revise their proposals as necessary to address issues raised by ELPG members. However, neither of them reverted with a revised proposal. As far as she knew, the complaint recently received was about the operation of Tradelink and its relation with DTTNCo and the complainant was not a provider of DTTN services. She said that DTTN service providers were still free to compete in the provision of the DTTN services as long as they were able to demonstrate their neutrality and non-exclusivity.

51. Mr KWONG Chi-kin said that the trade and industry associations were in support of Government involvement in DTTNCo as this would allay the concerns of some small and medium-sized enterprises (SMEs) about the neutrality of the DTTN system. Besides, the associations would prefer to deal with an entity with which Government had some control rather than a privately-owned company.

52. Miss TAM Heung-man enquired whether the Government had taken into account other options to ensure the neutrality of operation before consideration was given to the purchase of equity in DTTNCo. She questioned the justifications of incurring such a huge financial commitment to purchase equity in DTTNCo and further enquired if Government would be purchasing equity in other service companies to ensure neutrality. PSED said that the Hong Kong Logistics Development Council (LOGSCOUNCIL) was of the view that the holding of shares in DTTNCo and hence its retention of veto power was crucial in ensuring the neutrality of service. While other options had been taken into account in the provision of DTTN services, there was keen support from the logistics industry for Government involvement in DTTNCo.

53. Mr Albert HO enquired if industry consensus was the deciding factor in the implementation of policy initiatives and if so, whether there would be similar Government involvement in other service companies if requested by industries. He

was concerned that the present proposal of purchasing equities in DTTNCo was at variance with the long-standing policy to minimize Government involvement in commercial endeavours and might set a precedent for unfair competition. If the Government wished to maintain neutrality of operation, it could consider setting up a statutory body for the provision of services instead of purchasing equities in profit-making company. PSED said that she did not agree that the proposal set a precedent of unfair competition. She said that the entire project was spearheaded by unofficial members of LOGSCOUNCIL and had support from different levels of the logistics industry who had agreed on the security and technical standards. The industry had made it clear that support for this initiative hinged on Government involvement. The Government would consider reducing its shares and withdrawing from the market when the industry had confidence in the operation of DTTNCo.

54. Dr KWOK Ka-ki was of the view that the proposal would set a dangerous precedent for unfair competition. He said that it had never been the practice for the Government to purchase equity of a service company on the industries' request. Such practice, if applied, should not be confined to the logistics industry alone. The medical sector, for instance, would request that an e-platform be set up such that all medical practitioners could have access to the platform to facilitate their practice, and that the Government should become a shareholder of the service company set up for the purpose. The Deputy Secretary for Financial Services and the Treasury (Treasury)2 (DS(Tsy)2) said that there were precedents of Government involvement in service companies as was the case of Tradelink when it was first established in 1992. Government investments in Tradelink were made at the request of existing private sector shareholders. The project was successfully completed and had enjoyed its franchise period before the market was open to competition. An Initial Public Offering was then made through which the Government was able to obtain a very good return on its investments.

55. At this juncture, the Chairman informed members that Miss CHOY So-yuk had requested to complete discussion on FCR(2005-06)43 on the "Capital Injection into the Environment and Conservation Fund" within the meeting as there was urgency on the proposal. Members agreed.

56. Ms Miriam LAU declared interest as a member of LOGSCOUNCIL. She referred to a tabled submission from ELPG which set out the background to the proposal, with emphasis on the fairness and transparency of the assessment process. She drew members' attention to the need for the introduction of the DTTN system to improve Hong Kong's competitiveness in the logistics trade, adding that the system would be of particular benefit to SMEs which might otherwise have difficulties in keeping up with the latest developments in the use of information technology in the logistics trade. She reiterated that the demand for a neutral, non-exclusive and open platform underpinned by Government participation in the shareholding and corporate governance of DTTNCo had been a response to clear industry consensus. Besides, DTTNCo had not been granted any exclusive franchise and the use of DTTN services was voluntary. The industry would be very disappointed if the funding proposal could not be approved and she therefore urged members to support the proposal.

57. Ms Audrey EU said that she found it absurd that while PSED had been asserting on the one hand that the proposal would not set a precedent for Government involvement in service companies, DS(Tsy)2 had indicated on the other hand that the establishment of Tradelink was one of such precedents. PSED affirmed that it was Government policy to minimize involvement in commercial endeavours. In the present proposal which involved the establishment of an information infrastructure, there was general industry consensus on the need for Government involvement in the initial operation of DTTNCo to ensure its neutrality and non-exclusivity. Therefore, the Government decided to purchase equity in DTTNCo, as in the case of Tradelink when it was first established.

58. Mr Ronny TONG said that as there was a need for a level playing field for all industry players who wished to participate in providing DTTN services, he enquired if the Government would be prepared to purchase 29% of shares in the Global e-Trading Services Limited, the company which had lodged a complaint against the present proposal, if it were to provide DTTN services. PSED declined to respond to Mr TONG's question as it was hypothetical in nature. She said that a lot of efforts had been put in by the Government and the industry in preparing the proposal, adding that the service coverage, technical standards, and neutrality of operation would need to be taken into account in the provision of DTTN services.

59. Mr LEUNG Kwok-hung enquired if the Government would consider purchasing equities in other companies which offered DTTN services. PSED said that this would be considered if the company had met all the service requirements and technical standards, and had been accepted by the industries and recommended by LOGSCOUNCIL.

60. Mr Albert HO said that under the present proposal, the Government would be involved in the operation of a profit-making company. He queried why the said arrangement, which might set a dangerous precedent, would be applied to the logistics industry and not any other industry. DS(Tsy)2 said that each case would be considered in its own merits and appropriate consideration would be taken on what needed to be done. Mr HO however pointed out the need for the Administration to be consistent, transparent, open and fair in its implementation of policies, which should not be dealt with on a case by case basis. The system would be open to abuse in the absence of a consistent policy. Therefore, he could not find a reason to support the proposal. DS(Tsy)2 indicated that Government investment policy had been clearly annunciated in its previous budgets.

61. The Chairman put FCR(2005-06)44 to the vote. 32 members voted for the proposal, 14 members voted against and two members abstained. The individual results were as follows:

For :

Mr James TIEN Pei-chun
Dr LUI Ming-wah
Miss CHAN Yuen-han
Mr CHAN Kam-lam
Mr WONG Yung-kan
Mr Howard YOUNG
Mr LAU Kong-wah
Miss CHOY So-yuk
Mr Abraham SHEK Lai-him
Mr Tommy CHEUNG Yu-yan
Mr Frederick FUNG Kin-kee
Mr LI Kwok-ying
Mr Jeffrey LAM Kin-fung
Mr Andrew LEUNG Kwan-yuen
Mr Patrick LAU Sau-shing
Mr KWONG Chi-kin
(32 members)

Mr LEE Cheuk-yan
Mrs Selina CHOW LIANG Shuk-yee
Mr Bernard CHAN
Mrs Sophie LEUNG LAU Yau-fun
Mr Jasper TSANG Yok-sing
Mr LAU Chin-shek
Ms Miriam LAU Kin-yee
Mr TAM Yiu-chung
Ms LI Fung-ying
Mr Albert CHAN Wai-yip
Mr Vincent FANG Kang
Dr Joseph LEE Kok-long
Mr MA Lik
Mr WONG Ting-kwong
Mr Albert Jinghan CHENG
Miss TAM Heung-man

Against :

Mr Albert HO Chun-yan
Ms Margaret NG
Mr CHEUNG Man-kwong
Dr YEUNG Sum
Ms Audrey EU Yuet-mee
Mr Alan LEONG Kah-kit
Dr Fernando CHEUNG Chiu-hung
(14 members)

Mr Fred LI Wah-ming
Mr James TO Kun-sun
Mr SIN Chung-kai
Mr Andrew CHENG Kar-foo
Mr LEE Wing-tat
Dr KWOK Ka-ki
Mr Ronny TONG Ka-wah

Abstention :

Mr LEUNG Kwok-hung
(2 members)

Mr CHIM Pui-chung

62. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 3 - FCR(2005-06)43

HEAD 44 – ENVIRONMENTAL PROTECTION DEPARTMENT

• **Subhead 700 General non-recurrent**
New Item “Capital Injection into the Environment and Conservation Fund”

63. The Chairman informed members that the Panel on Environmental Affairs (EA Panel) was consulted on the proposal at its meeting on 23 January 2006.

64. Mr James TIEN questioned why the meeting had to be continued as it was well beyond the closing time of 4:30 pm. He said that there was a need to close the meeting at 4:30 pm sharp in order to allow the House Committee (HC) meeting to proceed on time. Any unfinished discussion should be deferred to the next meeting. The Chairman said that members had earlier agreed to Miss CHOY So-yuk's request that discussion on FCR(2005-06)43 be completed within the present meeting in view of the urgency of the proposal. Mr TIEN said that when Miss CHOY raised her request at 4:15 pm, there was ample time to complete discussion before the cut-off time of 4:30 pm. However, the Chairman had allowed a number of members to raise further questions on the last item, thereby extending the discussion to way beyond the cut-off time. Mr Albert CHENG pointed out that Mr TIEN had not indicated that his agreement to Miss CHOY's request was conditional upon completion of discussion by 4:30 pm. The Chairman said that given the significant financial implications of the funding proposals, members should be allowed sufficient time for discussion on each item.

65. Mrs Selina CHOW said that the agreement to complete discussion on FCR(2005-06)43 was made on the understanding that very little time was needed on this item. However, if members wished to initiate discussions on this item, the HC meeting would have to be deferred for a much longer time. Ms Margaret NG proposed that members should vote on whether the meeting should be continued. The proposal was seconded by Miss CHOY So-yuk and Mr LEUNG Kwok-hung. Mr Albert CHAN said that the Rules of Procedure should be adhered to as far as meeting arrangements were concerned. Mr Albert CHAN said that members should abide by the cut-off time of FC meetings unless otherwise agreed by members. The Chairman said that there was a need for discussion on the adherence to the cut-off time of 4:30 pm for FC meetings.

66. Mr James TIEN said that the FC meeting on 13 January 2006 was suspended at 4:30 pm and resumed after the HC meeting to examine two time-critical proposals that could not be deferred to the next meeting. He did not object to the same arrangement being applied this time, i.e., that the FC meeting should be suspended at 4:30 pm and resumed after the HC meeting. Mr Tommy CHEUNG said that members should abide by an agreed arrangement rather than proposing to vote on any suggested arrangement. He opined that FC meetings could not be extended by an indefinite period of time as it would be unfair to those members who wished to attend HC meetings.

67. Ms Miriam LAU proposed to amend Ms Margaret NG's motion to the effect that the meeting should be continued after the HC meeting as she envisaged that the HC meeting could be completed within a short time. Mr Abraham SHEK seconded the amended motion.

68. The Chairman put Ms Margaret NG's motion as amended by Ms Miriam LAU to the vote. The Committee approved the amended motion.

(The meeting was suspended at 4:50 pm to allow HC meeting to convene. The FC meeting was resumed at 5:05 pm.)

69. Miss CHOY So-yuk, Chairman of the EA Panel, declared interest as a member of the Environment and Conservation Fund (ECF) Committee. She said that capital injection into ECF was required for the funding of environmental projects. The proposal was discussed by the EA Panel at its meeting on 23 January 2006 and members were supportive of the proposal in principle. Noting that the proposed capital injection to ECF was identified in the Environmental Protection Department's savings in its operating expenses in 2005-06, some members questioned whether the same arrangement was applicable to other portfolios. They considered it necessary for the Secretary for Financial Services and the Treasury to explain to members the policy governing the use of unspent funds at the FC meeting when the proposal was considered. The Administration was also requested to provide more information on the projects funded by ECF.

70. The Permanent Secretary for Financial Services and the Treasury (Treasury) said that Directors of Bureaux were given flexibility as envelope holders to determine how resources were to be allocated within their annual operating expenditure envelopes. Once the provisions were allocated and approved by the Legislative Council, the Directors and their Controlling Officers would need to adhere to the spending ceilings in the approved Estimates of Expenditure. All variations to the Estimates must be properly justified and prior approval had to be sought in line with established mechanism.

71. Mr LEE Wing-tat made reference to a recent incident reported by the press about a member of a funding committee who did not declare interest of having connections with a recipient association. He enquired whether there were monitoring mechanisms governing the declaration of direct and indirect interests in the processing of funding applications for ECF. He also enquired whether the list of successful applicants for ECF was made available to the public. The Deputy Director of Environmental Protection (3) (DDEP(3)) said that to prevent conflict of interest, all members of ECF Committee as well as the Vetting Subcommittees of ECF were required to declare any direct or indirect interests in connection with the applications under consideration and this requirement had been set out in the guide to application. Members of the Vetting Subcommittees of ECF would need to declare their interest, if any, before the vetting of applications. The outcome of applications for ECF would be compiled in a report to be submitted to the Legislative Council and made available to the public through the ECF website.

72. On Mr LEE Wing-tat's enquiry about what constituted an indirect interest, DDEP(3) said that as it would be difficult to define an indirect interest, such would have to rely on the judgment of the Vetting Subcommittee members concerned. Mr LEE was concerned that there might be different interpretations of what constituted an indirect interest. He said that a committee member would be placed in a difficult situation if he/she was found to have failed in declaring what the Government

considered as an indirect interest after the application had been approved. DDEP(3) said that given the difficulty in delineating indirect interest, an exhaustive definition could not be provided.

73. Mr LEE Wing-tat further enquired if the Vetting Subcommittee members were given proper advice about the need for declaration of direct and indirect interests. DDEP(3) said that those who were appointed as Vetting Subcommittee members of ECF would receive a briefing on the declaration of interest at the first Subcommittee meeting. The Vetting Subcommittee members were required to declare their interests and withdraw themselves from the discussion of the applications that they associated with.

74. Miss CHOY So-yuk shared her experience as a member of the ECF Committee in the declaration of interest in the vetting of ECF applications. She said that if a committee member was a member or a consultant of an organization which was applying for ECF, he/she would declare interest and would not take part in the voting of the application. In some cases, the committee member would not even take part in the vetting of the application to prevent conflict of interest.

75. The Chairman sought elaboration on the effectiveness of ECF projects on the protection and conservation of the environment. DDEP(3) said that since its establishment in 1994, ECF had funded 104 research projects, 853 educational projects and 80 waste recovery projects. The number of primary and secondary school students trained and registered as environment protection ambassadors had increased from about 1 700 in 1995-96 to more than 12 000 in 2004-05. Meanwhile, 270 companies had participated in the Hong Kong Eco-business Awards. The total amount of recyclable waste collected through waste recovery projects funded by ECF was 3 400 tonnes and the recovery rate of municipal solid waste in Hong Kong had increased from 34% in 2000 to 40% in 2004. Other funded projects included conservation studies on mangroves conducted by the Hong Kong Polytechnic University, studies on the manufacture of road surfacing bricks using recyclable materials, and survey on birds by the Bird Watching Society. He further explained that one of the purposes of ECF was to provide public education on the need to protect and conserve the environment. Project proponents were required to evaluate and assess the effectiveness of their projects on their completion. The Chairman said that members would appreciate the availability of reports on the effectiveness of ECF projects.

76. The Chairman put the item to vote. The Committee approved the proposal.

77. The meeting was adjourned at 5:20 pm.