

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 9th meeting
held at the Legislative Council Chamber
on Friday, 18 February 2011, at 3:00 pm

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Prof Hon Patrick LAU Sau-shing, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, SBS, JP
Dr Hon Margaret NG
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, SBS, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon LI Fung-ying, SBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP

Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Dr Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon CHEUNG Hok-ming, GBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, BBS, JP
Hon CHAN Hak-kan
Hon Paul CHAN Mo-po, MH, JP
Hon CHAN Kin-por, JP
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon WONG Sing-chi
Hon WONG Kwok-kin, BBS
Hon IP Wai-ming, MH
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yea, GBS, JP
Dr Hon PAN Pey-chyou
Dr Hon Samson TAM Wai-ho, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Tanya CHAN
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man

Members absent:

Hon CHAN Kam-lam, SBS, JP
Hon LAU Kong-wah, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Dr Hon Priscilla LEUNG Mei-fun
Hon Paul TSE Wai-chun

Public officers attending:

Professor K C CHAN, SBS, JP	Secretary for Financial Services and the Treasury
Mr Stanley YING, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Alice LAU, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Ms Elsie YUEN	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Miss Salina YAN Mei-mei, JP	Deputy Secretary for Home Affairs (3)
Mrs Avia LAI WONG Shuk-han	Principal Assistant Secretary for Home Affairs (Culture) 2
Mr CHAN Wing-tak	Chief Technical Adviser (Subvented Projects), Architectural Services Department
Mr Anthony HARDY	Chairman, Board of Director, Hong Kong Maritime Museum Limited
Mr William WAUNG	Board Director, Hong Kong Maritime Museum Limited
Mr Richard WESLEY	Museum Director, Hong Kong Maritime Museum Limited
Ms Catalina CHOR	Executive Manager and Curator, Hong Kong Maritime Museum Limited
Dr Stephen DAVIES	Research Fellow, Maritime Heritage Resource Centre, Hong Kong Maritime Museum Limited
Ms Esther CHOW	Director, P&T Architects and Engineers Limited
Ms Michelle LAW	Architect, P&T Architects and Engineers Limited
Ms Anissa WONG Sean-yea, JP	Permanent Secretary for the Environment/Director of Environmental Protection

Miss Vivian LAU Lee-kwan, JP	Deputy Secretary for the Environment
Miss Katharine CHOI Man-yee	Principal Assistant Secretary for the Environment (Energy)
Mr Stephen CHAN Hung-cheung, JP	Director of Electrical and Mechanical Services
Mr LI Kwok-keung	Assistant Director of Electrical and Mechanical Services (Electricity and Energy Efficiency)

Clerk in attendance:

Mrs Constance LI	Assistant Secretary General 1
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Staff in attendance:

Ms Annette LAM	Chief Council Secretary (1)7
Mr Daniel SIN	Senior Council Secretary (1)7
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Christy YAU	Legislative Assistant (1)8

Action

Item No. 1 - FCR(2010-11)59

RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE MADE ON 17, 19 AND 25 JANUARY 2011

The Chairman advised that the Public Works Subcommittee (PWSC) had recommended that six of the items endorsed at the PWSC meetings on 17, 19 and 25 January 2011, i.e. PWSC(2010-11)23, PWSC(2010-11)31, PWSC(2010-11)34, PWSC(2010-11)35, PWSC(2010-11)32 and PWSC(2010-11)33 should be considered and voted on separately at the Finance Committee (FC) meeting.

2. The Chairman put the remaining items to vote. The Committee approved the items.

HEAD 708 – CAPITAL SUBVENTIONS AND MAJOR SYSTEMS AND EQUIPMENT

PWSC(2010-11)23 Relocation and expansion of Hong Kong Maritime Museum

3. The Chairman advised that the item sought FC's approval of \$99.31 million in money-of-the-day prices for the relocation and expansion of the Hong Kong Maritime Museum (HKMM).

Funding support from the Government

4. Mr LEE Wing-tat said that he supported the proposal, but he was concerned that Government's financial support to HKMM might not be sufficient and the museum would eventually need to raise admission fees to cover operating deficit.

5. Deputy Secretary for Home Affairs (3) (DSHA(3)) said that the Administration supported the operation of HKMM as it would complement the museums operated by the Leisure and Cultural Services Department (LCSD) in preserving and promoting Hong Kong's maritime heritage. The Administration would not only bear the bulk of the construction cost, but would also offer operating subsidies to HKMM at around \$4.40 million each year for the first five years from the commencement of the new museum at Central Pier 8 to meet part of the operating cost. LCSD would also increase co-operation with HKMM such as loaning exhibits for display in future. Chairman, Board of Director, HKMM said that the museum had to manage within its own resources, Government subsidies and donations from the shipping sector and other sources. He would of course welcome more resources from the Government.

6. Mr LEE Wing-tat noted that the annual \$4.429 million funding support for the relocated HKMM would amount to about \$12,000 a day. He asked whether that level of resources would be sufficient if the museum were to be managed by LCSD. He further asked if the Administration would consider providing a one-to-one matching fund for every dollar of donation HKMM raised.

7. Ms Miriam LAU remarked that although Hong Kong was an international shipping centre, there had been little Government support for the maritime industry. She said that the funding support for HKMM was small as compared to other maritime authorities such as Rotterdam, Japan or even Macau in the promotion of maritime heritage. As HKMM would be a tourist

attraction, she supported the suggestion of setting up a matching grant for HKMM.

8. DSHA(3) advised that the annual operating cost of HKMM at Central Pier 8 was estimated to be around \$12 million. The Government would provide subsidy to meet part of the operating cost of HKMM for the first five years from the commencement of the new museum at Central Pier 8. She added that HKMM set a successful example of operating as a private museum and she did not have the information on how much it would otherwise require for LCSD to operate HKMM.

9. Mr LEE Wing-tat criticized the Administration's approach in museum management, as HKMM had to raise donations and income to cover some 60% of its annual operating expenses, while some 60% to 70% of the expenses of the future M+ museum in West Kowloon would be borne by taxpayers.

10. DSHA(3) said that the Administration recognized the important role of the shipping industry played in Hong Kong's economic development. The Administration therefore supported and facilitated HKMM's current project by offering a central and prominent location at nominal rent for relocation of the existing museum. The Administration could consider additional support where appropriate in the light of new developments in future.

Concessionary fare and business plan

11. Ms Miriam LAU suggested that the Administration should provide more funding support so that HKMM could offer concessionary fares to visitors. Expressing support for the funding proposal, Mr WONG Kwok-hing asked if HKMM would offer concessionary rates to the disabled and the aged, and members of disadvantaged groups. He also suggested that Hong Kong's seamen should be offered free admission in recognition of their contribution to Hong Kong's shipping development. He considered that the Administration should provide funding support in this respect.

12. DSHA(3) responded that HKMM would offer concessionary admission fees to the elderly, the disabled as well as students from its own resources.

13. Mr LEE Wing-tat asked if HKMM had developed a five-year business plan, and whether the Administration would provide funding support to HKMM based on the five-year plan. He suggested that the Administration should report at least annually to the Panel on Home Affairs (HA Panel) on the

Administration's position about funding to HKMM. DSHA(3) agreed to report to the HA Panel in future. As regards the business plan, Chairman, Board of Director, HKMM said that HKMM was operating as a business corporation. The priority at the moment was to secure the location at Pier No. 8 before further planning was feasible.

Management agreement and customer liaison

14. Mr KAM Nai-wai said that PWSC members had sought details of the funding agreement to be signed between the Government and HKMM, and also the conditions of the lease for HKMM to occupy Government premises. He asked whether the Administration would make available the draft agreements for members' reference. He further asked which party would have the authority to set and adjust admission fees and the opening hours, and whether there would be a re-entry provision if HKMM did not perform satisfactorily.

15. DSHA(3) said that HKMM's management responsibilities would be specified in the lease. Meanwhile, the Administration would also conclude a funding agreement with HKMM to specify details such as the expected level of service performance, governance structure and admission fees. Members' views would be taken into account in finalizing the details of these agreements, and the key provisions could be extracted for members' reference if necessary.

16. Mr KAM enquired whether a consultation committee would be set up to collect views from different sectors of the community including the professional sectors to improve the management of the museum.

17. DSHA(3) said that the Administration had received many public views during the consultation period supporting the relocation of HKMM. These views would be considered during the detailed planning of HKMM if FC approved the funding proposal.

18. Chairman, Board of Director, HKMM said that HKMM was ready to listen to community's views. He confirmed that an advisory committee would be set up to gather public suggestions and comments.

Special features and public facilities

19. Mr WONG Kwok-hing suggested that HKMM should feature more about Hong Kong's seamen in its exhibitions, and should include important historical events such as the Hong Kong seamen's strike in 1922 which was an important milestone in contemporary labour movement. Research Fellow, Maritime Heritage Resource Centre, HKMM responded that the museum would

feature the Hong Kong seamen's strike in 1922 and the relevant script was being developed.

20. Prof Patrick LAU suggested that HKMM should acquire a historic vessel as an exhibit to attract visitors and raise public interest on Hong Kong's maritime past. Chairman, Board of Director, HKMM explained that the financial resources available were not sufficient to acquire a historic vessel for exhibition. DSHA(3) advised that the Administration had explored the suggestion of berthing a historic vessel beside the new Museum at Central Pier 8 with HKMM, but found it technically not feasible. Chairman, Board of Director, HKMM further explained that the museum had considered acquiring one or two vessels for exhibition at HKMM. However, the plan fell through because of financial and practical reasons, including the difficulties in obtaining a licence from the Marine Department (MD). Research Fellow, Maritime Heritage Resource Centre, HKMM added that old vessels were expensive to maintain and there were difficulties in meeting MD's safety requirements for the vessel to moor inside the harbour.

21. Mr James TO considered that a real historic vessel would help attract more visitors to HKMM, and asked if the museum would appeal to large corporations for contribution to the acquisition. Mr Albert CHAN suggested acquiring a retired vessel that could illustrate Hong Kong's past maritime development. If HKMM could not raise sufficient private funds for the project, the Administration should pledge financial support to top up the difference. He wondered whether some shipping companies might wish to donate their retired vessels.

22. In reply to the Chairman, Research Fellow, Maritime Heritage Resource Centre, HKMM said that a middle-sized vessel would serve the museum best, and such a vessel would cost between \$15 million and \$20 million, and another \$2 million to \$3 million each year for maintenance. DSHA(3) advised that if an appropriate historic ship could be identified and was suitable to be exhibited, the Administration would keep an open mind in providing necessary facilitation, including financial resources, for the acquisition of the vessel.

23. Regarding the provision of toilets, Mr KAM noted from the design drawings that only six toilet cubicles were to be provided in HKMM. He asked whether these would be sufficient. DSHA(3) advised that disabled toilets would be provided in addition to the existing facilities at Central Pier 8.

Support for private museums

24. Dr Margaret NG said that she was personally acquainted with some of HKMM's representatives and remarked that they were all knowledgeable and enthusiastic about museum work. She further said that Members belonging to the Civic Party supported the proposal, as HKMM was one of the few museums in Hong Kong that had earned international recognition. She commented that HKMM did not only win wide acclaim from the cultural community, it also had the support from the commercial sector, especially the shipping industry. She welcomed the relocation proposal as it would make the museum more accessible to the general public. As there was also a trend to view world development from the maritime perspective, HKMM would play an important educational role in promoting this intellectual movement. She hoped HKMM would be able to operate independently according to its own principles without being interfered by the Administration.

25. Mr WONG Kwok-hing suggested HKMM to co-operate with the Hong Kong Tourism Board so as to make it a tourism feature for overseas visitors. Chairman, Board of Director, HKMM said that HKMM had been in touch with the Hong Kong Tourism Board on possible co-operation opportunities.

26. Miss Tanya CHAN said that there had been discussions at the HA Panel about the policy on supporting private museum development, and the Administration had stated that whether public fund should be used to support private museum should be considered on a case-by-case basis, taking into account the nature of the museum and the various relevant circumstances. One consideration was whether the private museum could compete on a level-playing field with similar public museums. Miss CHAN further said that as the Administration now provided support to HKMM, there might be more requests for government support to private museums. She considered that there should be greater transparency in the process of forming partnership on similar future ventures. DSHA(3) responded that the Administration's co-operation with HKMM had provided useful reference in possible future co-operation with other private museums.

27. The Chairman put the item to vote. Members approved the proposal.

HEAD 705 – CIVIL ENGINEERING
PWSC(2010-11)31 District Cooling System at the Kai Tak Development

28. The Chairman advised that the item sought the Committee's approval to increase the approved project estimate for Phases I and II of the District Cooling System (DCS) at the Kai Tak Development by \$190.8 million.

Cost variation from the original estimate

29. Mr LEE Wing-tat noted that the Administration had previously intended to implement the project using the "Build-Operate-Transfer" (BOT) approach, but later decided to take up the construction and operation completely. He queried the significant cost variation of the project from its original estimate, as the recent material and construction cost did not seem to have such escalating effect.

30. Permanent Secretary for the Environment (PSEN) advised that taking forward DCS as a public works project would facilitate its tying in with the overall planning and implementation schedule of various projects in the Kai Tak Development. The revised project estimate for DCS was based on the recent tender prices reflecting the latest trend of construction and material costs. Moreover, additional costs were made necessary because of additional underground structural reinforcement works for the installation of the chiller plant cum underground seawater pump house. Extra cost was also incurred for installing the various facilities deeper under the ground to avoid affecting the many existing underground installations, pipes and cables.

31. Ir Dr Raymond HO considered that if tendering could be conducted at an early stage, the Administration would be able to work out more accurate and reliable cost estimates for FC's consideration. He also suggested the Administration to specify a longer validity period for a tender to allow more flexibility for the Administration to complete the necessary funding procedure. He said that this approach could improve the efficiency of the funding approval process.

32. PSEN responded that the Administration would consider Dr HO's suggestions in consultation with relevant bureaux and departments. She said that for less complex projects, it might be feasible to conduct a tendering exercise on a non-committal basis following consultation with the Panel on Environmental Affairs, prior to seeking funding approval from FC. However, for more complex or controversial projects, it might still be necessary to seek

FC's agreement for funding approval before proceeding to conducting tendering and other procurement procedure.

33. Permanent Secretary for Financial Services and the Treasury (Treasury) advised that the Administration had introduced certain improvements to the capital works system a few years ago. The changes included raising the financial limit of cost variation to project estimates under delegated authority and the tendering procedures. It was permissible for tendering to be conducted, on a non-committal basis, before funding was sought for certain types of projects. He would liaise with the Development Bureau on the application of this procedure to future projects.

34. The Chairman asked if the Administration would develop DCS in other areas, e.g. in West Kowloon and the New Territories North areas. PSEN said that the Administration would consider possible developments of DCS in other areas but the system might not be applicable in all cases.

35. Ms Starry LEE said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) supported the funding proposal. As the DCS at Kai Tak Development was the first of its kind in Hong Kong, she appreciated the Administration's adoption of DAB's recommendation to require all commercial tenants in the Kai Tak Development area to subscribe to the DCS service. However, she expressed concern about the significant cost variation of the project, and that other unforeseen works and claims might lead to further increase of the project cost. She asked what measures the Administration had taken to keep the cost estimate at a realistic level.

36. Mr KAM Nai-wai said that while Members belonging to the Democratic Party were supportive of the Administration's environmental initiative, they were also concerned about the substantial price increase and the uncertainty of future commitment. Mr KAM asked whether a ceiling could be set for the cost estimate for phase III of the project to be implemented in 2013-14.

37. PSEN and DEMS explained that DCS was to be implemented in three phases. The first two phases involved elaborated and expensive civil engineering works. The revised cost estimates presented at this meeting reflected the latest construction price as gathered from the latest tender exercise, and would provide realistic reference for cost estimation for the third phase of the project. PSEN anticipated that the Administration would have a better grip of the construction cost in the light of the experience gained from the first two phases of the project. DEMS further said that the works to be carried out in

Action

phase III of Kai Tak Development was not as complex as the first two phases, and any cost variation should be relatively small.

Mandatory use of DCS and need for electricity cost subsidy

38. Noting that the Administration would require commercial tenants and property owners to subscribe to the DCS service, Mr LEE Wing-tat and Mr KAM Nai-wai expressed concern that if the subscription rate was low, the Administration might not be able to recover the investment. Mr LEE asked whether the Administration would need to subsidize the electricity expenses of DCS.

39. PSEN said that DCS would supply air-conditioning service to all public and private non-residential buildings in the Kai Tak Development area. The fee would be set at a level to recover all the construction and operating costs over a 30-year life span. The cost of using DCS should be competitive compared with the water-cooled air-conditioning system. There would be no need for Government subsidy.

40. PSEN further explained that developers would be bound by land sale conditions to connect the future development with DCS. Lands Department would inspect the connection works and issue a Certificate of Compliance if the connection had been properly installed. PSEN did not envisage that developers would have incentive to install separate air-conditioning rather than using DCS, as additional installations would involve extra costs and take up space which would still be included in gross floor area calculation.

41. Mr KAM Nai-wai asked if the conditions of land sales could require mandatory use of the DCS service. Ms Audrey EU asked whether the Administration would guarantee that the DCS fee levels would be lower than the cost of using other air-conditioning installations. She was concerned that the installation might become a "white elephant" if DCS turned out to be more expensive than conventional air-conditioning systems, or the tenants or developers switched to other technologies. Ms Miriam LAU expressed similar concerns.

42. Mr Jeffrey LAM suggested the Administration negotiate with developers to include the requirement for connection and subscription to DCS in the land sale conditions. He added that Members belonging to the Economic Synergy supported the funding proposal.

43. PSEN responded that it would be appropriate to include terms of mandatory connection to DCS in the land sales document. The DCS fee would

be competitive vis-à-vis other air-conditioning systems, and should be able to recover the costs of construction and operation of DCS over the operational life of the system. She considered the objectives achievable as DCS was more energy-efficient than other available air-conditioning technologies.

44. Mr LEE Wing-tat was concerned that if it turned out that DCS was more expensive than conventional technology, the Administration might use public funds to make up the cost difference in order to retain users. Such arrangement would amount to electricity charge subsidy, and would be difficult for the public to monitor. Mr LEUNG Kwok-hung said that the Administration could simply mandate developers and future tenants to use DCS as a matter of environmental policy, and the Administration should not subsidize those users with public funds.

45. Mr CHAN Hak-kan said that if the only users of DCS were public bodies or government departments, the cost of running DCS would mainly be shouldered by the public. The proposed land sales conditions would at least increase the chance of DCS being used by the other private tenants in Kai Tak Development area.

46. PSEN said that the Administration promoted DCS in Kai Tak Development area because it was 35% more efficient in terms of energy consumption as compared to the conventional technology using air-cooled air conditioning system. The Administration had also encouraged its use by requiring all non-residential buildings in Kai Tak Development area to be connected to DCS. The proposal was discussed and supported by the Panel on Environmental Affairs. The Administration intended to recover full cost of construction and operation of DCS through users' subscription fees. There was no question of Government subsidy for the use of DCS service. DEMS supplemented that the cost of using DCS would be comparable to that of using water cooling tower systems. Assuming full cost recovery over 25 years, the DCS service fees should not be higher than water cooling tower systems.

47. Mr LEE Wing-tat said that if the project could break even in 20 years and the pricing could be competitive and attractive to users, there would be a case for inviting the private operators to provide the service. Ms Miriam LAU said that the fees should be set at a reasonable level to attract users while allowing cost recovery. Mr LEUNG Kwok-hung suggested that the DCS charges should be based on the "user pays" principle without public subsidy on its operation.

48. PSEN advised that the Administration would review the mode of operation of DCS, including the feasibility of privatization, after it had been in

Action

operation for a few years. However, issues such as fee setting and fee adjustment mechanisms would need to be carefully considered.

49. Mr LEE asked the Administration to provide information on the fee levels for use of DCS to FC as early as possible. PSEN responded that the fee levels for DCS would be worked out separately and submitted in the form of legislation for consideration and approval by the Legislative Council.

Other views

50. Expressing support for the funding proposal, Mr WONG Kwok-hing asked whether the system would incorporate safeguards against complete malfunction in the event of an electricity blackout in Kai Tak or the Kowloon East region.

51. DEMS advised that backup circuit was installed connecting the main power and the chiller plant cum underground seawater pump house to ensure uninterrupted power supply. The chiller units would be centralized so that if one unit broke down, its function would be backed up by the other units. The design was more reliable than ordinary water-cooled air conditioning system.

52. Ir Dr Raymond HO remarked that there had been long discussion over the use of DCS in Kai Tak Development area. He hoped the technology could be adopted in other large development areas such as the West Kowloon Cultural District.

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

54. The meeting was adjourned at 4:55 pm.

Legislative Council Secretariat

17 November 2011