

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 29th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 10 May 2013, at 3:15 pm

Members present:

Hon Tommy CHEUNG Yu-yan, SBS, JP (Chairman)

Hon Emily LAU Wai-hing, JP (Deputy Chairman)

Hon Albert HO Chun-yan

Hon LEE Cheuk-yan

Hon James TO Kun-sun

Hon CHAN Kam-lam, SBS, JP

Hon LEUNG Yiu-chung

Dr Hon LAU Wong-fat, GBM, GBS, JP

Hon TAM Yiu-chung, GBS, JP

Hon Abraham SHEK Lai-him, SBS, JP

Hon Frederick FUNG Kin-kee, SBS, JP

Hon WONG Kwok-hing, MH

Dr Hon Joseph LEE Kok-long, SBS, JP

Hon Jeffrey LAM Kin-fung, GBS, JP

Hon Andrew LEUNG Kwan-yuen, GBS, JP

Hon WONG Ting-kwong, SBS, JP

Hon Ronny TONG Ka-wah, SC

Hon Cyd HO Sau-lan

Hon Starry LEE Wai-king, JP

Dr Hon LAM Tai-fai, SBS, JP

Hon CHAN Hak-kan, JP

Hon CHAN Kin-por, BBS, JP

Dr Hon Priscilla LEUNG Mei-fun, JP

Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, BBS
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon NG Leung-sing, SBS, JP
Hon Steven HO Chun-yin
Hon Frankie YICK Chi-ming
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK
Hon CHAN Chi-chuen
Hon CHAN Han-pan
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Alice MAK Mei-kuen, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Dennis KWOK
Hon Christopher CHEUNG Wah-fung, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon CHUNG Kwok-pan
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Hon Tony TSE Wai-chuen

Members absent:

Hon Vincent FANG Kang, SBS, JP
Hon WONG Yuk-man
Hon James TIEN Pei-chun, GBS, JP
Hon Kenneth LEUNG

Public officers attending:

Ms Esther LEUNG, 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)
Mr Thomas CHAN Chung-ching, JP	Deputy Secretary for Development (Planning and Lands) 1
Mr Norman HEUNG Yuk-sai, JP	Project Manager (Kowloon), Civil Engineering and Development Department
Mr Michael CHAN Chun-fung	Assistant Director of Planning (Metro) Planning Department
Mrs Pamela TAN KAM Mi-wah, JP	Director of Home Affairs
Mr Eric HUI Kwok-sun, JP	Acting Deputy Director of Home Affairs (1)
Mr Patrick CHAN Chi-king, JP	Deputy Secretary for Transport and Housing (Transport) 3
Miss Gillian LAM Yuk-ting	Assistant Secretary for Transport and Housing (Transport) 2A
Mr Albert SU Yau-on	Assistant Commissioner for Transport (Management and Paratransit)
Mr Michael NG Shi-hung	Principal Transport Officer (Management), Transport Department
Mr CHENG Shing-chuen	Chief Engineer (Project), Electrical and Mechanical Services Department

Clerk in attendance:

Mr Andy LAU

Assistant Secretary General 1

Staff in attendance:

Mr Derek LO

Chief Council Secretary (1)5

Mr Daniel SIN

Senior Council Secretary (1)7

Mr Ken WOO

Council Secretary (1)5

Mr Frankie WOO

Senior Legislative Assistant (1)3

Ms Christy YAU

Legislative Assistant (1)7

Item No. 1 – FCR(2013-14)2

**RECOMMENDATIONS OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 5 FEBRUARY AND 13
MARCH 2013**

The Chairman advised that the item sought the Committee's approval of the recommendations of the Public Works Subcommittee (PWSC) made at its meetings on 5 February 2013 and 13 March 2013. The Subcommittee had recommended that the items PWSC(2012-13)50 and PWSC(2012-13)59 should be considered and voted on separately at the Finance Committee (FC) meeting.

2. The Chairman put the item FCR(2013-14)2 (excluding PWSC(2012-13)50 and PWSC(2012-13)59) to vote. The Committee approved the funding proposal.

PWSC(2012-13)50

HEAD 707 – NEW TOWNS AND URBAN AREA DEVELOPMENT

Civil Engineering – Land Development

731CL – Infrastructure works for housing sites adjacent to Lung Ping Road at Tai Wo Ping, Shek Kip Mei

3. The Chairman advised that the item sought the Committee's approval of upgrading 731CL to Category A at an estimated cost of \$781.4 million in money-of-day prices for the provision of necessary infrastructure for two housing sites adjacent to Lung Ping Road at Tai Wo Ping, Shek Kip Mei.

Use of the two housing sites for public or subsidized housing

4. Ms Cyd HO did not support the proposal because she did not agree that the two housing sites should be used for the development of luxury residential properties which could only provide about 400 residential units. Given the proposed expenditure of more than \$780 million for the infrastructural works, it would mean that about \$1.8 million of public money would be spent on each unit. Ms HO considered that the two sites should be used for provision of public or subsidized housing.

5. Deputy Secretary for Development (Planning and Lands)1 (DS(PL)1) explained that the two subject sites were considered suitable for low-rise, medium-density private residential development. Development of taller buildings there might result in adverse visual impact and poor air ventilation. High-density residential development such as public and subsidized housing would not be compatible with the land use and setting of adjacent areas which were characterized by low-density private residential developments. DS(PL)1 added that it was the normal practice for the Government to provide the necessary infrastructure before a housing site was to be disposed of. The cost of the infrastructure works would be reflected in the land premium and recovered from the sale of the sites. Meanwhile, the Government would keep identifying suitable sites for public housing development in order to meet the pledged production targets.

6. Ms Cyd HO said that although the sites were reserved for low-density development, they should not necessarily be used for the development of luxury private residential properties. Instead, the sites could be used for provision of smaller units. Ms HO enquired about the average size of the residential units to be constructed on the two sites.

7. DS(PL)1 said that the actual development of the sites including flat size would depend on the prevailing market conditions. At this stage, no restriction had been imposed on the development density of the sites, including the size or the number of residential units to be constructed. For planning purpose, the Administration estimated that the size of each residential unit would be around 100 m².

8. Ms Cyd HO reiterated her objection to the proposal.

9. Ms Claudia MO said that many Hong Kong people needed public and subsidized housing, but the proposed infrastructure projects, which would be provided with a large amount of public money, would only benefit developers and buyers of the private residential units, many of whom might not

even be Hong Kong residents. Ms MO said that the Chief Executive had indicated that the building height restrictions of housing sites might be varied. She asked whether the Administration would consider relaxing the height limit on the two sites.

10. DS(PL)1 said that the development parameters of the two housing sites were determined during the statutory planning process, having taken into consideration views of the local community. Previous consultation suggested that there would be strong objection from the local community to high-density development at these sites. The Administration would consider whether the sites should be developed using the "Hong Kong property for Hong Kong people" approach at the stage when the sites were ready for disposal.

11. Ms Claudia MO asked if the Administration would proceed with the development of the two sites for high-end property development notwithstanding the public objection and demand for public and subsidized housing. DS(PL)1 said that the Administration adopted a multi-prong approach in identifying land for housing development. In fact, the Administration was in the process of making available suitable land for public and subsidized housing development through land rezoning in order to meet the housing targets.

12. Dr Fernando CHEUNG said that he would not support the proposal as public money should not be used to finance infrastructure works for the sites to the benefit of the private developer and residents of the luxury housing development. Dr CHEUNG asked about the number of equivalent rental public housing units that could be provided if the proposed \$781.4 million being sought under the item was otherwise used for construction of public housing.

13. At the invitation of the Chairman, DS(PL)1 undertook to provide a written response to Dr Fernando CHEUNG's query.

[Post-meeting note: The Administration's reply was issued to members on 10 June 2013 vide LC Paper No. FC152/12-13.]

Use of the sites for private residential development

14. Mr NG Leung-sing said that he supported the funding proposal. Mr NG said that high-end property development and public and subsidized housing were equally necessary, and it was a matter of professional judgment as to how the subject sites should be developed. If the sale of the two sites would generate sufficient income for developing many more public housing elsewhere,

he would support the current land use proposal. He appealed to members to be pragmatic on considering the funding proposal.

15. Mr Abraham SHEK said that the sale of the sites could generate revenue for other public housing programmes and social service measures; the two subject sites were not to be developed for the benefit of wealthy people only, but for the long-term development of Hong Kong.

16. Mr Tony TSE agreed that the development potential of the subject sites should be maximized and he was satisfied that planning officials had taken into consideration relevant factors in determining the current land use. Mr TSE said that the value of a piece of land would be reflected in its premium, and the market conditions would dictate the sort of development suitable for a site. The revenue from the sale of the two housing sites at Tai Wo Ping could offset the cost of the proposed infrastructure works and would provide additional resources for public housing and other welfare service initiatives. Mr CHAN Kin-por expressed a similar view. Mr TSE asked whether the plot ratio of the two sites could be increased so as to maximize their sale value. DS(PL)1 said that while the Administration would examine if the development intensity of the two housing sites at Tai Wo Ping could be further optimized, there were physical constraints, such as air ventilation, visual and noise impact on further increasing the plot ratio.

17. Dr CHIANG Lai-wan supported the funding proposal as it could achieve multiple benefits. She said that the subject housing sites at Tai Wo Ping were not suitable for public housing development as they were not conveniently accessible. She said that the redevelopment of Pak Tin Estate and So Uk Estate in the vicinity was in progress and would supply a considerable number of public housing units. On the other hand, the sites at Tai Wo Ping could generate revenue for other improvement measures.

18. Mr LEUNG Kwok-hung said that the value of a site should not only be judged by its land premium, but also by how it would improve the welfare and well-being of the community as a whole. He did not subscribe to other members' comments that the proposed use of the housing sites at Tai Wo Ping for high-end residential development should be supported just because it could generate revenue for other programmes. Mr LEUNG said that this was indeed contradicted with the Administration's position to reduce the reliance of Hong Kong's economic growth on real estate development.

19. Mr LEUNG Kwok-hung said that the Chief Executive had announced that housing issues ranked top in his job priorities. The Administration should therefore make use of every opportunity to increase

public housing supply. He said that there was no reason why the two sites at Tai Wo Ping could not be used for public housing development just because there were low-density private residential development in the adjacent areas. Mr LEUNG said that he would not support the proposal.

20. Mr CHAN Kin-por supported the funding proposal. He said that the Administration should have a holistic plan in meeting the housing supply targets. Mr CHAN said that he would defer to planning officials' professional judgment on the use of the two housing sites at Tai Wo Ping, as the decision involved consideration beyond his expertise.

21. Ir Dr LO Wai-kwok said that he would support the funding proposal. He said that land use should be planned to address the needs of different sectors of the community. The Chief Executive had not pledged to turn every available piece of land into sites for public or subsidized housing. Quoting his experience as a member of the Building Committee of the Housing Authority, Ir Dr LO said that, when a site was identified, the Housing Authority had to evaluate carefully whether the site was in fact suitable for public housing development taking into consideration a number of factors.

Imposing land-sale conditions on the sites

22. Dr KWOK Ka-ki said that the Panel on Development did not object to the funding proposal per se, but members had requested the Administration to impose conditions on the land sale, such as the provision of certain number of fixed-size flats, development density, and mixed public/private mode of development. Dr KWOK said that it was unreasonable if the proposed publicly-funded infrastructure works would only serve the relatively small number of households in the two housing sites. He asked whether the Administration would impose land-sale conditions to require developers to provide certain number of fixed-size residential units, or reserving a certain portion of the sites for public housing development.

23. On the Administration's explanation that the road network serving the two housing sites could not cope with the traffic generated by high-density development, Dr KWOK Ka-ki commented that, if the sites were to be used for public housing development, the residents would likely rely on public transport rather than private cars. As such, there would be fewer vehicles using the access roads than there would be if the sites were used for private low-rise residential development.

24. DS(PL)1 reiterated that the Administration adopted a multi-prong approach in the identification of suitable sites to meet the housing supply targets.

Apart from the two housing sites at Tai Wo Ping, the Administration was taking steps to rezone suitable land for public housing purpose, and to allocate the sites to the Housing Authority for public or subsidized housing development in accordance with the established mechanism.

25. DS(PL)1 said that there was no plan to impose restriction on the floor area for each residential unit to be constructed on the sites. The Administration currently assumed, for planning purpose, that about 480 units would be built, and each of which would have an average area of around 100 m². DS(PL)1 added that whether additional land sale conditions should be imposed would depend on the market situations at the time the sites were put up for sale.

Other uses of the sites

26. Mr WONG Kwok-kin sought confirmation on whether the proposed funding of \$781.4 million cost for provision of infrastructure works for the two housing sites at Tai Wo Ping would be recovered from the sale of the sites. Mr WONG further queried whether the sites in question could be used for public housing development.

27. Mr IP Kwok-him noted that, the Government would not subsidize developers, and the cost of infrastructure, with which a piece of land would be suitable for development, would be recovered from the land premium. He asked what other uses could be made of the subject sites.

28. DS(PL)1 responded that the \$781.4 million was the estimated expenditure for the proposed public works. It was expected that the land premium received from the sale of the sites should far exceed this amount. DS(PL)1 said that the Administration had assessed carefully the conditions of each site in determining the appropriate types of development and development density. The two sites at Tai Wo Ping were currently zoned for low-rise medium-density development only. There were various physical constraints and high-density development on the sites which might create problems to the neighbourhood, such as adverse visual impact, air ventilation and noise. It was considered that low-rise medium-density residential development was more suitable for the two sites.

29. Mr WU Chi-wai asked if the Administration had estimated the value of the land premium. DS(PL)1 said that the Administration had not estimated the land premium at this stage, but based on previous experience, it was estimated that the land premium would exceed the cost of the infrastructure projects.

30. In response to Mr WU Chi-wai's enquiry about the size of the gross floor area (GFA) that would be available from the two housing sites, and whether the sites could be available for housing construction earlier if the developers were entrusted to carry out the required necessary infrastructure works, DS(PL)1 responded that the sites could provide about 42 000 m² GFA and that as explained in the Administration's letter dated 28 January 2013 to the Panel on Development, implementation of the proposed works under the Public Works Programme was considered a more appropriate and effective way to take the development forward at this juncture. On the other hand, if the proposed works were to be undertaken by the future developers of the subject housing sites, there would be greater uncertainty in the implementation programme. DS(PL)1 further explained that additional lead time was required by the developer to take up and review the design, site investigation and contract arrangements for the proposed works. If the proposed works were to be undertaken by the developer under the land-sale conditions, there would not be any saving in public money because the costs of the proposed works would be duly reflected in the land premium to be offered by the developer.

31. Mr YIU Si-wing asked if there were established criteria by which the Administration determined whether a piece of land should be used for low-density or high-density development or be allocated for construction of public or subsidized housing. DS(PL)1 said that in determining the type of use and development intensity, the Administration would examine the physical constraints of the sites and other factors such as ventilation, traffic, environmental, and noise impact of a development to the neighbourhood. These factors might be reviewed by the Town Planning Board as necessary before a final decision was taken. Mr YIU suggested that the Administration should include the above analysis in future submissions of similar projects so as to avoid any misunderstanding among members that expenditure on infrastructure works would be used for subsidizing developers or residents of those residential units. DS(PL)1 said that the Administration would take into consideration members' comments in preparation of future similar submissions.

32. The Chairman said that four more members had indicated their intention to speak on the item for the second round. He ordered that the speaking time for these members should be reduced to no more than three minutes, including the Administration's response.

Factors to be considered in the use of housing sites

33. Ms Cyd HO said that the Government should not assume the role of a developer. The value of a piece of land depended not only on the revenue from sale that it could generate but also on the improvement to the quality of

life of the community which the appropriate use of the land could bring about. Ms Claudia MO agreed with Ms HO's view. Ms Cyd HO said that the Administration was not desperate for revenue from land sale to finance its public services. The problem Hong Kong now faced was the lack of land for provision of public housing. The Administration should accord priority in addressing the housing needs of the community before allocating land for luxury residential development.

34. Ms Cyd HO said that the Administration should not rely entirely on the market in assessing the value and planning parameters of a site because she considered that the market mechanism had failed, widening the gap between the rich and poor. Ms HO said that there was no reason why public housing could not be built among low-density neighbourhood as there had been precedents, such as the low-rise public housing in Stanley. Ms HO suggested that the Administration should allocate the two housing sites in Tai Wo Ping for provision of smaller-sized housing units so as to enable more people to own their property.

35. Mr LEUNG Kwok-hung said if the Administration had to use the subject housing sites for development of luxury residential properties, alternative sites should be allocated for provision of small-sized housing units. He said that the revenue from the sale of the sites needed not necessarily be designated for public housing programmes; the resources could be used for other social services. Mr LEUNG said that members did not oppose to the provision of land for luxury residential properties. It was a matter of proportion as to how much of available land should be used for such purposes, particularly when the Administration had maintained that there was insufficient land for public housing. The Administration needed to have a concrete plan in meeting the housing needs of the community.

36. Ms Claudia MO said that it was not acceptable for the Administration to designate the whole of the two housing sites for luxury residential development. She also echoed Ms Cyd HO's views that public housing and high-end housing development could co-exist together. Referring to the Administration's argument that the cost of infrastructure works would be recovered from the land premium, Ms MO said that the developers would, in effect, benefit from the public works investment by the Administration. She said that as the infrastructure cost was reflected in the land premium, the property price would accordingly be inflated. She criticized the Administration for contributing to the vicious cycle where increase in property price reduced people's affordability of private housing property, which in turn, drove up the demand for public housing.

37. Dr Elizabeth QUAT did not subscribe to some members' comments that the Administration had benefited some sectors by allocating land for high-end residential development. She said that if the Administration were to skew its policy to benefit private sector and to fuel speculation activities, it should have stopped releasing land for sale, as property price would soar given the scarcity of supply.

38. Mr LEUNG Kwok-hung argued that there would not be speculation activities if sites were to be used for public housing development, as there would be no opportunity for substantial profit. He said that if members were concerned about the large number of people still on the public housing waiting list, they should support using the subject sites for public housing, after all, provision of public housing was accorded top priority among the Chief Executive's pledges.

39. Dr Elizabeth QUAT also argued that the Administration would upset market mechanism if it arbitrarily set aside a certain proportion of each site for public and subsidized housing development. She agreed with the Administration that the type of development that was appropriate for a location, and the relevant planning parameters to be adopted for a site should be determined by the prevailing market conditions.

Alternatives in providing infrastructure to the two sites

40. Dr Fernando CHEUNG asked if an access road could be constructed to connect the two housing sites with Lung Yan Road instead of having the need to provide a longer and more elaborated road to Lung Cheung Road. Project Manager (Kowloon), Civil Engineering and Development Department (PM(K)) said that Lung Yan Road was narrow, substandard and steep and was unsuitable for heavy traffic. In considering the relevant development plan, the Town Planning Board had agreed that a standard road complying with current technical standards should be provided. Dr CHEUNG noted that there was an existing access road to the sites and opined that the Administration should make use of the road by widening or improving it instead of building new infrastructure. He said that the proposed project cost of \$781.4 million would otherwise be more beneficially used in constructing some 2 000 public housing units. Dr CHEUNG asked if the Administration would re-examine the infrastructure requirement and amend the scope of works.

41. PM(K) said that improvement to Lung Yan Road to the required standards was difficult. On the other hand, future vehicles would avoid having to take a long detour round Lung Cheung Road to reach the two sites using the proposed road works.

42. Dr KWOK Ka-ki said that a large area of the land in Hong Kong was in possession of a few major developers. There was no shortage of land for high-end residential development. On the other hand, many grassroots communities had difficulties finding accommodation. He criticized that while some members had all along claimed support for the policy of constructing subsidized housing, they were reluctant to support using the subject sites for public housing development.

43. Dr KWOK Ka-ki commented that \$781.4 million's worth of infrastructure to be provided by the Government would only benefit about 200 households. He said that members in support for public and subsidized housing development on the subject sites were not asking for developing the whole sites but only part of the sites for public and subsidized housing development. Dr KWOK asked, if part of the sites was to be developed for public and subsidized housing, whether the average traffic impact on the adjoining road network created by each household should be smaller than when both sites were solely devoted to private high-end housing development.

44. DS(PL)1 said that the Administration had carefully assessed the traffic impact under different development scenarios. Subsidized and public housing had a higher development density as the number of households would be greater. It was not certain that public or subsidized housing development would have less pressure on traffic on the road network than the proposed private housing development.

45. Dr CHIANG Lai-wan said that the sites had a total area of about 450 000 square feet. If the average price per square feet was \$10,000, the site could be sold for at least \$4.5 billion. The proposed public works project would cost about \$780 million. There would be at least \$3.8 billion in surplus from the sale of the sites which could be used for development of a large number of public housing units elsewhere. Besides, other public housing development projects were in progress which would provide necessary units to meet the community's needs. Dr CHIANG appealed to members to support the proposal.

Voting results

46. There being no further question on the PWSC item, the Chairman put the item PWSC(2012-13)50 to vote. At the request of Ms Cyd HO, the Chairman ordered a division. Of the 50 members who were present and voted, 40 members voted for and 10 voted against the item. The voting records of individual members were as follows –

For:

Mr Albert HO Chun-yan
Mr CHAN Kam-lam
Mr TAM Yiu-chung
Dr Joseph LEE Kok-long
Mr Andrew LEUNG Kwan-yuen
Ms Starry LEE
Mr CHAN Kin-por
Mr WONG Kwok-kin
Mrs Regina IP LAU Suk-ye
Mr NG Leung-sing
Mr Frankie YICK Chi-ming
Mr YIU Si-wing
Mr Charles Peter MOK
Miss CHAN Yuen-han
Ms Alice MAK Mei-kuen
Mr Christopher CHEUNG Wah-fung
Mr IP Kin-yuen
Mr TANG Ka-piu
Ir Dr LO Wai-kwok
Mr Christopher CHUNG Shu-kun
(40 members)

Mr James TO Kun-sun
Ms Emily LAU Wai-hing
Mr WONG Kwok-hing
Mr Jeffrey LAM Kin-fung
Mr WONG Ting-kwong
Mr CHAN Hak-kan
Dr Priscilla LEUNG Mei-fun
Mr IP Kwok-him
Mr Michael TIEN Puk-sun
Mr Steven HO Chun-yin
Mr WU Chi-wai
Mr MA Fung-kwok
Mr CHAN Han-pan
Mr LEUNG Che-cheung
Mr KWOK Wai-keung
Dr Helena WONG Pik-wan
Dr Elizabeth QUAT
Dr CHIANG Lai-wan
Mr CHUNG Kwok-pan
Mr Tony TSE Wai-chuen

Against:

Mr LEE Cheuk-yan
Mr CHEUNG Kwok-che
Mr Gary FAN Kwok-wai
Dr KWOK Ka-ki
Dr Fernando CHEUNG Chiu-hung
(10 members)

Ms Cyd HO Sau-lan
Ms Claudia MO
Dr Kenneth CHAN Ka-lok
Mr Dennis KWOK
Mr Martin LIAO Cheung-kong

47. The Chairman declared that the Committee approved the item.

PWSC(2012-13)59

CAPITAL WORKS RESERVE FUND

HEAD 707 – New Towns and Urban Area Development

Subhead 7017CX – Signature Project Scheme

48. The Chairman advised that the item sought the Committee's approval of the creation of a new block allocation Subhead 7017CX under Head 707 to support the implementation of projects by District Councils under Signature

Project Scheme (SPS), subject to a financial ceiling of \$30 million for each Category D item and the approval of \$29 million for 2013-14 for this Subhead.

49. Mr IP Kin-yuen asked the Administration to provide members the list of the items underpinning the delivery of works-related SPS for members' reference. Director of Home Affairs (DHA) said that all DCs except three were still in the process of drawing up SPS projects to be implemented. As such, the list as member requested was not available at this stage. DHA added that members' approval of the current funding application should not depend on the list of SPS items. The funding proposal was a block allocation to provide funding support to DCs in conducting preliminary design and technical submissions, or in social engagement exercises by works agents to ensure the projects were technically feasible and could address the needs of the local community. Each SPS project would still have to be submitted individually to the Finance Committee (FC) for funding approval before implementation.

50. Mr IP Kin-yuen asked about the justification for the required \$29 million in the absence of the list of SPS items. DHA said that each DC could spend up to \$100 million on the SPS projects, most of which were likely to be works-related. The Administration estimated that DCs would need a total of \$200 million to conduct preliminary preparatory works for the SPS projects. The estimated cash flow for the current financial year, and hence the amount of block allocation sought under this funding item, would be around \$29 million.

51. Mr IP Kin-yuen asked whether the Government would be the works agent for the District Councils (DCs) which would incur spending under the \$29 million block allocation to engage consultants or outsource services under SPS. DHA said that the Administration would work in partnership with DCs in the project formulation stage and that she, as the Controlling Officer for the new block allocation, would be responsible for the disbursement of funds on projects proposed by DCs.

52. Mr IP Kin-yuen asked how the Administration would tackle the concern raised by members of the PWSC about the subsequent maintenance and management of the SPS facilities. He asked the Administration to explain how it would tackle the issue. DHA said that the management and maintenance implications of each project would be determined by DCs according to the established guidelines and the Administration would provide DCs with the necessary information for reference.

53. Mr WU Chi-wai noted that each SPS project could either be works-related or non-works-related. He asked how much of the proposed

allocation would be used to fund preparatory and pre-construction works required for works-related components of SPS projects. DHA said that the funding sought would be used entirely on works-related expenses.

54. Mr WU Chi-wai asked if DCs could engage their term consultants to advise SPS projects, and in such circumstances, whether savings could be achieved. DHA confirmed that term consultants currently engaged to advise DCs on minor works could provide service if their expertise was relevant to the SPS projects proposed by DCs. DHA said that DCs would still have to pay for the service provided by the term consultants on SPS projects. She added that engaging term consultants on SPS-related items would save the time and efforts of tendering and selection of other works consultants.

55. Mr WU Chi-wai also asked how the Administration would provide resources to enable DCs to carry out non-works SPS projects. In response, DHA said that resources for non-works projects had been earmarked in this year's Estimates of Expenditure. Five time-based civil servant posts would be created in the Home Affairs Department (HAD), additional time-based non-civil servant contract posts would be created in HAD and relevant works departments to support the work of individual DCs.

56. Mr Michael TIEN declared that he was a member of the Tsuen Wan DC. He said that the Tsuen Wan DC had some very preliminary ideas for SPS projects for which no project estimates had been worked out nor implementation partners identified. He asked whether the proposed block allocation could enable DCs to engage project consultants to turn a vague project concept into a concrete plan to allow the SPS project to proceed further.

57. DHA said that the Administration would assign a time-based NCSC project manager for each DC. The project manager would carry out the preparatory planning (including drawing up a preliminary project estimate) and assist in the selection of partner organizations. Consultants would then be engaged to carry out more detailed planning and implementation works, as endorsed by the DCs concerned. On the basis of DHA's elaboration, Mr Michael TIEN said that he would support the funding proposal.

58. Mr IP Kwok-him said that members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong supported the funding proposal. He noted that the proposed block allocation would provide resources that enabled DCs to engage technical personnel to help turn project concepts into concrete proposals for further follow-up by DCs and subsequent deliberation by PWSC and FC.

59. Dr Priscilla LEUNG declared that she was a member of the Kowloon City DC. She said that she supported the funding proposal. Dr LEUNG said that KCDC had agreed to use the \$100 million allocation to revitalize the Cattle Depot Artist Village. However, she said that it was necessary to seek the advice from professionals to turn concepts into concrete implementable proposals. Dr LEUNG said that KCDC members were concerned about the sustainability of the project and the availability of professional support for the long term.

60. Referring to paragraph 5 of the supplementary information provided by the Administration (LC Paper No. PWSC49/12-13(01)), Ms Emily LAU asked if the Administration would provide resources for DCs regarding the subsequent maintenance and management responsibilities for SPS works. DHA said that if DCs partnered with government departments in implementing SPS projects, the partner departments would take up the subsequent management and maintenance. Where DCs partnered with non-profit-making organizations (NPO), they would have to work out the share of responsibilities and the subsequent operation of the project. Guidelines for the selection of NPO partners would be issued to DCs for reference. DHA said that the Administration hoped to encourage tripartite co-operation involving the Government, the community and the business sector in implementing SPS projects.

61. The Chairman ordered that the speaking time for the second round of questions should be reduced to no more than three minutes, including the Administration's reply.

62. Mr WU Chi-wai sought clarification on whether DCs had developed any non-works project proposals and whether any of the civil servant or NCSC posts to support non-works SPS items had been created. Mr WU said that it was not appropriate to create and fill the posts if DCs had not drawn up any non-works project plans. DHA said that three DCs had already submitted project proposals, where one was a non-works project. She assured members that the staff in HAD would also support DCs on works-related project items.

63. Mr WU Chi-wai suggested that the Administration should provide resources to DCs to engage term consultants to develop project proposals when the relevant project concept was formulated. DHA said that the Administration would work closely with DCs and their consultants in developing SPS project proposals.

64. Mr IP Kin-yuen noted that FC was now asked to approve the block allocation to meet the cash flow requirement for the current financial year.

The Administration would therefore need to seek further funding approval for resources to be allocated for DCs to carry out preparatory and pre-construction works required for works-related SPS projects. He suggested that the Administration should include the list of items in the next round of funding application and set out financial implications on future maintenance of the projects.

65. DHA said that when the relevant works projects were ready for funding application, the maintenance implications would be indicated in the relevant PWSC papers to FC. Upon approval by FC, the recurrent resources would be allocated to the responsible departments accordingly.

66. The Chairman directed that the speaking time for the third round of questions should be reduced to no more than two minutes, including the Administration's reply.

67. Mr WU Chi-wai asked the Administration to provide information on the staffing establishment and estimated expenditure in supporting the works and non-works related projects. He also asked if the Administration would seek approval from FC for the remaining \$200 million for further funding to support preliminary preparation of projects. DHA confirmed that the Administration would seek approval from FC for further funding on an annual basis to conduct preliminary works relating to the projects initiated by DCs.

68. There being no further question from members, the Chairman put the item to vote. The Chairman declared that the Committee approved the item.

Item No. 2 – FCR(2013-14)5

CAPITAL WORKS RESERVE FUND

HEAD 708 – CAPITAL SUBVENTIONS AND MAJOR SYSTEMS AND EQUIPMENT

Transport Department

New Subhead "Installation of 'Stop-and-go' e-Payment Facilities at Manual Toll Booths of Government Tolloed Tunnels and Roads"

69. The Chairman said that the item sought the Committee's approval of a new commitment of \$45,530,000 to install "stop-and-go" e-payment facilities at the manual toll booths of government tolloed tunnels and roads. Members noted that the proposal would incur an estimated recurrent cost of around \$15 million per year for the transaction fees charged by the card issuing companies or clearing companies.

70. Mr CHAN Kam-lam, Chairman of the Panel on Transport, reported that the Panel discussed the proposal for the "stop-and-go" payment service at its meeting held on 15 March 2013. Panel members supported the proposal in principle. Some members suggested that, in formulating the criteria for selecting service providers, the Administration should ensure that all interested parties had an equal opportunity in bidding for the service, and that they had the ability to protect the privacy of the users of the service. Mr CHAN said that some members had asked the Administration to expedite the implementation of the proposal, and to examine the development of electronic identification of vehicles to further reduce the transaction time and relieve the workload of toll collectors.

71. The Chairman said that there were three outstanding items on the agenda and there were about ten minutes left before the close of the meeting. Four members had indicated their intention to speak. As he considered that the current funding item was rather straight forward, the Chairman ordered that the speaking time for the first round of questions should be no more than four minutes, including the Administration's reply.

72. Dr Elizabeth QUAT expressed support for the item and urged the Administration to expedite the implementation of the project. Dr QUAT asked if the Administration would invite e-payment service providers to provide and install the card readers instead and how the Administration would upgrade the equipment in future when new technologies were available.

73. Deputy Secretary for Transport and Housing (Transport)3 (DS(T)3) said that the proposed "stop-and-go" payment service would address public requests and enhance the convenience of motorists. The Administration welcomed all interested and qualified service providers to participate in the provision of the service, so that the facilities would be compatible with as many e-payment systems as possible.

74. Dr Elizabeth QUAT asked about the number of card payment systems that the proposed e-payment facilities would be compatible with. In response, DS(T)3 said that the Administration would encourage contactless smart card service providers to participate in the project with a view to developing a common card reader. Alternatively, the Administration might install different card readers at the manual toll booths to accommodate different contactless smart cards. However, given the space constraint at the manual toll booths, the number of card readers that could be installed was limited. The Administration would need to co-ordinate with the different service providers in this regard.

75. Noting that smart card service providers would upgrade their facilities regularly, Dr Elizabeth QUAT asked about the service life of the proposed facilities. DS(T)3 said that the Administration would invite prospective providers of e-payment facilities and service to indicate in their Expression of Interest the technologies adopted for their equipment so that the Administration could draw up the technical specifications for tendering.

76. Mr CHAN Hang-pan asked the Administration to elaborate how it would involve various service providers to install contactless smart card readers at the manual toll booths and how the installation of the new facilities would affect the toll fees as a result.

77. DS(T)3 said that the Administration welcomed contactless smart card service providers to participate in the project and hoped to develop a system that could be compatible with as many smart card payment methods as possible. As regards the impact on toll charges, DS(T)3 said that, according to the "user pays" principle, the Administration would recover the operating cost of government tolled tunnels and roads, which would include the additional recurrent cost and depreciation cost of the "stop-and-go" e-payment facilities, from the tunnel/road users. However, when considering how toll fees should be adjusted, the Administration would take into consideration a basket of factors, including the impact of the fee adjustment on traffic, public acceptability and affordability and the impact on the economy. Public consultation and suitable legislative amendments would be necessary before the new fee levels could be effected.

Impact on motorists' choice of payment method

78. Considering that the e-payment system would be operated on a commercial basis, Mr CHAN Hang-pan opined that there was no need to use public funds to install, operate and maintain the system. DS(T)3 said that the Administration proposed the installation of the e-payment facilities which could accommodate different contactless smart cards to enhance the convenience of motorists. Since it was hoped that more than one service provider would participate in the project, it was considered necessary for the Administration to play a co-ordinator and controller role over the service.

79. DS(T)3 added that the \$15 million recurrent cost was estimated on the assumptions that 75% of tunnel users would use the "stop-and-go" service and that the transaction fees were 1% of the toll charge. Chief Engineer (Project), Electrical and Mechanical Services Department (CE(P)) said that the annual maintenance implications would be around 10% of the cost of the facilities.

80. Mr Charles MOK expressed concern about the Administration paying the recurrent costs. He opined that the Administration was, in effect, paying the transaction costs to the e-payment service providers on behalf of service users. On the other hand, subscribers of Autotoll had to pay for the service fees on their own. The inconsistency in the fee collection mechanisms might encourage Autotoll users to switch to other e-payment service providers. This might be unfair to Autotoll. Mr MOK asked how the Administration would ensure that different service providers would operate e-payment service on a level playing field. Furthermore, Mr MOK said that Autotoll was a more efficient approach of e-payment of toll fees as motorists did not have to stop their cars to pay tolls. In contrast, the "stop-and-go" e-payment service was a less efficient method and when more and more motorists switched to use it, it might slow down traffic at the toll plaza.

81. DS(T)3 stressed that the proposed "stop-and-go" e-payment service was not intended to introduce competition in the provision of toll collection service, but was put forward in response to the requests from the community for motorists' convenience. Motorists had the conscious choice of making payment by using Autotoll or other smart card e-payment services. The Administration would consider how the depreciation cost and additional recurrent cost of the "stop-and-go" e-payment facilities would be recovered from the toll fees.

82. As there were three members who had indicated their intention to speak on the item, the Chairman ordered that the meeting would be extended by 15 minutes. If members still had questions on the items and discussion could not be concluded by the close of the meeting, the discussion would have to be carried over to the next FC meeting.

Manpower at toll booths

83. Mr WU Chi-wai said that the Administration could not save manpower through implementing the "stop-and-go" e-payment service. He referred to paragraph 8 of the discussion paper (FCR(2013-14)5) that the criteria in selecting service providers included the popularity of their smart cards, equipment cost and transaction fees. He questioned whether it was realistic for the Administration to expect that the successful bidder would adapt the system to make it compatible with other competing contactless smart card payment systems.

84. DS(T)3 said that the Administration would select a service provider who would develop a compatible electronic trading platform for different contactless smart card payment systems. DS(T)3 confirmed that the

implementation of "stop-and-go" e-payment service would not save manpower at the manual toll booths because toll collectors still had to input the vehicle class to the control console inside the manual toll booth before the motorist settled payment and that the manual toll booths would still accept payment by cash or pre-paid toll tickets.

85. Mr WU Chi-wai said that the "stop-and-go" e-payment service could increase the efficiency of toll charge collection at manual toll booths. However, motorists might shift from the more efficient payment method of Autotoll to contactless smart card e-payment system. Mr WU asked if the Administration would use part of the proposed funding of \$45.5 million to encourage more motorists to use Autotoll service.

86. DS(T)3 said that the Administration had regularly monitored the use of Autotoll and found that the subscription rate remained quite stable. He said that it was expected that with the time saved for the collection of tolls, the introduction of the "stop-and-go" e-payment service would be conclusive to improving traffic flow.

87. Mr Tony TSE noted that one of the criteria in selecting service provider was whether the provider could install a smart card reader that was widely compatible with other contactless smart card readers. He also asked whether the Administration had assessed the availability of such providers in the market and who would be interested in participating in this project.

88. DS(T)3 assured members that there were interested and qualified service providers and the Government was prepared to use a common card reader or install different card readers to accommodate different contactless smart cards.

89. Mr CHAN Wai-yip said that he supported the proposal. Mr CHAN expressed concern that in some tunnels, the vehicle queues using Autotoll was even slower than those using manual toll booths. When the "stop-and-go" e-payment service was introduced, there might be more confusion as to how traffic might be diverted among toll booths with different payment systems. The Chairman said that according to the Administration, the contactless smart card readers would be installed in the manual toll booths so that the question of traffic diversion across three different types of toll booth would not arise.

90. Mr James TO asked, given the expected high transaction volume of the contactless smart card e-payment service, whether the Administration could negotiate with the service providers to bear the cost of installing the smart card readers.

91. Assistant Commissioner for Transport (Management and Paratransit) (AC for T(M&P)) said that the whole project was estimated to be about \$45.5 million and the actual expenditure would depend on the tender price. The \$15 million recurrent expenses were related to the estimated transaction cost payable to the card issuing companies and/or clearing companies. The estimated transaction cost was on par with the transaction fees payable by retail outlets using such e-payment service.

Impact on speed of traffic flow

92. Dr Fernando CHEUNG said that the utilisation of Autotoll was not high. Autotoll service should be more efficient in collecting tolls as it would not hold up traffic at toll booths. Dr CHEUNG said that the Administration should promote the use of Autotoll. The low popularity of Autotoll was probably due to the need for monthly charges. He asked if the Administration had conducted a cost-benefit analysis comparing the proposed "stop-and-go" e-payment service and promoting the Autotoll service.

93. DS(T)3 said that the Administration had not conducted such cost-benefit analysis. Dr Fernando CHEUNG queried why the Administration did not explore the option of promoting the use of Autotoll in government tolled tunnels. He therefore had reservations on the proposal.

94. Dr Fernando CHEUNG requested the Administration to conduct a cost-benefit analysis comparing Autotoll and contactless smart card e-payment methods. DS(T)3 expressed difficulty in providing the requested analysis before the next FC meeting and said that impact of the improvement in traffic flow at toll booths on the tunnel traffic might not be significant. He explained that, for instance, although vehicles did not need to stop and pay at Autotoll booths, and hence flow of traffic would be faster as compared with other payment methods, motorists might still encounter congestion inside tunnels.

95. At this juncture, Mr James TO requested to speak. The Chairman said that as the meeting was drawing to a close, he could not allow Mr TO to speak and suggested that Mr TO could raise his question at the next FC meeting when discussion on the item would resume.

96. The Chairman said that as members still had outstanding questions on the item and the meeting was drawing to a close, the item would be carried over to the next FC meeting to be held on 24 May 2013.

97. The meeting was adjourned at 5:31 pm.