

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 30th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 24 May 2013, at 3:00 pm

Members present:

Hon Tommy CHEUNG Yu-yan, SBS, JP (Chairman)
Hon Albert HO Chun-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 Vincent FANG Kang, 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 James TIEN Pei-chun, GBS, 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 Kenneth LEUNG
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
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 Emily LAU Wai-hing, JP (Deputy Chairman)
Hon LEE Cheuk-yan
Hon WONG Yuk-man
Hon SIN Chung-kai, SBS, JP

Public officers attending:

Professor K C CHAN, GBS, JP	Secretary for Financial Services and the Treasury
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 Stanley WONG Wing-hong	Acting Deputy Head, Central Policy Unit
Mr Raymond FAN Wai-ming, JP	Secretary to the Commission on Strategic Development, Central Policy Unit
Mr Patrick CHAN Chi-king, JP	Deputy Secretary for Transport and Housing (Transport) 3
Ms Cordelia LAM Wai-ki	Principal Assistant Secretary for Transport and Housing (Transport) 2
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
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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)1
RECOMMENDATIONS OF THE ESTABLISHMENT
SUBCOMMITTEE MADE ON 20 MARCH 2013**

The Chairman advised that the item sought the Committee's approval of the recommendations of the Establishment Subcommittee (ESC) made at its meeting on 20 March 2013. ESC had recommended that the items EC(2012-13)23 and EC(2012-13)23A should be considered and voted on separately at the Finance Committee (FC) meeting.

2. The Chairman put the remaining items in FCR(2013-14)1 to vote. The Committee approved the funding proposal.

**EC(2012-13)23 and EC(2012-13)23A
HEAD 142 – GOVERNMENT SECRETARIAT: OFFICES OF THE CHIEF
SECRETARY FOR ADMINISTRATION AND THE FINANCIAL
SECRETARY
Subhead 000 Operational expenses**

3. The Chairman advised that the items sought the Committee's approval of the creation of one supernumerary post of Administrative Officer Staff Grade C as Assistant Secretary to the Commission on Strategic Development (AS(CSD)) in Central Policy Unit (CPU) under the Offices of the Chief Secretary for Administration (CS) and the Financial Secretary (FS) with immediate effect upon the approval of FC up to 30 June 2017.

4. The Chairman instructed that the speaking time for the first round of questions on the items should be not more than five minutes, including the Administration's reply.

Focus and operation of the Commission on Strategic Development

5. Pointing out that the majority of the newly appointed members of the Commission on Strategic Development (CSD) were supporters of the incumbent Chief Executive (CE), Dr KWOK Ka-ki expressed concern that CSD membership was a reward given by CE to his supporters, and it was hard to convince members of the public that CSD would make valuable contributions. Mr CHAN Han-pan expressed a different view. He pointed out that members of affiliation with different political parties were also appointed to be CSD members in the current term.

6. Dr KWOK Ka-ki said that CSD's work was very limited since the incumbent CE took office in July 2012, and sought justifications for the time span of the proposal to tally with the tenure of the present term of the Government.

7. Secretary to the Commission on Strategic Development, Central Policy Unit (S to CSD) explained that although the Government of this term had set up a number of advisory bodies to discuss long-term issues of Hong Kong, it considered CSD an important platform for the Government and various sectors of the community to discuss long-term strategic issues from a macro perspective. CSD would adjust its mode of operation to enhance its performance, and would focus more on strategic, macro and long-term issues related to the international competitiveness as well as social, economic and political developments of Hong Kong. The CSD Secretariat would communicate more directly with bureaux/departments at the senior levels in enriching their understanding and consideration of the initiatives and policy suggestions raised by CSD members during meetings. To enhance public participation and input in the policy formulation process, the CSD Secretariat would prepare and issue reports summarizing the papers and CSD's discussion at meetings for public consumption and feedback as appropriate. The CSD Secretariat had been strengthened at the directorate level with the provision of an Assistant Secretary since 2006, and the post was extended twice in 2007 and 2009 respectively. The post was made supernumerary having regard to the views of Legislative Council (LegCo) Members at previous discussions. To cope with the new focus and mode of operation of CSD, there was a need for a dedicated directorate post in the CSD Secretariat for enhancing its support for the work of CSD in its new term.

8. Mr CHAN Han-pan declared that he was an appointed member of the current term CSD and said from his personal experience that appointed members of CSD were serious in the deliberations. Mr CHAN opined that there was a need to focus on the long-term strategic development of Hong Kong

and its position in the pan-Pearl River Delta region. He expressed support for the proposal as he considered that the post would contribute to the operational efficiency of CSD.

9. Mr CHAN Kin-bor declared that he was an appointed member of the current term CSD and said that at a preparatory meeting which he recently had attended, there were expression of insightful views and in-depth discussions among members. Pointing out that such a platform was required to discuss medium to long-term strategic issues from a marco perspective, he expressed support for the proposal.

Examples of the work of the Commission on Strategic Development

10. Mr IP Kin-yuen was of the view that the proposal would be better justified if the Administration could illustrate with recent examples in which new policies were implemented based on the recommendations of CSD. Dr KWOK Ka-ki expressed a similar view. He said that members had difficulty supporting the proposal in view of the insignificant benefits of CSD's work.

11. S to CSD responded that CSD had released the "Consultancy Study on International Experience of Selected Countries in Supporting the Low-income Family in Helping its Members and their Applicability to Hong Kong" and the "Report of the Task Group on Supporting the Family in Helping its Disadvantaged Members" on 16 December 2008 and 3 July 2008 respectively. Both studies were presented to the relevant bureaux for formulating new policies. CSD had also contributed to the enhancement of Hong Kong's competitiveness in the region by publishing "A Study on Singapore's Experience in Regional Cooperation" on 4 September 2009 for the reference of the bureaux concerned. Recommendations from CSD's Committee on Governance and Political Development were also duly adopted in mapping the way forward for political reform. The building of an advanced manufacturing and service sector base as provided under the dedicated chapter of the National Twelfth Five-Year Plan also stemmed from the discussions of CPU and CSD. S to CSD emphasized that CSD was a platform for the Government and various sectors of the community to discuss long-term strategic issues from a macro perspective, whilst issues requiring policies and measures in the short-term should best be devised by other advisory committees and the bureaux concerned.

Need for the proposed post

12. Mr James TIEN said that he was an appointed member of CSD for the last two terms and was familiar with the operations of CSD. Mr TIEN said that in addition to the bureau secretary concerned who would attend CSD meetings to explain policies under his respective purview, CS and FS would also meet with individual members to explain policy initiatives. Given the fact that the membership size of CSD had been reduced from some 60 in the last term to 31 in the current term and, as he learnt from Mr Vincent FANG, who was an appointed member of the present term CSD, there was only one preparatory meeting held for the current term so far, he queried the need to strengthen directorate support for the CSD Secretariat.

13. S to CSD advised that the current proposal did not seek additional manpower to cope with the increase in the workload of the CSD Secretariat, but sought to reinstate the supernumerary post of AS(CSD), which was created in 2006 and had expired together with the tenure of the last term Government. The post was necessary given the complexity of the tasks involved and the new mode of operation of the CSD Secretariat in the new term. It was expected that the workload of the post holder would be increased as the CSD Secretariat had to communicate with bureaux/departments to enrich their understanding and consideration of the initiatives and policy suggestions raised by members during meetings, and engage public participation.

14. Mr James TIEN asked whether Ms Sophia KAO Ching-chi was originally given a position in CSD, and the proposal was necessitated by her absence due to her engagement in another paid post at CPU. Acting Deputy Head, Central Policy Unit (Acting DH/CPU) said that there was no relationship between Ms KAO's employment with CPU and the proposal, because the position currently held by Ms KAO at CPU was a permanent post while the post of AS(CSD) had been created in 2006 as a supernumerary post to the CSD Secretariat.

15. Dr Helena WONG asked whether the holder of the proposed post would be required to undertake research duties other than the administrative role.

16. S to CSD advised that AS(CSD) would be required to provide both administrative and research supports to the CSD Secretariat. Apart from engaging universities and external consultants for research projects, the post holder would from time to time deploy internal resources to conduct research.

17. Dr Helena WONG was concerned about the research capability of the post holder given the great variety of policy research to be undertaken by CSD. To ensure the quality of CSD's research, Dr WONG suggested separating the administrative and research functions of the post in such a way that the post holder would only take care of the administrative function, while universities or public policy research institutions would be commissioned to undertake research projects through the Research Grants Council (RGC). In this connection, Dr WONG declared that she worked for a local university.

18. S to CSD explained that the flexibility of CSD in its deployment of resources would be limited if a person was employed for a specialized duty only. The arrangement for the post holder to take on both administrative and research roles had proven to be effective since the post was created in 2006. With the CSD Secretariat changing its mode of operation to strengthen both internal communication with bureaux/departments and external communication with the public, a capable incumbent at the directorate level would contribute to the efficient operation of the CSD Secretariat.

Staffing of the Secretariat to the Commission on Strategic Development

19. Dr Kenneth CHAN asked whether CPU was unable to support the work of CSD if the proposal was not approved. Acting DH/CPU advised that the Administration would redeploy manpower from other sources to support the work of CSD should the Administration failed to secure funding for the proposal. S to CSD stressed that there was a genuine need for the proposed post to ensure the effective delivery of CSD's enhanced responsibilities in its new term.

20. In response to Mr Alan LEONG, S to CSD advised that the supernumerary post of AS(CSD) was created in May 2006 and was extended twice in July 2007 and in July 2009 respectively. The post expired on 30 June 2012 together with the tenure of the last term CSD. Since then the vacancy had been temporarily filled by the same incumbent through internal redeployment. Responding to Mr Alan LEONG's further question on why funding was not sought prior to the expiry of the post to ensure service continuity, S to CSD explained that funding application was put on hold pending advice from the new CE then who might have new thoughts about CSD's work direction and establishment.

21. Noting that two out of seven Senior Researcher posts were vacant, Mr Alan LEONG asked whether it was suggestive of staff idling within CPU and, if so, whether it was possible to deploy internal resources within CPU to fill the vacancy of AS(CSD). Acting DH/CPU responded that the vacancies

arose from the completion of agreements in February and May 2013 respectively. He stressed that there was a need to maintain the current establishment of CPU and relevant recruitment exercise was in progress.

22. Dr Fernando CHEUNG noted that the current establishment of the CSD Secretariat comprised three directorate staff and 11 non-directorate supporting staff. Pointing out that CSD had held only eight meetings during the last term between 2009 and 2012, he noted with concern that the average staff cost per meeting had reached \$2.7 million, exclusive of the cost of the non-directorate supporting staff. For all the 18 meetings held during the last term (eight regular meetings, three informal consultative meetings and seven focused discussions), the average staff cost per meeting was \$400 000, let alone the staff cost with the non-directorate supporting staff. Noting CSD's planning to conduct four regular meetings each year starting the new term, he considered the current directorate establishment within CSD unjustified as three directorate officers would be deployed to serve only one regular meeting to be held in each quarter.

23. S to CSD advised that the three directorate staff included himself, a Government Town Planner (GTP) and the AS(CSD) post for which funding was now sought. GTP provided directorate support in respect of the evaluation of the trend in development and population growth to facilitate the conduct of research, while AS(CSD) played an important role in coordinating and conducting research, liaising with bureaux/departments as well as gauging public views on policy issues.

24. The Chairman instructed that the speaking time for the second round of questions on the item should be not more than four minutes, including the Administration's reply.

25. In response to Dr Helena WONG's question on why the Head, Central Policy Unit was not present at the meeting to secure members' support for the funding proposal, S to CSD advised that as the current proposal concerned the establishment of CSD, as S to CSD himself, he was in a more appropriate position to attend the meeting. Acting DH/CPU added that the decision on the attendance of officials was decided by CPU and CSD in a preparation meeting. As the Administration had already consulted the relevant panel and ESC on the proposal, it was appropriate for S to CSD and himself to attend the meeting.

26. Responding to Dr KWOK Ka-ki's question on the difference between the post of AS(CSD) and those of other bureaux/departments in doing the same job on coordinating internal communications, S to CSD advised that the post

holder would conduct more direct and efficient communication with bureaux/departments at the senior levels in order to enrich their understanding and consideration of the initiatives and policy suggestions raised by CSD members during meetings.

Functions of the Commission on Strategic Development in comparison with those of other advisory bodies

27. Ms Claudia MO said that she had questioned the difference in the role between CSD and CPU many years ago when she was invited to join CSD. Given that the Administration had established a number of advisory bodies to discuss long-term issues, she found the position of CSD unclear within the setup of the Government.

28. S to CSD responded that CSD was different from other advisory committees. CSD was one of the two committees (the other one being the Economic Development Commission) convened by CE. CS and FS were appointed ex-officio members of CSD and they received members' views directly at CSD's meetings. The work of CSD would not overlap with that of other Government advisory bodies as each committee had its own terms of reference and focus of work. Acting DH/CPU added that CPU was an internal think-tank providing advice on policy matters to CE, CS and FS as well as advisory service in the policy formulation process through policy research and monitoring of public opinions.

29. Mr Kenneth LEUNG asked whether the work of CSD had overlapped with those of the Economic Development Commission, Long Term Housing Strategy Steering Committee and the Steering Committee on Population Policy.

30. S to CSD advised that one of the tasks of CSD was to conduct reviews and studies in the light of macro-trends at the local, regional and global levels, and recommend medium to long-term development strategies with a view to enhancing the international competitiveness and overall social development of Hong Kong. There would be no overlap between the work of CSD and other Government advisory bodies.

31. Mr Kenneth LEUNG did not subscribe to the Administration's explanation and pointed out that the Economic Development Commission also studied the ways to raise Hong Kong's competitiveness. Dr Fernando CHEUNG expressed a similar view. Being the Deputy Chairman of ESC, Mr Kenneth LEUNG said that he was opposed to the proposal when it was

discussed at ESC on the grounds that the delineation in the roles and functions between CSD and others was unclear.

32. Mr LEUNG Kwok-hung opined that CSD should have been dismissed as the Administration had failed to justify its establishment and convince the public that the work of CSD did not overlap with that of the Economic Development Commission. In response to Mr LEUNG Kwok-hung's question on why the Economic Development Commission was not dismissed, the Chairman said that the question was beyond the scope of the current proposal.

33. Mrs Regina IP declared that she was an appointed member of both the last and current term CSD. Expressing support for the proposal, she said that it was important for CSD's work to focus on strategic, macro and long-term issues. Pointing out that CSD members had been requested to provide thoughts about various policy areas after its recent preparatory meeting, she asked about CSD's concrete strategies and work plan for the new term.

34. S to CSD advised that the CSD Secretariat was in the process of gathering CSD members' views on the development direction and strategies of Hong Kong and its work plan would hinge on the views collected. CSD planned to conduct four regular meetings each year, supplemented by an increased number of focused discussions.

35. Noting that a number of new research initiatives such as regional competitiveness, youth, employment and middle class would be pursued by the new term CSD, Mrs Regina IP asked how CSD's work would be affected if the Administration failed to secure the funding for the proposal. S to CSD replied that, with the change in the focus and mode of operation of the new term CSD, its coordination and research work would be greatly affected if the proposed post was not approved.

36. Dr Helena WONG asked whether CSD members were appointed to conduct research or simply invited to attend meetings to give views.

37. S to CSD replied that the new term CSD would place a much greater focus on discussing strategic, macro and long-term issues related to the international competitiveness as well as social, economic and political developments of Hong Kong. The members appointed would be invited to present views from their respective specialty.

Public Policy Research Funding Scheme

38. Dr Helena WONG said that the Government had launched the Public Policy Research Funding Scheme (the Scheme) to promote public policy research in higher education institutions. An amount of \$20 million was allocated by CPU to RGC annually for administering the Scheme. However, CPU had recently decided to withdraw the funding, claiming that doing so would speed up public policy research to meet the operational needs of the Government. She considered it contradictory for the Administration to indicate intention to speed up its research efforts on the one hand, and to seek to create a post in CSD who would be administering research efforts on long-term issues on the other.

39. Acting DH/CPU explained that rising public expectations on the Government had entailed the need for more timely and issue-specific public policy research. CPU had thus revised its mode of operation so that the Scheme could render more timely support to public policy research to address specific issues. The Scheme would continue to be open to academics from University Grants Committee-funded institutions. Other degree-awarding higher education institutions and non-profit-making public policy research think-tanks would also be eligible. There was no contradiction between the revised mode of operation of the scheme and the present funding proposal as the holder of the proposed post would still be deployed to coordinate and conduct policy research focusing on macro and long-term issues.

Transparency and work outcomes of the Commission on Strategic Development

40. Dr Helena WONG opined that members' queries on the proposal were due to the absence of a convincing answer on the concrete benefits of CSD's work. She urged the Administration to conduct a review into CSD's functions, operational efficiency, gender composition of its membership, and research focus and arrangements, without which members would have difficulty supporting the proposal.

41. The Chairman instructed that the speaking time for the third round of questions on the items should be not more than three minutes, including the Administration's reply.

42. Dr Fernando CHEUNG was keen to ensure that meeting documents of CSD would be made available at its website to enhance its transparency. He also asked about the concrete benefits of CSD's work in the past. Mr LEUNG Yiu-chung expressed similar concern. Pointing out that he was once a CSD member, Mr LEUNG expressed doubt on the effectiveness of CSD's meetings because there was no information provided to members prior to

the meetings. There was also no interaction amongst members at the meetings, which produced no conclusion and were adjourned once all members present at the meetings had taken their turn to speak. He opined that the transparency of CSD's work to the public was crucial so that the public could get hold of the discussions and the progress of any follow-up actions by bureaux/departments.

43. S to CSD advised that all documents of CSD meetings since 2005, including agenda, discussion papers and summaries of views expressed at meetings, had been uploaded onto CSD's website to enhance the transparency of CSD's discussions. The Administration had also provided supplementary information on the list of discussion papers and research reports available for download at CSD's homepage vide LC Paper No. ESC32/12-13(01). Head, Central Policy Unit had also met the media after each meeting.

44. As regards concrete benefits of CSD's work, S to CSD advised that CSD was an advisory rather than an executive body. It provided a platform to gather views on strategic issues to facilitate policy bureaux in their consideration and formulation of relevant policies. For instance, CE and FS would consult CSD when drafting the annual Policy Address and Budget. CSD had also been playing an important role in complementing the development of the Mainland since the introduction of the National Tenth Five-Year Plan. CSD's benefits could also be demonstrated by the policy recommendations made at CSD's meetings being followed up and implemented by relevant bureaux/departments.

45. Mr LEUNG Yiu-chung was unconvinced of the Administration's explanation. Without any conclusions made at CSD's meeting, he said that it would be difficult for the public to know if members' views were given due consideration in the policy formulation process. S to CSD advised that summaries of views expressed at CSD's meetings would be uploaded onto CSD's website through which the public could assess if CSD's views were considered in formulating new policies.

46. In response to Mr James TIEN's question on how well the recommendations of CSD of the last tenure were implemented, S to CSD replied that the recommendations had been forwarded to the relevant bureaux/departments immediately after each meeting. Bureaux/departments would from time to time made reference to such recommendations in their formulation of medium- to long-term policies.

47. Dr Fernando CHEUNG remained of the view that there was a lack of concrete evidence in support of CSD's work, and asked how would CSD measure its effectiveness and whether performance indicators were available.

48. S to CSD responded that the effectiveness of CSD was measured by how best relevant research, deliberations and recommendations were immediately made available should strategic, macro and long-term issues related to the international competitiveness as well as developments of Hong Kong arise.

Voting result

49. There being no further question on the ESC items, the Chairman put the items EC(2012-13)23 and EC(2012-13)23A to vote. At the request of Dr KWOK Ka-ki, the Chairman ordered a division.

50. Mr Abraham SHEK, Mr CHAN Han-pan, Mrs Regina IP, Mr CHAN Kin-por declared appointed members of the current term CSD. Dr Helena WONG asked whether appointed members of CSD should vote on the item, the Clerk advised that in accordance with Rule 84 of the Rules of Procedure of LegCo, a Member shall not vote upon any question in which he had a direct pecuniary interest. Members who were also appointed members of CSD should determine if they had a direct pecuniary interest in the proposal. Responding to Dr Helena WONG's further question on whether appointed members of CSD would receive honorarium, the Chairman reminded members that the items in question were concerned about the creation of a supernumerary post in CSD.

51. Of the 50 members who were present and voted, 33 members voted for and 17 voted against the items. The voting records of individual members were as follows –

For:

Mr CHAN Kam-lam	Dr LAU Wong-fat
Mr TAM Yiu-chung	Mr Abraham SHEK Lai-him
Mr WONG Kwok-hing	Mr Jeffrey LAM Kin-fung
Mr WONG Ting-kwong	Ms Starry LEE Wai-king
Dr Hon LAM Tai-fai	Mr CHAN Hak-kan
Mr CHAN Kin-por	Dr Priscilla LEUNG Mei-fun
Mr WONG Kwok-kin	Mr IP Kwok-him
Mrs Regina IP LAU Suk-ye	Mr Michael TIEN Puk-sun
Mr NG Leung-sing	Mr Steven HO Chun-yin
Mr YIU Si-wing	Mr MA Fung-kwok
Mr CHAN Han-pan	Miss CHAN Yuen-han
Mr LEUNG Che-cheung	Miss Alice MAK Mei-kuen
Mr KWOK Wai-keung	Mr Christopher CHEUNG Wah-fung

Dr Elizabeth QUAT
Mr POON Siu-ping
Dr CHIANG Lai-wan
Mr Tony TSE Wai-chuen
(33 members)

Mr Martin LIAO Cheung-kong
Mr TANG Ka-piu
Mr Christopher CHUNG Shu-kun

Against:

Mr Albert HO Chun-yan
Mr LEUNG Yiu-chung
Mr Alan LEONG Kah-kit
Ms Claudia MO
Mr Charles Peter MOK
Dr Kenneth CHAN Ka-lok
Dr KWOK Ka-ki
Dr Fernando CHEUNG Chiu-hung
Mr IP Kin-yuen
(17 members)

Mr James TO Kun-sun
Ms Cyd HO Sau-lan
Mr LEUNG Kwok-hung
Mr WU Chi-wai
Mr CHAN Chi-chuen
Mr Kenneth LEUNG
Mr Dennis KWOK
Dr Helena WONG Pik-wan

52. The Chairman declared that the Committee approved the items.

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 Tolled Tunnels and Roads"**

53. The Chairman advised that the meeting continued the deliberation on the item carried over from the meeting on 10 May 2013 regarding the proposed installation of new "stop-and-go" e-payment facilities at all manual toll booths of government tolled tunnels and roads at an estimated cost of \$45,530,000.

54. The Chairman instructed that the speaking time for the second round of questions on the item should be not more than four minutes, including the Administration's reply.

Justifications for the proposal

55. Pointing out that motorists using the proposed e-payment facilities had to stop their vehicles at the manual toll booths to pay the tolls by placing

their contactless smart cards over the card reader while those using Autotoll did not need to stop at the booths to pay, Dr Fernando CHEUNG asked whether the Administration had conducted an analysis comparing the proposed e-payment facilities and Autotoll services in terms of cost effectiveness and the impact on traffic in the vicinity of tolled tunnels and roads.

56. Deputy Secretary for Transport and Housing (Transport) 3 (DS(T)3) responded that the main consideration of the proposal was to respond to the requests from the community for providing an additional means of payment for motorists' convenience. The Administration had not conducted the study as Dr Fernando CHEUNG mentioned. Dr Fernando CHEUNG did not accept the Administration's explanation, pointing out that the Government's planning and initiatives required good justifications. He expressed his reluctance to support the proposal as the Administration had not acceded to his request made at the last meeting for conducting the above study.

57. Dr Priscilla LEUNG expressed concern that existing Autotoll users would switch to the proposed e-payment service since unlike Autotoll, it did not charge an administration fee. Mr WU Chi-wai expressed a similar concern.

58. DS(T)3 advised that Autotoll service was competitive because of the convenience it brought to motorists. The service was currently available at about 30% to 40% of the toll booths of government tolled tunnels and roads. The subscription to Autotoll service was solely a private agreement made between Autotoll Limited and its subscribers. At present some 200 000 motorists subscribed to the service.

59. Mr Charles MOK was dissatisfied with the Administration's explanation. Pointing out that the proposed e-payment service was only second to the Autotoll service as users of the former would still need to stop to pay, he criticised the proposal a retrograde step of tunnel and road traffic management. He was unconvinced of the Administration's explanation that subscription to Autotoll service was a private agreement, and pointed out that the use of the proposed e-payment service was also a private agreement between the smartcard service provider and users. In the absence of a convincing explanation on the above as well as the concrete benefits the proposal would bring to traffic in the vicinity of government tolled tunnels and roads, he said that he could not see a point to support the proposal.

60. Mr TANG Ka-piu was keen to ensure that the provision of the e-payment facilities would not affect the employment of existing toll collectors. Dr Priscilla LEUNG expressed a similar concern.

61. DS(T)3 advised that under the proposal, e-payment facilities accepting contactless smart cards would be installed at a total of 72 manual toll booths of the seven government tolled tunnels and roads. Toll collectors would still have to be stationed at the toll booths and the number of manpower required would be maintained.

Project estimate and recurrent expenditure

62. Pointing out that users of Autotoll service would be charged a monthly administration fee, Mr LEUNG Che-cheung opined that the Administration's decision to bear the recurrent cost of providing and maintaining the proposed e-payment facilities would go against its established policy of adopting "user pays" principle. It was unfair to all other motorists as they would have to subsidize those e-payment users.

63. DS(T)3 explained that the proposal was to address the requests from the community for accepting contactless smart cards at tolled tunnels and roads for toll payment. Being the project proponent, the Administration considered it appropriate for the Government to be responsible for the recurrent expenditure of the proposal. Since the recurrent cost of the proposal was part of the operating costs of the tolled tunnels and roads, it would be taken into account in setting the toll charges for those tolled tunnels and roads in future. DS(T)3 emphasised that in setting future toll charges, the Government would consider a basket of factors, including prevailing economic condition, public acceptability and affordability.

64. While expressing support for the proposal, Mr IP Kwok-him noted with concern the enormous amount involved in project management and recurrent expenditure. He enquired the ways in which these could be lowered. Dr Elizabeth QUAT expressed a similar concern.

65. DS(T)3 explained that the proposal would entail modification of the manual toll collection system to enhance its compatibility with the e-payment system as well as procurement and installation of the e-payment facilities. The capital cost of the project at some \$45 million was a prudent estimate in view of the substantial work involved. Upon obtaining FC's funding approval, the Administration would invite Expression of Interest from prospective providers of e-payment facilities and service after which an open tender exercise would be conducted. The Administration pledged to request the selected providers to absorb the costs of providing the required facilities, such as card readers, as well as system certification service with a view to minimising the cost of the proposal. In response to Dr Elizabeth QUAT, DS(T)3 advised that the cost of card readers was expected to be around two to three million.

66. As regards the annual recurrent expenditure of \$15 million, DS(T)3 explained that it was calculated with reference to the recurrent cost of 1% transaction fees to be charged by the card issuing companies or clearing companies for existing government services, and was based upon the assumption that 75% of motorists would pay tolls by e-payment. The actual recurrent cost would however depend on the number of e-payment users.

67. Dr Fernando CHEUNG asked whether the selected card issuing company or clearing company could, apart from charging transaction fees from the Government, impose a charge for individual transactions. DS(T)3 replied that users of the proposed e-payment facilities would only be required to pay the exact toll charge.

Selection criteria for service providers

68. Dr Fernando CHEUNG asked whether existing market share of smart card operators would be an important factor for evaluating bidding proposals. He was concerned that the Octopus Cards Limited, which enjoyed a huge market share, might be given preferential consideration if it was the case. Expressing a similar concern, Mr WU Chi-wai enquired about the relevant marking scheme. Dr Elizabeth QUAT asked whether the service provider's willingness to absorb the cost of providing the card readers would be a grading criterion.

69. DS(T)3 advised that the Administration intended to commission more than one service provider for the proposed facilities. It would select suitable service providers having regard to factors such as popularity of their smart cards, equipment cost and transaction fees. The relevant marking scheme was confidential and therefore could not be disclosed at the current stage. Responding further to Mr WU Chi-wai's concern, DS(T)3 advised that the Government had approached some potential service providers before submitting the proposal for FC's consideration, and it was confident that more than one service provider would respond to the invitation of Expression of Interest.

70. In response to the questions from Mr WU Chi-wai and Dr Elizabeth QUAT on the details of the preparatory work, DS(T)3 advised that the Administration would first commission work agents to modify all manual toll collection system and enhance its compatibility with different smart cards, after which the selected providers of e-payment facilities and services would be commissioned to provide and install the necessary facilities, including the card readers and system certification service.

Toll collection system for Lantau Link

71. Referring to the proposal to create a commitment of some \$81 million to replace/reprovide the toll collection systems at Lantau Toll Plaza and Ma Wan Toll Plaza in Tsing Ma Control Area which was discussed by the Panel on Transport on the date of the FC meeting, Mr TANG Ka-piu was concerned whether the new toll collection system proposed for Lantau Link, if eventually approved by FC, would subsequently be dismantled under the current proposal. He sought the interface between the two funding proposals in respect of the provision of e-payment facilities at Lantau Link.

72. Assistant Commissioner for Transport (Management and Paratransit) advised that the funding sought for the current proposal for installing "stop-and-go" e-payment facilities did not include the modification of the manual toll collection system at Lantau Link. A separate funding proposal for replacement/reprovisioning of toll collection systems at Lantau Link would be submitted to FC for approval.

73. While expressing support for the proposal, Mr TANG Ka-piu reiterated the views of The Hong Kong Federation of Trade Unions expressed at the meeting of Panel on Transport that toll charges should not be imposed for users of Lantau Link.

74. At 5:03 pm, the Chairman ordered that the meeting be adjourned and that the next meeting would start at 5:15 pm.

75. The meeting was adjourned at 5:03 pm.

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