

**立法會**  
**Legislative Council**

LC Paper No. FC8/13-14  
(These minutes have been  
seen by the Administration)

Ref : CB1/F/1/2

**Finance Committee of the Legislative Council**

**Minutes of the 33<sup>rd</sup> meeting**  
**held at Conference Room 1 of the Legislative Council Complex**  
**on Friday, 14 June 2013, at 3:30 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 TAM Yiu-chung, GBS, 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 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

Hon CHEUNG Kwok-che

Hon WONG Kwok-kin, BBS

Hon IP Kwok-him, GBS, JP

Hon Mrs Regina IP LAU Suk-yee, GBS, JP

Hon Paul TSE Wai-chun, JP

Hon LEUNG Kwok-hung  
Hon Albert CHAN Wai-yip  
Hon WONG Yuk-man  
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 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 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-kiwok, BBS, MH, JP  
Hon CHUNG Kwok-pan  
Hon Christopher CHUNG Shu-kun, BBS, MH, JP  
Hon Tony TSE Wai-chuen

**Members absent:**

Hon LEUNG Yiu-chung  
Dr Hon LAU Wong-fat, GBM, GBS, JP  
Hon Abraham SHEK Lai-him, SBS, JP  
Hon Jeffrey LAM Kin-fung, GBS, JP  
Hon Andrew LEUNG Kwan-yuen, GBS, JP  
Dr Hon Priscilla LEUNG Mei-fun, JP  
Dr Hon LEUNG Ka-lau  
Hon Alan LEONG Kah-kit, SC  
Hon Frankie YICK Chi-ming  
Hon Dennis KWOK

**Public officers attending:**

Professor K C CHAN, GBS, JP	Secretary for Financial Services and the Treasury
Ms Elizabeth TSE Man-ye, JP	Permanent Secretary for Financial Services and the Treasury (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)
Ms Christine LOH, JP	Under Secretary for the Environment
Ms Betty CHEUNG	Principal Environmental Protection Officer (Community Relations), Environmental Protection Department
Mr Andrew LAI Chi-wah, JP	Deputy Director of Environmental Protection (3)
Mr Edmond HO Ka-man	Principal Environmental Protection Officer (Mobile Source), Environmental Protection Department
Mr John LEE Ka-chiu, PDSM, PMSM, JP	Under Secretary for Security
Mr Vic YAU Cheuk-hang	Principal Assistant Secretary for Security (A)
Mr Michael CHAN Chi-pui, MBS, MBB, GMSM, AE	Controller, Government Flying Service
Mr Jason YUEN Kam-tong	Senior Aircraft Engineer (Support), Government Flying Service

**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

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**Item No. 1 – FCR(2013-14)15**

**Head 44 – ENVIRONMENTAL PROTECTION DEPARTMENT**

**Subhead 700 General non-recurrent**

**New Item "Capital Injection into the Environment and Conservation Fund"**

1. The Chairman advised that the item sought the Committee's approval of the creation of a new commitment of \$5,000 million for capital injection into the Environment and Conservation Fund (ECF).
2. Ms Cyd HO, Chairman of the Panel on Environmental Affairs, reported that the item was discussed at the meeting of the Panel on 27 May 2013. Members did not object to the funding proposal. Some members expressed concern about the cost-effectiveness of ECF, and suggested that the Administration should implement certain successful ECF-funded projects on a territory-wide basis. Some other members were concerned about the management and investment of funds under ECF, particularly about whether the annual investment returns would be sufficient to cover the grants for ECF projects.
3. The Chairman instructed that the speaking time of members should be not more than five minutes, including the Administration's response.

Regular report of ECF operations

4. Mr WONG Kwok-hing asked whether the Administration would evaluate the effectiveness of ECF-funded projects. He requested the Administration to submit annual reports to the Legislative Council about the

ECF spending, and to demonstrate how far the ECF had achieved its objectives through the projects.

5. Under Secretary for the Environment (USEN) said that the Administration was prepared to report and discuss with members annually on the work of ECF on a platform specified by members. USEN said that details of individual ECF-funded projects would be uploaded to ECF's website. She added that as some ECF-funded projects would be implemented over a number of years, it might not be practical for the Administration to evaluate the effectiveness of individual projects every year. Mr WONG Kwok-hing said that it would be up to the Administration to determine the appropriate platform to brief members on ECF work.

#### Supporting recovery of food waste by ECF

6. Mr WONG Kwok-hing said that some organizations had experienced difficulties in applying for funds for food waste recovery projects. For example, they considered that the application guidelines were not sufficiently clear. He asked how the Administration would promote recovery of food waste in all residential developments in Hong Kong. Mr LEE Cheuk-yan agreed that waste recovery would be one of the best green employment that should be promoted at the government level. He asked if the Administration had taken up successful ECF projects as government initiatives for territory-wide implementation.

7. USEN explained that ECF had funded many successful projects such as providing grants to encourage schools to undertake green initiatives. She added that grants under ECF could be used for a wide range of projects and were not restricted to waste management or waste recovery initiatives. The Administration had introduced other measures to support green industry. Such measures could be financed by public money rather than ECF. USEN added that as the officials responsible for waste management were not present at the meeting, Mr WONG and Mr LEE's suggestions should be discussed at the Panel on Environmental Affairs.

8. Mr YIU Si-wing made a similar suggestion of investing part of the injected capital to ECF on promoting environmental-related operations such as recovery of food waste. In response, USEN said that it was not the Administration's intention to invest ECF on environment-related industries.

9. Mr WONG Kwok-hing requested the Administration to provide written supplementary information on measures to be taken, under projects

funded by ECF, to recover and process food waste from residential districts in Hong Kong.

*[Post-meeting note: The information was issued to members on 4 July 2013 vide LC Paper No. FC163/12-13.]*

10. Mr LEUNG Che-cheung said that certain sector of the recycling industry had reflected to him that there was a lack of support from the Government on their operations. Mr LEUNG mentioned that transport operators carrying recovered materials were unable to compete with other transport operators for the use of port facilities, and as a result, the whole sector was now shrinking. He asked if the Administration could support these operators using ECF.

11. USEN said that ECF was open for applications by non-profit-making organizations to carry out projects that promoted environmental objectives. While ECF would not be used to support the recycling industry, USEN said that the Administration had identified a designated pier for export of recovered materials. The Administration welcomed suggestions from the sector which might help promote the Administration's waste reduction objectives, and USEN suggested that discussion on the subject could be pursued in a separate platform.

#### Cases of political groups allegedly publicizing themselves in ECF projects

12. Dr KWOK Ka-ki commented that the funding proposal should be supported, but pointed out that the ECF Committee seemed to give preference to the applications from pro-establishment groups. Dr KWOK quoted a case where a youth group that was closely connected with the Democratic Alliance for the Betterment and Progress of Hong Kong was able to receive grants under ECF. Dr KWOK also cited another example where staff of an organization were found wearing uniforms bearing the logo of certain political group while implementing an ECF-funded project. Dr KWOK considered such practices inappropriate, especially during or close to election periods, as it was improper to use ECF funds for publicity or promotion of certain political parties or groups. Dr KWOK asked how the Administration could assure the public that ECF grants would be solely used on activities related to environmental protection. He asked whether the Administration had laid down appropriate criteria or mechanism for processing applications, and for monitoring the use of funds.

13. Principal Environmental Protection Office (Community Relations) (PEPO(CR)) responded that the case referred to by Dr KWOK involved an ECF project which aimed at promoting energy conservation. The ECF Secretariat had investigated into the allegation that the recipient organization took

advantage of the funded project to publicize a certain political group. PEPO(CR) stressed the ECF Committee would not consider an applicant's political background when deciding on its application, but successful applicants would be reminded to refrain from promoting or publicizing any political groups in the course of implementing the ECF project. The ECF Secretariat would monitor the projects closely and conduct inspections to ensure compliance with the funding conditions. Any breach of the conditions would be reported to the ECF Committee or the relevant ECF Vetting Subcommittee and warning might be issued against the recipient organization concerned. It was also possible that funding for the project would be suspended or terminated.

14. Dr KWOK Ka-ki asked if staff of an applicant organization would be allowed to wear the uniforms of a political group when implementing an ECF-funded project. PEPO(CR) confirmed that such practice was not permissible under current funding conditions.

15. Mr LEE Cheuk-yan said that ECF should not be abused by political parties for electioneering purposes. Referring to the case cited by Dr KWOK Ka-ki, Mr LEE Cheuk-yan asked what penalties had been imposed on the applicant. Mr LEE also asked whether the ECF Secretariat had compiled statistics on similar complaints cases.

16. PEPO(CR) said that in that particular case, the ECF Secretariat investigated into the alleged breach of ECF funding conditions upon receipt of a complaint and concluded that the recipient organization had carried out promotional activities for a certain political group when implementing an ECF-funded project. The ECF Secretariat subsequently reported the findings to the relevant ECF Vetting Subcommittee, and issued a warning letter to the recipient organization concerned. PEPO(CR) added that the performance of the recipient organization in question would be put on record for future reference in the event that application for funding was received from the same organization in future.

17. In response to Mr LEE Cheuk-yan, PEPO(CR) said that as the relevant ECF project had been completed for more than one year, no other penalty was imposed against the recipient organization, and no other applications for ECF funding had been received from the same organization.

#### Enforcing the conditions on using the grant under ECF

18. Mr CHAN Han-pan said that any organization interested in serving the community by implementing projects to promote environmental awareness should be allowed to apply for ECF without regard to its political background.

He asked if an organization would be regarded as having breached the ECF funding conditions if its staff wore the organization's uniforms when carrying out activities under an ECF-funded project.

19. PEPO(CR) said that in vetting and approving an application for ECF, successful applicants would be reminded of the conditions of using the grant under ECF. In particular, applicants would be advised not to carry out any political publicity activities during the implementation of the ECF projects. If the ECF Secretariat observed during site inspections that staff of the recipient organizations wore uniforms that bore the logo or any publicity messages of a political group, the recipient organization would be required to provide an explanation on the arrangements. The ECF Secretariat would report the findings to the relevant ECF Vetting Subcommittee for a recommendation of follow-up actions to be taken against the recipient organization concerned.

20. In response to Mr CHAN Han-pan, PEPO(CR) said that there had been two cases where, upon investigation, it was found that organizers of the ECF-funded projects had engaged in improper publicity activities. Both of the cases were reported to the relevant ECF Vetting Subcommittee for consideration, and, in both cases, warning letters had been issued to the recipient organizations.

21. Mr CHAN Han-pan asked if the ECF Secretariat initiated the investigation into the two cases. PEPO(CR) said that the ECF Secretariat would conduct regular and surprise inspections to ensure that projects funded under ECF were carried out in good progress and in accordance with the stated objectives and meeting the required standard of performance. In addition, recipient organizations were required to submit progress reports to the ECF Secretariat every six months. Funds would only be disbursed if the relevant ECF Vetting Subcommittee was satisfied with the progress achieved.

22. Mr CHAN Han-pan asked if organizers were permitted to display banners showing the name or logo of the project organizer. PEPO(CR) responded that the ECF recipient organizations were obliged to submit copies of all publicity materials proposed, produced or used for the project or their activities for review by the ECF Secretariat as and when required. While it would be permissible for banners bearing the name of the recipient organization to be displayed, publicity messages or logos that might induce political publicity were not allowed in those materials.



### Applications for ECF from political groups

23. Mr IP Kwok-him said that some pan-democratic political groups such as the Confederation of Trade Unions (CTU) had also applied for ECF to organize environmental-related activities. He sought confirmation from the Administration on whether the ECF Committee would reject the applications from political groups such as CTU on the basis of their political background.

24. PEPO(CR) reiterated that the ECF Committee would not consider the applicant's political background in approving or rejecting its application. She said that over the past five years, the ECF Committee approved some 2 700 projects from 1 500 organizations. More than 40% of the recipient organizations were tertiary institutions or schools, 35% were resident groups and 14% were non-profit-making organizations.

25. Mr IP Kwok-him asked if the ECF Secretariat would only examine whether a project organizer was conducting political publicity activities during its routine inspections on the project.

26. The Chairman reminded Mr IP Kwok-him that his question had been raised by other members, and that Mr IP should not repeat those questions.

27. PEPO(CR) responded that during inspections, the ECF Secretariat would examine whether an ECF-funded project was implemented in accordance with the various funding criteria and conditions prescribed. The ECF Secretariat would not limit the inspections on whether political publicity activities were involved.

28. Mr IP Kin-yuen commented that it was reasonable that an organization funded to carry out an ECF project should be given due recognition if it could add value to ECF's efforts. In such circumstances, the organization should be allowed to make itself known by putting its name on banners or staff uniform when implementing an ECF project. On the other hand, the ECF Committee should avoid selecting poor-quality projects that were organized with the main intention of promoting certain political groups.

### Another case of a political group allegedly benefitting from ECF

29. Dr Fernando CHEUNG said that there was a case where the Youth Power of Kwai Tsing was approved a budget of about \$0.5 million from ECF to help old-age residents replace their light bulbs to energy-saving types. To enjoy the service, beneficiaries must first register with the project organizer in a joint office of Mr CHAN Han-pan and a local District Council member. The

contact person of the project belonged to the Democratic Alliance for the Betterment and Progress of Hong Kong. Dr CHEUNG asked if the project organizer's arrangement was proper.

30. PEPO(CR) said that the ECF Secretariat were aware of the case, and on subsequent investigation, the ECF Secretariat found out that the joint Legislative/District Council members' office was not any of the co-organizers of the project. The recipient organization explained that the joint members' office was conveniently located for elderlies living in the vicinity to register for the service. Elderlies might also register in any of the other six registration points of the co-organizing bodies in the neighbourhood. PEPO(CR) said that the recipient organization's explanation was not considered acceptable and a warning was subsequently issued against the organization.

31. Dr Fernando CHEUNG said that the ECF Secretariat should impose suitable rules to prevent recurrence of similar situations in future so that ECF projects would not be exploited by political parties to pursue their publicity ends. PEPO(CR) responded that there were clear guidelines and conditions for the use of ECF grants. The ECF Secretariat had developed proper monitoring mechanisms to safeguard the funded projects from being used for purpose of political publicity. The Administration would consult the ECF Committee for further improvement of the application procedures as and when required.

32. The Chairman asked what lesson the Administration had learnt from the case that Dr Fernando CHEUNG mentioned, and what measures the ECF Secretariat would introduce to prevent similar abuse in future.

33. USEN said that the Administration was highly concerned about the incident. There were existing clear guidelines governing the conducts of organizations in implementing ECF projects. The case in question demonstrated that the community was concerned about the conduct of organizations in the use of public funds. The ECF Secretariat would be more vigilant in vetting applications and enforcing funding conditions and operation guidelines.

34. The Chairman asked if the Administration could assure members that similar situations would not arise in future and that ECF grants would not be abused by political parties to hand out benefits for their own political benefits. USEN said that the Administration would exercise due vigilance in enforcing rules and conditions of funding in a more stringent manner.

### Return of investment of the capital injection

35. Mr YIU Si-wing referred to paragraph 16 of the paper (FCR(2013-14)15) and noted that the Administration's intention to place the injected fund of ECF with the Hong Kong Monetary Authority (HKMA) to earn an investment return at an assumed rate of 5% per annum. He asked what measure the Administration would undertake if the return on investment fell short of the 5% target in a year. Dr CHIANG Lai-wan raised a similar query.

36. PEPO(CR) said that the ECF Secretariat was liaising with HKMA on the arrangement to entrust the investment of ECF capital with HKMA. As HKMA was able to achieve about 5% return on investment this year, the ECF Secretariat adopted this rate of return for budgetary planning purpose. On the basis of a 5% rate of return, about \$200 million would be available for funding applications in a year. Based on past spending patterns, ECF paid out between \$150 million to \$200 million each year for various projects. The assumed level of annual earnings was expected to be sufficient to sustain the operation of ECF.

37. The Chairman noted that as such, the 5% return on investment was the Administration's target rather than a guaranteed return from HKMA.

38. Mr YIU Si-wing asked if the injected capital that was to be placed with HKMA could be retrieved and redeployed for funding ECF projects. PEPO(CR) said that it was the Administration's intention to entrust the investment of ECF capital with HKMA. She added that at the beginning of each year, HKMA would indicate the rate of return for that year. The ECF Secretariat would then advise the ECF Committee on the ceiling of the amount of funds available for use by the projects.

39. Mr YIU Si-wing asked whether the ECF operation would be adversely affected and whether the Administration would apply for additional injection to make up for the deficiency, if the actual return on investment in a year fell short of 5% or less than \$200 million.

40. PEPO(CR) said that the ECF Secretariat would seek advice from the ECF Committee and the ECF Investment Committee to draw up pragmatic budgetary plans to ensure that the operation of ECF would not be affected. USEN supplemented that in the extraordinary circumstances that the return on investment of ECF capital fell below a level to the extent of affecting the normal operation of ECF, the Administration would have to examine alternative options, including seeking additional injection from the Finance Committee.

41. Dr CHIANG Lai-wan suggested that ECF Committee should allocate more of its resources to encourage research on energy saving measures.

#### Composition of the ECF Committee and its Vetting Subcommittees

42. Dr Helena WONG pointed out that some of the ECF Committee members were connected with pro-establishment political organizations. Even if they declared their interest at ECF Committee meetings, there would still be doubt on their impartiality in vetting and approving applications from applicants of similar political background. Dr WONG queried why no pan-democratic members were appointed to serve in ECF Committee or its subcommittees. She said that the Administration could avoid unnecessary controversy if more pan-democratic members were appointed into these committees.

43. Some members started arguing among themselves. The Chairman reminded members to direct their comments at him and not to engage in private discussion while the meeting was in progress.

44. USEN said that the Administration would identify suitable persons with the relevant expertise and experience for appointment to the ECF Committee and its subcommittees, regardless of their political background.

45. Dr Helena WONG said the ECF Committee would lose credibility if its membership appeared to be biased towards certain political background. She said that balanced representation in the ECF Committee was important especially as it had actual authority in approving the use of public funds. Dr WONG asked if the Administration had conducted any review on the objectives of ECF and whether it had identified any types of projects that should not be approved in future.

46. PEPO(CR) said that the Administration had conducted a comprehensive review on ECF operations, and was satisfied that the majority of the ECF-funded projects had been effective in meeting the objectives of the fund. There were a few projects that fell short of fully meeting the project's targets. The Administration had learned from the experience and had fine-tuned the application criteria. For example, applicants were now required to give more specific performance indicators to facilitate more objective monitoring by the ECF Secretariat.

#### Effectiveness of ECF

47. Mr IP Kin-yuen queried whether ECF was effective in achieving its objectives. Quoting the experience of the Quality Education Fund (QEF) into

which an initial capital of \$5 billion was injected, Mr IP said that the scope of QEF-funded projects was rather fragmented and without a clear direction, and that it was difficult to accumulate and share practical experience out of the projects. He asked how the Administration would ensure that projects funded under ECF could be focused and with clear direction in promoting environmental objectives. Mr IP suggested that ECF should be used to subsidize more environmental education projects.

48. PEPO(CR) said that since 1994 when ECF was established, more than \$300 million had been allocated to support school-based programmes, such as implementation of green facilities for education purposes, as well as organizing environmental ambassador programmes, benefitting more than 700 schools.

#### Applications for ECF by political parties

49. Mr Gary FAN said that the two cases of abusing ECF grants reflected the Administration's failure in monitoring the use of ECF effectively, and that similar abuses had been allowed to repeat.

50. The Chairman reminded members to refrain from criticizing other members in their speeches.

51. Mr Gary FAN queried whether the Administration would modify the eligibility criteria so that applications for ECF from political parties would not be entertained, so as to save the Administration's efforts to conduct investigations into accusations of abuse.

52. PEPO(CR) stressed that applicants' political background was not a factor for consideration by the ECF Committee in approving or rejecting an application and that there were clear rules against recipient organizations of ECF-funded projects to carry out publicity activities for political parties. The ECF Secretariat would remind successful applicants of the guidelines and funding conditions.

53. Mr Gary FAN commented that the Administration should have improved the ECF funding mechanism before seeking further injection from the Finance Committee. USEN said that the Administration had already reviewed the current funding mechanism following the two complaint cases that members mentioned. The existing funding guidelines and criteria were considered adequate, and were effective in reminding successful applicants about what they were permitted to do with the ECF fund and the restrictions involved.

54. Mr Christopher CHUNG criticized pan-democratic members that debarring political organizations from applying for ECF was an infringement of their rights. If the Administration agreed with such proposal, the restriction should apply equally to all other funding sources administered by the Administration.

55. At this juncture, some members started arguing among themselves. The Chairman reminded members again not to engage in discussion while the meeting was in progress.

56. Mr WONG Yuk-man said that in justifying the proposal which involved a substantial amount, the Administration should highlight details of successful projects in the past. So far, ECF's website only listed out the titles of projects and the funding approved for each of them. Mr WONG commented that, instead of arguing whether political parties should be allowed to participate in implementing ECF projects, members should focus discussion on whether the proposed injection were worthwhile, and how ECF could engage the public in promoting the environmental objectives.

Need for monitoring mechanism

57. Mr WONG Yuk-man commented that it was a political reality that pro-establishment organizations had an advantage over others in obtaining government resources for their activities. Mr WONG opined that it would not be meaningful to debar political organizations from applying for ECF since many of the charitable organizations or local resident groups had intricate relationship with political organizations. It was crucial to build a mechanism to safeguard ECF from being abused. Mr WONG asked if the Administration would enhance the transparency of ECF operation by publicizing details of ECF funded projects.

58. PEPO(CR) said that there were clear criteria and procedures in processing ECF applications. These criteria and guidelines, including the application guidelines for applicants, were posted on the ECF website. Successful applicants were required to submit periodic progress reports to the ECF Secretariat. PEPO(CR) added that minutes of discussions of the vetting committees would also be uploaded to the ECF website.

59. Dr Kenneth CHAN criticized that some pro-establishment members tried to divert attention when the media exposed their abuse of public funds in launching publicity activities for their political parties.

60. The Chairman interrupted and reminded members not to launch personal attack against other members in their speeches.

61. Dr Kenneth CHAN said that the Administration had indicated that there were clear criteria in processing applications for ECF, and that there were clear guidelines against ECF-funded organizations carrying out publicity or promotion activities in the course of implementing ECF projects. Despite these, there were actual cases the guidelines were breached and were reported in the media. Dr CHAN suggested that the ECF Committee should impose penalty against project organizers, such as putting these organizations on a "blacklist" if they were found to have taken advantage of ECF projects to promote any political groups.

62. USEN said that ECF had been in operation for many years, and the ECF Secretariat had maintained records on each project and the performance of recipient organizations. While the ECF Secretariat did not maintain a "blacklist" of organizations which were debarred from applying for ECF funding, the ECF Committee would give due consideration to past conduct or performance of applicants in determining whether new applications from them should be funded. PEPO(CR) supplemented that if an applicant had records of contravening ECF funding conditions, the ECF Secretariat would bring up such records to the relevant Vetting Subcommittee for consideration and deliberation.

63. Mr NG Leung-sing supported the funding proposal as he considered that ECF had been effective in promoting environment awareness. He agreed that proper monitoring mechanism should be instituted to ensure that the ECF projects were cost-effective and could achieve the objectives of ECF.

64. Mr NG Leung-sing echoed Mr WONG Yuk-man's comments that the pan-democratic members' criticisms on ECF were simply driven by their dissatisfaction with their not having as much share of public resources for their activities vis-à-vis pro-establishment parties. He said that such criticisms unnecessarily politicized the whole issue. He appealed to members to focus on how to advance environmental objectives together.

65. Dr CHIANG Lai-wan criticized some pan-democratic members for making a political issue out of a minor matter. She echoed the comment of Mr IP Kin-yuen that staff of an ECF-funded organization should be allowed to wear uniforms bearing the organization's logo, as long as the project could effectively achieve the desired objectives.

66. The Chairman reminded members to focus on the subject under deliberation, and should not sidetrack into irrelevant matters.

67. Mr LEUNG Che-cheung supported the proposed injection into ECF, stressing that promoting environmental awareness required the joint efforts of

the whole community. He criticized some members as being prejudicial by dismissing the contributions of certain community organizations and individuals on the basis of their political background.

68. Mr LEUNG Che-cheung said that he had been member of one of the ECF subcommittees and he testified that the vetting process was rigorous; members were required to declare any interests as might be related to the applications under deliberation. The approving criteria were demanding as well. Mr LEUNG commented that many members who were critical of the work of the ECF did not have hands-on experience and suggested that the Administration should involve these members in the process.

69. The Chairman instructed that the speaking time for the second round of questions on the item should not exceed three minutes, including the response by the Administration.

#### Records of applicants' abuse of ECF in the past

70. Mr LEE Cheuk-yan referred to comments from some pro-establishment members and clarified that the Confederation of Trade Union had not applied for ECF.

71. Mr LEE Cheuk-yan referred to the Administration's response that warning letters had been issued to the organizations that were found to have carried out political publicity while implementing ECF-funded projects and asked whether the ECF Secretariat would draw up a "blacklist" of these organizations in future.

72. USEN reiterated that the ECF Secretariat would keep record of recipient organizations with unsatisfactory performance or breach of funding rules, and would make available the relevant information for consideration by the vetting subcommittees when considering new applications from these organizations. However, the Administration had no intention of drawing up a blacklist of these organizations or debar certain organizations from submitting applications for ECF.

73. Despite the Administration's response, Mr LEE Cheuk-yan suggested that the Administration should reconsider compiling a blacklist of organizations that have breached ECF funding conditions.

74. Mr LEE Cheuk-yan asked how many complaint cases the ECF Secretariat had received so far that involved ECF recipient organizations



carrying out political publicity activities while implementing ECF funded projects.

75. PEPO(CR) said that the ECF Secretariat had so far received two such complaint cases. The ECF Secretariat had indicated clearly in the warning letters to the respective organizations that their breach of funding conditions would affect the chance of their future applications for ECF.

76. Mr Gary FAN indicated his intention to speak. The Chairman reminded members to press the "Request to speak" button if they wished to speak.

77. Mr Gary FAN asked, if the Administration did not compile a "blacklist" of organizations found to have breached ECF funding conditions, how the ECF Secretariat could advise the vetting subcommittees when receiving applications from these organizations.

78. PEPO(CR) said that the ECF Secretariat had maintained a database of projects funded under ECF. Any breach of funding conditions would be recorded and retrieved for future reference by the vetting subcommittees.

79. Mr Gary FAN opined that the Administration should prevent breach of conditions in the first place rather than conducting investigation upon receiving complaint, by which time the relevant project might have already been completed. PEPO(CR) said that the ECF Secretariat would conduct spot checks on the progress of the projects, and would initiate actions on any anomalies found.

80. Mr Gary FAN suggested that the Administration should consider revising the application criteria of ECF in order not to grant funds to political parties or organizations.

81. There being no further questions, the Chairman put the item to vote. The Chairman declared that the Committee approved the funding proposal.

**Item No. 2 – FCR(2013-14)16**

**HEAD 44 – ENVIRONMENTAL PROTECTION DEPARTMENT**

**Subhead 700 General non-recurrent**

**Item 875 One-off grant to encourage early replacement of Euro II diesel commercial vehicles with new ones complying with the prevailing statutory emission standard**

82. The Chairman advised that the item sought the Committee's approval of an increase in commitment by \$120 million from \$539.4 million to \$659.4 million for the one-off grant scheme to encourage owners of Euro II diesel commercial vehicles to replace their vehicles with new ones complying with the prevailing statutory emission standard.

83. Ms Cyd HO, Chairman of the Panel on Environmental Affairs, said that the item was discussed at the Panel's special meeting held on 15 May 2013. Panel members supported the Administration's proposal. Ms HO added that some Panel members expressed concern about the effectiveness of the one-off grant scheme, especially in reducing emission. Panel members requested the Administration to provide more information, such as the number and profile (such as age) of "single-vehicle owners" who had participated in the scheme, so as to help members understand the impact of the scheme on the transport sector.

84. Mr TANG Ka-piu supported the funding proposal. He asked how the Administration would prevent suppliers from lifting vehicle prices to take advantage of the one-off grant scheme. Deputy Director of Environmental Protection (3) (DDEP(3)) said that the Administration had set different grant levels according to the vehicle class. He said that it was a commercial decision for vehicle vendors to adjust the prices of vehicles according to fluctuations in the market, and the one-off grant scheme should not have direct effect on vehicle prices.

85. Mr TANG Ka-piu queried why the Administration had to increase the commitment for the one-off grant scheme if the response was not as satisfactory as the Administration had expected. He asked if the original estimated expenditure was not sufficient as a result of an escalation in vehicle prices. DDEP(3) said that about a quarter of the eligible vehicle owners had opted to replace their vehicles under the scheme. While the level of participation was close to the Administration's original estimate, there was stronger participation at the more expensive vehicle classes, rendering the amount of grant originally earmarked insufficient to cover the actual requirement.

86. Mr TANG Ka-piu noted that more tour bus owners applied for the one-off grant than goods vehicle owners did. He asked whether the difference in response rate reflected a decline in a certain transport sector. DDEP(3) agreed with Mr TANG's observation and said that the business outlook of the goods carriage sector was likely a factor behind owners' decision whether or not to participate in the scheme.

87. Mr TANG Ka-piu said that the Administration should appreciate that certain "single vehicle owners" were reluctant to replace their vehicles given the uncertain prospect of their trade. He said that the Administration should give due consideration to vehicle owners' difficulties and make suitable adjustment to the policy when introducing similar schemes in future. The Administration took note of member's comments.

88. Mr POON Siu-ping supported the funding application. He noted that the number of applications for the one-off grant scheme had increased sharply over the past few months. He asked the Administration about the reasons for the sudden increase. Mr POON queried that, if the trend continued and if the supplementary provision being sought was insufficient to cover the increase in expenditure, what other measure the Administration would adopt.

89. DDEP(3) said that the one-off grant scheme had been launched for three years and would expire at the end of June 2013. The average number of applications per month was between 100 to 200 cases. There was, however, a sharp increase in the number of applications in March and April 2013 when more than three hundred cases were received in each month. DDEP(3) surmised that many vehicle owners waited until the last minute before they decided whether or not to apply for the grant to replace their vehicles. Based on this recent trend, the Administration estimated that not more than 1 000 applications would have to be handled by the expiry of the scheme, and the supplementary provision being sought should be able to meet the expenditure required.

90. The Chairman said that the scheme would expire in two weeks' time so the situation about the total number of applications that would be received by the end of the month should be quite clear by now. It was unlikely that the Administration would need to seek further provision from the Finance Committee before the end of the session.

91. There being no further questions, the Chairman put the item to vote. The Chairman declared that the Committee approved the item.

**Item No. 3 – FCR(2013-14)17**

**HEAD 166 – GOVERNMENT FLYING SERVICE**

**Subhead 603 Plant, vehicles and equipment**

**New Item "Procurement of seven helicopters and associated mission equipment of the Government Flying Service"**

92. The Chairman advised that the item sought the Committee's approval of a new commitment of \$2,187,500,000 to procure seven helicopters and the associated mission equipment for the Government Flying Service (GFS).

93. Mr IP Kwok-him, Chairman of the Panel on Security, reported that the Panel discussed the funding proposal at its meeting held on 27 May 2013. Panel members supported the item in principle. Mr IP said that Panel members were aware that a single-model helicopter fleet would require stocking of fewer spare parts, tools and facilities as compared with the current two-model fleet. Furthermore, flight crew and engineering staff would only need to familiarize themselves with the operation of one helicopter model. The proposal would improve operational efficiency and cost-effectiveness.

94. The Chairman instructed that the speaking time for each member should not exceed five minutes, including the Administration's response.

Features of new helicopters and disposal of the existing helicopter fleet

95. Mr Gary FAN noted from the discussion at the meeting of the Panel on Security that the Administration had identified eight models of medium-sized helicopters manufactured in the United States and Europe that met the technical requirements, and five models were already in service. Mr FAN asked if the information was still up to date. Under Secretary for Security (US for S) advised that the information as reported at the last meeting of the Panel on Security held on 27 May 2013 remained valid.

96. Mr Gary FAN said that while a single-model fleet would be more cost-effective, a two-model fleet would reduce operational risks. He noted that the Administration intended to keep one of the existing Dauphin helicopters as backup. Mr FAN asked if the Administration would consider maintaining two of these helicopters as reserve instead.

97. US for S responded that maintaining one Dauphin helicopter in the GFS fleet would ensure that emergency service could be maintained in case the new helicopter fleet could not be deployed for search and rescue operations due to failure or reported failure of the same type of helicopters by other operators.

98. US for S added that in addition to the Dauphin helicopter, GFS could also deploy two existing fixed-wing aircraft for search and rescue operations. He added that the Dauphin helicopter could remain in the fleet for about four to five years after the new fleet commissioned. The Administration would then assess the operational needs for keeping the Dauphin helicopter further.

99. Mr Gary FAN suggested that the Administration should specify in the tendering documents that the new helicopters would be able to land and take off in any three-lane highway. He also suggested that the Administration should select the helicopter models with proven safety record before considering other advanced features. The Administration took note of member's suggestions.

100. The Chairman said that the meeting was drawing to a close, and three members had indicated their intention to speak. He said that he would reserve some time for members' voting on the item, and instructed that the speaking time for the three members be four minutes, including the Administration's reply.

101. Mr NG Leung-sing said that he supported the funding proposal. Mr NG recalled that the former Controller, GFS had submitted a letter expressing gratitude towards FC for having approved funds for acquiring the Super Puma helicopters, which had enabled GFS to carry out a rescue operation and saved nine lives. Mr NG noted that the new fleet would enable GFS to carry out emergency operations, which were expected to increase as more Hong Kong people took on hiking as leisure activities.

102. Mr NG Leung-sing asked if the new helicopters could operate under extraordinarily adverse weather conditions. Controller, GFS said that the new fleet would enable GFS to provide service at a standard no less than present. He explained that the types of adverse weather conditions the new helicopters could operate would depend on the specific circumstances at the time and the judgment of the pilots.

103. Mr WONG Ting-kwong supported the funding proposal in principle. He noted that the new fleet would enter into service in 2017, by which time the existing helicopters would reach the end of their serviceable lives. Mr WONG noted that the Administration intended to sell off the existing helicopters by phases when they were decommissioned in 2017. Mr WONG asked what values would these phased-out helicopters had, apart from being dismantled. Controller, GFS advised that many companies would buy decommissioned helicopters for their parts.

Using GFS service by Government officials

104. Ms Emily LAU supported the funding proposal. Ms LAU said that there were recent media reports that a few senior officials had abused the service provided by GFS. She asked under what circumstances government officials might use GFS's flight service.

105. US for S said that, first, the requested flight must not affect any rescue operations or emergency service. Secondly, the request must be justified on the ground of departmental operation and that there were no alternative means of transport. US for S added that application for GFS flight service must be submitted through a designated directorate officer of a department and would ultimately be subject to the final approval by the Controller, GFS.

106. Ms Emily LAU asked if any applications for GFS service had been rejected. Controller, GFS said that no records of rejection of application had been compiled. US for S explained that departments intending to book flight service from GFS would normally make initial enquiries on GFS's schedule availability and conditions of use before submitting application. GFS would not specifically log those occasional enquiries from government departments.

107. Ms LAU suggested that GFS should henceforth keep records of all enquiries relating to requests for flight service from government departments, and instances where such requests were not accepted. US for S took note of member's views.

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

109. The meeting was adjourned at 5:23 pm.