

香港特別行政區政府

The Government of the Hong Kong Special Administrative Region

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3 June 2013

Secretariat of the Legislative Council

Panel on Development

Legislative Council Complex,

1 Legislative Council Road,

Central, Hong Kong

(Attn. : Ms. Sharon Chung)

Dear Ms. Chung,

Panel on Development

**Hon James TO's Letter on HKSAR's Work in Support of
Reconstruction in the Sichuan Earthquake Stricken Areas**

We refer to your email of 16 May 2013 informing us that the Chairman of the Panel on Development had requested the Administration to respond to Hon James TO Kun-sun's letter of 15 May 2013 on proposed inclusion of the captioned subject on the agenda of the Panel meeting.

In the afore-mentioned letter, Hon James TO raised concerns about HKSAR's reconstruction support work in the Wolong Nature Reserve (Wolong), in particular, the China Conservation and Research Centre for the Giant Panda (CCRC) project, which according to a recent media report, was behind schedule and might involve misuse of public funds and arrears of wages of workers. Although the Administration subsequently clarified that the allegations were unfounded and that

the case was actually a dispute between the main contractor and one of the subcontractors and the latter used wage withholding as a negotiation tactic, Hon James TO opined that the public had expressed grave concerns and such incident might undermine public confidence in the HKSAR's reconstruction efforts.

The media report referred to in Hon James TO's letter was released on 9 May 2013. As the allegations in the report were unfounded and misleading, the Administration issued a press release on the same day to clarify that there was no misuse of public funds, the delay in completion of the CCRC project was primarily due to frequent damages of Wolong's access road, Provincial Road 303, by flash floods and massive mudslides/landslides causing blockage in transportation. Furthermore, severe weather in winter also caused suspension of works for more than six months, the adverse environment and working conditions resulted in an unstable workforce affecting adversely the progress of the works. For details, please refer to the enclosed press release.

In end May, the Development Bureau conducted an audit on the Wolong reconstruction projects and held meetings with the concerned parties including the Sichuan authorities and the main contractor of the CCRC project. The investigation reaffirmed that the case did not involve misuse of public funds and that the dispute between the contractor and the subcontractor had been resolved. The Sichuan side also had not received any other similar complaints. The crux of the matter is contractors' obligations under the contract and it should be dealt with according to the relevant Mainland regulations and rules.

Despite the adversities, the reconstruction work in Wolong has begun to bear fruit with the joint efforts of the Sichuan and Hong Kong governments. By the end of May this year, 14 projects were completed. Community projects such as schools and hospitals came into use progressively, greatly enhancing the living environment and quality of life of the Wolong community. As regards conservation and research facilities, several projects have been completed; the CCRC and the Giant Panda Conservation and Disease Control Centre in Dujiangyan are also near completion. The remaining projects such as the hydro-power station are expected to be completed progressively towards the end of this year despite their complexity.

The HKSAR's reconstruction work in Sichuan are proceeding in a rigorous and effective manner according to regulations. Fund management is

based on the principles laid down in accordance with the "Co-operation Arrangement on the HKSAR's Support for Restoration and Reconstruction in the Sichuan Earthquake Stricken Areas" agreed by the Sichuan and Hong Kong governments, with separate dedicated accounts for each and every project. Funds will be released according to the actual progress of the project. The HKSAR's "independent professional consultants" will also check the use of funds when carrying out the technical audits. The Sichuan Provincial Department of Supervision and Audit Office monitor and audit the HKSAR's reconstruction projects in accordance with the regulations. Each reconstruction project when completed will undergo an audit to ensure that funds have been well spent. Over the past four years, the system has been working effectively, ensuring that funds have been spent for their intended purposes.

Yours sincerely,

(David Tong)

for Secretary for Development

c.c. Secretary for Constitution and Mainland Affairs
(Attn. : Ms Noel Tsang)



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Press Releases

Government responds to media report on Wolong Nature Reserve projects in Sichuan Province (with photos)

In response to a media report today (May 9) on Wolong Nature Reserve (Wolong) projects in Sichuan Province, which were funded by the Hong Kong Special Administrative Region (HKSAR), a Government spokesman made the following remarks:

Wolong was severely damaged in the Wenchuan earthquake. The HKSAR funded the reconstruction of 23 projects in the area, covering infrastructure, community, conservation and research facilities with a total commitment of \$1.58 billion.

The Wolong reconstruction has encountered a lot of difficulties since its commencement in early 2009. Provincial Road 303 leading to Wolong was frequently hit by flash floods and massive mudslides/landslides causing blockage in transportation and communication. Severe weather in winter also caused suspension of works for more than six months. The adverse environment and working conditions resulted in an unstable working force, affecting the progress of the reconstruction work. Notwithstanding these difficulties, the reconstruction work in Wolong has begun to bear fruit with the joint efforts of the Sichuan and Hong Kong governments. By the end of April this year, 14 projects were completed. Community projects such as completed schools and hospitals came into use progressively, greatly enhancing the living environment and quality of life of the Wolong community (see Figures 1-4). Conservation and research facilities such as the China Conservation and Research Centre for Giant Pandas (CCRC) in Gengdaxiang and the Giant Panda Conservation and Disease Control Centre in Dujiangyan are also near completion (see Figures 5 and 6). The remaining projects such as the hydro-power station are expected to be completed progressively towards the end of this year despite their complexity. The reconstructed facilities in Wolong such as schools and hospitals withstood the test of the April 20 Lushan earthquake as none of them were damaged.

Regarding the allegations that the progress of the CCRC is behind schedule, and that there is misuse of public funds and arrears of wages by the contractor, we learnt that these were unfounded after clarifications. The case was a dispute between the contractor and one of the subcontractors. The latter had not paid wages as a negotiation tactic. After intervention by the responsible department of the Sichuan Government, the wage dispute was settled in a timely manner. We understand that the Sichuan Government had not received any other similar complaints.

For the Wolong reconstruction projects, the Sichuan Government has a mechanism in place requiring contractors to set aside a deposit or provide guarantees to ensure that workers receive full payments on time. Apart from setting up a complaint hotline and conducting regular inspections, the responsible department of the Sichuan Government carries out audits on payment of wages to workers by construction enterprises in the area to safeguard the legitimate rights and interests of workers.

As regards the progress of the CCRC, the construction work resumed after the winter break in early March. Over 70 per cent of the construction work has been finished and it is expected to be completed before the end of this year (see Figure 5).

The HKSAR's reconstruction projects in Sichuan are proceeding in a rigorous and effective manner according to regulations. Fund management is based on the principles laid down in accordance with the "Co-operation Arrangement on the HKSAR's Support for Restoration and Reconstruction in the Sichuan Earthquake Stricken Areas" agreed by the Sichuan and Hong Kong governments, with separate dedicated accounts for each and every project. Funds will be released according to the actual progress of the project. The HKSAR's "independent professional consultants" will also check the use of funds when carrying out the technical audits. The Sichuan Provincial Department of Supervision and Audit Office monitor and audit the HKSAR's reconstruction projects in accordance with the regulations. Each reconstruction project when completed will undergo an audit to ensure that funds have been well spent. Over the past four years, the system has been working effectively, ensuring that funds have been spent for their intended purposes.

Ends/Thursday, May 9, 2013
Issued at HKT 22:45

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