

立法會
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Panel on Development

**Minutes of special meeting
held on Monday, 5 May 2014, at 9:00 am
in Conference Room 3 of the Legislative Council Complex**

Members present : Dr Hon LAU Wong-fat, GBM, GBS, JP (Chairman)
Hon Tony TSE Wai-chuen (Deputy Chairman)
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon Emily LAU Wai-hing, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon CHAN Hak-kan, JP
Hon CHAN Kin-por, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon Gary FAN Kwok-wai
Hon CHAN Chi-chuen
Hon CHAN Han-pan
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP

Hon Alice MAK Mei-kuen, JP
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP

Members absent : Hon Cyd HO Sau-lan
Dr Hon LAM Tai-fai, SBS, JP

Public officers attending : **Agenda item I**

Mr CHAN Chi-ming
Deputy Secretary (Works)²
Development Bureau

Mr HON Chi-keung, JP
Director of Civil Engineering and Development

Mr LAM Sai-hung
Head of Civil Engineering Office
Civil Engineering and Development Department

Mr WONG Kin-por
Chief Engineer/Boundary Control Point
Civil Engineering and Development Department

Clerk in attendance : Ms Sharon CHUNG
Chief Council Secretary (1)⁶

Staff in attendance : Mr Anthony CHU
Senior Council Secretary (1)⁶

Mr Fred PANG
Senior Council Secretary (1)⁸

Ms Christina SHIU
Legislative Assistant (1)⁶

I PWP Item No. 19GB -- Liantang/Heung Yuen Wai Boundary Control Point and associated works -- site formation and infrastructure works

(LC Paper No. CB(1)1248/13-14(08) -- Administration's paper on 19GB -- Liantang/Heung Yuen Wai Boundary Control Point and associated works -- site formation and infrastructure works

LC Paper No. CB(1)1248/13-14(09) -- Paper on the Liantang/Heung Yuen Wai Boundary Control Point project prepared by the Legislative Council Secretariat (Updated background brief))

The Chairman declared that he owned land in the area related to the agenda item under discussion, i.e., Heung Yuen Wai.

2. The Panel noted that at the meeting on 22 April 2014, the Administration had briefed members on the revised proposal to increase the approved project estimate ("APE") of PWP Item No. 19GB -- Liantang/Heung Yuen Wai Boundary Control Point and associated works -- site formation and infrastructure works ("the Project") from \$16,253.2 million by \$8,196.6 million to \$24,449.8 million in money-of-the-day prices ("the Revised Proposal") and discussion on the item had commenced. The Chairman said that the Panel would continue with the deliberation on the item at the meeting. He advised that at the previous meeting, Mr Gary FAN had proposed three motions on the item. The terms of the motions had been circulated to members vide LC Papers Nos. CB(1)1302/13-14(01) to (03). He would deal with the motions at around 10:00 am.

3. The Chairman reminded members that in accordance with Rule 83A of the Rules of Procedure ("RoP") of the Legislative Council ("LegCo"), they should disclose the nature of any direct or indirect pecuniary interests relating to the subjects under discussion at the meeting before they spoke on the subjects. Under Rule 84 of RoP of LegCo, a member should not vote upon any question in which he had a direct pecuniary interest except under certain circumstances as provided for in the Rule.

Revision of the project estimate

4. Mr IP Kwok-him said that compared with the Administration's funding proposal presented to the Panel at its meeting on 7 January 2014, the Administration had reduced the proposed increase in the APE for the Project under the Revised Proposal by \$353.4 million. He enquired why the project estimate could have such a reduction within the short time between the two meetings.

5. In reply, Director of Civil Engineering and Development ("DCED") explained that the APE for the Project comprised the base estimate, project contingency and a provision for price adjustment. After careful consideration of different ways to reduce the project cost, including postponement of the works for the Connecting Road (Northern Section), the Administration concluded that there was no room for further trimming of the base estimate. As regards the provision for price adjustment, after examining the actual expenditure incurred up to 31 March 2014, the latest cash flow pattern and the latest price adjustment factors adopted in March 2014, the Administration considered that it could be reduced by \$353.4 million.

6. As to why the provision for project contingency had not been reduced under the Revised Proposal, DCED said that it was necessary to include an appropriate estimate for project contingency to cater for additional costs due to unforeseen circumstances. One example of these circumstances was that some villagers of Chuk Yuen Village affected by the construction of the Liantang/Heung Yuen Wai Boundary Control Point ("LT/HYW BCP") had reflected that they had practical difficulties in moving out from the village before the end of April 2014. Having regard to the views expressed by some LegCo Members and local stakeholders, the Administration had decided to defer the last date for villagers to move out to the end of August 2014. DCED advised that such kind of delay might create additional project risks, which had to be absorbed by sufficient provision for project contingency.

7. Mr Gary FAN said that the public would find a cost overrun of more than \$8,196 million unacceptable. Considering that the Revised Proposal had only introduced a minor cost reduction, i.e. \$353.4 million, he queried whether, apart from the postponement options, the Administration had duly examined other alternatives to trim down the project cost.

8. Mr LEUNG Che-cheung urged the Administration to seriously review the feasibility of postponement options 2 and 3 set out in the

Administration's paper to defer the implementation of the Project. He considered that the postponement would avoid the clash of the Project with the current construction peak. He further suggested that, to reduce the project cost, the Administration should consider other alternatives to save the need for constructing the Lung Shan Tunnel.

9. In response, DCED advised that in light of members' views expressed at the meeting on 7 January 2014, the Administration had looked into different ways to reduce the proposed increase in the APE for the Project. The Project was divided into six contracts for implementation. By end-2013, the Administration had already awarded three works contracts under the Project, namely Contract 2, Contract 3 and Contract 5. As suspending these contracts would lead to serious consequences in respect of financial loss, the Administration had mainly focused on evaluating the feasibility of postponing the contract for the construction of the Connecting Road (Northern Section). However, the findings indicated that all the postponement options would give rise to even higher expenditures as compared with the original proposal. DCED continued that, according to past experience, deferring the implementation of a works project would not drive down its cost. By way of illustration, he advised that the awarded contract sum for the construction of the Stonecutters Bridge in 2004 was about 60% higher than that of Ting Kau Bridge in 1994, although the scales of construction of the two projects were similar and in 2004, there had been a sharp reduction in the number of public works projects underway.

10. Dr KWOK Ka-ki enquired about the scope of works under the three awarded contracts for the Project. DCED responded that the three contracts covered the site formation works for the new BCP, the construction works for the southern section of the Connecting Road between Fanling Highway and Sha Tau Kok Road and the Connecting Road viz the Fanling Highway Interchange. The total of the accepted tender prices of these contracts, which involved tunneling works, was more than \$12 billion.

Estimation and control of project costs

11. Mr CHAN Kin-por asked whether the Administration had put in place effective measures to control the cost of the Project to ensure that the cost estimate under the Revised Proposal would be the ultimate budget ceiling for the Project. DCED responded that as Contract 2, Contract 3 and Contract 5 under the Project had already commenced and the tender assessment for Contract 6 was in progress, the tender prices of these contracts were already known. It was anticipated that the total cost of Contract 4 and Contract 7

would constitute less than 10% of the proposed revised APE. The Administration was confident that the revised estimate was sufficient to cover the total cost of the Project, subject to there being no unforeseen circumstances that would cause a major cost increase.

12. The Deputy Chairman opined that the public would find the deviation of about 50% from the APE for the Project unacceptable given that the original cost estimate was prepared by the Administration less than two years before. He considered it necessary for the Administration to enhance the accuracy of its cost estimation. Mr Frederick FUNG and Dr KWOK Ka-ki expressed similar views. Dr KWOK opined that the significant cost overrun would affect the public's confidence in the Administration's capability to prepare accurate cost estimates for public works projects.

13. DCED replied that when preparing the original cost estimate for the Project about two years before, the Administration had made reference to the cost information of similar infrastructure projects such as the Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road, the Central-Wan Chai Bypass, as well as the reconstruction and improvement of Tuen Mun Road, and had already allowed for some increase in cost to suit the prevailing market situation. However, there had been a substantial surge in construction prices since early 2012. The original cost estimate had failed to grasp the market pulse.

14. The Deputy Chairman enquired whether the Administration or the consultant was responsible for preparing the cost estimate for the Project. DCED replied that the consultant's proposal in respect of the cost estimate had been vetted by the engineering professionals in the Civil Engineering and Development Department responsible for the Project as well as a committee in the Department who were independent from the Project team. In response to the Deputy Chairman's enquiry on whether the consultant preparing the cost estimate was also responsible for the design of the Project, DCED advised in the affirmative.

15. The Deputy Chairman was of the view that as far as cost control was concerned, it might not be appropriate for the Administration to commission one single consultant to prepare both the design of a public works project and the cost estimate. DCED responded that the design, cost estimation, site surveys and investigations were undertaken by different professionals engaged by the consultant. He reiterated that the cost estimate prepared by the consultant had been vetted by the Administration. Moreover, the

contractor undertaking the construction works would be a company independent of the consultant.

16. Miss CHAN Yuen-han shared the Deputy Chairman's concern about the cost control for the Project. In response to Miss CHAN's enquiry on whether the consultant for the Project was under the direct supervision of the Administration, DCED advised in the affirmative. He explained that DCED was the vote controller of the Project and was responsible for seeking approvals for the relevant funding proposals to finance the Project. Pursuant to its established tendering procedures, the Administration commissioned a consultant to oversee the implementation of the Project. Professional staff of the relevant Government departments were responsible for monitoring the work of the consultant, including its performance in supervising contractors. Tenders were invited by a competitive procurement process for each contract under the Project. The tenders received would be evaluated according to the established criteria.

Planning and coordination for public works projects

17. Mr Albert CHAN said he had pointed out many times the importance for the Administration to explore the feasibility of developing housing in the vicinity of LT/HYW BCP in light of the enhancement to be made on the transport network in the area. However, the Project's current design fell short of his expectation. Holding the view that the over-concentration of implementation of public works projects in recent years would continue to push up the construction prices, he urged that the relevant policy bureaux, including the Development Bureau and the Transport and Housing Bureau, should proactively coordinate the priorities of all public works projects. He enquired whether the Administration had put in place such a coordination mechanism.

18. Deputy Secretary for Development (Works)2 ("DS(W)2/DEV") said that it was the existing practice of the Administration to review annually the needs and financial positions, including the cash flows, of the works projects underway and under planning. He stressed that as infrastructure investment in Hong Kong was currently inadequate, postponing the construction of worthwhile projects might defer the realization of their benefits to the society.

19. While acknowledging the need for the Administration to invest in infrastructure projects, Mr Albert CHAN said that to ensure prudent use of public monies, having regard to the over-concentration of public works

projects and the high construction cost, the policy bureau serving as the coordinator should request relevant departments to postpone or suspend non-livelihood-related projects, such as the West Kowloon Cultural District Project, and the proposed Multi-purpose Sports Complex in Kai Tak.

20. Dr KWOK Ka-ki said that the overall construction expenditure forecast for the next few years was a record high figure. He cast doubt on whether the relevant bureaux had effectively performed its coordination role in preventing bunching of projects and ensuring that the volume of construction works was within the delivery capacity of the construction industry. He enquired about the measures taken by the Administration to prevent different works projects from competing for the resources of the local construction industry.

21. Mr James TIEN opined that the proposed increase in the cost of the Project was not an individual case and cost overruns of public works projects were common in recent years. If the problem persisted, the financial burden would be shifted to taxpayers, in particular the middle class and the business sector. He said that Members belonging to the Liberal Party did not support the funding proposal.

22. Mr Frederick FUNG said that cost overruns had occurred in quite a number of public works projects within a short time recently. He questioned whether the over-concentration of implementation of projects under the Capital Works Programme in recent years was the underlying factor leading to the shortage of workers, increase in material prices, etc.

23. DS(W)2/DEV replied that the Administration was mindful of the rising trend of tender prices for public works contracts. At the Panel meeting in February 2014, the Administration had briefed members on the subject matter. He advised that the Administration would continue to adopt a multi-pronged strategy to deal with the challenges in this respect. He said that the overall construction expenditure forecasts over the next few years would be more than \$160 billion per year. The investment on projects under the Capital Works Programme was expected to be about \$70 billion annually. The Administration anticipated that the volume of construction output in the next few years would be, in general, within the delivery capacity of the construction industry.

24. DS(W)2/DEV continued that there were specific reasons for the Administration to propose increases in the estimated costs of various projects recently. For the Central-Wan Chai Bypass project, there had been a

remarkable difference, due to inflation, between the assumption on the price adjustment factors in 2009 when the original cost estimate had been derived and the latest assumption in 2013. As regards the construction of the New Broadcasting House of Radio Television Hong Kong, the original project estimate was a broad brush estimate merely making reference to the preliminary project feasibility study. During the project development, the project estimate had been updated to reflect the detailed architectural design and latest accommodation requirements of the project. Unlike these two projects, the cost of the LT/HYW BCP Project increased mainly because the returned tender prices had significantly exceeded the original estimate. The tenderers perceived that there were higher risks associated with the construction constraints. DCED added that one of the constraints specific to the Project was the need to carry out heavy civil engineering works at remote sites.

25. In response to Mr IP Kwok-him's enquiry on whether there were ways to reduce the cost of the Project by deferring the use of heavy construction machinery, DCED said the accepted tender prices of the relevant contracts had reflected a keen market demand for heavy machinery, such as crawler cranes, and their high rental costs. He reiterated that as the overall construction expenditure forecast for the next few years ranged from \$160 billion to \$190 billion per year, deferring the implementation of a works project would not drive down its cost.

26. Mr Albert CHAN and Miss CHAN Yuen-han did not subscribe to the Administration's explanation on why it would not defer the implementation of the Project. Mr CHAN said he was disappointed that the Administration had failed to coordinate and control the implementation of public works projects effectively and make timely decision to postpone some of the non-essential ones in view of the escalating construction cost. He held the view that shelving the Project would have relatively little impact on the livelihood of Hong Kong people.

Factors leading to the project cost overrun

27. The Deputy Chairman said the Administration's explanation in its paper that the recent surge in construction prices was a main factor leading to the proposed increase in the APE for the Project did not answer members' query about the precise reason for the cost overrun. He asked whether the costs of other public works projects underway would also increase because of the same reason.

28. Mr IP Kwok-him said that as the proposal involved a large sum of public monies, the Administration should provide more information to address members' concerns on the proposed increase in the cost of the Project. He agreed that there was a need to develop LT/HYW BCP to cater for the increasing cross-boundary traffic.

29. Mr LEUNG Kwok-hung cast doubt on the reliability of the information provided by the Administration in its paper about the factors leading to the increase in the cost of the Project. He asked about the genuine cause for the cost overrun. DCED responded that as explained in the Administration's paper submitted to the Panel for discussion at the meeting in January 2014, the returned tender prices for the Project had significantly exceeded the original estimate. After reviewing the tendering results of the works contracts, the Administration considered it necessary to increase the Project's base estimate as well as the provision for price adjustment and the project contingency.

30. In response to the Deputy Chairman's enquiry on why the Administration had concluded in its paper that tenderers' perception on higher risks associated with the Project was a factor leading to the proposed increase in the APE for the Project, DCED advised that according to the tender analysis conducted by the Administration, tenderers had placed a higher risk premium than expected to cater for some constraints peculiar to the Project. The Deputy Chairman opined that the Administration should consider engaging independent professionals to evaluate whether the tender prices returned from bidders were reasonable and comparable to market prices.

Effectiveness of site investigations

31. The Deputy Chairman said that the poor ground conditions for tunnelling works had led to the cost increase of the Project and was often a reason for the Administration to seek additional funding to finance its public works projects. He opined that the Administration should explore how to enhance the effectiveness of its site investigation works in obtaining accurate and comprehensive information on ground conditions, taking into consideration that the detailed design of construction works had to be worked out based on such information. DCED admitted that the Administration had proposed to increase the APE for the Project partly because some results of the site investigations had not been timely incorporated to the cost estimate prepared for the funding application in early 2012. He advised that, to reduce uncertainty, the consultant for the Project,

apart from vertical core drilling, had done further site investigation works using horizontal core drilling covering 70% of the total length of the tunnel construction. He considered that the amount and extent of the site investigation works conducted for the Project was adequate.

32. Dr Fernando CHEUNG said that of the funding of about \$18 billion that had been approved by the Finance Committee ("FC") since 2009 for developing LT/HYW BCP, more than \$500 million had been committed to the design and site investigation works. Noting that after undertaking these works, the Administration had yet to fully grasp the actual ground conditions for the tunneling works, hence leading to the cost overrun, he queried whether the public monies expended on these works had become a wastage. DCED replied that the advance works mentioned by Dr CHEUNG had been undertaken to, among others, explore the alignment options of the Connecting Road, carry out relevant impact assessments on the environment, traffic and infrastructural facilities, appraise the ground conditions of the site concerned, etc, and no wastage had been made.

The procurement mechanism for public works projects

33. Dr KWOK Ka-ki opined that under the existing tendering system of the Administration, contractors might submit bids with unreasonably low prices in order to secure the contracts. Unlike the works projects in the private sector, the contractors of public works projects did not need to bear the risks of cost fluctuations because there was a provision for price adjustment in each project cost estimate. Moreover, in the event of cost overrun, the Administration could always seek FC's approval for additional funding. He commented that such practice was like signing a blank cheque to the Administration for subsidizing contractors. He suggested that the Administration should commission independent consultants to review the prevailing procurement mechanism in respect of the provision for price adjustment in a project cost estimate.

34. DCED replied that the principles underlying the procurement system of the Administration were consistent with the spirit and objectives of the Agreement on Government Procurement of the World Trade Organization ("WTO GPA"). The main objective of WTO GPA was to provide for open and fair competition among domestic and foreign suppliers and service providers. Furthermore, relevant bureaux/ departments were required to follow the Stores and Procurement Regulations for procurement of goods and services.

35. DS(W)2/DEV advised that the procurement system of the Administration was in general similar to that in the private sector. The main difference was that a provision for price adjustment was included in each public works contract for the purpose of risk sharing between the Administration and contractors. Without such a provision, contractors might build in additional premiums in their bids for works contracts.

36. Miss CHAN Yuen-han and the Deputy Chairman suggested that the Administration should review the existing procurement mechanism for public works projects. Miss CHAN cautioned the Administration that the current price adjustment mechanism would give room for contractors to profiteer. The Deputy Chairman did not subscribe to the Administration's view that contractors would build in additional premiums in their bids for public works contracts, or might fail to complete the contracts, in the absence of the price adjustment mechanism. He said that the capability of appointed contractors to carry out a public works project should have been evaluated by the Administration during the relevant tender assessment.

37. DS(W)2/DEV replied that the Development Bureau had taken measures to improve the risk sharing arrangement under the existing tendering system. Making reference to overseas experience, the Administration had adopted the New Engineering Contract ("NEC") form in about 10 public works contracts to advocate collaboration in risk management by the contracting parties under a pain/gain share mechanism. It was stipulated in some of the NEC public works contracts that the Administration would share the gain with the contractor on a 50:50 basis. To limit its financial liability, the Administration only shared the overspending up to 50% of a cap of 10% above the final target cost of a contract.

38. Mr LEUNG Kwok-hung said that as construction cost was expected to increase in the next few years, the Administration would most likely need to share the overspending of most NEC public works contracts with contractors. Although the NEC form had been adopted for some projects, the Administration would still have to bear additional project costs due to project cost overruns. Considering that contractors should shoulder the risks of cost fluctuations of public works projects, he suggested that the Administration should review the effectiveness of the existing risk sharing arrangement for public works contracts by making reference to the mechanics of futures contracts in the financial market. He drew the Administration's attention to the financial burdens for small contractors who needed to purchase construction materials well in advance in view of the escalating material costs.

39. Mr Frederick FUNG opined that as the cost estimate for the Project submitted to FC for approval had been prepared by the Administration based on the tender prices returned by the relevant contractors, it should be the contractors themselves instead of the Administration to cater for the difference between the actual cost of the Project and the APE caused by factors such as movements in the costs of labour and materials during the contract period. He considered it necessary for the Administration to review the existing procurement system.

40. DCED replied that the proposed increase in the cost of the Project comprised not only the increase in the provision for price adjustment. He explained that after securing the approval for the original cost estimate of the Project, the Administration had invited tenders for some of the contracts. As the returned tender prices had significantly exceeded the estimate, the Administration considered it necessary to propose an increase in the APE for the Project. He continued that, to protect public funds, the Administration had cancelled the tender exercise for a contract and re-packaged the works of the contract into two contracts. The re-packaging had helped reduce the increase in the project cost. Moreover, the Administration had introduced other measures to reduce tenderers' risks, such as providing more works areas for contractors' use, providing a barging point to facilitate the delivery of precast bridge deck segments to reduce handling and transportation costs, etc.

41. Mr James TIEN said that under the existing procurement mechanism for public works contracts, the Administration would cater for the concerned contractor's requests for additional payments to cover adjustments in prices or wages following an unexpected increase in the quantity of works. He opined that such an arrangement was different from the prevailing practice of the private sector and had the drawback that contractors would have little incentive to control the project cost. He urged the Administration to review the mechanism.

42. DS(W)2/DEV replied that in the case of a substantial increase in the quantity of works in a construction contract, the Administration did not necessarily have to pay for the cost of the additional work at the original unit rates under the contract. The Government departments responsible for the relevant projects would consider such matters on a case-by-case basis.

Need and urgency of the new Boundary Control Point

43. Mr Gary FAN said that the Neo Democrats all along did not support the proposal to construct LT/HYW BCP, having regard to the fact that the overall capacity of the existing BCPs was sufficient to meet the cross-boundary transport demand. He was of the view that the new BCP was only planned to tie in with the development of North East New Territories and the National 12th Five-Year Plan but not to cater for the need of Hong Kong people.

44. Mr WU Chi-wai and Miss CHAN Yuen-han cast doubt on the urgency to complete the construction of LT/HYW BCP. Considering that there was a significant difference between the actual number of vehicular trips recorded at Shenzhen Bay BCP and the Administration's forecast made in the year 2002-2003, Mr WU said that the capacities of the existing BCPs in the western part of the territory had not been fully utilized. Anticipating that the number of visitors from the Mainland would reduce following the changes in the relevant policies, he considered that deferring the implementation of the Project would not cause significant impacts on the realization of its economic benefits, but would alert contractors of public works projects that LegCo would not allow imprudent use of public monies.

45. DCED replied that cross-boundary passenger trips had increased by 80% in the 10 years from 2003 to 2013, representing an increase of about 6% per year. The annual increase in road-based cross-boundary traffic was about 10%. The daily average cross-boundary patronage was about 571 000 in 2013 and 764 000 during the Easter holidays in 2014. He further advised that in 2011, about 75% of cross-boundary patronage was made by Hong Kong residents. The most common purposes of their trips were leisure, visiting relatives, business, working, and schooling. The number of cross-boundary students had increased three times in the past five years. He emphasized that the new BCP would serve not only visitors to Hong Kong but also Hong Kong people.

46. Mr Albert CHAN said that the number of cross-boundary students had reached the peak level and would reduce in subsequent years. To cater for the demand of cross-boundary students was not a valid ground to justify the development of the new BCP. Mr CHAN said that he objected to the funding proposal.

47. Dr Fernando CHEUNG cautioned the Administration that LT/HYW BCP might turn out to be a "white elephant". He said the Administration had advised that with the new BCP, the distance and travelling time from Tai Po to Longgang would be reduced by about 5 kilometres and about 22 minutes

respectively. He cast doubt on whether such benefits would adequately justify the high cost of the Project. Pointing out that a significant sum of public monies had already been expensed on the advance works under the Project and more would be spent on the remaining parts, such as the construction of the Passenger Terminal Building, he expressed concern on the amount of the total final cost of the Project. DCED replied that as the Architectural Services Department had yet to complete the design of the new BCP facilities, the total cost of the Project was not available at this stage.

48. Dr KWOK Ka-ki was concerned that the commissioning of LT/HYW BCP and the Connecting Road would lead to increase in visitor arrivals, hence putting more pressure on local facilities. He said that when considering the economic benefits of the new BCP, the Administration should take into account possible adjustment in the number of Mainland residents visiting Hong Kong under the Individual Visit Scheme ("IVS"), the actual number of vehicular trips recorded at Shenzhen Bay BCP, etc. Moreover, following the recent implementation of the complementary immigration measures on Mainland pregnant women under the "zero quota" policy, the information about the number of cross-boundary students in past years was no longer a useful reference for assessing the benefits of the Project. He opined that it was not a responsible move for the Administration to make only a slight revision to the funding proposal submitted to the Panel in January 2014 and request members to endorse the revised proposal. The relevant bureaux should revisit all the factors to ascertain the economic benefits of the new BCP in light of the latest circumstances before further discussing the proposal with the Panel.

49. DS(W)2/DEV replied that as the existing vehicular BCPs, such as Shenzhen Bay BCP and Lok Ma Chau BCP, were located in the western parts of the territory, the Administration considered that a BCP with a sufficient capacity should be provided in the east. He remarked that the transport demand of cross-boundary students and the number of visitors arriving in Hong Kong under IVS were only part of the considerations underlying the proposal to develop the new BCP. The construction of LT/HYW BCP was an infrastructure project that supported the long-term economic development of Hong Kong.

50. Mr CHAN Chi-chuen asked the Administration to explain how it had reached a conclusion stated in paragraph 11 of its paper that "postponing the construction of worthwhile projects may run the risk of deferring the realization of the economic and social benefits of the projects". He enquired how the benefits had been assessed, and the assumptions underlying the

assessment. He was concerned whether, in evaluating the benefits of the projects, the Administration had only taken into account the projected number of passenger and vehicular trips arriving at LT/HYW BCP. He cautioned that an increase in the number of visitors would not necessarily bring more benefits to Hong Kong people.

51. DCED replied that tourism was important to Hong Kong's economy and its contribution to the gross domestic product was considerable. The Administration had paid due regard to the public's concern over Hong Kong's capacity to receive tourists and would strive to strike a balance between the benefits to be brought by tourism development to the economy and the impact of tourists' activities on the daily lives of the community. He said that various policy bureaux had taken part in the assessment of Hong Kong's overall capacity to receive tourists. As regards the quantifiable economic benefits of the Project, he advised that the construction of the Connecting Road would greatly improve the existing transport network in North East New Territories, resulting in saving of travelling time.

52. Mr LEUNG Kwok-hung was concerned about the utilization of the new BCP, taking into consideration that the number of Mainland visitors had been on the decline. He commented that the economic benefits of the new BCP were not comparable to the high cost of the Project. He did not subscribe to the Administration's view that tourism had great contribution to the economy of Hong Kong. Mr LEUNG held the view that as it was uncertain whether the relevant economic reform in the Mainland and the initiative on "one-hour living circle" would be materialized as planned, it was not practicable for the Administration to make projections on the patronage of the new BCP and the benefits to be derived from it.

Construction manpower

53. Mr Michael TIEN said that according to Enclosure 2 to the Administration's paper (LC Paper No. CB(1)638/13-14(01)) submitted to the Panel for discussion at the meeting in January 2014, the average daily wages of various trades of construction workers, namely concreter, bar bender and fixer, rigger/metal formwork erector, carpenter(formwork) and construction plant mechanic, had gone up in 2013 significantly by more than the inflation rate. He was concerned that the continued increases in wages in such a scale would lead to further escalation of the costs of public works projects in future. He opined that, instead of seeking additional funds from LegCo to cover the increasing costs, the Administration should take effective measures to address the problem.

54. In response, DS(W)2/DEV advised that Hong Kong needed to make full use of the Supplementary Labour Scheme ("SLS") to address the shortage of construction manpower in individual trades. To reduce the demand for construction workers, contractors were encouraged to adopt wider use of mechanization. Overall design of works projects would be simplified and standardized. As there was a shortage of bar benders and fixers in the industry, the Administration was studying whether the efficiency of the operation of bar-bending and fixing could be enhanced if it was carried out in a factory-like setting before the bent-up bars were delivered to construction sites for installation. He said that some local manufacturers had expressed interest in the operation. The Administration planned to tender out a site in mid-2014 for such a purpose. DS(W)2/DEV advised that to reduce the demand for rigger/metal formwork erectors and carpenters, contractors of capital works projects were encouraged to use prefabricated components, which were more commonly used in building projects than in civil engineering works. On the question about the use of prefabricated components in the Project, DCED said that precasting had been applied to the construction of the Connecting Road.

55. Mr Michael TIEN remained of the view that the Administration should explore ways to address the continued increases in the daily wages of the five trades. He asked whether the Administration would allow importation of workers for these trades. In response, DCED advised that the Administration was considering various initiatives to reduce the demand for construction workers. As regards importation of labour, the Administration so far had not received such requests from the contractors of the Project.

56. Mr WU Chi-wai said that according to the information provided by construction workers' associations, the average age of construction workers was 50. He opined that when considering whether the volume of construction works had already exceeded the delivery capacity of the construction industry, the Administration should take into account, among others, the ageing of the construction workforce.

57. Miss CHAN Yuen-han enquired about the latest manpower situation of the 26 trades which had been identified with manpower shortage. She said that a considerable number of construction workers were currently without employment. The Administration should provide appropriate training to enhance their skills. As regards importation of labour, Miss CHAN enquired whether SLS applications related to public works projects, including the LT/HYW BCP Project, would continue to be submitted to the Labour

Advisory Board ("LAB") for consideration in future. Mr IP Kwok-him raised similar enquiries.

58. DS(W)2/DEV said that there were shortfalls in manpower in some 26 trades of the construction industry. To enhance the training of the Construction Industry Council for construction personnel, the Administration had secured FC's approval for a total fund of about \$300 million in the past. The latest information had revealed that more young people were willing to join the construction industry. Moreover, contractors were required under the terms and conditions in public works contracts to employ construction trainees and provide them with relevant training. DCED advised that, of the contracts under the Project that had been awarded, the contractors had not requested importation of labour. While it was not known at this stage whether contractors would make such requests in future, the Administration would ensure that all SLS applications would be submitted to LAB for consideration.

59. Miss CHAN Yuen-han said that she would object to the funding proposal if contractors of public works projects, including the Project under discussion, applying for importation of workers for the 26 trades were not required to submit the applications to LAB. She asked the Administration to provide information on the matter before the proposal was submitted to the Public Works Subcommittee ("PWSC") for consideration.

(Post-meeting note: The Administration's supplementary information was circulated to members vide LC Paper No. CB(1)1444/13-14 on 19 May 2014.)

Handling of motions

60. The Chairman directed that the meeting be extended for 15 minutes until 11:00 am. In response to Mr Gary FAN's enquiry on whether he could propose one more motion on the agenda item during the 15-minute period of extension, the Clerk, at the invitation of the Chairman, advised that according to House Rule 24A(f), no new motion should be proposed during the period of extension at the meeting.

61. The Chairman said that the Panel would deal with the three motions proposed by Mr Gary FAN at the meeting on 22 April 2014 and seconded by Mr CHAN Chi-chuen, which had been tabled at the meeting. The Chairman ruled that the proposed motions were directly related to the agenda item. He

took turn to put to vote the questions that the proposed motions be proceeded with. All questions were voted down by a majority of members.

Submission of the proposal to the Public Works Subcommittee

62. The Chairman enquired whether members supported the submission of the funding proposal on PWP Item No. 19GB to PWSC. Mr CHAN Chi-chuen requested a division and the voting bell was rung for five minutes. Twelve members voted for and 11 members voted against the proposal. The voting results were as follows:

For

Mr CHAN Kam-lam
Mr CHAN Hak-kan
Mr IP Kwok-him
Mr Michael TIEN
Mr CHAN Han-pan
Dr CHIANG Lai-wan

Mr Abraham SHEK
Mr CHAN Kin-por
Mrs Regina IP
Mr YIU Si-wing
Mr LEUNG Che-cheung
Ir Dr LO Wai-kwok

(12 members)

Against

Mr James TO
Mr Frederick FUNG
Mr LEUNG Kwok-hung
Mr James TIEN
Mr CHAN Chi-chuen
Dr Fernando CHEUNG

Ms Emily LAU
Mr Alan LEONG
Mr Albert CHAN
Mr Gary FAN
Dr KWOK Ka-ki

(11 members)

63. The Chairman concluded that the proposal was carried.

64. The Chairman suggested and members agreed that due to time constraints, the discussion on item II, i.e. "PWP Item No. 769CL -- Pilot Study on Underground Space Development in Selected Strategic Urban Areas" be carried forward to the next meeting.

(Post-meeting note: Members were informed of the above arrangement vide LC Paper No. CB(1)1398/13-14 issued on 9 May 2014.)

II Any other business

65. There being no other business, the meeting ended at 10:58 am.

Council Business Division 1
Legislative Council Secretariat
3 October 2014