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Establishment Subcommittee of the Finance Committee

**Minutes of the 11th meeting
held in Conference Room 1 of Legislative Council Complex
on Tuesday, 12 May 2015, at 4:30 pm**

Members present:

Hon Kenneth LEUNG (Chairman)
Hon SIN Chung-kai, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Emily LAU Wai-hing, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Cyd HO Sau-lan, JP
Hon Starry LEE Wai-king, JP
Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, SBS
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon Claudia MO
Hon 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
Dr Hon Kenneth CHAN Ka-lok
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Hon Martin LIAO Cheung-kwong, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Hon CHUNG Kwok-pan

Member attending:

Ir Dr Hon LO Wai-kwok, BBS, MH, JP

Members absent:

Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Ronny TONG Ka-wah, SC
Hon Dennis KWOK
Dr Hon Fernando CHEUNG Chiu-hung

Public Officers attending:

Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Mr Eddie MAK Tak-wai, JP	Deputy Secretary for the Civil Service (1)
Mrs Ingrid YEUNG, JP	Commissioner for Transport
Mr CHEUNG Jin-pang	Assistant Commissioner for Transport (Administration and Licensing)
Ms Cordelia LAM	Principal Assistant Secretary for Transport and Housing (Transport)2
Mr Joseph LAI, JP	Permanent Secretary for Transport and Housing (Transport)
Mrs Sharon YIP, JP	Deputy Secretary for Transport and Housing (Transport)4
Mr Henry CHU	Assistant Secretary for Transport and Housing (Transport) (Airport Expansion Project Coordination Office)A

Clerk in attendance:

Ms Connie SZETO

Chief Council Secretary (1)4

Staff in attendance:

Ms Anita SIT

Assistant Secretary General 1

Mr Jason KONG

Council Secretary (1)4

Ms Alice CHEUNG

Senior Legislative Assistant (1)1

Miss Yannes HO

Legislative Assistant (1)6

Ms Clara LO

Legislative Assistant (1)8

Action

The Chairman said that the Subcommittee would continue to deal with the three items carried over from the meeting on 29 April 2015. He drew members' attention to the information paper ECI(2015-16)2 which set out the latest changes in the directorate establishment approved since 2002. He then reminded members that in accordance with Rule 83A of the Rules of Procedure ("RoP"), they should disclose the nature of any direct or indirect pecuniary interest relating to the funding proposals under discussion at the meeting before they spoke on the items. He also drew members' attention to RoP 84 on voting in case of direct pecuniary interest.

EC(2014-15)20

Proposed creation of two permanent posts of one Chief Electrical and Mechanical Engineer (D1) to head the Vehicle Safety and Standards Division of the Transport Department and one Principal Executive Officer (D1) to be offset by deletion of a permanent post of Chief Executive Officer (MPS 45 - 49) to serve as Departmental Secretary of the Transport Department with immediate effect upon approval of the Finance Committee

2. The Chairman remarked that the Administration's proposal was to create two permanent directorate posts in the Transport Department ("TD"), including a Chief Electrical and Mechanical Engineer ("CEME") to head the Vehicle Safety and Standards Division ("VSSD"), and upgrading the post of Departmental Secretary from the non-directorate rank of Chief Executive Officer to the directorate rank of Principal Executive Officer.

Justifications for the post of Chief Electrical and Mechanical Engineer and directorate establishment of the Transport Department

3. Mr Albert CHAN said that in principle he did not object to creating senior posts to strengthen the leadership in VSSD and enhance the management and services of TD in coping with operational needs. However, he observed that there were inconsistencies across Bureaux/Departments or within a Department in determining the grades and ranks of directorate posts with similar duties or responsibilities to be pitched at. For the proposed engineer post to head VSSD, he requested the Administration to explain the rationale for pitching the post at the Chief Engineer ("CE") rank, in particular how the proposed ranking would commensurate with the duties and workload of the post, and whether the principal rank of the engineer grade was more senior than the chief rank.

4. Mr YIU Si-wing noted that VSSD was currently headed by two Senior Electrical and Mechanical Engineers ("SEMEs"). He enquired why the Administration considered that the leadership and supervision required by VSSD were beyond the capacities of the two SEMEs.

5. Commissioner for Transport ("C for T") responded that under the establishment of TD, vehicle examination-related work was mainly taken up by engineer grade staff in the electrical and mechanical stream, whereas engineers in the civil stream were responsible for the planning and management of transport infrastructure. As far as ranking was concerned, the technical aspects of TD's work were performed and overseen by officers at the Engineer and Senior Engineer ranks. CEs who were conversant with public administration were required for taking up higher level duties, including formulation of policies and related legislative proposals. She clarified that despite the different post titles, Principle Transport Officers and CEs in TD were both pitched at the D1 level. Each of the seven Assistant Commissioners for Transport (at the D2 level) was supported by one or more officers at the D1 level, hence there was consistency in the directorate structure across different branches in TD.

6. C for T added that the work of VSSD had become increasingly complex due to rapid development in automotive technology and international vehicle standards. The technological innovations relating to the use of alternative fuels by vehicles and implementation of the International Whole Vehicle Type Approval regulation in some developed countries were cases in point. Against this background, public expectations on the work of VSSD had increased. It was necessary for the head of VSSD to keep the local regulatory framework and procedures under constant review for alignment with international practices, formulate new policies and introduce amendments to relevant legislation, engage stakeholders and conduct public consultations,

and make assessments taking into account various factors. VSSD therefore required the strong leadership of a CEME who possessed both public administration experience and sound professional knowledge in the area of vehicle safety and standards.

Duties of the Vehicle Safety and Standards Division

7. Mr Martin LIAO pointed out that there had been reports of testers at Designated Car Testing Centres ("DCTCs") accepting bribes and forging Certificates of Roadworthiness. Mr YIU Si-wing noted that the Independent Commission Against Corruption ("ICAC") had completed a thorough review on the operation of DCTCs and made recommendations on enhancing the management and supervision of the centres. They sought details about ICAC's recommendations, the work of CEME in tackling the problems relating to the operation of DCTCs, and supervision of CEME's work in this regard.

8. C for T responded that TD had already implemented the recommendations made by ICAC regarding the operation and management of DCTCs and strengthened its work in monitoring the centres. CEME would monitor and review the operation and vehicle examination process of DCTCs on an on-going basis. CEME would be under the supervision of Assistant Commissioner for Transport (Administration and Licensing) ("AC for T (A&L)").

9. Mr KWOK Wai-keung supported the Administration's proposal as he agreed that the manpower of VSSD should be strengthened in order to enhance its service quality and align local vehicle safety standards with international regulations/practices. Noting that TD had conducted a review on the operation of DCTCs, he enquired about whether there would be recommendation to increase the number of DCTCs.

10. C for T responded that TD had already completed the review and identified some areas for improvement. A number of measures had already been put in place to enhance operational efficiency of DCTCs, such as upgrading their computer systems. TD would work with DCTCs to further upgrade their computer systems so that each user could book only one appointment at a time for each vehicle. This initiative would help reduce wastage of unused vehicle examination time slots caused by multiple appointments currently allowed by the systems. C for T said that with a view to setting up more new DCTCs, TD had published a notice in four newspapers on 7 May 2015 to invite applications from interested parties. The application period would end in late June 2015. It was envisaged that the vetting process would take two months and approvals-in-principle would be granted to successful applicants in late August 2015. New DCTCs were expected to be

operational by March/April 2016. C for T further said that there would be no ceiling in the number of DCTCs allowed in operation. All applicants which met the requirements would be designated as CTC. The designation would be valid for three years and subject to renewal.

11. Mr Martin LIAO remarked that the Environmental Protection Department ("EPD") had extended the vehicle emission control programme to include nitrogen oxides with effect from 2014, and had set up remote sensing equipment at various locations in order to monitor the level of nitrogen oxide emissions of passing vehicles. Vehicle owners would receive an Emission Testing Notice if their vehicles had exceeded the prescribed emission level and needed to arrange the vehicles concerned for an emission test with a chassis dynamometer. Failure to pass the test might lead to cancellation of the vehicle licences in question by TD. As the emission test of TD's annual vehicle examination did not cover nitrogen oxide emission, vehicles having passed the annual examination did not necessarily meet the exhaust emission standards of the dynamometer-based test. There had been complaints lodged by vehicle owners to Office of the Ombudsman alleging that shortly after their vehicles had passed the annual examination required by TD, they were notified by EPD to arrange their vehicles for a chassis dynamometer test. These complaints had demonstrated inadequate coordination between TD and EPD in the implementation of the new emission control initiative. Mr LIAO asked whether it would be among the duties of CEME to tackle related problems.

12. C for T responded that the Administration had consulted the Panel on Environmental Affairs before launching the enhanced emission control programme. The Administration had explained to Panel members that due to various physical, environmental and other constraints, it would take time to upgrade the testing equipment at DCTCs and the dynamometer-based emission tests would not be available immediately after commencement of the enhanced programme. Panel members supported the initiative and urged the Administration to expeditiously upgrade the testing equipment at DCTCs. TD and EPD had been exploring with DCTCs to overcome relevant constraints and resolve difficulties in incorporating the dynamometer-based emission tests in the annual vehicle examination procedures, including insufficient space for housing the necessary equipment, the need to revamp work procedures, and assessment of potential impacts on the environment, etc.

13. Ir Dr LO Wai-kwok expressed support for the present establishment proposal. He considered it necessary to strengthen the manpower of VSSD to cope with its increasing workload and facilitate its work in addressing the problem of long waiting time for vehicle examinations. Pointing out that the establishment of VSSD had increased from 119 posts in 2009 to 143 in 2015, he considered it reasonable to create the CEME post to provide the necessary

steer and leadership for the Division. He sought details about the initiatives of VSSD and the progress in updating the vehicle standards and regulations in tandem with implementation of new emission control requirements and rapid advancement in automotive technology, such as alternative fuel technology and energy saving technology.

14. C for T responded that to cope with the rapid advancement in automotive technology, CEME would lead VSSD in updating the relevant legislation on vehicle construction and maintenance. VSSD was currently working on legislative amendments for vehicle lighting regulations which would be introduced into the Legislative Council ("LegCo") in due course. As regards new vehicles using alternative fuels, the relevant international standard had not yet been fully developed and a small number of such vehicles were in use in Hong Kong. While there were no specific regulations governing the design and construction of alternative fuel vehicles at the moment, VSSD could ensure the safety of such vehicles through the type approval process. The Administration would keep the development of alternative fuel vehicle technology under constant review and introduce new regulations when necessary.

Vehicle examination at Police Vehicle Pounds

15. Mr LEUNG Kwok-hung considered it reasonable to create the post of CEME to enhance the capability of VSSD. He expressed concern over potential abuse of the vehicle testing procedures by the Administration. He quoted his experience during the visit of the then Vice Premier LI Keqiang to Hong Kong in 2011, when his car was intercepted and taken away by the Police for examination on alleged excessive emission when he was on his way to a protest zone. His car was released only after Mr LI had left the place. He queried if the Police were conferred with the power to take away vehicles for examination on grounds of excessive emission and whether TD had any involvement in this regard.

16. C for T said that DCTCs, which were operated by private and self-financed contractors and appointed by TD, were only responsible for annual roadworthiness examinations for private cars aged six years or more and light goods vehicles not exceeding 1.9 tonnes aged one year or more. Licences of such vehicles would only be renewed if they passed the annual examinations. For all commercial vehicles, their annual examinations were carried out at the four vehicle examination centres operated by TD. Apart from the annual vehicle examination, TD might order a vehicle owner to have his/her vehicle undergo examination upon receiving complaints from members of the public or reports from the Police on possible non-compliance with safety or emission requirements.

17. AC for T (A&L) supplemented that the Police had the authority to order a vehicle to be moved to a Police Vehicle Pound ("PVP") for the investigation of traffic accident or serious case of non-compliance with safety requirements. In response to Mr LEUNG Kwok-hung's further question, C for T confirmed that the management and operation of the four PVPs was neither under the purview of VSSD nor the duties of CEME. Some staff members of TD were seconded to work in PVPs for providing technical support on vehicle examination.

18. The Chairman put EC(2014-15)20 to vote. At the request of Dr Helena WONG, the Chairman ordered a division and the division bell was rung for five minutes. Twenty six members voted for and none voted against the item. The Chairman declared that the Subcommittee agreed to recommend the item to the Finance Committee for approval. The votes of individual members were as follows –

For

Mr Albert HO
Mr LEUNG Yiu-chung
Mr WONG Ting-kwong
Ms Starry LEE
Mrs Regina IP
Mr Alan LEONG
Mr NG Leung-sing
Mr WU Chi-wai
Mr Gary FAN
Dr Kenneth CHAN
Dr KWOK Wai-keung
Dr Helena WONG
Mr POON Siu-ping
(26 members)

Mr LEE Cheuk-yan
Mr Frederick FUNG
Ms Cyd HO
Mr WONG Kwok-kin
Mr Paul TSE
Ms Claudia MO
Mr Steven HO
Mr YIU Si-wing
Mr Charles MOK
Dr KWOK Ka-ki
Mr Christopher CHEUNG
Mr IP Kin-yuen
Mr TANG Ka-piu

EC(2015-16)1 Proposed creation of three supernumerary posts of one Principal Government Engineer (D3), one Administrative Officer Staff Grade C (D2) and one Chief Engineer (D1) in the Airport Expansion Project Coordination Office (AEPCO), Transport Branch of Transport and Housing Bureau for about three years with immediate effect upon approval of the Finance Committee to 31 March 2018 to head the AEPCO for steering and coordinating the related work in taking forward the Three-Runway System project

19. The Chairman advised that the Administration's proposal was to create three supernumerary posts, including one Principal Government Engineer ("PGE"), one Administrative Officer Staff Grade C and one CE, in the Airport Expansion Project Coordination Office ("AEPCO") under the Transport Branch of the Transport and Housing Bureau ("THB(TB)") for about three years to head AEPCO for steering and coordinating the related work in taking forward the Three-Runway System ("3RS") project at the Hong Kong International Airport ("HKIA").

20. The Chairman remarked that on 23 March 2015, the Panel on Economic Development discussed the latest developments of the 3RS project, including the Administration's proposal to extend the three supernumerary directorate posts in AEPCO which were created in July 2012 for an initial period of two years and nine months. Panel members did not raise objection to the establishment proposal but expressed grave concern about the proposed financial arrangements of the 3RS project which were considered as a means to bypass the monitoring of LegCo. Members also questioned the need of the 3RS project, and expressed concerns about the utilization and management of airspace in the Pearl River Delta ("PRD") region, the altitude restriction applied to aircrafts departing from Hong Kong when entering the Mainland airspace (commonly know as the "air wall"), limitations of HKIA's handling capacity, and the environmental impact assessment ("EIA") of the 3RS project. After the three supernumerary posts lapsed on 1 April 2015, the Administration informed Panel members that it would submit a proposal to the Establishment Subcommittee to re-create the posts.

Utilization and management of airspace in the Pearl River Delta region

21. Mr LEE Cheuk-yan said that the Labour Party was opposed to the 3RS project due to serious concerns about the justifications for the project and its financial arrangement. He said that the crux of the issue was airspace congestion problem in the PRD region which had limited the handling

capacity of the current two-runway system ("2RS") at 68 Air Traffic Movements ("ATMs") per hour, vis-à-vis the estimated capacity of 86 ATMs per hour under the New Airport Master Plan ("NAMP") in 1992. If this limitation could be overcome by optimizing the utilization of the PRD airspace, there would be spare throughput capacity under 2RS to cope with future needs of the aviation industry. He expressed serious doubt if there could be further improvement in the management of the PRD airspace, without which the estimated capacity of 102 ATMs per hour under 3RS could never be achieved and as a result the 3RS project would become a "white elephant" being very costly and seriously under-utilized. Moreover, he sought clarification from the Administration on whether a major part of HKIA's Terminal 2 would need to be demolished for reconfiguration of the Terminal under the 3RS project.

22. Mr TANG Ka-piu remarked that the Administration had explained during discussions on the future development of HKIA at meetings of the Islands District Council that due to various technical constraints, the actual capacity of 2RS was 68 ATMs per hour. This number was confirmed by the United Kingdom-based aviation consultant National Air Traffic Services ("NATS"), which was engaged by the Airport Authority Hong Kong ("AAHK") to undertake a study on the runway capacity. NATS also confirmed that the management of the PRD airspace was not a major factor contributing to the capacity limit of 2RS. He urged that the Administration should provide the relevant details to clarify the matters.

23. Permanent Secretary for Transport and Housing (Transport) ("PSTH(T)") responded that AAHK was the proponent of the 3RS project and would be responsible for implementing the project. That said, the Government was fully aware of the widespread public concern about the cost-effectiveness and practicability of the 3RS project and the public expectation for the Government to exercise proper monitoring of AAHK's work in implementing the project. He also noted that the House Committee of LegCo would soon consider the appointment of a subcommittee for monitoring the implementation of the 3RS project ("3RS Subcommittee") and that the Government had said that it would fully co-operate with the 3RS Subcommittee upon its establishment. As such, there was an urgent need to create the three supernumerary posts to steer AEPCO in monitoring AAHK's work in relation to the 3RS project and facilitate the work of the 3RS Subcommittee.

24. On the handling capacity of the existing 2RS at HKIA, PSTH(T) explained that NAMP and some subsequent consultancy studies had indicated that the hypothesized maximum capacity of 86 ATMs per hour under 2RS could only be achieved under constraint-free operations. The fact was, the geographical terrains of the Lantau Island and New Territories did impose constraints on the capacity of the existing 2RS at HKIA. According to

NATS's analysis, the maximum capacity of 2RS under either Independent or Segregated Mode of runway operation, with implementation of the 46 recommendations in the consultancy report, was limited to 68 ATMs per hour. Further enhancement of the 2RS capacity could only be achieved by levelling most of the high peaks on the Lantau Island. Such work would be infeasible due to substantial environmental impacts, prohibitive cost and technical difficulties.

25. As regards the management of the PRD airspace, PSTH(T) said that the Administration recognized that achieving 3RS's design capacity of 102 ATMs per hour would hinge on optimized utilization of the PRD airspace. In fact, the Civil Aviation Department ("CAD") of Hong Kong, the Civil Aviation Administration of China ("CAAC"), and the Civil Aviation Authority of Macao had in 2004 set up a Tripartite Working Group ("TWG") to formulate measures for rationalizing the air traffic control arrangements in the PRD region, and optimizing the use of airspace and enhancing safety. TWG had formulated and agreed on the "PRD Region Air Traffic Management Planning and Implementation Plan (Version 2.0)" in 2007 ("2007 PRD Airspace Plan"), setting out various optimization targets and measures. The Administration would continue to work together with TWG for the implementation of the improvement measures set out in the Plan. In addition, CAAC had indicated support for the 3RS project.

26. Mr WU Chi-wai cautioned against quoting the findings of the NATS consultancy study out of context, and pointed out that the consultancy report did identify other factors limiting the capacity of 2RS, such as the airspace congestion problem in the PRD region, the mix of aircraft types, etc., apart from the terrains surrounding HKIA. Regarding the airspace congestion problem, Mr WU was disappointed that despite some eight years had passed since the formulation of the 2007 PRD Airspace Plan, no concrete solutions had been worked out. This had reflected Government's inability in pursuing cross-border co-operation which was also demonstrated in the recent incident on the co-location of boundary control facilities at the West Kowloon Terminus of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL"). With the airspace congestion problem remained unresolved, Mr WU expressed grave concern that the 3RS project would be wasted. As far as the establishment proposal was concerned, Mr WU said that a dedicated division was set up in THB for monitoring the Hong Kong section of XRL project but had failed to prevent problems of delay and cost overruns. This raised serious doubts about the effectiveness of AEPCO and accountability of the holders of the three posts in monitoring the 3RS project. Therefore, the Democratic Party was opposed to the proposal.

27. Mr LEUNG Kwok-kung shared the same concerns and said that he did not support the establishment proposal. He was not convinced that

negotiations between the Hong Kong Government and the Mainland authorities on the rationalization of the PRD airspace could resolve the current airspace problem. He pointed out that even after the commissioning of the third runway at the Guangzhou Baiyun International Airport, the handling capacity of the airport was increased by only about 10 ATMs per day due to airspace congestion.

28. PSTH(T) explained that over the past years, the three sides had held over 20 meetings at different levels to follow up on the 2007 PRD Airspace Plan and achieved progress in implementing related enhancement measures, including the establishment of new peripheral air routes in the PRD region, additional handover points between air traffic control units, etc. The next meeting of the three sides would be held in late May 2015. He stressed that due to the time-sensitive nature of the 3RS project, it needed to be implemented in tandem with the enhancement measures under the 2007 PRD Airspace Plan. He re-iterated that the management of airspace in the PRD region was not a factor constraining the capacity of 2RS.

Justifications for and financial arrangement of the Three-Runway System project

29. Mr Christopher CHEUNG and Ir Dr LO Wai-kwok conveyed the support of Business and Professionals Alliance for Hong Kong for the 3RS project and the establishment proposal. They concurred that the 3RS project could help sustain Hong Kong's position as a logistics and aviation hub in the face of the imminent saturation of 2RS and intensified competition from neighbouring airports. Enhancement in the operational efficiency of HKIA could also benefit the Hong Kong economy and facilitate sustainable development of the aviation, logistics and tourism sectors. Dr LO added that the engineering sector was supportive of the 3RS project and over 70% respondents of the public consultation on the HKIA Master Plan 2030 also indicated support for 3RS.

30. Mrs Regina IP expressed support for the 3RS project and the establishment proposal. She remarked that the project was a long-term investment on infrastructure beneficial for the Hong Kong economy, and urged the Administration to expedite implementation of the project. She said that according to a recent study conducted by the Savantas Policy Institute on the competitiveness of Hong Kong, the 3RS project was pivotal in sustaining Hong Kong's position as an aviation hub and creating high value-added jobs. The study also pointed out that with the connectivity, efficiency and favourable geographical location of HKIA, Hong Kong was well positioned to further develop its aviation industry, and it would be unfortunate if such development was hindered by the saturation of HKIA's handling capacity. As regards the financial arrangement of the project, Mrs IP said that there was

public concern about the impact of the proposed Airport Construction Fee ("ACF") on the tourism sector. To mitigate the impact, she suggested that the Administration should consider lowering the rate of Air Passenger Departure Tax.

31. Mr NG Leung-sing agreed that expanding the capacity of HKIA would reinforce Hong Kong's position as an aviation hub and enable Hong Kong to capitalize the new opportunities created by the "One Belt One Road" initiatives of the Central Government. He considered that delays in the delivery of other infrastructure projects should not be reasons to object the 3RS project as such delays might be caused by factors beyond control of the Government, such as shortage in labour supply. Moreover, he urged the Administration to put in place mechanisms and develop indicators for monitoring and accessing the performance of both AAHK and holders of the three posts in order to ensure proper implementation and timely delivery of the 3RS project. Given AAHK's robust financial performance in the past, Mr NG was of the view that there should not be difficulties for AAHK to raise debts to bridge the funding gap. However, he considered that the proposed ACF might not be in line with the user-pay principle as the fee would be collected up-front from passengers now instead of future users after completion of the third runway. He urged that the Administration should discuss the arrangement with AAHK and explore more equitable options.

32. Mr LEE Cheuk-yan criticized the proposed financial arrangement for the 3RS project, which included AAHK withholding dividend payouts to the Government for 10 years. As the dividend income from AAHK could be spent on public services, he pointed out that the proposed financial arrangement was not in the public interest and was aimed to circumvent LegCo's monitoring. Mr LEE queried if the Government would give up the 3RS project if the Establishment Subcommittee did not endorse the present establishment proposal. Mr LEUNG Kwok-hung added that the dividend income from AAHK had been excluded in the Estimates for the year 2015-2016, which indicated that the Administration had prepared to surrender the dividend income concerned in support of the 3RS project.

33. Mr LEUNG Kwok-hung said that the public and LegCo Members had raised grave concerns about the forecast demand of 3RS, economic viability and proposed financial arrangement of the 3RS project. Problems associated with serious cost overruns in various infrastructure projects under construction, such as the Hong Kong section of XRL, West Kowloon Cultural District, HongKong-Zhuhai-Macao Bridge and Liantang/Heung Yuen Wai Boundary Control Point, and wrong forecast in demand of commissioned infrastructures, such as the Airport Express, had reflected Government's poor performance in taking forward infrastructure projects. Mr LEUNG stressed the need for the Administration to address the various concerns on the 3RS

project. It was also necessary for the Administration and AAHK to disclose financial information on the project and explain the basis of their projections. For instance, the Administration should explain the proposal for AAHK to raise debts to meet the substantial part of the project cost, and the potential difficulties of this funding option with a high negative net present value ("NPV") of some \$43 billion of the project as estimated by the Hong Kong and Shanghai Banking Corporation ("HSBC").

34. PSTH(T) responded that the Government would, through concerted effort with AAHK, strive to explore ways to facilitate the implementation of the 3RS project. The relevant reclamation works had recently been gazetted. He stressed that the Administration and AAHK had no intention to circumvent LegCo's monitoring. AEPCO would facilitate the work of the 3RS Subcommittee once it was established. He added that it was the statutory obligation of AAHK under the Airport Authority Ordinance (Cap. 483) to develop HKIA. The 3RS project was formulated in fulfilment of AAHK's obligation.

35. On members' comments and enquiries on the financial arrangement, and financial and economic viability of the 3RS project, PSTH(T) responded that according to AAHK's projection, as compared to 2RS, 3RS would generate an additional economic NPV of about \$455 billion over the 50-year period from 2012 to 2061. This figure should not be mixed up with the financial NPV of 3RS, which measured the financial viability of 3RS as a standalone project and had not taken into account the overall benefits brought about by 3RS to the Hong Kong economy. In fact, most infrastructure projects had marginal or negative financial returns if they were taken as standalone projects. PSTH(T) further explained that the financial feasibility assessment conducted by HSBC, which was commissioned by AAHK, was only based on AAHK's revenue streams, including landing and parking charges, rental incomes from retail shops and other incomes, at the time of the study and had not taken into account the proposed new charges and revenue streams. AAHK had reviewed the financial projection of the 3RS project based on its latest financial position and proposed financial arrangement which included the introduction of ACF, adjustments in airport charges, etc. In response to the Administration's request and concerns expressed by the public and LegCo Members, AAHK was also reviewing the possibility of lowering the level of the proposed ACF. AAHK would report the updated figures to the Government after completion of the review. As regards members' enquiry on the dividend policy, he clarified that according to the Airport Authority Ordinance, it was for AAHK to decide whether dividends would be declared. There was no question of the Government waiving the dividends.

Establishment and interim work arrangement of the Airport Expansion Project Coordination Office

36. Noting that the three supernumerary directorate posts had lapsed on 31 March 2015, Ir Dr LO Wai-kwok sought details about the interim work arrangement of AEPCO. PSTH(T) responded that as a stopgap measure, Division 4 of THB(TB) was providing directorate support for AEPCO and had absorbed the additional duties. Given that Division 4 was already heavily loaded with a wide spectrum of responsibilities including overseeing the aviation policy and house-keeping duties for AAHK, the interim arrangement could not be sustained. Moreover, the directorate staff of Division 4 of THB(TB) did not have the necessary engineering expertise which would be critical for accomplishing the tasks of AEPCO, including coordination with AAHK on engineering issues, such as reclamation works and environmental mitigation and enhancement measures. There was an urgent need to create the three supernumerary posts. He called on members to support the establishment proposal.

37. Ir Dr LO Wai-kwok agreed that AEPCO would be pivotal in assisting the work of LegCo in monitoring the implementation of the 3RS project and overseeing AAHK's compliance with the 3RS Environmental Permit ("EP") conditions, such as application of deep cement mixing technique in reclamation works and implementation of various mitigation measures. He remarked that the work of AEPCO was comparable to that of the New Airport Project Coordination Office, which was formed for the implementation of the Hong Kong Airport Core Programme. Considering that the interim arrangement was unsatisfactory, he called on members to support the Administration's establishment proposal.

38. Noting that AEPCO was responsible for a large portfolio of duties, including day-to-day liaison with AAHK and other relevant Government Departments, engaging stakeholders and coordinating with AAHK on the formulation and execution of the financial arrangements Mr Christopher CHEUNG expressed concern about adequacy of manpower resources for AEPCO. He asked if the Administration would consider creating another post at a more senior level to take charge of coordination in construction works, and report the progress to LegCo. Moreover, he urged the Administration to put in place an effective system to monitor the project cost and work progress so as to avoid recurrence of problems of delay and cost overruns in the construction of the Hong Kong section of XRL.

39. Mr POON Siu-ping asked why the duration of the three supernumerary posts was three years instead of a longer period of time to tie in with commissioning of 3RS, which is targeted at 2023.

40. PSTH(T) responded that while AEPCO would be maintained at least until the completion of the 3RS project, the Administration had adopted a prudent approach in planning the manpower resources of the Office taking into account operational needs. When the three supernumerary posts were first created in May 2012, the major responsibility of AEPCO then was to coordinate with AAHK for the preparation and initial planning work of the 3RS project. As there were uncertainties in 2012 about the implementation of the project, the Administration had proposed to create the three posts for two years and nine months initially. Following the Executive Council's affirmation of the need for the 3RS project in March 2015, the Administration considered it necessary to maintain AEPCO and create the three supernumerary posts for the next stage of work. Given that AAHK would engage in the detailed design and relevant preparatory work (including statutory processes and advance works) for the implementation of the 3RS project from now to 2018, the Administration considered that the manpower resources of AEPCO comprising the three proposed directorate posts and the existing eight non-directorate officers would be sufficient for undertaking the various tasks required in the coming three years. According to AAHK's current programme, construction works associated with the 3RS project was expected to surge from 2018 onwards. The Administration would review the manpower requirement of AEPCO regularly according to the implementation programme of the project, and would submit proposal for additional directorate support in AEPCO as necessary. On the transparency of the 3RS project, PSTH(T) re-iterated that the Administration would fully co-operate with the 3RS Subcommittee and assist in its work. Both the Administration and AAHK would provide timely reports to LegCo on the 3RS project.

41. Mr POON Siu-ping considered that the Administration should map out a comprehensive manpower plan for AEPCO covering both directorate and non-directorate level of support required to tie in with various stages of the 3RS project. He further enquired if the Administration would consider increasing non-directorate manpower resources in AEPCO in 2018. In response, PSTH(T) said that the Administration considered that the existing non-directorate support in AEPCO adequate for the time being but would keep the manpower situation under review based on the 3RS implementation programme. He stressed that the Administration would be prudent in managing the manpower resources of AEPCO.

Environmental impacts of the Three-Runway System project

42. Mr Steven HO said that to ensure smooth implementation of the 3RS project, the Administration should clearly explain to people who would be likely affected by the project the economic benefits of 3RS. He remarked that there was strong opposition from fishermen to the 3RS project due to the negative impacts on fisheries resources. To address their concerns, it was

necessary for AAHK to implement measures to conserve marine ecology and enhance fisheries resources when carrying out reclamation and construction works. He said that past reclamation works in connection with the construction of HKIA and Hong Kong Disneyland had exposed loopholes in the Administration's monitoring mechanism. For instance, improper disposal of silt curtains by contractors was a subject of constant complaint from fishermen. He enquired about the role of the three supernumerary posts in monitoring the work of contractors and how the Administration could ensure that an effective monitoring mechanism would be put in place.

43. PSTH(T) responded that AAHK had paid much heed to the conservation of fisheries resources, and the subject matter had indeed constituted an important part of the EIA Report of the 3RS project. AAHK had proposed a number of measures to improve the fisheries resources in the western Hong Kong waters and support sustainable fisheries operation, including eco-enhancement design of part of the seawalls within the future extended HKIA Approach Area, potential deployment of artificial reefs at appropriate locations to promote juvenile fish recruitment, and implementation of a Fisheries Enhancement Strategy. AAHK would establish a Fisheries Enhancement Fund to support the above activities, and a management committee for the Fund with representatives from fishermen and the relevant stakeholders as members. AAHK was required to report to the Director of Environmental Protection on the progress in delivering its various commitments made in the 3RS EIA report and EP conditions. PSTH(T) said that incumbents of the proposed PGE and CE posts, who were very experienced in handling statutory procedures associated with public works projects, would work in partnership with AAHK in implementing the environmental mitigation and enhancement measures.

Consultative committee for the Three-Runway System project

44. Mr TANG Ka-piu noted that AEPCO would provide secretarial support to a high-level consultative committee proposed to be established in connection with the 3RS project. He sought details about the structure, objective, composition, and mode of operation of the committee. He also enquired if the consultative committee would look into manpower-related issues including working conditions for employees working in HKIA. PSTH(T) responded that the consultative committee would gauge the views of different stakeholders and provide advice to the Administration and AAHK on various fronts during the implementation of the 3RS project. Members of the consultative committee would include representatives from relevant stakeholder groups, including trade unions.

45. Before adjourning the meeting, the Chairman advised that discussion on this item would continue at the next meeting to be held on 27 May 2015, at 8:30 am. He also remarked that another meeting had been scheduled for 10 June 2015, at 8:30 am.

46. There being no other business, the meeting ended at 6:30 pm.

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