

立法會
Legislative Council

LC Paper No. FC258/14-15

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Finance Committee of the Legislative Council

Minutes of the 48th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 22 May 2015, at 5:10 pm

Members present:

Hon Tommy CHEUNG Yu-yan, SBS, JP (Chairman)
Hon CHAN Kin-por, BBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon LEUNG Yiu-chung
Hon Emily LAU Wai-hing, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon WONG Kwok-hing, BBS, MH
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Cyd HO Sau-lan, JP
Hon Starry LEE Wai-king, JP
Hon CHAN Hak-kan, 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 Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip

Hon WONG Yuk-man
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon Steven HO Chun-yin
Hon Frankie YICK Chi-ming
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, JP
Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon SIN Chung-kai, SBS, JP
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Hon TANG Ka-piu, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon CHUNG Kwok-pan
Hon Tony TSE Wai-chuen, BBS

Members absent:

Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Ronny TONG Ka-wah, SC
Dr Hon LAM Tai-fai, SBS, JP
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, SBS
Hon NG Leung-sing, SBS, JP
Dr Hon KWOK Ka-ki

Hon Dennis KWOK
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Public officers attending:

Ms Elizabeth TSE Man-yee, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) ¹
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr HON Chi-keung, JP	Permanent Secretary for Development (Works)
Mr CHAN Chi-ming, JP	Deputy Secretary for Development (Works) ²
Mr CHENG Ting-ning, JP	Project Manager (New Territories East), Civil Engineering and Development Department
Mr WONG Kin-por	Chief Engineer (Boundary Control Point), Civil Engineering and Development Department
Mr Stephen TANG, JP	Deputy Director of Architectural Services
Mrs Sylvia LAM	Project Director (2), Architectural Services Department
Mr Michael LI	Chief Project Manager 202, Architectural Services Department

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
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Staff in attendance:

Mr Derek LO	Chief Council Secretary (1) ⁵
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Mr Daniel SIN	Senior Council Secretary (1)7
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Michelle NIEN	Legislative Assistant (1)5
Miss Yannes HO	Legislative Assistant (1)6

Action

Item No. 2 – FCR(2015-16)11

CAPITAL WORKS RESERVE FUND

HEAD 705 – CIVIL ENGINEERING

Support – Boundary facilities (other than road works)

19GB – Liantang/Heung Yuen Wai Boundary Control Point and associated works – site formation and infrastructure works

Item No. 3 – FCR(2015-16)12

CAPITAL WORKS RESERVE FUND

HEAD 703 – BUILDINGS

Support – Boundary facilities (other than road works)

13GB – Liantang/Heung Yuen Wai Boundary Control Point and associated works – construction of boundary control point buildings and associated facilities

The Committee continued with the joint deliberation on the items.

Submission of items negated by the Public Works Subcommittee to the Finance Committee

2. Mr Alan LEONG and Mr LEUNG Yiu-chung expressed grave concern about the Administration's submitting to the Finance Committee ("FC") the items FCR(2015-16)11 and FCR(2015-16)12 relating to Liantang / Heung Yuen Wai ("LT/HYW") Boundary Control Point ("BCP") which had been negated by the Public Works Subcommittee ("PWSC"). Commenting that such practice undesirable as it would further damage the relationship between the Government and the Legislative, they sought clarification on the Administration's rationale for doing so and precedents in the past, if any, of proposals submitted to FC directly after having been negated by PWSC.

3. Permanent Secretary for Financial Services and the Treasury (Treasury) ("PS(Tsy)") said that the Administration had considered resubmitting the items FCR(2015-16)11 and FCR(2015-16)12 to PWSC for reconsideration before submitting to FC, but having considered the urgency of the LT/HYW BCP project and the prospect of further cost increase in the event of delay, the Administration had no choice but to submit the items to FC directly.

Notwithstanding, this was in compliance with the relevant provisions in the FC Procedure.

4. Mr CHAN Chi-chuen criticized the Administration that while under the FC Procedure it was entitled to submit the items to FC in the present instance, it should not exercise such prerogative conferred by the FC Procedure to the extent that it in effect bypassed PWSC. He requested for relevant documents on previous cases where an item was submitted for FC's approval after having been negated by PWSC. The Chairman instructed the Clerk to arrange for the provision of the requested information.

[Post-meeting note: The requested information was issued to members on 26 May 2015 vide LC Paper No. FC173/14-15.]

Need for the Liantang / Heung Yuen Wai Border Control Point

5. Noting that more boundary crossing facilities ("BCF") such as the Hong Kong-Zhuhai-Macao Bridge and the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link would become operational in the near future, Mr Gary FAN questioned the urgency of the the LT/HYW BCP project as purported by the Administration.

6. Permanent Secretary for Development (Works) ("PS(W)") stressed that the majority of current and planned BCPs were in the western side of the territory, and the LT/HYW BCP, located on the eastern side, would provide local economic benefits in addition to greatly enhancing the overall handling capacity of the BCPs on the eastern side of Hong Kong and Shenzhen.

7. Mr Albert CHAN, Mr Alan LEONG, Mr LEUNG Kwok-hung and Mr WONG Yuk-man criticized the Administration for overlooking the prospect of cost over-run in the construction works for LT/HYW BCP. These members remarked that Government studies had in the past cast doubt on the merits of LT/HYW BCP as it was situated in an undeveloped area. Contending that the purpose of the LT/HYW BCP project was to serve the political agenda of integrating Hong Kong with the Mainland and would not provide significant economic benefits to the local community, the members called on the Administration not to award further contracts for construction the project.

8. Mr Albert HO asked if postponing the LT/HYW BCP project would allow for a more thorough study of the ground conditions of the project site and help lower the cost of the LT/HYW BCP project.

9. PS(W) said that delaying or shelving the entire project was not feasible, as the Administration had already commenced the works for widening the relevant part of Fanling Highway from a dual three-lane to a dual four-lane carriageway near the interchange with the connecting road to LT/HYW BCP.

10. Ms Cyd HO expressed grave concern about the magnitude of the project cost over-run, as well as the Administration's insistence to proceed with the project without making any changes to its scope in spite of the difficulties encountered. She asked the Administration to evaluate alternative proposals for the Lung Shan tunnel such as building a route bypassing the area through which the tunnel passed.

11. Project Manager (New Territories East)/Civil Engineering and Development Department ("PM(NTE)/CEDD") said that notwithstanding the additional cost arising from the complex ground conditions for tunneling, the current proposal was still considered the most appropriate and economical.

12. On enquiry by Mr CHAN Hak-kan, PS(W) said that in recent years, the number of cross-boundary passengers, vehicles and students using existing BCPs had experienced significant increases and the LT/HYW BCP would help relieve congestion at these BCPs, especially on festive occasions.

13. Mr WU Chi-wai requested the Administration to provide up-to-date assessments on the economic situation in eastern Guangdong and its impact on the LT/HYW BCP.

14. PS(W) said that recent trends had shown that the pace of economic growth in eastern Guangdong was accelerating and had overtaken the growth of Pearl River Delta.

15. Ms Emily LAU noted that the Administration had envisaged that the utilization of LT/HYW BCP would not reach its full capacity until 2030, and questioned the Administration's basis of estimation on the concomitant economic benefits.

16. PS(W) and PM(NTE)/CEDD said that the major quantifiable benefits on the Hong Kong side were savings in vehicle operation costs and value of time saved for travellers.

17. Mr LEUNG Kwok-hung expressed grave concern about the potential worsening of traffic congestions in Hong Kong due to the opening of another BCF inducing more traffic.

18. Mr Michael TIEN opined that the Administration had underestimated the long-term growth in passenger trips via the LT/HYW BCP, which was only a fraction of the growth in passenger trips via the Shenzhen Bay Bridge.

19. PM(NTE)/CEDD said that the estimation of passenger trips to use the LT/HYW BCP was done scientifically with four-stage modeling.

20. Mr Michael TIEN considered that the planned capacity of the public car park at the LT/HYW BCP was inadequate to cater for users' needs and urged the Administration to consider reserving sufficient land for future expansion of the public car park at LT/HYW BCP.

21. PS(W) said that the Administration would review the car-parking needs after the LT/HYW BCP commenced operation.

Project cost over-runs

22. Mr Gary FAN asked whether the Administration would consider adjusting the target completion date of the LT/HYW BCP project to avoid further cost over-run owing to labour and equipment shortages when some other large-scale infrastructural projects were being implemented at the same time.

23. PS(W) said that the target completion date in 2018 was considered suitable.

24. Mr WONG Yuk-man expressed grave concern towards the Administration's lack of political accountability with regard to the cost over-run of the LT/HYW BCP project. Mr LEE Cheuk-yan expressed a similar view and enquired who should be responsible for the cost over-run. Mr Albert HO asked whether the overspending was the result of a professional miscalculation or irresponsible political decision-making.

25. PS(W) said that the Administration had reviewed the circumstances giving rise to the cost over-run of the LT/HYW BCP project and did not find any officers having acted negligently or wrongly in the implementation of the project. In fact, officers in charge of the project had already conducted site investigation fully in accordance with requisite professional guidelines in the Civil Engineering and Development Department, specifically the Geotechnical Engineering Office Technical Guidance Note No. 24, and had built in an extra safety margin in relevant cost estimation. Indeed, it was impossible for officers in charge to have anticipated all the possible difficulties in relation to the project, particularly the complexity of ground conditions now encountered in the tunnelling works.

26. Mr Albert CHAN considered fault-finding against officials previously in charge of the works project in absentia unfair. He opined that an independent auditing mechanism, consisting of members outside of the Administration, should be set up to monitor spending of Government works project.

27. PS(W) clarified that while the Administration acknowledged that there were circumstances not envisaged during the estimation of the cost of the LT/HYW BCP project, the Administration had no intention or reason to lay the blame on officials previously in charge of the project for the cost over-run.

28. Mr MA Fung-kwok questioned why the Administration conducted the tendering exercise for construction of tunnel before completing the site investigation needed for assessing ground conditions fully, and why the Administration would seek further contingencies given the ground conditions and associated risks were now well understood.

29. PM(NTE)/CEDD said that an extensive site investigation had been conducted prior to tendering, but further site investigation completed in mid-2012 revealed that the ground condition was poorer than it had previously been envisaged. Also, tenderers' perception on higher risks associated with construction constraints resulted in a higher risk premium, which drove the project estimate upwards.

30. Mr WONG Yuk-man called on the Administration to make open commitment that it would not seek further supplementary provisions from this Committee for the LT/HYW BCP project. Mr WU Chi-wai urged the Administration to ensure that all risks associated with the construction works related to the project had been addressed, and no further funding would be sought.

31. PM(NTE)/CEDD said that associated tender contracts that had not yet been awarded had already taken into account in the latest estimates, and no further financial commitments were envisaged at present.

32. Mr CHAN Chi-chuen sought clarification on the Administration's estimate of the cost over-run for the LT/HYW BCP project, in particular the overspending of \$30 million per month arising from delayed commencement of Contract 6 of the project.

33. PS(W) clarified that the total amount of additional spending due to delay in commencing works under the two items FCR(2015-16)11 and

FCR(2015-16)12 would be \$70 million a month, being the sum of \$30 million and \$40 million per month for the two items respectively.

34. Mr LEE Cheuk-yan sought explanation on the increasing price adjustment factors used in the yearly provisions for expenditure of the project. PM(NTE)/CEDD responded that price adjustment factor used for each year was based on the Government's latest set of assumptions on the trend rate of change in the prices of public sector building and construction output over the entire duration of the project. There could be fluctuations in the price adjustment factors from year to year.

Cost control and risk sharing

35. Considering that the Administration should spare no efforts in preventing the recurrence of any potential scandal reminiscent of the short-piling scandal of the Housing Authority, Ms CHAN Yuen-han requested the Administration to explain in detail the mechanisms to scrutinize the financial aspects of Government works projects.

36. PS(W) said that the Administration had put in place a well-established mechanism to study and scrutinize Government works projects stringently to ensure that they were technically and financially sound. Dedicated teams of Government professionals would be assigned to take charge of the projects to ensure that project contractors delivered the works for which they were responsible on time and within budget.

37. Mr LEUNG Yiu-chung said that contractors of the LT/HYW BCP project should have carefully studied the potential risks that the project might give rise to before they submitted their tender for it and should therefore be wholly responsible for undertaking all additional cost due to risks that they had failed to factor in their tender. He expressed dissatisfaction that the Administration now sought for using public money to pay for the project cost over-run.

38. PS(W) said that in general, there was a risk sharing mechanism between the Government and contractors and where applicable, financial risks of a works project were shared in accordance with the specific terms as set out in individual contracts.

39. Mr LEUNG Yiu-chung expressed concern that contractors might take advantage of the risk sharing mechanism and deliberately delay the project.

40. Dr CHIANG Lai-wan said that changes should be made to the current tendering system to prevent further overspending in Government works projects. She called on the Administration to review the financial undertakings of a contractor of Government works projects, as well as introducing independent audits for overspending.

41. PS(W) said that if contractors were required to bear all additional costs arising from unexpected circumstances, their bidding prices would increase to reflect the risk premiums and thus the Government would have to bear a higher cost upfront. The current mechanism of financial risks sharing between the Government and contractors was considered reasonable. There was also an independent review mechanism on project estimates within the Government department.

42. Citing the overspending of the project for the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link as an example, Mr LEUNG Yiu-chung expressed doubt about the effectiveness of the control and scrutiny on works contracts as the Administration had proclaimed. PS(W) assured members that the Administration had deployed adequate professional staff dedicated to the work of overseeing the LT/HYW BCP project.

Tendering procedure

43. Mr SIN Chung-kai and Mr Alan LEONG asked how the Administration would assess whether to conduct tendering exercise for Government works projects before or after funding approval was obtained from this Committee.

44. PS(W) said that normally, the Administration would consider whether the urgency of the works project warranted that the tendering exercise be conducted before funding approval for the project was sought.

45. Mr Michael TIEN expressed worries about overspending in future Government works projects similar to that experienced in the LT/HYW BCP project, and urged the Administration to consider conducting tendering exercises first before seeking funding approval from this Committee.

Labour shortage

46. Ms Emily LAU requested the Administration to confirm whether there was indeed a shortage of labour in the construction industry. She expressed worries that the shortage of labour could further hamper the implementation progress of capital works approved by this Committee.

47. PS(W) said that the Administration had evened out the implementation time of capital works to be carried out in the next five to 10 years so that the volume of these works would be maintained at about \$200 billion annually, and the construction industry should be able to absorb the amount of works at this level.

48. Mr LEUNG Kwok-hung criticized the view held by some members that there was shortage of capital works projects. He commented that in fact, there were too many large-scale projects being carried out at the same time, which was the very reason for the surging costs of these projects.

49. Ir Dr LO Wai-kwok raised a point of order alleging several expressions used by Mr LEUNG Kwok-hung in his speech were offensive and insulting. The Chairman pointed out that one of Mr LEUNG's expressions, i.e. "狗口長不出象牙" in Cantonese, was offensive and insulting. Mr LEUNG, however, denied having said that phrase. The Chairman requested Mr LEUNG to refrain from using similar expressions to comment on other members and to focus his comments on the items under discussion. Ir Dr LO expressed dissatisfaction that the Chairman did not also rule several other expressions, i.e. "豬炳", "豬頭炳" and "食屎" in Cantonese used by Mr LEUNG as offensive and insulting.

50. Ir Dr LO Wai-kwok expressed support for the item and said that a decrease in approved Government works projects had adversely impacted the construction industry. He called on members of this Committee not to delay further on approving items.

51. Mr Albert CHAN said that all along the uneven distribution of Government works projects had adversely affected the manpower situation of the construction industry. He contended that at present there was no shortage of construction works.

52. Mr LEUNG Yiu-chung and Mr LEE Cheuk-yan connected that the Government's bunching of works project would further exacerbate the shortage of construction labour, and asked whether the Administration was sufficiently prepared for the imminent labour shortage. Both members called on the Administration to consider rescheduling works projects such as postponing non-urgent ones to ease the labour shortage problem.

53. PS(W) responded that the Administration was alive to the potential shortage of construction labour and was stepping up its efforts to train new skilled labour in cooperation with the Construction Industry Council.

Action

54. The Chairman declared that the meeting be adjourned.
55. The meeting was adjourned at 7:10 pm.

Legislative Council Secretariat

6 October 2015