

立法會
Legislative Council

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seen by the Administration)

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Finance Committee of the Legislative Council

Minutes of the 50th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 29 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

Hon Jeffrey LAM Kin-fung, GBS, JP

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

Dr Hon LAM Tai-fai, SBS, JP

Hon CHAN Hak-kan, JP

Hon WONG Kwok-kin, SBS

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 Albert CHAN Wai-yip
Hon WONG Yuk-man
Hon Claudia MO
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon Steven HO Chun-yin
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon CHAN Chi-chuen
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
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Hon IP Kin-yuen
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
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 Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS

Members absent:

Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Vincent FANG Kang, SBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Ronny TONG Ka-wah, SC
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon LEUNG Kwok-hung
Hon Michael TIEN Puk-sun, BBS, JP

Hon Frankie YICK Chi-ming
Hon Charles Peter MOK, JP
Hon CHAN Han-pan, JP
Dr Hon KWOK Ka-ki
Hon Dennis KWOK
Dr Hon Helena WONG Pik-wan
Dr Hon Elizabeth QUAT, 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
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

Motion to adjourn discussion on item FCR(2015-16)11

The Chairman put to vote Mr CHAN Chi-chuen's motion that discussion on the item FCR(2015-16)11 be then adjourned under paragraph 39 of the Finance Committee Procedure ("FC Procedure"). At the request of members, the Chairman ordered a division and the division bell was rung for five minutes for the motion. Fifteen members voted in favour and 27 members voted against the motion. The votes of individual members were as follows –

For:

Mr LEE Cheuk-yan
Mr LEUNG Yiu-chung
Mr Frederick FUNG Kin-kee
Mr Alan LEONG Kah-kit
Mr WONG Yuk-man
Mr Gary FAN Kwok-wai
Dr Kenneth CHAN Ka-lok
Dr Fernando CHEUNG Chiu-hung
(15 members)

Mr James TO Kun-sun
Ms Emily LAU Wai-hing
Ms Cyd HO Sau-lan
Mr Albert CHAN Wai-yip
Mr WU Chi-wai
Mr CHAN Chi-chuen
Mr Kenneth LEUNG

Against:

Mr CHAN Kam-lam	Mr TAM Yiu-chung
Mr WONG Kwok-hing	Mr Jeffrey LAM Kin-fung
Mr Andrew LEUNG Kwan-yuen	Mr WONG Ting-kwong
Ms Starry LEE Wai-king	Dr LAM Tai-fai
Mr CHAN Hak-kan	Mr CHAN Kin-por
Mr WONG Kwok-kin	Mr IP Kwok-him
Mrs Regina IP LAU Suk-yee	Mr James TIEN Pei-chun
Mr NG Leung-sing	Mr Steven HO Chun-yin
Mr YIU Si-wing	Mr MA Fung-kwok
Miss CHAN Yuen-han	Mr LEUNG Che-cheung
Mr Christopher CHEUNG Wah-fung	Mr Martin LIAO Cheung-kong
Mr POON Siu-ping	Dr CHIANG Lai-wan
Ir Dr LO Wai-kwok	Mr CHUNG Kwok-pan
Mr Tony TSE Wai-chuen	
(27 members)	

2. The Chairman declared that the motion was negated.

Motion to adjourn discussion on item FCR(2015-16)12

3. Mr Albert CHAN moved, without notice, a motion under paragraph 39 of the FC Procedure that discussion on FCR(2015-16)12 should be then adjourned. Thereupon the Chairman proposed the question on Mr Albert CHAN's motion to adjourn. The Chairman directed that a member when speaking on the question might not speak more than once and should not make a speech for longer than three minutes.

4. At the invitation of the Chairman, Mr Albert CHAN introduced his motion. He questioned the merits of strengthening connections with the Mainland cities by building additional boundary control points ("BCP") and said that further integration with the Mainland was not in Hong Kong's interest.

5. Mr Gary FAN, Mr CHAN Chi-chuen, Ms Cyd HO, Mr Alan LEONG, Mr Kenneth LEUNG, Mr LEE Cheuk-yan and Mr LEUNG Yiu-chung spoke in support of the motion. In gist, these members expressed dissatisfaction towards the Administration for directly submitting to the Finance Committee items which had been negated the Public Works Subcommittee. These members also said that the Administration had not addressed members' questions and queries on the merits of Liantang/Heung Yuen Wai ("LT/HYW") BCP, as well as safeguards against further cost overruns of construction works.

6. At the invitation of the Chairman, Permanent Secretary for Development (Works) ("PS(W)") responded that the Administration had conducted a territory-wide assessment on traffic impact of the LT/HYW BCP project. The Administration had also been working closely with the Construction Industry Council to ensure that there was adequate supply of construction labour for capital works projects to be carried out.

7. Mr Albert CHAN delivered concluding remarks. The Chairman put the motion to vote. As members claimed a division, the Chairman ordered a division and the division bell was rung for five minutes for the motion. Seventeen members voted in favour and 29 members voted against the motion. The votes of individual members were as follows –

For:

Mr Albert HO Chun-yan	Mr LEE Cheuk-yan
Mr James TO Kun-sun	Mr LEUNG Yiu-chung
Ms Emily LAU Wai-hing	Mr Frederick FUNG Kin-kee
Ms Cyd HO Sau-lan	Mr Alan LEONG Kah-kit
Mr Albert CHAN Wai-yip	Mr WONG Yuk-man
Ms Claudia MO	Mr WU Chi-wai
Mr Gary FAN Kwok-wai	Mr CHAN Chi-chuen
Dr Kenneth CHAN Ka-lok	Mr Kenneth LEUNG
Dr Fernando CHEUNG Chiu-hung	
(17 members)	

Against:

Mr CHAN Kam-lam	Mr TAM Yiu-chung
Mr Abraham SHEK Lai-him	Mr WONG Kwok-hing
Mr Jeffrey LAM Kin-fung	Mr Andrew LEUNG Kwan-yuen
Mr WONG Ting-kwong	Mr CHAN Hak-kan
Mr CHAN Kin-por	Mr WONG Kwok-kin
Mr IP Kwok-him	Mr Paul TSE Wai-chun
Mr NG Leung-sing	Mr Steven HO Chun-yin
Mr YIU Si-wing	Mr MA Fung-kwok
Miss CHAN Yuen-han	Mr LEUNG Che-cheung
Miss Alice MAK Mei-kuen	Mr KWOK Wai-keung
Mr Christopher CHEUNG Wah-fung	Mr Martin LIAO Cheung-kong
Mr POON Siu-ping	Mr TANG Ka-piu
Dr CHIANG Lai-wan	Ir Dr LO Wai-kwok
Mr CHUNG Kwok-pan	Mr Christopher CHUNG Shu-kun
Mr Tony TSE Wai-chuen	
(29 members)	

8. The Chairman declared that the motion was negatived.
9. The Committee continued with the joint discussion on the items FCR(2015-16)11 and FCR(2015-16)12.

Cost overrun of site formation and infrastructure works

10. Mr Gary FAN noted that in the LT/HYW BCP project cost estimates, risk premium was provided for the works for ventilation adit and buildings, electrical and mechanical works for the dual two-lane connecting road. He enquired about the need for setting aside such provision since these works were scheduled for implementation towards the end of the construction period of the project and the relevant expenditure should now be predictable.
11. Project Manager (New Territories East) ("PM(NTE)") explained that the risk premium would cover aspects such as price hikes due to unforeseen labour shortages and extra remedial measures to address the needs of affected residents at the time when relevant works were carried out.
12. Ms Claudia MO considered that the cost overrun of Lung Shan tunnel might be caused by human errors for which the Administration should be held accountable.
13. Mr WU Chi-wai enquired about the completion date of the LT/HYW BCP and the possibility of further delays in the implementation of the project, and whether the Administration anticipated any need to seek further supplementary provisions.
14. PS(W) said that construction under the works contracts for the LT/HYW BCP were due to complete by the end of 2018 and the Administration would strive to complete the project by that time. However, it would be difficult to make commitment that the Administration could completely rule out the need for supplementary provisions.
15. Mr CHAN Chi-chuen enquired about the implications the expiry of tender validation period by August 2015 on the cost of the LT/HYW BCP project.
16. PS(W) said that if the aforesaid tender validity was to expire and given the trend of escalating construction prices, the longer was the delay in obtaining the funding required for the project, the more the Government would need to pay to complete the LT/HYW BCP project.

Project scrutiny and audit

17. Dr CHIANG Lai-wan sought details on the mechanism for scrutinizing public works projects and for auditing project cost overruns. She called on the Administration to consider implementing a system of auditing public works projects by professionals outside the Government, in particular for overspent works projects.

18. PS(W) said that all public works projects are subject to internal audit conducted by a separate team of professionals who were not involved in the projects. He considered that as there was an element of independent auditing in the present system, hiring external auditors for public works projects was unwarranted.

19. Pointing out the repeated incidents of overspending in various works projects in recent years, Mr Albert CHAN expressed doubt about the effectiveness of the internal auditing. He recalled that in the 1990s, there had been close coordination across Government departments with a view to tight control of the costs of capital works projects. PS(W) maintained that internal auditing staff in the relevant departments had already exercised due diligence in examining the cost of the LT/HYW BCP project, but could not have foreseen all the risks that had caused overspending that the project now faced.

Price adjustment factors adopted for project estimates

20. Mr Kenneth LEUNG sought clarification on the discrepancies between original project estimate and approved project estimate on the 2012 estimation of cash flows and provision for price adjustments in respect of FCR(2015-16)11 (as given in Annex D to PWSC(2014-15)33).

21. PM(NTE) said that as all the figures were calculated as money-of-the-day prices and delayed cash flows would have to be adjusted upwards by the price adjustment factor, the approved project estimate, which reflected the prices in March 2012, was therefore higher than the original project estimate calculated in September 2011.

22. Mr Kenneth LEUNG referred to the cash flow and provision for price adjustment estimated in March 2012 as well as the latest cash flow and provision due to latest project estimate and latest price adjustment factors adopted in October 2014 for the item, and enquired about reason for adopting different price adjustment factors in the two circumstances.

23. PM(NTE) said that the Administration had in place a mechanism to calculate price adjustment factors for all capital works projects according to the latest set of assumptions on the trend movement of price deflator for public sector building and construction output. The price adjustment factors adopted in March 2012 estimate were based on the projected trend movement of price deflator for public sector building and construction output at that time, which were assumed to increase by 5.5% per annum from 2012 onwards. In contrast, the price adjustment factors adopted in October 2014 were based on the trend movement of price deflator for public sector building and construction output projected at that time, which were assumed to increase by 6.0% per annum from 2014 to 2018 and 5.0% per annum from 2019 to 2021.

Labour shortage

24. Mr Albert CHAN called on the Administration to address the problem of bunching of multiple Government works projects which had strained labour supply of construction workers. He said that the Administration should review and reprioritize projects to alleviate the stress on the labour market for construction workers.

25. Expressing concern about a further rise in labour costs, Mr LEUNG Yiu-chung enquired about the Administration's assessment of the effect on the labour market for professionals and workers caused by demands driven by the construction LT/HYW BCP.

26. PS(W) said that the Administration was aware of the prospect of labour shortage in skilled workers and had stepped up its efforts in training up more skilled workers for the market. The Administration would also closely monitor the supply situation of construction workers and, where practicable, streamline the process in construction projects, such as promoting the use of prefabricated parts in the projects.

Traffic impact

27. Ms Cyd HO expressed concern about the LT/HYW BCP's impact on the territory's road networks and asked the Administration to provide information on the Traffic Impact Assessment of the project. PM(NTE) undertook to provide the relevant information after the meeting.

[Post meeting note: The information provided by the Administration was issued to members vide LC Paper No. FC188/14-15(01) on 5 June 2015.]

Motion to adjourn further proceedings of the Committee

28. Mr Gary FAN moved, without notice, a motion under paragraph 39 of the FC Procedure that further proceedings of the Committee should be then adjourned. Thereupon the Chairman proposed the question on Mr Albert CHAN's motion to adjourn. The Chairman directed that each member, when speaking on the question, could speak once for not more than three minutes.

29. At the invitation of the Chairman, Mr Gary FAN introduced his motion.

30. Mr Albert CHAN, Mr Kenneth LEUNG, Mr CHAN Chi-chuen, Mr LEUNG Yiu-chung, Ms Claudia MO, Mr Alan LEONG, Mr LEE Cheuk-yan, Mr Albert HO, Dr Kenneth CHAN, Dr Fernando CHEUNG and Ms Cyd HO spoke in support of the motion. In gist, these members expressed dissatisfaction towards the Administration's pushing through the Committee its request for supplementary provisions to cover cost overrun items in the LT/HYW BCP project on grounds of urgency and necessity, without first addressing members' concerns about the cost overruns in the project. These members urged the Administration to provide more thorough explanations and course of actions to remediate the overspending, to conduct value-for-money audit on the overspent items, as well as to reassess the current labour shortage in skilled workers in the construction industry.

31. Dr CHIANG Lai-wan spoke in opposition of the motion. She said that it was imperative for the LT/HYW BCP to be completed on time for enhancing connections with the Mainland to benefit from the development of its economy. She also called on the Administration to consider hiring external auditors to review the cost overruns in works projects.

32. At the invitation of the Chairman, PS(W) responded that the Administration had endeavoured to address the problem of labour shortage in the construction industry. For example, the recently amended the Construction Workers Registration Ordinance could help in forging a better career prospect for skilled construction workers. With regard to auditing, the Administration had an established mechanism in place to independently review overspending of works projects, and the hiring of external auditors might be considered redundant.

33. Mr Gary FAN gave concluding remarks on his motion.

34. At 7:08 pm, the Chairman put Mr Gary FAN's motion to vote. The Chairman said that as members had claimed a division and the division bell

would have to be rung for five minutes, there would not be sufficient time to put the motion to vote before the scheduled end time of the meeting at 7:10 pm. He said that under such circumstance, the motion would lapse with the close of the meeting.

35. The Chairman declared that the meeting be adjourned.

36. The meeting was adjourned at 7:09 pm.

Legislative Council Secretariat

6 October 2015