

Press Release

LCQ20: Pace of scrutinising funding proposals for works projects

Wednesday, June 21, 2017

Following is a question by the Dr Hon Elizabeth Quat and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (June 21):

Question:

Some members of the construction industry have pointed out the slow pace of the Finance Committee (FC) of this Council and its Public Works Subcommittee (PWSC) in scrutinising funding proposals for works projects in this legislative session. In this connection, will the Government inform this Council:

(1) of the respective total amounts of allocations involved in the funding proposals for the works projects the scrutiny of which by (i) FC and (ii) PWSC has yet to complete; the respective projects among them which have been placed on the agendas for the relevant meetings the earliest, and how much time has elapsed since the dates of such meetings;

(2) of the current number of works projects to which the following applies: (i) FC has yet to complete the scrutiny of the funding proposals for them and (ii) their tender validity periods will expire at the end of July this year; the additional costs, as estimated by the authorities, to be incurred for those projects due to (a) extension of the tender validity period, (b) re-tendering or (c) the requirement to update the consultancy reports before inviting tenders;

(3) of the number of works projects the costs of which increased in the past three years due to the following reason: the time required for FC to approve the funding proposals for the works projects was longer than the authorities' expectation, and set out in a table the relevant details by works project;

(4) of the current number of works projects to which the following applies: (i) the authorities have consulted the relevant District Councils (if necessary) and panels of this Council on such projects and (ii) FC has yet to complete the scrutiny of the funding proposals for them; among them, of the project with the

earliest date on which the relevant panel(s) of this Council was consulted, and how much time has elapsed since that date; and

(5) whether it has assessed if the slower-than-expected pace of scrutiny of funding proposals for works projects by FC in this legislative session has resulted in unemployment or underemployment of practitioners of the construction and engineering sectors; if it has assessed and the outcome is in the affirmative, of the details?

Reply:

President,

The current legislative session will end in about a month, but there remain a large number of outstanding funding applications. To date the Finance Committee (FC) has only approved seven works items with a total commitment of \$15.3 billion. This is worrying when compared with the 70 works items with a total commitment of \$88.2 billion approved in the last legislative session.

My replies to the Hon Quat's questions are as follows:

(1) and (4) As at June 17, 2017, 27 works items involving a total commitment estimated at about \$62.2 billion have been endorsed by Legislative Council Panels pending scrutiny by the Public Works Subcommittee (PWSC). Among them, the item with the longest waiting time is set out in Table 1 of the Annex.

As at June 17, 2017, seven works items involving a total commitment of \$60.8 billion have obtained PWSC's support pending FC's approval. Among them, the item with the longest waiting time is set out in Table 2 of the Annex.

(2) Currently, none of the works items pending FC's scrutiny will have their tender validity periods expired by the end of July this year. However, since the remaining tender validity periods of four of them are relatively short, if scrutiny is delayed to the next legislative session without timely approval and tenderers refuse to extend the tender validity periods, the items will have to be re-tendered and may incur an additional cost of some \$400 million.

(3) In the 2013-14 legislative session, FC could not complete scrutinising six

works items and incurred an additional cost totalling some \$1.3 billion. Details of the items are set out in Table 3 of the Annex. As for the 2014-15 legislative session, there were three outstanding items but adjustment to project costs were not required. In the 2015-16 legislative session, there were four outstanding items. These items are now under review by relevant departments and the updated estimates are not yet available at this stage.

(5) The current term of FC has been extremely slow in scrutinising works items, and this bleak situation has aroused grave concerns from the construction industry. In this legislative session, no funding application for works items was approved by FC until March this year. The slow progress will reduce the capital works expenditure a few years from now, which will in turn slow down the long-term social and economic development and affect livelihood.

Currently, the annual capital works expenditure exceeds \$80 billion; and there are over 300 000 practitioners, including workers, professionals and other related personnel, in the construction industry, accounting for about ten per cent of our total labour force. The serious delay in implementation of capital works programme has dealt a severe blow to hundreds of thousands construction practitioners and the livelihood of their families. Moreover, the drastic reduction in construction output has greatly upset the training of workers, graduate prospects, and attractiveness to new recruits. There are even voices from the industry that some consultants and contractors have begun to lay off their employees due to gloomy prospect of the industry for the coming couple of years.

We will continue to keep up the communications with Members to seek expeditious approval of relevant funding applications, so that the Government can proceed with the projects and implement its policies in an orderly manner, thereby improving people's quality of life, maintaining stable development of the construction industry, enhancing Hong Kong's long-term competitiveness and promoting economic development.

Ends