

## **Press Release**

### **LCQ10: Public works proposals pending approval or examination**

Thursday, November 20, 2014

Following is a question by the Hon Wong Kwok-hing and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (November 20):

Question:

In recent months, some members of this Council's Finance Committee and the Public Works Subcommittee under it have filibustered some controversial funding proposals, resulting in a huge backlog of agenda items awaiting vetting and approval. It is learnt that the commencement of quite a number of public works projects has been deferred because funding approvals have not yet been obtained. In this connection, will the Government inform this Council:

(1) in each of the past two legislative sessions, of the number of public works projects for which (i) commencement was delayed, (ii) tender exercises were not conducted as scheduled and (iii) re-tendering was required due to the expiry of the tender validity periods, as a result of the delay in vetting and approval of the relevant funding applications by the two aforesaid committees, and set out in a table the names of these projects and the extra costs so incurred;

(2) whether it has formulated contingency measures to mitigate the impacts on the public caused by the delays in commencing the public works projects described in (1); and

(3) whether it has formulated contingency plans, such as setting a higher level of "contingencies" and "provisions for price adjustment" when making cost estimations for public works projects, in order to reduce the need to seek the approval of the Finance Committee for supplementary provisions due to overspending; if it has, of the details; if not, the reasons for that?

Reply:

President,

Reply to Hon Wong Kwok-hing's question is as follows:

(1) In the 2012-13 legislative session, funding for 39 new public works projects, at an estimated cost of \$90 billion in total, was approved by the Legislative Council's Finance Committee (FC). However, in the 2013-14 session, only funding for 13 new public works projects, at an estimated cost of \$3.6 billion in total, was approved by the FC, representing a substantial reduction in the number of approved projects as compared with the previous session. It has caused adverse impacts on the livelihood and long-term development of the community, as well as the construction industry.

In the 2012-13 session, no public works projects were delayed because they had yet to be approved by the FC or examined by the Public Works Subcommittee (PWSC) under the FC. As regards the 2013-14 session,

(a) six public works projects had to be delayed because the relevant funding applications had not yet been approved by the FC. As a result, the total estimated cost for these projects have increased by \$1.3 billion, of which \$1 billion is related to the integrated waste management facilities (IWWMF) phase 1. The works commencement date of the IWWMF phase 1 has to be delayed for about a year while the other five projects have to be delayed for about six months; and

(b) 21 public works projects had to be delayed as a result of delay in PWSC's examination of their funding applications, thus increasing their total estimated cost by \$1 billion and delaying their works commencement dates by about six months on average. One project among them needs to be re-tendered due to expiry of the tender validity period.

Details of the abovementioned 27 projects are set out in the Annex.

(2) and (3) The scale of the deferred projects varies, the extent to which they are affected also varies. Among the affected projects, tenders have been invited for 11 of them. The Government may have to re-tender should it fails to award the contracts before expiry of the tender validity periods. The projects will then suffer serious delay and further cost increases are possible.

According to information provided by the Development Bureau, we are not able to formulate any concrete contingency measures for mitigating the impacts on the public caused by project delay now as it is difficult to anticipate when funding for these projects would be approved. After funding approval by the FC and award of contracts, the relevant policy bureaux and works departments will, according to the needs and circumstances of the projects, explore feasible measures, including altering design or construction methods, repackaging of works and compressing procedures, with a view to minimising the impacts on the public. These measures would, nonetheless, inevitably entail additional costs.

In making project cost estimates, we have adjusted the cash flow based on the latest works progress, etc., in order to come up with the most accurate estimates. Adjustments to the cash flow would affect the "provision for price adjustment". That said, the Government may need to further adjust the project cost estimates if the delay persists.

The deferred projects are all related to the livelihood and long-term development of the community. While the Government would strive to minimise the impacts on the public caused by project delay, the delay in funding approval will have significant impacts on the programme and cost of such projects. If the projects are further delayed, the impacts will be greater. The situation is worrying. We therefore earnestly appeal to Members of the FC and the PWSC to approve and examine the public works projects as soon as possible, so that the Government can take forward these projects without further delay.

Ends