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\$13m 'error' on quarrying

A MASSIVE stockpile of 315,000 tonnes of unsold aggregate, valued at \$13 million, has been left lying in the Government-run Mount Butler quarry because of an official over-estimation of demand, the Director of Audit's report revealed.

The disposal of the aggregate is expected to cost taxpayers another \$6 million. The quarry, opposite Jardine's Lookout on Hong Kong Island, has been run by the Civil Engineering Department despite a recommendation by the Legco Public Accounts Committee (PAC) seven years ago that the scheme should be contracted out to the private sector.

Officials have now conceded that they could not rescue the operation from the red in the foreseeable future and accepted that the quarry should cease to be run by the Government once a decision on the future of the site is reached and implemented.

Since the PAC recommendation in December

The annual two-day Budget debate opened yesterday with 21 councillors speaking on the March 1 Budget of Financial Secretary Piers Jacobs. Also tabled yesterday was the Director of Audit's report, which highlights areas of Government mis-spending. Reports by **ANDY HO, BERNARD FONG, ESME LAU, DAPHNE CHENG, CHRIS YEUNG AND KENNETH KO.**

In 1981, the quarry has incurred an accumulated loss of almost \$12 million up to the beginning of the last financial year.

The forecast losses in the next few years range from \$5 million in 1988-89 to \$17.7 million in 1992-93.

In its 1986 financial appraisal, the Finance Branch's Management Accounting Division assumed that there would be an annual demand of 145,000 tonnes of aggregate and 80,000 tonnes of bituminous materials, which could make the quarry profitable.

The actual demand, however, has fallen far short of the division's expectation.

The sale of aggregate and bituminous materials from

the quarry in 1987-88 amounted to only 91,000 and 33,000 tonnes respectively, or 63 per cent and 41 per cent, of the assumed demands.

In 1986, officials were optimistic that Mount Butler could generate a surplus when an asphalt plant was relocated there from the now defunct Diamond Hill quarry.

There were, however, 315,000 tonnes of redundant aggregate as of March 31, 1988. The amount is equivalent to 42 months' sales at 1987-88 levels.

Earlier attempts to reduce the size of the stockpile proved futile two years ago when tenders were invited to buy the 230,000 tonnes of aggregate. Only one tender

was received and the prices quoted were between 25 and 50 per cent of the listed government selling prices.

In view of the substantial losses, the Director of Audit, Mr Robert Hutt, has asked the Civil Engineering De-

partment either to reveal the quarry's viability or contract out the facilities to private operators, as first suggested by the PAC.

The department has accepted the director's findings as correct, conceding that the forecast demand on asphalt products would not materialise.

The future of the quarry is being reviewed by a working group under Secretary for Lands and Works Graham Barnes.