

For information

Legislative Council Panel on Planning, Lands and Works
Infrastructure for Penny's Bay Development, Package 2

INTRODUCTION

When Members considered LC Paper No. CB(1)1123/00-01(03) – Infrastructure for Penny's Bay Development, Package 2 on 7 May 2001, the Administration was requested to:-

- (a) consult fishermen associations and put in place the following measures and mechanism before commencing the proposed project:-
 - (i) to put in place effective measures to prevent fish loss arising from dredging works of the proposed project; and
 - (ii) to work out a mechanism acceptable both to the trade and the Administration in assessing the implications of the proposed project on the marine environment.
- (b) consider contracting different companies to carry out the works items mentioned in para. 3(a) to 3(s) of the draft paper for the Public Works Subcommittee (PWSC), or provide full justifications if considered not feasible to do so, and
- (c) provide the following information:-
 - (i) a table showing a breakdown of works items and their associated costs in connection with the development of Hong Kong Disneyland (HKD) at Penny's Bay;
 - (ii) a copy of the document entrusting Hongkong International Theme Parks Limited (HKITP) to carry out the works items;

- (iii) a mechanism to enable participation of local companies in the proposed project;
- (iv) a mechanism for cost control of the proposed project;
- (v) an account of consultations with Tsuen Wan District Council on the proposed project; and
- (vi) justification for constructing the proposed salt water supply system from Yam O to Penny's Bay.

ADMINISTRATION'S RESPONSE

Minimising of Impact on Ma Wan and Cheung Sha Wan Fish Culture Zones

2. The Administration is committed to minimising environmental impacts caused by public works. We are concerned about the fish kill incidents which occurred last year at Ma Wan and Cheung Sha Wan Fish Culture Zones (FCZ). We value the comments of LegCo Members expressed at the case conferences and will commission an independent investigation to review the causes of the fish kill incidents. Preparation work is now underway and we expect to commence the investigation in August 2001 after clearing the necessary procedures. We will consult the mariculturists during the investigation.

3. Mariculturists at Ma Wan and Cheung Sha Wan FCZ are eligible for ex-gratia allowance under the relevant policy. Registration exercises have been completed and issuance of ex-gratia allowance according to the opted payment schedule of the mariculturists has also been substantially completed.

4. For the proposed reclamation at Yam O, we will undertake all necessary preventive measures to minimise impact on the Ma Wan FCZ, including the following:-

- (a) adopt a non-dredge reclamation method to minimize the dredging volume. Dredging will be limited mainly to the seawall foundation;
- (b) install silt curtain during the dredging process to reduce the release of sediment to surrounding waters; and
- (c) complete the seawall fronting the area of filling at least to a level above seawater level before commencing filling operations.

5. To ensure the effectiveness of the above preventive measures, we will also implement a comprehensive environmental monitoring and audit programme to monitor water quality at Ma Wan FCZ so that any change in water quality can be detected. We will consult the mariculturists on the water quality monitoring programme, methodology and locations of the monitoring stations before commencement of the construction work. We will maintain dialogue with the mariculturists through regular meetings with representatives of the mariculturists.

Entrusting Different Companies to Carry out the Works

6. We always bear in mind the need to create more opportunities for contractors and consultants in delivering the HKD project. In determining the best contract strategy, we also need to consider other factors including time, cost, interfaces, availability of suitable tenderers, site possession, etc. We have therefore divided the works outside Penny's Bay and Yam O into a number of smaller packages as they have less interface problems and cost implications. These packages include the fresh water service reservoir at Yam O Tuk, water and sewerage works from Siu Ho Wan to Yam O and the salt water supply system.

7. The proposed infrastructure works within Penny's Bay are interrelated, i.e. the commissioning of one element will require support from the other elements to ensure proper functioning of the scheme. These works have to be completed within a very tight schedule to ensure timely opening of HKD. Moreover, the site is to be handed over by the reclamation contractor

in phases. There will be many contractors within/in close vicinity working concurrently, e.g. contractors of HKITP, rail operator, utilities and Architectural Services Department, and the contractor of the second infrastructure contract. Experience has proved that too many interfaces for a complex project with tight programmes would easily lead to disputes and contractual claims, in turn causing delayed completions and over-budget. In view of the nature and characteristics of this project, we intended to divide the infrastructure works within Penny's Bay, excluding works to be entrusted to HKITP, into two contracts. The proposed works, excluding the entrustment works, comprises the first of these two contracts.

8. Having considered the views of Members, we have critically reviewed the proposed contract packaging and considered that the piers at Penny's Bay and the public transport interchange at Yam O and its associated works would have less interface and programme constraints. We will therefore take them out from the main contract and implement them under two separate contracts. The number of contracts to be awarded for works covered by the proposed project, excluding the entrustment works, will then be increased from the originally proposed single contract to three contracts. All construction contracts will be awarded through a fair and open approach.

Breakdown of Works Items and their Respective Cost

9. The Government works in the HKD project are divided into a number of packages and their respective costs are as follows:

Packages	Main Scope	Cost in MOD	Cost in Sept. 1999 prices
a. PWP item no. 662CL	Penny's Bay reclamation Stage 1 & design fees for associated infrastructure	\$6,923M (upgraded)	\$6,211M (upgraded)
b. PWP item no. 322WF – Infrastructure Package 1	Yam O Tuk fresh water service reservoir & associated works	\$165M (upgraded)	\$157M (upgraded)
c. Infrastructure Package 2 (This paper)	Infrastructure works at Yam O and Penny's Bay (outside Cheoy Lee Shipyard area), entrustment works, etc.	\$3,917M	\$3,934M
d. Infrastructure Package 3	Infrastructure works within Cheoy Lee Shipyard area, GIC facilities & water and sewerage works from Siu Ho Wan to Yam O	\$ 609M (estimate)	\$608M (estimate)
e. Salt Water System	Salt water system from Tai Ho to Yam O	\$180M (estimate)	\$180M (estimate)
<i>Sub-total for works supporting HKD Phase 1</i>		\$11,794M	\$11,090M
f. Penny's Bay reclamation Stage 2 and associated infrastructure	80 ha reclamation and supporting infrastructure	\$2,235M (estimate)	\$2,202M (estimate)
<i>Total cost of Government works for HKD</i>		\$14,029M	\$13,292M

As compared with Finance Committee's in-principle approved financial commitment of \$13,569M (at Sept. 1999 prices) for the HKD project, the project is within budget.

Document Entrusting HKITP to Carry out the Works Items

10. The entrustment to HKITP includes the design and construction of the Penny's Bay Public Transport Interchange, Central Pedestrian Walkway, and the landscaping and furnishing works at the Public Access Deck over the Penny's Bay Rail Station. The scope of the entrustment will be well defined in

the entrustment documents. An independent checking engineer will be appointed under the entrustment agreement to oversee the design and construction by HKITP to ensure that the quality of work will comply with the Administration's established policy and standards.

11. HKITP is required to let consultancies for design and independent checking on a fair and competitive bidding basis. The tendering for the construction of the entrusted works will comply with the provisions in Article III of the World Trade Organization Agreement on Government Procurement i.e. the contractor for the entrusted works will be selected on a fair competitive bidding basis. Contractors on the List of Approved Contractors for Public Works maintained by Works Bureau (WB) in the appropriate groups will be able to participate in the relevant prequalification and tendering exercises.

12. As the entrustment agreement with HKITP is a commercial contract, it is not appropriate for the document to be released.

Enable Participation of Local Companies

13. The tendering of construction works, whether delivered by the Administration or entrusted to HKITP, will comply with the provisions in Article III of the World Trade Organization Agreement on Government Procurement i.e. the contractor will be selected on a fair competitive bidding basis. Contractors on the List of Approved Contractors for Public Works maintained by WB in the appropriate groups will be able to participate in the relevant prequalification and tendering exercises.

Cost Control

14. WB has been in close liaison with the Hong Kong Institute of Surveyors (HKIS) concerning the engagement of independent Quantity Surveyors (QS) in parallel with the Engineers in major civil engineering projects. The Administration fully appreciates the arguments and value the opinions put forward by HKIS on the subject. Each and every point has been seriously considered.

15. In the process, WB has taken prudent steps to consult all the works departments and to have a consultant to review HKIS's arguments while reviewing the General Conditions of Contract for civil engineering contracts. The subject has also been considered by the Contracts Committee of the Construction Advisory Board. The engineering works departments, the consultant and members of the Committee are not in favour of an independent surveyor in civil engineering projects.

16. Indeed, civil engineering projects and building projects differ significantly in nature. All building projects comprise the input of several professions viz. architect, structural engineer, surveyor and building services engineer. Their responsibilities are well defined and distinct without too much interaction. That explains the long-standing practice that the architect and surveyor are separately appointed to shoulder responsibility for their respective areas of speciality in building projects. On the other hand, civil engineering projects are relatively more complex, due to the need to interact with elements of nature and surroundings, and comprise predominantly civil engineering works. For this reason, it is more cost-effective for an in-house Engineer or a single consultant Engineer to assume overall control and responsibility for efficient project delivery. Within the framework of a single party working on behalf of the Employer, requirements such as efficiency, cost-effectiveness, public accountability, avoidance of conflict of interest, etc. can be achieved by a properly established project team.

17. On this issue, WB has further discussed with representatives of HKIS recently. While reiterating the Administration's stance at that meeting, WB and HKIS agreed to seek views from the Hong Kong Clients' Forum (HKCF). It is noted that in the deliberation on 26 February 2001, members of the HKCF shared the same view with the Administration and did not support engagement of independent Quantity Surveyors in major civil engineering projects. To this end, the Administration has had an extensive consultation and thorough consideration on this subject. Nevertheless, the Administration will continue to review the subject should there be new grounds which have not been considered before.

18. As far as the contracts for this project are concerned, we have planned to employ a dedicated quantity surveying team in the resident site staff

team to cope with the large amount of measurement work, rate valuation and claim assessments.

Consultation with Tsuen Wan District Council

19. To ensure that the public can express their concern over any proposed project at an early stage, the Administration normally consults the District Councils when the project framework is established. If there are major changes during the project life, the Administration will consult the District Councils again. In line with this practice, we consulted the Tsuen Wan District Council on the Recommended Outline Development Plan for the Theme Park and Northshore Lantau Development and the findings of the Environmental Impact Assessments in March 2000. As there are no major changes to the project since March 2000, no additional consultations have been made. However, we consulted the Tsuen Wan District Council again on the detailed roadworks and sewerage works proposals in May and September 2000 respectively.

Justification for Salt Water Supply from Yam O to Penny's Bay

20. For strategic development of North Lantau, Water Supplies Department planned to implement a salt water supply system for Tai Ho, Siu Ho Wan and Yam O, including Penny's Bay. Salt water for Penny's Bay will be supplied from a central pumping station at Tai Ho via a service reservoir at Yam O Tuk which maintains the rate and pressure of the supply. The salt water system from Yam O to Penny's Bay is part of the above proposed system.

Civil Engineering Department

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