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**Panel on Economic Services**

**Background brief on the Hong Kong Disneyland project -  
Decommissioning of Cheoy Lee Shipyard at Penny's Bay**

**Purpose**

This paper provides background information on the Hong Kong Disneyland (HKD) project, and a brief account of the discussions on the statutory environmental impact assessment (EIA) requirements and the decommissioning of Cheoy Lee Shipyard at Penny's Bay.

**Background**

Scrutiny of the funding proposals for the HKD project

2. On 2 November 1999, the Government announced that agreement had been reached with The Walt Disney Company to build a Disney theme park in Hong Kong. Since then, the Legislative Council held a series of meetings to examine the HKD project before the funding proposals were put to the Finance Committee for approval on 26 November 1999. In the course of examination, members analyzed both the economic benefits and the environmental implications of the project.
3. Most members accepted the Administration's views that the project would bring about economic benefits to Hong Kong. It would create additional jobs and boost the confidence of the community as well as foreign investors in Hong Kong. The HKD would also be a financially viable project.
4. In respect of the environmental implications of the HKD project, members were gravely concerned that the Government seemed to have abandoned the normal procedures of satisfying the statutory EIA requirements before proceeding with the project. In the absence of a specific EIA for the HKD, some members were of the view that it was premature for the Administration to put forward the related funding proposals to FC and its

subcommittees for consideration as it would be difficult to ascertain the degree of environmental impacts and formulate appropriate mitigation measures to address various issues that might arise during the construction and the operation stages.

5. The Administration advised that the HKD development was located on a reclaimed site at Penny's Bay. The area was originally earmarked for container port development under the Lantau Port and Western Harbour Development Studies in 1993. Three EIA studies were completed in 1995 which thoroughly examined all environmental issues in relation to the reclamation works and associated infrastructures. The Administration completed an environmental review in July 1999 on the environmental impacts of the reclamation works. The review concluded that as the extent of reclamation work for the HKD development at Penny's Bay was less than that proposed for the original port development at the same location, the environmental impacts were anticipated to be less than those in the previously endorsed EIA reports. Based on the many studies conducted, there was no indication of any insurmountable environmental issues in connection with the HKD project and its associated developments. The HKD development was a designated project under the Environmental Impact Assessment Ordinance (EIAO) and two EIA studies would need to be conducted for the project. One was specifically prepared for the HKD development and the other one was for the overall development of the Northeast Lantau. Works for the project would not commence until all statutory procedures had been completed and relevant permits obtained in accordance with the law.

6. On the basis of the above, the majority of the members present at the Finance Committee meeting on 26 November 1999, except four (three objected and one abstained), voted for the funding proposals for the HKD project. Subsequently on 10 December 1999 the Government, WD and Hongkong International Theme Parks Limited (the joint-venture company between Government and WD to develop and operate HKD) signed the project agreement.

7. Since then, the Economic Services Panel (the ES Panel) held regular meetings to monitor the progress of the project and the statutory EIA requirements and procedures. Other Panels also convened ad-hoc meetings to discuss specific issues arising from the project.

#### Environmental issues arising from the decommissioning of the Cheoy Lee Shipyard

8. In early January 2000, it was reported that the soil on the Cheoy Lee Shipyard (CLS) site had been seriously polluted over the years by oils, heavy metals, dyes and organic solvents brought about by ship-breaking activities. An oral question on the detailed methods and procedures to decontaminate the

Shipyard site was raised at the Council meeting on 12 January 2000. At the ES Panel meeting on 28 February 2000, members enquired about the difficulties encountered by the Government in resuming land occupied by the CLS and toxic paints being dumped on the site.

9. The explanation given by the Administration at that time was that the proposed site for the HKD was not within the area currently occupied by CLS. The Shipyard area would be mainly used for construction of roads leading to the park. Concerning the probable land contamination issue at the Shipyard, the Civil Engineering Department (CED) was conducting a preliminary assessment in the Northshore Lantau Development Feasibility Study (NLDFS) and expected that it would not be an insurmountable problem to the development of the Northshore Lantau as a recreation/tourism area. The concerned EIA Report would be submitted to the Director of Environmental Protection (DEP) for approval. It was expected that the Report would be exhibited for the public to comment in March/April 2000 and the advice from the Advisory Council on the Environment (ACE) would also be sought. As regards the decommissioning of the Shipyard, it was a designated project under the EIAO. The CED was required to commence the decommissioning works only after the DEP had approved the EIA Report and issued the corresponding Environmental Permit. However, as the Shipyard was located within a private lot and at that moment the Government could not obtain the lot owner's consent to carry out site investigation, the Government might need to wait until the land was resumed. The decommissioning EIA Report was expected to be completed and submitted to DEP for approval by 2002. The Report would be exhibited for the public to comment and the advice from the ACE would also be sought.

### **EIA studies for the development of HKD**

10. In accordance with the EIAO, the CED completed the following EIA studies and submitted the reports to the DEP on 1 March 2000 -

- (a) an EIA study under the NLDFS which looked at, among other things, the cumulative environmental impacts of the proposed developments at north-east Lantau, including Penny's Bay, Tsing Chau Tsai East and Yam O, and the construction of the Chok Ko Wan Link Road; and
- (b) an EIA study for the construction of an International Theme Park at Penny's Bay of North Lantau and its essential associated infrastructures, including reclamation, a water recreation centre, roads, a pedestrian walkway, a rail link, a public transport interchange, piers, stormwater drainage system, sewerage facilities, irrigation, water supply and utility services, slope formation and stabilization, screening and landscaping works.

11. The ES Panel held a meeting on 27 March 2000 to review the findings and recommendations of the EIA studies. The Environmental Affairs Panel (the EA Panel) also held a meeting on 7 April 2000 to follow up on the matter. Green groups were invited to the meeting to give views on the EIA studies.

12. Members queried the quality of the EIA studies as access to the CLS site was denied. They were worried that the actual level of contamination might turn out to be higher than anticipated and sought explanations from the Administration on how the situation would be handled. Concerns had also been raised on who should be liable for the clean-up costs of the contaminated land and who should be liable if there was any release of contamination during construction or operation of the HKD.

13. Concerning about gaining early access to the CLS site, the Administration advised that the talks with CLS were sensitive as both the land holding company and the operating company were involved. Until the compensation issue became clearer, CLS was not willing to discuss early access to the site for the Government to do thorough investigations. Although access to the CLS site was denied, the Administration advised that both the soil samples taken from a stream bed discharging from the CLS site and the marine sediment samples taken from outside the seaward boundary of the shipyard indicated that there was no sign of elevated levels of contamination. Thus, any land contamination that might be present at the site would only be localized and confined to the shipyard site. With the experiences Hong Kong had in converting shipyard sites into other land uses, such as in Aldrich Bay and Cheung Sha Wan, the Administration was certain that with appropriate remedial measures taken, there would be no insurmountable conditions for the future use of the former CLS site for road and railway access to the Theme Park. A separate subsequent EIA study would be completed prior to the decommissioning of the CLS to satisfy all the EIAO requirements.

14. Regarding the funding provision for the decommissioning of CLS, the Administration advised that when provision was sought from the Finance Committee for the HKD project in November 1999, \$22 million had been earmarked for the purpose, and the amount was calculated based on the extensive experiences both the public and private sectors had in taking sites formerly used as shipyards and converting them to other uses, such as in Tsing Yi, Aberdeen, Tai Koo Shing and Whampoa Garden. While stressing that the Administration did not intend to minimize the problem, the consultant had done everything possible around the site both on sea and land to ascertain the extent of potential contamination.

15. On land resumption, the Administration advised that all land occupied by the shipyard would be resumed. The land resumption exercise would involve three separate ordinances. Procedures under the Roads (Works, Use and

Compensation) Ordinance and the Railways Ordinance would have to be completed first in parallel, to be followed by procedures under the Lands Resumption Ordinance for the remaining land. The programme for HKD could cope with this statutory resumption route and there would be enough time to do so. An alternative was to proceed by negotiations with the owner and the operator, who would be entitled to certain allowances, both ex-gratia and statutory. If negotiations were successful, the whole process would be much quicker. However, the Government would not go outside existing policies in this Project, and there would be no question of the Government paying more than it would otherwise have to, just for the sake of meeting the programme.

16. Subsequently, the two EIA reports were endorsed with conditions by the ACE on 17 April 2000 and approved by the DEP on 28 April 2000.

### **EIA study on the decommissioning of CLS**

17. The former CLS site is required for the construction of the Penny's Bay Section of Chok Ko Wan Link Road and Road P2 under the next package of major infrastructure works. The site was reverted to Government in April 2001. The EIA study on the decommissioning of the CLS was commenced in April 2001.

18. At the ES Panel meeting on 18 December 2001, the Panel enquired about the progress of the EIA study on the decommissioning of the CLS. Members asked whether the HKD project would be delayed if the DEP refused to accept the EIA study in the end. They also enquired whether it was appropriate for the Administration to resume the site prior to the completion of the EIA study.

19. The Administration explained that the nature of the EIA study for the decommissioning of the CLS was mainly about decontaminating/cleaning up a site so that the site would be made safe and free of hazards for future use. The decommissioning of the CLS was a designated project under the EIAO which required an Environmental Permit prior to commencement of decommissioning works. The EIA study would include recommendations on the implementation of appropriate mitigation measures to avoid and minimize any adverse environmental impacts arising from the decommissioning works.

20. Members also noted that the design for the majority of the infrastructure had been completed except for the part falling within the area of CLS. The infrastructure works in this area would have to be carried out in the second infrastructure contract under a separate works package to commence in mid 2002, after the completion of the EIA study on the decommissioning of CLS.

21. On 21 February 2002, the Administration announced detailed plans for

the decommissioning of CLS at Penny's Bay, Lantau Island. The plans are contained in an EIA report that is available for public inspection until 22 March 2002. An independent environmental consultant of the Hong Kong International Theme Parks Limited agrees with the key findings and recommendations of the EIA report.

22. The EIA report has identified a number of substances which will require specialized forms of treatment to ensure their eradication from the site. Notable among these is dioxin contaminated soil which will be treated in a thermal desorption plant, to be put up at To Kau Wan in north Lantau. Upon indirect heating, the contaminants (including dioxins) will be evaporated into gaseous phase, trapped and subsequently condensed for further treatment. About 600 m<sup>3</sup> of organic oily residue will be generated from the process over a period of one to two years. They will be collected and despatched in batches for incineration at the Chemical Waste Treatment Centre in Tsing Yi. The soil after thermal desorption will be solidified by adding cement to immobilize the remaining metals in the soil.

23. A special meeting was convened by the EA Panel on 12 March 2002 to discuss the EIA report on the decommissioning of the CLS. Members have expressed grave concern over a wide range of issues. The major ones include the following:

- (a) the evaluation of the proposed off-site treatment option vis-à-vis in-situ treatment option in terms of cost, time and risk;
- (b) the parties held responsible for the incident including the land contamination, and whether and how the clean-up costs should be shouldered by the Government/CLS, bearing in mind payment had already been made for the acquisition of the site\*;
- (c) the implementation of the HKD project without awaiting the completion of the EIA studies;
- (d) the implications of the remediation and clean up plan on the opening of the HKD. In case there is a postponement, the liability and liquidated damages on the part of the Government; and
- (e) whether similar risk of land contamination exists elsewhere in the territory. If so, whether there is any loopholes in existing legislation or monitoring mechanism.

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\* It was reported that some \$1500 million had been paid for the acquisition of the site.

24. The Administration has been requested to provide supplementary information to address members' concerns. The Administration's intention is to seek the Public Works Subcommittee's approval of the related funding proposal in May 2002.

Legislative Council Secretariat

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