

立法會
Legislative Council

LC Paper No. CB(1) 1706/04-05
(These minutes have been seen
by the Administration)

Ref : CB1/PL/HG/1

Panel on Housing

Minutes of meeting
held on Tuesday, 10 May 2005, at 8:30 am
in the Chamber of the Legislative Council Building

- Members present** : Hon CHAN Kam-lam, JP (Chairman)
Hon LEE Wing-tat (Deputy Chairman)
Hon Fred LI Wah-ming, JP
Hon James TO Kun-sun
Hon CHAN Yuen-han, JP
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, JP
Hon WONG Kwok-hing, MH
Hon Alan LEONG Kah-kit, SC
Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG
- Member attending** : Hon Jeffrey LAM Kin-fung, SBS, JP
- Members absent** : Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Dr Hon YEUNG Sum
Hon LEUNG Kwok-hung
Hon CHEUNG Hok-ming, SBS, JP
- Public officers attending** : **Agenda item IV**
Mr Enoch LAM Tin-sing
Deputy Project Manager (Kowloon)
Civil Engineering and Development Department

Mr Talis WONG Chung-sang
Chief Engineer (Kowloon)
Civil Engineering and Development Department

Mr Martin CHEUNG Kin-keung
Chief Civil Engineer
Housing Department

Mrs Amelia LAM NG Wai-yin
Senior Planning Officer
Housing Department

Agenda item V

Mr LAU Kai-hung, JP
Deputy Director of Housing (Estate Management)

Mr Deryk YIM
Chief Manager (Management)
Housing Department

Clerk in attendance : Miss Becky YU
Chief Council Secretary (1)1

Staff in attendance : Ms Sarah YUEN
Senior Council Secretary (1)6

Miss Mandy POON
Legislative Assistant(1)4

Action

- I Confirmation of minutes**
- | | |
|--------------------------------|--------------------------|
| (LC Paper No. CB(1) 1426/04-05 | -- Minutes of meeting on |
| | 18 March 2005 |
| LC Paper No. CB(1) 1427/04-05 | -- Minutes of meeting on |
| | 12 April 2005) |

The minutes of the meetings held on 18 March and 12 April 2005 were confirmed.

II Information papers issued since last meeting

2. Members noted that no information paper had been issued since last meeting.

III Items for discussion at the next meeting

(LC Paper No. CB(1) 1428/04-05(01) -- List of outstanding items for discussion

LC Paper No. CB(1) 1428/04-05(02) -- List of follow-up actions)

3. The next regular meeting was scheduled for Monday, 6 June 2005, at 2:30 pm. Members agreed to discuss the following items –

(a) Significant increase in young singleton applicants for public rental housing (PRH); and

(b) Allocation of PRH flats for the elderly to other PRH applicants

(Post-meeting note: The Administration subsequently advised that item (a) was not ready for discussion and proposed to replace it with the subject on “Progress of divestment of Housing Authority’s retail and car-parking facilities”. In order to allow sufficient time for the Administration to prepare the discussion paper, the meeting on 6 June 2005 was postponed to 21 June 2005.)

4. Mr Frederick FUNG proposed to discuss the impact of surge in rents of domestic properties in districts affected by redevelopment following the relaxation of security of tenure provisions under the Landlord and Tenant (Consolidation) Ordinance (Cap. 7). As the subject straddled the purviews of both the Panel on Housing and the Panel on Planning, Lands and Works, the Chairman said that a joint meeting would have to be arranged. Meanwhile, the Administration should be requested to advise on the existing policy on compensation for domestic tenants affected by redevelopment and whether this was consistent with the undertakings made by the then Secretary for Planning and Lands during the resumption of Second Reading debate on the Urban Renewal Authority Bill on 26 and 27 June 2000. Mr FUNG was also requested to provide cases of complaints about surge of rents for onward transmission to the Administration.

Clerk

IV Development near Choi Wan Road and Jordan Valley

(LC Paper No. CB(1) 1428/04-05(03) -- Information paper provided by the Administration)

5. The Chairman drew members’ attention to the corrigenda tabled at the meeting for paragraph 8 and footnote 5 of the Administration’s information paper.

(Post-meeting note: The relevant replacement sheets were circulated to members vide LC Paper No. CB(1) 1507/04-05 on 11 May 2005.)

6. The Chief Civil Engineer, Housing Department (CCE/HD) and the Deputy Project Manager (Kowloon), Civil Engineering and Development Department (DPM(K)/CEDD) briefed members on the proposal to increase the approved project estimate (APE) for the site formation and infrastructure works for the development near Choi Wan Road and Jordan Valley (the Project) from \$1,779.3 million by \$230 million to \$2,009.3 million in money-of-the-day prices. The additional cost arose from the variations due to unforeseeable geological conditions under the first contract, changes of the bridgework design of the remaining works as well as additional site staff costs for the first contract and the remaining works.

7. Mr Albert CHAN was concerned about the high APE of \$2,009.3 million. Given the projected population of 35 000 for the Project, the unit cost of the Project would be as high as \$57,000 per person. CCE/HD explained that the overall cost of the Project had been reduced as a result of the decrease in construction costs over the years, and the use of a conveyor belt system for transporting excavated material from the site. In fact, comparing with similar urban site formation projects in the past, the formation cost of the Project at \$110,000 per unit or \$7,700 per square metre (m) was cost-effective.

Variations due to unforeseeable geological conditions under the first contract

8. Mr Fred LI was not convinced of the justifications for the increase in APE. He queried whether the additional cost was the result of inaccurate projections in the first contract. With the aid of photos and diagrams, DPM(K)/CEDD explained that the scale of the Project was substantial, involving the cutting of an existing slope of 110 m high to form a site of about 35 hectares wide and 30 m deep. The total quantity of earthworks involved was about 9.3 million m³ of rocks and soft materials. To ascertain the geological conditions of the site, investigation included over 200 boreholes and inspection pits, etc. had been drilled or excavated for the design of the project before commencement of the first contract. Site investigation revealed that the geology of the site comprised different layers of granite at various stages of decomposition. During construction of the works, unforeseeable changes of soil and rock profiles in various areas within the site were encountered. The ratio of quantities of soft materials and rock in the bulk excavation for building platforms had been found to be different from the original estimate, with the proportion of soft materials increasing from 16% to 27%, leading to a total cost increase of about \$159 million under the re-measurement contract. The quantity of trench excavation work in rock for drains and sewers had also been found to be more than originally allowed in the contract. Additional slope improvement works were required to ensure slope stability.

9. Given the vast difference between the actual geological conditions and the projections from site investigation, Mr Albert CHAN asked if this involved professional negligence. DPM(K)/CEDD said that CEDD had preliminarily looked

into the issue to ascertain if anyone was at fault but found no clear evidence of professional negligence at this stage. The scale of site investigation was about 1% of the site formation cost, which was not unusual for site investigation of similar projects, having regard to the site investigation findings obtained and analysis of the findings. Notwithstanding this, the Administration recognized the need for improvement and would consider the drilling of additional boreholes where necessary when conducting site investigation in future. Since the contract concerned was a re-measurement contract under which the contractor would be paid according to the work done, the cost had increased by about \$159 million.

Changes to bridgework design of the remaining works

10. DPM(K)/CEDD advised that following the revelation of the actual geological conditions, CEDD had revised foundation designs of flyovers and footbridges as a part of the remaining works. In view of the great variation in height of two building platforms and having regard to the latest requirement of footbridge design, the design had been revised to provide lift in lieu of escalators in the original design to connect the two building platforms. This could better serve disabled persons and other pedestrian users. Mr WONG Kwok-hing cast doubt on the adequacy of the lifts as pedestrian links to serve a projected population of 35 000. The Chief Engineer (Kowloon), CEDD (CE(K)/CEDD) explained that there would be altogether eight lifts serving different footbridges which would link the development with various destinations.

Additional site staff costs for the first contract and the remaining works

11. Mr Fred LI sought elaboration on the justifications for and details of the additional site staff to be employed. DPM(K)/CEDD explained that the works under the first contract already involved large-scale site formation works and construction of infrastructure, including new road and associated drainage and sewerage works. The additional work, such as increased slope treatment works, coupled with existing site constraints and proximity to adjacent residential blocks which rendered a more complicated sequence for the blasting and temporary works rendered it necessary for additional resident site staff to be employed to strengthen site supervision. In this connection, one resident engineer, three assistant engineers and a number of supervisory and technical staff, including inspectors of works and works supervisors, etc, would be required in stages. Additional site staff were also found necessary for liaison with residents nearby to follow up their complaints about blasting and noise pollution. Accordingly, the resultant total site staff would be increased from about 5% to 6.6% of the cost of construction of the works under the first contract. The increase was considered acceptable having regard to the nominal percentage of site staff cost of 8% for large-scale civil engineering contracts.

12. Mr Fred LI noted that residents nearby had complained about flying debris and cracked windows caused by the blasting works. He opined that blasting should be avoided for sites which located in the proximity of residential developments. Mr WONG Kwok-hing also expressed concern about the impacts of blasting works on

the safety of the MTR tunnel underneath the site. CE(K)/CEDD assured members that CEDD maintained close liaison with MTR Corporation (MTRC) to ensure that vibration levels associated with the blasting works were within statutory limits, and that the impact of construction works on the adjacent Kowloon Bay and Choi Hung MTR stations was kept to a minimum. A set of procedures, including the sequence for blasting, was agreed between the two parties. So far, no mishaps had occurred over the past two years.

Population and other facilities

13. Noting that the Government had re-allocated two sites under the Project from private to public housing construction, Mr Frederick FUNG enquired about the rationale behind the re-allocation. He also asked if consideration would be given to increasing the population intake for the Project from 35 000 to 39 000 to meet the aspiration of tenants to live in the urban area. The Senior Planning Officer, HD (SPO/HD) advised that the proposed re-allocation was made taking into account the demand and supply for public housing as well as the need to maintain an average waiting time for public housing to three years as pledged. As regards the population intake for the Project, SPO/HD confirmed that the Administration had considered the possibility of increasing the population intake from 35 000 to 39 000. However, after consultation with the Kwun Tong District Council which had expressed concern about the impact of increased population in Kwun Tong, the Administration would endeavor to maintain the population level to about 35 000.

14. Mr WONG Kwok-hing asked if adequate recreation facilities and open space were provided for the Project. SPO/HD advised that according to the existing planning standards and guidelines on the provision of recreation facilities and open space in public housing estates, each person would be provided one square metre local open space within the estates concerned. Besides, about three to four hectares of district open space had already been demarcated in the relevant outline zoning plan. In reply to Mr Fred LI's question, SPO/HD confirmed that the relevant infrastructure, including major roads and footbridges directly linking to MTR stations, would be ready before the first population intake in 2008. Retail and car-parking facilities would also be made available.

15. On the number of schools, members noted that the school development programme, comprising two primary schools and seven secondary schools, was currently under review by the Education and Manpower Bureau (EMB). To enable a better understanding on the latest development of schools, the Clerk was requested to write to EMB for further information.

V Clearance of the Housing Authority's old flatted factory estates

(LC Paper No. CB(1) 1428/04-05(04) -- Information paper provided by the Administration)

16. The Chief Manager (Management), HD (CM(M)/HD) briefed members on the Housing Authority (HA)'s plan to clear five aged and substandard flatted factory estates in phases. The Deputy Director of Housing (Estate Management) (DD of H(EM)) also tabled for members' reference photos showing the dilapidated conditions of some old flatted factory estates to be cleared.

(Post-meeting note: The photos were circulated to members vide LC Paper No. CB(1) 1507/04-05 on 11 May 2005.)

Clearance arrangements

17. Mr LEE Wing-tat said that as most tenants in the five factory estates to be cleared, including the Tai Wo Hau Factory Estate, were small business operators, they might have difficulties in finding suitable premises in the private market with comparable sizes and rents to continue their businesses after clearance of the factory estates. As a result, many of them would have no choice but to wind up their businesses. Mr Frederick FUNG also pointed out relocation of business might not be possible for those tenants whose machinery was too old to survive the relocation. Sharing similar views, Miss CHAN Yuen-han expressed disappointment that the Administration had failed to take into account the plight of the tenants.

18. DD of H(EM) explained that the five factory estates were built in the late 1950s to mid-1970s using old design standards without lifts. Despite regular maintenance and repair, their building conditions were deteriorating with ageing. HA therefore agreed in principle that these factory estates should be cleared in phases. To prepare the ground for clearance, new letting of units in aged factory estates had been frozen since September 2001. To induce tenants to voluntarily give up the tenancies, HA had implemented the Early Surrender Scheme in November 2000. The Scheme was well received and about half of the units in old factory estates had been surrendered and left vacant. Of the remaining tenants in these factory estates, only 20% to 30% of them were active operators who needed reprovisioning. To this end, tenants who wished to relocate to other HA's factory estates were allowed to apply for the some 7 000 square metres (m²) factory space through restricted tender. They might also opt for a cash sum in lieu of relocation to find alternative premises in the private market where supply was abundant. Information on alternative premises in their vicinity would be provided to tenants concerned. CM(M)/HD supplemented that according to the Rating and Valuation Department, there was over 1.5 million m² of factory space available in the private market. Some of which were small premises, particularly those in old districts such as Kwun Tong. Hence, tenants should not have much difficulty in finding a suitable alternative.

19. Mr LEE Wing-tat was not convinced of the Administration's response. He pointed out that small factory premises were in short supply in the private market. Besides, the some 7 000 m² factory space or 300 units in other HA factory estates were far from enough to meet the demand of over 1 000 tenants to be affected by the clearance of the five old flatted factory estates. In reply, DD of H(EM) clarified that the number of tenants to be affected by clearance of the five old flatted factory estates was less than 1 000. Of these, only about 500 were active business operators. He added that the demand for other HA's factory estates was not high as evidenced by the low participation rate in restricted tender exercises by tenants affected by clearance of the San Po Kong Factory Estate, which was currently in progress. Miss CHAN Yuen-han opined that the low participation rate might be attributed to the remote location and higher rent of the factory estates concerned. To facilitate members' understanding, the Administration was requested to provide details on the number of displaced tenants in previous clearance of old flatted factory estates who had participated in the restricted tender exercises and the success rate.

Admin

20. Given the limited number of active operators, Mr WONG Kwok-hing asked if consideration would be given to relocating all of them to one of the five factory estates so that the remaining four estates could be released for clearance. DD of H(EM) reiterated that the building conditions of the five factory estates were deteriorating with ageing and could not be used for relocation. Mr Frederick FUNG was not convinced of the Administration's explanation. Given that the conditions of the factory estates as shown in the photos were not as bad as some existing old public housing estates, he opined that instead of demolishing these factory estates, consideration should be given to improving their facilities, such as installation of lifts, to extend their service life. DD of H(EM) clarified that all public housing estates of the same age and design had already been demolished. In view of the dilapidated conditions and high vacancy rates of these factory estates, it was not cost-effective to add new facilities to them. He further pointed out that in its Report No. 44, the Director of Audit (D of A) had criticized HA for spending substantial public resources in maintaining old flatted factory estates with high vacancy rates. Some surveyors also pointed out that these factory estates should be cleared so that the land, which valued around \$9 billion, could be put to better use to benefit the community.

21. Mr LEUNG Yiu-chung was skeptical that the purpose of the clearance exercise was to make money. Miss CHAN Yuen-han said that Members of the Hong Kong Federation of Trade Unions were concerned about the clearance exercise. She also cautioned about the social cost which the Government might have to pay if affected tenants were forced out of businesses as a result of the clearance exercises and had to live on social security assistance due to unemployment. In reply, DD of H(EM) stressed the need to ensure proper use of scarce land resources. Referring to Annex A to the Administration's paper, he pointed out that many of the sites vacated as a result of the clearance of HA's factory estates had been used for other developments such as public housing, transport infrastructure and open space etc, and not for the sole purpose of generating revenues.

Ex gratia allowance

22. DD of H(EM) said that HA had implemented a number of measures to minimize the impact of clearance on affected tenants. These included an ex gratia allowance to assist affected tenants and operators in meeting the costs of re-establishing or winding up of business. Tenants would receive 70% of the ex gratia allowance on application with the balance to be paid after the unit had been vacated so that tenants had the necessary cashflow to make relocation or removal arrangements. Mr LEE Wing-tat considered the ex gratia allowance too low, bearing in mind that flatted factories were originally built by the Government as part of the resettlement programme to re-provision squatter factories and cottage workshops displaced by clearance operations. Given the substantial revenues to be generated from disposal of the sites after clearance, Mr LEUNG Yiu-chung considered a more generous ex gratia allowance should be offered to the affected tenants. Their views were shared by Mr Frederick FUNG and Miss CHAN Yuen-han. DD of H(EM) and CM(M)/HD explained that the amount of ex gratia allowance was designed to reflect the lease conditions, including rent, of individual tenancies and the years of occupancy. On average, tenants paying market rent would receive \$15,000 while tenants originated from previous clearance exercises and paying scheduled rents might receive up to \$126,000. It was believed that the amount of ex gratia allowance should be sufficient to enable the affected tenants to re-establish business.

Use of old factory buildings for promoting creative industries

23. Miss CHAN Yuen-han opined that the planned clearance exercise ran contrary to the Government's policy intent of using HA's vacant old factory estates to promote the development of creative industries. In response, DD of H(EM) said that the vacant Cheung Sha Wan (CSW) and Shek Kip Mei (SKM) Factory Estates had been reserved for the purpose. The use of these factory estates as a fashion centre was considered not viable due to strong objection from local shop operators in Shamshuipo area lest this would affect their businesses. Given that these factory estates had been left vacant for two years, HA had approached the relevant bureaux urging them to make an early decision but to no avail. In light of D of A's criticism, HA would take the decision to demolish these factory estates and return the sites to the Government for disposal.

24. Mr Tommy CHEUNG said that the original policy intent of using old vacant factory estates to promote creative industries was to provide premises at low cost for young talents who might not have sufficient capital to set up their own design houses. As such, the setting up of a fashion centre in CSW and SKM Factory Estates should not affect the business of retailer shops in the vicinity. Given the misunderstanding, he saw a need for the Administration to explain to the retailers concerned. Moreover, if the proposal of setting up a fashion centre in CSW and SKM Factory Estates was considered not feasible, consideration could be given to relocating it to the Kwun Tong and Kowloon Bay Factory Estates where there were few fashion shops

within the vicinity. Mr CHEUNG further pointed out that while the promotion of creative industries fell under the purview of the Home Affairs Bureau, this also straddled the remit of the Economic Development and Labour Bureau. Therefore, concerted efforts would be required from both bureaux in this respect. He also suggested that HA should set deadlines for the relevant bureaux to decide on the use of the old factory estates. His views were shared by Mr WONG Kwok-hing and Miss CHAN Yuen-han. DD of H(EM) noted members' views and undertook to convey their views to the relevant bureaux.

25. Summing up, the Chairman said that the discussion paper provided by the Administration was too brief. He requested supplementary information, including the annual costs for managing and maintaining the five old flatted factory estates, the number of displaced tenants in previous clearances who had sought reprovisioning through restricted tenders, the criteria for determining the ex gratia allowance and the amount of ex gratia allowance paid to displaced tenants affected by Tai Wo Hau clearance, etc. DD of H(EM) undertook to provide the supplementary information to members for their reference.

Admin

VI Any other business

26. There being no other business, the meeting ended at 10:30 am.

Council Business Division 1
Legislative Council Secretariat
3 June 2005