

立法會
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Panel on Development

Minutes of meeting
held on Wednesday, 22 October 2008, at 9:30 am
in Conference Room A of the Legislative Council Building

Members present : Hon LAU Wong-fat, GBM, GBS, JP (Chairman)
Prof Hon Patrick LAU Sau-shing, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon WONG Yung-kan, SBS, JP
Hon Emily LAU Wai-hing, JP
Hon Albert CHAN Wai-yip
Hon LEE Wing-tat
Hon Alan LEONG Kah-kit, SC
Hon CHEUNG Hok-ming, SBS, JP
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king
Hon CHAN Tanya
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon Samson TAM Wai-ho, JP

Members attending : Hon WONG Kwok-hing, MH
Hon WONG Kwok-kin, BBS
Hon IP Wai-ming, MH
Dr Hon PAN Pey-chyou

Members absent : Hon James TO Kun-sun
Dr Hon Philip WONG Yu-hong, GBS
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Dr Hon Priscilla LEUNG Mei-fun

Public officers attending : **Agenda item I**

Mrs Carrie LAM, JP
Secretary for Development

Mr MAK Chai-kwong, JP
Permanent Secretary for Development
(Works)

Mr Raymond YOUNG, JP
Permanent Secretary for Development
(Planning and Lands)

Mr YUE Chi-hang, JP
Director of Architectural Services

Mr WAI Chi-sing, JP
Director of Highways

Clerk in attendance : Ms Anita SIT
Chief Council Secretary (1)4

Staff in attendance : Mr WONG Siu-ye
Senior Council Secretary (1)7

Ms Christina SHIU
Legislative Assistant (1)7

Action

- I Briefing by the Secretary for Development on relevant policy initiatives in the Chief Executive's Policy Address 2008-2009**
(LC Paper No. CB(1)55/08-09(01) -- Initiatives of the Development Bureau in the 2008-2009 Policy Address and Policy Agenda)

Opening remarks by Secretary for Development

The Secretary for Development (SDEV) briefed members on the highlights of the initiatives of the Development Bureau in the 2008-2009 Policy Address and Policy Agenda. She said that as a result of expediting works projects, the total expenditure on capital works projects for the current financial year was expected to increase from the original estimate of \$21.8 billion to \$23 billion, or 12% more than the expenditure in 2007-2008. Although the expenditure level for the 2009-2010 financial year would not be available until February 2009, she was optimistic that the magnitude of increase would be even higher. In 2007-2008, the total number of capital works items receiving support from the Public Works Subcommittee and the Finance Committee (excluding the one-off grant to the West Kowloon Cultural District Authority) amounted to 81 with a total estimated expenditure of \$47.1 billion, representing a notable increase from the \$26.2 billion in 2006-2007.

2. On the challenges in the coming year, SDEV said that the first was that the pre-construction planning of infrastructure projects involved many statutory procedures as well as much coordination work among bureaux and departments. The Development Bureau therefore planned to strengthen its high-level capacity to deal with such coordination work with some additional resources provided. The second was the soaring construction costs, leading to insufficient approved project estimates. She admitted, however, that the financial turmoil might help mitigate the rise in construction costs although a full assessment had yet to be conducted. Market indicators showed that the prices of fuel and some materials were on the decrease. The third was manpower supply, including both professional staff and construction workers, in the construction industry. The Administration was conducting studies on how to admit talents and provide more training for local workers.

3. SDEV remarked that another area of work of the Development Bureau was to achieve the theme of "Quality City And Quality Life", and this included ensuring the safety of the city, providing more quality open space, protecting the harbour, and heritage conservation. The site of the former Hollywood Road Police Married Quarters had been taken out from the Application List and the Administration would conduct comprehensive consultation on how best to use the site.

4. Referring to a general aspiration for accelerated public works, SDEV said that the Administration would like to take this opportunity to brief Members on those approved projects which would require an increase in their approved project estimates, and to solicit Members' support for submitting the relevant funding applications to the first Public Works Subcommittee meeting and Finance Committee meeting so that these projects could proceed as planned. The increase in approved project estimates was entirely due to price increases and there was no change in the scope of the projects. The increase in construction costs could be reflected in the price indices of materials, the tender price index of the Architectural Services Department and other market indices. The increases in

costs had given rise to two problems. Firstly, projects under construction (the 25 projects mentioned in paragraph 28(a)) which had a price fluctuation provision in the contract would not have adequate funds to meet the price adjustments due to high inflation. Secondly, the returned tender prices for projects under tendering (the 8 projects mentioned in paragraph 28(b)) were higher than the approved project estimates. Without additional funding provision, these projects could not proceed to the construction stage. There were another 2 projects for which the construction tenders had yet to be invited, but in view of the increase in tender prices, the Administration anticipated that the approved project estimates would be insufficient. Therefore, funding applications for increases in project estimates for these 35 projects would be submitted to the Public Works Subcommittee and the Finance Committee. The Administration would closely monitor the effects of the current financial tsunami on construction costs and other aspects.

Infrastructure development

Government expenditure on infrastructure projects and local employment

5. Given that public works projects constituted a major share of the projects in the construction sector, Mr WONG Kwok-hing expressed concern on how the \$29 billion earmarked for capital works projects each year would be gainfully utilized to alleviate serious unemployment in the construction sector. As the 10 major infrastructure projects were still at the planning stage, he asked when those projects would be implemented and how the Administration would tackle the unemployment situation before their implementation. As regards construction costs, he asked whether the Administration would adjust the estimates if tender prices declined in future as a result of the financial tsunami.

6. In response, SDEV said that it was a common goal to expedite infrastructure projects to boost the economy and create local job opportunities. The \$29 billion was not a cap and the expenditures for future years might exceed that amount. The Administration had been streamlining works procedures to expedite the progress of works projects. In addition, as a result of raising the financial limit of the authority delegated by the Finance Committee to the Financial Secretary for Category D projects from \$15 million to \$21 million, the implementation of some 80 projects could be expedited. The projected expenditure in 2008-2009 was \$23 billion and she was confident that the increase in expenditure in 2009-2010 would be even higher. Projects such as New Development Areas (NDAs) were not intended to be implemented under a tight timeline because lead time in planning was required. She undertook to provide a timetable for the implementation of the 10 major infrastructure projects and remarked that public works projects to be implemented were not limited to the 10 major infrastructure projects. If tender price indices dropped, the Administration would adjust the earmarked funding for approved projects. A fall in construction costs would be conducive to the implementation of more public works projects.

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7. Ir Dr Raymond HO said that there were large fluctuations in construction costs over the past few years and he had previously suggested that the Administration should allow for sufficient contingencies in its project estimates. He expressed support for providing supplementary provision for those projects with insufficient funds so that they could proceed. He also urged the Administration to implement more works projects of small and medium scales. In response, SDEV said that project estimates which included the provision for contingencies were based on objective tender price indices and macroeconomic data. The Administration would not inflate or underrate the estimates.

8. Mr LEE Wing-tat said that for the Tamar Development Project, there were requirements for certain prefabricated components to be produced locally. In view of the current financial climate, the Administration should safeguard employment opportunities for local construction workers as far as possible in implementing infrastructure projects although the requirements of the Agreement on Government Procurement of the World Trade Organization had to be adhered to. In response, SDEV said that she had taken note of Mr LEE's views and the Administration would make every effort to boost the local economy through implementing infrastructure projects. In the process, the Administration would upkeep practices in which Hong Kong took pride.

9. Mrs Regina IP asked whether there would be a need to import massive non-local workers when the Administration implemented infrastructure projects to boost the economy. SDEV said that as the unemployment rate for the construction sector was still at 6.7% and there were 260 000 registered construction workers, the Administration had no plan to import non-local workers at present. Creating employment opportunities for local workers was a priority consideration in planning for infrastructure projects. After the implementation of the Construction Workers Registration Ordinance, the Administration could better gauge the number and skills of local workers. Even if non-local workers were required in future, they would be those possessing specific skills which were not available among the local workforce.

10. Prof Patrick LAU was pleased to note that the Administration had implemented measures to expedite public works projects, and expressed support for the Administration to take appropriate actions to tackle fluctuations in construction costs. In reply to his enquiries, SDEV advised that the provision for price adjustment in works contracts catered for fluctuations in material prices as well as labour costs, and adjustment in either direction was possible under the mechanism. The Administration had pledged in the last year to compress the time frame for public works projects through expediting the pre-construction planning stage, refining the public consultation process and further enhancing coordination among bureaux and departments.

Progress of ten major infrastructure projects and other major projects

11. Mr CHEUNG Hok-ming asked whether the planning studies for the NDAs would include research on the mode of development of the NDAs, such as Public-Private-Participation. In view of the proximity of the "Three-in-One" NDA to the proposed Liantang/Heung Yuen Wai Boundary Control Point and the development potential of the areas near the latter, he asked whether the Administration would combine the planning studies for the NDAs and the proposed Boundary Control Point. As transport infrastructure and ancillary facilities had to be planned according to the population to be served, he enquired whether the planning study for the "Three-in-One" NDA was based on the previously proposed population of 100 000.

12. In response, SDEV said that the planning studies for the NDAs would include research on the mode of development because many of the lots in the NDAs were possessed by private owners. The development projects at the proposed Liantang/Heung Yuen Wai Boundary Control Point, the "Three-in-One" NDA, the land to be released from the Closed Area and the Lok Ma Chau Loop were all inter-related to a certain extent. Apart from providing boundary crossing facilities, the proposed Boundary Control Point would be conducive to the development of North New Territories. The associated connecting road would be beneficial to the "Three-in-One" NDA. As such, the proposed itinerary for site visit of the Panel would include the above sites and some heritage sites in the Closed Area as well. The NDAs would be medium density developments and of a smaller scale than previous new towns, and the appropriate population size for the NDAs would be examined in the planning studies.

13. Ms Emily LAU said that she was pleased that the Administration would help arrange a site visit to the proposed Liantang/Heung Yuen Wai Boundary Control Point and she hoped that the visit could also cover the site on the Shenzhen side.

14. Mr Albert CHAN considered that the Administration should implement the "Three-in-One" NDA as soon as possible, and more public rental housing should be provided because there was a high demand for public rental housing and it was becoming more difficult to find suitable sites. In response, SDEV said that she was aware that it was difficult to find suitable sites for constructing public rental housing, partly because of the views of residents in various districts. The Development Bureau and the Transport and Housing Bureau would make every effort to handle the situation. Development of NDAs would need sufficient lead time so that the goal of providing quality and balanced developments could be achieved.

15. Ir Dr Raymond HO asked whether the Hong Kong-Shenzhen Joint Task Force on Boundary District Development would oversee other Shenzhen-related projects in addition to the development of the Lok Ma Chau Loop. He was concerned about the progress of the Kai Tak Development, and requested the Administration to update Members on the implementation situation as soon as possible. He considered it a right move for the Administration to construct the

cruise terminal using its own resources, but expressed concern on whether the Administration had sufficient experience in managing the project.

16. SDEV advised that the Hong Kong-Shenzhen Joint Task Force on Boundary District Development would at this stage mainly focus on development of the Lok Ma Chau Loop and the proposed Liantang/Heung Yuen Wai Boundary Control Point. There was another Hong Kong-Shenzhen joint task force to oversee cross-boundary transport infrastructure projects and the matter was within the purview of the Transport and Housing Bureau. As regards the Kai Tak Development, apart from the cruise terminal, other works projects at a total cost of some \$2.4 billion would be submitted to the Public Works Subcommittee for consideration within the current financial year. This Panel would be consulted on the funding proposals in due course.

17. Mr CHAN Kam-lam said that the Administration should brief Members on the latest progress of the proposed projects in the Kai Tak Development, such as the multi-purpose stadium, the bridge connecting Kwun Tong with the end of the former runway, and the district hospital. He was also concerned about how the Administration would handle the environmental problem of the Kai Tak Approach Channel. He considered that there should be a clear time frame for the implementation of the projects in the Kai Tak Development.

18. In response, the Permanent Secretary for Development (Works) said that the Kai Tak Development had entered the implementation stage and various works were already in progress. The Administration had a blueprint to complete the Kai Tak Development by stages. The first stage, to be completed by 2013, would include phase one of the cruise terminal project and some Government facilities. The second stage, to be completed by 2016, would include the cruise terminal main building. The whole Kai Tak Development was scheduled for completion by 2021. The Administration would prepare a detailed implementation plan before submitting the funding proposals. At present, the Administration was studying the feasibility of the bridge connection and several proposals for the multi-purpose stadium had been prepared. As regards the Kai Tak Approach Channel, and indeed the entire Kai Tak Development, he advised that the relevant Environment Impact Assessment (EIA) was near completion. He expected that the EIA Report would be submitted to the Environmental Protection Department for consideration before the end of October 2008. The report would then be exhibited for public inspection and after its approval, Environmental Permits would be issued for the various items of works to commence. In the 2008-2009 legislative session, the Administration would submit funding applications for 5 items of works covering \$1 billion for part of the infrastructure and \$1.4 billion for the district cooling system.

Initiatives under "Quality City And Quality Life"

Harbourfront enhancement

19. Ir Dr Raymond HO commented that the progress of developing a continuous waterfront promenade on both sides of the harbour was slow. In response, SDEV explained that as the harbour was a working harbour, construction of a continuous waterfront promenade would be hindered by the presence of public facilities, public cargo working areas and private developments along the waterfront. The Administration would handle these challenges step by step.

Sustainable built environment

20. Ir Dr Raymond HO asked whether the Administration would implement the building energy codes, and whether the policy on promoting green features in private developments would be maintained. SDEV replied that implementation of the building energy codes was under the purview of the Environment Bureau and the Buildings Department would tie in with the Environment Bureau in this area of work. The review of green features in private developments was a complicated task and the Administration had to strike the right balance among the interests of various parties. The Administration would report to the Panel on how to take forward the matter by the end of 2008.

21. Mr LEE Wing-tat said that the Administration should review the plot ratios of all waterfront sites, such as those in Tsuen Wan, before including them on the Application List. Although lowering the plot ratio would reduce Government revenue, citizens would be willing to bear the cost if they could have more open space, a lower density living environment and a more enjoyable waterfront.

22. Prof Patrick LAU commented that the Administration lacked a three-dimensional town planning perspective when imposing height restrictions in Tsim Sha Tsui. He considered that there should be more public participation in town planning. There should be a model showing the whole territory of Hong Kong to facilitate the public's understanding of Hong Kong's town planning in aspects such as height, density and air ventilation.

23. In response, SDEV said that starting from 2008-2009, the Administration would conduct Air Ventilation Assessment (AVA) and, if justified, would reduce the plot ratios for sites on the Application List even if this would affect land premium and the relevant Outline Zoning Plans permitted a higher plot ratio. Over the past year, the review of Outline Zoning Plans to impose appropriate development restrictions had progressed very fast, and there were complaints from some sectors about the reduction in development intensities and imposition of height restrictions. Indeed, the Administration was facing a dilemma because there were divergent views in society. Society needed more discussions on the issue, especially for property development sites above Mass

Transit Railway stations with convenient transportation. In this connection, the Administration would report to the Panel on the review of the planned property developments at the West Rail Nam Cheong Station and Yuen Long Station.

24. As regards the review of Outline Zoning Plans, Miss Tanya CHAN asked what factors would be considered in the process. She considered that there should be forward-looking and comprehensive assessment reports, including Traffic Impact Assessment (TIA) and AVA reports. These assessments should be conducted on a regular basis. Small scale traffic studies conducted by developers would not suffice. In particular, she was concerned about the impact of the seven upcoming developments at Hong Kong West Mid-levels. The Permanent Secretary for Development (Planning and Lands) advised that TIA would be conducted when the Administration had sufficient resources to launch a review of the development intensity of a district/area. The Development Bureau would seek the Transport Department's assistance in this regard. However, TIA might not be required when the Town Planning Board imposed height restrictions on waterfront sites because development intensity might not necessarily be affected.

25. As regards TIA and AVA for private developments, Mrs Regina IP commented that those assessments should be conducted by the Administration rather than by the developers because the latter might conduct the assessments in a way to their advantage. Given the substantial costs required for conducting such assessments for a large number of private developments, the Administration could commission independent organizations, such as universities, to conduct the assessments while the developers concerned would bear the costs. In relation to a large scale commercial development at King Wah Road, she asked why the Town Planning Board would consider the planning application when the relevant Master Layout Plan for the site concerned was yet to be agreed on.

26. In response, the Permanent Secretary for Development (Planning and Lands) advised that the Planning Department would conduct AVA and traffic studies for large Government sale sites and Comprehensive Development Areas. Not all developments required approval from the Town Planning Board. For those requiring such approval, there was a comprehensive mechanism for vetting the applications. The Administration also had a mechanism to vet applications for lease modification. Relevant Government departments would be consulted during the vetting process. If necessary, the Administration would request the developers to conduct AVA, traffic studies and even Visual Impact Assessment. The Administration would vet the results of such assessments. While developers had a right to develop their sites according to the permitted plot ratios, the views of the local community would be taken into account. For large scale developments, the Administration would also seek the views of District Councils before drawing up a conclusion. The final development plan depended on the results of various studies and it often involved a balance of the interests of the parties concerned.

27. In relation to quality life, Ms Emily LAU said that a public opinion poll on the Policy Address conducted by The University of Hong Kong showed that

some 60% of the respondents considered that the Administration could not enhance the quality of life of citizens. In this regard, she asked how the Administration would initiate community discussion on how Hong Kong should develop to achieve a better life quality. She said that the Government's advisory committees lacked sufficient participation from representatives of the public and asked how the Administration would enhance public participation when formulating its policies.

28. In response, SDEV said that the Administration would listen to public's views and encourage rational discussions on relevant issues. Owners' development right should be respected and considered to strike the balance. As regards public participation, the Committee on Sustainable Development provided a platform for public participation. Besides, other boards and committees such as the Town Planning Board and the Harbour-front Enhancement Committee had a membership comprising representatives from various sectors.

Heritage conservation

29. Mr Albert CHAN expressed support for the Administration's revitalization initiatives and said that apart from historic buildings, the scope of revitalization could be expanded to include scenic and thematic spots, such as Cheung Po Tsai Cave. The proposed project at Tin Shui Wai Area 112 was a good one. While large developers should not monopolize the project, neither should they be discriminated against. The criteria for evaluating the proposals should ensure that there was a level playing field for all parties. Benefits for the local economy should be the primary concern.

30. As regards revitalizing historic buildings, SDEV said that the operators would be social enterprises and the Administration was vetting the first batch of applications under the Revitalising Historic Buildings Through Partnership Scheme. The Administration would consult the Panel on the successful proposals. The Tin Shui Wai Area 112 project was intended to inject economic vibrancy into the area and Government revenue was not the primary concern. She concurred that there should be fair competition in bidding for the project. The Administration was following the direction of promoting scenic and thematic spots in its revitalization initiatives, such as enhancement works at Tai O and Tuen Mun River and revitalization of old districts in Wan Chai.

31. Miss Tanya CHAN said that she was pleased to note that the site of the former Central School had been taken out from the Application List. The Central and Western District Council hoped that the relics could be preserved. SDEV thanked Miss CHAN for her support for the Administration's decision on the handling of the site of the former Central School.

Other issues

Land exchange policy

32. Miss Tanya CHAN expressed concern on the land exchange policy in relation to the Hopewell Centre II project. SDEV advised that the Administration had to respect the development right of the developer concerned and maintain consistency and continuity in Government's policies. Discussion with the developer on how to optimize the Hopewell Centre II project was in progress.

Project delivery approach

33. Prof Patrick LAU said that the Administration should review the Design-and-Build approach as the standard approach for delivery of building projects. He considered that separating the design stage from the construction stage might be conducive to obtaining more accurate tender estimates and better designs. In response, the Permanent Secretary for Development (Works) said that the adoption of which approach for a building project would depend on the actual contents of the project concerned and the Administration would choose the most appropriate approach.

Facilitating private developments

34. Prof Patrick LAU asked whether it was possible to expedite the vetting process for private development projects. SDEV advised that in the current year, the Administration would consider introducing measures to expedite procedures related to planning, lease modification and buildings so as to facilitate works projects in the private sector and boost investments.

Social Impact Assessment

35. Ms Cyd HO asked whether the Administration would conduct Social Impact Assessment when implementing development projects or planning for a large district. Apart from urban renewal projects, she was not aware that such assessment would be conducted. By way of illustration, she said that rental levels in Western District soared after the announcement of the construction of the Mass Transit Railway West Island Line. Many grassroots citizens had to move out because they could not afford the rents. The Administration should have formulated mitigation measures, such as increasing the supply of public rental housing in the area, before implementing the railway project. Before implementing large scale development projects, various bureaux should find out the positive and negative impacts and come up with mitigation measures.

36. In response, SDEV said that as urban renewal projects involved demolition and rehousing, affecting the employment and social network of the residents, the Urban Renewal Strategy required that Social Impact Assessment be conducted. Social Impact Assessment would also be conducted for large scale

government-led projects requiring approval from the Executive Council. For example, when developing new areas such as NDAs, such assessment had been incorporated into the relevant planning studies. However, it would be difficult to conduct Social Impact Assessment for every development project in developed districts.

37. Ms Emily LAU urged Government officials to be more sensitive to important issues such as post-service employment of officials and commended the Permanent Secretary for Development (Works) in this regard.

II Any other business

Late membership

38. Members agreed to Mrs Regina IP's application to join the Panel.

39. There being no other business, the meeting ended at 10:45 am.

Council Business Division 1
Legislative Council Secretariat
24 November 2008