

立法會
Legislative Council

LC Paper No. CB(1)397/09-10
(These minutes have been seen
by the Administration)

Ref : CB1/PL/DEV/1

Panel on Development

Minutes of meeting
held on Wednesday, 21 October 2009, 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 James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon WONG Yung-kan, SBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Albert CHAN Wai-yip
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon Alan LEONG Kah-kit, SC
Hon CHEUNG Hok-ming, GBS, JP
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king
Hon Tanya CHAN
Dr Hon Priscilla LEUNG Mei-fun
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 Miriam LAU Kin-ye, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon Ronny TONG Ka-wah, SC
Dr Hon LEUNG Ka-lau
Dr Hon PAN Pey-chyou

Member absent : Dr Hon Philip WONG Yu-hong, GBS

Public officers attending : **Agenda item I**

Mrs Carrie LAM, JP
Secretary for Development

Mr Thomas CHOW Tat-ming, JP
Permanent Secretary for Development
(Planning and Lands)

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

Ms Gracie FOO Siu-wai, JP
Deputy Secretary for Development
(Planning and Lands) 1

Mrs Jessie TING YIP Yin-mei, JP
Deputy Secretary for Development (Works) 1

Mr Laurie LO Chi-hong
Head/Development Opportunities Office
Development Bureau

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

I Briefing by the Secretary for Development on relevant policy initiatives in the Chief Executive's Policy Address 2009-2010

(LC Paper No. CB(1)30/09-10(01) -- Administration's paper on initiatives of the Development Bureau in the 2009-2010 Policy Address and Policy Agenda)

Opening remarks by Secretary for Development

The Secretary for Development (SDEV) briefed members on the major initiatives of the Development Bureau (DEVB) in the 2009-2010 Policy Address and Policy Agenda, which were to be implemented under the themes of "Developing the Infrastructure for Economic Growth" and "Quality City and Quality Life".

2. SDEV pointed out that the Administration had attached great importance to infrastructure development in the past two years. To battle the aggravating unemployment problem, job creation had become a major objective behind these infrastructure projects in 2008-2009. The Government's actual expenditure in infrastructure projects had increased from \$20.5 billion in 2007-2008 to \$23.4 billion in 2008-2009. She was confident that the actual expenditure in 2009-2010 would meet the estimated \$39.3 billion in full. With the Legislative Council (LegCo) approving \$120 billion for capital projects in 2008-2009 LegCo session, the Administration would be able to maintain public works expenditure at a high level in the medium term, well above the oft-quoted average of \$29 billion per annum.

3. To provide more employment opportunities in the construction sector, the Administration had placed a greater emphasis on minor works. Due to good weather in 2009, landslip preventive works were ahead of schedule. In 2009-2010, the Administration would seek an additional \$100 million to improve slope safety, which would create jobs for construction workers. Operation Building Bright (the Operation) had been progressing extremely well. With a provision of \$2 billion, the Operation would be able to improve the structural conditions of about 2 000 target buildings and create some 20 000 jobs in the next two years. The Administration's efforts had led to continual improvement in the employment situation within the construction sector. The overall unemployment rate of construction workers had dropped from 12.7% after the financial tsunami to 9.4% in the latest quarterly figures. For the renovation and maintenance workers in the sector, the unemployment rate had also shown significant reduction from 21.6% to 10.8%.

4. SDEV advised that that the Administration's policy on land supply would be adjusted from time to time in pace with Hong Kong's economic development. As stated by the Chief Executive in his Policy Address, the Administration was aware of the recent fluctuation in real estate prices, in particular the record prices in certain transactions, and would monitor the situation

closely. The Administration would, if necessary, fine-tune the land supply arrangements. The Administration would continue to provide land to meet the needs of various sectors. Accordingly, a few pieces of land in Kwai Chung had been reserved for the logistics industry. In support of the policy to facilitate medical services development in Hong Kong, four pieces of land had been earmarked in the Southern District, Tai Po, Tseung Kwan O and Tung Chung for private hospital developments. In education, the Administration had identified two sites, one in Ho Man Tin and the other in the Southern District, for the development of self-financing post-secondary institutions.

5. SDEV further advised that a major initiative spearheaded by DEVB would be revitalisation of the existing industrial buildings to provide suitable land and premises in meeting Hong Kong's changing economic needs. Further details would be provided to the Panel for discussion in due course.

6. SDEV said that the Administration would undertake concrete steps to enhance safety of the city, including the stepping up of lift and slope safety. For the former, the Lifts and Escalators (Safety) Ordinance (Cap. 327) would be amended. Drainage projects would be implemented to prevent flooding in different parts of Hong Kong. The Watermains Replacement and Rehabilitation Programme would continue. On town planning, the Administration was in the course of reviewing the Outline Zoning Plans. The Administration had started public consultation on the review of the Urban Renewal Strategy and public engagement on "Building Design to Foster a Quality and Sustainable Built Environment". On tree management, the Administration had completed the "Report of the Task Force on Tree Management -- People, Trees, Harmony" and would seek the approval of the Finance Committee to set up a Greening, Landscape and Tree Management Section in DEVB.

7. On heritage conservation, SDEV advised that the Administration had declared 41 pre-war waterworks structures within six reservoirs as monuments. A waterworks heritage trail had been created in Tai Tam. The Antiquities Advisory Board was currently considering the proposed grading of the 1 444 historic buildings. For the preservation of historic buildings in the private domain, the Administration had approved five applications and was now processing another six applications under the Financial Assistance for Maintenance Scheme launched in August 2008. The Administration had selected six successful applicants for the revitalisation of six government-owned historic buildings under Batch I of the Revitalising Historic Buildings Through Partnership Scheme, and application for Batch II would close in December 2009.

8. SDEV advised that Conserving Central was an initiative in line with the Chief Executive's (CE) concept of "Progressive Development" which sought to achieve economic and social development alongside cultural and environmental conservation. For this particular programme, the Administration would focus on two areas viz harbourfront enhancement and heritage conservation. For the former,

the Administration had lined up a site visit and hoped to discuss with members on the development plans before proceeding further.

9. SDEV summed up that the Administration would concentrate its efforts to take forward the following policy initiatives in the next three months --

- (a) Enhancing lift safety and proposal to amend the ordinance;
- (b) Optimising the use of industrial buildings;
- (c) Enhancing the delivery of Kai Tak Development;
- (d) Study on Land Use Planning for the Closed Area;
- (e) North East New Territories New Development Areas Planning and Engineering Study;
- (f) Urban Design Study for the New Central Harbourfront; and
- (g) Public open space in private developments.

Conserving Central

10. Miss Tanya CHAN welcomed the Administration's initiative to conserve Central, and said that Members of the Civic Party were in favour of preserving the Central Government Offices (CGO) as a whole. Referring to the "Historic and Architectural Appraisal on CGO" completed in September 2009, she sought clarification on whether the Administration was under financial pressure to release West Wing of CGO commercial redevelopment. Besides, she believed that the Queen's Pier (QP) should be reassembled in-situ and requested the Administration to reconsider its decision.

11. SDEV clarified that the financial pressure as mentioned in the aforesaid consultancy report referred to a realistic factor that need to be considered for conservation projects in general. The main challenge instead would be finding an appropriate use for government buildings preserved. As for the redevelopment of West Wing of CGO, the Administration would prepare a comprehensive planning brief to demonstrate how the green and low-density character of the area would be preserved while allowing for commercial development. On QP, she advised that the Administration had announced in August 2009 the decision to reassemble it between Central Piers Number 9 and 10.

12. Mr KAM Nai-wai appreciated the Administration's efforts in conserving the Central Market, and said that in pursuing conservation of historic buildings, Members of the Democratic Party were in favour of the concept of retaining a "historic city" rather than a few isolated historic buildings. He asked whether the Administration would consider turning Central into a "historic city". Further, he

was concerned that the Administration might convert existing Government, institution or community (GIC) sites for residential uses, thus increasing development density. He also enquired about the Hong Kong Sheng Kung Hui project.

13. SDEV advised that to conserve Central, the Administration would first start with government sites. She explained that it was a long-established practice for the Administration to release appropriate former GIC sites for private developments. As a matter of fact, some lots on the Application List were former GIC sites used as quarters for the disciplined forces. She was glad that the Hong Kong Sheng Kung Hui was pursuing a project in line with the Administration's efforts in conserving Central. The Administration would exercise utmost care in determining the plot ratio of new developments on government land.

14. Prof Patrick LAU supported the Administration's various initiatives in conserving Central, and opined that the Administration should have a holistic conservation plan for Central. SDEV took note of Prof LAU's view.

15. Mrs Sophie LEUNG had high regard in the Administration's various initiatives in conserving Central, and urged the Administration to step up promotion to introduce the various conservation projects to the public so as to collect their views. SDEV responded that the Administration would enhance its promotion work through different means such as roving exhibitions.

Developments in other districts

16. On the Administration's plan to provide private hospitals and tertiary institutions in Wong Chuk Hang, Miss Tanya CHAN enquired whether the Administration had a master development plan for the whole district, and whether adequate consideration had been given to traffic problems caused by the congestion at the Aberdeen Tunnel during peak hours.

17. SDEV believed that as the two pieces of land had been meant for similar development purposes, the new developments would not exert undue pressure to Wong Chuk Hang in traffic and other aspects. She added that the proposed South Island Line would provide fresh impetus to the development of Wong Chuk Hang and the nearby areas.

18. Dr Priscilla LEUNG said that while she appreciated and supported the Administration's efforts in conserving Central, she was disappointed and considered it unfair that the Administration had failed to accord equal importance to new developments and heritage conservation in other districts such as West Kowloon. While a lot would be done to enhance the Central harbourfront, the Administration had failed to improve the harbourfront of West Kowloon. She was worried that the high-rise developments at Nam Cheong Station of the West Rail Line would adversely affect the living environment of the whole West Kowloon district.

19. SDEV said that the Administration had attached great importance to the development of West Kowloon, and the outcome of the current public engagement exercise for the West Kowloon Cultural District (WKCD) would be available in due course.

20. Ms Starry LEE considered that one of the purposes of urban development was to revitalise the old districts. However, the Kai Tak Development (KTD) might not be effectively connected to surrounding old districts such as Kowloon City, San Po Kong and To Kwa Wan, and this would adversely affect its intended role as a catalyst for revitalising the local economy. She also criticised the present inadequacy for projects in KTD to be implemented by different policy bureaux/departments, and considered that a designated office should be set up to coordinate the whole project. On West Kowloon, she relayed the concerns of local residents about the connectivity of WKCD to surrounding districts. She considered that the concept of Conserving Central could be extended to other cultural and historic sites such as Temple Street and the Yau Ma Tei Wholesale Fruit Market.

21. SDEV advised that the Administration would adopt a district-based approach in revitalisation using different catalysts. In so far as West Kowloon was concerned, WKCD would be the driving force for transformation. Further to that, a number of conservation projects including the revitalisation of Lui Seng Chun were underway in Sham Shui Po. Revitalisation of industrial buildings in Sham Shui Po would also create a good opportunity for development of the local textile and garment industries. In the same vein, KTD would offer excellent opportunities for the surrounding areas, and there were plans to connect KTD to nearby old districts through different means such as the environmentally friendly transport system. To coordinate the various projects in KTD, the Administration intended to set up a designated office under the Kowloon Development Office of the Civil Engineering and Development Office.

Land supply

22. Mr Albert HO was worried that limited land supply would lead to high property prices and eventually a property bubble. To effectively address the problem, he considered it necessary for the Administration to resume regular land sale. The Administration should not count on the Urban Renewal Authority (URA) and MTR Corporation, Limited (MTRCL) to resolve the problem because it would take a few years before those new residential flats would be put up for sale. He also criticised that providing land through the Application List System could no longer satisfy the needs of the market. Complicated procedures coupled with the need for a deposit had discouraged participation of small and medium developers to secure land from the Application List, and this had consolidated the dominating position of large developers.

23. SDEV took note of Mr HO's views and said that the Administration would listen to views from the community in the next few months. She explained that while it would take time for the residential flats provided by URA and MTRCL to be made available in the market, the same applied to flats developed on land acquired through land sale.

24. Mr LEE Wing-tat believed that property prices were dictated by land supply, and criticised the Administration for a slow response in tackling the land shortage problem. He saw no reasons why the Administration should continue to withhold resuming Government-initiated land sale.

25. SDEV responded that the Administration was closely monitoring the real estate market and would take necessary actions if needed. Land sale would not be able to solve the problem within a short period of time. She added that according to the Administration's figures, the Home Affordability Index for a residential flat of 45 square metres on 20-year mortgage terms at present stood at 34% of the household income, which was lower than the 90% during peak years, and the average 52.1% over the past 20 years. The Administration would monitor the demand for and supply of residential flats closely.

26. Mr WONG Kwok-hing expressed grave concern about the difficulties of the middle and lower classes in buying residential flats in view of the high property prices. He enquired whether the Administration would resume the Home Ownership Scheme (HOS), and whether the residential flats provided by MTRCL and URA would be sufficient in meeting the housing needs of the community.

27. SDEV clarified that she was not in a position to answer whether the HOS would be resumed. The responsibility of the DEVB was to identify suitable land for different bureaux in accordance with the identified policy directions. On provision of residential flats, the Administration would endeavour to fine-tune land supply and liaise with URA and MTRCL on the provision of residential flats.

28. Mr James TO pointed out that the Home Affordability Index, which stood at 34% at present, could be misleading, the reason being that the prevailing mortgage interest rate was among the lowest in many years. SDEV took note of Mr TO's view.

Heritage conservation

29. Ms Emily LAU welcomed the Administration's plan to invite members to a site visit before finalising the development plans on the harbourfront, and hoped that the Administration as a whole could follow the same direction in its other areas of work. She opined that in revitalising historic buildings/sites, the Administration should avoid turning them into high-end shopping centres because this might defeat the original purpose of sharing the reminiscences of these buildings with the general public.

30. In response, SDEV advised that the Administration subscribed to the belief that in revitalising historic buildings/sites, public access was always a major consideration. In conserving historic buildings, for instance the Central Market, revenue was not the only consideration.

31. Dr PAN Pey-chyou found it encouraging that the Administration was making concrete steps to conserve Central. He enquired whether the Administration's efforts would be extended to other districts, and whether measures would be taken to ensure that the interests of the general public would not be compromised in these conservation projects.

32. SDEV said that engaging the public and allowing the public access were the basis principles in implementing conservation projects. She cited the old Tai O Police Station as an example. Some 40% to 50% of the space thereat would still be accessible to the public after conversion of the building into a heritage hotel.

33. As for districts outside Central, SDEV said the Administration was adopting a district-based approach to revitalise the local economy, and it would actively consult District Councils and the private sector accordingly. She felt encouraged to see the revitalisation of old Wanchai along Johnston Road, and the forthcoming developments at KTD and Wong Chuk Hang. The preservation of the renowned Longjin Bridge at KTD would have a positive impact on tourism.

Revitalisation of industrial buildings

34. In response to Ms Emily LAU's enquiry, SDEV clarified that her remark about some pressure opposing revitalisation of industrial buildings was not pinpointing individual developer's resistance but the reality that a substantial increase in space for offices, shops and services would naturally have a downward pressure on commercial rental, thereby causing concern to existing developers owning office buildings for rental. While there were 10 million square metres of private office and another 10 million square metres of commercial space in the market at present, the proposal to revitalise industrial buildings would potentially add another 17 million square metres of such space. She was confident that the proposal would add a new impetus to Hong Kong's economy, facilitating its restructuring, providing quality city life and creating jobs.

35. Prof Patrick LAU supported the Administration's proposal of revitalising industrial buildings. Nevertheless, he shared the view that there would be many difficulties in implementation. Although the Administration would propose to lower the application threshold for compulsory sale for redevelopment from 90% to 80%, it would still be difficult to redevelop industrial buildings due to diverse ownership. It would also be equally difficult to obtain the consent of all owners to convert the industrial buildings for commercial and other uses. Besides, he was worried that rentals for converted or redeveloped industrial buildings might be substantially higher, and this would inevitably hinder the development of creative economic activities, including the six industries identified by the Task Force on

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Economic Challenges. He requested the Administration to provide research information on ownership and rental level etc. related to optimising the use of industrial buildings.

36. SDEV said that the Administration was aware of the feedback from the sector that the thresholds set for redevelopment and conversion of industrial building might be too high. Nevertheless, she pointed out that there were industrial buildings with single ownership. For conversion of old industrial buildings, the Administration had taken the advice of the Fire Services Department that for fire safety reasons, it was not advisable for the concerned buildings to be partially converted to commercial uses, while retaining the rest for industrial uses.

37. Mr CHAN Kam-lam welcomed the Administration proposal to revitalise industrial buildings, but was worried that it would be extremely difficult to obtain the consent of all owners for wholesale conversion. In this regard, he asked whether compulsory conversion was possible if consent for conversion had been obtained from 85% or so of the owners. He urged the Administration shorten the time for processing applications. In order to make good use of the scarce land resources, the Administration should consider granting extra concessions to developers to encourage them to make use of underground space in their developments.

38. SDEV reiterated that for fire safety reasons, consent from all owners was needed for wholesale conversion. She explained that there was at present no legal basis for the threshold to trigger compulsory sale for redevelopment to be extended to conversion. The Administration would think of ways and measures to facilitate the applicants. She said that wholesale conversion of industrial buildings was straightforward and would not trigger the town planning process. It would be handled primarily by the Lands Department.

39. Mr James TO referred to media reports about a suspected case of transfer of benefits involving the Secretary for the Environment (SEN). He was concerned about whether SEN had been informed of the proposal on revitalisation of industrial buildings prior to its announcement by CE in his Policy Address.

40. SDEV advised that the various initiatives to revitalise industrial buildings had been discussed within the Administration for a long period of time. The concerned papers had been circulated to relevant policy bureaux including the Environment Bureau for comments in respect of the proposal's environmental and sustainability implications, but given the large number of papers that went through every bureau, she was unsure whether SEN had personally handled the matter.

41. To facilitate a smooth implementation of the revitalisation of industrial buildings, Mrs Sophie LEUNG urged the Administration to send its professional staff to visit the industrial buildings so that they could have first-hand knowledge of these buildings and advise the owners on how to convert their buildings. SDEV

assured members that apart from using different promotional channels, the Administration would maintain dialogue with the sector to understand its needs.

42. On measures to revitalise industrial buildings, Mrs Regina IP enquired whether the Administration would have a considerable loss in revenues by waiving the waiver fees. Given that a significant portion of these building were owned by major developers, she was worried that the Administration's proposal might give the public an impression of collusion between Government and business.

43. SDEV responded that in the past four years, the average waiver fees only amounted to roughly \$100 million a year. Although a complete exemption of waiver fees appeared generous, this was needed and justified as an incentive for owners of industrial buildings to obtain the consent from all the owners for wholesale conversion, and as a measure to address the existing irregularities whereby owners were using these premises on a non-compliant basis. She believed that converted industrial buildings would be good for accommodating social services and religious activities. The Administration would review the situation in one and a half years. On whether most industrial buildings were in the hand of large developers, she said that the Administration did not have detailed information on this but would expect that no more than 10% of the industrial buildings were under single ownership.

44. While he did not find the CE's Policy Address particularly appealing, Mr Albert CHAN considered the Administration's proposal to revitalise industrial buildings was both innovative and forward-looking because it would add new impetus to Hong Kong's economic development. While supporting the policy direction, he opined that the Administration should consider introducing appropriate legislative amendments to facilitate change of use without the need for amending land leases. As for the permitted uses of converted industrial buildings, he considered it important for the community as a whole to arrive at a consensus. SDEV responded that most of the revitalisation measures did not involve town planning procedures. The Administration would endeavour to simplify the procedures to facilitate owners of eligible industrial buildings.

Developments in the New Territories

45. Mr CHEUNG Hok-ming enquired about the Administration's development plans in respect of the North East New Territories (NENT) and Hung Shui Kiu (HSK) areas. In response, SDEV advised that the opening up of the Closed Area would release some 2 400 hectares of land, the use of which was now being considered under a planning study. As for the NENT New Development Areas (NDA), the Preliminary Outline Development Plans would be available in the last quarter of 2009 for the second round of public engagement and reference had been sought from the development of the Tin Shui Wai New Town. As for the HSK NDA, the development plans would hinge on the possible alignment of the

Hong Kong – Shenzhen Western Express Line , on which an investigation study was under way.

46. Mr Albert CHAN considered that the Administration should consider removing the various constraints on agricultural land lots so that they could be flexibly deployed for non-agricultural uses such as tourism and entertainment uses. SDEV responded that the Administration would brief the Panel on the development of NENT NDAs and the Closed Area in the next three months.

Compensation for Choi Yuen Village

47. Mr Alan LEONG expressed concern about the Administration's decision to upgrade the relevant compensation from Zone C to Zone A, which would lead to an increase in compensation for land resumption in Choi Yuen Village from \$433.75 per square foot to \$1,041 per square foot. He asked whether this would affect the Small House Policy.

48. SDEV responded that the compensation arrangements for Choi Yuen Village were unrelated to the Small House Policy. The zonal compensation package for Choi Yuen Village was decided by an internal committee chaired by herself. The setting of the compensation at Zone A was on the basis that the concerned rail project was of territory-wide importance. She assured members that there would be adequate transparency in the use of public funds for this purpose. In response to Mr Alan LEONG's request, she agreed to provide information on the mechanism for determining the zonal compensation payable for land acquisition and clearance for the Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link and the date of the meeting of the Committee on Planning and Land Development at which the decision was made.

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II Any other business

49. There being no other business, the meeting ended at 10:59 am.