

立法會
Legislative Council

LC Paper No.
CB(1)2803/09-10
(These minutes have been seen
by the Administration)

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Panel on Development

Minutes of meeting
held on Tuesday, 22 June 2010, at 2:30 pm
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 WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon CHEUNG Hok-ming, GBS, JP
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king
Hon IP Kwok-him, GBS, JP
Dr Hon Samson TAM Wai-ho, JP
Hon Alan LEONG Kah-kit, SC
Hon Tanya CHAN
Hon Albert CHAN Wai-yip

Member attending : Hon IP Wai-ming, MH

Members absent : Dr Hon Philip WONG Yu-hong, GBS
Dr Hon Priscilla LEUNG Mei-fun
Hon Mrs Regina IP LAU Suk-ye, GBS, JP

Public officers attending : **Agenda item IV**

Mrs Carrie LAM CHENG Yuet-ngor, JP
Secretary for Development

Mr Tommy YUEN Man-chung, JP
Deputy Secretary for Development
(Planning and Lands) 2

Mr Paul PANG Tat-choi
Assistant Director/Existing Buildings 1
Buildings Department

Agenda item V

Mrs Carrie LAM CHENG Yuet-ngor, JP
Secretary for Development

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

Mr Tommy YUEN Man-chung, JP
Deputy Secretary for Development
(Planning and Lands) 2

Ms Winnie SO Chui-ying
Principal Assistant Secretary for Development
(Planning and Lands) 4

Agenda item VI

Mrs Carrie LAM CHENG Yuet-ngor, JP
Secretary for Development

Mr CHUI Wing-wah
Principal Assistant Secretary for Development (Works) 3

Mr Frank CHAN Fan, JP
Acting Director of Electrical and Mechanical Services

Mr Alfred SIT Wing-hang
Assistant Director/Gas and General Legislation of
Electrical and Mechanical Services

Attendance by invitation : Agenda item IV

Mr WONG Kit-loong
Chief Executive Officer and Executive Director
Hong Kong Housing Society

Ir Calvin LAM Che-leung
Executive Director (Operations and Project Control)
Urban Renewal Authority

Agenda item V

Mr Barry CHEUNG Chun-yuen, JP
Chairman of the Urban Renewal Authority

Mr Quinn LAW Yee-kwan
Managing Director of the Urban Renewal Authority

Ms Iris TAM Siu-ying, JP
Executive Director of the Urban Renewal Authority

Mr Ian WONG Wai-kuen
Head, Acquisition and Clearance of
the Urban Renewal Authority

Clerk in attendance : Mr WONG Siu-yee
Chief Council Secretary (1)4

Staff in attendance : Mr Daniel SIN
Senior Council Secretary (1)5

Ms Christina SHIU
Legislative Assistant (1)7

I Confirmation of minutes and matters arising

(LC Paper No. CB(1)2248/09-10 -- Minutes of meeting on 27 April 2010)

The minutes of the meeting held on 27 April 2010 were confirmed.

II Information papers issued since last meeting

(LC Paper No. CB(1)2024/09-10(01) -- Administration's paper on progress report on HKSAR's work in support of reconstruction in the Sichuan earthquake stricken areas

LC Paper No. CB(1)2101/09-10(01) -- Issues raised at the meeting between Legislative Council Members and Kwun Tong District Council members on 13 May 2010 in relation to overall planning and development of Kowloon Bay

LC Paper No. CB(1)2102/09-10(01) -- Submission on the use of funds under the StandTALL project from a group of medical personnel of the Hospital Authority

LC Paper No. CB(1)2123/09-10(01) -- Administration's paper on new guidelines on disclosure of gross floor area concessions (Press release)

LC Paper No. CB(1)2200/09-10(01) -- Issues raised at the meeting between Legislative Council Members and Wong Tai Sin District Council members on 27 May 2010 in relation to squatter problems in Ngau Chi Wan Village

LC Paper No. CB(1)2220/09-10(01) -- Administration's paper on Study on Land Use Planning for the Closed Area -- Report on Stage 2 Community Engagement and Recommended Development Plan

LC Paper No. CB(1)2252/09-10(01) -- Submission on proposed amendments to the Land

(Compulsory Sale for Redevelopment) Ordinance from a deputation (強制樓宇拍賣苦主大聯盟) dated 7 June 2010

LC Paper No. CB(1)2291/09-10(01) -- Administration's response to the submission on the use of funds under the StandTALL project from a group of medical personnel of the Hospital Authority)

2. Members noted that the above information papers had been issued since the meeting on 25 May 2010.

III Items for discussion at the next meeting

(LC Paper No. CB(1)2247/09-10(01) -- List of outstanding items for discussion

LC Paper No. CB(1)2247/09-10(02) -- List of follow-up actions

LC Paper No. CB(1)2275/09-10(01) -- Letter dated 15 June 2010 from Hon Tanya CHAN on tree management)

3. Members agreed that the following items should be discussed at the regular meeting scheduled for 27 July 2010 --

(a) Report of the public engagement process on "Building Design to Foster a Quality and Sustainable Built Environment" of the Council for Sustainable Development; and

(b) Tree Management.

IV Operation Building Bright -- progress and update

(LC Paper No. CB(1)2247/09-10(03) -- Administration's paper on Operation Building Bright -- progress and update

LC Paper No. CB(1)2247/09-10(04) -- Paper on Operation Building Bright prepared by the Legislative Council Secretariat (Updated background brief))

4. Secretary for Development (SDEV) briefed members on the progress of the Operation Building Bright (the Operation) and said that the Operation had helped create 8 100 professional, technical and general labour job opportunities, most of which were general labour jobs. Justified as a job creation initiative, the Operation enhanced building safety through promoting proper maintenance. It was also hoped that the Operation would encourage more owners' corporations (OCs) to be set up. She solicited members' support of the \$500 million funding proposal to augment the next round of the Operation. The new round of the Operation would be based on the earlier mode, except that the application criteria requiring a building to have no more than 400 residential units would be relaxed. With about \$300 million left over from the earlier phase of the Operation and the proposed additional \$500 million, about 900 more old buildings would benefit, including some 300 Category One and some 600 Category Two buildings.

General issues

5. Mr WONG Kwok-hing welcomed the achievements of the Operation. He asked how many new job opportunities would be created by the proposed \$500 million additional funding for the new round of the Operation. SDEV said that based on previous experience, an average of 20 job opportunities could be created for every building undergoing maintenance under the Operation. The employment period depended on the amount and complexity of the maintenance works required. If the additional funding could subsidize maintenance works for 900 buildings, she estimated that a total of about 18 000 job opportunities might be created. She added that the Administration would provide assistance to as many buildings as possible provided that funds were still available.

6. As many Category Two buildings that did not have OCs had been selected under the Operation, Mr WONG Kwok-hing asked whether the Administration would encourage owners of these buildings to form OCs to facilitate future building management and maintenance. SDEV said that the Operation offered new opportunities to encourage more OCs to be formed. Mr WONG Kit-loong, Chief Executive Officer and Executive Director, Hong Kong Housing Society (HKHS) said that the Building Management and Maintenance Scheme had been launched to assist owners in the formation of OCs where a subsidy of \$3,000 would be provided for the formation of an OC.

7. Mr CHAN Kam-lam asked what problems the Urban Renewal Authority (URA) and HKHS had encountered in implementing the Operation and what experience was gained. Mr WONG Kit-loong, Chief Executive Officer and Executive Director, HKHS said that owners often disagreed over the scope of maintenance, and were doubtful about the cost involved. HKHS was able to provide useful guidelines for owners' reference in determining the scope of maintenance, as well as rough cost estimates of the works. He added that HKHS had set up the Building Management and Maintenance Scheme Community as a

platform for property owners and OCs to share experience on building management and maintenance matters. Various subsidy and building management and maintenance assistance schemes were available to support property owners and OCs in their sustained management and maintenance efforts following the Operation. Ir Calvin LAM Che-leung, Executive Director (Operations and Project Control), URA said that URA provided useful information and advice and conducted many briefing sessions on different aspects of building maintenance, such as tendering and tender selection.

Guidelines on building maintenance matters

8. Prof Patrick LAU welcomed the Administration's efforts to collaborate with professional institutes to produce guidelines, such as the Standard Form of Contract for Minor Works, which would aid owners in undertaking building maintenance works. He considered it unnecessary for members of professional institutes to sign the Declaration Form to Comply with the Ethical Commitments Requirements under the Operation because these professionals were already bound by their code of practice and were subject to disciplinary proceedings of the respective professional institutes. Property owners should be advised to engage members of professional institutes. On the other hand, there might be a need to apply the requirement to contractors, as their performance was not monitored by any professional body. Ir Dr Raymond HO said that various professional institutes would follow up any complaints against misconduct committed by their members. Prof LAU and Ir Dr HO suggested that the Administration should consult the professional institutes further on the matter.

9. Mr WONG Kit-loong, Chief Executive Officer and Executive Director, HKHS said that HKHS had held many meetings with professional institutes before developing the guidelines. The Hong Kong Institute of Surveyors had also prepared guidelines with a sample standard contract for public reference. A guideline and a sample standard contract on employing consultants were also available in HKHS's Property Management Advisory Centres. HKHS was exploring measures to tackle the problem of consultants/contractors bidding with unreasonably low prices, and views from professional institutes to develop an indicative fee schedule for public information were being sought. Ir Dr Raymond HO suggested that the guidelines should stress that owners should consider whether the bidding price was reasonable in determining which consultant or contractor should be selected.

10. Mr KAM Nai-wai asked whether a consultant who was not a member of any of the professional institutes would be allowed to undertake building maintenance works. Deputy Secretary for Development (Planning and Lands) 2 (DS(PL)2) said that it was possible that a professional might have temporarily ceased to become a member of a professional institute for certain reasons. Building repair works under the Operation were required to be coordinated by

authorized persons (APs), and if an AP was willing to sign the Declaration Form to Comply with the Ethical Commitments Requirements, then there was no reason to disallow him or her from bidding for a maintenance contract.

11. Mr KAM Nai-wai asked what liability an authorized person would have for failing to comply with the anti-collusion clause in the relevant guideline. He said that he was aware of cases where authorized persons had disclosed their contact telephone numbers inappropriately. Ir Calvin LAM Che-leung, Executive Director (Operations and Project Control), URA said that under the current guideline, it was improper for authorized persons to reveal their identities or contact details, either deliberately or inadvertently. For this reason, rectification notices had been issued in 21 tendering cases. He said that the anti-collusion clause served as a measure for contracting parties to make an integrity pledge in the conduct of building maintenance works. Whether a party would be legally or criminally liable for a breach of the guideline would depend on the evidence of each case, and would depend on the enforcement by the Independent Commission Against Corruption (ICAC).

12. While supporting the Administration's funding proposal, Mr Albert CHAN said that the Administration should provide more detailed information in future on the expenditure for each case under the Operation, and what problems had been encountered. SDEV said that more information could be provided and there would be many more to be learned from the Operation, but time was needed to collect and analyze the data.

Preventing tender-rigging and corruption

13. Mr WONG Kwok-hing and Ms Starry LEE were concerned about tender-rigging and corruption practices in building maintenance works. In particular, Mr WONG noted that HKHS and URA had issued rectification notices to property owners in 21 cases during the earlier phase of the Operation, and, as a result, 10 OCs terminated the maintenance contracts. He expressed concern whether ICAC had initiated any prosecution against malpractices and asked what preventive measures would be introduced during the next round of the Operation. Mr WONG Kit-loong, Chief Executive Officer and Executive Director, HKHS said that in the new maintenance guidelines for the Operation, it was suggested that contractors and consultants should be required to sign a "Confirmation Letter to Comply with Probity and Anti-Collusion Clauses" as a good practice.

14. Ms Starry LEE supported the Administration's funding proposal and the proposal to relax the restriction on the number of residential units. She asked if the Administration could make available information about the various alleged misconduct cases for reference by property owners. Ir Calvin LAM Che-leung, Executive Director (Operations and Project Control), URA said that the 21 cases with suspected irregularities mainly involved procedural problems, such as where

the approved persons had revealed their identities or contact details in breach of the current guidelines. He added that in the recent refinement measures, APs bidding for the works would be required to submit a manning schedule showing their proposed work items and involvement so that the hourly charges of their staff could be ascertained to assess reasonableness of their bids. This was to prevent consultants from undercutting the tender price in order to win the consultancies which might likely lead to collusion with contractors in the subsequent works contracts. To enhance public education efforts, Ir Calvin LAM Che-leung, Executive Director (Operations and Project Control), URA said that 240 briefing sessions had been organized. Property owners and OCs had been invited to participate in the sessions and they exchanged experience. Representatives from ICAC were also invited to some of these sessions.

15. Ir Dr Raymond HO said that many property owners were concerned about the quality and integrity of OC office bearers, especially the chairmen and vice-chairmen. They were worried that the office bearers either did not have sufficient knowledge on building maintenance matters, or they might take advantage of their positions for their own benefits. He suggested that more training and public education programmes should be organized, and that OC office bearers should be required to attend a given number of such programmes.

16. Ms Cyd HO said that although various professional institutes had well developed disciplinary proceedings against misconduct and malpractice of their members, they were not open to the public. It would be difficult for owners, especially the elderly property owners of old buildings, to bring their complaints to the institutes and follow through the process. She suggested that various professional institutes set up community relations services to help owners file complaints.

17. Ir Calvin LAM Che-leung, Executive Director (Operations and Project Control), URA responded that ICAC had been exploring an intervention approach to further curb corruption practice in building maintenance activities. Staff of URA and HKHS attended the training sessions to learn new ways to tackling the problems.

Performance surveys

18. Ms Starry LEE and Ms Cyd HO suggested that surveys be conducted to collect feedback from owners and OCs on performance of approved persons and contractors. In particular, Ms HO suggested that owners and OCs who had benefited from various building maintenance subsidy schemes should be required to complete questionnaires and give their feedback. The survey results should be released through suitable platforms to provide reference for other property owners and OCs to facilitate their selection of service providers.

19. SDEV said that the Administration would examine the suggestion. While it was feasible to conduct surveys on the performance of service providers, the results of the surveys should serve as a reference only and should not be a factor to determine eligibility to tender for a building maintenance contract. She added that such information would also be useful for future implementation of the proposed Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme.

Handling of unauthorized building works

20. Ms Starry LEE said that property owners and OCs hoped that BD could help owners deal with unauthorized building works (UBWs) by issuing statutory clearance orders at the same time when owners and OCs carried out building maintenance works under the Operation. Assistant Director/Existing Buildings 1 (AD(EB)1) said that under the current policy, BD could issue clearance orders to owners of UBWs if the structures were found to be obstructing maintenance works to be carried out in Category Two buildings under the Operation. BD would also instruct its contractors to clear UBWs that posed immediate danger to the public regardless of the types of buildings. Ms Starry LEE said that property owners and OCs hoped that BD could also issue clearance orders against UBWs on rooftops and open yards and in private streets even if they did not pose immediate danger.

21. Mr Albert CHAN criticized that different divisions within BD lacked co-ordination with one another. He cited cases where property owners received clearance order to remove UBWs shortly after they had undertaken maintenance works to comply with another statutory order from BD. It would create less hassle to owners if BD could issue a single consolidated order instead. SDEV said that while it was the Administration's policy objective to adopt a building-oriented approach in promoting building safety, statutory orders of a different nature might have to be issued under various legal requirements. She undertook to further improve co-ordination where possible. AD(EB)1 added that BD had made conscious efforts to co-ordinate different major clearance, maintenance and other law enforcement operations so as to minimize inconvenience to property owners.

22. Ir Dr Raymond HO asked if the number of UBWs had grown and how the Administration would deal with the problem. AD(EB)1 said that in 2000, it was estimated that there were around 800 000 UBWs. By now, about half of these UBWs had been cleared. The remaining UBWs were less risky or dangerous. BD had deployed several patrol teams to inspect if there were new UBWs and would initiate enforcement actions as necessary. He said that the situation had been well under control as very few new UBWs had been found. How the remaining 400 000 UBWs should be handled would be subject to review.

Mandatory engagement of management companies

23. Given the importance of proper management in ensuring regular maintenance of buildings, Mr CHAN Kam-lam suggested that it should be made mandatory for property owners to engage a professional building management company for each building to perform the work. Mr Albert CHAN was particularly concerned about the cleanliness of some six-storey buildings that did not have OCs and that of the surrounding scavenging lanes. He considered that the Secretary for Home Affairs could exercise power under the Building Management Ordinance (Cap. 344) requiring owners to employ building management managers. He also suggested that a dispute resolution mechanism should be set up to help settle any disagreement between owners and OCs arising from building maintenance works. SDEV said that the Administration had gained much experience from the Operation, which was useful in refining the future policy directions. For example, in building rehabilitation, there was a need to consolidate stakeholders' involvement and resources. She agreed that mediation service could help resolve disputes between owners and OCs.

V Work of the Urban Renewal Authority

(LC Paper No. CB(1)2247/09-10(05) -- Administration's paper on work of the Urban Renewal Authority

LC Paper No. CB(1)2247/09-10(06) -- Paper on work of the Urban Renewal Authority prepared by the Legislative Council Secretariat (Updated background brief))

24. SDEV said that URA continued to adopt the 4Rs strategy (Redevelopment, Rehabilitation, Reservation and Revitalization) in urban renewal. Progress was made in various fronts in redevelopment, including initiating the Ma Tau Wai Road/Chun Tin Street project. In rehabilitation and revitalization, URA contributed \$150 million to support the implementation of OBB and proceeded to conserve the Central Market building to turn it into a new Central Oasis. To enhance transparency and accountability, URA announced eight additional measures in May 2010 to control the sales of URA flats and publicized the financial information of eight completed projects. As the development of those projects spanned over many years during which the property market had changed drastically, it would be inappropriate to make a direct comparison between the financial results with the original costs of property acquisition.

25. With the aid of a Powerpoint presentation, Mr Barry CHEUNG Chun-yuen, Chairman of URA, and Mr Quinn LAW Yee-kwan, Managing Director of URA, briefed members on the work of URA.

(Post-meeting note: The soft copy of the presentation materials (LC Paper No. CB(1)2343/09-10(01)) was issued to members by email on 23 June 2010.)

26. Mr Barry CHEUNG Chun-yuen, Chairman of URA highlighted new initiatives in URA's work. He said that close to 80% of the eligible affected residents of the Ma Tau Wai Road/Chun Tin Street project had accepted the special compensation and rehousing arrangement. To fulfil its social responsibilities, URA adopted environmentally-friendly measures and provided community facilities in its projects where feasible. To support the Administration's housing policy, over 70% of flats that URA would roll out to the market would be smaller than 600 square feet. He highlighted the revitalization and preservation efforts in Mong Kok, including the preservation of pre-war shop houses on Shanghai Street and Prince Edward Road West, as well as preservation of Wing Lee Street.

27. On the financial front, Mr Barry CHEUNG Chun-yuen, Chairman of URA, said that in 2009-2010, URA recorded a net operating surplus of \$6.9 billion, as a result of favourable upfront payments received from the tendering of three projects under flamboyant property market conditions. He added that URA had an accumulated surplus of \$6.7 billion from 2001. If the \$4.5 billion waiver of land premium was discounted, URA would only record a net total accumulated surplus of around \$2.2 billion. He estimated that \$16 billion would be needed from 2010 to 2015 to finance various projects, including rehabilitation, preservation and revitalization schemes with low financial viability.

28. Mr Quinn LAW Yee-kwan, Managing Director of URA, said that the surplus from the eight completed projects was about \$2 billion. The six projects initiated by the former Land Development Corporation (LDC) projects generated a surplus of \$1.52 billion whereas \$480 million was received for the two URA projects. He stressed that direct comparison between projects was not appropriate as they were implemented in different periods under different market conditions. Market fluctuation would affect the financial performance of the projects and this was beyond URA's control. The operating modes of LDC and URA were also different. LDC tendered out projects prior to property acquisition, clearance and approval of planning proposals. LDC's joint venture partners were responsible for the cost of property acquisition and development as well as bank interests and land premia. On the other hand, URA had to undertake acquisition, clearance, site assembly, demolition and obtaining planning approval prior to tendering.

29. Mr Barry CHEUNG Chun-yuen, Chairman of URA, attributed the financial performance to favourable market conditions. As URA's property acquisition and compensation policy was based on the principles approved by the Finance Committee in 2001, it was inappropriate to increase the level of compensation to affected owners even if URA recorded a surplus at present. He remarked that the current compensation policy was already quite generous.

General issues

30. Mr WONG Kwok-hing and Ms Starry LEE considered that URA should exercise more social responsibilities and carry out community-related projects that private developers would not undertake. SDEV said that URA was specifically established to serve a public interest purpose. Through government measures such as land premium waiver, URA could apply its surplus on unprofitable preservation, revitalization and rehabilitation projects in response to community aspirations for such endeavours. Mr Barry CHEUNG Chun-yuen, Chairman of URA, said that URA's environmentally-friendly measures and the community facilities (such as elderly services in the Lai Chi Kok Road/Kweilin Street and Yee Kuk Street project) in URA projects were illustrations of its social responsibilities. Mr Quinn LAW Yee-kwan, Managing Director of URA, added that more than 47 900 square feet of "Government, Institution and Community" facilities and 26 000 square feet of public open space were provided in various projects. URA had also helped carry out rehabilitation of some 500 buildings.

31. Mr WONG Kwok-hing considered that offering more small to medium-sized units would help young first-time property buyers. In this regard, he enquired about the percentage of small to medium-sized units in URA's projects. Mr Barry CHEUNG Chun-yuen, Chairman of URA, said that more than 70% of the 1 300 residential units to be put on sale in the coming 18 months in Tai Kok Tsui, Sham Shui Po and Mong Kok were less than 600 square feet in size, which were targeted at the mass market. He also cited URA's Ma Tau Wai Road/Chun Tin Street project as an example to illustrate URA's intention to provide more affordable housing by removing facilities such as swimming pool, club houses and car parks. Mr Quinn LAW Yee-kwan, Managing Director of URA, added that more than half of the flats in the Yu Lok Lane/Centre Street project were small-sized residential units. SDEV said that most of URA's residential units were of small to medium-sized. While URA could limit the size of the residential units, it would not be appropriate for URA to manipulate property price or restrict the types of buyers, as these practices could disrupt market order.

32. Mr LEE Wing-tat suggested that the Administration should step up promotion of building management and maintenance to reduce the rate of urban decay, which would reduce the pressure on URA. He also asked if URA could stockpile properties when the property price was relatively low so as to reduce the

cost. SDEV said that the Administration adopted a multi-pronged approach to promote building safety. The new Urban Renewal Strategy (URS) to be promulgated and the efforts of the Subcommittee on Building Safety and Related Issues would also contribute to these efforts. As regards the timing for URA to acquire properties, there were restrictions under the URA Ordinance (Cap. 563) on when and how URA could acquire or hold properties.

33. Miss Tanya CHAN said that owners of old buildings who expected that their properties would soon be redeveloped often paid less attention on building maintenance, which, in the long term, would affect building safety. SDEV said that such situation was one of the reasons why URA had to keep sensitive information confidential. With the setting up of District Urban Renewal Forums and the implementation of a bottom-up approach in urban renewal, the importance of keeping redevelopment targets confidential would reduce. The Administration would promote building maintenance through the Mandatory Building Inspection Scheme and the Mandatory Window Inspection Scheme.

34. Given the wide profit margin, Ms Starry LEE considered that the plot ratio or development intensity of URA projects could have been lower. She asked whether URA anticipated deficits when its projects were being planned. Mr Barry CHEUNG Chun-yuen, Chairman of URA, said that at the time of planning, URA anticipated that some projects would incur losses. For example, according to URA's estimates, the Kwun Tong Town Centre project would incur a deficit of more than \$4 billion.

35. Mr CHAN Kam-lam and Ms Starry LEE said that many property owners welcomed the proposal for URA to adopt the additional role of a facilitator in redevelopment, as otherwise they would have to wait for private developers to acquire their properties, often at less favourable rates. Mr CHAN Kam-lam said that URA could assume the role as a trustworthy consultant for owners who aspired to redevelop their properties, and facilitate the implementation of the bottom-up approach in redevelopment. Mrs Sophie LEUNG said that she had attended a seminar organized by the Development Bureau which outlined the approaches to urban renewal in different countries. She considered that the relevant information was useful and could be publicized. SDEV said that as a facilitator, URA would provide advice, but would not offer compensation, arrange rehousing or invoke statutory power to resume land. Under the approach, owners would be able to share the profits arising from redevelopment. She said that information on approaches to urban renewal in some countries in Asia could be found in the study completed on Policy Study on Urban Regeneration in Other Asian Cities.

Flat-for-flat and shop-for-shop compensation options

36. Mr LEE Wing-tat said that the Administration should give up the flat-for-flat compensation option because it was ambiguous, difficult to implement, and would only create false hope among affected residents. Mr CHAN Kam-lam and Prof Patrick LAU, on the other hand, considered that the Administration should develop more compensation options and encourage thorough public discussion on the flat-for-flat compensation option, because many residents had suggested the option but no concrete proposals had been put forward. Mr Albert CHAN said that the community had been discussing the flat-for-flat and shop-for-shop compensation options for years. He considered that such compensation principles were fair. SDEV said that the flat-for-flat compensation option was being developed in response to the community's aspirations for more options. It was intended to offer an equivalent pecuniary value to the affected owner, not to increase the level of compensation. The questions of when and how the compensation value should be evaluated were subjects of further discussion.

37. Mr KAM Nai-wai said that in the Queen Street project, a flat-for-flat compensation option and an owners' participation scheme were introduced, but both measures failed to attract owners. He asked why the measures failed and how URA and the Administration would ensure flat-for-flat compensation would be effective. Mr Ian WONG Wai-kuen, Head, Acquisition and Clearance of URA, said that for that particular project, affected owner-occupiers could opt to receive one residential unit from the completed redevelopment. They would, however, have to meet the price difference between their original property and the selling price of their to-be-purchased unit, and to make their own temporary accommodation arrangement. No owner-occupier accepted the offer, probably because, as URA assessed, they preferred cash compensation to buy another accommodation rather than wait for the completion of the redevelopment. As regards the owners' participation scheme, owner-occupiers could share the profit of the project on a pro-rata basis. URA believed that owner-occupiers did not accept the arrangement because they were not willing to bear the market risks.

38. Ms Starry LEE said that while many property owners of old buildings welcomed redevelopment, shop operators on the ground level often experienced hardship following relocation. She suggested that the Administration should provide shop spaces in the neighbourhood to allow affected shop operators to carry on their businesses. On the Sai Yee Street project, Mr Albert CHAN asked how URA would preserve the characteristics and atmosphere of Sai Yee Street as a sportswear retail centre. SDEV said that while shop-for-shop compensation was considered impracticable, other assistance would be provided to shop operators. Mr Barry CHEUNG Chun-yuen, Chairman of URA, said that URA had introduced measures to help shop operators. For example, some sportswear shops affected by the Sai Yee Street project were temporarily relocated to the adjacent Macpherson Stadium development. Preference would be given to these operators to rent the shops in the completed Sai Yee Street redevelopment. Preservation of the characteristics of Sai Yee Street remained an important objective, and URA had

been careful in planning and implementation. As the Sai Yee Street redevelopment would be positioned as a "sportswear city" specializing in selling sportswear products, the original characteristics should be enhanced rather than eroded. Similarly, shops affected by the first phase of the Peel Street/Graham Street project would be relocated to the neighbourhood designated for later stage redevelopment. These measures were introduced to minimize the need to relocate affected shops outside their current neighbourhood.

Financial position of projects

39. Mr Albert CHAN said that the financial positions of many projects (such as the redevelopment in Tsuen Wan) were not provided in the Administration's paper. He asked if such information could be provided. SDEV said that such information would be provided after the completion of each project (i.e. after all the residential units were sold and after all the shops had been let). Mr Barry CHEUNG Chun-yuen, Chairman of URA, added that the redevelopment in Tsuen Wan had not been completed and its financial position was therefore not reported. As at 2002-2003, the project in Tsuen Wan was expected to register a deficit of about \$5 billion. The situation should roughly breakeven at current price.

40. Mr KAM Nai-wai expressed concern about the profit private developers had made by collaborating with URA in the redevelopment projects. He cited the example of Island Crest and said that URA paid affected residents \$3,137 per square foot for acquisition of properties in 2003, but the completed development was being sold at more than \$12,000 per square foot. Although URA would not manipulate property price and most of URA's residential units would be small to medium-sized, the fact that URA allowed the partner developers to package the redevelopment projects as luxury flats would push the price up to a level beyond ordinary buyers' affordability. SDEV said that there should not be any over-simplistic comparison between the acquisition cost and selling price of completed units. Property developers could not make a huge profit from collaborating with URA by taking advantage of the premium waiver and the use of land resumption power because such factors were already fully reflected in the projects' tender price.

41. Given URA's healthy financial position, Prof Patrick LAU asked whether and when URA would repay the Administration the \$10 billion capital injection. As the Administration had invested a considerable amount to support URA's operation, he asked what performance or return URA was expected to achieve. SDEV said that the funding was provided to support URA's operation. It was not a loan or a subsidy, and there was no need for URA to repay the Administration. Whether further injection would be necessary would depend on whether URA needed to take up additional functions arising from the URS review that required financial support. She added that the Administration would evaluate URA's

performance on the basis of social benefits achieved rather than financial performance, although URA should at least be able to self-sustain its operation in the long run.

42. As regards funding for urban renewal initiatives, Miss Tanya CHAN asked if the Administration would set up an independent fund to finance on-going expenses, preservation projects and independent social work service teams. SDEV said that URA was an independent statutory body and it should operate on a self-financing basis. No separate funds would be required to finance all or part of its regular expenditure.

Tracking studies

43. Mr Alan LEONG asked if URA would immediately apply the recommended measures identified from the URS review or from the tracking studies on its projects. Mr Barry CHEUNG Chun-yuen, Chairman of URA, said that the implementation details of various recommendations were being developed. New arrangements could be applied where applicable. As regards tracking studies, Ms Iris TAM Siu-ying, Executive Director of URA, said that the tracking study of the Hai Tan Street/Kweilin Street and Pei Ho Street project was still in progress. The interim findings revealed that relocated residents were able to adjust to the new environment much better than originally expected. Another tracking study was being conducted for the Kwun Tong Town Centre project, but the research team had difficulties tracking down the target respondents, as they had not left accurate correspondence information. It was, however, observed that more than half of the eligible owners, most of whom elderly owners, though capable of purchasing much newer flats, would rather prefer using their cash compensation to buy flats that were near to 20 years of age, while keeping around \$1 million in cash to meet their retirement needs.

44. SDEV said that the tracking studies showed that urban renewal also provided a channel for many elderly owners to convert their properties into cash to improve their living conditions. The Administration would share the findings with the Elderly Commission to explore the implications of the tracking studies on elderly policies and services.

VI Law amendment proposal to the Lift and Escalator (Safety) Ordinance, Chapter 327

(LC Paper No. CB(1)2247/09-10(07) -- Administration's paper on public consultation on legislative amendment proposal to the Lifts and Escalators (Safety) Ordinance, Chapter 327

LC Paper No.
CB(1)2247/09-10(08)

-- Paper on lift safety prepared by
the Legislative Council
Secretariat (Updated
background brief))

45. SDEV said that public consultation on the proposals to amend the Lifts and Escalators (Safety) Ordinance (Cap. 327) was conducted between November 2009 and February 2010. Apart from a few outstanding issues requiring further discussion with the trade, the proposals received general public support. The Administration would proceed with the preparation of the Bill with a view to introducing it into the Legislative Council in 2011.

46. The Acting Director of Electrical and Mechanical Services (Acting DEMS) highlighted the six areas of legislative amendments. He said that proposed regulatory arrangements on lifts and escalators safety would be equally applicable to public rental housing estates and government and private buildings. New provision would be introduced to require registered contractors to renew their registrations at regular intervals to ensure that they employed adequate and suitably qualified professionals, technicians and skilled workers. Registered engineers responsible for examining and testing of lifts and escalators should acquire qualifications of Registered Professional Engineer ("RPE") of suitable disciplines with at least two years' relevant working experience, and registered engineers would be required to renew their registrations at regular intervals.

47. Acting DEMS further said that the Administration would not introduce any mandatory independent quality assurance system for lift works; a three-tier quality checking system (checking by registered workers, examination by registered engineers and risk-based sample check by the Government) would, however, be implemented, and the penalty level would be increased to deter malpractice and substandard works. The Administration would consider measures to nurture the development of independent quality assurance service in the market as an option to owners. The legislative proposal would also introduce a registration system for lift and escalator workers, and would streamline regulatory processes related to the display of inspection and testing certificate, issue of improvement notice and disciplinary proceedings. The Administration proposed a maximum fine of \$200,000 and imprisonment for 12 months for contravention of safety requirements. For minor offences, a fine of \$1,000 would be imposed.

48. Mr IP Wai-ming said that the Administration's legislative proposals had not reflected the suggestion of the Hong Kong General Union of Lift and Escalator Employees to specify a staffing ratio for lift maintenance and inspection. Acting DEMS said that it was a consensus in the trade that one lift and escalator team should handle about 50 installations. The Electrical and Mechanical Services Department would monitor the contractors to ensure adequate provision of lift and escalator workers. As staffing requirement would change with technology; it was

more flexible to specify the staffing ratio administratively rather than by legislation.

49. Mr IP Wai-ming expressed concern about the proposal to increase the maximum fine to \$200,000, which might be too heavy for frontline workers. Frontline workers often could only report any conditions about lift installations to their supervisors, and it was beyond their control as to what follow-up action their supervisors decided to take. Acting DEMS explained that it would be a reasonable defence if frontline workers had taken all reasonable steps to report any defects about the lift installations to their supervisors, and such workers might not be held liable.

50. Prof Patrick LAU said the proposed penalties should be consistent across various similar legislation; heavier fines should be imposed on offences or misconducts that jeopardize public safety. Acting DEMS said that Department of Justice would be consulted during the preparation of the Bill on the appropriate levels of penalties having regard to similar legislation.

51. Ir Dr Raymond HO considered it unfair if frontline workers were given too heavy penalty. The legislation should set out clearly the responsibilities and liabilities of all parties. The Administration should expedite introduction of the Bill to safeguard public safety. As regards the proposals to upgrade professional qualification requirements for lift and escalator engineers and the introduction of the registration and renewal systems for lift and escalator workers, he said that there should be a period or a gradual process during which these professionals and technicians could acquire the qualifications, so that they could continue to be employed in the meantime. He added that in lift and escalator inspection and maintenance, practical experience was more important than academic qualifications. SDEV said that the Administration was reviewing the various aspects of the legislation, and the introduction of a new one instead of amendments might be necessary.

52. Mr WONG Kwok-hing welcomed the Administration's efforts to amend the legislation to safeguard public safety. Referring to a recent accident where the emergency exit of a lift shaft was mistaken to be the door of a meter room by a meter reading staff, he suggested that the standard of building management companies overseeing the lift and escalator installations should also be regulated. Acting DEMS said that the Electrical and Mechanical Services Department was liaising with relevant departments to look into the accident and identify relevant factors to improve lift and escalator safety.

VII Any other business

53. There being no other business, the meeting ended at 5:40 pm.

Council Business Division 1
Legislative Council Secretariat
2 September 2010