

立法會
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by the Administration)

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Panel on Development

Minutes of special meeting
held on Tuesday, 17 April 2012, at 2:30 pm
in Conference Room 2 of the Legislative Council Complex

Members present : Prof Hon Patrick LAU Sau-shing, SBS, JP (Chairman)
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 LEE Wing-tat
Hon CHEUNG Hok-ming, GBS, JP
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, JP
Hon IP Kwok-him, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon Tanya CHAN
Hon Albert CHAN Wai-yip

Members attending : Hon Miriam LAU Kin-ye, GBS, JP
Hon WONG Kwok-kin, BBS

Members absent : Hon WONG Yung-kan, SBS, JP
Hon LAU Wong-fat, GBM, GBS, JP (Deputy Chairman)
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP

Public officers attending : **Agenda item I**

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

Mr Rex CHANG Wai-yuen, JP
Deputy Secretary for Development
(Planning & Lands)²

Ms Winnie SO Chui-ying
Principal Assistant Secretary (Planning & Lands)⁴
Development Bureau

Mr Arthur NG Sek-hon, JP
Deputy Judiciary Administrator (Operations)
Judiciary

Agenda item II

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

Mr Enoch LAM Tin-sing, JP
Deputy Secretary (Works)²
Development Bureau

Mr Norman HEUNG Yuk-sai, JP
Project Manager (Kowloon)
Civil Engineering and Development Department

Mrs Sorais LEE KWAN Siu-kuen
Head (Kai Tak Office)
Civil Engineering and Development Department

Agenda item III

Mr Enoch LAM Tin-sing, JP
Deputy Secretary (Works)2
Development Bureau

Mr LEUNG Wing-lim
Assistant Director/New Works
Water Supplies Department

Mr MAK Shing-cheung
Chief Engineer/Development (2)
Water Supplies Department

Clerk in attendance : Ms Connie SZETO
Chief Council Secretary (1)4

Staff in attendance : Ms Sharon CHUNG
Senior Council Secretary (1)4

Miss Lilian MOK
Council Secretary (1)4

Ms Christina SHIU
Legislative Assistant (1)4

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I Creation of two judicial posts to cope with the increase in workload at the Lands Tribunal

(LC Paper No. CB(1)1514/11-12(01) -- Administration's paper on proposed creation of judicial posts in the Lands Tribunal of the Judiciary

LC Paper No. IN18/11-12 -- Paper on implementation of the Land (Compulsory Sale for Redevelopment) Ordinance prepared by the Legislative Council Secretariat (Information note))

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The Secretary for Development ("SDEV") briefed members on the Administration's proposal of creating two judicial posts in the Judiciary, namely, one Judge of the District Court and one Member of the Lands Tribunal ("LT"), to help cope with the increase in workload arising from the rising number of compulsory sale applications filed with LT under the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545) ("the Ordinance"). She highlighted the following points --

- (a) Since the Land (Compulsory Sale for Redevelopment) (Specification of Lower Percentage) Notice ("the Notice") came into effect on 1 April 2010 and up till end March 2012, a total of 91 applications for compulsory sale had been received by LT, compared to 65 applications received prior to the commencement of the Notice (i.e. between June 1999 and March 2010). The caseload had increased from an average of one every two months to a monthly average of 3.8. Although compulsory sale cases did not account for a large portion of the total number of cases submitted to LT, their complexity and the level of judicial resources required had a significant impact on the workload of LT.
- (b) LT was headed by a President, who was a Judge of the Court of First Instance of the High Court, and comprised two Presiding Officers, who were Judges of the District Court, as well as one Member who was at present a land valuation surveyor. Compensation and compulsory sale cases were usually heard by a Presiding Officer together with the Member. To alleviate manpower shortage, a Temporary Member had been appointed to sit at LT since September 2011 and one additional Deputy District Judge had been temporarily deployed from the District Court to hear compulsory sale cases since October 2011. However, this temporary arrangement was at the expense of the other services of the Judiciary. Given that there had been no creation of permanent judicial posts for LT since 1994 and in view of the rising trend of compulsory sale applications and connected cases submitted to LT, the Administration saw the need to enhance the judicial capacity of LT so that compulsory sale cases could be heard within a reasonable waiting time without affecting the hearing timetable of other types of cases also heard by LT.

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- (c) To enhance support for the minority owners affected by compulsory sale or voluntary acquisition prior to compulsory sale, the Development Bureau ("DEVB") had launched two pilot schemes -- the Pilot Mediation Scheme and the Pilot Scheme on Outreach Support Service for Elderly Owners since January 2011. The Pilot Mediation Scheme had been operating smoothly and was extended for another year to January 2013. As regards the Pilot Scheme on Outreach Support Service for Elderly Owners, given the positive feedback and the volume of requests for assistance from elderly owners, the service was extended from one outreach service team to two (i.e. one for the Hong Kong Island Cluster and one for the Kowloon and the New Territories Cluster) in 2012-2013.
- (d) The Administration had been encouraging the adoption of mediation as an alternative dispute resolution mechanism to litigation. Pursuant to the Practice Direction (LTPD: CS No. 1/2011) issued by the President of LT, which came into effect on 15 February 2011, providing for the detailed arrangements regarding the application of mediation to all compulsory sale cases, LT would take into account any unreasonable failure of a party to a compulsory case to engage in mediation when considering whether to grant a compulsory sale order and when exercising its discretion on the award of costs.
- (e) To protect minority owners, the Estate Agents Authority had issued a Practice Circular entitled "Acquisition of Flats in Old Buildings" in August 2010 to stipulate the relevant legal requirements and code of conduct with which estate agents should comply in the acquisition of old buildings. The Hong Kong Housing Society also provided free information service on compulsory sale to the public at its ten Property Management Advisory Centres across the territory. In collaboration with the Hong Kong Institute of Surveyors, the Urban Renewal Authority ("URA") and the service providers of the two pilot schemes, DEVB had organized three public talks in 2011-2012 to introduce to the public the Ordinance and the two pilot schemes. The Hong Kong Police Force also attended one of the talks to brief participants on crime prevention in buildings affected by acquisition or compulsory sale. It had also stepped up patrol at places where buildings were affected by acquisition or compulsory sale.

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- (f) Under the new Urban Renewal Strategy promulgated in February 2011, URA had taken up the "implementer" and "facilitator" roles in promoting redevelopment of old buildings. As a "facilitator", URA would provide assistance to owners to help them go through the technical and complicated process of joint sale.
- (g) The Administration announced in the 2011-2012 Policy Address the target to produce about 20 000 flats per year through developments on land from government-initiated land sale, urban redevelopment projects, railway projects, developments subject to lease modification/land exchange and private redevelopment projects which did not require lease modification/land exchange. The number of flats provided under urban redevelopment projects had been on the rise over the past few years. The details were as follows --

Year	Number of flats
2008-2009	900
2009-2010	1 600
2010-2011	2 000
2011-2012 (as of February 2012)	2 157

Waiting time for the hearing of compulsory sale cases

2. Mr James TO criticized that after commencement of the Notice on lower threshold for compulsory sale, interests had been further shifted towards land developers and the bargaining power of minority owners had been undermined significantly. Although a mediation mechanism was put in place to assist property owners to reach consensus, the effectiveness was low in resolving disputes among property owners, and a large number of compulsory sale applications still required hearing by LT at the end. Noting that the purpose of creating the two judicial posts was to shorten the waiting time for hearing of compulsory sale cases by LT, Mr TO was concerned that minority owners might be further placed in a disadvantaged position since they would have less time to negotiate with the majority owners for better prices or more favourable terms in selling their properties before the cases were to be heard by LT. He requested the Administration to provide information on the average time required to complete the various necessary

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legal procedures and examination of documents (e.g. preparations for hearing, call-over hearing, interlocutory applications, actual hearings etc.), and the expected improvement with the proposed creation of the two judicial posts.

(Post-meeting note: The Administration's supplementary information was circulated to members on 30 May 2012 vide LC Paper No. CB(1)2046/11-12(01).)

3. SDEV said that the Administration was aware of the public concerns during consideration of the Notice in 2010 but dismissed the allegation that this was an act to transfer interest to private developers. She stressed that the Administration considered it necessary to strengthen the manpower of LT so as to reduce the waiting time for hearings on compulsory sale cases. The reduction in waiting time would benefit minority property owners since they were suffering from great anxiety with their cases pending hearings at LT and delay in the hearings might result in financial loss to minority owners due to rapid changes in market prices. It should be noted that out of the 156 compulsory sale applications received by LT since June 1999, 62 had been withdrawn and did not require hearing. According to her understanding, developers were also keen to settle with minority owners before the cases were heard at LT given the uncertainties involved in bringing such cases for court adjudication. While there had been calls from the real estate sector urging the Government to further lower the compulsory sale threshold, the Administration had no plans to review the threshold. The Administration would keep in view implementation of the two pilot schemes and review their effectiveness in supporting minority property owners.

4. Deputy Judiciary Administrator (Operations)/Judiciary ("DJA(O)") supplemented that the time required to complete the necessary legal procedures for a compulsory land sale application would depend largely on its circumstances. After the appointment of a Temporary Member and a Deputy District Judge to LT in late 2011, the average waiting time for hearing a compulsory sale application had been shortened from 49 days to 41 days. He advised that as compulsory sale cases were relatively more complex than other cases under the purview of LT, such cases normally required the Presiding Officer and a Member to work together, leaving the other Presiding Officer of LT to deal with other types of cases. In anticipation of the rising number of compulsory sale applications, increasing strain on the manpower resources of LT was expected. Upon members' request, DJA(O) undertook to provide relevant information on the average waiting time for hearing of compulsory sale cases by LT.

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5. Mr IP Kwok-him said that the community had diverse views on the threshold for compulsory land sale, and it was necessary for the Administration to strike a proper balance between the interests of private property owners and developers so as to safeguard minority owners' rights in the process of land acquisition and redevelopment. He enquired about the average waiting time for hearing a compulsory sale case and whether performance pledge had been drawn up in this respect.

6. DJA(O) explained that the waiting time referred to the period from the date a case was ready for trial to the date of trial. The waiting time had excluded the time taken for making preparations for the trial, such as filing of necessary documents to LT and interlocutory hearings. Time taken for preparing a case for trial would depend on factors like complexity of the case. As regards performance pledge for processing compulsory sale cases, while there was no plan at this stage to set the pledge, the Judiciary would monitor the situation closely after creation of the two proposed judicial posts.

7. Mr CHAN Kam-lam appreciated DEVB's efforts in expediting the process of urban renewal to bring improvement to the living conditions of residents in dilapidated buildings. He opined that the lowering of the compulsory sale application threshold to 80% had enabled small property owners to sell their properties for redevelopment and helped tackle building deterioration problem. Accelerating the urban renewal process could also expedite the redevelopment process to help meet growing housing demand. He expressed concern about the long waiting time for hearing compulsory sale cases by LT and the anxiety that small property owners might face during the process. He noted that private redevelopment projects usually went through protracted acquisition process during which both developers and minority owners faced uncertainties arising from rapid market changes. In view of the substantial increase in the number of compulsory sale applications received by LT, Mr CHAN urged the Administration to expedite the process of handling applications so as to ease the anxiety of small property owners awaiting LT hearing.

Conduct of tracking studies on property owners affected by redevelopment

8. Mr LEE Wing-tat pointed out that urban redevelopment and the application threshold for compulsory sale cases involved complicated and controversial issues. He stressed the need to ensure that the interests of minority owners would be safeguarded. With a view to providing a more

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scientific and objective basis for examining the impact of the lowering of the application threshold on minority owners, he called on the Administration to commission an academic institution to conduct reviews or tracking surveys to find out whether and to what extent the livelihood of property owners was affected by these private sector redevelopment projects. Sharing the view, Ms Cyd HO said that the tracking studies could help assess the effectiveness of urban renewal in Hong Kong. She urged the Administration to formulate a timetable for implementing the suggestion before commencement of the next term of the Government.

9. SDEV acknowledged that urban renewal was a complex subject involving interests of different stakeholders. While some owners might not be willing to sell their properties, there were many others who wished to improve their living conditions through redevelopment. Compulsory sale applications of three specified classes of lots were subject to a threshold of not less than 80% of the undivided shares of the lot concerned. According to a study commissioned by the Administration, the current application threshold of 80% adopted in Hong Kong was higher than that of many overseas cities. The Administration had endeavoured to address the needs of different property owners. For example, under the new Urban Renewal Strategy promulgated in February 2011, URA had taken up the roles as "implementer" and "facilitator" responding to owners' aspirations in redevelopment. The Administration took note of members' suggestion and would consider whether tracking studies on affected property owners should be conducted.

Assistance to minority property owners

10. Ms Cyd HO said that in pursuing urban redevelopment, the Administration should strike a careful balance between protecting individual property rights and redeveloping dilapidated buildings to release land resources. She urged the Administration to increase resources in implementing "demand-led" redevelopment to encourage building owners to initiate redevelopment of their lot(s)/building(s) as she noted that many minority owners might not want to sell their properties to developers. Given that minority owners were generally in a less advantageous position when facing acquisition by developers, she considered that minority owners could make use of the waiting time for the hearing of their compulsory sale case at LT to negotiate for better terms, to resolve differences through mediation, or to engage lawyers to represent them in the litigation. Hence, she had reservation over the proposed creation of the two judicial posts.

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11. Mr Albert CHAN urged the Administration to promote adoption of mediation or arbitration for settling disputes over land or property matters. Dr Priscilla LEUNG pointed out that mediation and arbitration were cost-effective means to resolve disputes among parties involved in compulsory sale cases and building management disputes. She opined that the Administration should increase the flexibility in using such means so as to encourage their use.

12. On "demand-led" redevelopment, SDEV advised that this was a new mode of redevelopment implemented by URA with the adoption of the new Urban Renewal Strategy in 2011. While URA had been promoting the scheme, applications for the scheme had to meet the criteria stipulated under the scheme, including the consent from owners of at least 67% of the undivided shares of the respective lots of the site. Some owners might encounter difficulties in attaining the required owners' consent. As regards mediation for compulsory sale cases, SDEV advised that although there were only three successful mediation cases so far, the Judiciary and the Administration had widely encouraged the adoption of mediation as an alternative to bringing the cases before LT. The Practice Direction (LTPD: CS No. 1/2011) contained details on the arrangements in applying mediation to all compulsory sale applications. Although mediation was voluntary in nature, LT, when considering whether to grant a sale order for a compulsory sale case, would take into account whether the majority and minority owners had engaged in mediation prior to LT hearing. SDEV stressed that mediation would still play a key role in resolving disputes over compulsory land sale even after creation of the two judicial posts.

13. Principal Assistant Secretary (Planning & Lands)⁴ supplemented that the Pilot Mediation Scheme had received 33 requests for mediation since it was launched in January 2011. Amongst these cases, three had been resolved successfully after mediation and the parties involved in another 15 cases had resolved their differences themselves after approaching the service provider for an introduction to the scheme.

14. Upon request by Ms Cyd HO, the Administration agreed to provide information on: (a) the results of compulsory sale cases which had attempted under the Pilot Mediation Scheme; and (b) the outcomes for cases with successful mediation or those through mutual resolution among property owners, including information on the price for the property arrived at and the impacts of the price on the minority owners.

(Post-meeting note: The information provided by the Administration

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was circulated to members vide LC Paper No. CB(1)2046/11-12(01) on 30 May 2012.)

Proposed establishment of a building affairs tribunal

15. Ms Starry LEE enquired about the number of compulsory sale applications submitted before and after the lowering of the compulsory sale application threshold to 80%, and whether the Administration would monitor the results of cases heard by LT to assess if the reserve price approved for the auction of the subject lot truly reflected the redevelopment value of the land concerned.

16. SDEV responded that the caseload had increased from an average of one case to over seven cases every two months after the lowering of the application threshold in 2010, and the number of applications filed with LT since 1999 was only over a hundred. The transaction price was on average about 2.5 times the existing use value of the lot(s) concerned. So far, there were four auctions after the grant of compulsory sale orders in which the transaction prices after auction were higher than the reserve prices approved by LT. DEVB had been monitoring the policy angle of the Ordinance and the implementation of the two pilot schemes.

17. Ms Starry LEE asked whether the Administration would consider setting up a building affairs tribunal or an arbitration centre for resolving disputes relating to buildings and building management matters in order to enhance the standard in handling such disputes, expedite the processing of cases in an efficient manner, and relieve the workload of LT. With a view to saving legal costs for parties concerned, Mr Albert CHAN supported establishment of a separate mechanism without legal representation for handling land resumption or possession cases under the Landlord and Tenant (Consolidation) Ordinance (Cap. 7) and building management cases under the Building Management Ordinance (Cap. 344). The Chairman added that the Hong Kong Institute of Surveyors shared a similar view in this regard. Dr Priscilla LEUNG noted that an arbitration centre had been set up in the Mainland for handling land disputes, and agreements reached by parties under the centre were legally binding on the parties.

18. SDEV explained that according to Article 7 of the Basic Law, the land and natural resources within Hong Kong were "State property" and the Government of the Hong Kong Special Administrative Region was responsible for their management, use and development, and lease or grant. Only the Government had full jurisdiction to deal with land matters in

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conformity with this Article. As such, the Government could not subject its full jurisdiction to mechanisms of arbitration. SDEV also pointed out that building management was under the policy purview of the Home Affairs Bureau. As a matter of fact, the proposal to set up a building affairs tribunal involved complicated policy and legal issues, such as the legal status of the tribunal, its institutional arrangements and its interface with LT. As present day standards on the protection of human rights would demand that an individual would not be denied the right to legal representation, it would not be appropriate to disallow legal representation in such a tribunal if one were to be set up to handle building affairs cases. It followed that legal costs which some Legislative Council members would want to avoid in proposing such a setup might not be readily avoided. The Administration would consider members' views and explore administrative means to streamline the handling of such cases.

19. SDEV said that the Administration had been encouraging property owners to resolve disputes relating to compulsory sale through mediation instead of litigation in order to reduce the financial burden on both parties. She reiterated that according to the Practice Direction (LTPD: CS No. 1/2011) issued by the Judiciary, LT would take into account whether both parties to a compulsory sale case had engaged in mediation when considering whether to grant a sale order. She further advised that the Government had made much use of mediation in handling disputes arising from public works projects with the employment of Dispute Resolution Officers.

20. DJA(O) supplemented that parties to building management cases had been encouraged to resolve their differences through mediation in order to facilitate a more efficient, expeditious and fair disposal of building management cases.

21. The Chairman concluded discussion on the item. He said that members in general supported the Administration's proposal to submit the staffing proposal for consideration of the Establishment Subcommittee and approval of the Finance Committee.

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II Kai Tak Development -- Environmentally friendly linkage system

(LC Paper No. CB(1)1514/11-12(02) -- Administration's paper on environmentally friendly linkage system for Kowloon East

LC Paper No. IN19/11-12 -- Paper on environmentally friendly linkage system of Kai Tak Development prepared by the Legislative Council Secretariat (Information note))

22. SDEV briefed members on the background for the feasibility study and the on-going public consultation exercise on the provision of an environmentally friendly linkage system ("EFLS") in Kowloon East. She said that in the approved Kai Tak Outline Zoning Plan ("KTOZP") promulgated in November 2007 which was formulated through a two-year extensive public engagement exercise between 2004 and 2006 under the Kai Tak Planning Review Study, there was a reserve for a possible elevated rail-based environmentally friendly transport system as a long-term transport mode subject to detailed design. At that time, there was general public support for the possible alignment of EFLS as shown in KTOZP, which was mainly confined within the Kai Tak Development ("KTD") area. In December 2009, the Civil Engineering and Development Department ("CEDD") commissioned a study ("the Study") to investigate feasible EFLS network alignments based on assessments on engineering feasibility, traffic and environmental impacts, operation viability, projected financial performance and economic return. After the announcement by the Chief Executive in his 2011-2012 Policy Address of the initiative to transform Kowloon East, comprising KTD, Kwun Tong and Kowloon Bay, into an alternative core business district ("CBD") with around 4 million square metres of potential office space to be delivered in the next 20 years, the proposed EFLS had a more important role to play in enhancing the inter-district and intra-district connectivity of Kowloon East. The Study had come up with a preliminary proposal to adopt an elevated monorail system as EFLS in Kowloon East to cater for the development of the alternative CBD.

23. SDEV further said that the proposed EFLS involved controversial issues including its mode of provision and alignment, high capital cost and low rate of economic return if treated as a transport infrastructure. She

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stressed that in considering the merits of an infrastructure project on development needs, instead of focusing on the quantifiable economic benefits, more weight should be put on the non-quantifiable economic benefits, such as improvement on connectivity and impact on urban regeneration. At this stage, the Administration maintained an open attitude towards implementation of the proposed EFLS, and would continue to gauge public views on the subject with a view to arriving at a consensus reflecting the majority of public views on the way forward. The Administration would also consult the Panel at every stage of the public engagement process.

24. With the aid of a powerpoint presentation, Head (Kai Tak Office)/CEDD ("Head/KTO") briefed members on the preliminary findings of the Study and the way forward. She highlighted the following points --

(a) Form and alignment

The proposed EFLS would be a light capacity elevated rail line of 9 kilometres, with 12 stations linking the Mass Transit Railway ("MTR") Kowloon Bay Station through Wang Kwong Road to the KTD Station Square, where it could interchange with the Kai Tak Station of the future Shatin to Central Link ("SCL"), going along the former airport runway before crossing the Kwun Tong Typhoon Shelter ("KTTS") at the tip of the runway via the proposed Kwun Tong Transportation Link ("KTTL") (a proposed bridge linking Kai Tak and Kwun Tong) and terminating at the MTR Kwun Tong Station. The proposed alignment would serve all major developments in KTD and provide a direct linkage between KTD and Kwun Tong, generating synergy on the developments in these two districts. Two alternative EFLS alignments connecting with the MTR Kwun Tong Station were proposed, one along Hoi Yuen Road and the other at King Yip Street. EFLS would not be extended to adjoining old developed districts, such as To Kwa Wan, Kowloon City and San Po Kong, in the light of constraints such as noise and visual impacts on the residential areas, concerns about intrusion of privacy of the premises at the track level, financial burden due to relatively low patronages for some branch extensions, and technical difficulties.

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(b) Financial and economic returns

The capital cost for the proposed EFLS was broadly estimated to be \$12 billion (in 2010 prices). The forecast daily patronage in 2031 was about 200 000. If both the capital cost and subsequent assets replacement expenses were to be borne by the Government, the annual revenue could barely cover the running cost of the system. Based on the quantifiable economic benefits, the economic internal rate of return of the EFLS proposal was estimated to be around +1%, which was lower than that of a typical transport infrastructure project, usually with a return of +4% or more. However, EFLS would play a strategic role in the development of the Kowloon East CBD and attract tourists.

(c) Implications of Kwun Tong Transportation Link

The proposed KTTL, being an integral part of EFLS connecting Kai Tak and Kwun Tong, would span across the entrance of the KTTS with a suggested vertical clearance of 21 metres above the sea level. The suggested vertical clearance would render it not possible for some high-mast vessels to use KTTS.

(d) Implementation programme

If public consensus on EFLS could be reached, the tentative commissioning year would be around 2023.

(e) Other options of road-based green public transport

The Study had reviewed the use of green buses as an alternative to the proposed EFLS. While green buses would have advantages, such as lower capital and running costs as well as higher flexibility for route planning, they would occupy road space thus adding pressure to the already busy road network in the hinterland. Moreover, green buses were considered inferior to the rail-based EFLS in terms of carrying capacity, tourism appeal, safe, reliable and convenient intra-district connectivity, convenient interchange with MTR stations, ability to enhance the visionary image of the Kowloon East CBD, etc. Nonetheless, green buses would have to serve as an interim transport means upon completion of public housing developments at KTD starting from 2013 and could be

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rationalized upon the planned commissioning of EFLS in 2023 to provide reasonable alternatives to the travellers.

(Post-meeting note: A soft copy of the powerpoint presentation materials was circulated via email vide LC Paper No. CB(1)1621/11-12(01) on 18 April 2012.)

25. Head/KTO advised that district views collated so far were in general supportive to the EFLS proposal on the grounds of its tremendous economic benefits and strategic role in transforming Kowloon East into a CBD. There were, however, comments and concerns on the alignment and the proposed vertical clearance of KTTL, in particular the impact of the consequential restriction on high-mast vessels in accessing KTTS and alternative uses of KTTS. To address the concerns of the local vessel industry on the possible height restriction at KTTS, the Administration would commission a survey and a study in mid-2012 to explore feasible and agreeable alternative measures. Stage 1 public engagement exercise on EFLS was in progress with two public engagement workshops to be organized in May and June 2012. Stage 2 exercise would commence in the fourth quarter of 2012 when views and suggestions collected at Stage 1 would be further discussed with a view to arriving at a consensus on the way forward.

Capital cost and financial returns

26. Mr LEE Wing-tat appreciated the Administration's efforts in conducting the Study. Regarding the estimated capital cost of \$12 billion for EFLS, he was concerned that as the cost was given in 2010 prices, it might go up to as high as \$20 billion by the time of construction. With a low projected rate of return, he cast doubt whether EFLS would be able to attract investment from commercial bodies for its operation and expressed concern that the system would have to rely on full Government subsidy for operation in the long run. As such, Mr LEE expressed reservation in supporting the EFLS proposal. He further urged the Administration to present other options for the Panel's discussion.

27. Mr CHAN Kam-lam said that the Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") had been advocating the provision of a monorail system in KTD since 2006. DAB considered that Hong Kong was lagging behind other major cities in the world in the provision of monorail systems, and that the proposed EFLS would play a key role in supporting the development of a new CBD in Kowloon East by enhancing the connectivity of new developments with existing

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developments and transport systems. Therefore, while the proposed EFLS had low projected financial returns, he held the view that the project should be taken as an infrastructure investment aiming to achieve the non-quantifiable economic benefits. On the capital cost of EFLS, Mr CHAN said that DAB had held discussions with experts with experience in developing monorail systems in overseas cities. These experts had pointed out that the estimated cost of \$12 billion was on the high side. He urged the Administration to review the cost by conducting a detailed study.

28. Project Manager (Kowloon)/CEDD ("PM(Kowloon)/CEDD") advised that the estimated capital cost of \$12 billion included project management fees, design fees, and the construction cost of \$2 billion for KTTL. Some of these items might not have been covered in the cost estimation given by the experts that Mr CHAN Kam-lam had been in contact with. Besides, due to the difference in prices and wages between Hong Kong and overseas cities, the cost estimation based on overseas examples might not be directly applicable to Hong Kong. If a consensus was reached to proceed further with the study on EFLS, the Administration would work out more precise cost estimation at a later stage.

29. Mr CHAN Kam-lam remarked that international prices should apply to the proposed EFLS as when tender for the EFLS project was invited at a later stage, both local and international companies and consultancy firms could bid for the project. He was concerned that the high estimated cost for the project could have a negative impact on public perception of the proposal. He re-iterated his request for the Administration to review the estimated capital cost.

30. Ms Miriam LAU commented that the proposed EFLS would be an effective transport system to connect people living or working at new development areas in Kowloon East to the existing MTR system. While expressing support for the Administration to conduct further studies on the proposed EFLS, she expressed concern about the high capital and operating costs for the system, which were likely to bring a heavy financial burden to the Government in the long run. She noted that the monorail system in the city centre of Kuala Lumpur, which had a very high patronage, had a poor financial performance. To enable the public to understand more about the construction and operating costs of the proposed EFLS, as well as to facilitate future deliberation by the society, she suggested that at the next stage, the Administration should provide more information and study the financial positions of similar overseas EFLS, including those cited in the

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discussion paper, i.e. the monorail systems in Yurikamome, Dubai and London Docklands.

Other transport options

31. Mr LEE Wing-tat pointed out that while elevated monorail systems, like those in Sydney and Seattle, would be attractive to both local people and tourists when they were launched, it would be difficult for their attractiveness to sustain. Moreover, he was concerned that the train fare, though affordable to tourists, might be too expensive for local commuters. Therefore, he suggested that the Administration should present other transport options, such as green buses and new extensions of the existing MTR lines, and provide detailed information as well as analyses for gauging public views. In his opinion, green buses, like those used in the World Expo 2010 Shanghai, were feasible alternative environmental friendly transport systems to be considered in parallel with the proposed monorail.

32. In anticipation of the population growth in Kowloon East, Mr CHAN Kam-lam considered that green buses would be needed to support EFLS in connecting the peripheral areas with the monorail system.

33. SDEV re-iterated that the Administration remained open-minded on whether road-based green transport modes should be adopted in place of EFLS. However, it should be noted that as compared with the elevated monorail system, green buses would take up much road space and this would particularly pose traffic problem in the old urban area. As implementation of EFLS would involve a long lead time, green buses would be a preferred mode of transport for connecting KTD and other parts of Kowloon East in the interim.

34. On the suggestion of enhancing the connectivity of Kowloon East by new extensions of the existing MTR lines, Head/KTO said that the Administration had examined the option but considered it not feasible. Firstly, an MTR line required high passenger patronage to achieve cost-effectiveness which the forecast daily passenger number in Kowloon East could hardly meet. Secondly, the rails and trains of the MTR system took up much more space and could not be accommodated in the old areas of Kowloon East. Thirdly, as the alignment of SCL would run north-south, if SCL were to make a sharp turn into KTD in the east, the swirl would take up a large land area, affecting the land use planning in KTD.

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35. As regards affordability of the fare of the proposed EFLS, PM(Kowloon)/CEDD said that fare structure of EFLS was assumed comparable to that of MTR to cater for the transport need of local residents. Unlike the monorail system in Sydney, which was targeted at tourists and not well connected with other transport systems in the city, there would be enhanced linkage between EFLS in Kowloon East with the existing MTR stations in Kowloon Bay and Kwun Tong and the new Kai Tak Station of SCL to serve local residents and the working population in Kowloon East.

36. Mr KAM Nai-wai commented that the Study had shown a clear inclination towards providing an elevated monorail system in Kowloon East. As the proposed EFLS would involve a huge investment of public resources, he stressed the need for the Administration to consider the matter and other alternatives carefully and thoroughly before making the decision. He remarked that the Administration's paper had not provided sufficient information on the pros and cons on the use of green buses. For instance, advantages of green buses, including lower capital and operating cost, shorter lead time for commissioning as well as higher flexibility for route planning, were favourable factors to be considered. On the other hand, while green buses had the disadvantages of occupying more road space and adding pressure to the already busy road network in Kowloon East, the pillars supporting the elevated rail system would also take up a lot of road space. As such, Mr KAM considered that the Administration should provide more options of green public transport in Kowloon East, including the use of green buses, with analyses on the financial viability of each option, for the public discussion at the public engagement exercise.

37. SDEV said that green buses were inferior to monorail in terms of connection with the existing rail lines and having regard to the inadequate road network in Kwun Tong and Kowloon Bay. That said, she assured members that the Administration was open-minded on this option and would continue to engage the public extensively on the proposed EFLS for Kowloon East.

Coverage of the proposed environmental friendly linkage system

38. Ms Starry LEE expressed appreciation on SDEV's efforts in spearheading ahead a transport system proposal beneficial to urban development, enhancing connectivity of the old and new areas in Kowloon East, and providing both locals and tourists with a great experience of travelling and sightseeing. Noting that the Study did not recommend extending the coverage of EFLS to adjoining old districts such as To Kwa Wan and San Po

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Kong on financial and technical grounds, Ms LEE urged the Administration to take on board local views which supported extending the coverage. She added that the Kowloon City District Council had passed a motion in February 2012 requesting extension of EFLS to To Kwa Wan and Hung Hom. Moreover, the Wong Tai Sin District Council had suggested to extend EFLS to San Po Kong where there was potential for revitalizing the existing industrial buildings to commercial/business use. Residents of those old districts were disappointed that they had been excluded from the "Energizing Kowloon East" initiative and the coverage of the proposed EFLS. She requested the Administration to make a commitment not to rule out future revision of the EFLS alignment to cover those old districts if district views insisted and an acceptable extension proposal could be worked out. In her view, while the Administration attached great importance to the non-quantifiable economic benefits of EFLS, it should not exclude those old districts from the alignment at this stage.

39. In response, SDEV said that the Administration would continue to listen to public views on how the proposed EFLS should be taken forward. Given that there were already public concerns about the high capital and operating costs for the proposed EFLS, and possible financial burden for the Government, further extension of the system to To Kwa Wan and Kowloon City/San Po Kong would arouse more controversies. It would be more effective to focus the discussion on the alignment proposed in the Study, lest more hurdles would be created that would delay a consensus on the way forward for EFLS. She added that there were on-going efforts to regenerate the living environment of districts other than Kowloon East. Examples were the revitalization and beautification of Kai Tak River and urban planning improvement in Diamond Hill. Kowloon City was also the first district to implement the District Urban Renewal Forum pilot scheme to put into practice the "People First, District-based and Public Participatory" approach to urban renewal. She added that there would be difficulties in accommodating an elevated monorail system in developed areas like San Po Kong and To Kwa Wan without first regenerating the urban environment and land use therein.

Kwun Tong Transportation Link

40. Mr CHAN Kam-lam noted that the local vessel industry had requested that the vertical clearance of KTTL above the sea level should be more than 40 metres in order to enable all high-mast vessels to use KTTS. He pointed out that the waterway under Tsing Yi South Bridge and Tsing Yi North Bridge was the major passageway for various types of working vessels

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but the vertical clearance of the two bridges was only 17 metres. He said that although high-mast vessels might use KTTS during inclement weather, he believed that these vessels could use other typhoon shelters nearby and hoped that the implementation of KTTL as a bridge link connecting Kai Tak and Kwun Tong would not be affected. PM(Kowloon)/CEDD noted Mr CHAN's views and advised that the Administration would explore alternative measures with the industry if a restricted use of KTTS was required.

41. Ms Miriam LAU opined that even though KTTL might be a project of great public interest, it should not be implemented at the expense of the interest of the local vessel industry, and in particular, where the use of KTTS under inclement weather concerned public safety. She noted that there were 400 to 500 high-mast working vessels registered with the Marine Department. The height restriction at KTTS, if imposed, would therefore affect hundreds of vessels. She requested a commitment from the Administration that in the absence of a satisfactory arrangement for accommodating the high-mast vessels in other suitable typhoon shelters, the height restriction of 21 metres would not be implemented at KTTS. As utilization of the Yau Ma Tei Typhoon Shelter and the To Kwa Wan Typhoon Shelter had reached maximum capacity, she welcomed the Administration's efforts in exploring the construction of a new typhoon shelter in Tseung Kwan O. Citing the low usage of the Hei Ling Chau Typhoon Shelter due to its unsatisfactory location, she urged the Administration to fully consult the industry on the locations of proposed new typhoon shelters. Ms LAU said that if KTTS could be replaced by a new typhoon shelter which could accommodate high-mast vessels and the location of which was accepted by the industry, she would support changing the use of KTTS to a water sports centre, as proposed by some organizations.

42. SDEV thanked Ms Miriam LAU for her support to the Administration's plan of working out an acceptable arrangement with the industry for the use of KTTS. She also expressed gratitude to the industry for their cooperation in the relocation of the Kwun Tong Public Cargo Working Area to make way for the construction of the Kwun Tong Promenade. She assured members that the Administration would not compromise sectoral interest in taking forward a public works project. For instance, in implementing the Liantang/Heung Yuen Wai Boundary Control Point project, the Administration had proposed to provide eligible indigenous and non-indigenous villagers residing at Chuk Yuen Village as well as the occupiers of squatter structures to be cleared with special ex-gratia allowance to meet their rehousing needs. The Administration

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would commission a survey and a study to explore feasible and agreeable alternative measures for the industry if a restricted use of KTTS was required. Both the study and the survey were targeted to complete in end-2012. She agreed that it was important for public facilities to be provided at suitable locations and well utilized by target users. She hoped that a solution to the height restriction problem in KTTS would be worked out when the Administration discussed the EFLS proposal with the Panel next time.

Implementation programme

43. Noting the long lead time between the tentative commissioning time of EFLS in 2023 and the commissioning of the first berth of the cruise terminal and the in-take of population in the first phase of public housing development at KTD in 2013, Mr CHAN Kam-lam urged that the Administration should consider implementing EFLS in phases to tie-in with the development in Kowloon East. He believed that the early operation of EFLS would bring economic benefits to Kowloon East, including the opportunities for land development and economic activities near Action Areas 1 and 2.

44. PM(Kowloon)/CEDD said that as the key function of EFLS was to connect the major developments in Kowloon East, the tentative commissioning year of 2023 had been worked out taking into account the development programme of various KTD projects, such as the Metro Park at KTD, the Kai Tak Station of SCL, etc. He said that the Administration would keep in view the progress of the various developments in Kowloon East and consider the need to expedite the EFLS programme where necessary. Mr CHAN Kam-lam re-iterated that phased commissioning of EFLS was feasible and advisable. He suggested a three-phase implementation, i.e. the section from Kwun Tong to the new cruise terminal as Phase 1, followed by the Kowloon Bay section and finally the KTD section.

III PWP Item No. 9345WF -- Planning and investigation study of desalination plant at Tseung Kwan O

(LC Paper No. CB(1)1514/11-12(03) -- Administration's paper on 345WF -- Planning and investigation study of desalination plant at Tseung Kwan O)

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(The Chairman proposed and no members objected, the meeting would be extended for 15 minutes to end at 5:30 pm.)

45. Deputy Secretary for Development (Works)2 ("DS/DEV(W)2") briefed members on the Administration's proposal to upgrade 345WF "Planning and investigation study of desalination plant at Tseung Kwan O" ("the Study") to Category A, at an estimated cost of \$34.3 million in money-of-the-day prices, to carry out a planning and investigation study for the construction of a desalination plant at Tseung Kwan O Area 137. He highlighted the following points --

- (a) At present, local fresh water supply mainly came from natural precipitation and the quantity collected provided on average 20% to 30% of the total water demand. To make up the shortfall, fresh water was imported from Dongjiang.
- (b) It was advisable to better prepare Hong Kong for the uncertain supply of water due to climate changes. In 2011, the local rainfall was only 1 477 mm, which was about 40% lower than the average annual rainfall of 2 400 mm over the past 30 years from 1981 to 2010. Some places of the Mainland had experienced droughts in recent years.
- (c) Due to growing population and economic development of Hong Kong, it was estimated that the annual fresh water demand would increase steadily from 923 million cubic metres ("mcm") in 2011 to about 1 100 mcm in 2030. Nearby cities in Guangdong also required the scarce fresh water resources for their rapid development need.
- (d) With the promulgation of the Total Water Management Strategy ("the TWM Strategy") in 2008, the Administration had been implementing various initiatives to instill the notion of conserving water and developing new water resources within the community in order to minimize the risk of water shortage. The TWM Strategy advocated water conservation followed by exploration of new water resources.
- (e) Given the abundant supply of seawater in Hong Kong, seawater desalination could be a source of alternative supply of fresh water to support the sustainable development of Hong Kong. Water desalination had been adopted in some overseas countries

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and cities like Israel, Australia, Singapore and Dubai. The Administration had been keeping abreast of latest developments in desalination technology. With technology advancement, such as improved efficiency in energy recovery systems, the cost of desalination had been decreasing over the past few decades. For example, the current cost of desalinated water was \$12 per cubic meter, compared to \$40 per cubic meter in the 1970's.

- (f) The Chief Executive announced in his 2011-2012 Policy Address that as a responsible member of the Pearl River Delta Economic Zone, Hong Kong should explore other sources of water supply to meet its own needs. In this light, a site of about 10 hectares at Tseung Kwan O Area 137 had been earmarked for the proposed desalination plant.

46. With the aid of a powerpoint presentation, Assistant Director/New Works, Water Supplies Department ("AD/NW, WSD") outlined the key elements of the Study. He pointed out that under the TWM Strategy, the Administration had been promoting water conservation through public education, encouraging the use of water saving devices, increasing the use of seawater for flushing and undertaking preventive measures to reduce water main bursts and leaks. Taking into account that seawater could be a promising alternative supply of fresh water, the Administration conducted a pilot study in 2007, which confirmed the technical feasibility of desalination using the reverse osmosis technology.

The Study and construction of the proposed desalination plant

47. In response to Mr KAM Nai-wai's enquiries about the cost of desalination, DS/DEV(W)2 advised that taking into account the construction and operation costs of the proposed desalination plant and the associated facilities, the cost of desalinated water was estimated to be \$12 per cubic metre, which was higher than the present cost of some \$7 per cubic metre of water from Dongjiang and local rainwater. Notwithstanding the higher cost for desalination, it was expected that with continued advancement in technology, such as application of large diameter membrane in reverse osmosis process, the cost could be reduced over time. With reference to overseas experience, the cost of desalinated water ranged from about ten to several ten Hong Kong dollars per cubic metre. Detailed investigation and surveys would be conducted under the Study to determine the cost.

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48. DS/DEV(W)2 further stressed the importance of adopting the desalination technology as a possible means for supplying water resources to cope with climate changes. He advised that the output capacity of the proposed desalination plant was 50 mcm of fresh water per annum and could be expanded to 90 mcm per annum in future, with the former accounting for about 5% and the latter 10% of the total water supply in Hong Kong. Comparing to the annual quantity of rainwater collected by local reservoirs, the proposed desalination plant could provide a stable alternative supply of fresh water for serving as a supplement to the local source of fresh water from natural precipitation. The Sai Kung District Council had been consulted on the proposal and given its support. The site earmarked for setting up the desalination plant would not require any reclamation.

49. Noting the estimated cost for the Study and that the output capacity of the proposed desalination plant would account for an insignificant proportion of water supply, Mr CHAN Kam-lam expressed reservation towards the proposal. In his view, the Administration could make easy reference to the experiences of countries with advanced desalination facilities constructed and recruit relevant professionals not readily available in Hong Kong to assist in the desalination project. Moreover, the Administration could outsource the entire project for implementation by the private market. As such, Mr CHAN considered it not worthwhile to conduct the Study or construct the proposed desalination plant at this stage. He opined that the Administration could revisit the proposal later with further advancement in the relevant technology.

50. DS/DEV(W)2 explained that the output capacity of the proposed desalination plant at Tseung Kwan O (with output of 50 mcm of fresh water per year) was considered appropriate with reference to experience of overseas countries or cities in establishing their first desalination plant. Comparing to the annual quantity of rainwater collected by local reservoirs, the proposed desalination plant could provide a stable alternative supply of fresh water for serving as a supplement to the local supply source. Given the time required for carrying out the Study and the construction works, it was estimated that the proposed desalination plant could not be put into operation before 2020. In view of growing demand in fresh water in Hong Kong and the lead time required to deliver the project, the Administration considered it opportune to embark on the Study to explore the feasibility and cost-effectiveness of the proposed desalination plant.

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51. AD/NW, WSD added that in view of severe droughts occurring in some Mainland provinces in 2009 and the low local rainfall recorded in 2011, it was of paramount importance to explore other sources of potable water supply in Hong Kong. Taking note that seawater desalination would provide an appreciable amount of additional water resources, the Administration considered it necessary to conduct the Study at the present stage so that such an alternative water source could be readily tapped in good time when needed.

52. Ir Dr Raymond HO noted that there had been continuous advancement in desalination technology, and expressed support for the Administration's proposal. Although the cost of desalination was higher than that for purchasing Dongjiang water, he urged that the Government to continue to keep abreast of latest developments in desalination technology in monitoring development in the cost.

(The Chairman proposed and no members objected, the meeting time was further extended for 15 minutes to finish the discussion on the item.)

Prevention of water main leakages and bursts, and publicity and public education on water conservation

53. Mr CHAN Kam-lam expressed concern about loss of valuable water as a result of leakages and bursts in water mains. AD/NW, WSD advised that WSD had been taking a multi-pronged approach to tackle the problem, including proactive burst prevention measures of leak detection, replacement or rehabilitation of aged water mains under the Water Mains Replacement and Rehabilitation Programme ("the R & R Programme"), and pressure management. With these measures in place, the water main leakage rate was reduced to 19% in 2011 and expected to further decrease to 15% upon completion of the R & R Programme by the end of 2015. The Administration also planned to explore other more cost-effective ways to expand the sources of water supply.

54. DS/DEV(W)2 supplemented that after the implementation of the R & R Programme, the number of water main bursts had reduced from the peak of about 2 500 in 2000-2001 to 610 in 2010-2011. The figure declined further to 320 in 2011-2012 (from April 2011 to February 2012). As such, the Administration considered the R & R Programme effective in enhancing water leakage control and preventing water main bursts.

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55. Noting the latest progress of the R & R Programme, Mr CHAN Kam-lam took the view that the Administration should continue to provide resources for implementation of various water leakage control measures, in particular the R & R Programme, to improve the condition of the water supply network, and to reduce water main leaks and bursts.

56. Ir Dr Raymond HO acknowledged the difficulties encountered by the Administration in implementing the R & R Programme to rejuvenate the water supply network as most of the water mains were buried underground and a substantial portion of them was aged. Although the water main leakage rate would remain in double digits even after completion of the R & R Programme, such rate was considered generally satisfactory and comparable with those of overseas cities. He called on the Administration to step up its efforts to reduce the leakage rate in future through adoption of new technologies and more proactive water leakage control measures.

57. In response to Mr CHAN Kam-lam's enquiry about measures in place to promote water conservation, DS/DEV(W)2 advised that the Administration had been launching public education and publicity programmes to promote water conservation in all sectors, particularly targeting at the younger generation. Since 2009, the water conservation campaigns entitled "Water Conservation Starts from Home" and school water audit for primary school students had been launched. The Administration had also published and distributed a set of booklets as a teaching kit for liberal studies of the secondary school curriculum. As a further step to strengthen public education on water conservation, the Administration was planning to establish a water conservation education centre. The voluntary "Water Efficiency Labelling Scheme" had also been implemented to assist the public to select appropriate water saving devices. In this connection, Ir Dr Raymond HO shared the importance of education in promoting the concept of water conservation to the general public and young people.

58. As requested by the Chairman, the Administration agreed to provide information on measures in place for promoting water conservation and water saving, as well as enhancement in water leakage control and prevention of water mains bursts, including the latest progress of the R & R Programme.

(Post-meeting note: The Administration's response was issued to members on 8 May 2012 vide LC Paper No. CB(1)1795/11-12(01). The Administration further provided a supplementary information

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note on 14 May 2012 which was circulated to members vide LC Paper No. CB(1)1855/11-12(01.)

59. The Chairman concluded the discussion on the item. The item would be considered by the Public Works Subcommittee ("PWSC") at the latter's meeting to be held in May 2012. He said that there was opportunity for members to deliberate the Administration's proposal further at the PWSC meeting.

IV Any other business

60. There being no other business, the meeting ended at 5:42 pm.

Council Business Division 1
Legislative Council Secretariat
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