

財經事務及庫務局

香港添馬添美道二號  
政府總部二十四樓



FINANCIAL SERVICES AND THE  
TREASURY BUREAU

24/F, Central Government Offices,  
2 Tim Mei Avenue, Tamar  
Hong Kong

傳真號碼 Fax No. : 2596 0729  
電話號碼 Tel. No. : 2810 3132  
本函檔號 Our Ref. : TsyB W 00/700-4/13 Pt 5  
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1 December 2014

Hon Alan LEONG Kah-kit, SC  
Chairman  
Public Works Subcommittee  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong

Dear Chairman,

**Agenda for the Public Works Subcommittee Meeting  
on 5 December 2014**

Upon receipt of the proposed agenda items for the meeting of the Public Works Subcommittee (PWSC) on 5 December 2014, you asked the Government to provide justifications on re-submitting Items 4 and 5 which had been adjourned at the last meeting. Our reply is set out below.

As explained in our letter dated 5 November 2014, the Government would have regard to a host of factors, including the importance, urgency, readiness and consultation progress of the relevant proposals when considering the PWSC agenda, and we would keep under review the sequence and overall priority among the PWSC items. Tender validity date is among the considerations for our proposing of a PWSC agenda.

Item 4 of the proposed agenda seeks to increase the approved project estimate (APE) of the "Liantang/ Heung Yuen Wai Boundary Control Point and Associated Works – Site Formation and Infrastructure Works". The project was upgraded to Category A in July 2012 at an APE of \$16,253.2 million. The Liantang/ Heung Yuen Wai Boundary Control Point (BCP) will be the seventh land crossing between Shenzhen and Hong Kong and will bring significant benefits to Hong Kong. Apart from its strategic significance, from a local perspective, the

BCP will also help redistribute the cross-boundary vehicular traffic among the current crossings in the east (namely Man Kam To and Sha Tau Kok Control Points), bringing improvement to the existing road network in the North District in general. The BCP is scheduled for operation in 2018.

The project is a core part of the works that underpins the BCP development. Its scope mainly covers site formation of about 23 hectares of land for the development of the BCP, construction of an approximately 11-kilometre long trunk road to provide direct access between the BCP and the Fanling Highway, other associated works requested by local residents (e.g. a pedestrian subway linking the BCP and the adjacent Lin Ma Hang Road), provision of a resite area with supporting infrastructure for reprovisioning of the affected village houses and other works (e.g. sewage collection works and diversions/ modifications of existing local roads). With the funding support of the Finance Committee (FC) in July 2012, the Government has been pressing full steam ahead with the project. The tender for the northern section of the Connecting Road (viz. Contract 6) has been invited in 2013 but is yet to be awarded due to insufficient funds. The tender validity period of Contract 6 will expire on 31 December 2014.

The Government has exhausted every means to deliver the project within budget. We have, for example, cancelled the tender exercise of an earlier contract covering the northern section of the Connecting Road and the site formation works due to high returned tender price. We have also introduced cost-saving measures to reduce the risks to the tenderers and facilitate contractors' works on site. However, due to recent surge in construction prices, poor ground condition for tunneling works and tenderers' perception on higher risks associated with construction constraints etc., we have to seek an additional \$8,719.9 million to complete the works.

The Development Panel was consulted and supported the proposed increase in APE on 5 May 2014. We first submitted the proposal to the PWSC on 27 May 2014 but the PWSC was not able to examine the proposal in the 2013-14 legislative session. This has already led to a cost increase of \$523.3 million. Without FC's funding approval, the Government cannot award Contract 6. If additional funding is not approved and the contract not awarded before the expiry of the tender validity on 31 December 2014, the Government may have to re-tender. If re-tendering is required, the project will suffer serious delay of around one year and further cost increase is likely. Not obtaining the funding approval in time will render us unable to honour our commitment to commission the BCP in 2018 which will be detrimental to the reputation of Hong Kong.

As regards Item 5 "Planning and Engineering Study on Sunny Bay Reclamation", increasing land and housing supply is a key policy priority of the Government. After two rounds of public engagement, the public generally supported a multi-pronged approach for increasing land supply, including



reclamation outside Victoria Harbour. Our preliminary findings also show that the proposed reclamation at Sunny Bay would have less impact on the general public and the environment. The proposal would also help reuse surplus public fill. Reclamations are large-scale projects that normally take ten years or more to complete. The proposed study will look into areas of concern to the public, e.g. environmental impact assessment, and we have already reserved funding for public engagement activities to ensure that stakeholders' view could be taken on board. The Government will consult the Legislative Council on the findings of the study. The later we commence the study, the later we could have the findings for further examination and taking forward of the proposal ready. It is not conducive to the long-term development of Hong Kong.

The Government is steaming ahead with various public works projects that underpin the long-term economic development of Hong Kong, support housing development and improve the environment, etc. Any public works funding proposals put forward to the PWSC are potentially controversial and require Members, as representatives of the public, to examine and make decisions. If the PWSC defers examination of these items by adjourning their discussions because of their controversies, it would not serve the best interest of Hong Kong. Given their strategic importance and urgency, the Government sees a strong case to include the two aforesaid items in the PWSC agenda for 5 December 2014.

We earnestly appeal to all Members of the PWSC to, bearing in mind the interest of Hong Kong, critically examine the two funding proposals as well as other funding proposals as early as possible, so that projects beneficial to the livelihood and long-term development of the community can be taken forward without delay.

Yours sincerely,



(YEUNG Tak-keung )

for Secretary for Financial Services and the Treasury

c.c. Hon Tommy CHEUNG Yu-yan, SBS, JP,  
Chairman of Finance Committee of the Legislative Council