

ITEM FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 705 - CIVIL ENGINEERING

Civil Engineering - Land development

5660CL - Site formation, construction of associated infrastructures and provision of Government, institution and community facilities for an international theme park on Lantau Island

Members are invited to recommend to Finance Committee to accept in principle the financial implications, estimated at \$13.569 billion, for the site formation, construction of associated infrastructure and the provision of government, institution and community facilities in connection with the development of an international theme park on Lantau Island.

PROBLEM

The Administration requires Finance Committee's approval in principle for funding the infrastructure to support the development of an international theme park, to be known as Hong Kong Disneyland (HKD), at Penny's Bay on Lantau Island before the Government can enter into binding contracts with The Walt Disney Company (WD).

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PROPOSAL

2. The Director of Civil Engineering, with the support of the Secretary for Economic Services, proposes to seek Finance Committee's acceptance in principle of the financial implications, estimated at \$13.569 billion in September 1999 prices, for the site formation, construction of associated infrastructure and the provision of government, institution and community (GIC) facilities to support the HKD development.

PROJECT SCOPE AND NATURE

3. The scope of the proposed project **5660CL** comprises site investigation, design and construction of the following works elements :

- (a) dredging and reclamation works for the creation of -
 - (i) about 280 hectares of land at Penny's Bay with about 3.5 km of permanent sloping seawalls, to be completed in stages; and
 - (ii) a further 10 hectares of land at Yam O to accommodate part of Road P2 (see paragraph (b) (i) below) and a public transport interchange (PTI) at the proposed railway station there;
- (b) road works comprising -
 - (i) a dual-2 lane/dual-3 lane carriageway, namely Road P2, of about 4.5 km in length connecting the proposed railway station at Yam O to the theme park and the reprovisioning of access to an existing power station;
 - (ii) a resort road about 3.5 km in length around the proposed theme park; and
 - (iii) a central pedestrian walkway of about 800 m in length in the middle of the retail, dining and entertainment area adjacent to the theme park,
- (c) an at-grade PTI near the proposed Penny's Bay railway station and a PTI at the proposed railway station at Yam O ;

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- (d) two public piers;
- (e) landscaping berms, road side buffers, and other landscaping works;
- (f) a public water recreation centre for water sports (including a lake of about 12 hectares) which will also provide a water supply for irrigation;
- (g) a sewerage network to convey sewage from Penny's Bay to the existing sewage treatment plant at Siu Ho Wan;
- (h) a stormwater drainage system including box and pipe culverts in the reclamation and an open channel about 1.2 km in length on the west of the reclamation;
- (i) water supplies, including a fresh water service reservoir at Yam O Tuk and salt water supply from Tai Ho;
- (j) essential GIC facilities including two police posts and one fire/ambulance station; and
- (k) miscellaneous works including decommissioning works for an existing shipyard to be acquired for the roads works and the water recreation centre mentioned above.

A site plan of the project is at Enclosure 1.

JUSTIFICATION

4. For some time, the Administration has been examining possible alternative development scenarios for North-East Lantau Island. We have concluded that it would be in Hong Kong's best interest to switch the planning intention for the area from the originally intended land use (port development) into one which focuses primarily on tourism and recreation. This decision has been reflected in a revised draft Outline Zoning Plan (OZP) for North East Lantau which was gazetted in August 1999. In parallel, WD have been exploring the possibility of developing a theme park in Hong Kong and have been searching for some time for a site that could meet their requirements. In late 1998, WD came to the conclusion that Penny's Bay is the most appropriate location for a WD theme park in Hong Kong, subject to agreement on financial and other terms. This

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decision provides an excellent opportunity for realising Government's planning

intention for the development of North-East Lantau as an important tourism and recreation area.

5. After formal negotiations, the Government and WD have agreed to proceed with the HKD project subject to the approval of the Executive Council, the Legislative Council and the WD Board. The justifications for the Government entering into the agreement with WD are the significant economic benefits deriving from the operation of the theme park itself, opportunities for employment creation as well as spin off benefits from business activities in support of the theme park and additional tourist spending elsewhere in Hong Kong. There will also be non-quantifiable benefits in terms of the enhancement to Hong Kong's international image and quality of life.

6. To give effect to the above agreement with WD, Government will need to provide a fully formed and serviced site with a total area of some 126 hectares on Penny's Bay for Phase 1 of the HKD development. This will provide serviced land for the theme park, together with a hotel complex, a retail, dining and entertainment area and car park areas.

7. To support the Phase 1 HKD development the Government will need to provide about 74 hectares of land outside the HKD Phase 1 development for additional transport and infrastructure facilities, and about 10 hectares of land at Yam O for the purposes of building an access road and a public transport interchange near to the proposed Yam O railway station.

8. All of the above facilities will need to be completed between 2002 and 2005 to enable the HKD Phase 1 development to open on time. The construction costs for these works are estimated to be \$10.445 billion in September 1999 prices. It should be noted that the transport and infrastructure facilities will also serve the HKD Phase 2 development as and when triggered.

9. We will shortly invite Finance Committee to approve part upgrading of **5660CL** to Category A of the Public Works Programme to allow all of the above works to commence in early 2000. The exact cash flow requirements will be refined as detailed design work progresses.

10. The remainder of the works, primarily land formation for about 80 hectares of land, extension of associated infrastructure on this new land, one of two public piers to be constructed at the theme park, etc., will start in 2002. The rough order of costs for these works is \$3.124 billion in September 1999 prices.

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FINANCIAL IMPLICATIONS

11. We estimate the total cost of the project, subject to detailed design, to be \$13.569 billion in September 1999 prices made up as follows -

		\$m
(a)	Land formation for HKD Phase 1 to be completed by 2002	
(i)	Dredging and reclamation works (126 ha)	3,267
(ii)	Site investigation, consultants' fees for design and construction, site staff costs	67
(iii)	Contingencies	326
		3,660
(b)	Land formation to be completed by 2005	
(i)	Dredging and reclamation works (74 ha) outside HKD Phase 1 area ¹	2,128
(ii)	Dredging and reclamation works at Yam O (10 ha)	355
(iii)	Site investigation, consultants' fees for design and construction, site staff costs	104
(iv)	Contingencies	259
		2,846
(c)	Construction of associated infrastructure & GIC facilities (not exclusively built in support of HKD Phase 1) to be available by 2005	
(i)	Road works	1,111
(ii)	Public transport interchanges	343
(iii)	A public pier	41
(iv)	Landscaping berms	107
(v)	Water recreation centre	67
(vi)	Sewerage network	128
(vii)	Stormwater drainage system	699
(viii)	Fresh and salt water supply systems	332
(ix)	Provision of GIC facilities	336
(x)	Miscellaneous works including decommissioning of an existing shipyard	22
(xi)	Site investigation, consultants' fees for design and construction, site staff costs	449
(xii)	Contingencies	304
		3,939
Total amount to be sought in December 1999		= 10,445

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¹ These include 9 hectares required as buffer area and seawall for HKD Phase 1 reclamation but which will form part of the land required for HKD Phase 2 if the option of developing that phase is exercised.

(d) <u>Remaining works</u>		
(i)	Balance of the Penny's Bay reclamation (80 ha including the remaining 45 ha for HKD Phase 2)	2,624
(ii)	Other associated infrastructure	500
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		3,124
Total for Project 5660CL ((a) + (b) + (c) + (d))		13,569

12. We will phase the expenditure for **5660CL** over a period of about 11 years starting from 2000. The detailed design work for various components of the project has still to be undertaken and we will refine the capital cost estimates further as we proceed with the detailed design process.

PUBLIC CONSULTATION

13. We briefed the Islands and the Tsuen Wan Provisional District Boards (PDBs) on 4 and 5 August 1999 respectively on the proposed changes of land use at North-East Lantau to tourism and recreation and the need for gazetting the Penny's Bay Reclamation under the Foreshore and Sea-bed (Reclamations) Ordinance. Members of the PDBs were generally supportive of the proposed theme park development. We gazetted the proposed amendments to the Outline Zoning Plan for North-East Lantau on 13 August 1999.

14. We briefed the Ma Wan Rural Committee on 25 August 1999 on the above changes and requirements. Members of the Rural Committee were generally supportive of the proposed theme park development although some members were concerned about the possible impacts to fisheries during the dredging and filling operations and expressed reservation on the method for assessing fishermen's claims. We also briefed the Advisory Council of the Environment on 27 September 1999 on the review of the construction impact of the project due to changes in reclamation limits and the sequence of work for the theme park development. The Council noted the results of the review.

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15. Subsequent to the changes in land use proposed under the North-East Lantau Outline Zoning Plan, we published a gazette notice under the Foreshore and Sea-bed (Reclamations) Ordinance on 15 October 1999 for the reclamation at Penny's Bay. We will meet with representatives of the Ma Wan Fisheries Rights Association Limited and other relevant bodies to brief them on the development of the reclamation works at Penny's Bay and Yam O, and to hear their views and concerns on the fisheries issues.

16. We circulated a briefing paper to Members of the Legislative Council on 3 November 1999, including a site plan of the proposed HKD development and a full description of the economic and other benefits which will derive from the project. We briefed the House Committee and the Economic Services Panel of the Legislative Council on HKD project a number of times in the last fortnight.

ENVIRONMENTAL IMPLICATIONS

17. The HKD development will be located on a reclaimed site at Penny's Bay. The area was originally earmarked for container port development under the Lantau Port and Western Harbour Development Studies in 1993. Three Environmental Impact Assessment (EIA) studies were completed in 1995 which thoroughly examined all environmental issues in relation to the reclamation works and associated infrastructures. The EIA reports showed that the environmental impacts of the works could be controlled to meet the relevant environmental criteria.

18. The EIA reports also concluded that the Penny's Bay area was less utilized by dolphins than North Lantau and was not an area of major significance to dolphins. This conclusion is supported by other extensive dolphin surveys initiated by CED (1996) and AFD (1995 to 1998). To minimize any potential impacts on the dolphins, the EIA studies recommended specific precautionary measures, which have been demonstrated to be effective for other projects in Hong Kong, such as undertaking dolphin monitoring during construction and providing a 500m buffer/safety zone during any construction activities which may be stressful to dolphins. These EIA reports were endorsed by the Advisory Council of the Environment (ACE) in 1995 and are now placed in the EIA Ordinance Register accessible by the public.

19. We completed an environmental review in July 1999 on the environmental impacts of the reclamation works. The review concluded that as the extent of reclamation work for the HKD development in Penny's Bay is less

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than that proposed for the original port development at the same location, the environmental impacts are anticipated to be less than those in the previously endorsed EIA reports. The review report was presented to the ACE on 27 September 1999. There were no dissenting comments from Members of the Council.

20. The HKD development is a designated project under the EIA Ordinance and will be strictly controlled under that Ordinance and other environmental legislation. We will carry out a further EIA study for the HKD development to reconfirm previous findings and to address any alterations as a result of the change in land use (e.g. changes in traffic demand). We will exhibit the EIA report for the public and the ACE to comment in accordance with the EIA Ordinance. Environmental permits will need to be obtained from the Environmental Protection Department for all the designated projects before construction works commence. We will implement all recommendations in the EIA study and comply with all conditions in the relevant environmental permits.

21. We will use marine sand and inert construction and demolition materials as fill for the reclamation.

LAND ACQUISITION

22. We will resume private lots required for the project under the Roads (Works, Use and Compensation) Ordinance, the Railways Ordinance and the Lands Resumption Ordinance as appropriate.

BACKGROUND

23. We included **5660CL** in Category B of the Public Works Programme in November 1999. We plan to part upgrade the site formation and associated infrastructures in support of HKD Phase 1 to Category A in December 1999. We intend to commence the reclamation work in May 2000 to enable us to hand over the site for HKD Phase 1 in 2002. We plan to commence the remaining works in 2002 for completion by 2010.

November 1999

