

**Secretary for Development's Speaking Notes
for the Special Finance Committee Meeting (Works Session)
on 7 March 2012 (Wednesday)**

Chairman,

- I would like to thank Members for their interest in the Draft Estimate of the Development Bureau. The Controlling Officers under my purview have provided replies to 90 written questions raised by Members accounting for the use of resources in the works portfolio. They are here to respond to any further questions that Members may wish to raise.
- In 2012-13, the allocation for the Development Bureau for its recurrent expenditure on works portfolio is \$9,004.09 million, representing an increase of \$328.45 million or 3.8% as compared with the revised estimate of \$8,675.64 million for 2011-12. It is mainly for meeting the additional expenditure (\$196.50 million) for purchasing Dongjiang water under the new water supply agreement and the expenditure for taking forward the “Energizing Kowloon East” initiative (\$16.43 million), and implementing other works-related initiatives.
- In 2012-13, we will create 28 civil service posts, including two directorate posts and 10 non-directorate posts for the Kowloon East Development Office (KEDO). The proposed creation of two directorate posts, namely, Head of KEDO (D3) and Deputy Head of KEDO (D2) were supported by the Establishment Subcommittee of the Legislative Council on 15 February and will be submitted to the Finance Committee on 20 April. The remaining posts will be deployed mainly for the support of various works-related programme and tasks.

- Now, I would like to brief Members on the priority tasks of the works portfolio in the new financial year.

The Overall Infrastructure Programme

- The SAR Government of this term is committed to implementing the policy objective of promoting economic development through infrastructure projects, and thereby creating job opportunities. The ever increasing expenditure on capital projects in the past few years has brought sustained impetus to the construction industry and the economy of Hong Kong. The overall unemployment rate of the construction sector dropped from the peak of 12.8% in the first quarter of 2009 to 4.7% in the latest quarter.
- Our capital works expenditure rose substantially from \$20.5 billion in 2007-08 to the revised estimate of \$58.2 billion in 2011-12. The estimated capital works expenditure for 2012-13 will reach a high level of over \$62.3 billion, providing 66 700 job opportunities, comprising about 6 900 job opportunities for professional and technical staff and about 59 800 job opportunities for workers. The funding allocation for minor works projects in 2012-13 also stays high at \$8.02 billion. In the next few years, the estimated expenditure on capital works is expected to increase to over \$70 billion a year.
- The ten major infrastructure projects are being rolled out in phases as scheduled, with the Kai Tak Development (KTD) project under active implementation. The expenditure on infrastructure works for the KTD project rose from \$0.4 billion in 2009-10 to \$4.2 billion in 2012-13.

- In the coming year, we will seek funding approval for different types of projects, including the site formation and infrastructure works of Liantang/Heung Yuen Wai Boundary Control Point at a preliminary estimate of \$13.3 billion. Besides, the last phase of works under Stage 4 for the replacement and rehabilitation of water mains in various districts across the territory, at an estimated cost of \$4.5 billion, has commenced in January this year. We are also committed to implementing the Total Water Management Strategy, including exploring other sources of water supply. We will conduct a planning and investigation study for the construction of a desalination plant in Tseung Kwan O this year.

Manpower Resources in Construction Industry

- To take positive steps to address the aging and skill mismatch problem of the construction workers, we secured funding of \$100 million from the Finance Committee of the Legislative Council in May 2010 to support the Construction Industry Council (CIC) to enhance training for local construction personnel and attract more people to join the construction industry through promotion and publicity activities. Since September 2010, the CIC has introduced various new measures by phases, including the “Enhanced Construction Manpower Training Scheme” (ECMTS). As at January this year, ECMTS has attracted 935 trainees to join the Scheme and about 60% of them are aged below 35. This indicates that more and more young people are joining the industry. To provide more training places, the CIC has also launched the “Contractors Collaborative Training Scheme” (CCTS) under which contractors can employ trainees and provide in-service training on construction sites, while CIC will pay the trainees’ allowances and other training costs. The Government has required, since December 2011, relevant public works contractors to participate in the CCTS.

- Since the measures implemented by the CIC have achieved good results, the Financial Secretary announced in the 2012-13 Budget that another \$220 million will be earmarked to further enhance training for workers and supervisors/technicians. The proposed measures include increasing the training quota and duration and further increase in training allowances. We consulted the Panel on Development of the Legislative Council in February and Members in general supported the proposals. We will seek funding approval from the Finance Committee in due course to enhance the measures.

Energizing Kowloon East

- The Chief Executive announced in the 2011-12 Policy Address that we will adopt a visionary, coordinated and integrated approach to expedite the transformation of Kowloon East, comprising the Kai Tak Development area and the two former industrial areas Kwun Tong and Kowloon Bay, into an alternative Central Business District. We have received overwhelming support to the initiatives on Energizing Kowloon East from the community since the announcement of the Policy Address. Stakeholders' response to our briefings is positive and the general feedback is that the Government should execute this blueprint with determination, speed and extensive public engagement.
- For early implementation of this initiative, we are planning to create a new Kowloon East Development Office (KEDO) under the Works Branch of the Development Bureau to steer, supervise and monitor the development of Kowloon East.
- Subject to the approval of the Finance Committee of the Legislative Council in April, we will first create the two directorate posts of Head of KEDO and Deputy Head of KEDO for one year starting from 1 July 2012.

- During its initial year, KEDO will develop the long-term institutional set-up for Energizing Kowloon East, the best mix of talents in the team and the most appropriate mode of development to cater for the transformation of Kowloon East, in particular the special characteristics of the highly developed areas in Kwun Tong and Kowloon Bay. The KEDO's work portfolio is wide-ranging. It includes the preparation of various studies to improve traffic and enhance streetscape and greening, and coordination with the government bureaux/departments to expedite the proposals on transformation of Kowloon East.
- We have set up a preparatory team in mid-February to kick start the immediate coordination work for the transformation of Kowloon East and prepare for the establishment of KEDO so as to rise up to the challenges posed by the range and volume of work in the future.

Enhancing Land Supply Strategy

- The Financial Secretary stressed in the 2012-13 Budget that the Government is determined to increase land supply and create a land reserve. Besides, land resources will be expanded to ensure that land supply will not be affected by economic cycles or fluctuations of the property market.
- To meet the demand for land arising from our economic development and population growth, we have to explore alternative means of land supply and further enhance our land supply strategy. In this connection, we are conducting studies and consultation on reclamation on an appropriate scale outside Victoria Harbour and rock cavern development, so as to devise a more comprehensive mix of supply options and build up a land reserve to support the long-term development of Hong Kong.

- Stage 1 Public Engagement on Enhancing Land Supply Strategy was launched in November last year to seek public views on reclamation on an appropriate scale outside Victoria Harbour and rock cavern development as well as to establish the site selection criteria. A series of consultation activities have been organised, including roving exhibitions, focus group meetings, topical discussions and public forums. The consultation period will end on 31 March this year.
- Disposal of surplus public fill and contaminated sediment is a pressing problem to be resolved. Apart from increasing land supply, reclamation outside Victoria Harbour can re-use surplus public fill and handle contaminated sediments in an environmentally-friendly manner. We will also advocate the use of latest technologies, including reclamation without dredging of marine mud and re-establishing marine habitats by eco-shoreline etc.
- The Civil Engineering and Development Department, Drainage Services Department and Water Supplies Department will seek funding approval from the Legislative Council in the middle of this year to conduct a study on the long-term strategy for cavern development as well as feasibility studies on the relocation of Sha Tin sewage treatment works and Mount Davis and Kennedy Town fresh water service reservoirs to caverns. As for the feasibility studies on reclamation projects, we will consult the public on the site selection criteria and the reclamation sites before determining on the way forward.

Building a Safe City

- The portfolios of the departments under the Development Bureau cover several areas of public safety. We will maintain a high degree of vigilance to enhance the work in the following areas.

Water Supply and Water Leakage

- Surface water collected locally from water gathering grounds provides 20% to 30% of water supply to Hong Kong at present. About 70% to 80% of water is imported from Dongjiang (DJ) to make up the shortfall. In last December, we signed a new agreement worth \$11,241.34 million with the Guangdong side for the supply of DJ water to Hong Kong between 2012 and 2014. This can ensure a reliable and flexible supply of DJ water to Hong Kong, based on actual needs, up to 2014, even under extreme drought condition with a return period of one in 100 years.
- To facilitate formulation of effective water conservation measures, the Water Supplies Department (WSD) commenced in September last year a survey to collect information on general water consumption patterns and habits of domestic household users. Over 1 000 households have taken part in it and the information collected is being analysed by the department. Furthermore, to develop new water sources, we plan to explore the feasibility and cost effectiveness of constructing a desalination plant in Tseung Kwan O. We plan to consult the Panel on Development in April, and seek funding approval from the Finance Committee in June for engaging consultants to conduct detailed studies and site investigation which are expected to commence by the end of this year.
- Hong Kong enjoys one of the safest drinking water supply in the world. WSD has been following WHO's "Guidelines for Drinking-water Quality" as the standards for the quality of drinking water in Hong Kong. The water quality of the entire water supply system is continuously monitored by WSD and samples are regularly taken from catchments, impounding reservoirs, water treatment works, service reservoirs and the water distribution network for

testing to ensure compliance of the water quality with the relevant standards in WHO's "Guidelines for Drinking-water Quality". The number of samples taken every year by WSD exceeds a hundred thousands.

- We are continuing with our efforts to reduce water main bursts and leaks. The water mains replacement and rehabilitation programme is making good progress and has entered stage 4. Under the programme, some 3 000 km of aged water mains will be replaced and rehabilitated. As at December 2011, a total of 1 710 km of water mains have been replaced or rehabilitated. The water main leakage rate has also reduced from 25% in 2001 to 19% in 2011. It is anticipated that the leakage rate will be further decreased to 15% upon completion of the programme in 2015.

Flooding

- On improvement against the risk of flooding, we are now implementing three drainage tunnel projects: Hong Kong West Drainage Tunnel, Tsuen Wan Drainage Tunnel and Lai Chi Kok Drainage Tunnel at a total cost of about \$6.5 billion. These projects are expected to be completed progressively from 2012 to 2013. We have also obtained a funding of \$1,065.8 million from the Finance Committee for the construction of an underground stormwater storage tank in Happy Valley Recreation Ground to relieve the flooding problem in the Happy Valley and upgrade the system so that it can withstand rainstorms with a return period of one in 50 years. The works have commenced in late 2011 and are expected to be completed, in phases, by early 2018.
- We are now reviewing the Drainage Master Plan in East Kowloon and West Kowloon to assess the flooding risks of these districts and propose improvement measures. We are also conducting studies to

identify rivers with flooding risks and devise a warning system for residents living in adjacent areas.

Slope Safety

- The Landslip Prevention and Mitigation Programme has made good progress since its implementation in 2010. The programme was implemented on a continuous and risk management basis to keep the landslide risks associated with the natural hillside catchments and the man-made slopes to a reasonably low level. We will keep on using the risk-based priority ranking system to determine the ranking of slopes and to carry out slope works according to the risk-based priority list.

Lift Safety

- To enhance the regulation of lift and escalator safety, we have introduced the Lifts and Escalators Bill to the Legislative Council in May 2011 to repeal in whole the existing Lifts and Escalators (Safety) Ordinance (Cap. 327). With the support of the Legislative Council and the industry, examination of the Bill by the Bills Committee was completed in February 2012. The second reading is expected to begin in April, after which we will work on the making of the relevant regulations. We plan to complete the relevant legislative process by the end of this legislative year so as to enhance the safety of lifts and escalators as early as possible.

Tree Safety

- The Greening and Landscape Office (GLO) and the Tree Management Office (TMO) under the Greening, Landscape and Tree Management Section are actively promoting greening with due emphasis on protection of public safety as a priority consideration. The GLO continues to develop greening guidelines and best

practices so as to enhance the quality of landscape design. The topics under study this year include integrated landscape design, adequate space allocation for planting, green coverage, etc.

- The TMO has continuously updated the guidelines for tree risk assessment and management, having regard to the experience of tree risk assessment work in 2010 and 2011. The newly revised guidelines were promulgated in December 2011 and a new round of tree risk assessment by the tree management departments has started. The TMO will continue to step up audit checks on the trees managed by departments to ensure that all tree management work is conducted in a professional and prudent manner in preparation for the onset of wet season to better protect public safety. We will also continue with our efforts to foster a culture of tree care in our community and enhance people's knowledge through different channels and encourage community surveillance of trees.

Heritage Conservation

- The Government is pressing ahead with the conservation of historic buildings. We have launched by phases a number of revitalisation projects for historic buildings under a diversified approach, which not only can help preserve historic buildings and enhance the urban cultural landscape, but also bring much benefit to local economy.
- Good progress has been made for the various revitalisation projects launched by our Bureau in recent years. The six projects under Batch I of the Revitalising Historic Buildings Through Partnership Scheme (Revitalisation Scheme) have progressed smoothly. Among them, the North Kowloon Magistracy has been revitalised into the Savannah College of Art and Design (SCAD) Hong Kong Campus, which has been in operation since September 2010. The Old Tai O Police Station has been revitalised into a boutique hotel, which was opened in late February 2012. The conservation and renovation

works for the remaining four projects have commenced and are expected to be commissioned from mid-2012 to late 2012 (The four projects include: the revitalisation of Lui Seng Chun into a Chinese Medicine and Healthcare Centre, the revitalisation of the Former Lai Chi Kok Hospital into the Jao Tsung-I Academy, the revitalisation of Mei Ho House into a youth hostel, and the revitalisation of Fong Yuen Study Hall into a Tourism and Chinese Cultural Centre cum Ma Wan Residents Museum).

- We are carrying out preliminary preparatory work for the three projects under Batch II of the Revitalisation Scheme. They include the revitalisation of the Old Tai Po Police Station into a landmark for the promotion of sustainable living and conservation, the revitalisation of the Blue House Cluster in Wan Chai to provide diversified community services, and the revitalisation of Stone Houses at Hau Wong Temple New Village in Kowloon City into a themed cafeteria-cum-visitor information centre. Funding application for the Stone Houses project was approved by the Finance Committee of the Legislative Council on 6 January 2012. The projects of the Old Tai Po Police Station and the Blue House Cluster were discussed at the Legislative Council Public Works Sub-committee meeting on 8 February 2012, and funding approval for the projects will be sought from the Finance Committee of the Legislative Council in April 2012.
- Batch III of the Revitalisation Scheme (buildings to be revitalised include King Yin Lei, Haw Par Mansion, Bridges Street Market and the Former Fanling Magistracy) was launched on 7 October 2011. By the close of the application period on 6 February 2012, we received a total of 34 applications. It is envisaged that the selection exercise will be completed by end 2012.
- The Central Police Station Compound will be revitalised into a centre for heritage, art and leisure. The revitalisation works

commenced in late 2011 for completion in end 2014.

- As for the project to transform the Former Police Married Quarters on Hollywood Road into “PMQ” by the Development Bureau in collaboration with the Architectural Services Department and the Musketeers Foundation, funding application was approved by the Finance Committee of the Legislative Council on 8 July 2011. The project works commenced in early 2012 for completion in end 2013.
- The Development Bureau and the Antiquities and Monuments Office will continue to proactively reach out to private owners and offer assistance (including technical advice and financial assistance for the maintenance of historic buildings as well as the offer of economic incentives for preservation-cum-development projects) to encourage and facilitate the preservation of historic buildings under their ownership.
- The Development Bureau has commissioned a consultancy study on the setting up of a statutory heritage trust, which is expected to be completed by mid 2012. Upon completion of the study, the Government will thoroughly consider the consultant’s recommendations.

Conclusion

- Chairman, my colleagues and I will be happy to answer any questions that Members may wish to raise. Thank you.
