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**Public Works Subcommittee of the Finance Committee
of the Legislative Council**

**Minutes of the 11th meeting
held in Conference Room 1 of the Legislative Council Complex
on Tuesday, 11 June 2013, at 8:30 am**

Members present:

Hon CHAN Kam-lam, SBS, JP (Chairman)

Hon James TO Kun-sun

Hon Emily LAU Wai-hing, JP

Hon TAM Yiu-chung, GBS, JP

Hon Abraham SHEK Lai-him, SBS, JP

Hon Cyd HO Sau-lan

Hon CHAN Hak-kan, JP

Dr Hon LEUNG Ka-lau

Hon IP Kwok-him, GBS, JP

Hon Alan LEONG Kah-kit, SC

Hon Albert CHAN Wai-yip

Hon Michael TIEN Puk-sun, BBS, JP

Hon NG Leung-sing, SBS, JP

Hon WU Chi-wai, MH

Hon MA Fung-kwok, SBS, JP

Hon Charles Peter MOK

Hon CHAN Han-pan

Dr Hon Kenneth CHAN Ka-lok

Hon CHAN Yuen-han, SBS, JP

Hon LEUNG Che-cheung, BBS, MH, JP

Hon Alice MAK Mei-kuen, JP

Dr Hon Fernando CHEUNG Chiu-hung

Hon SIN Chung-kai, SBS, JP

Dr Hon Elizabeth QUAT, JP

Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen

Members absent:

Ir Dr Hon LO Wai-kwok, BBS, MH, JP (Deputy Chairman)
Hon WONG Kwok-hing, MH
Hon Frankie YICK Chi-ming
Hon Gary FAN Kwok-wai
Dr Hon CHIANG Lai-wan, JP

Public officers attending:

Mr YEUNG Tak-keung	Deputy Secretary for Financial Services and the Treasury (Treasury) ³
Mr WAI Chi-sing, JP	Permanent Secretary for Development (Works)
Mr Thomas CHOW Tat-ming, JP	Permanent Secretary for Development (Planning and Lands)
Ms Anissa WONG, JP	Permanent Secretary for the Environment
Ms Joyce HO Kwok-shan	Principal Assistant Secretary for Financial Services and the Treasury (Treasury) (Works)
Mr TSUI Wai, JP	Director of Drainage Services (Acting)
Mr TAI Wai-man	Chief Engineer (Project Management) Drainage Services Department
Mr YAU Shing-mu, JP	Under Secretary for Transport and Housing
Ms Julina CHAN Woon-Yee, JP	Deputy Secretary for Transport and Housing (Transport) ⁵
Mr Cruff CHEUK Fan-lun	Chief Assistant Secretary for Transport and Housing (Transport)
Mr HON Chi-keung, JP	Director of Civil Engineering and Development
Mr CHAN Kam-shun	Chief Engineer (Special Duties) (Works) Civil Engineering and Development Department
Mr TSANG Cheuk-yin	General Manager (Planning, Development and Port Security) Marine Department
Mr Andy CHAN Shui-fu	Deputy Secretary for Transport and Housing (Transport) ²
Mr José YAM Ho-san	Principal Assistant Secretary for Transport and Housing (Transport) ⁴

Mr Albert SU Yau-on	Assistant Commissioner (Management and Paratransit)
Mr MAK Chi-biu	Transport Department Chief Engineer (Hong Kong) ¹ Civil Engineering and Development Department

Clerk in attendance:

Ms Annette LAM	Chief Council Secretary (1) ³
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Staff in attendance:

Ms Connie HO	Senior Council Secretary (1) ³
Mr Frankie WOO	Senior Legislative Assistant (1) ³
Ms Christy YAU	Legislative Assistant (1) ⁷

Action

The Chairman reported that a total of forty-one capital works projects amounting to \$102,283.4 million had been endorsed by the Public Works Subcommittee (PWSC) in the 2012-2013 session so far. He further advised that five items were on the agenda for the meeting which, if endorsed, would involve a total amount of \$3,162.4 million.

2. The Chairman then reminded members that in accordance with Rule 83A of the Rules of Procedure (RoP) of the Legislative Council (LegCo), they should disclose the nature of any direct or indirect pecuniary interests relating to any items under discussion at the meeting before they spoke on the items. He also drew members' attention to Rule 84 of RoP on not voting or withdrawal in case of direct pecuniary interest.

Head 704 – Drainage

PWSC(2013-14)19	159CD	Reconstruction and rehabilitation of Kai Tak Nullah from Tung Kwong Road to Prince Edward Road East
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3. The Chairman advised that the proposal was to upgrade part of 159CD to Category A at an estimated cost of \$1,244.3 million in money-of-the-day (MOD) prices for the reconstruction and rehabilitation of

Kai Tak Nullah (the Nullah) from Tung Kwong Road to Prince Edward Road East. The Panel on Development had been consulted on the proposal on 28 May 2013 and Panel members supported the proposal. The gist of Panel discussion was tabled at the meeting.

4. Ms Emily LAU enquired whether the works proposed under the project include landscaping elements to beautify the Nullah into a green river corridor and a scenic spot for public enjoyment, and also about the functions of the fish shelters along the Nullah. Director of Drainage Services (DDS) responded that a provision of \$66.4 million had been made for carrying out ancillary works including landscaping works for the project to provide greening along the Nullah. He said that the provision of fish shelters along the Nullah had been discussed and agreed with the green groups and the Wong Tai Sin District Council. He added that the proposed fish shelters at the sides and bottom of the Nullah could serve to provide a sun-shading and slow-water-flow environment for fishes. Similar facility was also provided in other rivers in the territory such as the Ho Chung River and was found to be effective.

5. Ms Emily LAU opined that inert construction waste to be generated from the project should be recycled and reused as much as possible at the project site to minimize the transportation of waste to public fill reception facilities which would create much nuisance to residents living in nearby areas. She enquired whether the on-site reuse of the inert construction waste generated in the project could be further increased. DDS responded that the project would generate a total of about 30 882 tonnes of construction waste. Of these, about 10 506 tonnes (34%) of inert construction waste would be reused on site and 20 070 tonnes (65%) would be transported to public fill reception facilities for subsequent reuse. The residual 1% (306 tonnes) of non-inert construction waste would be disposed of at landfills. He said that the Administration had made its utmost efforts in reusing as much inert construction waste as possible on the project site and there was no scope to further increase the reuse rate.

6. Mr Tony TSE noted that the construction of the proposed curvilinear footbridge linking Tung Wui Estate, Yuk Kwan Street and Prince Edward Road East to enhance the connectivity of the adjoining areas to the Nullah might no longer be necessary upon relocation of the Lee Kau Yan Memorial School and the change in land use of the site. He called on the relevant Government policy bureaux to ascertain as early as possible whether the school would be relocated.

7. The item was voted on and endorsed

Head 705 – Civil Engineering**PWSC(2013-14)22 114AP Providing sufficient water depth for Kwai Tsing Container Basin and its approach channel**

8. The Chairman advised that the proposal was to upgrade 114AP to Category A at an estimated cost of \$488.2 million in MOD prices for dredging the sea-bed of Kwai Tsing Container Basin and portions of the Northern Fairway and Western Fairway. The Panel on Economic Development had been consulted on the proposal on 25 March 2013 and Panel members supported the proposal. The gist of Panel discussion was tabled at the meeting. Pursuant to members' request, the Administration had provided supplementary information on 3 April 2013.

Impact on mariculturists and the environment

9. Mr Christopher CHUNG expressed concern regarding the impact of the proposed works on the water quality and marine ecology in the nearby fish culture zones (FCZs). Pointing out that the disposal of the high-contamination dredged sediments from Kwai Tsing Container Basin at the south of The Brothers would pose significant risks to the business of the mariculturists in the nearby FCZs which were expected to resume operation next year, he asked what measures would be adopted by the Administration to mitigate the impact on water quality. Mr CHAN Han-pan said that members of the Tsuen Wan District Council were concerned about the potential impact of the works on the water quality of Ma Wan FCZ which could lead to fish deaths or contaminate the fish stock raised there, which would in turn pose a hazard on food safety. Miss Alice MAK expressed the same concern over the ecological impact on Ma Wan FCZ and called on the Administration to maintain a close dialogue with the affected mariculturists and render necessary assistance and compensation to them.

10. Director of Civil Engineering and Development (DCED) responded that the total volume of the dredged sediments produced in the dredging works was estimated to be about 4 million cubic metres, of which about 73% (2.9 million cubic metres) was of low contamination level and would be disposed of at the open sea sediment disposal area such as the south of Cheung Chau. Only 0.5% of the total volume of the dredged sediments (about 17 000 cubic metres) was of a higher contamination level. These sediments would be contained and sealed with geotextile material to ensure no leakage upon disposal at the confined marine sediment disposal facility to the east of Sha Chau or to the south of The Brothers. He added that the Administration would conduct regular water quality monitoring at 22 water

quality sensitive receivers, including FCZs, sea water intakes, gazetted bathing beaches and coral communities. Round-the-clock water quality monitoring would also be conducted at the four chosen FCZs (including Cheung Sha Wan, Ma Wan, Sok Kwu Wan and Lo Tik Wan) and three chosen sea water intakes for collection of supplementary information. An environmental team would be engaged to implement the environmental monitoring and audit (EM&A) programme during construction to ensure the effectiveness of the mitigation measures. A community liaison group would be set up comprising relevant government departments, an Independent Expert (IE), the environmental team, the Independent Environmental Checker (IEC), the project engineer, representative of the contractor, and representatives of the concerned fisheries associations or affected groups. Mariculturists could report any fish-kill incidents through a 24-hour hotline set up for the project. Any fish-kill reports would trigger immediate action by the environmental team to alert the contractor, other project stakeholders and the Environmental Protection Department for follow-up and investigation. The project engineer and the contractor would review the works procedures and, if necessary, strengthen the mitigation measures. On compensation to affected mariculturists, DCED said that the Finance Committee (FC) had approved in 2012 a one-off special ex-gratia allowance (EGA) to mariculturists of the Cheung Sha Wan, Ma Wan and Sok Kwu Wan FCZs. With FC's approval for extending the applicability of the proximity criterion to cover large-scale mud dredging operation, mariculturists at Lo Tik Wan FCZ, which was within 5 kilometres (km) from the Kwai Tsing Container Basin dredging site, would also be eligible for the EGA. Addressing Mr CHAN Han-pan's concern on Ma Wan FCZ, DCED said that although it fell outside the 5-km limit from the dredging site, the water quality at Ma Wan FCZ among others would be closely monitored round-the-clock. Samples would be collected and various environmental parameters would be measured to ensure the non-exceedance of the prescribed action levels and the effectiveness of the mitigation measures. With regard to the possible contamination of the fish stocks in FCZs, DCED advised that no such cases had been identified in the past when annual maintenance dredging works were conducted at Kwai Tsing Container Basin and its nearby fairways.

11. Ms Emily LAU enquired what further mitigation measures would be available for use should there be fish-kill incidents. DCED responded that the Administration would make its best endeavour to avoid fish-kill incidents by putting in place various environmental mitigation and monitoring measures including using closed grab dredger, installing silt curtains to enclose the grabs of the dredging plants, installing silt screens at sea water intakes, limiting the number of dredgers, controlling daily dredging rate of each dredger, setting up 24-hour water quality monitoring at chosen sensitive receivers and setting up community liaison group. Depending on the

gravity of the reported incidents, enhanced mitigation measures such as further reducing the rate of dredging would be implemented. Ms Emily LAU was keen to ensure that the affected mariculturists would be well informed of the mitigation measures and the related arrangements for seeking assistance in the event of fish-kill incidents.

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12. Mr Christopher CHUNG enquired whether EGA would be provided to the affected mariculturists for extending the suspension or on cessation of their mariculture operations. DCED advised that under the EGA mechanism, eligible mariculturists could opt for suspension or extinguishment of their operations. At Mr Christopher CHUNG's request, the Administration undertook to provide information regarding the disposal schedule of the dredged sediments, locations of the 22 water quality sensitive receivers, as well as the ways and means of monitoring water quality in the affected areas prior to the relevant FC meeting.

13. Noting that the environmental team would be employed by the contractor, Dr Kenneth CHAN questioned the independence of the team in implementing the EM&A programme given its employment relationship with the contractor. DCED advised that an IEC would be appointed by the Administration to monitor and audit the work of the environmental team in implementing the EM&A programme.

14. Mr TAM Yiu-chung called on the Administration to put in place appropriate monitoring and mitigating measures to minimize the impact of the proposed works on the fisheries industry. Mr TAM enquired whether the dredged sediments from the project could be treated by the sludge treatment plant in Tuen Mun which would soon commence operation instead of being disposed of at the sediment disposal facilities at the south of The Brothers. DCED responded that the sludge treatment plant at Tuen Mun was designed for the treatment of sludge generated from sewage treatment works but not marine mud with much higher water content. He added that the Administration had been exploring alternative ways to treat the dredged sediments, including the setting up of near-shore confined disposal facility. Mr Christopher CHUNG suggested that the Administration might consider recycling the dredged sediments into ceramic tiles in anticipation of the eventual saturation of the sediment disposal facilities in the future.

Diversion trend of ultra large container ships

15. Ms Emily LAU sought details of the route diversion of the new generation of ultra large container ships (ULCSs) to neighbouring ports such as Singapore Port, Busan Port, or Yantian International Container Terminals in Shenzhen due to insufficient water depth at both the Kwai Tsing Container

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Basin and at its approach channel. Under Secretary for Transport and Housing (USTH) responded that the deployment of ULCSs for international voyages was a rising trend in global shipping. To meet the growing number of ULCSs coming to Hong Kong on international voyages, the proposed dredging project needed to be taken forward as soon as possible. The project would give the Kwai Tsing Container Basin and its approach channel sufficient water depth for ULCSs to navigate in and out at all tides. Failing to do this would prompt more ULCSs to divert to neighbouring ports in the region, such as Singapore Port, Busan Port and Ningbo Port, which already had the required capacity to handle ULCSs. Addressing the concern of Ms Emily LAU, the Chairman requested the Administration to provide more information regarding the trend of diversion of ULCSs from Hong Kong to the neighbouring ports, including the Yantian International Container Terminals in Shenzhen.

16. Noting that a total of 216 trips of visiting container ship with draught of over 15 metres were made in 2012, Mr MA Fung-kwok enquired if the Administration had assessed the effectiveness of the proposed works in attracting more ULCSs to berth at the Kwai Tsing Container Terminals. USTH replied that the international trans-shipment cargo currently handled by the Hong Kong Port accounted for about 30% of the total container throughput in 2011. In view of the growing number of ULCSs in international voyages, the proposed dredging works would help maintain Hong Kong's competitiveness as a regional shipping hub, lest Hong Kong would lose out to regional competitors such as Singapore whose port had a water depth of 16 metres. In response to Mr MA Fung-kwok's enquiry on whether the proposed works would affect any sites of archaeological interest, DCED said that according to the findings of the environmental impact assessment report, the project would not affect any heritage sites. Any valuable archaeological objects, if found in the course of the dredging works, would be handled with due care.

Implementation of dredging works

17. Mr NG Leung-sing enquired when was the last time that the sea-bed dredging operation was conducted at the Kwai Tsing Container Basin, and whether such works would need to be carried out again in the near future upon the completion of the proposed project. DCED replied that maintenance dredging works were conducted annually at Kwai Tsing Container Basin and its nearby fairways to ensure navigation safety. Such works were last conducted in 2011-12 in which 180 000 to 200 000 cubic metres of sediments were dredged in both the Northern Fairway and Southern Fairway. With an additional 0.5 metre depth provided for in the project, large-scale dredging works would not be expected in the near future while

dredging for maintenance purpose would be conducted as and when necessary.

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18. Pointing out that the operation of container terminals was dominated by a few large corporations, Dr Fernando CHEUNG queried the justifications for investing such a huge amount of public money to implement the proposed works that would eventually benefit the concerned corporations. He asked whether the Government had a contractual responsibility for undertaking the proposed dredging works under the operating contracts with the container terminal operators. USTH responded that the proposed works would help enhance the container throughput of Hong Kong, thereby fostering the development of the port and logistics sectors, which in turn would generate more employment opportunities. While the Government would undertake the dredging of the Kwai Tsing Container Basin and the nearby fairways, container terminal operators would deepen their respective berthing boxes by dredging the sea-bed at Container Terminal (CT) 6, CT 7 and CT 9 North berths to 17 metres below Chart Datum, and CT 9 South berths to 16.5 to 17 metres below Chart Datum by year 2016 at their own costs to dovetail with the Government's dredging works. Addressing the concern of Dr Fernando CHEUNG, the Administration was requested to confirm whether the Government had committed to the proposed dredging of the sea-bed of Kwai Tsing Container Basin and portions of the Northern Fairway and Western Fairway in the operating contracts of the container terminal operators.

19. Miss Alice MAK enquired about the impact on water quality to be caused by the modification of the existing Tsing Yi submarine outfall and demolition of the abandoned Kwai Chung submarine outfall. DCED replied that those submarine outfalls were standby facilities for discharging the overflow sewage under emergency situation. To match the designed sea-bed level, some of the diffusers of the submarine outfalls would need to be trimmed down to a greater depth. The related works would not have a substantial impact on the water quality.

Possible reclamation of Tsing Yi Southwest

20. Pointing out that the Tsing Yi Southwest had been identified as a potential reclamation site in the Enhancing Land Supply Strategy of the Administration, Mr SIN Chung-kai enquired if any residential developments would be provided at the reclaimed site in future. He was concerned about the glare, noise and air quality impacts arising from the operation of container terminals and navigation of vessels should the reclaimed site be subsequently used for residential developments. Permanent Secretary for Development (Works) advised that a public engagement exercise on reclamation outside

Victoria Harbour was underway, and the exact location and extent of the reclamation area as well as the land use of the reclaimed site had yet to be studied in more detail and confirmed. In any case, the fairways of the Kwai Tsing Container Basin would not be affected by reclamation.

21. The item was voted on and endorsed.

Head 707 – New Towns and Urban Area Development
PWSC(2013-14)23 49TF Construction of additional floors at
Central Piers Nos. 4, 5 and 6

22. The Chairman advised that the proposal was to upgrade 49TF to Category A at an estimated cost of \$609.7 million in MOD prices for the construction of additional floors at Central Piers Nos. 4, 5 and 6. The Panel on Transport had been consulted on the proposal on 24 May 2013 and Panel members supported the proposal. The gist of Panel discussion was tabled at the meeting.

23. Mr LEUNG Che-cheung indicated his support for the proposal. However, given the low patronage of the ferry services, he doubted whether the rental revenue to be generated from the additional floor areas could reach the \$27 million to \$69 million target as estimated by the Administration. USTH responded that the policy objective of providing additional floor areas at the piers for commercial activities was to generate additional source of non-fare box revenue so as to enhance the financial viability of the ferry services. He said that this policy objective was supported by LegCo, District Councils and ferry operators. To this end, a retail feasibility study was carried out in late 2011 to ascertain the market positioning and retail trade mix of the additional commercial areas. Depending on the length of the lease of the additional commercial areas, the business mix, the mode of operation, and the progress of the further development of the Central Harbourfront, the annual rental revenue for the three piers was estimated to be in the range of \$27 million to \$69 million.

24. Mr LEUNG Che-cheung asked if the Administration would consider constructing a footbridge to link up these three piers to enhance their attractiveness for non-ferry service users to patronise the commercial areas. USTH advised that the project was part of the development of the Central Harbourfront and the piers would in future be connected to the commercial and shopping areas in Central by a landscaped deck, which was another recommendation under the Urban Design Study (UDS) for the new Central Harbourfront. In addition, a substantial portion of the additional floor areas under the project would be designated as public open space for public

enjoyment to attract non-ferry users' patronage.

25. Mr Christopher CHUNG opined that given the prime location of the piers, the Administration should make this project another landmark of Hong Kong by making its design more artistic. He considered the annual rental income projection as put forward by the Administration was under-estimated and requested that an independent surveyor be engaged to come up with a more accurate valuation of the rental yield of the project at market level. USTH responded that the project was part of the development of the Central Harbourfront and a landscaped deck connecting the three piers with the International Finance Centre (IFC) II would later be constructed to provide added convenience for public access to the piers. He added that the estimated rental income of the project presented in the paper was based on conservative assumptions and the actual revenue would depend on, amongst other things, the future mode of operation, which would be worked out at a later stage.

26. Mr Albert CHAN concurred with Mr Christopher CHUNG that the piers should be developed as another landmark of Hong Kong and opined that the project scope should not be confined to the three piers but should instead involve the development of all six existing piers. Mr CHAN suggested that as extra pilings had been provided for the three piers under discussion, more than the proposed one-and-a-half additional floors could be built from construction point of view. While agreeing that the development of the three piers should be taken forward as soon as possible, he expressed disappointment over the current design of the three piers and suggested a re-design to make it an iconic architectural piece. His position was that in the absence of details regarding the mode of operation and business model of the project, there was no basis for an informed decision and accordingly the funding proposal for the construction works of the project should not be approved. USTH responded that the design of the project had been thoroughly deliberated during the public consultation exercise of the project as well as by the Town Planning Board (TPB), the Harbourfront Commission and the concerned District Councils. The +25mPD height restriction of and gross floor area allocated for the development of the site as endorsed under the UDS had been fully utilized under the current proposal and further addition of floors on the top of the three piers was not feasible. At the request of Mr Albert CHAN, the Administration undertook to provide details of the public engagement exercise of the project and information on the design previously proposed by the Henderson Land for the project. Mr Albert CHAN also requested that the project be voted on separately at the relevant FC meeting if endorsed by the Subcommittee.

27. Dr Elizabeth QUAT expressed disappointment over the planning and design of the project. She pointed out that the uniformity of the design of the three piers could not make the Central Harbourfront stand out as another landmark of Hong Kong despite their prime location. Dr QUAT urged the Administration to refine the project proposal prior to re-submitting it to LegCo.

28. Mr TAM Yiu-chung supported the policy direction of enhancing non-fare box revenue to sustain the financial viability of ferry services and maintain fare stability. He suggested that the Administration should conduct a thorough market research on how best to make use of the additional commercial areas so as to maximize the return on investment. In respect of design, Mr TAM proposed constructing a footbridge connecting the three piers with the IFC II and enlarging the space of the lifts at the piers to provide added convenience for the elderly and families.

29. Mr WU Chi-wai was keen to maximize the synergy between the proposed pier project and the landscaped deck project as recommended under the UDS to link up the piers with the commercial and shopping areas in Central so as to generate the greatest economic benefits to the community. Noting that the TPB had imposed certain restrictions on the development of the piers, Mr WU enquired whether the TPB was well aware of the policy objective of the project, i.e. to provide additional non-fare box revenue to stabilize the fare of ferry services. USTH responded that the Administration noted the importance of an integrated approach for the development of the piers and the development of the landscaped deck. He assured members that the restriction imposed by the TPB on the development of the piers including non-office usage and height restriction of the site was for the purpose of avoiding blockage of the harbour view and did not go against the project's policy objective of generating additional revenue stream to maintain the fare stability of ferry services.

30. Pointing out that the design of the additional floor areas of the piers would have a substantial impact on the future mode of operation and the corresponding rental yield, Mr Tony TSE called on the Administration to map out the business model of the piers in advance. Expressing concern on the project costs, Mr TSE requested the Administration to provide detailed breakdowns of the construction unit cost for the additional floor areas and the improvement works of the piers respectively. DCED responded that the estimated construction unit cost of the project, represented by the building and the building services costs of the project, was \$12,961 per m² of construction floor area in September 2012 prices. The unit cost was considered reasonable compared with that of similar projects, including Piers

Nos. 7 and 8 in Central and the new ferry pier being constructed at Wan Chai Development Phase II project. He highlighted that the construction cost was just a preliminary estimate and the final project cost would depend on results of tendering and the subsequent assessment of the tenders received. He added that additional provisions had been made for the costs arising from temporary relocation of the ferry services to the vacant berths at Central Piers Nos. 2 and 8 for maintaining normal ferry services during construction. The Administration agreed to provide the information as requested by Mr Tony TSE prior to the relevant FC meeting.

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31. Ms Emily LAU supported the Government's policy objective of providing subsidies for ferry services to stabilize the fare at a reasonable level. She opined that the Administration should revitalize the Central Harbourfront and enhance the attractiveness of the piers to make them appeal to local residents and tourists alike, but not to position them as another shopping mall for luxury goods. Ms Cyd HO shared similar view and opined that the piers should be made available for public enjoyment. Ms Emily LAU further enquired if the current retail and food and beverage businesses at the piers had encountered any operational problems. USTH responded that the Administration already had a conceptual plan in respect of the revitalization of the Central Harbourfront. The main problem facing the current retail and food and beverage business operators at the piers was limitation of space, which precluded the provision of more services to bring in additional income in support of ferry operation. Deputy Secretary for Transport and Housing (DSTH) added that the accessibility of the piers would be greatly enhanced upon the completion of the landscaped deck connecting the piers and IFC II, and the consultant had recommended to position the new commercial areas at the piers as waterfront Soho. Meanwhile, the Administration was open-minded to consider amendments to the Ferry Services Ordinance in order to dovetail with the future operation mode of the piers, if necessary.

32. Miss Alice MAK considered that the business model and design of the additional commercial areas should complement each other to maximize the rental yield. She opined that retail and food and beverage outlets with local characteristics and indigenous colour should be provided at the piers. Dr Fernando CHEUNG and Miss CHAN Yuen-han were of the view that the project should help foster the development of local economy and create more local employment. Opportunities should be given for small local businesses to operate at the piers. USTH responded that the Administration would take note of members' views when deciding the business mix of the piers.

33. Mr CHAN Han-pan queried if it was necessary to set aside the whole level 2 mezzanine floor of the respective piers for housing the building services installations. Chief Engineer (Hong Kong 1), Civil Engineering

and Development Department (CE(HK1),CEDD) responded that the proposed space provision was to accommodate the additional air-conditioning systems and fire services installations to be provided for the additional commercial floor areas. Miss CHAN Yuen-han urged the Administration to improve the design of the project as the accommodation of building services installations at various floors at the piers had taken up plenty of valuable commercial space. DCED noted Miss CHAN's concern and explained that the level 2 mezzanine floor of the piers had all along been used for housing the building services installations, and that a significant portion of the space to be provided in the additional floors facing the harbour would be designated as public open space for public enjoyment. He added that the current design had taken into account the views collected in stages one and two of the public engagement exercise for the project. Miss CHAN Yuen-han advised the Administration to withdraw the proposal to further refine its design prior to putting it forth again to LegCo.

34. Dr Fernando CHEUNG asked about the provision of barrier-free access and toilet facilities for the disabled at the piers. CE(HK1), CEDD responded that each pier would be provided with two passenger lifts and one firemen's/cargo lift to enhance accessibility of the disabled. A disabled toilet would also be provided on each floor of the respective piers. Miss Alice MAK further enquired if sufficient space would be provided in the passenger lifts to accommodate families with baby strollers and other passengers. CE(HK1), CEDD replied in the affirmative.

35. Mr NG Leung-sing expressed reservation over the proposed project. He suggested that the Administration should consider awarding the construction of the project and its subsequent operation to the private sector through open tender so as to make the best use of the land resources and the wisdom of the business sector to generate the greatest economic benefits from the project. He said that the Administration could stipulate in the contract the commitment of the private sector developer on the provision of subsidies for stabilizing the ferry fare for a specific time period. Mr CHAN Han-pan, Mr Albert CHAN and Dr Elizabeth QUAT shared Mr Ng's views.

36. Mr MA Fung-kwok indicated that he would not support the project. Mr MA considered it undesirable to set the Economic Internal Rate of Return (EIRR) of the project at 5.8% to 14.0% over a period of 30 years without taking into account the land premium. Noting that the current proposal was limited to Piers Nos. 4 to 6 only, Mr MA criticized the Administration for the lack of an overall planning of all the piers along the waterfront from Sheung Wan to Wan Chai. He echoed Mr NG Leung-sing's view that participation of private sector developers in the project would bring greater economic benefits, and that the Government could stipulate the various commitments of

the developers, such as the provision of public open space, cross subsidies for ferry operation, and fostering the development of local economy, in the operating contract to ensure that the objectives of the project could be met. He considered that given the prime waterfront location of the piers, the project warranted a better overall planning.

37. USTH responded that the Administration had reservation about engaging private sector developers to undertake the project because according to past experience, the non-profit generation portion of the project including improvement works to the existing piers and the provision of public open space might not be well taken care of under that mode of development. The Administration considered it appropriate to take forward this project as a public works project in which the Government would provide the necessary capital investment and act as asset owner of the project. However, the Administration would take note of members' views of inviting the participation of the business sector when formulating the mode of operation of the piers in the future. DSTH added that the project was a long-term helping measure to improve the financial viability of the six major outlying island ferry routes on a sustained basis as had been requested for long by the public and members of the LegCo. He assured members that the Administration would take into account members' views expressed at the meeting in devising the business model of the commercial areas and would put forward the related proposals to the Panel on Transport for consideration. The current approach adopted by the Government to proceed with construction works and devising the business model in parallel sought to expedite the whole project so that it could bear fruit sooner rather than later. USTH reminded members that the Administration might encounter difficulties in engaging new ferry operators should the project be unable to complete by 2018 as planned.

38. To allow sufficient time for discussion, the Chairman extended the meeting by 17 minutes to 10:45 am.

39. Mr Alan LEONG opined that it might not be in the interest of tax payers to grant the operating right of the additional commercial floor areas to the respective ferry operators. He asked if the Administration would consider outsourcing the management of the piers to an agent of the Government and re-allocating the rental income thus generated to the ferry operators as subsidies for the provision of ferry services. USTH responded that the rental income generated from the commercial floor areas would be used to cross-subsidise the ferry services. As regards the mode of operation of the additional floor areas of the piers, the Administration would consider the cost-effectiveness of different options and work out a proposal that would bring maximum economic benefits. In response to Mr Alan LEONG's

enquiries on whether the Administration had a timetable for deciding on the operating mode of the piers and if it could pledge that the Panel on Transport would be consulted on the related proposals, USTH advised that the Administration would work out the mode of operation of the piers before 2017 prior to project completion. He assured members that arrangements in relation to operation and subsidization of ferry services would be reported to the Panel on Transport once ready.

Admin

40. Ms Cyd HO supported subsidizing the ferry services to maintain fare stability. She said that the Government should be careful in order that the project would not be perceived as a means of transfer of benefits between the Government and the ferry operators should the operators be granted the operating right of the additional commercial areas at the respective piers. Ms HO requested the Administration to provide information on how the rental incomes were to be shared among the Government and the related parties, as well as the tendering arrangements and the future mode of operation of the additional commercial areas. She suggested that the Administration should withdraw the proposal for the Panel on Transport to further deliberate on the various issues upon the provision of the related supplementary information by the Administration. USTH responded that the Government would continue to closely monitor the operating income and expenditure of the ferry operators, and carry out its stringent gate-keeping duties in handling fare increase applications. He added that the future mode of the operation of the piers would be subject to further consultation with the LegCo.

Admin

41. Mr Michael TIEN said that from a commercial perspective, the prime objective of the project was to generate rental income to subsidize ferry operation. He considered the EIRR of the project as presented by the Administration inaccurate and advised that the Administration should invite major retail operators to submit expression of interest in the additional commercial floor areas so as to ascertain a market-based rate of return on the Government's capital investment. Mr TIEN also opined that the operation of these additional commercial floor areas should be separated from the ferry operation since the ferry operators would lack the incentive to maximize the rental revenue from the commercial areas in light of the Government's stated policy of using the revenue to cross-subsidise the ferry services. Addressing the concern of Mr Michael TIEN, the Chairman requested the Administration to provide the projected financial return on investments for the project, as well as the business model and future mode of operation of the additional commercial areas at the piers after the meeting. USTH responded that the Administration would not rule out the possibility of awarding the operating right of the three piers to one single agency and that the estimated revenue to be generated by the project was just a preliminary estimate for members' reference.

42. Ms Emily LAU indicated that the Democratic Party supported the Government's policy direction of generating non-fare box revenue to subsidize ferry operation but requested the Administration to withdraw the proposal and have it modified in the light of members' views prior to re-submitting it to LegCo.

43. The Chairman put the item to vote. One member voted for the item and two members voted against it. Six members abstained from voting. The item was negated by the Subcommittee.

Any other business

44. There being no other business, the meeting ended at 10:45 am.

Council Business Division 1
Legislative Council Secretariat
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