

# 立法會 *Legislative Council*

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## **Report of the Panel on Development for submission to the Legislative Council**

### **Purpose**

This report gives an account of the work of the Panel on Development for the 2013-2014 session. It will be tabled at the meeting of the Legislative Council ("LegCo") on 9 July 2014 in accordance with Rule 77(14) of the Rules of Procedure of LegCo.

### **The Panel**

2. The Panel was formed by the resolution of LegCo on 8 July 1998, as amended on 20 December 2000, 9 October 2002, 11 July 2007 and 2 July 2008 for the purpose of monitoring and examining Government policies and issues of public concern relating to lands, buildings, planning, water supply, development-related heritage conservation, Public Works Programme and other works matters. The terms of reference of the Panel are in **Appendix I**.

3. The Panel comprises 32 members, with Dr Hon LAU Wong-fat and Hon Tony TSE Wai-chuen elected the Chairman and the Deputy Chairman of the Panel respectively. The membership list of the Panel is in **Appendix II**.

### **Major work**

#### Increasing housing land supply

4. Shortage of land supply for housing developments in the past few years has resulted in soaring property prices and a long waiting list for

public rental housing ("PRH"). The Administration's initiatives to increase land supply for private and public housing continued to be one of the major focuses of the Panel's discussion. In his 2014 Policy Address, the Chief Executive ("CE") announced that the Administration had accepted the recommendation of the Long Term Housing Strategy Steering Committee to increase housing supply by, as a new target, a total of 470 000 units in the coming 10 years, with public housing accounting for 60% of the new production. Under this new target, the Administration aimed to provide an average of about 20 000 PRH units and about 8 000 units under the Home Ownership Scheme per annum. It would maintain land supply from various sources for an annual average of about 19 000 private residential units. On 29 January 2014, two weeks after CE had delivered his Policy Address, the Panel held a meeting with the Panel on Housing jointly to discuss the Administration's short-, medium- and long-term measures to increase housing land supply. Throughout the session, the Panel was consulted on individual studies, funding proposals or plans for implementing long-term land development initiatives.

#### *Land use reviews*

5. The Panel noted that, as one of the short- to medium-term measures to increase housing land supply, the Administration had been carrying out various land use reviews, including reviews on Government land currently vacant, under Short Term Tenancies or different short-term or Government uses, as well as Green Belt sites and industrial land. According to the Administration, it has identified since July 2012 a total of 152 potential housing sites, which will require amendments to their respective statutory plans for change of use and increase in development intensity, for housing developments in the coming five years (i.e. from 2014-2015 to 2018-2019) to provide about 210 000 new public and private units.

6. Some members were concerned whether the Administration could achieve the target of providing 210 000 residential units in the coming five years by rezoning the 152 potential sites identified, taking into account possible dissenting views in the districts. Members stressed that, in the process of increasing housing land supply, the Administration had to strike a balance between the provision of housing and community facilities in the district, and to address local residents' concerns, in particular those about traffic and environmental impacts, in the consultation process. The Administration assured members that it attached great importance to the support and cooperation of the public in achieving the housing production target. It would work with various stakeholders in the community to

resolve the problems related to the rezoning or development of the potential housing sites.

*Increasing residential development intensity*

7. The Panel noted the Administration's proposal to increase the maximum domestic Plot Ratios ("PRs") for housing sites located in most density zones of the main urban areas and new towns by 20%. Some members were concerned that this initiative would disrupt years of efforts of Hong Kong people in reducing the permissible PRs for residential sites for enhancing the quality of the living environment.

8. The Administration explained to the Panel that whether and how far the PR of a site could be increased would be subject to the results of planning reviews and technical assessments to be conducted by the relevant Government departments. In considering the applications for relaxation of the development restrictions, the Town Planning Board would take into account all relevant planning considerations and the potential impacts on the traffic and infrastructure capacities, the environment, etc., arising from the proposals. The Administration assured members that, in light of the above, the living environment for the people of Hong Kong would not be compromised by the increases in the maximum PRs for housing sites.

*Relaxing the development moratorium on Pok Fu Lam*

9. One of the short- to medium-term measures to increase housing land supply was to relax the development moratorium on Pok Fu Lam. Members opined that, to tie in with the intake of a new population of about 50 000 in Pok Fu Lam, it was important to complete the Island Line extensions and provide adequate transport and infrastructure facilities in a timely manner. The Panel welcomed the Administration's announcement at a Panel meeting on 28 January 2014 that it was actively considering the construction of the South Island Line (West) to improve the public transport services in Pok Fu Lam.

*Pilot scheme for arbitration on land premium*

10. CE announced in his 2014 Policy Address that the Administration would introduce a pilot scheme for arbitration on land premium to facilitate early agreement on the premium for lease modification/land exchange applications so as to advance housing land supply and speed up flat production. Some members opined that, to dismiss the allegation that the purpose of the scheme was to transfer benefits from the Government to

businesses, it was essential for the Administration to enhance the transparency of the scheme. To enhance public confidence on the impartiality of the scheme, the Administration should engage the public at an early stage in formulating the implementation arrangements. The Administration assured members that in devising the scheme, it would take into account the importance of transparency and credibility. It undertook to consult the relevant professionals, including arbitrators and surveyors, on the implementation arrangements.

#### *Development of the Anderson Road Quarry Site*

11. The development of the Anderson Road Quarry ("ARQ") site is one of the Administration's major initiatives to increase housing land supply in the short-to-medium term. The development will cater for a planned population of 25 000 with the production of about 9 410 flats (with a private-to-subsidized housing ratio of 80:20). It is planned that the population intake of the development will start in 2022-2023. In December 2013, the Administration sought the Panel's support for a funding proposal to engage consultants to undertake detailed design and site investigation of the site formation and associated infrastructural works for the proposed development.

12. While members supported developing the ARQ site to increase housing supply, they have expressed concerns that the development potential of the site has been restrained by the traffic capacity of the area and this would lead to inefficient use of precious land resources. Members opined that the Administration should seize the opportunity of developing the site and the Development at Anderson Road project (a public housing project) to resolve the traffic congestion problems in Kowloon East in a holistic approach, including carrying out improvement works at Choi Hung Interchange. Furthermore, the Administration should consider redeveloping Choi Hung Estate and Ping Shek Estate to optimize the use of land resources and improve the traffic conditions in the area.

13. The Administration explained that the development intensity (3 to 6.3) of the ARQ site had been arrived at after taking into consideration the maximum traffic capacity of the road network in the area as well as the need to preserve the Tai Sheung Tok ridgeline. As regards the handling of the anticipated growth in traffic, the Administration had proposed suitable mitigation measures under the final Recommended Outline Development Plan for the site and the traffic condition at Choi Hung Interchange was being followed up by the relevant District Councils.

14. On the development of a quarry park at the site, some members suggested that the Administration should capitalize on the geological and historical features of the site to develop a theme park serving educational and recreational purposes. Reference could be made to the Eden Project in Cornwall, the United Kingdom. In designing the park, the Administration should free itself from conventional practices and adopt new thinking.

*North East New Territories New Development Areas*

15. According to the Administration, New Development Areas ("NDAs") are a major source of land supply to meet the mid- to long-term housing and development needs of Hong Kong. Upon the completion of the North East New Territories NDAs Planning and Engineering Study, which included a three-stage public engagement process, the Administration promulgated the final development proposals for the Kwu Tung North ("KTN") and the Fanling North ("FLN") NDAs ("the two NDAs") in July 2013 and briefed the Panel on the proposals. The Panel held special meetings to hear public views on the final proposals on 25, 26, 30 and 31 July 2013. In February 2014, the Administration sought the Panel's support for a funding proposal to carry out the detailed design and site investigation for the advance site formation and engineering infrastructure works at the two NDAs.

16. While the majority of members of the Panel supported the funding proposal, some members queried why the Administration pressed ahead with the project amid strong objecting views. They considered it unacceptable for the Administration to proceed with its land clearance plans in the two areas with no regard to the needs and interests of the affected non-indigenous residents and farmers as well as their demand for "no relocation and no demolition". The Administration reiterated that the two NDAs would be the major source of medium- to long-term housing supply of Hong Kong for meeting the housing needs, especially public housing, of Hong Kong people. The two NDAs would provide a total of about 60 000 new flats including 36 600 subsidized housing units. The works under the funding proposal involved site formation and associated engineering infrastructure for about 16 000 housing flats, of which more than 80% were subsidized housing units. In addition to providing housing land supply, the NDAs would also provide land for economic uses.

17. On members' queries about the plans to arrange village resite for the affected residents and agricultural rehabilitation for the farmers, and to address the aspirations of some existing small business operators for

continuation of businesses, the Administration advised that the concerns and suggestions of the affected residents, farmers and business operators were being actively considered. The Administration assured members that, while proceeding with the detailed design and site investigations for the advance works of the two NDAs, it would continue to liaise with the affectees to address their concerns. During the detailed design stage, community liaison teams would be set up to assist in communication with stakeholders and handling of the issues arising from the project.

18. The Panel was especially concerned about the Administration's plan to cater for the need of those staying at the residential care homes for the elderly ("RCHEs") at Dills Corner Garden, Kwu Tung, which would be affected by the implementation of the KTN NDA project. The Administration advised that in accordance with the established policy, the Social Welfare Department ("SWD") would provide those affected elderly residents under its Enhanced Bought Place Scheme ("EBPS") with alternative EBPS places in other EBPS RCHEs. For those elders not covered by EBPS, SWD would assist them in case it was difficult for them to find alternative places in other RCHEs. The Panel passed a motion urging the Administration to retain or relocate the RCHEs at Dills Corner Garden. On 12 May 2014, the Panel on Welfare Services discussed the rehousing matters relating to the RCHEs affected by the project.

#### *Hung Shui Kiu New Development Area*

19. The proposed Hung Shui Kiu NDA ("HSK NDA") project will provide 826 hectares ("ha") of land to accommodate a new town of a population of about 218 000 (including a new population of about 175 000), about 60 000 additional flats and 100 000 job opportunities. The proposed public-to-private housing ratio is 51:49 and the first population intake will commence in around 2024.

20. In October 2013, the Administration sought the views of the Panel on the Preliminary Outline Development Plan ("PODP") formulated for the proposed HSK NDA. Afterwards, the Panel held a special meeting in November 2013 to listen to public views on the PODP.

21. While some members and deputations expressed doubt on whether HSK NDA was developed to support the economic development of the Pearl River Delta region or to cater for Hong Kong people's needs, some members welcomed the proposal of developing HSK NDA in view of the large number of job opportunities that would be generated in future for the residents of, not only the NDA, but also Tin Shui Wai and Tuen Mun.

Noting that according to the preliminary planning, about 50 000 job opportunities would come from the businesses in the proposed Logistics and Technology Quarter in the NDA, members urged the Administration to put forward relevant policies to facilitate the development of the logistics and technology industries in the NDA in a timely manner.

22. Members drew the Administration's attention to the importance of providing adequate transport infrastructure and community facilities in the proposed HSK NDA to cater for the need of the large population to be accommodated. The Administration assured members that it would adopt a strategic and holistic approach in planning the transport infrastructure of HSK NDA to cope with the anticipated increase in the population of the North West New Territories.

23. Sharing the concerns of the deputations who underwent port back-up, open storage, recycling services and factory operations in HSK about the difficulties for them to relocate or continue their businesses, members stressed the importance for the Administration to render assistance to existing business operators who would be affected by the NDA project to continue their businesses. Members also noted that five non-indigenous villages and some farmland would be cleared to make way for the implementation of the proposed project. They urged the Administration to make reasonable rehousing, village resite, compensation and agricultural rehabilitation arrangements for the affected residents and farmers.

24. The Administration explained that clearance of the five villages was inevitable as they were located either at or in close proximity to the future town centre of the NDA and the proposed West Rail HSK Station or the sites earmarked for providing transport infrastructure or business developments. It undertook that the arrangements to address the impacts of the project on existing residents, farmers and business operators would be worked out in the next stage of the planning and engineering study for HSK NDA. Under the existing agricultural rehabilitation policy, the Administration would offer assistance to affected farmers by matching them with landowners who were willing to sell/rent their farmland. The Administration was mindful that the existing policy was inadequate for addressing the demand of affected farmers. The Development Bureau was working with the Food and Health Bureau on new measures to facilitate agricultural rehabilitation.

*Reclamation outside Victoria Harbour -- development of artificial islands and reclamation at Sunny Bay*

25. The Administration started the technical studies and a two-stage public engagement ("PE") exercise for "Enhancing Land Supply Strategy: reclamation outside Victoria Harbour and Rock Cavern Development" in July 2011. Taking the public views on the site selection criteria into consideration, the Administration has identified five potential near-shore reclamation sites (namely Lung Kwu Tan in Tuen Mun, Ma Liu Shui in Sha Tin, Tsing Yi Southwest, Siu Ho Wan and Sunny Bay in North Lantau) and the potential of developing artificial islands. In April 2014, the Administration sought the support of the Panel for the funding proposals on conducting strategic studies for developing artificial islands in the central waters and a planning and engineering study on proposed reclamation at Sunny Bay. Panel members in general supported the conduct of these studies but have expressed a number of views and concerns on these proposed initiatives.

26. The strategic studies for developing artificial islands in the central waters between Hong Kong Island and Lantau aims to explore the feasibility of constructing the islands, including developing an East Lantau Metropolis as announced in CE's 2014 Policy Address, for accommodating new population and a new core business district ("CBD") in addition to Central and Kowloon East for promoting economic development and providing job opportunities. Having conducted internal broad-brush assessments, the Administration concluded that Kau Yi Chau was suitable for creating an artificial island with a land area of around 600 to 800 ha. Other artificial islands could possibly be constructed at Hei Ling Chau and other areas in the central waters. The total area that could be generated through the construction of artificial islands was expected to be around 1 600 to 2 000 ha.

27. While some members supported studying the feasibility of developing artificial islands, some were opposed to the proposal and held the view that the Administration should study all other sources of land supply before considering reclamation and constructing artificial islands. Some considered that it was irresponsible for the Administration to put forward reclamation and artificial islands proposals without first formulating a population policy.

28. Some members were concerned about the impact of the construction of artificial islands on the marine and land ecology, and on the livelihood of the fishermen. The Administration advised that the studies

would examine the impact of the proposal on the environment, the water flow, port operation and marine safety, etc. and propose mitigation measures. It assured members that it would, in collaboration with the fisheries industry, explore new methods and measures that could modernize the industry and promote its development. Members strongly requested that the Administration should propose concrete measures to address the difficulties faced by the fisheries industry.

29. On members' concern about the connectivity of the proposed artificial islands with other parts of Hong Kong, the Administration assured members that the studies would examine the issue, including the use of the railway as one of the transport options. Members emphasized that the construction of artificial islands in the central waters and the associated infrastructural works would be a mega project, on which the public and stakeholders should be thoroughly consulted. Some opined that the studies should include whether a new CBD should be located in the central waters having regard to the future development of Hong Kong, and whether the new land on the artificial islands should be reserved solely for the relocation of obnoxious facilities such as oil storage facilities and container terminals.

30. For the reclamation at Sunny Bay, the Administration advised that residential development, commercial uses mainly for tourism-related facilities such as hotels, retail or dining, Government, institution or community uses and land reserve were the major supported land uses as reflected by the public views collected during the Stage 2 PE exercise for "Enhancing Land Supply Strategy: reclamation outside Victoria Harbour and Rock Cavern Development".

31. Some members queried whether tourism and commercial developments should be a focus for reclamation at Sunny Bay, given that the Administration had proposed the same developments at the Hong Kong Boundary Crossing Facilities Island of the Hong Kong-Zhuhai-Macao Bridge, the proposed East Lantau Metropolis and the airport's North Commercial District. Some members suggested that the Administration should consider allocating land at Sunny Bay for the development of industries, such as testing and certification services, innovation and technology, which would benefit Hong Kong's economic development. The Administration undertook to carefully study all views collected on the reclamation at Sunny Bay and examine the inter-relationship of the possible land uses at Sunny Bay and the surrounding areas.

32. Some members opined that the Administration should not start the study until a strategic environmental impact assessment ("EIA") on the impact of reclamation on the western waters north of Lantau was completed. The Administration explained that, according to the preliminary findings of a cumulative EIA and a survey on Chinese white dolphins ("CWDs") at three potential reclamation sites (viz Sunny bay, Siu Ho Wan and Lung Kwu Tan), Sunny Bay was unlikely to be a CWD hotspot and there was no insurmountable environmental problem for the proposed reclamation. As the study was a designated project under Schedule 3 of the EIA Ordinance, the Administration assured members that the EIA for the study on reclamation at Sunny Bay would cover and review all necessary aspects such as air quality, water quality and hydraulics, ecology and fisheries, etc.

#### *Development of rock caverns*

33. According to the findings of the Administration's study on "Enhanced Use of Underground Space in Hong Kong" completed in 2011, about two-thirds of the land in Hong Kong is suitable for rock cavern development from topographical and geological perspectives. Rock cavern development could provide land to meet the development needs of the society without the involvement of major land resumption. Placing "not-in-my-backyard" facilities such as sewage treatment works in caverns could remove incompatible land uses and improve the living environment of the local community. The Administration has identified three Government facilities, viz. the Sham Tseng sewage treatment works, the Sai Kung sewage treatment works and the Diamond Hill fresh water and salt water service reservoirs, for relocating to caverns. In March 2014, the Administration sought the Panel's support on the funding proposals for conducting feasibility studies on these relocation proposals.

34. Panel members in general supported the proposal to conduct the feasibility studies. Some members were opposed to the proposal on the ground that the Administration had not disclosed any information about the future uses of the land to be released from the relocation of the facilities, and the financial viability and cost-effectiveness of the relocation projects were in doubt. The Administration explained that it would be premature to determine the land uses as the released sites would only be available for development in about 10 years. In the meantime, there would be changes in the need of the community for land resources. The Administration undertook that public consultation on the land uses would be conducted nearer the completion of the relocation exercise.

35. On members' concern about the adverse impact of the proposed relocation projects to the local residents, the Administration assured members that the issues related to traffic, noise and environmental impacts would be duly examined during the studies. As regards members' suggestions about taking the opportunity of the relocation to upgrade the capacities of the sewage treatment works and to make ready more space in the caverns for future expansion, the Administration undertook to monitor the needs for upgrading the facilities and to examine the adoption of advance technology for enhancing the operation efficiency of the sewage treatment works at the relocated sites.

Increasing land supply for commercial and other uses

*Topside development at the Hong Kong Boundary Crossing Facilities Island of the Hong Kong-Zhuhai-Macao Bridge*

36. The Hong Kong Boundary Crossing Facilities ("HKBCF") Island of the Hong Kong-Zhuhai-Macao Bridge ("HZMB") has an area of about 130 ha. A preliminary review taken by the Administration shows that topside development can be implemented at the HKBCF Island for various types of commercial developments, such as retail, hotel and other commercial activities, in support of the "bridgehead economy". The Administration sought the Panel's support for carrying out a planning, engineering and architectural study ("PEA study") for such developments.

37. In general the Panel supported the conduct of the PEA study. Those members who welcomed the development of commercial facilities on the Island opined that such facilities would make optimal use of the land resources on the Island, save the need for visitors to travel to the urban areas for shopping, reduce the pressure on the prices of consumer products in those areas, and increase employment opportunities for residents at Lantau. Some members were opposed to the study on the consideration that it was uncertain whether most of the visitors arriving via HZMB would prefer to go to other areas for sight-seeing and shopping, and there was land available nearby at Lantau for commercial developments. They did not support that public money and land resources be expensed on catering for the shopping needs of arrivals visiting Hong Kong under the Individual Visit Scheme.

38. Some members suggested that, in view of the various new initiatives to develop land at or near Lantau for different uses, it was essential for the Administration to formulate an overall planning for the land uses and transport infrastructures at Lantau and in the western part of

Hong Kong to ensure that such initiatives were well coordinated to achieve best results in promoting Hong Kong's economic and social development as well as addressing housing needs. The Administration noted members' views and advised that the newly established Lantau Development Advisory Committee would advise the Administration on mapping out the economic and social development strategy for Lantau.

### *Development of underground space*

39. One potential approach to increasing land supply is the enhanced use of underground space for commercial and other suitable uses, particularly in congested urban areas with little potential of new land supply. During the session, the Administration sought the Panel's support for conducting a pilot planning and engineering study on underground space development in four selected strategic urban areas, namely Tsim Sha Tsui West, Causeway Bay, Happy Valley and Admiralty/Wan Chai.

40. Members in general supported the pilot study, taking into account that the use of underground space in densely developed urban areas would offer opportunities for creation of space, enhancement of connectivity and improvement of the urban environment. They stressed the importance that development of underground space should not bring adverse impact to the local residents in respect of traffic and pedestrian flows, enjoyment of existing community facilities, and the structural safety of existing buildings. They cautioned the Administration that the issue of ownership of the underground space might impose a challenge on the initiative. Some members opined that the four selected urban areas were highly congested and might not be suitable for underground space development, therefore the Administration should carefully assess the merits and demerits of such development in each of the selected areas. The Administration assured members that these issues would be duly examined.

### Building safety

41. Building safety was an issue of great concern to the Panel. Following the enactment of the Buildings (Amendment) Ordinance 2011 and amendments to a series of relevant subsidiary legislations, the Mandatory Building Inspection Scheme ("MBIS") and the Mandatory Window Inspection Scheme ("MWIS") were fully implemented on 30 June 2012. In November 2013, the Administration reported the progress of the two schemes to the Panel and sought its support for the creation of a permanent bi-disciplinary Government Building Surveyor/Government Structural Engineer post as the Assistant Director to head the Mandatory

Building Inspection Division of the Buildings Department ("BD") upon the lapse of a supernumerary post from April 2014.

42. The Panel noted that the progress of the implementation of the two schemes was lagging behind. The target of BD was to select 2 000 and 5 800 buildings each year for carrying out MBIS and MWIS respectively. The planned procedure was to serve statutory notices about six months and two months after the issue of pre-notification letters in respect of target buildings selected for MBIS and MWIS concurrently and target buildings selected for the MWIS only. However, as of September 2013, in respect of the two categories of buildings, BD had served statutory notices to 50% and 20% respectively of the target numbers of buildings that should have been issued statutory notices in accordance with the planned timeframes. The Administration had explained the difficulties encountered and proposed that the annual number of target buildings be adjusted downwards.

43. Given the heavy workload for BD arising from the implementation of MBIS and MWIS, members were in general in support of the Administration's proposals on adjusting the annual number of target buildings and creation of the proposed permanent post. They suggested that BD should examine how to streamline the work procedures for MBIS and MWIS and set priorities for various tasks.

44. However, members also noted that the frontline staff of BD were suffering from shortage of manpower support for carrying out the increasing workload from the two schemes and other building safety initiatives. Some members opined that if the problem remained unsolved, the creation of a permanent post to lead the Mandatory Building Inspection Division would not help take forward the two schemes smoothly. The Administration advised that in 2014-2015, 190 new non-directorate posts would be created in BD to cope with the increasing workload. Members commented that the number not only included the posts converted from existing non-civil service posts in BD, it was also well below that requested by frontline staff. The Administration explained that, with the increase of 190 new staff and the downward adjustment in the number of target buildings for the two schemes, BD would have adequate manpower to handle its workload. It assured members that BD's management would maintain continuous dialogues with the staff associations to work out solutions to address the latter's concerns.

45. In view of the inadequate supply of Registered Inspectors ("RIs") and Qualified Persons ("QPs") to provide building inspection services and

window inspection services respectively, members requested the Administration to take action to encourage more building professionals to register as RIs and more contractors to undertake window inspection services, so as to provide more choices for property owners as well as lower the inspection costs. The Administration undertook to study how it could enhance its work in this aspect.

#### Other major subjects deliberated

##### *Increase in the estimated cost for the Liantang/Heung Yuen Wai Boundary Control Point project*

46. The Liantang/Heung Yuen Wai Boundary Control Point ("LT/HYW BCP"), scheduled for operation in 2018, will be the seventh land crossing between Shenzhen and Hong Kong. The implementation of the project was jointly announced by the Hong Kong Special Administrative Region Government and the Shenzhen Municipal Government in 2008 for meeting the future needs for cross-boundary travel. Since 2009, the Finance Committee ("FC") has approved, on the recommendation of the Public Works Subcommittee ("PWSC") and the support of the Panel, eight funding proposals, involving a total amount of about \$18.0 billion, covering various aspects of the investigation, design and works of the project. Construction works commenced in April 2013.

47. In January 2014, the Administration briefed members on its funding proposal to increase the approved project estimate ("APE") of PWP Item No. 19GB (i.e. site formation and infrastructure works for the development of the BCP including the construction of a dual two-lane connecting road, cross boundary bridges, a perimeter patrol road with a pedestrian subway, etc.) ("19GB") from \$16,253.2 million (approved in 2012) by \$8,550.0 million to \$24,803.2 million. Panel members did not support the proposed increase and called on the Administration to critically examine whether there were any alternative options.

48. The Administration then consulted the Panel at the meetings on 22 April and 5 May 2014 on a revised proposal, under which the APE of 19GB would increase from \$16,253.2 million by \$8,196.6 million to \$24,449.8 million (vis-à-vis the original proposed revised estimate of \$24,803.2 million). The reduction of \$353.4 million from the original proposed increase (\$8,550.0 million) was a result of updating the provision for price adjustment of 19GB based on the latest price adjustment factors adopted in March 2014. After deliberation, the majority of Panel members supported the submission of the funding proposal to PWSC for

consideration. However, they have expressed concerns on a number of issues related to the LT/HYW BCP project.

49. In view of the serious cost overrun of 19GB, members cast great doubt on the accuracy of the Administration's estimation of project costs. Noting that according to the Administration's analysis, the higher-than-expected tender prices were partly due to the poor ground condition encountered for the construction of Lung Shan Tunnel, a 4.8 km tunnel between the proposed interchanges at Fanling Highway and Sha Tau Kok Road, some members queried whether the Administration or the consultant for the tunnelling works should be held responsible for failing to apply appropriate techniques to appraise the ground condition. There were also concerns on whether the Administration should commission one single consultant to undertake both the design of a project and the estimation of the project cost.

50. While admitting that the estimation of the project cost for 19GB had failed to grasp the market pulse in 2012 and that the cost overrun was undesirable, the Administration asserted that the project cost estimate had been prepared with best information and efforts. The Administration explained to members that construction of tunnels was technically complex and demanding in nature and it was impossible for site investigations to provide 100% accurate information on the actual ground condition.

51. Members discussed in detail whether it was desirable for the Administration to include a "provision for price adjustment" in the cost estimate for a public works project ("PWP") such as that for 19GB to cater for market fluctuation in labour and material costs. Some members opined that the risks of cost fluctuation should not be shouldered entirely by the Administration. Some were concerned that, as there was a "provision for price adjustment" in each public works contract, some contractors might submit bids with unreasonably low prices in order to secure the contracts, but asked for additional payments afterwards. They urged the Administration to review the prevailing tendering mechanism in respect of the "provision for price adjustment".

#### *Cost overrun in other public works projects*

52. In addition to the proposed increase in the APE of the LT/HYW BCP project, the huge cost overrun in other PWPs under the Capital Works Programme in the past year has also aroused the Panel's grave concern. These projects included the Central-Wan Chai Bypass and Island Eastern Corridor Link (project cost estimate increased from \$28,104.6 million to

\$36,038.9 million), and the redevelopment of Ying Wa Girls' School at Robinson Road (project cost estimate increased from \$432.7 million to \$653.4 million). In February 2014, the Administration briefed the Panel on the major challenges that it faced in delivering the Capital Works Programme amid high construction costs and the measures to meet the challenges.

53. Members opined that the bunching of infrastructure projects in recent years had led to escalating construction costs and tightening construction labour situation. The Administration should take measures to regulate and prioritize the implementation of PWPs. Some members suggested that the Administration should study how to distribute the volume of construction works evenly over the next few years so that it would not exceed the delivery capacity of the construction workforce, the costs of PWPs could be maintained at a stable level, and the quality of construction works would not be adversely affected.

54. The Administration explained that in considering the funding requests submitted by policy bureaux, it had all along taken into account the assessment on the delivery capacity of the construction industry. Based on the assessment, priorities would be accorded to individual projects. Regarding the suggestion of postponing projects to minimize the construction peak, the Administration held the view that, as the forecast overall construction expenditure for the next 10 years would be steadily maintained at a high level, deferring worthwhile projects might run the risk of creating a more acute construction peak several years later, which might result in even higher project prices.

55. On the measures to ease the shortage of construction workers, the Administration advised that more young people had been attracted to join the industry since the launching of enhanced training programmes and publicity initiatives in 2010. It was anticipated that, despite the enhanced training initiatives, the industry would need about 10 000 additional skilled workers in the next few years. The Administration would make full use of the Supplementary Labour Scheme, which allowed employers with genuine difficulties in finding suitable staff locally to import workers. Some members considered that there was no necessity for importation of construction workers, as the employment situation of local construction workers had yet to be improved.

56. In bidding a works contract, tenderers might add risk premiums to their bids to cater for the project risks, such as project complexity and time uncertainty, that they might face. The Panel noted that the increase in the

risk premiums in contractors' bids was one of the factors that had contributed to the 59% increase of the Building Works Tender Price Index over the period from 2009 to 2013. Members enquired about the measures that the Administration would take to help reduce the impact of this factor. The Administration advised that one of the measures was to divide a contract into several contracts of smaller amount. Moreover, the Administration had adopted the New Engineering Contract ("NEC") form in some pilot public works contracts to advocate collaboration in risk management by the contracting parties. The NEC form could put in place a pain share/gain share mechanism under which the Administration and the contractor shared the difference between the actual construction cost and the final target cost, as well as encourage contractors to mitigate at an early stage the consequence when the risk was materialized.

*Proposed establishment of a Harbourfront Authority: Phase I public engagement*

57. The Panel has been monitoring issues related to the planning and development of the Victoria harbourfront, a unique natural asset of Hong Kong with extraordinary historical and economic significance. In 2011, the Subcommittee on Harbourfront Planning set up under the Panel recommended in its work report the establishment of a statutory body to coordinate and implement strategic harbourfront development. In October 2013, the Harbourfront Commission and the Administration launched the Phase I PE exercise on the proposed establishment of a statutory Harbourfront Authority and consulted the Panel in October 2013.

58. Members of the Panel were in general supportive of setting up a dedicated statutory authority to enhance the planning, design, development and management of the harbourfront for public enjoyment. They stressed the importance for the Administration to provide the authority with adequate power and financial resources. Some members expressed concerns on the composition of the authority, in particular, whether the interests of different stakeholders would be represented in the authority. Some held the view that the Administration should have provided the details of the framework of the proposed Harbourfront Authority for public consultation.

59. The Administration noted members' concerns and explained that at the present stage, it did not have a pre-determined position on the detailed framework of the Harbourfront Authority. It would listen to public views on the possible roles, functions, powers and mode of operation of the authority collected in the Phase I PE before putting forward concrete

proposals for discussion in the Phase II PE. The Administration assured members that if the proposal of setting up a statutory Harbourfront Authority had general public support, it would take forward the legislative work and provide financial support. The Chairman of the Harbourfront Commission agreed with members that the terms of reference, the institutional setup, the financing model, the check and balance system, etc., of the authority were all key issues. He stressed that those issues would be discussed in detail in the Phase II PE.

60. Other major subjects deliberated by the Panel during the session included the work of the Urban Renewal Authority, the review of policy on the conservation of built heritage, and the policy relating to preservation of historical remains discovered at works sites.

#### Funding and legislative proposals

61. Besides the feasibility and planning studies mentioned in the earlier part of this report, the Panel has examined a number of other funding proposals relating to PWPs before they were submitted to PWSC and FC for consideration. These proposals included those on the detailed feasibility study for developing an environmentally friendly linkage system for Kowloon East, the reprovisioning of the Harcourt Road fresh water pumping station, the Greening Master Plans for the New Territories, and the relocation of Sha Tin Sewage Treatment Works to caverns, etc. The Panel also gave views on the proposed amendments to the Land (Miscellaneous Provisions) Ordinance (Cap. 28) and the Construction Workers Registration Ordinance (Cap. 583), and the proposed revision of fees under the Building (Oil Storage Installations) Regulations and the Buildings (Administration) Regulations.

#### Work of Joint Subcommittee

62. The Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project formed under the Panel on Development and the Panel on Home Affairs has deliberated various issues including minor relaxation of the development intensity of the West Kowloon Cultural District ("WKCD") site, the latest financial situation of and arrangements for the WKCD project, the implementation of the WKCD integrated basement, roles and functions of the Consultation Panel of the WKCD Authority, development of cultural software, etc.

Meetings held

63. Up to the end of June 2014, the Panel has held a total of 15 meetings during the current session, including a joint meeting with the Panel on Housing. The joint subcommittee under the Panel has held a total of 6 meetings during the same period.

Council Business Division 1  
Legislative Council Secretariat  
30 June 2014

## **Appendix I**

### **Panel on Development**

#### **Terms of Reference**

1. To monitor and examine Government policies and issues of public concern relating to lands, buildings, planning, water supply, development-related heritage conservation, Public Works Programme and other works matters.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

**Panel on Development**

**Membership list for 2013-2014 session**

**Chairman** Dr Hon LAU Wong-fat, GBM, GBS, JP

**Deputy Chairman** Hon Tony TSE Wai-chuen

**Members**

Hon James TO Kun-sun  
Hon CHAN Kam-lam, SBS, JP  
Hon Emily LAU Wai-hing, JP  
Hon Abraham SHEK Lai-him, GBS, JP  
Hon Frederick FUNG Kin-kee, SBS, JP  
Hon Cyd HO Sau-lan  
Dr Hon LAM Tai-fai, SBS, JP  
Hon CHAN Hak-kan, JP  
Hon CHAN Kin-por, BBS, JP  
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP  
Hon IP Kwok-him, GBS, JP  
Hon Mrs Regina IP LAU Suk-yee, GBS, JP  
Hon Alan LEONG Kah-kit, SC  
Hon LEUNG Kwok-hung  
Hon Albert CHAN Wai-yip  
Hon Claudia MO (up to 20 October 2013)  
Hon Michael TIEN Puk-sun, BBS, JP  
Hon James TIEN Pei-chun, GBS, JP  
Hon WU Chi-wai, MH  
Hon YIU Si-wing  
Hon Gary FAN Kwok-wai  
Hon CHAN Chi-chuen  
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 KWOK Ka-ki  
Dr Hon Fernando CHEUNG Chiu-hung  
Dr Hon CHIANG Lai-wan, JP  
Ir Dr Hon LO Wai-kwok, BBS, MH, JP

(Total: 32 members)

**Clerk** Ms Sharon CHUNG

**Legal Adviser** Miss Kitty CHENG (up to 20 February 2014)  
Mr Kelvin LEE (from 21 February to 1 May 2014)  
Miss Winnie LO (since 2 May 2014)