

**立法會**  
**Legislative Council**

LC Paper No. CB(1)985/14-15  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/DEV

**Panel on Development**

**Minutes of meeting**  
**held on Tuesday, 24 March 2015, at 2:30 pm**  
**in Conference Room 3 of the Legislative Council Complex**

**Members present** : Hon Tony TSE Wai-chuen, BBS (Chairman)  
Dr Hon LAU Wong-fat, GBM, GBS, JP  
(Deputy Chairman)  
Hon James TO Kun-sun  
Hon CHAN Kam-lam, SBS, JP  
Hon Emily LAU Wai-hing, JP  
Hon Frederick FUNG Kin-kee, SBS, JP  
Hon Cyd HO Sau-lan, JP  
Hon CHAN Hak-kan, JP  
Hon CHAN Kin-por, BBS, JP  
Hon IP Kwok-him, GBS, JP  
Hon Paul TSE Wai-chun, JP  
Hon Alan LEONG Kah-kit, SC  
Hon LEUNG Kwok-hung  
Hon Albert CHAN Wai-yip  
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  
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

**Members absent** : Hon Abraham SHEK Lai-him, GBS, JP  
Hon Mrs Regina IP LAU Suk-yea, GBS, JP  
Hon CHAN Han-pan, JP  
Dr Hon Fernando CHEUNG Chiu-hung  
Dr Hon Elizabeth QUAT, JP  
Ir Dr Hon LO Wai-kwok, BBS, MH, JP

**Public officers attending** : **Agenda item IV**

Mr WONG Chung-leung  
Principal Assistant Secretary (Works)<sup>3</sup>  
Development Bureau

Mr Vincent MAK Shing-cheung  
Assistant Director/Development  
Water Supplies Department

Mr KAM Wing-kee  
Chief Engineer/Development (2)  
Water Supplies Department

Mr Frank WONG Tak-choi  
Project Director 1  
Architectural Services Department

Miss Monica LAM Sau-lai  
Chief Project Manager 101  
Architectural Services Department

**Agenda item V**

Mr WONG Chung-leung  
Principal Assistant Secretary (Works)<sup>3</sup>  
Development Bureau

Mr Enoch LAM Tin-sing, JP  
Director of Water Supplies

Mr LEUNG Wing-lim, JP  
Assistant Director/New Works  
Water Supplies Department

Mr LEUNG Chung-lap  
Chief Engineer/Consultants Management  
Water Supplies Department

**Agenda item VI**

Mr Arsene YIU Kai-cheuk  
Principal Assistant Secretary  
(Planning and Lands)<sup>3</sup>  
Development Bureau

Mr LEUNG Siu-man  
Assistant Director/Corporate Services  
Buildings Department

**Agenda item VII**

Ms Selene TSOI Sze-long  
Deputy Secretary for Development  
(Planning & Lands)<sup>3</sup>

Mr Christopher Seabrook MILLS, JP  
Deputy Director of Lands (Specialist)

Mr Tony MOYUNG Hon  
Assistant Director of Lands (Acquisition)

Mr Albert CHEUNG Ka-lok  
Chief Estate Surveyor (Valuation Section)  
Lands Department

**Clerk in attendance :** Ms Sharon CHUNG  
Chief Council Secretary (1)<sup>2</sup>

**Staff in attendance :** Mr Fred PANG  
Senior Council Secretary (1)<sup>2</sup>

Mr Raymond CHOW  
Council Secretary (1)<sup>2</sup>

Ms Christina SHIU  
Legislative Assistant (1)2

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Action

**I Confirmation of minutes**

(LC Paper No. CB(1)626/14-15 -- Minutes of meeting on  
5 January 2015)

The minutes of the regular meeting on 5 January 2015 were confirmed.

**II Information papers issued since the last meeting**

(LC Paper No. CB(1)596/14-15(01) -- Issue raised at the meeting  
between Legislative Council  
Members and Eastern  
District Council members on  
5 June 2014 relating to  
enhancement of regulation  
over sub-divisions of flat  
units)

2. Members noted that the above information papers had been issued since the last meeting.

**III Items for discussion at the next meeting**

(LC Paper No. CB(1)650/14-15(01) -- List of outstanding items for  
discussion

LC Paper No. CB(1)650/14-15(02) -- List of follow-up actions)

3. Members agreed that the next regular meeting scheduled for Tuesday, 28 April 2015, at 2:30 pm would be extended to end at 5:45 pm to discuss the following items proposed by the Administration --

- (a) PWP Item No. 711CL -- Kai Tak Development -- Infrastructure Works for Developments at the Southern Part of the Former Runway and Progress Report on Kai Tak Development;
- (b) PWP Item No. 45CG -- District Cooling System at Kai Tak Development; and

- (c) PWP Item No. 570CL - Ground Decontamination Works at the Site of Ex-Kennedy Town Incineration Plant/Abattoir and Adjoining Area.

*(Post-meeting note: The notice and agenda of the meeting on 28 April 2015 were issued to members vide LC Paper No. CB(1)681/14-15 on 25 March 2015.)*

**IV PWP Item No. 117KA -- Relocation of New Territories West Regional Office and Water Resources Education Centre of Water Supplies Department to Tin Shui Wai**

(LC Paper No. CB(1)650/14-15(03) -- Administration's paper on 117KA -- Relocation of New Territories West Regional Office and Water Resources Education Centre of Water Supplies Department to Tin Shui Wai

LC Paper No. CB(1)650/14-15(04) -- Paper on the relocation of New Territories West Regional Office and Water Resources Education Centre of Water Supplies Department to Tin Shui Wai prepared by the Legislative Council Secretariat (Background brief))

4. With the aid of a powerpoint presentation, Chief Engineer/Development (2), Water Supplies Department briefed members on the Administration's proposal to upgrade PWP Item No. 117KA to Category A at an estimated cost of \$823.4 million in money-of-the-day prices for the relocation of the existing New Territories West Regional Office and Water Resources Education Centre ("WREC") of the Water Supplies Department ("WSD") at Sai Yee Street, Mong Kok, to Tin Shui Wai. Subject to the Panel's support, the Administration planned to seek the endorsement of the Public Works Subcommittee ("PWSC") and the funding approval of the Finance Committee ("FC") for the project.

(*Post-meeting note: A soft copy of the powerpoint presentation materials was circulated to members vide LC Paper No. CB(1)678/14-15(01) by email on 25 March 2015.*)

5. The Chairman reminded members that in accordance with Rule 83A of the Rules of Procedure of the Legislative Council ("LegCo"), they should disclose the nature of any direct or indirect pecuniary interests relating to the subjects under discussion at the meeting before they spoke on the subjects.

Utilization of land resources at the project site in Tin Shui Wai

6. Mr WU Chi-wai suggested that the Administration should relocate WSD facilities scattered across Kowloon and the New Territories as appropriate to the proposed new building in Tin Shui Wai to fully utilize the land resources at the project site. Referring to the Administration's recent initiative to boost flat supply by increasing the domestic plot ratios ("PRs") of housing sites by 20%, he considered that the same principle should apply to Government, Institution or Community ("G/IC") sites, so that more space would be made available for housing public facilities.

7. Mr WU's view was shared by Ms Emily LAU. In view of the lack of public facilities in Tin Shui Wai, she said that the Administration should optimize the land use by providing other facilities than WREC and WSD's office in the proposed new building, if the site concerned was under-utilized. She asked whether the Development Bureau/WSD had consulted other government bureaux/departments on their needs for space to provide public facilities at the site.

8. Mr Albert CHAN commented that the Administration's existing practice of determining the use of a G/IC site could not cope with the pressing needs of the community for public facilities, rendering some of these sites under-utilized. In this connection, he urged the Administration to formulate a mechanism/guidelines to optimize the use of G/IC sites, such as setting a minimum PR of 5 for such sites in certain districts. Mr CHAN and Ms LAU proposed that the Panel should discuss the utilization of land resources at G/IC sites in future.

9. In response, Assistant Director/Development, Water Supplies Department ("AD(Dev)/WSD") said that apart from WSD facilities in Mong Kok, WSD sub-offices in Tuen Mun and Yuen Long would also be relocated to the proposed new building in Tin Shui Wai to fully utilize the

floor area available. Project Director 1, Architectural Services Department ("PD1/ArchSD") advised that the reference PR of 3 for the project site was considered appropriate by the Planning Department, whereas the project under design would achieve a PR of 2.98, subject to the finalized design.

10. Principal Assistant Secretary (Works)3, Development Bureau ("PAS(W)3/DEVB") said that when considering the reference PR for the site, the Planning Department should have taken into account the surrounding environment, which featured mainly low-rise buildings including a secondary school, a swimming pool and a park. On the arrangement of consulting user departments before the commencement of a government building project, PAS(W)3/DEVB advised that the Government Property Agency would request other departments to consider if they had any need for space that could be incorporated into the project if the project site was under-utilized. Given that the PR of the site for the proposed new building was fully utilized, it would not be necessary for the Administration to make such request to other departments.

11. To address members' concerns over the utilization of land resources at the project site, the Chairman requested the Administration to provide the rationale for setting the PR at 3.

*(Post-meeting note: The Administration's supplementary information was circulated to members vide LC Paper No. CB(1)772/14-15(01) on 22 April 2015.)*

12. The Chairman further requested that the Administration should provide a paper on utilization of land resources at G/IC sites in general, covering the following areas --

- (a) the mechanism/guidelines for determining the PR of a G/IC site and consulting user departments/organizations (other than the project proponent) on their need for accommodation/land resources for providing public facilities at a project site;
- (b) the measures to ensure that the land resources at a G/IC site would be fully utilized in response to the needs of the community;
- (c) the mechanism, if any, to increase the PR of a G/IC site before a project at the site was commenced; and
- (d) the plan, if any, to conduct an overall review on optimization of

site utilization in respect of G/IC sites.

*(Post-meeting note: The Administration's supplementary information was circulated to members vide LC Paper No. CB(1)772/14-15(01) on 22 April 2015.)*

Utilization of the proposed Water Resources Education Centre in Tin Shui Wai

13. Mr CHAN Kin-por enquired about the measures to be adopted by WSD to attract visitors to WREC after it was relocated from Mong Kok to Tin Shui Wai. In view of the larger size of the new WREC, he asked whether WSD would set a target number for visitors to be received per annum; if so, the follow-up actions to be taken in case the target was not met.

14. AD(Dev)/WSD advised that WSD would invite schools, educational groups and local community organizations, etc., to visit the proposed new WREC in Tin Shui Wai. Moreover, it would collaborate with the Hong Kong Wetland Park in Tin Shui Wai to explore the possibility of arranging a joint programme for tour groups to visit the park as well as WREC. WREC would also be open to members of the public. As regards the target number of visitors, AD(Dev)/WSD said that for the temporary WREC in Mong Kok, the target number of visitors per annum was 10 000. Given that the proposed WREC in Tin Shui Wai was about four times of the size of that in Mong Kok, WSD would consider setting the target number of visitors to at least 40 000 per annum.

15. Mr CHAN Kin-por expressed support for the Administration's plan to promote public awareness on nature conservation through organizing joint tours of the Hong Kong Wetland Park and WREC. Considering an annual attendance rate of 10 000 visitors a low figure for the existing WREC in Mong Kok, Mr WU Chi-wai suggested that, instead of relocating WREC to Tin Shui Wai, it might be more effective, in terms of attracting more visitors, to co-locate WREC with the green education facilities provided by other departments/organizations (e.g. ZCB in Kowloon Bay).

16. AD(Dev)/WSD explained that the proposed new building in Tin Shui Wai would be installed with water saving features, such as grey water recycling and rainwater harvesting systems. Housing WREC in the new building would enable an on-site demonstration of these water saving features for visitors.



17. Noting that a lecture room/classroom would be provided in the proposed new WREC in Tin Shui Wai, the Chairman urged the Administration to make optimal use of the facility. In view of a strong demand for such facilities from schools and organizations in Tin Shui Wai, Ms Emily LAU suggested that the lecture room/classroom should be made available for the use of schools and organizations. She opined that WSD should make it known to the public/concerned organizations that the room would be made open for their use. AD(Dev)/WSD replied that the lecture room/classroom concerned would be designed as a multi-purpose room to accommodate the different needs of WSD and the public.

#### Implementation approach for the project

18. Noting that a design-and-build contract would be awarded for the construction of the proposed new building, the Chairman opined that the approach might not be the most cost-effective way for developing the building. He enquired about the rationale for adopting such an approach. PD1/ArchSD advised that in the face of a relatively tight timeframe for vacating the site of the existing WSD facilities in Mong Kok, the design-and-build approach would allow the same contractor to undertake both the design and construction works, thereby ensuring the timely completion of the project to tie in with the release of the site in Mong Kok. The Chairman held the view that the design-and-build approach was not necessarily the best way to shorten the construction period and it was most important to adopt an implementation approach that would achieve the highest cost-effectiveness.

#### Redevelopment of the site of the existing facilities of Water Supplies Department in Mong Kok

19. The Chairman asked if the relocation of the existing WSD facilities in Mong Kok would dovetail with the vacation of the adjacent site of the offices-cum-vehicle depot of the Food and Environmental Hygiene Department ("FEHD"). PAS(W)3/DEVB advised that the demolition works of the existing WSD facilities on Sai Yee Street, Mong Kok, would be completed by 2019 the earliest, and the FEHD offices-cum-vehicle depot would be relocated around the same time. This would then enable the two sites to be released at more or less the same time for development. The Planning Department would commence a consultancy study this year on the redevelopment of the government sites at Sai Yee Street and Mong Kok East Station.

20. In concluding the discussion, the Chairman said that the Panel supported the Administration's submission of the proposal to PWSC for its consideration.

**V PWP Item No. 357WF -- Design and construction for the first stage of desalination plant at Tseung Kwan O -- investigation study review, design and site investigation**

(LC Paper No. CB(1)650/14-15(05) -- Administration's paper on 357WF -- Design and construction for first stage of desalination plant at Tseung Kwan O -- investigation study review, design and site investigation

LC Paper No. CB(1)650/14-15(06) Paper on the proposed construction of a desalination plant at Tseung Kwan O prepared by the Legislative Council Secretariat (Background brief))

21. With the aid of a powerpoint presentation, Chief Engineer/Consultants Management, Water Supplies Department briefed members on the Administration's proposal to upgrade part of PWP Item No. 357WF to Category A at an estimated cost of \$154.6 million in money-of-the-day prices to carry out review and design and associated site investigation works ("the proposed study") for the first stage of the proposed desalination plant at Tseung Kwan O ("TKO"). Subject to the Panel's support, the Administration planned to seek the endorsement of PWSC and the funding approval of FC for the proposed study.

*(Post-meeting note: A soft copy of the powerpoint presentation materials was circulated to members vide LC Paper No. CB(1)678/14-15(02) by email on 25 March 2015.)*

22. The Chairman reminded members that in accordance with Rule 83A of the Rules of Procedure of LegCo, they should disclose the nature of any direct or indirect pecuniary interests relating to the subjects under discussion at the meeting before they spoke on the subjects.

Need for a desalination plant

23. Mr LEUNG Che-cheung asked whether a desalination plant with a capacity to produce only 5% of the fresh water supply for Hong Kong could meet local needs during drought years. He also sought explanation from the Administration about the rationale for conducting the proposed study at present.

24. Director of Water Supplies ("DWS") explained that with the advancement of desalination technology, desalination cost had reduced from \$30 per cubic metre ("m<sup>3</sup>") some 20 years before to the present \$12-\$13 per m<sup>3</sup>. The leading countries in seawater reverse osmosis desalination technology (e.g. the United States, Australia, Israel, Singapore, Mainland and Middle East countries), which had started to use such technology about a decade before, had taken the opportunity to develop new desalination plants. Therefore, the Administration considered that it was the right time to develop a desalination plant using reverse osmosis desalination technology in Hong Kong. DWS further advised that in 2021, the forecast fresh water demand of Hong Kong would reach 986 million cubic metres ("mcm"), whereas the local fresh water resources would amount to a mere 130 mcm during drought years. It was noteworthy that the shortfall between the two (i.e. 856 mcm) was larger than the annual Dongjiang ("DJ") water supply ceiling to Hong Kong, which was set at 820 mcm per annum. While it was feasible to increase DJ water supply beyond 820 mcm, the strong demand for DJ water from other cities in the Guangdong Province meant that there would be a keen competition for the scarce water resources of DJ when a severe drought occurred. The development of a desalination plant at TKO would not only better prepare Hong Kong for water shortage arising from severe droughts in future, but also enable Hong Kong to master desalination technology and nurture local talents to operate the facilities.

25. Mr LEUNG Kwok-hung asked if the proposal of constructing a desalination plant at TKO was a response to the "Vision on Expediting Seawater Desalination Industry Development" published in 2012 by the General Office of the State Council aiming at expediting the development of seawater desalination. Mr LEUNG Che-cheung also asked whether the

purpose of developing seawater desalination in Hong Kong was to follow the national strategy.

26. DWS advised that the Administration had endeavoured over the past years to develop seawater desalination as an additional water source. In 2007, the Water Supplies Department ("WSD") had completed a pilot study on the development of desalination facilities in Hong Kong. The Total Water Management Strategy promulgated in 2008 had also put forward the initiative of developing seawater desalination to meet the challenges arising from climate change. In 2012, WSD had initiated a planning and investigation study for the construction of a desalination plant at TKO. Meanwhile, the policy paper issued by the General Office of the State Council on seawater desalination in 2012 had served as a reference guideline. DWS added that in deciding whether to develop seawater desalination, the concerned authorities of each place would take into account the local conditions. For example, the growing demand for water but insufficient supply of fresh water in the United States, Australia and Israel had led to a proliferation of development of desalination plants in these countries.

27. Mr James TIEN said that he had doubt on the need to conduct the proposed study. He opined that, in view of a slow population growth in Hong Kong, the anticipated water demand would not significantly increase in future. Moreover, the supply of DJ water to Hong Kong was guaranteed with room to further increase should the need arose. He also recalled that LegCo had urged the Administration to reduce the level of DJ water supply a few years before so as to save the need to discharge unused DJ water to the sea.

28. DWS replied that water demand in future was affected by population growth as well as economic activities. A study conducted by WSD indicated that domestic and commercial water demand increased by about 10 mcm per annum, resulting in the total water demand increased up to 986 mcm in 2021. As the fresh water collected from local catchment in the past 30 years, varying from about 100 mcm to more than 300 mcm per annum, was inadequate to meet the future needs of Hong Kong, the supply of DJ water was required to meet the shortfall. The quantity of DJ water available for extraction was about 10 100 mcm to 10 600 mcm per annum. However, the amount of DJ water extracted by seven cities in the Guangdong Province had already reached 10 000 mcm per annum. Therefore, there was a need to develop a desalination plant in Hong Kong to minimize the risk of interruption of water supply during drought years.

29. Mr Albert CHAN welcomed the Administration's plan to conduct the proposed study. He enquired if the Administration had formulated a water supply strategy setting out the respective proportions of fresh water to be produced from various sources to meet the local demand.

30. DWS advised that in 2014, 1 230 mcm of seawater and fresh water were consumed in Hong Kong per annum. Of this amount, about 20% came from local fresh water resources, about 60% was supplied by DJ water, and the remaining 20% or so was seawater used for flushing. WSD had outlined a long-term water supply strategy to explore new water sources which were insensitive to climate change, such as seawater desalination and water reclamation. Upon the commissioning of the proposed desalination plant in 2020, its capacity would account for 5% (10% if expanded) of the total fresh water supply in Hong Kong. WSD had also studied the use of reclaimed water in the New Territories North for flushing. As such, the proportions of various water supply sources after the commissioning of the desalination plant would be adjusted as follows: up to 10% from desalination, 25% from reclaimed water, grey water and seawater (used for flushing), 50% or so from DJ water, with the remaining being water from local fresh water resources.

#### Desalination cost

31. Mr CHAN Hak-kan said that he had no objection in principle to the proposed construction of a desalination plant. However, he was concerned about the high desalination cost of about HK\$12-\$13 per m<sup>3</sup> for the proposed desalination plant at TKO as compared with about HK\$8-\$9 per m<sup>3</sup> for the cost of DJ water and around US\$0.5 per m<sup>3</sup> for the desalination cost in Singapore. Taking into consideration that both Singapore and Hong Kong used/would use the reverse osmosis technology for seawater desalination, he enquired about the reason for the huge difference between the desalination costs in the two places. Mr Paul TSE asked if it was possible to seek detailed information about the desalination cost in Singapore. Mr WU Chi-wai sought information about breakdowns of the desalination costs in Hong Kong and overseas places for a comparison. Mr Gary FAN noted that desalination costs in different places varied from \$4.1 to \$23.7 per m<sup>3</sup> at the 2010 price level. In this connection, he asked if the Administration could provide any updated figures of desalination costs in overseas countries/cities and the reasons for the cost differences among them.

32. DWS replied that with the advancement of the reverse osmosis technology, desalination costs around the world had declined gradually over

the years. The declining costs helped boost the market share of desalination plants using the reverse osmosis technology from 10%-20% in 1999 to the present 60%-70%. Moreover, the cost of seawater desalination in a place was affected by factors such as the quality of the seawater, requirements for the quality of the desalinated water, local electricity cost and energy efficiency of desalination facilities. Compared with some other places where seawater was only filtered for one time in the reverse osmosis process, the cost of seawater desalination in Hong Kong would be higher due to the plan to filter seawater twice in the same process to produce potable water meeting international standards. DWS further advised that as part of the proposed study, consultants would be engaged to explore the possibility of further lowering the desalination cost in view of the technological advancement of desalination.

33. On the difference among the desalination costs in different places, DWS said that it was difficult to draw a direct comparison between Hong Kong and other places. The estimated desalination cost in Hong Kong was an all-inclusive amount, whereas the figures provided by the International Desalination Association excluded water distribution and customer service costs. WSD staff had visited the water authorities of Singapore to collect information about the desalination cost in the country. However, there were details about the cost that the Singaporean authorities preferred not to disclose. That said, WSD would continue to seek further details from the Singaporean authorities as far as possible.

34. Indicating support for the proposed study, Mr Gary FAN and Mr CHAN Chi-chuen enquired about the respective breakdowns of costs of production of potable water from DJ water and seawater desalination. Mr CHAN referred to media reports about the deteriorating quality of DJ water and enquired if the cost of purchasing and treating DJ water would increase to a level comparable to the cost of seawater desalination.

35. DWS replied that the respective breakdowns of costs of production of potable water from DJ water and seawater desalination were as follows:

<i>Item</i>	<i>Water production cost per m<sup>3</sup></i>	
	<i>DJ water</i>	<i>Seawater desalination (estimated cost)</i>
Purchase cost	\$4-\$5	Inapplicable
Capital cost for the construction of a desalination plant	Inapplicable	\$4-\$5
Electricity cost	Small amount	\$4
Water distribution and customer service costs	\$2	\$2
Other costs including procurement of chemicals, maintenance, and replacement of membranes	\$2	\$2
Total	\$8-\$9	\$12-\$13

36. DWS drew members' attention to the fact that the land premium of the site for the proposed desalination plant was excluded from the calculation of the estimated desalination cost. In other words, the cost difference between DJ water and desalination would be more significant if the land premium was taken into account. DWS added that studies on enhancing the energy efficiency of desalination facilities were being conducted in overseas places. The Administration considered the downward trend of desalination costs worldwide would continue, but it was difficult to predict when the costs would come down to a level comparable to the cost of importing DJ water. As regards the quality of DJ water, DWS advised that the Mainland authorities had invested heavily in improving the quality of DJ water. The result of the monitoring conducted by WSD indicated that the quality of DJ water was in compliance with the national standard.

37. Referring to the example of fuel mix for electricity generation, Mr WU Chi-wai opined that a similar arrangement could be introduced for the water supply system in Hong Kong, given that the costs of water production from local catchment, DJ water and desalination were different. In this regard, he sought details about the cost structure of water supply in Hong Kong.

38. DWS explained that the water production cost comprised purchase cost for DJ water, electricity cost, water distribution and customer service costs, and other costs. There was income from bill payments, the Government's subsidy and rate payments. The Administration would take

into account the cost, the income and other factors when considering an adjustment to water tariffs.

39. Mr Gary FAN enquired whether the estimated desalination cost for the proposed desalination plant at TKO, at about \$12 to \$13 per m<sup>3</sup>, referred to the current price level or the projected cost when the proposed plant would commence operation in 2020. DWS replied that the costs of DJ water and seawater desalination given were based on the 2013 price level to facilitate a meaningful comparison between the two water sources.

40. In response to Mr Albert CHAN's enquiry about the size of a desalination plant which would ensure cost-effectiveness, DWS said that the proposed desalination plant at TKO was a medium-sized plant with a capacity to produce 50 mcm of fresh water per annum at the first stage. The Administration considered that a desalination plant with such a size would achieve a high degree of cost-effectiveness as its production capacity was on par with similar desalination facilities in many overseas places.

#### Development approach for the proposed desalination plant

41. Noting that the Administration had yet to decide the adoption of a "design and build" approach or a "design-build-operate" ("DBO") approach for the development of the proposed desalination plant, Mr CHAN Hak-kan asked about the Administration's stance on the matter.

42. DWS advised that the DBO approach was adopted by most of the desalination plants around the world. The Administration was open-minded to the development approach of the proposed plant at TKO. WSD would engage consultants under the proposed study to examine which approach would best suit the situation of Hong Kong with a view to minimizing the desalination cost.

#### Expansion of the capacity of the proposed desalination plant

43. Mr CHAN Kin-por enquired about the likelihood of an in-situ expansion of the proposed desalination plant such that the production capacity of the plant could be increased to 20% of the total water supply in Hong Kong in future.

44. DWS replied that WSD would closely monitor the development of desalination technology and explore the possibility of expanding the proposed plant through reclamation. However, to minimize the delivery cost, a desalination plant should be close to the area to which the water was



to supply. In this connection, the Administration considered it suitable to locate the proposed desalination plant at TKO Area 137.

45. Mr Gary FAN enquired when and under what conditions the second stage of the proposed desalination plant would be carried out, and whether it would be more cost-effective to launch the first stage and second stage simultaneously, rather than by phases. Mr LEUNG Kwok-hung, Mr CHAN Chi-chuen and Mr WU Chi-wai considered that the development of more desalination plants was required to ensure a reliable supply of fresh water in Hong Kong. Mr WU sought information about the factors that the Administration took into account when selecting a site for developing a desalination plant.

46. DWS advised that the Administration considered it appropriate to develop the proposed desalination plant by phases as the production capacity of a desalination plant was determined by the amount of desalinated water required and the development scale that was considered most cost-effective. There were many cases in overseas places where desalination plants were developed in two phases having regard to the amount of water required. Compared with developing the proposed project in one go, the two-phase development approach would enable the Administration to accumulate experience at the first stage and make use of new desalination technology to lower the production cost at the second stage. Moreover, a desalination plant with a capacity to produce 50 mcm of fresh water per annum was widely regarded as cost-effective.

47. On the suggestion of developing more than one desalination plant, DWS said that the Administration would take the following factors, among others, into consideration: (a) for a site suitable for developing a desalination plant, to achieve cost-effectiveness, it should be close to the area to which the water was to supply; and (b) seawater of consistently good quality should be available at the seawater intake point of the plant, while the discharge of brine into the sea would not cause adverse impact on the surrounding marine environment. If artificial islands would be constructed in the central waters, they might provide good conditions for developing a desalination plant.

48. Mr Michael TIEN opined that the desalination cost could be lowered to \$9 per m<sup>3</sup> after the plant reached its ultimate production capacity of 100 mcm per annum by amortizing the construction cost of the proposed project (i.e. \$9.3 billion) over its estimated useful life of 50 years. Moreover, with an anticipated increase in the purchase price of DJ water and a declining desalination cost alongside technological advancement, the price difference between DJ water and desalinated seawater would be narrowed down in the

coming years. Therefore, he considered it worthwhile to increase the target share of the water to be produced from seawater desalination from 5%-10% to 30%-40% of fresh water supply.

49. DWS responded that the construction cost of \$9.3 billion referred to the amount required for the construction of the first stage of the proposed desalination plant with an annual water production capacity of 50 mcm. To reach the full capacity of 100 mcm per annum, the second stage of the plant would have to be constructed. However, the estimated construction cost for the second stage was not yet available. Mr Michael TIEN requested the Administration to provide an estimation of the capital cost for the construction of the second stage of the plant.

*(Post-meeting note: The Administration's supplementary information was circulated to members vide LC Paper No. CB(1)758/14-15(01) on 21 April 2015.)*

#### Quality of desalinated water

50. Mr LEUNG Che-cheung enquired whether the water to be produced from the proposed desalination plant would comply with the standards for the quality of drinking water. Mr Paul TSE opined that, if the use of the reverse osmosis technology could greatly enhance the quality of drinking water and save treatment costs, it might be worthwhile to develop the proposed desalination plant, though the desalination cost was high.

51. DWS advised that the water produced at the WSD fresh water treatment works was in good quality and drinkable. However, when the water passed through the secondary water supply facilities (e.g. water tanks of buildings) before entering homes, the unsatisfactory hygiene conditions of these facilities might render the water unsuitable for direct drinking. As such, WSD had launched the Quality Water Recognition Scheme for Buildings to encourage building management companies to enhance the quality of tap water through measures such as regular cleansing of water tanks and maintenance of water pipes. As regards the quality of desalinated water, DWS said that it would comply with the same sanitary standard as that for treated water. Moreover, as all harmful substances would be filtered out during the reverse osmosis process, minerals would have to be added to desalinated water to enhance its nutritional benefits and flavour.

#### Other issues

52. Mr WU Chi-wai enquired whether the Administration had conducted an audit on the water usage of government departments and if these departments were required to pay water tariffs.

53. DWS said that the Administration had commissioned a consultancy study on the water usage of three government departments with high water consumption rates, namely the Leisure and Cultural Services Department, FEHD and the Correctional Services Department. The study on two of these government departments had been completed and a water efficiency guideline had been prepared for them to reduce water consumption. DWS also advised that WSD only received notional income from other government departments for the supply of water.

54. Noting that desalinated water would be delivered to the TKO fresh water primary service reservoir for distribution after the treatment process, Mr CHAN Kin-por asked if the water stored in the reservoir could be transferred to the rest of the territory in case water shortage occurred in these districts.

55. DWS replied that the water mains network concerned had been connected to Hong Kong Island East, therefore desalinated water could be delivered to other districts if necessary. However, the electricity cost for water pumping and reliability of fresh water supply should be taken into account when considering the site selection for developing a desalination plant and the fresh water supply zone.

56. The Chairman enquired if the cost estimate should include a provision to cater for price adjustment of the consultants' fees. Given the short duration of the proposed study, Mr WU Chi-wai opined that the price adjustment which might occur during the contract period should be included in the contract on consultancy services as a fixed amount rather than listed out as a separate adjustable cost item.

57. DWS advised that the Administration had incorporated price adjustment into the cost estimate. He said that the suggestion of awarding consultancy service contracts on a fixed-price basis would impose the risk of cost fluctuations to the consultants. The Administration considered it fair to follow the established price adjustment mechanism to allow the consultants to receive additional payments when the prices went up and vice versa.

58. The Chairman asked if the Administration had studied the feasibility of increasing the capacity of local reservoirs to reduce the reliance on DJ water. DWS replied that WSD had explored a few years before the

feasibility of increasing the capacity of the High Island Reservoir and the Plover Cove Reservoir through increasing the heights of the dam. However, after considering the huge construction cost, the difficulty in enlarging the catchment areas and the ecological impact of the construction works, WSD found such an option undesirable.

Submission of the proposal to the Public Works Subcommittee

59. In concluding the discussion, the Chairman said that the Panel supported the Administration's submission of the proposal to PWSC for its consideration.

**VI Revision of fees for registration of building professionals and contractors under the purview of the Buildings Department**

(LC Paper No. CB(1)646/14-15(01) -- Administration's paper on revision of fees for registration of building professionals and contractors under the purview of the Buildings Department)

60. Principal Assistant Secretary (Planning and Lands)<sup>3</sup>, Development Bureau ("PAS(PL)3/DEVB") briefed members on the Administration's proposal to revise 46 fee items in respect of the registration of building professionals and contractors under the purview of the Buildings Department ("BD"). The concerned fee items were related to the registration of : (a) authorized persons, structural engineers, geotechnical engineers, general building contractors and specialist contractors; (b) inspectors; and (c) registered minor works contractors ("RMWCs"). He said that the fee revision was proposed in line with the "user pays" principle to achieve full cost recovery. The Administration planned to introduce amendments to the Building (Administration) Regulations (Cap. 123 sub. leg. A) and the Building (Minor Works) (Fees) Regulation (Cap.123 sub. leg. O) to LegCo in the second quarter of 2015 to bring the fee revision into effect. It was estimated that there would be an increase in revenue of about \$2.0 million per annum if the proposed fee revision was implemented. The details of the proposal were set out in the Administration's paper (LC Paper No. CB(1)646/14-15(01)).

Enhancement of service efficiency

61. The Chairman enquired about the processing time of applications for registration and the feasibility of adopting electronic submission in relation to registration services, which, in his view, would enhance service efficiency. Assistant Director/Corporate Services, Buildings Department ("AD(CS)/BD") responded that BD had been taking steps to facilitate electronic submission in its services. For instance, electronic forms had been introduced for RMWCs to submit minor works applications by electronic means. He assured members that BD would continue its efforts in the electronization of registration services. As regards the processing time of applications for registration, it was specified in the relevant legislation and performance pledges for various types of registration had been set. AD(CS)/BD also remarked that BD had streamlined the work procedures for applications for registration. Taking the renewal application for the registration of an RMWC as an example, the applicant only had to provide BD with the changes, if any, to the information submitted for the last registration, instead of providing all information afresh. In addition, BD had replaced the registration certificates issued to Class III individual RMWCs with registration cards to reduce the workload resulted from reported loss of certificates in the renewal applications.

62. Mr WU Chi-wai enquired whether the Administration would set baseline performance standards in quantitative terms for the services covered by the proposal to make the quality and efficiency of the services measurable. He said that, with quantifiable performance results to refer to, members of the Panel would be in a better position to judge whether the performance of the services justified the recovery of the costs.

63. PAS(PL)3/DEVB responded that there were practical difficulties in setting a baseline for measuring the efficiency and the performance in the provision of services across the board. Given that the procedures and resources in providing different services varied, the Administration had to carry out individual costing for each of the fee items, resulting in different fees for different services. He advised that the Consumer Price Index and the pay of the civil service had both been increased by about 40% in the period from 2005 to 2014, while for most of the fee items, the proposed adjustment was much smaller. This should reflect BD's efforts in enhancing efficiency and streamlining workflows in its provision of services.

64. AD(CS)/BD added that during the cost review exercise, a number of contractors had suggested that the Administration should reduce or freeze the fee increments by streamlining its work procedures. BD had subsequently formulated enhancement measures in response to the suggestion. For instance, RMWCs were now informed of the expiry of their

registrations by email and/or SMS about three months before the expiry dates. This could effectively reduce the number of late applications for registration renewal, the handling of which was more resources-consuming than that of the normal applications. AD(CS)/BD also drew members' attention to the fact that most fee items relating to individual RMWCs would be adjusted downwards under the proposal.

Enhancement measures on the acknowledgment of receipt of specified forms under the Minor Works Control System

65. Mr LEUNG Kwok-hung said that he had no strong views on the proposed fee adjustments for the concerned services. However, he noted that after the introduction of the Minor Works Control System ("MWCS") on 31 December 2010, BD had failed to acknowledge the plans submitted for the works carried out under MWCS in a timely manner and this had made some RMWCs unable to receive payments from their clients. He enquired how BD had tackled the problem.

66. AD(CS)/BD explained that under MWCS, prior approval from BD was not necessary for minor works. Depending on the class of minor works, RMWCs would only need to submit duly completed specified forms together with the relevant documents to BD for acknowledgement. Some contractors might rely on BD's acknowledgements of receipt of such forms for collecting payments from clients. During the initial period of the implementation of MWCS, there had been some delay in BD's issuance of such acknowledgements. BD had enhanced the relevant procedure on 1 January 2014 by adopting a risk-management approach. Under the enhanced procedure, when an RMWC submitted a duly completed minor works specified form with the necessary documents to BD's office in Kwun Tong, an acknowledgement letter with a minor works submission number would be issued to the RMWC within the same day. For auditing purpose, BD would conduct spot checks and take regulatory actions against those RMWCs who had conducted unqualified works. He said that the industry was supportive of the enhanced procedure.

67. The Chairman suggested that, as the proceeding of the meeting was well ahead of schedule and the representatives of the Administration for the next agenda item had not yet arrived, the meeting be suspended until 5:10 pm. Members agreed to the suggestion.

*(The meeting was suspended at 4:43 pm and resumed at 5:10 pm.)*

**VII Assessment of the value of resumed properties and resolution of disputes arising from land resumption**

(LC Paper No. CB(1)650/14-15(08) -- Administration's paper on assessment of the statutory compensations of resumed properties and resolution of disputes arising from land resumption)

Relevant papers

- (LC Paper No. IN03/14-15 -- Paper on assessment of the value of resumed properties prepared by the Research Office of the Legislative Council Secretariat (Information note)
- LC Paper No. IN04/14-15 -- Paper on resolving disputes arising from land resumption prepared by the Research Office of the Legislative Council Secretariat (Information note))

68. At the invitation of the Chairman, Deputy Secretary for Development (Planning & Lands)<sup>3</sup> ("DS/DEV(P&L)<sup>3</sup>") briefed members on the Administration's practice in assessing statutory compensations payable to legal owners of resumed properties in single or multiple ownership, and in resolving disputes arising from land resumption. Deputy Director of Lands (Specialist) ("DD of L(S)") explained the basis and principles of assessment of the statutory compensations payable to affected property owners, the jurisdiction of the Lands Tribunal to determine the amount of compensation, and the Administration's position on resolving disputes in compensation assessment by mediation. The details were given in the Administration's paper (LC Paper No. CB(1)650/14-15(08)).

Approaches to assessment of statutory compensations for resumed properties

69. Mr WU Chi-wai said that in assessing statutory compensations for resumption of a lot/building in multiple ownership, the Lands Department ("LandsD") would assess the existing use value ("EUV"), but usually not the redevelopment value ("RDV") of the lot/building. He opined that the

approach was unfair to these domestic owners, taking in view that if a lot/building was held by a single owner, LandsD would assess both EUV and RDV and would offer the higher of the two values as a statutory compensation. He held the view that whether redevelopment would occur in a lot did not hinge on whether the lot was in single or multiple ownership.

70. DS/DEV(P&L)3 responded that pursuant to section 12(d) of the Land Resumption Ordinance (Cap. 124) ("LRO"), the value of the land resumed should be taken to be the amount which the land if sold by a willing seller in the open market might be expected to realize. In most cases, the open market value of a property was its EUV. If the property was held by a single owner, the owner had the choice of demolishing it and redeveloping the site into a new building for occupation, rental, or sale; or selling the site and building to a developer for redevelopment. As such, LandsD would take into account both its EUV and RDV. Regarding a lot/building owned by multiple owners, the choice of redevelopment was not available as those individual owners held only undivided shares without the right of controlling the land unless all other owners agreed to the redevelopment. Nevertheless, in the event that the owners could prove that, as at the date of resumption, redevelopment of the lot was likely, LandsD would also consider the RDV and offer the higher of the two values.

71. DD of L(S) supplemented that while the statutory compensation payable in respect of a resumed property should be considered on a case-by-case basis, the underlying principle of the law of compensation was the "principle of equivalence", under which an affected owner, no matter whether he held the entire lot/building or only owned a single unit, would receive a payment not less than the loss imposed on him in the public interest, but also no greater.

72. Mr WU Chi-wai did not agree with the existing practice that for the case of a single unit in a building, the Administration would not take into account RDV if the owner could not prove that there would be redevelopment in the concerned lot. He held the view that in assessing the statutory compensation for resumption of a lot/building in a multiple ownership, apart from the open market value of the resumed flats, the Administration should take into account other factors that might affect the value of the flats, such as whether the district where the resumed lot/building was located was due for redevelopment, whether redevelopment projects were being undertaken in the vicinity of the lot, whether there would be a change in the use of the site after it had been acquired by the Administration,



etc. DD of L(S) responded that an established legal principle adopted by the Administration for the assessment of compensation, i.e. commonly known as the Pointe-Gourde rule, was that compensation could not reflect an increase in value which was entirely due to the scheme underlying the acquisition by the Administration.

#### Retrospective compensation

73. Mr Paul TSE opined that the Administration should address the unfairness to small owners in the assessment of the statutory compensations under the existing legislation regarding resumption of properties for public purposes. He said that an owner who held one of the units of a resumed property might feel injustice having regard to the fact that the amount of statutory compensation payable to him/her was EUV while the compensation that could be received by an owner of a whole lot/building was the higher of its RDV and EUV. He enquired whether the Administration would amend the relevant legislation to the effect that if a redevelopment proposal for a resumed lot/building was approved by the relevant authority within a reasonable time, say three years, after the date of resumption, a former owner of a single unit in the resumed lot/building might claim the difference between the amount of statutory compensation that had previously been received by the owner and a newly assessed value that had taken into account the redevelopment of the lot.

74. DS/DEV(P&L)3 responded that in determining the practicability of making retrospective compensation as suggested by Mr Paul TSE, the Administration would need to consider, among others, whether the former owner of the resumed flat should be required to reimburse the difference in a situation, say in a shrinking residential property market, where the open market value of the resumed flat as at the date of resumption was higher than the value of the flat that reflected the subsequent redevelopment of the concerned lot. DD of L(S) advised that LandsD was obliged to follow the principles set out in the respective ordinances and the court rulings made in relevant land resumption cases when assessing the amount of statutory compensation. As it had been stipulated under LRO that the compensations for resumed land and buildings should be determined on the basis of the open market value as at the date of resumption, it might not be fair, practicable, or legal to allow a former owner to claim based on the value of the concerned property at a later day.

75. DS/DEV(P&L)3 advised that the Administration had no plan at present to change the prevailing practice, i.e. the test for determining whether the development value should be included in the compensation

payable in respect of a resumed property was whether there was evidence as at the date of resumption that redevelopment of the property resumed was likely.

Compensation arrangements of the Urban Renewal Authority for its redevelopment projects

76. Mr IP Kwok-him opined that regarding a land lot resumed for the implementation of a redevelopment project of the Urban Renewal Authority ("URA"), there had been cases where the total amount of compensation received by all the domestic owner-occupiers of the units of a building was more than that to be received by an owner if he/she owned the whole building. He enquired about the reasons leading to such a situation. He was concerned whether the owner of a whole building would receive a less favourable acquisition offer from URA although, unlike an owner-occupier of a single flat, he/she had the choice of redeveloping the lot if it had not been resumed for a URA project. He queried whether the statutory compensation arrangement under LRO should be adopted with respect to an owner of a whole building resumed for a URA project.

77. Assistant Director of Lands (Acquisition) ("AD of L(A)) replied that apart from the compensation payment of the open market value, a domestic owner-occupier of a single unit resumed for a URA redevelopment project was entitled to the Home Purchase Allowance ("HPA"). He explained that HPA was not a statutory compensation, but an ex-gratia payment that enabled an affected owner-occupier to purchase a replacement flat of a similar size in the locality of the resumed flat, and was the difference between the value of a notional replacement flat and the open market value of the resumed flat. Owners of tenanted and vacant flats were eligible for HPA at 50% of the full rate. AD of L(A) said that URA had its own policies for acquiring properties affected by its redevelopment projects.

78. Mr WU Chi-wai remarked that the Administration should consider making clear to the public whether the total amount of compensation and allowance (such as HPA) to which an owner of a single flat of a building resumed for a URA project was entitled to was comparable to the RDV of the flat.

Resolving disputes in compensation assessment

79. Mr Paul TSE referred to paragraph 12 of the Administration's paper and expressed disagreement with the Administration's view that the scope of disputes in compensation assessment which could be submitted to mediation

would be relatively limited if the difference between the parties were on the interpretation and application of the legal principles. He commented that the matters submitted to mediation usually involved interpretation and application of the legal principles. Taking in view that mediation had been recognized by the court as a cost-effective means to resolve the disputes between the parties involved in litigation, he queried why the Administration did not promote mediation as a means to resolve disputes in compensation assessment.

80. In reply, DS/DEV(P&L)3 said that under the existing practice, if LandsD's offer of statutory compensation for a resumed property was not acceptable to the claimant, LandsD would continue to negotiate with the claimant and/or the professional appointed by the claimant on the amount of statutory compensation. The claimant might submit a claim for any costs or remuneration reasonably incurred or paid by the claimant in employing the professional. When determining the compensation offer, LandsD would make reference to, among others, the advice of the professional.

81. Mr Paul TSE remained of the view that the claimants would feel that they were put in a disadvantaged position when negotiating with a government department such as LandsD. They might consider that, to ensure impartiality, disputes in compensation assessment should be resolved through a mediation process conducted by an independent third party. Mr TSE enquired whether the Administration would consider amending the relevant legislation to introduce mediation as one of the means for resolving disputes in compensation assessment.

82. DS/DEV(P&L)3 replied that subject to the nature of the issues in dispute between LandsD and the claimants and whether mediation would enhance the resolution of the claim concerned, LandsD would consider referring statutory compensation claims to mediation on a case-by-case basis if claimants so requested, on the premise that the mediation process and the agreement to mediate would not affect the Government's or the Lands Tribunal's exercise of authority as provided for under the law. She advised that LandsD was currently handling a case in which the claimant had made such a request. After receiving all the required information from the claimant, LandsD would seek the advice of the Department of Justice on the appropriateness of resolving the disagreement through mediation.

Information Note prepared by the Research Office of the Secretariat

83. Mr WU Chi-wai noted that the Administration had made reference to the Information Note prepared by the LegCo Secretariat on "Assessment of the Value of Resumed Properties" (LC Paper No. IN03/14-15), which included a research on overseas practices adopted for assessing the value of resumed properties, and had concluded in the Administration's paper that as the research paper had not referred to the scenario of a property being held under multiple ownership, it would not be appropriate to directly compare these overseas practices with Hong Kong's situation. He asked the Administration to explain its position on the research findings presented in the Information Note. DD of L(S) responded that the Administration's paper had commented on the Information Note, which was based on sound research. As revealed from the research, LandsD's prevailing policy and practice of assessing the value of resumed properties was in many cases consistent with overseas practices and adopted legal principles.

### **VIII Any other business**

84. There being no other business, the meeting ended at 6:19 pm.

Council Business Division 1  
Legislative Council Secretariat  
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