Finance Committee of the Legislative Council

Minutes of the 1st meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 13 October 2017, at 3:15 pm

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon Michael TIEN Puk-sun, BBS, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan
Dr Hon Pierre CHAN
Hon CHAN Chun-ying
Hon Tanya CHAN
Hon CHEUNG Kwok-kwan, JP
Hon HUI Chi-fung
Hon LUK Chung-hung
Hon LAU Kwok-fan, MH
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Public officers attending:

Ms Alice LAU Yim, JP  Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Carol YUEN, JP  Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred ZHI Jian-hong  Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Vincent MAK Shing-cheung, JP  Deputy Secretary for Development (Works) 2
Mr WONG Chung-leung, JP  Deputy Director of Water Supplies
Mr Thomas CHAN Tak-yeung  Acting Assistant Director of Water Supplies (New Works)
Mr WONG Man-ching  Assistant Director of Water Supplies (Mechanical & Electrical)
Mr YEUNG Sek-kui  Chief Engineer (Design), Water Supplies Department
Ms Doris HO Pui-ling, JP  Deputy Secretary for Development (Planning and Lands) 1
Miss Cheryl CHOW Ho-kiu  Principal Assistant Secretary for Development (Planning and Lands) 2
Mr LAM Sai-hung, JP  Director of Civil Engineering and Development
Mr Janson WONG Chi-sing  Deputy Project Manager (Hong Kong Island and Islands), Civil Engineering and Development Department
Mr Alfred WONG Kwok-fai  Chief Engineer (Islands), Civil Engineering and Development Department
Ms Donna TAM Yin-ping  District Planning Officer (Sai Kung and Islands), Planning Department

Clerk in attendance:

Ms Anita SIT  Assistant Secretary General 1

Staff in attendance:

Mr Derek LO  Chief Council Secretary (1)5
Ms Ada LAU  Senior Council Secretary (1)7
Mr Raymond SZETO  Council Secretary (1)5
Mr Frankie WOO  Senior Legislative Assistant (1)3
Miss Yannes HO  Legislative Assistant (1)6
The Chairman reminded members of the requirements under Rule 83A and Rule 84 of the Rules of Procedure.

Item 1 — FCR(2017-18)33A
RECOMMENDATION OF THE PUBLIC WORKS SUBCOMMITTEE MADE ON 4 JULY 2017

PWSC(2017-18)7
HEAD 709 — WATERWORKS
Water Supplies — Fresh water supplies
356WF — Uprating of Tung Chung fresh water supply system
363WF — Upgrading of disinfection facilities in water treatment works
357WF — Design and construction for first stage of desalination plant at Tseung Kwan O

2. The Chairman advised that this item sought the approval of the Finance Committee ("FC") for the recommendation of the Public Works Subcommittee ("PWSC") made at its meeting on 4 July 2017, i.e. the recommendation in PWSC(2017-18)7 regarding the uprating of Tung Chung fresh water supply system (356WF), upgrading of disinfection facilities in water treatment works (363WF), as well as design and construction for first stage of desalination plant at Tseung Kwan O — mainlaying (part of 357WF). The Chairman said that the estimated costs for the proposed projects had been updated. The Chairman declared that he was an independent non-executive director of The Bank of East Asia.

3. Members who spoke on the item were all supportive of the item.

357WF — design and construction for first stage of desalination plant at Tseung Kwan O — mainlaying

Cost of fresh water

4. Mr CHU Hoi-dick noted that the cost of fresh water supply by seawater desalination technology was roughly three times that of gathering water from reservoirs. Mr CHU asked the Administration, upon the completion and commissioning of the desalination plant:

(a) what the approximate rate of increase in the cost of fresh
water resources in Hong Kong was;

(b) whether the Administration would increase water charges; and

(c) whether the Administration would reduce the quantity of Dongjiang ("DJ") water to be imported; if not, what the reasons were.

5. In response, Deputy Secretary for Development (Works) 2 ("DSDEV(W)2") said that:

(a) the factors to be taken into account by the Administration in determining the level of water charges included production cost, the public's affordability, economic environment, and views of the Legislative Council ("LegCo");

(b) the purpose of building the desalination plant was to safeguard water security in Hong Kong, having regard to climate change; as such, the cost of building the plant might not be fully reflected in the water charges to be levied from members of the public;

(c) after the desalination plant was built, the quantity of DJ water to be imported would be determined having regard to local rainfall, the yield of reservoirs, and the prevailing total demand for water in Hong Kong. He added that the desalination plant would be completed in or after 2022, whereas there had been steady and moderate growth in Hong Kong's total demand for water in recent years; and

(d) by 2023, the increase in fresh water production cost resulted from this mainlaying project in real terms would be 0.14%.

6. Noting that the cost of each m³ of fresh water to be produced by the proposed seawater desalination technology was about $12.5, Ms Claudia MO asked whether the cost had included the cost of the disinfection procedure. Ms MO enquired whether the cost would drop in the future as the relevant technology advanced, and how the cost in Hong Kong compared with those overseas.
7. In response, DSDEV(W)2 said that the current estimated cost of $12.5 per m\(^3\) covered the energy cost, capital cost, treatment cost, distribution cost and customer service cost, and the cost of the disinfection procedure was included. He said that the level of production cost was subject to various factors and the production cost in Hong Kong could not be compared directly with those in other places. Deputy Director of Water Supplies ("DDWS") added that according to projections made on the basis of past data, the production cost would likely be adjusted downward as desalination technology gradually advanced.

8. Mr Michael TIEN sought information on the unit cost of the fresh water to be produced by seawater desalination technology, and the rate of increase in the price of DJ water, including:

   (a) given that the unit cost of the fresh water to be produced by seawater desalination ranged between $12 and $13 per m\(^3\), whether the cost had taken into account the premium of the site on which the plant was situated as well as the opportunity cost of the site;

   (b) the depreciation period of the facilities at the desalination plant; and

   (c) changes in the price of DJ water in the past 10 years.

9. DSDEV(W)2 advised that:

   (a) the cost in (a) above did not include land premium and the opportunity cost of the site concerned;

   (b) the designed lifespan of the mechanical and electrical facilities at the desalination plant was around 25 years, while that of the civil and structural facilities was around 50 years; and

   (c) adjustments to the price of DJ water were subject to price index movements in Hong Kong and the Mainland, exchange rate changes in the currencies in the two places, and changes in the operation costs of the water supply system. As the price indexes in both places and the relevant exchange rate had recorded positive growth in the past years, the annual increase in DJ water price was about 6% since 2014.
Environmental Impacts

10. Noting that along with the operation of the desalination plant, brine would be discharged into the sea with an impact on marine ecology and aquaculture operators, Mr Steven HO urged the Administration to continuously monitor the effect of the plant's operation on marine water quality, marine ecology, and the fisheries and aquaculture sectors. He asked whether the estimated cost under the item "environmental mitigation measures" would be spent on the monitoring of marine ecology and on other relevant uses.

11. In response, DDWS said that as the facilities at the proposed desalination plant included an installation which controlled the disposal of brine produced at the proposed desalination plant to the sea to enable rapid dilution of the brine to a concentration level similar to that in nearby water body, no unacceptable impact would be caused to the surrounding marine environment. The project in the funding proposal only involved the laying of the water main to convey fresh water from the proposed desalination plant to the existing Tseung Kwan O fresh water primary service reservoir. The Administration would submit another funding application to LegCo later regarding the construction of the main works of the desalination plant, and by then the proposed project cost would include the expenses required for implementing environmental mitigation measures.

12. Acting Assistant Director of Water Supplies (New Works) ("Acting ADWS(NW)") added that computational modelling had been used to predict the potential impact of brine discharge at different seasonal and tidal conditions on seawater salinity, and it was concluded that the operation of the desalination plant would cause no observable impact on marine sensitive receivers. He undertook that upon the commissioning of the desalination plant, the Administration would continuously monitor the actual changes in seawater salinity and the relevant impacts.

Design of the proposed seawater desalination plant

13. Mr WU Chi-wai asked whether the conveying capacity of the water main to be laid in the proposed project could meet the need arising from the completion of the second stage of the desalination plant. Mr WU suggested that when the Administration sought funding for the main works of the desalination plant, the plant should be designed to facilitate the recovery of the remaining energy in the brine produced during the desalination process, and make good use of the natural landscape to carry out the required work processes so as to cut costs.
14. Mr Jeremy TAM asked whether, under the design of the proposed desalination plant, a minimum production capacity would be set at an appropriate level, so that the plant might, in times of abundant water resources, operate on a cost-effective scale. In so doing, operating expenses could be saved on the one hand, and no fresh water would be wasted on the other.

15. DSDEV(W)2 said that the water main to be laid under the project was adequate for transporting the fresh water produced by the first and second stages of the proposed desalination plant. He added that the operating cost of the desalination plant depended on its design and mode of operation. Noting Mr TAM's concerns, he said that the design and mode of operation of the desalination plant had not yet been finalized, and that in general the plant's production capacity would be adjusted according to prevailing local rainfall, yield of reservoirs, and DJ water price, whereas a basic production capacity would be set for the desalination plant. DDWS said that the Administration would proactively consider Mr WU's suggestions.

16. Mr CHU Hoi-dick enquired about the data and computational methods adopted by the Administration in arriving at the figure that the designed production capacity of the first and second stages of the desalination plant would account for 10% of total water consumption in Hong Kong. Mr CHU asked whether the data had taken into account the climatic conditions in Guangdong Province. 

[Post-meeting note: The supplementary information provided by the Administration was issued to members vide LC Paper No. FC192/17-18(01) on 14 March 2018.]

17. In response, DSDEV(W)2 said that for the purpose of projecting the required quantity of water to be produced through seawater desalination if water supply was to be maintained round-the-clock even under extreme drought conditions, the Administration had conducted computational modelling to simulate such a scenario by taking into account local rainfall, total water consumption in Hong Kong, and the quantity of water supply from the Mainland as guaranteed under the "water supply agreement". He added that in 2004 and 2011, even though the Mainland experienced serious droughts, it still supplied water to Hong Kong according to the quantity specified under the then water supply agreement. Therefore, when the Administration estimated the appropriate water production capacity to be generated by desalination, the quantity of water imported from the Mainland had also been taken into consideration.
363WF — Upgrading of disinfection facilities in water treatment works

18. Noting that the membranes to be used in the upgraded disinfection facilities in water treatment works needed to be replaced regularly, Mr CHAN Chun-yi asked whether the replacement expenses would be regarded as recurrent or non-recurrent expenditure. Citing the Administration's paper in which the additional annual recurrent expenditure arising from the proposed works was estimated to be $15 million, Mr CHAN enquired about the reasons for it.

19. Acting ADWS(NW) explained that chlorine gas production in chlorine generation plant for disinfection would incur less cost than using liquid chlorine. However, as raw materials were required for chlorine production, and the membrane for chlorine production had to be replaced once every three to five years, consequently the related cost must be included in the recurrent expenditure. As a result, the proposed works would incur an additional annual recurrent expenditure of about $15 million.

20. Mr LEUNG Che-cheung enquired about how the disinfection procedure carried out at the proposed disinfection facilities compared with the one currently in use, in terms of safety and cost-effectiveness.

21. DSDEV(W)2, DDWS and Assistant Director of Water Supplies (Mechanical & Electrical) ("ADWS(M&E)") gave a consolidated response as follows:

(a) the price of liquid chlorine with operation cost included was around $26,000 per tonne, whereas the cost of chlorine produced by the proposed facilities was around $19,000 per tonne;

(b) using the proposed facilities would do away with the transportation and storage needs arising from importation of liquid chlorine, thus eliminating the risk of chlorine gas leakage associated with the transportation and storage of liquid chlorine;

(c) chlorine gas would be generated in water treatment works according to the demand and consumed immediately upon production. As storage of chlorine gas would no longer be required, the risk of storage would be eliminated; and
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(d) tests would be conducted on the chlorine level of the disinfected fresh water prior to being transported out of water treatment works to ensure compliance with safety standards.

22. Dr Helena WONG and Mr CHAN Chi-chuen expressed concerns about the safety measures to be adopted in chlorine generation plants, and enquired about the contingency measures that would be put in place in case of chlorine gas leakage. Dr WONG asked whether and how the Administration would promptly release information to the public, apart from notifying the Fire Services Department ("FSD") and the departments concerned. Mr CHAN asked whether and how the Administration would continuously monitor the air quality in the surrounding environment of the chlorine generation plant to determine if there was excessive chlorine gas.

23. In response, DDWS and ADWS(M&E) said that:

(a) if any of the chlorine detection sensors detected chlorine in the air inside the plant room reaching 1 part per million ("ppm"), the chlorine detection system would raise an audible and a visual alarm, and the operation staff, if any, inside the plant room must leave immediately. Besides, an alarm signal would be sent to the control room of the water treatment works for the operator on duty to follow up, and the operator on duty in the control room could remotely stop the operation of the plant and hence generation of chlorine;

(b) when the chlorine in the air inside the chlorine generation plant room was detected to reach 3 ppm, the operation of the "contain and absorb" system would be automatically triggered. It would immediately shut off all ventilation fans and close all motorized louvres and dampers to prevent chlorine from leaking out of the plant room. At the same time, the chlorine laden air inside the plant room would be drawn by an air extraction system through air duct(s) into a scrubber system for neutralization. Furthermore, the chlorine detection system would automatically stop the operation of the plant when the chlorine in the air inside the plant room was detected to reach 3 ppm, if the plant had not yet been stopped by its self-monitoring and control system or by the operator on duty;
(c) a chlorine detection sensor was installed at the exhaust pipe of the scrubber system to monitor the concentration of chlorine in the air discharged into the environment outside the plant room. In case the level of chlorine detected in the discharged air would pose potential health risk, it would automatically trigger the shut-down of the scrubber system to ensure no release of chlorine outside the plant room. With the above multi-barrier safety measures, the chance of chlorine leak from the plant into the environment outside the plant room was very low; and

(d) when the concentration of chlorine in the air in the plant room was detected to reach 3 ppm, the chlorine detection system would automatically send an alarm signal to FSD for emergency response. Upon arrival at the site, FSD would assume the overall command on the firefighting and rescue operations. If necessary, FSD would liaise with other departments concerned according to the contingency plan, and the Administration would notify the public through various media.

24. Mr CHU Hoi-dick enquired how the Administration defined the scope of "affected area" under the contingency plan. Mr CHU demanded that the Administration must send its officers to visit the "affected area" in person and inform the residents of the measures to be put in place in case of accidents, as well as their dos and don'ts, instead of merely consulting the relevant district council(s) or rural committee(s).

25. In response, DSDEV(W)2, DDWS and Acting ADWS(NW) said that:

(a) in the situation where storage of liquid chlorine was required, the area to be included in the relevant consultation exercise generally referred to the area within the distance of one km from the storage location;

(b) in the event of an accident, the definition of "affected area" as determined by FSD was subject to the location of the accident, prevailing wind direction and other factors;

(c) the Administration would consult district council(s) and rural committee(s) respectively according to the locations of chlorine generation plants, and would explain to them the operation of the facilities and the relevant contingency arrangements; and
(d) when carrying out the proposed works, the Administration would reach out to the residents in the neighborhood and follow up on members' views.

356WF — Uprating of Tung Chung fresh water supply system

26. Noting that the proposed works would almost double the capacity of the Tung Chung fresh water service reservoir, Mr Holden CHOW doubted whether the additional storage capacity could meet the demand for fresh water arising from the population growth brought by the proposed Tung Chung New Town Extension project and the three-runway system ("3RS") project at the Hong Kong International Airport ("HKIA").

27. DSDEV(W)2 said that the proposed project aimed to cope with the increased water demand arising from the housing and commercial developments in Tung Chung New Town up to 2020, i.e. the demand for fresh water in Area 54, Area 55, Area 56, and Area 39 in Tung Chung, and the demand for fresh water arising from the 3RS project at HKIA, in addition to upgrading the reliability of the existing water supply system. He added that the infrastructure works for Tung Chung New Town Extension would cover the fresh water service reservoir required for the project.

Policy on water supply and demand in Hong Kong

28. Mr Dennis KWOK, Dr KWOK Ka-ki, Mr LEUNG Che-cheung and Mr CHAN Chi-chuen enquired about the policy and vision of the Administration on fresh water supply in the long term, along with the completion of the desalination plant, and whether these long-term strategies would include cutting back on reliance on DJ water and increasing the provision of territory-wide catchment facilities. Mr Dennis KWOK sought information on the details of measures to promote water conservation.

29. In response, DSDEV(W)2 said that:

(a) according to the latest Policy Agenda, it was expected that per capita fresh water consumption could be reduced by 10% by 2030;

(b) the existing local water resources were inadequate in meeting the water demand of Hong Kong's population and economic activities which were ever-growing;
(c) in light of this situation, the Administration would endeavour to develop water resources, and to contain the growth of overall water consumption as well. He added that production of fresh water by desalination technology was not only costly, but would also entail high energy consumption and carbon emissions;

(d) the ongoing discussion on a new DJ water supply agreement with the water supply authorities in Guangdong Province would end soon. He pointed out that if a "quantity-based charging" approach was adopted, Hong Kong would be deprived of water supply security under extreme drought conditions;

(e) upon the completion of the desalination plant, the quantity of DJ water eventually to be imported from the Mainland would depend on the total water demand by that time; and

(f) the Administration was conducting a study on total water management strategy, with a view to formulating a long-term water management strategy.

30. **DDWS** said that:

(a) a Water Resources Education Centre would be set up in the newly-built Water Supplies Department ("WSD") Tin Shui Wai Building to promote education on water resources and water conservation;

(b) flow controllers were being installed for households in public housing estates to reduce water consumption; and

(c) a water efficiency labelling scheme for water appliances was implemented to indicate to consumers the levels of water consumption and efficiency rating of various water appliances to facilitate the choice of water saving devices by members of the public.
Other concerns

31. Dr KWOK Ka-ki asked the Administration whether, after the completion and commissioning of the desalination plant, it would have more room for negotiation with the Mainland authorities on the price of DJ water and the import quantity.

32. Ir Dr LO Wai-kwok said that with the adoption of the "package deal lump sum" approach in the agreement on the supply of DJ water to Hong Kong, the price of DJ water charged by the Mainland consisted of two components: fixed and variable. Ir Dr LO asked whether the Administration would strive for better terms on the prices of these two components when re-negotiating the terms for a new "water supply agreement" with the Mainland authorities. Dr Helena WONG and Mr WU Chi-wai expressed similar concerns. Dr WONG requested the Administration to consult the Panel on Development before signing the new water supply agreement.

33. DSDEV(W)2 said that the negotiation on a new agreement for supply of DJ water between Hong Kong and Mainland authorities was drawing to a close, and the Administration had also put forward options similar to the suggestions raised by members for consideration by the Mainland authorities. LegCo would be briefed on the matter upon the finalization of the agreement.

34. Noting that an academic who had proposed filling up Plover Cove Reservoir in order to increase land supply was recently appointed as a member of the Task Force on Land Supply, Dr Helena WONG expressed worries about and objection against the Administration's practice of building the desalination plant on the one hand, while filling up reservoirs on the other. Dr WONG requested the officials attending the meeting to relay members' views to the Task Force, and notify members afterwards. DSDEV(W)2 said that Dr WONG's views would be relayed to the Task Force.

35. Noting that water main leakage rate had been reduced from 25% in 2001 to 15% in 2016, Mr CHAN Chi-chuen asked whether the Administration had devised a strategy to further reduce the leakage rate. In response, DSDEV(W)2 said that in order to further reduce the leakage rate, the Water Intelligent Network was being built gradually in the hope of reducing the leakage rate to 10% or below in the long run.
36. Expressing concern about the manpower pressure that might be created by the proposed new water facilities on WSD which was already understaffed, Mr HO Kai-ming enquired about the staffing measures that would be put in place to cope with such a situation. Given the short supply of technical officers who had expertise in water works, he was worried that the Administration would have difficulty recruiting such officers or outsourcing water works.

37. DDWS said that WSD's manpower had been continuously increased in recent years, including re-hiring retired WSD officers. He emphasized that the core services of WSD would still be provided by WSD staff, and the recurrent expenditure incurred by each new project also covered the expenditure required for additional manpower.

Motions proposed by a member under paragraph 37A of the Finance Committee Procedure

38. At 4:48 pm, FC started to vote on whether the motions numbered 0001 and 0002 proposed by Mr CHU Hoi-dick under paragraph 37A of the Finance Committee Procedure ("FCP") for expressing views on this item ("FCP 37A motions") should be proceeded with forthwith.

39. The Chairman put to vote, one by one, the questions that these FCP 37A motions should be proceeded with forthwith. At the request of members, the Chairman ordered a division for each of the questions put. The Chairman declared that the questions on proceeding with the two motions forthwith were negatived.

Voting on FCR(2017-18)33A

40. There being no further questions from members, the Chairman put item FCR(2017-18)33A to vote. At the request of members, the Chairman ordered a division. The Chairman declared that 48 members voted in favour of and no member voted against the item. The votes of individual members were as follows:

For:
Mr LEUNG Yiu-chung
Mr Jeffrey LAM
Mr CHAN Hak-kan
Mrs Regina IP
Mr Michael TIEN
Mr YIU Si-wing
Mr CHAN Chi-chuen

Mr Tommy CHEUNG
Mr WONG Ting-kwong
Mr WONG Kwok-kin
Ms Claudia MO
Mr WU Chi-wai
Mr Charles Peter MOK
Mr CHAN Han-pan
Mr LEUNG Che-cheung Mr Kenneth LEUNG
Ms Alice MAK Mr KWOK Wai-keung
Mr Christopher CHEUNG Dr Fernando CHEUNG
Dr Helena WONG Mr IP Kin-yuen
Dr Elizabeth QUAT Mr POON Siu-ping
Dr CHIANG Lai-wan Ir Dr LO Wai-kwok
Mr Alvin YEUNG Mr Andrew WAN
Mr CHU Hoi-dick Mr Jimmy NG
Dr Junius HO Mr HO Kai-ming
Mr Holden CHOW Mr SHIU Ka-fai
Mr SHIU Ka-chun Mr Wilson OR
Ms YUNG Hoi-yan Dr Pierre CHAN
Mr CHAN Chun-ying Ms Tanya CHAN
Mr CHEUNG Kwok-kwan Mr HUI Chi-fung
Mr LUK Chung-hung Mr LAU Kwok-fan
Mr Kenneth LAU Dr CHENG Chung-tai
Mr KWONG Chun-yu Mr Jeremy TAM
(48 members)

41. The Chairman declared that the item was approved.

Item 2 — FCR(2017-18)15A
RECOMMENDATION OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 10 JUNE 2017

PWSC(2017-18)3
HEAD 707 — NEW TOWNS AND URBAN AREA DEVELOPMENT
Civil Engineering — Land development
786CL — Tung Chung New Town Extension

42. The Chairman advised that this item sought FC's approval for the recommendation of PWSC made at its meeting on 10 June 2017, i.e. the recommendations in PWSC(2017-18)3 regarding the upgrading of part of 786CL on Tung Chung New Town Extension, entitled "Tung Chung New Town Extension – Reclamation and Advance Works", to Category A, at an estimated cost of $20,210 million in money-of-the-day prices, and the retention of the remainder of 786CL in Category B. PWSC had discussed the recommendation at three meetings for about six hours and 10 minutes. The Administration had also submitted a number of information papers. The Chairman declared that he was an independent non-executive director of The Bank of East Asia.
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43. Noting that in the proposed project, part of the land to be created by reclamation would be used to build more than 40,000 housing flats, Mr Christopher CHEUNG asked whether, among these proposed housing flats, the number of public housing units, especially public rental housing ("PRH") units, could be increased, so as to shorten the waiting time for PRH. Mr Andrew WAN raised the same request and opined that the proportion of public housing must be increased.

44. Deputy Secretary for Development (Planning and Lands) 1 ("DSDEV(P&L)1") advised that among the proposed housing flats, public housing units (including PRH and subsidized sale flats) accounted for about 63%, with the remaining 37% being private housing units, and this proportion was higher than the 60:40 split between public and private housing supply recommended under the Long Term Housing Strategy. The Administration would build more public housing on the land to be created by reclamation under the proposed project, and in response to the housing supply situation, would review the need to adjust that proportion in a timely manner.

45. Gravely concerned about the use of the site proposed to be used as a marina, Mr Jeremy TAM requested the Administration to consider converting the use of the site into a facility available for public use, instead of allocating the site to a private yacht club or for private recreational uses. Mr TAM requested the Administration to make a written confirmation in this regard. Mr Andrew WAN expressed the same concern.

46. DSDEV(P&L)1 said that at the planning stage, the Administration had initially proposed to provide, at the site concerned, a marina with more than 300 berthing places for yachts together with a venue to provide yacht repair services, but after considering public views and other factors, the Administration had scaled it down to provide about 90 berthing places for yachts. While emphasizing that there was not yet a concrete implementation plan for the marina at the current stage, she understood the public's expectation for the provision of water sports facilities for public use at the site. All the views would be considered in finalizing the development plans for the site and related facilities in future.

47. Noting that the contract of the present project would be prepared in the New Engineering Contract ("NEC") form, Mr Andrew WAN sought an explanation from the Administration about the so-called NEC. Director of Civil Engineering and Development explained that NEC was a contract form that emphasized cooperation, mutual trust and collaborative risk management between contracting parties. The Administration had, since 2009, adopted NEC form in public works projects on a pilot basis.
48. The meeting ended at 5:17 pm.

Legislative Council Secretariat
9 May 2018