Finance Committee of the Legislative Council

Minutes of the 2nd meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 13 October 2017, at 5:30 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 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 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

Members absent:

Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Hon CHEUNG Kwok-kwan, JP
Hon HUI Chi-fung
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)
Mr Alfred ZHI Jian-hong  Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Ms Doris HO Pui-ling, JP  Deputy Secretary for Development (Planning and Lands)
Miss Cheryl CHOW Ho-kiu  Principal Assistant Secretary for Development (Planning and Lands)
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

Staff in attendance:

Mr Derek LO  Chief Council Secretary
Ms Ada LAU  Senior Council Secretary
Mr Raymond SZETO  Council Secretary
Mr Frankie WOO  Senior Legislative Assistant
Miss Yannes HO  Legislative Assistant
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

At 5:30 pm, the Finance Committee ("FC") continued with the deliberation on item FCR(2017-18)15A. The Deputy Chairman presided over the meeting. The Chairman returned to the conference room at 5:46 pm and resumed the chair.

Reclamation works technology

2. Mr WU Chi-wai considered that the cost of deep cement mixing ("DCM") method was expensive, and sought information on the following:

(a) the justifications for adopting the DCM method;

(b) the proportion of the area of seabed requiring stabilization through DCM method to the total area of reclaimed land under the proposed project, as well as the foundation stabilization methods to be adopted in other areas of the seabed;

(c) the unit cost per m³ of building the seawall through the DCM method under this project;

(d) a comparison between the above unit cost and those of other local projects adopting the DCM method; and

(e) measures to be taken in the course of reclamation works for preventing marine pollution caused by the spreading of mud pollutants into the sea.
3. Director of Civil Engineering and Development ("DCED") responded that:

(a) the DCM method was only adopted to strengthen the marine mud on the seabed underneath the seawall proposed to be constructed, and not the entire area of seabed to be reclaimed under the proposed project;

(b) for other areas of the seabed, it was proposed that the conventional ground improvement method be used, i.e. sand blanket materials would first be placed over the marine mud, followed by installation of band drains to allow drainage of water and application of surcharge upon the fill materials to accelerate the drainage of water;

(c) taking into account the geological conditions of the seabed in the proposed reclamation site, it was considered more appropriate to construct the foundation underneath the proposed seawall using DCM-consolidated marine mud, than using marine mud consolidated by other methods (such as the use of stone columns);

(d) the seawall to be constructed was about 5 km long, and the total volume of marine mud consolidated by the DCM method was about 2.3 million m³;

(e) while the proposed item differed from other reclamation works also adopting the DCM method in terms of the length of the shoreline involved and the proportion of reclaimed land, their unit costs were largely similar. Supplementary information relating to construction costs as requested by Mr WU in paragraphs 2(c) and (d) above would be provided after the meeting; and

(f) it was unnecessary to remove the mud on the seabed under the proposed project, and the sand blanket could compress the sea mud layer more evenly, thereby minimizing the possibility of spreading mud pollutants into the sea. The sand blanket materials would be supplied by the contractor, but specifications would be made in the project contract regarding the requirements for fill materials (including sand materials).
4. **Dr CHENG Chung-tai** enquired whether the proposed use of the non-dredged reclamation method and the use of the DCM method for seabed foundation consolidation were conducive to forestalling the occurrence of the problem similar to movements of the Hong Kong-Zhuhai-Macao Bridge ("HZMB") artificial island.

5. **DCED** explained that:

   (a) while the non-dredged reclamation method was adopted in both the present project and the HZMB artificial island project, these two projects had adopted different methods to consolidate their seawall foundations. The DCM method was used in the present project, but the stone columns technology was used in the HZMB artificial island project;

   (b) the DCM method was used to consolidate seawall foundations in both the present project and the reclamation works under the project of the Three-Runway System ("3RS") of the Hong Kong International Airport ("HKIA"), while the former was the first public works project using the DCM method in Hong Kong;

   (c) in respect of the construction costs, reference had been made to the 3RS project as well as to the market price; and

   (d) in addition to carrying out thorough seabed geological investigations in the proposed reclamation site to get a full picture of the seabed geological characteristics, overseas expert advisers had also been consulted. According to these expert advisers, the DCM method was more appropriate than other methods.

6. **Mr CHAN Han-pan** urged the Administration to stringently monitor the reclamation works and control the quality of reclamation materials, so that there would be no safety hazards caused by irregular settlement of the reclaimed land. The contractor should be instructed to report works progress to the Administration.

7. Noting Mr CHAN Han-pan's concerns, **DCED** advised that apart from routine monitoring, geological and geotechnical experts would also be engaged to assist in monitoring the proposed project.
Transport support facilities

Planning for railway stations

8. Noting that the proposed Tung Chung East ("TCE") MTR station would be located in the core area of the future extension area, Mr CHU Hoi-dick enquired about the MTR Corporation Limited ("MTRCL")'s planning direction for the land adjacent to the proposed TCE MTR station, as well as its modus operandi. Mr CHU demanded that the Administration should relay its planning requests to MTRCL regarding the development and management of these sites, including enhancing the accessibility of the MTR station, increasing the public space in the surrounding areas, and promoting public participation in the planning process.

9. Deputy Secretary for Development (Planning and Lands) 1 ("DSDEV(P&L)1") said that it was anticipated that proposals on the TCE MTR station and the Tung Chung West ("TCW") Extension would be submitted by MTRCL in 2018. The site to the north of the proposed TCE MTR station had been planned as "the Central Green", an open space to be developed and managed by the Government in future. She would relay Mr CHU Hoi-dick's views to the Transport and Housing Bureau ("THB").

10. Ms Alice MAK considered that the Administration should facilitate the completion of the TCE MTR station in 2023 to tie in with the first population intake expected in that year. Mr Holden CHOW expressed the same concern.

11. DSDEV(P&L)1 advised that the proposed TCE MTR station was planned for completion in 2026. Notwithstanding this, the Administration would discuss with MTRCL with a view to constructing the railway station concerned apace.

Traffic connectivity between Tung Chung and the airport island

12. Mr Michael TIEN and Mr Holden CHOW said that although several hundred thousand people would be living or working in Tung Chung and in the vicinity of HKIA in future, the transport support facilities there were grossly inadequate. They asked the Administration whether, apart from considering the provision of shuttle service between TCE and the airport island by using the spare capacity of the tracks of the Airport Express Line ("AEL"), other possible mass transportation options had been examined, such as constructing an elevated light rail system running between Tung Chung and the airport island, or extending the Tung Chung
Line to provide direct access to HKIA. Mr Wilson OR also urged the Government to ensure the timely provision of comprehensive transport support facilities prior to the first population intake of TCE.

13. DCED explained that the Airport Authority Hong Kong had completed a feasibility study on the provision of shuttle service between TCE and the airport island using the spare capacity of the AEL tracks. The study findings were forwarded to THB for consideration. He said that THB was currently examining the study findings while considering and following up on the aspirations and options raised by local residents in respect of the provision of transport facilities, including the development of other railway linkage systems. DSDEV(P&L)1 advised that the proposed TCW MTR station could also alleviate the future transport service demand in Tung Chung.

Project cost of the proposed item

14. Noting that there had been a downward adjustment of $300 million in the amount of funding sought under the proposed item, as compared with the funding request for the same item submitted to FC in the 2016-2017 legislative session, Mr CHAN Chi-chuen enquired about the reasons for that.

15. In response, DSDEV(P&L)1 said that the decrease in the estimated project cost of the proposed item was mainly a result of a deflated price adjustment factor ("PAF"). DCED added that:

(a) the itemized prices as set out in FCR(2017-18)15A were in September 2017 prices, while the itemized prices as set out in FCR(2017-18)15 submitted to FC in the 2016-2017 legislative session were in September 2016 prices;

(b) all itemized prices as set out in FCR(2017-18)15A were higher than those set out in FCR(2017-18)15. However, given the downward adjustment of the latest PAF forecast, the provision for price adjustment had been reduced. As the decrease in the provision for price adjustment had outstripped the aggregate increase in the estimated expenditures of various items, the estimated project cost of the present project in money-of-day prices was decreased by $300 million; and

(c) the finalized project estimate of the present item was subject to the tendering results and post-commencement situation of the project.
16. Dr KWOK Ka-ki considered that the amount of provision under the item of contingencies was excessive, coupled with the huge amount of the provision for price adjustment, it was tantamount to encouraging contractors to seek compensation. DCED said that the provision for contingencies accounted for 9% of the total project estimate, and the provision for price adjustment and the provision for contingencies were to be used for different purposes.

Land planning for the site proposed for the development of a marina

17. Regarding the site originally planned for the development of a marina, Ms Alice MAK requested that the Administration should consider changing the use of the site to public water sports facilities. Noting that the tendering exercise for the present project was already underway, Dr Fernando CHEUNG asked whether, under such circumstances and upon the approval of the project, it was still possible to convert the use of the site planned for the development of a marina into other uses in future.

18. Mr YIU Si-wing said that the yacht club industry was being actively developed in our neighbouring places, such as Nansha and Macao. If the Administration backtracked and changed the use of the site originally planned for the development of a marina, the competitiveness of Hong Kong in the development of the yacht club market in the region might be undermined. Mr YIU further pointed out that many pleasure vessels in Hong Kong were available for hire by members of the public for leisure and recreational purposes. Considering that there was a shortfall in the berthing places for such vessels, he requested the Administration to strike a balance between satisfying the public's demand for open space and water sports facilities and meeting the needs of relevant industries. Mr YIU asked the Administration whether financial implications would be involved if the proposed marina was rezoned to be a public facility, such as a resultant decrease in government revenue.

19. Noting the views of Ms Alice MAK and Mr YIU Si-wing, DSDEV(P&L)_1 said that the Administration would explore all development possibilities for the site originally planned for the development of a marina, in order to satisfy and balance the needs of various sectors. She said that in case the Administration eventually decided to include other uses (such as water sports facilities for public use) in developing the site originally planned for the development of a marina, the Administration would identify other appropriate sites for the provision of berthing facilities for pleasure vessels, if there was still considerable
demand for such berthing places by that time. DCED said that as the present item mainly involved reclamation works instead of infrastructure planning, technically speaking, the site originally planned for the development of a marina could be converted into other uses after having gone through appropriate procedures.

Community support facilities

20. Mr Holden CHOW urged the Administration to allocate additional resources to the North Lantau Hospital ("NLTH") so that comprehensive specialist services might be provided in NLTH and the number of beds therein could be increased, so as to meet the demand of the residents in Tung Chung.

21. DSDEV(P&L)1 advised that the range of specialist services available in NLTH was continuously expanding, with urology, paediatrics and gynaecology as newly-added specialties. Plans were underway for Phase 2 development of NLTH, and discussion would be held with the relevant district council(s) ("DC(s)").

22. Mr Wilson OR urged the Administration to ensure the provision of comprehensive community facilities prior to the population intake of the TCE New Town. He enquired about the concerns raised by the Islands District Council ("IsDC") in this regard when the Administration consulted IsDC. Dr Fernando CHEUNG advised that there would be severe shortage of places to be provided by the proposed residential cares homes for the elderly in the Tung Chung Extension, and other proposed community facilities in the area would also be in short supply. He sought information on the social welfare facilities to be provided on the newly-formed land in TCE. Dr CHEUNG hoped that the Administration could accede to the public's aspirations by providing the necessary social welfare facilities, and in so doing, new standards for the provision of social welfare facilities could then be set.

23. DSDEV(P&L)1 responded that with the provision of the reclaimed land, additional social welfare facilities and services could be provided for the existing town centre in Tung Chung and for TCE residents. The Administration consulted the relevant DC(s) on the TCE Development Plan between 2012 and 2014, and the prime concerns raised by DC(s) were about the provision of transport and social welfare facilities as support measures. The relevant DC(s) generally supported the relevant development projects. Regarding the provision of additional facilities to serve the elderly, he said that the Development Bureau would discuss with
the Social Welfare Department, and undertook to provide supplementary information in due course.

Public/private housing split

24. Mr CHU Hoi-dick asked the Administration whether, under the policy of launching the Green Form Subsidised Home Ownership Scheme ("GSH"), it would further reduce the number of public rental housing ("PRH") units in TCE. Mr CHU considered that given the high costs of reclaimed land and the dominance of private housing in TCW, the additional land for housing under the present project should be devoted to the construction of public housing, among which at least 60% should be PRH units. He requested the Administration to confirm its stance on the planning of the land. Dr KWOK Ka-ki, Mr Wilson OR and Ms Claudia MO requested the Administration to confirm that it would not reduce the proportion of public housing to be built under the present item.

25. Dr Fernando CHEUNG said that all along, he had reservations about increasing land supply through reclamation. Pointing out that public housing would only account for 63% of all housing units to be built on the reclaimed land, he considered that it was inadequate to set aside only 60% of all public housing units as PRH units.

26. DSDEV(P&L)1 advised that about 60% of the newly-built housing units in TCW were public housing units. The number of housing units to be built in TCE, as well as the public/private housing split, could be adjusted as appropriate, in tandem with changes in social environment, including increasing the proportion of public housing (PRH units inclusive). Given that the proposed item was mainly about the carrying out of reclamation works, she emphasized that before entering the detailed design and construction stage for individual sites, there would be time and space to adjust the number, types and proportion of various housing units when such needs arose. She also stressed that the implementation of GSH would not affect the original planned production of PRH units. She clarified and confirmed that under the present item, according to the present planning, public housing would account for 63% of all housing units to be built on the reclaimed land, and PRH units would account for about 70% of all public housing units. On the whole, more than 40% of all newly-built housing units would be PRH units.
Impacts of the proposed works on the fishery industry

27. Mr Steven HO considered that the Administration should incorporate facilities that could facilitate the development of the fishery industry when it planned the development of the waterfront land strip under the present project. Moreover, Mr HO said that the Administration had, when it undertook similar development projects in the past, turned a blind eye to the needs of those in the agriculture and fishery industries, such as not granting ex-gratia allowances to them in a timely manner. It gave them the impression that the Administration had kicked down the ladder, failing to facilitate appropriate industrial restructuring for these trades.

28. DSDEV(P&L) said that as the Administration was gravely concerned about the impact of the proposed project on the environment, the fishery industry and other stakeholders, it would implement various mitigation measures as required in the environmental impact assessment reports. Noting Mr Steven HO's other concerns, she agreed to provide information on the assistance provided to the agriculture industry to facilitate its industrial restructuring in the course of land planning.

Issues relating to project tendering

29. Regarding the tender marking criteria adopted for the proposed project, Mr CHAN Chi-chuen enquired:

(a) whether "tenderer's relevant experiences" included previous reclamation works undertaken by the said tenderer using the same reclamation method, works undertaken by the tenderer that were yet to be completed and the performances of the said tenderer in the relevant works;

(b) whether the marking criteria included records on claims made by the said tenderer to the Administration in previous public works projects, including the attitude of the contractor in lodging such applications and the number of claims that had been made; and

(c) whether it would, in the tender marking scheme, increase the weighting of records on safety incidents in previous public works projects undertaken by the said tenderer.
30. **Dr KWOK Ka-ki** requested the Administration to provide the quarterly performance reports of the Mainland-funded contractor responsible for undertaking the non-dredged reclamation works in the HMZB Hong Kong Boundary Crossing Facilities Island and the Hong Kong Link Road projects.

31. **DCED** responded that:

   (a) tender marking criteria were formulated on the basis of the nature of the projects concerned, and such criteria reflected the Administration's requirements for tenderers and contractors;

   (b) the marking criterion relating to "tenderer's past performance" covered a number of considerations, including the works quality of the said tenderer in previous public works projects, site safety performance, records of claims (including the attitude of the contractor in making claims and the reasonableness of claims), etc. The evaluation of "tenderer's past performance" would not be determined merely on the basis of the performance of the said tenderer in a single public works project;

   (c) the criterion of "tenderer's relevant experiences" included the experiences of the said tenderer in undertaking local and overseas works, and relevant works included those projects of which a designated proportion had been completed by the said tenderer prior to tender submission;

   (d) if the tenderer was the contractor of a public works project, and two consecutive adverse quarterly performance reports in respect of a single public works contract were given to the contractor concerned, the contractor would be suspended from tendering for new public works contracts for a period of time. He considered that this penalty should suffice in preventing contractors with unsatisfactory safety records from tendering for new projects; and

   (e) it was not appropriate for the Administration to comment on the performance of individual contractors. Regarding Dr KWOK Ka-ki's request for the provision of the quarterly performance reports of the contractor concerned, the disclosure or otherwise of the reports was subject to the Development Bureau's agreement.
32. Mr CHU Hoi-dick said that he and other members had, at the meeting, put forward various suggestions and views on the planning of TCE, such as the site originally proposed for the development of a marina, land planning for sites in the vicinity of the proposed TCE MTR station, transport facilities connecting Tung Chung with HKIA, the proportion of public housing, etc. He asked the Administration whether corresponding amendments would be made to the outline zoning plan, having regard to such suggestions and views, so that the development plan could better meet the needs of the public.

33. In response, DSDEV(P&L)1 said that:

(a) the Tung Chung Extension Area Outline Zoning Plan ("OZP") was approved by the Chief Executive in Council in February 2017;

(b) the site currently intended to be used as "the Marina Portion" was currently zoned "Other Specified Uses" annotated "marina" in OZP; in case the Administration, after conducting relevant studies, considered it necessary to revise the major uses of the site intended to be used as "the Marina Portion", subject to the revised uses of the site, rezoning applications would have to be made to the Town Planning Board ("TPB");

(c) regarding the public/private housing split, the Administration would not have to go through the rezoning process with TPB even if further adjustment to the housing split was considered necessary in future;

(d) discussion between the Administration and MTRCL on the planning of the TCE and TCW stations was still underway. When discussion results were available, the Legislative Council ("LegCo") would be consulted according to established practice; and

(e) in addition, as the Administration would, at a later stage, submit separate funding requests to LegCo regarding the infrastructure facilities in TCE and the site formation projects in TCW, there could be further dialogue on this issue between the Administration and members by that time.
34. **District Planning Officer (Sai Kung and Islands), Planning Department** supplemented that it was possible for the Administration to, having regard to individual circumstances, submit rezoning applications in respect of the OZP, but it might not be necessary to submit rezoning applications for each and every rezoning proposal. Regarding the public/private housing split, it was generally specified on OZP that a certain site would be zoned for housing purpose, without differentiating the type of housing units to be built on the relevant site. As such, even if revision was to be made to the public/private housing split, it would not have any impact on the zoning in the relevant OZP, and rezoning applications were therefore not necessary.

35. Given that the item could not be approved by FC in the 2016-2017 legislative session, Ms Alice MAK asked whether the first population intake would be deferred as a result. **DSDEV(P&L)I** said that tenders for the project had been invited. If the item was approved by FC, the Administration would expeditiously complete the tender evaluation process and kick-start the project, for the sake of achieving the target of having the first population intake in 2023.

36. At 7:19 pm, **the Chairman** directed that the meeting be extended by 15 minutes.

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

37. At 7:19 pm, FC started to vote, one by one, on whether the two motions, numbered 0001 and 0002 respectively, proposed by Mr CHAN Chi-chuen under paragraph 37A of the Finance Committee Procedure ("FCP") ("FCP 37A motions") should be proceeded with forthwith. At the request of members, the Chairman ordered a division, and the questions on proceeding with the two motions forthwith were negatived.

**Voting on FCR(2017-18)15A**

38. There being no further questions from members, **the Chairman** put item FCR(2017-18)15A to vote. At the request of members, the Chairman ordered a division. The Chairman declared that 27 members voted in favour of and 2 members voted against the item, and 2 members abstained from voting. The votes of individual members were as follows:
For:
Prof Joseph LEE  Mr WONG Ting-kwong
Ms Starry LEE  Dr Priscilla LEUNG
Mr WONG Kwok-kin  Mrs Regina IP
Ms Claudia MO  Mr Michael TIEN
Mr Frankie YICK  Mr YIU Si-wing
Mr MA Fung-kwok  Mr LEUNG Che-cheung
Ms Alice MAK  Mr KWOK Wai-keung
Mr Christopher CHEUNG  Dr Elizabeth QUAT
Mr POON Siu-ping  Mr Alvin YEUNG
Mr HO Kai-ming  Mr Holden CHOW
Mr SHIU Ka-fai  Mr Wilson OR
Ms YUNG Hoi-yan  Mr CHAN Chun-ying
Mr LUK Chung-hung  Mr LAU Kwok-fan
Mr Jeremy TAM
(27 members)

Against:
Mr CHU Hoi-dick  Dr CHENG Chung-tai
(2 members)

Abstained:
Mr CHAN Chi-chuen  Dr Fernando CHEUNG
(2 members)

39. The Chairman declared that the item was approved.

40. The meeting ended at 7:36 pm.

Legislative Council Secretariat
9 May 2018