

立法會 *Legislative Council*

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

Purpose

This report gives an account of the work of the Panel on Development ("the Panel") for the 2017-2018 session. It will be tabled at the meeting of the Legislative Council ("LegCo") on 4 July 2018 in accordance with Rule 77(14) of the Rules of Procedure of LegCo.

The Panel

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

3. For the 2017-2018 session, the Panel comprises 40 members. Hon Tommy CHEUNG Yu-yan and Hon Kenneth LAU Ip-keung were elected Chairman and Deputy Chairman of the Panel respectively. The membership list of the Panel is in **Appendix II**.

Major work

Increasing land supply

4. Land shortage has been plaguing Hong Kong for years. Severe shortage of land supply for housing developments has resulted in soaring property prices and a long waiting list for public rental housing ("PRH").

According to the provisional figures announced by the Rating and Valuation Department in March 2018, the private domestic property price index reached a high point of 333.9 in 2017 (an increase of 233.9% from 100 in 1999). As at end-March 2018, there were about 153 300 general PRH applicants, and their average waiting time was 5.1 years, exceeding the target of Hong Kong Housing Authority ("HKHA") to provide first flat offer to general applicants at around three years on average.

5. In this session, initiatives to increase land supply remained as a main concern of the Panel.

Public Engagement by the Task Force on Land Supply

6. In August 2017, the Chief Executive ("CE") appointed a cross-sector Task Force on Land Supply ("the Task Force")¹ for a term of 18 months starting from 1 September 2017 to take an overall macro-review of land supply options, engage the community in discussions on the pros and cons of different options and their priorities thereby facilitating consensus-building.

7. On 26 April 2018, the Task Force launched a five-month public engagement ("PE") exercise to solicit public views on 18 land supply options as well as other land supply-related issues.² The Panel's views on these land supply options were sought at the meeting on 29 May 2018. Members noted that the Task Force would, based on the views collected, draw up a broad framework of recommendations on the overall land supply strategy and prioritisation of different land supply options for submission to the Government, tentatively in end-2018.

8. Members expressed diverse views on the PE exercise and the land supply options. Some members criticized that the PE exercise was biased and misleading, and the Task Force had pre-set position towards the land supply options. They opined that the Task Force was selective in putting forward the 18 land supply options, by including only those preferred options of the Administration whilst excluding some other possible options, such as invoking the Lands Resumption Ordinance (Cap. 124) to retrieve the large pieces of abandoned farmland and brownfield sites in the New Territories from large developers, and the use of military sites. Also, the questionnaire distributed by the Task Force in end-May 2018 to gauge public views on the land supply options was allegedly designed in such a way as to lead the

¹ The Task Force comprises 22 non-official and eight official members appointed by CE.

² Details are set out in the dedicated website on the PE exercise: <https://www.landforhongkong.hk/en/index.php>.

respondents to choose the options desired by the Administration. Yet, some of these options, such as developing two pilot areas on the periphery of country parks and near-shore reclamation outside Victoria Harbour, were highly controversial. Some members challenged the assumption of the Task Force that Hong Kong's land shortfall would be at least 1 200 ha up to 2046, claiming that the figure might be overestimated. In view of the anticipated controversies and diverse views on the matter, many members worried that in the end it would be difficult to reach a consensus in the society on the land supply options to be pursued.

9. The Chairman of the Task Force emphasized that there was no single solution to the land shortage problem. Hence, the Task Force proposed to adopt a multi-pronged approach by identifying 18 land supply options to offer choices for the public. The Task Force was confident in building consensus in the society through the PE exercise.

Hung Shui Kiu New Development Area

10. The Administration has planned to develop the Hung Shui Kiu New Development Area ("HSK NDA") to a next-generation new town to provide 61 000 additional housing units for a total population of about 218 000, with the first population intake expected in 2024. HSK NDA is also positioned as a "Regional Economic and Civic Hub" for the Northwest New Territories ("NWNT") with a gross floor area of about 6.4 million square metres for various types of economic activities offering about 150 000 jobs in various sectors. The whole NDA project is expected to complete by 2037-2038. The Panel discussed the planning and implementation arrangements for the HSK NDA project on 20 December 2017 and 23 January 2018.

11. While members were supportive of developing the 190 ha of brownfield sites under the HSK NDA project, they were concerned about the relocation of the affected brownfield operations. Members noted that the Civil Engineering and Development Department ("CEDD") had commissioned feasibility studies on consolidating brownfield operations into multi-storey buildings ("MSBs") and identified 24 ha of land at the northwestern part of HSK NDA as one of the pilot sites for MSB development. Yet, members doubted the practicability of relocating large scale operations into MSBs, in particular those involving the use or storage of heavy construction machineries. Members also urged the Administration to relax the eligibility requirement of minimum 10-year continuous operation at the same land lot under the extended ex-gratia allowance ("EGA") arrangement for business undertakings announced in April 2017.

12. The Administration advised that the consultants commissioned for the feasibility studies on MSBs had reached out to trade representatives on the relevant technical requirements, and were working on the preliminary planning, engineering, environmental and financial assessments for some initial design proposals. Apart from MSBs, the Administration would explore the provision of suitable open-air sites with proper infrastructure for some industrial operations practically not feasible to move into MSBs. As regards the eligibility requirements under the extended EGA arrangement for business undertakings, the Administration noted members' views and had undertaken to suitably refine the proposed arrangement.

13. With great concern over the 7 ha of existing farmland and 1 600 households that would be affected by the HSK NDA project, the Panel passed a motion calling on the Administration to address squarely the demand of the affectees for "rehousing before clearance"; exempt the affected households from the income and asset tests for rehousing them to public housing; and plan for the development of rehousing blocks for NDA developments.

14. The Administration indicated that assistance would be offered to the affected farmers and households respectively under a Special Agricultural Land Rehabilitation Scheme to facilitate agricultural rehabilitation in the clusters of agricultural land in Lau Fau Shan and Pak Nai, and a Special Rehousing Scheme to provide eligible households with the option of renting or buying subsidized housing units at a dedicated en-bloc local rehousing estate located to the west of Hung Fuk Estate. In addition to the prevailing general compensation and rehousing ("C&R") arrangements, Special Ex-gratia Cash Allowance ("SEGCA")³ and extended Domestic Removal Allowance ("DRA")⁴ would be offered to the affectees in the HSK NDA project.

15. Members also made various comments and suggestions on the overall planning for HSK NDA, including the plot ratios, height restriction and scales of the development sites at the future HSK Town Centre, the provision of more community-style small retail shops and street shops, and the need to enhance the transport network within HSK NDA and its transport connectivity with other districts, etc. The Administration was requested to take into account members' suggestions when taking forward the detailed design and development of the HSK NDA project.

³ Eligible households affected by the HSK NDA project would be offered a SEGCA in the form of a lump-sum cash allowance at a maximum of \$600,000.

⁴ The coverage of DRA for the HSK NDA project would be extended to all households covered by the freezing survey and vacated by the Government.

Planning and Engineering Study for Housing Sites in Yuen Long South — Recommended Outline Development Plan

16. The Planning Department ("PlanD") and CEDD commissioned a Planning and Engineering Study for Housing Sites in Yuen Long South ("YLS") in November 2012, aiming to examine and optimize the development potential of the degraded brownfield land in YLS for housing and other uses. In February 2018, the Administration briefed the Panel on the Recommended Outline Development Plan ("RODP") for the YLS Development Area that was promulgated based on the recommendations of the said Study. According to the RODP, the YLS development would provide about 28 500 flats for a population of about 88 000.

17. Members urged the Administration to engage the trade regarding measures for accommodating the affected brownfield operations, especially the arrangement for moving them into MSBs or suitable open-air sites where appropriate. There was a suggestion that the Administration could consider inviting private participation in developing MSBs on the land reserved in Tong Yan San Tsuen for such purpose.

18. Members also expressed concern over the five livestock farms affected by the YLS development, and pointed out that due to the strict regulations over livestock farms under the prevailing laws, it was difficult to identify suitable sites for setting up new livestock farms. The Panel passed two motions urging the Administration to respond proactively to the demands of the various parties affected by the YLS development, including formulating a comprehensive farm relocation policy.

19. The Administration indicated that the Food and Health Bureau and the Development Bureau ("DEVB") would jointly commission a consultancy study on "Agricultural Priority Areas" in 2018 to identify relatively large areas of quality agricultural land, including land for facilitating relocation or consolidation of livestock farms, and formulate suitable policies and measures to provide incentives to encourage landowners to put fallow agricultural land into long-term agricultural use. The Administration was fully aware of the concerns of the affectees, and would continue to listen to public views and make appropriate arrangements for the implementation of the YLS development project. In the meantime, depending on the statutory process for amending the relevant Outline Zoning Plans, the Administration might conduct a freezing survey in early 2019 to record existing structures and occupants which might be affected by the YLS development.

20. In view of the various new development projects in NWNT, members were concerned about the provision of adequate transport facilities to support the developments. They worried that, despite the increase in the carrying capacity of MTR West Rail Line by replacing the existing 7-car trains with 8-car trains and increasing the hourly train frequency from 20 to 28 trips, it would still be inadequate to meet the future growth in passenger demand particularly during peak hours. The Panel passed a motion urging the Administration to implement proposals to construct new heavy rails, including the fifth cross-harbour railway or "Tuen Mun-Kowloon Railway".

21. In response, the Administration advised that the Transport and Housing Bureau would take forward the Strategic Studies on Railways and Major Roads beyond 2030, and consider under which the proposed transport infrastructure for the NWNT-Lantau-Metro Transport Corridor, as well as the need for constructing an additional heavy rail to directly connect NWNT to the urban areas.

Advance works for the development at Kam Tin South, Yuen Long

22. According to the Administration, KTS is one of the areas that would contribute to the increase in housing land supply. A Land Use Review was conducted in 2014 to examine the development potential of the Kam Tin South ("KTS") and Pat Heung Areas. In September 2016, the CE-in-Council approved the draft KTS Outline Zoning Plan. To support three proposed public housing sites and two West Rail property development projects in KTS, which would provide a total of around 18 000 flats, the Administration had proposed the necessary road, sewerage and ancillary works, and consulted the Panel on the relevant funding proposal at its meeting on 28 November 2017.

23. While members generally did not object to the proposed advance works, they called on the Administration to genuinely take heed of the local demand for widening the entire Kam Sheung Road and explore the feasibility of constructing new road(s) connecting Kam Sheung Road Station ("KSRS") and Route 3 for long-term traffic improvement. Members also requested the Administration to re-provision the existing park-and-ride facilities and provide more parking spaces in the area. A motion was passed by the Panel stating the above requests.

24. The Administration advised that it would carry out a feasibility study to review the road infrastructure for the development of KTS, including the improvement of Kam Sheung Road and connection road(s) to major strategic route, etc. The Administration also advised that the existing park-and-ride facilities would be re-provisioned within the KSRS Phase 1 property

development projects, with the number of park-and-ride spaces planned to be increased from 584 to 610. More parking facilities would be provided in tandem with the KTS development.

Proposed enhancements to the general ex-gratia compensation and rehousing arrangements for Government's development clearance exercises

25. The C&R arrangements for the affected households and business undertakings had often been a key point of contention when the Panel discussed development projects that involved land clearances. At the Panel meeting on 29 May 2018, the Panel was briefed on the Administration's proposed enhancements to the general ex-gratia C&R arrangements for eligible domestic occupants in squatters and business undertakings affected by the Government's development clearance exercises.⁵

26. The Panel noted that, under the proposed enhancements, a unified and enhanced general ex-gratia C&R package, instead of "project specific" packages, would be applicable to all future Government's development clearance exercises irrespective of project scale. Apart from the existing means-tested rehousing arrangement in PRH of HKHA for affected eligible households, non-means-tested rehousing in dedicated rehousing estates to be developed and managed by the Hong Kong Housing Society ("HKHS") would be introduced.⁶ Meanwhile, the eligibility criteria of the cash EGA would be relaxed, and the amount of which would be increased. Further, the Lands Department ("LandsD") would conduct a one-off voluntary registration exercise for domestic occupants in surveyed/licensed non-domestic structures, such that these affected occupants would be eligible for relevant C&R arrangements in future. The eligibility criteria of the EGA for business undertakings would also be relaxed from a minimum of 10-year continuous operation at the same land lot to a minimum of seven years.

27. While welcoming the Administration's proposed enhancements, members made a number of suggestions on further improving the C&R arrangements to better cater for the needs of the affectees. The Panel passed four motions appealing the Administration to, among others, review also the compensation mechanism for the agricultural sector; extend the option of village relocation to non-indigenous villages affected by the Government's

⁵ The proposed enhancements were announced by the Administration on 10 May 2018.

⁶ Transitional arrangements would be offered by making use of vacant units of HKHS's rental and HKHA's PRH estates before the dedicated rehousing estates were completed and ready for population intake (estimated to be around 2023/2024 for the dedicated estates at Pak Wo Road, Fanling and HSK NDA).

clearance exercises; as for the NDA projects, conduct land resumption in one go to avoid protracting the impact on the villagers, and ensure those occupants registered in the freezing survey but evicted by the landowners subsequently could still be eligible for compensation; and arrange interim rehousing for the affected residents before the dedicated rehousing estates were ready for population intake.

28. Members noted that subject to the approval by the Finance Committee on the parts of the proposal involving EGA, the Administration intended to implement the enhanced general C&R package for domestic occupants in squatters and cases of businesses operating from squatters backdating to 10 May 2018 (i.e. the date of announcement of the enhanced package), and for business undertakings on brownfields backdating to 11 April 2017 (i.e. the date on which the Government announced the introduction of an ex-gratia allowance arrangement for open-air/outdoor business undertakings last year).

29. The Panel scheduled a joint meeting with the Panel on Housing on 26 June 2018 to receive public views on the general ex-gratia C&R arrangements for Government's development clearance exercises and the public works project on the site formation and infrastructure works for public housing development at Wang Chau, Yuen Long.

Relocation of service reservoirs and sewage treatment works to caverns

30. Since 2010, the Administration has launched a number of strategic studies and pilot projects to explore the potential of utilizing rock caverns and underground space to create capacity for Hong Kong's sustainable growth. The Administration has identified a total of 48 "Strategic Cavern Areas", as well as some existing sewage treatment works and service reservoirs to study the feasibility of relocating them to caverns nearby. The Diamond Hill Fresh Water and Salt Water Service Reservoirs ("DHSRs") and the Sha Tin Sewage Treatment Works ("STSTW") are among the government facilities identified.

31. At the Panel meeting on 27 March 2018, the Panel was consulted on the funding proposals for carrying out the advance works for the relocation of DHSRs and STSTW to caverns. While members generally supported the relocation of suitable government facilities to caverns thereby releasing valuable above-ground land resources, some members were concerned about the planning for the future land uses of the original sites of DHSRs and STSTW with an area of 4 ha and 28 ha respectively. They suggested that public views on the future land uses of the sites should be gathered through public engagement and consultation. Members also examined the construction costs and discussed the impacts of the relocation works on the

residents nearby, such as odour and traffic impacts, as well as the corresponding mitigating measures.

32. On the above concerns, the Administration indicated that planning and development of the vacated sites would be subject to the respective planning and engineering studies to be commenced in due course, during which public consultation would be conducted on the future land uses of the vacated sites. During the relocation works, suitable mitigation measures would be implemented to minimize the impact on the surrounding communities.

Urban renewal and building maintenance

33. During the session, the Panel had examined the progress of the work of the Urban Renewal Authority ("URA"), as well as the Administration's initiative to facilitate maintenance of old buildings through the introduction of the Operation Building Bright ("OBB") 2.0. The Panel was also consulted on a funding proposal for the construction of a graded pedestrian linkages for the Kwun Tong Town Centre redevelopment.

Urban Renewal Strategy and the role of the Urban Renewal Authority

34. The Panel noted that under the new Urban Renewal Strategy promulgated in 2011 which emphasized a "people first, district-based and public participatory approach", URA has adopted "Redevelopment" and "Rehabilitation" as its two core businesses.

35. On the redevelopment front, members considered that URA should shoulder more social responsibility by making use of the land resumed in its redevelopment projects to develop subsidized sale flats under the Home Starter Loan Scheme and Sandwich Class Housing Scheme, PRH units for the grassroots and non-luxury private flats. Members urged the Administration to examine the role, mission and functions of URA as well as its approaches and compensation packages for taking forward its redevelopment projects. The Panel passed three motions on relevant views and suggestions.

36. The Administration indicated that the modus operandi of URA had all along been generating revenue through the sale of units constructed after redevelopment, so as to achieve the long-term objective of a self-financing and sustainable urban renewal programme. Notwithstanding that, URA commenced a two-year district planning study for Yau Ma Tei and Mong Kok districts ("Yau Mong District Study") in May 2017 with a view to exploring more effective ways of addressing the urban decay problem, including the possibility of pursuing different types of housing in suitable redevelopment

projects. Public views on urban renewal would be collected during the Yau Mong District Study.

37. While members were supportive of URA's initiatives in facilitating building rehabilitation, they were keen to ensure that there were sufficient safeguards against bid-rigging in building maintenance works. URA advised that it had launched the "Smart Tender" Building Rehabilitation Facilitating Services Scheme ("Smart Tender Scheme") in May 2016 aiming to provide technical support to Owners' Corporations ("OCs") of private buildings and reduce the risk of bid-rigging at the works procurement stage. Further, to strengthen assistance to the owners concerned, URA had embarked on revamping the existing Building Rehab INFO-Net with a new Building Rehabilitation Platform expected to be launched by mid-2018 to provide an all-in-one information centre for the owners.

Operation Building Bright 2.0

38. In the 2017 Policy Address, CE announced the plan to roll out OBB 2.0 at a cost of \$3 billion to subsidize owner-occupiers for undertaking rehabilitation works for aged buildings in need of repair. In December 2017, the Administration consulted the Panel on the proposed OBB 2.0 and its plan to launch OBB 2.0 in the latter half of 2018 with URA commissioned as the administration agent.

39. While members in general welcomed the introduction of OBB 2.0, they suggested increasing the ceilings on the average rateable values ("RV")⁷ of the participating buildings such that more buildings could be covered. Besides, members noted the Administration's proposal that aged "three-nil" buildings with Mandatory Building Inspection Scheme ("MBIS") notices would be selected by the Buildings Department ("BD") to be included as Category 2 buildings under OBB 2.0, and further suggested that the Administration should allow those owners concerned to raise a request for having their buildings enlisted as Category 2 buildings on their own accord, given the difficulties faced by these owners in coordinating the prescribed inspection and repair works in the common parts of the buildings.

40. The Administration advised that, to ensure proper use of public resources, it would focus on providing appropriate assistance to those needy owners in discharging their responsibility to properly maintain their buildings.

⁷ The Administration proposed that the average RV of domestic units in a participating building should not exceed \$162,000 in urban areas (including Sha Tin, Kwai Tsing and Tsuen Wan districts) and \$124,000 in the New Territories (all New Territories districts excluding Sha Tin, Kwai Tsing and Tsuen Wan districts).

By setting the current average RV ceilings on participating buildings, around 80% of buildings aged 50 years or above would be covered. To take forward the inspection and repair works in the common parts of Category 2 buildings, BD would proactively select those eligible buildings and determine the priority among the selected buildings for conducting works in default of the owners based on risk assessment.

41. Members welcomed the Administration's proposal to provide a higher rate of subsidy to elderly eligible applicants aged 60 or above at 100% or the cost subject to a cap of \$50,000 per unit. They further suggested the Administration to consider granting the higher rate of subsidy to eligible applicants who were issued with "Registration Card for People with Disabilities". The Administration undertook to take into account members' suggestion when reviewing the implementation of OBB 2.0 before inviting the second round of applications in around 2020.

42. Members also discussed issues on the implementation of OBB 2.0, such as the possible pressure on the market due to a surge in the demand for building maintenance works, and the monitoring of the quality of works subsidized by OBB 2.0. They also urged the Administration and URA to take effective preventive measures against corruptive practices and bid-rigging in the building repair and maintenance projects under OBB 2.0. The Administration assured members that apart from the regular efforts against bid-rigging, new measures would be put in place for OBB 2.0. Owners of participating Category 1 buildings⁸ had to participate in URA's Smart Tender Scheme. All buildings joining OBB 2.0 would also be automatically registered for the RenoSafe Scheme operated by the Police, which would offer services including a hotline for enquiries and crime reporting, as well as education materials relating to building repair works.

Regulatory control on lift safety

43. On 8 April 2018, a lift incident occurred at Waterside Plaza, Tsuen Wan, in which the lift failed to stop after reaching the designated floor and caused two lift passengers to sustain injuries. On 11 May 2018, another lift incident occurred at Paris Court of Sheungshui Tower Centre resulting in the death of a lift passenger. According to the Electrical and Mechanical Services Department ("EMSD"),⁹ the latter incident might be attributed to the

⁸ Category 1 buildings cover those buildings whose owners are prepared to take up the organization of the prescribed inspection and repair works for at least the common parts of their buildings, with or without being served MBIS notices.

⁹ Source: [Press release](#) of EMSD on 11 May 2018

unintended car movement of the lift. The incidents aroused wide public concern on lift safety.

44. In the wake of the fatal lift incident, the Panel urgently discussed the regulatory control over lift safety at its meeting on 29 May 2018. Members noted that there were about 66 000 lifts in Hong Kong, of which about 80% had not been equipped with safety devices of the latest standard. While lift modernisation had been carried out on a voluntary basis, the progress was not remarkable. Different levels of modernisation works had been carried out to only about 5 200 lifts since 2011. Members examined the short-term to long-term measures to enhance lift safety proposed by the Administration, including the study on the feasibility of mandating the lift modernisation works in the long run. The Panel passed four motions recommending a number of measures to be taken by the Administration, such as the provision of subsidies to building owners to carry out lift modernisation works, promulgating guidelines/codes of practice and stepping up inspections on lift maintenance works, strengthening manpower in the lift maintenance industry, and enhancing training for and improving the working conditions of lift workers.

Heritage conservation

45. During the session, the Panel continued to monitor the Administration's work in conserving and revitalizing the heritage sites and buildings in Hong Kong.

46. When members were briefed on progress of the Government's heritage conservation initiatives in October 2017, they expressed particular concerns over the preservation of Hung Lau after expiry of its declaration as proposed monument for 12 months until March 2018.¹⁰ They stressed the pressing need for the Antiquities and Monuments Office ("AMO") to finalize the evaluation on the heritage value of Hung Lau so as to determine whether it should be declared as a monument and hence given permanent protection under the Antiquities and Monuments Ordinance (Cap. 53). Meanwhile, members were concerned if the preservation-cum-development option in respect of Hung Lau could effectively protect Hung Lau from being demolished. They hoped that the Administration could ensure that the owner of Hung Lau would be bound by the condition of the Financial Assistance for

¹⁰ Hung Lau near Shek Kok Tsui Village in Tuen Mun is a Grade 1 historic building. In response to the unauthorized works carried out in February and March 2017, which gave rise to the imminent demolition threat to Hung Lau, the Administration declared Hung Lau as proposed monument under section 2A(1) of the Antiquities and Monuments Ordinance (Cap. 53) on 13 March 2017. The declaration was valid for 12 months.

Maintenance Scheme and would not demolish Hung Lau or transfer its ownership within 10 years after obtaining the subsidies under the Scheme.

47. Some members expressed concerns over the preservation of a certain other graded historic buildings that were privately-owned and facing development threats, including the Hong Kong Sheng Kung Hui Central Compound on Lower Albert Road and the Union Church Hong Kong. They doubted the sufficiency of the existing heritage conservation policy and the statutory monument declaration system in the protection of historical buildings. They urged AMO to expedite the assessment of Grade 1 historic buildings for the purpose of monument declaration, while criticizing that the criteria for assessing a historic building for monument declaration were not clear and the assessment process was lacking in transparency.

48. The Administration advised that an internal mechanism had been established to monitor any demolition of/alterations to declared monuments/proposed monuments or graded historic buildings/buildings proposed to be graded. While monument declaration involved rigorous assessment with a "high threshold" for such declaration, the Antiquities Advisory Board ("AAB") had since 2005 adopted six criteria to assess the heritage value of historic buildings, i.e. historical interest, architectural merit, group value, social value and local interest, authenticity, and rarity.

49. Members were concerned that the lack of attractive incentive might dissuade many private owners of historic buildings from giving consent to proposals of monument declaration of the historic buildings they owned. In this regard, the Administration indicated that as recommended by AAB in its Report on the Policy Review on Conservation of Built Heritage released in 2015, given the diverse views in the community, the option of using public funds to purchase or resume privately-owned historic buildings should not be pursued. Instead, appropriate economic incentives such as minor relaxation of plot ratio would be provided to facilitate private owners to preserve their buildings.

Water resources

50. The Panel continued to attach importance to monitoring the Administration's work on the provision and preservation of water resources as well as enhancing drinking water safety.

Dongjiang water supply

51. At present, about 20% to 30% of Hong Kong's fresh water supply is collected from rainfall and the remaining 70% to 80% is imported from Dongjiang ("DJ") to make up the shortfall. The long-term supply of DJ water is secured under the "Agreement for the supply of Dongjiang water to Hong Kong" ("the Supply Agreement") entered between the Hong Kong Special Administrative Region Government and the Guangdong ("GD") Provincial Government. From 2006 onwards, the Supply Agreements have adopted a "package deal lump sum" approach, under which an annual lump sum payment is made to the GD side for supply of an annual agreed quantity of DJ water. Since 2006, the annual supply ceiling has been set at 820 million cubic metres ("mcm").

52. Members expressed concerns over the waste of public funds as the annual DJ water consumption of Hong Kong was usually below the supply ceiling. Some members thus suggested adopting a quantity-based charging approach or a mixed payment mode that comprised a fixed lump sum payment for a guaranteed annual supply quantity of, say 700 mcm, plus a variable payment based on the actual supply quantity. Some members queried why Hong Kong was paying a higher unit price (\$5.8/cubic metre ("m³") in 2017) than that paid by other GD cities (around \$1/m³ in 2017). There was a suggestion on pursuing a longer term supply agreement thereby negotiating with GD for a better water price.

53. The Administration advised that the "package deal lump sum" approach could ensure a reliable supply of water to meet the needs of Hong Kong. Based on the Administration's analysis, the annual supply ceiling of 820 mcm could ensure 99% reliability of water supply from 2018 to 2020. In fact, the annual amount of DJ water imported to Hong Kong usually exceeded 700 mcm. If the water supply ceiling was set at 700 mcm, the reliability of water supply would drop to 65%, and Hong Kong might not be able to import the water quantity required at times of drought. Also, adopting a "payment on actual supply quantity" approach might not necessarily result in a lower DJ water cost due to the need to cover the operation expenses and investment return of the GD side. Further, it was not appropriate to directly compare the unit prices of DJ water supplied to Hong Kong and other GD cities as various factors had come into play when determining the water prices, such as the distance for conveying DJ water, and the need for some GD cities to devote resources to protect water resources and make capital investments. In the current Supply Agreement, an annual water price increase by 0.3% was adopted after rounds of negotiation between the Hong Kong and GD sides.

Meanwhile, the Administration would review the payment approach by 2020 when the Supply Agreement would be due to expire.

54. To reduce reliance on DJ water supply in the long run, members considered it necessary to diversify water resources, including raising the target proportion of fresh water supply produced from sea water desalination, and stepping up efforts in promoting water conservation and reducing water leakage.

Works projects related to water supply

55. The Administration sought the Panel's support for the funding proposals for the design and construction for the first stage of the desalination plant at Tseung Kwan O ("TKO"), and implementation of the second stage of the Water Intelligent Network ("WIN"). Members were also consulted on two other waterworks projects on the water supply to the new housing developments in Sheung Shui and Fanling, and on the Siu Ho Wan Water Treatment Works Extension.

56. With a view to diversifying water resources, members generally supported the funding proposal for taking forward the construction of the first stage of the TKO desalination plant with a water production capacity at 135 000 m³ per day and with provision for future expansion to the ultimate water production capacity up to 270 000 m³ per day when necessary. They noted that the annual output of the desalination plant would account for 5% of the total fresh water demand in Hong Kong by 2022. Noting that the estimated cost of seawater desalination was about \$12 to \$13/m³ at 2016 price level, members enquired about the measures for reducing the cost over time.

57. The Administration advised that with the advancement of the reverse osmosis technology, the cost of seawater desalination would decline gradually. It would study options for optimizing the energy consumption of desalination, such as installing advanced energy recovery systems to enhance energy efficiency. Moreover, as the TKO desalination plant was adjacent to the Southeast New Territories Landfill, which generated methane gas, the Administration had been discussing with the Hong Kong and China Gas Company Limited on the feasibility of making use of the methane gas to provide electricity supply to the desalination plant, thereby reducing the energy cost.

58. Members welcomed the phased implementation of WIN to enable timely detection and speedy repair of water main leaks and bursts, thereby reducing water loss in the water distribution network to less than 15%. For

the full implementation of WIN, members noted that about 2 000 District Metering Areas and Pressure Management Areas were expected to be set up throughout the territory by 2023.

Implementation of drinking water safety initiatives

59. After the incidents of excess lead found in drinking water in 2015, the Panel had closely monitored the follow-up work undertaken by DEVB and the Water Supplies Department ("WSD") pursuant to the recommendations of the Commission of Inquiry into Excess Lead Found in Drinking Water ("CoI") in its report.¹¹ Of the recommendations, CoI proposed setting up an independent body to overlook the performance of WSD and water quality in Hong Kong. Yet, in the staffing proposals for DEVB and WSD in taking forward the drinking water safety and land supply initiatives submitted by the Administration in November 2017, some Panel members noted with disappointment that the Administration had instead proposed setting up a dedicated team headed by a Deputy Secretary (Works)³ post under DEVB to monitor the performance of WSD over drinking water safety issues. They considered it inappropriate to assign a team of DEVB staff to regulate the work of their own peers in WSD due to potential role conflict.

60. The Administration assured members that to ensure impartiality, the dedicated team would not only perform by itself auditing and surprise checks of WSD's quality system in supplying potable water, but also engage independent auditing firms to conduct additional external audits on the same as and when necessary. The Works Branch of DEVB would also set up a Drinking Water Safety Advisory Committee with members comprising academics and experts of related fields to give advice on various drinking water safety issues. In addition, the dedicated team would closely liaise with and seek input from the Department of Health to jointly monitor drinking water safety in Hong Kong.

61. Members also expressed concern over an incident of unpleasant odour in drinking water in Kwai Tsing District and Tsuen Wan District occurred in mid-November 2017, which was caused by WSD's maintenance work carried

¹¹ Between July and November 2015, it was revealed that the lead level in the drinking water supply at consumers' taps in 11 PRH developments and some private residential buildings did not comply with the "Guidelines for Drinking-Water Quality" of the World Health Organization. Excess lead was also found in drinking water samples taken from three secondary schools and eight kindergartens. CoI was set up in August 2015 to investigate into the incidents. CoI submitted its [report](#) to CE in May 2016 making a number of recommendations on the safety of drinking water in Hong Kong.

out at the Tsuen Wan Fresh Water Service Reservoir. They called for the enhancement of the internal governance of WSD.

62. The Administration stressed that DEVB and WSD had attached importance to ensuring drinking water safety. Additional staffing support had been planned for implementing the Action Plan for Enhancing Drinking Water Safety in Hong Kong promulgated in September 2017.¹² Apart from staff at the management level, WSD had increased the manpower of frontline staff to meet the increasing workload demand. Further, a Special Duty Unit would be set up in WSD to review its structure and give advice on the long-term manpower arrangement where necessary.

Landscape and tree management

63. In February 2018, the Panel was briefed on the landscape and tree management work in Hong Kong. Members raised concerns over certain tree felling incidents in recent years, such as the cutting of the stonewall trees in Bonham Road by the Highways Department ("HyD") that had drawn much public criticism, and the pruning of trees in Tai Po by the Leisure and Cultural Services Department causing adverse impact on some nests of ardeids with chicks on the trees. To step up regulations, members pressed for the enactment of a tree legislation to provide a legal framework for the planning, planting, maintenance and removal of trees. They also called on the Administration to step up efforts in nurturing personnel with professional qualifications and experience in tree management, and formulate a qualifications framework for arborists. The Panel passed a motion demanding the enhancement of tree preservation and protection.

64. In response, the Administration stated that it was cautiously open-minded on the introduction of legislation on tree management. Yet, as tree management legislation might have implications on private property management, such as compliance costs for property owners, and given the shortage of local qualified personnel with relevant experience to implement the required tree inspection and maintenance works, further deliberation was necessary. At the current stage, the Administration was focusing on working with the industry in enhancing the knowledge, skills and management standards of tree work personnel, so as to raise the level of professionalism of tree management work in Hong Kong.

¹² Details of the Action Plan are available at:
<https://www.wsd.gov.hk/en/core-businesses/water-quality/action-plan-for-enhancing-of-drinking-water-safety/index.html>

65. At the meeting on 27 February 2018, the Panel was consulted on the staffing proposal for the creation of two permanent posts of Chief Landscape Architect ("CLA") in CEDD and HyD. While other members were generally supportive of the proposal, a member belonging to the Democratic Party objected to the proposed creation of the two CLA posts at directorate level and opined that public funds should instead be better used for enhancing the frontline tree preservation work. The member also called on the Administration to create a dedicated Arborist grade in the civil service establishment.

66. The Administration stressed that while the proposed creation of the two permanent CLA posts would not undermine the staffing resources required for taking forward frontline tree management work, the leadership of the two CLA posts was pivotal in steering and enhancing the landscape and greening work of HyD and CEDD. Under the Administration's existing approach, tree management departments deployed officers of different grades to take charge of tree management and other tasks, having regard to their operational needs. Training was arranged for these officers to obtain the requisite professional knowledge and qualifications, such as Certified Arborists of the International Society of Arboriculture. The Administration did not see the need to create a new Arborist grade.

Other subjects deliberated

67. In addition to the legislative proposals mentioned in the earlier part of this report, the Panel also gave views on the legislative proposals relating to (a) the revision of fees and charges related to the services provided by CEDD in respect of mine blasting, manufacture, storage and discharge of dangerous goods, and explosives storage and delivery; and (b) the enhanced qualification requirements for Registered Engineer and Registered Worker under the Lifts and Escalators Ordinance (Cap. 618). Other major subjects deliberated by the Panel during the session included the Capital Works Reserve Fund block allocation for 2018-2019, progress of harbourfront enhancement, and the funding proposal on the establishment of a \$1 billion Construction Innovation and Technology Fund, etc.

Work of the Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project

68. In the session, the Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project formed under the Panel on Development and the Panel on Home Affairs deliberated various issues including, among others, the progress of the development of the core arts and

cultural facilities of the West Kowloon Cultural District ("WKCD"); the cultural software development and mode of management of the WKCD project; the latest financial position of and the enhanced financial arrangement for WKCD; integration and connectivity of WKCD with its neighbouring districts; and funding proposals for public infrastructure works and public facilities, as well as a staffing proposal. To continue its work on monitoring the implementation of the WKCD project, the Joint Subcommittee would seek approval from the House Committee on the continuation of its work in the 2018-2019 session.

Meetings and visits

69. Up to the end of June 2018, the Panel held a total of 13 meetings (including two joint meetings with another Panel) during the current session. The Joint Subcommittee held a total of five meetings and conducted a site visit to the WKCD in December 2017 to observe the latest developments of the WKCD project.

70. Panel members have been invited by The Hong Kong Jockey Club ("HKJC") to conduct a site visit soon on 6 July 2018 to Tai Kwun (大館),¹³ which is a revitalization project led by HKJC in partnership with the Government.

Council Business Division 1
Legislative Council Secretariat
26 June 2018

¹³ Tai Kwun is situated at the restored Central Police Station compound, comprising three declared monuments, viz. the former Central Police Station, Central Magistracy and Victoria Prison.

Legislative Council

Panel on Development

Terms of Reference

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

Appendix II

Panel on Development

Membership list for the 2017-2018 session*

Chairman	Hon Tommy CHEUNG Yu-yan, GBS, JP
Deputy Chairman	Hon Kenneth LAU Ip-keung, BBS, MH, JP
Members	<div>Hon Abraham SHEK Lai-him, GBS, JP Hon Jeffrey LAM Kin-fung, GBS, JP Hon CHAN Hak-kan, BBS, JP Hon CHAN Kin-por, GBS, 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 Michael TIEN Puk-sun, BBS, JP Hon Frankie YICK Chi-ming, SBS, JP Hon WU Chi-wai, MH Hon CHAN Chi-chuen Hon CHAN Han-pan, JP Hon LEUNG Che-cheung, SBS, MH, JP Hon Alice MAK Mei-kuen, BBS, JP Dr Hon KWOK Ka-ki Dr Hon Fernando CHEUNG Chiu-hung Dr Hon Helena WONG Pik-wan Ir Dr Hon LO Wai-kwok, SBS, MH, JP Hon Alvin YEUNG Hon Andrew WAN Siu-kin Hon CHU Hoi-dick Dr Hon Junius HO Kwan-yiu, JP Hon HO Kai-ming Hon LAM Cheuk-ting Hon Holden CHOW Ho-ding Hon Wilson OR Chong-shing, MH Hon CHAN Chun-ying Hon Tanya CHAN Hon CHEUNG Kwok-kwan, JP</div>

Hon HUI Chi-fung
Hon LAU Kwok-fan, MH
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon Gary FAN Kwok-wai
Hon Vincent CHENG Wing-shun, MH
Hon Tony TSE Wai-chuen, BBS

(Total: 40 members)

Clerk Ms Doris LO

Legal Adviser Ms Vanessa CHENG

* Changes in membership are shown in the Annex.

Annex to Appendix II

Panel on Development

Changes in membership (Year 2017-2018)

Member	Relevant date
Hon WONG Ting-kwong, GBS, JP	up to 23 October 2017
Hon YIU Si-wing, BBS	up to 23 October 2017
Hon MA Fung-kwok, SBS, JP	up to 23 October 2017
Hon YUNG Hoi-yan	up to 23 October 2017
Hon KWOK Wai-keung, JP	up to 24 October 2017
Hon LUK Chung-hung	up to 24 October 2017
Hon Tony TSE Wai-chuen, BBS	since 21 March 2018
Hon Vincent CHENG Wing-shun, MH	since 23 March 2018
Hon Gary FAN Kwok-wai	since 26 March 2018