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**Public Works Subcommittee of the Finance Committee
of the Legislative Council**

**Minutes of the 23rd meeting
held in Conference Room 2 of the Legislative Council Complex
on Friday, 17 May 2019, at 8:30 am**

Members present:

Ir Dr Hon LO Wai-kwok, SBS, MH, JP (Chairman)

Hon Charles Peter MOK, JP (Deputy Chairman)

Hon Tommy CHEUNG Yu-yan, GBS, JP

Hon Starry LEE Wai-king, SBS, JP

Hon CHAN Hak-kan, BBS, JP

Dr Hon Priscilla LEUNG Mei-fun, SBS, JP

Hon Claudia MO

Hon Michael TIEN Puk-sun, BBS, JP

Hon Frankie YICK Chi-ming, SBS, JP

Hon WU Chi-wai, MH

Hon MA Fung-kwok, SBS, JP

Hon CHAN Chi-chuen

Hon CHAN Han-pan, BBS, 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

Hon Alvin YEUNG

Hon Andrew WAN Siu-kin

Hon CHU Hoi-dick

Dr Hon Junius HO Kwan-yiu, JP

Hon HO Kai-ming
Hon Holden CHOW Ho-ding
Hon Wilson OR Chong-shing, MH
Hon CHEUNG Kwok-kwan, JP
Hon LUK Chung-hung, JP
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 AU Nok-hin
Hon Vincent CHENG Wing-shun, MH
Hon Tony TSE Wai-chuen, BBS
Hon CHAN Hoi-yan

Members attending:

Hon LEUNG Yiu-chung
Hon WONG Ting-kwong, GBS, JP
Hon SHIU Ka-fai

Members absent:

Hon Abraham SHEK Lai-him, GBS, JP
Dr Hon Helena WONG Pik-wan
Hon Tanya CHAN
Hon HUI Chi-fung

Public officers attending:

Mr Raistlin LAU Chun, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) ³
Mr LAM Sai-hung, JP	Permanent Secretary for Development (Works)

Ms Bernadette LINN, JP	Permanent Secretary for Development (Planning and Lands)
Ms Maisie CHENG Mei-sze	Permanent Secretary for the Environment
Mr TSE Chin-wan, BBS, JP	Under Secretary for the Environment
Mr Paul WONG Yan-yin	Principal Assistant Secretary for the Environment (Energy)
Mr Harry LAI Hon-chung, JP	Deputy Director of Electrical and Mechanical Services (Regulatory Services)
Mr LO Kam-cheung	Chief Engineer (Energy Efficiency B) Electrical and Mechanical Services Department
Mr LIU Chun-san, JP	Under Secretary for Development
Mr Vincent MAK Shing-cheung, JP	Deputy Secretary for Development (Works) ²
Mr Ricky LAU Chun-kit, JP	Director of Civil Engineering and Development
Mr Michael FONG Hok-shing, JP	Head of the Sustainable Lantau Office Civil Engineering and Development Department
Mr Janson WONG Chi-sing, JP	Deputy Head of the Sustainable Lantau Office (Works) Civil Engineering and Development Department
Ms Ginger KIANG Kam-yin	Deputy Head of the Sustainable Lantau Office (Planning and Conservation) Civil Engineering and Development Department
Mr Robin LEE Kui-biu, JP	Principal Project Coordinator Sustainable Lantau Office Civil Engineering and Development Department

Ms Doris HO Pui-ling, JP

Deputy Secretary for Development
(Planning and Lands)¹

Mr Ivan CHUNG Man-kit

Deputy Director of Planning (Territorial)

Clerk in attendance:

Ms Doris LO

Chief Council Secretary (1)²

Staff in attendance:

Mr Raymond CHOW

Senior Council Secretary (1)¹⁰

Mr Keith WONG

Council Secretary (1)²

Ms Alice CHEUNG

Senior Legislative Assistant (1)¹

Ms Christina SHIU

Legislative Assistant (1)²

Ms Clara LO

Legislative Assistant (1)⁹

Miss Joey LAW

Clerical Assistant (1)²

Action

The Chairman advised that there were five papers for discussion on the agenda for this meeting. Items 1, 2, 4 and 5 were funding proposals carried over from the previous meeting while Item 3 was a new submission from the Administration. He reminded members that in accordance with Rule 83A of the Rules of Procedure ("RoP") of the Legislative Council ("LegCo"), they should disclose the nature of any direct or indirect pecuniary interests relating to the funding proposals under discussion at the meeting before they spoke on the proposals. He also drew members' attention to Rule 84 of RoP on voting in case of direct pecuniary interest.

Head 705 – Civil Engineering

**PWSC(2019-20)1 50CG Provision of an Additional District
Cooling System at the Kai Tak
Development**

2. The Chairman advised that the proposal, i.e. [PWSC\(2019-20\)1](#), sought to upgrade 50CG to Category A at an estimated cost of \$4,269.3 million in money-of-the-day ("MOD") prices for the provision of an additional District Cooling System ("DCS") to meet an increase in the cooling demand at the Kai Tak Development ("KTD"). The Subcommittee started discussing this paper at the meeting on 14 May 2019 and would now continue with the discussion.

Provision of district cooling services for the Kai Tak Sports Park

3. Mr Gary FAN, Mr CHU Hoi-dick, Dr Fernando CHEUNG, Dr KWOK Ka-ki and Mr AU Nok-hin pointed out that in June 2017, the Administration had sought funding of nearly \$32 billion from the Finance Committee ("FC") for the construction of the Kai Tak Sports Park ("KTSP"), but it had not made clear in the funding proposal its intention to seek funding separately for the construction of the proposed additional DCS to provide cooling services for KTSP. These members opined that the Administration had deliberately lowered the project cost of KTSP by taking out the construction cost of the cooling facilities in KTSP and including it in the funding proposal for the provision of the proposed additional DCS, and was suspected of deceiving members.

4. Under Secretary for the Environment ("USEN") and Deputy Secretary for Financial Services and the Treasury (Treasury)³ ("DSFST(T)") pointed out that all new government buildings at KTD were required to use the DCS. However, the project costs of such government buildings did not cover the costs relating to the provision of the DCS or other shared facilities. The Administration took forward the project to construct the DCS at KTD as a separate public works project. Such practice was in line with the established practice of creating separate public works projects for the implementation of utilities works such as sewerage works and might also facilitate members' understanding of the overall construction cost of the DCS.

5. Mr CHU Hoi-dick pointed out that according to the funding proposal for the construction of KTSP, the project cost already covered the costs relating to the provision of air-conditioning installations and recycled features in KTSP. He enquired whether such costs were related to the provision of the proposed additional DCS.

6. USEN explained that it was necessary to provide in each building that used the DCS, including KTSP, a substation to accommodate the DCS service connection facilities, and an internal air-conditioning system for receiving the chilled water supplied by the DCS and converting it into cool air for use within the building.

7. Noting that the Administration had awarded the contract for the design, construction and operation of KTSP to a private company, Dr CHENG Chung-tai and Dr KWOK Ka-ki enquired whether there were any clauses in the contract specifying the charges payable by KTSP for using the DCS and the required cooling capacity.

8. USEN and DSFST(T)3 advised that all government buildings that used the DCS, including KTSP, had to pay to the Electrical and Mechanical Services Department ("EMSD") a capacity charge and a consumption charge at the rates specified under the District Cooling Services Ordinance (Cap. 624). If the cooling capacity of a consumer exceeded that stipulated under the service contract, a capacity overrun charge had to be levied. They added that the arrangements for using the DCS services had been specified in the tender document for the design, construction and operation of KTSP.

Admin

9. Mr Gary FAN, Mr WU Chi-wai and Ms Claudia MO pointed out that the Administration had changed the venue design of KTSP during its planning stage, and incorporated a retractable roof into the final design. They requested the Administration to explain whether the retractable roof design had resulted in the venue requiring a higher cooling capacity, hence the need for the Government to provide the proposed additional DCS. Mr WU requested the Administration to provide supplementary information on how it had calculated the required cooling capacity of KTSP in designing the existing DCS in 2008, including whether its roof design had been taken into consideration.

10. USEN and Deputy Director of Electrical and Mechanical Services (Regulatory Services) ("DDEMS(RS)") advised that when the provision of the existing DCS at KTD had been under planning in 2008, the design of KTSP had yet to be finalized and therefore, its required cooling capacity had been estimated based on the standards for general sports venues. After making an estimate based on the KTSP design finalized in 2017, the Administration confirmed that the required cooling capacity of the venue would be higher than the estimate made in 2008. However, they emphasized that the proposed additional DCS would not only meet the cooling demand of KTSP, but also provide cooling services for the New Acute Hospital ("NAH"), the additional commercial floor area at KTD, and the Animal Management and Animal Welfare Building Complex of the Agriculture, Fisheries and Conservation Department.

11. In response to Mr KWONG Chun-yu's further enquiries, DDEMS(RS) advised that the cooling capacity of the proposed additional DCS was about 178 megawatt of refrigeration ("MW"). About 25% and 44% of the total cooling capacity would be for serving KTSP and NAH respectively.

Area serviced by the proposed additional district cooling system

12. Mr WU Chi-wai said that the Subcommittee had examined in October 2018 the Administration's proposal to increase the approved project estimate ("APE") of 45CG by nearly \$1.1 billion for implementing the

remaining works of the existing DCS. As revealed by the Administration to the Subcommittee at that time, the cooling demand of all the developments at KTD was taken into account when the existing DCS was under planning. He queried whether the Administration had made a wrong estimate, resulting in the need to build the proposed additional DCS.

13. USEN and Principal Assistant Secretary for the Environment (Energy) ("PASE(E)") explained that in planning for the provision of the existing DCS, the Administration had estimated the overall cooling capacity required by the whole KTD based on its development scale known at that time. Subsequently, the Chief Executive proposed in the 2017 Policy Address an increase in the development intensity of KTD and an addition of about 400 000 square metres of commercial floor area in total at KTD. Having regard to the new commercial developments, the larger scale of NAH as compared to that initially planned and the latest design of KTSP at KTD, there was a need for the Administration to build an additional DCS at KTD in order to meet the cooling demand of these buildings. PASE(E) added that during the examination of the proposal to increase the APE of 45CG by FC in January 2019, the Administration had revealed its intention to seek funding for the provision of the proposed additional DCS and had explained the justifications to FC members.

14. Mr Tony TSE declared that he was a member of the Task Force on Kai Tak Harbourfront Development under the Harbourfront Commission. Mr TSE, Mr HO Kai-ming, Mr AU Nok-hin, Mr Alvin YEUNG and Mr WU Chi-wai enquired whether the proposed additional DCS would have any spare cooling capacity to cater for other new developments at KTD in future.

15. USEN advised that based on the existing development scheme of KTD, it was envisaged that no additional DCS would need to be built upon the completion of the proposed project. He added that the proposed additional DCS had allowed around 10% of its cooling capacity to be used as backup for catering for possible new small-scale developments or changes in the cooling demand at KTD.

16. Mr AU Nok-hin opined that in planning for the provision of the existing DCS in 2008, the Administration had not made any long-term planning, rendering the scale of the system insufficient to meet the cooling demand of the whole KTD. Mr WU Chi-wai sought an explanation from the Administration of why the cooling services of the proposed additional DCS would not be extended to the commercial development sites in the Kowloon Bay Action Area.

17. DDEMS(RS) explained that the Kowloon Bay Action Area was a developed site with various kinds of communal pipes laid underneath. As the works to lay chilled water pipes underneath the site would be relatively complicated and the pipes would need to be routed through existing roads, it was anticipated that the cost of the pipe laying works would be higher, rendering the use of the DCS by the Kowloon Bay Action Area financially less viable.

Maintenance and cooling capacity of the proposed additional district cooling system

Admin

18. Citing the incident of flooding in the existing DCS plant caused by the bursting of water pipes, Mr AU Nok-hin and Dr KWOK Ka-ki enquired how the Administration would prevent the recurrence of the incident in the proposed additional DCS. Mr AU requested the Administration to provide supplementary information on the contingency plan to maintain the provision of normal cooling services in the event of a breakdown of the proposed additional DCS.

19. DDEMS(RS) advised that the proposed additional DCS would be equipped with standby chillers and standby chilled water supply pipes to ensure its continuous provision of normal cooling services. He further advised that the water pipe leakage incident had no impact on the overall operation of the existing DCS and after the incident, EMSD had requested the contractor to improve the management of the plant. He added that the DCS had achieved a reliability rate of over 99.99% since its commissioning in 2013.

Admin

20. Mr CHU Hoi-dick pointed out that as a result of global warming, Hong Kong's current average temperature had risen quite a lot as compared with that in 2008. He requested the Administration to provide supplementary information on how the cooling capacity required by each square metre of floor area of a building had been calculated, as well as whether and how the prevailing climatic conditions of Hong Kong had been taken into account. Mr Gary FAN also requested the Administration to provide information on the respective floor areas of KTSP, NAH and other commercial buildings, the respective cooling capacities required by them and the respective cooling capacities required by each square metre of their floor areas.

21. DDEMS(RS) advised that different types of buildings required different cooling capacities. For example, due to the larger amount of heat generated by and the longer operating time of medical equipment in a hospital, a hospital would require a higher cooling capacity than a general commercial building of the same floor area. Generally speaking, EMSD

would consider various factors, including the designs and operation modes of different types of buildings, and the latest climatic data, in assessing the cooling capacities required by various buildings.

Admin

22. Mr AU Nok-hin enquired whether the energy efficiency of the existing DCS was comparable with those of other DCSs of the same type around the world. Dr KWOK Ka-ki requested the Administration to provide supplementary information on the statistics on the electricity consumption and relevant electricity tariff of the existing DCS, and the electricity savings for consumers every year since its commissioning.

23. USEN advised that since different DCSs were used around the world, it was difficult to make a direct comparison between the energy efficiency of the existing DCS and those of others. According to a relevant report published by the United Nations ("UN") in 2015, the levelized cost of cooling production for DCSs around the world was HK\$530 per megawatt hours in 2013. As reflected by a percentage difference of less than 10% between this cost and the corresponding cost of the proposed additional DCS in 2013 prices, the unit cost of the proposed DCS was similar to the global standard. DDEMS(RS) added that since the commissioning of the existing DCS in 2013, the total electricity savings for the consumers in the district were over 10 million kilowatt hours.

Admin

24. Mr AU Nok-hin requested the Administration to provide supplementary information on the reference materials on the energy efficiencies of DCSs around the world that had been consulted by the Administration, including the relevant UN report published in 2015.

25. Referring to some overseas studies which had found that the use of biogas fired steam boilers and absorption chillers in DCSs could enhance their energy efficiencies, Dr Fernando CHEUNG enquired whether the Administration would consider introducing such technologies. DDEMS(RS) advised that since there were no sources of biogas or steam near the DCS plant at KTD, the use of these technologies would entail additional transportation cost, thus lowering the energy efficiency.

Income and expenditure of the existing district cooling system

Admin

26. Dr KWOK Ka-ki and Mr Andrew WAN enquired how the Administration could ensure recovery of the investment cost for the DCS after 30 years of operation. Mr Jeremy TAM requested the Administration to provide, in a chart or a table, the estimated annual recurrent expenditure (less charges and fees) of the additional DCS in order to illustrate when the proposed additional DCS was expected to achieve a fiscal balance.

27. USEN advised that with the annual actual recurrent expenditure, i.e. the operating expenditure less charges and fees, decreasing, it was expected that the existing DCS could start making profits in several years and recover the investment cost in 30 years. DDEMS(RS) added that EMSD had worked out the rates of capacity charge and consumption charge to be collected from consumers based on a 30-year investment cost recovery period. The rates would be adjusted annually and the charging mechanism would be reviewed every five years.

28. Referring to [LC Paper No. PWSC214/18-19\(01\)](#), Ms Claudia MO and Mr CHAN Chi-chuen pointed out that since the commissioning of the existing DCS, there had been a relatively large discrepancy between the actual annual expenditures and the Government's original estimates, and enquired whether the Administration's estimates were faulty.

29. USEN explained that the actual annual expenditures of the existing DCS were lower than the estimates because the pace of development at KTD had been slower than expected, while the income deriving from the service charges collected from users had been higher than expected.

Project scope and cost of the proposed district cooling system

30. Mr AU Nok-hin pointed out that the total project cost and total cooling capacity of the existing DCS were nearly \$4.9 billion and 284 MW respectively, whereas the project cost and total cooling capacity of the proposed additional DCS were over \$4.2 billion and only 178 MW respectively. He enquired about the reasons why the project cost per MW of cooling capacity of the proposed additional DCS was higher than that of the existing DCS.

31. DDEMS(RS) advised that the existing DCS had been commissioned as early as 2013, and the project cost of \$4.9 billion had been calculated in MOD prices. As for the project cost of the proposed additional DCS, it was expected to be paid after 2019, and as such, there was a difference in price levels. Calculated in terms of 2018 constant prices, the average unit costs of cooling production for the existing and proposed additional DCSs were similar.

32. Mr CHU Hoi-dick enquired whether it was necessary to construct a new plant to accommodate the chillers of the proposed additional DCS. Moreover, he enquired why part of the site of the proposed works fell on the precincts of the existing Kai Tak Nullah No.1 Desilting Compound.

33. DDEMS(RS) replied that as the space of the two plants of the existing DCS had been fully utilized, it was necessary to construct a third plant to accommodate the chillers of the additional DCS. Since the new plant would use the water discharged from Kai Tak Nullah No.1 Desilting Compound for cooling, some construction works for the plant had to be carried out within the precincts of the desilting compound.

34. Expressing support for the proposed project, Mr HO Kai-ming enquired whether the water currents created by the discharge of chilled water from the proposed additional DCS would help improve the water quality of the Kwun Tong Typhoon Shelter. DDEMS(RS) replied that the water currents created by the discharge of chilled water from the plant were expected to help improve the water quality of the Kwun Tong Typhoon Shelter, but there was currently no specific data in this regard.

35. Mr WU Chi-wai pointed out that a large number of chilled water pipes had been laid at KTD for the use of the existing DCS. He enquired whether the proposed additional DCS would use the existing water pipework or whether new water pipework had to be laid for its use. In his view, the shared use of pipes by the two systems could reduce the number of new pipes to be laid, thereby saving the project cost. Mr Alvin YEUNG also enquired whether the chilled water pipes to be laid under the proposed project would be used for supplying chilled water to existing DCS consumers.

36. USEN and DDEMS(RS) advised that the existing chilled water pipework had been designed in the light of the cooling capacity of the existing DCS and had no spare capacity to meet the additional cooling demand arising from the proposed additional DCS. Therefore, it was necessary to lay new chilled water pipework under the proposed project. Besides, the new pipework would be designed to connect with the existing pipework. The linking of new and old pipes would generate a synergy effect, enhancing the reliability of the delivery of chilled water.

Meeting arrangements

37. Mr AU Nok-hin and Ms Claudia MO criticized that the meeting arrangements were inappropriate as a total of three LegCo committee meetings had been scheduled to start at 8:30 am or 8:45 am, rendering it difficult for members to cope. The Chairman responded that it was common for more than one LegCo committee to hold meetings at the same time.

[The attention of the Chairman was drawn by Dr KWOK Ka-ki at 8:55 am, 8:59 am and 9:25 am, and by Mr AU Nok-hin at 9:13 am, to the fact that a quorum was not present, and the Chairman directed the

Clerk to the Subcommittee to summon members by ringing the summon bell. When a quorum was present, the meeting resumed immediately.]

[At 10:52 am, the Chairman announced the suspension of the meeting until 11:00 am.]

[At 11:00 am, the Chairman announced the resumption of the meeting.]

Voting on PWSC(2019-20)1

38. At 11:01 am, the Chairman said that since Mr CHU Hoi-dick, Dr KWOK Ka-ki and Mr Jeremy TAM, who were waiting for their turn to raise questions, were not present, and no members present would like to raise further questions on this item, he put [PWSC\(2019-20\)1](#) to vote. At the request of Mr Tony TSE, the Chairman ordered a division. The division bell rang for five minutes.

39. While the division bell was ringing, the three members, who had been waiting for their turn to raise questions before the vote was taken, said to the Chairman that they had been attending the meeting of another committee and therefore could not return to this meeting in time to raise questions. In addition, Dr KWOK Ka-ki and Mr Gary FAN doubted the presence of a quorum at the meeting when the Chairman put the item to vote. In this connection, Mr CHU Hoi-dick, Dr KWOK Ka-ki, Mr Jeremy TAM, Mr CHAN Chi-chuen and Mr Gary FAN requested the Chairman to stop the voting procedure to allow members to continue to raise questions.

40. The Chairman said that before putting the item to vote, he had waited some time for the members who were waiting for their turn to raise questions to return to the conference room. When he put the item to vote, Mr Tony TSE, who was present, requested a division. He then directed the Clerk to the Subcommittee to summon members back to the conference room to vote by ringing the division bell. If a quorum was still not present at the meeting after the division bell had been rung for five minutes, he would direct the Clerk to the Subcommittee to ring the summon bell. The Chairman pointed out that the arrangements were the same as those for LegCo meetings.

41. A division was held forthwith. 15 members voted for and 11 members voted against the proposal, and one member abstained. The votes of individual members were as follows:

For:

Mr CHAN Hak-kan
Mr Michael TIEN
Mr CHAN Han-pan
Ms Alice MAK
Mr Holden CHOW
Mr CHEUNG Kwok-kwan
Mr LAU Kwok-fan
Ms CHAN Hoi-yan
(15 members)

Dr Priscilla LEUNG
Mr Frankie YICK
Mr LEUNG Che-cheung
Mr HO Kai-ming
Mr Wilson OR
Mr LUK Chung-hung
Mr Tony TSE

Against:

Ms Claudia MO
Mr CHAN Chi-chuen
Mr Alvin YEUNG
Mr CHU Hoi-dick
Mr Jeremy TAM
Mr AU Nok-hin
(11 members)

Mr WU Chi-wai
Dr KWOK Ka-ki
Mr Andrew WAN
Dr CHENG Chung-tai
Mr Gary FAN

Abstained:

Mr Charles MOK (Deputy Chairman)
(1 member)

42. The Chairman declared that the item was endorsed by the Subcommittee. The Chairman consulted members on whether the item would require separate voting at the relevant FC meeting. Dr KWOK Ka-ki requested separate voting on the item, i.e. [PWSC\(2019-20\)1](#), at the relevant FC meeting.

Head 705 – Civil Engineering

PWSC(2019-20)5 768CL Studies related to artificial islands in the Central Waters

43. The Chairman advised that the proposal, i.e. [PWSC\(2019-20\)5](#), sought to upgrade 768CL to Category A at an estimated cost of \$550.4 million in MOD prices to engage consultants to conduct the studies related to artificial islands in the Central Waters ("the proposed studies") and the associated site investigation works. The Administration consulted the Panel on Development on the proposal on 26 March 2019. The Panel also held special meetings on 13 and 27 April 2019 to receive public views on the proposal. Members of the Panel supported in principle the submission of the funding proposal to the Subcommittee for consideration. A report on the gist of the Panel's discussion was tabled at the meeting.

44. Mr Gary FAN expressed dissatisfaction that the Chairman had put the previous agenda item, i.e. [PWSC\(2019-20\)1](#), to vote despite the fact that some members who had requested to speak could not return to the conference room in time to raise questions on grounds of attending the meeting of another committee. Dr KWOK Ka-ki, Mr CHAN Chi-chuen, Mr Jeremy TAM and Dr CHENG Chung-tai expressed similar views. They also queried why the Chairman had put the item to vote in the absence of a quorum. Mr FAN criticized the Chairman for presiding over the meeting in a "cunning" and "insidious" manner.

45. The Chairman said that upon resumption of the meeting at 11 am, members waiting for their turn to raise questions had not been present, and no member present would like to raise further questions on the item. He waited some time and put the item to vote. Since a member present requested a division at that time, he directed that the division bell be rung. As per the established practice, if a quorum was still not present at the meeting after the division bell had been rung for five minutes, he would further direct that the summon bell be rung to summon members back. The Subcommittee would proceed to vote only when a quorum was present.

46. Regarding Mr Gary Fan's accusation that the Chairman presided over the meeting in a "cunning" and "insidious" manner, the Chairman ruled that such expressions were offensive to him. The Chairman said that Mr FAN might disagree with the manner in which he presided over the meeting, but could not use offensive expressions. He asked whether Mr FAN would retract his offensive expressions.

47. Mr Gary FAN refused to retract the expressions. At 11:22 am, the Chairman ordered Mr FAN to withdraw immediately from the Subcommittee. Mr FAN left the conference room.

[While the Chairman was ruling on the expressions used by Mr Gary FAN, Mr CHU Hoi-dick spoke loudly in his seat. The Chairman asked Mr CHU to stop speaking loudly in his seat.]

Land and housing development strategies of the Government

48. Dr KWOK Ka-ki was concerned that the project for constructing artificial islands in the Central Waters would entail a huge cost and as a result, the private housing units to be provided on those artificial islands would be unaffordable for the public. He queried why the Administration had not first considered developing idle land, the land reserved for the construction of small houses in the New Territories as well as brownfield sites, and whether

the development of the artificial islands was for the purpose of attracting Mainland residents to buy properties in Hong Kong.

49. Under Secretary for Development ("USDEV") advised that Kau Yi Chau ("KYC") Artificial Islands would be developed into a community with a population of 400 000 to 700 000 and Hong Kong's third Core Business District ("CBD") offering some 200 000 employment opportunities. Besides, among the housing units to be provided on those artificial islands, 70% would be public housing while 30% would be private housing. The Administration believed that increasing land and housing supply would help stabilize the prices of private housing units in Hong Kong and meet the home ownership needs of Hong Kong people. He disagreed with the remarks that the construction of the artificial islands was for the purpose of attracting Mainland residents to buy properties in Hong Kong.

50. Expressing support for the proposed studies, Mr LAU Kwok-fan asked the Administration if the development of artificial islands in the Central Waters would affect its other measures to open up more land, such as developing brownfield sites.

51. USDEV responded that the Administration had fully accepted the eight land supply options recommended by the Task Force on Land Supply for priority studies and implementation, and would adopt a multi-pronged approach to take forward such land supply options. He emphasized that the Administration's plans to develop brownfield sites, including those in New Development Areas such as Hung Shui Kiu, Kwu Tung North and Fanling North, would not be affected by the development of artificial islands in the Central Waters.

52. Mr CHAN Chi-chuen relayed the worries of quite a number of people that the development of artificial islands in the Central Waters was like "throwing money into the sea". He asked when, in the Administration's estimate, the development cost of KYC Artificial Islands could be recovered with the revenue to be generated by selling the land thereon.

53. Mr Holden CHOW expressed support for the proposed studies. He considered that compared with other land development strategies such as developing brownfield sites, constructing the artificial islands concerned could more effectively open up more land. He also welcomed the Administration's adoption of a 70% : 30% ratio for the supply of public and private housing units on KYC Artificial Islands. Mr CHOW further pointed out that according to the Administration's paper, the cost of the whole project for constructing artificial islands in the Central Waters, including reclamation, provision of infrastructural support and transport infrastructure, would be

about \$624 billion (in September 2018 prices), while the estimated land sale revenue would be at least about \$707 billion. Therefore, he disagreed with the view that implementing the project was like "throwing money into the sea".

54. Ms Alice MAK expressed support for the proposed studies. Citing Singapore as an example, she pointed out that its government had been providing affordable housing for Singaporeans through large-scale reclamation. Ms MAK opined that the Administration should collect relevant data through the proposed studies and use such data to address the concerns of the public about the project for constructing artificial islands in the Central Waters.

55. USDEV emphasized that the project for constructing artificial islands in the Central Waters was a long-term investment beneficial to Hong Kong's society and economy. By constructing the artificial islands and the associated transport infrastructure, the Administration aimed to respond to the needs of society instead of generating land sale revenue. It would collect the necessary data through the proposed studies so that when it sought FC's funding approval for the construction of artificial islands in the Central Waters in future, it could provide data to prove that the project was worth taking forward.

56. Mr Tony TSE expressed support in principle for reclamation outside the Victoria Harbour to increase land supply. He enquired about the development vision for KYC Artificial Islands, whether the Administration had attached due importance to the vision, and how the Administration, while according priority to transport infrastructure in developing KYC Artificial Islands, would create an ideal living and working environment for the residents on the artificial islands, and avoid the recurrence of the problems of adopting an infrastructure-led approach without comprehensive planning in developing the boundary crossing facilities island of the Hong Kong-Zhuhai-Macao Bridge ("HZMB").

57. In response, USDEV referred members to paragraph 10 of the discussion paper for the Administration's development vision for KYC Artificial Islands, which included the development of such artificial islands into a liveable community with smart city design and near carbon-neutral pilot zones. In addition, the proposed studies would cover a transport infrastructure study.

Scope of the studies related to artificial islands in the Central Waters

58. Dr Fernando CHEUNG criticized that the Administration's

assessment of the financial viability of the project for constructing artificial islands in the Central Waters was too crude, in the light of the absence of an estimate of the project cost in MOD prices and the sole reference to the estimate of land sale revenue made by the Hong Kong Institute of Surveyors. Dr CHEUNG enquired whether the proposed studies would include an assessment of the financial viability of developing KYC Artificial Islands and the commercial viability of developing the third CBD on the artificial islands.

59. Mr WU Chi-wai also enquired whether the Administration would reassess the feasibility of developing KYC Artificial Islands into Hong Kong's third CBD under the proposed studies, having regard to the possible impact of the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019, if passed by LegCo, and the development of the Guangdong-Hong Kong-Macao Greater Bay Area on the economic development of Hong Kong.

60. Indicating her disapproval of the proposed studies, Ms Claudia MO enquired whether the implementation of the project for constructing artificial islands in the Central Waters would be subject to the Government's financial position. Mr CHAN Chi-chuen enquired whether the consultants to be engaged to conduct the proposed studies would be requested to devise indicators so that in the event of any significant change in the local economy or general revenue, the Administration would be required to reassess the financial viability of the project, or even discontinue the studies.

61. USDEV responded that the Administration's annual expenditure on public works would exceed \$100 billion in the next few years, while the project cost of constructing artificial islands in the Central Waters was estimated to be around \$624 billion (in September 2018 prices), to be paid over a period of 10 to 15 years, averaging around \$40 billion to \$50 billion per year. Therefore, the Administration was financially capable of taking forward the project. In addition, the planning and engineering study for KYC Artificial Islands and the transport infrastructure study under the proposed studies would include a financial assessment of the project concerned.

62. Deputy Director of Planning (Territorial) ("DD(T)/PlanD") advised that despite the keen demand for office space in Hong Kong, the increase in its office floor area was far lower than the concurrent growth in the Gross Domestic Product. The vacancy rate of CBD offices in Hong Kong was also at a low level. Besides, as projected in "Hong Kong 2030+ : Towards a Planning Vision and Strategy Transcending 2030" ("Hong Kong 2030+"), there would still be a demand for CBD Grade A offices by 2041. DD(T)/PlanD further said that with an unparalleled geographical advantage,

KYC Artificial Islands could be developed into the third CBD, generating synergistic and cluster effects with the Central CBD, which was only 10 kilometres away, and the "Aerotropolis" around the Hong Kong International Airport, which was just 15 kilometres away.

63. Given that the proposed studies were related to artificial islands in the Central Waters, Mr Jeremy TAM enquired about the reasons why such studies would involve the collection of information on waters within and in the vicinity of the possible artificial islands near Cheung Chau South, and the definition of the Central Waters. He also asked whether collection of the aforesaid information would deviate from the Administration's original intent to develop KYC Artificial Islands first.

64. USDEV replied that under the Lantau Tomorrow Vision ("LTV"), the Administration had proposed to carry out phased reclamation works in the Central Waters, i.e. the waters between Hong Kong Island and Lantau, for the construction of a number of artificial islands. The proposed studies would focus on KYC Artificial Islands with an area of about 1 000 hectares, which would be developed in the first phase. However, such studies would also include the collection of information on waters within and in the vicinity of the possible artificial islands near Hei Ling Chau and Cheung Chau South for future reference in long-term planning. Should the Administration take forward a project to construct artificial islands near Hei Ling Chau and Cheung Chau South in future, it would further consult the public on the project.

65. Mr Alvin YEUNG enquired whether the Administration would shelve the reclamation plan if the findings of the proposed studies revealed that it was not feasible to develop KYC Artificial Islands. Referring to the public works projects for which feasibility studies had been conducted in recent years, Mr YEUNG also asked whether the Administration had decided to shelve any of such projects because they had been found infeasible by their respective studies; whether it had amended the contents of any projects in the light of the recommendations arising from the studies; if so, what the specific details were.

66. USDEV responded that according to the preliminary findings of the internal technical studies conducted by the Administration earlier for the project to construct artificial islands in the Central Waters, there was no insurmountable difficulty for the project from the technical and environmental perspectives. As the proposed studies had not been conducted, it was impossible for the Administration to predict their findings. He and Director of Civil Engineering and Development ("DCED") added that when the study report for the public works project was available, the

Administration would examine the report and consider various relevant factors before deciding whether to take forward the project. A case in point was the reclamation project in Siu Ho Wan on Lantau. Although the relevant feasibility study had found that it was feasible to reclaim land for development in Siu Ho Wan, the Administration had finally only proposed to carry out small-scale reclamation works there for the construction of Lantau Road P1 in the light of the proposed reclamation site which was located in the waters frequented by Chinese White Dolphins and the restrictions on the use of the land to be reclaimed. USDEV further said that to his knowledge, since the current-term Government had taken office in July 2017, no public works project had been found not feasible by its respective feasibility study.

67. Ms Alice MAK enquired whether the proposed studies would examine the establishment of a mechanism within the Government for overseeing the project of constructing artificial islands in the Central Waters to ensure no cost overrun or delay for the project.

68. USDEV replied that the Chief Executive had proposed to set up a dedicated coordination office for LTV in the 2018 Policy Address.

69. Noting from the discussion paper that KYC Artificial Islands might provide solution space for urban redevelopment, Mr WU Chi-wai enquired whether the proposed studies would explore the implementation of large-scale redevelopment plans in urban areas.

70. USDEV advised that given the proximity of KYC Artificial Islands to urban areas, residents affected by urban redevelopment would probably be more willing to reside there, thereby creating favourable conditions for urban renewal.

71. Dr CHENG Chung-tai enquired whether the Administration would, in the light of further relaxation of the accessibility policy of HZMB as proposed by the Chief Executive recently, include an assessment of its traffic implications for KYC Artificial Islands in the scope of the proposed studies; if so, what the details of the assessment and the required consultancy fee were.

72. USDEV responded that the consultant undertaking the transport infrastructure study under the proposed studies would assess the future traffic demand of KYC Artificial Islands based on the latest information and policies, with a view to formulating transport infrastructure schemes. The consultancy fee for the transport infrastructure study under the present funding proposal already covered the cost of the assessment concerned.

External transport links of the artificial islands

73. Mr Holden CHOW noted that the proposed studies included an area-wide transport study and an engineering feasibility study on the priority rail links between Hong Kong Island, the artificial islands in the Central Waters, Lantau and coastal areas of Tuen Mun, and the construction of Lantau Road P1 would be one of the transport infrastructure projects for priority implementation during the development of KYC Artificial Islands. Mr CHOW urged the Administration to expedite the studies on the railway systems connecting Lantau with Hong Kong Island/Tuen Mun/other districts, and enquired about the specific timetable for developing Lantau Road P1.

74. USDEV replied that the Administration planned to submit a funding application to FC in the second half of this year for conducting the studies related to Lantau Road P1.

75. Mr LEUNG Che-cheung expressed support for the proposed studies. He pointed out that the Panel on Development had held two special meetings in April this year to receive public views on the proposed studies, and a majority of the individuals or deputations attending the meetings had expressed support. Mr LEUNG enquired whether the proposed studies would explore the construction of a vehicular bridge between KYC Artificial Islands and Peng Chau to provide land access to the islands for Peng Chau residents.

76. USDEV responded that the scope of the proposed studies did not specify examining the construction of a vehicular bridge between KYC Artificial Islands and Peng Chau, but the Administration would consider consulting the public on this matter.

77. Mr AU Nok-hin pointed out that the Civil Engineering and Development Department ("CEDD") had engaged a consultant to conduct the Technical Study on Transport Infrastructure at Kennedy Town for Connecting to East Lantau Metropolis, and the study report included a Report on Preliminary Traffic and Transport Impact Assessments. As revealed by the assessment report, upon the completion of KYC Artificial Islands and the linking of East Lantau Metropolis to the MTR Island Line via Kennedy Town, a number of major roads connecting the artificial islands, the transport networks in the areas of Kennedy Town and Pok Fu Lam as well as the MTR Island Line would be overloaded. He was dissatisfied that the Administration had disregarded the assessment report and enquired about the measures to tackle the problem concerned.

78. USDEV and DCED replied that after making reference to the Report on Preliminary Traffic and Transport Impact Assessments, the Administration had come to the view that there was no insurmountable difficulty in constructing the transport infrastructure connecting KYC Artificial Islands. CEDD had also uploaded the assessment report to its website. However, since the above assessments were conducted between 2015 and 2016, the parameters and information adopted in the assessments were no longer applicable. For example, the highway and railway networks adopted in the assessment report were based on the transport networks proposed under "Hong Kong 2030+" in 2016, which were different from the new strategic transport networks proposed under LTV. An explanatory note had been added to the assessment report to draw the public's attention to this when they read the report.

79. Noting from the discussion paper that the development of KYC Artificial Islands might provide traffic relief to Northwest New Territories, Mr WU Chi-wai enquired whether the problem concerned could only be resolved through the project of constructing artificial islands in the Central Waters.

80. USDEV responded that as mentioned in the Railway Development Strategy 2014, the Administration had put on hold the construction of the Coastal Railway between Tuen Mun and Tsuen Wan having regard to such factors as cost-effectiveness and catchment population. However, the development of KYC Artificial Islands might provide an opportunity to bring in enough population to justify the construction of a railway system connecting Northwest New Territories and urban areas via KYC Artificial Islands.

Reclamation works for the artificial islands

81. Expressing concerns about the impact of the reclamation works under the project of constructing artificial islands in the Central Waters on fishermen, Mr LEUNG Che-cheung enquired how the Administration would compensate the affected fishermen. USDEV replied that the Administration would assess the impact of the project on the fisheries industry as soon as possible, and explore under the planning and engineering study for KYC Artificial Islands to be covered by the proposed studies how to respond to the demands of the affected fishermen based on the assessment results.

82. Mr LAU Kwok-fan enquired where the construction waste arising from various public works projects was delivered at present, and whether the Administration would, in future, deliver such construction waste directly to the sites of KYC Artificial Islands for reclamation. USDEV and DCED

responded that at present, around 15 million tonnes of public fill (or inert construction and demolition waste) was generated in Hong Kong each year and such waste might be used for reclamation. Currently, public fill was used for reclamation of the Tung Chung New Town Extension Area and in the Three-Runway System project at the Hong Kong International Airport. The remaining public fill would be delivered to the Mainland for use as fill materials. In order to reduce the use of such fill materials as marine sand and manufactured sand, the Administration planned to use public fill for reclamation as far as possible for the construction of KYC Artificial Islands in future.

83. The Chairman advised that the Subcommittee would continue to discuss this item at the next meeting. The meeting ended at 12:28 pm.

Council Business Division 1
Legislative Council Secretariat
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