

立法會

Legislative Council

LC Paper No. FC189/20-21

(These minutes have been
seen by the Administration)

Ref : FC/1/1(6)

Finance Committee of the Legislative Council

**Minutes of the 6th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 27 November 2020, from 3:19 pm to 7:01 pm**

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon CHAN Chun-ying, JP (Deputy Chairman)
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, GBS, JP
Hon CHAN Han-pan, BBS, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Alice MAK Mei-kuen, BBS, JP
Hon KWOK Wai-keung, JP
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, GBS, JP

Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, SBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Jimmy NG Wing-ka, BBS, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan, JP
Hon CHEUNG Kwok-kwan, JP
Hon LUK Chung-hung, JP
Hon LAU Kwok-fan, MH
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Dr Hon CHENG Chung-tai
Hon Vincent CHENG Wing-shun, MH, JP
Hon Tony TSE Wai-chuen, BBS, JP

Members absent:

Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon WU Chi-wai, MH
Hon Charles Peter MOK, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Hon Andrew WAN Siu-kin
Hon LAM Cheuk-ting
Hon SHIU Ka-chun
Dr Hon Pierre CHAN
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho

Public officers attending:

Ms Alice LAU Yim, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Mr Raistlin LAU Chun, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) ¹

Miss Jennie CHAN Cheuk-yin	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Michael WONG Wai-lun, JP	Secretary for Development
Mr LIU Chun-san, JP	Under Secretary for Development
Mr LAM Sai-hung, JP	Permanent Secretary for Development (Works)
Ms Doris HO Pui-ling, JP	Deputy Secretary for Development (Planning and Lands) 1
Mr Vincent MAK Shing-cheung, JP	Deputy Secretary for Development (Works) 2
Mr TSE Chin-wan, BBS, JP	Under Secretary for the Environment
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 Raymond IP Wai-man	Acting Deputy Head of the Sustainable Lantau Office (Works), Civil Engineering and Development Department
Mr Ivan CHUNG Man-kit, JP	Deputy Director of Planning (Territorial)

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
--------------	-------------------------------

Staff in attendance:

Ms Angel SHEK	Chief Council Secretary(1)1
Miss Bowie LAM	Council Secretary (1)1
Miss Queenie LAM	Senior Legislative Assistant (1)2
Mr Frankie WOO	Senior Legislative Assistant (1)3
Miss Mandy POON	Legislative Assistant (1)1
Miss Yannes HO	Legislative Assistant (1)7

Action

The Chairman reminded members of the requirements under Rule 83A and Rule 84 of the Rules of Procedure.

**Item 1 — FCR(2019-20)27
RECOMMENDATION OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 25 MAY 2019**

PWSC(2019-20)5

Head 705 — CIVIL ENGINEERING

Civil — Land development

Engineering

768CL — Studies related to artificial islands in the Central Waters

2. The Chairman advised that this item sought the approval of the Finance Committee ("FC") for the recommendation of the Public Works Subcommittee ("PWSC") made at its meeting on 25 May 2019 regarding PWSC(2019-20)5, i.e. the upgrading of 768CL entitled "Studies related to artificial islands in the Central Waters" ("the proposed studies") to Category A at an estimated cost of \$550.4 million in money-of-the-day prices. PWSC had spent approximately 6 hours and 9 minutes in total in deliberating the above proposal.

3. The Chairman declared that he was a Director and the Chief Executive Officer of Well Link Insurance Group Holdings Limited. He was also a Director of Well Link General Insurance Company Limited and Well Link Life Insurance Company Limited, both under the Well Link Insurance Group.

4. At the invitation of the Chairman, Secretary for Development briefed members on item FCR(2019-20)27 and the scope of the proposed studies, and stated that during the proposed studies, the Government would conduct public engagement exercise to provide more comprehensive information for consulting the public. The Government expected that the proposed studies would be completed within 42 months.

5. Secretary for Development advised that the Government had, on an exceptional basis, provided a ballpark estimate for the cost of key projects under the Lantau Tomorrow Vision ("the Vision"). The project would cost around \$624 billion (in September 2018 prices) in total, of which around \$273 billion would be used for building priority road and rail links. According to the estimate published by the Hong Kong Institute of Surveyors ("HKIS"), the artificial islands around Kau Yi Chau ("KYC Artificial Islands") alone could generate a land sale value in the order of \$974 billion to \$1,143 billion. If the lower-end parameter of the preliminary planning for private residential developments (i.e. 45 000 housing units) was adopted for estimation, the estimated land sale value

would be around \$707 billion. The estimate concerned had not included other income and revenue under the Vision, especially the land sale value from Tuen Mun West development and the possible revenue from the sale of subsidized sale flats on the KYC Artificial Islands. Upon full development of the KYC Artificial Islands, it was crudely estimated that the commercial and retail space thereon, when fully utilized to accommodate the economic activities concerned, would generate around \$141 billion in 2018 prices of value-added each year, amounting to about 5% of Gross Domestic Product.

Scope of the proposed studies

6. Mr Tony TSE said that he, the Hong Kong Institute of Architects and HKIS were supportive of the proposed studies. Mr TSE requested a detailed account of the scope of the proposed studies. Mr SHIU Ka-fai expressed support for the increase of land supply through reclamation and enquired how much of the estimated cost of the proposed studies would be used on ground investigation and preliminary design of the works.

7. Secretary for Development replied that the scope of the proposed studies covered the following four areas: (a) a detailed planning and engineering study for KYC Artificial Islands, including the formulation of detailed land use proposals, preparation of preliminary design of the associated engineering works, and conducting statutory environmental impact assessment in relation to the formulation of development proposals; (b) conducting a transport infrastructure study, including the study for the rail/road networks between KYC Artificial Islands and Hong Kong Island to the east, as well as Northeast Lantau and the coastal areas of Tuen Mun to the north; (c) collection of information on waters within and in the vicinity of the possible artificial islands near Hei Ling Chau ("HLC") and Cheung Chau South ("CCS") for future reference in long-term planning; and (d) associated site investigation.

8. Secretary for Development continued that the Government had drawn reference from expenses of previous studies for similar projects in estimating a cost of \$550.4 million of the proposed studies, in which around one third would be spent on planning and engineering study for KYC Artificial Islands, and around one third on a transport infrastructure study, while the remaining would be used on site investigation works and public engagement activities, which would also include contingencies, etc.

Cost and benefits of the key projects under the Lantau Tomorrow Vision*Estimates for income and expenses*

9. Mr Michael TIEN said that he had roughly worked out in 2018 a land sale value of KYC Artificial Islands of around 880 billion (including 4 million sq m of commercial floor area and 3.5 million sq m of private housing floor area) based on 70% of the site transaction price of the Kai Tak Development Area ("KTDA") then. Regarding the land sale value of KYC Artificial Islands up to around \$1,143 billion published earlier by the Administration, he enquired about the data from which the Administration had drawn reference in its estimation.

10. Mr Vincent CHENG and Dr Priscilla LEUNG said that the gigantic scale of the KYC Artificial Islands project had aroused public concern that the development might deplete the fiscal reserves. To allay the people's concern, Dr LEUNG considered that the Administration should set out a breakdown of the income and expenses of the Vision, in order to explain to the public that the Administration would recover the relevant cost of development in the future.

11. Secretary for Development replied that in accordance with the professional estimate published by HKIS, the KYC Artificial Islands development could generate a land sale value in the order of \$974 billion to \$1,143 billion. The estimate concerned was based on the upper-end of the preliminary planning parameter for private residential developments (i.e. 78 000 housing units) and assuming a size of 75 sq m for each unit. If the lower-end parameter was adopted for estimation (i.e. 45 000 housing units), the estimated land sale value would be around \$707 billion, which would still be above the ballpark cost estimate. The said land sale value had not yet included the potential land sale value of the Lung Kwu Tan Reclamation and the Tuen Mun coastal area development (including the River Trade Terminal ("RTT")), as well as the possible revenue from the sale of subsidized sale flats on KYC Artificial Islands.

12. Secretary for Development also stated that the ballpark cost estimate of the key projects under the Vision was \$624 billion (in September 2018 prices), to be paid across 10 to 15 years, or around \$50 billion annually on average. The Government had the financial capacity to take forward the KYC Artificial Islands development. The proposed studies would also examine other financing proposals.

13. Mr Michael TIEN requested the Administration to clarify whether the ballpark cost estimate of the key projects under the Vision (estimated to

be around \$624 billion in September 2018 prices) had included the cost of priority rail links shown in Enclosure 1 to PWSC(2019-20)5. Secretary for Development replied in the affirmative.

14. Ir Dr LO Wai-kwok expressed support for the Administration to open up more land by way of reclamation, and was of the view that the Administration should expeditiously commence the proposed studies. The Panel on Development had conducted hearings on the subject concerned, and among the participating individuals or deputations, most stated their support for the proposed studies. Ir Dr LO noted that the ballpark estimate of the cost of the key projects under the Vision provided by the Administration had already included the cost of priority transport networks. In this respect, the Administration should clearly explain to the public that the Administration would still have to construct the transport networks and bear the relevant expenses even if it turned to other land supply options (such as developing a new development area of similar scale in the New Territories or other places).

15. Mr Michael TIEN further pointed out that, regardless of whether the Administration had proposed the KYC Artificial Islands development, Hong Kong still needed to construct a new rail link between the urban area and West New Territories. Therefore, the actual project cost of the key projects under the Vision should be around \$452 billion (i.e. \$624 billion minus \$172 billion, the cost of the priority rail links). The above figure indicated that the revenue from sale of land on KYC Artificial Islands (over \$700 billion, based on a conservative estimate) would be much higher than the project cost.

16. Secretary for Development said that the reclamation cost of KYC Artificial Islands was estimated to be around \$14,000 per sq m of land. In other words, the estimated reclamation cost of KYC Artificial Islands, with an area of around 1 000 hectares, was around \$140 billion (in September 2018 prices).

Reclamation cost

17. Mr MA Fung-kwok enquired about the height of the ground level of KYC Artificial Islands determined by the Administration; and, when determining the height of the ground level of the islands, whether sufficient room was reserved in light of settlement of newly reclaimed land and the threat of a rising sea level caused by global warming, and thoroughly considered such factors in the ballpark cost estimate of the key projects under the Vision.

18. Secretary for Development said that the Government had drawn reference from the assessment report published by the United Nations Intergovernmental Panel on Climate Change, and it was tentatively estimated that the height of the ground level of KYC Artificial Islands would be around 6 m to 7 m above Principal Datum (with settlement taken into account). Based on the height mentioned above, the reclamation of KYC Artificial Islands would cost \$140 billion approximately (in September 2018 prices). The height was similar to that of the reclaimed land to the north of the Airport Island for the development of the three-runway system of the Hong Kong International Airport ("HKIA"). The said reclaimed land to the north of the island had always been able to withstand extreme weather, including the threat of Super Typhoon Mangkhut in September 2018.

19. Mr Jimmy NG expressed support for the Administration to carry out the proposed studies to collect more information and data for deciding the next step of work. Mr NG pointed out that the public was concerned about whether the inflated price of marine sand would lead to a surge in project cost of the KYC Artificial Islands reclamation works, and enquired whether the proposed studies would look into the problem concerned and work out a solution to address the issue in advance.

20. Mr MA Fung-kwok requested the Administration to further explain how the above reclamation cost estimation was worked out, in particular, how the Administration predicted the cost of works a few years from now.

21. Secretary for Development stated that the Government estimated the reclamation cost of KYC Artificial Islands by drawing reference from the reclamation cost of Tung Chung East in recent years in which around 130 hectares of land was created (a cost of around \$9,000 per sq m of reclaimed land). The rise in construction cost was largely stable in the past two to three years. Regarding the fill materials, Hong Kong currently generated around 15 million tonnes of inert construction waste (also called public fill) each year. The Government expected that around half of the fill materials needed for the reclamation works of KYC Artificial Islands would come from local public fill, while the remaining would mainly be manufactured sand. In fact, over 60% of fill materials for the reclamation of the HKIA three-runway system were manufactured sand, in which a substantial amount of the materials were sourced from the Guangdong Province where the price and supply were relatively stable. The production of manufactured sand did not involve dredging of seabed, and was able to reduce environmental impact.

Cost control and supervision of works

22. Mr LAU Kwok-fan expressed support for the Administration to open up more land through reclamation, so as to alleviate Hong Kong's acute shortage of land supply in the medium-to-long term. In light of cost overruns in certain public works projects in the past, Mr LAU enquired whether the Administration would explore the feasibility of setting a "cap" on the project cost of the KYC Artificial Islands development in the course of the proposed studies, with a view to ensuring the completion of the project within budget in the end.

23. Mr LUK Chung-hung suggested that the Administration, when conducting the proposed studies, explore ways to enhance cost management and control through such methods as optimizing project design and adopting the most advanced technologies, thereby improving cost effectiveness and advancing the progress of works.

24. Dr Priscilla LEUNG referred to the serious cost overruns in the construction of the Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") and the series of problems found in the works of Hung Hom Station Extension under the Shatin to Central Link Project. She urged the Administration to comprehensively examine ways to strengthen site supervision and management during the proposed studies.

25. Secretary for Development said that, among the public works projects commenced since 2008, only around 10% of them had to apply for additional funding, and the extra funding sought represented around 7% of the aggregate works expenditure. Notwithstanding the need for further funding from certain projects, the overall expenditure on the public works projects completed during the same period was still around 10% lower than the total approved project estimate. The Government established the Project Cost Management Office in 2016, which was upgraded as the Project Strategy and Governance Office in 2019, to implement various measures to step up control on project budget and expenditure, with an aim to curb cost overrun and programme delay. The reclamation progress of the Tung Chung East Extension Area was in line with expectation, and the Government was confident that the works could be completed within the approved project estimate.

26. Secretary for Development also said that the first phase of reclamation works for the formation of KYC Artificial Islands was expected to commence in 2027 at the earliest, and the Government would keep a close eye on the latest technologies in engineering and explore

during the proposed studies adoption of more advanced and environmental-friendly technologies and designs.

Investment sentiment of the property market

27. Dr CHENG Chung-tai stated that the Government tried to sell a commercial lot at Area 57, Tung Chung by tender in October 2020, yet the land sale was eventually cancelled as the final tendered premiums did not meet the reserve price. In this respect, he enquired how the Administration could ensure that the land on KYC Artificial Islands would have the investment value to attract bids from developers.

28. Secretary for Development considered the market response to the commercial lot at Area 57, Tung Chung an isolated case, and pointed out that the lot was located at the new reclamation area in Tung Chung where residents of housing estates nearby had yet to move in. Despite the failure in selling individual lots, the overall property prices in Hong Kong were still high, with enormous market demand for sites in core business districts ("CBDs"). According to a research study on the supply of commercial sites published in recent years by a professional surveying firm in Hong Kong, the commercial sites available for sale by the Government in the future would have an permissible office floor area of around 20.1 million sq ft. As Hong Kong generally absorbed 2 million sq ft of office floor area each year in the past, the above potential supply would only be sufficient for use in 10 years. As a matter of fact, the Lands Department granted a commercial site on top of the West Kowloon Terminus of the Hong Kong Section of XRL to a local developer for a premium in excess of \$42.2 billion in November 2019. It was understood that many developers were interested in bidding for Site 3 of the New Central Harbourfront.

29. Secretary for Development then pointed out that the Government proposed in 2011 the transformation of Kowloon East into a CBD. At present, Kowloon East had a commercial floor area of around 2.9 million sq m, which was expected to increase to 3.5 million sq m in the next two years, a scale comparable to the Central CBD. KYC Artificial Islands were merely located 10 km and 15 km from the Central CBD and HKIA respectively, and would have a much better location than Kowloon East. Following the success in Kowloon East development in the past 10 years or so, the Government was confident to develop KYC Artificial Islands into the third CBD in Hong Kong. Secretary for Development also stressed that the land development work had to go on and should not be disrupted by short-term economic fluctuations.

Possible changes in Hong Kong's economy in the future

30. Dr Priscilla LEUNG proposed to take forward the development of KYC Artificial Islands in stages to ensure that the Administration could properly adjust the scale and progress of the works in response to various unforeseeable and exceptional circumstances after the works commenced.

31. Secretary for Development replied that the Administration would consider taking forward the development of KYC Artificial Islands in stages, and the arrangements concerned would be reflected in the project cash flow analysis.

32. Dr CHENG Chung-tai said that, against the backdrop of the severe impact of Coronavirus disease 2019 ("COVID-19") on the global economy, Hong Kong's economic outlook was not favorable at all. He enquired whether the Administration would shelve/abort the works in case of financial distress on the part of the Government when or any time after the reclamation of KYC Artificial Islands formally started in 2027. He also requested the Government to undertake not to cut resources on education, healthcare and social welfare within five years from the formal commencement of the KYC Artificial Islands development.

33. Secretary for Development said that, at the moment, the Government spent around \$500 billion each year on aggregate, around half of which was spent on education, healthcare and social welfare. The ballpark cost estimate of the key projects under the Vision was \$624 billion (in September 2018 prices), to be paid across 10 to 15 years, or around \$50 billion annually on average. The Government would spend as much as \$100 billion in each of the next few years on public works projects, indicating its financial capability in carrying out the development of KYC Artificial Islands. Moreover, KYC Artificial Islands would generate over \$700 billion in land sale value on the basis of a conservative estimate, which would more than cover the project cost. Secretary for Development emphasized that the KYC Artificial Islands development did not aim to profit from land sale.

34. Secretary for Development further advised that the Government would definitely consider all relevant factors and risks before taking forward any large-scale public works projects. The Government had the experience to successfully implement similar public works projects in the past.

Financial arrangements for the Kau Yi Chau Artificial Islands project

35. Mr LEUNG Che-cheung mentioned the public's concern about possible operating deficits of the Government in each of the next few years, and queried why the Administration still planned to spend a huge amount of public money on developing KYC Artificial Islands. Mr LEUNG considered it necessary for the Administration to provide justifications, in order to alleviate public concern. Ms Elizabeth QUAT expressed support for the proposed studies, and requested the Administration to confirm that it would not exhaust its fiscal reserves on the proposed KYC Artificial Islands development.

36. Referring to the cost overruns in many infrastructure projects in recent years, Dr CHENG Chung-tai was worried that the final cost of the KYC Artificial Islands development might reach \$1 trillion, and was concerned whether the Administration had sufficient financial capacity to complete the relevant works, as well as whether its fiscal reserves would be exhausted before the land sales.

37. Mr LAU Kwok-fan, Ms YUNG Hoi-yan and Ms Elizabeth QUAT suggested the Administration assess and analyze various financing options (such as allowing private sector participation and issuing bonds to raise funds for the reclamation plan) during the proposed studies, on top of the planning and engineering study.

38. Dr Priscilla LEUNG suggested the Administration enhance public participation through, say, bond issuance to raise funds for the reclamation works, in an attempt to strengthen public support for developing KYC Artificial Islands.

39. Secretary for Development advised that KYC Artificial Islands would create over \$700 billion in land sale value according to a conservative estimate, which would be higher than the cost of key projects under the Vision (ballpark estimate of around \$624 billion in September 2018 prices). The Government noticed that many individuals/organizations had expressed views on the financial arrangements for the development of KYC Artificial Islands lately. The Government would explore the options to wholly or partly share the works cost by adopting different financing proposals. Hong Kong had considerable experience in carrying out large-scale infrastructure projects through various models in the past, including development rights model, build-operate-transfer model, rail-plus-property development model and bond issuance, etc.

40. Secretary for Development continued that the Development Bureau would, in collaboration with the Financial Services and Treasury Bureau, adopt an open attitude in examining different financing proposals to implement the development of KYC Artificial Islands. The Government would make available information from the said examination to facilitate public understanding of financing arrangements for large-scale infrastructure projects, and would give a clear account of the relevant cash flow projection when applying for funding from the Legislative Council ("LegCo") for the works in the future.

Tendering arrangement

41. The Deputy Chairman expressed support for the Administration to conduct the proposed studies to collect more information and data for deciding the next step of work. The Deputy Chairman enquired how many consultancy companies in the market were capable to undertake the project, considering the extensive scope of the proposed studies. The Deputy Chairman and Mr SHIU Ka-fai requested the Administration to explain whether the consultants would be engaged through global open tendering.

42. Mr KWOK Wai-keung expressed support for the Vision. As the amount of funding approved by FC for the proposed studies was open information, he enquired about the Administration's measures to prevent consultancy companies from submitting bids for the relevant contracts based on the funding ceiling, thus preventing them from driving up the project cost.

43. Secretary for Development stated that the Government would conduct the proposed studies by engaging consultants through public tendering. While the scope of the proposed studies involved a range of professional disciplines, consultancy companies from various professional fields could form interdisciplinary teams to bid for contracts of the proposed studies. It was understood that relevant professionals and consultancy companies in the territory were capable to undertake the project, and they might form numerous teams to bid for the contracts. In evaluating the tenders, the Government would take into account the technical capability of the tenderers and the tender prices.

44. As there was only one rail operator (i.e. the MTR Corporation Limited ("MTRCL")) in Hong Kong at the moment, the Deputy Chairman enquired whether the Administration would consider inviting MTRCL to concurrently commence the detailed planning and design of the priority rail links, or even directly take part in the related work under the proposed

studies, so that the Administration could obtain the latest operation data of MTRCL.

45. Mr LUK Chung-hung was of the view that the Administration should consider introducing other railway companies to enhance competition, thereby improving MTRCL's overall service level. In this respect, he requested the Administration, when working on the proposed studies, not to assume that MTRCL would be responsible for the operation of railway projects connecting KYC Artificial Islands.

46. Secretary for Development stated that the Government did not intend to invite MTRCL or any individual railway operator to participate in the proposed studies at this stage. All along, the Government had been planning Hong Kong's railway development in two stages. The first stage included engaging consultants to conduct study on the long-term railway development blueprint and formulate railway development strategies. The Government would only proceed to the second stage when appropriate and invite railway operator to commence detailed planning and design of respective railway projects under overall railway development strategies. Likewise, the Government would only consider inviting individual railway operator to take forward the construction of priority rail links under the KYC Artificial Islands development (or doing so by other means) after the proposed studies were completed. Under the direction of according priority to transport infrastructure, the Government would prioritize the construction of strategic road and rail networks connecting KYC Artificial Islands.

Development timetable of Kau Yi Chau Artificial Islands

The proposed studies

47. Mr Jimmy NG quoted paragraph 4 of PWSC(2019-20)5 which stated that the proposed studies were originally planned to commence in the latter half of 2019 and complete within 42 months (i.e. by 2023). Considering that the funding concerned was yet to be approved by FC up to now, Mr NG and Ir Dr LO Wai-kwok enquired whether the Administration had any plan to compress the process and endeavoured to maintain the target to complete the proposed studies by 2023. Mr LUK Chung-hung also raised a similar question and expressed concern about possible rises in costs as a result of the project delay.

48. Mr Jeffrey LAM expressed support for the Administration to increase land supply through reclamation, as well as his support for the proposed studies. Mr KWOK Wai-keung, Ir Dr LO Wai-kwok, Mr Tony

TSE and Mr LAM urged the Administration to compress the time needed for the proposed studies as far as practicable and, if possible, conduct different studies simultaneously, with a view to formally commencing the reclamation works early.

49. Secretary for Development said that, in consideration of relevant statutory requirements and statutory procedures, it was necessary to conduct detailed planning and engineering study for KYC Artificial Islands. The Government would conduct the proposed studies under streamlined procedures and examine the possibility for undertaking various sub-studies concurrently, though there would not be much room for substantially compressing the relevant timetable. If item FCR(2019-20)27 was passed by FC within 2020, the proposed studies would be completed by 2025.

50. Mrs Regina IP pointed out that studies conducted by the Administration (including the Study on Existing Profile and Operations of Brownfield Sites in the New Territories and feasibility studies on multi-storey buildings for accommodating brownfield operations, etc.) experienced various levels of delays in recent years, and queried whether the Administration was overly optimistic to expect that the proposed studies would be completed within 42 months and to target to achieve the first population intake in 2034. She also requested the Administration to take into account in the construction timetable that the KYC Artificial Islands development might be delayed by judicial reviews, and the Administration should clearly explain such risks to the public in advance. Mr KWOK Wai-keung enquired whether the Administration had assessed the possibility of judicial reviews against the KYC Artificial Islands development, and devised different options in response as early as possible.

51. Secretary for Development replied that the possibility of judicial reviews against KYC Artificial Islands development should not be ruled out, although works projects launched in recent years were not often subject to judicial reviews. That said, at this stage the Government could not possibly quantify and assess the impact of judicial review cases (if any) against the KYC Artificial Islands development on the construction timetable. Secretary for Development also said that the Government was confident that the proposed studies would be completed as scheduled within 42 months if the public was supportive of the KYC Artificial Islands development.

Development of Kau Yi Chau Artificial Islands

52. Ms Starry LEE requested the Administration to briefly explain the subsequent work plan following the completion of the proposed studies. Mrs Regina IP enquired when the first population intake would take place on KYC Artificial Islands according to the current progress; and whether the community facilities and commercial district on KYC Artificial Islands could be completed at the same time.

53. Secretary for Development stated that the Government would prepare a recommended outline development plan in the course of the proposed studies as the basis for formulating the outline zoning plan in the future. Upon the completion of the proposed studies, relevant information would be submitted to the Advisory Council on the Environment and the Town Planning Board ("TPB") for consideration under the Environmental Impact Assessment Ordinance (Cap. 499) and the Town Planning Ordinance (Cap. 131), while a funding application would be submitted to FC. It was expected that the above statutory procedures would take two years to complete. If the public and TPB were supportive of the KYC Artificial Islands development and its planning, the Government wished to commence the first phase of reclamation works in 2027 and to handover the first piece of land for housing development in 2030, with a target of first population intake in 2034.

Strategic road and rail networks

54. Mr Holden CHOW noticed that the Administration would often carry out railway projects in new development areas (including the recent development of the Tung Chung East Extension Area) after the intake of a certain number of populations. As the priority rail/road links of the KYC Artificial Islands development could also alleviate the transport problems faced by residents in Northwest New Territories, he urged the Administration to construct the rail/road links concerned expeditiously, and set a specific timetable upon completion of the proposed studies.

55. Secretary for Development replied that the Chief Executive ("CE") proposed in the 2018 Policy Address the policy concept that priority would be given to building transport infrastructure. The ballpark cost estimate of around \$624 billion of the key projects under the Vision already included the cost of the priority transport networks of around \$273 billion. The Government would strive to finalize the priority road projects in 2034 to link up Hong Kong Island, KYC Artificial Islands and Northeast Lantau. As the construction of railway projects would usually take longer time, the commissioning of the railways might not take place in tandem with the first

population intake in 2034. The scope of the proposed studies would cover the specific alignment of the rail links, implementation timetable and the works budgets.

The vision of Kau Yi Chau Artificial Islands development

56. Mr Tony TSE considered that the proposed studies should be carried out under a people-oriented concept, giving priority to vision and planning. The Administration should create a low-carbon smart city with ample greening on KYC Artificial Islands. Dr Priscilla LEUNG enquired whether artificial intelligence technologies and smart devices would be utilized on KYC Artificial Islands.

57. Mr SHIU Ka-fai enquired about the specific positioning of and costs for developing KYC Artificial Islands; and how the Administration would make a trade-off between (a) city design and construction features; and (b) construction cost.

58. Secretary for Development said that the planning vision of KYC Artificial Islands was to build a liveable community which would be smart, environmentally friendly, resilient and near carbon-neutral, capable of accommodating around 400 000 to 700 000 people. The Government would expressly remind the engaged consultants about the above requirements and planning vision, and planned to develop KYC Artificial Islands with reasonable costs. The proposed studies would be implemented on the basis of interdisciplinary participation, aiming not only to cover issues related to works, but also such aspects as city design, public space and development of facilities relating to green and water spaces.

Housing supply on Kau Yi Chau Artificial Islands

59. Mr Michael TIEN, Mr YIU Si-wing and Mr LAU Kwok-fan quoted that the Administration had identified 330 hectares of land for constructing 316 000 public housing units to meet the demand for public housing development over the next 10 years (i.e. 2021-2022 to 2030-2031). Mr YIU and Mr LAU enquired whether KYC Artificial Islands would be the Administration's major source of land for constructing public housing units from 2031-2032 onwards. Mr YIU also enquired about the number of years that the demand could be absorbed by the residential sites on KYC Artificial Islands; and the population expected to be accommodated on KYC Artificial Islands.

60. Mr Michael TIEN stated that the Administration published the "Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending

2030" ("Hong Kong 2030+") in 2016, projecting the need for around 1 million additional housing units between 2016 and 2046 throughout the territory. Considering the future housing demand in Hong Kong, Mr TIEN believed it necessary for the Administration to develop KYC Artificial Islands. He requested the Administration to clarify whether the 316 000 public housing units above were included in the 1 million or so additional housing units under Hong Kong 2030+, or whether the demand for the 1 million housing units was projected on top of the 316 000 public housing units mentioned above.

61. Mr Jimmy NG noticed that the public was concerned about the Administration's plan to allocate 70% of the housing units on KYC Artificial Islands for public housing, as they were worried that the ratio would be too high, which might create many social problems, such as the case in Tin Shui Wai. He enquired if the Administration would examine the subject concerned in the proposed studies and come up with relevant solutions.

62. Mr Vincent CHENG and Ms YUNG Hoi-yan welcomed the Administration's plan to provide a total of around 150 000 to 260 000 housing units on KYC Artificial Islands in a ratio of 70:30 between public and private housing. Ms YUNG considered that the numbers of housing units above were not precise at all and requested the Administration to explain why the range of the estimate could differ by almost a double. Mr LUK Chung-hung suggested the Administration provide more housing units (including public housing units) on KYC Artificial Islands to satisfy the demand for accommodation from young people, grassroots and low-income families.

63. Secretary for Development replied that, as projected by the study under Hong Kong 2030+, the territory would need around 1 million extra housing units from 2016 to 2046. At present, a total of around 380 000 housing units could be provided through short and medium-term measures (including changing the uses of land suitable for housing development, KTDA and various other projects). Moreover, the implementation of major medium-to-long term land supply measures, together with potential railway property development projects, could provide around 230 000 housing units. Furthermore, the Government wished to stabilize long-term housing supply from mid-2030s onwards through KYC Artificial Islands (providing around 150 000 to 260 000 housing units) and the New Territories North New Development Area (providing around 80 000 to 130 000 housing units). Regarding the New Territories North New Development Area, the Government already commenced study on the first

phase development covering the San Tin/Lok Ma Chau Development Node in September 2019 ahead of schedule.

64. In terms of land for public housing, Secretary for Development also said that the Government had identified 330 hectares of land to meet the demand for public housing development over the next 10 years (i.e. 2021-2022 to 2030-2031). It was expected that the first population intake on KYC Artificial Islands would take place in 2034 at the earliest. Based on the current projection, the major sources of public housing supply between 2030 and 2034 would include: (a) Hung Shui Kiu/Ha Tsuen New Development Area; (b) Yuen Long South development; (c) sites along the Northern Link; (d) brownfield sites development; and (e) changes in the uses of land suitable for housing development. Specifically, the Planning Department ("PlanD") had been reviewing 450 hectares of brownfield sites in stages, so as to assess the number of those sites suitable for public housing development. The first phase of the assessment (covering 160 hectares of brownfield sites) was completed in 2019, which roughly estimated that over 2 million public housing units would be provided. PlanD was reviewing the remaining 290 hectares of brownfield sites. The Government also found more than 210 sites with potential for housing development over the past few years, of which 70% had completed statutory rezoning, and the Government would go on with the rezoning of the remaining sites.

65. Secretary for Development further pointed out that, as the KYC Artificial Islands development was still at a preliminary planning stage, the Administration was only able to provide a more precise number of housing units and development plan for KYC Artificial Islands after completing the proposed studies and formulating a detailed land use proposal. At this stage, it was expected that KYC Artificial Islands could provide around 150 000 to 260 000 housing units for accommodating a population of approximately 400 000 to 700 000.

66. Mr YIU Si-wing suggested the authorities examine the possibility for enhancing the average living space per person in a public rental housing ("PRH") unit under the proposed studies, with a view to improving the living conditions of PRH residents. Ms YUNG Hoi-yan wished that the KYC Artificial Islands development could increase the average living space per person for Hong Kong people, and requested the authorities to review the guidelines set out in the Hong Kong Planning Standards and Guidelines, so as to provide quality community facilities on the KYC Artificial Islands.

67. Secretary for Development stated that, given their large scale as newly developed lands, the KYC Artificial Islands would enable comprehensive planning for liveable communities with a range of compatible community facilities (including elderly facilities), ample open spaces and greening, state-of-the-art infrastructure and smart city design, while the Government would consider adopting higher standards relative to those laid down in the Hong Kong Planning Standards and Guidelines, so as to enhance the quality of life on the artificial islands. The Development Bureau would also explore the possibility for increasing the average living space per person in a PRH unit on the KYC Artificial Islands with the Transport and Housing Bureau ("THB") during the proposed studies.

68. Secretary for Development continued that the the Chief Executive announced in the 2020 Policy Address that Hong Kong would strive to achieve carbon neutrality before 2050. While buildings currently accounted for around 90% of electricity consumption in Hong Kong, the Government planned to draw up more stringent specifications for building design and higher standards of construction on the KYC Artificial Islands, so as to reduce carbon emissions in the course of building construction and operation, and to develop the first near carbon-neutral neighbourhoods.

Employment opportunities on the KYC Artificial Islands

69. Mr YIU Si-wing enquired whether the authorities would examine if the future working population and number of jobs were compatible on the KYC Artificial Islands and the entire Lantau Island when conducting the proposed studies. He suggested the authorities create more employment opportunities on Lantau to fulfil the needs of the working population in the area and improve the uneven distribution of working population and available jobs at present.

70. Secretary for Development stated that, upon full development, the KYC Artificial Islands could offer around 200 000 employment opportunities, while Tung Chung and HKIA could also provide over 100 000 employment opportunities. Moreover, the Government had kick started the Hung Shui Kiu/Ha Tsuen New Development Area development in stages from mid-2020 onwards, where around 150 000 job opportunities would be available. In summary, the employment opportunities in the New Territories and Western Hong Kong would double as a result of the developments above, which would hopefully reduce the number of cross-district employment among residents in the Western New Territories, thereby alleviating the pressure on transport network.

Main roads and railways connecting the KYC Artificial Islands

71. Mr KWOK Wai-keung was concerned whether the external transport infrastructure of the KYC Artificial Islands would adequately address long-term transport demand, and enquired whether the authorities would reassess the relevant traffic forecasts while carrying out the proposed studies.

72. Secretary for Development stated that under the preliminary plan, the Government intended to construct rail and road networks between the KYC Artificial Islands and the Hong Kong Island to the east, and the Northeast Lantau and coastal areas of Tuen Mun to the north. The related road networks would also form part of a comprehensive circular road network interlinking the North Lantau Highway, Lantau Link and Route 11 under study. It was preliminary estimated that the rail and road links would be sufficient for the transport demand arising from the KYC Artificial Islands. The proposed studies would cover the transport infrastructure study for the strategic road and rail links.

Public engagement

73. As regards the authorities' plan to earmark \$11.6 million for public engagement exercise, Mr CHAN Chun-ying requested the authorities to further explain the details and enquired about the expenses of large-scale public consultation activities organized by the authorities before.

74. Ms Starry LEE enquired whether the authorities would collect public opinions during the proposed studies, or consult the public only after completing the proposed studies. Dr Priscilla LEUNG requested the consultants engaged by the authorities to collect data and submit specific development proposals in the course of the proposed studies. The authorities should also regularly report the progress of the proposed studies to the LegCo.

75. Secretary for Development said that, during the proposed studies and the formulation of the recommended outline development plan, the Government would hold public engagement exercise to provide the public with more comprehensive data and consult LegCo and the public on various aspects. Having drawn reference from relevant expenses incurred by similar activities in the past, the Government considered that the current level of the estimated expenses was appropriate.

76. Ms Starry LEE requested the authorities to confirm that no reclamation works would take place before the plan for KYC Artificial

Islands development was finalized. Secretary for Development replied in the affirmative.

77. Ms Starry LEE recalled the study on South East Kowloon Development (covering the Kai Tak Airport and its adjacent areas) in the 1990s, in which the authorities substantially reduced the size of the reclamation area from the original 299 hectares to 161 hectares in light of public feedback. She was of the view that the authorities should cite this example to let the public know that the development proposal had yet to be finalized at this stage.

78. Secretary for Development said that the Government had always deliberated with the public through many public engagement activities in respect of the implementation of various new development areas. Apart from the example cited by Ms Starry LEE, in recent years the Government had withdrawn the proposal of Tung Chung Bay reclamation in response to public concern during the study on Tung Chung New Town Extension. Based on the result of the detailed feasibility study for Environmentally Friendly Linkage System ("EFLS") for Kowloon East, the Government had also decided to replace the original proposal with a "multi-modal" EFLS. The above examples all reflected that the Government would only arrive at final decisions after obtaining comprehensive data from relevant studies.

Explanation work

79. Mr WONG Kwok-kin pointed out that the Hong Kong Federation of Trade Unions ("FTU") was supportive of the Vision. Mr WONG, Mr LEUNG Che-cheung, Ms Alice MAK, Mr LUK Chung-hung, Mr KWOK Wai-keung, Ms Starry LEE and Ms Elizabeth QUAT noticed that even though the authorities had yet to commence the proposed studies, a lot of individuals/organizations had already started disseminating disinformation and incessantly smearing the Vision through distributing leaflets, etc. The above members requested the authorities to work out a comprehensive plan to proactively expound to the public the urgency and importance of the Vision to Hong Kong, in a bid to gain public support for the project.

80. Specifically, Mr WONG Kwok-kin suggested the Secretary for Development more actively publish blog articles and invite relevant professional sectors to state their opinions to enhance public understanding of the project. Dr Priscilla LEUNG suggested the authorities draw reference from the practice of briefing on the COVID-19 epidemic to hold press conferences and give high-profile responses to different allegations. The Chairman suggested the authorities make good use of occasions such

as FC's open meetings to refute false allegations instantly, and emphasized the importance of disseminating information to the public via the Internet and social media. Mr KWOK Wai-keung queried why the Housing Department allowed such individuals/organizations to drop leaflets with disinformation directly into letter boxes of public housing estates, and requested the authorities to follow up seriously.

81. Mr WONG Kwok-kin and Ms Alice MAK further pointed out that certain individuals/organizations had already politicalized the KYC Artificial Islands development, and it was no longer an issue solely about technical problems in the implementation. Ms MAK highlighted that such individuals/organizations claimed that Hong Kong had over 1 000 hectares of abandoned farmland, sufficient for replacing the KYC Artificial Islands development as a solution to land shortage. In this regard, the authorities had to foster strong public awareness of the significance of resolving the impasse of land shortage through a multi-pronged approach. Ms MAK and Mr KWOK Wai-keung also hoped that the Administration could regain the initiative in land supply through the KYC Artificial Islands development.

82. Ms Starry LEE was of the view that, when implementing contentious projects, the authorities had to clarify misinformation and rumours in no time to ease public concern, and was pleased to learn that the authorities had already printed out the "Easy Digest for Studies related to Artificial Islands in the Central Waters". Ms Alice MAK and Ms Elizabeth QUAT suggested the authorities further mail relevant materials such as the "Easy Digest for Studies related to Artificial Islands in the Central Waters" to residents in related districts, and to distribute such materials in the communities to enhance publicity effect.

83. In response, Secretary for Development stated that the Government noted the differing views from various sectors on the KYC Artificial Islands development, and encouraged different parties to adopt an attitude of tolerance and mutual-respect while deliberating the subject. Opinions collected by the Task Force on Land Supply ("TFLS") indicated a support rate of over 50% for the development of East Lantau Metropolis (the location, scale, broad development mode and potential development benefits of the KYC Artificial Islands all matched with the East Lantau Metropolis proposal). Recently, many opinion polls indicated majority support for the KYC Artificial Islands development among respondents. The Government held numerous meetings with professional bodies and their young members to exchange views on the KYC Artificial Islands development. The Government would also conduct public engagement exercise during the proposed studies to expound the facts to the public and

endeavoured to deliver its explanation work to solicit support from various sectors.

Environmental impact of the KYC Artificial Islands development

84. Mr Vincent CHENG enquired about the environmental impact of the KYC Artificial Islands development on the marine ecology in the central waters between the Hong Kong Island and Lantau ("the Central Waters"), and requested the authorities to provide further information on the environmentally-friendly reclamation technologies and eco-shorelines stated in paragraph 28 of PWSC(2019-20)5. Mr CHENG also considered that development and conservation were not mutually exclusive. He urged the authorities to apply the most appropriate environmentally-friendly reclamation technologies and deploy more resources on ecological conservation in future.

85. Mr Jimmy NG said that the public was concerned about the impact of the KYC Artificial Islands development on the marine ecosystem in the Central Waters, and enquired whether the authorities would look into the subject concerned in the proposed studies, and impose effective environmental mitigation and compensation measures.

86. Secretary for Development replied that the waters in the vicinity of Kau Yi Chau ("KYC") were zoned as dumping ground in the early years. The waters concerned were also designated as an anchorage area presently. The Central Waters were not waters frequented by Chinese white dolphins, with no high coral coverage found. Relative to the eastern and western waters, the Central Waters were less ecologically sensitive, so the Government considered it appropriate to construct artificial islands in the area. The Government would conduct statutory environmental impact assessment on the KYC Artificial Islands development and apply for an environmental permit from the Director of Environmental Protection under the Environmental Impact Assessment Ordinance before commencing the works.

87. Secretary for Development continued that, instead of erecting vertical seawalls with concrete as in the case of reclamation in the past, the Government was now building eco-shoreline in the Tung Chung New Town Extension. The concept of eco-shoreline was to mimic the physical properties of natural inter-tidal zones and provide suitable marine habitats to enhance biodiversity. Moreover, the Government would establish seaside public space along the eco-shoreline of the KYC Artificial Islands as far as possible for public access.

88. Dr CHIANG Lai-wan enquired whether the tidal stream speed of the Central Waters was suitable for reclamation works, and requested the authorities to advise if there were successful cases of large scale artificial islands development overseas. Dr CHIANG also stated that according to information from a green group, between the two options of developing artificial islands by reclamation and conducting reclamation along natural shorelines, the former would not inflict less harm to the environment/ecology than the latter. In this regard, she enquired whether the authorities would consider carrying out reclamation along the eastern coast of Peng Chau in lieu of constructing artificial islands in the Central Waters.

89. Secretary for Development stated that considering various factors like tidal stream and water depth in the preliminary analysis, the Central Waters were found to be suitable for reclamation works. Constructing artificial islands by reclamation in the Central Waters would also reduce the interruption from reclamation works to the natural shorelines on Lantau. Secretary for Development also pointed out that HKIA was itself an artificial island. The Danish government was also interested in developing an artificial island off the southern shore of Copenhagen for housing development. The artificial island could also strengthen the resilience of Copenhagen against the rise in sea level caused by climate change.

Opinions of the agriculture and fisheries sector on studies related to artificial islands in the Central Waters

90. Mr Steven HO considered that the authorities merely assessed the potential impact of respective reclamation works on the fisheries industry on the basis of fisheries impact assessment (included as part of the environmental impact assessment), which was not conducive to improving the income of fishermen and the sustainable development of the fisheries industry. He requested the Administration to consider the three proposals stated in his letter dated 26 November 2020 (see FC57/20-21(03) for details), and bring forward specific proposals in the proposed studies to facilitate fishermen in upgrading and restructuring and promote sustainable development of the fisheries industry.

91. Secretary for Development replied that the Government would consult stakeholders in the industry about the land use proposals related to KYC Artificial Islands in the proposed studies. Moreover, the Development Bureau would follow up with the Food and Health Bureau, which was responsible for the policy on fisheries, on policy issues about

assisting the fisheries sector in upgrading and restructuring and the mechanism about granting ex-gratia allowances for fishermen, etc.

[*Post-meeting note:* The Administration's written response to the letter from Mr Steven HO was circulated to members vide LC Paper No. FC65/20-21(03) on 3 December 2020.]

Possible Hei Ling Chau and Cheung Chau South artificial islands development

Collection of basic information on waters within and in the vicinity of the possible artificial islands near Hei Ling Chau and Cheung Chau South

92. As it was stated in paragraph 5 of PWSC(2019-20)5 that the first phase of the development under the Vision would focus on the KYC Artificial Islands with an area of around 1 000 hectares, Mr Michael TIEN, Ms YUNG Hoi-yan and Mr YIU Si-wing requested the authorities to clarify whether the proposed studies would only cover the KYC Artificial Islands with an area of around 1 000 hectares; if so, Mr TIEN requested that the authorities delete the phrase "the first phase of the development" to avoid ambiguity.

93. Mr KWOK Wai-keung enquired when the authorities would start conducting detailed planning and engineering studies on the possible artificial islands near HLC and Cheung Chau South ("CCS"). Regarding the authorities' plan to collect, under the proposed studies, information on waters within and in the vicinity of the possible artificial islands near HLC and CCS for long-term planning use, he requested the authorities to further elaborate the difference between the above work and the detailed planning and engineering study.

94. Secretary for Development said that when CE proposed the Vision in the 2018 Policy Address, the authorities had already explained unequivocally that the first phase would focus on the KYC Artificial Islands which would be around 1 000 hectares in size. The proposed studies also would only focus on the development of artificial islands near KYC with an area of around 1 000 hectares. As to the remaining artificial islands with a size of around 700 hectares near HLC and the waters to the south of Cheung Chau, the proposed studies would collect basic technical data for future reference in long-term planning. Secretary for Development reiterated that at this stage the Government had only proposed a substantive plan for the KYC Artificial Islands, without formulating any specific timetable for the possible HLC and CCS artificial islands.

95. Ms YUNG Hoi-yan and Mr LEUNG Che-cheung enquired why the authorities would only focus on studying the development of the KYC Artificial Islands which would be around 1 000 hectares in size, but not also studying the construction of artificial islands with an area of around 700 hectares near HLC. Mr LEUNG was concerned that developing the KYC Artificial Islands and the possible HLC artificial islands in different stages might inflate the cost of reclamation, while Mr Michael TIEN relayed that members of local communities had reservations about the development of the remaining artificial Islands with an area of around 700 hectares.

96. Mr CHAN Chun-ying enquired about the financial implications if the authorities took out the task of collecting information on waters near HLC and CCS from the proposed studies and entrusted the work via another consultant contract instead. He also requested the authorities to further explain its justifications for opting for the waters near HLC and CCS.

97. Secretary for Development said that studies conducted by the Government in the early years all along proposed reclamation near KYC and HLC; many organizations also proposed the construction of artificial islands in the waters near CCS for relocation of the Kwai Tsing Container Terminals ("KTCTs"). Therefore, the Government proposed to collect, under the proposed studies, basic information on waters within and in the vicinity of the possible artificial islands near HLC and CCS. This was consistent with TFLS's proposal to build up a land reserve for Hong Kong's long-term development. The Government also believed that it would be more cost effective to incorporate the work concerned into the proposed studies, in comparison to assigning the task through another contract.

Possible rail/road links in longer term

98. Ms YUNG Hoi-yan quoted Enclosure 1 to PWSC(2019-20)5 which indicated that the authorities might provide a possible rail link between the KYC Artificial Islands and Tuen Mun (via areas around Mui Wo and Tung Chung) in the longer term, and enquired whether the rail link would adopt an alignment through the Lantau Country Parks. Mr Holden CHOW suggested the authorities consider constructing the rail link in stages, and commence the first phase of the works as soon as possible to provide a rail link between Tuen Mun and North Lantau.

99. Secretary for Development said that, as the Government had yet to bring forward a substantive proposal and formulate an implementation

timetable for the possible artificial islands near HLC at the moment, there was no substantive plan on the railway project linking the KYC Artificial Islands and Tuen Mun via HLC at this stage. The proposed studies would focus on studying the link between the KYC Artificial Islands and the Hong Kong Island to the east, and the rail/road links between Northeast Lantau and the coastal areas of Tuen Mun to the north. Secretary for Development further advised that the Tuen Mun-Chek Lap Kok Link would commence operation in the end of December 2020.

100. Secretary for Development also stated that the Government would examine the financial and environment implications of different technical proposals (for example, studying the option of constructing relevant transport infrastructure underground as necessary) for transport infrastructure with alignments across country parks, and would apply for environmental permits under the Environmental Impact Assessment Ordinance prior to works commencement.

Transport infrastructure networks of Lantau and Peng Chau

Mui Wo, Tung Chung and Tai O

101. Mr Kenneth LAU expressed support for the Vision and requested the authorities to expeditiously proceed with the project to drive the development of areas around Lantau and the Western New Territories. He enquired whether the authorities would incorporate the planning of the road networks of areas around Southern Lantau and Mui Wo into the transport infrastructure study under the proposed studies, so as to improve the external land transport in Southern Lantau.

102. Mr CHAN Han-pan stated that the authorities had yet to put forward any specific proposal for the Tung Chung-Mui Wo link so far, despite having made such promise years ago as claimed by certain Lantau residents. The residents concerned requested the authorities to bring forward a proposal and implementation timetable for the relevant works project as soon as practicable, so as to establish a "15-minute living circle" covering Mui Wo, Tung Chung and Tai O.

103. Mr Michael TIEN noticed the divergent opinions among Mui Wo residents on the potential rail/road links between Mui Wo and the possible artificial islands near HLC, and enquired whether the authorities would consult residents in Mui Wo before undertaking the proposed studies.

104. Secretary for Development replied that, as the Government had yet to introduce a substantive proposal and formulate an implementation

timetable for the possible artificial islands near HLC, there were insufficient grounds for the construction of rail/road links between Mui Wo and the KYC Artificial Islands (via the possible artificial islands near HLC) at this stage. The proposed studies would focus on studying the rail/road links between the KYC Artificial Islands and the Hong Kong Island to the east and northeast Lantau and the coastal areas of Tuen Mun to the North. On the other hand, the Civil Engineering and Development Department was conducting the Study on Traffic, Transport and Capacity to Receive Visitors for Lantau to examine, from the overall perspective of Lantau, the need for transport connections on Lantau (including Mui Wo, Tung Chung and Tai O) and proposals that could be explored further. The study was expected to complete in the latter half of 2021.

105. Mr CHAN Han-pan continued that, given the stringent control on road transport in Southern Lantau at the moment, he was worried that the relevant study might indicate sufficient road capacity for the expected traffic flows in Southern Lantau, leading to the authorities' refusal to implement the construction of the Tung Chung-Mui Wo link/tunnel.

106. Secretary for Development reiterated that the Government would examine the conditions of major roads on Lantau and consider various proposals in light of Lantau's long-term development needs under the Study on Traffic, Transport and Capacity to Receive Visitors for Lantau.

Peng Chau

107. Mr CHAN Han-pan said that Peng Chau residents were concerned that Peng Chau might be surrounded by the KYC Artificial Islands and the possible artificial islands near HLC. They requested the authorities to develop the above two artificial islands away from the waters of Peng Chau to reduce the impact of the artificial islands on Peng Chau; and to construct a vehicular bridge between Peng Chau and the KYC Artificial Islands, in order to improve Peng Chau's external transport connections.

108. Secretary for Development replied that the Government would further take into account such factors as tidal stream and water depth to determine the scope of reclamation when carrying out the proposed studies. At this stage, the authorities were not intended to build a road link between Peng Chau and the KYC Artificial Islands. Peng Chau residents would take ferry to the KYC Artificial Islands nearby and travel to the Hong Kong Island and other regions via rail/road links there. The Government would keep on consulting the local communities on the improvement of external transport of Peng Chau.

Other study topics*Terms of works or operation contracts*

109. Dr Priscilla LEUNG stated that the authorities should learn from the experience of the Kai Tak Cruise Terminal, Hong Kong Disneyland and projects operated by MTRCL under the concession approaches while drawing up relevant works or operation contracts, with a view to securing the most favourable contract terms for the Government.

Population projection

110. Dr CHENG Chung-tai said that a lot of Hong Kong people and external investors had emigrated and withdrawn from Hong Kong in the past year, and the development of Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") might further attract Hong Kong people to reside in the Mainland. He requested the authorities to explain the necessity for developing the artificial islands by reclamation, and enquired whether the authorities would reassess the future population in Hong Kong under the proposed studies.

111. Secretary for Development pointed out that the Government would assess the overall housing demand in Hong Kong on the basis of the number of domestic households. Based on the latest projection by the Census and Statistics Department, the number of domestic households in Hong Kong was expected to trend up and peak at around 3 million in 2044. Household size in Hong Kong would trend down, on the contrary, from 2.8 persons in 2016 to 2.6 persons in 2044. Apart from the net increase in the number of households, the accelerated population aging, redevelopment of old public and private buildings and other factors would also contribute to additional land demands in Hong Kong.

Other land supply options

112. Ms Alice MAK and Mr KWOK Wai-keung stated that FTU expressed support in principle for all land supply options that were cost effective, so as to ensure an affordable residence for every family in Hong Kong.

113. Ms Elizabeth QUAT said that the Democratic Alliance for the Betterment and Progress of Hong Kong had all along requested the Administration to try its best to increase land and housing supply. Mr Jeffrey LAM and Ms QUAT requested the authorities to concurrently proceed with other different land supply options (including, but not limited

to, the eight priority land supply options) to enhance land and housing supply, on top of the KYC Artificial Islands development.

114. Secretary for Development replied that land shortage in Hong Kong would not be resolved by the implementation of an individual land supply option. The KYC Artificial Islands development would not have any effect on other measures to open up more land resources. While pursuing a multi-pronged land supply strategy, the Government was putting forward various short, medium and long-term options at the same time. For instance, the Government was actively carrying out the development of various new development areas and brownfield sites, and it was expected that over 400 hectares of private lands would be resumed under the Lands Resumption Ordinance (Cap. 124) in the next five years, much higher than the 20 hectares resumed in the previous five.

Developing the periphery of country parks

115. Dr Priscilla LEUNG expressed support in principle for the large scale land development by the authorities to meet the demand arising from long-term housing and economic development in Hong Kong. Dr LEUNG was also of the view that the authorities should increase land supply by measures such as speeding up urban renewal and the development of periphery of country parks.

116. Mrs Regina IP noted TFLS's view that development of periphery of country parks involved complex procedures. That said, as the KYC Artificial Islands development would also take almost two decades to complete, Mrs Regina IP and Ms YUNG Hoi-yan enquired why the authorities did not consider land supply options such as development of periphery of country parks all together.

117. Secretary for Development replied that the Government was often confronted by numerous challenges during the development of new development areas in the New Territories, and it took considerable time to go through the entire planning and development process from study, land resumption, clearance and rehousing to construction and residents intake. Take the Kwu Tung North/Fanling North New Development Areas as an example, it took as much as 15 years from the reactivation of planning in 2008 to the first population intake expected in 2023-2024. The formation of artificial islands did not involve land resumption and relocation arrangements, which meant a better grasp of time and a relatively more stable supply of land compared to other options involving existing lands.

118. Secretary for Development further said that, upon detailed analysis and consideration of public opinions collected, TFLS considered that, relative to other medium-to-long term land supply options, the development of periphery of country parks would inevitably involve a larger number of more complicated issues. Hence, TFLS did not list the development of periphery of country parks as one of the eight priority land supply options.

Relocation of the Kwai Tsing Container Terminals and development of the River Trade Terminal site

119. Mr Jeffrey LAM said that the RTT had a low usage at present, and the authorities should expeditiously resume the land for other uses. Moreover, considering the decreased container throughput of KTCTs in recent years, he believed that operators of the container terminals would be happy to return part of the site to the Government for other uses, so the authorities should take the initiative to negotiate relevant arrangements with the operators.

120. Mrs Regina IP enquired whether the authorities would consider relocating KTCTs (or part of the facility) to other locations Hong Kong, or consolidating the facility with other container terminals in the Greater Bay Area, thereby releasing the existing site and the port back-up area for other purposes.

121. Secretary for Development stated that the relocation of KTCTs was one of the conceptual options proposed by TFLS. At this stage, the authorities were implementing the eight priority land supply options proposed by TFLS in full speed. Despite having a decrease in container throughputs in recent years, KTCTs still ranked the eighth in the world in terms of container throughput in 2019. On the other hand, the cargo handling volume of the RTT had been dwindling in recent years (the utilization rate of the berths was only 20% of its capacity in 2018). THB also confirmed that other port facilities in the territory would be able to absorb the throughput of the RTT if the site was to be released for other uses. So, it would not be necessary for the authorities to identify other sites for relocating RTT.

Developing the border zone

122. Mr LAU Kwok-fan enquired whether the authorities would further release the frontier closed area to optimize the use of various lands in the vicinity of the boundary crossings in the New Territories for the development of port economy, thereby creating more employment

opportunities. He also eagerly wished that the authorities could develop the border zone in tandem with the development of the KYC Artificial Islands.

123. Secretary for Development advised that the New Territories North strategic growth area proposed under Hong Kong 2030+ covered three potential development areas in the proximity of boundary control points, i.e. San Tin/Lok Ma Chau Development Node, Man Kam To Logistics Corridor and the New Territories North New Town (covering Heung Yuen Wai, Ping Che, Ta Kwu Ling, Hung Lung Hang and Queen's Hill). The Government already commenced study on first phase development covering the San Tin/Lok Ma Chau Development Node in September 2019 ahead of schedule.

124. Secretary for Development also advised that the Government was putting forward respective projects in the New Territories North at present, including the development of the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop, and the study on the development of an industrial estate near the Liantang/Heung Yuen Wai boundary control point. It would also explore with the Shenzhen Municipal Government on the implementation of co-location arrangements at the new Huanggang Port in Shenzhen, so as to release over 20 hectares of land in Hong Kong's Lok Ma Chau Control Point, which was now part of the frontier closed area, for other uses.

Increasing construction manpower supply

125. In relation to the acute aging in construction manpower, Mr Kenneth LAU enquired about the authorities' measures to encourage young people to join the construction industry, with a view to ensuring adequate human resources in Hong Kong to meet the manpower demand arising from the KYC Artificial Islands development.

126. Secretary for Development replied that first phase reclamation for the formation of KYC Artificial Islands was expected to take place in 2027 at the earliest, and the Government would go on leading the construction industry in its strategic development in the coming few years, so as to enhancing its productivity and cost effectiveness. To ensure sustainable development of the construction industry, the Government spearheaded the industry's revolution in recent years by advocating innovation, professionalism and revitalization. The Government had already granted funding on strengthening training to attract more young participants of structured training for the construction industry. The Construction Industry Council would also maintain the provision of structured on-the-job

training, upskilling semi-skilled workers to skilled workers. Moreover, the Government would continue to promote modular integrated construction to enhance productivity and site safety.

Meeting arrangements

127. The meeting was suspended at 5:14 pm and resumed at 5:31 pm.

128. The meeting ended at 7:01 pm.

Legislative Council Secretariat

5 July 2021