

**Speaking Points of the Secretary for Development
for the Special Finance Committee Meeting (Works)
on 2 April 2014 (Wednesday)**

Chairman,

- I would like to thank Members for their interest in the Draft Estimate of the Development Bureau (DEVB). The heads of the works departments and I have provided replies to 144 written questions raised by Members accounting for the use of resources in the works portfolio. We are here to respond to any further questions that Members may wish to raise.

- In 2014-15, the DEVB's recurrent expenditure for the works portfolio is \$9,914.15 million, representing an increase of \$352.81 million or 3.7% as compared with the revised estimate for 2013-14. The additional provision is mainly for meeting the increased expenditure of \$176.76 million for purchasing Dongjiang water under the water supply agreement, as well as the expenditure for additional civil service posts to provide support for the strategy of increasing land supply and to implement other works-related initiatives.

- In 2014-15, there will be a net increase of 90 civil service posts, including 28 posts in the Works Branch (WB) and its departments (the Architectural Services Department (ArchSD), the Civil Engineering and Development Department (CEDD), the Drainage Services Department and the Water Supplies Department (WSD)) to support the initiatives related to the strategy of increasing land supply. In addition, we will extend the tenure of 15 posts in the CEDD to

continue taking forward the Kai Tak Development (KTD) and the Liantang/Heung Yuen Wai Boundary Control Point project, and create 10 posts in the Electrical and Mechanical Services Department (EMSD) to enhance lift safety. The remaining 37 posts will mainly provide support for various works-related initiatives, including the creation of 11 posts to replace the non-civil service contract staff.

- Now, I would like to brief Members on the priority tasks of the works portfolio in the new financial year.

The Overall Infrastructure Programme

Capital Works Expenditure

- In the past few years, the Government has been increasing the expenditure on capital works projects to boost economic development, create job opportunities and enhance Hong Kong's long-term competitiveness. The projects cover various areas including transportation, housing, medical care, education, water supply and drainage.
- In 2013-14, the actual capital works expenditure reached \$70 billion. It is estimated that capital works expenditure for 2014-15 is \$70.8 billion. With the major infrastructure projects and other projects entering the construction phase in the next few years, the estimated annual expenditure on capital works is expected to exceed \$70 billion.

Progress of Major Infrastructure Projects

- Various major infrastructure projects have made good progress in the past year. So far, many of them have entered the construction phase.

They include the Hong Kong-Zhuhai-Macao Bridge, Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, South Island Line (East), Sha Tin to Central Link, advance works of the Tuen Mun-Chek Lap Kok Link, the KTD and the Xiqu Centre of the West Kowloon Cultural District, etc. In addition, the KTD - stage 3A and stage 4 infrastructure works at the north apron area of the former Kai Tak Airport at an estimated expenditure of \$2.2 billion have already commenced last year.

- In the coming year, we will seek funding approval from the Legislative Council (LegCo) for different types of works projects, including the funding for the consultancy and site investigation works for the relocation of Sha Tin Sewage Treatment Works to caverns, the feasibility studies for relocating three government facilities to caverns, and the Ma On Shan development - roads, drainage and sewerage works at Whitehead and Lok Wo Sha, phase 2. We are seeking funding approval from the LegCo for the advance site formation and engineering infrastructure works in the Kwu Tung North New Development Area and the Fanling North New Development Area so as to facilitate early commencement of the works. Moreover, funding approval will soon be sought from the LegCo for the strategic studies for artificial islands in the central waters, the planning and engineering study on Sunny Bay reclamation as well as the pilot study on underground space development in selected strategic districts.
- Apart from the major infrastructure projects, the DEVB will continue to plan other public works projects of various scales to improve people's quality of life. The projects in progress or under planning

cover various areas including slope safety, fresh water supply, flood prevention, greening and heritage conservation.

Major Challenges in Delivering Capital Works Programme

- We anticipate that the volume of overall construction output will maintain at a high level in the coming years. We, therefore, have to overcome the problems of tightening construction manpower situation and the surge in construction costs. Although the Government has taken a series of measures accordingly, we still need to work with the stakeholders to find solutions to the problems together.

Manpower Resources in Construction Industry

- We have been monitoring the manpower resources in the construction industry to keep in line with our future development. The construction industry is now facing problems of rising manpower demand, acute ageing of workers and skills mismatch. To meet the future manpower demand, we have taken a series of measures including obtaining a total of \$320 million in 2010 and 2012 to support the Construction Industry Council (CIC) in strengthening its training for local construction personnel, and attracting more new entrants, especially young people, to the construction industry through promotion and publicity activities.
- Among the initiatives, the CIC and the DEVB have launched the “Enhanced Construction Manpower Training Scheme” (ECMTS) with enhanced training allowances to train about 6 000 semi-skilled workers by end 2014, targeting trades with acute ageing of workers,

labour shortage or recruitment difficulties. Furthermore, we provide subsidies for trade tests, specified training courses and skills enhancement courses to encourage and assist in-service construction workers to be registered as skilled workers. Training subsidies are also provided for senior construction workers to assist them to advance to the frontline supervisor/management level.

- In 2011, we launched the “Build Up Publicity Campaign” in collaboration with the CIC to uplift the image of the industry. Recent image tracking survey reveals that the percentage of young people who are willing to join the industry has increased significantly as compared with the figure before the campaign was launched. Meanwhile, there has also been a constant increase in the number of registered construction workers, which fully demonstrates the effectiveness of the promotion efforts.
- In the long term, we will continue to strive to meet the manpower demand by local training, re-training and attracting more new entrants to the construction industry. However, in view of the limitations of training local workers, we see great difficulty in training up large numbers of skilled workers in the short term. According to the current estimates, it is projected that from now to 2017, with due regard to the principle of not affecting the employment and the reasonable income levels of local construction workers, we need to make full use of the “Supplementary Labour Scheme” to import skilled labour in a timely manner. This will not only help meet the manpower demand of construction works, but also relieve the pressure on local in-service skilled workers and allow room for semi-skilled workers to further enhance their skills to

achieve the productivity of skilled workers through in-service training. Beyond 2017, we will adjust the training programmes as necessary to safeguard the employment of local workers.

- In recent years, we have been nurturing a “caring culture” in the construction industry. We will continue to adopt a multi-pronged approach, including the implementation of the “Build Up Publicity Campaign” I have mentioned earlier, and initiatives to enhance construction site safety and improve site cleanliness and tidiness as well as the welfare of workers. To enhance construction safety in public works projects, we have been implementing a series of measures in a progressive manner, including a performance-tied “Pay for Safety Performance Merit Scheme”, strengthening the supervision of contractors, enhancing safety measures for high risk work, reinforcing safety training for site management staff, and promotion and publicity for a better safety culture. In addition, we will also improve the chances of winning public works contracts by contractors with good safety records.
- We will introduce more measures in public works projects to improve the site working environment, including the provision of working shelters, sheltered rest areas, and formalisation of the afternoon rest break arrangements.
- In particular, the DEVB and the CIC are now actively organising the “Construction Safety Week 2014” with the workers’ health and safety leadership as its theme. Moreover, a series of promotion and publicity activities such as “Safety Pal”, “Safety Brainstorming Workshop”, “Health Qi-Gong” and “Innovative Safety Initiative

Award” will be rolled out in due course to promote safety culture in the industry. These measures will help send a positive message to the public, which will uplift the image of the construction industry and attract more new entrants, especially young people, to join the industry.

Procurement System for Public Works Projects

- In addition to manpower resources, an effective tendering system that caters for the market is crucial to the construction industry. The DEVB has carried out a review of the existing procurement system for public works and has been implementing new measures to increase the tendering opportunity for small- to medium-sized contractors, enhance competitive tendering, and attract more contractors and consultants to participate in public works. At the same time, we encourage innovation and creativity in the design and construction of projects, productivity enhancement in procurement strategies, and wider use of mechanisation and prefabrication to reduce the demand for workers in trades with labour shortage.
- In addition, we strive to promote collaborative partnership in the implementation of works contracts. From 2009 onwards, the New Engineering Contract (NEC) form, which emphasises mutual trust, co-operation and collaborative risk management, has been adopted in various pilot projects to enhance the efficiency in contract management. The results are encouraging. We would widely adopt the NEC form in future.

Security of Payment

- To improve the business operating environment of the construction industry, we are carrying out preparatory work to introduce new legislation to enhance the security of payment and expedite the resolution of disputes in construction-related contracts. The new legislation will enhance the cash flow in the construction supply chain, and enhance our infrastructure delivery capacity and help address the problem of wage arrears for workers. In 2012, we established a Working Group on the Security of Payment Legislation for the Construction Industry with members from the industry. We have consulted the Working Group on the framework of the new legislation. After drawing up the framework, we will commence public consultation on the proposed legislation soon.

Promotion of Professional Services

- The DEVB attaches great importance to the promotion of professional services for the construction industry. When negotiating trade agreements with the Mainland and other countries, we have been pursuing the most preferential trade conditions for Hong Kong's professional services. Under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), a number of preferential measures have been secured for Hong Kong's construction industry, including the mutual recognition of qualifications between the two sides for six professional disciplines. At present, a total of 1 490 Hong Kong professionals have obtained Mainland qualifications through mutual recognition. Among them, over 250 have registered for practice in

the areas concerned. In addition, under the early pilot arrangements in Guangdong Province, Hong Kong professionals who have obtained Mainland's class 1 registered architect qualification or class 1 registered structural engineer qualification through mutual recognition are allowed to register for practice and set up business in Guangdong Province upon passing the legal tests. Since January 2013, Hong Kong professionals who have obtained Mainland's supervision engineer qualification are also entitled to register for practice and set up business in Guangdong Province. These preferential measures will help Hong Kong professionals and enterprises in the construction industry to set up business in the Mainland with sole ownership and complete control.

- In the coming year, we will strengthen our liaison with the Mainland authorities and endeavour to seek more preferential measures for Hong Kong's construction industry under the framework of CEPA, including further expanding the scope of mutual recognition of qualifications to cover more professionals. We will also pursue the early extension of the liberalisation measures for early pilot arrangements to other places in the Mainland.

Enhancing Land Supply Strategy

- The DEVB(WB) also plays an active role in enhancing land supply.
- We have repeatedly emphasised that we will increase land supply through a multi-pronged strategy in order to meet the demand for land in the short, medium and long term. In January 2014, we announced the results of Stage 2 Public Engagement Exercise on

Enhancing Land Supply Strategy. We will seek funding to carry out a number of feasibility studies relating to reclamation outside Victoria Harbour on an appropriate scale and the development of caverns.

- We plan to launch the strategic studies for artificial islands in the central waters in the latter half of 2014, which will explore ways to develop artificial islands in the eastern waters off Lantau Island and neighbouring areas, with a view to developing an East Lantau Metropolis for accommodating a population up to several hundred thousands and become a core business district in addition to Central and Kowloon East, providing a lot of job opportunities to meet Hong Kong's long-term needs for housing and economic development.
- As regards the three proposed near-shore reclamation sites in the western waters, namely Lung Kwu Tan, Siu Ho Wan and Sunny Bay, initial findings of the cumulative environmental impact assessment and the survey on Chinese White Dolphins (CWDs) show that the site at Sunny Bay is not an area actively frequented by CWDs, and the proposed reclamation will not cause impacts on the marine life and the environment that cannot be mitigated. As such, we plan to launch the relevant planning and feasibility studies in the latter half of 2014, so as to develop Sunny Bay into an entertainment and business node of regional significance, as well as create business and job opportunities.
- To capitalise on the unique locational advantages of the Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities (HKBCF), we plan to develop "bridgehead economy" at the

130 hectare artificial island and create synergy with other tourist spots and business establishments on Lantau Island. We will conduct a preliminary feasibility study on the topside and underground space development of the Hong Kong-Zhuhai-Macao Bridge HKBCF in the latter half of 2014, which aims to provide recommendations on the overall development concept and appropriate development parameters. Moreover, the financial viability, market positioning and operation strategy of the proposed project will also be explored.

- Regarding rock cavern development, we have substantially completed the feasibility study and public engagement on the relocation of Sha Tin Sewage Treatment Works to caverns. The public generally agree with the relocation proposal. We are currently preparing to commence the investigation and design work in the latter half of 2014. Furthermore, we are now preparing to conduct feasibility studies on the relocation of three government facilities, namely the Diamond Hill Fresh Water and Salt Water Service Reservoirs, Sai Kung Sewage Treatment Works and Sham Tseng Sewage Treatment Works to caverns in the latter half of 2014.
- We will also actively explore the potential of developing underground spaces in the urban areas. We commenced a territory-wide study in late 2013 to identify the opportunities and constraints arising from underground space development in the urban areas of Hong Kong in a systemic way. We aim to develop preliminary conceptual schemes for providing more space for commercial and other uses, as well as enhancing the connectivity of underground spaces. We are also preparing to launch a pilot study

in the latter half of 2014 on underground space development for four strategic districts, namely Causeway Bay, Happy Valley, Admiralty/Wan Chai North and Tsim Sha Tsui West. Our goal is to formulate a master plan for underground space development for each of these four districts and identify priority underground space development projects for early implementation with a view to providing more commercial floor area.

- We have earmarked a government site in Tin Shui Wai for the construction of a new building to accommodate the New Territories West Regional Office of the WSD relocated from Mong Kok, so that the present site will be vacated to make way for the improvement of the environment and traffic in the district and the development of commercial buildings. We expect that the construction of the new building will be completed by the end of 2017.

Energizing Kowloon East

- When it comes to land supply, the provision of sites for commercial uses is just as important as the supply of land for housing. In future, Energizing Kowloon East including the KTD area will become an important source of commercial land.
- The Energizing Kowloon East Office (EKEO) actively takes forward the transformation of Kowloon East into another core business district. We published the Conceptual Master Plan 3.0 in June 2013, with focus continuing on enhancing Connectivity, Branding, Design and Diversity (CBD2) in Kowloon East, and implement the 10 main tasks in the plan and explore other opportunities in the area.

- In the 2012-13 and 2013-14 financial years, three government sites in Kowloon East were sold, providing about 140 000 square metres of commercial floor area in total. In the coming five years, it is expected that an additional 700 000 square metres of commercial floor area will be made available in Kowloon East.
- To expedite the release of development potential in Kowloon East, we have implemented the relocation and integration of the existing government facilities in the two action areas of Kowloon East on Kwun Tong waterfront and in Kowloon Bay for the comprehensive development of commercial and other uses. The EKEO has kick started the advance works, and the two action areas are expected to provide some 500 000 square metres of floor area in total. The EKEO will also identify suitable government sites in these areas to be released in 2014-15, providing over 120 000 square metres of commercial floor area.
- As far as the KTD area is concerned, we expect that about 1.4 million square metres of commercial floor area will be provided in phases in the three years from 2016-17. To tie in with the development of the site into a world-class tourism, entertainment and leisure hub, we will press ahead with the infrastructure works at the southern end of the runway and the south apron area of the former Kai Tak Airport, so that the six sites facing Victoria Harbour within the “hotel belt” adjacent to the Kai Tak Cruise Terminal will be gradually released to the market from the end of 2015. We are now striving to first release the site closest to the Cruise Terminal to the market.

- Moreover, we are now hosting the Kai Tak Fantasy International Ideas Competition on Urban Planning and Design to generate original conceptual ideas and excellent urban planning designs for the area comprising the former Kai Tak Runway Tip, the Kwun Tong Waterfront Action Area and the water body between them. It is our target to develop the site into a spectacular world-class tourism, entertainment and leisure hub, and create synergy with the Energizing Kowloon East in facilitating the transformation of the area.
- To improve the connectivity and the pedestrian environment of Kowloon East, we advocate the sustainability concept of “walkability” and have formulated various short and medium-term improvement measures, with the aim of improving the “walkability” and traffic conditions of Kowloon East in a comprehensive manner.
- We are also working closely with the relevant departments to transform King Yip Street Nullah to a green and vibrant Tsui Ping River. We have commissioned the feasibility study with an aim to include the beautification works into our Capital Works Programme.
- The DEVB will continue to adopt the visionary place-making approach through public engagement activities and consultations to push ahead the Energizing Kowloon East initiative, so as to facilitate the transformation of Kowloon East and support our long-term economic development.

Enhancing the Quality of Urban Life

- Public works projects have a wide coverage. Apart from the main projects mentioned above, we also pay due regard to the others that improve the quality of life and the environment.

Water Supply

- We promulgated the Total Water Management (TWM) Strategy in 2008. It puts emphasis on containing the growth of water demand through conservation while strengthening water supply management. In the area of water conservation, we have extended the promotional and educational work in schools to the community at large. Moreover, the coverage of the Water Efficiency Labelling Scheme will be expanded from the existing showers for bathing, water taps, washing machines and urinals to flow controllers. We will also strengthen our plan to promote water conservation, including launching a campaign “Let’s Save 10L Water” for domestic consumers and developing best practice guidelines for using water for commercial consumers.
- We will continue to reduce water leakage through replacing and rehabilitating 3 000 kilometres of aged water mains. As at February this year, a total of 2 354 kilometres of water mains have been replaced/rehabilitated, and the number of water main burst incidents per year has dropped from a peak of about 2 500 in 2000 to about 260 in 2013. We are now implementing pressure management schemes to optimise water main pressure to resolve the problem of bursts or leaks due to excessive water pressure in the water supply network. We will also step up leakage detection work for districts with serious water main leakage problem.

- On the other hand, given the challenges to our water resources due to climate change and continuous population growth, we are developing new water sources such as seawater desalination and water reclamation.
- In late 2012, the WSD commissioned a two-year planning and investigation study on the construction of a desalination plant. The study is due to be completed early next year. The desalination plant is expected to commence operation in 2020. The initial annual output of the plant will account for some 5% to 10% of the total fresh water consumption in Hong Kong. As technology advances, seawater desalination can serve as our important complementary water source in the long term.
- We have also taken forward the planning work for the provision of reclaimed water for toilet flushing and other non-potable purposes in North East New Territories including Sheung Shui, Fanling and the New Development Areas.
- To ensure sustainable use of water resources in future, we plan to engage consultants to review the various water management measures implemented under the current TWM Strategy. After taking into account the findings of the review and factors such as the latest population growth and the effects of climate change, we will formulate a long-term water management strategy up to 2040.

Flood Prevention

- As for flood prevention, a number of flood prevention projects have been completed, including the Hong Kong West Drainage Tunnel,

the Lai Chi Kok Drainage Tunnel and the Tsuen Wan Drainage Tunnel. Review studies of the Drainage Master Plans in East Kowloon, West Kowloon, Sha Tin, Tai Po and Sai Kung are now underway, while the review study for Hong Kong North will commence in mid-2014. We will continue to implement various flood prevention projects including the Happy Valley Underground Stormwater Storage Scheme which is due to be completed in phases between 2015 and 2018.

- Moreover, the River Flood Risk Study for rural catchment areas has entered its second phase. We are now conducting site inspections, assessing the flood risk levels as well as recommending flood warning systems and mitigation measures for rivers requiring attention in rural catchment areas of high risk or medium high risk.

Slope Safety

- The CEDD launched the Landslip Prevention and Mitigation Programme (LPMitP) in 2010. Apart from continuously reducing landslide risks in man-made slopes, the CEDD has systematically implemented landslide risk mitigation measures for natural hillsides which will affect urban development or important transport corridors. We have conducted studies and implemented necessary risk mitigation measures for 80 natural hillsides. In 2014, we plan to upgrade 150 government man-made slopes, carry out safety-screening studies on 100 private man-made slopes, and conduct studies and implement necessary risk mitigation measures for 30 natural hillsides. In addition, design and construction guidelines on risk mitigation measures for natural hillsides will be developed, so that the industry

can apply the latest knowledge when carrying out design and construction work.

Lift Safety

- The Lifts and Escalators Ordinance (the Ordinance) has come into operation in phases since December 2012. It has introduced a series of measures to strengthen regulatory control so as to enhance the safety of lifts and escalators in Hong Kong.
- We established the Lift and Escalator Safety Advisory Committee (LESAC) in July 2013 to advise the EMSD on matters relating to the administration and enforcement of the Ordinance.
- In January 2014, following the recommendations of the LESAC, the EMSD released information on the maintenance costs of lifts in government buildings and adopted a new star rating system, which provided simple and clear presentation of the performance ratings of registered lift and escalator contractors, for reference by the responsible persons in choosing maintenance contractors for their lifts and escalators.

Tree Safety

- The Greening and Landscape Office (GLO) and the Tree Management Office (TMO) under the Greening, Landscape and Tree Management Section are actively promoting professional greening and tree management work with due emphasis on the protection of public safety as a priority consideration. The GLO set up an “integrated landscape design framework” in March 2014 to enhance the overall quality of landscape design. It will continue to provide guidelines

and best practices on greening, landscape planning and design standards as well as inputs on the greening and landscape aspects of strategic government infrastructure projects.

- The TMO, based on previous experience of tree risk assessment, has continuously refined the guidelines for tree risk assessment and management. The revised guidelines were promulgated in December 2013 and a new round of tree risk assessments by tree management departments has started. The TMO will continue to step up audit checks on the trees managed by departments to ensure that all tree management work is conducted in a professional and prudent manner in preparation for the onset of the wet season to better protect public safety. Furthermore, through the formulation of guidelines such as the Management Guidelines for Stonewall Trees, the conduct of various studies on Brown Root Rot Disease, etc., we strive to raise the standards of tree management. We have also sought the views of experts and professional organisations on the protection of Old and Valuable Trees, and included 21 new trees in the Register of Old and Valuable Trees in 2013. In addition, we will continue our efforts to foster a positive attitude towards tree care in our community through different channels and encourage community surveillance of trees.

Heritage Conservation

- On the work of heritage conservation, the DEVB is pressing ahead with the conservation of historic buildings. We have launched a number of revitalisation projects for historic buildings under a diversified approach. Good progress has been made in various revitalisation projects launched in recent years. The six projects under Batch I of the Revitalising Historic Buildings Through Partnership Scheme (Revitalisation Scheme), including the Former

North Kowloon Magistracy, Old Tai O Police Station, Lui Seng Chun, Former Lai Chi Kok Hospital, Mei Ho House and Fong Yuen Study Hall, have all commenced operation and are well-received by the public.

- Meanwhile, works for the three projects under Batch II of the Revitalisation Scheme including the Old Tai Po Police Station, Blue House Cluster and Stone Houses have already begun.
- The selection results for the three projects under Batch III of the Revitalisation Scheme, including Haw Par Mansion, Bridges Street Market and the Former Fanling Magistracy, were announced in February 2013. The DEVB is taking follow-up action and providing co-ordination for the three selected projects, including assisting the selected organisations to complete the detailed design and the pre-construction preparatory work of their projects as soon as possible, as well as seeking funding approval from the LegCo for individual projects.
- We launched Batch IV of the Revitalisation Scheme in December 2013 and invited non-profit making organisations to submit proposals for the conservation and adaptive re-use of four specified historic buildings, namely No. 12 School Street, Old Dairy Farm Senior Staff Quarters, Lady Ho Tung Welfare Centre and King Yin Lei, in the form of social enterprises. The selection results will be announced in the first quarter of 2015.
- The Central Police Station Compound will be revitalised as a centre for heritage, art and leisure. Revitalisation works have already commenced in late 2011 and are scheduled for completion in 2015.

- As regards the project to transform the Former Police Married Quarters on Hollywood Road into “PMQ” by the DEVB in collaboration with the ArchSD and the Musketeers Education and Culture Charitable Foundation Limited, the project works have already been completed in December 2013. We expect that the soft opening of the revitalised facility will take place in the second quarter of 2014.
- We strive to strike a balance between respect for private property rights and heritage conservation. The DEVB and the Antiquities and Monuments Office will continue to proactively reach out to private owners and offer assistance, such as technical advice and financial assistance for the maintenance of historic buildings as well as economic incentives for preservation-cum-development projects, so as to encourage and facilitate private owners to preserve the historic buildings under their ownership.
- In addition, in the past year, the Government has commenced the preparatory work for the review on the policy on the conservation of built heritage with the assistance of the Antiquities Advisory Board (AAB). The AAB has been carrying out in-depth discussions on the topics under review and will submit its report to the Government.

Conclusion

- Chairman, the above is a brief account of the works portfolio. My colleagues and I will be happy to answer any questions that Members may wish to raise. Thank you.
