

Bills Committee on Shenzhen Bay Port Hong Kong Port Area Bill

Land Development and Usage Costs for the Hong Kong Port Area

At the Bills Committee meeting on 1 March 2007, Members requested further information on the development and usage costs for the 41.565 hectares of land at the Shenzhen Bay Port Hong Kong Port Area (HKPA).

2. We have been reporting on the subject to Members in past Legislative Council discussions. At the meetings of the Panels on Security and Transport on 6 May 2003 (Annex A), the Public Works Subcommittee on 11 June 2003 (Annex B) and the Finance Committee on 30 April 2004 (Annex C) at which the funding proposals for the design and construction of the boundary crossing facilities and installation of computer systems for the Immigration Department for the new control point in the HKPA were discussed, we reported that the financial implications of the new control point also include the costs for the land to be used by the new control point. Members noted in the above occasions that Hong Kong and Mainland had already agreed on the principle that each side would bear the development and usage costs for the land used by that side. We also reported that in view of the tight schedule, both sides had agreed to proceed in tandem with the finalization of the land development and usage costs to be borne by each side and the construction works for the boundary crossing facilities on site.

3. A task force has been set up with the Shenzhen side to follow up land matters relating to the HKPA, including the land development and usage costs.

4. The HKPA land of about 41.565 hectares will be subject to a rental payable on an annual basis and periodic review. The rental will be funded out of the recurrent provisions under the relevant departments.

5. As regards the land development cost, the whole site in the Shenzhen Bay Port where the boundary crossing facilities of the two sides will be co-located was developed by the Shenzhen side. Hong Kong is responsible for the cost for developing the land of the HKPA. The Shenzhen Municipal People's Government has undertaken to provide to us audited data relating to the land development cost to be borne by the Government of the Hong Kong Special Administrative Region.

6. We will in due course submit an application to the Finance Committee for funding to meet the land development cost after we have received audited data from the Shenzhen Municipal People's Government and satisfied ourselves as to the appropriate amount of the land development cost to be borne by the Hong Kong side.

Security Bureau

6 March 2007

**Relevant extract from the paper for the meeting of
the Panels on Security and Transport on 6 May 2003**

10. Furthermore, we have not included the cost of land development¹ at this stage because negotiations with the Mainland side over this item are still on-going. The principle that the two sides have preliminarily agreed is that each side will bear the actual costs incurred in developing the land to be used by that side.

11. It is possible that we would be able to ascertain the estimated costs for the works mentioned in paragraph 9 in the near future and if so we would include them in the coming submission to be made to the Public Works Sub-committee (PWSC) and the Finance Committee (FC). We will seek funding support for the cost of land development as and when the relevant cost figures are ready in slower time.

12. The construction floor area (CFA) of the project is about 46 843 m². The estimated construction unit cost, represented by the building and building services costs, is about \$13,500 per m² of CFA in September 2002 prices. The construction unit cost is comparable to that of the Expansion of Kiosks and other Facilities at Lok Ma Chau Boundary Crossing by the Government of the HKSAR. The proposed entrustment of the project design and construction works to the relevant Mainland authorities will probably result in a lower unit construction cost.

13. We have derived the MOD estimates on the basis of the Government's latest forecast of trend labour and construction prices for the period 2003 to 2006 in the HKSAR.

14. We are still ascertaining the additional annual recurrent expenditure arising from the project at the moment.

ENVIRONMENTAL IMPLICATIONS

15. The project site is located outside the boundary of the HKSAR, and does not require an environmental permit under the Environmental Impact Assessment (EIA) Ordinance to commence construction. Meanwhile, the Mainland side have undertaken its own EIA to meet the prevailing environmental standards and requirements of the Mainland.

¹ The whole site where the boundary crossing facilities of the two sides will be co-located is being reclaimed at Shekou by the Mainland side.

**Relevant extract from the paper for the meeting of
the Public Works Subcommittee on 11 June 2003**

Annex to PWSCI(2003-04)13

Page 4

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The functions and services provided by the seven government departments are at Enclosure 1. A site plan and a three-dimensional perspective drawing of the proposed boundary-crossing facilities are at Enclosures 2 and 3 respectively. We intend to entrust the project design and construction works to the relevant Shenzhen authorities, except for sensitive security-related systems, non-confidential systems which will not be integrated with builder's works extensively and can be installed in parallel with fitting out works at the end of the construction period, and off-the-shelf furniture and equipment items. Details of the entrustment arrangements are explained in paragraphs 17–19 below. Under the proposed entrustment arrangements, we will commence detailed design as soon as possible for completion by February 2004, and commence construction works by April 2004 for completion by end 2005 with no allowance for programme slippage.

5. The remainder of the project covers the land development of the project site. The whole site where the boundary-crossing facilities of the two sides will be co-located is being reclaimed at Shekou by the relevant Shenzhen authorities. The reclamation works are expected to be completed by around mid-2004. We do not seek to upgrade this part of the project to Category A at this stage because negotiations with the relevant Shenzhen authorities over the land development cost are still on-going. The principle that the two sides have preliminarily agreed is that each side will bear the actual costs incurred in developing the land to be used by that side. We will seek funding for the cost of land development as and when the relevant cost figures are ascertained in slower time.

JUSTIFICATION

6. The capacities of the three existing vehicular boundary crossings at Lok Ma Chau, Man Kam To and Sha Tau Kok between HKSAR and Shenzhen are near saturation. The average total daily vehicular traffic using the three crossings in 2002 was about 33 900, representing a 31% growth over the past five years and an average annual growth of 5%. To cater for the increasing cross-boundary traffic demand, SWC (i.e. the fourth vehicular boundary crossing between the HKSAR and Shenzhen) will be constructed under “759TH – Shenzhen Western Corridor”, and is scheduled for completion by end 2005. SWC would facilitate the flow of people and cargo between HKSAR and the southern part of Mainland. It will enhance the status of HKSAR as a business/trade/logistics hub in the Pearl River Delta, and will also bring about substantial economic benefits to HKSAR.

**Relevant extract from the paper for the meeting of
the Finance Committee on 30 April 2004**

FCR(2004-05)4

Page 7

26. Apart from the current funding proposal for computer systems, the financial implications of the new control point for the HK-SWC include the \$2,173.5 million approved by FC for the design and construction of the control point, and the costs for the land used by the control point. During discussions on the funding proposal for the new control point at the meeting of the Legislative Council Panels on Security and Transport on 6 May 2003 and the Public Works Subcommittee meeting on 11 June 2003, Members noted that the reclamation works for the land on which the boundary crossing facilities of the two sides would be constructed were expected to be completed by mid-2004. We also reported that the two sides had already agreed on the principle that each side would bear the development and usage costs for the land used by that side, and that the Administration would in due course submit an application for funding to meet these costs to FC after they had been ascertained with the relevant Mainland authorities.

27. In view of the tight work schedule, both sides have agreed to proceed *in tandem* with the finalisation of the land development and usage costs to be borne by each side and the construction works on site once the site formation works have been completed. We would work closely with the relevant Mainland authorities to finalise the land costs and make a submission to FC as soon as possible.

IMPLEMENTATION PLAN

28. We plan to adopt a phased implementation programme as follows –

Activity	Timing
Procurement	May 2004 to June 2005
System design and development	January 2005 to July 2005
System acceptance test	May 2005 to November 2005
Cabling, installation and commissioning	August 2005 to November 2005
Roll-out (Stage 1)	November 2005 to December 2005
Roll-out (Stage 2)	Late 2007