

Brief Remarks by Secretary for Development at the LegCo Panel on Planning, Lands and Works at its meeting on 24 July 2007

Development Bureau is set up to deliver two key aspects in the CE's Election Manifesto, namely to speed up infrastructure construction which is crucial to Hong Kong's continued prosperity and to ensure that the needed balance is struck amongst development, environmental protection and heritage preservation. Our work in the next five years will contribute not only to Hong Kong's economic development, but also the creation of jobs and the raising of our quality of life.

Development Bureau comprises two Branches (the Planning and Lands Branch under PSPL and the Works Branch under PSW), nine core departments (PlanD, LandsD, BD, Lands Registry, ArchSD, CEDD, DSD, EMSD and WSD) and two related departments (HyD as a key works agent and AMO in LCSD to support SDEV's role as the Authority under the Antiquities & Monuments Office). We have a total establishment of about 19,600 and a total operating budget of \$10.00 billion, including \$2.5 billion for purchase of water while excluding the budget of two Trading Fund departments (i.e. EMSTF and LRTF).

The Government has earmarked some \$29 billion per year on average on our capital works programme, made up of Government and subvented works projects. In 2006-07, we spent \$21.7 billion which represents only a modest underspending of 3.6% against the original estimate. This level of expenditure is the lowest in the past ten years. The question is not that the Works Departments are not effective or efficient enough in taking forward projects, but we simply do not have enough committed projects on which to spend.

I am not optimistic that we could quickly remedy the situation. Estimated spending for the current year (2007-08) is \$20.4 billion. Even if we were able to commit projects today, spending would only occur a couple of years down the road. But with the commencement of major projects like the Tamar government offices, the Lo Wu Correctional Institute redevelopment, the Prince of Wales Hospital extension, etc. we should be seeing a greater increase in new jobs for the construction industry this year.

In 2007-08, building projects account for exactly 50% of total spending. The remaining half goes to basic infrastructure like port and airport, roads and bridges, land formation, water mains and drains. To speed up development, we need not only

building projects, but also more strategic basic infrastructure – these will also have the most positive effect in stimulating investment in the non-public sector. The formation of the Development Bureau, bringing together the planning and lands use and the works agents, will better position us in facilitating such strategic infrastructure development.

In May this year, we have briefed Members on a few preliminary ideas to expedite implementation of the capital works programme. I am reviewing these proposals with my works colleagues and will report to Members further in due course. But I would like to share my views with Members on two points.

First, to enhance co-ordination amongst various bureaux and departments and to sort out fundamental issues concerning mega projects at an early stage, I intend to personally chair supervisory teams on a project basis and this may apply, for example, to the massive Kai Tak Development.

Secondly, before we have vigorously reviewed and improved our internal procedures, I do not see very strong justifications in seeking to raise the financial limit of Cat D items (which the Administration may approve under delegated authority from FC without going through PWSC/FC) from \$15 million to \$30 million. Instead, with Members' support, I hope to revert to FC as soon as it reconvenes after the summer break to seek an inflation-adjusted increase to \$21 million. This will also benefit district projects to be undertaken by District Councils as proposed in the DC Review implementation of which will be rolled out to 18 DCs from January 2008.

Finally, I wish to stress that increased capital works spending is a livelihood issue. Whilst overall unemployment rate is now down to 4.3%, that in the construction industry is still as high as 10.2%. We need to create more jobs which in turn will attract more young people into this industry and ensure that Hong Kong could continue to benefit from a quality work force. Since the commencement of registration of construction workers, some 160,000 workers have been registered, which has reached our target estimated figure. We will commence the first phase prohibiting unregistered workers from working on sites from September this year.

I had spoken about Development Bureau's role in heritage preservation at the LegCo Home Affairs Subcommittee on Heritage at its meeting on 11 July and will not repeat here.

Thank you.