

ITEM FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 703 - BUILDINGS

Support – Boundary facilities (other than road works)

9GB – Construction of boundary-crossing facilities at Shenzhen Western Corridor under the “co-location” arrangement – land development

Members are invited to recommend to Finance Committee the upgrading of **9GB** to Category A at an estimated cost of \$1,721.7 million in money-of-the-day prices for the land development cost of the Hong Kong Clearance Area of the Shenzhen Bay Port.

PROBLEM

The land occupied by the Hong Kong Clearance Area (HKCA) of the Shenzhen Bay Port (SBP) was developed by the Shenzhen Municipal People’s Government (SZG). The Hong Kong Special Administrative Region (HKSAR) Government (HKSARG) has to pay the land development cost (LDC) to the SZG.

PROPOSAL

2. The Director of Architectural Services, with the support of the Secretary for Security, proposes to upgrade **9GB** to Category A at an estimated cost of \$1,721.7 million in money-of-the-day (MOD) prices for the payment of the LDC of the HKCA of the SBP.

/PROJECT

PROJECT SCOPE AND NATURE

3. The nature of **9GB** is to pay for the LDC of the HKCA of the SBP. The SBP, located at Shenzhen Bay in Shenzhen, was constructed under the “co-location” arrangement with its land developed by the SZG. The reclaimed land area is 1 578 302 m² and the actual area of requisitioned land (including seabed) is 1 773 314 m². The site plan is at Enclosure 1. The HKSARG has to pay for the LDC of the HKCA of the SBP, which includes two components —

- (a) reclamation and soft ground treatment works cost; and
- (b) land requisition cost.

JUSTIFICATIONS

4. In the funding submissions for the design and construction of boundary-crossing facilities and the installation of computer systems for the Immigration Department for the SBP in 2003 and 2004 respectively, we reported separately to the Finance Committee, Public Works Sub-committee and relevant Panels that the financial implications of the new control point would include the LDC. Members noted that the HKSARG and the SZG agreed in principle to bear the respective LDCs, and that the Administration would submit the funding application in respect of such cost once the cost amount was ascertained.

5. On 1 March 2007, we briefed the Bills Committee on Shenzhen Bay Port Hong Kong Port Area Bill (Bills Committee) that in accordance with the “Official Reply of the State Council Concerning the Area of the Hong Kong Port Area at the Shenzhen Bay Port over which the Hong Kong Special Administrative Region is Authorized to Exercise Jurisdiction and the Land Use Period” (Letter No. 132 [2006] of the State Council), the land use right of the Hong Kong Port Area (HKPA) at the SBP would be acquired by way of a lease under a lease for State-owned land to be signed by the HKSARG and SZG. The HKSARG shall bear the LDC and pay an annual rental.¹

/6.

¹ Based on the standard land usage cost in respect of the land designated and allocated in Shenzhen Municipality, i.e. RMB15/m² per year, the annual rental of the HKPA is RMB6,234,810 (equivalent to HK\$6,652,542 on the basis of the exchange rate as at 7 December 2007) for the first five years. Thereafter, the rental will be adjusted once every five years. The range of adjustment is the average change (percentage) of the benchmark land premium published by Shenzhen Municipality in the five years immediately before 1 May of the year when the adjustment is made, with a maximum range not exceeding ±30%.

6. We also reported at the meeting of the Bills Committee held on 7 March 2007 that the whole land on which the boundary crossing facilities of the two sides located was developed by the Shenzhen side. The HKSARG was responsible for the LDC of the HKPA. Upon receipt from the SZG the audited data, we would study and confirm the amount of the LDC to be borne by the HKSARG. Thereafter, we would submit a funding application to the Legislative Council Finance Committee in accordance with the relevant procedures.

7. The relevant HKSARG departments have examined the relevant documents, laws, regulations and audited reports concerning the LDC. The SZG calculated the LDC for the HKCA at the SBP on the basis of administrative land usage, without regard to commercial interest and without the addition of any commercial “margin”. On this basis, the LDC to be borne by the HKSARG includes two components –

- (a) reclamation and soft ground treatment works cost; and
- (b) land requisition cost.

Reclamation and Soft Ground Treatment Works Cost

8. Reclamation and soft ground treatment works cost comprises three items, viz. filling works, common engineering works and the fee for the use of waters.

9. Filling works are carried out in 11 sections. The HKSARG has to be responsible for a proportion of nine of the 11 sections (please refer to Enclosure 1). The HKSARG has to pay a cost of about RMB 529.8 million, which is calculated according to the contract sum of each section and the proportion of the actual area occupied by the HKCA in each section, i.e. the ratio of the actual area of the HKCA in a section to the area total of that section.

10. Common engineering works refer to the common engineering components to be used by both Hong Kong and Shenzhen sides, which include seawall, diaphragm seawall, and the existing seawall, etc. The works also refer to various temporary works such as temporary supply of electricity and water, temporary roads, removal of surcharge, as well as costs for land survey, testing and inspection, design and supervision fees etc. The total cost to be borne by the HKSARG is about RMB 374.1 million. For those items under common engineering works that are more directly related to the difficulties, location and quantity of the filling works, they are calculated using a ratio of 36.92% being the

/fees

fees shared by Hong Kong for the filling works². As for those common engineering works items that are related to the reclaimed area, they are calculated using the ratio of reclaimed land area occupied by the Hong Kong side (32.04%) to the entire reclaimed land area³.

11. The fee for use of waters is collected in accordance with the provisions of the “Notice Issued by the Guangdong Province on Tentative Management Measures Regarding Collection and Use of Fee for Use of Waters”⁴ (《印發廣東省海域使用金徵收使用管理暫行辦法的通知》(粵府【2005】92號)). Units using particular area of waters in Guangdong Province for three months or above for development purposes are required to pay a fee. The standard rate is RMB 90,000 per hectare (RMB 9 per m²). The Hong Kong side has to pay the fee of around RMB 5.1 million calculated based also on the area of the acquired land (1 773 314m²) and the ratio of reclaimed land area (32.04%).

12. The reclamation and soft ground treatment works cost is set out as follows –

	Items	Standard rate	Area	Proportion shared by HKSARG	Amount to be borne by HKSARG (in RMB)
(a)	Cost of filling works	actual cost of filling works (total amount about RMB 1,435.0 million)	actual area of the HKCA in the nine filling sections concerned (including public area) (505 691.5m ²)	Cost of filling works to be shared is calculated according to the ratio of the actual area occupied by the HKCA to the nine filling sections concerned, which is 36.92% of the total filling works cost.	about 529.8 million

/(b)

2 The ratio of the fees shared by Hong Kong for the filling works (36.92%) refers to the filling works cost of the proportion of area for which the HKSARG is responsible (including Clearance Area and an isolation zone), as a proportion of the total filling works cost.

3 The ratio of the “area occupied by the Hong Kong side”, including the Clearance Area (415 654m²) and the isolation zone of the HKSAR (i.e. the isolation zone on the east, south and west of the HKCA with a depth of 35m, measuring 90 037.5m² in total), to the reclaimed land area (1 578 302m²) is 32.04%.

4 The English titles are translated by the HKSARG for reference, subject to verification.

	Items	Standard rate	Area	Proportion shared by HKSARG	Amount to be borne by HKSARG (in RMB)
(b)	Cost of common engineering works	actual works cost (total amount RMB 1,045.7 million)	(not applicable)	36.92% for those items more directly related to the difficulties, location and quantity of the filling works; 32.04% for a few items related to the reclaimed area	about 374.1 million
(c)	Fee for use of waters	in accordance with the "Notice Issued by the Guangdong Province on Tentative Management Measures Regarding Collection and Use of Fee for Use of Waters", RMB 90,000 per hectare	177.3314 hectares (1 773 314 m ²)	32.04%	about 5.1 million

13. The Civil Engineering and Development Department has assessed the costs of the reclamation works. According to the assessment report, the reclamation and soft ground treatment cost for the SBP lies within the range of the unit construction costs of reclamation and of seawall construction in Hong Kong, and is at a reasonable level. In particular, the construction unit costs of various seawalls of the SBP are well below the higher end of Hong Kong's range. Moreover, the reclamation unit cost is close to the lower limit of Hong Kong's range.

Land Requisition Cost

14. The calculation of land requisition cost was primarily based on the principle of replacement cost⁵. In accordance with the relevant Mainland regulations applicable under the principle of replacement cost, the land requisition cost is calculated using on the basis of the ratio (32.04%) of reclaimed land area and includes –

/(a)

⁵ Replacement cost refers to the cost needed to re-purchase or re-construct the same assets or services at a particular time. The "principle of replacement cost" refers to the calculation of land requisition cost at the Shenzhen Bay Port according to the relevant land premium and prescribed rates in November 2002 (when the co-location development model was established).

	Items	Descriptions	Relevant Regulations	Standard rate	Area	Amount to be borne by the HKSARG ⁶ (in RMB)
(a)	Compensation for new construction land	a statutory fee to be paid to the higher-level government for land requisition or change in land use	“Notice Regarding the Issue of ‘Management Measures of the Collection and Use of Compensation for New Construction Land’” (《關於印發〈新增建設用地土地有償使用費收繳使用管理辦法〉的通知》(財綜字【1999】117號))	RMB 50 per m ²	1 578 302 m ²	about 25.3 million
(b)	Compensation for requisition of land	the compensation payable by the SZG for requisition of land	“Implementation Measures of Shenzhen Municipality on Requisition of Land” (根據《深圳市徵用土地實施辦法》(深圳市人民政府令第121號))	RMB 24,000 per mu ⁷ (i.e. RMB 36 per m ²)	2659.971 mu (1 773 314 m ²)	about 20.5 million

/(c)

6 In all items, the amount to be borne by the HKSARG is calculated on the basis of the ratio (32.04%) of reclaimed land area.

7 1 Mu (畝) equals to 0.0667 hectare.

	Items	Descriptions	Relevant Regulations	Standard rate	Area	Amount to be borne by the HKSARG ⁶ (in RMB)
(c)	Compensation for requisition of land for source of rock fill for the reclamation works	the compensation for the requisition of land for the area where rocks and sand were taken for reclamation works	“Implementation Measures of Shenzhen Municipality on Requisition of Land” (《深圳市徵用土地實施辦法》(深圳市人民政府令第121號))	<p>the rate for mountain forest is according to that for land at RMB 8,000 per mu (i.e. RMB 12 per m²) and that for woods at RMB 1,000 per mu (i.e. RMB 1.5 per m²)</p> <p>the rate for orchards is according to that for hills at RMB 12,000 per mu (i.e. RMB 18 per m²) and that for fruit tree nurseries at RMB 60,000 per mu (i.e. RMB 90 per m²)</p> <p>in addition, the compensation for the two closed quarries is RMB 24.92 million according to the agreements of the contracting parties</p>	<p>10 382.343 mu of mountain forest and 1 118.199 mu of orchards</p> <p>According to the agreements for compensation for the closing of quarries, the amounts are RMB 10.9 million and RMB 14.02 million respectively.</p>	about 63.7 million
(d)	Waters clearance fee	the compensation for removal of fishing vessels, oyster breeding rafts, etc and the fee for waters clearance	the amount depends on the actual cost incurred	the actual amount paid by the SZG was RMB 23 million for 1999 and 2002 .		about 7.4 million

/(e)

	Items	Descriptions	Relevant Regulations	Standard rate	Area	Amount to be borne by the HKSARG ⁶ (in RMB)
(e)	Management fee for the requisitioned land	The lands management departments on behalf of the land users are responsible for the coordination of matters in relation to land requisition for construction works. This management fee is charged as a prescribed proportion of the land requisition cost and paid by the land users.	“Letter Regarding the Adjustment of Rates of Management Fee for the Acquired Land” (《關於調整徵用土地管理費提取標準問題的函》(粵辦函【1991】915號))	3% of the compensation amount for land requisition (compensation amount for land requisition is the sum of items (b) to (d) above)		about 2.7 million
(f)	Forest restoration fee	If any construction works require requisition of woodland, a forest restoration fee will be charged in accordance with the existing regulations. The reclamation works of the SBP required rocks and sand. Woodland should be restored in the area providing such rocks and sand.	“Notice Issued by the Ministry of Finance and National Forestry Bureau on Tentative Measures Regarding Collection and Use of Forest Restoration Fee” (《財政部 國家林業局關於印發〈森林植被恢復費徵收使用管理暫行辦法〉的通知》(財綜【2002】73號))	the applicable rate for afforestation land is RMB 8 per m ² and that for economic forest land is RMB 12 per m ²	the area of afforestation land is 6.92 million m ² and that of economic forest land is 0.75 million m ²	about 20.6 million

	Items	Descriptions	Relevant Regulations	Standard rate	Area	Amount to be borne by the HKSARG ⁶ (in RMB)
(g)	Loss of value of returned land	According to the right-listed regulations, the SZG is required to reserve for the requisitioned unit an area of land amounting to a specific proportion ⁸ of the size of the requisitioned land, and charges only 10% of the prevailing market land premium for the returned land. Since the SZG can only charge 10% of the prevailing market premium, the HKSARG and SZG have agreed that the 90% premium foregone is regarded as part of the LDC to be borne by both	“Decision of Shenzhen Municipality People’s Government Regarding Enhancing Land Market Management and Vitalising and Regulating the Property Market” (《深圳市人民政府關於加強土地市場化管理進一步搞活和規範房地產市場的決定》(深府【2001】94號)) “Notice by the Guangdong Provincial Land and Resources Department Regarding Matters Relating to Launching Reform	the market land premium is RMB 9,534 per m ² . ⁹	the actual area of the reserved land is 177 331 m ² (i.e. 10% of the total requisitioned land, the area of which is 1 773 314 m ²)	about 487.5 million ¹⁰

8 In accordance with the relevant provisions of the “Guangdong Province Land Requisition Management Regulations”, the ratio of returned land is 10%. In accordance with the “Notice by the Guangdong Provincial Land and Resources Department Regarding Matters Relating to Launching Reform of Land Requisition System”, the ratio of returned land is 10 to 15%. In negotiating on the principle of replacement cost, the two sides have agreed to adopt the earlier rate (i.e. 10%).

9 The market land premium is calculated based on the premium of all the residential land (calculated according to land area) of the district of the SBP (Nanshan district) auctioned by the government in 2001 and 2002. There are three pieces of such land and their details are as follows –

- land area of 81 920.3 m² with an auctioned price of RMB 755 million;
- land area of 75 101.8 m² with an auctioned price of RMB 780 million;
- land area of 14 993.3 m² with an auctioned price of RMB 105 million.

10 The amount payable by the HKSARG= RMB9,534/m² (market land premium) x 177 331 m² (area of reserved land) x 90% (percentage of the land premium foregone for the reserved land) x 32.04% (percentage of reclaimed land area)= about RMB 487.5 million

	Items	Descriptions	Relevant Regulations	Standard rate	Area	Amount to be borne by the HKSARG ⁶ (in RMB)
		sides in proportions.	of Land Requisition System” (《廣東省國土資源廳關於深入開展徵地制度改革有關問題的通知》(粵國土資發【2005】51號)) “Guangdong Province Land Requisition Management Regulations” (《廣東省徵地管理規定》(粵府(1993/94)號))			

FINANCIAL IMPLICATIONS

15. We estimate the cost of the project to be HK\$1,721.7 million in MOD prices, made up as follows -

	RMB	HK\$(million)
I. Reclamation and soft ground treatment works cost	909,009,038	
(a) Filling works	529,840,492	
(b) Common engineering works	374,055,018	
(c) Fee for use of waters	5,113,528	

/II.

	RMB	HK\$(million)
II. Land requisition cost	627,701,358	
(a) Compensation for new construction land	25,284,398	
(b) Compensation for requisition of land	20,454,113	
(c) Compensation for requisition of land for source of rock fill for the reclamation works	63,717,232	
(d) Waters clearance fee	7,369,200	
(e) Management fee for the acquired land	2,746,216	
(f) Forest restoration fee	20,607,515	
(g) Loss of value of returned land	487,522,684	
	Sub-total	1,536,710,396 1,639.7
		(As at 7 December 2007, RMB 1 = HK\$1.067)
III. Contingencies		82.0
(for changes in the exchange rate)		
[5% of items (I) and (II)]		
	Total	<u>1,721.7</u>
		/16.

16. Subject to approval, we would pay the proposed LDC to SZG as soon as possible.

17. The proposed project will not give rise to any recurrent expenditure.

PUBLIC CONSULTATION

18. We consulted the Legislative Council Panel on Security on the funding proposal on 6 November 2007. The Panel agreed that the Administration should present the proposal to the Public Works Subcommittee of the Finance Committee. We also issued an information paper to the Panel on 12 December 2007 to provide additional information as requested by the Panel Members. A copy of the paper is at Enclosure 2.

ENVIRONMENTAL IMPLICATIONS

19. The Shenzhen section of the Shenzhen Bay Bridge (SBB) and the SBP were constructed by the SZG, who had conducted an environmental impact assessment (EIA) in accordance with the Mainland environmental protection regulations to protect sensitive receivers on the Shenzhen side. According to the information provided by the SZG, the EIA reports for the Shenzhen Western Corridor (SWC) concluded that, with the adoption of the proposed pollution control measures as well as environmental management and monitoring programmes, the environmental impacts arising from the construction and operation of the SWC projects would be acceptable. Therefore, the project was feasible from the environmental perspective.

20. When the Hong Kong side conducted the EIA on the Hong Kong section of the SBP in September 2002, we had also assessed the relevant cumulative environmental impacts arising from the SBP. The EIA report was endorsed by the Advisory Council on the Environment and approved by the Director of Environmental Protection under the EIA Ordinance in November 2002.

HERITAGE IMPLICATIONS

21. The funding will not affect any heritage site, i.e. declared monuments, graded historic buildings and sites of archaeological interests within the HKSAR.

/LAND

LAND REQUISITION

22. The SZG is responsible for the requisition of land for the project. Please see paragraph 14 above.

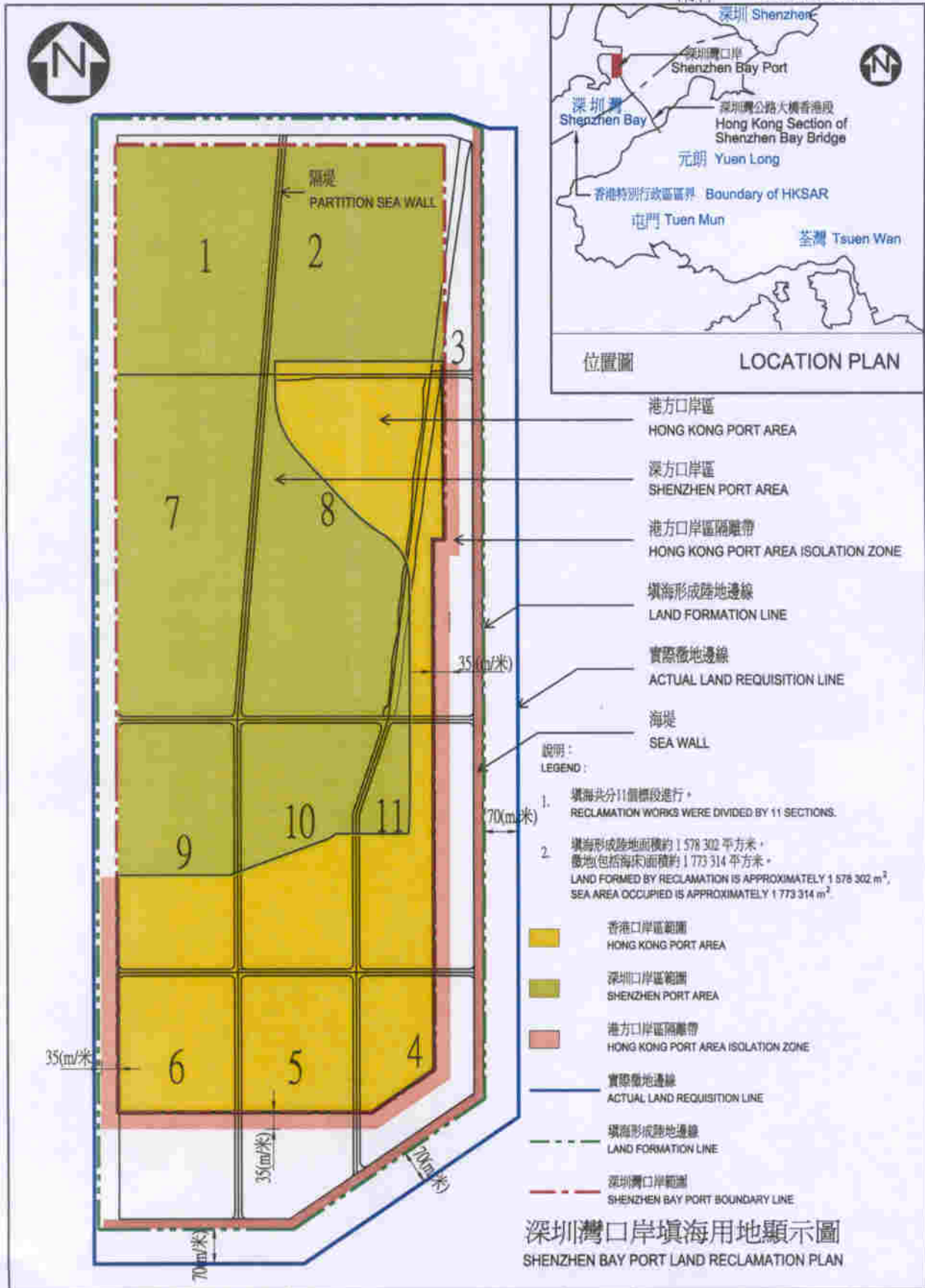
BACKGROUND INFORMATION

23. **9GB** was upgraded to Category B in May 2003.

24. In July 2003, part of **9GB** was upgraded as **11GB**, entitled “Construction of boundary-crossing facilities at Shenzhen Western Corridor under the ‘co-location’ arrangement - design and construction works” to Category A at an estimated cost of \$2,173.5 million in money-of-the-day prices. The project was substantially completed in June 2007. The SBP was commissioned on 1 July 2007.

25. The HKSAR has exercised jurisdiction over the HKPA at the SBP according to the laws of HKSAR since 1 July 2007. According to the “Official Reply of the State Council Concerning the Area of the Hong Kong Port Area at the Shenzhen Bay Port over which the Hong Kong Special Administrative Region is Authorized to Exercise Jurisdiction and the Land Use Period” (Letter No. 132 [2006] of the State Council) issued by the State Council on 30 December 2006, the land use right of the HKPA at the SBP shall be acquired by HKSAR by way of a lease under “Shenzhen Bay Port Hong Kong Clearance Area Land Lease Contract” signed between the HKSARG and the SZG, and the land use period shall commence on the day on which the SBP commences operation and shall expire on 30 June 2047. The lease contract came into force on 1 July 2007.

Security Bureau
December 2007



位置圖 LOCATION PLAN

- 港方口岸區 HONG KONG PORT AREA
- 深方口岸區 SHENZHEN PORT AREA
- 港方口岸區隔離帶 HONG KONG PORT AREA ISOLATION ZONE
- 填海形成陸地邊線 LAND FORMATION LINE
- 實際徵地邊線 ACTUAL LAND REQUISITION LINE
- 海堤 SEA WALL

說明： LEGEND :

1. 填海共分11個標段進行。
RECLAMATION WORKS WERE DIVIDED BY 11 SECTIONS.
2. 填海形成陸地面積約 1 578 302 平方米。
徵地(包括海床)面積約 1 773 314 平方米。
LAND FORMED BY RECLAMATION IS APPROXIMATELY 1 578 302 m².
SEA AREA OCCUPIED IS APPROXIMATELY 1 773 314 m².

- 香港口岸區範圍 HONG KONG PORT AREA
- 深圳口岸區範圍 SHENZHEN PORT AREA
- 港方口岸區隔離帶 HONG KONG PORT AREA ISOLATION ZONE
- 實際徵地邊線 ACTUAL LAND REQUISITION LINE
- 填海形成陸地邊線 LAND FORMATION LINE
- 深圳灣口岸範圍 SHENZHEN BAY PORT BOUNDARY LINE

深圳灣口岸填海用地顯示圖 SHENZHEN BAY PORT LAND RECLAMATION PLAN

9GB
深港西部通道的新口岸建造過境設施以實行「一地兩檢」模式的通關安排 - 土地開發
CONSTRUCTION OF BOUNDARY CROSSING FACILITIES AT SHENZHEN WESTERN CORRIDOR UNDER THE "CO-LOCATION" ARRANGEMENT - LAND DEVELOPMENT

drawn by 繪圖	K.H. CHAN	date 日期	12/2007
approved 覆核	W.K. YIU	date 日期	12/2007
office 辦事處	PROJECT MANAGEMENT BRANCH 工程策劃管理處		

drawing no. 編號	AB/6569/XA201	scale 比例	N.T.S.
 ARCHITECTURAL SERVICES DEPARTMENT 建築署			

For information

**Additional Information Provided to the
Legislative Council Panel on Security
as Requested by Members at Its Meeting Held on 6 November 2007**

Purpose

At the meeting held on 6 November 2007, Members of the Panel on Security requested that additional information be provided on matters relating to the land development cost of the Hong Kong Clearance Area of the Shenzhen Bay Control Point. This paper aims to provide the relevant information.

Reclamation and Soft Ground Treatment Works Costs

2. *The Panel would like the Administration to provide more information on the total cost of reclamation and soft ground treatment works and the component of the fee for use of waters.*

3. Please see paras. 11 to 14 of the paper for the meeting held on 6 November 2007 for detailed information on reclamation and soft ground treatment works. The total cost of the works is around RMB 2,480.7 million, of which the Hong Kong Special Administrative Region Government (HKSARG) has to pay RMB 909.0 million.

4. The fee for use of waters is collected in accordance with the provisions of the “Notice Issued by the Guangdong Province on Tentative Management Measures Regarding Collection and Use of Fee for Use of Waters”¹ (《印發廣東省海域使用金徵收使用管理暫行辦法的通知》(粵府【2005】92號))². Units using particular area of waters in Guangdong Province for three months or above for development purposes are required to pay a fee. The applicable rate is RMB 90,000 per hectare

¹ The English titles of the Mainland regulations cited in this paper are translated by the HKSARG for reference, subject to verification.

² The reclamation works relating to Shenzhen Bay Port were on-going in 2005.

(RMB 9 per m²). The Hong Kong side has to pay the fee of around RMB 5.1 million calculated based also on the area of the requisitioned land (1 773 314m²) and the reclamation proportion (32.04%).

Land Requisition Cost

5. *The Panel would like the Administration to provide more information on the law and area relating to the various items of land requisition cost.*

6. The whole of Shenzhen Bay Port (SBP) is situated on reclaimed land. The development process required the requisition of waters (including sea-bed). In accordance with the relevant Mainland regulations, the requisition works would require compensation to affected persons.

7. Moreover, the reclamation works at the SBP required rocks and sand. For this purpose, the Shenzhen Municipal Government (SZG) had designated resource points for rocks and sand. In excavating rocks and sand at the points, the SZG would have to compensate for the requisition of the mountain forest and orchards there in accordance with the Mainland law and regulations.

8. After discussions, the HKSARG and SZG agreed to adopt the principle of replacement cost in the calculation of land requisition cost. Replacement cost refers to the cost needed to re-purchase or re-construct the same assets or services at a particular time. In the calculation of land requisition cost, the two sides agreed to adopt November 2002 (i.e. the date when the Central Government agreed to construct the SBP using the clearance mode of co-location) as the time reference of the replacement cost proposal. When calculating the land requisition cost of the SBP, the rates as prescribed in the relevant Mainland law and regulations prevailed in November 2002 were adopted. The principle of replacement cost was adopted because the land requisition process had taken a long time and involved many relevant units and unsettled applications for and disputes over compensation to be handled. The adoption of the said principle in calculating the cost can avoid the

difficulties of arriving directly at the actual cost (say the tracking of all compensation payments and the long time in awaiting the settlement of the disputes).

9. *The Panel would also like the Administration to explain in more details the content, calculation method and applicable rates of the item of “returned land”.*

10. The mechanism of “returned land for requisitioned land” is a part of the Mainland’s compensation and settlement for land requisition. It aims to resolve the hardship in production faced by farmers whose land is requisitioned. The Government is required to reserve, for the requisitioned unit for production and development, an area of land amounting to a specific proportion³ of the size of the requisitioned land. In returning the reserved land to the requisitioned unit, the Government charges only 10% of the prevailing market land premium for the returned land⁴. The premium foregone is 90%. The HKSARG and SZG agreed that the premium foregone is part of the land development cost.

11. Under the principle of replacement cost, the item of returned land under the land requisition cost of the SBP is calculated using 10% of the total requisitioned land area (1 773 314 m²), i.e. the area of returned land is 177 331 m².

³ A Member raised the applicability of the “Notice by the Guangdong Provincial Land and Resources Department Regarding Matters Relating to Launching Reform of Land Requisition System” (《廣東省國土資源廳關於深入開展徵地制度改革有關問題的通知》(粵國土資發【2005】51 號)). In accordance with the relevant provisions of the “Guangdong Province Land Requisition Management Regulations” (《廣東省徵地管理規定》(粵府(1993)94 號)), the ratio of returned land is 10%. In accordance with the “Notice by the Guangdong Provincial Land and Resources Department Regarding Matters Relating to Launching Reform of Land Requisition System”, the ratio of returned land is 10 to 15%. In negotiating on the principle of replacement cost, the two sides have agreed to adopt the earlier rate (i.e. 10%).

⁴ “Decision of Shenzhen Municipality People’s Government Regarding Enhancing Land Market Management and Vitalising and Regulating the Property Market”(《深圳市人民政府關於加強土地市場化管理進一步搞活和規範房地產市場的決定》(深府【2001】94 號))

Enclosure 2 to PWSC(2007-08)62

12. In calculating the cost of reserved land, the two sides agreed to adopt the premium of all the residential land⁵ (calculated according to land area) of the district of the SBP (Nanshan district) auctioned by the government in 2001 and 2002 as the basis. The average land premium is RMB 9,534 m², based on the actual sold prices and land area.

13. The amount of land requisition cost arising from returned land payable by the HKSARG is RMB 487.5 million [i.e. RMB 9,534/m² (market land premium) x 177 331 m² (area of returned land) x 90% (percentage of the land premium foregone for the returned land) x 32.04% (percentage of reclaimed land area)].

14. Information on land requisition cost is in para. 16 and Annexes B and C of the paper for the meeting held on 6 November 2007. The information is presented in tabular form below –

	Items	Descriptions	Relevant Regulations⁶	Standard rate (in RMB)	Area	Amount to be borne by the HKSARG⁷ (in RMB)
(a)	Compensation for new construction land	a statutory fee to be paid to the higher-level government for land	“Notice Regarding the Issue of ‘Management Measures of the Collection and Use of Compensation for New Construction Land’”	50 per m ²	1 578 302 m ²	about 25.3 million

⁵ A Member asked the HKSARG about the planned use and development scale of the three pieces of land of which the premium were used to calculate the premium level of the returned land. There are three pieces of such land and their details are as follows -

- a) land area of 81 920.3 m² with an auctioned price of RMB 755 million;
- b) land area of 75 101.8 m² with an auctioned price of RMB 780 million;
- c) land area of 14 993.3 m² with an auctioned price of RMB 105 million.

Each of the piece of land in (a) and (b) includes 3 000 m² of community integrated service centre and 3 000 m² of nursery.

The land returned to the requisitioned units is land for production and development. That means the land can be for commercial or residential uses. In terms of providing compensation to units affected by land requisition, Mainland authorities would not take into account the future planned use, plot ratio, coverage rate, building height etc for the land.

⁶ Copies of the relevant regulations are kept at the Secretariat.

⁷ In all items, the amount to be borne by the HKSARG is calculated on the basis of the ratio (32.04%) of the reclaimed land area.

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		requisition or change in land use	(《關於印發〈新增建設用地土地有償使用費收繳使用管理辦法〉的通知》(財綜字【1999】117號))			
(b)	Compensation for requisition of land	the compensation payable by the SZG for requisition of land	“Implementation Measures of Shenzhen Municipality on Requisition of Land” (根據《深圳市徵用土地實施辦法》(深圳市人民政府令第121號))	24,000 per mu ⁸ (i.e.36 per m ²)	2659.971 mu (1 773 314 m ²)	about 20.5 million
(c)	Compensation for requisition of land for source of rock fill for the reclamation works	the compensation for the requisition of land for the area where rocks and sand were needed to be taken for reclamation works	“Implementation Measures of Shenzhen Municipality on Requisition of Land” (《深圳市徵用土地實施辦法》(深圳市人民政府令第121號))	the rate for mountain forest is according to that for land at 8,000 per mu (i.e.12 per m ²) and that for woods at 1,000 per mu (i.e.1.5 per m ²) the rate for orchards is according to that for hills at 12,000 per mu (i.e.18 per m ²) and that for fruit tree nurseries at 60,000 per mu	10 382.343 mu of mountain forest and 1 118.199 mu of orchards According to the agreements for compensation for the closing of quarries, the amounts are RMB 10.9 million and RMB 14.02 million respectively.	about 63.7 million

⁸ 1 Mu (畝) equals to 0.0667 hectare.

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				(i.e. 90 per m ²) in addition, the compensation for the two closed quarries is 24.92 million according to the agreements of the contracting parties.	
(d)	Waters clearance fee ⁹	the compensation for removal of fishing vessels, oyster breeding rafts, etc and the fee for waters clearance.	the amount depends on the actual cost incurred	the actual amount paid by the SZG was RMB 23 million for 1999 and 2002 .	about 7.4 million

⁹ A member would like the Administration to clarify the difference between waters clearance fee and the fee for use of waters. Waters clearance fee comprises fees and compensation paid for the clearance of facilities including fishing vessels and oyster breeding rafts etc prior to the reclamation works. The fee level payable depends on the actual cost incurred; while the fee for the use of waters is payable to the government in accordance with regulations because of reclamation works (use waters for three months or above for development purposes)

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(e)	Management fee for the requisitioned land	The lands management departments on behalf of the land users are responsible for the coordination of matters in relation to land requisition for construction works. This management fee is charged as a prescribed proportion of the land requisition cost and paid by the land users.	“Letter Regarding the Adjustment of Rates of Management Fee for the Acquired Land” (《關於調整徵用土地管理費提取標準問題的函》(粵辦函【1991】915號))	3% of the compensation amount for land requisition (compensation amount for land requisition is the sum of items (b) to (d) above)		about 2.7 million
(f)	Forest restoration fee	If any construction works require requisition of woodland, a forest restoration fee will be charged in accordance	“Notice Issued by the Ministry of Finance and National Forestry Bureau on Tentative Management Measures Regarding Collection and Use of Forest Restoration Fee” (《財政部 國家林業局關於印發〈森林植被恢復費	the applicable rate for afforestation land is 8 per m ² and that for economic forest land is 12 per m ²	the area of afforestation land is 6.92 million m ² and that of economic forest land is 0.75 million m ²	about 20.6 million

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		with the existing regulations. The reclamation works of the SBP required rocks and sand. Woodland should be restored in the area providing such rocks and sand.	徵收使用管理暫行辦法〉的通知》(財綜【2002】73號))			
(g)	Loss of value of returned land	According to the right-listed regulations, the SZG is required to reserve for the requisitioned unit an area of land amounting to a specific proportion of the size of the requisitioned land, and charges only 10%	“Decision of Shenzhen Municipality People’s Government Regarding Enhancing Land Market Management and Vitalising and Regulating the Property Market” 《深圳市人民政府關於加強土地市場化管理進一步搞活和規範房地產市場的決定》(深府【2001】94號)) “Notice by the Guangdong Provincial Land and Resources	the market land premium is 9,534 per m ² .	the actual area of the reserved land is 177 331 m ² (i.e. 10% of the total requisitioned land, the area of which is 1 773 314 m ²)	about 487.5 million

		<p>of the prevailing market land premium for the returned land. Since the SZG can only charge 10% of the prevailing market premium, the HKSARG and SZG have agreed that the 90% premium foregone is regarded as part of the LDC to be borne by both sides in proportion.</p>	<p>Department Regarding Matters Relating to Launching Reform of Land Requisition System” (《 廣東省國土資源廳關於深入開展徵地制度改革有關問題的通知》 (粵國土資發【 2005 】 51 號))</p> <p>“Guangdong Province Land Requisition Management Regulations” (《 廣東省徵地管理規定》 (粵府(1993/94)號))</p>			
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Oyster Breeding Rafts in Lau Fau Shan

15. *The Panel asked the Administration whether for the locations of the existing oyster breeding rafts in Lau Fau Shan, there was any other planned development.*

16. According to information from the Planning Department, there is no planned development for the Lau Fau Shan district that requires the clearance of oyster breeding rafts. And according to the Civil Engineering and Development Department, its improvement works to the existing Hang Hau Tsuen channel will be carried out to the south of Lau Fau Shan. The scope of the project is not related to the locations of the oyster breeding rafts.

Advice Sought

17. According to the views of the Panel at the meeting held on 6 November 2007, we will submit a funding application for the land development cost to the Public Works Subcommittee of the Finance Committee.

Security Bureau
December 2007