

For meeting on 6 November 2007

Legislative Council Panel on Security

**Updates on the Shenzhen Bay Port Control Point and
Land Development Cost of Hong Kong Port Area**

Purpose

This paper reports to Members on the utilisation of the Shenzhen Bay Port (“SBP”) since its commissioning on 1 July 2007, and sets out matters relating to the cooperation between the Hong Kong Special Administrative Region (HKSAR) Government (“HKSARG”) and the Shenzhen Municipal People’s Government (“SZG”) after the commissioning, as well as the funding application for the land development cost (“LDC”) of the Hong Kong Clearance Area (HKCA) of the SBP.

Background

2. Since 1 July 2007, the HKSAR has exercised its jurisdiction over the Hong Kong Port Area (HKPA) at the SBP according to the laws of the HKSAR. 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) issued by the State Council on 30 December 2006, the land use right of the HKPA at the SBP shall be acquired by way of a lease.

Utilisation Situation

3. The SBP and its link, the Shenzhen Bay Bridge, have been operating smoothly since 1 July and are welcomed by the residents of Hong Kong and Shenzhen. The passenger and vehicle throughput of the SBP are increasing steadily. The average daily passenger traffic on weekdays has increased from 17 000 in July to 20 000 in October (up to 22 October), while the increase at weekends is from 31 560 to 33 480. The average vehicular traffic (including

goods vehicles) has increased from 1 400 to 3 550 on weekdays, and from 1 360 to 3 080 at weekends.

4. With a view to encouraging more goods vehicles to use the new control point, the HKSARG and Guangdong authorities have agreed that goods vehicles of cross-boundary freight companies could use SBP without registration until the companies next renew their Mainland operating contracts, during which the Department of Foreign Trade and Economic Cooperation of Guangdong Province would grant them the additional endorsement to use SBP. Since the introduction of the measure on 13 August, the traffic of cross-boundary goods vehicles has increased significantly. We envisage that usage of the new control point will continue to increase. The daily two-way vehicular flow is as follows (as at 22 October):

Cross-boundary coach	:	410
Cross-boundary private car	:	1 870
Cross-boundary goods vehicle	:	1 100
Total	:	3 380

5. Annex A sets out the volume of passengers and cross-boundary vehicles at various land control points in the past four months. Despite an increase of 8.65% in the total number of passengers from June to September 2007, the passenger volume had decreased by 12.49%, 6.43% and 31.53% respectively at Lok Ma Chau, Sha Tau Kok and Man Kam To control points. For the same period, despite an increase of 5.08% in cross-boundary vehicular traffic, there is a decrease of 2.32% and 5.07% respectively in cross-boundary vehicle traffic at Lok Ma Chau and Man Kam To. The flow of cross-boundary passengers and cross-boundary vehicles at other control points has decreased. This shows that the commissioning of the SBP has achieved a diversion effect preliminarily.

Hong Kong-Shenzhen Co-operation Arrangements

6. To enhance clearance flow and ensure the service level of the new control point, the Shenzhen Bay Port Joint Coordination Committee (co-chaired by Security for Security and Shenzhen's Vice Mayor), established before the commissioning of the SBP, will continue to operate and coordinate cooperation between the two sides. Moreover, both sides have signed a basket of agreements to handle matters relating to the new control point. These include:

- (i) Co-operation Arrangement on Major Issues Relating to Shenzhen Bay Port;
- (ii) Implementation Plan on the Operation of the Shenzhen Bay Port;
- (iii) Co-operation Arrangement on the Operation and Maintenance of the Shenzhen Bay Bridge Shenzhen Section;
- (iv) Shenzhen Bay Port Hong Kong Clearance Area Land Lease Contract; and
- (v) Shenzhen Bay Port Hong Kong Clearance Area Land Development Cost Agreement.

A copy of these agreements have been deposited at the Secretariat of Legislative Council for Members' reference.

Land Use Right

7. In March 2007, we explained to the Bills Committee on "Shenzhen Bay Port Hong Kong Port Area Bill" ("Bills Committee") that the land use right of the HKPA at the SBP was acquired by way of a lease to be signed by HKSARG and SZG. The HKSARG would have to pay an annual rental and be responsible for the LDC. The annual rental of the HKPA is around RMB¥ 6,234,810 for the first five years. Thereafter, the rental is subject to regular review and adjustment.

8. As regards LDC, during the funding applications 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 SZG agreed in principle to bear the respective LDCs, and that the Administration would submit a funding application in respect of such cost once the cost amount was ascertained.

9. Subsequently, we 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 audited data, we would study and confirm 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.

Land Development Cost

10. The relevant HKSARG departments have examined the relevant documents, laws, regulation and audited reports concerning the LDC. The HKSAR has to pay the LDC of around RMB ¥ 1,537 million for the HKCA at the SBP. This amount was calculated by the SZG on the basis of administrative land usage, without regard to commercial interest and without the addition of any commercial “margin”. The LDC to be borne by the HKSARG includes two main categories (breakdown at Annex B):

- (a) Reclamation and soft ground treatment works cost (around RMB ¥ 909 million); and
- (b) Land requisition cost (around RMB ¥ 627.7 million)

Reclamation and Soft Ground Treatment Works Costs

11. Reclamation and soft ground treatment cost includes three sub-categories, viz. filling works, common engineering works and the fee for the use of waters.

12. Filling works are carried out in 11 areas. The HKSARG has to bear a cost of around RMB ¥ 529.84 million calculated according to the actual area occupied by the HKCA, i.e. the ratio of the actual area of the HKCA to the entire filling area.

13. Common engineering works refer to the common components to be used by both Hong Kong and Shenzhen sides, which include seawall, diaphragm seawall, an existing seawall, etc. The cost to be borne by the HKSARG is around RMB ¥ 374.06 million. Most of the items under common engineering works are directly related to the difficulties, location and quantity of the backfilling works. It is calculated using a ratio of 36.92% being the fees shared by Hong Kong for the filling works. The remaining common engineering works items are related to the reclamation area. Hence the ratio of reclaimed land area occupied by the Hong Kong side (32.04%) to the entire land area was adopted for calculation.

14. The fee for use of waters is a government fee. 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¥ 5.11 million calculated based also on the reclamation proportion of 32.04%.

15. The Civil Engineering and Development Department has assessed the costs of the reclamation works. According to the assessment, the reclamation and soft ground treatment cost for the SBP lie within the range of the costs of reclamation and of seawall construction in Hong Kong, and are at the reasonable level. In particular, the costs of various seawalls of the SBP are well below the higher end of Hong Kong's range. Moreover, the reclamation unit cost (about 70% of the total works cost) is close to the lower limit of Hong Kong's range.

Land Requisition Cost

16. The calculation of land requisition cost was primarily based on the relevant regulations in the Mainland. Hong Kong was responsible for 32.04% (ratio of reclaimed land area occupied by Hong Kong side) of the land requisition cost, which includes:

- (a) Compensation for new construction land – a premium to be paid to the higher-level government for land requisition or change in land use. Hong Kong's share is about RMB¥ 25.28 million;
- (b) Compensation for requisition of land – the premium to be paid by the SZG for requisition of land. Hong Kong's share is about RMB¥ 20.45 million;
- (c) Compensation for requisition of land for reclamation works – the reclamation works at the SBP required rocks and sand. There is a compensation for requisition of land for the area where the rocks and sand were taken for reclamation works. Hong Kong's share is about RMB¥ 63.72 million;
- (d) Waters clearance fee – the compensation for removal of fishing vessels, oyster beds, etc and the fee for waters clearance. The amount depends on the actual cost incurred. Hong Kong's share is about RMB¥ 7.37 million;
- (e) Management fee for the acquired land – the lands management departments on behalf of the tenant units 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 tenant units. Hong Kong's share is about RMB¥ 2.75 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 SCP required rocks and sand. Woodland should be restored in the area providing such rocks and sand. Hong Kong's share of forest restoration fee is about RMB¥ 20.61 million;
- (g) Loss of value of returned land – the government reserves for the requisitioned unit an area of land (as “returned land”) amounting to 10% of the size of the requisitioned land, and charges only 10% of the prevailing market land price for the returned land. A land premium foregone is 90%. The foregone premium if the relevant land were sold normally (i.e. 90% of the original cost) is regarded as part of the land development cost. When calculating the land premium foregone for the returned land, the auctioned land price of the area concerned (Nanshan area) in 2001 and 2002 is adopted as the basis of calculating the land cost loss. The average land price is RMB¥ 9,534 per m². The Hong Kong side has to pay about RMB¥ 487.52 million.

17. The relevant regulations and fee related to the items of paragraph 16 above are listed at Annex C. Copies of relevant documents are kept at the Secretariat.

Way Forward

18. Having regard to Members' comments, we will submit our funding application to the Public Works Subcommittee of Finance Committee and then the Finance Committee for consideration.

19. We will continue to closely monitor the utilisation of the SCP and the bridge as well as maintain co-operation with Shenzhen with a view to ensuring smooth operation of the control point.

**Volume of Passengers and Cross-boundary Vehicles
at Various Land Control Points in the Past Four Months**

Passenger traffic

	June	July	August	September	September vs June Change
Lo Wu	7,578,047	8,404,611	8,461,160	7,629,632	0.68%
Lok Ma Chau	4,054,729	4,324,422	4,173,506	3,548,334	-12.49%
Hung Hom	245,231	284,849	310,536	253,070	3.20%
Sha Tau Kok	220,069	231,714	237,843	205,914	-6.43%
Man Kam To	224,108	196,599	204,389	167,151	-31.53%
SBP	Not applicable (NA)	647,229	734,462	646,326	NA
Lok Ma Chau Spur Line	NA	NANA	510,711	959,826	NA
Total	12,342,184	14,089,424	14,632,607	13,410,253	8.65%

Vehicular traffic

	June	July	August	September	September vs June Change
Lok Ma Chau	978,335	995,199	1,009,937	955,680	-2.32%
Man Kam To	221,290	219,608	218,635	210,066	-5.07%
Sha Tau Kok	72,796	72,300	75,620	75,606	3.86%
SBP	NA	41,403	67,401	95,759	NA
Total	1,272,421	1,328,510	1,371,593	1,337,111	5.08%

**Breakdown of Land Development Cost of the
Hong Kong Clearance Area of the
Shenzhen Bay Port**

Item	Sub-item	Cost to be borne by Hong Kong (RMB)
Reclamation and soft ground treatment	Filling works	529,840,000
	Common engineering works	374,055,000
	Fee for use of waters	5,114,000
	Sub-total	909,009,000
Land requisition cost	Compensation for new construction land	25,284,000
	Compensation for requisition of land	20,454,000
	Compensation for requisition of land for reclamation works	63,717,000
	Waters clearance fee	7,369,000
	Management fee for the acquired land	2,746,000
	Forest restoration fee	20,608,000
	Loss of value of returned land	487,523,000
	Sub-total	627,701,000
Total		1,536,710,000

Lists of Relevant Regulations and Fee Standards
Related to Land Requisition Cost*

1. Compensation for New Construction Land (新增建設用地土地有償使用費)

“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))

The applicable rate is RMB ¥ 50 per m².

2. Compensation for Requisition of Land (項目建設用地徵地拆遷補償費)

“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 applicable rate is RMB ¥ 24,000 per mu** (i.e. RMB ¥ 36 per m²).

3. Compensation for Requisition of Land for Reclamation Works (填海工程取土區徵地拆遷補償費)

“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 applicable rate for mountain forest is RMB ¥ 8,000 per mu (i.e. RMB ¥ 12 per m²); that for woods is RMB ¥ 1,000 per mu (i.e. RMB ¥ 1.5 per m²); that for orchards (hills) is RMB ¥ 12,000 per mu (i.e. RMB ¥ 18 per m²); that for fruit tree nurseries is RMB ¥ 60,000 per mu (i.e. RMB ¥ 90 per m²).

4. Management Fee for the Acquired Land (徵地管理費)

“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))

The applicable rate is 3% of the compensation amount for land requisition.

5. Forest Restoration Fee (森林植被恢復費)

“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 m² and that for economic forest land is RMB ¥ 12 per m².

6. Loss of Value of Returned Land (徵地返還用地地價損失成本)

“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))

“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))

To reserve 10 to 15% of the area of requisitioned land as returned land.

*The English titles are translated by the Hong Kong Special Administrative Region Government for reference, subject to verification.

**1 Mu (畝) = 0.0667 hectare