

## **ITEM FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE**

### **HEAD 703 – BUILDINGS**

#### **Government Offices – Intra-governmental services**

#### **66KA – Purchase and fitting-out of office accommodation for the Beijing Office**

Members are invited to recommend to Finance Committee the direct injection of **66KA** to Category A at an estimated cost of \$87.3 million for the purchase and fitting-out of permanent accommodation for the Beijing Office.

### **PROBLEM**

The Beijing Office is housed in leased premises in a multi-storey building. This is not a cost-effective solution for the long term.

### **PROPOSAL**

2. The Director, Beijing Office proposes the direct injection of **66KA** to Category A at an estimated cost of \$87.3 million for the purchase and fitting-out of permanent office accommodation for the Beijing Office.

### **PROJECT SCOPE AND NATURE**

3. The project comprises the purchase of suitable premises, fitting-out, and acquisition of furniture for the Beijing Office.

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**JUSTIFICATION**

4. The Beijing Office is established under Article 22 of the Basic Law. On 27 March 1998, while approving the expenditure needed to set up the Beijing Office (vide FCR(97-98)115), Members noted that the Office would initially be housed in leased premises and that the Administration intended to acquire a suitable site or building in Beijing for use as permanent accommodation for the Office.

5. Experience has shown that it is more economical and cost-effective for the Government to construct or purchase its own offices, both locally and overseas. In addition, owned premises provide security of tenure and protection from rent increases. At present, nine out of the ten Hong Kong Economic and Trade Offices overseas are housed in owned premises, and, with the exception of the Singapore Office, all of them are in stand-alone buildings. We consider that a similar arrangement should be provided for the Beijing Office, which represents the presence of the HKSAR Government in the capital of our country.

6. We further consider that now is a good time to initiate action to acquire a permanent office for the Beijing Office, for the following reasons –

- (a) the current lease for the Beijing Office will expire in September 2002. Taking into account the time needed to identify a suitable site or building, to negotiate with the landlord/developer and to complete the necessary legal documentation work, as well as to arrange for fitting out work and re-location from the existing office, the Government needs to proceed with these activities now if the Beijing Office is to be accommodated in owned premises upon expiry of the current lease;
- (b) after a period of downward price adjustments, there are signs that the property market in Beijing is now on an upward trend with the expectation of China's accession to the World Trade Organization in the near future; and
- (c) suitable premises in the town centre of Beijing are scarce and once identified, speedy negotiations need to be undertaken and concluded, if appropriate, by the Government with the concerned party. In order to achieve this, the Government needs to secure the necessary funding approval first.

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7. We have to take into account the main considerations set out below when choosing the location of the permanent office in Beijing –

- (a) Beijing City (i.e. the area within the Fourth Ring Road) occupies some 1 000 square kilometres. Most of the ministries and departments of the Central People's Government are located in the western part of the town centre and along Chang An Avenue, whereas the business centre and embassy areas are in the eastern part of the town centre. Since the Beijing Office has to maintain liaison with both sectors, its permanent office should ideally be located as near to the town centre as possible, i.e. within the Second Ring Road. This will ease the need for inter-office travelling and facilitate visits to and from the Beijing Office; and
- (b) a location within the Second Ring Road will also give easier access for members of the public to visit the Beijing Office to make general enquiries, to seek assistance and to apply for visas to Hong Kong.

8. In searching for suitable premises for the Beijing Office, we shall carefully balance the pros and cons of purchasing space within a multi-storey commercial building and purchasing a low rise stand-alone building for the exclusive use of the Beijing Office. We shall take the following into account –

- (a) the current occupants in an identified multi-storey building and the lack of control by the Government over the identity of future occupants that may be accommodated in the same multi-storey building as the Beijing Office;
- (b) the operational requirements of Beijing Office, such as work outside office-hours, the reception of important guests, the mounting of permanent publicity materials on Hong Kong, accessibility by the public, etc.;
- (c) the limited supply of suitable premises within the Second Ring Road of Beijing;
- (d) the cost and quality of suitable premises as well as the timing of their availability; and

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(e) the land title and tenure.

9. The Beijing Office currently occupies about 1 700 square metres (1 250 square metres net) of leased premises in a multi-storey office building. In addition, the office rents two carpark spaces in the same building and a warehouse for the storage of reusable publicity and exhibition materials. As our proposal is to purchase permanent accommodation for the Beijing Office, we also need to allow for future expansion of the Office over the long term. In this context, we have prepared a summary of the space requirements of the Beijing Office at Enclosure 1 for Members' reference.

## FINANCIAL IMPLICATIONS

10. According to property consultants in Beijing, the current range of asking prices for Grade A multi-storey commercial buildings in Beijing is \$20,000 - \$27,000 (RMB21,300 - 28,700) per square metre. The prices of good quality low rise stand-alone buildings are between \$23,500 - \$26,300 (RMB25,000 - 28,000) per square metre of site area. On the assumption that we will be able to identify and acquire a low rise building, such a building would probably occupy a total site area of about 2 300 square metres in order to meet Beijing Office's estimated accommodation requirements for the long-term. We believe we would be able to purchase such a property at a price of about RMB60 to 65 million, which is about \$56.4 to \$61.1 million, say \$58.8 million, in Hong Kong dollars. Based on an assumed site area of 2 300 square metres, the unit price will be in the order of \$25,565 (RMB 27,183) per square metre.

11. The estimated total cost of the project is \$87.3 million, made up as follows -

	<b>RMB (million)</b>	<b>HK\$ (million)</b>
	HK\$1= RMB1.0633 (as at 31 March 2000)	
(a) Purchase of a building	62.5	58.8
(b) Fitting out costs	21.3	20.0
(c) Furniture and equipment	2.6	2.4

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	<b>RMB (million)</b>	<b>HK\$ (million)</b>
	HK\$1= RMB1.0633 (as at 31 March 2000)	
(d) Legal and other administration fees	2.0	1.9
(e) Contingency (5% on (a) to (d))	4.5	4.2
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Total	92.9	87.3

12. Given a purchase price of \$58.8 million for the proposed new premises and an estimated annual rental payment of HK\$4.5 million for a similar property, the payback period for the investment will be 13 years.

13. The basis of estimating the costs of fitting-out and new furniture/equipment is set out at Enclosure 2. The fitting-out of the new office will be strictly in accordance with government standards.

## **PUBLIC CONSULTATION**

14. We consider public consultation unnecessary as the project follows an established government policy to house government offices in owned rather than leased premises. We consulted the Panel on Planning, Lands and Works on 24 February 2000. We have taken into account views expressed by Panel Members and by members of the public thereafter when preparing this submission.

## **ENVIRONMENTAL IMPLICATIONS**

15. The proposed project has no environmental implications for Hong Kong.

## **LAND ACQUISITION**

16. The proposal does not involve land acquisition in Hong Kong.

**BACKGROUND INFORMATION**

17. The Beijing Office, established as provided under the Basic Law, serves as an important bridge for liaison and communication between the HKSAR Government and the Central People's Government as well as other Mainland authorities. Its main responsibilities include providing information about the HKSAR to the Central People's Government; keeping the HKSAR Government informed of the latest developments in the Mainland; taking action with the Mainland authorities on specific issues upon instructions of the HKSAR Government; promoting HKSAR's image in the Mainland; handling immigration-related matters; and providing assistance to Hong Kong residents in distress in the Mainland. A summary of the work of the Beijing Office over the last 12 months is at Enclosure 3.

18. We consulted the Panel on Planning, Lands and Works on 24 February 2000 on the proposal to purchase permanent accommodation for the Beijing Office. We informed Members then that we had identified a possible suitable site for this purpose, but we had not entered into any commitment with the landlord. The Panel had no objection to the Administration proceeding to submit a formal funding application.

19. The proposal to purchase accommodation to house the Beijing Office has attracted considerable media reporting. This to a very large extent has affected our negotiating position with regard to the property we identified earlier. We are now therefore considering other alternatives which have come to our notice since then. As with the established practice for purchasing office premises for overseas Economic and Trade Offices, we are now seeking Members' approval to vote funds for the Government to purchase suitable premises once identified.

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Beijing Office  
April 2000

Enclosure 1 to PWSC(2000-01)17

**Space Requirements of the Beijing Office  
(Net Usable Area)**

	<i>Existing Accommodation m<sup>2</sup></i>	<i>Leased Requirement m<sup>2</sup></i>	<i>Long-term Requirement m<sup>2</sup></i>	Notes
<b>(A) Staff</b>				
Existing staff (35 posts)	360		360	
Temporary staff	-		30	(1)
<b>Total area for staff</b>	<u>360</u>		<u>390</u>	
<b>(B) Ancillary Areas</b>				
<b>(a) General</b>				
Reception area	25		25	
Public waiting area	35		35	
Small conference room for internal use	25		25	
General registry	50		50	
Server room	15		25	
Photocopying/fax rooms	15		20	
Reading rooms and offices for visiting officials	50		50	
Strong room	10		10	
Cloak room for visitors	10		25	
Changing room for staff	10		20	
Pantry	10		20	
Toilet (for staff)	55		70	
Toilet (for public)	55		55	
Meeting room	25		150	(2)
Conference room	130		130	
Store room	45		200	(3)
Public exhibition and reading room	65		100	(4)
Small library for internal use	-		30	(5)
Plant rooms	-		120	(6)
<b>Total area for general use</b>	<u>630</u>		<u>1160</u>	
<b>(b) Areas dedicated to Immigration Section</b>				
Interview rooms	15		15	
Reception and public waiting area	95		95	
Shroff office	10		10	
Registry	15		15	
Store room	10		10	
Strong room	10		10	
<b>Total area for Imm Section</b>	<u>155</u>		<u>155</u>	
<b>Total ancillary areas (a)+(b)</b>	<b>785</b>		<b>1315</b>	
<b>Total staff and ancillary areas (A)+(B)</b>	<b>1145</b>		<b>1705</b>	
Add: Expansion factor	105		170	
Add: Parking lot	-		325	(7)
<b>Total net floor area</b>	<u>1250</u>		<u>2200</u>	

**Notes**

1. The Beijing Office engages temporary staff from time to time on a project basis to assist in organizing publicity activities to promote the image of HKSAR.
2. The practice in Beijing is that reception of visitors as well as informal meetings/discussions take place in meeting rooms whereas conference rooms are only used for formal meetings.

The Beijing Office receives a large number of visitors. Some of them come in groups, the number of which can be up to 40 - 50 people. At present, we receive small groups of visitors in the only meeting room which is about 25 square metres. For larger groups of visitors we have to make use of the conference room. We have on a few occasions had to limit the number of guests because of the limited size of our existing conference room.

3. We are currently using a warehouse for the storage of reusable exhibition and publicity materials.
4. We propose to enlarge the public exhibition and reading room so that we can display more publicity materials to promote Hong Kong.
5. The work of the Beijing Office requires us to maintain a reasonable stock of reference materials about Hong Kong and the Mainland, to be shared among our staff.
6. If the permanent office is to be accommodated in a low rise stand-alone building, plant rooms are required for the provision of air-conditioning, heating, electricity, telephone systems and control facilities.
7. Off-street parking facilities for six cars/vans will be required if the property is to be a low rise stand-alone building.

**Estimates of Fitting out Costs and New Equipment/Furniture**

The fitting-out of the new office will be strictly in accordance with government standards, at a level similar to the existing leased office premises.

2. If we are to purchase a low rise stand-alone building with a net floor area of 2 200 square metres, the fitting-out costs are estimated to be in the order of \$20 million. The unit cost is around \$9,090 per square metre, which is comparable to that for Beijing Office's existing leased office premises.

3. We expect to be able to reuse most of the existing furniture and equipment in the new office. The cost of removal and the purchase of necessary new furniture is estimated to be \$ 1.9 million and \$0.5 million respectively.

## **Summary of the Work of Beijing Office**

The work of the Beijing Office covers three major areas, namely liaison, publicity and immigration matters.

### **Liaison**

2. The primary objective of the Office is to function as one of the communication and liaison channels between the HKSAR Government and the Mainland authorities. Our focus at the early stage of establishment was therefore to build up contacts. In the past year, the Beijing Office has established contacts with over 60 of the Central People's Government ministries/missions and representative offices of local authorities. We up-dated them on the implementation of the "One Country, Two Systems" principle and the Basic Law in Hong Kong after reunification, as well as major developments in the HKSAR. We also exchanged views with them on issues of mutual interest. These contacts have proven to be very useful in our work.

3. We keep the HKSAR Government abreast of the Mainland's latest developments, in particular macroeconomic developments, new policies and initiatives in various areas, and new legislation and regulations which may affect the interests of Hong Kong businessmen having investments in the Mainland. On the HKSAR Government's instructions, we also make enquiries or discuss specific issues with concerned Mainland authorities and take follow-up action as appropriate.

4. Last year saw the 50<sup>th</sup> anniversary of the establishment of the PRC and the reunification of Macau. The Beijing Office liaised with the Central People's Government to coordinate the HKSAR Government's participation in these two major events.

5. In the current financial year, we will strengthen and broaden our liaison network. We plan to visit more provinces, regions and municipalities to foster their links with Hong Kong. We will also watch closely major economic developments in the Mainland, in particular preparation of the Tenth Five-Year Plan, the development programme for the western region, accession to the WTO and the related market opening initiatives.

## **Publicity**

6. Another important task of the Beijing Office is to promote HKSAR's image in the Mainland. In the past year, we held exhibitions in Beijing, Shanghai and Wuhan. We also organized a "Hong Kong Week" in Tianjin. These promotional activities were very well received by the public. This year, we plan to organize publicity activities in about six Mainland cities. Activities contemplated include exhibitions, seminars, cultural events and other related programmes.

7. We also arrange media sessions for visiting senior HKSAR Government officials to brief the local media on policy developments in HKSAR under their purview. These media reports will further help residents in the Mainland to have a better understanding of the affairs and developments of the HKSAR.

## **Immigration Matters**

8. The Beijing Office processed about 10 000 applications for visas and entry permits last year. We also initiated discussions with eight embassies in Beijing regarding visa-free access of HKSAR passport holders. Of the countries we approached, Bahrain and Slovakia have responded positively by agreeing to grant visa-free entry to HKSAR passport holders.

9. In response to public expectations, the Beijing Office has since September 1999 also taken up the additional task of providing assistance to Hong Kong residents being detained in the Mainland. In the 12-month period up to end February 2000, we handled about 60 such cases. We took up this additional task by internal redeployment of resources. The liaison network we have built up so far has generally enabled us to receive earlier responses to the cases under reference and has facilitated our enquiries with the relevant authorities. Prosecution procedures have been expedited in some cases, additional information on the current situation regarding the trials and appeals of some detained Hong Kong residents has been received and medical examinations have been given to those who have applied for parole on medical grounds.

10. In the 12-month period up to end February 2000, we handled about 160 cases involving business-related and general assistance sought by Hong Kong residents as well as 120 public enquiries.

**Looking forward**

11. After going through the exploratory process in our early stage of establishment, the Beijing Office will carry out in full steam its work this year.

(PWSC0264/WIN10)