

**立法會**  
**Legislative Council**

LC Paper No. CB(1)1589/04-05(01)

Ref: CB1/PL/PLW

**Joint meeting of the Panel on Planning, Lands and Works  
and Panel on Financial Affairs  
on 24 May 2005**

**Background brief on  
land grant policy and its impact on Government revenue**

**Introduction**

There are two ways in disposing Government land, through sale to the public and private treaty grant to approved bodies for specified purposes. Information concerning sale of land is set out in the background briefs issued to members of the Panel on Planning, Lands and Works (PLW Panel) on 25 October 2004 and 19 April 2005 vide LC Paper Nos. CB(1)89/04-05(03) and CB(1)1319/04-05(04) respectively. This paper focuses on members' concerns on land grant policy and its impact on Government revenue.

**Land grant**

2. Government has long established the practice to grant land by way of private treaty for the purpose of meeting specific policy objectives. Examples include non-profit making community uses such as schools, hospitals, welfare and charitable organizations, land for essential public utility services like power station and land for promoting a certain policy such as Science Park. Private treaty grants have also been made to the two railway corporations for railway property developments and to the Urban Renewal Authority for the agreed projects. According to the Administration, the arrangement of direct land grant to these service providers for the related purposes is necessary and appropriate. The level of land premium charged on direct land grants depends on the uses of the land. Nominal or concessionary premium will normally be charged for community uses because of their non-profit making nature. Full market premium will be charged for commercial uses, like power station. Criteria for direct land grants are set according to relevant policies approved by the Chief Executive in Council (ExCo).

## **Members' concerns**

### *Change of land use*

3. When discussing planning and land policy at the PLW Panel meeting on 22 March 2005, members raised concern about change of use of land granted by private treaty. As advised by the Administration, if a lot is granted by private treaty by ExCo, ExCo's approval is necessary to modify the lease conditions to a use for which there is no delegated authority. The Administration is now reviewing concerns about the enforcement of the cessation of user clause in the lease conditions of the private treaty grants and will report to the PLW Panel after completion of the review. The Administration had undertaken that pending a decision on the future policy directions, applications for lease modification of private treaty grants will not be granted unless under exceptionally urgent circumstances.

### *Land grant policy and its impact on Government revenue*

4. A motion on "Review of land policy" was passed at the Council meeting on 16 June 2004, urging the Administration to review the policy of subsidizing commercially operated infrastructural projects in the form of land in order that the Government can, through fair market competition, gain the maximum financial benefits, avoid disorderly development and the loss of public funds, safeguard public interest and maintain market stability. During the debate on the motion, some members expressed concern about the undesirable effects of the policy for Hong Kong. Firstly, it incurs costs to the public, i.e. the lost revenue which could have been obtained from the public sale of land. Secondly, there is no effective public scrutiny of land subsidy for commercially operated infrastructural projects. There were also queries on why the Government provided land subsidy to the Mass Transit Railway Corporation Limited (MTRCL) which is a listed company.

5. To address the concern about the lack of comprehensive information on Government investment incomes to facilitate the monitoring by the Legislative Council (LegCo) and public on the management of such incomes, the Panel on Financial Affairs (FA Panel) has conducted a research on this subject. When the FA Panel discussed with the Administration on the research report prepared by the Research and Library Services Division of the LegCo Secretariat at the meeting on 7 March 2005, members raised various concerns on the impact of land grant policy on Government revenue as follows:

- (a) Land and revenue generated from its sale are important sources of income for the Government. The Administration should ensure the effective use of the limited land resources and that its land grant policy is able to safeguard public interest, maximize financial gains for the community, achieve fair competition and maintain market stability;

- (b) The Administration should ensure that the land granted to public corporations is put into effective use for the development of their core business, such as the large piece of land on the Airport Island granted to the Airport Authority (AA). It is suggested that any part of the land which has not been used for the core business of AA should be returned to the Government and put up for sale through open bidding;
- (c) The policy of subsidizing commercially operated infrastructural projects in the form of land is in contravention of the Basic Law;
- (d) The policy of subsidizing commercially operated infrastructural projects in the form of land, which is a remnant of the colonial era, no longer suits the present day circumstances. In particular, it is unjustified for the Government to apply the policy to MTRCL since the listing of the corporation in October 2000;
- (e) The Government, in considering whether it should subsidize a commercially operated infrastructural project in the form of land, should ensure that the granting of such a subsidy would be in the interest of the public. In this connection, the Administration should set up a transparent and professional mechanism for:
  - (i) assessing the value of the land involved and the financial gains to be achieved by putting up the land for sale through open bidding; and
  - (ii) assessing the rate of return for the Government on the assumption that such a subsidy has been granted to the project;
- (f) As pointed out by the Hong Kong Institute of Surveyors, the application of the “green field site” principle in the premium assessment for the two railway corporations imposes an important assumption (i.e. no railway development) into the valuation process and thus would have significant implications for the premium assessment. Other things being equal, the availability of railway development would normally enhance accessibility and thus land values. In other words, the application of the “green field site” principle in the premium assessment for the two railway corporations has resulted in the loss of revenue. The Administration should provide justifications for applying the principle in premium assessment; and

- (g) The Administration should explain the basis for calculating the amounts of the land premia paid by the two railway corporations for each of their development projects.
6. The Administration's response to members' concerns was circulated to members on 27 April 2005 vide LC Paper CB(1)1395/04-05.
7. A list of the relevant papers with their hyperlinks at the LegCo website is in the **Appendix**.

Council Business Division 1  
Legislative Council Secretariat  
20 May 2005

## Land grant policy and its impact on Government revenue

## List of relevant papers

Council/Committee	Date of meeting	Paper
Council meeting	16 June 2004	Hansard (Motion on “Review of Land Policy”) <a href="http://www.legco.gov.hk/yr03-04/english/counmtg/hansard/cm0616ti-translate-e.pdf">http://www.legco.gov.hk/yr03-04/english/counmtg/hansard/cm0616ti-translate-e.pdf</a>
Planning, Lands and Works Panel (PLW Panel)	26 October 2004	LC Paper No. CB(1)89/04-05(02) <a href="http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1026cb1-89-2e.pdf">http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1026cb1-89-2e.pdf</a>  LC Paper No. CB(1)89/04-05(03) <a href="http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1026cb1-89-3e.pdf">http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1026cb1-89-3e.pdf</a>  LC Paper No. CB(1)265/04-05 (Minutes) <a href="http://www.legco.gov.hk/yr04-05/english/panels/plw/minutes/pl041026.pdf">http://www.legco.gov.hk/yr04-05/english/panels/plw/minutes/pl041026.pdf</a>
Financial Affairs Panel	7 March 2005	Research Report on “Management of Government Investment Incomes” (LC Paper No. RP01/04-05) <a href="http://www.legco.gov.hk/yr04-05/english/sec/library/0405rp01e.pdf">http://www.legco.gov.hk/yr04-05/english/sec/library/0405rp01e.pdf</a>  LC Paper No. CB(1)1395/04-05(01) <a href="http://www.legco.gov.hk/yr04-05/english/panels/fa/papers/fa0307cb1-1395-1e.pdf">http://www.legco.gov.hk/yr04-05/english/panels/fa/papers/fa0307cb1-1395-1e.pdf</a>  LC Paper No. CB(1)1311/04-05 (Minutes) <a href="http://www.legco.gov.hk/yr04-05/english/panels/fa/minutes/fa050307.pdf">http://www.legco.gov.hk/yr04-05/english/panels/fa/minutes/fa050307.pdf</a>

Council/Committee	Date of meeting	Paper
PLW Panel	22 March 2005	LC Paper No. CB(1)1116/04-05(04) <a href="http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw0322cb1-1116-4e.pdf">http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw0322cb1-1116-4e.pdf</a>  LC Paper No. CB(1)1320/04-05 (Minutes) <a href="http://www.legco.gov.hk/yr04-05/english/panels/plw/minutes/pl050322.pdf">http://www.legco.gov.hk/yr04-05/english/panels/plw/minutes/pl050322.pdf</a>
PLW Panel	26 April 2005	LC Paper No. CB(1)1319/04-05(03) <a href="http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw0426cb1-1319-3e.pdf">http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw0426cb1-1319-3e.pdf</a>  LC Paper No. CB(1)1319/04-05(04) <a href="http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw0426cb1-1319-4e.pdf">http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw0426cb1-1319-4e.pdf</a>