

# LCQ9: Financial implications of reclamation projects under Lantau Tomorrow Vision

Following is a question by the Hon Claudia Mo and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (November 7):

Question:

The Chief Executive (CE) announced the Lantau Tomorrow Vision in this year's Policy Address, proposing, among others, the formation of land with a total area of 1 700 hectares by reclamation in the Central Waters. It has been reported that the reclamation works and related infrastructure works may cost as high as \$1,000 billion and may possibly exhaust the Government's fiscal reserves, thus arousing public concerns. In this connection, will the Government inform this Council:

(1) as the area involved in the aforesaid reclamation projects has exceeded, by almost 700 hectares, the area proposed in an option of 1 000-hectare reclamation in the Central Waters put forward by the Task Force on Land Supply, and the CE has indicated that the extra area was proposed by the planning departments, of the Government's justifications (including those justifications provided by the technical departments concerned) for significantly increasing the reclamation area;

(2) whether it has considered changing its approach by adhering to the option of 1 000-hectare reclamation in the Central Waters, and providing the extra 700 hectares of land by undertaking reclamation projects at nearshore locations where infrastructure networks are already in place, with a view to reducing the expenditure on reclamation works; if so, of the details; if not, the reasons for that;

(3) whether the scope of the on-going planning study on the "Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030" covers the reclamation projects under the Lantau Tomorrow Vision and assessment of the related transport infrastructure needs; if so, whether this is tantamount to the Government commencing the planning and works studies of the Lantau Tomorrow Vision before submitting the funding proposal for such studies to this Council;

(4) of the revenue from the sale of the reclaimed land, as anticipated by the Government; how the Government will address the following concern raised by some members of the public: that the purpose of land formation by reclamation is not for meeting the housing needs of the grassroots, but for selling land to private developers for building luxurious properties, so as to perpetuate the high land-price policy and collusion between the Government and the

business sector;

(5) as the Financial Secretary has indicated that funds can be raised for the reclamation projects through issuance of bonds, whether the Government has commenced work in this regard; if so, of the details;

(6) of the details of the infrastructure projects financed by issuance of bonds in the past 10 years (including the details of the fundraisings through bond issuance);

(7) given that (a) huge waves as high as 10 metres were pushed up by super typhoon Mangkhut when it hit Hong Kong in September this year, (b) the Kansai Airport on an artificial island was closed for several days due to seawater inundation during the onslaught of super typhoon Jebi in Japan, and (c) a former Director of the Hong Kong Observatory has refuted a project consultant's remark that the waves that the proposed artificial islands would need to withstand would only be two metres high, whether the Government will assess (i) the safety and feasibility of the proposed artificial islands; and (ii) whether there are proposals to ensure the safety of the artificial islands; if such proposals are unavailable or they involve huge expenditure, whether the Government will shelve the reclamation projects; and

(8) as there are comments that the trade war between China and the United States will continue to escalate and the Hong Kong real estate market bubble may burst at any time, and as pointed out by the report of the Working Group on Long-Term Fiscal Planning in 2014, if public services were to be maintained at the existing levels, Hong Kong's economic growth until 2041 would continue to slow down or remain at a low level and a structural fiscal deficit would even emerge, how the Government assesses the financial risks associated with the reclamation projects, and of the circumstances under which it will withdraw the reclamation proposal?

Reply:

President,

Lantau Tomorrow is a vision spanning two to three decades. It takes time to realise the vision, and studies have to be conducted before relevant details and specific development parameters could be firmed up. The project costs for reclamation and infrastructures are not yet budgeted at this stage. The projects proposed under the Lantau Tomorrow Vision will be taken forward in phases and the project costs will spread over a number of years. Besides, with the completion of some mega projects in coming years, including the Express Rail Link (Hong Kong Section) and the Hong Kong-Zhuhai-Macao Bridge (Hong Kong Section) which have just commenced operation, the expenditure on these projects will reduce gradually. In formulating the implementation strategy, the Government will carry out detailed financial assessment by taking into account relevant factors like fiscal sustainability to ensure that the project expenditure is fiscally affordable.

My reply to the various parts of the Hon Claudia Mo's question is as

follows:

(1) and (2) The formation of artificial islands of 1 700 hectares in the central waters is a vision aiming to increase land supply for meeting the social, economic and housing needs of Hong Kong people in the medium and long terms. In the public engagement booklet in April this year, which sets out 18 land supply options, the Task Force on Land Supply (Task Force) quoted the Planning Department's estimate that Hong Kong has a shortfall of land of at least 1 200 hectares. This figure, however, has not factored in the land required for improving the average living space per person and catering for the demand arising from ageing population and buildings. It is expected that land shortage is much higher than 1 200 hectares. In fact, preliminary observations provided by the Task Force in September also pointed out that Hong Kong needs more land (even beyond the shortfall of at least 1 200 hectares estimated in "Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030" ("Hong Kong 2030+")) and build up a land reserve as a precautionary measure to avoid recurrence of the dilemma of land shortage. The new land reserve gained from reclamation can be used for improving the living environment, thinning out the existing densely populated urban areas and facilitating renewal of old districts.

In mid-2018, government departments deployed internal resources to conduct a preliminary broad technical review on whether the reclamation study area in the central waters could be enlarged. The review made reference to the proposal in "Hong Kong 2030+" for the reclamation in the central waters for development of the East Lantau Metropolis of about 1 000 hectares. Taking into account factors such as water flow, water depth, marine traffic, marine ecology and conservation of natural shorelines, it is preliminarily considered that there is potential to enlarge the reclamation study area for the artificial islands in the central waters to about 1 700 hectares.

It should be pointed out that the 1 700-hectare reclamation area is only a preliminary proposal, the details of which are subject to further studies and assessments. In the first phase, we will focus on the studies for developing the artificial islands of about 1 000 hectares near Kau Yi Chau. As for the remaining artificial islands of about 700 hectares near Hei Ling Chau and the waters south of Cheung Chau, the studies will collect technical data for future reference in long-term planning, and there is no concrete implementation timetable at the moment. Having said that, the Government will take into account the findings in the final report to be submitted by the Task Force in December tentatively, and then firm up the details of the upcoming studies. The ultimate extent of reclamation should be subject to the results of the studies.

(3) Under the conceptual spatial framework proposed by "Hong Kong 2030+" in end-2016, one of the proposals was to develop the East Lantau Metropolis through reclamation of about 1 000 hectares into a strategic growth area with the third Core Business District (CBD3). Another strategic growth area in the New Territories North was also proposed. The broad assessments conducted under "Hong Kong 2030+" only explore whether the two strategic growth areas are acceptable from the social, economic and environmental aspects. These

broad assessments are significantly different from the detailed studies proposed for the reclamation for artificial islands near Kau Yi Chau in the aspects of study objective, scope and depth, and therefore cannot replace the latter.

(4) One of the objectives of the Lantau Tomorrow Vision is to provide sizable developable land to meet housing needs, boost economic development and provide employment opportunities. While the overall land use planning of the artificial islands in the central waters is subject to further studies, the 2018 Policy Address has clearly stated that 70 per cent of the housing units to be built on the artificial islands will be public housing. It is believed this could help ease the grassroots' housing demand. The studies concerned will also include financial assessments to assess the fiscal viability of the development plan.

It is roughly estimated that the artificial islands of about 1 000 hectares near Kau Yi Chau in the first phase can accommodate about 150 000 to 260 000 housing units for a population of about 400 000 to 700 000. In addition, the CBD3 planned on the artificial islands can provide commercial/office space of approximately four million square metres so as to expand Hong Kong's economic capacity, enhance the potential of economic growth, and bring ample as well as diverse employment opportunities to Hong Kong people.

(5) The Government will commence the studies regarding the Lantau Tomorrow Vision soon. On financial aspects, we will make proper arrangements according to the scale of the plan and having regard to different considerations such as how to implement the plan in phases, the expenditure and revenue involved.

(6) According to the information of the Financial Services and the Treasury Bureau, the Government did not issue bonds to finance the Government's capital works projects in the past 10 years.

(7) The Government is much concerned about the impacts of climate change and inclement weather on the infrastructures in Hong Kong. The Civil Engineering and Development Department updated the "Port Works Design Manual" in early 2018, taking into account the Fifth Assessment Report of the Intergovernmental Panel on Climate Change set up under the United Nations. We will pay close attention to the latest reports on climate change issued by the United Nations and timely update the design standards of port works as appropriate. Relevant departments will make reference to the latest design standards when designing the seawall and site formation levels of the artificial islands in the central waters in future engineering studies so as to ensure the artificial islands are resilient against climate change and extreme weather. Subject to the outcome of the studies, the resilience of the artificial islands against climate change and extreme weather can be further enhanced through practical measures including provision of breakwaters and buffer zone along the shore line.

(8) As always, the Government will closely monitor changes in the economic environment. The reclamation plan is put forward in view of the long-term

development needs of Hong Kong. With regard to future financial arrangements, we will continue to abide by the principle of prudent financial management and use resources derived from the community for the good of the community, invest for the future and alleviate people's burdens. The Government will properly carry out financial risk management when formulating the implementation strategies for the Lantau Tomorrow Vision to ensure that the project expenditure is fiscally affordable by the Government.