



The British
Chamber of Commerce
in Hong Kong
香港英商會

Mr. Stanley Wong, SBS, JP,
Chairman, Task Force on Land Supply,
17/F, West Wing, Central Government Offices,
2 Tim Mei Avenue, Tamar, Hong Kong.

30 August 2018

Dear Mr. Wong,

Land for Hong Kong: Our Home, Our Say – Task Force on Land Supply Public Engagement

Thank you for meeting the British Chamber of Commerce on 13 July to discuss our initial views on the future Land Supply, as part of the Task Force's Public Engagement exercise.

The British Chamber is one of Hong Kong's strongest international business organisations. Our members are major investors and employers here. We recognise the importance of an adequate and timely source of additional land supply for development as a key factor in maintaining our city's competitiveness, liveability and attractiveness both locally and internationally.

We understand the Task Force's focus is on the provision of around 800ha in the short to medium term (as the key priority) and a further 400ha in the medium to longer term to meet development needs. We have finalised our review of the proposals and our views on the options we see as essential to achieve these targets are set out in our attached submission, and in the Annex setting out the land production estimates.

Although not formally an option under consideration, we also give some preliminary comments on the proposal for an Enhanced East Lantau Metropolis, in the context of the ELM proposal put forward by the Task Force.

In addition to these comments on the specific options presented by the Task Force (and two that were not), we wish to make the following more general points. First, no single option will provide the land that we need: a combination of options or parts of options will be needed and it will be essential that a holistic view is taken across a range of options, rather than each be pursued individually. For example, the development of private agricultural land, the redevelopment of brownfield sites and the creation of NDAs are all interlinked in the New Territories. Integrated, rather than disparate, proposals are the best way forward.

Secondly, Government already has most of the tools it needs to increase existing land supply more quickly – rezoning, land resumption, land swaps, land lease modification – it seems that it could use them more effectively and on a much faster basis.

Finally, as a business Chamber, we note that the options presented do not set out any clear estimate of the costs or economic impacts of the proposals. We understand that Government may be keen to allow people to look at the proposals on their own planning merits. But costs and anticipated benefits are an important part of the evaluation process and would allow the business community and general public, to better consider the proposals in relation to other priorities for public expenditure.

Yours sincerely,

Peter Burnett
Chairman

Government Task Force on Land Supply
Land for Hong Kong: Our Home, Our Say – Public Engagement
Response of the British Chamber of Commerce in Hong Kong; August 2018

Introduction

The British Chamber welcomes the development of options for increasing land supply in Hong Kong and believes that it is important to take a long term strategic view. The way in which land supply is improved must support both Hong Kong's position as a place to do business and improve its liveability. Increasing housing supply is essential. But so is maintaining Hong Kong's long term attractiveness as a place to live, work and raise families. Therefore, for example, retaining the integrity of Government's Biodiversity Strategy and Action Plan is also important. These are both key aspects of Hong Kong's overall competitiveness and are essential to attract and retain business talent.

We are concerned that some of the options presented are based on relatively high forecasts for population growth, many of which in the past have not been met, and that this may lead to higher development and infrastructure spending than is necessary. It might be better to have a tighter central case for population assumptions and a narrower development programme more certain of successful implementation.

The options presented do not set out any clear estimate of the costs or economic benefits of each of the proposals. For example, press reports have suggested that the development cost for the East Lantau Metropolis (ELM) is \$400 billion or more. In considering this major proposed investment, businesses and the wider community need a better exposition of the costs and benefits. We do not yet see a clear economic justification for such a large project at this stage although we are open to considering its potential.

In this document, we therefore focus principally on the options presented by the Task Force. Whatever options are chosen, the overall land supply master plan will need to show a degree of optionality and flexibility – population changes may be greater or less than the central forecast and Hong Kong's small and open economy may take a different direction from that anticipated.

Task Force Options Preferred by the Chamber

Brownfield Land. We believe that much more focus should be placed on tackling the large number of brownfield sites as a priority, given the ecological and liveability implications of turning to greenfield sites and reclamation to produce land. We understand that existing businesses occupying such sites will need land on which to continue functioning, but note that this could be done on a much more efficient basis. One concern in relation to the use of brownfield sites is the difficulty of assembling sufficiently large areas for development. Traditionally, government has been reluctant to use resumption powers except for critical infrastructure projects or in the planning of major new towns. We suggest this needs to change.

Consideration should be given to a scheme to allow for the resumption of land for the implementation of rational development areas (to make these better planned and implementable) and to actively pursue non in-situ land exchanges. Rezoning and land lease modification can be a long, tedious and difficult processes – changes need to be made to speed these up. The Task Force has suggested that only 15% of the 760ha of Brownfield land is realisable in the shorter term and a further 15% by 2046. We feel that is far too conservative and much better progress should be made in the short to medium term in particular.

Limited reclamation outside the harbour. Subject to a full review of the ecological impacts of the proposed near shore reclamation sites, we are open to supporting the five development areas suggested at Lung Kwu Tan, Siu Ho Wan, Sunny Bay, Tsing Yi SW and Ma Liu Shui, together with that needed to support Tung Chung new town extension. Near shore reclamation would need to incorporate environmental mitigation measures, both during the process of land formation and by using the concept of an 'eco-shoreline'.

New Development Areas. The Chamber strongly supports the designation of more New Development Areas in the New Territories, as this is firmly based on a well tried strategic and comprehensive planning process. This allows not only a steady and sizeable land supply, but also the central provision of appropriate infrastructure at the same time. An early start should be made to maximise the developable land available for the medium term.

Developing Caverns and Underground Space. This is broadly supported where practicable and where there is developable land that can easily be repurposed, although it is an expensive and relatively long term process.

River Trade Terminal. This is an option that should be actively pursued – not only the existing land area but also by reclamation between the piers. Consideration should be given to bringing this forward with proposals for early release of the site and repurposing for housing or mixed development rather than just for industrial use.

Higher Density Village Development. We encourage Government to bring this proposal forward, based on a full and comprehensive planning approach to ensure that adequate infrastructure and utility services are available. In considering all options for increasing housing supply, review of the small house policy clearly should form part of the process. However simply raising building height limits on a poorly planned layout is not a good long term strategy. Some village areas are close to good infrastructure and could be brought forward for early redevelopment.

Private Agricultural Land. We support the fast-tracking of development options for land which does not have a high ecological or farming value, some of which may be close to Brownfield land in any case. Ownership is often fragmented and Government needs to prioritise the assembly of developable parcels and providing supporting infrastructure. There are appropriate sites where developers can and wish to build. It can take many years to go through land assembly, providing clear, more uniform contiguous sites with suitable access and relevant Government departments need to work more seamlessly to allow faster development. The issue seems more of a bureaucratic, rather than physical one, in this regard.

There is the opportunity for the development of economic partnerships, perhaps using new financial instruments and thinking, rather than using existing somewhat cumbersome processes. Where developers have assessed considerable parcels of contiguous unused land, consideration should also be given to a "use it or lose it" time limitation for development to ensure developable land is not being hoarded by a small number of owners. An independent mechanism / tribunal process should be used to set land values to avoid any public perception of collusion between Government and developers. A centralised cross-bureaux team should be able to finalise development parameters and prioritise sites for development. In this respect, we believe the Task Force could be more aggressive in both its short to medium and medium to long term supply targets.

Transport and Public Utility Sites. We believe that Kwai Tsing Port currently has an important economic role to play and do not support the wholesale relocation of these facilities. In the long-term, as trade patterns continue to change and the integration of the Greater Bay Area gathers speed, the land use (in full or in part) could be reconsidered. Topside development for housing remains a possibility if community concerns about proximity to a working port, with the noise, light and air pollution issues that may result could be met, and subject to – as with all options – a full cost/benefit

analysis. And there is the risk of such topside development constraining future broader redevelopment. However, the Chamber is supportive of the limited and selective development of space above other transport infrastructure, such as that at Siu Ho Wan on Lantau and other smaller transportation and utility sites.

Task Force Options not supported

Private Recreational Leases. The Chamber does not support the release of land held under these leases for development. In general, the larger sites are Lowland areas of significant recreational, ecological and leisure value which would be impossible to replace. The current usage of these sites – and whether they should continue to be for private use or should become public facilities – is an entirely different issue. It should not obscure the fact that they are scarce and highly valuable assets for Hong Kong, especially in respect of its liveability and attractiveness. Their repurposing would not provide a short term solution to land shortages and there are other better options for the medium to longer term. For public sites where relocations or consolidation of recreational facilities is identified as an option we take a similar view, as they are very well used and only a very small amount of land may be released.

Developing Country Park Land. The Country Parks are one of the unique features of Hong Kong and a natural resource that makes our densely-packed high-rise urban environment much more liveable. Our core assumption is that therefore that they should not be considered as a source of developable land, particularly given the other options available. While we are not opposed to small scale land swaps for land of higher ecological or recreational value in specific cases, this should be on a no net loss basis, and enhance not diminish the integrity of each of the Parks.

Development of Plover Cove Reservoir. This is a critical source of water supply infrastructure for Hong Kong and a valuable natural resource in its own right. We do not support this proposal.

Options Where Further Information/Cost-Benefit Analysis is Needed

East Lantau Metropolis. As currently proposed by the Task Force, we do not believe that a compelling case for 1,000 ha reclamation for this site has yet been made, particularly in the lack of proper cost benefit analysis, given the high costs (infrastructure and other) involved. Although costs and benefits have not been published for this proposal, or the Enhanced East Lantau Metropolis (EELM) recently put forward by the Our Hong Kong Foundation, we would expect that the relatively ‘fixed’ costs of transport and utility connection and also of environmental mitigation may look much better invested in the much larger 2,200 ha outcome under the EELM. In respect of the priority on short/medium term needs, for the 1,000 ha expected from the ELM, there are better options from more localised reclamation, NDA, brownfield land and private agricultural land.

In the longer term, if the merits of the EELM are proven, when its 2,200 ha are added to the approximately 3,000 ha we identify in the Annex, we should end up with a surplus over the government’s own 4,500 ha 30 year target for developable land. This would both enable some relief in the high density of urban living in Hong Kong and ensure that we do not need to redevelop environmentally sensitive areas such as our country parks, reservoirs or land under private recreational leases.

And in considering all options, the development potential of the current **Disney** site should be reviewed. The government is the existing major shareholder; the land is already formed and infrastructure and services available.



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Summary

In short, the Chamber believes that with some focus and drive to create and then release developable land parcels through greater attention on Brownfield land, the use of Private Agricultural Land and Higher Density Village Development, coupled with localised near shore reclamation can get us very close to the Short to Medium Term target. In the longer term, these options, together with NDAs can supply more land for development, without turning to other less desirable proposed solutions. Although it is only at a preliminary stage of discussion, this position could be further enhanced if the EELM proves sensible and feasible in the longer term. We do not see an ELM/EELM as a valid reason not tackle 'more difficult' issues such as Brownfield Sites/Private Agricultural land already with potential for development. Our initial calculations of the contribution of this approach to the Government's targets are attached in the Annex.

Land Supply Taskforce Options

Land Requirement identified by LSTF: Short to Medium Term (SMT) need 800ha; Medium to Long Term (MLT) need 400ha; giving a total of 1200ha.

Options preferred by British Chamber

| Option | Short to Medium Term | | Medium to Long Term | |
|--------------------------------------|-------------------------------------|-------------|---------------------|-------------|
| | 'Basic' | 'Stretched' | 'Basic' | 'Stretched' |
| Brownfield Land* | 110 | +100 | 220 | +200 |
| Localised Reclamation | 100(?) ← | | 450 | |
| Caverns | | | 40 | |
| New Development Areas | | | 720 | |
| River Trade Terminal | ← | | 65 | |
| Topside Transport Infrastructure | 2 | +3 | | |
| Higher Density Village Development** | 70 | +30 | 100 | +50 |
| Private Agricultural Land | 150 | +100 | 300 | +100 |
| Totals | 332 +(180 brought forward) | +233 | 1,830 | +350 |

745 (vs 800)

2,180 (vs 400)

'Stretched' targets take a less conservative view of developable land that could be brought forward.

*The Task Force should look at applying a higher target to the 760 ha (15% each in SMT & MLT is too conservative).

**With some areas closer to higher quality infrastructure; 'Basic' assumes ~2% of 3,380 ha area zoned for village development in SMT and further 3% in MLT.

Conclusion

The pressing deficit is in the short term. Government must bring forward (and do more in the short term) quick options like Brownfield land, appropriate Close to Shore Reclamation, River Trade Terminal development, Higher Density Village Development, Private Agricultural Land, as well as better use of old industrial building/school sites (selective re-zoning). Through these actions, then the target of ~800ha in the SMT could be achievable.