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$15 billion reserves bonus by 1997, says Government

By BELLETTE LEE

HONGKONG will have financial reserves of about $15 billion in 1997 – excluding cash set aside for the Special Administrative Region (SAR) as stipulated in the Sino-British Airport Memorandum.

The figure was revealed during yesterday's Legislative Council Finance Committee meeting, and also takes into account funds needed for the completion of the new airport and its associated projects.

Secretary for the Treasury, Mr Yeung Kai-yin, said the administration also expected to reap around $30 billion from selling off the existing airport site at Kai Tak.

On relocating the airport, the Government expects to free an area totalling 140 hectares, excluding land formed by reclamation adjacent to the runway.

Of the 140 hectares, about 25 per cent will be set aside for commercial and residential use, estimated to generate revenue of between $20 billion and $30 billion at 1991 prices, Mr Yeung explained.

At current prices, the Airport Memorandum requires the Government to have $25 billion in the kitty when the Chinese take over.

Mr Yeung said selling the franchise for the Lantau Fixed Crossing in 1996 was expected to improve the financial position and that the administration was confident it would have more than enough cash in hand to meet all contingencies.

The reserves currently stand at $76.5 billion. After discounting the $25 billion for the SAR ($16 billion at today's costs), and the estimated $53.7 billion in construction costs for the airport projects to be paid by the Government, the reserves will be reduced to $6.8 billion.

But Mr Yeung told councillors that by selling the fixed crossing's franchise, up to $15 billion would be generated, which when translated into 1991 prices would amount to $10 billion.

Together with government loans adding up to $5 billion ($3 billion at today's value), as allowed under the Airport Memorandum, it was calculated that about $19.8 billion, at current prices, would be left in 1997.

Excluding the commitments in the $1.8 billion Central-Wan Chai reclamation and the equity injection to the Mass Transit Railway Corporation for building the airport railway, Mr Yeung said the $19.8 billion would reduce to $15 billion.

This was how the Government came up with the calculation that $15 billion, at today's value, could be left to provide a cushion for contingency in 1997.

At yesterday's meeting, members approved an allocation of $15.6 billion to kick off work on the $98.9 billion airport scheme.

Of the total, $6.55 billion is for the Provisional Airport Authority (PAA) from now to March 1993.

The PAA funding was approved notwithstanding reservations expressed by Mr Martin Lee Chu-ming, Mr Kingsley Sit Ho-yin and Mr Poon Chi-fai.

The amount was slightly less than the original funding request of $6.9 billion as part of the operation costs for the PAA office have been trimmed down after the administration gauged councillors' views.

The councillors believed only half of the $700 million start-up and operation costs as requested should be granted.

The PAA will submit its longer term funding requirement when a more detailed business plan is available by the end of the year.

Of the approved funds, nearly $9 billion will be spent on works for the Lantau fixed crossing which will provide reserves for the future airport railway.