

S. C. W. P.

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\$300m for SAR government

The Government will set aside \$300 million from the 1985-86 gross land revenue for the future Special Administrative Region government of Hongkong.

A \$2 billion gross land revenue has been estimated by Sir John for the next financial year, which represents a drop of more than 50 per cent from 1984-85.

The earmarking of the \$300 million from land revenue is in accordance with the terms of the Sino-British joint declaration on Hongkong's future.

In Annex III of the document, it is stated that from the coming into force of the joint declaration until June 30, 1997, premium income obtained by the Hongkong Government from land transactions shall, after deduction of the average cost of land production, be shared equally between the Hongkong Government and the future

Hongkong SAR government.

Sir John said land revenue might have to be differently accounted for in the near future.

"Arrangements are being made for the premium income from land transactions to be paid directly into the Capital Works Reserve Fund instead of passing it through the general revenue account.

"This change is necessary in order to satisfy the requirements of Annex III to the Joint Declaration," he said.

The estimated \$2 billion in land revenue for the next financial year is much less than the revised estimate of \$4.2 billion in 1984-85 and actual revenue of \$2.3 billion in 1983-84.

The land sales programme for 1985-86 consists of 34 hectares.

In addition there is a reserve list of sites, totalling 46 hectares, which will only be offered for sale if a developer

indicates a firm interest.

Sir John expected that, after sharing, net revenue would comprise \$415 million from auctions and tenders, \$780 million from private treaty grants and \$80 million from modifications and re-grant.

Sir John pointed out that the land revenue in 1984-85 was considerably distorted by the final instalment of \$1.9 billion in respect of Exchange Square.

There were also a number of fairly large private treaty grants to the Mass Transit Railway Corp.

Sir John said land revenue was always difficult to estimate and was rendered more so in 1985-86 by the need to estimate that portion of the revenue which was to be ascribed to the future SAR government of Hongkong.

He estimated that a net land revenue of \$1.7 billion would be left in 1985-86 after

setting aside the \$300 million for the SAR government.

"Much remains, however, to be settled as regards the detailed way in which the sharing of gross land revenue is to be carried out, which may well affect the net estimate," he said.

Sir John said a continuing factor depressing the 1985-86 estimate by about \$700 million was the extent to which the "so-called monetised Letters B are being used for land purchases."

Currently the proportion of Letters B to premium is about 90 per cent but it is estimated that this proportion will reduce during 1985-86 as the supply of these land entitlements diminishes.

"Consequently for 1985-86 we have assumed a factor of 75 per cent for all but two large sites in the urban area where we have assumed a 90 per cent payment by Letters B," he said.