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# \$10b windfall backing for new airport

By Wilson Wong and Ma Miu-wah

CHINA looks set to approve a British request to use some of a multi-billion dollar land sales windfall to solve one of Hongkong's most pressing problems — how to fund the hugely-expensive infrastructure for the new airport.

The \$10 billion nestegg is meant for use after 1997, but if the breakthrough is made in agreeing to spend some of it now for the territory's future good, one of the biggest obstacles to the ambitious \$40 billion airport scheme will be swept away.

\$10 billion is already in the fund set up by the Land Commission for the post-1997 Special Administrative Region (SAR) Government, and was mainly meant for major projects at that time.

But the head of the Chinese team on the Land Commission, Mr Sun Yanheng, said there was no hard and fast rule that the fund had to be used after 1997.

He said the understanding was that the British side could apply to use the

fund if necessary, but China would have the final say on each application.

It is estimated the airport construction costs alone would be about \$15.5 billion at 1982 prices, and the infrastructural costs — including new roads and bridges to link the airport to the urban area — could double this amount.

The SAR Land Fund, now standing at \$10 billion, is expected to soar if the strong property market continues.

The fund was set up shortly after the signing of the Sino-British Joint Declaration in 1984.

Its revenue is drawn from Government land sales. It was agreed in the Joint Declaration that land sales revenue should be split between the Hongkong Government and the future SAR Government after deducting costs.

The SAR's share is managed by a team of financial experts headed by Mr Chung Shui-ming, a former senior executive of a Chinese merchant bank.

Hongkong's share is required to be placed in the Capital Works Reserve Fund for the financing of land development and public works.

Mr Sun said the fund could be used on any major project which would assist the stability and prosperity of Hongkong during the transition and after 1997.

He noted that commitment on major projects would help to boost confidence in Hongkong in the run-up to 1997.

"It would be difficult to put down every condition for using the Land Fund because the whole idea of setting it up was to benefit the SAR.

"But that doesn't mean the fund can only be used after 1997. It could be used before that time if it contributed to the stability and prosperity of Hongkong," he said.

Mr Sun said there were standing procedures for applications to use the fund.

He said China had always been ready to consider any application from the British side to use the fund for major projects.

And China was ready to play a part in the replacement airport project.

The head of Xinhua News Agency and the highest ranking Chinese official in Hongkong, Mr Xu Jiatur, said in 1987 that China would be solidly behind the project and would want equity participation.

Informed sources from the British side told *The Sunday Standard*: "Of course, we'll not ask the Land Fund to finance the new airport's construction cost. But it's likely we may need its support for the infrastructure."

It is apparent that the new airport, regardless of its location, would probably be built and managed by an airport authority.

Deputy Financial Secretary John Yaxley said earlier that establishing an independent authority would be the best way to carry out the project as the new airport would be too big for the Government to handle alone.

The Land Fund will then be an appropriate source of financial assistance in addition to loans from overseas banks, he said.

"The Hongkong Government has (yet) not asked the Land Fund to help support its operations as there is a surplus in the coffers and there is no large project at the moment. But the new airport will need the fund's help," said the British source.

Top Government officials have said a decision on the replacement airport would be this year.