

## \$3b to be spent on arranging water supply

THE Government will spend about \$3 billion on building the infrastructure required for receiving additional water supplies from China, according to the Director of Water Supplies, Mr Wong Kwok-lai.

He told councillors that construction would be carried out in stages and spending on the first phase, to be completed by 1995, would amount to \$1.8 billion.

"Subsequent stages will be constructed depending on the demand for water supply," Mr Wong said.

The work is required following a Sino-Hongkong agreement for extra water supplies from China beyond the year 2000.

By 1995, the quantity of water supplied to Hongkong will be 690 million cubic metres a year, to be followed by annual increases of 30 million cubic metres until it reaches 840 million cubic metres a year in 2000.

Over the past few years, local demand for water supplies increased by about six per cent a year and Mr Wong said it was still rising.

"The increase in demand is met by the increase in supply from China. We're currently dependent on China for water supplies; 65 per cent of the supply is from China," he said.

Mr Wong said given Hongkong's geographical constraints, the territory was

limited in developing water resources.

A third of the territory was already used as catchment areas and there was fierce competition for the use of land, he added.

In setting water charges, the Government aimed for a full recovery of the cost of operation. Mr Wong said the tariffs should be able to provide a return of seven per cent of capital assets.

This level was substantially lower than those of the other public utilities, such as bus companies whose rate of return is set at more than 10 per cent of their fixed assets.

The Secretary for the Treasury, Mr Hamish Macleod, said the Government did not want to set an unrealistic rate.

"We tend to take a rather practical, to a certain extent, political view. There is no point setting a percentage which is unobtainable," Mr Macleod said.

"We have very large investment in our water supply system. High return is not realistic."

Meanwhile, the Government will build a temporary water supply system on North Lantau to meet demands in the area covering the Chek Lap Kok airport site.

Work will be completed by March 1992 and a permanent system will be in place by mid-1996.