

LCQ11: Statistics on public works projects

Following is a question by the Hon Au Nok-hin and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (December 12):

Question:

In recent years, quite a number of public works projects experienced cost overruns, arousing public concern. Regarding the statistics on public works projects, will the Government inform this Council:

(1) of the details of the projects to which approval for increasing the approved project estimates ("APE") was given by the Finance Committee of this Council in each of the past five years, including (i) the names of the projects, (ii) the amounts of APE increased, (iii) the amounts of the revised APE, and (iv) the rates of increase in APE (set out in a table);

(2) of a breakdown of the number of the projects mentioned in (1) by the following reasons for the needs to increase APE (set out in a table): (i) increase in the provision for price adjustment due to escalation in labour and material costs, (ii) increase in the project contingency to account for unforeseen circumstances when the works were in progress, and (iii) other reasons (please specify);

(3) among the projects mentioned in (1), of the number of those for which the awarded prices of the main contracts were lower than the relevant estimates under the original APE; and

(4) of the names of the respective top three companies which were awarded (a) the highest number of public works contracts and (b) the highest total value of consultancy study contracts for public works, in each of the past four years, as well as (i) the total value of the contracts awarded and (ii) the number of contracts awarded to each company (set out in a table)?

Reply:

President,

The Government has been implementing public works projects in an appropriate and orderly manner with a view to improving people's quality of living, enhancing the long-term competitiveness and promoting the economic development of Hong Kong. Notwithstanding that there have been instances of cost overruns in the delivering of certain mega projects in recent years due to unforeseeable circumstances that arose in the course of project implementation, we have maintained good performance (Note 1) for projects under the Capital Works Programme as a whole.

My reply to the four parts of the Hon Au's question is as follows:

(1) The details of the total provision and increases in Approved Project Estimate (APE) approved by the Finance Committee (FC) of the Legislative Council in the past five years (i.e. from 2013/14 to 2017/18) are provided in Appendix 1.

(2) Generally speaking, the major reasons for increasing the APE can be categorised as follows:

(a) increased provision for price adjustments to cover higher-than-expected escalation in labour and material costs;

(b) higher-than-expected returned tender prices;

(c) increased project contingencies to account for circumstances during construction stage of the project. For example, they include worse-than-expected ground conditions and extra works carried out to meet local concerns.

Among the projects listed in Part (1) above, the breakdown of the above reasons (a), (b) and (c) accounting for the increases in APE is shown below:

Number of projects	Reasons for Increase in APE (there may be more than one reason for each project)			
	(a) increased provision for price adjustments	(b) higher-than-expected returned tender prices	(c) increased project contingencies	Other (Note 2)
11	9	5	6	2

(3) Out of the 11 projects listed in Part (1) above, the returned tender prices of six projects were lower than the respective sums allowed in the original APE.

(4) The tendering process of public works contracts and the selection of consultants are carried out in accordance with the Stores and Procurement Regulations. The top three contractors and consultants with the highest total values of public works contracts and consultancies awarded in the past four years (i.e. from 2015 to 2018) are listed in Appendix 2 and 3 respectively.

Note 1: In retrospect, the FC approved a total of about 580 Category A works projects in the past 10 years. Among them, about 70 projects required application to FC for additional funding. In other words, additional funding was required in approximately 10 per cent of the projects. In addition, although there were projects that required additional funding owing to individual circumstances, we generally managed to complete the projects under the Capital Works Programme within the original APE and even with surplus.

Note 2: To meet the project expenditures of the new phases of Kai Tak Development

LCQ10: Provision of sites needed for meeting the public housing production targets

Following is a question by the Hon Kwok Wai-keung and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (December 12):

Question:

The Long Term Housing Strategy has set a public housing supply target of 280 000 units for the coming 10-year period, i.e. 28 000 units each year on average. However, the estimated public housing production for each of the coming four financial years is less than 20 000 units. On the other hand, in June this year, the Chief Executive (CE) announced the reallocation of nine private housing sites for public housing development. In this connection, will the Government inform this Council:

(1) of the respective numbers of (i) private housing sites converted to public housing sites and (ii) public housing sites converted to private housing sites by the Government in the past five years, and set out, by the new use, the location, area and number of residential units that can be provided in respect of each site;

(2) of the number of Government, Institution or Community sites rezoned to public housing sites by the Government in the past five years, and set out, by the new use, the location, area and number of residential units that can be provided in respect of each site;

(3) of the Government's considerations in converting private housing sites to public housing sites;

(4) whether it will establish a mechanism whereby, when it is envisaged that the public housing production targets for certain years in the future cannot be met due to insufficient sites being available, a certain number of private housing sites must be timely converted to public housing sites to provide the sites that are required to make up for the shortfall in housing production; and

(5) as the CE has stated in this year's Policy Address that the Government will increase the ratio of public housing in the public/private split of new housing supply and allocate more sites for public housing development, of the specific measures to be put in place to implement such decisions?

Reply:

President,

The Government has been continually identifying suitable sites for the Hong Kong Housing Authority (HKHA) and the Hong Kong Housing Society (HKHS) to develop public housing in accordance with the ten-year public housing supply target under the Long Term Housing Strategy (LTHS). During the site-searching and planning process, the Government would consider the holistic planning of the community as well as specific factors for individual sites in the allocation of suitable sites for public and private housing development purposes.

Having consulted the Transport and Housing Bureau, my reply to various parts of the question is as follows.

(1) (i) Taking into account those sites announced in June this year and re-allocated in the previous five financial years (2013-14 to 2017-18), the Government has re-allocated a total of 21 private housing sites for public housing use. Information of these sites is listed at Annex 1.

(ii) No public housing sites have been converted for private housing development in the past five financial years (i.e. from 2013-2014 to 2017-2018).

(2) During the five-year period from 2013-14 to 2017-18, the Government has rezoned 23 sites predominantly zoned "Government, Institution or Community" for public housing development. The zonings, locations, area and estimated flat numbers of these sites are at Annex 2.

(3) and (4) The Government currently has established procedures in the allocation of sites for public and private housing purposes when undergoing the site searching and planning process. In considering the housing types of individual sites, the Government has to take into account the holistic planning of the community, including the ratio of public and private housing in the concerned areas, and the different needs of public and private housing for community facilities, transport facilities, and infrastructural facilities in the area (such as water supplies, drainage, roads, etc.), and whether the location, area, and development scale of individual sites would be suitable for public housing development. At the same time, the Government also need to take into account the demand for private housing in the society, and continue to keep a certain number of sites for the Land Sale Programme in order to maintain a sustained and steady private housing land supply.

In view of the society's keen demand for public housing in recent years, the Government has converted 21 sites originally intended for private housing for public housing use since 2013-14 having balanced the needs of different sectors in the society. The Government will continue to keep the situation under review and assess the most suitable land uses for different sites. This notwithstanding, in view of the considerations above, not all sites originally intended for private housing use could be arbitrarily reallocated for public housing.

To solve the shortage of public housing in the long run, we cannot only rely upon site reallocation. The key is to continually increase the overall land supply. The Government will continue to strive to identify sites for public and private housing development, and adopt a multi-pronged approach in increasing land supply in a sustained and steady manner in order to achieve the public housing supply target.

(5) The Government announced the LTHS in December 2014, adopting the supply-led and flexible principles to gradually avert the housing supply-demand imbalance. According to the LTHS, the Government updates the long term housing demand projection annually and presents a rolling ten-year housing supply target to capture social, economic and market changes over time, and make timely adjustments where necessary.

Based on the projections in December 2017, the total housing supply target for the ten-year period from 2018-19 to 2027-28 is 460 000 units. According to a public/private split of 60:40, the public housing supply target is 280 000 units, comprising 200 000 public rental housing units and 80 000 subsidised sale flats; while the private housing supply target is 180 000 units.

The Government is now working on the housing demand projections for the next ten-year period (i.e. from 2019-20 to 2028-29), and will later announce the results.

As pointed out in the Chief Executive's 2018 Policy Address, the Government would increase the ratio of public housing, and committed that 70 per cent of housing units on the Government's newly developed land would be for public housing, which is a overall target having holistically considered the newly developed land whereas the housing types of individual sites would depend on such factors as the location and availability of ancillary facilities in the vicinity. The Policy Address also indicated that the public/private split of the future ten-year housing supply target under LTHS might need to be adjusted. The Government will have full regard to the latest developments and views from various sectors when updating the next ten-year housing supply target later this year.

To meet the public housing supply target, the Development Bureau and Planning Department have been working with the Transport and Housing Bureau and Housing Department, with the view of identifying suitable lands and increasing overall land supply to provide HKHA and HKHS with sites for public housing development.

In the short-to-medium term, through the rezoning of some 210 housing sites for housing purpose, over 310 000 residential units can be built. Among these units, over 70 per cent will be used for public housing development.

The medium-to-long term housing supply mainly relies on the four New Development Areas (NDAs) and New Town Extension projects, which are Tung Chung New Town Extension (TCNTE), Kwu Tung North (KTN) and Fanling North

(FLN) New Development Areas, Hung Shui Kiu Development Area and Yuen Long South development, which together will provide some 210 000 residential units. Under suitable circumstances, we will increase the public housing ratio of these development projects. For instance, as shown in the table in Annex 1, we have reallocated a private housing site in the TCNTE area for public housing development in year 2017-18 (item 12). Separately, we were earlier approved by the Town Planning Board to increase the development intensity of residential sites in KTN/FLN NDAs. Together with enhanced site design, the flat gain of 12 000 units will be fully allocated for public housing, increasing the public housing split of the KTN/FLN NDAs to approximately 70 per cent.

Also, the Policy Address suggested that 70 per cent of housing production under the Lantau Tomorrow Vision would be for public housing. Taking the 1 000-ha Kau Yi Chau artificial islands under the focus of the first-stage study as suggested by the Government as an example, around 150 000 to 260 000 units could be built, 70 per cent of which (i.e. 105 000 to 182 000 units) would be public housing.

As pointed out in the Policy Address, the Development Bureau will formulate feasible arrangements for the Land Sharing Pilot Scheme after making reference to the Task Force on Land Supply's final report to be submitted, so as to unleash the development potential of private land for increasing supply of public and private housing, among which includes the consideration of using not less than 60 per cent to 70 per cent of the increased floor area for public housing.

The various measures above which are being implemented or proposed have shown the Government's determination in increasing housing land supply. We will continue to make strenuous efforts for the relevant works.

Missing man in Sham Shui Po located

A man who went missing in Sham Shui Po has been located.

Chen Xicun, aged 47, went missing after he was last seen at Shek Kip Mei Park on December 10 night. His family made a report to Police yesterday (December 11).

The man was located on Nim Wan Road, Castle Peak this morning (December 12).

Missing man in Kwai Chung located

A man who went missing in Kwai Chung has been located.

Kwok Fat-yu, aged 72, went missing after he was last seen in Kwai Chung Estate on December 10 night. His family made a report to Police yesterday (December 11).

The man was located in Fuk Loi Estate, Tsuen Wan last night. He sustained no injuries and was sent to Yan Chai Hospital for examination.

IMF commends Hong Kong's strong buffers and robust policy frameworks despite increasing global risks

An International Monetary Fund (IMF) Staff Mission has commended the Hong Kong Special Administrative Region (HKSAR) in its latest assessment, noting that many years of prudent macroeconomic policies have endowed the city with strong buffers to navigate through challenges and ensure continued stability despite increasing risks confronting global growth.

The assessment was made in the Concluding Statement of the IMF Mission published today (December 12), following the 2018 Article IV Consultation with the HKSAR.

The Financial Secretary, Mr Paul Chan, said, "I welcome the IMF's reassuring forecast for Hong Kong and reaffirmation of our strong buffers and robust policy frameworks. While we are well placed to navigate the challenges ahead, the Government will stay vigilant in monitoring risks, and spare no efforts in boosting economic vibrancy and promoting economic growth.

"To support long-term growth, the Government is working to increase labour force participation and further enhance Hong Kong's competitiveness. I welcome the Mission's acknowledgement of the steps we have taken, including capitalising on the development of the Guangdong-Hong Kong-Macao Greater Bay Area and rapid advancement in the field of innovation and technology."

The Chief Executive of the Hong Kong Monetary Authority (HKMA), Mr Norman Chan, said, "I welcome the Mission's reaffirmation that the Linked Exchange Rate System (LERS) remains the appropriate arrangement for Hong Kong, which serves as an anchor of stability for the economy. Amid episodes of outflow from the Hong Kong dollar earlier this year, the LERS has operated smoothly and in accordance with its design. This reflects confidence in the

LERs, a regime that is clear, transparent and proven to work well for Hong Kong.

"I also note the Mission's assessment that tight macroprudential regulations have helped contain systemic risks and should remain in place. Our banks are highly capitalised and subject to robust regulation. The HKMA will remain vigilant to the risks to banking stability amid growing volatility in global financial markets."

The Concluding Statement notes that Hong Kong's economy has benefitted from a strong cyclical upswing and the growth momentum continued through the first half of 2018 as a result of the global recovery, continued solid growth in Mainland China, and increased consumer confidence. Hong Kong's real Gross Domestic Product growth is projected to remain robust in 2018. As with the global outlook, risks have shifted to the downside for the economy, and such include risks of escalation in trade tensions, sharper-than-expected tightening of global financial conditions, sharp slowdown in the property market, and sharper-than-expected slowdown in the Mainland economy.

The Mission assesses that many years of prudent macroeconomic policies and robust financial regulation and supervision will help Hong Kong weather possible domestic and external shocks. The strong buffers Hong Kong enjoys include large foreign exchange reserves, a current account surplus, one of the world's largest net international investment positions, large fiscal reserves, and a well-capitalised banking system with high asset quality.

The Mission reaffirms its support for the LERs, acknowledging that it remains the appropriate exchange rate arrangement for Hong Kong. The LERs has served as an anchor of stability, helping to ensure sustained growth, competitiveness, and the smooth functioning of the extensive financial services industry.

The Mission notes that Hong Kong has been considered one of the most competitive economies in the world for many years, and is rightly taking steps to maintain competitiveness. These steps include further development of the bond market, introduction of various green finance initiatives, and development in innovation and technology as attested by the launch of eTradeConnect and the Faster Payment System. The Mission also notes that the development of the Greater Bay Area creates opportunities for Hong Kong over the medium term, given Hong Kong's unique position as the gateway to the Mainland and as a global financial centre with renowned professional services.

The Mission visited Hong Kong from October 29 to November 9 for the 2018 Article IV Consultation with the HKSAR. It held discussions with government officials, regulators and private sector representatives. The Concluding Statement is attached in the Annex. The full report of the Article IV consultation will be discussed by the IMF Executive Board in January 2019.