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The HKSAR Government's Budget for 2022 to 2023 – Construction Related Issues

In his speech presenting “The 2022-23 Budget¹” on 23 February 2022, the Financial Secretary of the HKSAR (the Government), the Hon Paul MP Chan mentioned that land is one of the major constraints on Hong Kong’s economic growth. The Government must make an effort to create more land.

There are two developments that the Government considers could increase the land supply. These include the Northern Metropolis Development Strategy (the Development Strategy) [北部都會區發展策略] and Lantau Tomorrow plan [明日大嶼]. It was stated in “The 2022-23 Budget” speech report that “Both the Northern Metropolis Development Strategy (the Development Strategy) and Lantau Tomorrow plan are important initiatives for increasing land supply, through which housing supply can be substantially increased².”

The Government is also planning to spend on other projects related to construction as announced in the 2022 to 2023 Budget.

It appears that the Government is willing to continue to invest in construction and infrastructure works across the territory for the benefit of the construction industry and for Hong Kong as a whole. Based on “The 2022-23 Budget” speech, the message to the construction industry was positive and the Government clearly anticipates the industry to grow in the next few years.

Northern Metropolis Development Strategy

The Northern Metropolis will provide more land for Innovation and Technology (I&T) use as described below. The Government has set aside HK\$100 billion for the Northern Metropolis development.

“The Northern Metropolis will provide ample land for I&T uses, which will foster I&T development in Hong Kong. Hung Shui Kiu/Ha Tsuen can also be developed into the New Territories North Modern Services Centre. As regards development areas including San Tin Technopole, Lo Wu/Man Kam To Comprehensive Development Node, Ma Tso Lung, as well as Lau Fau Shan, Tsim Bei Tsui and Pak Nai, the Government is striving to formulate development plans for the four land formation projects within two to three years. We will also step up the implementation of the New Development Areas projects to ensure timely completion of the housing projects³.”

¹ “The 2022-23 Budget” speech by the Financial Secretary, the Hon Paul MP Chan moving the Second Reading of the Appropriation Bill 2022 Wednesday, 23 February 2022” is the speech report downloaded from <http://www.budget.gov.hk/2022/eng/speech.html>

² Paragraph 120 of “The 2022-23 Budget” speech report

³ Paragraph 121 of “The 2022-23 Budget” speech report

“On financial arrangements, I will set aside \$100 billion from the cumulative return of the Future Fund to set up a dedicated fund under the Capital Works Reserve Fund in order to expedite the implementation of infrastructure works relating to land, housing and transportation within the Northern Metropolis⁴.”

Lantau Tomorrow

The Government provided an update on the Lantau Tomorrow development such as the status of Studies related to the Artificial Island, advancing the development timetable and financial issues:

“As for Lantau Tomorrow, the Studies related to Artificial Islands in the Central Waters commenced in last June. It is expected that preliminary proposals will be put forward in the fourth quarter of this year. The Government is considering streamlining the procedures, with a view to further advancing the development timetable, i.e. commencing the first phase of reclamation before the original date of 2027 with the first batch of population intake before 2034. We will make financial assessments when conducting relevant studies and explore the use of different approaches and financing options, including bond issuances or public-private partnership, etc. to take forward the projects⁵.”

Transport Infrastructure

Paragraphs 124 and 125 of “The 2022-23 Budget” speech report related to “Transport Infrastructure” which mentioned the expansion of the railway network and some of the new railway projects. It also mentioned exploring the layout of railway and major road infrastructure related to the “Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030”.

“The provision of comprehensive infrastructure support is crucial for the implementation of the major development projects mentioned above. Infrastructure-led and capacity building planning approach means that transport infrastructure will be used to drive the development of land. The expansion of the railway network will support NDAs and other new development projects, unleash the development potential of nearby areas and facilitate

revitalisation, development and economic activities in the districts. The Government is actively taking forward a series of new railway projects, among which the environmental impact assessment studies for the Northern Link and Hung Shui Kiu Station projects have commenced, while the railway schemes for the Tung Chung Line Extension and Tuen Mun South Extension were already gazetted⁶.”

“We are exploring the layout of railway and major road infrastructure in the territory, having regard to the development strategy set out in the “Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030”. These studies are conducted to ensure that the planning of infrastructure will cater for, or even reserve capacity to meet, the overall long-term development needs of Hong Kong, including the Development Strategy. Besides, the Transport Department has launched the Traffic and Transport Strategy Study to lay down the visions for Hong Kong’s traffic and transport policies until 2050 and draw up a strategy blueprint, thereby ensuring that Hong Kong can build a safe, reliable, environmentally friendly and efficient traffic and transport system⁷.”

Other Construction Related Budgets

The Government is spending HK\$20 billion on sports and recreational facilities as described in paragraph 165 of “The 2022-23 Budget” speech report:

“Besides, we are pressing ahead with the Kai Tak Sports Park project, which is scheduled for completion by the end of next year. We are also actively implementing the \$20 billion Five-year Plan for Sports and Recreational Facilities, and taking forward the construction and upgrading of community sports and recreational facilities. Meanwhile, we are progressively carrying out the five-year plan to transform the public play spaces managed by the LCSD⁸.”

Paragraph 26(e) of “The 2022-23 Budget” speech report mentioned that HK\$12 billion has been injected into the Anti-Epidemic Fund (AEF) “for the construction of various anti-epidemic related facilities”.

⁴ Paragraph 122 of “The 2022-23 Budget” speech report

⁵ Paragraph 123 of “The 2022-23 Budget” speech report

⁶ Paragraph 124 of “The 2022-23 Budget” speech report

⁷ Paragraph 125 of “The 2022-23 Budget” speech report

Paragraphs 150 and 151 of “The 2022-23 Budget” speech report related to “Promote the Adoption of Innovation and Technology in the Construction Industry”.

“I allocated \$1 billion in 2018 to set up the Construction Innovation and Technology Fund (CITF) to boost the capacity of the construction industry to adopt new technology. After operating for more than three years, the CITF is delivering results. I now propose to inject another \$1.2 billion for its ongoing operation and implementation of enhancement measures launched recently, including expanding the funding scope and increasing the funding ceiling⁹.”

“Besides, I have earmarked \$30 million to promote applied R&D as well as the adoption of new materials and innovative construction technologies in public works and the industry in the coming three years, with a view to enhancing the overall productivity and performance of the construction industry¹⁰.”

The Government encourage the use of the Modular Integrated Construction method in the construction industry which should speed up housing supply. Paragraph 152 of “The 2022-23 Budget” speech report states:

“Modular Integrated Construction (MiC) helps substantially shorten construction time, address the problem of manpower shortage in the construction industry and reduce the environmental impacts brought by construction works. To expedite housing supply, the Government will introduce more concessionary measures to encourage the adoption of MiC, including increasing the concession of floor area from the current 6 per cent to 10 per cent and providing corresponding site coverage concession as well as supporting applications for exceeding building height limits due to increase in floor area caused by the adoption of MiC. The Government will put the above measures in place in the middle of this year¹¹.”

With regard to the provision of training in the construction industry, the Government has proposed to allocate HK\$1 billion to the Construction Industry Council.

“In order to train more new blood and upskill in-service workers, I propose to allocate \$1 billion to the Construction Industry Council for supporting manpower training, which includes increasing the training places and the amount of allowance for trades facing labour shortage to attract new entrants and job changers to the industry, and increasing the training places for upgrading semi-skilled construction workers to skilled workers and the amount of allowance. We will also step up our efforts to promote the professional image and career prospects of the construction industry in order to attract more young people to join¹².”

Major Capital Projects Planned for Commencement in 2022 to 2023

Appendix B, Section IV of “The 2022-23 Budget” speech report listed 29 major capital projects estimated to begin in 2022-23¹³.

Based on this Appendix B, Section IV, the Government’s budget for 2022 to 2023 provided encouraging signs for the future development and growth of the construction industry in Hong Kong and it appears there will be many positive opportunities for both contracting and consulting organisations in the coming years.

⁸ Paragraph 165 of “The 2022-23 Budget” speech report

⁹ Paragraph 150 of “The 2022-23 Budget” speech report

¹⁰ Paragraph 151 of “The 2022-23 Budget” speech report

¹¹ Paragraph 152 of “The 2022-23 Budget” speech report

¹² Paragraph 138 of “The 2022-23 Budget” speech report

¹³ Appendix B, Section IV of the “The 2022-23 Budget” speech report

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