



● The Hong Kong waterfront by night

## FLYOVER FIGHT TO PRESERVE HONG KONG LAND VALUES

A GROUP of Hong Kong's major companies has spent \$HK 1m. (£92,000) on a study that suggests that a semi-submerged tunnel should be built along the waterfront to relieve traffic congestion.

But the investment of this money on a feasibility study was not motivated entirely by concern for the environment, writes P. E. Poole.

The tunnel would cost \$HK 1.2bn compared with the alternative, a flyover which is unofficially estimated to cost \$HK 750m.

Why, then, do these major companies appear to favour the more costly project?

One theory is offered by Kevin Rafferty, who writes:

"They are trying to ward off what for them is a greater evil, namely the Government's scheme to get rid of through traffic by driving a four-lane flyover 3,400 metres (just over two miles) long through central

Hong Kong.

"All the companies have property which would literally fall under the shadow of the flyover and therefore lose value."<sup>1</sup>

The tunnel, then, would preserve the value of sites owned by the companies – value which is created by the passage of street-level cars and pedestrians outside the doors of their buildings.

The flyover, on the other hand, would transfer that socially-created value away from their land and confer it on other newly-favoured sites (such as sites with access to either end of the flyover).

BUT THE tunnel would make an important contribution to the social and economic environment. It would

- create at least 44,000 sq. metres of new land;
- facilitate the creation of up to 22,000 sq. metres of

development land to the east of HMS Tamar, the British forces' HQ; and

- enable another 24,300 sq. metres of land to be created for the expansion of HMS Tamar.

These are important gains for the land-hungry colony. For example, the development land alone at today's prices, would be worth \$HK 7bn – six times the cost of the tunnel scheme.

The big question, of course, is this: who is to gain from the creation of this additional land – the community or the speculators?

Hong Kong has a system for raising exchequer revenue from the value of land which has made an important contribution to the growth of the colony.

And its government is acutely aware of the scope for financing social infrastructure out of those values.<sup>2</sup>

But as the case of the tunnel v. the flyover demonstrates, there are millions to be made out of land in Hong Kong, which is not tapped for social benefit.

The property owners are determined to protect their interests. And given a chance, they will exploit every opportunity that is created in the future to make fortunes out of the socially-created value of land.

### REFERENCES

1. Kevin Rafferty, 'Congested city struggles for breath,' *Financial Times*, 19.1.82.
2. Richard Clarke, 'How to Pay for a New Rail System,' *Land & Liberty*, Sept.-Oct. 1981.

## Bureaucracy and the sale of public land

WEAKNESSES in the British Government's procedures for selling surplus land have been exposed in a report by the Parliamentary Commissioner for Administration (the Ombudsman). This follows a complaint from a man who wanted to buy land that was part of a former RAF base, writes Ian Barron.

The airfield was declared surplus to requirements in 1972, and since then 96 acres out of a total of 646 have been sold.

The owner of adjoining land wanted to buy two acres. But he was told that a decision could not be taken because consideration was being given to possible new defence requirements.

"The complainant promptly pointed out that his company required only two acres and he could not see this interfering with any possible defence need. He added that failure to obtain the land had forced him to postpone his expansion plans which would have created additional jobs in the area."<sup>\*</sup>

Those jobs are urgently needed, but the bureaucratic wheels were slow to grind forward to a decision. Eventually, the authorities decided that under the rules the land could be disposed of – but that the first option to buy had to go to the owner from whom the government originally compulsorily purchased the agricultural land.

Under what are called the Crichton Down rules, the former owners can buy back the land at its current market value. This procedure raises serious questions.

It may appear fair, in equity, that the former owner should have the first option to buy, but this rests on the assumption that he has a better claim than anyone else.

But in ethics, no person can claim an overriding right of access to natural resources, for this would negate the equal rights of others.

The only fair solution is for the would-be user to pay the full economic rent to the community. But current market value cannot be effectively determined if there is no competitive bidding.

Thus, to give the former owner preferential rights is to risk undervaluing the land, by giving it to someone who might not put it to its best use. Might the businessman who really needed the two acres be willing to offer a higher economic rent to the national exchequer than the former owner? There is only one way to find out, and that is through the free market processes rather than bureaucratic controls and criteria.

<sup>\*</sup>Parliamentary Commissioner for Administration, First Report 1982, Vol. 1, London: HMSO, 1982, p.6.