

# Crown glory



• Richard Clarke

*HONG KONG's prosperity relies heavily on the property sector. A new study sponsored by Britain's Royal Institution of Chartered Surveyors reveals, for the first time, that property and construction is more important to the colony's economy than had previously been realised. The property sector is roughly equal to each of the other two major sectors manufacturing, and the catch-all category of wholesale, retail, import, export trades, restaurants and hotels.*

*This indicates the scale of the catastrophe if the professionals involved in property take flight once China assumes authority over the island. This threat is no idle one; 85% of local surveyors plan to emigrate before 1997. The right of abode in Britain, however, would slow the exodus. In this article, RICHARD CLARKE, a former Director of Land and Survey in Hong Kong, explains why the land and construction sector has played a pivotal role in the creation of a dynamic world economy.*

HONG KONG makes the news when disaster threatens. The tragic events in Peking in June 1989 combined with the Anglo-Chinese Agreement to return the territory to Chinese sovereignty on expiry of the New Territory's lease in 1997 and the international problem of the Vietnamese Boat People are the current issues. Yet in his annual address to the Hong Kong Legislative Council last October the Governor devoted the larger part of his statement to "Building for the Future Political, Social and Physical Infrastructure."

The basis for this confidence in times of stress is well documented in a new book by Jan Morris (*Hong Kong - Epilogue to an Empire*, Penguin Books 1990).

This is very well researched and provides a comprehensive and discerning account of the Colony's troubles and tribulations over its 150 years' existence since 1841.

Regrettably, it fails to consider one major factor in its history: the way it manages its land - which perhaps provides the foundation for the Governor's vision of the future.

Like all imperial expansion,



Hong Kong was founded on a grab for land - a base for trade into China. But unlike most other territories where land was handed out in bulk to favoured individuals or seized by a few, in Hong Kong it was held by the Crown and only distributed in small leasehold parcels by public competition and on conditions which required development.

This control of the land has had a major impact on the ability of the territory to respond rapidly to change, particularly during times of instability in China. It appears that the importance of this policy is well understood by China and will continue after 1997 - the Anglo-Chinese Agreement set up a Joint Land Commission which is already playing an active role in preparing for the future.

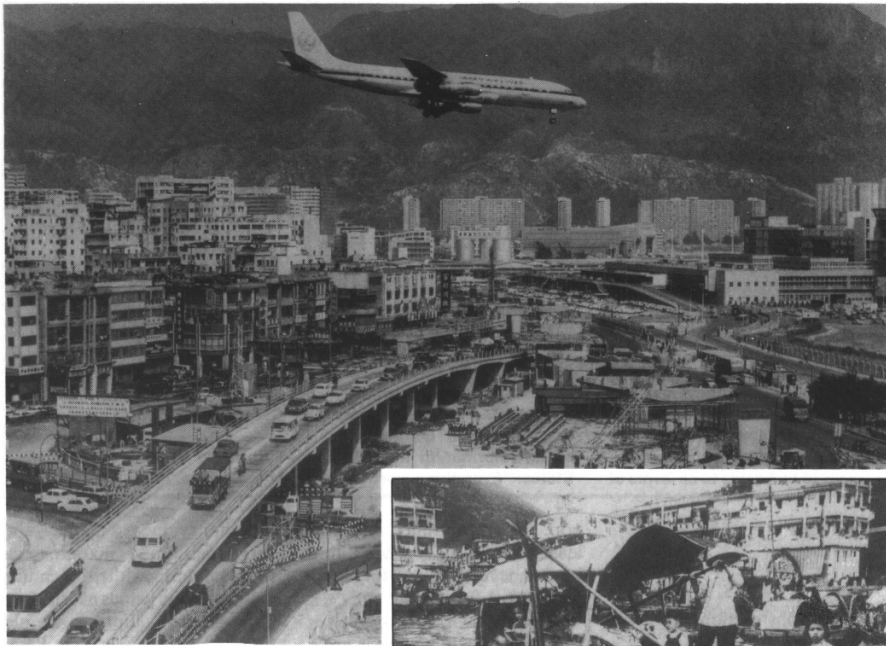
To accommodate an eightfold post-war rise in population to 6m today, to overcome political instability and United Nations trade embargoes and to increase significantly the quality of life for the great majority of its citizens, all in the space of 40 years in a land of only 1,000 square kilometres, required a

vast increase in physical infrastructure. Rapid access to land was vital. Crown land met this need. The Hong Kong Government was able to make land available for specific uses and to ensure that it was brought into such use forthwith.

Unlike England, say, where the land for a major project - e.g. the Birmingham inner ring road - usually costs many times the cost of the works and often takes twice as long to obtain as the works to build, public infrastructure in Hong Kong is built without delay, generally at the cost of the works alone.

The Hong Kong Metro was financed in part by the sale of development rights related to the various stations. The development of new towns largely on Crown land has opened up land for both community needs and for the private sector; generally the sale on lease of the latter more than paid for all the public works, highway infrastructure and other facilities required for the new towns.

LAND for private development is made available on lease, normally by public auction or tender, subject to conditions as to use and extent of building. Town



• The two phases of Hong Kong: a glimpse into the past (right), as the economic base is developed on a dynamic land use policy ..... and a look into the future (above). Will China sustain the principles of communal rights to land with the individual's freedom to work and invest?

planning requirements which are generally broadly framed are enforced through lease conditions.

When circumstances change, plans are adjusted and lease conditions varied to permit revised development appropriate to the new environment. Such lease changes normally result in an increase in value of the site which is usually divided equally between the government and the leaseholder.

In this way, land policy has had a major impact on the ability of Hong Kong to meet the aspirations of its citizens. A few examples may be of interest.

First, the New Territories, the largely rural area granted on 99 years lease which expires in 1997. When acquired, this largely

mountainous region became Crown land. The occupied portions (a small part of the whole) were granted to occupiers on leases which recognised the existing use. Thus the farmed land (the greater part of that occupied) was restricted to agricultural use. When, in recent times, new towns were required to provide for the growing population, it was possible to establish these at relatively little cost for access to the land.

Where leased land was affected the system was to grant 2 sq ft of building land in the new town for each 5 sq ft (later 10 sq ft) of agricultural land held plus a cash payment of the difference in value. Such arrangements, together with large reclamation and formation works, enabled

new towns with much improved social and physical infrastructure to be built rapidly without the new population being held to ransom by the old.

Secondly, central districts of Hong Kong Island and Kowloon: these are the main business areas. In the early days large sections were appropriated for military use for barracks, and a major naval dockyard. These proved their value in the early post-war period. Subsequently, as international circumstances changed and pressure for expansion increased, these areas became of less military significance and in some cases, e.g. the Naval Dock-

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OXFORD philosopher Alan Ryan's biography of Bertrand Russell\* offers what was not intended to be an epitaph for communism, but it admirably serves that purpose. In his writings, Russell indicted Marx on a number of counts, points out Ryan, who summarises:

"The theory of surplus value will not do, since it rests on the labour theory of value which will not do; failure to distinguish between owners and managers had made it harder for socialists to attract just the managerial stratum they most need to attract if socialism is to work; moreover, this is but one aspect of a stress on class war which encourages the working class to be hostile to all forms of

## Alternative medicine with a lasting cure

by IAN BARRON

intellectual work and all forms of authority, and which therefore bodes ill for socialism."

There was something of value in Marx's voluminous works, but it appears that his readers could have turned to an alternative source for what was important. Ryan notes, referring to Marx's contemporary social reformer in the United States: "Everything worth hav-

ing in Marx's theory of exploitation could be translated into Henry George's attacks on monopoly."

Marx got bogged down with solutions tailored to those bits of his theories that were not worth having. Time, maybe, to have a look at the policies of the author who got down to the heart of the matter - Henry George!

\* *Bertrand Russell: A Political Life*, London: Penguin, £5.99.

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yard, an obstruction to civil development.

Fortunately these lands had been granted on the basis of occupation "for as long as required for military purposes". Thus it proved possible by agreement for Hong Kong to take over much of the Army and Navy land at little cost to the community. The gradual release of this land has, in particular, enabled the centre of the business district on the Island to be expanded to meet the changing demands of the times.

Perhaps of even greater significance from the economic point of view was the siting and development of the Hong Kong Container Port, now the world's largest in throughput tonnage. This development, at just the right time and by joint public and private enterprise, was on Crown foreshore with deep water frontage.

It not only produced a new port vital to the future of Hong Kong and South China but also released the land in the west of Kowloon occupied by the old

port. An appropriate change in lease conditions enabled that land to be redeveloped for hotels and tourist facilities.

QUALITY of life is not a term normally associated with Hong Kong; it is becoming a reality none the less. The policies adopted in the management of land provide sites in appropriate locations for purposes vital both to the economic success of Hong Kong and to the quality of life of its citizens — air and sea ports, electric power stations, sewage works, reservoirs, exhibition, cultural and civic centres, school, hospitals, universities, urban and country parks — whilst the opening-up and sale of other Crown land to the private sector helps pay for their development.

This aspect is well illustrated by the redevelopment of the Kowloon railway terminal of the rail link to China. Ownership of the land enabled the Hong Kong Government to build a new terminal on a site and to a design suited to the needs of Hong Kong and South China for the foreseeable future. The removal of the old tracks consequent on

this change opened up new land for hotel and commercial development, with the much enhanced site values accruing to the community. Further, the old station land at Kowloon Point — a key location — was released for community facilities including the Hong Kong Cultural Centre, Space Museum and Museum of Art — a major contribution to the quality of life of young and old alike.

People in Hong Kong have always lived in compact communities. As long ago as 1849 reference was made to the "remarkable hoarding together of people". Today the overall density of population in built up areas of Kowloon is 500 persons per acre; in public housing estates where 40% of the population live it is considerably higher.

Such densities demand land allocations for community services and public utilities of an equally high order. Hong Kong has much experience of life in these conditions and has built on the advantages — and there are some — which flow from high density living.

*China, with one quarter of the world's population may well wish*

to draw on that experience as urbanisation proceeds in that country and the quality of life there becomes of higher priority.

THE POLICY has been to make land — other than that required for community use — available by open competition on conditions requiring its development within a set time. Private leased land could not be held out of use.

The territory is sufficiently compact to enable the policy to be administered at a level responsive to local needs within broad planning constraints. It may not be applicable where these circumstances do not pertain.

The process also retains for the community a part of the value of the land created by the efforts of the community. But only a part. Much land particularly in high value central areas is on long lease and the increase in land value arising from the success of the community as a whole, other than annual rates on land and buildings, accrues to the leaseholder alone.

The system, whilst of major

## Honky-tonk deal

**THE FIGHT** to redevelop 42nd Street is over. The battle to rehabilitate one of the famous showbiz districts of New York (see *Land and Liberty*, March-April 1990, p.23) came to an end in the State Supreme Court in Manhattan when Justice Stanley Parnes signed a condemnation order in favour of the Urban Development Corporation.

The UDC now has title to two-thirds of the 13-acre site, and developers are about to launch

what officials describe as one of the largest public commercial urban-renewal projects ever planned in the state.

Demolition will drive out the pimps and drug pushers and create 20,000 permanent jobs.

Skyscrapers destined for the street, off Broadway, have been redesigned to reflect the honky-tonk atmosphere of the district. But critics condemned the property tax abatements granted to the developers as too generous.

significance to the success of Hong Kong, is thus not a substitute for an effective system of land value taxation,

JAN Morris in her final chapter on the future of Hong Kong written after the tragedy in Tiananmen Square calls for one last imperial act by Britain — to give Hong Kong self-government so as to stand "as a model and an inspiration to its mother China ... even if it were to survive only a generation...."

The time for imperial acts has

long gone; and Hong Kong is already an inspiration to China and has been self-governing in all but name for several decades. Its future wellbeing depends in no small degree on its ability to continue to provide those economic and social services which China so sorely lacks.

Jan Morris recounts how Hong Kong has triumphed over adversity many times in its 150 years. During this time there have been many movements of population in and out and always younger generations anxious and able to replace those who leave. This is unlikely to change. What is required now is a continuation of the spirit of determination which has over the years enabled Hong Kong not only to survive against the odds but also to establish a quality of life which is the envy of the region.

The vision of the future set out in the Governor's Address to Legislative Council, based as it is on the solid foundation of the land backed by the provisions of the Anglo-Chinese Agreement and the work of the joint Land Commission, shows the way forward in truly practical terms. And not just 'for a generation', as Jan Morris postulates, but well into the 21st Century.

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**Danish land value tax, which reveal great potential for increasing revenue from that source<sup>4</sup>.**

In 1989 the UK's Centre for Incentive Taxation produced a land valuation of Great Britain for 1985<sup>5</sup>. This did not include the value of pollution rights, airwaves, flight paths, street parking and other nonproducible resources.

This suggested that pure site rent alone (that is, excluding £15 billion mineral rents) was £43 billion, or 17% of national income (a proportion which has since risen to about 26%<sup>6</sup>). Therefore, a 25% levy would have raised £11 billion, or about one-third of the revenue from income tax.

It is generally agreed that taxes sufficient to reduce petrol consumption and pollution would have been large additional revenue raisers. If the real energy tax increases needed by 1994, according to the Henley Centre for

Forecasting<sup>7</sup>, may be extrapolated backwards, then at least another £11 billion would have been raised in 1985.

Therefore, it seems entirely feasible that full land rent capture could support public spending if this was 25% to 30% of national income.

Robertson notes that a corollary of the new taxation is that government policy "shifts away from intervention and provision of services" so that required public revenue "will come down accordingly" (p. 103). Net public revenue, that is, after the provision of a universal basic income.

But is the land rent tax political suicide? Well, yes - like all "green" taxes. Ultimately, however, voters may not be able to avoid them. If so, let us hope that they are guided in their choice of green futures by James Robertson's new tax philosophy.

**DAVID RICHARDS**