Introduction

The Hong Kong 2018-2019 Budget Speech presented on 28th February 2018 by the Financial Secretary, Paul Chan Mo-po, announced a record high surplus of HK$138 billion for 2017-2018, bringing the fiscal reserves to HK$1.092 trillion by 31st March 2018. He also noted Hong Kong’s GDP per capita, which stands at US$46,000 (HK$360,000), is one of the highest in the world.

This year the main objectives of the budget were:

a) Economic Diversification and improvement of Hong Kong’s competitiveness
b) Investing for the Future, including improving healthcare, preparing for the ageing population and shortages in medical services, and improving our living environment
c) Caring and Sharing, focusing on the needs of children, the young, middle-class families and the underprivileged

The Contracts Group have critically reviewed the speech and highlighted various matters relating to the construction industry.

Seizing Opportunities:

The Financial Secretary urged Hong Kong to consolidate and build on its existing strengths and seize new opportunities. He went on to say that rising protectionism and anti-globalism sentiments provide opportunities for business development and market coverage for Hong Kong in the following two initiatives:

a) The Belt and Road Initiative – Mr. Chan noted that this significant undertaking will generate demand for infrastructure, capital, professional, legal and other high-end services in which Hong Kong excels.
b) The Greater Bay Area – this refers to the Chinese Government’s scheme to link the cities of Hong Kong, Macau, Zhuhai, Guangzhou, Shenzhen, Foshan, Zhongshan, Dongguan, Huizhou, Jiangmen and Zhaoqing into an integrated business hub. Mr. Chan noted the strategic significance of Hong Kong in respect of “two markets”, Innovation & Technology Industries and land resources.

Construction Industry:

The Government’s focus in this regard was on promoting innovation and technology in all areas of construction to improve efficiency.
• The Industry must continue to upgrade through wider adoption of innovative technology to enhance productivity, built quality, environmental performance and site safety.

• The Construction Industry Council (‘CIC’) established an Innovation & Technology Centre in 2017 aiming to encourage the industry to embrace innovation through collecting, exhibiting and experiencing the latest construction technologies and applications.

• Starting this year, Government will adopt Building Information Modelling (‘BIM’) technology in the design and construction of major Government capital works projects. CIC will formulate BIM technical standards, help to equip the industry and encourage the use of BIM in private works projects.

• Government are now assisting the industry in establishing large-scale, highly automated steel reinforcing bar fabrication yards.

• Government will also take the lead in piloting Modular Integrated Construction (‘MiC’) in public works projects. Government are also considering extending current gross floor area concessions for promoting green and innovation buildings to cover buildings adopting MiC. They are also carrying out studies on relevant manufacturing industries to promote wider MiC use.

• Government to set up a HK$1 billion Construction Innovation and Technology Fund to boost the capacity of enterprises and practitioners in construction to adopt new technology. Eligible contractors, subcontractors and consultants can apply for funding to acquire software and hardware to nurture expertise required for using local and overseas innovative technologies, e.g. BIM, steel reinforcing bar products from local prefabrication yards and MiC when carrying out construction projects. The fund will also support training in such technologies for students and practitioners in the industry.

Construction Industry Highlights:

Infrastructure:

• Commitment of over HK$350 billion for ongoing works projects.

• HK$10 billion establishment of two research clusters – healthcare, artificial intelligence and robotics technologies.

• Launch of a Green Bond Issuance programme up to HK$100 billion per bond. Sums borrowed will be credited to the Capital Works Reserve Fund to provide funding for green public works projects of the Government.

• In December 2017, the Airport Authority made available a site of 3.5 hectares at South Cargo Precinct to develop a large modern cargo logistics centre to capitalise on the linkages which the Hong Kong-Zhuhai-Macau Bridge will afford.

Healthcare:

• A 10-year hospital development plan amounting to HK$200 billion is now underway.

• The Hospital Authority has been invited to start planning for a second 10-year hospital development plan now, rather than waiting until the mid-term review in 2021.
The second plan will cover an *in-situ* redevelopment of Princess Margaret Hospital and Tuen Mun Hospital, construction of a new hospital at the King’s Park site (at the existing Queen Elizabeth Hospital site) and expansion of the North Lantau Hospital.

Art & Culture:

- To continuously upgrade cultural hardware, Government has allocated HK$20 billion for improvement and development of cultural facilities. Projects to be rolled out in the next 10 years include the construction of the New Territories East Cultural Centre and a Heritage Conservation and Resource Centre; expansion of the Hong Kong Science Museum and the Hong Kong Museum of History and City Hall; and the renovation of the Hong Kong Cultural Centre.

Medium Range Forecast:

- Forecast Projects from 2019-2020 to 2020-2023. Noteworthy that annual expenditure on infrastructure projects will soon exceed HK$100 billion. This projection does not fully reflect the expenditure which may be incurred by all land development, highway and railway projects under planning.

Capital Projects Planned for Commencement in 2018-2019:

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<tr>
<th>Category</th>
<th>Forecast</th>
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<tr>
<td>Total Forecast</td>
<td>HK$93.4 billion</td>
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<tr>
<td>Healthcare</td>
<td>HK$31.8 billion</td>
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<tr>
<td>Infrastructure</td>
<td>HK$28.1 billion</td>
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<td>Environment and Food</td>
<td>HK$14.8 billion</td>
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<td>Government Support</td>
<td>HK$8.7 billion</td>
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<td>Community and External Affairs</td>
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<td>Security</td>
<td>HK$1.6 billion</td>
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<tr>
<td>Education</td>
<td>HK$1.3 billion</td>
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Please click the hyperlinks for each heading to see details of the projects planned for commencement.
Capital Projects Planned for Commencement in 2018-2019

Healthcare – HK$31.8 billion

- Redevelopment of Queen Mary Hospital, Phase 1—main works
- New Acute Hospital at Kai Tak Development Area—foundation, excavation and lateral support, and basement excavation works
- Redevelopment of Kwong Wah Hospital—main works (superstructure and associated works for Phase 1)

Infrastructure – HK$28.1 billion

- West Kowloon drainage improvement—inter-reservoirs transfer scheme
- Lift and pedestrian walkway system between Castle Peak Road and Kung Yip Street, Kwai Chung
- Elevated pedestrian corridor in Yuen Long Town connecting with Long Ping Station
- Retrofitting of noise barriers on Tai Po Road (Sha Tin Section)
- Development of Lok Ma Chau Loop—land decontamination and advance engineering works
- Kai Tak Development—Stage 4 and Stage 5 infrastructure at the former runway and south apron
- Cross Bay Link, Tseung Kwan O
- Widening of Tai Po Road (Sha Tin Section)
- Implementation of Water Intelligent Network, Stage 2
- Water supply to new housing developments in Sheung Shui and Fanling
- Design and construction for Stage 1 of desalination plant at Tseung Kwan O - main works
- Road improvement works at Ma On Shan, Sha Tin

Environment and Food – HK$14.8 billion

- Re-provisioning of Fu Shan Public Mortuary at Sha Tin
- Provision of columbarium at Cape Collinson Road in Chai Wan
- Upgrading of Central and East Kowloon sewerage—Phase 3
- Rehabilitation of trunk sewers in Tuen Mun
- Expansion of Sha Tau Kok Sewage Treatment Works—Phase 1
- Upgrading of sewage pumping stations and sewerage along Ting Kok Road
- Shek Wu Hui Effluent Polishing Plant—main works Stage 1
- Relocation of Sha Tin sewage treatment works to caverns—site preparation and access tunnel construction
Government support – HK$8.7 billion

- Building a government data centre complex
- Joint-user Government Office Building in Cheung Sha Wan
- Inland Revenue Tower in Kai Tak Development

Community and External Affairs – HK$5.5 billion

- Provision of heated pool at the Morse Park Swimming Pool Complex, Wong Tai Sin
- Swimming pool complex and open space in Area 107, Tin Shui Wai
- Station Square at Kai Tak
- Youth Hostel Scheme—construction works by Po Leung Kuk for the youth hostel project in Ma Tin Pok, Yuen Long
- Community hall cum social welfare facilities at Queen's Hill, Fanling

Economic – HK$1.6 billion

- Re-provisioning of the Hong Kong Post's Headquarters

Security – HK$1.6 billion

- Construction of departmental quarters for Customs and Excise Department at Tseung Kwan O Area 123 (Po Lam Road)
- Construction of departmental quarters for Customs and Excise Department at No. 57 Sheung Fung Street, Tsz Wan Shan

Education – HK$1.3 billion

- A 30-classroom primary school at Tonkin Street, Cheung Sha Wan
- Pre-construction works for development of new campus of Vocational Training Council (VTC) at Kowloon East (Cha Kwo Ling)
- Joint Universities Research Archive