

**ENGLISH TRANSLATION**

To : Hon. LEUNG Fu-wah

**Proposed Securitisation of Revenue from Government Toll  
Tunnels and Bridges**

Thank you for your letter of 14 January 2004.

First, I would like to clarify that “securitisation” is purely a financial arrangement for the purpose of turning future revenue from concerned assets into proceeds received in one lump sum payment at present. This has nothing to do with the management of the bridge and tunnels itself and therefore does not affect the arrangement over the management contracts between the Government and the operators.

My response to the four questions raised in your letter are set out below :-

*(1) Expiry date of the management contracts of the tunnels and bridges involved. Proposed tenor of the concerned securitisation instruments?*

Expiry date of the management contracts of the tunnels and bridges involved are :

Aberdeen Tunnel	28 September 2008
Tsing Ma Control Area	18 May 2007
Shing Mun Tunnel	31 May 2006
Tseung Kwan O Tunnel	31 May 2006
Lion Rock Tunnel	25 May 2006
Cross Harbour Tunnel	31 August 2004

The proposed securitisation will include the issuance of bonds of different tenors, e.g. 3 years, 7 years and 10 years...etc.

The tenor of the proposed securitisation will have no impact on the expiry or renewal dates of the management contracts.

*(2) to the tunnels and bridges operators, possible impact of the proposed securitisation on the future management ?*

The proposed securitisation will not have any impact on the future management of the tunnels or bridges. It will not lead to any change in the Government's requirements as stipulated in the management contracts.

*(3) any impact on the future granting of new management contracts for the tunnels and bridges involved ? If yes, would staff remuneration and welfare be affected and any contingency plan for different kinds of anticipated impact; if no, why not ?*

The proposed securitisation will not affect the format of granting new management contracts nor would it affect the assessment/evaluation standards and criteria.

*(4) both the traffic flow and costs of management of the concerned tunnels and bridges would directly affect the net revenue to Government. Any measures taken by the Government to guide against the management company cutting staff remuneration and welfare to achieve costs reduction ?*

We will not require the tunnels/bridges operators to cut their staff remuneration or welfare because of the proposed securitisation.

Finally, I would like to emphasize that securitisation is very different from privatisation. The former is purely a kind of financial

arrangement not involving any change in ownership and management control. Nor would it have any impact on the tunnels and bridges users, operators and their staff.

I hope this reply could help you to better understand the securitisation proposal.

(Frederick S. Ma)  
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