

立法會
Legislative Council

LC Paper No. FC289/15-16
(These minutes have been
seen by the Administration)

Ref : FC/1/1(18)

Finance Committee of the Legislative Council

Minutes of the 35th meeting
held at Conference Room 1 of the Legislative Council Complex
on Saturday, 20 February 2016, at 2:30 pm

Members present:

Hon CHAN Kin-po, BBS, JP (Chairman)
Hon CHAN Kam-lam, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Emily LAU Wai-hing, JP
Hon TAM Yiu-chung, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon WONG Kwok-hing, BBS, MH
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Cyd HO Sau-lan, JP
Hon Starry LEE Wai-king, JP
Hon CHAN Hak-kan, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, SBS
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP

Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon Steven HO Chun-yin, BBS
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Christopher CHUNG Shu-kan, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS

Members absent:

Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Vincent FANG Kang, SBS, JP
Dr Hon LAM Tai-fai, SBS, JP

Dr Hon LEUNG Ka-lau
Hon WONG Yuk-man
Hon Frankie YICK Chi-ming, JP
Hon Alice MAK Mei-kuen, BBS, JP
Hon Dennis KWOK
Dr Hon Helena WONG Pik-wan
Hon TANG Ka-piu, JP
Hon CHUNG Kwok-pan

Public officers attending:

Ms Elizabeth TSE Man-yee, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) ¹
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Prof Anthony CHEUNG, GBS, JP	Secretary for Transport and Housing
Mr Joseph LAI, JP	Permanent Secretary for Transport and Housing (Transport)
Ms Rebecca PUN Ting-ting, JP	Deputy Secretary for Transport and Housing (Transport) 1
Mr Peter LAU Ka-keung, JP	Director of Highways
Mr Jimmy CHAN Pai-ming, JP	Principal Government Engineer (Railway Development), Highways Department
Mr TAM Hon-choi	Government Engineer (Railway Development) ² , Highways Department
Dr Philco WONG	Projects Director, MTR Corporation Limited
Mr LEUNG Chi-lap	General Manager (XRL E&M), MTR Corporation Limited
Ms Maggie SO	General Manager (Corporate Relations), MTR Corporation Limited

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
--------------	-------------------------------

Staff in attendance:

Mr Derek LO	Chief Council Secretary (1)5
Mr Ken WOO	Senior Council Secretary (1)5
Mr Raymond SZETO	Senior Council Secretary (1)7
Mr Keith WONG	Council Secretary (1)5
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Michelle NIEN	Legislative Assistant (1)5

Action

Item No. 1 – FCR(2015-16)46
CAPITAL WORKS RESERVE FUND
HEAD 706 – HIGHWAYS
Transport – Railways
53TR – Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link – construction of railway works

Item No. 2 – FCR (2015-16)47
CAPITAL WORKS RESERVE FUND
HEAD 706 – HIGHWAYS
Transport – Railways
57TR – Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link – construction of non-railway works

Continuation of debate on the motion to adjourn the discussion on FCR(2015-2016)46

The Deputy Chairman advised that the Finance Committee ("FC") will continue to debate the motion moved by Mr LEE Cheuk-yan under paragraph 39 of the Finance Committee Procedure to adjourn the discussion on FCR (2015-16)46.

2. Mr Charles MOK, Mr LEUNG Yiu-chung, Ms Cyd HO, Mr WU Chi-wai, Mr LEUNG Kwok-hung, Dr Kenneth CHAN, Dr KWOK Ka-ki, Mr IP Kin-yuen, Mr Gary FAN, Mr James TO, Mr Kenneth LEUNG, Mr Albert HO, Mr Albert CHAN, Mr Frederick FUNG and Ms Claudia MO spoke in support of the motion moved by Mr LEE Cheuk-yan. These members were of the view that the Administration did not provide enough information on this additional funding application, and the questions from members were not fully explained in the meetings. Besides, many problems related to the project had not been solved, including the viability of the "co-location arrangements" and its legal basis, the possible impact on the cost effectiveness of the Hong Kong

Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") if the "co-location arrangements" could not be implemented, the latest estimates on the direct and indirect economic benefits of the XRL Hong Kong Section, the setting of fares and operation surplus and deficit, as well as insufficient information on the cost overruns of the project and the claims from contractors and so on. These members opined that based on the various considerations mentioned, FC should adjourn the discussion of this agenda item until the Administration would be ready with the relevant information and resubmit it to FC for deliberation.

3. Mr CHAN Han-pan, Mr Martin LIAO, Mr Tony TSE, Mr YIU Si-wing, Ir Dr LO Wai-kwok, Mr IP Kwok-him, Mrs Regina IP, Dr CHIANG Lai-wan and Mr TAM Yiu-chung opposed the motion moved by Mr LEE Cheuk-yan. These members were of the view that the Administration and the MTR Corporation Limited ("MTRCL") could not shirk their responsibility in the project delays of the XRL Hong Kong Section. They had the responsibility to explain to FC and respond to questions from members. Adjourning the discussion on the item would not help allay the worries of members but might even prevent MTRCL from getting the funding before the deadline, thereby causing disruption to the project and substantial losses to the public coffer.

4. Secretary for Transport and Housing ("STH") advised in response that as the accountability official in charge of transport policies, he had the constitutional responsibility to take forward the project of the XRL Hong Kong Section. He pointed out that projects in Hong Kong which had been called "white elephant" projects, such as the airport at Chek Lap Kok and the West Rail, their economic benefits had all been proven and confirmed now. He believed that the XRL Hong Kong Section would likewise bring in huge economic benefits for Hong Kong. He advised that in the application for additional funding for the XRL Hong Kong Section, the Administration had updated the data on economic return and operation according to estimates of the latest passenger volume. There was not the slightest attempt to cover up. To date the Administration had submitted 10 supplementary information papers to the Legislative Council with respect to the application for additional funding. As regards members' concern about the "co-location arrangements", the Administration would put forward a proposal after negotiating with the Central Government and provided that the proposal would not contravene the Basic Law and the principle of "one country, two systems". The proposal would then be adequately consulted in society and in the Legislative Council.

5. Mr LEE Cheuk-yan gave a reply on his motion. The Deputy Chairman then put the motion to vote. At the request of Mr LEE, the Deputy Chairman ordered a division and the division bell was rung for five minutes.

6. The Deputy Chairman announced that 22 members voted in favour of and 28 members voted against the motion. The votes of individual members were as follows –

For:

Mr Albert HO Chun-yan
Mr James TO Kun-sun
Ms Emily LAU Wai-hing
Prof Joseph LEE Kok-long
Mr CHEUNG Kwok-che
Mr LEUNG Kwok-hung
Ms Claudia MO
Mr Gary FAN Kwok-wai
Mr CHAN Chi-chuen
Mr Kenneth LEUNG
Dr Fernando CHEUNG Chiu-hung
(22 members)

Mr LEE Cheuk-yan
Mr LEUNG Yiu-chung
Mr Frederick FUNG Kin-kee
Ms Cyd HO Sau-lan
Mr Alan LEONG Kah-kit
Mr Albert CHAN Wai-yip
Mr WU Chi-wai
Mr Charles Peter MOK
Dr Kenneth CHAN Ka-lok
Dr KWOK Ka-ki
Mr SIN Chung-kai

Against:

Mr TAM Yiu-chung
Mr WONG Kwok-hing
Mr Andrew LEUNG Kwan-yuen
Ms Starry LEE Wai-king
Dr Priscilla LEUNG Mei-fun
Mr IP Kwok-him
Mr Michael TIEN Puk-sun
Mr YIU Si-wing
Mr CHAN Han-pan
Mr LEUNG Che-cheung
Mr Christopher CHEUNG Wah-fung
Mr Martin LIAO Cheung-kong
Dr CHIANG Lai-wan
Mr Christopher CHUNG Shu-kun
(28 members)

Mr Tommy CHEUNG Yu-yan
Mr Jeffrey LAM Kin-fung
Mr WONG Ting-kwong
Mr CHAN Hak-kan
Mr WONG Kwok-kin
Mrs Regina IP LAU Suk-yee
Mr Steven HO Chun-yin
Mr MA Fung-kwok
Miss CHAN Yuen-han
Mr KWOK Wai-keung
Dr Elizabeth QUAT
Mr POON Siu-ping
Ir Dr LO Wai-kwok
Mr Tony TSE Wai-chuen

7. The Deputy Chairman declared that the motion was negatived.

Continuation of combined discussion on agenda items FCR(2015-16)46 and 47

8. The Committee continued the combined deliberation of agenda items FCR (2015-16)46 and 47.

Cost effectiveness of the XRL Hong Kong Section

9. Mr Kenneth LEUNG noted that the Administration adopted an approach called EBITDA (earnings before interest, taxes, depreciation and amortization) to calculate the operating profit and operating gross profit ratio of the XRL Hong Kong Section. He urged the Administration to provide a breakdown of the figures on interest, taxes and depreciation of the XRL Hong Kong Section for the years 2018, 2021 and 2031, as well as how government rates were to be calculated in the operation expenses. STH advised that the EBITDA of the project of the XRL Hong Kong Section was derived from deducting the operation expenses from the operating income. He stressed that the data provided by the relevant papers were obtained from updating the data as found when the project of the XRL Hong Kong Section was set up in 2009. The income from fares was estimated on the basis of the latest patronage forecast, while the income from sources other than fares and operation expenses were calculated with the inflation factor being taken into account. Director of Highways ("DHy") pledged to submit supplementary information on the expenditures on interest, tax and capital depreciation to be incurred during the operation of the XRL project.

[*Post-meeting note:* The relevant supplementary information was issued to members vide LegCo Paper No. FC139/15-16(01) on 25 February 2016.]

10. Mr Kenneth LEUNG asked the Administration about the criteria to be adopted when sharing the income of the XRL Hong Kong Section with the Mainland. DHy advised in response that for the purpose of predicting the income from fares of the Hong Kong Section, the authorities assumed that the sharing of income from fares of train service to Dong Guang and Guangzhou would be similar to the "mileage-based" mechanism as adopted in the existing Through Train service. As for train service to Shenzhen, reference was made to the revenue contribution from the Hunghom-Lo Wu service.

Proposal on immigration clearance

11. Mr LEUNG Yiu-chung sought a clarification from the authorities on the "co-location arrangements" proposal, how the Legislative Council would be consulted in future, and whether or not the proposal would require approval by the Legislative Council. In addition, if the relevant proposal was rejected by the Legislative Council, what moves would be taken by the authorities as the next step. He also asked the authorities to clarify what the Chief Executive meant when he said that consideration would definitely not be given to "two-location arrangements".

12. Ms Emily LAU opined that it was not right for the authorities to apply for additional funding before the immigration and customs arrangements for the XRL Hong Kong Section were confirmed. This was because the relevant arrangements would be of utmost importance to whether or not the XRL Hong Kong Section could be commissioned in the end. Both Ms Emily LAU and Mr Albert HO were of the view that as the authorities could not rule out the possibility of implementing the "co-location arrangements" option or "two-location arrangements" option at Futian, the authorities were obliged to provide the Committee with the factors for consideration and relevant information of the two options.

13. Mr Frederick FUNG enquired about the construction cost of the boundary crossing facilities in the XRL Hong Kong Section. He was concerned that the design of the facilities was based on "co-location arrangements" and the facilities concerned could not be used if the proposal failed to get any support from the Legislative Council. He also asked why the immigration and customs clearance proposal of the XRL Hong Kong Section was still not finalized after years of discussion.

14. STH advised in response that according to project planning, the authorities would install boundary crossing facilities in the West Kowloon Terminus. Logically speaking, if the "co-location arrangements" option did not get the support of the Legislative Council, the authorities would have to consider the "two-location arrangements" option, although the latter option might not enable the XRL Hong Kong Section to give full play to its benefits. Owing to the complexity of the relevant issues, the Government of the current term and the previous term had considered different proposals as well as problems that might appear at the constitutional and operational levels. The authorities were currently studying proactively how the "co-location arrangements" option could be implemented without contravening the Basic Law and the principle of "one country, two systems". The community and the Legislative Council would be consulted after a concrete proposal had been worked out.

15. When Ms Emily LAU and Mr Frederick FUNG were speaking, the Deputy Chairman reminded members many times that they should not repeat questions already raised by other members. He pointed out that if members were not satisfied with the reply from the authorities, they might ask the authorities to withdraw the discussion papers. If the authorities had no intention to withdraw the papers, he was obliged to submit the proposals to FC for deliberation. Members might choose to vote against the funding proposal when the funding proposal was put to vote. The Deputy Chairman said when

Action

responding to questions from Mr Kenneth LEUNG and Dr KWOK Ka-ki that pursuant to Rules 25 and 45(1) of the Rules of Procedure, he would, at an appropriate time, cease to allow a member to repeat questions already asked by that member or other members. Dr KWOK Ka-ki and Mr Kenneth LEUNG demanded that the Legal Advisor of FC should explain the scope of application of Rule 45(1) of the Rules of Procedure. The Deputy Chairman advised that the provision was applicable to discussions in FC and there would be no need to invite the Legal Advisor to make a clarification.

16. At 4:31 pm the Deputy Chairman declared that the meeting be adjourned and discussion on the relevant items be carried over to the next FC meeting to be held after a break of 10 minutes.

Legislative Council Secretariat

22 August 2016