

**Panel on Transport and
Panel on Financial Affairs**

Follow-up to joint meeting on 23 May 2006

At the joint panel meeting on 23 May 2006, members examined the proposed transaction structure, financial terms and property package of the rail merger proposal. There were concerns that the properties might be sold at a low price at the expense of Hong Kong people who owned the assets of Kowloon-Canton Railway Corporation (KCRC). In order to ascertain whether the package proposal was a fair deal and in the best interest of the general public, members considered it necessary for the Administration to provide additional information, including but not limited to the following, to facilitate their consideration:

- (a) Detailed breakdown of individual property development including valuation details, site area, plot ratio, gross floor area for the residential and commercial development, number of flats that could be built, expected completion date, etc;
- (b) Detailed breakdown of individual investment properties including valuation details, current rents received, gross floor area for the commercial and residential properties, etc;
- (c) Detailed breakdown of management businesses and rights relating to properties at the 33 sites including valuation details, gross floor area for the property sites, revenue derived from such businesses, etc;
- (d) Justifications for including the purchase of KCRC's property management business by MTR Corporation Limited as an integral part of the deal;
- (e) Whether the disposal of KCRC's properties without going through a public tender would be in the best interest of the general public, and whether and how the general public could benefit from the proposed property package, bearing in mind KCRC's assets were owned by Hong Kong people;
- (f) Whether Government would consider putting out for tender KCRC's properties and using the proceeds for the purpose of subsidizing railway operations and fare reductions, and hence avoiding the disposal of KCRC's assets at a severely diminished value;
- (g) Whether and how the rail merger and the proposed property package could achieve synergy;

- (h) Justifications for introducing a mechanism to enable the Government to exercise control on the level of flat production arising from tender programmes for railway property development as the proposal to restrict the level of flat production might give rise to public concern about the possible collusion between the Government and property developers and the resultant transfer of benefits;
- (i) Basis of calculation of the amount of payments for the service concession; and
- (j) Rationale for setting the duration of the concession agreement at 50 years and whether consideration would be given to shortening the concession period to 20 or 30 years, with an option to extend for a further period subject to an interim review.

Council Business Division 1

Legislative Council Secretariat

25 May 2006