

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 34th meeting
held at Conference Room 1 of the Legislative Council Complex
on Saturday, 20 February 2016, at 11:10 am

Members present:

Hon CHAN Kin-por, BBS, JP (Chairman)
Hon CHAN Kam-lam, SBS, JP (Deputy Chairman)
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon Emily LAU Wai-hing, JP
Hon TAM Yiu-chung, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, BBS, MH
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
Dr Hon LAM Tai-fai, SBS, 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-yea, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung

Hon Albert CHAN Wai-yip
Hon WONG Yuk-man
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, JP
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
Hon CHAN Yuen-han, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon KWOK Wai-keung
Hon Dennis KWOK
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
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 CHUNG Kwok-pan
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS

Members absent:

Hon Albert HO Chun-yan
Hon LEUNG Yiu-chung
Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Dr Hon LEUNG Ka-lau
Hon Claudia MO
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Dr Hon Kenneth CHAN Ka-lok
Hon Kenneth LEUNG

Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Hon TANG Ka-piu, JP

Public officers attending:

Ms Elizabeth TSE Man-ye, 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
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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
Miss Yannes HO	Legislative Assistant (1)6

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**

The Committee continued with the deliberation on agenda items FCR(2015-16)46 and 47.

XRL's patronage and profit forecast

2. Mr Charles MOK considered that, in planning the Hong Kong Section of the Guangzhou - Shenzhen - Hong Kong Express Rail Link ("XRL") project in 2009, it was inappropriate of the Administration to conduct no analysis on the most optimistic and pessimistic scenarios of the profit of XRL. He requested the authorities to replace the entire estimation method. In addition, pointing out that the MTR Corporation Limited ("MTRCL") lacked experience in repairing and maintaining XRL, he requested the Administration and MTRCL to explain the differences between the operation of XRL and the operation of local railway, and how the repair and maintenance costs for operating XRL were estimated.

3. Secretary for Transport and Housing ("STH") advised that in forecasting XRL's operating situation, the Administration had estimated the high and low patronage and based on the medians of the high and low patronage to prepare XRL's profit forecast. The authorities used the transport model adopted for the estimate made in 2009 and input the updated patronage forecast in 2015 to update the profit forecast. As for operating cost and non-fare revenue, their forecast updates were also based on the estimation model adopted in 2009 with consideration of inflationary factors. General Manager (Corporate Relations), MTRCL advised that as MTRCL had yet to be authorized to operate XRL, no further relevant information could be provided.

4. Ms Cyd HO pointed out that, according to the estimated figures provided by the Administration in LC Paper No. FC122/15-16(01), while the fare revenue in 2031 would be nine times the figure in 2018, the patronage only increased by about 50%. She sought explanation from the authorities on the reasons for such huge differences. STH explained that it was anticipated that XRL would be commissioned in the third quarter of 2018, therefore the patronage forecast for that year was only a quarterly figure.

5. Dr LAM Tai-fai enquired why in the estimates for the period between 2021 and 2031, XRL's operating revenue could increase significantly when its estimated operating margins only increased by 2%. He considered the forecast of the authorities unreasonable. He also enquired whether assessment had been conducted in respect of the impact on the employees of cross-boundary buses after the commissioning of XRL. Director of Highways ("D of HyD") advised that the forecast was based on the usual practice of calculating operating revenue and operating cost in money-of-the-day prices. STH remarked that he was aware of Members' queries and would study the way to explain more clearly to members the method for calculating gross margins. He also believed that the coach trade had digested the news relating to the construction of XRL.

Operating situation of XRL

6. Pointing out that it had been reported by the media that there would be two additional Mainland stations between Hong Kong and Guangzhou stations, Mr Gary FAN requested the authorities to explain how the time required for travelling to Guangzhou station by XRL was calculated, and whether only non-stop trains were used as the calculation basis. STH explained that train trips to Guangzhou in the future would include non-stop trains and trains with intermediate stops. As regards the two intermediate stations mentioned in the media report, XRL trains departing from Hong Kong would be non-stop ones. D of HyD supplemented that, in the initial period of

XRL's commencement, it was estimated that a daily total number of 114 trips of non-stop trains and trains with intermediate stops would be travelling between Hong Kong and Shenzhen and Guangzhou.

7. Mr LEUNG Kwok-hung enquired whether it would be possible to sell the XRL project, together with the future operating rights, to the Mainland Government. STH pointed out that XRL was a project owned by the HKSAR Government and it was also envisaged that the operating rights would be granted to MTRCL, the authorities had no plan to grant the operating rights to organizations outside Hong Kong.

8. Dr LAM Tai-fai enquired about the way to deal with accidents or breakdowns of XRL trains that happened in the Mainland, and how the costs would be shared with the Mainland. STH advised that the authorities were discussing with XRL's Mainland operators on the specific arrangements and no conclusion had been reached yet. Supplementary paper would be provided after the meeting to explain the details. The Deputy Chairman suggested that the Administration and MTRCL could arrange a briefing session to explain in detail to members about XRL's operating details in the future.

Admin

9. Mr WU Chi-wai enquired whether XRL would provide long-haul train service, and whether trains could travel to 16 major Mainland cities. STH advised that consensus had been reached with the Mainland authorities when the XRL project was confirmed, and the consensus was that there would be 24 daily long-haul train pairs to 15 Mainland cities in the initial period of XRL's commencement, with the number being gradually increased to 33 daily long-haul train pairs to 16 Mainland cities by around 2031. As for the specific operating details, these had remained a subject of discussion between XRL's Hong Kong operator and XRL's Mainland operating company, while the Administration would also participate in the related discussion.

10. Mr SIN Chung-kai enquired whether it would be more beneficial if XRL was operated by a non-local railway company. STH reiterated that, when the XRL project was confirmed in 2009, the Executive Council had agreed that the railway would be owned by the Government, and that MTRCL should be requested to proceed with the construction, testing and commissioning of the XRL project on the understanding that MTRCL would be invited to undertake the operation of XRL under the concession approach in the future. Details of the concession had yet to be discussed and the Government had not signed any contract with MTRCL in respect of the operating rights.

Co-location arrangements

11. Given that the goal of the Administration all along was to implement the co-location of customs, immigration and quarantine facilities ("co-location arrangements") for passenger clearance, Mr James TO and Dr LAM Tai-fai enquired, if the "separate-location model" of the facilities was implemented eventually, whether the design and deployment of XRL's West Kowloon Terminus ("WKT") had to be altered, and what amount of time and money would be involved. STH advised that spaces had been reserved at WKT for purposes such as passenger clearance and quarantine. If the "separate-location model" was implemented eventually, it was not necessary to carry out large-scale alternation to the design of the Terminus and the excess spaces (if any) would also not be left vacant. He emphasized that the goal of the Government was still to implement the "co-location arrangements" at the commencement of service of XRL.

12. Referring to LC Paper No. FC122/15-16(01), Ms Cyd HO pointed out that the Administration claimed that it had all along been discussing with the Mainland authorities on the "co-location arrangements". She sought clarification on the time when the discussion started and why the former STH had indicated that the "separate-location model" could also be a proposal for consideration. She also asked the Administration, if the proposal on the "co-location arrangements" was prepared, how it would submit the proposal to LegCo for scrutiny so as to obtain approval from LegCo.

13. STH advised that the Government had been discussing with the Mainland authorities since the XRL project was confirmed, but given that the "co-location arrangements" had to tackle complicated legal and constitutional problems, the discussion would take time. He added that he was not sure under what circumstances the former STH made such statement. As for submitting the "co-location arrangements" to LegCo for scrutiny, he advised that at this stage, no consideration had been made to submitting to LegCo the proposal prepared for "co-location arrangements" in the form of a non-legally binding motion, and to seek LegCo's approval, the proposal would be voted on by Members.

14. Dr Priscilla LEUNG pointed out that "co-location arrangements" had been successfully implemented between England and France as well as the United States and Canada, and Hong Kong and the Mainland being two jurisdictions under the "one county, two systems" principle should also be able to implement the "co-location arrangements". She considered that implementing the "co-location arrangements" was not tantamount to ceding the land of Hong Kong to the Mainland.

Monitoring the use of additional funding and the project progress

15. Mr Dennis KWOK requested the Administration to provide a paper to give an account on the latest progress of 42 major works contracts of the XRL project. He also requested D of HyD to provide detailed explanation on the progress of the WKT (North) project (Contract 810A) and explain whether there was any cost overrun or delay in respect of the WKT Approach Tunnel (South) project (Contract 811B).

16. D of HyD explained that the overall WKT (North) project was 43% completed as at 31 August 2015, and as at 31 December 2015, 61% of concrete structural works and 96% of station excavation works of the project had been completed. Based on the target commissioning of XRL in the third quarter of 2018, the current progress of the WKT (North) project was in line with the project programme. As for the WKT's Approach Tunnel (South) project, it had been delayed, but 72% of the works were completed.

17. Mr Tony TSE enquired why a "cap" could not be put on the deadline for the project completion time and the commissioning date, and whether it was because the authorities had no confidence in commissioning XRL in the third quarter of 2018 as scheduled. He also requested the Administration to provide a paper to explain the cost overrun of the 42 major works contracts. He considered that if the cost overrun problem was concentrated in individual works contracts, the Administration should proactively review the details of such contracts, including reviewing whether the claims submitted by contractors of those contracts were reasonable.

18. STH advised that the Administration would study how information about the costs involved in individual contracts could be provided for the Committee without affecting the discussions between MTRCL and the contractors on on-going works. Projects Director, MTRCL supplemented that, having regard to the target commissioning of XRL in the third quarter of 2018, the current project progress was more satisfactory than expected.

19. Dr Priscilla LEUNG enquired about the latest progress of the XRL project. STH advised that more than 76% of the XRL project had been completed.

Pursuing the liability for delay

20. Dr Priscilla LEUNG considered that it was reasonable of the Administration to pursue liability from MTRCL for delay of the project through arbitration, rather than solving the problems by suspending the XRL project. She enquired whether the Administration already had a concrete plan to commence the arbitration. STH advised that the Government and MTRCL had agreed to initiate the related legal procedures upon the completion of the XRL project.

Use of XRL for military purpose

21. Mr LEE Cheuk-yan enquired whether the People's Liberation Army Hong Kong Garrison ("HK Garrison") had the right to commandeer XRL for military purpose, and whether there was any passageway in the XRL's Shek Kong Depot connecting to the Shek Kong Barracks of the HK Garrison. He opined that the authorities should provide a paper to explain the relationship between the Garrison Law and XRL. STH advised that XRL was a civil railway and there was no passageway in the Shek Kong Depot connecting to the Shek Kong Barracks of the HK Garrison. He reiterated that the Garrison Law had clearly regulated the activities of the HK Garrison in Hong Kong.

Labour problem of the XRL project

22. Dr Priscilla LEUNG enquired whether, after additional funding was obtained for the XRL project, the authorities could ensure that there would be sufficient workers to engage in the project. Projects Director, MTRCL pointed out that some 5 000 to 6 000 workers of various trades were required for the overall project. As the project was in its final stages and civil engineering works was near completion, there were sufficient workers to carry out civil and construction-related works currently, while the demands for electrical and mechanical ("E&M") workers and bar fixers were relatively higher. MTRCL would continue to assist the contractors in arranging sufficient workers to complete the remaining works through the Supplementary Labour Scheme ("SLS").

23. Mr CHEUNG Kwok-che said that the Chairman of MTRCL had advised that 7 000 workers would lose their jobs if the XRL project was suspended. He enquired whether there were still 7 000 workers engaging in the project at this stage, and how many of these workers were local workers.

24. Projects Director, MTRCL advised that, even though the overall project had reached a later stage, the number of workers had remained at more than 6 000 and would decrease a year later. In addition, the contractors employed about 200 foreign workers through the SLS, and these workers were responsible for tunnel works, rail track installation and bar fixing. The Deputy Chairman requested MTRCL to estimate the demand for manpower in respect of the remaining works, so as to respond to members' concern.

25. Mr LEE Cheuk-yan enquired about the demand for E&M workers in respect of the XRL's remaining works, and the number of foreign workers applied to be imported. Projects Director, MTRCL advised that 3 000 E&M workers were required for the works at the peak level and it was expected that the demand would increase further, therefore they had applied to import 70 foreign workers under the SLS. According to the established procedures of the SLS, contractors were required to continue recruiting local workers. They could only seek approval from the authorities for importation of foreign labour when they were unable to recruit local workers eventually. D of HyD advised that as a number of railway projects would be underway simultaneously, it was envisaged that there would be a possible shortage of E&M workers.

Procurement of rolling stock

26. Mr SIN Chung-kai and Mr WU Chi-wai enquired about the details of the \$1.7 billion spent on procuring XRL trains, and whether the nine groups of trains procured were used for running short-haul routes. Projects Director, MTRCL advised that the nine groups of trains procured were used for running short-haul trips to Shenzhen and Guangzhou, while the XRL's Mainland operator would also provide nine groups of trains for short-haul trips. Long-haul trips from Hong Kong to the Mainland cities would be run by the Mainland trains. STH supplemented that a written response would be submitted to the Committee after the meeting to explain the operating details.

Admin

Motion that discussion on FCR(2015-16)46 be now adjourned

27. At 12:45 pm, Mr LEE Cheuk-yan moved under paragraph 39 of the Finance Committee Procedure that discussion on FCR(2015-16)46 be then adjourned. The Chairman thereupon proposed the question that discussion on FC(2015-16)46 be then adjourned. The Chairman directed that a member, when speaking on the motion, might speak once for not more than three minutes.

28. Mr LEE Cheuk-yan introduced his motion. He was dissatisfied that the Administration had all along been unable to explain how the "co-location arrangements" for XRL would be implemented, and he therefore opined that the Committee should not continue to discuss the agenda item at this stage but could deal with other livelihood-related funding proposals right away.

29. Mr Alan LEONG, Dr Fernando CHEUNG, Mr CHEUNG Kwok-che, Mr CHAN Chi-chuen and Ms Emily LAU expressed support for the motion that discussion on FCR(2015-16)46 be now adjourned. These members were of the view that questions raised by pan-democratic members and some pro-establishment members, including those on issues relating to the liability for delay of the XRL project and the "co-location arrangements", had not been properly explained by the Administration. If the Committee decided to adjourn the discussion on the agenda item, the Administration should provide a proper response to all the questions raised by members before submitting the funding proposal to the Committee again.

30. Mr WONG Kwok-hing expressed opposition to the motion that discussion be now adjourned and considered that if the XRL project had to be suspended due to failure to obtain additional funding, a large number of workers would lose their jobs. He criticized that pan-democratic members were employing various "filibustering" tactics for the purpose of dragging down the entire XRL project.

31. At 1:09 pm, the Chairman announced that the meeting be adjourned and the motion that discussion on FCR(2015-16)46 be now adjourned be carried over to the next meeting to be held on the same day.

32. The meeting was adjourned at 1:09 pm.