

LCQ4: Monitoring extra-curricular activities organised for students

Following is a question by the Hon Luk Chung-hung and a reply by the Secretary for Education, Mr Kevin Yeung, in the Legislative Council today (November 14):

Question:

Earlier on, an organisation invited, through the schools concerned, some 200 primary school students, who were accompanied by 400 parents, to go to Thailand to take part in an international mathematics contest. Some of the students and their parents joined a related group tour arranged by the organisation. Some parents have reproached the organisation for making inadequate preparation for the contest as well as the inappropriate reception and itinerary arrangements of the group tour, undermining the rights and interests of the parents and students concerned. Regarding the monitoring of extra-curricular activities organised for students, will the Government inform this Council:

(1) whether it received in the past three years requests for assistance and complaints about students taking part in courses and activities held overseas; if so, of the details; how the implementation and quality of such courses and activities are currently monitored, with a view to safeguarding the rights and interests of the parents and students; and

(2) given that the Government has put forward in this year's Policy Agenda the setting up of a Student Activities Support Fund with the total amount of \$2.5 billion to support, through a subsidy, students with financial needs to participate in out-of-classroom learning activities starting from the next school year, of the authorities' measures to monitor the use of the subsidy by schools; whether it will consider setting up a recognition system for, or a register of, organisations which may collaborate with schools in organising extra-curricular activities, and issuing guidelines setting out matters such as the scope of use of the subsidy, as well as the issues that schools should bear in mind when organising extra-curricular activities in collaboration with other organisations; if so, of the details; if not, the reasons for that?

Reply:

President,

My reply to the questions raised by the Hon Luk Chung-hung is as follows:

(1) Courses or activities outside Hong Kong for students are mostly arranged by parents or organised by schools.

Regarding study tours for students organised by travel agents engaged by parents, the Travel Industry Council of Hong Kong (TIC), being the regulator of the tourism industry, has promulgated the Code of Business Practice on Study Tours under the existing regulatory framework of the tourism industry to impose strict requirements on travel agents in organising study tours. Such requirements include: all travel products or services arranged by travel agents shall be provided by licensed or legally registered suppliers; all participants should purchase appropriate comprehensive travel insurance; study tours must be accompanied by holders of valid Tour Escort Pass issued by TIC, who will assist the tour groups in liaising with local service suppliers and related organisations, and handling emergencies, so as to safeguard the interest of the participants. During the past three years, the Tourism Commission has not received any requests for assistance or complaints in relation to students participating in courses and activities outside Hong Kong.

Furthermore, the Trade Descriptions Ordinance (Cap. 362) prohibits six offences of unfair trade practices, including false trade descriptions, misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch and wrongly accepting payment.

During the past three years, the Customs and Excise Department (C&ED) received 11 complaints (involving four traders) related to traders who organised courses or activities outside Hong Kong for students, allegedly in contravention of the Trade Descriptions Ordinance. After investigation, the C&ED initiated prosecution against the person-in-charge of a trader who was involved in four of the complaint cases. The person-in-charge was convicted by the court and was sentenced to 180 hours community service order, and was ordered to make a total compensation of \$69,380 to four consumers. Regarding the remaining seven complaint cases, five are under investigation, while no contravention of the Trade Descriptions Ordinance by traders was found in the other two cases.

The Government and the Consumer Council are committed to encouraging "smart consumption" through publicity and public education. Parents, as consumers, should get to know the quality of services provided by the organisations, and consider carefully their own needs and the relevant terms and conditions before making a consumption decision.

If the activities (including learning activities outside Hong Kong) are organised by schools, they are regulated by the Education Bureau (EDB). The EDB has provided schools with various guidelines (such as the "Guidelines on Extra-curricular Activities in Schools", "Guidelines on Study Tours Outside Hong Kong" and "Guidelines on Conducting Trading Operations") to ensure that the programmes and activities outside the classroom provided for students by schools (including those co-organised with other organisations) can be conducted effectively as well as in accordance with the related requirements in administrative and financial arrangements to safeguard students' safety and interests. If the activities organised by schools are conducted outside Hong Kong, school teacher(s) should be appointed to escort participating

students to take part in visits, exchange programmes, studies or services, and make reference to the "Guidelines on Study Tours Outside Hong Kong" (Guidelines) compiled by the EDB. The Guidelines are drawn up with a primary aim of reminding schools to ensure the safety of participants of study tours. Schools should also make reference to the curriculum guides on different Key Learning Areas to design suitable study tour programmes according to their respective school-based curriculum and needs of students. The Guidelines are not applicable to study tours arranged by non-school organisations.

From the 2015-16 to 2017-18 school years, the EDB received two complaints from parents/students regarding schools arranging for students to take part in courses or activities held outside Hong Kong, including a case of students participating in a mathematics contest held overseas and a case of school arranging an overseas exchange tour. Regarding the case of the exchange tour, the parent of a participating student was dissatisfied with the arrangements for flight and accommodation. After investigation, it was confirmed that the school had followed the EDB's guidelines on organising exchange tours and the complaint was not substantiated. As regards the case of overseas mathematics contest, after the investigation by the EDB, it was confirmed that there were schools which had assisted their students in enrolling to the organiser on the preliminary contest in Hong Kong but no schools had participated in or recommended students to join the overseas contest concerned. It was considered an activity joined by the parents on their own accord. Regarding the case, the C&ED and the Police are taking follow-up actions.

(2) The Government proposes to set up the Student Activities Support Fund to provide schools with the Student Activities Support Grant, to replace the Hong Kong Jockey Club Life-wide Learning Fund which will end by the close of the current school year, to continue to support financially needy students to participate in life-wide learning (LWL) activities organised or recognised by the schools, so as to enable them to gain learning experiences that are difficult to be obtained in the classroom. These are different from interest classes and activities that parents arrange for their children. Since the curriculum reform in 2001, schools have accumulated considerable experience in promoting LWL through different means, including hiring outside services, to organise LWL activities for students to enable them to learn in authentic contexts for whole-person development. On financial management, schools have all along been required to put in place effective procedures to ensure proper use of public funds and that the resources are being deployed effectively for educational purposes. Schools will be required to set up a separate ledger for the Student Activities Support Grant, which will be monitored by the School Management Committee/ Incorporated Management Committee of the respective schools. We will consult the school sector on the operational details of the Grant in due course, and issue circulars and relevant guidelines to schools. Under the principle of school-based management, schools should adhere to the guidelines on the utilisation of the Grant to enhance student learning, as well as submit annual audited account reports to ensure that public funds are not being abused. In addition, the EDB will conduct school visits to understand the use of the Grant and provide advice to schools as appropriate. On hiring outside services, schools should adhere

to relevant the EDB circulars and guidelines to ensure students' safety and the appropriateness of the activities. There are many organisations offering after-school activities for students, and schools have been deploying relevant grants to smoothly collaborate with different organisations. The EDB does not see a need to set up a registration mechanism or a register of collaborating organisations at present.

Thank you, President.

LCQ13: Village Expansion Areas scheme

Following is a question by the Hon Kenneth Lau and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (November 14):

Question:

According to the Small House Policy, a New Territories male indigenous villager over 18 years old is entitled to one concessionary grant during his lifetime to build one small house. To cater for the housing needs of the indigenous villagers who do not own any land, the Government introduced a Village Expansion Area (VEA) scheme in 1981. Under the scheme, the Government will form suitable sites on the government lands and resumed private lands within a VEA, and eligible indigenous villagers may apply for private treaty grants of the lands there to build small houses. However, the Government has frozen the scheme since 1999, pending a review of the Small House Policy. Some indigenous villagers have relayed that among the 10 VEAs currently frozen, land resumption procedure has yet to be initiated for eight of them, rendering the indigenous villagers unable to apply for building small houses even though they hold the private lands there; and land resumption has been completed for the remaining two VEAs (namely Pai Tau and Sheung Wo Che VEA and Ha Mei San Tsuen VEA), but there has been no progress for twenty years. In this connection, will the Government inform this Council:

(1) whether it will consider unfreezing the private lands of the eight aforesaid VEAs in respect of which land resumption has yet to be initiated, and allow indigenous villagers to apply for building small houses on the private lands they hold; if so, of the details; if not, the reasons for that;

(2) when it will submit funding applications to the Finance Committee of this Council to take forward the scheme in the two aforesaid VEAs in respect of which land resumption has been completed; and

(3) whether it will study suitably increasing the development intensity of the sites for small houses (e.g. constructing multi-storey "small buildings") so as to achieve more efficient use of the limited land resources; if so, of

the details; if not, the reasons for that?

Reply:

President,

The Village Expansion Area (VEA) Scheme was implemented in 1981. Under the VEA Scheme, through resuming private land within the proposed VEAs, assembling government land and thereafter conducting site formation and other relevant public works, the Government allows indigenous villagers to apply for building small houses within the VEAs. The VEA Scheme aimed at providing for better planning of village developments.

In February 1999, in view of the review of the Small House Policy, the Government decided to suspend the implementation of VEA projects for which the related public works had not commenced at that time. In 2002, the Government explained to the Legislative Council (LegCo) that no new VEA projects should be initiated before completion of the Small House Policy review. As for VEA projects which were at an advanced stage of planning, the Government also stated to the LegCo at that time that the individual merits of those cases would be considered to see if there was any scope to implement them before completion of the Small House Policy review.

In the course of the Small House Policy review, complicated issues in aspects such as legal, environment, housing, land use planning and demand on land are inevitably involved, all of which require careful examination. Currently, the Small House Policy review is still ongoing. Nevertheless, as the Development Bureau has to accord priorities to other more pressing policy issues under its purview, we have stated on various occasions that the review of the Small House Policy is not our priority task for the time being.

Since the introduction of the VEA Scheme, the Government has completed works for 36 VEAs. Amongst the remaining 10 frozen VEA projects, the Government has completed land resumption for two of them (i.e. VEA projects in Pai Tau and Sheung Wo Che, Sha Tin and Ha Mei San Tsuen, Yuen Long), while land resumption has not yet commenced for the other eight projects (i.e. VEA projects in Siu Lek Yuen, Sha Tin; Wo Liu Hang, Sha Tin; Sheung/Ha Keng Hau and Hin Tin, Sha Tin; Yuen Long Kau Hui; Ling Hill, North District; Ng Uk Tsuen, North District; Mang Kung Uk, Sai Kung; and Chuen Lung, Tsuen Wan).

My reply to various parts of the question is as follows:

(1) With regard to the aforementioned eight VEA projects with land not yet resumed, during the past few years in which the implementation of those projects was suspended, the Government stated that any applications for building small houses on private land owned by indigenous villager landowners within the boundary of those VEAs would not be processed. In recent years, Heung Yee Kuk (HYK) expressed for a number of times that these indigenous villager landowners were concerned about their land being frozen for years. The HYK has hoped that the concerned land can be "unfrozen" as early as possible, and has suggested that the "unfreezing" proposal can be implemented in some proposed VEAs first, so that indigenous villagers can apply for

building small houses on their own private land.

Taking into consideration that the Small House Policy review takes time and that the HYK's proposal involves only private land located within the "Village Type Development" zone, where small house applications are still possible even when there are no VEA projects, the Government is willing to consider the partial "unfreezing" proposal on the prerequisite that any developments on the private land of individual proposed VEAs must be in compliance with the existing policy frameworks in planning, land administration, etc. Furthermore, given the release of private land for individual developments, the HYK and the concerned recognised villages have to accept that the originally planned VEA projects will no longer be applicable.

Based on the above direction, the Lands Department is prepared to resume receiving and processing small house applications on private land within the proposed VEAs in Mang Kung Uk, Sai Kung and Siu Lek Yuen, Sha Tin in accordance with the applicable procedures from January 2019 onwards. As for the other six VEA projects for which land resumption has not yet commenced, we will continue to liaise with HYK on the way forward.

(2) With regard to the two VEA projects for which land resumption has been completed (i.e. VEA projects in Pai Tau and Sheung Wo Che, Sha Tin and Ha Mei San Tsuen, Yuen Long), the Government will seek funding for the relevant works from the Finance Committee of LegCo at an appropriate juncture upon considering the overall arrangements in public works.

(3) The possibility of building multi-storey small houses on sites in the "Village Type Development" zone is discussed in society from time to time. We note that any suggestion of this kind will inevitably involve a number of complicated issues, including compatibility with the intent of the Small House Policy, planning control, provision of infrastructures, environmental impact, as well as legal and public interest considerations. In examining such suggestion, those issues must be holistically considered.

LCQ 20: Handling of fallen trees and broken branches

Following is a question by the Hon Holden Chow and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (November 14):

Question:

It is now nearly two months since the onslaught of super typhoon Mangkhut in Hong Kong, but fallen trees and broken branches awaiting

clearance can still be seen in various places throughout Hong Kong. In this connection, will the Government inform this Council:

(1) of the total number of workers involved in handling fallen trees and broken branches at public places after the onslaught of Mangkhut, with a breakdown by (i) the work procedure which they perform/performed (e.g. sawing trees, removing trunks and branches), (ii) the government department and the service contractor engaged by the government department under which such workers are/were employed, and (iii) whether such workers are/were additional manpower recruited;

(2) of the types and quantities of tools and machines currently used by various government departments and their service contractors for handling fallen trees and broken branches; and

(3) whether it will consider procuring advanced machines (e.g. large chippers) to save the manpower and time needed for clearing fallen trees and broken branches?

Reply:

President,

Super-typhoon Mangkhut has caused extensive damage to trees, and over 60 800 tree failure reports have been received. After the typhoon, various government departments worked in close collaboration to clean up fallen trees and broken branches. The clean-up work is mainly undertaken by the government departments managing the land or facilities where the trees are located, including, among others, the Highways Department (HyD), the Leisure and Cultural Services Department (LCSD), the Architectural Services Department (ArchSD) and the Lands Department (LandsD). Different methods are used in handling fallen trees depending on their size and specific locations. Workers have to cut large fallen trees with thick trunks and branches into small logs with chain saws before removing them. For collapsed trees at constrained locations that are not accessible to engineering vehicles, the work and logistics involved are more complicated, hence taking longer time for their removal.

Various major tree management departments have made every effort to remove the fallen trees. Some public works contractors also expanded their designated clean-up areas to speed up the removal of obstacles caused by fallen trees and broken branches. In addition, employees of some contractors and tool suppliers formed volunteer teams to help clear fallen trees. To expedite the clearance operations, the Fire Services Department suspended all training courses and redeployed 180 members to such operations. The Civil Aid Services was also mobilised to remove fallen trees from blocked thoroughfares. In addition to the 10 000-odd people mobilised by the Government each day to take part in the clearance operations, volunteers from various sectors across the community, including the disciplined services, also joined in clearing fallen trees and debris.

Government departments clean up fallen trees in three stages. Clearance of fallen trees blocking pedestrian and traffic flow has been completed, allowing the society to quickly resume operations and citizens to get on with their normal life. Government departments are now cleaning up areas frequented by the public (such as parks, cycle tracks, hiking trails, etc.), which will be progressively completed by the end of this year. Areas that do not affect the daily activities of the public (such as roadside slopes and remote areas in the country parks) will be progressively cleared by the first quarter of 2019.

My reply to the three-part question raised by the Hon Holden Chow is as follows:

(1) After the passage of Typhoon Mangkhut, government departments deployed some 15 262 workers (including contractors' workers) to clear fallen trees and broken branches. Breakdown is as follows:

Government departments	Number of workers involved in clearing tree debris
Housing Department	2 950
HyD	1 200
LCSD	900
Civil Engineering and Development Department	900
Drainage Services Department	326
ArchSD	258
Agriculture, Fisheries and Conservation Department	250
Water Supplies Department	128
LandsD	350
Food and Environmental Hygiene Department	8 000
Total	15 262

Government departments and their contractors adopt a one-stop service approach and work in collaboration to clean up fallen trees and broken branches. They adjust manpower deployment according to operational needs. The number of manpower involved in or additionally recruited for various work processes is not documented. The departments set out above have hired more than 90 service contractors in total.

(2) The fallen trees vary in size and are in different locations. Therefore, government departments need to use different machinery and equipment to cater for different situations when clearing fallen trees. For example, grab lorries or crane lorries are used for collapsed trees along public roads to

speed up clearance work, while only smaller equipment can be used in locations without vehicular access. The machinery and equipment used by the Government and its contractors for clearance of fallen trees include handsaws, chain-saws, pole saws, powered pole saws, tree felling grapples, grab lorries, hydraulic platform vehicles and crane lorries, etc. We have not kept statistics on the use of each type of machinery and equipment.

(3) Government departments will bring in appropriate tools to facilitate tree management work having regard to actual conditions and operational needs. Large shredders, which generate noise during operation, can only be used away from residential areas. At present, the HyD has taken the lead in testing the use of wood chippers on the roads. Besides, the review of the response and recovery work in respect of Typhoon Mangkhut coordinated by the Security Bureau has commenced. The Government will review the response and recovery work, including the adequacy of equipment and machinery, in light of the experience gained in tackling Typhoon Mangkhut.

LCQ19: Quality of pool water at public swimming pool complexes

Following is a question by the Hon Vincent Cheng and a written reply by the Secretary for Home Affairs, Mr Lau Kong-wah, in the Legislative Council today (November 14):

Question:

A university conducted a sample test last year on the pool water at six public swimming pool complexes (complexes) and the findings revealed the presence of urine in the pool water at five of the complexes. Among them, the outdoor toddlers' pool at the Kowloon Park Swimming Pool had the highest quantity of urine, which was as high as 82.1 litres (equivalent to 411 times of urine discharges by adults). The findings of another study revealed that the chemical reaction between urine/sweat and chlorine in the pool water mix would generate carcinogenic substances such as trihalomethane. On the other hand, the Leisure and Cultural Services Department (LCSD) has refused to include urine and trihalomethane contents as parameters for monitoring the quality of pool water on the grounds that the World Health Organization has no such practice. In this connection, will the Government inform this Council:

(1) whether LCSD will consider afresh including urine and trihalomethane contents as parameters for monitoring the quality of pool water; if so, of the details; if not, the reasons for that;

(2) whether it will conduct a comprehensive review of the Swimming Pools

Regulation (Cap 132CA), which has been in operation for many years, to ensure that the requirements pertaining to pool water quality, changing of water and emptying of swimming pools, etc., keep pace with the times; if so, of the details; if not, the reasons for that;

(3) whether LCSD implemented in the past three years water quality improvement measures (such as enhancing the pool water filtration system) at complexes with higher attendances; if so, of the details and the effectiveness of those measures;

(4) whether it will make reference to the experience of other jurisdictions and introduce specific measures to reduce urine and sweat contents in pool water, such as (i) advising parents and swimming coaches to encourage children to exit the water and go to the toilet every 30 to 60 minutes, and (ii) stepping up publicity to call upon swimmers to rinse their body before entering the water and not to urinate in the swimming pool; if so, of the details; if not, the reasons for that; and

(5) as there are views that some complexes are often full, resulting in deteriorating pool water quality and swimmers not being able to swim freely, whether LCSD has reviewed if the supply of swimming pools in the districts housing the three complexes with the highest attendances last year (i.e. Kwun Tong Swimming Pool, Kowloon Park Swimming Pool and Lai Chi Kok Park Swimming Pool) meets the standards stipulated in the Hong Kong Planning Standards and Guidelines (HKPSG); if LCSD has reviewed and the result is in the negative, of the details; whether the Government will, apart from making reference to HKPSG, take the attendance at the existing complexes as one of the considerations for supplying additional complexes?

Reply:

President,

The Government attaches great importance to the water quality of public and private swimming pools. Leisure and Cultural Services Department (LCSD) manages its public swimming pools while the Food and Environmental Hygiene Department (FEHD) licenses and regulates private swimming pools. My reply to various parts of the question is as follows:

(1) and (3) LCSD has drawn up parameters for monitoring the water quality of its public swimming pools by making reference to the Guidelines for Safe Recreational Water Environments Volume 2 issued by the World Health Organization (the Guidelines) and in accordance with the advice from the Department of Health. Such parameters include, among other things, the free residual chlorine, pH value, total bacteria count, E. coli, Vibrio cholerae and turbidity of pool water, etc. According to the Guidelines, neither urea content nor trihalomethanes content is one of the parameters to be monitored for pool water. The current parameters for monitoring the water quality of public swimming pools are providing appropriate protection for swimmers. LCSD will continue to closely monitor the quality of pool water in its swimming pools and conduct reviews whenever necessary.

Well-developed filtration and sterilisation systems are in place in the 44 public swimming pools under LCSD. Water of the swimming pools is continuously circulated, filtered and sterilised throughout the opening hours. To ensure that the hygiene of pool water is up to standard, apart from taking water samples for testing of residual chlorine levels and pH value on an hourly basis during opening hours, LCSD has also assigned accredited laboratories to conduct testing on the pool water of its swimming pools on a weekly basis to ascertain that the water quality is up to the relevant standard. Furthermore, to maintain proper functioning of the filtration and sterilisation systems of the swimming pools, the works departments concerned have been providing assistance to LCSD in facilitating proper maintenance of the swimming pools, including comprehensive inspection on the filtration system in the filtration plant during annual maintenance and timely replacement of equipment and spare parts. For example, the heavily patronised Kowloon Park Swimming Pool and Lai Chi Kok Park Swimming Pool had the chemical dosing system replaced and spare parts of the ozone generator replaced by phases in the past two years, as an effort to maintain the performance of the filtration system.

(2) FEHD licenses and regulates private swimming pools, including those operated by clubs, institutions, associations or other organisations and those serving 20 or more residential units, under the Swimming Pools Regulation (Cap 132CA).

In accordance with the Regulation, a licensee of a swimming pool shall, at all times during which the swimming pool is in use by swimmers, cause the water therein to be completely changed by circulation through a filtration system or by renewal from source. In the case of a covered pool, not less than once in every four hours; and in the case of an open air pool, not less than once in every six hours. In short, the Regulation requires water changing by circulating through a filtration system or by renewing from source to ensure that all water re-entering the swimming pool has been filtered or renewed from source.

With regard to the quality of water, the Regulation stipulates that the licensee of a swimming pool shall maintain the water quality of the swimming pool to a standard that E. coli is absent in pool water samples of 100 millilitre each and the total bacterial count does not exceed 200 bacteria per ml of pool water samples. Moreover, the licensee shall ensure that the water in the swimming pool complies with the standard of clarity (including the turbidity and colour of water) and the standard of pH value of not less than 7.0 and not more than 7.8 specified in the Regulation. FEHD will take water samples at swimming pools for examination regularly to ensure that the pool water complies with the quality standard sets out in the Regulation.

Licensed swimming pools generally open in summer seasons. The Regulation stipulates that the licensee of a swimming pool shall cause the pool to be emptied of water not less than once in every year and at such other times as the Director of Food and Environmental Hygiene may require. In addition to ensuring that the licensee will thoroughly cleanse the swimming pool, the requirement will also facilitate the licensee to carry out maintenance works.

As mentioned above, the existing provisions under the Regulation coupled with regular examination of swimming pool water by FEHD offer appropriate protection for swimmers in terms of the quality and purity of pool water in licensed swimming pool. FEHD will continue to closely monitor the quality and purity of the pool water in licensed swimming pool, including the standard of bacteriological quality and standard of clarity, and initiate review whenever necessary.

(4) Publicity efforts have all along been stepped up by LCSD through different channels, including publication of swimmers' handbook, display of posters and banners, departmental webpage, broadcasts of messages at swimming pools and announcements in the public interest, etc., to urge swimmers to observe personal hygiene, remind them not to pollute pool water and to go through a shower and visit the toilet before swimming, etc.

(5) The three most heavily patronised swimming complexes (i.e. Kwun Tong Swimming Pool, Kowloon Park Swimming Pool and Lai Chi Kok Park Swimming Pool) last year are located at Kwun Tong District, Yau Tsim Mong District and Sham Shui Po District respectively. The numbers of swimming complexes provided in these three districts meet or stand above the standard provision suggested in the Hong Kong Planning Standards and Guidelines (HKPSG).

When planning new sports facilities (including swimming complex) and improving the existing ones, apart from making reference to the standards set out in HKPSG, the Government will also take into consideration other relevant factors such as the current provision of sports facilities at the territory-wide and district levels, the policy objectives of sports promotion, utilisation rates/attendances of existing facilities, demographic changes, views of District Councils, site availability and technical feasibility, etc.

LCQ10: Operating arrangements for Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link

Following is a question by the Hon Tanya Chan and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (November 14):

Question:

The land needed for the operation of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) and the related interests have been vested in the Kowloon-Canton Railway Corporation (KCRC)

by the Government. KCRC has granted the MTR Corporation Limited (MTRCL) a concession to operate XRL under a supplemental agreement to the service concession agreement (SSCA). On August 23 this year, the Government submitted to the Panel on Transport of this Council a paper on the operating arrangements for XRL (the Paper), and MTRCL issued, on the same day, an announcement explaining the relevant arrangements (the Announcement). Details of the operating arrangements for XRL include: (i) the average daily patronage (patronage) forecast for XRL in 2018 is 80 100 (set out in Annex 2 to the Paper), (ii) the projected operating profit and operating margins of XRL based on the patronage forecasts in Annex 2 to the Paper are set out in Annex 5 to the Paper, (iii) SSCA has provided for a "Patronage Cap-and-Collar Mechanism", i.e. if the actual patronage deviates from the projected patronage by more than 15 per cent, MTRCL and KCRC will bear the risk or share the return according to a specified ratio, (iv) the total amount of Additional Concession Payments to be paid by MTRCL to KCRC over the ten-year concession period will be a net of \$2.7 billion, which comprises an amount of \$10.7 billion to be paid by MTRCL to KCRC, and an amount of around \$8 billion to be paid by KCRC to MTRCL, and (v) SSCA provides that the Additional Concession Payments will be paid in the form of "fixed annual payments" and "variable annual payments". In this connection, will the Government inform this Council:

(1) whether it knows the daily patronage of XRL since its commissioning on September 23 this year, with a tabular breakdown by whether the passengers were (i) Hong Kong residents, (ii) business visitors, and (iii) travelling northbound or southbound;

(2) whether the patronage forecasts adopted in SSCA (the former) are consistent with the patronage forecasts in Annex 2 to the Paper (the latter); if not,

(i) set out the former in a table of the same format as that in Annex 2 to the Paper; if such figures may not be disclosed, whether the patronage forecasts for 2018, 2021 and 2031 in SSCA are lower than the corresponding figures in Annex 2 to the Paper, as well as of a rough estimate of the extent of the difference between the two;

(ii) of the method for arriving at the former and the reasons for adopting such a method;

(iii) of the purpose and effect of setting out in Annex 2 to the Paper patronage forecasts which are different from those in SSCA;

(iv) of the relation between these two sets of figures;

(v) of the reasons why an account of the difference between the two was not given in the Paper; and

(vi) of XRL's projected operating profit and operating margins based on the former (set out in a table of the same format as that in Annex 5 to the Paper); if such figures may not be disclosed, whether XRL's projected operating profit and operating margins based on the former are lower than the

projected figures in Annex 5 to the Paper and whether they are positive figures, as well as of a rough estimate of the extent of the difference between the two;

(3) of the respective upper and lower limits under the Patronage Cap-and-Collar Mechanism as set out in SSCA; the respective numbers of days on which the patronage touched the upper or the lower limit during the first 30 days of operation of XRL; for how long the patronage touching the upper or the lower limit has last before MTRCL and KCRC will bear the risk or share the return according to the specified ratio;

(4) as it is mentioned in the Paper that MTRCL will pay KCRC \$10.7 billion, whether that amount is equivalent to the total "variable annual payments" to be paid by MTRCL to KCRC each year during the ten-year concession period, as calculated by the method set out in the Announcement; whether the method for arriving at that amount is based on the patronage forecasts in SSCA or the patronage forecasts in Annex 2 to the Paper; and

(5) as it is mentioned in the Paper that the total amount of Additional Concession Payments to be received by KCRC from MTRCL will be a net of about \$2.7 billion, whether that amount is equivalent to 90 per cent of the Discounted Net Cashflow of the XRL project; whether the method for arriving at the amount of around \$8 billion of "fixed annual payments" to be paid by KCRC to MTRCL is as follows: by deducting from the aforesaid \$10.7 billion an amount equivalent to 90 per cent of the Discounted Net Cashflow of the XRL project?

Reply:

President,

The Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) officially came into operation on September 23, 2018 and has been operating smoothly in general. The MTR Corporation Limited (MTRCL) as its operator will keep improving various operating arrangements (such as ticketing, station facilities and services). Meanwhile, passengers are also getting used to using XRL as a cross-boundary transport mode.

My reply to the various parts of the Hon Tanya Chan's question is as follows:

(1) Since the commissioning of the West Kowloon Station, the Hong Kong Section of the XRL has a total patronage of 1 985 937, comprising 954 172 outbound passengers and 1 031 765 inbound passengers as at October 31, 2018. During this period, the average daily patronage for the Hong Kong Section of the XRL was 50 921 and the highest patronage for a day (October 5, 2018) was 80 020. Hong Kong passengers accounted for about 30 per cent of the total patronage while those from the Mainland and other nationalities about 70 per cent. We will compile statistics on the types of passengers and purposes of travel (such as business or tourism) for the XRL as well as the patronage of other cross-boundary transport modes and announce in due course.

XRL is a brand new cross-boundary transport mode for Hong Kong. Passengers will need time to adapt to this new means of travelling. We cannot make a conclusive forecast on the long-term demand for XRL just on the basis of the patronage and the proportion of Hong Kong passengers for around the first six weeks after the commissioning of the Hong Kong Section of the XRL. We trust that patronage will increase progressively with increasing number of passengers enjoying the convenient services of XRL.

(2) The Government's earlier forecast of the average daily patronage at the initial commissioning stage (i.e. 2018) and 2021 of the Hong Kong Section of the XRL would be 80 100 and 95 000 respectively. Based on an established transport model, we have input the latest figures and considered the latest planning data and development of Hong Kong and the Mainland to forecast the daily patronage for the XRL. Since the XRL is a brand new cross-boundary transport mode, for the purpose of ensuring the financial stability of the operation of Hong Kong Section of the XRL, the Government, the Kowloon-Canton Railway Corporation (KCRC) and the MTRCL has adopted a more prudent daily patronage forecast for the Hong Kong Section of the XRL in the business case (including the Patronage Cap-and-Collar Mechanism) for the Supplemental Service Concession Agreement (SSCA) As the MTRCL is operating on commercial principles, it would not be appropriate to disclose the commercially-sensitive financial projection method and data in the SSCA. The Government had explained the matters in detail when announcing the operating arrangements for the Hong Kong Section of the XRL on August 23, 2018.

(3) Since the commissioning of the Hong Kong Section of the XRL, the patronage has never touched the lower limit under the Patronage Cap-and-Collar Mechanism as set out in SSCA. In other words, the KCRC does not need to pay any compensation to MTRCL. The said mechanism is calculated on the basis of a calendar year and will not be triggered by the patronage fluctuation of individual days.

(4) and (5) Our overall target is that the Hong Kong Section of the XRL should be financially healthy and stable over the ten-year concession period, so that it does not require subsidises from KCRC on the one hand, and enable the MTRCL as a listed company to obtain reasonable commercial return, on the other. The net revenue (i.e. additional concession payments) is calculated entirely according to the established mechanism under the Operating Agreement, viz. calculated by taking 90 per cent of the Discounted Net Cashflow of each year of the new project (i.e. the Hong Kong Section of the XRL) during the concession period. The MTRCL will only retain the remaining 10 per cent. In this regard, it is estimated that the KCRC will receive about \$10.7 billion of total concession payment (i.e. Variable Annual Payment) from the MTRCL over the ten-year period. This estimate is based on the patronage forecast as set out in SSCA. For accounting purpose, the KCRC has to pay a fixed amount of about \$8 billion to the MTRCL for meeting the expenses for the asset replacement of the Hong Kong Section of the XRL. According to the terms of SSCA, even if adopting the more prudent daily patronage forecast as set out in SSCA, the KCRC will still be able to receive a net revenue (i.e. additional concession payments) of \$2.7 billion over the ten-year period. The Hong Kong Section of the XRL will also see positive overall operating profit

(in terms of earnings before interest, taxes, depreciation and amortisation) and positive operating margin during the ten-year period.