

**Press release**

**LCQ6: HK Link**

Wednesday, January 30, 2013

Following is a question by the Hon Tang Ka-piu and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (January 30):

Question:

In May 2004, the Government issued the "Toll Revenue Bond" (the Bond) of a value of HK\$6 billion and established the Hong Kong Link 2004 Limited (HKL). After purchasing the Bond, HKL issued the related Retail Bonds and Notes. The net toll revenues generated by the five tolled tunnels and one bridge (i.e. the Aberdeen Tunnel, Cross Harbour Tunnel (CHT), Lion Rock Tunnel, Shing Mun Tunnels, Tseung Kwan O Tunnel and Lantau Link) owned by the Government (tolled tunnels and bridge) are to be used for repayment of the principal and payment of interests on the Bond purchased by HKL, which in turn makes principal repayments and interest payments on the Retail Bonds and Notes for the tolled tunnels and bridge. Regarding the operation of HKL and the toll fees of the aforesaid tolled tunnels and bridge, will the Government inform this Council:

(a) of the distribution of the major revenues, the net amounts of such revenues, the net amount of the total revenue, and the year-on-year percentage changes of such revenues of HKL, in each of the past five financial years;

(b) of the year-on-year percentage changes of the toll fees of the aforesaid tolled tunnels and bridge, and the mechanisms for adjustment of such toll fees, in the past five financial years;

(c) of the principal repayments and interest payments for the Bond made by the Government to HKL in each of the past five financial years; the position of Government's repayment to HKL on the Bond as at December 2012 (with details of the bond maturity dates, the total amount of principal repaid so far, as well as the total amount of interest paid);

(d) as the authorities have plans to increase the toll fees of CHT and provide subsidies for the operator of the Eastern Harbour Crossing (EHC) so as to lower the toll fees of EHC, with a view to diverting traffic and bringing about overall social and economic

benefits, whether the Government has assessed the impact of such measure on the traffic volume and income of CHT; if it has, of the details; and

(e) given that there have been comments that the toll fees of the Lantau Link are too high, resulting in high public transport costs, stifling the economic development of districts and affecting people's livelihood, whether the Government has assessed the impacts of the present toll fees of the aforesaid tolled tunnels and bridge on transport, economic development and people's livelihood; if it has, of the details; if not, whether it will do so and consider lowering the toll fees of the Lantau Link?

Reply:

President,

(a) In 2004, the Government launched the HK\$6 billion securitisation of net toll revenues from its tolled tunnels and bridges, and for this purpose established Hong Kong Link 2004 Limited (HK Link), which is wholly owned by the Financial Secretary Incorporated, as the issuer. The principal activities of HK Link are to acquire the Toll Revenue Bond from the Government and to issue retail bonds and notes to retail investors and institutional investors respectively. HK Link's major source of income is interest, which includes interest of the Toll Revenue Bond and bank interest etc. In each of the past five financial years, HK Link's net interest income, the net amount of the total revenue and the associated year-on-year percentage changes are set out in Annex.

(b) There has not been any adjustment to the tolls of the Aberdeen Tunnel, Cross Harbour Tunnel (CHT), Lion Rock Tunnel, Shing Mun Tunnels, Tseung Kwan O Tunnel and Lantau Link in the past five financial years.

As for the toll adjustment mechanism, the tolls of the Government tolled tunnels and roads are determined based on the "user-pays" principle, which aims to recover the full cost of providing, operating and maintaining the tunnels and roads. The Government will review their toll levels each year, taking into account the impact of the tolls on the traffic flow and the economy. If adjustment is considered necessary after the review, the Government will consult the Legislative Council Panel on Transport and effect the adjustment by way of amending the tunnel tolls and control area tolls prescribed in the Schedule to the relevant legislation.

(c) In respect of the principal repayments and interest payments for the Toll Revenue

Bond made by the Government to HK Link, the position in each of the past five financial years is set out in Annex.

The Government had fully repaid the HK\$6 billion worth Toll Revenue Bond by February 2010. The total amount of interest paid is HK\$819 million.

(d) The Chief Executive announced in his Policy Address on January 16, 2013 that the Administration would conduct public consultation on specific proposals to alleviate congestion at the harbour crossings in the first half of this year. In order to effectively improve the traffic distribution among the three road harbour crossings, it is necessary to increase the relatively low tolls of CHT and at the same time reduce the tolls of the Eastern Harbour Crossing (EHC), so as to provide incentive for motorists to switch from using CHT to EHC, to achieve traffic diversion and ease congestion at CHT. The Government will explain to the public during the public consultation exercise the impact of the fee adjustment proposals on the traffic flows of CHT and their revenue.

(e) As mentioned in part (b) of the reply, the tolls of the Government tolled tunnels and roads are determined based on the "user-pays" principle, which aims to recover the full cost of providing, operating and maintaining the tunnels and roads. The Government will review their toll levels each year, taking into account the impact of the tolls on the traffic flow and the economy. If adjustment is considered necessary after the review, the Government will consult the Legislative Council Panel on Transport before implementation.

No toll adjustment has been made to the Lantau Link since it came into operation in 1997. The Government will continue to review the tolls of the Lantau Link in accordance with the existing mechanism.

Ends