

LCQ6: Tolls of road tunnels and control areas

Following is a question by the Hon Chan Hak-kan and a reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (June 5):

Question:

Some members of the public have relayed to me that as the existing tolls of the various road tunnels and bridges vary, residents in some districts need to bear higher transport fares. In this connection, will the Government inform this Council:

- (1) of the considerations based on which the Government determines whether and at what levels road tunnels and bridges should be tolled; whether construction cost is one of the considerations;
- (2) of the operating revenues and expenditures respectively of the government tolled tunnels and the Lantau Link in each of the past five years; and
- (3) whether it will comprehensively review the toll levels of the government tolled tunnels and the Lantau Link, and consider adjusting downward or dispensing with the tolls; if so, of the details; if not, the reasons for that?

Reply:

(Acting) President,

Currently, there are a total of 16 road tunnels and two Control Areas (namely the Tsing Ma Control Area (TMCA) and Tsing Sha Control Area (TSCA) in Hong Kong. Of the road tunnels, 13 are government tunnels, two are "Build, Operate and Transfer" tunnels, namely the Western Harbour Crossing and Tai Lam Tunnel, and one is a private tunnel, namely the Discovery Bay Tunnel.

Among the government tunnels, seven of them are tolled tunnels, including the Cross-Harbour Tunnel, Eastern Harbour Crossing, Aberdeen Tunnel, Lion Rock Tunnel, Shing Mun Tunnels, Tseung Kwan O Tunnel and Tate's Cairn Tunnel. Tolls are also collected at certain road sections within the two Control Areas, namely the Lantau Link in TMCA and the Eagle's Nest Tunnel, Sha Tin Heights Tunnel and Tai Wai Tunnel in TSCA. All the above-mentioned tolls were effected through legislation.

As for toll-free government tunnels, there are a total of six, including the Kai Tak Tunnel which was commissioned back in 1982 and five recently commissioned, namely the Scenic Hill Tunnel and Airport Tunnel leading to the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge which were commissioned

in October 2018; the Central-Wan Chai Bypass Tunnel commissioned in January 2019; as well as the Lung Shan Tunnel and Cheung Shan Tunnel leading to the Liantang/Heung Yuen Wai Boundary Control Point which were commissioned last month.

Our consolidated reply to the various parts of the Hon Chan Hak-kan's question is as follows:

Tolls collected account for the majority of the operating revenues of the government tolled tunnels and the tolled sections within the two Control Areas. The Government also explores and implements feasible measures to generate additional revenues, such as erecting advertisement panels at suitable locations of the tunnels and Control Areas so as to bring about advertising income, without compromising road safety.

Operating expenditures involve mainly the contract fees paid by the Transport Department (TD) to operators responsible for the management, operation and maintenance of the tunnels and Control Areas. For government-built tunnels and tolled sections in the Control Areas, their respective operating expenditures also include the depreciation charges of the construction costs and the depreciation costs of major system replacement works. In addition to the tunnel operators' systematic check-ups and routine upkeep for the tunnels, TD also replaces major systems of the tunnels and tolled sections of the Control Areas in a timely manner after consulting the Electrical and Mechanical Services Department, in order to ensure the safe, reliable and effective operation of the tunnels and Control Areas.

The operating revenues and expenditures of the government tolled tunnels and the tolled sections within the two Control Areas from 2013-14 to 2017-18 are at Annex. Since the revenue and expenditure figures for 2018-19 are being compiled, we are unable to provide the relevant information for the time being.

In determining whether and at what levels the above-mentioned road tunnels and Control Areas should be tolled, the Government has mainly adopted the "cost-recovery" and "user-pays" principles and has taken into account a host of factors, including traffic management, costs (including the capital ones) of provision of the relevant tunnels and roads, the toll levels of alternative routes, public affordability and acceptability, etc.

To encourage more efficient use of road space so as to alleviate road traffic congestion, the Government is planning to re-examine the directions and guiding principles applicable to the determination of the toll levels of all government tolled tunnels and Control Areas. As stated in the Chief Executive's 2018 Policy Address, we propose to adopt the concept of "Congestion Charging" and the principle of "Efficiency First" in determining the levels of tolls for different types of vehicles using tolled tunnels as well as the TMCA and TSCA so as to utilise more effectively the limited road space.

The concept of "Congestion Charging" refers to the charging of different

tolls according to the degree of traffic congestion of the tolled tunnels, TMCA and TSCA during different time periods, with a view to changing the travel patterns of users of the tunnels and Control Areas by rendering some private car drivers to switch to public transport modes or refrain from using the tunnels and road sections concerned during peak periods. As regards the principle of "Efficiency First", it refers to enabling efficient people carriers such as franchised buses, and vehicles that support economic activities such as goods vehicles, to enjoy concessionary tolls, while imposing higher tolls on vehicle types with low carrying capacity, such as private cars.

In this connection, TD will commence the Study on "Congestion Charging" in mid-2019 to examine the hierarchy and levels of tolls of all government tolled tunnels, the TMCA, the TSCA, as well as the Western Harbour Crossing and Tai Lam Tunnel which will be taken over by the Government upon franchise expiry in August 2023 and May 2025 respectively. To put the concept of "Congestion Charging" and the principle of "Efficiency First" into practice, the Study will also examine the scope for charging different tolls during different time periods. The Government's current thinking is to set the toll levels of the tolled tunnels, TMCA and TSCA primarily having regard to traffic management consideration, while also taking into account a host of other relevant factors such as the operating costs of the tunnels, public affordability and acceptability, etc. TD plans to consult relevant stakeholders, including the Legislative Council Panel on Transport, the Transport Advisory Committee and the transport trades, on the toll plans and toll adjustment mechanism recommended by the Study in 2021.

LCQ8: Transient increase in demand for Primary One places

Following is a question by the Hon Ip Kin-yuen and a written reply by the Secretary for Education, Mr Kevin Yeung, in the Legislative Council today (June 5):

Question:

The Education Bureau (EDB) advised in 2013 that the overall demand for Primary One (P1) places was expected to increase temporarily and substantially and to peak in the 2018-2019 school year. To cope with a transient increase in demand for P1 places, the EDB has, in recent years, adopted a number of measures under the Primary One Admission System, including borrowing P1 places among school nets, making use of vacant classrooms, constructing temporary classrooms, deploying vacant school premises, temporarily allocating more students to each P1 class and operating time-limited primary schools. In this connection, will the Government inform

this Council:

(1) of the respective justifications and criteria for adopting the aforesaid measures, and the priorities accorded to the adoption of the various measures;

(2) of the following details of each of the three school nets in the Sha Tin district in each of the past three school years:

(i) the population of school-aged P1 children, the numbers of P1 places and P1 students in schools of each funding mode, as well as the number of places borrowed from/lent to other school nets (set out by school net number);

(ii) in respect of the standard classrooms in primary school premises, the total number that were vacant, and the overall usage rate;

(iii) the number of primary schools which completed works to extend or convert standard classrooms on the EDB's requests; the costs incurred by each school for the relevant works; the time generally taken for the relevant works to complete; the number and the average usage rate of the new classrooms, as well as the number of places that could be/were actually provided; the number of new classrooms which were used, on average daily, for less than half of the lesson time in a day; the number of new classrooms that had/had not been used as additional P1 classrooms; and

(iv) the details of temporary allocation of more students to primary schools which had/had not implemented small class teaching respectively; the number of primary schools in respect of which the number of P1 classes was cut even after they had been allocated more students temporarily, and set out by name of schools the number of classes cut and the reasons for that; and

(3) as it is learnt that there have all along been vacant classrooms in some schools (including those which have completed works to extend or convert standard classrooms) in the three school nets in the Sha Tin district, whether the EDB, in the past three years, accorded priority to using such classrooms to cope with the transient demand for P1 places in the district; if so, of the details; if not, the reasons for that, and whether it will consider doing so in future?

Reply:

President,

The Education Bureau (EDB) had projected back in 2013 that the overall demand for Primary 1 (P1) places would increase temporarily to the peak in the 2018/19 school year, drop significantly in the 2019/20 school year and then progress to a stable level. To meet the transient increase in demand for P1 places, the EDB and the sector have been maintaining close liaison in the past years and have reached a consensus on the related follow-up measures. In this regard, it was agreed that construction of new schools to meet the transient demand for P1 places should be avoided as far as possible to lessen the impact on the stable development of primary schools when the demand for

school places subsidies. Premising on the sustainable development of existing schools, flexible arrangements to cope with the transient increase in demand for school places, including borrowing school places from other school nets and making use of vacant classrooms, converting other rooms into temporary classrooms and/or constructing temporary classrooms, deploying vacant school premises and temporarily allocating more students to each P1 class (i.e. "temporarily allocating more students"), etc. will be adopted when necessary.

Our reply to the question raised by the Hon Ip Kin-yuen is as follows:

(1) and (3) As mentioned above, to meet the transient increase in the demand for P1 places, the EDB has adopted flexible arrangements to increase the provision of P1 places in individual school nets when necessary. In general, the EDB will, as far as possible, first make use of vacant classrooms in the school net and borrow school places from neighbouring school nets to meet the demand of individual school nets with insufficient school places. In addition, based on the projected demand, the EDB will prudently consider deploying vacant school premises (if any) and explore proactively with individual schools in the respective school nets the feasibility of converting other rooms and/or constructing temporary classrooms in individual schools for operating additional P1 classes. "Temporarily allocating more students" will be implemented as a measure out of absolute necessity (especially when the classrooms in the school nets and neighbouring school nets are nearly fully utilised) and additional resources (Note 1) will be provided to the eligible schools concerned to ensure teaching effectiveness. Stakeholders may have different concerns about the flexible arrangements adopted. On the premise of ensuring the provision of sufficient public sector school places for all eligible applicant children participating in Primary One Admission (POA), the EDB and schools in the districts/school nets concerned will maintain close liaison on the flexible arrangements to be adopted with a view to achieving synergy of different flexible measures and balancing the views and concerns of different stakeholders. From POA 2016 to POA 2018, we followed the afore-mentioned mechanism and arrangements to determine the need to make use of the vacant classrooms in individual districts/school nets (including the three school nets in Sha Tin district) to operate additional P1 classes. However, the actual number of P1 classes approved for and operated by a school is determined according to the actual demand and the number of students.

(2) (i) The POA System is divided into two stages: the Discretionary Places Admission stage and the Central Allocation (CA) stage. The CA stage comprises two parts, namely unrestricted school choices and restricted school choices. For applicant children residing in Hong Kong, their school nets are determined by their residential addresses. The P1 school nets are only applicable to the restricted school choices at the CA stage under POA and provide a basis for the respective allocation of school places. According to the existing arrangements, the provision of public sector primary school places is planned on a district basis. Statistics on the number of school places and students have all along been collected on a district basis and a breakdown of the relevant figures by school net is not readily available. The

total number of P1 places and students in Sha Tin district by school type from the 2016/17 to 2018/19 school years is tabulated at Annex 1.

Under POA, the supply and demand of P1 places in individual school nets may vary across years. Borrowing places from school nets that have surplus places in order to provide sufficient school places for parents' selection is a long-established arrangement which proves to be effective. When borrowing school places, the EDB will follow the established mechanism, which includes thoroughly considering the situation of the schools in the school nets concerned, the locations of the schools and the transportation available to facilitate students travelling to and from the schools as far as possible, etc. The provisional number of CA places offered by schools, including those offered by schools in other school nets, is set out in the Choice of Schools List for CA in each POA cycle for parents' reference. The actual number of school places borrowed from the districts/school nets concerned is affected by various factors, including the unrestricted school choices made by parents during the CA stage. Relevant statistics on individual school nets are not readily available.

(ii) There are 11, 11 and 17 public sector primary schools in School Nets 88, 89 and 91 of Sha Tin district respectively in the 2018/19 school year. The number of vacant classrooms in the public sector primary schools in Sha Tin district from the 2016/17 to 2018/19 school years is tabulated below:

Number of vacant classrooms			
School year	School Net 88	School Net 89	School Net 91
2016/17	12	27	7
2017/18	4	6	4
2018/19	2	4	19 (Note 2)

Note 2: The figure includes 15 vacant classrooms of a new school which has started operating in advance in a vacant school premises since the 2018/19 school year.

The overall usage rate of classrooms in the public sector primary schools in Sha Tin district from the 2016/17 to 2018/19 school years is tabulated below:

Overall usage rate of classrooms			
School year	School Net 88	School Net 89	School Net 91
2016/17	95.7%	91.0%	98.3%
2017/18	98.6%	98.0%	99.0%
2018/19	99.3%	98.7%	95.7% (Note 3)

Note 3: The figure includes all classrooms of a new school which has started operating in advance in a vacant school premises since the 2018/19 school year.

(iii) A total of 19 schools in School Nets 88, 89 and 91 of Sha Tin district obtained the EDB's approval for converting/constructing 30 temporary classrooms in total in the 2017/18 and 2018/19 school years for operating additional P1 classes according to the actual demand in CA. The duration and cost of works varied depending on the scope of the conversion/construction works of individual schools and its complexity. In the two respective POA cycles, seven and 23 temporary classrooms built were deployed respectively to provide P1 places (about 1 000 places in total) to meet the projected demand. In the 2016/17 school year, the EDB had not converted/constructed any temporary classrooms in schools of the above school nets for operating additional P1 classes. Relevant statistics on the average usage rate of the new classrooms in question and the number of these classrooms which were used, on average daily, for less than half of the lesson time in a day are not available.

(iv) In the 2016/17 school year, the arrangements of "temporarily allocating more students" were not adopted in the schools of Sha Tin district. Adoption of the arrangements in School Nets 88, 89 and 91 of Sha Tin district under POA 2017 and POA 2018 is tabulated in Annex 2. The arrangements of "temporarily allocating more students" are adopted according to the above-mentioned mechanism, i.e. when the demand cannot be fully met after all the available vacant classrooms for operating additional P1 classes have been deployed in the relevant POA cycle, to ensure sufficient provision of public sector school places to all eligible applicant children participating in POA. However, the actual number of P1 classes approved for and operated by a school and whether the relevant vacant classroom(s) will be eventually used is determined according to the actual demand and the number of students.

Every year, after the release of allocation results, some students may apply to other schools due to different reasons. The actual number of P1 classes of all public sector primary schools is determined according to the established criteria and the actual number of students. The EDB will verify the actual number of students studying in schools in September every year to confirm the number of P1 classes operated by the schools. From the 2016/17 to 2018/19 school years, only one of the schools in School Nets 88, 89 and 91 of Sha Tin district was required to reduce one P1 class after the headcount in September in the 2018/19 school year.

Note 1: The additional resources include: when eligible schools are required to be temporarily allocated with more students, up to 30 per P1 class, based on the prevailing arrangements for schools maintaining 30 students allocated to each P1 class, they will be provided with a time-limited additional Assistant Primary School Master/Mistress post. The details are set out in the EDB Circular No. 19/2008. From the 2013/14 school year onward, when the number of students allocated to each P1 class exceeds 30, the EDB will provide the schools concerned with additional funding for each additional student starting from the 31st student in each P1 class according to the headcount in September. The current rate of the additional funding is \$46,124. The EDB has, starting from the 2015/16 school year, provided schools implementing small class teaching (SCT) with the Additional Supplementary Learning Grant (ASLG) when they are temporarily allocated with more students

per P1 class, for a period of six school years until the cohort of P1 students has completed the six-year primary education in the school. The ASLG will be provided from the 26th student up to the cap (i.e. the number of students allocated to each class or 30 students, whichever is smaller, in the year concerned (in which "temporarily allocating more students" is adopted)). The current rate of the funding for each additional school place is \$14,322. According to the result of the headcount in September, the EDB will provide the ASLG when the average number of students per P1 classes of the school is 28 or above and capped at the number of students allocated upon "temporarily allocating more students".

LCQ3: Government's efforts in explaining Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019

Following is a question by the Dr Hon Fernando Cheung and a reply by the Secretary for Security, Mr John Lee, in the Legislative Council today (June 5):

Question:

On the 15th of last month, the Director of the Hong Kong and Macao Affairs Office (HKMAO) of the State Council said that the work of the Special Administrative Region (SAR) Government on amending "two pieces" of ordinances regarding the transfer of fugitive offenders was necessary, appropriate, reasonable and lawful, and the worries about it were unwarranted. On the 17th of last month, the Director of the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region (the Liaison Office) met with dozens of Hong Kong deputies to the National People's Congress and Hong Kong members of the National Committee of the Chinese People's Political Consultative Conference, notifying them that the Central Authorities supported the SAR Government's effort to amend the ordinances in accordance with the law, and requesting them to support the SAR Government in accomplishing its work on amending the ordinances. On the 21st of last month, a Vice-Premier of the State Council said that the SAR Government's amending the ordinances was constitutional and a manifestation of the rule of law, and that the Central Authorities fully supported the work of amending the ordinances. On the same day, the Chief Executive (CE) said that both HKMAO and the Liaison Office had expressed their stances on amending the ordinances because external forces were intervening, and the issues concerning the

amendment of the ordinances had been elevated to the level of "one country, two systems". In this connection, will the Government inform this Council:

(1) whether the expression of views by the foreign governments in respect of the personal safety of their nationals in Hong Kong is tantamount to an intervention by external forces referred to by CE; if so, of the justifications for that, and whether it has assessed if CE's remarks have seriously undermined the status of Hong Kong as an international financial centre; if it has assessed and the outcome is in the affirmative, of the remedial measures; if the assessment outcome is in the negative, the justifications for that;

(2) of the details of the Government's efforts in explaining the amendment of the ordinances to representatives of foreign chambers of commerce and foreign government officials and listening to their views (including the number and dates of meetings, as well as the names of the chambers of commerce and the post titles of the foreign government officials); if the targets to which the explanations were given did not include foreign government officials, of the reasons for that; and

(3) as Article 22 of the Basic Law provides that "[n]o department of the Central People's Government and no province, autonomous region, or municipality directly under the Central Government may interfere in the affairs which the Hong Kong Special Administrative Region administers on its own in accordance with this Law...", whether it has assessed if Mainland officials' expression of the aforesaid stances constituted a violation of the provision; if it has assessed and the outcome is in the affirmative, how the Government will pursue the matter; if the assessment outcome is in the negative, of the justifications for that?

Reply:

President,

Surrender of fugitive offenders (SF0) is an international consensus to co-operate on combating organised and cross-boundary crimes. The existing Fugitive Offenders Ordinance (FOO) (Cap 503) has drawn reference from the United Nation's Model Treaty on Extradition and is in line with the common international practice. It has in place adequate human rights and legal procedural safeguards, which balance the needs to apprehend fugitive offenders and protect human rights. The subject persons have the right to appeal, apply for habeas corpus and appeal to the Court of Final Appeal; and can also apply for a judicial review of any decision and procedure and appeal to the Court of Final Appeal.

The Hong Kong Special Administrative Region (HKSAR) Government proposes to amend the FOO and the Mutual Legal Assistance in Criminal Matters Ordinance (MLAO) (Cap 525), and the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 (the Bill) was submitted to the Legislative Council (LegCo) on April 3, 2019. The objectives are to form a legal basis on which the HKSAR Government can make

necessary preparation for bringing the suspect of the Taiwan homicide case happened in early 2018 to face due legal sanction; and, at the same time, to plug the loopholes in the existing regimes of SFO and mutual legal assistance in criminal matters, including the geographical restrictions and some impractical operational procedures therein.

My consolidated reply to the three parts of Dr Hon Fernando Cheung's question is as follows:

Some jurisdictions in the international community have expressed concerns over the amendment of FOO by the HKSAR Government. We realise that more explanations of the Bill will help people better understand its provisions, objectives and safeguards. The Bill targets fugitive offenders of serious crimes, definitely not ordinary people who are law-abiding. The case-based surrender proposed by the Bill helps to ensure that offenders of serious crimes punishable with imprisonment for seven years or more cannot elude liability by taking advantage of a legal vacuum while protecting the safety of the general public and the community. The legislative amendments proposed, if passed, will protect the whole society (including business activities) from the threat of offenders. It also had positive effect on and is necessary for the performance of international obligation in maintaining public security and combating serious crimes.

Some places which have entered into a long-term SFO agreement with Hong Kong expressed concerns about whether amending FOO would affect the current long-term agreement. I would like to point out clearly that the proposed amendments will not affect the existing long-term SFO arrangements already in place between Hong Kong and other jurisdictions, nor will it affect the long-term arrangements to be signed between Hong Kong and other jurisdictions in the future. Case-based surrender arrangements only apply to jurisdictions which have not entered into a long-term SFO agreement with Hong Kong. Case-based surrender is only a supplementary measure before long-term co-operation arrangements come into effect and will be adopted only when an applicable long-term agreement is not available. Entering into long-term agreements with other jurisdictions remains our major and principal policy objective. Jurisdictions with a long-term agreement will not and cannot make any case-based surrender arrangements.

The HKSAR Government attaches importance to the views of all social sectors. In respect of the public, since consulting with the LegCo Panel on Security on February 15, the Government team comprising different Principal Officials has kept explaining the proposed legislative amendments to various sectors and listening to their views, and elaborated on the proposal to the public many times through different means. Without stopping their efforts, the Principal Officials met with different sectors and local communities on numerous occasions to have face-to-face dialogues and exchanges. In respect of organisations, the Government has also worked hard on providing extensive explanations.

As at end-May, the Security Bureau and other policy bureaux of the HKSAR Government have met with more than 50 organisations regarding the proposed

legislative amendments. In March, the Secretary for Security had a meeting with the European Union Office to Hong Kong and Macao and the related Consuls-General or their representatives at the Central Government Offices for the purpose of briefing and explaining on the aim and contents of the Bill. In March and April, meetings were held with Consuls-General of some countries with a long-term agreement in place for the same purpose. During the meetings, the Secretary for Security stressed that the Bill would not affect long-term agreements already signed and to be signed, and that case-based surrender would not be applicable to jurisdictions with a long-term agreement. The Bill sought only the removal of the geographical restrictions for case-based surrender and the activation of surrender by a certificate issued by the Chief Executive (CE), while fully maintaining the legal regime, court procedures and human rights safeguards. Additional limitations might also be imposed. Furthermore, the Government team attended meetings of the LegCo Panel on Security for a total of 20 hours on five consecutive days in the recent week to discuss the policy objective and contents of the Bill and respond to Members' questions, so that the Government team could explain more about the Bill's contents.

Regarding the remarks made by the Central Government on the amendments to F00 and MLA0, as pointed out by CE earlier, the HKSAR Government has assumed the leading role in and been responsible for taking forward the legislative amendments all along. Under the provisions of the Basic Law, CE, being the head of the HKSAR, is accountable to the Central People's Government and the HKSAR. CE has reflected the concerns of Hong Kong's society on the legislative amendments to the Central Authorities. Regarding the need to take further measures to allay public concerns, the Central Authorities have expressed understanding and respect and support the HKSAR Government's various Mainland-related measures for enhancing protection, hoping that the HKSAR Government's consolidated response can promote rational discussions in the local community and ease worries. Besides, there have been many views in society about the Central Authorities and the HKSAR as well as "one country, two systems". The Basic Law is the law for implementing "one country, two systems". As such, it is fairly normal for the Central Government to speak on the legislative amendments.

Thank you, President.

Effective Exchange Rate Index

The effective exchange rate index for the Hong Kong dollar on Wednesday, June 5, 2019 is 105.2 (same as yesterday's index).

LCQ16: Monitoring financial situation of airlines

Following is a question by the Hon Kenneth Leung and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (June 5):

Question:

It is learnt that since December last year, there has been a spate of personnel changes to the board of directors of and financial difficulties encountered by the Hong Kong Airlines Limited (HKA). Since then, the Air Transport Licensing Authority (ATLA) has requested, on several occasions and under the law, HKA to give an account of the situation and report the progress in a timely manner. In this connection, will the Government inform this Council:

(1) as ATLA has requested HKA, on a number of occasions, to give an account of its financial situation and submit a specific plan for improving its financial situation in the short run, whether it knows if ATLA will make public HKA's replies; if ATLA will not, whether ATLA can disclose the causes for the financial difficulties encountered by HKA, as well as the specific solutions;

(2) whether it knows, on each occasion after HKA had given an account, the mechanism based on which ATLA determined if there was a need to take further actions; and

(3) as it is reported that recently, some management staff members of HKA have resigned, and an accounting firm which served as its auditor has also resigned, whether it knows if ATLA (i) has assessed whether those incidents will affect the operations of HKA, its passengers and flight services, and (ii) will request HKA to give an account to ATLA in this regard?

Reply:

President,

The Air Transport Licensing Authority (ATLA) is an independent statutory body set up under the Air Transport (Licensing of Air Services) Regulations (Cap. 448 Subsidiary Legislation A) (the Regulations). ATLA is responsible for considering licence applications to operate scheduled air services, and at the same time monitors and reviews the financial situation of licence holders (viz. airlines) on a continuous basis.

Our reply to the various parts of the Hon Kenneth Leung's question is as follows:

(1) As stated in ATLA's press releases issued in the past with regard to the financial situation of the Hong Kong Airlines Limited (HKA), ATLA is highly

concerned about the financial situation of HKA. In accordance with the Regulations, ATLA requested HKA to submit a concrete plan for improving its financial situation shortly and, in light of the latest developments, continues to request for clarifications and supplementary information from HKA for ATLA's review. ATLA will take appropriate actions as and when necessary in accordance with the Regulations, and will make public the particulars of its decisions as appropriate pursuant to the Regulations.

As the financial information submitted to ATLA by HKA is subject to the confidentiality requirement under regulation 28(2) of the Regulations, ATLA is unable to disclose the details in this regard. According to information that HKA has announced to the public, the airline is making adjustments to its business strategy, and is implementing a series of changes to its fleet and operation in order to cope with the changes in the market and operating environment. These include scaling down its long-haul flight services to and from North America during certain periods, deferring the introduction of Airbus A350 and A330 planes, offering its pilots with opportunities of transferring to other airlines, and launching a voluntary separation scheme.

(2) According to the Regulations, if the holder of a licence is a body corporate, it must provide its annual audited financial statements for scrutiny by ATLA. If necessary, ATLA may, under regulation 15D of the Regulations, at any time require the holder of a licence to provide other relevant information for ATLA to assess its financial situation in detail.

Regulation 15E of the Regulations stipulates that on an assessment of the financial situation of the holder of a licence under regulation 15D, if ATLA is no longer satisfied that the holder of a licence concerned is able to meet at any time its actual and potential obligations for a period of 12 months beginning on the date of the assessment; or insolvency or similar proceedings are commenced against the holder; or the holder is wound up voluntarily, ATLA may suspend or revoke the licence, attach any new conditions to the licence, or vary any existing conditions of the licence.

ATLA will consider the actual circumstances of individual cases and make appropriate decisions in respect of the licences issued by ATLA in accordance with the Regulations.

(3) As understood, ATLA is aware of the recent key changes in HKA's management team. HKA has provided written assurance to ATLA that its daily operation has not been and will not be affected by the changes in its management team. ATLA has also been following up on the annual audited financial statements that HKA is required to submit under the Regulations and relevant matters. ATLA has been and will continue monitoring the situation of HKA closely in accordance with the Regulations.