

LCQ17: Financial returns on government assets

Following is a question by Dr the Hon Kennedy Wong and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (January 17):

Question:

Regarding the financial returns on government assets, will the Government inform this Council:

(1) of the amount of net earnings and the rate of return on average net fixed asset of the following government assets or items which are non-trading funds in each of the past five years (set out in a table):

- (i) approximately 75 per cent shareholding of MTR Corporation Limited;
- (ii) West Rail Property Development Limited;
- (iii) Airport Authority Hong Kong;
- (iv) all government toll-tunnels and bridges, including:
 - (a) Cross-Harbour Tunnel;
 - (b) Eastern Harbour Crossing;
 - (c) Western Harbour Crossing;
 - (d) Tate's Cairn Tunnel;
 - (e) Aberdeen Tunnel;
 - (f) Lion Rock Tunnel;
 - (g) Shing Mun Tunnels;
 - (h) Tseung Kwan O Tunnel;
 - (i) Route 8K;
 - (j) Lantau Link (including Tsing Ma Bridge); and
 - (k) Hong Kong-Zhuhai-Macao Bridge Hong Kong Section;
- (v) the Hong Kong-Macau Ferry Terminal in Sheung Wan and the China Ferry Terminal in Tsim Sha Tsui;
- (vi) Waterworks;
- (vii) Sewage Services;
- (viii) Government buildings (including car park rentals/disposal proceeds);
- (ix) Hongkong International Theme Parks Limited;
- (x) Hong Kong Cyberport Development Holdings Limited;
- (xi) Hong Kong Science and Technology Parks Corporation;
- (xii) Hong Kong IEC Limited; and
- (xiii) Urban Renewal Authority;

(2) of the target rate of return on fixed assets of the following trading funds and the amount of related income in each of the past five years (set out in a table):

- (i) Companies Registry Trading Fund;
- (ii) Electrical and Mechanical Services Trading Fund;

- (iii) Land Registry Trading Fund;
- (iv) Office of the Communications Authority Trading Fund; and
- (v) Post Office Trading Fund; and

(3) how the Government handles the financial returns generated by government assets mentioned in (1) and (2)?

Reply:

President,

Our reply to the question raised by Dr the Hon Kennedy Wong is as follows:

(1) In the past five years, the amount of net earnings or cash dividends received from the following government assets or items are set out as follows:

Item	Net earnings or cash dividends received by the Government (\$ million)				
	2018-19	2019-20	2020-21	2021-22	2022-23
(i) MTR Corporation Limited	0 (Note 1)	5,561.0	5,700.0	5,700.0	6,673.2
(ii) West Rail Property Development Limited	8,000.0	0	0	0	0
(iv) Tunnels and bridges (Note 2)	2,568.3	2,208.7	1,943.3	2,043.9	1,989.2
(v) Marine ferry terminals (Note 3)	190.2	103.9	1.3	0.3	1.7
(vi) Waterworks (Note 4)	2,749.9	2,484.2	2,401.8	2,221.3	2,208.3
(vii) Sewage service (Note 5)	1,500.0	1,317.7	1,093.1	978.1	992.0
(viii) Government properties (Note 6)	1,943.0	1,371.8	477.5	464.3	646.8

The Government did not receive any cash dividend in the past five years from items (iii) Airport Authority Hong Kong (Note 7), (ix) Hong Kong International Theme Parks Limited, (x) Hong Kong Cyberport Development Holdings Limited, (xi) Hong Kong Science and Technology Parks Corporation, and (xii) Hong Kong IEC Limited (Note 8) as mentioned in the question.

As for item (xiii), the Urban Renewal Authority (URA) was established in May 2001 under the Urban Renewal Authority Ordinance as the statutory body to undertake, encourage, promote and facilitate urban renewal of Hong Kong, with a view to addressing the problem of urban decay and improving the living conditions of residents in old districts. The URA does not have a shareholding structure and does not declare dividends to the Government.

Besides, as revealed in the operating accounts in respect of government utilities over the past five years, the rate of return on average net fixed assets (ANFA) are set out as follows:

Item	Rate of return on ANFA				
	2018-19	2019-20	2020-21	2021-22	2022-23
(iv) Government toll tunnels and bridges (Note 9)	2.4%	1.8%	0.6%	0.8%	-0.3%
(v) Marine ferry terminals	-1.5%	-23.3%	-46.3%	-41.5%	-43.4%
(vi) Waterworks	-2.7%	-2.6%	-2.7%	-2.9%	-3.2%

Note: as mentioned above, the continued impact of COVID-19 on economic activities together with concession measures on some charges have impacts on the rates of return on ANFA.

Since the introduction of the sewage services charging scheme in 1995, the sewage charge and trade effluent surcharges have been set based on only the operating cost of sewage services but not the capital cost. As such, the figures in respect of the return on ANFA are not available in the operating accounts of sewage services.

Regarding other government assets or items raised in the question, given that the Government does not keep information on their ANFA, we are unable to provide figures in respect of their rates of return on ANFA.

(2) Trading funds are distinct accounting entities established under the Trading Funds Ordinance (Cap. 430) for the provision of specific government services. While remaining as part of the Government, they are allowed greater financial and operational flexibilities to run their operations as businesses with a view to improving the quality of services and responding to customer demands.

Generally, the Government will, based on the target rates of return on ANFA of trading funds and taking into consideration their respective operating results and financial situation in a particular year, direct the transfer of statutory return from the trading funds into the general revenue in the following financial year. In the past five years, the transfer of statutory return from trading funds are set out as follows:

	Transfer of Statutory Return (\$ million)				
	2018-19	2019-20	2020-21	2021-22	2022-23
(i) Companies Registry Trading Fund	19.4	19.6	21.9	26.4	31.7
(ii) Electrical and Mechanical Services Trading Fund	56.7	63.6	73.5	82.8	89.6
(iii) Land Registry Trading Fund	16.3	16.6	17.7	19.7	20.3
(iv) Office of the Communications Authority Trading Fund	7.7	7.5	0	0	0
(v) Post Office Trading Fund	0	0	0	0	0

The target rates of return on ANFA for the five trading funds adopted in the above corresponding years are 5.7 per cent for Companies Registry Trading Fund, 6.4 per cent for Electrical and Mechanical Services Trading Fund, 5.9 per cent for Land Registry Trading Fund, 5.5 per cent for Office of the Communications Authority Trading Fund and 2.6 per cent for Post Office Trading Fund.

(3) Pursuant to section 3 of the Public Finance Ordinance (Cap. 2), any moneys raised or received for the purposes of the Government shall form part of the general revenue. Therefore, the financial returns generated from government assets or items in (1) and (2) above shall be covered in the Government's General Revenue Account.

Notes:

1. The Government opted for scrip dividends in lieu of cash dividends in 2018-19.
2. Include government toll tunnels and bridges in items (iv) (a), (b) and (d) to (j). Since the Western Harbour Crossing (item (iv) (c)) was not yet taken over by the Government before August 2023 and the Hong Kong Section of Hong Kong-Zhuhai-Macao Bridge (item (iv) (k)) is not toll charging, they are not taken into account.
3. The closure of the boundary control points at Hong Kong-Macau Ferry Terminal in Sheung Wan and China Ferry Terminal in Tsim Sha Tsui from early 2020 to early 2023 as a result of COVID-19, together with the abolition of embarkation fee for cross-boundary ferry passengers with effect from August 2020, have impacts on the receipts from marine ferry terminals.
4. In view of the continued impact of COVID-19 on economic activities, the Government has reduced 75 per cent water charges for non-domestic accounts during the period from December 2019 to July 2023 in order to support enterprises and trades. The concession measure has impacts on the receipts

from waterworks.

5. In view of the continued impact of COVID-19 on economic activities, the Government has reduced 75 per cent sewage charges for non-domestic accounts during the period from December 2019 to July 2023 and waived trade effluent surcharges fully during the period from January 2020 to December 2023 in order to support enterprises and trades. The concession measures have impacts on the receipts from sewage services.

6. Include rents from government properties and proceeds from sales of government properties by the Government Property Agency. In view of the continued impact of COVID-19 on economic activities, the Government has provided rental concessions to eligible tenants of government properties during the period from April 2020 to December 2023 in order to support enterprises and trades. The concession measure has impacts on the rental income from government properties.

7. No dividend has been declared by the Airport Authority Hong Kong since 2014-15 in order to preserve capital for the purpose of funding the Three-runway System project.

8. Hong Kong IEC Limited has become a wholly-owned subsidiary of Airport Authority Hong Kong since March 31, 2022.

9. Include only those government-built toll tunnels and bridges (i.e. the Aberdeen Tunnel, Lion Rock Tunnel, Shing Mun Tunnels, Tseung Kwan O Tunnel, Route 8 (Kowloon section) and Lantau Link (including Tsing Ma Bridge)). For Lantau Link and Tseung Kwan O Tunnel which were no longer toll charging with effect from December 2020 and December 2022 respectively, they were excluded from the operating accounts of that year. There is no relevant information for other toll free tunnels and road infrastructure taken over or operated by the Government, including Cross-Harbour Tunnel, Eastern Harbour Crossing, Western Harbour Crossing, Tate's Cairn Tunnel and the Hong Kong Section of Hong Kong-Zhuhai-Macao Bridge.