

LCQ17: Impacts on HK's telecommunications services caused by sanction on telecommunications equipment supplier

Following is a question by the Hon Charles Mok and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (May 16):

Question:

The authorities of the United States (US) announced on April 15 (US time) this year an immediate ban on US companies selling telecommunications equipment components to ZTE Corporation (ZTE) for a period of seven years up to March 13, 2025. It is learnt that ZTE's businesses include the supply of telecommunications equipment and network solutions. ZTE is also a supplier of mobile networks and broadband equipment for a number of telecommunications service operators (TSOs) in Hong Kong. Some members of the information technology sector are worried that the sanction will affect the stability of telecommunications services as well as commercial operations and public communications in Hong Kong. In this connection, will the Government inform this Council:

(1) whether it knows, among the TSOs currently providing local fixed carrier services, fixed network broadband services and mobile network services, the respective numbers and detailed situations of those which are using (i) the network infrastructure equipment and (ii) other telecommunications products and services provided by ZTE, with a breakdown of such numbers and information by the service scope of the TSOs (set out in a table);

(2) whether it has taken the initiative to request the various TSOs concerned to draw up contingency plans and take appropriate measures to ensure that the telecommunications services that they provide will not be affected in the event that ZTE is unable to continue its supply of the necessary network infrastructure equipment and related services to them; and

(3) whether it has studied the impacts on the development of 5G mobile communications services by TSOs in Hong Kong (including the testing and the application of the relevant network technologies) in the event that the US authorities impose similar sanctions on other Chinese-funded telecommunications equipment suppliers?

Reply:

President,

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

(1) According to the information the Office of the Communications Authority (OFCA) obtained from the major local fixed network operators (FNOs) and mobile network operators (MNOs), at present four FNOs and two MNOs have respectively used some network equipment and some telecommunications equipment supplied by Zhongxing Telecommunications Equipment Corporation (ZTE).

(2) OFCA has already reminded the relevant operators that they should assess the impact on their telecommunications services in light of the ban imposed on ZTE by the authorities of the United States, and adopt appropriate responsive measures to minimise any possible impact. After conducting internal assessments, the relevant operators considered that the incident would not cause any immediate impact on their services and network operations at this stage. Even if ZTE cannot continue to provide technical support, spare parts, or new equipment, they will be able to source such products from other suppliers in order to maintain the normal service operation.

(3) So far, the United States authorities have not announced that it would impose trade restrictions or other sanctions against other Chinese telecommunications equipment suppliers. It would be difficult at this stage to assess the impact of any such restriction or sanction on the development of fifth generation (5G) mobile services in Hong Kong. The Government will keep a close watch on the situation.

LCQ11: Railway services in Northwest New Territories

Following is a question by the Hon Frankie Yick and a written reply by the Acting Secretary for Transport and Housing, Dr Raymond So Wai-man, in the Legislative Council today (May 16):

Question:

Some residents in Northwest New Territories (NWNT) have relayed that with the rolling out of the Hung Shui Kiu New Development Area and Yuen Long South development projects by the Government, the population in NWNT will increase substantially in the coming decade, generating additional demand for railway services both within and outside the district. They have pointed out that NWNT residents currently have to take rather indirect routes for travelling to Hong Kong Island by railway. For example, they have to take the West Rail Line trains first, followed by a several-minute walk before interchanging for trains of the Tsuen Wan Line or Tung Chung Line, and the passenger throughputs of such railway lines have already reached the maximum

capacities during peak hours. Moreover, as the East Rail Line and the Kwun Tong Line are very crowded during peak hours, the Northern Link, which is under planning, will bring little convenience to NWNT residents travelling to the Hong Kong Island by railway. In this connection, will the Government inform this Council:

(1) given that it takes some 10 to 20 years to construct a new railway from feasibility study, inception to the commissioning of the railway, whether the Government will expeditiously embark on a study on the construction of a new railway which provides a direct link between NWNT and Hong Kong Island; if so, of the details; if not, the reasons for that; and

(2) whether it will consider afresh the proposal to construct a Coastal Railway between Tuen Mun and Tsuen Wan, with a view to relieving the loading of the West Rail Line; if so, of the timetable and other details; if not, the reasons for that, and other measures to be put in place to cope with the additional demand for railway services arising from the development in NWNT?

Reply:

President,

My reply to the Hon Frankie Yick's question is as follows:

(1) At present, residents of the Northwest New Territories (NWNT) use the West Rail Line (WRL) to travel to the urban areas. The WRL originally operated with 7-car trains. In 2015, the hourly frequency at each direction was about 20 during the morning peak hours of weekdays, i.e. the headway was about three minutes. Under the Shatin to Central Link (SCL) project, the MTR Corporation Limited (MTRCL) has increased the number of train cars of WRL from seven to eight since 2016, through the purchase of 148 new train cars and modifications of existing trains. Comparing with 2015, the carrying capacity of WRL is expected to increase by at least 14 per cent when it is fully operated with 8-car trains in the second half of 2018. After the commissioning of the "Tai Wai to Hung Hom Section" of SCL in mid-2019, the WRL will be operated with 8-car trains and provide train services with maximum hourly frequency of 24 at each direction. When comparing with 2015, there is an increase in carrying capacity of about 37 per cent. Subject to the actual patronage, the WRL can further increase its carrying capacity by increasing its fleet size after mid-2019. We expect that the ultimate carrying capacity of WRL will be provided by train services of 8-car trains with an hourly frequency of 28 at each direction. On this basis, the carrying capacity of WRL will increase by 60 per cent when comparing with that in 2015. In this regard, the MTRCL will strengthen the services of the WRL by increasing the train frequency.

After the completion of "Hung Hom to Admiralty Section" of SCL in 2021, the passengers from NWNT to Hong Kong Island can interchange for Tung Chung Line at Nam Cheong Station, or choose to interchange for SCL at Hung Hom Station in order to reach Exhibition Centre and Admiralty. The interchange arrangement for SCL at Hung Hom Station will be more convenient when

comparing with the interchange for Tung Chung Line at Nam Cheong Station followed by interchange for Island Line at Hong Kong Station.

The Government is planning to take forward the "Strategic Studies on Railways and Major Roads beyond 2030" (RMR2030+ Studies). The RMR2030+ Studies would examine holistically, based on the latest planning data in Hong Kong, the transport demand of the whole territory from 2031 to 2041 (or later). In particular, the RMR2030+ Studies would take into account the recommendations of the planning study "Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030" being conducted by the Development Bureau and the Planning Department, including the transport demand of the two strategic growth areas (i.e. New Territories North and East Lantau Metropolis), for planning the necessary strategic transport infrastructure network (including railways and major roads). The RMR2030+ Studies would also explore whether it is necessary to construct a new heavy rail for connecting NWNT and the urban areas.

(2) The Transport and Housing Bureau announced the Railway Development Strategy 2014 (RDS-2014) in September 2014. Having regard to transport demand, cost-effectiveness and the development needs of New Development Areas, the RDS-2014 recommends that seven new railway projects be completed in the planning horizon up to 2031.

The RDS-2014 sets out the blueprint for territory-wide railway development based on the findings and final recommendations of the consultancy study. Apart from giving due consideration to the views collected during the public engagement exercises in 2012 and 2013, it takes into account a wide range of factors, including transport demand, land use planning, local development needs, as well as the economic and financial returns, social benefits, environmental impact and engineering feasibility of the railway projects.

Our consultant at that time evaluated in detail the feasibility of constructing a railway along the coastline between Tuen Mun and Tsuen Wan. According to the consultant's analysis, the local population is mainly concentrated at the eastern and western ends of the coastline between Tuen Mun and Tsuen Wan; while the development density of the remaining areas is relatively low and no basis for new source of passengers is anticipated. Meanwhile, due to the technical difficulties involved, solely the construction cost of a railway along the coastline between Tuen Mun and Tsuen Wan is expected to be very high. The cost-effectiveness can hardly be established up to this point.

Furthermore, after the completion of the improvement works for Tuen Mun Road in 2014, the road network between Tuen Mun and the urban areas has been further improved. This helps shorten the journey time for the bus services between Tuen Mun and the urban areas. Insofar as time savings are concerned, more passengers may prefer to travel to and from Tuen Mun by buses, making the railway scheme relatively less attractive. Besides, implementation of this scheme will create negative visual and landscape impacts along the scenic coastal areas. In longer term, we would consider revisiting the

railway proposal if there are further changes in the planning circumstances and population as well as an increase in transport demand in the coastal areas between Tuen Mun and Tsuen Wan, or other relevant new considerations in the planning for development in the region.

Tender results of re-opening of 10-year Government Bonds under Institutional Bond Issuance Programme

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA), as representative of the Hong Kong Special Administrative Region Government (HKSAR Government), announces that a tender of 5-year Government Bonds through the re-opening of existing 10-year Government Bond issue 10GB2301 under the Institutional Bond Issuance Programme was held today (May 16).

A total of HK\$2.5 billion 5-year Government Bonds were offered today. A total of HK\$4.920 billion tender applications were received. The bid-to-cover ratio, i.e. the ratio of bonds applied for to bonds issued, is 1.97. The average price accepted is 93.90, implying an annualised yield of 2.507%.

HKSAR Government Institutional Bond Issuance Programme Government Bond Tender Results

Tender results of re-opening of 10-year Government Bonds under the Institutional Bond Issuance Programme:

Tender Date	: May 16, 2018
Issue Number	: 10GB2301 (Re-open)
Stock Code	: 4215 (HKGB 1.10 2301)
Issue and Settlement Date	: May 17, 2018
Tenor	: 5-year
Maturity Date	: January 17, 2023
Coupon Rate	: 1.10%

Amount Applied	: HK\$4.920 billion
Amount Allotted	: HK\$2.5 billion
Bid-to-Cover Ratio*	: 1.97
Average Price Accepted (Yield)	: 93.90 (2.507%)
Lowest Price Accepted (Yield)	: 93.27 (2.658%)
Pro-rata Ratio	: About 68%
Average Tender Price (Yield)	: 93.38 (2.632%)

* Calculated as the amount of bonds applied for over the amount of bonds issued.

LCQ4: High wind traffic management at Lantau Link and Ting Kau Bridge

Following is a question by the Hon Alice Mak and a reply by the Acting Secretary for Transport and Housing, Dr Raymond So Wai-man, in the Legislative Council today (May 16):

Question:

To ensure road safety, the Tsing Ma Control Area operator implements high wind management measures (HM measures) at the Lantau Link and the Ting Kau Bridge during strong wind conditions. HM measures include closure of the centre lanes, lowering the speed limit for vehicles, etc. It has been reported that serious traffic congestion occurred from time to time at the Lantau Link and the Ting Kau Bridge, as well as in areas within and surrounding Kwai Ching and Tsuen Wan while HM measures were in force. Furthermore, some drivers opine that the two-way toll collection of the Lantau Link implemented in August last year has made it necessary for vehicles travelling to and from Lantau via the Lantau Link to slow down or stop at the toll plaza to pay the toll, resulting in a traffic bottleneck. In this connection, will the Government inform this Council:

(1) of the respective numbers of times in each of the past five years for which HM measures were implemented in the Tsing Ma Control Area and traffic congestion occurred in the areas concerned while such measures were in force; the measures taken by the Tsing Ma Control Area operator and the Transport Department before and during the implementation of HM measures to divert traffic flow and inform drivers of the situations;

(2) whether the authorities will, before the approach of this year's typhoon season, review the impacts of the implementation of HM measures on traffic, and formulate measures to prevent HM measures from causing serious traffic congestion in extensive areas; if so, of the details; and

(3) whether the authorities will comprehensively review if the two-way toll collection arrangement at the Lantau Link has led to traffic congestion, and consider abolishing the toll collection as well as improving vehicle flow control and road design, in order to reduce the occurrences of traffic congestion at the Lantau Link; whether the authorities will expeditiously plan for the construction of new trunk roads to connect Lantau with urban areas, so as to alleviate the traffic load of the Lantau Link in the long run?

Reply:

President,

To ensure the safety of motorists, when high wind situations occur at the Lantau Link and Ting Kau Bridge in Tsing Ma Control Area (TMCA), high wind traffic management measures will be implemented in phases commensurate with prescribed wind speeds. Since the implementation of traffic management will lead to fewer available traffic lanes on the bridge deck, lowered speed limits and traffic diversion, traffic flow on related approach roads and major bridges will inevitably be affected.

My reply to the various parts of the Hon Alice Mak's question is as follows:

(1) From January 2013 to April 2018, there were altogether 84 instances of implementing Stage I (with hourly mean wind speed in excess of 40 kilometres per hour (kph)) and 12 instances of implementing Stage II (with the hourly mean wind speed in excess of 65 kph) of high wind traffic management on the Lantau Link and Ting Kau Bridge. Among those instances, the Transport Department (TD) recorded 14 instances of traffic congestion of varying degrees when traffic management was in force. The number of such instances by year is at Annex.

Before and during the implementation of high wind traffic management, the TD and the management company of the TMCA will take traffic management and contingency measures as appropriate in accordance with the established procedures and mechanism to ease traffic flow and notify the public, with a view to minimising the impact as far as practicable while ensuring the safety of motorists. Such measures include:

(i) notify the public as early as possible, at about 45 minutes in advance of the implementation of Stage I of high wind traffic management, through, inter alia, radio and other media, and the websites and mobile applications of the TD, public transport service operators (including bus companies and the MTRCL) and the Airport Authority, to disseminate the message of the high wind traffic management and latest information on traffic and public transport services;

(ii) make use of the message signs on the major roads of TMCA and Tsing Sha Control Area and those on some major roads in other districts, as well as the radio broadcasting system inside various tunnels, to remind motorists of traffic conditions on the Lantau Link and keep the travelling passengers informed so that they can consider switching to railway services; and

(iii) contact public transport service operators, including the MTRCL, so that these operators can adjust their services according to the needs of passengers. The service frequency of the Airport Express Line and Tung Chung Line of MTR will also be increased to cope with the additional passenger demand.

(2) and (3) As observed by the TD through the traffic control and surveillance system, since the implementation of two-way toll collection arrangement on the Lantau Link on August 20, 2017, the traffic to the Airport at the Lantau Link Toll Plaza remained smooth and there was no congestion during the high wind traffic management. Therefore, the traffic congestion at Tsing Yi was not related to the implementation of two-way toll collection arrangement on the Airport bound of Lantau Link.

To minimise the impact of high wind traffic management on the public, the Highways Department (HyD) and the TD have commissioned a study on the high wind traffic management on the Lantau Link to review the existing overall traffic arrangement in the event of high wind and consider traffic improvement measures during high wind. The study is expected to be completed in mid 2018. Separately, the TD is reviewing the current detailed arrangement of traffic diversion (including the temporary traffic arrangement at the diversion points of Lantau Link) in order to improve the traffic flow at the diversion points. When the high wind traffic management are in force in future, the TD will make use of message signs on more major roads (including the message signs at West Kowloon Highway and the new message signs to be added at North Lantau Highway) to display the concerned information, and explore the use of additional channels, such as message signs at major public transport interchanges, to inform the public on matters relating to high wind traffic management.

As for road design and planning of new trunk roads, the HyD is carrying out in full swing the construction works of Tuen Mun – Chek Lap Kok Link (TM CLKL) – Northern Connection, which is expected to be completed in 2020 at the earliest. The completed project will serve as the most direct route connecting the Northwest New Territories (NWNT) and Lantau Island, linking up Tuen Mun, Hong Kong-Zhuhai-Macao Bridge, the Airport, North Lantau and Tung Chung. Part of the traffic capacity of the existing routes (such as the Lantau Link and Ting Kau Bridge, etc) will also be released to further

relieve the traffic flow. The TM CLKL – Northern Connection will then become another road corridor connecting the Airport and North Lantau with the urban area, offering an alternative to the Lantau Link and North Lantau Highway.

In addition, to cope with the traffic demand generated by the future NWNT developments and to build the third vehicular access to Lantau Island, upon granting of funding approval of the feasibility study on Route 11 by the Legislative Council Finance Committee on April 13, 2018, the HyD has commenced a feasibility study on Route 11, which also looks into the need of planning for the Tsing Yi – Lantau Link (TYLL) and related road traffic options, with a view to allowing the traffic flow between NWNT and the urban area to make use of the TYLL without having to route through the North Lantau Highway and Lantau Link. The feasibility study is expected to be completed in 2020.

LCQ3: Provision of amenities ancillary to housing

Following is a question by the Hon Regina Ip and a reply by the Acting Secretary for Transport and Housing, Dr Raymond So Wai-man, in the Legislative Council today (May 16):

Question :

In 2005, the Hong Kong Housing Authority (HA) divested certain retail and car parking facilities of its public rental housing (PRH) estates to The Link Real Estate Investment Trust (The Link). The Link was subsequently renamed as Link Real Estate Investment Trust (Link REIT). Following the relaxation in 2014 of the constraints under the Code on Real Estate Investment Trusts regarding the investment scope of this type of trusts, Link REIT repeatedly divested a number of properties in PRH estates. Some members of the public have pointed out that to achieve profit maximisation, Link REIT has substantially raised the rents of shops after the refurbishment of the shopping centres and markets in PRH estates, refused to renew tenancy agreements with small shop operators so as to introduce large chain stores, as well as divested incessantly its assets. They opine that Link REIT and the new owners have only profits in mind and disregard the livelihood of small shop operators and the daily needs of the PRH residents. In this connection, will the Government inform this Council:

(1) given that according to the provisions in the sale and purchase agreement signed back then between HA and The Link, if, within 10 years from the listing of The Link, HA wished to further divest its retail and car parking facilities, HA had to offer a sale proposal to The Link first, meaning that The Link was entitled to a right of first refusal, of the reasons why HA made such an arrangement back then and the specific contents of the relevant

provisions; and

(2) as section 4(1) of the Housing Ordinance provides that HA has the duty to secure, for the residents, the provision of amenities ancillary to housing as HA thinks fit, of the new measures to be put in place to ensure that HA will fully discharge its duty under this provision, and that the usage of the commercial facilities in its housing estates complies with the relevant land lease conditions and meet the needs in the daily lives of PRH residents?

Reply:

President,

My consolidated reply to various parts of the Hon Regina Ip's question is as follows.

In 2005, the Hong Kong Housing Authority (HA) divested 180 properties, including retail and carparking facilities, through The Link Real Estate Investment Trust (The Link) (now known as Link Real Estate Investment Trust (Link)) in order to focus on its core function of providing subsidised public housing and improve its financial position in the short-to-medium term with proceeds from divestment. It was also considered that the efficiency of the relevant commercial facilities would be enhanced under the operation of a private entity in accordance with commercial principles.

One of the documents relating to the listing of The Link was the Deed of Right of First Refusal (the Deed), under which HA is obliged offer The Link a right of first refusal in the event that it wished to sell certain retail and carparking facilities retained within its housing estates or that HA might develop in the future. Since 2005, HA has not further divested its commercial facilities, and thus the right of first refusal has never been exercised. The right of first refusal was effective for a period of ten years commencing from the listing day, which means that it has already expired in November 2015.

Under the right of first refusal, the price at which HA would offer the properties to The Link is the higher of two independent valuations calculated by specific valuation methods. If The Link does not opt to purchase the properties, HA can complete the sale by offering the properties to any third parties on such terms as it determines within two years, otherwise the right of first refusal will apply again to such properties. When the Government briefed the Legislative Council on matters about the divestment of HA's retail and carparking facilities in January 2006, it had provided detailed information on the right of first refusal .

HA's decision then to grant the right of first refusal had gone thorough in depth deliberation, and taken into account a variety of views during the process. One of the main reasons for making this decision was because, in preparation for the divestment, HA considered that the revenue potential of some of its facilities had yet been fully realised. In an effort to maximise its revenue from the public offering, HA did not incorporate these retail and carparking facilities into its divestment plan. HA considered that some of

these properties might be suitable for divestment when their revenue potential was fully realised in future. HA also had plans at that time to divest the retail and carparking facilities of its new estates which would be completed in the coming years, with a view to withdrawing from commercial operation and focusing on its core function as a provider of public housing.

At that time, HA believed that granting the right of first refusal might help attract investors and maximise its revenue from the public offering. Furthermore, in order not to compromise HA's long-term pursuit of more innovative asset management/disposal avenues, a time limit was set for the right of first refusal.

HA's then decision to divest its properties was made after careful deliberation. HA was of the view that such a decision would be conducive to the discharge of its function as a provider of subsidised housing. Given the limited land and public resources, HA has to prioritise and focus its resources on providing public rental housing (PRH) to eligible families, especially to the low-income families who cannot afford private rental accommodation. In responding to the motion debates in the Legislative Council in November 2012 and November 2016, the then Secretary for Transport and Housing clearly stated that the Government and HA had no plan to buy back Link or individual divested properties, as this would be incompatible with public interests and the principle of prudent financial management. This position still remains valid.

Section 4(1) of the Housing Ordinance requires HA to secure the provision of housing and "such amenities ancillary thereto as the Authority thinks fit" for the persons concerned. As for HA's divestment of its properties in 2005, when handing down its Judgement in 2005 on a relevant judicial review case, the Court of Final Appeal (CFA) affirmed that the divestment plan by HA was consistent with the objective laid down in section 4(1) above. According to CFA, it was not stipulated in the Housing Ordinance that tenants of PRH had any statutory right to the continued retention and control by HA of the facilities while the tenants were still using the facilities; and so long as the facilities were available to tenants, it meant that HA had secured the provision of such facilities, even if they were provided by a third party over whom HA had no control. In reaching its conclusions, CFA noted that a market-oriented commercial approach would be adopted in operating the divested properties, whereas HA's approach at that time might not be in line with private sector practice. CFA was also aware of the fact that there might be changes in the operation of the relevant facilities, such as the tenant trade mix might be different.

In fact, HA would consult the public when designing each new public housing project, and try to include, as far as practicable, various facilities suggested by the public, such as retail, welfare, community, education, transport, etc. For existing estates, HA regularly receives opinions on various facilities from Estate Management Advisory Committees and other members of the public. HA would try to adjust existing facilities or add new facilities as far as practicable. The above practices and procedures are established, regular and transparent.

In respect of lease enforcement, the Lands Department (LandsD), in the capacity of the landlord, handles the leased land under the conditions in the land leases. As with other private properties, LandsD mainly acts on complaints, referrals or enquiries about suspected breaches of the lease conditions of the divested properties by conducting inspections and taking follow-up actions in accordance with the existing procedures. Depending on the circumstances, LandsD will also consult the relevant policy bureaux/government departments and seek legal advice. If breaches of the lease conditions are confirmed, LandsD will take appropriate lease enforcement actions. HA, as one of the owners of housing estates, maintains communication with other owners on matters relating to the daily management of such estates, with a view to protecting its rights under the deeds of mutual covenant (DMCs) and the restrictive covenants. Any suspected breach of land leases identified by HA will be referred to DMC Managers, Owners' Corporation and the relevant District Lands Offices for follow-up.

Apart from the land lease conditions, owners of divested properties must, in the same manner as other private property owners, abide by the relevant statutory requirements and the restrictive covenants contained in the assignment deeds of the properties during the operation of such properties, whereas the government departments concerned would carry out supervision in the light of the actual circumstances. As long as the relevant statutory requirements and land lease conditions are complied with, and the aforementioned covenants with HA are not breached, the Government and HA cannot and will not interfere with the owners' day-to-day operations and commercial decisions. However, if it is confirmed that the owner concerned is in breach of any laws, land lease conditions or covenants with HA, the relevant government departments and HA will certainly pursue the matter seriously and take appropriate actions.