

Sino-British Memorandum on Hong Kong Airport

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*Text of Memorandum of Understanding on the Construction of
a New Airport in Hong Kong and on Relevant Questions*

The representatives of the governments of the People's Republic of China and the United Kingdom of Great Britain and Northern Ireland held a friendly consultation in Peking from 27th to 30th June 1991. The following considerations were reached by the governments of the two countries:

-Hong Kong urgently needs a new airport in order to ensure and develop its prosperity and stability;

-The airport project should conform to cost efficiency, and it should not create financial burden for the government of Hong Kong Special Administrative Region [SAR] of the PRC after 30th June 1997;

-It is necessary to make practical arrangements in order to enable projects related to the new airport to proceed rapidly and effectively;

For this purpose the following understanding has been reached:

(1) Between now and 30th June 1997, the British Hong Kong government will complete the core programme projects covered in an annex to the memorandum to the maximum extent possible. The British Hong Kong government will be responsible for the construction of projects covered by this memorandum up to 30th June 1997.

(2) The Chinese government will support the construction of the new airport and other related projects. The Chinese side will, in accordance with the principles clearly defined in this memorandum, declare to interested potential investors that commitments or guarantees made by the British Hong Kong government in connection with the airport project will continue to be effective after 1st July 1997, and will be recognized and projected by the government of the Hong Kong SAR. The Chinese government has agreed that the Bank of China should play a proper role, for example, playing a role in loan syndicates for the airport project; Chinese construction companies may compete in investing in airport-related projects through normal practice.

(3) With regard to important matters relating to the airport project that go beyond 30th June 1997, the Chinese and British governments will carry out consultations in the spirit of cooperation and in accordance with Sino-British joint declaration. For this purpose, an airport committee will be set up under the leadership of the Sino-British Joint Liaison Group, with membership drawn equally from both sides. The committee's tasks will be as follows:

(i) The British Hong Kong government will consult the Chinese side within the airport committee before it grants major airport-related franchises or contracts straddling 30th June 1997 or guarantees airport-related debt straddling 30th June 1997. The Chinese side will adopt a positive attitude toward such grants, contracts and guarantees. Up to one month after the British side provide details of the proposals will be allowed for discussion between the two sides in each case. Any decision will give full weight to the Chinese government's views. The criteria in granting a franchise will be the profitability and efficiency of that franchise.

(ii) The British side will consult the Chinese side within the airport committee before the British Hong Kong government proceeds with any major airport project other than those in the annex to this memorandum and any of the current airport core programme projects in the annex for which the bulk of government expenditure will fall after 30th June 1997. Such projects will only be initiated if the two sides have reached a common view concerning them.

(4) The Chinese government will adopt a positive attitude toward necessary and reasonable government borrowing of the British Hong Kong government that must be repaid after 30th June 1997. If the total amount of debt that must be repaid after 30th June 1997 does not exceed 5bn Hong Kong dollars, the British Hong Kong government will be responsible for the loan of its own accord according to its needs, and then report the matter to the Chinese government. A loan exceeding 5bn Hong Kong dollars can proceed only after both sides reach a consensus on the proposed loan.

(5) Based on the above-mentioned understanding, the British Hong Kong government will set 25bn Hong Kong dollars as the minimum fixed target for financial reserves to be retained on 30th June 1997 for use by the Hong Kong SAR government when arranging financial plans.

(6) To facilitate the construction of the new Hong Kong airport, an airport authority and a consultative committee will be set up.

(i) The Airport Authority Ordinance will be modelled as far as possible on the Mass Transit Railway Corporation Ordinance. The British Hong Kong government will retain power to direct the airport authority and responsibility for key areas of policy up to 30th June 1997. The British Hong Kong government will be willing to consider and take into account the views of the Chinese side when drawing up the draft ordinance on the authority.

(ii) The British Hong Kong government is willing to appoint a Hong Kong-based individual from the Bank of

China group to sit as a full member on the board of the airport authority. This member will have equal rights with the other members. The Chinese side will no doubt make some suggestions to the British Hong Kong government as to who this member should be.

(iii) The British Hong Kong government will set up a consultative committee on the new airport and related projects. The committee may discuss any relevant matter but will have no decisionmaking power. It should not delay the progress of the projects.

(iv) The British Hong Kong government will inform the Chinese side of the members of the airport authority and the consultative committee whom it plans to appoint, and will be willing to listen to any views that the Chinese side may have before making a final decision on the appointments. The British Hong Kong government is willing to consider the appointment of a vice-chairman of the airport authority about two years after its establishment.

(7) The governments of both countries hope to strengthen consultation and cooperation on the Hong Kong issue as 30th June 1997 draws near. As part of the effort to strengthen consultation, the Chinese foreign minister and the British foreign secretary will meet twice a year to discuss issues of common concern. The director of the Hong Kong and Macao Affairs Office under the Chinese State Council and the Hong Kong governor will also meet regularly.

This Memorandum of Understanding will take effect on the day it is signed by the heads of government of the two countries.

The abovementioned points constitute the understanding reached by the governments of the People's Republic of China and the United Kingdom of Great Britain and Northern Ireland on the issues in question.

Signed in [blank space] on [blank space] in duplicate, each of which is written in both Chinese and English. Both texts will be equally valid.

For the government of the People's Republic of China For the government of the United Kingdom of Great Britain and Northern Ireland

Annex: Airport core programme project (first runway and associated facilities); North Lantau Expressway; West Kowloon Reclamation; West Kowloon Expressway; Western Harbour Crossing, Route 3 (part); airport railway; that part of the Central and Wanchai Reclamation that relates to the airport railway; Lantau Fixed Crossing (including rail portion and Route 3 interchange); and Tung Chung Development Phase One.

Source: SWB, 6.7.1991