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(55) in TRAN 2/1/55(99) Pt.1

15 December 2000

Mr Andy Lau
Clerk to LegCo Panel on Transport
LegCo Secretariat
3/F Citibank Tower
Garden Road
Hong Kong
(fax – 2121 0420)

Dear Andy,

**LegCo Panel on Transport
24 November 2000**

I refer to the captioned Panel meeting where Members sought additional information on the followings :-

- (a) land policy of the Government in respect of property development by MTR Corporation Limited (MTRCL);
- (b) land premium for property development along Airport Railway and Tseung Kwan O Extension; and
- (c) Platform Screen Doors.

Land Premium for Property Development

For planning, safety and technical reasons, the Government considers it generally necessary to make property development, where appropriate, above railway stations and depots, and on land adjacent to the railway, an integral part of the railway development. The MTRCL has been designing and constructing above station property for 25 years. The current arrangement presents the most effective use of resources.

Property development right is not a form of subsidy to MTRCL. A subsidy consists of either Government expenditure or revenue foregone. The grant of property rights to MTRCL, on the other hand, does not come into any of these categories as full market premium for the land is charged. The Government receives the full market value of these rights although they are not awarded through open tender. The team of professional valuers in the Lands Department regularly assesses land premium for various types of land transactions and imposes these assessments on developers. The grant of the land to MTRCL for property development is subject to the same process. In assessing the full market premium payable by MTRCL, appropriate valuation techniques are used, including taking reference from recent open market sales prices of comparable properties. In addition, the potential interface problem between the railway corporation and an independent developer could have a depressing effect on tender bids if those rights were put to open tender. For example, the independent developer may factor into his cost additional expenditure relating to coordination with and possible claims from MTRCL. There is therefore no guarantee that open tender will fetch a price over and above that which the Government could obtain from MTRCL.

Land Premium for Airport Railway and Tseung Kwan O Extension

Premium chargeable for property development along the Airport Railway by MTRCL is as follows :-

Stations	Premium (HK\$ million)
Tung Chung	11,141
Tsing Yi	4,344
Olympic	11,729
Kowloon	16,070
Hong Kong	11,334

Land grant for property development by the Corporation in connection with the Tseung Kwan O Extension has not been effected.

Platform Screen Doors

Retrofitting of platform screen door (PSD) is a heavy investment involving not only the installation of PSD but also major alteration to electrical and mechanical equipment as well as environmental control system of the railway stations. The project is expected to cost over HK\$2 billion. In addition, there will be other associated costs for

maintenance and revenue foregone resulting from reduction of advertising space. Having taken these factors into account, MTRCL estimates that the 10-cent per journey contribution from Octopus passengers will only help defray about half of the total cost of the project over the life cycle of the PSD.

Yours sincerely,

(Roy Tang)
for Secretary for Transport

bcc MTRCL (Attn: Mrs Miranda Leung)

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