

LEGISLATIVE COUNCIL BRIEF

TUNG CHUNG CABLE CAR PROJECT

INTRODUCTION

At the meeting of the Executive Council on 25 June 2002, the Council ADVISED and the Chief Executive ORDERED that -

- (a) the Administration should select the MTR Corporation Limited (MTRCL) as the successful proponent to take forward the Tung Chung Cable Car Project (the Project) in accordance with the agreed framework for implementing the Project;
- (b) the Administration should enter into a Provisional Agreement with the successful proponent; and
- (c) the Administration should grant to the franchisee the right to develop and operate tourist facilities at Ngong Ping complementary to the cable car system, and should further discuss with the successful proponent on the terms of a land grant.

BACKGROUND AND ARGUMENT

The Implementation Framework

A 2. In April 2001, the Executive Council approved the framework (at Annex A) for implementing the Project. On this basis, we proceeded to invite detailed proposals for the finance, design, construction, operation and maintenance of the cable car system.

3. In brief, the framework involves the grant of a 30-year franchise for the finance, design, construction, operation and maintenance of the cable car system. Since the choice of a cable car system and the business plan would dictate the design, construction, operation and maintenance of the cable car system, the Government only provided the broad parameters, including a “Preliminary Preferred Alignment” for the system, within which the development of the cable car system was considered feasible in inviting proposals. The successful proponent would be required to undertake detailed design of the cable car system, carry out requisite environmental and technical studies, and complete all the necessary statutory procedures, including those under the Environmental Impact Assessment (EIA) Ordinance (Cap. 499), the Town Planning Ordinance (Cap. 131), and the Country Parks Ordinance (Cap. 208) as part of the requisites for the grant of the franchise.

4. Government will enter into a provisional agreement with the successful proponent, and provide reassurance that Government will promote enabling legislation and will grant the franchise to the party upon completion of the necessary statutory procedures. The Provisional Agreement will provide a basis on which the successful proponent begins work on the statutory procedures. The enabling legislation and a project agreement will provide the legal framework for the grant of the franchise and the construction, operation and maintenance of the cable car system, payment of royalty by the franchisee, the creation of statutory easement for the overhanging ropeway and the resumption of land, where necessary. The enabling legislation will also provide for the right to use the commercial space at the termini. The Project was expected to be completed by around 2006.

Negotiations and Assessment

5. We issued a Project Brief inviting proposals for the Project in April 2001, and received three proposals upon close of submission in July 2001. We short-listed two proponents, including MTRCL, for further negotiations in January 2002.

6. The objective of the negotiations was to secure the best final offer from each. Based on pre-determined assessment criteria, the Assessment Panel formed to assess the Final Proposals submitted by the two proponents concluded in May 2002 that while both proponents were financially capable of taking up the Project, the proposal from MTRCL had a significant advantage in a number of aspects.

7. MTRCL has shown more commitment to the Project by putting up a Final Proposal which addresses issues more comprehensively, and has put more thought to developing the cable car system as a tourist facility. It also performs better in respect of proposed loyalty payment, land requirement, safety and rescue provisions, implementation programme, and environmental and ecological matters.

MTRCL's Final Proposal

8. Major elements of MTRCL's Final Proposal include –

- (a) subject to confirmation, the use of a bi-cable system;
- (b) a working assumption of a fare Level of \$66 for a round trip and \$50 for a single trip based on 2000 prices in working out the financial model;
- (c) a royalty of \$1 per fare-paying passenger;
- (d) an alliance with Skyrail-ITM of Australia, which developed and operates the Skyrail at Cairns, to undertake operation and management of the Project;
- (e) an agreement in principle for cooperation with Kwoon Chung Bus Holdings Limited (Kwoon Chung) to coordinate transport between Ngong Ping and South Lantau, and jointly work to promote further tourism projects to enhance the experience of visits to Lantau; and

- (f) the integration of a “theme village” with complementary facilities at Ngong Ping.

Complementary Developments at Ngong Ping

9. Ngong Ping is one of our major tourist attractions. There is a need to renew and upgrade the facilities there to further promote and sustain its attractiveness. The development of the cable car system offers a unique opportunity to do this by creating a synergy between the system and the area, and for packaging the two into a world-class attraction with a focus on Hong Kong’s natural landscape and heritage. This view was shared by Members of the Legislative Council Panel on Economic Services (the ES Panel) who, when consulted in January 2001, expressed the view that there should be complementary development at Ngong Ping to tie in with the development of the cable car system.

10. We have considered the type of tourism development that should be brought to Ngong Ping, having regard to the vision of promoting Lantau as one of the five major tourism clusters. Any such development should respect and blend with the natural and religious setting of the area and its tranquil environment. The draft Outline Zoning Plan (OZP) for Ngong Ping prepared by the Planning Department to be published in the gazette in July 2002 for public comments has reflected this intention.

11. Apart from providing for the necessary infrastructure facilities such as a sewage treatment plant and a public transport interchange at the top of Ngong Ping Road, the proposed developments proposed in the draft OZP include –

- (a) transforming the core area of Ngong Ping into a pedestrianized zone to enhance the experience of visitors and connections between places of interest in the area;
- (b) realigning the area linking up with the Statue of Buddha and Po Lin Monastery to form a “Piazza” of approximately 18 600m²

to serve as the gathering ground for visitors and focus for activities;

- (c) providing for the development of a “Tourist Corridor”, accommodating a total of around 6 000m² of commercial GFA, leading from the Cable Car Terminal, where commercial activities will concentrate; and
- (d) improving other existing public facilities, including access roads, a new refuse collection point and public toilets.

B.

A copy of the draft development concept plan for the area is at Annex B.

12. We have considered various implementation options for the development of such complementary facilities and, in particular, the opportunity for involving the private sector. In keeping with the principle that public sector involvement should be minimized, we have ruled out options involving Government development or funding of facilities of the the “Tourist Corridor”, which involve the development and management of commercial facilities. We have also considered the relative merits and demerits of the option of an open bidding process and the option of granting the right to the franchisee for the Project.

13. On balance, we consider that it would be appropriate to pursue the option of granting the development rights for these facilities to the future franchisee to provide assurance that the development of the cable car system and these facilities could be dovetailed. There would be commercial incentive for the prospective franchisee to bring in the complementary facilities as early as possible. The option also provides business incentive to the franchisee to develop and manage the Project and the complementary facilities as an integrated tourist attraction in a coherent manner and hence provides a better assurance of quality and standards. The franchisee will also be able to minimize programme interfacing and technical constraints between the Project and the commercial facilities.

14. We envisage that this will take the form of a Private Treaty Grant (PTG). We will discuss with MTRCL details of the arrangement,

along terms similar to the commercial GFA for the Project, including a period of 30 years to tie the land grant with the franchise period, and land premium payable at full market value upfront.

15. Since the “Piazza”, access roads, refuse collection point and public toilets are public facilities, and do not provide a business case, we will fund these through the Public Works Programme. To ensure that the programme for implementing this package of facilities could tie in with that of the other complementary facilities and the Project, and to ensure coherence in design and character, we will seek approval to entrust the design and construction of the facilities to the franchisee.

Draft Provisional Agreement

16. We will enter into a Provisional Agreement with MTRCL. The target is to execute the Agreement in July 2002. This will provide a contractual basis for the company to take forward implementation before the enactment of the enabling legislation and the execution of the project agreement.

Implementation Programme

17. We have identified a number of initiatives to accelerate the implementation programme for the Project. These will enable us to advance the original target completion date of March 2006 to August 2005. The new programme, which allows for no float and requires certain changes in working assumptions, will also require the full co-operation of the future successful proponent/franchisee. MTRCL has confirmed its full support for and confidence in meeting the advanced implementation programme. Key tasks on the programme which are time critical include –

- July 2002 - Commencement of the Provisional Agreement
- Late 2002 - Advancement of detailed design by the successful proponent
- May 2003 - Completion of the EIA process and the relevant OZP process
 - Enactment of enabling legislation
- July 2003 - Commencement of the Project Agreement
 - Commencement of the franchise
- July 2005 - Completion of supporting infrastructure, including the Ngong Ping Sewage Treatment Plant (STP) and the proposed water supply system at Ngong Ping

18. We will take all necessary steps, including working closely with the successful proponent/franchisee, to ensure that these critical tasks are completed as scheduled. A number of issues will have implications on the programme for the Project. We will take proactive steps to manage these to preserve the advanced programme as far as possible. These include objections from the Po Lin Monastery against certain elements of the proposed draft Ngong Ping OZP and the timely completion of the Ngong Ping STP.

FINANCIAL AND STAFFING IMPLICATIONS

19. The Government will receive a lump sum payment upfront at full market value from the successful proponent for the rights to develop the commercial GFA in the Tung Chung Terminal and Ngong Ping Terminal. In addition, there will be revenue arising from the royalty payment of \$1 per fare-paying passenger in accordance with the Final Proposal of MTRCL. There will also be revenue by way of land premium arising from the grant of the right to develop the complementary facilities at Ngong Ping.

20. Implementation of the Project will be absorbed largely through existing resources. The Economic Development and Labour Bureau, Territory Development Department, and Electrical and Mechanical Services Department may require additional resources for managing the franchise, and monitoring technical and safety standards respectively in future. We will absorb the additional requirement through internal redeployment of resources as far as practicable.

21. Supporting facilities such as sewerage and water supply systems will be subject to funding approval. The improvements works to existing public facilities (paragraph 15 above) will cost about \$32 million. The development cost of the “Piazza” at Ngong Ping will cost about \$44 million. We will obtain funding approval from the Finance Committee of the Legislative Council. The estimated recurrent cost for the Piazza and the public facilities is around \$2 million per annum and additional resources required will be secured in a normal manner if they cannot be absorbed through existing resources. There will be a need for clearance of Government Land, short term tenancies and rehousing of the affected domestic occupants. Resumption or acquisition of the land for the Intermediate Station on the Airport Island and compensation for the creation of statutory easement above private land will also be required. This is estimated to cost around \$9 million and will be borne by the Government.

ECONOMIC IMPLICATIONS

22. MTRCL estimates in its Final Proposal that annual patronage for the system would be 1.25 million in 2006, rising gradually up to 1.65 million in 2016 and after. The MTRCL also estimates that around 6.7% of overseas visitors to Hong Kong will ride on the system, and that the cable car system will have a market share of 65% of the visitors to Ngong Ping.

23. Although it is difficult to quantify the direct economic benefits of the development of the cable car system, it will contribute to our strategy of broadening the range of tourist attractions in Hong Kong, in particular,

helping inject new elements of attraction to the area and foster a synergy among the various visitor attractions on Lantau. MTRCL's alliance with Kwoon Chung as described at paragraph 8(e) above will enhance the links between Ngong Ping and other attractions on Lantau, further promoting the island as an area for leisure and recreational activities and promoting a better business environment among local businesses. In addition, apart from being a tourist attraction on its own, the cable car system will also help tap into the growing market of transit passengers through the Hong Kong International Airport.

ENVIRONMENTAL IMPLICATIONS

24. The development of the cable car system is a designated project under the EIA Ordinance. The successful proponent of the Project will have to complete an EIA Study in accordance with the statutory requirements of the EIA Ordinance, consult the public and the Advisory Council on the Environment on the findings, and seek approval under the EIA Ordinance. The successful proponent will have to apply for an environmental permit under the EIA Ordinance for the construction and operation of the cable car system.

25. The successful proponent will also need to seek the consent of the Country and Marine Parks Authority for the part of the cable car route falling within the Lantau North Country Park and the proposed Lantau North (Extension) Country Park.

SUSTAINABILITY IMPLICATIONS

26. The Project and the complementary tourist facilities do not have major sustainability implications but would help enhance tourist attractions of Hong Kong and boost our tourism industry. The environmental issues would be addressed in greater detail during the EIA process.

PUBLIC CONSULTATION

27. We consulted the ES Panel, the Islands District Council and relevant advisory committees before inviting proposals for the Project in April 2001. The development of the cable car system was supported in general. Comments received in the consultation process had been taken into consideration in bringing forward the Project. In a special meeting of the Islands District Council held on 30 May 2002, Members of the District Council in general reaffirmed their support for the cable car system.

DRAFTING OFFICER

28. Enquiries on this paper may be directed to Mrs Erika Hui, Assistant Commissioner for Tourism (2) (Tel. no.: 2810 3137).

Tourism Commission
Economic Development and Labour Bureau
3 July 2002

**Tung Chung Cable Car Project
Framework for Implementation**

I. Franchise

- (i) A franchise of 30 years for the finance, design, construction, operation and maintenance of the cable car system on a Build-Operate-Transfer basis will be granted. The franchisee will be obliged to transfer the ownership of the cable car system to government upon expiry of the franchise period.
- (ii) The franchise will include the right to collect fees over the franchise period. No control of fees will be imposed as the cable car is not an essential transport facility.
- (iii) The franchisee will pay royalty to government. Bidders will be invited to propose in what form and size the royalty will be paid.
- (iv) Financial guarantee to Government will be required to ensure timely completion of the construction of the system and the continual operation of the system, to indemnify Government for any costs incurred in the case of revocation of the franchise, etc.
- (v) The franchisee will be responsible for completing necessary statutory procedures including environmental impact assessment, submissions to the Town Planning Board, etc.

II. Land

- (i) Government will provide land for the termini at Tung Chung and Ngong Ping, the intermediate station on the Airport Island and any angle station(s), and sites for the pylons. The enabling legislation will create a statutory easement for the franchisee to construct and maintain the cables of the cable car system.
- (ii) The proposed Tung Chung Terminal Building will take up both the site earmarked for the terminal and TCTL 35. The terminal building will combine the functional requirements of the terminal and the commercial space originally planned for TCTL 35.
- (iii) The franchisee will be granted under the enabling legislation the right to use and/or to let out the commercial space at the termini including the fee-paying car park at the proposed Tung Chung Terminal. The franchisee will be required to pay to Government upfront a lump sum payment at full market value for any such right.
- (iv) There has been consultation with the Airport Authority (AA) on the location of the intermediate station on the Airport Island. The exact location and area of the station will be subject to detailed study by the franchisee in consultation with the AA. There would need to be further consultation with AA on the means for making available the site. This could be achieved either through the surrender of the site required for the construction of the intermediate station by AA or through resumption.
- (v) The Ngong Ping Terminal will not include the integrated developments as proposed in the MTRC Study. Nevertheless, we do not rule out the possibility that the franchisee may, on their own, arrange to acquire private land required for such purposes to enhance the overall attractiveness of the area to visitors.

III. Legislation

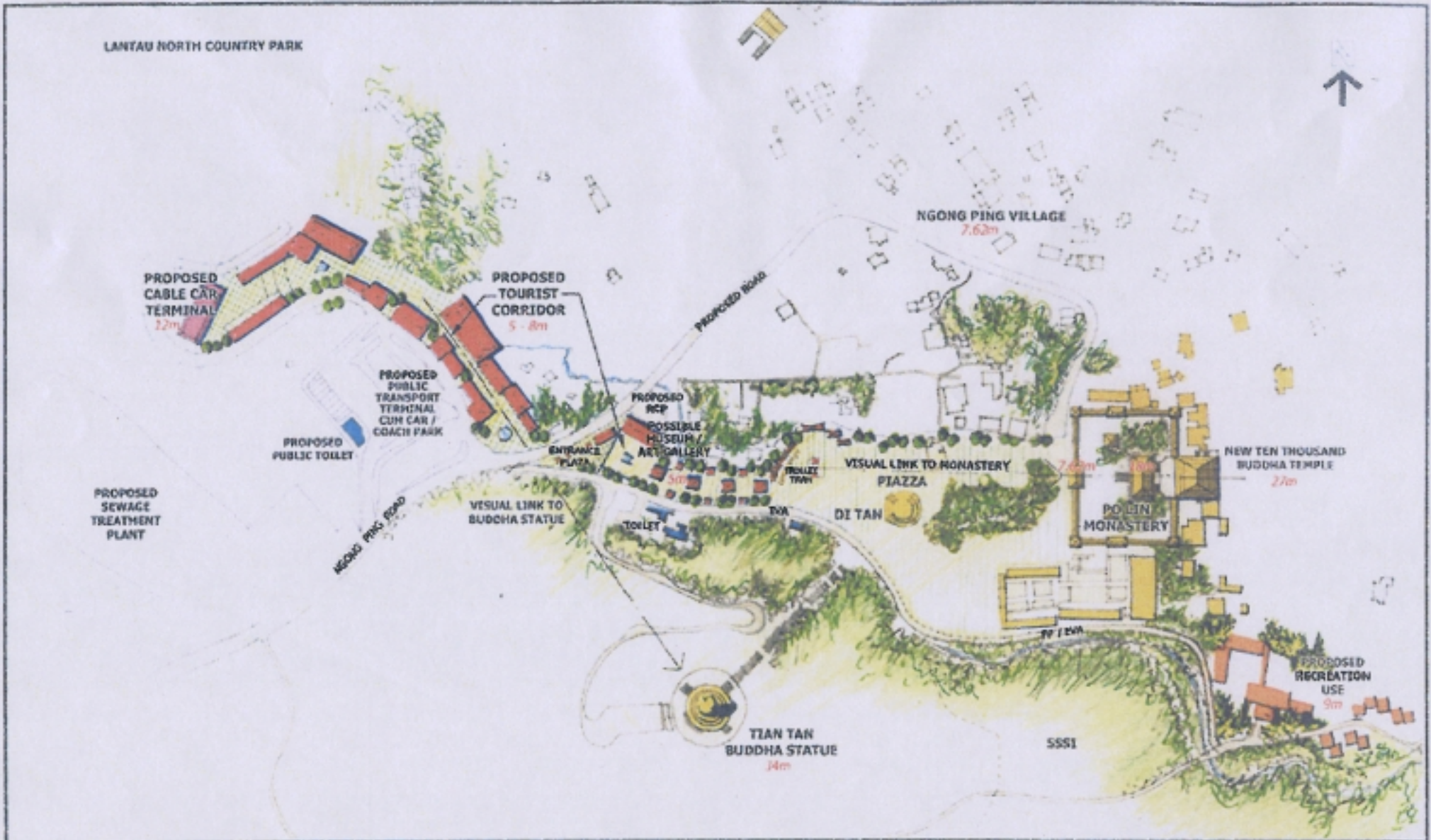
- (i) New enabling legislation and a project agreement will provide a legal framework for the grant of the franchise and the construction, operation and maintenance of the cable car system. The enabling legislation will confer on the franchisee a statutory right to occupy land to be provided by the Government, and a statutory easement to construct and maintain the cables of the cable car system. It will also provide for the resumption of land, if necessary, and will provide for the right to use commercial space at the termini.
- (ii) The Aerial Ropeways (Safety) Ordinance (Cap. 211) and its subsidiary legislation apply to mono-cable ropeways with detachable grips (e.g. the aerial ropeways installed in the Ocean Park). Since it is anticipated that a different type of aerial ropeway may be chosen for the Project, the existing legislation needs to be amended to cover also the design, installation, operation, maintenance and safety requirements of the new cable car system.

IV. Tender

- (i) We propose to invite open tender for the franchise.
- (ii) Assessment criteria will include bidders' technical expertise in construction, experience in operating a transport system, merits in the design concept for and the safety standard of the cable car system, environmental performance, ability to meet Government's target completion date (including the proposed schedule for compliance with various statutory procedures), financial strength and financing package for the Project, including the proposed level of royalty payment and government support required, if any. Technical and financial evaluation will be done separately.

- (iii) The successful bidder will be identified before the enabling legislation is enacted. There will be a provisional agreement between Government and the successful bidder such that the successful bidder could carry on detailed design and studies, and take forward all the necessary statutory procedures. The project agreement would be executed after the enactment of the enabling legislation.

19 March 2001



18 m PROPOSED MAXIMUM HEIGHT

EXTRACT PLAN PREPARED ON 29.6.2002

REVISED DEVELOPMENT CONCEPT FOR NGONG PING

PLANNING
DEPARTMENT

M/LI 02/79

PLAN
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