

立法會
Legislative Council

LC Paper No. CB(1)997/04-05

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by the Administration)

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Panel on Transport

Subcommittee on matters relating to railways

**Minutes of special meeting on
Saturday, 11 December 2004, at 9:00 am
in Conference Room A of the Legislative Council Building**

Members present : Hon Miriam LAU Kin-yee, GBS, JP (Chairman)
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP
Hon LAU Kong-wah, JP
Hon Andrew CHENG Kar-foo
Hon Abraham SHEK Lai-him, JP
Hon Albert CHAN Wai-yip
Hon WONG Kwok-hing, MH
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Patrick LAU Sau-shing, SBS, JP

Member attending : Hon Vincent FANG Kang, JP

Members absent : Hon TAM Yiu-chung, GBS, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon LEE Wing-tat

Public Officers attending : Mr Joshua LAW
Permanent Secretary for the Environment, Transport and Works

Mr Thomas CHOW
Deputy Secretary for the Environment, Transport and Works

Mr Raymond HO
Principal Assistant Secretary for the Environment,
Transport and Works

Mr WAN Man-lung
Principal Government Engineer/Railway Development
Highways Department

Attendance by invitation : Kowloon-Canton Railway Corporation

Mr Samuel LAI
Acting Chief Executive Officer

Mr K K LEE
Senior Director, Capital Projects

Mrs Grace LAM
General Manager, Corporate Affairs

Mr Joseph CHOI
General Manager, Construction

Wharf Estates Development Limited

Mr Micky LEUNG
Business Development Director

Mr Frankie YICK
Chief Manager – External Relations

Mr Clement WONG
Assistant Project Director

Clerk in attendance : Mr Andy LAU
Chief Assistant Secretary (1)2

Staff in attendance : Ms Alice AU
Senior Assistant Secretary (1)5

Miss Winnie CHENG
Legislative Assistant (1)5

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I Progress update on Kowloon Southern Link

(LC Paper No. CB(1)430/04-05(01)

- Information paper provided by the Administration attaching a paper provided by the Kowloon-Canton Railway Corporation (KCRC) on "Progress of discussions between KCRC and Wharf on a possible Canton Road Station";
- LC Paper No. CB(1)430/04-05(02)
- Press release dated 6 December 2004 from KCRC;
- LC Paper No. CB(1)430/04-05(03)
- Press release dated 6 December 2004 from The Wharf Group;
- LC Paper No. CB(1)443/04-05(01)
- Letter dated 8 December 2004 from the Chairman of Yau Tsim Mong District Council; and
- LC Paper No. CB(1)457/04-05(01)
- Supplementary information paper provided by KCRC)

The Chairman recapped that when the subject was last discussed at the meeting on 19 November 2004, members were in general agreement about the need to facilitate the early provision of a Canton Road (CAR) Station under the Kowloon Southern Link (KSL) project. The Administration was requested to report, after the November 2004 deadline, the outcome of negotiations between Kowloon-Canton Railway Corporation (KCRC) and Wharf Estates Development Limited (Wharf) on the possibility of constructing a CAR Station upon future redevelopment of Wharf's property on Canton Road. The parties concerned had subsequently informed members on paper that KCRC and Wharf had not reached agreement on the matter by the said deadline. The Administration would proceed with the planning of KSL without a CAR Station and gazette the railway scheme in mid-December. In view of the urgency of the matter and the public interest at stake, she had decided to convene this special meeting to follow up on the matter.

2. Mr Abraham SHEK declared interest as a Member of the Managing Board of KCRC.

3. Mr FANG Kang declared interest that he was a non-executive director of The Wharf Group, and that many shop owners and operators of retail businesses on Canton Road were his electors.

4. Members noted the following papers tabled at the meeting:

- (a) map provided by KCRC showing the proposed subway connection from East Tsim Sha Tsui Station to Canton Road;
- (b) map provided by KCRC showing the catchment area of existing and proposed railway stations in the Tsim Sha Tsui area; and

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- (c) Submission dated 11 December 2004 from Wharf entitled "Canton Road Station – Recount of Issues".

(Post-meeting note: The above papers were subsequently issued to members vide LC Paper No. CB(1)480/04-05.)

5. At the invitation of the Chairman, the Permanent Secretary for the Environment, Transport and Works (PSET) introduced the Administration's paper on the matter (LC Paper No. CB(1)430/04-05(01)). He highlighted the following points:

- (a) The provision or otherwise of a CAR Station would not affect the strategic value of KSL in linking up West Rail (WR) and the East Rail (ER). The KSL scheme proposed in the Railway Development Strategy 2000 (RDS-2000) did not have a CAR station.
- (b) As regards the transport need to connect the railway stations to areas along Canton Road, KCRC would provide a new pedestrian subway to connect the existing underground pedestrian walkway system of the ER East Tsim Sha Tsui (ETS) Station with the existing underground walkway (Peking Road Subway) at the junction of Peking Road and Kowloon Park Drive. With that new pedestrian subway, passengers from ER ETS Station would no longer need to cross road junctions at ground level and could reach Canton Road in about 10 minutes.
- (c) As regards the financial aspect, the estimated cost of a CAR Station was \$1.8 billion while that of building the new pedestrian subway and improving the existing subway systems was \$300 million. The former represented a 22% increase in the overall project cost which would impact significantly on KSL's financial viability.
- (d) If a CAR Station were to be built, KCRC must work together with a willing partner, particularly when the proposal under consideration involved a massive and complex redevelopment scheme.

6. The Chief Executive Officer of KCRC (Acting) (CEO/KCRC(Acting)) took members through the supplementary paper provided by KCRC (LC Paper No. CB(1)457/04-05(01)). He stressed that being a government-owned corporation, KCRC had to balance social and public community considerations against the requirement in law to act in accordance with prudent commercial principles, and it had always been KCRC's view that the provision of a CAR Station might not be financially viable. As illustrated in the map showing the catchments of existing and proposed railway stations in the Tsim Sha Tsui area, a CAR Station, if built, would only serve a very small area of new catchment along Canton Road. The ER ETS Station and MTR Station would be able to meet the needs of passengers travelling to the Harbour City of Canton Road. KCRC had also committed to spend \$300 million to further expand and improve the existing passenger subway link underneath Middle Road to Peking Road, thus shortening the walking distance from ETS Station to Canton Road

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to just 10 minutes without the need to cross roads at ground level. For those passengers wishing to travel to location further north on Canton Road, the West Kowloon (WKN) Station would provide a convenient alternative.

7. CEO/KCRC(Acting) further said that it was unfortunate that no agreement could be reached with Wharf. On the one hand, KCRC understood the wish of the public to have a station at Canton Road. But on the other hand, KCRC was also mindful of the need to avoid any criticism of "channeling of special favour" to a private business. Within the constraints placed on the Corporation, KCRC had tried its best to meet the expectation and had actively explored possible options to fill the funding gap required to build the station. But without a commitment from Wharf to share the cost of the CAR station, KCRC could not proceed alone with a station which would result in a financially worse impact on the KSL project. Under the circumstances, he called on members' support for the early construction of KSL so as to bring transport benefits to the residents in the Northwest New Territories (NWNT). He said that without the CAR Station, the strategic importance of KSL would not be lessened.

8. Mr Frankie YICK, Chief Manager – External Relations of Wharf, took members through Wharf's submission tabled at the meeting. He said that during past discussions, KCRC had demanded two commitments from Wharf:

- (a) Wharf to commit a clear timeline to make available the site for the CAR Station, to be backed up by a financial undertaking from Wharf that if the site was not made available by the agreed timeline, Wharf would reimburse KCRC the full estimated cost of \$600 million of the enabling work for the station.
- (b) Wharf to share the cost of the station, estimated by KCRC to be in the region of another \$600 million.

Mr YICK reported that Wharf had accepted (a) but not (b) as Wharf considered that it was KCRC's responsibility as a public infrastructure corporation to build its railway and stations to meet transport need, and Wharf, being a private landowner was to demolish and rebuild its own buildings to make available the site for KCRC to build the CAR Station. Wharf held the view that upholding this important principle was in line with public interest. Mr YICK added that Wharf had already made multiple tangible concessions in trying to facilitate the building of a CAR Station. Redevelopment was a very costly undertaking with tangible negative cash consequences in the onset of between \$3 billion to \$6 billion with considerable risk and disturbance to Harbour City. It would be against commercial principles if Wharf had to contribute towards the building cost of the station as requested by KCRC.

9. Mr Frankie YICK also said that there was strong call in the community for the provision of a CAR Station, as expressed by the joint submission from the Chairmen and Deputy Chairmen of 12 District Councils and the petition signed by more than 1 200 business operators and shop owners in Canton Road. Wharf was disappointed

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that KCRC had decided not to provide a CAR Station despite its obvious transport necessity. Without a CAR Station, the distance between the proposed WKN Station and ETS Station would be 1.7 kilometres. The prospect that a commuter had to walk up to 13 to 20 minutes via a combination of pedestrian subway links and above ground from East Tsim Sha Tsui to Canton Road, which was the heart of Kowloon, was hardly attractive.

10. Referring to the strong expectation in the community for the provision of a CAR Station, Mr Jeffrey LAM did not consider the proposed subway link a desirable alternative. He asked whether the Administration could as a facilitator render further assistance so as to bridge the funding gap required to construct the station, such as making capital injection to KCRC or seeking other financial support from the private sector.

11. Referring to the joint submission from the 12 District Councils, Mr WONG Kwok-hing shared the view that a CAR Station would bring in substantial transport benefits. He called on KCRC to consider whether other options were available to fill the funding gap required to build the station, say by extending the payback period. Given the public interest at stake, he asked whether KCRC and Wharf would consider making further efforts to reach an agreement on the matter.

12. In response, CEO/KCRC(Acting) stressed that the KSL as proposed in RDS-2000 did not have a CAR Station. In preparing the relevant financial assessment for the KSL project, a 50-year payback period was already adopted. Considering the fundamental differences between the two sides, KCRC's view was that given the strategic function of KSL to link up ER and WR, the project with WKN Station should proceed without any further delay so as to bring early benefits to the residents in NWNT.

13. PSET stated that during the past few months, the matter had been given careful and thorough consideration by all parties concerned. Although no agreement on the provision of a CAR Station could be reached, the KSL project should not be allowed to drag on. The Administration's plan was to gazette the revised KSL scheme in the middle of December 2004 so that construction works could commence in mid-2005 for completion in 2009.

14. Mr Frankie YICK maintained Wharf's position that the principle of a clear and transparent division of responsibilities between the public and private enterprises must be upheld. It was unreasonable for Wharf to contribute towards the building cost of the station as requested by KCRC.

15. Mr Jeffrey LAM further enquired about the stance of the Government's representatives on KCRC's Managing Board on the matter. The Chairman also considered that given the strong expectation in the community, the Government should act to protect the public interest at stake in its consideration.

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16. In response, PSET said that the Government was actively involved in the discussion process with more than 50 meetings held at various levels. He assured members that during the discussions, all parties concerned were mindful of the public's wish to have a CAR Station and had explored various options to take the matter forward. However, it should be recognized that the two sides should be left to decide for themselves whether a commercial agreement could be reached without any interference from the Government. PSET added that it was KCRC Managing Board's view that the provision or otherwise of a CAR Station would not affect the strategic value of KSL. As the KSL project itself was financially viable, the Government would not consider providing any financial assistance to KCRC for the construction of the CAR Station which had no effect on the strategic function of KSL. As regards the possibility of seeking other financial support, PSET said that even with Wharf's property portfolio in the area and its plan for redevelopment, the protracted discussions did not yield any fruitful outcome. Hence, it was unlikely that KCRC could reach any financial arrangements with other private parties in the short term.

17. Underlining the transport benefits of a CAR Station, Mrs Selina CHOW considered that all parties concerned should make greater efforts to reach an agreement on the provision of a CAR Station to facilitate the commuting public. As such, she intended to propose a motion urging the Administration to defer the gazettal of the railway scheme for KSL to allow more time for further discussions by the two parties.

18. Mr CHENG Kar-foo however was worried that if the KSL project was further delayed, it would create additional adverse impact on WR's financial position. He asked whether the Government could proceed with the gazettal of KSL's railway scheme while the two parties engaged in further commercial negotiations.

19. In reply, PSET said that in order to allow for the provision of a future CAR Station, the enabling works would have to be gazetted as part of the amendments of the KSL scheme so that these works could be implemented as part of the KSL project. Without such an agreement between KCRC and Wharf on the CAR Station, the enabling works would not be included in the KSL scheme and there would not be any CAR Station.

20. Mr LAU Sau-shing suggested that KCRC should revisit the technical feasibility of constructing the CAR Station in Kowloon Park. Mr K K LEE, Senior Director, Capital Projects of KCRC (SDCP/KCRC), explained that the Kowloon Park Drive Alignment was one of the four alignment options considered initially by KCRC. However, this alignment option had various engineering and site constraints and was considered not a preferred option. At Mr LAU Sau-shing's request, KCRC would provide detailed information on the technical difficulties involved after the meeting. SDCP/KCRC also took note of Mr LAU's suggestion that shop spaces should be made available in the underground subway connection where possible.

21. Mr Abraham SHEK opined that notwithstanding the public's wish for a CAR Station, KCRC was obliged to operate according to prudent commercial principles and adopt the best planning possible for the KSL project taking into account all relevant

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considerations including operational safety, engineering feasibility and financial viability. Looking forward, it would be most important to ensure the early completion of the project so as to provide the strategic link between WR and ER.

Financial arrangement

22. Mr CHENG Kar-foo noted that the crux of the question was about cost-sharing for the construction of the CAR Station. Considering that all parties concerned should make extra effort for the benefit of the travelling public, he enquired about the financial arrangements for the construction of the MTR Causeway Bay Station exit and subway connection to Times Square which was also Wharf's property, and opined that both parties should actively explore whether similar arrangements could be adopted for the CAR Station.

23. Mr Albert CHAN considered that it was against the wish of the public not to provide a CAR Station under the KSL project. However, he was also gravely concerned that if the CAR Station was to be constructed without considering its financially viability, the public as well as KCRC would be left to pay a high price while it would only benefit the developers in the area. Considering that all the parties concerned should have a fair share of benefits as well as responsibility in the matter, he asked whether the Government had any policy or precedent of requiring private sector businesses to share the cost associated with the construction of railway stations.

24. In response, PSET explained that if a railway station was considered a public transport necessity, the Government or the railway corporations concerned would pay for the construction cost. However, he reiterated that the provision or otherwise of a CAR Station would not affect the strategic value of KSL in linking up WR and ER, and that the KSL scheme proposed in RDS-2000 did not have a CAR station. As regards cost-sharing for the construction of railway stations, he said that as far as he understood, Wharf had shared some of the cost for the construction of the satellite concourse and subway link between the MTR Causeway Bay Station and Times Square.

25. CEO/KCRC(Acting) stated that as far as he knew, Wharf had paid for the construction of the satellite concourse at Times Square for the use of MTR through the Subway already constructed by MTRC. KCRC was essentially asking for similar arrangement be made for the CAR Station.

26. Mr Clement WONG, Assistant Project Director of Wharf, explained that for the Times Square case, the building works involved were relatively minor as the satellite concourse and subway link for the MTR Causeway Bay station was located at one of the underground levels intended to be the carpark of Times Square. Hence, their provision could be readily incorporated as part of the construction plan of Times Square. Mr Micky LEUNG, Business Development Director of Wharf, supplemented that for the proposed CAR Station, Wharf was asked to provide the whole station structure. In that case, the underground building works involved in the redevelopment plan would have to be much deeper than originally required, i.e. about

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30 metres underground, in order to make the site available specifically for KCRC to provide the CAR Station.

27. Mr Frankie YICK pointed out that most importantly, the major difference between the two cases was that Times Square was then a new project under which the underground levels were intended to be built originally. But in order to make the site available for the CAR Station while preserving the comprehensive integrity of Harbour City as one integrated complex, Wharf would have to demolish six rental-earning blocks to make additional floor area available for the construction of the station. This would add tremendous complexity to the whole redevelopment project and incur substantial costs for Wharf in demolition, rebuilding and rental losses during the construction period.

28. Mrs Selina CHOW reiterated her grave dissatisfaction that no CAR Station was to be provided under the KSL project to serve the Canton Road area as a busy commercial and shopping centre in the heart of Kowloon. She referred to the high estimated cost of \$1.8 billion for the construction of the CAR Station, and asked whether there were other less costly options or locations for the construction of a CAR Station.

29. SDCP/KCRC responded that KCRC had made every effort to explore other options for the provision of a CAR Station, including an alternative proposal from Sino Properties for a station located within or adjacent to China Hong Kong City (CHKC). After careful studies, this proposal was considered not feasible as it would involve the relocation of the existing public transport interchange below CHKC, but no suitable site could be identified. The Principal Assistant Secretary for the Environment, Transport and Works also said that according to the Administration's assessment, the risk involved with the construction of a CAR Station under CHKC would be no less than that under Wharf's redevelopment proposal.

30. Mr LAU Kong-wah expressed grave disappointment that no agreement could be reached on the construction of a CAR Station. He considered it unacceptable that passengers should be required to walk for more than 10 minutes from ETS Station to Canton Road for daily commuting. Considering that the strategic function of KSL was to link up WR and ER and serve more than three million population in Northwest and Northeast New Territories, he was strongly of the view that the CAR Station was a transport necessity, and KCRC should honour its undertaking to provide a CAR Station as stated in the Corporation's proposal to the Government in July 2001. Mr LAU opined that instead of spending \$8 billion to construct a one-station KSL, it would in fact be more cost-effective to spend an additional \$1.8 billion to construct an additional CAR Station that could really facilitate the travelling public.

31. Ir Dr Raymond HO was totally unconvinced by the Administration's claim that the CAR Station did not have any strategic function. Highlighting the need to ensure connectivity of the railway network, he was strongly of the view that the Administration should be more proactive in response to the public's call for the provision of such a station as indicated by the joint submission from the 12 District

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Councils. Sharing similar views, Mr FANG Kang said that a CAR Station would bring about substantial economic benefits to the community, in particular tourism development in the Tsim Sha Tsui area.

32. CEO/KCRC(Acting) responded that it had always been KCRC's intention to construct a CAR Station provided that the relevant operational and safety requirements could be met and it would be commercially viable to do so. While rail passengers would find the CAR station useful given its location within a tourist and shopping centre, there would only be very marginal gain in railway patronage for KSL as the area was presently well served by both KCR and MTR systems. KCRC had reviewed the patronage projection, especially in light of recent changes in the Government's population planning and GDP growth forecasts, and the patronage levels experienced on WR since its opening. As compared with the forecasts in 2001, KSL marginal weekday patronage in 2016 had since been revised downward from 245 000 to 190 000 if only WKN Station was built and from 270 000 to 207 000 if the CAR Station was also provided due to the reduction in population growth along the WR and KSL alignment. As the CAR Station was now forecast to only bring in an incremental patronage of 17 000, the financial viability of the CAR Station had deteriorated yet further from the situation first forecast in 2001.

Motion

33. Members noted and agreed to proceed with the following motion proposed to be moved by Mrs Selina CHOW:

"That this Subcommittee urges the Administration to postpone temporarily the gazettal of the railway scheme for the Kowloon Southern Link (KSL), and calls on the Administration to immediately engage Kowloon-Canton Railway Corporation and Wharf Estates Development Limited in pragmatic discussions to resolve the issues in relation to the provision of a Canton Road Station under the KSL project." (Translation)

34. Mr WONG Kwok-hing expressed support for Mrs Selina CHOW's motion. However, taking time consideration into account, he suggested that a three-month deadline be set for the relevant discussions between the two sides.

35. Mrs Selina CHOW was agreeable to the three-month deadline.

36. Mr CHENG Kar-foo however considered that in view of the proposed merger of the two railway corporations, the Government should ensure the prudent use of public resources as there were already three railway stations in the area. But noting the transport benefits of the CAR Station, he agreed that all parties concerned should make a last ditch effort to try and overcome their differences. Nonetheless, he considered that a three-month deadline would unduly affect the implementation timetable of KSL and hence, he proposed to amend Mrs Selina CHOW's motion as

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follows:

"That this Subcommittee calls on the Administration to immediately engage Kowloon-Canton Railway Corporation and Wharf Estates Development Limited in pragmatic discussions to resolve the issues in relation to the provision of a Canton Road Station under the KSL project." (Translation)

37. Mr Albert CHAN also considered the three-month deadline too long and suggested that the duration be shortened to one month.

38. After deliberation, Mr WONG Kwok-hing proposed to amend Mrs Selina CHOW's motion by setting a two-month deadline as follows:

"That this Subcommittee urges the Administration to defer the gazettal of the railway scheme for the Kowloon Southern Link (KSL) for not more than two months until 11 February 2005, and calls on the Administration to immediately engage Kowloon-Canton Railway Corporation and Wharf Estates Development Limited in pragmatic discussions to resolve the issues in relation to the provision of a Canton Road Station under the KSL project." (Translation)

39. Mr Albert CHAN maintained his view that the gazettal of the KSL railway scheme should not be deferred for an unduly long period, and proposed to further amend the motion as follows:

"That this Subcommittee urges the Administration to defer the gazettal of the railway scheme for the Kowloon Southern Link (KSL) for not more than one month until 11 January 2005, and calls on the Administration to immediately engage Kowloon-Canton Railway Corporation and Wharf Estates Development Limited in pragmatic discussions to resolve the issues in relation to the provision of a Canton Road Station under the KSL project." (Translation)

40. Mrs Selina CHOW and Mr LAU Kong-wah indicated support for Mr WONG Kwok-hing's proposed amendment to the original motion.

41. Mr CHENG Kar-foo indicated support for Mr Albert CHAN's proposed amendment and withdrew his proposed amendment.

42. Ir Dr Raymond HO said that while he did not wish to see the gazettal exercise deferred, he would support Mr Albert CHAN's proposed amendment to give all parties concerned a final opportunity to try and compromise.

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43. Mr Abraham SHEK expressed concern about the impact of any delay in the implementation of the project on KCRC's overall financial position. As such, he would personally vote against the motion and its amendments. But in view of his declared interest as a Member of the Managing Board of KCRC, he would not take part in the voting.

44. Mr WONG Kwok-hing's proposed amendment was put to vote and the votes were equally divided. The Clerk advised that as it was previously endorsed by the Transport Panel that the practice and procedures of the Subcommittee should follow those of the Panel, the Chairman shall have a casting vote in addition to her original vote. In order to allow further discussion on the subject matter, it was a convention for the Chairman to exercise his/her casting vote against the question being put to vote. Nonetheless, it was up to the Chairman to decide for him/herself how to cast such a vote, and there was precedent in the past whereby the Chairman had exercised his casting vote in favour of a question being put to vote. The Chairman stated that she would follow the convention and exercise her casting vote against Mr WONG Kwok-hing's proposed amendment for the following reasons:

- (a) She considered one month a reasonable duration for the parties concerned to conduct further discussions on the matter.
- (b) A shorter timeframe would give all parties concerned more pressure to come to an agreement on the matter.

45. Mr Albert CHAN's proposed amendment was then put to vote and endorsed.

46. Members agreed that the Subcommittee would follow up on the matter at its forthcoming meeting scheduled for 7 January 2005. Considering the public interest at stake, members requested that the Secretary for the Environment, Transport and Works should attend the meeting and brief members on the latest position on the matter. In addition, Mr Albert CHAN requested the Administration to provide additional information, if available, on previous cost-sharing arrangements for the construction of railway stations, concourses and/or exit connections which were within or adjacent to private property developments such as the MTR's Admiralty and Tai Koo Stations.

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II Any other business

47. There being no other business, the meeting ended at 11:30 am.