

Bills Committee on Rail Merger Bill

Administration’s Response to the Follow-up to Bills Committee Meetings

Issue	Response										
(A) Integrated Operating Agreement											
(i) Monitoring of Environmental Conditions, Ventilation and Passenger Environment (Clauses 3.6, 4.4.1 and 4.4.2)											
<p>1. MTRCL to provide information on how the air flow condition and level of carbon dioxide within the compartments of train cars plying lines starting from or passing through Central were checked and the results of the measurement, and whether the readings could comply with the standards set by the Environmental Protection Department (EPD) in this regard, in particular during peak hours.</p>	<ul style="list-style-type: none"> The previous measurements carried out by MTRCL indicate that the levels of carbon dioxide in the station concourses, train compartments and platforms installed with platform screen doors fall into the category of good air quality of a comfortable railway facility as defined in the “Practice Notes for Managing Air Quality in Air-conditioned Public Transport Facilities - Railways” issued by EPD. Details of the levels of carbon dioxide measured at MTR Central Station and other MTR stations as well as MTR train compartments are given in the table below: <table border="1" data-bbox="788 802 2033 1142"> <thead> <tr> <th></th> <th>Measurements Taken by MTRCL during Peak Hours</th> <th>Practice Notes for Managing Air Quality in Air-conditioned Public Transport Facilities issued by EPD</th> </tr> </thead> <tbody> <tr> <td>Central Station</td> <td>Below 1100 ppm</td> <td rowspan="3">“Good air quality of a railway facility at which there is no health concern identified” : Average level of carbon dioxide in an hour is lower than 2500 ppm</td> </tr> <tr> <td>Other Stations</td> <td>Below 1600 ppm</td> </tr> <tr> <td>Train Compartments</td> <td>Below 1800 ppm</td> </tr> </tbody> </table> 		Measurements Taken by MTRCL during Peak Hours	Practice Notes for Managing Air Quality in Air-conditioned Public Transport Facilities issued by EPD	Central Station	Below 1100 ppm	“Good air quality of a railway facility at which there is no health concern identified” : Average level of carbon dioxide in an hour is lower than 2500 ppm	Other Stations	Below 1600 ppm	Train Compartments	Below 1800 ppm
	Measurements Taken by MTRCL during Peak Hours	Practice Notes for Managing Air Quality in Air-conditioned Public Transport Facilities issued by EPD									
Central Station	Below 1100 ppm	“Good air quality of a railway facility at which there is no health concern identified” : Average level of carbon dioxide in an hour is lower than 2500 ppm									
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Issue	Response
<p>2. Please explain the meaning of the term “enclosed areas” as used in clause 3.6 and whether Hung Hom Station belongs to “enclosed area”.</p>	<ul style="list-style-type: none"> • Enclosed areas in the relevant clause refer to a place to which the public has normal access and is confined by walls, partitions or screens (including platform screen doors) along the greater part of their sides and a ceiling, roof or other structure above them. The two corporations have provided air-conditioning for the enclosed areas. These areas include station concourses, train compartments and platforms installed with platform screen doors. • The station concourse of Hung Hom Station of the KCRC East Rail is an enclosed area. The platform of this station is not an enclosed area, because similar to the other non-enclosed areas of the railway, its environmental conditions are affected by external factors such as outdoor temperature, wind direction, wind speed, humidity, etc. Notwithstanding this, KCRC has installed large ventilation fans at the platform in order to maintain good ventilation.
<p>3. Whether there is any difference between the term “continuous” in clause 3.6 as they are translated in two different ways (i.e., “持續” and “連續”).</p>	<ul style="list-style-type: none"> • The two Chinese terms carry the same meaning. To ensure consistency, we will replace the term “連續” by “持續” in the relevant clause.
<p>4. Whether there is a need to state clearly in clause 3.6 that MergeCo should, apart from monitoring and recording the environmental conditions throughout the enclosed areas of the railway, make improvements in response to relevant complaints and in accordance with the Administration’s directions where necessary.</p>	<ul style="list-style-type: none"> • Clause 4.4.1 stipulates that MergeCo shall take into account such guidance notes, practice notes and other advice as may be issued by Government from time to time to provide a comfortable passenger environment by maintaining adequate standards for temperature and ventilation in enclosed areas of the railway premises. In fact, where necessary, we will request MTRCL to make improvements. We therefore do not consider it necessary to add a provision in clause 3.6 as proposed.

Issue	Response
(ii) Train Service Arrangements (Clause 4.2.7)	
5. Please provide information about the minimum levels of train service arrangements for KCR and MTR services.	<ul style="list-style-type: none"> • Please refer to <u>Annex 1</u>.
(iii) Broadcast of Audio or Audio-visual Programmes (Clause 4.4.3)	
6. KCRC to provide information on the survey conducted by KCRC on the provision of on-board broadcasts of news programmes and advertisements, including the relevant questionnaire.	<ul style="list-style-type: none"> • KCRC advised that the Corporation has commissioned an independent consultant to conduct passenger interview surveys on East Rail, Ma On Shan Rail and West Rail concurrently in December 2005 and July 2006 respectively to gauge passengers' views on the provision of on-board broadcasts of programmes in train compartments. The relevant questions of the questionnaire are at <u>Annex 2</u> for reference. • About 2,300 and 2,200 passengers were interviewed during the two surveys respectively. KCRC has provided the following summary of key findings of the two surveys: <ul style="list-style-type: none"> • Over 80% of the respondents considered the sound level “appropriate”, “soft” or “too soft”. • Over 85% of the respondents who had travelled in the Quiet Zone/Quiet Car indicated “very satisfied”, “satisfied” or “average” about the provision of Quiet Zone/Quiet Car. • Over 90% of the respondents indicated “very satisfied”, “satisfied” or “average” about the content of the on-board broadcasts.
7. The Administration to provide information about the guidelines on the regulation over the broadcasting of audio or audio-visual programmes in train compartments.	<ul style="list-style-type: none"> • We are drafting the guidelines and will provide relevant information to the Bills Committee in due course.

Issue	Response
(B) Property	
<p>8. With reference to the implementation of Tsuen Wan Line and Kwun Tong Line, MTRCL was requested to provide information on the variation, if any, between the then estimated and actual profits from property developments, and usage of the windfall profits from property developments.</p>	<ul style="list-style-type: none"> • MTRCL's reply is attached at Annex 3.
<p>9. With reference to the implementation of individual railway lines, MTRCL was requested to illustrate the variation in monetary values if different rates on top of the weighted average cost of capital were applied for calculating the commercial return of railway projects.</p>	

**Train Service Arrangement – Hours of Operation and Minimum Level of
Service Capacity for Core Service Hours****(i) First Train Times and Last Train Times****Tsuen Wan Line**

Direction	First Train Time	Last Train Time
From Tsuen Wan to Central	06:00	00:30
From Central to Tsuen Wan	06:06	00:54

Island Line

Direction	First Train Time	Last Train Time
From Chai Wan to Sheung Wan	05:55	00:35
From Sheung Wan to Chai Wan	06:05	00:56

Kwun Tong Line

Direction	First Train Time	Last Train Time
From Tiu Keng Leng to Yau Ma Tei	06:07	00:22
From Yau Ma Tei to Tiu Keng Leng	06:14	00:28

Tseung Kwan O Line

Direction	First Train Time	Last Train Time
From Po Lam to North Point	06:00	00:30
From North Point to Po Lam	06:15	00:45

Tung Chung Line

Direction	First Train Time	Last Train Time
From Tung Chung to Hong Kong	06:02	00:43
From Hong Kong to Tung Chung	06:01	00:50

Airport Express Line

Direction	First Train Time	Last Train Time
From Asia-World-Expo to Hong Kong	06:00	00:45
From Hong Kong to Asia-World-Expo	05:50	00:48

Disneyland Resort Line

Direction	First Train Time	Last Train Time
From Disneyland Resort to Sunny Bay	06:20	00:40
From Sunny Bay to Disneyland Resort	06:15	00:45

East Rail

Direction	First Train Time	Last Train Time
From Lo Wu to East Tsim Sha Tsui	05:54	00:30
From Sheung Shui to East Tsim Sha Tsui	05:40	Same train which departs from Lo Wu at 00:30
From East Tsim Sha Tsui to Lo Wu	05:28	23:05
From East Tsim Sha Tsui to Sheung Shui	Same train which departs from East Tsim Sha Tsui at 05:28	00:23

Ma On Shan Rail

Direction	First Train Time	Last Train Time
From Wu Kai Sha to Tai Wai	05:40	00:37
From Tai Wai to Wu Kai Sha	05:40	01:05

West Rail

Direction	First Train Time	Last Train Time
From Tuen Mun to Nam Cheong	05:45	00:15
From Nam Cheong to Tuen Mun	06:00	00:15

(ii) Minimum Level of Service Capacity

Line	Core Service Hours (morning / evening)	Service Capacity (per direction, hourly)
Tsuen Wan Line	Morning	75,000
	Evening	60,000
Island Line	Morning	70,000
	Evening	52,500
Kwun Tong Line	Morning	65,000
	Evening	57,500
Tseung Kwan O Line	Morning	55,000
	Evening	50,000
Tung Chung Line	Morning	25,000
	Evening	18,750
Airport Express Line	Morning	3,500
	Evening	3,500
Disneyland Resort Line	Morning	10,800
	Evening	10,800
East Rail	Morning	72,500
	Evening	54,375
Ma On Shan Rail	Morning	25,906
	Evening	17,420
West Rail	Morning	46,900
	Evening	35,175

Note: as at the position on 31 January 2007.

九廣鐵路東鐵、馬鐵及西鐵乘客「新聞直線」意見調查的有關問題

讀出：九鐵現正喺車廂透過液晶體顯示屏提供「新聞直線」服務。以下問題係想了解你對呢項服嘅意見。

1. 你知唔知道九廣鐵路的車廂入面有「新聞直線」呢個服務呢？→ 請出示示咭 A
1. 知道 2. 唔知道

引言：其實「新聞直線」喺九鐵列車上提供電視新聞，廣告同行車資訊俾乘客嘅服務。

2. 你知唔知「新聞直線」其實係播放有線電視嘅新聞呢？
1. 知道 2. 唔知道
3. 請問你覺得喺九廣鐵路嘅車廂入面提供即日新聞、廣告同行車資訊嘅概念，係好、一般抑或唔好呢？
1. 非常唔好 2. 唔好 3. 一般 4. 好 5. 非常好 6. 冇意見
4. 請問你覺得播放嘅聲量係大、適中、抑或小呢？
1. 過大 2. 較大 3. 適中 4. 較小 5. 過小 6. 冇意見
5. 請問你知唔知有靜音車廂或靜音區呢？
1. 知道 2. 唔知道 → 跳 8
6. 咁你有冇乘搭過靜音車廂或靜音區呢？
1. 有 2. 冇
7. 請問你對於設有靜音車廂或靜音區呢項安排感到滿意、一般抑或唔滿意呢？
1. 非常唔滿意 2. 唔滿意 3. 一般 4. 滿意 5. 非常滿意 6. 冇意見
8. 你認為畫面質素好、一般抑或係唔好呢？
1. 非常唔好 2. 唔好 3. 一般 4. 好 5. 非常好 6. 冇意見
9. 新聞直線服務提供新聞、廣告及九鐵行車資訊，請問你對服務內容感到滿意、一般抑或唔滿意呢？

1. 非常唔滿意 2. 唔滿意 3. 一般 4. 滿意 5. 非常滿意 6. 冇意見

10. 以下邊類新聞你會想係「新聞直線」睇到呢？（“1”分代表非常唔想，“5”分代表非常想）

	<u>非常唔想</u>	<u>唔想</u>	<u>冇所謂</u>	<u>好想</u>	<u>非常想</u>	<u>唔知/冇意見</u>
a. 本地	1	2	3	4	5	6
b. 世界	1	2	3	4	5	6
c. 娛樂	1	2	3	4	5	6
d. 體育	1	2	3	4	5	6
e. 財經	1	2	3	4	5	6
f. 天氣	1	2	3	4	5	6

11. 你覺得「新聞直線」新增設嘅即時新聞簡訊係好、一般抑或唔好呢？→ 請出示示咭 A

1. 非常唔好 2. 唔好 3. 一般 4. 好 5. 非常好 6. 冇意見

12. 整體嚟講，請問你對「新聞直線」服務感到滿意、一般抑或唔滿意呢？

1. 非常唔滿意 2. 唔滿意 3. 一般 4. 滿意 5. 非常滿意 6. 冇意見

13. 請問你有咩意見可以提高「新聞直線」嘅服務水平呢？

**Response from MTRCL in relation to Questions on Property-related Issues
Raised by the Bills Committee on Rail Merger Bill
at the meeting on 12 December 2006**

- (i) **With reference to the implementation of Tsuen Wan Line and Kwun Tong Line, MTRCL was requested to provide information on the variation, if any, between the then estimated and actual profits on property developments, and the usage of the windfall profits from property developments.**

The funding gap of a railway project is calculated pursuant to a financial model which is based on annual cash flows of the project over a period of time which is normally 50 years. The financial model takes into account a basket of factors which may affect the annual cash flows of the project during its operating period, such as capital / operating expenditures of the project, transport demand, population and economic growth. The funding gap of each project is calculated based on the assumptions made at the relevant time in respect of each of these factors. Therefore, it is not appropriate to single out property development profits and compare the then assumption for such profits with the current situation. Furthermore, as many MTR lines are still in the initial years of operation and the Tsuen Wan Line and the Kwun Tong Line are only half way through their planned operation period, we cannot make an assessment at this stage of the variation between the actual results and the project estimates for the basket of factors.

It is relevant to note that in all commercial transactions, the parties concerned would bear some risks and strive for a corresponding return. Pursuant to the deliberation on and agreement to construct the MTR lines, MTRCL has to bear commercial risks of the investment and as a result would have an opportunity to obtain a return.

- (ii) **With reference to the implementation of individual railway lines, MTRCL was requested to illustrate the variation in monetary values if different rates on top of the weighted average cost of capital were applied for calculating the commercial return of railway projects.**

Generally speaking, the return of an investment of a company should not be lower than its weighted average cost of capital (WACC). The margin between the rate of return for a particular investment and the WACC of the company reflects the commercial risk of the investment concerned. In the MTRCL's Initial Public Offering in 2000, the corporation has set out clearly that the risk premium for new railway projects should normally be 1% to 3% above the WACC.

The magnitude of the variation in monetary values if different margins of risk premium are adopted depends on the cash flows of the relevant project at various stages of its operating period. In other words, the timing and amount of capital investment, the fare and non-fare revenues, the operating and asset replacement costs, etc at different stages will all affect the calculation result.

Notwithstanding this, we have attempted to illustrate the possible impact of different margins of risk premium on the funding gap of a railway project by reference to a typical cash flow pattern for railway projects (i.e. heavy capital expenditure in the initial period with steady growth in operating revenue as the project matures). Assuming a railway project with capital investment of around \$2 billion with typical cash flow pattern, the funding gap of the project will be around \$780 million if the risk premium is 1% above the WACC. If the risk premium is 3% above the WACC and assuming the same cash flow pattern for the same project, the funding gap will increase by about \$100 million, which is around 5% of the capital investment of that project.