

立法會

Legislative Council

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Panel on Transport

Subcommittee on Matters Relating to Railways

Minutes of meeting on Monday, 1 June 2009, at 8:30 am in Conference Room A of the Legislative Council Building

- Members present** : Hon Miriam LAU Kin-ye, GBS, JP (Chairman)
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LAU Kong-wah, JP
Hon Andrew CHENG Kar-foo
Hon Abraham SHEK Lai-him, SBS, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon LEUNG Kwok-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon KAM Nai-wai, MH
Hon IP Wai-ming, MH
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
- Member attending** : Hon Audrey EU Yuet-mee, SC, JP
- Members absent** : Hon LI Fung-ying, BBS, JP
Hon Albert CHAN Wai-yip
Hon WONG Sing-chi
- Public Officers attending** : **Agenda item I**
Ms Eva CHENG
Secretary for Transport and Housing

Mr Philip YUNG
Deputy Secretary for Transport & Housing
(Transport) 1

Mr C S WAI
Director of Highways

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

**Attendance by
invitation** : **Agenda item I**

MTR Corporation Limited

Mr Russell BLACK
Projects Director

Mr Malcolm GIBSON
Head of Project Engineering

Miss Maggie SO
Senior Manager - Projects and Property
Communications

Clerk in attendance : Ms Joanne MAK
Chief Council Secretary (1)2

Staff in attendance : Ms Julien CHU
Council Secretary (1)2

Miss Winnie CHENG
Legislative Assistant (1)5

Action

- I West Island Line (WIL)**
(File Ref: THB(T)CR 11/1016/99 - Administration's paper on
Mass Transit Railway West
Island Line Funding
Arrangement (Legislative
Council Brief)
LC Paper No. CB(1)1758/08-09(01) - Administration's paper on

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- funding support and essential public infrastructure works of the MTR West Island Line
- LC Paper No. CB(1)1758/08-09(02) - Joint reply from the Administration and the MTR Corporation Limited to issues raised at the meeting on 31 March 2009
- LC Paper No. CB(1)1758/08-09(03) - Further submission from Action Group for the Pursuit of MTR in the Western District
- LC Paper No. CB(1)1758/08-09(04) - Further submission from Mr Victor S Y YEUNG, Central and Western District Councillor)

The Subcommittee deliberated (index of proceedings attached at **Annex**).

2. The Subcommittee was consulted on the funding arrangements for WIL. The Administration informed the Subcommittee that the MTR Corporation Limited (MTRCL) had submitted the latest financial proposal for WIL in February 2009 indicating an upsurge in the capital cost for the railway project as compared with the estimate made in November 2007. The then estimated capital cost for the project was \$8.9 billion (January 2006 prices), and the funding support to MTRCL required for the implementation of the project was estimated to be \$6 billion (Net Present Value (NPV) at January 2007). The revised estimate, as compared with that in November 2007, was listed below -

	<u>Oct 2007</u>	<u>Feb 2009</u>
(a) Estimated Capital Cost	\$8.9B (Jan 2006 prices)	\$15.4B (Dec 2008 prices)
(b) Funding Gap	\$6.0B (NPV at Jan 2007)	\$12.7B (NPV at Jun 2009)

3. The increase in the capital cost of \$6.5 billion (\$15.4 billion - \$8.9 billion) was attributed to -

- (a) \$2.2 billion due to increase in the scope of works for the railway; and
- (b) \$4.3 billion due to price escalation within the construction sector

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over the three-year period covered by the estimating dates.

4. As regards the funding gap, it was calculated based on the following formula -

$$\text{Funding Gap} = \text{NPV of expenditure} - \text{NPV of revenue}$$

Members noted that, while the estimated capital cost was significantly increased from \$8.9 billion to 15.4 billion, the estimated revenue had dropped as compared with previous projections because the train fare had remained the same in the past few years. As a result, the funding gap had increased from \$6 billion to \$12.7 billion.

5. The Administration advised that as the first stage funding support of \$400 million had already been paid to MTRCL in February 2008 for the design phase of the WIL project, the remaining funding support to MTRCL was about \$12.3 billion (NPV at June 2009).

- Admin 6. After discussion, the Subcommittee decided to schedule an additional meeting for Thursday, 4 June 2009, at 8:30 am to further discuss the proposed funding arrangements. To facilitate members' deliberation, the Administration was requested to provide the following supplementary information -

- (a) Final Report of the Consultancy for the Checking of the Estimated Construction and Operation Costs of WIL prepared by the consultant (Final Report);
- (b) a sample set of model run showing the projected patronage in 2021;
- (c) a paper to address residents' concerns about environmental impact brought about by the Hill Road ventilation shaft for University Station and the ventilation shaft at the Bonham Road entrance at Sai Ying Pun Station and spell out the proposed remedial measures;
- (d) a paper to address residents' concerns about the use of explosives under WIL and provide information on the relevant risk assessment on the transport, storage and use of explosives for the project;
- (e) additional information to explain how the project estimate of WIL was checked by the independent engineering consultant;
- (f) detailed information on a cost comparison of the 2007 and 2009 project estimate for WIL including a breakdown of the difference

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between the project estimate in those two years; and

- (g) an explanation of how the funding gap for WIL was assessed and why the projected values for the revenue side of the WIL project would decrease.

(Post-meeting note: supplementary information on ventilation shafts, use of explosives, cost estimate, comparison of 2007 and 2009 estimate, and assessment of funding gap were subsequently provided by the Administration. The relevant papers were issued vide LC Paper No. CB(1)1804/08-09(01)-(04). The Final Report and a sample set of model run showing the projected patronage in 2021 (with an explanatory note on the compute model print-out) were deposited at the Secretariat for members' perusal.)

II Any other business

- 7. There being no other business, the meeting ended at 10:40 am.

Council Business Division 1
Legislative Council Secretariat
6 November 2009

Panel on Transport

Subcommittee on Matters Relating to Railways

**Proceedings of the meeting
on Monday, 1 June 2009, at 8:30 am
in Conference Room A of the Legislative Council Building**

Time marker	Speaker	Subject(s)	Action required
<i>Agenda Item I – West Island Line (WIL)</i>			
000000 – 000608	Chairman Mr KAM Nai-wai	Opening remarks by the Chairman.	
000609 – 004658	Administration MTRCL Chairman	Presentation of the proposed funding arrangements for the WIL project by the Administration and representative of the Mass Transit Railway Corporation Limited (MTRCL).	
004659 – 005523	Mr CHEUNG Hok-ming Administration MTRCL Chairman	<p>Mr CHEUNG Hok-ming's concerns on the funding gap and impacts of the ventilation shafts, the drill and blast method, and the transport of explosives.</p> <p>The Administration's response -</p> <ol style="list-style-type: none"> a. the funding gap was mainly attributed to the price escalation from 2006 up to the present; b. the ventilation shafts mainly served to bring in air flow in and out of the tunnel and platform. Dust level would be kept to a minimal through regular cleansing of the stations. The temperature and noise level would also remain normal as the exchange of air was made possible mainly by the piston effect as trains moved, and not by heavy-duty machineries; c. MTRCL had undertaken to review the design and size of the ventilation shafts once a contractor was commissioned; and d. tunnel boring instead of blasting would be applied to the section from Sai Ying Pun to Sheung Wan taking into account the soil characteristic. <p>MTRCL's response -</p> <ol style="list-style-type: none"> a. MTRCL was experienced in blasting works in railways construction. The use of explosives would also be subject to very stringent control by the Administration; and b. an access tunnel would be built underground to remove the spoils, road traffic would therefore not be affected. 	
005524 – 010215	Mr WONG Kwok-hing Administration	Mr WONG Kwok-hing's queries about the increase in capital grant by the Administration.	

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	Chairman	<p>The Administration's response -</p> <ul style="list-style-type: none"> a. the capital grant was determined by the difference between the estimated capital and operating cost and revenue over a 50-year period; and c. the increase in capital grant was attributed to a rise in construction cost, the projection that both the population and working population of the western district would be slightly decreased, and the reduction in fare revenue resulted from the merger of the railways. 	
010216 – 010939	Mr Andrew CHENG Administration Chairman	<p>Mr Andrew CHENG's request for the final consultancy report to be provided by the Administration and his suggestion of introducing a fare stabilization fund.</p> <p>The Administration's response -</p> <ul style="list-style-type: none"> a. under the proposed claw-back mechanism, the funding support would be capped and operated in such a way that over estimation would be reimbursed to the Government with interest, while MTRCL would bear the additional cost in case of deficit; and b. an independent engineering consultant had been commissioned to examine the cost estimates of WIL. The consultant could be invited to join the Public Works Subcommittee (PWSC) meeting on 10 June 2009 for discussion of the current funding proposal. 	
010940 – 011537	Mr Jeffrey LAM Administration Chairman	<p>Mr Jeffrey LAM's concern about the Administration's measures in protecting the structure of those buildings that might be affected by the drill and blast method to be applied under the project.</p> <p>The Administration's response -</p> <ul style="list-style-type: none"> a. temporary stabilization works and foundation strengthening works would be fortified; and b. structural safety of the buildings concerned would be monitored to ensure that they would not be affected by the construction works under the project. 	
011538 – 012436	Mr KAM Nai-wai Administration MTRCL Chairman	<p>Mr KAM Nai-wai's expression of concern on the following -</p> <ul style="list-style-type: none"> a. the justification of the large amount of capital investment in the project; 	

Time marker	Speaker	Subject(s)	Action required
		<p>b. MTRCL's failure to address residents' concern about impacts of the ventilation shafts and request for their relocation; and</p> <p>c. MTRCL's failure to provide a risk assessment report on the blasting operation.</p> <p>The Administration's response -</p> <p>a. the high construction cost was attributable to the cost associated with the reprovisioning, remedial and improvement works, which were not seen in other railway projects as well as price escalation in the construction sector; and</p> <p>b. with regard to the location of the ventilation shafts, MTRCL had explored the following alternative options which were, however, found to be infeasible -</p> <ul style="list-style-type: none"> ▪ relocation to Haking Wong Building at the University of Hong Kong (HKU) might lead to serious traffic congestion; ▪ relocation to parks would not be considered as they were scarce land resource in the western district; and ▪ the area adjacent to Yam Pak Building of HKU was already reserved for the construction of E&M plant building. <p>Detailed information on alternative locations that had been explored for the ventilation shafts at Hill Road and Bonham Road was set out in Appendix 3 to the Administration's letter dated 27 May 2009 (LC Paper No. CB(1)1758/08-09(02)).</p> <p>MTRCL's response -</p> <p>a. the impact of the underground construction works would need to be assessed and agreed by the Buildings Department and the Geotechnical Engineering Office. MTRCL would actively monitor the safety standards; and</p> <p>b. the risk assessment on the use of explosives was required by and included in the Environmental Impact Assessment (EIA).</p>	
012437 – 012942	Mrs Regina IP Administration Chairman	Mrs Regina IP's query as to whether funding had been allocated to provide compensation to those who might be affected by the works and accuracy of the project estimate. Her request that the Administration should keep Subcommittee members abreast of the financial position of the project.	

Time marker	Speaker	Subject(s)	Action required
		<p>The Administration's response -</p> <ol style="list-style-type: none"> a. under the proposed claw-back mechanism, any over estimation of capital expenditure, escalation costs and land costs would be reimbursed to the Government with interest. On the other hand, if the capital grant was not sufficient for meeting the project cost, MTRCL would have to bear the additional cost. Hence, the funding gap represented the maximum commitment of the Government financial support to MTRCL for the project; and b. sufficient funding would be allocated for the reprovisioning, remedial and improvement works. 	
012943 – 013449	Mr LEUNG Kwok-hung MTRCL Chairman	<p>Mr LEUNG Kwok-hung's queries on -</p> <ol style="list-style-type: none"> a. the possibility of locating the ventilation shafts in alternative places other than Hill Road; and b. whether insurance would be bought to secure compensations to the residents who might be affected by the project. <p>MTRCL's response that it would take out insurance to cover all damages to properties. Past railway works had similar arrangements in place.</p>	
013450 – 014039	Mr Ronny TONG Administration Chairman	<p>Mr Ronny TONG's view that commercial principles should be adhered to in drawing up funding arrangements for the WIL project. The Administration's view that the implementation of WIL would benefit the community and foster commercial developments in the western district.</p>	
014040 – 014446	Dr Raymond HO Administration Chairman	<p>Dr Raymond HO's request to have more detailed information on the project and financial arrangements to facilitate members' consideration and discussion.</p> <p>The Administration's response that supplementary information would be provided as far as possible.</p>	
014447 – 014959	Mr Andrew CHENG Administration Chairman	<p>Mr Andrew CHENG's request for additional information and the Administration's undertaking to provide the requisite information.</p>	
015000 – 015537	Mr KAM Nai-wai MTRCL Administration Chairman	<p>Mr KAM Nai-wai's request for -</p> <ol style="list-style-type: none"> a. more detailed explanation of the considerations of the proposed funding arrangements; b. justifications on the proposed locations of the ventilation shafts; and 	

Time marker	Speaker	Subject(s)	Action required
		<p>c. a risk assessment report on the drill and blast method to be used under the project, which should be made available before the proposal was submitted to PWSC.</p> <p>MTRCL's response that the risk assessment on blasting was part of the EIA and would be provided to members for consideration.</p> <p>The Administration's response -</p> <p>a. the proposed locations of the ventilation shafts had been selected after careful consideration. MTRCL had undertaken to review the design of the ventilation shafts when a contractor was commissioned; and</p> <p>b. the Administration would provide further information on the funding gap, ventilation shafts, and the population and patronage forecast.</p>	
015538 – 020138	Mr LEUNG Kwok-hung MTRCL Administration Chairman	<p>Mr LEUNG Kwok-hung's expression of concern over the scope of insurance coverage and query about the Administration's projection on the patronage.</p> <p>The MTRCL's explanation that building surveys would be conducted prior to the commencement of works and any damage caused by the construction would be processed in accordance with the insurance and compensation arrangements in place.</p>	
020139 – 020746	Mr Andrew CHENG Mr KAM Nai-wai Chairman	<p>Mr Andrew CHENG's requests that -</p> <p>a. the Administration and MTRCL should provide all the requisite information prior to the relevant PWSC to be held to discuss the funding proposal for WIL; and</p> <p>b. a further meeting of the Subcommittee should be held to discuss the funding proposal.</p> <p>Scheduling of a further meeting to discuss the funding arrangements for WIL.</p>	The Administration to provide the supplementary information before the next meeting on 4 June 2009.