

NOTE FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

Supplementary information on

HEAD 706 – HIGHWAYS

53TR – Hong Kong Section of Guangzhou–Shenzhen–Hong Kong Express Rail Link – construction of railway works

57TR – Hong Kong Section of Guangzhou–Shenzhen–Hong Kong Express Rail Link – construction of non-railway works

HEAD 701 – LAND ACQUISITION

35CA – Special ex-gratia payments in relation to the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail link

INTRODUCTION

In considering the funding applications for the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) on 2 December and 3 December 2009, the Public Works Subcommittee (PWSC) agreed to recommend to Finance Committee to approve the funding applications. As requested by the PWSC, the Administration provides the following supplementary information for Members' reference.

THE ADMINISTRATION'S RESPONSE

PROCUREMENT ARRANGEMENTS RELATING TO THE XRL PROJECT

2. The MTR Corporation Limited (The MTRCL) was entrusted to implement the planning and design of the Hong Kong section of the XRL last year, and the Administration is also planning to entrust the construction work of the project to the MTRCL. The Stores and Procurement Regulations of Hong Kong Special Administrative Region Government (HKSAR SPR) aims to regulate procurement activities of the Government and are not applicable to the MTRCL.

3. Over the past 30 years, the MTRCL has, according to the international best practices, developed clear and comprehensive procurement and tendering procedures, which are proven to be practicable and effective by its successful experience in various railway projects in Hong Kong. The MTRCL adopts these procedures to procure consultancy services and construction contracts for its railway projects and select the most cost-effective providers through market competition. The procedures are similar to the HKSAR SPR and also in compliance with the provisions of the World Trade Organisation's Agreement on Government Procurement (WTO GPA). The same procedures, which are in compliance with the relevant provisions of the WTO GPA and are similar to those stipulated in the HKSAR SPR, apply to contracts relating to the Hong Kong section of the XRL project (including those that have been tendered).

4. The independent consultant appointed by the Highways Department considered that the procurement and contracting procedures adopted by the MTRCL were robust and, in many aspects, similar to the tendering procedures stipulated in the HKSAR SPR. In addition, the MTRCL also invites the Independent Commission Against Corruption (ICAC) to review its procurement and contracting procedures at regular intervals. The last review was conducted in May 2008. The ICAC reports in the past years showed that appropriate check and balance mechanisms are in place in the procurement and tendering procedures of MTRCL.

5. The MTRCL engages the services of consultants, contractors and suppliers for railway projects by means of a four stage process:

- i) expressions of interest (EOI);
- ii) pre-qualification;
- iii) shortlisting of tenderers; and
- iv) tendering and tender assessment.

EXPRESSIONS OF INTEREST

6. Invitations for EOI are published on the MTRCL's Website. For major contracts, such notices will also be copied to chambers of commerce various overseas countries and their consulate offices in Hong Kong. The invitation describes the scope of the works/services and the procedures for the EOI.

/ PRE-QUALIFICATION.....

PRE-QUALIFICATION

7. Interested parties may apply for a pre-qualification questionnaire which requires potential tenderers to provide details on their financial status, previous experience, safety records, environmental performance, risk management, key staff, availability of relevant resources, etc., to enable the Procurement Team of the MTRCL to assess and identify the appropriate tenderers. Generally speaking, the companies can submit the relevant information within 4 to 5 weeks after the issuance of the pre-qualification questionnaires.

SHORTLISTING

8. The shortlisting of tenderers will be conducted through assessing the information provided in the pre-qualification questionnaire by the established assessment criteria. The technical assessment will be done separately from the financial assessment. The scope and standard of the assessments are made known to the interested tenderers through the pre-qualification questionnaire.

9. Depending on the scope of contract, the MTRCL Executive Tender Panel, the Tender Board or the Divisional Director is authorised to review and approve the recommended list of shortlisted tenderers. Those several tenderers achieving the highest scores in technical assessment and meeting the financial eligibility requirements will be shortlisted. The shortlisting process will normally take a few weeks to complete.

TENDERING AND TENDER ASSESSMENT

10. Successful pre-qualified parties will be informed in writing of their inclusion in the tenderer list. The letter also indicates details of tender time frame and requests the relevant companies to confirm whether they will bid in the specified time frame. The tendering period for major contracts will not be shorter than six weeks.

11. Tenderers have to submit tenders in two separate sealed envelopes, one for the technical proposal and the other for financial details. Technical assessment is undertaken by qualified staff of the Procurement Team in accordance with pre-defined assessment criteria. The technical assessment staff does not have access to the financial data.

12. Recommendations for tender award are submitted for approval to the MTRCL Executive Tender Panel and the Board, the Tender Board, or the Divisional Director as appropriate. Consultancies are awarded on the basis of the highest combined scores of technical and financial assessment. Works contracts are awarded on the basis of the lowest bid among those who have fulfilled the required technical procedures. Depending on the scale of the contracts, the assessment will take two to three months to complete.

TENDERING ARRANGEMENTS FOR THE XRL PROJECT

13. Representatives from the Highways Department will continue to attend all meetings of the Procurement Team and the Executive Tender Panel concerning the procurement of works and services for the XRL project, to assess all tenders received.

14. The works of the Hong Kong section of the XRL has been divided into some 100 contracts of different scope, allowing companies of different sizes to bid for the contracts and participated in the project. The total number of construction and consultancy contracts of the Hong Kong section of the XRL (including those that have been tendered) is indicated in **Table 1** -

Table 1 – number of construction and consultancy contracts for the Hong Kong section of the XRL

Packages	Total number	Estimated total value
Civil works	28	\$45 billion
Electrical and Mechanical works	30	\$11 billion
Consultancies (e.g. Environmental Impact Assessment, project design, etc.)	42	\$2 billion

ENVIRONMENTAL IMPACT ASSESSMENT

15. To ensure accuracy of the Environmental Impact Assessment (EIA), the EIA Ordinance lists out the objective standards and the relevant responsible departments for various aspects. The Environmental Protection Department and the relevant departments will inspect the EIA report to ensure that the content and result is in compliance with the relevant requirements as stipulated in the Ordinance. According to the Ordinance, the EIA process is open and transparent. the EIA report will be exhibited for public inspection and submitted to the Advisory Council on Environment for comment. One of the major objectives of the EIA is to minimize environmental impacts of the project. Therefore, the EIA and the design of project are inter-related and will interact with each other. We consider that the two do not constitute conflict of interest. In fact, there are many examples of appointing the same consultant to conduct the EIA and carry out the design work after going through the open and fair procurement procedures.

PATRONAGE FORECAST AND OPERATION VIABILITY

16. The patronage of the XRL can be broken down into two parts: long haul services (from West Kowloon to cities beyond Pearl River Delta area); and shuttle services (from West Kowloon to Shenzhen/Humen/Guangzhou). The patronage forecast of the XRL are listed in **Table 2** –

Table 2 – Patronage Forecast for the XRL

	XRL daily patronage in 2016 (person trip)
Shuttle Service	84 000
West Kowloon to Shenzhen	65 400
West Kowloon to Guangzhou	18 600
Long Haul Service	15 000
Total	99 000

17. As the co-operation and communication between Hong Kong and the Mainland become closer, we expect a continuous increase in the number of cross-boundary passengers.

18. There will be frequent XRL shuttle service between West Kowloon and Shenzhen and more than one train services every 15 minutes during peak hours. The XRL will become an efficient alternative route between the commercial centres in the two cities for business travellers whose value of time are relatively high. Furthermore, Shenzhen metro network provides fast and convenient feeder service to and from commercial centre at Futian (Line 1, 2, 3 and 4); and suburb at Longhua (Line 4, 5 and 6). With the metro network, the feeder services to the XRL stations will cover most of the destinations of cross-boundary trips in Shenzhen. Given proximity of the two cities, Hong Kong and Shenzhen residents frequently travel between the cities. The traffic between the two cities is expected to contribute to about 65% of total patronage of the XRL.

19. As for Humen and Shibi, it is estimated that there will be about 18 600 passengers travelling to the two cities every day by the XRL in 2016, including business travellers who inspect their businesses and attend meetings in the two cities, and passengers who will interchange for Guangzhou-Dongguan-Shenzhen Intercity Line to other cities in the Pearl River Delta area, or for other rail networks at the Shibi Station to other major cities. With the rapid economic development in the two cities, it is expected the patronage to these areas will keep growing.

PATRONAGE FORECAST

Transport Model

20. The patronage forecast for the shuttle service of the XRL, including patronage with destinations of Shenzhen, Dongguan and Guangzhou, adopts a four-stage transport model. This systematic model projects the XRL passenger flow according to various survey data and statistical information, which also takes into account the latest planning data and developments of both Hong Kong and the Mainland.

21. The four-stage transport model is commonly used in the planning of transport infrastructure around the world. It comprises the following four stages –

- i) trip generation;
- ii) trip distribution;
- iii) modal split; and
- iv) trip assignment.

22. The transport model will divide the study area of Hong Kong and Mainland into various small zones; and the study area of Mainland covers Shenzhen, Dongguan, Guangzhou, the remaining area of Guangdong province and other cities.

23. Various design data, including demographic and socio-economic data, are inputted for each zone against different design years. A transport network system, including railway and highway networks, has to be set up among the zones in the model, incorporating all relevant information of different transport modes operating in the network, such as public transport routes, frequencies, fares, station locations and interchange arrangements.

24. Based on these socio-economic data and transport network information, the transport model projects the number of trips generated from each zone by passenger type (e.g. Hong Kong residents versus non-Hong Kong residents) and trip purpose (e.g. business versus non-business), and distributes the trips between zone pairs to produce a trip distribution matrix. With reference to the generalised travelling cost of various public transport modes, the model simulates the modal choice for different trips between the zone pairs. The data is used to forecast the utilisation of various public transport modes and calculate the XRL patronage.

25. When forecasting the distribution of public transport modes, the model projects the incoming and outgoing passenger flows at the XRL stations in Hong Kong, Shenzhen and Guangzhou, fare revenue and total patronage by taking into account various mix-modes (e.g. interchange from minibus to railway; interchange from bus to ferry), routes, fares and travel time (including interchange and waiting time).

26. As for the XRL long-haul patronage forecast, the inter-city travel demand and the share of the XRL patronage is projected based on various factors, including the ticket fares for railway and air services in Hong Kong and Mainland, journey time, waiting time, time for security check, travel time to and from city centres, frequencies, etc.

/Forecast.....

Forecast Results of the XRL Patronage

27. The transport model computes patronage forecast for the design years of 2016, 2021 and 2031. The results are tabulated in **Table 3**—

Table 3—Patronage Forecast in 2016、2021 and 2031

	2016 (person trip)	2021 (person trip)	2031 (person trip)
Average Daily Cross-boundary Patronage in Total¹	698 000	837 500	1 134 300
Annual Growth Rate	3.7%	3.1%	
Average Daily Cross-boundary Patronage using Railways			
XRL	99 000	119 700	160 000
Through Train	5 200	6 700	12 200
Boundary Train	315 900	368 000	470 ,500
Total Passengers using Railways	420 100	494 400	642 700
Annual Growth Rate	3.3%	2.7%	
Railways Share in Cross-boundary Patronage	60%	59%	57%

Reasonableness in the Forecast

28. Since 1988, the total number of cross-boundary trips roughly doubles every ten years. The statistic of the daily cross-boundary patronage is in **Table 4**.

Table 4—Daily Cross-boundary Patronage Since 1988

	1988	1998	2008	2016 (Forecast)
Average Daily Cross-boundary Patronage in Total	95 000	227 500	458 000	698 000
Annual Growth Rate	9.1%	7.2%	5.4%	

/Average.....

¹ Total cross-boundary patronage includes the cross-boundary patronages between Hong Kong and the Mainland using boundary trains, through trains, cross-boundary coaches, cross-boundary ferry and the XRL.

	1988	1998	2008	2016 (Forecast)
Average Daily Cross-boundary Patronage using Railways				
XRL	-	-	-	99 000
Through Train	7 000	4 000	9 000	5 200
Boundary Train	75 000	181 000	273 000	315 900
Total Passengers using Railways	82 000	185 000	282 000	420 100
Annual Growth Rate	8.5%	4.3%	5.1%	
Railways Share in Cross-boundary Patronage	86%	81%	62%	60%

29. The daily total cross boundary patronage in Hong Kong was only 95 000 in 1988. The figure increased to around 227 500 in 1998 and further increased sharply to 458 000 in 2008. The figure was five-folded in a 20-year period. The annual growth rate was 9.1% in the first ten years (1988-1998) and 7.2% in the subsequent decade despite the economic crisis in late 1990s, the Severe Acute Respiratory Syndrome epidemic in 2003 and the economic tsunami in 2008. As for the Hong Kong-Shenzhen Western Corridor, though vehicular traffic has not reached its estimated level, the daily passenger flow already amounted to over 34,000 in 2008 (the second year from its commissioning), 10% more than the original projection of 31 000 daily passengers. In the second quarter of 2009, the daily passenger flow was over 42 000 on average, 36% more than the projected figure. This shows a continuous growth in the cross-boundary demand in passenger traffic. As a matter of fact, according to the statistic completed in early 2009 by the Census and Statistics Department, over 220 000 Hong Kong residents worked in the Mainland during the 12 months before the enumeration (representing 6.2% of the average total number of employed persons, among which around 190 000 worked in Guangdong), of which more than 30% need to travel to the Mainland more than 50 times in the 12-month period. This shows the huge demand for cross boundary transport services.

30. As the economy in the Mainland develops and procedures for the Mainland residents to visit Hong Kong become simpler, we believe that the projected growing trend will continue. Comparing with the growth rate in the past, the annual growth rates of 5.4% from 2008 to 2016, 3.7% from 2016 to 2021 and 3.1% from 2021 to 2031, as estimated in the transport model, are considered reasonable.

/Patronage.....

Patronage of Railways

31. The growth rate of railways patronage estimated in the model is lower than the historical trend. Considering the growth of total cross-boundary patronage, the share of railways maintains at 60% and 57% in 2016 and in longer term respectively, which are comparable to that in 2008. It is estimated that about half of the patronage of the existing Through Train would choose to use the XRL. We estimate that the total cross-boundary patronage will grow in a moderate rate of 5.4% per annum from 2008 to 2016, with an increase of 240 000 in the eight-year period. With the commissioning of the XRL, even without any induced demand², the share of railways should be maintained at about 60%.

32. The Base Case of the XRL patronage forecast is considered reasonable and perhaps conservative in the light of analysis on the growing trend of the total cross-boundary patronage. The XRL will provide fast and efficient cross-boundary shuttle service. The fare is competitive as compared with those of other cross-boundary transport services. The patronage forecast for 2016, as estimated by the transport model, accounts for less than 15% of the cross-boundary passengers projected. It represents about 30% of cross-boundary passengers with Hong Kong Island and Kowloon as their origins or destinations, or 40% of the estimated increase in cross-boundary patronage from 2008 to 2016. As the current share of railways in the total cross-boundary patronage is about 60%, it is not difficult for the XRL to take up 40% of the incremental patronage. In addition, overseas experiences show that additional trips induced by the commissioning of high-speed railway systems may be as much as 20% or even 30% of the patronage of the railway systems. The current patronage forecast of the XRL has only considered the natural growth of the cross-boundary passengers but not the induced demand. As such, we considered that the patronage forecast of the XRL is relatively conservative.

33. Separately, the model has considered the distribution of various types and trip purposes of the XRL passengers, and the estimated figures are compared with the actual figures in 2007. Details are set out in **Table 5**—

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² Induced demand refers to additional cross boundary travels due to of the commissioning of the XRL.

Table 5 – Distribution of Types and Trip Purposes for the XRL Passengers

Passenger Type	Trip Purpose	Actual distribution for cross-boundary passengers in 2007	Distribution for the XRL passengers in 2016³
Hong Kong residents	Business	25%	24%
	Non-business	56%	46%
	Total	81%	70%
Non-Hong Kong residents	Business	4%	12%
	Non-business	15%	18%
	Total	19%	30%

34. Trip purpose of “business” as mentioned in **Table 5** includes “journey to work” and “duty visits”. “Journey to work” refers to trips to and from fixed working places, whilst “duty visits” refers to trips for the purposes of working, including attending meetings, meeting with costumers, and goods examination, etc. Passengers with trip purpose of “business” are not necessarily senior executives of companies. Many are ordinary staff of companies with businesses in both Hong Kong and the Mainland.

35. According to the figures shown in Table 5, the portion of non-Hong Kong residents for the XRL passengers in 2016 is larger than that for the overall cross-boundary passengers in 2007. This is due to the growing economy in the Mainland and the simpler procedures for the Mainland visitors coming to Hong Kong. At the same time, as the journey time of the XRL is more competitive, it will be even more attractive to business travellers than non-business travellers. Hence, the portion of business travellers for the XRL passengers is larger than that for cross boundary passengers as a whole. We consider the above passenger mix estimated by the model reasonable in general.

36. Thus, although our estimates are made on the transport model as explained in paragraph 20 - 27 above, such estimates are apparently consistent with the current growing trends of the total cross-boundary patronage and cross-boundary rail patronage.

/ **OPERATIONAL.....**

³ Distributions for various design years are similar.

OPERATIONAL VIABILITY

37. The construction costs and the operational costs should be distinguished in assessing the operational viability of the XRL. Making reference to experience in countries worldwide, though the construction cost of high speed rail is relatively high and often requires government investment in various forms, the operational costs for these projects are often relatively low. This enables competitive fares and reasonable operating margins at the same time. Hence, we suggest funding the construction of the Hong Kong section of the XRL as a public works project under the Capital Works Reserved Fund (not by loans). During the operation period, the operational capital will be recovered from the share of fare revenue and the non-fare revenue of the Hong Kong section of the XRL. The operator will be responsible for the daily operating expenditure. Under such arrangement, there will not be huge interest expenses incurred during the operation phase of the XRL; and hence the need for recurrent cash subsidy from the Government to meet negative cash flow will be extremely unlikely.

The Fare Sharing Assumptions

38. The assumptions used in assessing operational viability are the same as those used in the patronage forecast. The XRL fare is assumed to be competitive and comparable with that of cross-boundary train and Through Train services. The fare assumptions are listed in **Table 6**—

Table 6— Assumption of the XRL fare

Destination	XRL Assumed Fares (HK\$)	Trains (HK\$)	Coaches (HK\$)
Shenzhen	45 – 49	34 – 41	10 – 45
Dongguan	131 (Humen)	145	100
Guangzhou	180 (Shibi)	190 – 210	80 – 100

At 2009 prices

39. The fare revenue is to be shared between the Mainland and Hong Kong operators of the XRL. We are in close co-operation with the Ministry of Railways and the Guangdong operator on the planning of the railway scheme. We have set up a joint working group with the Ministry of Railways to oversee the implementation of the XRL project, including the formulation of effective operating arrangements with a view to maximizing the benefits of the XRL to passengers, the railway operators and the regional economy. Our discussions with the Ministry of Railways and the Guangdong operator on the operating arrangements will continue.

40. For the purpose of revenue forecast for the Hong Kong section of the XRL, we have assumed a similar mileage-based mechanism used in the existing Through Train service for trips to Dongguan and Guangzhou. We have also made reference to the revenue contribution from the existing Hunghom - Lo Wu service for trips to Shenzhen. The revenue contribution to the Hong Kong section of the XRL is summarized in **Table 7**—

Table 7— Revenue Contribution to the Hong Kong section of the XRL

Destination	XRL Assumed Fares (HK\$)	Revenue to the Hong Kong Section (HK\$)
Shenzhen	45 – 49	31
Dongguan	131 (Humen)	45
Guangzhou	180 (Shibi)	45

At 2009 prices

Sensitivity Test

41. We have previously conducted a sensitivity test with lower GDP growth rate, namely the Low Case. In this test, the forecasted annual GDP growth rates are taken at about 2% lower than the Base Case assumptions. As a result of such assumptions, the daily XRL patronage estimate reduces from 99 000 to 89 000 in 2016, which is about 10% less than the Base Case.

42. At the Public Works Subcommittee meeting on 3 December 2009, a Member requested for an assessment of the patronage of the XRL in a worst case scenario. As such, we try to lower the assumed GDP growth rates of Hong Kong and Guangdong to extremely low levels, i.e 1.5% annually for Hong Kong for the next two decades (from 2010 to 2031), 4.5% annually for Guangdong for the coming decade (from 2010 to 2020) and 2.5% annually thereafter. With such assumption, the patronage forecast of the XRL is reduced by around 20% to 25% comparing with that in the Base Case. However, such low growth rates are unlikely to appear in the rapidly developing Guangdong⁴. As such, we further verify the operational viability of the XRL by assessing the scenario where the patronage is 30% lower than that in the Base Case. The daily patronage of the XRL in the “Base-Less-30%” Case, as compared to the estimates in the Base Case and the Low Case, are tabulated in **Table 8**—

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⁴ The annual GDP growth rates in Guangdong in the last 10 years are between 10.1% and 14.8%.

Table 8 – Comparison of Daily Patronage in Base, Low and “Base-Less-30%” Cases

	Base Case	Low Case	“Base-Less-30%” Case
2016	99 000	89 000	69 300
2021	119 700	107 600	83 800
2031	160 000	144 200	112 000

Operating Profit

43. Based on the above patronage forecast and the assumed revenue sharing, we have projected the fare contribution to Hong Kong section of the XRL at various design years. We have also made reference to data provided by MTR Corporation Limited (MTRCL) to estimate the fare and non-fare revenue. The projected operating revenue, operating cost, operating profit (in terms of EBITDA⁵) and operating margins of the Hong Kong section of the XRL at various design years in Base, Low and “Base-Less-30%” Cases are summarized in **Table 9** –

Table 9 – Operating Revenue, Operating Cost EBITDA and Operating Margin in Base, Low and “Base-Less-30%” Cases

	Base Case			Low Case			“Base-Less-30%” Case		
	2016	2021	2031	2016	2021	2031	2016	2021	2031
Operating Revenue	1.118	2.063	3.606	1.002	1.850	3.250	0.783	1.444	2.524
Operating Cost	(0.733)	(0.880)	(1.418)	Same as Base Case					
EBITDA	0.385	1.183	2.188	0.269	0.970	1.832	0.050	0.564	1.106
Operating Margin	34%	57%	61%	27%	52%	56%	6%	39%	44%

Figures in '\$B (Money of the day)

44. Operational revenue includes fare revenue and non-fare revenue. Non-fare revenue includes railway-related commercial activities such as advertising, kiosks, rental income of telecommunication facilities, etc. As for operating cost, it includes energy, maintenance, staff, supporting services, etc. We have assumed that the same level of services would be maintained despite lower patronage, hence the operating costs for Low Case and “Base-Less-30%” Case are the same as those adopted in Base Case.

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⁵ EBITDA: Earnings before interest, taxes, depreciation and amortization

45. EBITDA is a good and well accepted indicator of the operational performance of infrastructure projects like the XRL. It can show whether recurrent cash subsidy is needed to keep the railway running. According to the figures presented above, even in the “Base-Less-30%” Case, the EBITDA and the operational margin remain positive. This suggests that the operation of the XRL can be sustained without subsidy. As a matter of fact, in the “Base-Less-30%” Case, the projected operating margin would be around 6% at the early stage of operation period, and increase to 39% in 5 years and to 44% in 2031. It is very unlikely that the operating revenue will drop below the operating cost, resulting in operating loss.

PLANNING OF THE KAM SHEUNG ROAD STATION

46. In December 1994, the Administration promulgated the first Railway Development Strategy in which a rail link between West Kowloon and Tuen Mun via Tsuen Wan and Kam Tin was recommended to provide domestic passenger services. Moreover, it also recommended another rail connection from West Kowloon to the boundary through the proposed domestic passenger link up to Kam Tin to provide cross boundary passenger service (see **Annex 1**). The Kowloon-Canton Railway Corporation then submitted an implementation proposal on West Rail to the Administration in November 1995. Whilst the proposal of the domestic passenger service would follow the recommendations of the Strategy, the cross boundary passenger service was proposed to be a shuttle service from Kam Sheung Road (KSR) Station to Lok Ma Chau (LMC) Station. After consideration, the Government announced in December 1996 that the construction of the West Rail, which connects Tuen Mun and the urban area, was prioritised for the provision of domestic passenger service.

47. Construction works of the West Rail commenced in October 1998 and the Rail was in operation in December 2003, connecting the Tuen Mun Station to Nam Cheong Station. Similar to other West Rail stations, the KSR Station was designed with two platforms with carpark and public transport interchange facilities connecting to the station. A strip of land was reserved for future expansion of KSR Station as the interchange station for West Rail and the Northern Link (NOL) (KSR Station to LMC Station). The NOL will connect the existing northeast and northwest districts in the New Territories, and the future development area, which is of great importance to the planning of the New Territories. We do not intend to alter the development plan of the KSR Station. Otherwise the planning of the NOL and the development of the New Territories will be undermined.

48. The Regional Express Line, which was later developed to be the current XRL, was first featured in the second Railway Development Strategy promulgated in May 2000. At that time, the location of the terminus of the Regional Express Line was proposed to be at the urban Kowloon.

49. Conclusively, the KSR Station was designed and constructed under the West Rail project as a domestic station only to serve the domestic passenger line. The provision of space adjacent to the station was reserved for the construction of the future NOL. During the construction of the West Rail project, the KSR Station was not planned as a through train station with boundary control facilities.

COORDINATION WITH THE WESTERN KOWLOON CULTURAL DISTRICT

50. According to the decision of the Executive Council on 22 April 2008, the terminus of the XRL is permitted to encroach into the underground strata of the Western Kowloon Cultural District (WKCD), assuming that the topside development of the Terminus will be medium-rise structures (up to a maximum height of 70 metres above Principal Datum) which do not require sophisticated noise and vibration mitigation measures. The Government had also submitted a Legislative Council brief explaining such decision on the same day.

Temporary Works Areas of the Hong Kong section of the XRL in WKCD and the Usage Timetable

51. The works areas of the XRL in the WKCD can be divided into three main areas (**Annex 2**) –

Temporary Works Area (Green area in Annex 2)

7.5 hectare (ha) of temporary works areas of the XRL are planned to be set up within the WKCD. The temporary works areas, including two barging facilities and the associated areas and vehicle access to the barging facilities etc. will support the construction of the terminus.

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These temporary works areas will be required as soon as the construction of the XRL commences. To accommodate the development plan of the WKCD, we have liaised with the West Kowloon Cultural District Authority (WKCDA). The both sides agree that the areas can be used for the construction of the Hong Kong section of the XRL section until March 2012. They will then be returned in phases according to WKCDA's requirement. We will also try to accommodate temporary cultural or exhibition activities in the area as far as possible, where the works progress for the XRL would not be significantly affected.

The extension of the West Kowloon Terminus into the WKCD and other relevant works area (Purple area in Annex 2)

The current design of the West Kowloon Terminus will be extended into approximately 3.3 ha of the underground strata of the WKCD. Similar to other parts of the terminus, this area involves complicated construction works including earthwork, foundation and structural construction. Moreover, the 2.2 ha of land at sides will be required to provide construction space for the construction of terminus facilities and part of the underground vehicle access of Austin Road West. Starting from end 2013, these works areas will be returned to the WKCDA in phases.

Barging Facility (Red area in Annex 2)

During the peak of bulk excavation, another 1 ha of extra land will be required from October 2010 to March 2012 for three barging facilities. Highways Department, MTRCL and WKCDA will review the requirements and programme for the barging facilities, with a view to further minimising effects to possible cultural activities in the WKCD.

52. The construction timetables of WKCD and the XRL are listed in
Table 10 -

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Table 10—Construction timetables of WKCD and the XRL

Time	Development of WKCD	Development of Hong Kong section of the XRL
End of 2009	<p>Stage 1 of the Public Engagement Exercise to collect views from the public and stakeholders on the development of WKCD.</p> <p>The three Conceptual Plan Consultants, taking into consideration views from public and stakeholders, will each prepare a conceptual plan option. The Project Consultant will also make reference to views from public and stakeholders to prepare the preliminary Schedules of Accommodation for the arts and cultural facilities in WKCD.</p>	<p>Construction of Hong Kong section of the XRL commences.</p> <p>The extended area of the West Kowloon Terminus into the WKCD and other relevant works area (Purple area in Annex 2) and temporary works area (Green Area in Annex 2) will be required.</p>
Summer 2010	<p>Commencement of Stage 2 of the Public Engagement Exercise to collect public views on the three conceptual design options and the preliminary Schedules of Accommodation for facilities in WKCD.</p>	
End of 2010	<p>WKCD will come up with a preferable conceptual design option after the completion of Stage 2 of the Public Engagement Exercise.</p> <p>The Project Consultant will, according to the chosen conceptual design option, formulate a detailed development plan and carry out detailed technical feasibility study, such as environmental impact assessment, technical</p>	<p>(From October 2010 to March 2012)</p> <p>Additional works areas for barging facilities are required during the peak of excavation works of the XRL West Kowloon Terminus. (Red Area in Annex 2)</p>

Time	Development of WKCD	Development of Hong Kong section of the XRL
	assessment, traffic impact assessment, etc.	
2011	Stage 3 of the Public Engagement Exercise commences to collect public views on the detailed development plan and the detailed Schedules of Accommodation for facilities in WKCD.	
End of 2011	Submit detailed development plan to Town Planning Board for consideration. Detailed design commences.	
Mid 2012	Construction of facilities commences once the development plan is approved.	(From March 2012 onwards) Substantial completion of excavation works. Works area to be returned in phases as per WKCDA's requirement (Green Area in Annex 2). Works areas for baring facilities to be returned (Red area in Annex 2).
Early 2013	Construction on going	Foundation of the West Kowloon Terminus and neighbouring roads network complete. Construction will be mainly on the underground facilities and superstructure of West Kowloon Terminus. Works areas to be returned in phases.

Time	Development of WKCD	Development of Hong Kong section of the XRL
Early 2014	As the foundation for facilities above the encroachment part of the West Kowloon Terminus has completed, the construction of superstructure can commence immediately.	Return the remaining works areas of WKCD in phases starting from end 2013 (Purple Area in Annex 2).
2015	The Hong Kong section of the XRL completes; Phase 1 of the WKCD completes in phases.	

53. As shown in **Table 10**, the excavation works of the XRL will be substantially completed when the construction of the WKCD works commences. Hence, the two projects can be well-coordinated and can be completed as scheduled.

54. The usage of works areas suggested above is developed according to the current construction programme. Once the details of WKCD's development plan are finalized, the Administration will have more in-depth discussions with the WKCD on the usage of works areas. In accordance with the actual progress, respective contractors of the two projects will review, and refine as appropriate, the arrangement of the works areas, to ensure the effective use of land and that the two projects can proceed as scheduled.

The extension of the XRL Terminus in the WKCD

55. The design of the West Kowloon Terminus has provisions for entrances/exits in the WKCD, so that the West Kowloon Terminus and the WKCD can be effectively connected, providing easy access for visitors to and from the WKCD.

56. Under the XRL project, the Administration will carry out necessary enabling works, which include those for the foundation, noise and vibration mitigation and the transfer plate in the extension of the Terminus in the WKCD (of which the estimated costs are \$870 million, \$60 million and \$674 million respectively), so that the WKCD can develop medium-rise structures up to a maximum height of 70 metres above Principal Datum where sophisticated noise and vibration mitigation works are not required. The design of the foundation and relevant structures of the Terminus within the WKCD has taken into account the maximum possible loading of medium-rise structures up to a maximum height of 70 metres above Principal Datum (i.e. 15 to 20 storeys).

57. The MTRCL has also conducted an environmental impact assessment to assess the ground borne noise induced by the running tunnels. The assessment revealed that the residual ground borne noise due to vibration will comply with the requirement as stipulated under the Noise Control Ordinance of the Environmental Impact Assessment Ordinance, as the design of the XRL has adopted vibration mitigation system (isolation track slab). Similar arrangement has been adopted in topside structures above other railway stations. The effect has been satisfactory.

58. Moreover, the installation of appropriate vibration and noise mitigation devices to the topside arts and cultural facilities can keep within an acceptable level the noise and vibration caused by the railway operation. Similar measures are used in the Kwai Tsing Theatre located near the West Rail Line. The results have been satisfactory.

59. Flexibility has been allowed in the design of the West Kowloon Terminus to accommodate the to-be-selected planning concept of the WKCD. The crown of the West Kowloon Terminus will be situated at an approximately level of 0.6 metres above Principal Datum. The underground space above the roof has been reserved for constructing a transfer plate. Should the WKCD decide to use that space for other purposes, such as loading/unloading area or car park, etc., the design and construction of the transfer plate could be suitably refined to accommodate planning requirements of the WKCD.

60. Two ventilation shafts cum emergency exits will be included in the WKCD. They are essential for the operation of the XRL. The design of the ventilation shafts and emergency exits will be well-integrated into the future WKCD (for integrated design of the ventilation shaft at Hong Kong Station and Two International Finance Centre, please see **Annex 3** for more details). Please refer to **Annex 4** for the preliminary location of the ventilation shafts and emergency exits.

61. The Home Affairs Bureau has established a standing inter-departmental coordinating committee led by a senior directorate officer with representatives from the Transport and Housing Bureau, Highways Department and Transport Department, etc. The committee coordinates the planning of the WKCD and its nearby infrastructural projects, including the planning and construction of the XRL project, to ensure that these projects can be implemented smoothly, maximizing the synergy and minimizing the impact on one another.

62. Highways Department and the MTRCL are working closely with the Home Affairs Bureau and the WKCD on the coordination of the WKCD and the XRL project, keeping on-going dialogue on issues relating to works progress, the report of the design of the XRL Terminus, the engagement and scope of works areas and construction site, etc. Efforts are made to ensure that the XRL and Phase I of the WKCD will be completed in 2015 as scheduled.

PRECEDENT CASES OF VILLAGE RESITE

63. As regards whether there were precedent cases in relocating an entire non-indigenous village, such as fishermen villages, due to the implementation of public works, the Lands Department has gone through to the relevant records and found the following two cases available for reference –

Sam Mun Tsai New Village at Yim Tin Tsai, Tai Po

64. In 1965, the then Government relocated 36 households of fishermen who lived along the waterfront at Sam Mun Tsai New Village, Ma Tau To, to the nearby Yim Tin Tsai to make way for the construction of the Plover Cove Reservoir in Tai Po. According to the records, these fishermen had been living in Sam Mun Tsai Village well before the War. To enable them to carry on their trade, the then Government constructed a two-storey block of 40 units (Note: Each unit with an area of about 324 square feet) on a piece of Government land at the waterfront of Kwun Suen Au Wan, Yim Tin Tsai, for rehousing them. A Government Land Permit (Crown Land Permit) was issued to a Fishermen's Co-operative Society as the permit holder.

Sha Tin Fishermen's New Village at A Kung Kok, Sha Tin

65. Sixty-three households of fishermen originally living by the shore of Sha Tin Hoi near Ho Tung Lau were relocated twice in the 1970's and 1980's during the development of the Sha Tin new town. The fishermen were first relocated in 1976, as reclamation works had to be carried out for the building of the Sha Tin Race Course. A few years later, these fishermen were relocated again to the present site at A Kung Kok near the shore of Sha Tin Hoi to make way for the development of Ma On Shan new town.

66. For a long time, most of the affected fishermen earned their living through fishing at Sha Tin Hoi. They also participated in Sha Tin Rural Committee and were represented in the Rural Committee. Given the special circumstances, the then Secretary for the New Territories agreed not to apply the general squatter policy to rehouse these fishermen to public rental housing or temporary housing.

67. To sustain the livelihood of the fishermen affected by the relocation, the then Government agreed at that time to grant them short term tenancies for construction of domestic structures at their own expenses. However, the construction of the fishermen's village subsequently came to a halt because of financial problems of the contractor. Given the exceptional circumstances of the case and taking account of the then prevailing policy of land grant, the Administration granted land to the fishermen so that they could secure mortgage loans from banks to resume the construction of the village and continue their fishing activities.

68. In the above cases, all those affected were fishermen. According to our records, the Government has not made any similar relocation of non-indigenous or fishermen village since the case of Sha Tin A Kung Kok Fishermen Village.

69. Regarding the two other locations raised by Members, namely Peng Chau and Tui Min Hoi, the Lands Department did not identify any similar case of relocation. As for Ma Wan, the Government entered into an agreement with a private developer in 1997 for the implementation of the Outline Zoning Plan and development of Ma Wan. Under the agreement, the developer has to provide appropriate accommodation for the villagers affected by the private development project, including non-indigenous residents and fishermen residing at Ma Wan. Such arrangements are different from the rehousing arrangement generally provided for the non-indigenous villagers under public projects.

Public Consultation Activities Regarding Strata Resumption at Tai Kok Tsui

70. In April 2008, the Government started consulting the relevant parties shortly after the announcement of the Government's decision to invite the MTRCL to proceed with further planning and design of the XRL project. Meetings with district councils, local organizations and residents were held to collect public views on the railway scheme to ensure that it would suit the needs of the community.

71. Upon the confirmation of the current alignment in Tai Kok Tsui area in August 2008, the Traffic and Transport Committee (T&TC) of the Yau Tsim Mong District Council (YTMD) was advised on 9 October 2008 regarding the XRL alignment and the need to resume underground strata along the alignment.

72. The scheme of the Hong Kong section of the XRL was gazetted in November 2008, which is part of the statutory consultation process. Gazette notice boards were erected within Tai Kok Tsui (TKT) area as shown in **Annex 5**.

73. To facilitate the public to understand the project of the Hong Kong section of the XRL, public fora were arranged in West Kowloon area on 16 January and 20 January 2009. Invitation letters were delivered by hand to the management offices of the 14 affected buildings on 14 January 2009 (see **Annexes 6 and 7**).

74. In March and April 2009, the Government responded to 3 objections received in January 2009 regarding the underground strata resumption in private lot in TKT area.

75. From January to September 2009, we submitted papers reporting to the YTMDC the development of the Hong Kong section of the XRL. Our representatives attended the District Council meeting on 26 February, and the T&TC meetings on 23 April and 10 September. The attendees of the meeting did not raise any concern about the TKT area in these meetings. The TKT issue was then raised at the T&TC meeting on 5 November and also at the meeting of the West Area Committee on 20 November 2009.

76. In response to the concerns of the TKT residents on underground strata resumption raised in October 2009, the Administration and the MTRCL met the resident representatives and owners' committees on 28 October, 29 October, 10 November, 11 November, 21 November, 3 December, 5 December and 12 December 2009. We provided information on the impacts of the XRL project and explained the rights of the residents during the meetings. To address the various concerns raised by the residents, we distributed more than 3 000 copies of an information leaflet to all affected households, and handed out along the Tai Kok Tsui Road and the affected buildings on 11 November 2009. Also, the Government issued a paper to the YTMDC in mid-November and sent a letter to the affected households to explain relevant matters related to underground strata resumption on 25 November.

77. To further respond to residents' concerns, the XRL Urban Information Centre in Canton Road Government Office has commenced service since 11 November (leaflets were distributed on the same day to residents affected). As of 3 December, 32 enquiries were received. To provide services to residents of TKT, the Centre has been relocated to the New Kowloon Plaza, which is close to the relevant buildings, on 11 December 2009. To maintain communication with the residents, the Centre will continue to operate. In parallel, a community liaison group will be set up and the Community Liaison Office will be in operation before the commencement of works. Moreover, periodic newsletters will be published and distributed to the affected units.

78. Furthermore, simplified versions of the results of the building condition survey and the professional reviews will be made available to provide residents with more information and to respond to their concerns. Some Members suggested that the Government should pay for independent experts appointed by the residents to review the design. It was suggested that this would facilitate the residents to recover the damages against the professionals in the future. The MTRCL and its contractor will be responsible for any damages to the structure or condition of a lot or a building caused by or during the construction, and execute the third party risks insurance policy to cover any liability in relation to damages caused by the construction of the Hong Kong section of the XRL. The MTRCL and its contractors will follow up if the construction damages the residential lot or building. The Administration will pursue the responsibility of individual professionals seriously. Since interest of the residents will be safeguarded, the focus should not be placed on recovering damages against individual professionals at this stage.

**Transport and Housing Bureau
December 2009**

Railway Development Strategy in 1994
(Domestic passenger service and cross boundary passenger service)



Figure 3-3 The Sub-regional Passenger Service

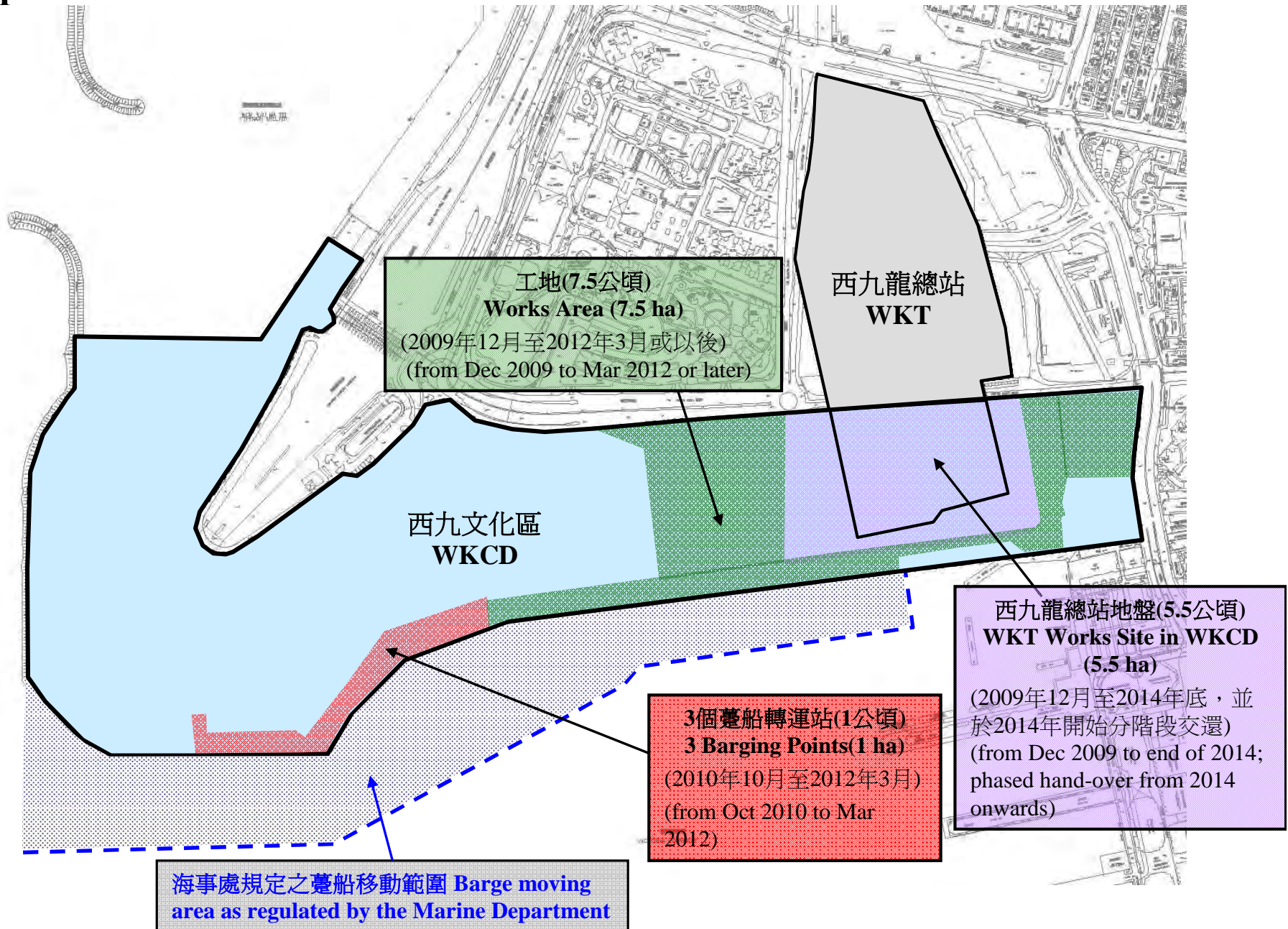


Figure 3-2 The Cross Border Passenger Service

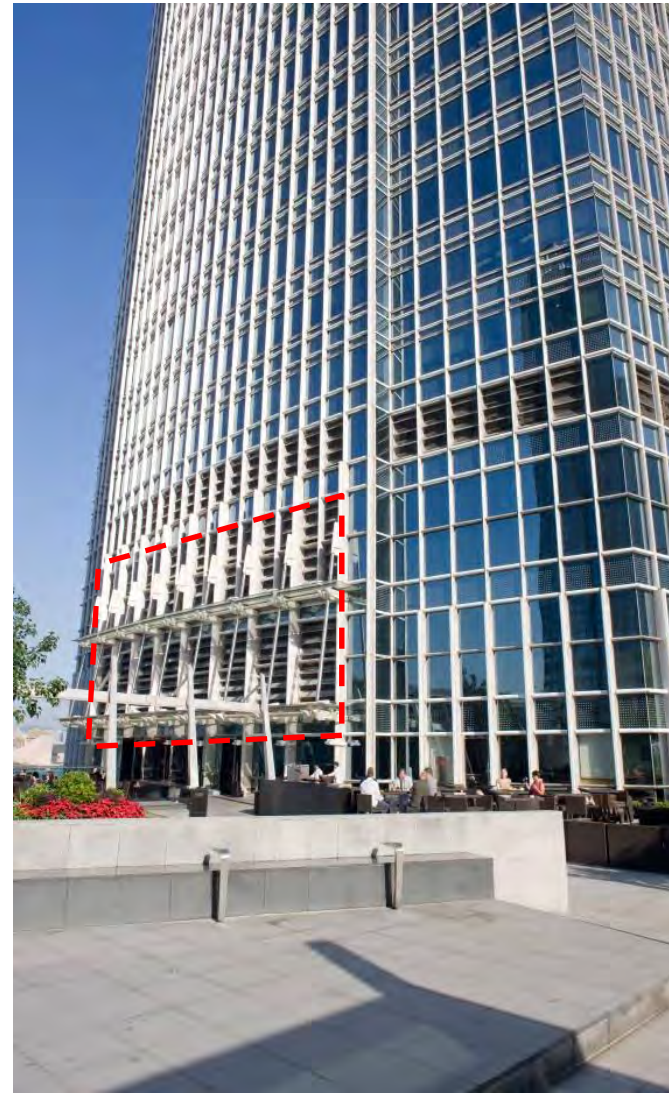
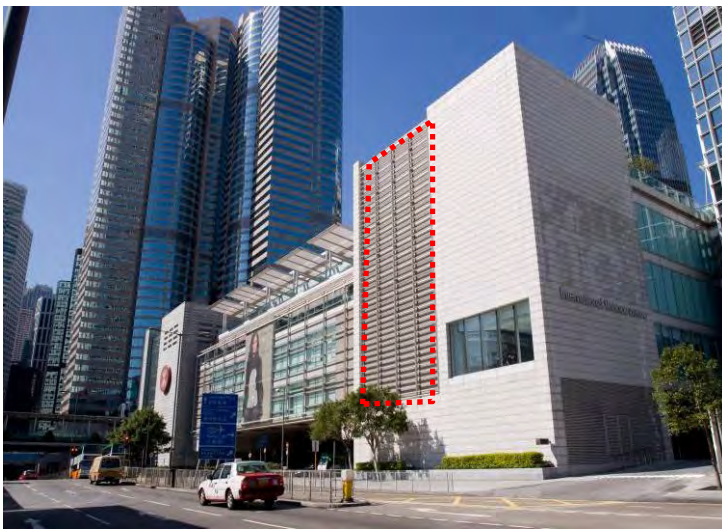
擬於西九文化區設置之高鐵工地/地盤

Proposed works Area for the construction of XRL in the WKCD

附件2
Annex 2

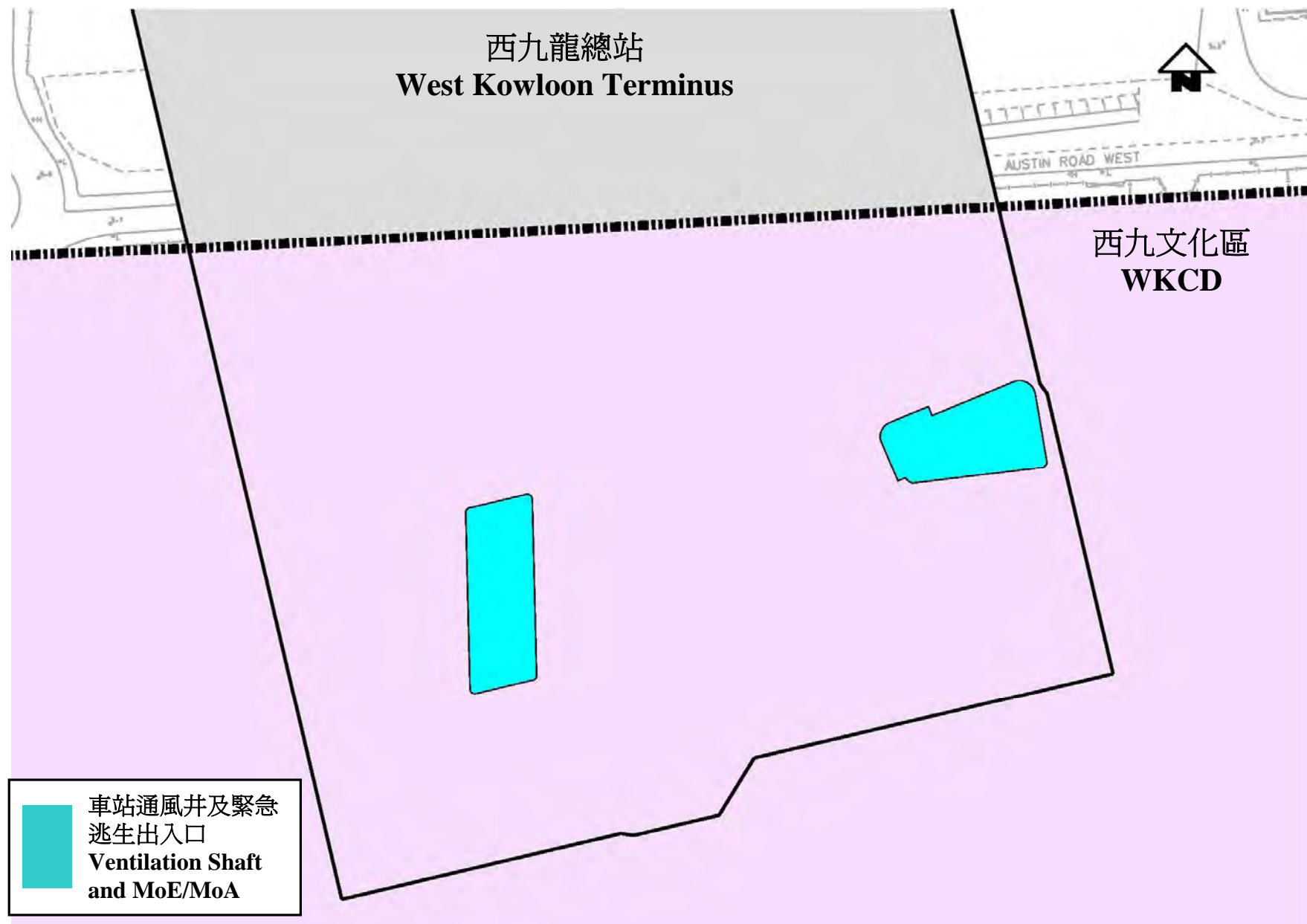


通風井與周圍建築物融合的例子 Integrated Vent Shaft Examples



於西九文化區的高鐵通風井及緊急逃生出入口位置 Locations of XRL Ventilation Shafts & MoE/MoA in WKCD

附件4
Annex 4



憲報公告在大角咀區的張貼位置

Locations of Gazette Notice in Tai Kok Tsui Area

附件5
Annex 5



檔案編號: XRL/2009/0013

致: 大廈管業處

廣深港高速鐵路香港段項目刊憲

政府已於十一月二十八日按照《鐵路條例》(第 519 章) 規定, 在憲報刊登廣深港高速鐵路香港段(下稱“高鐵”)的鐵路方案, 通知公眾。

高鐵項目將包括一個設在西九龍的總站, 以及一條由西九龍延伸至皇崗邊界的專用隧道, 以連接鐵路的內地段。擬建的高鐵走綫將會在 貴大廈附近的地底深處通過, 而有關的方案內容及圖則現存於中西區、元朗、屯門、荃灣、葵青、深水埗和油尖旺民政事務處的諮詢服務中心, 以及元朗、屯門、荃灣及葵青和九龍西區地政處, 供公眾於辦事處一般開放時間內免費查閱。公眾亦可於路政署網頁 (<http://www.hyd.gov.hk/chi/major/road/rail/index.htm>) 瀏覽。

為讓油尖旺區居民進一步了解高鐵項目, 我們將舉辦兩場居民簡介會, 與居民交流高鐵項目工程最新資訊, 收集居民對高鐵項目的意見, 歡迎油尖旺區居民出席。詳情如下:

日期	時間	地點
2009 年 1 月 16 日	晚上 8 時	九龍旺角西海庭道 香港理工大學 專業及持續教育學院 西九龍校園北座 N203 室 (近富榮花園)
2009 年 1 月 20 日	晚上 8 時	九龍柯士甸道童軍徑 香港童軍中心 11 樓 1106 室 (近龍堡國際賓館)



如有任何查詢，歡迎致電 2993-2996 與公共關係主任胡定嘉小姐聯絡。

公共關係經理－項目及物業

A handwritten signature in black ink, reading '谭锦仪' (Tan Kin-yee).

谭锦仪

二零零九年一月十四日

連附件：高鐵簡介單張

分發清單－有關高鐵刊憲及在油尖旺舉行公眾論壇事宜

**Distribution List – Letter re XRL gazettal and Public Forum for
YTM district**

分發日期 Distribution Date:

14/1/2009, 14:00-16:00

大滿樓	Tai Moon Building
大豐樓	Tai Fung Building
大榮樓	Tai Wing Building
大成樓	Tai Shing Building
大同物業管理有限公司	Cosmopolitan Housing Management Company Limited
中耀樓	Chung Yiu Building
中星樓	Chung Sing Building
中興樓	Chung Hing Building
千歲大廈	Tsin Shui Building
興旺大樓	Hin Wong Mansion
牡丹大廈	Peony House