

LEGISLATIVE COUNCIL BRIEF

HONG KONG SECTION OF GUANGZHOU-SHENZHEN-HONG KONG EXPRESS RAIL LINK

FUNDING ARRANGEMENT AND SPECIAL REHOUSING PACKAGE

INTRODUCTION

At the meeting of the Executive Council on 20 October 2009, the Council ADVISED and the Chief Executive ORDERED that –

- (a) the project of the Hong Kong section of the XRL should be implemented and funding approval for the project be sought from the Finance Committee of the Legislative Council so that the construction can start before the end of 2009;
- A

(b) the special ex-gratia rehousing package at **Annex A**, which is applicable exclusively to households affected by land resumption and clearance required under the Hong Kong section of the XRL, be approved, subject to the agreement of the Housing Authority on the relevant elements and a funding application for the special ex-gratia rehousing package be made to the Finance Committee of the Legislative Council;
- B

(c) the area of land, at **Annex B**, which will be recovered after a shallow section of the Hong Kong section of the XRL rail tunnel is built, be leased to an non-governmental organization with the support of the Transport and Housing Bureau at nominal rent for operating a non-profit making community farm; and
- (d) MTR Corporation Limited (MTRCL) be asked to proceed with the construction, testing and commissioning of the Hong Kong section of the XRL on the understanding that it would be invited to undertake its operation under the concession approach.

Previous Executive Council Decisions on the Hong Kong Section of the XRL

2. The Chief Executive announced the decision of adopting the Dedicated Corridor Option for the Hong Kong section of the XRL after the Tenth Plenary of the Hong Kong/Guangdong Co-operation Joint Conference on 2 August 2007. On 22 April 2008, the Executive Council decided that-

- (a) the Central Alignment Scheme¹ should be adopted for the Hong Kong section of the XRL;
- (b) the terminus of the Hong Kong section of the XRL should be allowed to encroach into the underground area of the West Kowloon Cultural District, and the terminus should be designed on the assumption that the development in the encroached area above would be medium-rise structures (up to a maximum height of 70 metres above Principal Datum) which would not require sophisticated noise and vibration mitigation works;
- (c) the MTRCL should be asked to proceed with the further planning and design of the Hong Kong section of the XRL on the understanding that it would be invited to undertake the Hong Kong section of the XRL under the concession approach;
- (d) further negotiation should be carried out with the MTRCL on the implementation details of the Hong Kong section of the XRL;
- (e) the development right of Site A² would not be granted to the MTRCL, and the site should be disposed of by the Government in accordance with the prevailing land policy with due attention paid to ensuring proper integration with the terminus; and
- (f) further studies and discussions with Mainland authorities on whether, and if so how, co-location of boundary control facilities (BCF) in West Kowloon should be arranged.

¹ This is a shorter and more direct route without going through the existing Kam Sheung Road Station of the West Rail Line.

² The site zoned as Comprehensive Development Area (1) on top of the XRL West Kowloon Terminus for non-railway development

3. The XRL has long been in discussion in the community since 2000. A chronology is set out in **Annex C**. There is community support for the early implementation of the Dedicated Corridor Option of the Hong Kong section of the XRL.

4. Our target is to start the construction of the project before the end of 2009, for commissioning in 2015.

JUSTIFICATIONS

An Overview of the Strategic Significance of the Hong Kong section of the XRL

5. The Hong Kong section of the XRL is vitally important to Hong Kong. It will link up Hong Kong, Shenzhen and Guangzhou with significantly reduced journey time. It will also provide long haul service to major Mainland cities. The whole alignment of the XRL, between its termini at West Kowloon and Shibi (石壁) in Guangzhou, is about 140 km long with intermediate stations at Futian (福田), Longhua (龍華) and Humen (虎門). A trip between Hong Kong and Shibi on the XRL will only take 48 minutes. The Hong Kong section of the XRL will become part of the 16,000km national high-speed rail network now being developed in full steam, connecting Hong Kong with the Beijing-Guangzhou Passenger Line and Hangzhou-Fuzhou-Shenzhen Passenger Line (please see **Annex D**).

6. The Hong Kong section of the XRL plays an unparalleled role in fostering closer economic ties between Hong Kong and the Mainland, which will inject momentum and create new opportunities for the future development of Hong Kong in the medium and long term. Efficient cross-boundary travel is key to the success of our service economy. The Hong Kong section of the XRL will help reinforce Hong Kong's status as a transport, financial and commercial hub of China. It will support the sustained growth of our four traditional economic pillars³ and six high potential areas⁴ with which the Administration is pressing ahead, enabling us to expand our market into, and attract talents from the Mainland.

³ Financial services, tourism, logistics, and business support and professional services

⁴ Educational services, medical services, testing and certification, innovation and technology, cultural and creative industries and environmental industries

7. In addition to injecting impetus for the economic activities mentioned above, there will be substantial benefits arising from time saving to passengers, cost savings to operators and enhanced road safety. It is estimated that over its 50 years of operation, the quantifiable economic benefits of the Hong Kong section of the XRL would amount to 87 billion in 2009 prices (4% discount rate per annum). In the near future, the construction of the Hong Kong section is expected to create 11,000 job opportunities during the peak period. When completed, the high-speed rail system, together with related business establishments, is expected to employ 10,000 people.

8. The XRL will terminate at the New Guangzhou Passenger Terminus at Shibi in Guangzhou. Shibi, together with the stations at Beijing, Shanghai and Wuhan, are designated as the four major national railway passenger hubs of the Mainland. The Terminus is planned to become a mega transport hub, extensively served by high-speed railway routes, inter-city rapid transit routes, urban metro lines of Guangzhou and Foshan and major highways and various public transport services.

9. The Mainland section of the XRL has been moving forward quickly since its commencement of works in December 2005. The section from Shibi to Longhua is now scheduled for commissioning by early 2010 while the remaining section between Longhua and Futian in 2011/12. A map showing the progress of the Mainland section is at **Annex E**. As for the Hong Kong section, we have made public our commitment in the 2007 Policy Address and on various occasions that our target is to start its construction in 2009, for completion in 2015. This is in line with the target completion of the trunk of the entire national high-speed rail network.

E

Economic benefit and patronage forecast

10. Under the current planning, in early years of commencement of the Hong Kong section of the XRL, there will be 90 and 24 daily train pairs for shuttle services to the Shenzhen and Guangzhou areas respectively. These translate into an average 15-minute headway to Shenzhen (Longhua) and 30-minute headway to Guangzhou for most hours. Subject to the development of the national railway schedules, there will be 24 daily train pairs to 15 Mainland cities which will gradually increase to 33 daily pairs to 16 cities.

Economic benefit forecast

11. With this level of service, the XRL will effectively enhance Hong Kong's connectivity with major cities in Pearl River Delta and beyond, and will bring significant economic benefits to Hong Kong, which can be broadly categorized into –

- (a) direct benefits to passengers – value of time savings, reduction in road accidents, etc;
- (b) direct, indirect and induced benefits to suppliers – value-added and employment by the rail operators and major suppliers and household spending of their employees; and
- (c) catalytic benefits – facilitation of tourism, trade, professional services and other sectors, etc. Such spillover benefits cannot be captured by merely tracing the flows of cash from passengers to the rail operator, its suppliers, and their employees.

12. While the direct benefits to passengers can be readily quantified, the benefits of other categories are less quantifiable. However, these benefits are generally much larger than the direct benefits to passengers. This is particularly the case for Hong Kong, a service based economy in the PRD region. The commissioning of the Hong Kong section of the XRL will further accelerate the economic integration in the Greater PRD, thereby paving the way for more opportunities for our economy in the long run.

13. Our economic benefit forecast has focussed mainly on direct benefits to passengers only, simply because this alone is already sufficient to establish the cost-effectiveness of the Hong Kong section of the XRL. That said, we have pointed out above the greater economic contribution of the XRL project to Hong Kong.

Patronage forecast

14. Based on the latest planning data and developments of both Hong Kong and the Mainland, we have recently reviewed the patronage forecast. The patronage could be broken down into two parts: (a) long haul services (from West Kowloon to cities beyond Pearl River Delta area); and (b) shuttle

services (from West Kowloon to Shenzhen/Humen/Guangzhou) ⁵ . A comparison of the patronage forecast in the Legislative Council Brief THB(T)CR 1/16/581/99 of April 2008 and the current forecast is set out in **Table 1** below.

Table 1 – Key Patronage Parameters

Key Project Parameters	As announced in April 2008	Update in September 2009
Forecast 2-way Daily Patronage (2016)		
• West Kowloon – Shenzhen / Humen / Guangzhou	88,000	84,000
• West Kowloon – beyond Guangzhou	11,000	15,000
Total	99,000	99,000
Economic Internal Rate of Return (EIRR) in real terms	9%	6%
Average time saving over 50 years of operation per annum	40 million hours	42 million hours
Discounted economic benefits ⁶ over 50 years (in 2009 prices) (mainly in terms of time savings to passengers)	\$83 billion	\$87 billion

* based on the relevant part of the cost of railway works. It is generally considered viable if EIRR exceeds the social discount rate of 4% adopted in government projects

15. From the comparison above, it could be noted that there is not much difference in the overall 2016 patronage forecast, though the long haul traffic will take up a larger share. The major reasons for the difference between the two sets of forecast are summarised as follows:

- (a) Slightly smaller population sizes for both Hong Kong and Guangdong province and slower GDP growth in Hong Kong, lead to a smaller demand in 2016 in cross-boundary services between Hong Kong and Guangdong than it was envisaged before;

⁵ Including interchange passengers at Shenzhen/Humen/Guangzhou, with destination in cities beyond the Pearl River Delta region

⁶ Social discount rate at 4% per annum.

- (b) Higher GDP growth rate in the Mainland (including Guangdong province) in long run, though being offset partly by the slower GDP growth and smaller population size in Hong Kong in the near term, contributes to stronger overall cross-boundary demand;
- (c) The expansion of the mainland national high-speed rail network and better coverage of the long haul train services contribute to a higher long haul patronage.

16. The patronage forecast is sensitive to the XRL fare level. We have assumed the XRL fares at a level comparable to other transport means, which are set out in **Table 2** below.

Table 2 – Assumed fare (per trip) of various transport means

Destination	XRL	Boundary/ Through Trains	Buses
Shenzhen	\$45 (Futian) – \$49 (Longhua)	\$34 - 41	\$10 - 45
Dongguan	\$131 (Humen)	\$145	\$100
Guangzhou	\$180 (Shibi)	\$190 - 210	\$80 - 100

Sensitivity analysis

17. It should be noted that the base case scenario above represents a practical, yet conservative, scenario. For example, Hong Kong businessmen working in the Mainland may choose to return to Hong Kong more frequently for business or family reunion thanks to a much shorter travelling time after the implementation of the Hong Kong section of the XRL. Some Pearl River Delta residents may have more day-trips to Hong Kong which are otherwise impossible.

18. In order to have a full picture, we have established a high case scenario by adopting more optimistic assumptions. We have assumed a higher, yet still reasonable, annual GDP growth in Guangdong and Hong Kong (details of the GDP growth assumptions are summarised in **Table 3**). The estimated patronage in 2016 for the high case can go up to 116,000, with discounted economic benefits over 50 years of \$106 billion, representing an EIRR of 7%.

19. On the other hand, we have also considered a low case scenario. We have assumed a lower GDP growth for Guangdong of 7.6% to 9.8% between 2009 to 2015. Even so, the estimated patronage in 2016 would be around 89,000, with discounted economic benefits over 50 years of \$78 billion, representing an EIRR of 5%. This demonstrates that the Hong Kong section of the XRL is economically viable.

Table 3 – Summary of GDP growth assumptions for patronage forecast

	Low			Base			High		
GDP Growth per annum (%)									
	Short Term (2009- 2015)	Medium Term (2015- 2020)	Long Term (2020- 2031)	Short Term (2009- 2015)	Medium Term (2015- 2020)	Long Term (2020- 2031)	Short Term (2009- 2015)	Medium Term (2015- 2020)	Long Term (2020- 2031)
Hong Kong	2.0 – 2.5	2.0		2.0 – 3.5	2.0		2.5 – 4.0	3.0 – 4.0	2.0 – 3.0
Guangdong	7.6 – 9.8	7.1	3.4	9.6 – 11.8	9.0	4.4	11.6 – 13.8	11.0	6.4
Estimated patronage in 2016									
	89,000			99,000			116,000		
Discounted economic benefits over 50 years (\$ billion, in 2009 prices)									
	78			87			106		
Economic Internal Rate of Return (EIRR) in real terms									
	5%			6%			7%		

Project Cost

20. When the further planning of the Hong Kong section of the XRL project was announced in April 2008, we reported that the then estimated capital cost was \$39.5 billion (in 2009 prices). A comparison between that estimate and the latest estimate in September 2009 is set out at **Table 4** below –

Table 4 – a comparison of project cost estimates

All figures in 2009 prices	Railways works⁷ cost (\$B)	Non-railways works⁸ cost (\$B)
Estimate announced in April 2008	35.4	4.1
Project enhancements	7.7	5.0
Price escalation	10.6	2.4
September 2009 estimate	53.7*	11.5*

* Inclusive of on-cost (8%) and contingencies (10%).

Railway Works

21. The cost estimate for the railway works of the Hong Kong section of the XRL has risen from \$35.4 billion to \$53.7 billion, representing an increase of \$18.3 billion. Price escalation (\$10.6 billion) accounts for more than half of this increase.

22. The estimates announced in April 2008 adopted a relatively conservative set of assumption on the inflation factors (5% in 2007, 4.5% in 2008 and 3.5% in 2009). Such inflation factors prepared by MTRCL, though already higher than the Government Economist's corresponding forecast at that time, are still far lower than the actual inflation in the construction sector during the recent years.

23. Construction prices surged rapidly in the past three to four years and the Hong Kong section of the XRL is no exception. For the Hong Kong section of the XRL, the latest estimate implies an escalation of the project cost of 42% between 2006 and 2009 which is in line with the relevant magnitude of 48% of the MTR West Island Line project. In view of the

⁷ include the terminus, emergency rescue station, platforms, stabling sidings, tracks, supporting systems, rolling stock, etc

⁸ other works, including roadworks improvements in West Kowloon, pedestrian walkways, footbridges and subways, public transport interchange, enabling works for other government projects and assets, equipment and systems of the relevant Government departments, etc.

current downward trend of the relevant tender prices, the 42% price increase is considered reasonable.

24. Enhancements to railway works (\$7.7 billion) account for the rest of the cost increase which are required to improve the railway scheme or overcome unforeseen site constraints and to meet Mainland interface requirements. Improvements to the railway scheme include optimizing the use of underground station area in the West Kowloon Terminus so that the ground area can be turned into public open space to facilitate better interface and connectivity with the West Kowloon Cultural District. Unforeseen site constraints have led to the adjustment of tunnel alignment and additional ground treatment.

Non-railway works

25. The cost estimate for the non-railway works of the Hong Kong section of the XRL has also risen from \$4.1 billion to \$11.5 billion, representing an increase of \$7.4 billion. Price escalation accounts for \$2.4 billion while project enhancement works \$5.0 billion.

Appraisal of the cost estimate

26. The Highways Department (HyD) has critically assessed the MTRCL's proposed standards of the facilities to be provided in the Hong Kong section of the XRL project and is satisfied that they are reasonable. Taking the number of long haul platform at the West Kowloon Terminus as an example for illustration, the Terminus is an underground station that cannot be physically expanded in future. It has to cater for long term needs. Nine long haul platforms are proposed, out of which one is reserved for demand beyond 2030 and one catering for occasional delayed trains or other special circumstances. The remaining seven platforms are necessary to meet the normal operational needs under a model train schedule coordinated with MoR based on general traveling patterns of long haul passengers from various cities to Hong Kong. The model train schedule envisages nine train movements (five arrivals and four departures) in the peak hour in 2030. For planning purposes, each train movement will occupy an approximately 30-minute platform slot for the necessary processes. As such, a minimum of 4.5 platforms is required theoretically assuming that departing and arriving trains work in a perfect sequence. If one platform is occupied by a train that has arrived at the preceding hour and one by a train departing at the next hour, a total of six

to seven platforms would be required depending on the exact sequence. As such, there is little room for further reducing the number of long haul platforms without introducing undesirable constraints to the train schedule.

27. Moreover, it has employed independent engineering consultants to assist in verifying the MTRCL's work. The Department has, in its professional judgment and confirmed by the advice of the independent consultant, concluded that there is no room for further reducing the project scope without adversely affecting the intended service level and the effectiveness of the project.

Location of XRL Hong Kong Terminus

28. International experience such as those in Japan, France and the UK suggests that to maximize the benefits of a high-speed railway, stations should be located at the city-centre where the gravity of population, employment and economic activities converges. West Kowloon is the best choice for locating the Hong Kong terminus of the XRL. It is close to most major business, commercial, retail, hotel and residential districts in Hong Kong. It is well served by existing and planned railways and road networks. It creates excellent synergy with the future West Kowloon Cultural District.

29. Some members of the community have raised various alternative locations for the terminus, for example Kam Sheung Road (KSR), where XRL passengers may change to West Rail and go to the city centre. However, the total travelling time will be much longer. A recent proposal to circumvent this connection problem is to build a spur line connecting the KSR Station and the existing Tsing Yi station and using the Airport Express Line (AEL)/Tung Chung Line (TCL) corridor to convey passengers to the city centre. It is claimed that the proposal will only cost \$25 billion.

30. We do not think the proposal, which is at the conceptual stage without the support of any investigation, worth considering. On the other hand, sharing the AEL/TCL corridor will restrict the scope of further connection between TCL and the proposed North Hong Kong Island Line and the expansion of the AEL/TCL services to cater for additional patronage from the Hong Kong-Zhuhai-Macao Bridge, the future development at the Hong Kong International Airport as well as the development of Tung Chung and North Lantau. The KSR Station is

surrounded by many small houses. Expanding the station to accommodate the XRL platforms, AEL spur line platforms, approach tunnels, BCF and the maintenance depot and stabling will affect more households than our current scheme. There are a number of major technical hurdles that have yet to be investigated. The solutions to overcome such hurdles and their costs have apparently not been considered. Moreover, any major change to the alignment of the current scheme now would unavoidably delay the project for at least three years, and will likely drive up the project cost.

Need for an ERS and Stabling Sidings for the Hong Kong section of the XRL

31. The Hong Kong section of the XRL will run in a 26-km underground tunnel within Hong Kong. To cater for emergency rescue operations, there will be nine emergency access points (via eight ventilation buildings and one dedicated emergency access point) along the tunnel alignment. In addition, an ERS will be located at Shek Kong of Yuen Long. The ERS is an essential safety facility for a railway tunnel of this length. It would provide an emergency escape exit for passengers and access for rescue teams including firemen in case of fire or other emergencies in trains or tunnels necessitating passenger evacuation.

32. Stabling facilities are required in Hong Kong to meet the operational requirements. The current Pat Heung depot of the West Rail Line does not have enough space for this purpose. We thus consider that separate stabling sidings (SSS) should be located right adjacent to the ERS to provide the necessary stabling, routine cleaning and light maintenance services to XRL trains. Complicated maintenance activities which require large working space will be conducted in the Mainland.

33. Shek Kong is the most suitable location for the ERS. It is located approximately midway along the XRL alignment between West Kowloon and Futian Station. Setting up an ERS at Shek Kong will enable effective response to incidents inside the tunnel. In addition, the proposed site is flat and low-lying, well served by major roads, therefore allowing rescue teams to reach the ERS conveniently and to evacuate train passengers efficiently. Putting the stabling sidings together with the ERS can share facilities such as access roads, power supply and fire fighting facilities, thereby reducing the land resumption and the extent of neighbourhood affected.

Locating the ERS and SSS at Choi Yuen Tsuen, Shek Kong

34. The current proposal of putting the ERS and the stabling sidings at Choi Yuen Tsuen (CYT), Shek Kong can minimize the number of households affected. To implement the above, there is a need to clear the site at CYT. The MTRCL has assessed alternative sites proposed by the CYT villagers. Two of these proposals were not feasible due to encroachment into a military airfield. The rest would affect more households, cost more but perform less effectively as a rescue facility (please refer to the summary account in **Annex F**). HyD is satisfied with MTRCL's assessment. The site has to be made available for the construction works by late 2010 to meet the target of commissioning the Hong Kong section of the XRL in 2015.

F

The Choi Yuen Tsuen

35. CYT, though not an indigenous village, has been in existence for at least 40 years. Many households have elderly family members who will face grave difficulties in adapting to non-village lifestyles after being cleared from CYT. There are about 150 households in CYT broadly spreading across an area of about 27 hectares. Apart from a few households living in houses on privately owned building land, most villagers in CYT had their houses erected on private agricultural land and a few (about 10 households) on unleased Government land.

36. For the houses in CYT which are built on private agricultural land or on unleased Government land, most of them are –

- (a) domestic structures on unleased Government land or on private agricultural land built or have existed in compliance with a licence, modification of tenancy, or other similar form of Government permission issued by the LandsD (collectively referred to as “licensed domestic structures” below); or
- (b) domestic structures covered by the 1982 Squatter Structure Survey (referred to as “1982 surveyed squatters” below).

37. The licensed domestic structures are temporary structures in terms of status and are to be demolished by the occupants upon serving of a notice by LandsD. The 1982 surveyed squatters are unauthorized squatters built before 1982 and have been tolerated by the Government

pending clearance if and when such squatters are affected by a public project or if there are environmental or safety concerns over their continued existence.

G

38. The CYT households, like other households in the New Territories, if affected by resumption or clearance, may be eligible for the compensation or rehousing arrangements under the existing policy as described in **Annex G**. Land compensation under the existing policy is only available to owners of private land, irrespective of building or agricultural land. The New Territories is divided into four ex-gratia compensation zones. CYT falls within Zone C. The Committee on Planning and Land Development has agreed to upgrade the ex-gratia compensation from Zone C rate to Zone A rate to recognise that the Hong Kong section of the XRL project is an essential project of territory-wide significance. As a result, the ex-gratia land compensation rate for building land in CYT will be increased from \$433.75 per sq.ft. to \$1,041 per sq.ft. and for agricultural land from \$219.5 per sq.ft. to \$526.8 per sq.ft.⁹

39. However, the majority of the CYT villagers are not the owners of the land on which they are living. Some built their own houses on unleased Government land or rented land from “Tso Tong” of indigenous villagers or other private parties. The rest rent structures erected by others. They are therefore not entitled to land compensation under the existing policy. Nonetheless, many of them have used the houses as if they were permanent residence, even though the houses are regarded as temporary or tolerated structures under the existing policy. They are worried that the present compensation and rehousing arrangements under the existing policy are unable to help them re-establish residence elsewhere. In particular, some villagers do not prefer to move to Public Rental Housing (PRH) even if they may be eligible. They would wish to stay put in their familiar form of rural housing. A number of villagers have been reiterating their objection to land resumption and clearance (不遷不拆). Their views were also reflected in their formal objections lodged against the railway scheme.

⁹ These are prevailing rates taken with effect from 1 October 2009 and will be subject to 6- monthly reviews.

The Proposed Special Ex-gratia Rehousing package for the Hong Kong section of the XRL

40. The Hong Kong section of the XRL connects us directly to the national high-speed rail network. It is of great strategic importance to both Hong Kong and the development of the nation. As the Mainland section will be completed in 2012, any delay in the Hong Kong section will defer the realization of economic benefits of the project. The loss in direct economic benefits to passengers in terms of savings in journey time etc is estimated to be in the region of \$5 million per day of delay. This has not taken into account the loss in economic activities (such as more business opportunities for our professional service sectors, more Mainland visitors for our tourism, retail and catering sectors) facilitated by shorter cross-boundary journey time enabled by the XRL, which is difficult to quantify.

41. Vacating the site is on the critical path of the construction of the Hong Kong section of the XRL. Any delay of site clearance may be subject to claims by various project contractors. In view of the need for the early implementation of this unique and strategically important project, and the consequential overriding public interest, a special ex-gratia rehousing package at **Annex A** is provided to assist relevant households to meet their special rehousing needs. Such a package, which is exclusively for the above households affected by land resumption and site clearance under the Hong Kong section of the XRL project, will be conducive to smooth clearance, thereby timely implementation and completion of the project. The proposed package would apply to households at CYT, as well as about 10 other households outside CYT also being affected by site clearance under the Hong Kong section of the XRL project, provided that they satisfy the eligibility criteria described in paragraph 47.

Special ex-gratia rehousing package exclusively for households affected by land resumption and clearance of the site required under the Hong Kong section of the XRL project

42. The special ex-gratia rehousing package proposed for the CYT villagers and other parties affected by land resumption and clearance of various sites required under the Hong Kong section of the XRL would go beyond the present compensation and rehousing arrangements under the existing policy as described in **Annex G**. In gist, the package comprises the following two components –

(a) Domestic Removal Allowance (DRA) for all affected households

Under the current policy, occupiers of domestic structures surveyed for dwelling purpose in the 1982 Squatter Structure Survey are eligible for a DRA ranging from \$3,000 to \$10,000, depending mainly on the size of the family, to help them to meet the initial cost of moving. We propose that all households affected by the Hong Kong section of the XRL project and covered by the pre-clearance survey on 11 November 2008 may be eligible for the DRA in view of the disturbance caused to them as a result of the clearance exercise.

(b) Special assistance for Qualified Households ("Special Assistance")

To meet their special rehousing needs, we propose that "Qualified Households" affected by the clearance exercise for the Hong Kong section of the XRL project be offered one of the following Special Assistance option -

- (i) an ex-gratia cash allowance (EGCA) of \$600,000 ("EGCA-only option"); or
- (ii) an EGCA of \$500,000 and an opportunity to purchase a flat under the Home Ownership Scheme (HOS) without being subject to the Comprehensive Means Test (CMT) ("EGCA-HOS option").

Recipients of any of the above Special Assistance would have to give up their entitlement to PRH (including Singleton and Doubleton Allowances in lieu of rehousing), Interim Housing or Ex-gratia Allowance for Permitted Occupiers (EGAPO) and Rehabilitation Allowance for genuine farmers that may be available in the existing compensation and rehousing arrangements. They will be barred from applying for any form of subsidized housing or related benefits for three years from the date of receipt of the EGCA above if they choose the EGCA-only option and barred from such applications once and for all unless under very exceptional circumstances if they choose the EGCA-HOS option.

43. It should be emphasized that the intention is not to compensate for the land but rather to provide ex-gratia assistance for long-term residence having regard to the circumstances surrounding the residents at CYT and other Hong Kong section of the XRL-affected areas. For households which prefer accommodation in a similar rural environment, we propose offering them an EGCA (\$600,000). Considering the loss of what Qualified Households perceive as permanent residence on one hand and the temporary status of their houses on the other, we believe that the amount of the EGCA would help avoid much greater financial implication for the Hong Kong section of the XRL project and economic loss at large.

44. For households who would like to purchase an HOS flat, we propose that, subject to the approval of the Housing Authority, the households will be given an opportunity to purchase a HOS flat and an EGCA of \$500,000.

45. This EGCA-HOS option and its detailed terms are subject to the approval of the Housing Authority. We propose that households choosing this EGCA-HOS option would not be subject to CMT. They may choose an unsold HOS flat in the New Territories. If there are special justifications, the Secretary for Transport and Housing may allow the Qualified Households to choose a HOS flat in other districts on a case-by-case basis. We will seek the Housing Authority's approval in due course.

Eligibility Criteria for the Special Assistance for Qualified Households

46. To contain the squatter problem, the Government conducted territory-wide surveys on squatters in 1982 and their occupiers in 1984/85. The occupation of these squatter structures is tolerated until they are subject to clearance because of a public project, safety or environmental concerns. As a matter of principle, tolerated squatter structures for residential purpose should be domestic structures covered by the 1982 Squatter Structure Survey or licensed domestic structures¹⁰ ("the 1982 domestic structure requirement"). Squatter occupiers should be covered by the 1984/85 Squatter Occupancy Survey ("the 1984/85 occupancy requirement"). The two requirements are the cornerstone of the prevailing squatter control policy. We do not consider it prudent to relax the 1984/85 occupancy and the 1982 domestic structure requirements in the proposed special ex-gratia rehousing package even

though it is exclusively applicable to the households affected by the land resumption and site clearance for the Hong Kong section of the XRL project.

47. Details of the eligibility criteria for being a “Qualified Household” are set out at Annex A, and in gist, a “Qualified Household” eligible for the proposed Special Assistance in paragraph 42(b) should meet the following conditions –

- (a) the household should reside in an affected structure at the date of the pre-clearance survey;
- (b) the affected structure should be either a 1982 surveyed domestic squatter or a structure licensed for domestic usage which is not built on a piece of building land;
- (c) the household should be covered by the 1984/85 Squatter Occupancy Survey or can produce evidence proving that it has resided in the affected structure for the same duration;
- (d) no household member should own or co-own any domestic properties in Hong Kong, or own more than 50% share in any company that owns domestic property in Hong Kong, or have entered into any agreement to purchase domestic property from the date of the pre-clearance survey up to the date of receipt of the Special Assistance;
- (e) no household member should be granted any other form of ex-gratia allowance in respect of the same structure upon receipt of the proposed Special Assistance except for the Domestic Removal Allowance as referred to in paragraph 41(a) above;
- (f) no household member should at present be enjoying any form of subsidised housing or related benefits, or be subject to debarment as a result of previous enjoyment of any form of subsidised housing or related benefits;

¹⁰ Since 1982, the Government has stopped issuing new licenses except for a few regularization cases. Therefore, in general, a licensed structure should be a pre-1982 structure.

- (g) all household members choosing the EGCA-only option of the Special Assistance should undertake not to apply for any form of subsidised housing and related benefits for a period of three years counting from the date of receipt of the Special Assistance;
- (h) all household members choosing the EGCA-HOS option of the Special Assistance should undertake not to apply for any form of subsidized housing and related benefits once and for all unless under very exceptional circumstances; and
- (i) households should apply for the Special Assistance and move out of the clearance site before specified deadlines.

48. If more than one household reside in one licensed domestic structure or 1982 surveyed domestic squatter, they will be collectively considered as one “Qualified Household”. On the other hand, a nucleus family, comprising parents and their dependent children, will be considered as one household even if it occupies more than one licensed domestic structure or one 1982 surveyed squatter, unless the Director of Lands considers otherwise based on the circumstances of the household(s) involved.

Discretion of Secretary for Transport and Housing

49. The 1984/85 occupancy and the 1982 domestic structure requirements, which are the cornerstones of the squatter control policy, will be upheld in determining the eligibility for the special assistance. However, to enhance the flexibility of this special clearance exercise in providing assistance to other households which have special rehousing needs but do not fully comply with the eligibility criteria above, we propose that the Secretary for Transport and Housing be authorized to determine whether such a household can be entitled to the Special Assistance in paragraph 42(b) as if it is a Qualified Household.

50. To this end, the Secretary for Transport and Housing will decide, at her discretion on a case-by-case basis, in respect of an application of a household -

- (a) whether a household which does not meet the requirements to be a Qualified Household in paragraph 47 above should be eligible to receive the Special Assistance;

- (b) if such a household is so eligible, whether and to what extent the amount of ex-gratia cash allowance to be offered to the household should be reduced; and
- (c) whether to allow a Qualified Household that elects the EGCA-HOS option of the Special Assistance to select a HOS flat in a district outside the New Territories on compassionate ground.

51. We will set up an Inter-departmental Advisory Panel to advise the Secretary for Transport and Housing on exercising the above discretions. The households will be given the opportunity to make written representation to the panel and the Secretary for consideration. The decisions of the Secretary shall be final. Paragraph 26 of **Annex A** also gives a list of factors that the Secretary and the Inter-departmental Advisory Panel may take into consideration before the Secretary exercises her discretion. In exercising the discretion, the Secretary shall consider, but is not bound by such factors. This Panel may also consider other cases that may require discretionary handling, e.g. PRH allocation.

Assistance to affected households under both the existing and the proposed packages

52. We believe that the special ex-gratia rehousing package, together with the existing compensation and rehousing arrangement under existing policy, should provide suitable, flexible and adequate assistance to the affected villagers. Depending on whether they meet the relevant eligibility criteria, the affected villagers are given various choices to meet their special rehousing needs -

- (a) owners of agricultural land – the applicable ex-gratia zonal compensation rate would be upgraded from Zone C rate to Zone A rate;
- (b) villagers who are genuine farmers – they may apply for a short term waiver to build a domestic structure (400 sq. ft. large and 17 ft high) on agricultural land purchased or rented on their own. If they are Qualified Households, the EGCA will assist them to meet the costs of the domestic structure and some farm facilities;

- (c) villagers who prefer to live in PRH – if they meet the CMT, other PRH criteria and the 1982 domestic structure requirement, they would have priority in rehousing to PRH;
- (d) villagers who would like to purchase a HOS – if they are Qualified Households, they do not need to meet the CMT. The EGCA will assist them to meet the cost of buying a HOS flat in the New Territories;
- (e) villagers who prefer private accommodation in a rural environment – if they are Qualified Households, the EGCA will assist them to meet the cost of renting or buying such accommodation;
- (f) villagers who do not meet the Qualified Household criteria – the Secretary for Transport and Housing may exercise discretion to provide suitable assistance to them; and
- (g) all villagers would receive domestic removal allowance to assist them to move to another place.

53. We consider that the special ex-gratia rehousing package is adequate to assist “Qualified Households” to meet their special rehousing needs. In particular, the discretion of the Secretary for Transport and Housing provides sufficient flexibility to handle households with special circumstances. Further enhancing the offer will be unfair to taxpayers. We will emphasize to the affected households that the terms and conditions in the special package are non-negotiable and it is strictly offered on an ex-gratia basis.

Leasing the recovered land for community farming

54. After the completion of a shallow section of the rail tunnel on the northern side of the ERS of the Hong Kong section of the XRL project, about 2 hectares of land, as shown at **Annex B**, will be recovered. Subject to further design, some parts of the land may have to be used for providing access to the neighbouring areas. Other unused areas within this piece of land will be reverted to the Government. If the site can be vacated in late 2010 for construction of the Hong Kong section of the XRL project, we expect that the full piece of land will be recovered and available by end of 2014. We will explore if part of the land may be made available early. We

propose that the unused parts of the site should be reformed for agricultural use upon recovery (“the community farm site”).

55. Many of the villagers of CYT, especially the elderly members, have been practising farming activities for decades. The provision of community farming at the site will help meet the villagers’ aspiration to continue their way of living if they so wish. During the public consultation on the Hong Kong section of the XRL project, we have noted clear public demand for promoting organic and community farming in Hong Kong, which is a healthy hobby for citizens of all ages and has the potential to develop into a sustainable industry for Hong Kong. We consider it appropriate to reform the site to such conditions suitable for organic farming to partially re-provision for agricultural land resumed for the Hong Kong section of the XRL project.

56. The community farm site will be leased to a non-governmental organization at nominal rent to operate a community farm on a non-profit making basis. This will help promote organic and community farming in Hong Kong and will allow CYT villagers, especially the elderly villagers, and other members of the public to practise farming as a hobby and/or a source of income. We will work out the implementation details, including the necessary statutory procedures, in consultation with the relevant departments.

Funding Approach

57. The Executive Council decided on 22 April 2008 that the MTRCL should be asked to proceed with the further planning and design of the project on the understanding that it would be invited to undertake the Hong Kong section under the concession approach; and further negotiation should be carried out with the MTRCL on the implementation details of the Hong Kong section of the XRL.

58. Under the concession approach, the Government will fund under the Capital Works Reserve Fund the construction of the railway and its ancillary infrastructure, and ultimately owns the railway. To proceed with the project further, the MTRCL would be entrusted with the construction, testing and commissioning of the Hong Kong section of the XRL. HyD will spare no effort in supervising the project implementation. A Project Supervision Committee, to be chaired by a HyD officer at Government

Engineer level or above, will monitor the procurement activities, and post tender award cost control and resolution of contractual claims.

59. Upon completion of the railway, the Government may vest the Hong Kong section of the XRL in or lease it to the Kowloon Canton Railway Corporation (KCRC) for a nominal amount, and the KCRC will in turn incorporate the Hong Kong section of the XRL into its service concession agreement with the MTRCL executed in the context of the railway merger, or negotiate with the MTRCL a new service concession, for the latter to operate and maintain the railway.

60. The recurrent cost of the Hong Kong section of the XRL during the concession period will be borne by the MTRCL. The KCRC may receive service concession payments from the MTRCL in accordance with the terms agreed in the context of the Railway Merger in 2007, subject to the Service Concession Agreement and any Supplemental Service Concession Agreement to be entered into for the purposes. Government as the sole shareholder of the KCRC will benefit indirectly from these payments through future dividends.

61. Entrusting the Hong Kong section of the XRL project to the MTRCL will be consistent with HKSARG's obligations under the Government Procurement Agreement (GPA) of the World Trade Organisation (WTO) particularly as the MTRCL, being one of the entities covered by the WTO GPA, will be obliged to comply with the WTO GPA in procuring the necessary services and equipment for the delivery of the Hong Kong section of the XRL.

FINANCIAL IMPLICATIONS

The Scheme of the Hong Kong section of the XRL

62. The latest estimated project costs of the Hong Kong section of the XRL at September 2009 prices are \$53.7 billion for railway works and \$11.5 billion for non-railway works (including the cost of the Essential Public Infrastructure Works, reprovisioning and necessary enabling works).

The Special Ex-gratia Rehousing Package

63. Based on information obtained from the pre-clearance survey on 11 November 2008, the financial implications for the special ex-gratia rehousing package would be less than \$86 million.

Land Requirements

64. As regards land requirements, under the current scheme, a total of about 49 hectares of private land and 226 hectares of government land in Yuen Long, Tsuen Wan and Kwai Tsing in the New Territories and Kowloon will be affected (i.e, the land, and/or the underground strata, will be resumed or temporary occupied).

65. It is estimated that the total compensation and ex-gratia allowances payable for land acquisition and clearance (including those proposed in the special ex-gratia rehousing package at para. 2 above) is about \$2 billion. This figure may be subject to adjustments due to the review of ex-gratia compensation rates¹¹, proposed changes in the amended railway scheme, and any proposed improvement in compensation arrangement.

Leasing Land for Community Farm at Nominal Rent

66. The piece of recovered land after a shallow section of the railway tunnel is built is not suitable for development without special reinforcement to protect the railway tunnel right below the land. It can only be used as open space or agricultural purpose. At present, the annual rental charge for agricultural land in the nearby region is in the region of a few thousand dollars per year for one thousand square metre of land. Hence, the revenue forgone due to the proposal of leasing out the land to an non-governmental organization at nominal rent for running a non-profit making community farm is minimal.

CIVIL SERVICE IMPLICATIONS

67. Additional staffing resources have been approved for the bureaux/departments concerned in past Recurrent Resource Allocation Exercises to take forward a number of railway projects, including the

¹¹ The latest review result has been implemented from 1 October 2009. The next review date is from 1 April 2010.

construction of the Hong Kong section of the XRL. Besides, recurrent consequences for operating the XRL have been earmarked for various bureaux/departments concerned. Additional staffing resources including those arising from the recurrent consequences of the project, if required, would be sought in accordance with the established procedures.

ECONOMIC IMPLICATIONS

68. The Hong Kong section of the XRL is vitally important to Hong Kong. It will link up Hong Kong, Shenzhen and Guangzhou with significantly reduced journey time. It will also provide long haul service to major Mainland cities. The XRL plays an unparalleled role in fostering closer economic ties between Hong Kong and the Mainland, which will inject momentum and create new opportunities for the future development of Hong Kong in the medium and long term.

69. In addition, there are substantial benefits arising from time saving to passengers, cost savings to operators and enhanced road safety. The construction of the Hong Kong section of the XRL is expected to create 11,000 job opportunities during the peak period. Upon the commissioning of the Hong Kong section of the XRL, it is anticipated that the project can provide 10,000 jobs.

ENVIRONMENTAL IMPLICATIONS

70. The Hong Kong section of the XRL is a designated project under Schedule 2 of the Environmental Impact Assessment (EIA) Ordinance and an Environmental Permit (EP) is required for the construction and operation of the Hong Kong section of the XRL. In accordance with the EIA Ordinance, the MTRCL completed the EIA studies for the railway works and the roadworks at West Kowloon under this project and submitted the EIA reports to Environmental Protection Department. The EIA reports for railway works and the road works were approved by the Director of Environmental Protection with conditions on 23 and 28 September 2009 respectively. The EIA reports concluded that the environmental impacts of the project could be controlled to within established standards and guidelines through the implementation of the recommended mitigation measures by the MTRCL during the construction and operation phases of Hong Kong section of the XRL.

SUSTAINABILITY IMPLICATIONS

71. According to the sustainability assessment, the proposed Hong Kong section of the XRL will foster positive economic return, enable more commuters to switch from road transport to rail, and help improve mobility and air quality in the long term. However, various potential environmental and ecological problems have been identified in the sustainability assessment. They include noise impacts during construction and operation, air and water pollution from works sites, dredging, construction and demolition materials generated from tunnel excavation, loss of natural habitats, impact on historic and archaeological sites, and landscape and visual impacts. Proper mitigation measures as recommended in the environmental study will be implemented to minimize the potential environmental impacts. The differing concerns and views from various stakeholders should also be handled with care.

72. The need for looking for alternative accommodation in the clearance process may disrupt the strong local links and harmonious social ties of residents. Some vulnerable groups such as the elderly would feel more disturbed in the process. In this regard, mitigation measures are required, such as the proposed special ex-gratia rehousing package to assist the affected residents to re-establish their livelihood.

PUBLIC CONSULTATION

Public engagement at conceptual stage

73. The public discussion on the XRL project started as early as 2000 when the Government published the Railway Development Strategy in 2000 in which a regional express line was proposed. A Joint Expert group between the Administration and the MoR was set up to take forward the strategic planning of the link. Between 2004 and 2007, there were regular discussions and media coverage on various conceptual proposals of the regional express line, in particular, the selection between the Shared Corridor Option and Dedicated Corridor Option.

Public engagement after gazettal of the railway scheme

Engagement with the affected parties

74. Since the proposed alignment was gazetted on 28 November and 5 December 2008, we immediately started dialogue with the specific local communities that would be affected by the proposed alignment so as to optimize the alignment design. We have met with the representatives of the local communities on numerous occasions. We have also organized several public briefings to exchange views with the affected parties.

Engagement with CYT villagers

75. CYT villagers are the most affected groups, as the site in which they are living has to be cleared for building the ERS and SSS. We had extensive communication with the villagers. The Secretary for Transport and Housing visited CYT in January and October 2009, meeting different groups of villagers and listening to their various concerns. The Under Secretary for Transport and Housing has also made numerous visits to the village. During the period from February to May this year, the Highways Department, Lands Department, other concerned departments and the MTRCL met with CYT villagers, either individually or in small groups, for more than 40 times to understand their concerns and explain to them details of the XRL scheme.

76. Since June this year, we have delivered six issues of the “Newsletter for Choi Yuen Tsuen Residents” and have held six public fora with CYT residents to listen to their views, explain to them the alignment and site selection considerations, and update them on the latest development of the Hong Kong section of the XRL project. In order to better understand the needs of individual residents so as to design a reasonable ex-gratia rehousing package for them, we also engaged individual or small groups of residents in informal meetings for more than ten times.

SUBJECT OFFICER

77. The subject officer is Mr Fletch Chan, Principal Assistant Secretary for Transport and Housing (Transport), (Tel: 2189 2188).

Transport and Housing Bureau
October 2009

**SPECIAL EX-GRATIA REHOUSING PACKAGE
EXCLUSIVELY FOR HOUSEHOLDS AFFECTED BY LAND
RESUMPTION AND SITE CLEARANCE REQUIRED UNDER
THE HONG KONG SECTION OF GUANGZHOU-
SHENZHEN-HONG KONG EXPRESS RAIL LINK**

BACKGROUND

The Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) is a strategic project of territory-wide significance. Timely commencement and implementation of the XRL project is in the best interest of Hong Kong.

2. This special ex-gratia rehousing package is exclusively authorized and restricted to households residing at the sites to be resumed and cleared under the XRL project (“affected households”). It is to assist them to meet their special rehousing needs, so that the sites required for the XRL project can be cleared as soon as possible for the timely implementation of the XRL project.

3. For the avoidance of doubt, this special ex-gratia rehousing package is not intended to be applicable to squatters or other residents of temporary structures who may be affected by any other land resumption and clearance exercises.

4. The terms and conditions of the special ex-gratia rehousing package set out in the paragraphs below are non-negotiable.

INTERPRETATION

5. Unless the context suggests otherwise -

- a. “licensed domestic structure” means a domestic structure on unleased Government land or on private agricultural land built or have existed in compliance with a licence, modification of tenancy, or other similar form of Government permission issued by the Lands Department (LandsD);
- b. “1982 surveyed squatter” means a domestic structure covered by the 1982 Squatter Structure Survey;
- c. “registered occupier” means an occupier of a 1982 surveyed squatter who was registered in the 1984/85 Squatter Occupancy Survey;

- d. “date of pre-clearance survey” means 11 November 2008;
- e. “Secretary” means Secretary for Transport and Housing;
- f. “Director” means Director of Lands.

SPECIAL EX-GRATIA REHOUSING PACKAGE

- 6. This special ex-gratia rehousing package consists of –
 - a. Special assistance for Qualified Households (“Special Assistance”); and
 - b. Domestic Removal Allowance to all affected households.

(A) Special Assistance for Qualified Households

Eligibility Criteria of the Special Assistance

- 7. A household is regarded as a Qualified Household to receive Special Assistance (as described in paragraph 11 below) if –
 - a. it was residing in one of the clearance sites under the XRL project and was covered by the pre-clearance survey conducted by LandsD;
 - b. the affected structure, in which the household is residing, is either a 1982 surveyed squatter or a licensed domestic structure;
 - c. the affected structure is not built on building land; and
 - d. the household is a registered occupier or can produce evidence showing that it has resided in the affected structure mentioned in sub-paragraph (b) above for 23 years or more prior to the date of pre-clearance survey.
- 8. A household cannot be a Qualified Household if any member of the household, from the date of pre-clearance survey up to the date of granting of the Special Assistance –
 - a. own or co-own any domestic property in Hong Kong;
 - b. own more than 50% share in any company that owns domestic property in Hong Kong;
 - c. has entered into any agreement to purchase domestic property; or

- d. is enjoying any form of subsidised housing or related benefits, or subject to debarment as a result of previous enjoyment of subsidized housing or related benefits.
9. If more than one Qualified Household reside in a licensed domestic structure or 1982 surveyed squatter, they will be considered as one Qualified Household for the purpose of the Special Assistance.
10. A nucleus family, comprising parents and their dependent children, is considered as one household even if it occupies more than one licensed domestic structure or 1982 surveyed squatter, unless the Director considers otherwise.

Details of the Special Assistance

11. Each Qualified Household may choose one of the following forms of Special Assistance to help meet its special rehousing needs –
- a. an ex-gratia cash allowance (EGCA) of \$600,000 (“EGCA-only option”); or
 - b. an EGCA of \$500,000 and an opportunity to purchase a flat under the Home Ownership Scheme (HOS) without being subject to the Comprehensive Means Test (“EGCA-HOS option”).
12. Qualified Household that elects the EGCA-HOS option may purchase a HOS flat in a sale exercise assigned by the Secretary with priority. A Qualified Household may only select a HOS flat in the New Territories unless otherwise allowed by the Housing Authority by virtue of her discretion under paragraph 17.

Avoidance of Double Benefits

13. A Qualified Household that elects either option in paragraph 11 must give up its eligibility for Public Rental Housing (PRH) (including Singleton and Doubleton Allowances in lieu of rehousing), Interim Housing (IH) and Ex-gratia Allowance for Permitted Occupiers (EGAPO) and Rehabilitation Allowance (RA) for genuine farmers under the existing compensation and rehousing policy.
14. A Qualified Household that elects the EGCA-only option is barred from applying for any form of subsidised housing or related benefits, including but not limited to PRH, for a period of three years counting from the date of receipt of the Special Assistance.
15. A Qualified Household that elects the EGCA-HOS option is barred from applying for any form of subsidised housing and related benefits once and for all unless under very exceptional circumstances.

(B) Domestic Removal Allowance for All Affected Households

16. All affected households covered by the pre-clearance survey, irrespective of whether they are qualified for the Special Assistance in paragraph 11 above, are eligible for the Domestic Removal Allowance under the existing compensation and rehousing policy.

The Secretary's Discretion

17. Solely for the purpose of implementing the special ex-gratia rehousing package approved by the Chief Executive in Council, the Secretary shall, on application of a household, decide at her discretion

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- a. whether a household which does not meet the requirements to be a Qualified Household in paragraphs 7 to 10 above should be eligible for the Special Assistance;
- b. if such a household is so eligible, whether and to what extent the amount of ex-gratia cash allowance to be offered to the household should be reduced; and
- c. whether to allow a Qualified Household that elects the EGCA-HOS option above to select a HOS flat in a district outside the New Territories on compassionate ground.

18. The Secretary's decision shall be final.

Limits of the Secretary's Discretion

19. The Secretary shall not offer an EGCA to a Qualified Household in excess of the amount prescribed in paragraph 11 above.

20. The Secretary's discretion set out in paragraph 17 above shall only be exercised in respect of the households affected by the land resumption and clearance under the XRL project.

21. For the avoidance of doubt, the Secretary has no discretion in respect of households affected by land resumption and site clearance arising from other public projects.

Inter-departmental Advisory Panel

22. In the exercise of the discretion in paragraph 17 above, the Secretary shall consult an Inter-departmental Advisory Panel comprising of officers of appropriate rank from the Transport and Housing Bureau and other concerned departments.

23. The Inter-departmental Advisory Panel shall give advice to the Secretary as regards her decision on matters in paragraph 17.

24. The Inter-departmental Advisory Panel does not have any role to play in respect of other public projects.

Considerations to be taken into account by the Secretary and the Inter-departmental Advisory Panel

25. Each application made to the Secretary under paragraph 17 above shall be considered by the Secretary taking into account the supporting materials provided by the household and the advice given by the Inter-departmental Advisory Panel.

26. The Secretary and the Inter-departmental Advisory Panel may also take into consideration the following factors before a decision in paragraph 17 above is made by the Secretary –

- a. the duration for which the household has been living in the clearance site – in general, a longer duration may suggest that the household has stronger connection or attachment to the site. More favourable consideration should be given;
- b. status of the structure in which the household is residing – in general, less favourable consideration will be given to a household occupying a structure converted from a non-domestic structure. Applications from households occupying structures erected after 1982 for the Special Assistance should not be approved by the Secretary unless under very exceptional circumstances;
- c. the age profile of the household members – in general, elderly members may find it more difficult to adapt to a new environment. More favourable consideration should be given to such household;
- d. the size of the household – in general, a large household size may require a larger accommodation and a smaller household may require a smaller one;
- e. the household's existing living conditions;
- f. the circumstances that may deserve compassion (if any);
- g. any other factors that the Secretary and the Inter-departmental Advisory Panel may consider relevant.

Mode of Operation and Procedures

27. Notice of the resumption will be served on the affected households after the making of the resumption order.

28. A household should, from now to within two weeks from the date of the notice of resumption order mentioned above, complete an application form prescribed by LandsD together with all supporting materials to substantiate its claim as a Qualified Household to the Director.

29. The household will be given the opportunity on the application form to indicate whether it wishes to have its application referred to the Secretary for consideration of substantiating its eligibility for the Special Assistance if it fails to meet the criteria of a Qualified Household under paragraphs 7 to 10.

30. The Director shall inform a household in writing whether it meets the criteria of a Qualified Household within three weeks from receiving the last piece of supporting materials from the household.

31. If a household does not meet the criteria as a Qualified Household and has indicated its wish to have its application referred to the Secretary for further consideration under paragraph 17, the Director shall refer its application to the Secretary and the Inter-departmental Advisory Panel.

32. The Secretary would decide the eligibility of a household for the Special Assistance and, if affirmative, the amount of ex-gratia cash allowance of the Special Assistance to be granted in consultation with the Inter-departmental Advisory Panel within three weeks upon referral from the Director.

33. For the purpose above, the Inter-departmental Advisory Panel will convene meetings to consider the applications. The applicant households will not attend the relevant meetings.

34. The Transport and Housing Bureau will inform the household of the Secretary's decision(s) within one week after the Secretary makes the decisions.

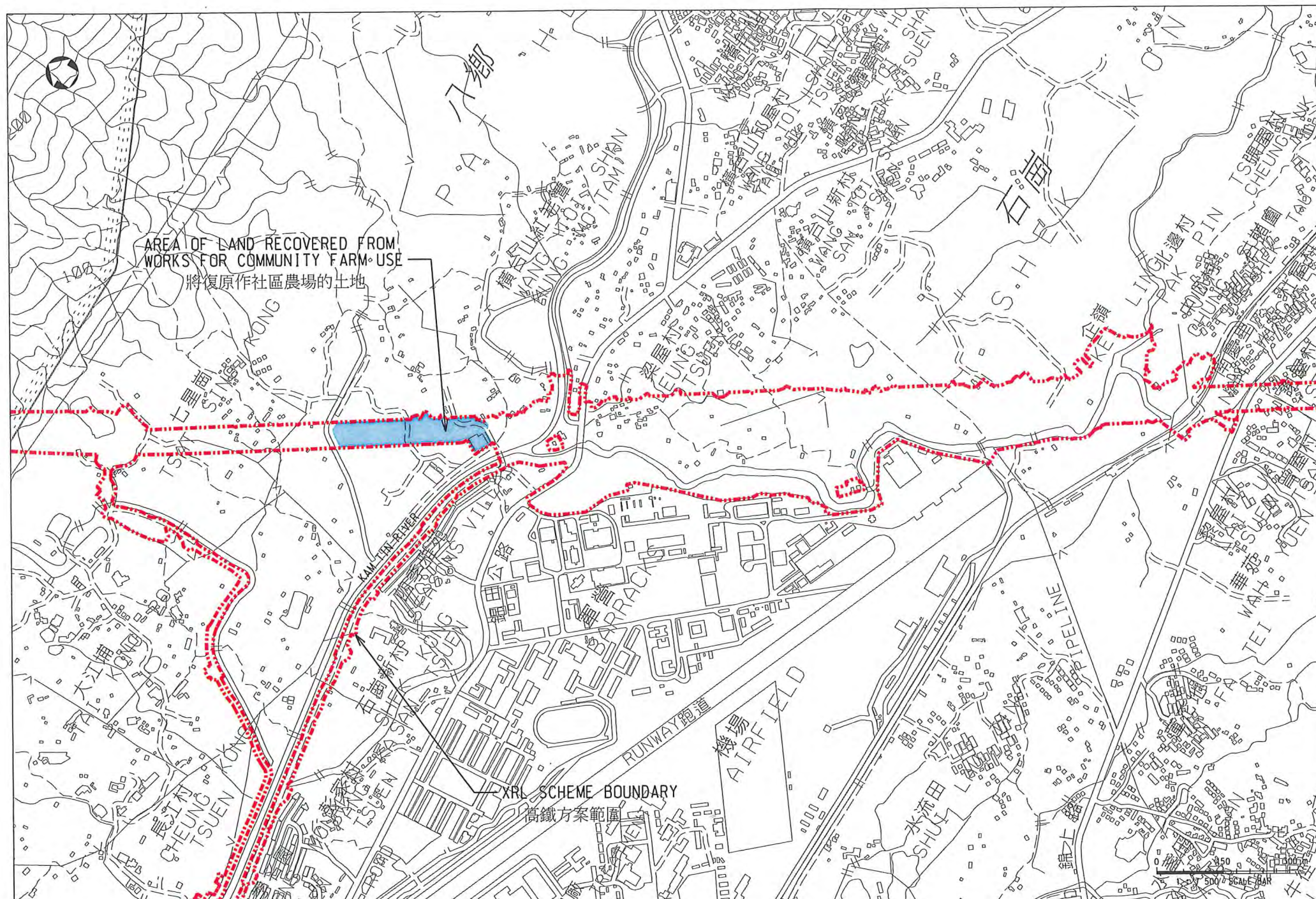
35. A household submitting the above application(s) may be required to give further materials to support its application at the request of the Director, the Inter-departmental Advisory Panel and/or the Secretary.

Forfeiture of Eligibility to the Special Assistance

36. A household must submit the application form to the Director by the deadline specified in paragraph 28. Otherwise the household will be considered as giving up its eligibility for the Special Assistance and the opportunity to apply for the Secretary to substantiate its eligibility as a Qualified Household.

37. A household receiving the Special Assistance must vacate from the clearance site by 15 October 2010. Any failure to vacate the clearance site by 15 October 2010 will entitle the Government to recover from the household any amount of allowance already paid to the household.

38. Notwithstanding paragraphs 36 and 37, the household's entitlement(s) under the existing compensation and rehousing policy are not affected.



CHRONOLOGY OF MAJOR DEVELOPMENTS ABOUT THE XRL

- In 2000, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL), formerly named Regional Express Line, was first recommended for implementation under the Railway Development Strategy 2000.
- In March 2005, following the completion of a joint investigation study between Ministry of Railways (MoR) and HKSARG, it was agreed the XRL would have its termini at West Kowloon of Hong Kong and Shibi of Guangzhou, with intermediate stations at Longhua of Shenzhen, and Humen of Dongguan.
- In July 2005, the Kowloon Canton Railway Corporation (KCRC) recommended two alignment options for the Hong Kong section of the XRL: namely, building a new dedicated rail track from the West Kowloon Terminus to the boundary (the Dedicated Corridor Option) or sharing the tracks of the Kowloon Southern Link, the West Rail Line (WRL), the proposed Northern Link, a new rail track to the boundary (the Shared Corridor Option).
- On 17 January 2006, having considered all the circumstances at that time including the financial aspect, the potential impact on WRL service and the patronage forecast based on the planning assumptions at that time, the Executive Council decided that the Hong Kong section of the XRL should proceed on the basis of the Shared Corridor Option.
- Subsequently several planning changes were made to the Mainland's section of the XRL –
 - possible increase in the long-haul train services

- addition of a new XRL station at Futian, Shenzhen connecting to a newly proposed Rapid Transit System rail line
- MoR's requirement to deploy train cars up to 3.4m wide for the XRL

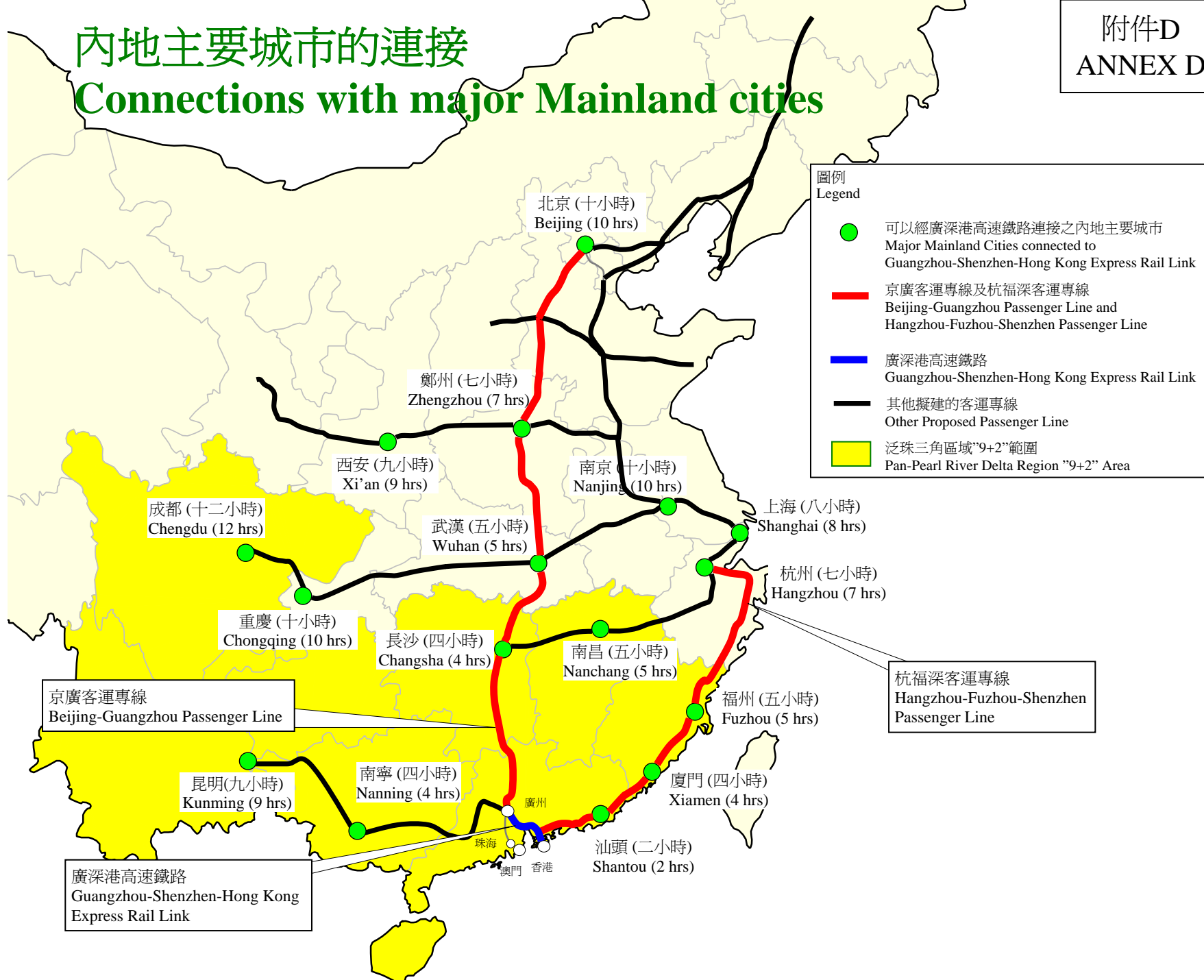
As a result, if the Shared Corridor Option is to be adopted, the increase in XRL patronage and train frequency would saturate the WRL corridor shortly after the opening of the XRL. In addition, the deployment of new train cars of up to 3.4m-wide for the XRL will conflict with the platform configurations of three WRL Stations, which are designed for train cars no more than 3.1m wide. This would call for modification of the platforms concerned. The works would take about three years with each affected platform closed for six months.

- On 5 January 2007, Members of the Subcommittee of Matters relating to Railways of the Legislative Council Panel on Transport generally spoke in favour of the Dedicated Corridor Option when they were briefed on the progress of the XRL.
- In January 2007 following the Economic Summit on “China’s 11th Five-Year Plan and the Development of Hong Kong”, the Focus Group on Maritime, Logistics and Infrastructure recommended a more “forward-looking perspective” for developing cross boundary transportation network, including the adoption of the Dedicated Corridor Option for the Hong Kong section of the XRL.
- On 7 February 2007, in a debate on “*expeditiously implementing the construction of cross-boundary transport infrastructures between Hong Kong and the Mainland*”, the Legislative Council passed a motion urging the Administration to speed up the implementation of cross boundary infrastructure projects, including the XRL. Most

members expressed support for the Dedicated Corridor Option, underlining the need to take the forward-looking perspective in the planning of such projects.

- On 17 April 2007, in view of the above and also the effectiveness of the Dedicated Corridor Option in connecting with the national railway network and enhancing the strategic position of Hong Kong as the southern gateway to the Mainland, the Executive Council decided that the Dedicated Corridor Option should be adopted in-principle for the Hong Kong section of XRL.
- In June 2007, the KCRC submitted its engineering/business proposal for the Hong Kong section of the XRL on the basis of the Dedicated Corridor Option to Government.
- On 2 August 2007, the Chief Executive announced the decision of adopting the Dedicated Corridor Option after the Tenth Plenary of the Hong Kong/Guangdong Co-operation Joint Conference.

內地主要城市的連接 Connections with major Mainland cities



高鐵工程進度(內地段)

Express Rail Link Work Progress (Mainland Section)



JUSTIFICATION OF SELECTING CHOI YUEN TSUEN FOR THE EMERGENCY RESUCE STATION AND STABLING SIDINGS

In deciding the XRL alignment and location of the emergency rescue station (ERS) and stabling sidings (SSS), MTRCL has taken a number of factors into account. These include considerations of technical, operational, safety and geotechnical aspects as well as connectivity with the Mainland section, effects to the community etc. In the preliminary design stage, we have considered altogether four alignments (**Enclosure 1**), all with the ERS and SSS in Shek Kong/Pat Heung area. MTRCL considers and Highways Department concurs that the route alignment N2 with the location of the ERS and SSS in Choi Yuen Tsuen (CYT) performs better technically and operationally. Moreover, it would bring the least impact to the community.

2. Some villages of CYT counter-proposed several alternative sites around March/April and September 2009. They can be grouped into six alternative options, covering different locations of the SSS (all away from the main rail alignment) and adjustment of the location of the ERS along the rail alignment. **Enclosure 2** shows these six options (Options A to F). MTRCL has evaluated the proposals in detail. Where necessary, the proposals are slightly modified to make them technically feasible to meet the requirements of the SSS. The number of households affected by each option was assessed with the aid of high-resolution aerial photos, survey information and records from the Lands Department and information gathered from site visits. This methodology, endorsed by the Highways Department, provides an objective comparative assessment of the number of households affected by different options (including the option now recommended by MTRCL) without disturbing the people living in the relevant locations.

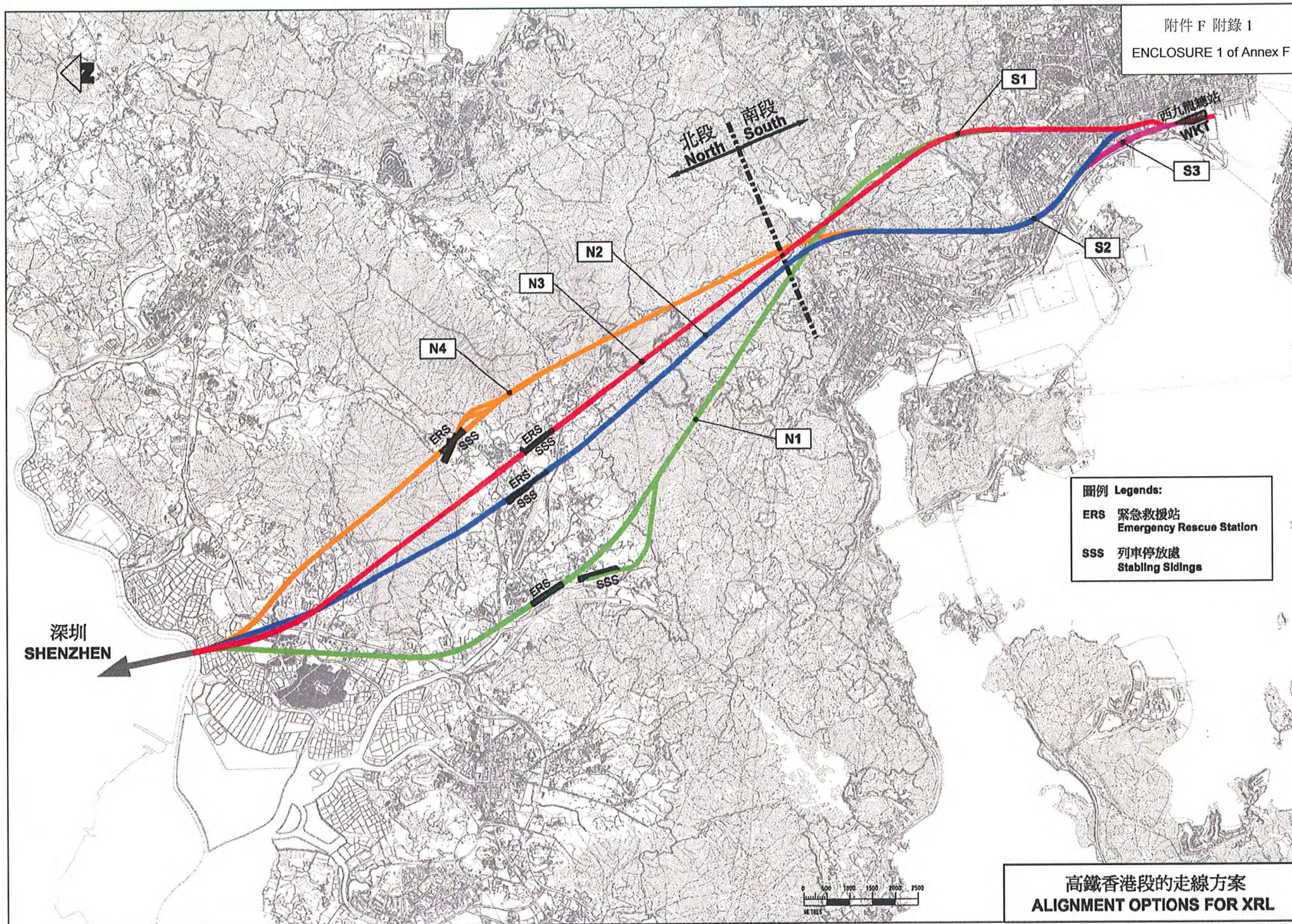
3. Among the six options mentioned above, Options D and F would occupy some 13 hectares of the land and clear about 50 structures within the Barracks. This would seriously affect the operation efficiency of the military airfield. If these Options were adopted, reprovisioning of military facilities or the whole airfield is necessary. It will require resumption of much more land and affect

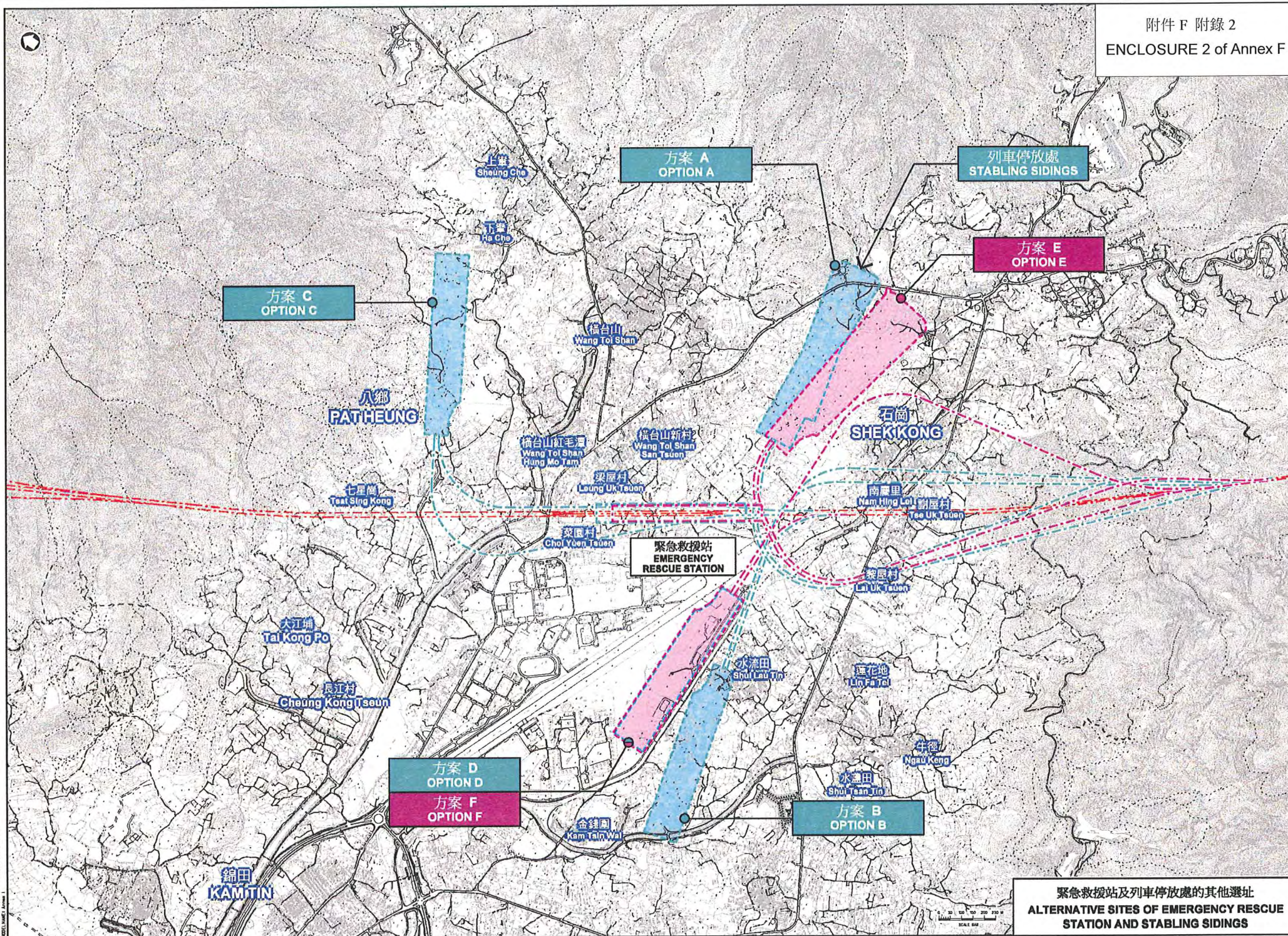
more households. It will also delay the completion of the XRL project. Hence, Options D and F are not viable and should not be considered.

4. The other four options are considered less preferable than the MTRCL proposal of locating the ERS and SSS at CYT because of the following reasons –

- (a) affecting more households (all Options);
- (b) higher cost (all Options);
- (c) operation complexity due to tight approach curve to the stabling sidings (all Options);
- (d) lower safety performance - with longer approach tunnels, it takes the emergency rescue bus longer time to reach the main tunnel (all Options); and
- (e) stabling area susceptible to flooding (Options A, C and E).

5. The detailed comparison is shown in **Enclosure 3**. As a conclusion, we consider that the MTRCL proposal would bring the least impacts on the existing neighbourhood. It achieves better performance in technical and operational aspects and is also more cost effective as compared with all the options submitted by the Concern Group.





**COMPARISON OF THE CURRENT SCHEME
WITH THE VARIOUS ALTERNATIVE OPTIONS SUBMITTED BY OBJECTORS**

Considerations	Current Scheme	Option A and E	Option B	Option C	Option D and F
Technical	<ul style="list-style-type: none"> ● On a relatively flat ground 	<ul style="list-style-type: none"> ● Large deep open excavation involving a level difference of up to 16 metres ● Not preferred as the depressed area within the stabling area is susceptible to flooding 	<ul style="list-style-type: none"> ● Part of the approach tracks will encroach upon the end of the runway in the Barracks at ground level 	<ul style="list-style-type: none"> ● Large deep open excavation involving a level difference up to 7 metres ● Not preferred as the depressed area within the stabling area is susceptible to flooding 	<ul style="list-style-type: none"> ● Part of the Barracks be occupied
Operation	<ul style="list-style-type: none"> ● Straight approach to SSS 	<ul style="list-style-type: none"> ● Tight approach curve to SSS 	<ul style="list-style-type: none"> ● Tight approach curve to SSS, may affect the capacity of the main line 	<ul style="list-style-type: none"> ● Tight approach curve to SSS 	<ul style="list-style-type: none"> ● Tight approach curve to SSS, may affect the capacity of the main line
Safety	<ul style="list-style-type: none"> ● About 1 km long approach 	<ul style="list-style-type: none"> ● About 3 km long approach, 	<ul style="list-style-type: none"> ● About 2.5 km long approach, 	<ul style="list-style-type: none"> ● About 2 km long approach, 	<ul style="list-style-type: none"> ● About 2.5 km long approach,

	requiring about 1 minute travel time for emergency rail bus (ERB) to access the tunnel	requiring about 4.5 minutes travel time for ERB to access the tunnel	requiring slightly less than 4 minutes for ERB to access the tunnel	requiring 3 minutes for ERB to access the tunnel	requiring slightly less than 4 minutes for ERB to access the tunnel ● Train conflict with the runway of the Barracks
Environmental	● Impact on agricultural land	<ul style="list-style-type: none"> ● Deep open excavation would affect permanent ground water level ● Encroach into archaeological site ● Option E is very close to Pat Heung Temple (a graded historic building) 	● Impact on agricultural land	● Impact on natural terrain	● Impact on agricultural land
Land	● Choi Yuen Tsuen (CYT)	● 4 villages including CYT	● 7 villages including CYT	● 3 villages including CYT	● 7 villages including CYT

	<ul style="list-style-type: none"> affected ● 1 grave/shrine affected ● About 27 ha. of land to be cleared 	<ul style="list-style-type: none"> affected ● 2 graves/shrines affected ● About 35 ha. of land to be cleared (either option A or E) 	<ul style="list-style-type: none"> affected ● 4 graves/shrines affected ● About 28 ha. of land to be cleared 	<ul style="list-style-type: none"> affected ● 14 graves/shrines affected ● About 35 ha. of land to be cleared 	<ul style="list-style-type: none"> affected ● 8 graves/shrines affected ● About 29 ha. of land to be cleared
Additional Cost (excluding land costs)	--	<ul style="list-style-type: none"> ● About \$600M higher than the current scheme 	<ul style="list-style-type: none"> ● About \$400M higher than the current scheme 	<ul style="list-style-type: none"> ● About \$350M higher than the current scheme 	<ul style="list-style-type: none"> ● About \$400M higher than the current scheme

PRESENT COMPENSATION AND REHOUSING ARRANGEMENTS UNDER EXISTING POLICY FOR LAND RESUMPTION AND SITE CLEARANCE IN THE NEW TERRITORIES

This annex summarizes the present compensation and rehousing arrangements under existing policy for land resumption and site clearance in the New Territories.

Village removal

2. In recognition of the tradition of the New Territories, indigenous villagers or non-indigenous who owned building lots since before World War II or by succession may be provided with village resites when their building lots are resumed.

Agricultural Resite

3. As farming is a traditional occupation of many New Territories residents, special ex-gratia compensation arrangements are made for “farmers” in the New Territories affected by resumption or clearance. These include among others a crop compensation, assessed on the basis of the market value of the crops under cultivation; an ex-gratia allowance (EGA) for qualified farm structures on private land, assessed at standard rates based on the type and floor area less depreciation value which makes references to the conditions of the affected farm structures; and another EGA for miscellaneous permanent improvements to farms e.g. farm installation and fixtures such as water ponds, wells, fences, irrigation pipes/ditches, boundary walls, gates, bunds and other minor annexures, assessed at standard rates which are based on the standard replacement rates of the items less their depreciated value.

4. A genuine farmer certified by Agriculture, Fisheries and Conservation Department (AFCD) may opt for an EGA in the form of Rehabilitation Allowance (RA) if despite that he is eligible for public rental housing (PRH) he still chooses to continue farming elsewhere and to give up his priority to public housing. Such RA is payable to him based on a

standard rate calculated with reference to removal expenses and construction costs of a replacement temporary building.

5. If a genuine farmer chooses to continue farming elsewhere, he would be eligible for agricultural resite, i.e. to rent (or purchase) private agricultural land to continue farming and as such may apply for a short term waiver to permit erection of a domestic structure of 400 square feet large and 17 feet high on such agricultural land at a rate of \$43 per square metre per annum.

Land compensation

6. Land compensation is only available to owners of private land, either building land or agricultural land, if their private land is resumed by the Government for a public purpose. The New Territories is divided into 4 compensation zones (A, B, C and D). For owners of building land, compensation offers may be made based on professional valuation plus an ex-gratia compensation at the relevant zonal rate. For owners of agricultural land, compensation may be offered on the relevant zonal ex-gratia compensation rates. There is no valuation vis-à-vis the structures on agricultural land as agricultural land (unlike the building land) should not accommodate any structures thereon.

Structures

7. The following structures are not eligible for any form of compensation or EGA:

- (a) temporary licensed structures covered by Government licences or by a Modification of Tenancy which generally is recognized as a form of licence; or
- (b) tolerated unauthorized squatters covered by 1982 Squatter Survey; or
- (c) simply unauthorized structures.

Occupiers

Domestic Removal Allowance

8. Although the domestic structures per se (except those on building lots and arguably those structures used as farmers' dwelling houses) do not attract compensation or EGA, occupiers of domestic structures surveyed for dwelling purpose in the 1982 Squatter Survey conducted by the then Housing Department are eligible for a Domestic Removal Allowance ranging from \$3,000 – \$10,000, depending mainly on the size of the family, mainly to help them to meet the initial cost of moving.

Public rental housing (PRH), Interim Housing (IH) and Ex-gratia allowance for permitted occupiers (EGAPO)

9. To meet genuine housing needs, the following types of permitted occupiers at present may be eligible for rehousing to PRH or IH or EGAPO in lieu of IH:

- (a) permitted occupiers of a licensed domestic structure on unleased Government land or on private agricultural land are eligible for PRH if they pass the Comprehensive Means Test (CMT) and other relevant criteria as required by the Housing Department. If they are not eligible for PRH, they will be offered IH or EGAPO in lieu of IH. The amount of EGAPO is calculated on standard rates with reference to the size of the structure and should allow the occupiers to rent alternative accommodation for 3 years; and
- (b) permitted occupiers of a domestic squatter structure on private agricultural land or unleased Government land are eligible for PRH if the structure was covered by the 1982 Squatter Structure Survey and the occupiers were registered in the 1984/85 Squatter Occupancy Survey and they pass the CMT and other relevant criteria as required by the Housing Department. If they are not eligible for PRH, they will be offered IH or EGAPO in lieu of IH.

10. At present, recipients of EGAPo will not be eligible for any other form of EGAs (including Domestic Removal Allowance as referred to in paragraph 8 above) in respect of the same structure, and they will be barred from applying for any form of public housing and related benefits for the next two years. The applicable rate of EGAPo is about \$130,000 for a squatter of 400 square feet based on the applicable rate at the date of pre-clearance survey.