

**For information  
December 2015**

**Legislative Council Panel on Transport  
Subcommittee on Matters Relating to Railways**

**Follow-up action arising from the discussion of  
the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong  
Express Rail Link at the Special Meeting on 14 December 2015**

**INTRODUCTION**

At the Special Meeting of the Subcommittee on Matters Relating to Railways (“RSC”) meeting on 14 December 2015, Members discussed matters relating to the construction of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (“XRL”) project. This paper aims to provide supplementary information in response to the follow-up actions raised by Members.

**UPDATED ASSESSMENT ON PATRONAGE AND ECONOMIC  
BENEFITS OF THE XRL**

2. As explained in the supplementary information paper no. CB(4)333/15-16(02) submitted to the RSC on 11 December this year, we estimated the direct economic benefits of the XRL project by using the transport model adopted in the paper (CB(1)503/09-10(02)) submitted to the RSC in November 2009 and inputting updated data (such as growth rate in population and gross domestic product). The majority (more than 90%) of such direct economic benefits brought about by the XRL project come from the cost savings due to passenger time savings. The updated benefits estimated to be brought about by the cost savings due to passenger time savings as a result of the XRL project over 50 years of operation (discounted to 2015 prices at a rate of 4%) would be about \$90 billion, with an Economic Internal Rate of Return (“EIRR”) of 4%. However, it should be borne in mind that using on the EIRR, as derived above, to estimate the benefits of the XRL project presents only part of the picture and is in fact conservative since the other indirect economic and social benefits, which could be substantial but are difficult to be simply and instantly quantified, have not been taken into account. Also, when the Government decides to take forward large scale transport infrastructure projects, the EIRR

derived from passenger time savings is not the only consideration. Other economic and social benefits, including the development potential induced by the projects and the impacts on improving people's livelihood and competitiveness of Hong Kong, will also be taken into account<sup>1</sup>.

3. The indirect benefits or positive impacts, which cannot be simply and instantly quantified, that would be brought about by the XRL project were elaborated in the paper submitted to RSC in November 2009. We have made reference to relevant research studies in the past few years about the impact on the socioeconomics of the development of high-speed railway networks in the Mainland and overseas and consider that these points remain valid today. They include:

- (a) improved connectivity with Mainland cities by linking the national high speed rail network;
- (b) induced/additional patronage;
- (c) fostering market integration and mutual complement with the Pearl Delta Region;
- (d) creation of employment opportunities in construction, railway operation and further indirect sectors;
- (e) enhancing development of service industry;
- (f) promoting development of tourism;
- (g) benefits and opportunities to re-allocate transportation resources;
- (h) environmental benefits; and
- (i) transport service of higher quality.

4. The indirect benefits brought about by the XRL are expected to be in four main areas:

### ***Enhancing productivity***

5. The Hong Kong economy has close ties with many Mainland cities and regions. There is overseas research showing that the productivity of a region can be improved by enhancing the external transportation connection of this region. The XRL enhances the connectivity of Hong Kong with many Mainland cities and regions. Through expanding import and export, enhancing

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<sup>1</sup> Using the seven new railway projects under the Railway Development Strategy 2014 as an example, the overall EIRR is estimated at about 2%.

matching between producers and consumers, and transferring technology and information in a more convenient way, productivity of the broader region can be fostered. Different market demands in the region can complement each other and hence give full play to their various socio-economic roles. The greater synergy so created will boost the overall productivity in the region. Some pillar industries of Hong Kong economy, such as financial services, trade, tourism and producer and professional services, stand to benefit in particular.

### ***Inducing Employment***

6. As a cross-boundary transport infrastructure, the XRL will not only create job opportunities in the transportation sector in the railway operation and maintenance, as well as in retail, catering and station management at the West Kowloon Terminus (“WKT”). Employment opportunities will be indirectly created in sectors supplying to and supporting the XRL operation. Furthermore, induced employment will be created as a result of increased economic activities promoted by the XRL through improved connectivity with Mainland.

7. As at the end of September 2015, there was a daily average of about 6,712 construction workers and technical / professional staff members employed for the construction and electrical and mechanical works for the XRL project. When the XRL comes into operation, it will provide 10,000 employment opportunities, which include those relating to railway operation, maintenance, station management, catering, retails, boundary control, etc.

### ***Promoting Tourism***

8. Connecting Hong Kong and its neighbouring cities by the XRL will help them complement each other. Locals and foreigners may depart from Hong Kong and speedily go to various Mainland cities along the XRL corridor, hence there are opportunities to develop various tour products, e.g. “one-trip multi-stops” by the rail link from Hong Kong to the Mainland, air-railway inter-model products, or development of new tourist attractions. This will attract overseas travellers to make Hong Kong their start or end point of rail journeys.

### ***Strengthening the Position of Hong Kong as the Southern Gateway to the Mainland***

9. The strategic benefit of the construction of the XRL is to speedily connect Hong Kong to the many different Mainland cities and provinces. In turn, this will foster closer economic ties between Hong Kong and the Mainland and extend Hong Kong's reach into the Mainland hinterland, helping to strengthen the key position of Hong Kong as the southern gateway to the Mainland.

### **COMPARISON OF ECONOMIC BENEFITS OF CO-LOCATION OF CUSTOMS, IMMIGRATION AND QUARANTINE FACILITIES AND SEPARATE-LOCATION MODEL**

10. In the paper submitted to the RSC in November 2009, we adopted a transport model to estimate the patronage of the XRL, the result of which at the time was based on the induced patronage brought about by speedy connection by XRL of Hong Kong and major destinations in the Mainland. We recently used the above transport model by inputting updated data (such as growth rate in population and gross domestic product) to estimate again the patronage.

11. If co-location of customs, immigration and quarantine ("CIQ") facilities ("co-location arrangements") is implemented, the passengers may directly take the XRL train to different cities in the Mainland after they have completed the Mainland and Hong Kong CIQ clearance procedures at the WKT. If the co-location arrangements are not implemented, passengers must (and can only) complete the CIQ clearance procedures in a Mainland city with CIQ facilities to continue their journey to their destination. The implementation of co-location arrangements will enable passengers to plan their trips more flexibly. With the co-location arrangements, since it is not necessary to go to a Mainland station with CIQ facilities for clearance, passengers can enjoy more freedom to choose among train schedules and routes to reach their destinations directly or indirectly. It improves the efficiencies of their trips and greatly facilitates passengers' plan of their trips and enhances connectivity of the XRL. We expect that it will attract more passengers who need to go to different Mainland cities. Hence, co-location arrangements will definitely induce more patronage than separate-location model and maximise the effectiveness of the XRL.

12. The common target of the Hong Kong Special Administrative Region ("HKSAR") Government and the Central Government is to both ensure the maximum economic and social effectiveness of the XRL, and strictly comply

with the Basic Law without violating the “one country, two systems” principle. The HKSAR Government has been discussing with the Mainland authorities, with the goal being to implement co-location arrangements at the WKT at the commencement of service of the XRL.

13. In fact, we understand that currently the high speed train stations in the Mainland (including the four short-haul stations within Guangdong Province and the other sixteen long-haul stations in the whole Mainland which the XRL will have direct connection under planning) do not have any established clearance facilities. Although Hong Kong currently has Intercity Through Train to Guangzhou, Shanghai and Beijing, the XRL is served in Guangzhou by Guangzhou South Railway Station, not the Guangzhou East Railway Station which serves the Intercity Through Train. For Shanghai and Beijing, there is clearance staff at both stations to perform CIQ clearance procedures for the passengers taking the Hong Kong Intercity Through Trains. Since the schedule of the Intercity Through Train to Shanghai and Beijing is not frequent (on alternate days respectively), so the Mainland side can make this special arrangement. However, the Mainland side has difficulty to set up CIQ facilities in the sixteen, or even more cities which the XRL will connect directly and implement separate-location model for XRL passengers. Moreover, since passengers on the train have not yet gone through CIQ clearance processes, it is necessary to implement closed-off management of passengers, whereby passengers departing from Hong Kong and those departing from the Mainland are separated. The operational efficiency of the XRL will be lowered as the seats in “Hong Kong passengers section” and “Mainland passengers section” cannot be used in the most efficient way. Similarly, in order to separate passengers crossing the border from those travelling within the Mainland, platform and passageway management within mainland stations will also be very complicated, and hence reduce the overall efficiency of the XRL.

## **DETAILS OF IMPLEMENTATION OF CO-LOCATION ARRANGEMENTS**

### ***Differences between “geographical boundary of the HKSAR” and “high degree of autonomy of the HKSAR”***

14. In accordance with the provisions of Article 31 and sub-paragraph 13 of Article 62 of the Constitution of the People’s Republic of China, the Third

Session of the Seventh National People's Congress decided on 4 April 1990 the following –

(a) The HKSAR is to be established on 1 July 1997; and

(b) The area of the HKSAR covers the Hong Kong Island, the Kowloon Peninsula, and the islands and adjacent waters under its jurisdiction. The map of the administrative division of the HKSAR would be published by the State Council separately.

15. In accordance with the decision above, the State Council approved at its 56th Executive Meeting on 7 May 1997 and, by way of promulgating the Order of the State Council of the People's Republic of China No. 221, published on 1 July 1997 the map of the administrative division of the HKSAR, with a description of the boundary of the administrative division of the HKSAR.

16. Section 3 of the Interpretation and General Clauses Ordinance (Chapter 1 of the Laws of Hong Kong) defines the HKSAR as “the Hong Kong Special Administrative Region of the People's Republic of China, the geographical extent of which is the land and sea specified or referred to in Schedule 2”. Schedule 2 states that the HKSAR is “the land and sea comprised within the boundary of the administrative division of the Hong Kong Special Administrative Region of the People's Republic of China promulgated by the Order of the State Council of the People's Republic of China No. 221 dated 1 July 1997”.

17. According to the legal documents mentioned above, since the WKT of the Hong Kong Section of the XRL is situated in the Kowloon Peninsula, it is certainly within the geographical area of the HKSAR. Even if the co-location of the CIQ facilities of the HKSAR and the Mainland at the WKT is implemented, no area within the WKT will be carved out of the HKSAR's territory.

18. As regards the difference between the HKSAR's geographical area and the high degree of autonomy it enjoys, the HKSAR's **geographical area** is the territory of the HKSAR specified in the legal documents mentioned above, while the HKSAR's **high degree of autonomy** is the autonomy that the HKSAR enjoys as authorised according to the Basic Law. According to Articles 2 and 12 of the Basic Law, the National People's Congress authorises the HKSAR to

exercise a high degree of autonomy and enjoy executive, legislative and independent judicial power, including that of final adjudication, in accordance with the provisions of the Basic Law. The HKSAR is a local administrative region of the People's Republic of China, which enjoys a high degree of autonomy and come directly under the Central People's Government. Article 13 of the Basic Law stipulates that the Central People's Government shall be responsible for the foreign affairs relating to the HKSAR and authorises the HKSAR to conduct relevant external affairs on its own in accordance with the Basic Law.

***The scope of Article 18 of the Basic Law and other details***

19. Regarding the questions raised by certain Members on whether implementing Mainland laws relating to CIQ at the WKT would constitute matters outside the limits of the autonomy of the HKSAR specified in Article 18 of the Basic Law, and questions relating to the enforcement power of Mainland officials at the WKT, as has been reiterated by the HKSAR Government on various occasions, the arrangements and details of the implementation of colocation are still under study and discussion. The Government and the relevant Mainland officials will meet and discuss the issues further. The HKSAR Government will provide further information to the public and LegCo in due course.

**Department of Justice**

**Transport and Housing Bureau**

**Highways Department**

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