

## **LEGISLATIVE COUNCIL BRIEF**

### **KOWLOON SOUTHERN LINK PROJECT AGREEMENT**

#### **INTRODUCTION**

At the meeting of the Executive Council on 13 September 2005, the Executive Council ADVISED and the Chief Executive ORDERED that the draft Kowloon Southern Link (KSL) Project Agreement should be approved for execution subject to any drafting changes to it that might be necessary before execution.

#### **BACKGROUND and JUSTIFICATIONS**

2. The KSL project is one of the railway projects recommended in the Government's Railway Development Strategy 2000 (RDS-2000) for implementation. The strategic function of the KSL project is to provide an efficient east-west railway link in the southern part of the Kowloon peninsula.

3. On 9 January 2001, the Chief Executive in Council decided that the Kowloon-Canton Railway Corporation (KCRC) should be invited to submit a Project Proposal for the KSL project. KCRC subsequently submitted a Project Proposal to the Government on 13 July 2001. On 24 September 2002, the Chief Executive in Council decided and the Legislative Council was briefed that KCRC should proceed with the detailed planning and design of the KSL project.

4. The KSL scheme and the subsequent amendments to the scheme were gazetted on 26 March 2004 and 7 January 2005 respectively. On 21 June 2005, the Chief Executive in Council authorized the railway scheme of the KSL project. The railway scheme consists of a railway system of approximately 3.8 km in length between Nam Cheong Station and East Tsim Sha Tsui Station, and includes an intermediate railway station at West Kowloon. The Legislative Council was briefed accordingly on 23 June 2005.

5. A Project Agreement has to be executed between the Government and KCRC for the implementation of the project.

## The Project Agreement

6. Based largely on the West Rail Project Agreement executed in 1998 and the East Rail Extensions Project Agreement executed in 2003, the draft Project Agreement sets out how the KSL project will be undertaken and the respective rights and obligations of the Government and KCRC in terms of the financing, design, construction and operation of the project. Broadly speaking, the draft Project Agreement -

- (a) fixes the scope of works of the KSL project, which the KCRC plans, designs and constructs at its own cost;
- (b) provides that where property developments are to be undertaken above, below or adjacent to the KSL West Kowloon Station, KCRC shall undertake such developments and further arrangements will be made between KCRC and the Government regarding the return of the property development profits to the Government;
- (c) obliges KCRC to work in accordance with a Baseline Programme that is to be closely monitored and reviewed by both the Government and KCRC to ensure that the project will be completed by the Scheduled Operating Date;
- (d) covers land matters in relation to the project; and
- (e) obliges KCRC to comply with all the requirements in the environmental permit issued under the Environmental Impact Assessment Ordinance and other environmental protection requirements.

The major aspects are explained in the following paragraphs.

## Financing Arrangement

7. According to KCRC's estimate, the total project cost of the KSL project is \$8.3 billion in money-of-the-day (MOD) prices, breakdown as follows -

	<b>\$ Million (MOD)</b>
Capital costs	7 627
Land acquisition and related costs	234
Contingency	442
<b>Total</b>	<b>8 303</b>

8. As the KSL project will be wholly financed by KCRC through its internal resources and/or raising external debt, no funding support from the Government is required. The net profit derived from property developments will be returned to the Government as explained in **paragraph 12**.

## **Design, Construction and Operation**

9. KCRC shall design and complete the construction of the KSL project in order to bring it into operation by the Scheduled Operating Date (targeted in 2009), and thereafter to operate and maintain the railway for 50 years.

## **Land Matters**

### **(A) Land Acquisition**

10. KCRC shall bear all land acquisition and clearance costs as well as the related costs arising from the implementation of the railway construction works and reprovisioning, remedial and improvement works. It shall also bear all costs incurred by Lands Department in connection with the above works. On the other hand, the Government shall bear the land acquisition and clearance costs as well as the related costs for the site areas for the construction of Essential Public Infrastructure Works (EPIW), which will be handed over to, and owned and managed by the Government following their completion.

### **(B) Land for Operational Purposes of the KSL Project**

11. The land for operational purposes of the KSL project (such as the sites of railway tracks and other facilities not covered by leases) will be vested in KCRC upon commissioning of the KSL project for a term of 50 years. The term of vesting will be the same as the term we adopt for other railway projects. In accordance with existing practice and similar to the arrangement for the West Rail and East Rail, a nil premium will be charged for railway facilities, e.g. tracks, stations, etc., and KCRC shall pay the Government an annual rent equivalent to 3% of the rateable value assessed from time to time for the tenure of the land vested in it. As the existing train depot for the West Rail will also serve the KSL project, there will be no additional land requirement for providing depot facilities for the KSL project.

### **(C) Property Development Rights**

12. KCRC will be appointed as the agent of the Government to undertake the property enabling works and property development above, below or adjacent to the West Kowloon Station in order to ensure better integration of the station layout design, property enabling works and the future property development, and the smooth interface between future railway operations and property development. We also intend to adopt the model used in West Rail property developments in which KCRC will be granted property development rights through private treaty grant, and the net profits arising from the development will be passed back to the Government.

13. The development rights on the property development sites will be subject to a full market value premium in accordance with the prevailing policy. In accordance with existing practice, the portion that is required for the operational purposes of the railway shall be subject to a nominal premium and shall be non-assignable. The grants by private treaty concerned should be for a term of 50 years and subject to a requirement to pay an annual Government rent at 3% of the rateable value assessed from time to time for the tenure of the land granted.

### **FINANCIAL AND STAFFING IMPLICATIONS**

14. KCRC has estimated that the capital cost of the KSL project is about \$8.3 billion in MOD prices. KCRC does not require any financial support from the Government for the KSL project.

15. Any manpower requirements for the implementation of the KSL project will be absorbed by the existing provision and staffing establishment of the bureaux/departments concerned and no additional posts will be created as a result of the KSL project.

### **ENVIRONMENTAL IMPLICATIONS**

16. The KSL project is a designated project under the Environmental Impact Assessment (EIA) Ordinance. The Director of Environmental Protection (DEP) approved the EIA report with conditions on 30 March 2005 and issued an Environmental Permit (EP) with conditions to KCRC for the KSL project on 3 May 2005. KCRC will implement all the recommended mitigation measures in the approved EIA report and comply with the conditions in the EP and other relevant statutory requirements for environmental protection.

17. To ensure the smooth operation of the Hong Kong Cultural Centre and the Hong Kong Space Museum, KCRC has agreed with the Leisure and Cultural Services Department (LCSD) that there should be more stringent control on the level of ground-borne noise and vibration during the construction and operation of the KSL project.

### **ECONOMIC IMPLICATIONS**

18. The KSL project is essential for meeting the transport needs of the community and serving the continuing economic and social development of Hong Kong. Upon its completion, the KSL project will serve as a strategic link between the West Rail and the East Rail, and will improve the connectivity between North West New Territories where there is a population of about one million, and the main employment/business areas in urban

Kowloon. Highways Department estimates that the KSL project will yield an economic IRR of about 14% in real terms. The quantifiable economic benefits mainly include time savings to public transport users, operating cost savings for public transport operators and safety benefits. The KSL project will create some 2 800 job opportunities in the construction and related fields.

## **SUSTAINABILITY IMPLICATIONS**

19. According to our sustainability assessment, the KSL project will provide a more direct and efficient east-west railway link in the southern part of Kowloon, and also help improve mobility and air quality in the long term. The assessment has also identified potential environmental problems, including the possible ground borne noise impact on the performance venues, the noise and air pollution from works sites, the construction waste generated from tunnel excavation, and the need to preserve the Champion trees. KCRC will implement mitigation measures in accordance with the EP to minimize possible adverse impact. Temporary traffic arrangements will be put in place to minimize disruptions during the construction period.

## **PUBLIC CONSULTATION**

20. The public has been widely consulted on the KSL project. As regards the draft Project Agreement, KCRC has been consulted and is agreeable to its terms and conditions.

## **PUBLICITY**

21. A press release will be issued and a spokesman will be available to answer media enquiries.

## **SUBJECT OFFICER**

22. The subject officer is Mr Raymond HO, Principal Assistant Secretary for Transport (Tel: 2189 2187).

**Environment, Transport and Works Bureau**  
**13 September 2005**