Bills Committee on Rail Merger Bill
Administration's response to questions raised by Hon. LAU Kong-wah

1. **The Kowloon-Canton Railway Corporation (KCRC) has pledged that it would finance the construction of the SCL after it was awarded the construction and development of the project through open tender in 2002. What are the details of the financing proposal? Is the revenue from the property developments along the new railway included in the financing proposal?**

   In 2002, after tender assessment, the Government accepted the Shatin to Central Link (SCL) conforming proposal (the "Original Proposal") from the Kowloon-Canton Railway Corporation (KCRC) based on its SCL bidding proposals, and informed KCRC to continue to proceed further with the planning of the SCL project with a view to working out a final proposal that is acceptable to both sides for authorisation by the Chief Executive in Council, and thereafter the authorized SCL scheme would be gazetted under the Railways Ordinance and the SCL project would proceed in accordance with requirements under the Railways Ordinance. The Original Proposal costs about 26 billion (in 2000 prices) and there was no requirement for Government to grant any property development right. Subsequently, KCRC has made some amendments to the Original Proposal and briefed the Subcommittee on Matters Relating to Railways of the Legislative Council Penal on Transport on the details of the revised proposal on 16 February 2004. In September 2004, KCRC submitted a draft final proposal to Government suggesting further amendments to the revised proposal. Relevant details are summarised in LC Paper No. CB(1)574/06-07. The Government needs to consider in detail the technical, operational and financial implications on the SCL project in respect of such amendments. In addition, as we have pointed out in LC Paper No. CB(1)573/06-07(03), the Government need to examine how SCL should accommodate the results of the Kai Tak Planning Review and the Wan Chai Development Phase II Review.

2. **Would the Administration please explain why the MTR Corporation Limited (MTRCL) can retain the original property development rights**

of the SCL and the relevant revenue generated even if it chooses not to fully finance the construction of the SCL?

As mentioned in (1) above, there was no requirement for Government to grant any property development right under the KCRC's Original Proposal on SCL. Besides, the property package under the rail merger proposal does not include any property development rights along the SCL alignment and hence there is no question of the rail merger proposal allowing MTRCL to retain the property development right along the SCL and the related profits if the corporation does not fully finance the construction of the SCL.

3. **The implementation of the rail merger is premised on public interests. According to the original plan, the construction of the SCL will be fully financed by the KCRC and no capital injection from the Government is required. Has the Government worked out the expenditure incurred in case the construction is eventually taken up by the post-merger corporation without fully financing it? Is it fair to the general public?**

As mentioned in (1) above, the Government is examining how SCL should accommodate the Kai Tak Planning Review and the Wan Chai Development Phase II Review results. In addition, the Government will continue to liaise with the relevant departments and discuss with the railway corporations in the light of any changes that may affect the SCL project, with a view to finalising the SCL scheme as soon as possible. The Government will discuss with the railway corporations the implementation details, including the funding approach for the project, taking into account the progress of the rail merger exercise. In other words, the funding approach for the SCL project would depend on many factors and there is no firm proposal at the moment.