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**Panel on Transport**

**Subcommittee on Matters Relating to Railways**

**Background Brief on  
Mass Transit Railway – South Island Line**

**Purpose**

This paper sets out the background to the planning and implementation of the South Island Line (SIL) and summarizes the major views and concerns expressed by local bodies, transport trades and Members regarding the SIL project.

**Background**

2. The Second Railway Development Study (RDS-2) completed in May 2000 recommended that the most effective configuration of SIL was a shuttle providing direct linkage from the main population centres of Wah Fu and Ap Lei Chau to Central Business District. RDS-2 had assessed that without substantial additional planned developments in the Southern District, SIL (RDS-2) would not be viable. SIL was therefore not included in the Preferred Railway Network under RDS-2.

3. In September 2001, the Panel received views from local bodies and green groups on the planning and implementation of the section of Route 4 between Kennedy Town and Aberdeen (formerly known as Route 7). There were divided views among the attending deputations on the development of road and rail infrastructure in the areas. To address the Panel's concern, the Administration undertook to investigate various possible alignments for Route 4 linking Kennedy Town to Aberdeen and the extent to which the project could be in tunnel. On the suggestion to replace the relevant section of Route 4 with railway, the Panel agreed that roads and railways were complementary to each other and they were not mutually exclusive.

4. In June 2002, MTR Corporation Limited (MTRCL) submitted a preliminary proposal for a medium capacity SIL. MTRCL proposed a circuitous alignment for SIL, in the form of a monorail system looping from the proposed Belcher Station (now renamed as University Station) of West Island Line (WIL) to the MTR Island Line at Wanchai with intermediate stations at Cyberport, Wah Fu, South Horizons, Lei Tung, Wong Chuk Hang, Ocean Park and Happy Valley. MTRCL's view was that SIL(MTR) would not be commercially viable without Government's funding support.

5. As a result of the reduction in forecast employment and uncertainty associated with Western District Development (WDD), the Executive Council decided on 21 January 2003, and the Panel was briefed on 24 January 2003 that –

- (a) MTRCL should be asked to modify the preliminary proposal of SIL to come up with a more cost effective scheme;
- (b) development of SIL should be considered along with Route 4;
- (c) MTRCL should be asked to proceed with further planning on WIL Phase 1 from Sheung Wan to University with a possible link with SIL; and
- (d) planning for WIL Phase 2 from University to Kennedy Town should be held in abeyance until the way forward for the WDD reclamation is clear.

6. In July 2003, MTRCL appointed a consultant to undertake a feasibility study for SIL as well as the section of WIL from Sheung Wan to University. The study aimed at exploring possible options and recommending the best option for a new railway to serve the Southern and Western Districts.

7. In March 2004, MTRCL submitted the Project Proposal for SIL/WIL to the Administration. The SIL/WIL scheme, recommended in the March 2004 Proposal, comprises the following key elements –

- (a) a proposed SIL from South Horizons to Admiralty;
- (b) a proposed depot at Wong Chuk Hang with property development above;
- (c) a proposed Island Line extension from Sheung Wan to Sai Ying Pun; and
- (d) a proposed WIL from Sai Ying Pun to Wong Chuk Hang.

8. At its meeting on 28 May 2004, the Panel passed a motion urging the Government to suspend the planning of SIL/WIL, pending a review of the population growth in Southern and Western Districts, and the development of Southern District into a tourism/commercial centre. The Panel noted that the Government was examining the options for promoting the development of Aberdeen as one of the major tourism nodes in Hong Kong. In this respect, the Ocean Park Board was formulating a strategic plan to redevelop and reposition the park. This future development plan of the Ocean Park would provide input for finalizing the overall planning for the Aberdeen Harbour area. Wong Chuk Hang was also expected to undergo considerable redevelopment.

9. After taking into account the views expressed by various parties, MTRCL subsequently refined the railway scheme and undertook further studies on the feasibility of phased implementation of the projects. In February 2005, MTRCL submitted to the Administration a revised proposal for Phased Implementation of SIL and WIL. The revised scheme consisted of three major components –

- (a) the South Island Line (East) (SIL(East)): the proposed medium capacity rail running from Admiralty to South Horizons with three intermediate stations at Ocean Park, Wong Chuk Hang and Lei Tung;
- (b) the South Island Line (West) (SIL(West)): the proposed medium capacity rail line running from University to Wong Chuk Hang with three intermediate stations at Cyberport, Wah Fu and Aberdeen; and
- (c) WIL: the proposed extension of the MTR Island Line (heavy capacity rail) from Sheung Wan to Kennedy Town with two intermediate stations at Sai Ying Pun and University.

10. At its meeting on 25 February 2005, the Panel passed three motions with two relating to SIL urging the Administration to proceed with the construction of SIL. In the meantime, the Administration should expedite the comprehensive planning and implementation of tourism and commercial developments in Southern District and discuss with MTRCL to construct a cost-effective SIL so as to provide adequate transport facilities to support the development of Southern District.

11. At the meeting of the Executive Council on 28 June 2005, the Council decided, among other things, that MTRCL's proposed SIL(East) and SIL(West) projects should be kept under review and their way forward considered in the light of the results of the review on the planning of tourism and commercial developments in the Southern District and consideration of the Ocean Park's redevelopment project.

12. In October 2005, the Administration briefed the Panel on Economic Services (now known as Panel on Economic Development) that based on Planning Department's latest planning framework, it had drawn up an initial concept plan for the Aberdeen Tourism Project to complement Ocean Park's redevelopment plan. The concept plan comprised 3 thematic clusters:

- (a) the traditional fishing harbour along the Aberdeen and Ap Lei Chau Promenade;
- (b) Fisherman's Wharf at Tai Shue Wan proposed for development by Ocean Park; and
- (c) the existing leisure and dining node off the coast of Sham Wan as the linkage.

The scope of the project would include both hardware (e.g. enhancement works) and software (e.g. development of more structured sampan tours and traditional cultural walks) with a view to bringing out the unique character of Aberdeen and enhancing its tourism appeal.

13. On 16 December 2005, the Finance Committee approved the funding proposal for implementing the Redevelopment Plans of Ocean Park. Construction works would be completed in phases from 2007 to 2012-13. As it is projected that the number of visitors to Ocean Park would increase from 3.4 million in 2007-08 to over 5 million by 2010-11 and over 7 million by 2021-22, members called on the Government to speed up the delivery of SIL.

14. At the meeting on 11 January 2006, the Council passed a motion requesting the Administration to expedite the SIL project. The wording of the motion is as follows:

"That, given the successive completion of the Ocean Park's Redevelopment Plans from 2008 onwards and that works on the new tourism projects will be launched in Southern District, which are expected to further aggravate the already very heavy traffic in the district, to alleviate traffic congestion, complement tourism development and give impetus to the local economy, this Council urges the Government to expedite the construction of the MTR South Island Line for commissioning in or before 2012, but should study in parallel how vicious competition of the new line with other public transport such as minibuses or buses can be avoided, thereby protecting the public's right to choose and their interests."

15. In his 2007-2008 Policy Address, the Chief Executive announced that the Government would undertake 10 major infrastructure projects, including SIL, to boost economic growth and improve the living environment. To take forward the SIL project, the Executive Council would soon examine a proposal submitted by MTRCL with a view to authorizing it to proceed with engineering design. The estimated capital cost of SIL(East) was about \$7 billion. Construction of the seven-kilometre rail line would start in 2011 for commissioning no later than 2015.

16. In October 2007, the Administration briefed the Panel on Economic Development that in end 2006, the Tourism Commission had appointed an architect to develop a conceptual design for the Aberdeen Tourism Project which aimed to bring out further the unique features of a "traditional fishing harbour" and the local culture of Aberdeen and reinforce the elements of diversified tourism. The Administration also consulted the Southern District Council in April 2007 on the proposed conceptual design. The Administration planned to conduct an "expression of interest" exercise in 2008, after which it would consider inviting private sector participation in the project through an open tender.

17. Regarding commercial development in Aberdeen, the Administration advises that approval from the Town Planning Board for a number of hotel proposals have already been granted and lease modifications for some commercial developments have been approved.

18. At the meeting of the Executive Council on 18 December 2007, the Council decided, among other things, that MTRCL should be asked to proceed with the preliminary planning and design of SIL(East). Details are set out in the Legislative Council Brief under File Ref : THB(T)CR 17/1016/99.

### **Public views on the implementation of SIL**

19. The local community has been strongly demanding the extension of the MTR to Southern District. The green groups also preferred SIL rather than Route 4. The transport trades however have expressed concern over the impact of SIL on their business. The Administration is of the view that the impact on road-based public transport modes can be mitigated by reorganizing the public transport network within the railway catchment areas to ensure an efficient and well-coordinated public transport network with railways as the backbone while maintaining a viable network of bus and green minibus services after the commissioning of SIL.

## **Funding arrangements for railway projects**

20. At the time of MTRCL's privatization, the Government acknowledged to investors through the Initial Public Offering Prospectus that MTRCL would require an appropriate commercial rate of return, which would ordinarily be between 1% and 3% above Weighted Average Cost of Capital of MTRCL, on its investment in any new railway project.

21. For a new railway project that will benefit the public but will not be financially viable, there is a funding gap to be bridged. The Government had in the past mainly relied on granting property development rights as the means for providing financial support to bridge the funding gap for most of the railway projects. Government also agreed in July 2002 to waive its claim for \$798 million (at present value) worth of dividends otherwise payable by MTRCL to the Government as a shareholder in order to fill the funding gap identified for the implementation of the Penny's Bay Rail Link (i.e. the Disneyland Resort Line). In the case of WIL, due to the lack of suitable sites along or adjacent to its alignment, Government proposed to provide a capital grant as an upfront payment to lower the capital costs of the project in order to provide the incentive for MTRCL to embark on the project which it would otherwise not undertake at all given the financial non-viability.

22. As for SIL, the Administration advises that the estimated capital cost of SIL (East) will exceed \$7 billion and the project is not financially viable. As funding support is necessary, the Administration will engage consultants to assess the financial details of the estimate in the detailed design stage. Further studies will also need to be conducted on the planning parameters and scope of development at the railway station and depot sites. In this respect, Government will continue to study the proposal of granting the property development rights at railway station and depot sites along SIL (East) to bridge the funding gap of the project.

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