

立法會
Legislative Council

LC Paper No. CB(1)1547/10-11
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Panel on Transport

Subcommittee on Matters Relating to Railways

**Minutes of special meeting on
Friday, 7 January 2011, at 8:30am
in the Chamber of the Legislative Council Building**

- Members present** : Hon Miriam LAU Kin-ye, GBS, JP (Chairman)
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LAU Kong-wah, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Andrew CHENG Kar-foo
Hon LI Fung-ying, SBS, JP
Hon WONG Kwok-hing, MH
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon CHEUNG Hok-ming, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon KAM Nai-wai, MH
Hon IP Wai-ming, MH
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Tanya CHAN
Hon Albert CHAN Wai-yip
- Members attending** : Hon James TO Kun-sun
Hon Starry LEE Wai-king, JP
- Members absent** : Hon WONG Sing-chi
Hon LEUNG Kwok-hung

Action

- Public Officers attending** : **Agenda item I**
- Mr YAU Shing-mu
Under Secretary for Transport and Housing
- Ms Maisie CHENG
Deputy Secretary for Transport and Housing
(Transport) 1
- Mr C W CHOW
Principal Assistant Secretary for Transport and
Housing (Transport) 7
- Mr Henry CHAN
Principal Government Engineer / Railway Development
Highways Department
- Attendance by invitation** : **Agenda item I**
- Mr Henry LAM
General Manager – SCL/KTE
MTR Corporation Limited
- Mr James CHOW
Project Manager – SCL/KTE Civil
MTR Corporation Limited
- Ms Maggie SO
Senior Manager – Projects and Property Communications
MTR Corporation Limited
- Clerk in attendance** : Ms Joanne MAK
Chief Council Secretary (1)2
- Staff in attendance** : Mr Franco KWONG
Council Secretary (1)1
- Miss Mandy LAM
Legislative Assistant (1)2
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Action

Action

I Further discussion on the funding application related to the advance works for Shatin to Central Link

(LC Paper No. CB(1)603/10-11(01) — Administration's paper entitled "Funding Application – Advance Works for Shatin to Central Link"

LC Paper No. CB(1)987/10-11(01) — Administration's supplementary information paper entitled "Funding Application – Advance Works for Shatin to Central Link"

LC Paper No. FS08/10-11 — Fact Sheet on "Comparison of the former proposal of the Kowloon–Canton Railway Corporation and the current concession approach related to the Shatin to Central Link" prepared by the Research Division of the Legislative Council Secretariat

LC Paper No. CB(1)967/10-11(01) — Submission on Shatin to Central Link from a member of the public

The Subcommittee deliberated (Index of proceedings attached in **Annex**).

2. Ms Starry LEE declared that she and her family owned properties along the alignment of the Shatin to Central Link (SCL). Mr Abraham SHEK declared that he was an independent non-executive director of the MTR Corporation Limited (MTRCL).

3. Members noted that further to the last discussion on the current funding application at the Subcommittee meeting on 6 December 2010, the Administration had submitted a paper (CB(1)987/10-11(01)) providing the supplementary information in response to members' requests. Members also noted that at the request of the Subcommittee, the Research and Library Services Division of the LegCo Secretariat had provided a comparison of the former proposal of the Kowloon–Canton Railway Corporation and the current concession approach related to SCL (FS08/10-11) for members' reference.

Major concerns expressed by Subcommittee members

Action

Admin/
MTRCL

4. Members expressed major concern about the on-cost payable to MTRCL, the rate of which was proposed to be 16.5% of the actual expenditure of the works undertaken. Some members criticized the Administration/MTRCL for providing too little information on the coverage of the on-cost payment despite the substantial amount of money involved for the payment, which was estimated to be \$10 billion. The Subcommittee requested a breakdown for the on-cost payment for consideration by LegCo.

5. The Administration explained that the percentage was adopted with reference to an agreement made in 2003 between the Government and MTRCL, which provided that if MTRCL was entrusted with civil engineering projects, an amount at 16.5% of the works undertaken would be payable to MTRCL as the on-cost for the design, construction supervision, contract administration and the relevant insurance premium of the project. The Administration advised that it would further seek independent consultancy advice in assessing the reasonableness of the on-cost rate for the SCL project. Since the audit conducted by the independent consultant would only be completed in 2012, the Administration had adopted the 16.5% on-cost rate for calculating the on-cost on a provisional basis. In the light of the final on-cost rate for the project, the Administration would adjust the on-cost rate when it sought funding approval from the Finance Committee for the SCL remaining railway and non-railway works in 2012.

6. Members also expressed concerns on other issues related to local communities, including matters related to station entrances in Kowloon City, residents' concern over the proposed stabling sidings in Diamond Hill, and underground stratum resumption matters in Kowloon City, etc.

Follow-up actions required of the Administration

Admin/
MTRCL

7. The Administration/MTRCL were requested to provide the following supplementary information as soon as practicable to address members' concerns –

- (a) to explain in detail and by providing a breakdown on the cost items to be covered by the on-cost payable to MTRCL;
- (b) to provide projections of economic internal rate of return based on different patronage forecast (high case and low case scenarios) and different project costs of the SCL under these different scenarios;
- (c) to provide projections of extra fare revenue to be brought by SCL to the existing MTRCL system;

Action

- (d) to explain the criteria for determining the number of entrances of a MTR station, and provide a comparison of the numbers of entrances of the existing MTR stations in Kowloon districts with those of the proposed SCL stations;
- (e) to advise whether a review of existing statutory and administrative procedures for strata resumption was being conducted in the light of experience gained from the Hong Kong section of the Guangzhou–Shenzhen–Hong Kong Express Rail Link and if not, the reasons for not conducting such a review; and
- (f) to explain why MTRCL considered that the proposed replacement of 12-car trains with 9-car trains for the East Rail Line (ERL) would not aggravate the overcrowding condition.

Motion

8. After discussion, members in general expressed dissatisfaction with the Administration's failure to provide detailed response to their concerns. Mr Andrew CHENG moved the following motion –

"要求政府當局押後擬議在 1 月 19 日向工務小組委員會提交撥款申請的計劃。"

(Translation)

"That, this Subcommittee demands that the Administration postpone its plan to submit the above funding application to the Public Works Subcommittee on 19 January."

9. The Chairman reminded members that in accordance with the relevant rule in the Rules of Procedure, a Member should not vote on any question in which he/she had a direct pecuniary interest. The Chairman then put the motion to vote. After voting, the Chairman declared that six members voted for the motion, one member voted against it and one member abstained. The Chairman declared that the motion was carried.

(Post-meeting note: The funding application related to the advance works of SCL was discussed by the Public Works Subcommittee at its meeting on 25 January 2011.)

Action

II Any other business

10. There being no other business, the meeting ended at 10:30 am.

Council Business Division 1
Legislative Council Secretariat
16 March 2011

Panel on Transport

Subcommittee on Matters Relating to Railways

Proceedings of the special meeting on Friday, 7 January 2011, at 8:30 am in the Chamber of the Legislative Council Building

Time marker	Speaker	Subject(s)	Action required
<i>Agenda item I – Further discussion on funding application related to the advance works for Shatin to Central Link</i>			
000110 – 000315	Chairman	Opening remarks	
000315 – 000420	Chairman Administration	The Administration's explanation on its supplementary information on funding application for advance works of SCL (LC Paper No. CB(1) 987/10-11(01)).	
000421 – 001001	Chairman Mr WONG Kwok-hing Administration MTRCL	<p>Mr WONG Kwok-hing's requests for –</p> <p>(a) detailed explanation of the upsurge in cost estimate; and</p> <p>(b) justifications for reprovisioning of the International Mail Centre (IMC) at Hung Hom, as well as the Harbour Road Indoor Games Hall and Wan Chai Training Pool.</p> <p>The Administration's response that it had made reference to other construction projects in recent years. The cost estimate of SCL had increased by about 30% between 2007 and 2009, mainly due to significant increases in construction material prices, and also due to changes in the design and proposed facilities of the project.</p> <p>The MTRCL's response that –</p> <p>(a) the location of existing IMC was on the proposed alignment of the East West Corridor; and</p> <p>(b) the proposed Exhibition Station would be located at the indoor game hall and training pool.</p>	
001002 – 001706	Chairman Miss Tanya CHAN Administration MTRCL	<p>Miss Tanya CHAN's enquiries –</p> <p>(a) scale of reprovisioning works of Wan Chai Sport Ground; and</p> <p>(b) calculation basis of the on-cost rate for SCL.</p> <p>The MTRCL's response that only part of spectator stand on the western side of Wan Chai Sport Ground would be closed. The duration was around 1 to 2 years.</p> <p>The Administration's response that the 16.5% of on-cost rate for SCL advanced works was an interim figure for budget purpose only. The on-cost rate for SCL had yet</p>	

Time marker	Speaker	Subject(s)	Action required
		to be agreed with MTRCL, which would be determined in 2012 after seeking independent consultancy advice.	
001707 – 002356	Chairman Mr Albert CHAN Administration	<p>Mr Albert CHAN's views –</p> <p>(a) before the rail merger, the Kowloon-Canton Railway Corporation (KCRC) submitted a proposal for SCL project in which the whole project was financed by KCRC from internal resources and borrowings. However, after the rail merger, the financial implications for funding the project were to be borne by the Government. It was unacceptable that MTRCL would not bear any construction cost, and would receive an on-cost at 16.5% of project cost; and</p> <p>(b) he could not support the funding application in the absence of detailed information the financial arrangements for the project and forecasts of its economic returns.</p> <p>The Administration's explanation of the financing arrangement for SCL and the considerations for adopting the concession approach in the implementation of the SCL project.</p> <p>The Administration was requested to provide details and breakdown on the cost items to be covered by on-cost payable to MTRCL.</p>	Admin to provide information (para. 7(a) of minutes)
002357 – 003106	Chairman Mr LAU Kong-wah Administration MTRCL	<p>Mr LAU Kong-wah's views that upon the commissioning of SCL, passengers could interchange for other MTR lines thereby increasing the patronage of MTRCL rail lines and generating additional fare revenue of MTRCL. MTRCL should not be given the on-cost payment for SCL.</p> <p>The Administration's response –</p> <p>(a) during the design and construction works of SCL, the expenses incurred by MTRCL for management and supervision of the works would be covered by on-cost; and</p> <p>(b) upon completion of SCL, MTRCL would be granted a service concession for the operation of SCL, while the Government would receive from MTRCL fixed service concession payment and variable service concession payment annually. The variable service concession payment was calculated according to the progressive percentages of the fare revenue. If the fare revenue increased, the Government would benefit from receiving a larger sum of the service concession payments.</p>	

Time marker	Speaker	Subject(s)	Action required
		The MTRCL's briefing on the costs incurred by the project team and the additional manpower required for implementation of the SCL project.	
003107 – 003608	Chairman Mr Jeffrey LAM MTRCL Administration	<p>Mr Jeffrey LAM's enquiries about –</p> <ul style="list-style-type: none"> (a) reason(s) for MTRCL not to construct the Causeway Bay North Station and Central South Station as proposed by KCRC in 2004; (b) calculation basis for fixed and variable service concession payments; and (c) estimated fare revenue to be received by the Administration. <p>The MTRCL's response –</p> <ul style="list-style-type: none"> (a) the expanded Admiralty Station could cope with the development need in Central South; (b) the existing Causeway Bay Station was very close to the proposed Causeway Bay North Station; and (c) the construction works of the proposed Causeway Bay North Station would seriously affect the traffic flow at Gloucester Road. <p>The Administration's response –</p> <ul style="list-style-type: none"> (a) for the existing KCRC network (including the East Rail Line, Ma On Shan Line and West Rail Line), the annual fixed service concession payment was \$0.75 billion; (b) under the operating agreement, the service concession payment payable by MTRCL would be 90% of the total revenue from SCL after deducting the operating cost, capital replacement cost and tax payable; and (c) no estimated fare revenue arising from SCL could be provided at this stage. 	
003609 – 004135	Chairman Mrs Regina IP MTRCL Administration	<p>Mrs Regina IP's concern about local issues including the concerns raised by the residents of Rhythm Garden –</p> <ul style="list-style-type: none"> (a) the "semi-sunken" design should not have been adopted for the proposed stabling sidings at former Tai Hom Village as residents preferred to adopt the "fully sunken" design; and (b) residents were gravely concerned about the construction of a number of ventilation shafts in the area. 	

Time marker	Speaker	Subject(s)	Action required
		<p>The Administration/MTRCL's response –</p> <ul style="list-style-type: none"> (a) "semi-sunken" design could reduce excavation works, thereby minimizing the impact on road traffic, reducing the cost and shortening the duration of works; (b) if the "fully sunken" design was adopted, seven additional ventilation shafts (11 metres tall) would need to be built; (c) adopting the "fully sunken" design would require the transportation of additional 250 000 cubic metres of excavated rock and soil and this would overload the road network in the vicinity; and (d) close communications with the relevant District Council and residents nearby would be maintained to address their concerns. 	
004136 – 004740	Chairman Mr KAM Nai-wai Administration MTRCL	<p>Mr KAM Nai-wai's enquiries/views –</p> <ul style="list-style-type: none"> (a) details of financial arrangements, including the on-cost payable to MTRCL for non-railway works; (b) consideration should be given to capping the cost estimate for the SCL project and requesting MTRCL to meet any further costs in the event of further increases in the cost estimate; and (c) whether the closure of spectator stand would seriously affect the operation of Wan Chai Sport Ground. <p>The Administration/MTRCL's response –</p> <ul style="list-style-type: none"> (a) regarding the economic benefits, it was estimated that by 2021, the daily patronage for SCL would reach 1.1 million. The annual economic benefit would be \$4.4 billion. A total of \$220 billion would be generated within the 50-year concession period; (b) under the proposed financing arrangement for the SCL project, KCRC would retain beneficial ownership of SCL and MTRCL would need to return an operating SCL as part of the whole KCRC system to KCRC upon the expiry or termination of the service concession; (c) the percentage was adopted with reference to an agreement made in 2003 between the Government and MTRCL, which provided that if MTRCL was entrusted with civil engineering projects, an amount at 16.5% of the project cost would be payable to MTRCL as the on-cost for the design, construction 	

Time marker	Speaker	Subject(s)	Action required
		<p>supervision, contract administration and the relevant insurance premium of the project; and</p> <p>(d) only around 1/10 of spectator stand of Wan Chai Sport Ground would be closed, therefore it could continue to operate.</p>	
004741 – 005503	Chairman Ms Starry LEE MTRCL Administration	<p>Ms Starry LEE's declaration of interest and enquiries –</p> <p>(a) the criteria for determining the number of entrances of a MTR station; and</p> <p>(b) the progress of the review of existing statutory and administrative procedure for strata resumption.</p> <p>The MTRCL's response –</p> <p>(a) in determining the number of station entrances, the overall transport condition and patronage forecast would be taken into consideration;</p> <p>(b) station entrances should be sufficient to allow passengers leaving from concourse level to ground level as soon as practicable and if necessary, they could fulfil the functions of emergency exit; and</p> <p>(c) the statutory consultation was still in progress.</p> <p>The Administration's response –</p> <p>(a) strata resumption would not affect the ownership of buildings;</p> <p>(b) there was an existing mechanism for claiming compensation in relation to strata resumption; and</p> <p>(c) the Buildings Department would monitor the construction works to ensure the structural safety of buildings concerned.</p>	
005504 – 010222	Chairman Mr Andrew CHENG Administration	<p>Mr Andrew CHENG's concerns –</p> <p>(a) the cost items to be covered by the on-cost payable to MTRCL;</p> <p>(b) fare revenue and service concession payments to be received by the Administration.</p> <p>The Administration's response –</p> <p>(a) details of financial arrangements could only be provided until the final estimate of SCL was ready in 2012; and</p> <p>(b) the 16.5% of on-cost rate was adopted for budget</p>	

Time marker	Speaker	Subject(s)	Action required
		purpose only.	
010223 – 011200	Chairman Mr Ronny TONG Administration MTRCL	<p>Mr Ronny TONG's view that the information on the use of the proposed on-cost payment as set out in Annex B to Administration's paper (LC Paper No. CB(1)987/10-11(01) was too brief. His enquiry on the calculation basis of on-cost rate and the details of the extra cost incurred by MTRCL.</p> <p>The Administration's response –</p> <ul style="list-style-type: none"> (a) explanation of the background of setting the on-cost rate, which was proposed to be 16.5% of the project cost; (b) the Administration would seek independent consultancy advice to assess the reasonableness of the on-cost rate to be proposed by MTRCL for SCL; and (c) the review by independent consultant covered two aspects including the actual expenditure incurred by MTRCL for the projects in the past few years and the extra costs incurred by MTRCL for SCL project. <p>The MTRCL's response that it had employed additional several hundred employees for SCL project.</p>	
011201 – 011705	Chairman Mr WONG Kwok-hing Administration MTRCL	<p>Mr WONG Kwok-hing's enquiries on the employment opportunities arising from SCL project and the provision of training to local labour.</p> <p>The Administration/MTRCL's response –</p> <ul style="list-style-type: none"> (a) about 11 000 and over 9 600 employment opportunities would be created during the period of construction of SCL and after the commissioning of SCL respectively; (b) additional 17 000 employment opportunities would be created in the next five years for different railway projects; (c) the Enhanced Construction Manpower Training organized by the Development Bureau could provide manpower to fill about 5% of job vacancy arising from SCL; (d) MTRCL together with the Labour Department and Hong Kong Construction Association organized training programmes for tunnelling works; and (e) MTRCL had maintained the operation of precast tunnel unit site in Shek O to secure local employment opportunities. 	

Time marker	Speaker	Subject(s)	Action required
		on-cost payable to MTRCL. Since 2003, the on-cost rate had been set at 16.5% of project cost. The Administration agreed to provide further information in the paper to be submitted to PWSC.	
014230 – 014905	Chairman Mr KAM Nai-wai Administration	<p>Mr KAM Nai-wai's reiteration that the Administration should request MTRCL to meet any further cost in the event of over-budget; and his query about the need to grant the on-cost payment to MTRCL for reprovisioning of Wan Chai Sport Ground.</p> <p>The Administration's response –</p> <p>(a) MTRCL would provide services for the management and supervision of the design and construction works of the reprovisioning of Wan Chai Sport Ground; and</p> <p>(b) if MTRCL was requested to meet any further cost in the event of over-budget, the SCL ownership would become complicated.</p>	
014906 – 015315	Chairman Ms Starry LEE Administration	<p>Upon Ms Starry LEE's requests, the Administration agreed to provide supplementary information on –</p> <p>(a) the criteria for determining the number of entrances of a MTR station and a comparison of the number of entrances of the existing MTR stations in Kowloon districts with those of the proposed SCL stations; and</p> <p>(b) whether a review of existing mechanism for claiming compensation in relation to strata resumption was being conducted in the light of experience gained from the Hong Kong section of the Guangzhou–Shenzhen–Hong Kong Express Rail Link and if not, the reasons for not conducting such a review.</p>	Admin to provide information (para. 7(d) & (e) of minutes)
015316 – 020900	Chairman Mr Andrew CHENG Administration Mr Abraham SHEK Mr Ronny TONG Mr Albert CHAN Mrs Regina IP	<p>Mr Andrew CHENG's view that the Administration should postpone submitting its funding application to PWSC and provide more detailed information on the SCL project to LegCo first.</p> <p>The Administration's response that the advance works of SCL works had to tie in with the implementation programmes of Kwun Tong Line Extension and South Island Line (East).</p> <p>Mr Abraham SHEK's declaration of interest.</p> <p>Voting on the motion moved by Mr Andrew CHENG.</p>	

Council Business Division 1
Legislative Council Secretariat
16 March 2011