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Panel on Transport

Subcommittee on Matters Relating to Railways
Meeting on 27 June 2016

Updated background brief on the construction of
the West Island Line, South Island Line (East) and
Kwun Tong Line Extension

Purpose

This paper provides updated background information on the construction of the West Island Line ("WIL"), South Island Line (East) ("SIL(E)") and Kwun Tong Line Extension ("KTE"). It also summarizes the major views and concerns expressed by members of the Subcommittee on Matters Relating to Railways ("the Subcommittee") during previous discussions on the subject.

Background

WIL

2. WIL is a three-kilometre long railway extension of the existing MTR Island Line, from Sheung Wan Station to Kennedy Town with two intermediate stations at Sai Ying Pun and the University of Hong Kong ("HKU"). HKU Station and Kennedy Town Station were commissioned on 28 December 2014 whilst Sai Ying Pun Station was completed and opened on 29 March 2015. The alignment plan of WIL is in **Appendix I**.

SIL(E)

3. SIL(E) is a seven-kilometre long medium capacity railway running from South to North of Hong Kong Island. It starts from South Horizons on Ap Lei Chau to Admiralty via Lei Tung, Wong Chuk Hang and Ocean Park. SIL(E) will connect MTR Island Line, Tsuen Wan Line and the future Shatin to Central Link ("SCL") at Admiralty Station. The existing Admiralty Station will be expanded to form an integrated station for the four lines (i.e. Island Line, Tsuen Wan Line, SIL(E) and SCL) to provide seamless interchanges for passengers. The alignment plan for SIL(E) is in **Appendix II**.

KTE

4. KTE, which will be an approximately 2.6 kilometres extension of MTR Kwun Tong Line, runs from Yau Ma Tei Station to a new station in Whampoa Garden and with an interchange with SCL at the proposed Ho Man Tin Station. The alignment plan of KTE is in **Appendix III**.

5. The key information of WIL, SIL(E) and KTE is in **Appendix IV**.

Project implementation and funding mode

6. WIL, SIL(E) and KTE, being the extensions of the existing railway networks owned by the MTR Corporation Limited ("MTRCL"), are implemented under the ownership approach¹. The Government and MTRCL signed the project agreement for WIL in July 2009, and for SIL(E) and KTE in May 2011. The target commissioning dates for WIL, KTE and SIL(E) were August 2014, August 2015 and December 2015 respectively. In November 2014, MTRCL revised the target opening dates of KTE and SIL(E) to mid and end of 2016 respectively².

7. According to the latest estimation of MTRCL³ in August 2015, the capital cost of WIL was \$18.5 billion⁴ (in money-of-the-day prices),

¹ Under the ownership approach, MTRCL will be responsible for the financing, design, construction and operation and maintenance of the railway projects, and will own the railways.

² LC Paper No. CB(1)260/14-15(03)

³ LC Paper No. CB(4)1412/14-15(01)

⁴ The estimated capital cost of WIL in 2009 was \$15.4 billion (in December 2008 prices).

while the construction costs of SIL(E) and KTE were \$16.9 billion⁵ and \$7.2 billion⁶ respectively (in money-of-the-day prices). As the construction costs of the railways are enormous, the railway projects are considered not financially viable based on their fare and non-fare revenues alone. To implement SIL(E) and KTE, the Government granted in 2011 the topside property development rights at Wong Chuk Hang Depot and Ho Man Tin Station under the rail-plus-property model for SIL(E) and KTE projects respectively to bridge the funding gaps⁷ of the two projects, with caution that the land granted to MTRCL should not be more than what is required to bridge the funding gap⁸. As the two railways are ownership projects, MTRCL will be responsible for the additional expenditure arising from the delay of the railway works.

8. As for WIL, due to the lack of suitable sites for property development along or adjacent to the alignment, the Government decided in 2009 to provide a non-recurrent capital grant of \$12.7 billion (net present value in June 2009) as the ceiling of the funding support to bridge the funding gap of the project.

Major concerns raised by Subcommittee members

Progress of the railway projects

9. Members have expressed grave concern about the delay in the construction of new railway projects in recent years, including WIL, SIL(E) and KTE, and urged both the Administration and MTRCL to review the underlying reasons for the delay, such as over-estimation of MTRCL's capability in managing so many railway projects

⁵ MTRCL advised in 2011 that the estimated capital cost of SIL(E) was \$12.4 billion (in December 2009 prices). It further advised in November 2014 that the cost had increased to \$15.2 billion (in money-of-the-day prices). According to MTRCL's latest estimate in August 2015, the construction cost of SIL(E) has been further revised upward to \$16.9 billion (in money-of-the-day prices) due to the complexity of the project and continued challenge encountered.

⁶ MTRCL advised in 2011 that the estimated capital cost of KTE was \$5.3 billion (in December 2009 prices). According to MTRCL's latest estimate in August 2015, the construction cost of KTE has been adjusted upward to \$7.2 billion (in money-of-the-day prices) owing to the complexity of the project and continued challenges encountered.

⁷ A railway is considered not financially viable if the present value of all its projected revenues net of projected expenditures falls short of the expected return on capital. For any new railway project, the return required by MTRCL would ordinarily be between 1% and 3% above the weighted average of cost of capital. This shortfall is known as the funding gap.

⁸ Being granted the property development rights, MTRCL is responsible for all the costs of the property development as well as the construction and operating costs of the railway projects. In addition, it has to bear long term risks in financing the projects, operating the railways, and market fluctuations in rail and property development.

simultaneously.

10. At the Subcommittee meeting on 19 May 2015, members expressed concern that the persistent delay of works at Whampoa Station ("WHA") of KTE had adversely affected the residents and traffic in the vicinity. Some members also expressed worry that the underpinning works for the construction of SIL(E) beneath Island Line of Admiralty Station might affect the safety and train services of Island Line.

11. MTRCL noted views expressed by residents in the vicinity of WHA regarding the construction, and had put in place measures to minimize inconvenience caused to the public, such as shortening the construction works from 24-hour to between 7:00 am and 11:00 pm. It also planned to start reinstating the road surface by the end of 2015. One of the carriageways at Shung King Street was re-opened to traffic from late November 2015. As regards SIL(E), the underpinning works for the existing Island Line at Admiralty Station were carefully planned to mitigate the risks involved, and monitoring instruments were installed to identify any movement that might occur during the excavation works and allow corrective actions to be taken. With 83% of the excavation for the underpinning works completed as at the end of March 2015, only small amount of expected movements were identified.

Water seepage at WIL

12. Regarding the water seepage problem found at some locations of the three stations of WIL, members enquired about the causes of the seepage and whether it would pose safety problems to the structural integrity of the stations. MTRCL advised that water seepage found at WIL was mainly caused by underground water penetrating through construction joints of concrete lining. The seepage would not affect the structural integrity of the stations and railway operation. Similar situations also occurred previously at some underground structures of other projects. MTRCL advised that with remedial measures such as sealing up the linings carried out to keep the situation under control, the situation had improved.

"Occupy Movement"

13. At the Subcommittee meeting on 19 May 2015, some members enquired about the impact of the "Occupy Movement" on the construction of SIL(E) and whether claims lodged by contractors in relation to the movement would be borne by MTRCL or the occupiers. MTRCL

responded that the closure of roads surrounding the work site of Harcourt Road Garden in late 2014 had adversely affected the construction traffic of the site and the contractors concerned would file claims to MTRCL. In assessing the claims, contractors affected by the "Occupy Movement" would have to provide sufficient justifications and substantiation of the claims. MTRCL would decide whether to cover the claims by the contingency of SIL(E) project or pursuing occupiers' legal responsibility during the movement.

Increase in the number of entrances at stations

14. At the Subcommittee meeting on 16 April 2010, members raised concern about the number of entrances at stations along KTE and passed the following motion:

"That this Committee (i.e. the Subcommittee) urges the Government and the MTRCL to increase the number of entrances at both Ho Man Tin Station and WHA for the convenience of local residents."

15. At the Subcommittee meeting on 19 May 2015, MTRCL explained that it had taken into account views of the community when planning and designing the entrances of Ho Man Tin Station and WHA. For Ho Man Tin Station, there would be several entrances connecting estates in the vicinity, such as Ho Man Tin Estate and Oi Man Estate. Besides, there would be four entrances in WHA, two of which were integrated entrances offering a direct and convenient access between the station and shopping malls and residential blocks in the vicinity.

Financing arrangements

16. In view of the delay in the construction of WIL, SIL(E) and KTE, some Subcommittee members expressed concern about whether the Administration or MTRCL would bear the extra cost to be incurred by the delay in the railway projects. In response, the Administration explained that WIL, SIL(E) and KTE were implemented under ownership approach, which meant MTRCL was responsible for the construction costs. In addition, according to the project agreements signed by the Administration and MTRCL, MTRCL should try its best endeavours to complete the railway projects in accordance with the baseline programme. As regards the delay in the construction of the new railway lines, the Administration would follow it up with legal advisers.

17. Some members were worried that MTRCL might increase MTR fares so as to cover the cost overrun of WIL, SIL(E) and KTE, and the interests of the passengers would be undermined. The Administration and MTRCL advised that as these three lines were extensions of existing MTR lines, their fares would adopt the same fare structure of the existing MTR heavy rail system. For the adjustment of MTR fares, it would be done according to the Fare Adjustment Mechanism, taking into account the changes in the Composite Consumer Price Index, the Nominal Wage Index (Transportation Section) and pre-determined productivity factor, any increase in the construction cost of new railway projects would not affect MTR fares.

Railway system of SIL(E)

18. Members noted that Fully Automatic Operation ("FAO") would be introduced for the operation of SIL(E). Under the operation of FAO system, preparation for train service including function tests before service, setting trains in motion, speed control, train stopping, as well as door opening and closing would be fully automatic under the control of Operations Control Centre with preset commands. Some members, however, expressed concern on passenger safety during emergency under FAO system. The Administration assured members that they attached great importance to safety of train operations and that before the commissioning of SIL(E), they would request MTRCL to provide detailed contingency plans to handle any service disruptions for the review of the Electrical and Mechanical Services Department.

Other issues

19. Members also expressed views and concerns on the following issues:

- (a) review of the monitoring mechanism for railway project, considering that a huge amount of public money had been spent on the dedicated teams under the Highways Department;
- (b) provision of facilities to cater for the needs of persons with disabilities or special needs and other new facilities at WIL, SIL(E) and KTE stations;
- (c) artwork display at WIL, SIL(E) and KTE stations;

- (d) environmentally-friendly designs and measures for WIL, SIL(E) and KTE to enhance energy efficiency and reduce noise of running trains; and
- (e) coordination with other public transport services, and rationalization of feeder services provided by buses and light buses by phases after the commissioning of WIL and SIL(E).

Latest developments

20. On 27 March 2016, MTRCL announced that the Ki Ling Lane Entrance of Sai Ying Pun Station of WIL was opened for public use⁹.

21. Regarding SIL(E), as at 31 December 2015, the overall works were 93% completed, and the target opening was maintained at the end 2016.

22. For KTE, according to MTRCL¹⁰, the overall works were over 95% completed as of late March 2016. The revised target opening date in third or fourth quarter of 2016 would be achievable.

23. The Administration plans to update the Subcommittee members on the progress of the construction of WIL, SIL(E) and KTE at the meeting to be held on 27 June 2016.

Relevant papers

24. A list of relevant papers is in **Appendix V**.

Council Business Division 4
Legislative Council Secretariat
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⁹ Please see the press release that MTRCL issued on 27 March 2016: https://www.mtr.com.hk/archive/corporate/en/press_release/PR-16-026-E.pdf

¹⁰ Please see http://www.mtr-kwuntonglineextension.hk/pdf/publications/en/newsletter/Newsletter_april_2016.pdf