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8 February 2018

Panel on Transport,  
Legislative Council,  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong  
(Attn: Ms. Sophie LAU)

(Fax no.: 2840 0716)

Dear Ms. LAU,

### **Operating Arrangements for the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link**

I refer to the letter dated 23 January 2018 referred to us from Hon Tanya CHAN, Hon Jeremy TAM Man-ho, Dr Hon KWOK Ka-ki and Hon Alvin YEUNG.

Regarding the latest progress of discussion on the financial-related issues for the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) between the Government and China Railway Corporation (CR), after the meetings with CR in Beijing on 27 November last year and 15 January this year, our Secretary announced to the public that there would be 114 daily train pairs during peak periods to the four short-haul stops at Futian, Shenzhen North, Humen, and Guangzhou South. Peak periods include the general holidays of Hong Kong and public holidays in the Mainland and its connecting weekends, summer holidays during July and August every year, and the Spring Festival travel seasons in the Mainland, which account for around 130 days in a year (about one-third of a

year). The fare level between the West Kowloon Station in Hong Kong and the four short-haul stops at Futian, Shenzhen North, Humen, and Guangzhou South will be around 80, 90, 210 and 260 Hong Kong dollars. Furthermore, on 29 January this year, the Government and CR signed the Memorandum of Understanding on the Arrangements for Preparation of Key Operational Issues for the Hong Kong Section of the XRL (MoU), which marked the reaching of consensus in principle on financial and operational matters, including train schedule, clearing approach, fare-setting principle, dispatch, maintenance and incident investigation, by both parties. Our Bureau issued a press release on the same day announcing that both sides had signed the MoU and publicised the whole text of the MoU (see [Annex](#)). Our Secretary also met with the media on the same day to explain the content of the MoU.

The actual operating arrangement and the ultimate financial position of the Hong Kong Section of the XRL will depend on the outcomes of discussion with CR. The Government will continue to discuss with CR the financial and related matters and will announce the result of discussion and the details of operating arrangement to the Legislative Council (LegCo) and the public at an appropriate time, and will update the figures based on the outcome of the discussion with CR.

Since the Chief Executive in Council endorsed the Dedicated Corridor Option for constructing the Hong Kong Section of the XRL in April 2008, the Government has been taking forward the project on the basis that the MTR Corporation Limited (MTRCL) will be invited to operate the Hong Kong Section of the XRL under a service concession approach in future. Such position was reiterated by the Government in October 2009 in the LegCo Brief on “Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link Funding Arrangement and Special Rehousing Package”. Under a service concession approach, the Government provides the funding under the Public Works Programme for constructing the Hong Kong Section of the XRL and ultimately owns the railway. Upon the completion of the project, the Government may vest or lease the Hong Kong Section of the XRL to the Kowloon-Canton Railway Corporation (KCRC), and the KCRC would in turn incorporate the Hong Kong Section of the XRL into its Service Concession Agreement with the MTRCL. The Government as the sole shareholder of the KCRC would benefit indirectly from service concession payments received from the MTRCL through future dividends.

At the meeting of the Executive Council on 12 September 2017, the Council advised and the Chief Executive ordered that the land or interests or

other rights in respect of land for the operation of the Hong Kong Section of the XRL be vested in and the movable assets of the Hong Kong Section of the XRL be assigned to the KCRC at nominal value. Our working target is to sign the vesting deed with the KCRC, subject to approval by the Chief Executive in Council, before the commissioning of the Hong Kong Section of the XRL.

The Chief Executive in Council decided in April 2008 that as the Hong Kong Section of the XRL would be operated under a service concession approach, the site atop the West Kowloon Station would not be granted to the MTRCL. The site would be disposed of by the Government in accordance with the prevailing land policy with due attention paid to ensuring proper integration with the West Kowloon Station.

As for the plans of the West Kowloon Station and the area of the Mainland Port Area, reference can be made to Schedule 2 of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Co-location) Bill gazetted on 26 January 2018.

The Town Planning Board approved with conditions the proposed comprehensive office/commercial/retail development above the West Kowloon Station on 7 May 2010 (planning application no. A/K20/113). The proposed comprehensive development comprises three office towers (total floor area of about 264 600 square metres) with the lower storeys intended for commercial and retail uses (total floor areas of about 29 400 square metres) as well as a public open space of not less than 8 900 square metres for public use. The relevant master layout plan has been made available for public inspection at the planning enquiry counter of the Planning Department.

Yours sincerely,



( Chris NG )  
for Secretary for Transport and Housing

c.c.  
Director of Highways (Attn.: Mr Alex Chan)

(Fax: 2714 5297)

(English translation for reference only)

**Memorandum of Understanding on  
the Arrangements for Preparation of Key Operational Issues for  
the Hong Kong Section of  
the Guangzhou-Shenzhen-Hong Kong Express Rail Link  
between the China Railway Corporation and  
the Government of the Hong Kong Special Administrative Region**

To expedite the preparatory work for the operation of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (“XRL”) so as to meet the target of commissioning the railway line in the third quarter of 2018, Mr LU Dongfu, the General Manager of the China Railway Corporation (“CR”), met with Mrs Carrie LAM CHENG Yuet-ngor, the Chief Executive of the Hong Kong Special Administrative Region (“HKSAR”), in Beijing on 7 August 2017. They agreed to establish a High-level Liaison Mechanism with a view to jointly taking forward the preparatory work for the operation of the Hong Kong Section of the XRL in accordance with the principles of “complying with the law and regulations; respecting the rules for high-speed rail, and achieving openness and fairness; strengthening opening up and co-operation; and promoting mutual benefits”. The Memorandum of Understanding on the Arrangements for Preparation of Key Operational Issues for the Hong Kong Section of the XRL between the CR and the HKSAR Government (hereinafter referred to as “both sides”), formulated on the basis of the work at the High-level Liaison Mechanism, is set out as follows:

**(English translation for reference only)**

**Overall Principle**

**Article 1** Both sides consider that constructing the XRL and realising inter-connection between the HKSAR and the national high-speed rail network can foster exchanges as well as economic and trading activities between the HKSAR and the Mainland, strengthen the mutually beneficial co-operation between the two places, and facilitate the HKSAR's better integration with the overall national development strategy. These are of great significance to maintaining the long-term prosperity and stability of the HKSAR. Both sides agree to contribute actively so as to fully realise the benefits of the XRL. The CR will render full support to the Hong Kong side.

**Train Schedule**

**Article 2** Both sides plan to operate 127 pairs of high speed trains. Among these trains, 114 pairs of trains will serve the XRL line while 13 pairs will be cross-line trains. During the initial stage of commissioning, the 13 cross-line train pairs will all come into operation to cities including Beijing, Shanghai, Shijiazhuang, Zhengzhou, Wuhan, Changsha, Hangzhou, Nanchang, Xiamen, Fuzhou, Shantou, Guiyang, Guilin, Kunming, etc. The actual number of train pairs serving the XRL line will depend on the passenger volume. Train schedules for weekdays, weekends and peak periods will also be put in place to set out the actual number of train pairs to be operated during the different periods. Both sides agree to activate the liaison mechanism for train schedule adjustment subject to the actual demand as and when necessary.

**(English translation for reference only)**

**Clearing Approach**

**Article 3** Both sides agree that the fare revenue derived from passenger tickets will be shared under the section-based approach. The unit price for sharing the costs incurred by the cross-boundary trains is per axel kilometre and both sides will set up an adjustment mechanism for the unit price. Renminbi (“RMB”) will be used as the currency for calculating the costs and clearing the payments.

**Fare-setting Principle**

**Article 4** Both sides agree that the fares of the cross-boundary train services will be set based on the principle of “calculating and setting the sectional fares separately, and adding up the sectional fares to be the total fare”. The fares for the Hong Kong Section and the Mainland Section of the XRL for cross-boundary train services are both calculated using the formula of “fare rate multiplied by the route length”. “Route length” refers to the actual length of train service operated. The Hong Kong side will convert the fares to Hong Kong Dollars with reference to the fares in RMB and the fare levels will be adjusted according to the actual market situation.

**Dispatch, Maintenance and Incident Investigation**

**Article 5** Both sides agree that the train operators of the Mainland and Hong Kong will be responsible for the dispatch and command work within their respective dispatching sections. The operation of stations and trains will be

**(English translation for reference only)**

carried out according to the respective stipulations of the two places.

**Article 6** Both sides agree that the Mainland side will be responsible for the investigation and handling of railway incidents on the Mainland Section in accordance with the Mainland law and regulations as well as relevant requirements, whereas the Hong Kong side will be responsible for the investigation and handling of railway incidents on the Hong Kong Section in accordance with the Hong Kong law and regulations as well as relevant requirements.

**Article 7** This Memorandum of Understanding is signed on 29 January 2018 in Hong Kong and takes effect on the date of signature. It is signed in two (2) originals, with each side holding one (1) original.

Representative of the  
China Railway Corporation  
  
Director of the General Office

Representative of the  
Government of the Hong Kong  
Special Administrative Region  
Secretary for Transport and Housing

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(HAN Jiangping)

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(CHAN Fan, Frank)