

立法會 *Legislative Council*

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Report of the Panel on Transport for submission to the Legislative Council

Purpose

This report gives an account of the work of the Panel on Transport ("the Panel") during the 2016-2017 legislative session. It will be tabled at the Council meeting on 5 July 2017 in accordance with Rule 77(14) of the Rules of Procedure.

The Panel

2. The Panel was formed by a resolution passed by the Legislative Council ("LegCo") on 8 July 1998 and as amended on 20 December 2000, 9 October 2002, 11 July 2007 and 2 July 2008 for the purpose of monitoring and examining government policies and issues of public concern relating to transport matters. The terms of reference of the Panel are at **Appendix I**.

3. The Panel comprises 42 members, with Hon CHAN Han-pan and Dr Hon KWOK Ka-ki elected as Chairman and Deputy Chairman of the Panel respectively. The membership list of the Panel is at **Appendix II**.

Major Work

Railway matters

4. Railway plays a key role in Hong Kong's transport system strategy. A subcommittee was formed under the Panel to continue to follow up on matters relating to railway planning, implementation and operation.¹ During the period from November 2016 to mid-June 2017, the

¹ According to the terms of reference of the subcommittee, matters relating to corporate governance of the post-merger corporation and fares, including review of the fare adjustment mechanism, should be dealt with by the Panel.

Subcommittee on Matters Relating to Railways held six meetings. The work of the Subcommittee is summarized in its report at **Appendix III**.

Public transport services

Outcome of the early review of the Fare Adjustment Mechanism of the MTR Corporation Limited

5. The MTR Corporation Limited ("MTRCL") is the sole provider of railway service to more than five million passenger trips per day in Hong Kong. MTR fares are reviewed once every calendar year under the agreed Fare Adjustment Mechanism ("FAM"). The overall fare adjustment rate is calculated by a set formula based on the year-on-year percentage changes in the Composite Consumer Price Index and Nominal Wage Index (Transportation Section) for the month of December of the preceding year as published by the Census and Statistics Department, with each factor accounting for 50%. The formula also includes a pre-determined Productivity Factor ("PF"),² which was adjusted from the original 0.1% to 0.6% after the first FAM review in 2013.

6. According to the Operating Agreement ("OA") signed between the Government and MTRCL in 2007, either party may request a review once every five years. Nevertheless, in response to wide public concern over FAM and requests from LegCo Members, the Administration and MTRCL agreed to advance the second FAM review originally scheduled for completion in 2018, by one year to 2017.

7. At the special meeting of the Panel held on 28 April 2017, members were briefed on the new FAM package of proposals to be implemented in 2017-2018 to 2022-2023. Members were generally disappointed that the existing direct-drive FAM formula was not changed at all. Members passed a motion urging the Administration and MTRCL to incorporate a profit factor into the FAM formula to duly reflect the profitability of MTRCL, as well as a motion proposing to correct an arithmetic error in the formula. Besides, many members queried about the computing of the PF value. In their opinion, MTRCL was merely using financial management techniques to achieve a negative PF value, which would accordingly be reset as zero under the established methodology. Members also queried how the special adjustment of

² $PF = 0.5 \times \text{compound annual growth rate of productivity in the reference period}$; where productivity is measured as a ratio between output (i.e. income) and input (i.e. cost) in MTRCL's transport operation.

-0.6% outside of the FAM formula was determined.

8. MTRCL explained that the railway system, which had been in use for close to 40 years, reached the peak of large-scale renewal and replacement over the past and next few years. As such, the faster increase in the input (i.e. cost) than in the output (i.e. income) for the past five years had resulted in a negative PF value in the FAM formula. Even so, upon the Government's request, MTRCL had agreed to lower the fare increase rate by 0.6 percentage point each year in the coming six years to ensure that passengers could still benefit from a moderated fare adjustment which was consistent with the original PF value (i.e. 0.6%) for 2013-2014 to 2016-2017.

9. Members noted that the MTR fares would be frozen in 2017-2018 as the overall adjustment rate would be +1.49% (i.e. within the range of -1.5% and +1.5%). The Panel passed a motion which called on MTRCL to forgo the 1.49% fare increase instead of bringing the increase forward to the next year, as well as another motion requesting the Administration to set up a fare stabilization fund to use the cash dividends received from MTRCL each year to moderate the fare increase rate.

10. Members also made other suggestions, such as further raising the new profit sharing limit of \$15 billion; imposing penalty for incidents lasting shorter than 31 minutes and reducing the remuneration of MTRCL's senior management in case of serious service disruptions; reviewing the existing "distance-based" fare structure; rationalizing the fare differential among East Rail Line, West Rail Line and Tung Chung Line; and improving the fare concession measures. Besides, a motion was passed suggesting the extension of the interchange discounts for green minibus ("GMB") routes to franchised bus routes.

11. The Panel noted that the new FAM would come into effect in June 2017. The next scheduled review would be conducted in 2022 (for completion in 2023).

Fare adjustment of the Airport Express

12. According to OA, the Airport Express ("AEL") is not a public transport mode for daily commuting, but mainly for business and travelling. The fare adjustment of AEL is not subject to FAM. Prior to the fare revision of AEL, MTRCL should:

- (a) consider the level of public acceptance of any proposed fare change, based on passenger surveys;
- (b) consult the Transport Advisory Committee ("TAC");
- (c) consult the Panel;
- (d) after the consultation pursuant to paragraph (b) and (c) above, through its board of directors, resolve to approve the new fares; and
- (e) formally notify TAC and the Panel, and make a public announcement, of the new fares no later than three weeks prior to implementation of the new fares.

13. At the Panel meeting of 21 April 2017, MTRCL invited members' views on the fare revision proposal of AEL by 10.3%. Members had strong reservation about the proposed fare revision and criticized MTRCL for not providing sufficient information to substantiate the fare increase. A motion to adjourn the discussion on the item was raised but was not agreed to at the meeting. Four motions were passed urging MTRCL to shelve the fare increase of AEL, and demanding MTRCL to supplement further information such as the financial performance of AEL.

14. In addition, members expressed grave concerns about the impact on visitors and the public travelling between the urban areas and the Hong Kong International Airport ("HKIA") given that the parking fees at HKIA would also be adjusted upward from about the same time as the fare increase of AEL in around June 2017.

15. Subsequently, the Administration and MTRCL provided their responses to members' views and concerns, as well as supplementary information including a high-level estimation of the financial performance of AEL (LC Paper Nos. CB(4)964/16-17(01) and CB(4)1102/16-17(02)). On 26 May 2017, MTRCL notified the Panel about the decision of the MTRCL Board to reduce the overall fare revision rate from +10.3% as originally proposed to +9.6%, taking into account views expressed by members (LC Paper No. CB(4)1102/16-17(01)). The new fares had come into effect on 18 June 2017.

Renewal of the franchise for the bus network of The Kowloon Motor Bus Company (1933) Limited

16. At the Panel meeting on 20 January 2017, members were briefed on the outcome of the Administration's discussion with The Kowloon Motor Bus Company (1933) Limited ("KMB") on the granting of a new 10-year franchise for the bus network of KMB upon expiry of the current franchise on 1 July 2017.³

17. While not objecting to the granting of the new franchise to KMB, members generally considered that KMB should provide more fare concessions to passengers under the new franchise. Specifically, members urged KMB to expand the long-haul route fare concession scheme for full-time students to cover all students on every single trip on all routes operated by KMB; introduce monthly passes; extend the bus-bus interchange concessions to northern Lantau external routes (i.e. "E" routes); narrow the fare differential for short-haul trips of cross-harbour routes and non-cross harbour routes; and provide fare concessions to escorts of persons with disabilities.

18. As regards the service quality of KMB, members considered that KMB should enhance its service in various aspects, such as opening up access to data on bus service information to allow outside parties to develop user-friendly mobile applications; exploring introduction of more hospital routes; enhancing ancillary facilities at bus stops for visually impaired persons; and equipping all shelters with seats, etc. Members also expressed concern about the working environment and health conditions of bus captains.

19. In response to members' views and four relevant motions passed by the Panel, the Administration reiterated that it was the established policy to encourage public transport operators to offer more fare concessions, yet it should be mindful that the provision of fare concessions should avoid exerting fare pressure. After granting the franchise, the Administration would continue to explore with KMB the feasibility of introducing more practicable fare concession initiatives as well as rolling out new initiatives to enhance KMB's service.

³ By G.N. 1773 of 2017 published in the Gazette on 7 April 2017, the new franchise was granted for the period from and including 0400 hours on 1 July 2017 until 0400 hours on 1 July 2027.

Public Transport Strategy Study

20. The Public Transport Strategy Study ("PTSS") is a systematic review on the overall strategic arrangements of the public transport services other than the heavy rail. PTSS comprises two parts, namely the Role and Positioning Review and Topical Study. The Administration had, since early 2015, reported the findings of the eight Topical Studies to the Panel.⁴

21. On 7 June 2017, the Administration released a consolidated report on the entire PTSS. At the Panel meeting on 16 June 2017, members were briefed by the Administration on the outcome of PTSS. Members noted that the Administration would take forward the various measures recommended in the report through the Government's existing mechanism and resources for regulating public transport services. The Panel had been consulted on some of the measures in the 2016-2017 legislative session.

Increasing the seating capacity of light buses

22. At the Panel meeting on 16 December 2016, the Panel was briefed on the outcome of the study on the Administration's proposal to increase the maximum seating capacity of public light buses ("PLBs") (both GMBs and red minibuses) and private light buses from 16 to 19 seats.⁵

23. Members generally supported increasing the seating capacity of light buses, instead of raising the statutory limit on the number of PLBs,⁶ to meet passenger demand without increasing the traffic burden on roads. As regards the number of seats to be increased, an overwhelming majority of members suggested increasing to 20 seats ("20-seat Proposal")

⁴ The eight issues covered under the Topical Study are: (1) franchised bus service; (2) outcome of the review on taxi fuel surcharge; (3) taxi service; (4) school bus service; (5) seating capacity of public light buses ("PLBs"); (6) statutory cap on the number of PLBs; (7) role and long-term financial viability of ferries; and (8) accessible transport facilities for people with disabilities.

⁵ The Road Traffic (Amendment) Bill 2017 was introduced into LegCo on 26 April 2017. The Bills Committee formed to scrutinize the Bill has completed its work. The Administration has planned to resume Second Reading debate of the Bill at the Council meeting of 28 June 2017.

⁶ Pursuant to a resolution moved under section 23(3) of Road Traffic Ordinance (Cap. 374) and approved at the Council meeting of 24 May 2017, the effective period of the current limit on the number of motor vehicles which can be registered as PLBs at 4 350 has been extended until 20 June 2022.

instead of 19 seats to accommodate more passengers in particular during peak hours and in rural areas with lower PLB service frequency. Members pointed out that the 20-seat Proposal was technically feasible as light bus models in the market could in general accommodate 20 seats. The Panel passed two motions urging the Administration to adopt the 20-seat Proposal.

24. The Administration explained that in considering the appropriate maximum seating capacity of PLBs, it had to take into account the supply and demand for PLBs, and the need to maintain a delicate balance amongst various public transport services. Given that the occupancy rates of PLBs during peak and non-peak hours differed significantly, an increase in seating capacity to 20 might lead to surplus supply of PLB service, especially for those routes with lower patronage. To meet passenger demand during peak periods, apart from further increasing the seating capacity of PLBs, there might be a need to increase the service frequency as well.

25. Members also discussed the impact of the increase in seating capacity on the operation of PLBs, such as whether the increase in the seating capacity would bring about an increase in the revenue of PLB operators and hence better pay for frontline PLB drivers. Members passed a motion urging the Administration to take measures to improve the income of frontline PLB drivers, and a motion urging the Administration to require that all newly registered GMBs should be equipped with seat belt sensors upon increasing the seating capacity.

Introduction of "franchised taxis"

26. In the 2015-2016 legislative session, members were briefed by the Administration on its proposal for implementing short, medium and long-term measures for improving taxi service. The Panel had noted that the introduction of franchised taxis was a key area of study under the review of the roles and positioning of taxi service under PTSS.⁷

27. At the Panel meeting of 21 April 2017, members were briefed on the Administration's plan to take forward a trial scheme under which a total of 600 franchised taxis (i.e. about 3% of the 18 000-odd taxis in

⁷ "Franchised taxis" were referred to as "premium taxis" in previous government documents. According to the Administration, renaming "premium taxis" as "franchised taxis" was to make clearer the different regimes adopted by ordinary taxi service and the new taxi service to be introduced under a franchise model.

Hong Kong) would be introduced through a franchise model.

28. Members had examined the key features of the trial scheme, including: the number of 600 franchised taxis to be capped by legislation; the granting of three non-transferrable and non-renewable franchises with a time-limit of five years; the granting of the franchises through open tendering; the payment and level of the franchise fee; the granting of a higher score for applicants who proposed to maintain an employer-employee relationship with their drivers, whilst an employer-employee relationship would not be a compulsory requirement; the setting of fares at about 30%-50% above ordinary taxi fares; and the requirement that at least 50% of the operator's taxi fleet should be wheelchair accessible taxis.

29. Members had diverse views on the introduction of franchised taxis. Some members expressed reservation on the trial scheme. They took the view that introduction of franchised taxis could not address the poor service quality problem of ordinary taxis and would lead to unhealthy competition within the taxi trade. Noting the strong backlash of the taxi trade, they urged the Administration to shelve the franchised taxi scheme and expeditiously form a working group which should include the participation of the taxi trade and LegCo Members from different political parties/groups. A motion was passed in this regard.

30. Some other members considered that franchised taxis could provide a better quality alternative to ordinary taxis which had long been criticized for poor service quality. With no objection to the trial scheme in principle, members put forward different views on the implementation details in four motions passed at the meeting. Their suggestions included, converting existing taxi licences for operating franchised taxis, introducing service quality monitoring mechanism, and reviewing the policy on hire car services and introducing suitable regulatory mechanism for "online hailing" to meet the demand of the public.

31. In response, the Administration stressed that the objective of introducing franchised taxis was not to replace ordinary taxis but enhancing their complementarity. In parallel with the introduction of franchised taxis, the Administration and the taxi trade would continue to enhance ordinary taxi service proactively under the current licensing regime.

Special Helping Measures for six major outlying island ferry routes for the next three-year licence period 2017-2020

32. At the Panel meeting on 18 November 2016, members were briefed on the licence extension arrangements for the six major outlying island ferry routes ("the six routes").⁸ The Panel held a special meeting on 2 December 2016 to receive public views on the matter.

33. Members suggested that the three-year licence period should be lengthened to encourage long-term investment by ferry operators, in particular procurement of new vessels to improve ferry service. The Administration had undertaken to further study this matter taking into account various factors, such as the impact on financial arrangements, provision of Special Helping Measures ("SHM"), review mechanism and fare level, and would report to the Panel in the context of the next mid-term review of the licences.

34. Members held different views on the continuous provision of SHM to the six routes. Some members considered that the provision of SHM in the long term would not be conducive to operation and service improvement, whereas some other members supported the provision of SHM to maintain their financial viability. Apart from the six routes, some members also suggested expanding SHM to eight other outlying island ferry routes.⁹

35. Members were however disappointed that despite the considerable increase in the amount of SHM, ferry operators still requested to increase fares in the new licence period. On this, the Administration explained that given the high operating cost, ferry services could not be maintained without hefty fare increase if in the absence of SHM. Some members then suggested the introduction of a fare stabilization mechanism. There was also a view that the Government should consider owning the ferry fleet and outsourcing its operation. In the long run, members called on

⁸ Routes operated by the New World First Ferry Services Limited: (1) "Central – Cheung Chau"; (2) "Inter-islands" between Peng Chau, Mui Wo, Chi Ma Wan and Cheung Chau; and (3) "Central – Mui Wo". Routes operated by the Hong Kong & Kowloon Ferry Holdings Limited's three subsidiaries: (4) "Central – Peng Chau"; (5) "Central – Yung Shue Wan"; and (6) "Central – Sok Kwu Wan".

⁹ The eight other outlying island ferry routes are: (1) "Aberdeen – Cheung Chau"; (2) "Aberdeen – Yung Shue Wan via Pak Kok Tsuen"; (3) "Aberdeen – Sok Kwu Wan via Mo Tat"; (4) "Tuen Mun – Tung Chung – Sha Lo Wan – Tai O"; (5) "Discovery Bay – Central"; (6) "Discovery Bay – Mui Wo"; (7) "Ma Wan – Central"; and (8) "Ma Wan – Tsuen Wan".

the Administration to formulate a long-term and comprehensive waterborne policy for maintaining the sustainability of ferry services.

36. Members noted that under the profit-sharing mechanism, ferry operators would be required to share half of the "windfall" profit brought by the fall in oil price with passengers through fare concessions. There was a suggestion that the "windfall" profit should be shared through fare reduction direct. In response, the Administration advised that since the profits earned in the second half of the licence period was not guaranteed, it would be more appropriate to share the profits with passengers through the offer of time-limited fare concessions instead of reducing the fares which would impose permanent effect on the faretables. That said, the Administration took note of members' views and indicated that how the "windfall" profit would be shared could be further discussed in the future.

Parking Policy

37. In the Fifth LegCo, members were consulted on the Administration's proposed legislative amendments to increase the fixed penalty charges against congestion-related traffic offences by 50% to restore the deterrent effect which had been eroded by inflation since the last increase in 1994. Most members considered that the shortage of parking spaces was a critical factor leading to the problem of illegal parking. They urged the Administration to take actions to increase the provision of parking spaces. The Panel passed a motion at its meeting on 16 December 2015 opposing the increase in parking fines when the mismatch of parking spaces remained unresolved and law enforcement was lacking in strength.

38. At the Panel meeting on 19 May 2017, the Administration briefed members' on its policy on provision of parking spaces, as well as measures to mitigate shortage of parking spaces. Members noted that the Administration would accord priority to considering and meeting the parking demand of commercial vehicles, and would commence a two-year consultancy study within 2017 to formulate appropriate measures. Meanwhile, it had rolled out various immediate measures to address the shortage of parking spaces for commercial vehicles. In respect of the parking needs of private cars, the Administration advised that it would provide an appropriate number of parking spaces for private cars if the overall development permits, while it would not endlessly provide additional parking spaces to cope with the growth of the private car fleet. The Panel agreed that a special meeting be held to receive public views

on the subject matter.¹⁰

Transport infrastructure

The Hong Kong-Zhuhai-Macao Bridge

39. The Hong Kong-Zhuhai-Macao Bridge ("HZMB") is a cross-boundary cross-sea mega transport infrastructure project co-built by Guangdong, Hong Kong and Macao. The entire HZMB project consists the HZMB Main Bridge (i.e. a 22.9 km-long bridge and 6.7 km-long subsea tunnel) situated in Mainland waters which is being taken forward by the HZMB Authority; and the link roads and boundary crossing facilities under the responsibility of the three governments. The key HZMB related local infrastructure projects include the Hong Kong Boundary Crossing Facilities ("HKBCF"), Hong Kong Link Road ("HKLR") and Tuen Mun-Chek Lap Kok Link ("TM-CLKL").

40. The construction of HZMB commenced in mid-December 2009. The HZMB project was originally set for commissioning in end 2016. In end 2015, the HZMB Authority and the three governments concluded that it would not be feasible for the HZMB project, including the HZMB Main Bridge to be completed for commissioning in 2016.

41. At the policy briefing of the Panel held on 20 January 2017, the Secretary for Transport and Housing ("STH") reported that with the consolidated assessment by the Joint Works Committee comprising the three governments ("JWC"), the HZMB Main Bridge was expected to be completed in December 2017, and the three sides strived to complete the entire HZMB project by end 2017 for early simultaneous commissioning subject to factors such as implementation of cross-boundary transport arrangements.

42. At the Panel meeting on 24 February 2017, the Highways Department ("HyD") reported that the Hong Kong projects are targeted to achieve readiness for commissioning by end 2017. As regards TM-CLKL, due to technical difficulties, the project could not be completed according to the original plan (i.e. the completion date of the Southern Connection to tie in with that of HZMB, and the Northern Connection in

¹⁰ The special meeting originally scheduled for 12 June 2017 was cancelled as Typhoon Signal No. 8 was hoisted. The Chairman has ordered that the special meeting be re-scheduled.

end 2018).¹¹ Nevertheless, the commissioning of HZMB would not be affected as the traffic between HKBCF and Lantau Island could route through the existing roads on the airport island.

43. Members also expressed concern about the cost overrun of the HZMB Main Bridge project and the exact amount to be borne by Hong Kong.¹² However, STH advised that as JWC was still reviewing the applications from the contractors of the Main Bridge for adjustment to the project estimates due to increased costs, the exact amount to be shared among the three governments was to be determined.

44. In the wake of media reports in February 2017 revealing irregular extensions of the seawalls in the HKLR reclamation site over two years ago, the Panel requested the Administration to explain the matter at the meeting on 24 February 2017. HyD informed members that extensions at two locations of the seawalls were discovered in October and November 2014. Thereafter, the contractor had carried out strengthening measures at the affected locations at its own cost with no adverse impact on the works programme. To better understand the works progress of HZMB and its Hong Kong projects, and inspect on-site the locations where the seawall extensions occurred, the Panel conducted a site visit to HKLR and HKBCF of HZMB on 28 March 2017.

45. When members were consulted on the proposed technical legislative amendments on the traffic arrangements for HZMB upon commissioning, they were most concerned about the adoption of the right-driving arrangement on HKLR (including the Scenic Hill Tunnel) which was located in Hong Kong waters. Members were advised by the Administration that as the connection point of the HZMB Main Bridge and HKLR at the boundary was an expressway with a speed of 100 km/hour, it would be undesirable to switch the driving arrangements at the connection point as vehicles would need to change lanes while moving at high speed. For road safety concern, interface of the left-

¹¹ In a press release issued on 17 March 2017, HyD announced that all construction works of the Southern Connection are targeted for completion in the first half of 2019 at the earliest and that for the Northern Connection in 2020.

¹² According to the agreement of the three governments on the construction, operation, maintenance and management of HZMB, the Mainland Government will contribute RMB 7 billion yuan, and the governments of the Hong Kong Special Administrative Region ("SAR") and Macao SAR will contribute RMB 6.75 billion yuan and RMB 1.98 billion yuan respectively. The total contribution of the three sides will be RMB 15.73 billion (i.e. about 42% of the total project cost), with the remaining cost to be financed by bank loans.

driving and right-driving arrangements would be arranged at HKBCF with suitable road facilities.

46. Besides, members also discussed various operational issues such as rescue arrangements and law enforcement. Further, a motion relating to the parking arrangements at boundary crossing facilities at the three places was passed. Members noted that the Administration was discussing relevant issues with the Mainland and Macao authorities.

47. To urgently follow up on the incident of alleged falsification of concrete test reports for works relating to HZMB Hong Kong projects, the Panel convened a special meeting on 5 June 2017. Members expressed grave concern about the impact on the structural safety of the HZMB local projects, and discussed in details the follow-up actions by the Administration. Members noted that the visual inspections and non-destructive concrete strength tests (i.e. Schmidt Hammer Test) conducted by HyD had by then revealed that the structures were in good condition. An independent professional organization had been engaged to provide professional advice on and monitor the tests. All relevant tests were expected to be completed in October 2017. Expressing particular concern over the structural conditions at the locations corresponding to the falsified concrete cubes, members urged the Administration to conduct core tests as soon as possible, particularly at those stress-critical locations.

Central Kowloon Route – Main works

48. The Panel was consulted at the meeting on 17 March 2017 on the Administration's proposal for upgrading "461TH–Central Kowloon Route ("CKR")–Main Works" to Category A at an estimated cost of \$42,363.9 million in money-of-the-day ("MOD") prices. Members noted that CKR will link up Yau Ma Tei Interchange in West Kowloon with Kowloon Bay and the Kai Tak Development in East Kowloon. CKR together with Tseung Kwan O-Lam Tin Tunnel and the Trunk Road T2 under planning will form Route 6, linking up West Kowloon and Tseung Kwan O. Upon its commissioning, the journey time between West Kowloon and Kowloon Bay via CKR will be around five minutes during rush hours.

49. Members noted that subject to support of the Panel and the Public Works Subcommittee ("PWSC"), and the funding approval of the Finance Committee ("FC") in the current legislative year, the Administration planned to commence construction of CKR in the third quarter of 2017 for completion in around 2025.

50. A majority of the members had reservation about the proposed scheme of the project submitted by the Administration, having regard to the grave concerns of the residents of the Prosperous Garden ("PG") over the noise and air quality impacts that might arise from the traffic at Gascoigne Road Flyover ("GRF"), and related motions passed by the Yau Tsim Mong District Council. Members demanded the Administration to accede to the residents' requests of replacing the semi-enclosure along GRF fronting Blocks 1 and 5 of PG with a full enclosure, and extending the full enclosure along GRF fronting Blocks 3 and 4 of PG 60m northwards beyond Yaumati Catholic Primary School. The Panel passed four motions on related requests, and another motion on the arrangements for the reprovisioning of the Yau Ma Tei public car park.

51. After detailed discussion, the question on whether the Panel supported the funding proposal and submission of it to PWSC for further consideration was put to vote. The question was not supported by the majority of members voting.

52. To address members' concerns and requests, the Administration provided a paper on 7 June 2017 (LC Paper No. CB(4)1191/16-17(01)) putting forward a Compromise Scheme proposing to: (a) convert the 100 m long noise enclosure which originally only covered the eastbound traffic lane to cover both bounds in whole, while having vertical opening on the side fronting Yan Cheung Road farther way from PG to comply with the requirements of the Fire Services Department; and (b) extend the full enclosure northward by 40 m. The Administration proposed implementing the Compromise Scheme under a separate public work project item, so as to avoid delaying the implementation programme of CKR.¹³

Feasibility Study on Route 11

53. The Panel was consulted in March 2017 on the Administration's proposal for upgrading "870TH–Feasibility Study on Route 11 (between North Lantau and Yuen Long)" to Category A at an estimated cost of \$87.7 million in MOD prices. According to the Administration, the proposed Route 11 would be a strategic highway to support the long-term development of Northwest New Territories, including the proposed Hung Shui Kiu New Development Area and Yuen Long South development. It would also provide a third strategic access to Lantau in addition to Tsing

¹³ The Administration subsequently submitted the funding proposal for the main works of CKR to PWSC at its meeting on 21 June 2017.

Ma Bridge and TM-CLKL.

54. Members noted the traffic forecast provided by the Administration which revealed that after commissioning of TM-CLKL, even with Tuen Mun Western Bypass, there would be severe traffic congestion on Tuen Mun Road, Tai Lam Tunnel and Ting Kau Bridge during peak hours in around 2036. Members generally supported the early commencement of the feasibility study on Route 11 and suggested engagement of stakeholders in parallel, with a view to expediting implementation of Route 11 so as to timely cope with the traffic demand.

55. On the alignment of Route 11, the Panel passed a motion suggesting extension of the slip road linking So Kwun Wat and Tuen Mun Road to reach Castle Peak Road, so that Route 11 would link up with both Tuen Mun Road and Castle Peak Road. In response, the Administration advised that it would study the feasibility of different alignment options and take into account members' suggestions.

Takeover arrangements of the Tate's Cairn Tunnel

56. At the meeting on 19 May 2017, the Panel considered the takeover arrangements of the Tate's Cairn Tunnel ("TCT") upon expiry of the Build-Operate-Transfer franchise on 11 July 2018. Members noted that the Administration's takeover of TCT would be a technical exercise involving a change of tunnel ownership as well as the legal backing and management mode for its operation. There would be no major change to the actual tunnel operation.

57. Members pointed out that the present tolls of TCT, which ranged between \$15 and \$35 for different vehicle types, were much higher than the flat toll of \$8 of the other alternative tunnels, i.e. the Lion Rock Tunnel, the Eagle's Nest Tunnel and Sha Tin Heights Tunnel ("Route 8K"), and the Shing Mun Tunnels. Most members called on the Administration to, upon the takeover of TCT, lower the tolls of TCT to align with those of the alternative tunnels, in order to relieve the burden of travelling expenses on the public, and facilitate redistribution of traffic so as to relieve the congestion in some tunnels particularly in Lion Rock Tunnel. A motion was passed in this regard.

58. On the management and operation of TCT after the takeover, members noted that the Administration would grant out a management, operation and maintenance ("MOM") contract through an open tender. In selecting the contractor, the Administration would take into account

various factors that would not be limited to the lowest price offer. The Administration also advised that there would be terms in the MOM contract requiring the contractor to undertake to make first offer of employment to the existing employees of the franchisee.

59. From a wider perspective, members urged the Administration to rationalize the uneven distribution of traffic among the three road harbour crossings (namely Cross Harbour Tunnel, Eastern Harbour Crossing and Western Harbour Crossing) and the three land tunnels between Kowloon and Sha Tin (namely TCT, Lion Rock Tunnel and Route 8K). Members noted that the Administration had commenced a toll rationalization study of these six tunnels, and would report to the Panel on the outcome and recommendations in the 2017-2018 legislative year.

"Universal Accessibility" Programme

60. The Panel had been closely monitoring measures to improve the pedestrian environment. On 18 November 2016, members were briefed on the Administration's proposal to seek approval from FC for revision of the ambit of the block allocation Subhead 6101TX – "Universal Accessibility ("UA") Programme" under Capital Works Reserve Fund Head 706 – "Highways" to support the implementation of the next phase of the UA programme, and for an allocation of \$850 million in 2017-2018.

61. Members in general supported implementation of the UA Programme to improve the accessibility of walkways. Members noted the current progress that most of the retrofitting works under the UA Programme were expected to be completed in phases by 2018.

62. Members welcomed the Administration's plan to, in the second phase of the UA programme, expand the scope to cover also walkways which were not public walkways maintained by HyD provided that the specific criteria were met, and no land resumption should be involved. There was a suggestion on further expanding the scope to cover walkways which involved private ownership, and those constructed by private land owners under land grant provision but opened for public use. In this regard, the Administration indicated that it had referred some of the proposals that were neither covered under the existing or expanded UA Programme due to ownership issue to the Hong Kong Housing Authority, the Link Real Estate Investment Trust and MTRCL for consideration and implementation.

63. Some members expressed concern about the criteria of selecting projects by District Councils ("DCs") for priority implementation in the second phase. They urged the Administration to formulate some guidelines to facilitate DCs to make the selection to ensure prudent use of the funds allocated to meet genuine needs. The Panel noted that pedestrian flow had been one of the key factors considered by DCs, while reference would also be made to other relevant information such as community facilities nearby. Further, in deciding whether to retrofit barrier-free access facilities at a walkway, the major consideration was the availability of such facilities instead of its potential utilization rate.

64. Members also expressed concern over the cost evaluation and cost control for projects under the UA Programme. They worried that the large quantity of lift retrofitting works within a few years under the Programme might have driven up the cost of works. Besides, they also gave views on the lift design and functions, and asked about the supply of manpower for retrofitting and maintaining such lifts.

Provision of Hillside Escalator Links and Elevator Systems

65. At the meeting on 21 April 2017, the Panel was consulted on a funding proposal for upgrading "185TB – Lift and Pedestrian Walkway System between Tai Wo Hau Road and Wo Tong Tsui Street, Kwai Chung" to Category A at an estimated cost of \$249.4 million in MOD prices.

66. Members were gravely disappointed about the slow implementation progress of the projects of hillside escalator link and elevator systems ("HEL"). They pointed out that out of the 18 ranked HEL proposals received by the Administration in 2009, only two systems had been completed and opened for public use, one was partially completed and open for public use, two were under construction, and one was undergoing tendering procedures. The remaining 12 proposals were lacking in progress.

67. Apart from the existing ranked proposals, members noted that over a hundred new suggestions had been received in the past years since the last assessment in 2009-2010. Members wished to follow up on the handling by the Administration of these new suggestions. It was noted that the Administration had planned to commence a study at the end of 2017 to review and improve the assessment mechanism for HEL. The study would take about 30 months.

68. At the meeting of 19 May 2017, members agreed to the Chairman's proposal to form a subcommittee under the Panel to study and follow up issues relating to the provision of HEL ("the HEL Subcommittee"). The HEL Subcommittee would focus its work on the following issues:

- (a) monitor the implementation progress of the 18-ranked proposals for HEL;
- (b) follow up the handling by the Administration of new suggestions on the provision of HEL;
- (c) examine the setting up of a dedicated HEL fund to expedite the works concerned;
- (d) offer views and comments on the review and improvement of the existing assessment system for HEL; and
- (e) give recommendations on the provision of HEL in Hong Kong.

69. Members noted that the Subcommittee would start its work as soon as a slot for the activation of the Subcommittee would become available.

Other consultations

70. The Panel received a briefing by the Secretary for Transport and Housing on 20 January 2017 on the transport policy initiatives featured in the Chief Executive's 2017 Policy Address.

71. In addition, the Panel was consulted on the taxi fare increase applications,¹⁴ Star Ferry's fare increase application,¹⁵ and the proposed revisions of 13 government fee items relating to road traffic.¹⁶ It also considered the following funding proposals:

- (a) the procurement of bridge inspection vehicles for Tsing Ma Control Area and Tsing Sha Control Area; and

¹⁴ The taxi fare increases had taken effect on 9 April 2017.

¹⁵ Star Ferry's fare increases would take effect in two phases, i.e. some 17.5% in February 2017 and a further increase of 6.5% in February 2018.

¹⁶ The Administration had planned to submit the required legislative amendments in respect of fee revisions concerned to LegCo in 2017-2018.

- (b) strategic studies on railways and major roads beyond 2030 in the light of "Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030".

Meetings

72. During the period between October 2016 and mid-June 2017, the Panel held a total of 13 meetings. The Panel has scheduled another meeting on 21 July 2017 to receive briefing by the Administration on the progress of the review of road works safety requirements, and discuss the legislative proposals in relation to three new toll-free Government tunnels, namely Central-Wan Chai Bypass Tunnel, Lung Shan Tunnel and Cheung Shan Tunnel, a funding application for taking forward the replacement of traffic control and surveillance system in Tsing Ma Control Area, and a staffing proposal for a project management office of HyD.

Council Business Division 4
Legislative Council Secretariat
21 June 2017

Legislative Council

Panel on Transport

Terms of Reference

1. To monitor and examine Government policies and issues of public concern relating to transport.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy area prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

Legislative Council

Panel on Transport

Membership list for 2016 - 2017 session

| | |
|------------------------|--|
| Chairman | Hon CHAN Han-pan, JP |
| Deputy Chairman | Dr Hon KWOK Ka-ki |
| Members | Hon Abraham SHEK Lai-him, GBS, JP Hon Jeffrey LAM Kin-fung, GBS, JP Hon Starry LEE Wai-king, SBS, JP Hon CHAN Hak-kan, BBS, JP Dr Hon Priscilla LEUNG Mei-fun, SBS, JP Hon WONG Kwok-kin, SBS, JP Hon Mrs Regina IP LAU Suk-yee, GBS, JP Hon Paul TSE Wai-chun, JP Hon LEUNG Kwok-hung Hon Claudia MO Hon Michael TIEN Puk-sun, BBS, JP Hon Frankie YICK Chi-ming, JP Hon WU Chi-wai, MH Hon YIU Si-wing, BBS Hon Charles Peter MOK, JP Hon CHAN Chi-chuen Hon LEUNG Che-cheung, BBS, MH, JP Dr Hon Fernando CHEUNG Chiu-hung Dr Hon Helena WONG Pik-wan Hon POON Siu-ping, BBS, MH Ir Dr Hon LO Wai-kwok, SBS, MH, JP Hon CHUNG Kwok-pan Hon Alvin YEUNG Hon Andrew WAN Siu-kin Hon CHU Hoi-dick Dr Hon Junius HO Kwan-yiu, JP Hon HO Kai-ming Hon LAM Cheuk-ting Hon Wilson OR Chong-shing, MH Hon YUNG Hoi-yan |

Hon CHAN Chun-ying
Hon Tanya CHAN
Hon LUK Chung-hung
Hon LAU Kwok-fan, MH
Hon Kenneth LAU Ip-keung, MH, JP
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon Nathan LAW Kwun-chung
Dr Hon YIU Chung-yim

(Total: 42 members)

Clerk Ms Sophie LAU (up to 14 February 2017)
Ms Doris LO (since 15 February 2017)

Legal Adviser Mr Alvin CHUI

* Changes in membership are set out in Annex to Appendix II

Annex to Appendix II

Panel on Transport

Changes in membership

| Member | Relevant date |
|--|------------------------|
| Prof Hon Joseph LEE Kok-long, SBS, JP | Up to 6 November 2016 |
| Hon CHAN Kin-por, BBS, JP | Up to 7 November 2016 |
| Hon Jimmy NG Wing-ka, JP | Up to 7 November 2016 |
| Hon Alice MAK Mei-kuen, BBS, JP | Up to 8 November 2016 |
| Hon KWOK Wai-keung | Up to 8 November 2016 |
| Hon IP Kin-yuen | Up to 17 November 2016 |
| Hon MA Fung-kwok, SBS, JP | Up to 28 November 2016 |
| Hon WONG Ting-kwong, SBS, JP | Up to 29 November 2016 |
| Hon Kenneth LEUNG | Up to 1 December 2016 |
| Dr Hon CHIANG Lai-wan, JP | Up to 4 December 2016 |
| Hon SHIU Ka-chun | Up to 8 December 2016 |
| Dr Hon LAU Siu-lai | Up to 11 December 2016 |
| Hon LEUNG Yiu-chung | Up to 18 December 2016 |
| Hon Dennis KWOK Wing-hang | Up to 3 January 2017 |
| Hon Steven HO Chun-yin, BBS | Up to 15 January 2017 |
| Hon Martin LIAO Cheung-kong, SBS, JP | Up to 17 January 2017 |
| Hon Christopher CHEUNG Wah-fung, SBS, JP | Up to 22 January 2017 |
| Hon James TO Kun-sun | Up to 5 February 2017 |
| Hon HUI Chi-fung | Up to 7 February 2017 |
| Dr Hon Elizabeth QUAT, JP | Up to 12 March 2017 |
| Hon CHEUNG Kwok-kwan, JP | Up to 14 March 2017 |
| Hon Holden CHOW Ho-ding | Up to 19 March 2017 |

立法會
Legislative Council

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Ref : CB4/PS/1/16

**Report of the Subcommittee on Matters Relating to Railways
for submission to the Panel on Transport**

Purpose

This report gives an account of the work of the Subcommittee on Matters Relating to Railways during the 2016-2017 legislative session.

The Subcommittee

2. The Panel on Transport ("the Panel") agreed at its meeting on 28 October 2016 to set up a Subcommittee on Matters Relating to Railways ("the Subcommittee"). The terms of reference and membership list of the Subcommittee are in **Appendices I and II** respectively.

3. Under the chairmanship of Hon Michael TIEN Puk-sun, the Subcommittee has discharged its functions according to its terms of reference and held six meetings (up to mid-June 2017) with the Administration and the MTR Corporation Limited ("MTRCL").

Major work

4. In the current session, the Subcommittee has followed up on various issues relating to the implementation of new railway projects, and the operation of existing railways. The discussions of the Subcommittee with the Administration and MTRCL are summarized in the ensuing paragraphs.

Implementation of new railway projects

5. The Subcommittee has been monitoring closely the implementation of four railway projects under construction/completed recently,¹ namely:

- (a) the Hong Kong section ("HKS") of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL"), and the Shatin to Central Link ("SCL"), which are implemented under the concession approach;² and
- (b) the Kwun Tong Line Extension ("KTE"), and the South Island Line (East) ("SIL(E)"), which are implemented under the ownership approach.³

The key information of these four railway projects is in **Appendix III**.

Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link

6. The Subcommittee had continued to follow up on the construction of HKS of XRL. Members had been keenly concerned about the slippage of the project and the resultant increase in the project costs. To recap, the Administration and MTRCL announced in April 2014 that it would be impossible to complete the construction of HKS of XRL by the original target of 2015 due to inclement weather and difficult geological conditions; and the completion date would be postponed to 2016 with the line ready for operation in 2017.

¹ Apart from the four new railway projects named above, the Subcommittee was also tasked to follow up on the implementation of the West Island Line ("WIL") in the Fifth Legislative Session. WIL was commissioned on 28 December 2014, and has been in full-fledged operation after the opening of Ki Ling Lane entrance of Sai Ying Pun Station in March 2016 for public use.

² Under the concession approach, the Administration is responsible for the construction costs of the railway project whilst MTRCL is entrusted with the planning and design of the project. Upon completion of the construction, MTRCL will be granted a service concession for the operation of the railway line while the Administration will receive a service concession payment annually.

³ Under the ownership approach, MTRCL is responsible for the financing, design, construction, operation and maintenance of the railway project, and will own the railway.

7. On 30 June 2015, MTRCL submitted a revised programme to complete ("PTC") and cost to complete ("CTC") of the HKS of XRL project to the Administration. According to the revised PTC and CTC, the commissioning of HKS of XRL would have to be delayed further from the end of 2017 to the third quarter of 2018 (including a six-month contingency period), and the project costs would have to be revised to \$85.3 billion (including a revised total project cost of \$83.2 billion and \$2.1 billion for contingency). MTRCL explained that the further delay was mainly due to unforeseen site conditions, issues relating to tunnel boring machines, fast-tracked front end and design variations, lower than expected production rates and labour shortage; and the increase in project cost was arising from programme extension, changes in scope and methodologies owing to unforeseen events and additional labour and material costs.

8. After discussion between the Administration and MTRCL, CTC of the project was subsequently reduced to \$84.42 billion, with target commissioning in the third quarter of 2018. To provide for the additional costs for the project, the Administration reached an agreement ("the XRL Agreement") with MTRCL on 30 November 2015 with the following essential elements:

- (a) the Administration should bear and finance the cost overrun up to \$19.42 billion, with any further cost overrun to be borne and financed by MTRCL;
- (b) MTRCL should pay a special dividend at \$4.4 per share to its shareholders (including the Government); and
- (c) the Administration reserved its right to take MTRCL to arbitration on the Corporation's liability in respect of the project delay.

The XRL Agreement was conditional upon (a) the approval of MTRCL's independent shareholders at an extraordinary general meeting; and (b) the approval by the Finance Committee ("FC") of the funding for financing the cost overrun by September 2016. MTRCL's independent shareholders supported the XRL Agreement at the meeting on 1 February 2016. FC approved the funding application to increase the approved project estimate ("APE") of the XRL project by \$19.6 billion on 11 March 2016.⁴

⁴ The figure also included \$0.1825 billion to cover additional costs including monitoring and verification consultancy services and other studies due to delayed completion.

9. As agreed at the Subcommittee in April 2010, the Administration submitted reports to the Subcommittee on progress update and financial situation of the construction of HKS of XRL at six-month intervals. Since the fourth quarter of 2014, such reports had been submitted at quarterly intervals. In the current legislative session, the Subcommittee examined three quarterly progress reports covering the period ending 30 September 2016, 31 December 2016 and 31 March 2017. In the progress report up to 31 March 2017, members noted that the overall progress of HKS of XRL was 90.0%, which was ahead of the planned progress of 85.9% based on the target commissioning in the third quarter of 2018.

10. With the commissioning of HKS of XRL approaching, members expressed pressing concerns about the progress and details of the implementation of the co-location of customs, immigration and quarantine facilities ("co-location arrangements") of Hong Kong and the Mainland at the West Kowloon Terminus. They urged the Administration to announce the proposed arrangements earlier to allow sufficient time for discussion by the community and the Legislative Council ("LegCo"). At the meeting on 2 June 2017, members continued to follow up on whether the Administration would make relevant announcement within the current term of the Government which would end on 30 June 2017. As the issues were very controversial, some members considered that the Administration should devise a contingency plan in case relevant local legislative work could not tie in with the commissioning of HKS of XRL.

11. While noting members' concerns, the Administration advised that the co-location arrangements involved complex legal and practical operational issues, and the Administration had been actively discussing the issues with relevant Mainland authorities. Both sides agreed that the target should be to implement the co-location arrangements which would be in compliance with both the Basic Law and the principle of "One Country, Two Systems". After reaching a consensus, the Administration would report to LegCo and the public and then proceed with the local legislative work, in accordance with the target date for commissioning of HKS of XRL. The Administration assured members that it would strive to give an account to the public within the current term of the Government, while it would also propose suitable contingency arrangements in case the local legislative work could not be completed on time.

Shatin to Central Link

12. SCL is a territory-wide strategic railway project. With a total length of 17 kilometres, it consists of (a) the Tai Wai to Hung Hom Section, and (b) the Hung Hom to Admiralty Section.⁵ Upon commissioning of SCL, Admiralty Station and Ho Man Tin Station will become integrated stations providing interchange service to passengers of SCL and SIL(E), as well as passengers of SCL and KTE respectively. The target commissioning date for the Tai Wai to Hung Hom Section had originally been set to be December 2018, and that for the the Hung Hom to Admiralty Section to be December 2020.

13. APE for the entire SCL project is \$79,800 million in money-of-the-day ("MOD") prices. In February 2011, FC approved the funding applications for the advance railway and non-railway works at \$6,254.9 million and \$1,448.2 million in MOD prices respectively. In May 2012, FC approved the funding applications for the remaining railway and non-railway works with a total of about \$71,400 million in MOD prices.

14. At the Subcommittee meeting on 9 December 2016, members were informed by the Administration that the cost estimate for SCL would need to be revised upwards significantly to include the additional \$4,100 million associated with the archaeological finds at the works sites of To Kwa Wan Station, the late handover of critical works sites including that of Exhibition Station, the previously unbudgeted foundation works for topside development at Exhibition Station and other factors such as the shortage of labour. Despite repeated requests from members for an estimation of the amount of cost overrun, the Administration and MTRCL advised that the detailed review of the additional cost of the main works of SCL could only be completed in the second half of 2017, given the complexity of the project works, certain continuing uncertainties and other factors. The Administration would seek additional funding for the main works from LegCo in the 2017-2018 legislative session. Apart from the main works, members were also informed that APE for the advance railway works of SCL at the expanded Admiralty Station and Ho Man Tin Station would be increased by \$847.7 million, from \$6,254.9 million to \$7,102.6 million in MOD

⁵ The Tai Wai to Hung Hom Section is the extension of Ma On Shan Line from Tai Wai via Southeast Kowloon to Hung Hom where it will join West Rail Line; the Hung Hom to Admiralty Section is an extension of the existing East Rail Line from Hung Hom across the Victoria Harbour to Wan Chai North and Admiralty.

prices.⁶

15. The Subcommittee was briefed on the progress of the SCL project at the meetings on 9 December 2016, and 10 February and 2 June 2017. According to the latest assessment by MTRCL, in view of the delay of 11 months arising from the archaeological discovery and other factors encountered during construction, there would be about a year's delay in commissioning the project, i.e. the Tai Wai to Hung Hom Section deferred to end 2019, while the Hung Hom to Admiralty Section deferred to 2021. However, with the delay recovery measures implemented at the Tai Wai to Hung Hom Section, the target commissioning date of this section could be advanced to about mid-2019.

16. In addition to cost overrun and project delay, members were also concerned about the conservation plans for the monuments and antiques unearthed from SCL construction sites. They considered that the conservation proposals should facilitate preservation of archaeological features for future display such as setting up a museum to display monuments and antiques unearthed in the course of construction of SCL. They also proposed that the public and relevant organizations should be involved in the planning and implementation of the long-term conservation plan. According to the Administration, the archaeological and conservation works at To Kwa Wan Station were outside the SCL project scope, and the associated costs would be borne by the Administration.

17 Regarding the follow-up actions on the large metal object discovered on the seabed within the reclamation area under the Wan Chai Development Phase II, which according to some media reports in February 2017 was the remains of the famous military ship HMS Tamar, members noted that the Antiquities and Monuments Office conducted a preliminary survey and assessment of the object. The object was then relocated under the water to a neighbouring seabed area for following up later.

Kwun Tong Line Extension

18. The Subcommittee noted that KTE, which extends the existing Kwun Tong Line to the new Ho Man Tin Station and Whampoa Station,

⁶ The Administration submitted the additional funding proposal (i.e. 63TR – Shatin to Central Link – construction of railway works – advance works) to the Public Works Subcommittee ("PWSC") in January 2017 (LC Paper No. PWSC(2016-17)43). PWSC endorsed the proposal at its meeting on 5 April 2017. At the time when this report was prepared, the proposal was being considered by FC.

was commissioned on 23 October 2016. It was noted that the construction cost of KTE per the cost estimate review by MTRCL in August 2015 was \$7.2 billion in MOD prices, which was higher than the original estimate at \$5.9 billion in MOD prices. As regards Ho Man Tin Station which would serve as an integrated station connecting both SCL and KTE, the construction cost would be apportioned between the SCL and KTE projects at a ratio of about 74:26 in accordance with the estimated patronage at peak hours at the station. According to the cost estimate review of KTE by MTRCL in August 2015, the construction cost of Ho Man Tin Station to be shared by the SCL project would still remain within the budget (i.e. about \$2,900 million in MOD prices).

19. Members also noted the progress of the associated Essential Public Infrastructure Works ("EPIW") to tie in with the commissioning of KTE, which were entrusted to MTRCL for implementation in parallel with the railway works. In accordance with the further review by MTRCL, the relevant construction cost of EPIW associated with KTE should be within budget.⁷

20. To minimize the impact of the commissioning of KTE on the public transport services, members urged the Administration to expedite the implementation of the relevant public transport reorganization plans ("PT plans"). They also considered it necessary for the Administration to continue to monitor and review the situation, and solicit feedbacks of the community and the transport trade after implementing the PT plans.

South Island Line (East)

21. SIL(E), which is a new railway corridor running from South to North of the Hong Kong Island, and connecting the MTR Island Line, Tsuen Wan Line and the future SCL at Admiralty Station, was commissioned on 28 December 2016. The Subcommittee conducted a site visit to SIL(E) on 12 December 2016 to better understand the service and facilities of the new railway line before its commissioning.

22. Members noted that the estimated cost of SIL(E) had increased from \$13.5 billion to \$16.9 billion in MOD prices due to the complexity of the project and continued challenges encountered in implementation. Apart from the main works, members were also informed that APE for

⁷ FC approved, at its meeting on 15 April 2011, the proposal to upgrade "60TR – Kwun Tong Line Extension – essential public infrastructure works" to Category A at an estimated cost of \$826.9 million in MOD prices.

the associated EPIW of SIL(E) would be increased by \$286.2 million, from \$927 million to \$1,213.2 million in MOD prices.⁸

23. On 29 December 2016, the next date after SIL(E) had commenced service, a power outage incident had resulted in a 31-minute service delay and disrupted the normal functioning of some railway and station facilities of five stations along the line. The Subcommittee held a special meeting on 17 January 2017 to follow up on the incident. According to the preliminary investigation by MTRCL, the power outage was triggered by one of the wires being in poor contact at the terminal of the Power Remote Control ("PRC") Device at Wong Chuk Hang Depot. As such, members urged MTRCL to thoroughly inspect all the 43 existing PRC Devices in use. They also considered it necessary to review the design of bundling facilities across different stations to the control of a single PRC Device. Besides, members had examined the contingency arrangements of MTRCL during the incidents, and the testing and trial runs conducted before commissioning of SIL(E).

24. In addition, members expressed keen concerns over the operations of the new line. They pointed out some areas for improvements, such as inadequate directional signs at the Admiralty Station to guide passengers through interchanging between Tsuen Wan Line, Island Line and SIL(E); the lack of barrier-free access facilities and the difference in the levels of the train and platform edges at Admiralty Station; the occasional need for manual adjustment of the stopping position of trains at some platforms under the Fully Automatic Operation system; and the noise nuisance caused by the loud volume of the public announcement systems at the entrances/exits of South Horizons Station.

25. As SIL(E) was only a medium system with small stations accommodating only three-car trains, members were worried that the capacity of SIL(E) to cater for the population growth in the district in future would be limited. In response, MTRCL explained that it had expected a stable growth in passenger numbers reaching some 170 000 passenger trips per day by 2031. To support future growth in passenger numbers, the current train frequency of about every 3.5 minutes per train during peak hours and about every 4.5 minutes per train during non-peak hours could be further increased. As far as the over-crowdedness at the platforms of Admiralty Station was concerned, members urged MTRCL

⁸ The Administration submitted the additional funding proposal (i.e. 56TR – South Island Line (East) – essential public infrastructure works) to the Public Works Subcommittee ("PWSC") in January 2017 (LC Paper No. PWSC(2016-17)44). PWSC endorsed the proposal at its meeting on 20 April 2017. At the time when this report was prepared, the proposal was being considered by FC.

to closely monitor the passenger flow arising from the extra patronage brought by SIL(E) and if necessary, implement crowd management and increase train frequency along SIL(E).

26. In respect of the PT plans in tandem with the commissioning of SIL(E), members urged the Administration to holistically take into account the demand for road-based transport services, including bus and minibus services, when finalizing the plans. In particular, they urged the Administration to take into account the demand for the existing bus routes serving sections of the routeings which would remain outside of the railway catchment. They noted that the Transport Department had conducted surveys between October and December 2016, and between 6 and 22 February 2017 to gather patronage data of affected bus routes and would fine-tune the PT plans for further consultation with District Councils concerned. The Administration would seek to implement the PT plans in phases within six months after the commissioning of SIL(E).

Cost overrun of railway projects

27. Members were of grave concern about the cost overrun for all the new railway projects, namely XRL, SCL, SIL(E) and KTE (the original and latest estimated costs of these projects are in **Appendix III**). They stressed the important role of HyD in monitoring the railway projects on their costs and progress.

28. When members were consulted on the Administration's proposals to increase APE for the associated EPIW of SIL(E) and that for the advance railway works of SCL at the meeting on 9 December 2016, they were deeply concerned about the cost overrun, and pressed questions on a number of issues, including deficiency in site investigation, problems in project management and monitoring mechanism, the limitation of the "Geoguide" compiled by Geotechnical Engineering Office for ground investigation, underperformance of MTRCL in risk analysis and assessment, and the handling of claims made by contractors.

29. Members were in particular disappointed about the increase in the on-cost payable to MTRCL, despite the hefty profits the company made from its operation and the property development rights granted to it for implementation of railway projects. In addition, MTRCL performance in managing and monitoring the projects was considered as less than satisfactory. Members suggested that the Administration should conduct a comprehensive review of its approaches, i.e. concession approach and ownership approach, in implementing the railway projects.

Operation of existing railways

30. The Subcommittee continued to follow up on issues relating to railway operations.

MTR station facilities

31. At the meeting of 28 April 2017, the Subcommittee was briefed by MTRCL on the latest progress of the enhancement of station facilities. Members in general welcomed MTRCL's various initiatives in enhancing, revitalizing and maintaining station facilities, in particular the noted progress in provision of barrier-free access facilities and toilets at stations. However, members noted with disappointment about the lack of progress in the provision of breastfeeding rooms at existing stations, and criticized MTRCL for lacking commitment in taking forward this initiative.

32. MTRCL explained that when planning for the provision of breastfeeding rooms, the availability of space, passenger flow, and evacuation arrangements at stations needed to be fully taken into account to ensure passengers safety. If needed, passengers could contact station staff for assistance so that a suitable area would be arranged for them for breastfeeding. Yet, members remained unconvinced, and they considered it incumbent upon MTRCL to actively identify suitable space, such as vacating some MTR shops for this purpose.

Measures for increasing the carrying capacity of Light Rail

33. Members expressed concern that the Light Rail service would not be able to cope with the growing population and transport demand in Tuen Mun and Yuen Long in the coming years. Given that the loading of certain Light Rail routes exceeded 90% during peak hours, members urged MTRCL to deploy more coupled-set Light Rail Vehicles ("LRVs") to increase the carrying capacity and relieve crowdedness during peak time. They also urged MTRCL to take interim measures to strengthen the existing Light Rail service before the LRV fleet could be expanded upon delivery of the newly purchased LRVs by batches between 2019 and 2023.

34. Members noted the constraints of the open design of the Light Rail system. Due to the open design, the Light Rail system had to share certain space of the roads with other road users, thus restricting the deployment of LRVs. Nevertheless, members noted that MTRCL had been enhancing the Light Rail service through various means, including purchasing new LRVs; appropriately deploying short-haul special service

and coupled-set LRVs to alleviate loading of certain busy sections; strengthening platform management to achieve better dwell time; and refurbishment of LRVs to increase their carrying capacity.

35. Members noted that the Public Transport Strategy Study ("PTSS") would cover the long-term development of Light Rail. Among others, PTSS would examine the feasibility of rationalizing some Light Rail routes with a view to re-deploying LRVs from Light Rail routes with lower patronage to those with higher patronage, and reducing route overlapping to relieve congestion in the busy town centre areas. Members generally agreed that rationalization of the long-haul route could facilitate deployment of LRVs to serve routes with higher patronage during peak hours, whereas some members considered that this was a controversial issue and public support should be enlisted.

36. In light of the further development of North West New Territories, in particular the future population intake in the Hung Shui Kiu New Development Area and the Yuen Long South development, members urged the Administration to enhance the transport infrastructure. For example, the Administration should consider taking forward the development of Environmentally Friendly Transport Services which could integrate with the existing Light Rail system, and exploring the feasibility of grade separation by constructing tunnels or bridges. Members noted that relevant issues would be considered under the Strategic Studies on Railways and Major Roads beyond 2030.

Mass Transit Railway By-laws and Mass Transit Railway (North-West Railway) Bylaw

37. At the meeting on 28 April 2017, the Subcommittee was briefed by MTRCL of the outcome of the long overdue review of the Mass Transit Railway By-laws (Cap. 556B) and Mass Transit Railway (North-West Railway) Bylaw (Cap. 556H) ("two sets of bylaws").

38. Members generally welcomed the updating of the two sets of bylaws to enhance the clarity and consistency of the provisions, keep up with technological advancements, and eliminate obsolescence or duplication. However, they disagreed with certain restrictions, in particular the prohibition of the drinking of water within the paid area, and the requirement of removing a wheel before a bicycle could be brought into railway premises. The Subcommittee passed a motion urging MTRCL to remove the said requirement of removal of a bicycle wheel. There was also a view that MTRCL should consult passengers' views and review the existing regulation that prohibited any persons from

bringing any animals, even small pets, into railway premises. On the way forward, members noted that amendments to the two sets of bylaws would be submitted to LegCo for approval.

Major railway incidents

39. The Subcommittee had followed up on a number of railway incidents. In addition to the special meeting held on 17 January 2017 to discuss the power outage incident at SIL(E), the Subcommittee also discussed, at the meeting of 28 April 2017, the incident of flooding of the South Horizons Station due to a burst water pipe on 14 February 2017, and the service disruption of Kwun Tong Line for around two hours 20 minutes during the evening peak hours on 10 April 2017. At the meeting on 2 June 2017, the Subcommittee reviewed the MTRCL's initial findings on the service disruption of the East Rail Line for about four and a half hours, caused by a damaged pantograph which got entangled with the overhead cable and subsequently pulled it down as the train moved.

40. Members discussed in depth the handling of incidents and the contingency measures taken by MTRCL. Issues such as the dissemination of information to passengers regarding the service suspension and latest train service arrangements, emergency bus arrangements and directions to the pick-up points, compensation to the affected passengers, and emergency drills carried out by MTRCL. Members also expressed concerns over the ageing problem of the railway systems, and urged MTRCL to step up inspections and maintenance. Among others, the Chairman and members urged the Administration to review its existing visual inspection procedure for overhead cables.

41. Besides, members also urged the Administration to step up monitoring effort and impose fines on MTRCL in case of substandard performance. Members noted that in accordance with the the Service Performance Arrangement introduced after the review of Fare Adjustment Mechanism ("FAM") in 2013, a fine will be imposed for major service disruptions of 31 minutes or more, and the sum payable will be credited to a fare concession account.⁹ In response to members'

⁹ The levels of penalty per incident are as follows:

| | |
|---|---------------|
| 31 minutes or more but less than or equal to one hour | \$1 million |
| More than one hour but less than or equal to two hours | \$2 million |
| More than two hours but less than or equal to three hours | \$3 million |
| More than three hours but less than or equal to four hours | \$5 million |
| Each additional hour (or part thereof) exceeding four hours | \$2.5 million |
| (subject to a maximum of \$15 million per incident, which will be raised to \$25 million per incident under the new package of FAM proposals for 2017-2018 to 2022-2023 that will take effect in June 2017) | |

suggestion that the remuneration of MTRCL's senior management should be reduced in the event of serious service disruptions, the Administration advised that it had reflected members' views in this regard to the Board of MTRCL. The Board of MTRCL had followed up and decided to include the occurrence of serious service disruptions as a consideration in the payment of performance-based remuneration to the Corporation's senior management staff in future.

Recommendation

42. The Panel is invited to note the work of the Subcommittee.

Council Business Division 4
Legislative Council Secretariat
16 June 2017

Panel on Transport

Subcommittee on matters relating to railways

Terms of Reference

To follow up various issues relating to the planning and implementation of new railway projects, and the operation of existing railways as follows:

Planning and implementation of new railway projects

- (a) planning and financing of new railway projects;
- (b) environmental impact assessment of new railway projects;
- (c) resumption of land arising from the implementation of new railway projects under the Railways Ordinance (Cap. 519);
- (d) progress update on the implementation of new railway projects;
- (e) provision of supporting public infrastructure for new railway projects; and
- (f) co-ordination of public transport services arising from the commissioning of new railway lines.

Railway operation

- (a) performance of existing railway lines including train service performance and safety management;
- (b) maintenance programme; and
- (c) train service disruptions and breakdowns, and arrangements for handling emergency situations.

Matters relating to corporate governance of the post-merger corporation and fares, including review of the fare adjustment mechanism, should be dealt with by the Panel on Transport.

Panel on Transport

Subcommittee on Matters Relating to Railways

Membership list for 2016-2017 session

| | |
|------------------------|--|
| Chairman | Hon Michael TIEN Puk-sun, BBS, JP |
| Deputy Chairman | Hon LAU Kwok-fan, MH |
| Members | Hon Mrs Regina IP LAU Suk-ye, GBS, JP Hon LEUNG Kwok-hung Hon Claudia MO Hon Frankie YICK Chi-ming, JP Hon YIU Si-wing, BBS Hon CHAN Han-pan, JP Dr Hon KWOK Ka-ki Dr Hon Helena WONG Pik-wan Ir Dr Hon LO Wai-kwok, SBS, MH, JP Hon Alvin YEUNG Hon CHU Hoi-dick Dr Hon Junius HO Kwan-yiu, JP Hon LAM Cheuk-ting Hon Wilson OR Chong-shing, MH Hon YUNG Hoi-yan Hon CHAN Chun-ying Hon Tanya CHAN Hon LUK Chung-hung Hon Kenneth LAU Ip-keung, MH, JP Dr Hon CHENG Chung-tai Hon Jeremy TAM Man-ho Hon Nathan LAW Kwun-chung Dr Hon YIU Chung-yim (Total: 25 members) |
| Clerk | Ms Sophie LAU (up to 14 February 2017) Ms Doris LO (since 15 February 2017) |
| Legal Adviser | Mr Alvin CHUI |

* Changes in membership are set out in Annex to Appendix II

Annex to Appendix II

Panel on Transport Subcommittee on Matters Relating to Railways Changes in membership

| Member | Relevant date |
|---------------------------|-----------------------|
| Hon LAM Cheuk-ting | Since 9 December 2016 |
| Dr Hon Elizabeth QUAT, JP | Up to 12 March 2017 |
| Hon CHEUNG Kwok-kwan, JP | Up to 14 March 2017 |

Key information of the four railway projects under construction/completed recently
(updated as at June 2017)

| | Hong Kong section of Guangzhou-Shenzhen- Hong Kong Express Rail Link | Shatin to Central Link | Kwun Tong Line Extension | South Island Line (East) |
|---|--|--|---|---|
| <i>Length of the rail line</i> | 26 km | 17 km | 2.6 km | 7 km |
| <i>Estimated construction cost</i> | \$66.8 billion (in money-of-the day ("MOD") prices) | \$79.8 billion (in MOD prices) | \$5.9 billion (in MOD prices) | \$13.52 billion (in MOD prices) |
| <i>The MTR Corporation Limited's ("MTRCL") latest estimated construction cost</i> | \$86.42 billion (increased by \$19.62 billion) | At least increased by \$4.1 billion | \$7.2 billion (in MOD prices) (increased by \$1.3 billion) | \$16.9 billion (in MOD prices) (increased by \$3.38 billion) |
| <i>Funding arrangement</i> | Implemented under the concession approach Construction of: - railway works: \$70.405 billion - non-railway works: \$16.015 billion Special ex-gratia payments in relation to the project: \$86 million | Implemented under the concession approach Protection works: \$695 million Advance works: \$7.7 billion Construction of: - railway works – main works: \$65.4 billion - non-railway works – main works: \$5.98 billion | Implemented under the ownership approach MTRCL was granted the topside property development right at Ho Man Tin Station under the "Rail-plus-Property Model" | Implemented under the ownership approach MTRCL was granted the topside property development right at Wong Chuk Hang Depot under the "Rail-plus-Property Model" |
| <i>Works commenced in</i> | 2010 | 2012 | 2011 | 2011 |
| <i>Original target commissioning dates</i> | 2015 | December 2018: Tai Wai to Hung Hom Section December 2020: Hung Hom to Admiralty Section | August 2015 | December 2015 |

| | Hong Kong section of Guangzhou-Shenzhen- Hong Kong Express Rail Link | Shatin to Central Link | Kwun Tong Line Extension | South Island Line (East) |
|---|--|--|--|---|
| <i>Target opening/actual commissioning date</i> | Third Quarter of 2018 | Mid-2019: Tai Wai to Hung Hom Section 2021: Hung Hom to Admiralty Section | Commissioned on 23 October 2016 | Commissioned on 28 December 2016 |
| <i>Journey time</i> | Between Hong Kong and Futian, Shenzhen: 14 minutes Between Hong Kong and Shenzhen North: 23 minutes Between Hong Kong and Guangzhou South: 48 minutes | Between Wu Kai Sha and Admiralty: 36 minutes Between Tai Wai and Diamond Hill: 6 minutes Between Tai Wai and Kai Tak: 8 minutes Between Hung Hom and Admiralty: 5 minutes Between Tai Wai and Admiralty: 17 minutes Between Lo Wu and Admiralty: 50 minutes | Between Mong Kok and Whampoa: 5 minutes | Between Admiralty and South Horizons: 10 minutes |