

## LCQ5: Accelerating the implementation of railway projects

Following is a question by the Hon Michael Tien and a reply by the Secretary for Transport and Logistics, Ms Mable Chan, in the Legislative Council today (May 21):

Question:

There are views that as the Government is currently making vigorous efforts to develop the Northern Metropolis, it should expedite the implementation of various railway projects, such as the "Hung Kong Railway" linking Hung Shui Kiu to Hong Kong Island and the new cross-harbour railway between the coastal areas of Tuen Mun and Hong Kong Island. In this connection, will the Government inform this Council:

(1) as the Government has indicated earlier on that the co-ordination of railway projects by one single entity is conducive to maintaining cost-efficiency, and that splitting part of the railway project works into a public works project may not be able to help enhance the efficiency of such a project, but there are views that adopting the public-private-partnership (PPP) approach in taking forward the railway projects (e.g. handing over to the Government the infrastructure portion, which accounts for about 70 per cent of the overall works, while the MTR Corporation Limited will take charge of the remaining portion of the electrical and mechanical works, which accounts for about 30 per cent) may expedite the progress of such works, and the Government may also raise funds through bond issuance, and even if the debt-to-Gross Domestic Product (debt-to-GDP) ratio rises to 16 per cent in the future, Hong Kong's debt-to-GDP ratio will still rank around 160 among some 170 economies, whether the Government will proactively explore and implement the PPP option in this regard; and

(2) whether it will consider formulating a labour importation scheme specifically for the railway projects, under which Mainland workers who travel on a same-day-return basis and are not entitled to any local benefits will be imported and exempted from the restriction that their wages should not be less than the median monthly wages of local workers in comparable positions, so as to reduce the cost of such projects; if so, of the timetable; if not, the reasons for that?

Reply:

President,

Following the principles of "infrastructure-led" and "capacity-creating", the Government is pressing ahead with a series of major transport infrastructure projects in the Northern Metropolis (NM) to strengthen the connectivity among the various new development areas and with other districts, as well as to facilitate Hong Kong's better integration into the

national development through the construction of cross-boundary infrastructure.

The Government is carrying out preliminary planning and study for the development of the Kau Yi Chau Artificial Islands (KYCAI) and related strategic railway. The proposed strategic railway is primarily intended to enhance the connectivity of the artificial islands with the NM and the western part of Shenzhen, and its alignment and programme will have to tie in with the planning of the artificial islands. After reviewing the priorities and overall strategy of the various land creation and infrastructure projects, the Government considers that the development pace of the KYCAI could be eased. Separately, relevant departments are conducting a planning and engineering study on the near-shore reclamation in Lung Kwu Tan and the re-planning of Tuen Mun West area, and the transport connectivity of the said area with other districts will be examined in the process.

In consultation with the Financial Services and the Treasury Bureau, the Development Bureau and the Labour and Welfare Bureau, our reply to the various parts of the question raised by the Hon Michael Tien is as follows:

(1) To ensure that the NM and other strategic infrastructure projects can proceed on schedule and benefit the economy and people's livelihood at an early juncture, the Government will leverage market resources in a more flexible manner and adopt more diverse development models. All along, the Government would formulate the most suitable implementation and financing arrangements of individual new railway project taking into account the distinct characteristics and specific circumstances of each project. Currently, railway projects are mainly implemented under the "Rail-plus-Property" model which has proven to be effective. The Government grants property development rights having regard to the funding gap of the project, while the railway company bears the commercial risks associated with the design, construction, operation and maintenance of the railway. Under this arrangement, the railway company would co-ordinate the works for the property development as well as those for the railway, which could enable synergy among the stations, depots and the property development, and also create incentive for the railway company to complete the railway project and thus enhance the value of the property development as early as possible. Where circumstances warrant, the Government does not preclude the possibility to provide financial support for new railway projects through or in combination with other means. In fact, there were railway projects being taken forward using other approaches.

The current practice of having a single entity to implement a railway project ensures seamless co-ordination across all aspects of the project, from design to construction. This also helps ensure that the design of the works fully takes into consideration cost-effectiveness, meeting operational needs while keeping cost under control. Splitting part of the works of a railway project into public works of the Government might not be able to help enhance the efficiency of the works due to interfaces between the works, and would also increase the Government's fiscal burden. With projects related to the NM being rolled out progressively, as well as other infrastructure projects with socio-economic benefits, the Government will expand the scale

of bond issuance correspondingly. Over the five years covered by the current Medium Range Forecast, the ratio of government debt to Gross Domestic Product is expected to rise from the current 9.5 per cent to 16.5 per cent, which remains to be a prudent and manageable level. The actual amount of bonds to be issued by the Government will take into consideration the prevailing fiscal position, market response and works progress. We will continue to adhere strictly to fiscal discipline and ensure the fiscal prudence of our overall bond issuance programmes and sustainability of our public finances.

The MTR Corporation Limited (MTRCL) has been playing a pivotal role in driving Hong Kong's development. We are aware of public concerns about the possible pressure on the MTRCL's manpower and resource when taking forward multiple new railway projects simultaneously. The Government has reminded the MTRCL's management of the need to strategically plan its treasury management, and make financing arrangements through appropriate means such as bond issuance having regard to its liquidity needs, so as to support the corporation's operation and continuous development. At the same time, the MTRCL must strictly control the costs and compress the programmes of its railway projects in order to enhance the financial viability of the projects.

To enhance speed and efficiency in implementing railway projects, the Government will continue to optimise and streamline procedures through "dual innovation" in policy and technology, so as to save construction time and manpower. Subject to local circumstances and existing legal framework, the Government is also actively exploring ways to facilitate the use of Mainland's construction methods and capabilities in constructing cross-boundary railway projects. In addition, when taking forward independent new railways or transport infrastructure projects, the Government will consider introducing new entities in their implementation. This would not only help relieve the pressure on the MTRCL, but also enable new entities to introduce innovative technologies and bring in more diverse financing sources.

(2) The existing Labour Importation Scheme for Construction Sector (Construction Sector Scheme) allows principal contractors of eligible works contracts to apply for importation of labour. The requirements for importing labour under the Construction Sector Scheme are formulated by the Government in accordance with Hong Kong's labour policy. Principal contractors of railway projects may also apply for importation of labour under this scheme as needed.

In the case of cross-boundary railway projects, the adoption of Mainland construction teams would work better with the above-mentioned idea of leveraging the Mainland's construction methods and capabilities and achieve maximum effectiveness. Taking the subsea railway tunnel of the Hong Kong-Shenzhen Western Rail Link at the Deep Bay as an example, it would be more efficient and cost-effective for the Shenzhen side to construct the tunnel by unidirectional tunneling method. The Government will seriously study the implementation of specific arrangements for employment of Mainland labour in cross-boundary railway projects in light of the projects' unique nature.