

LCQ11: MTRCL operating railway services in Sweden

Following is a question by the Hon Mrs Regina Ip and a written reply by the Acting Secretary for Transport and Housing, Dr Raymond So Wai-man, in the Legislative Council today (November 4):

Question:

The MTR Corporation Limited (MTRCL) indicated in its Interim Report 2020 published in August this year that it was preparing for a bid submission for Sweden Mälartåg, a potential railway project, to be submitted in September this year. MTRCL is currently operating via its wholly owned subsidiaries three railways in Sweden, namely Stockholm Metro, MTRX and Stockholms pendeltåg. Furthermore, as the service of MTRX has been reduced due to a decline in demand under the impact of the epidemic, a serious fall in revenue has been recorded. Besides, the wholly owned subsidiary that operates Stockholms pendeltåg will likely remain in a loss-making position this year. In this connection, will the Government inform this Council if it knows:

- (1) whether MTRCL has successfully secured the operating contract for the Sweden Mälartåg project; if MTRCL has, of the details of the project (including the contract period, investment amount, anticipated profit, etc.);
- (2) the respective specific amounts of profit and loss in the past three years of the three Swedish railways currently operated by MTRCL;
- (3) given that MTRCL's railway business in Sweden has been sustaining losses continuously in recent years, the justifications for MTRCL to continue bidding for the operation of new railway projects in Sweden; and
- (4) whether MTRCL has formulated any exit plan in respect of those Swedish railway projects that have been recording losses over a long period of time; if MTRCL has, of the details; if not, the reasons for that?

Reply:

President,

As the railway operator of Hong Kong, the MTR Corporation Limited (MTRCL) is tasked with great responsibilities. Since its commencement of operation in 1979, MTRCL has adhered to the management principle of maintaining its primary focus on local businesses. The development of railway businesses in Hong Kong has always been its core business. As for the businesses outside Hong Kong, MTRCL would carefully analyse the risk and return, including the financial position, local laws, market competition, manpower required from Hong Kong and the local community. External consultants will be engaged for advice where necessary.

My reply to the four parts of the question is as follows:

(1) Mälartåg runs between Stockholm, Sweden and neighbouring areas. It is currently operated and maintained by a local railway company in Sweden. In September 2020, MTRCL submitted a letter of intent to the relevant Swedish government authority to bid for the operating and maintenance right of the railway line. The result of the bid is expected to be released by end of this year or early 2021.

To strengthen management and to ensure that the Corporation keeps its primary focus on local businesses, MTRCL has set risk management indicators for its Mainland and overseas business investments. The total overseas investment (including equity investment, shareholders' loans as well as financial and performance guarantees) shall not exceed 5 per cent of the equity attributable to equity shareholders. At present, MTRCL's overseas business investment, factoring in the potential investment in the Mälartåg project in Sweden, has not reached the relevant cap.

(2) At present, MTRCL operates three railway projects in Sweden, namely, Stockholm Metro, MTR Express, and Stockholm commuter rail (Stockholms pendeltåg). Since 2017, the overall revenue, expenses and profit before business development expenses (EBITDA) of its Swedish business (MTR Nordic) are as follows:

(HK\$m)	2017	2018	2019	2020 1st half
Revenue	4,982	4,891	4,862	2,257
Expenses	4,748	5,050	4,832	2,245
Profit/loss before business development expenses (EBITDA)	234	-159	30	12

The business has been affected by the pandemic in the first half of 2020 but the impact showed signs of easing in recent months.

(3) and (4) As mentioned above, in developing non-local businesses, including the decision of bidding for the Mälartåg project in Sweden, MTRCL would carefully analyse the risk and return of the projects, including making reference to the long-term investment outlook for the countries/cities concerned and the project specifics, in order to make decisions on investment and business development.

As for existing projects, the financial performance and investment return are often affected by multiple factors. MTRCL shall continue to review the risk and return of those projects, including the impact of the external economy and investment environment on the operation of individual projects, so as to develop suitable business plans, and ensure that the projects are in the interests of the Corporation.