

LCQ3: Development of topside properties at new railway stations

Following is a question by the Hon Mrs Regina Ip and a reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (May 12):

Question:

Last year, the Government entrusted the MTR Corporation Limited (MTRCL) to take forward the development of two new railways, namely Tuen Mun South Extension and Northern Link. Under the "ownership" approach and the "Rail-plus-Property development" model, the MTRCL is responsible for the construction and operation of the two new railways, and it will be granted the development rights of the topside properties at the railway stations by the Government to subsidise the railway construction costs. In this connection, will the Government inform this Council:

(1) of the respective expected numbers of residential units to be built atop the stations of the aforesaid two new railways; and

(2) whether it will discuss with the MTRCL the allocation of at least half of such residential units for sale as Home Ownership Scheme units; if so, of the details; if not, the reasons for that?

Reply:

President,

My consolidated reply to the Hon Mrs Regina Ip's question is as follows:

The Railway Development Strategy 2014 (RDS-2014) recommends seven new railway schemes. Having examined the proposals submitted by the MTR Corporation Limited (MTRCL) and considered the urgency of various projects together with the land development potential that may be brought about, while allowing a continuous development of Hong Kong's railway network with phased implementation of the railway projects in an orderly manner, the Transport and Housing Bureau (THB) invited the MTRCL to commence the detailed planning and design for the Tuen Mun South (TMS) Extension and Northern Link (NOL) last year and will carry out negotiation with the MTRCL on the financing arrangement of the above-mentioned projects respectively on the basis of the "ownership" approach for funding the projects.

Under the "ownership" approach, the MTRCL will be responsible for the financing, design, construction, operation and maintenance of the new railway, and ultimately owns the railway. A railway project is considered "not financially viable" if the present value of all its revenues net of expenditures fall short of the expected return on capital. This funding gap

will need to be filled. Upon receipt of the funding support from the Government to bridge the funding gap, the MTRCL would bear all the commercial risks associated with the design, construction, operation and maintenance of the new railway. The Government has no obligation to provide any further funding support to the MTRCL even if the future revenue of the new railway turns out to be lower than expected. The Government had adopted different methods to bridge the funding gap in the past, including capital grant for the West Island Line and the "Railway-plus-Property (R+P)" model adopted in most other projects. Since each railway project has its own uniqueness, the form of funding support will depend on the individual project. The Government will consider the most appropriate method for funding each individual project.

The Government will carry out negotiation with the MTRCL on the financing arrangement of the TMS Extension and the NOL respectively. The negotiation will be conducted concurrently with the detailed planning and design process of the projects.

In respect of the TMS Extension and the NOL, the detailed planning and design for both projects is in progress. We will, with the support of independent consultants, examine the estimated project costs and revenue prepared by the MTRCL carefully and rigorously. We will endeavour to bring down the project expenditure and increase the estimated revenue so as to narrow down the funding gap to be bridged, and verify the valuation of the R+P site(s). Assuming that the Government will provide funding support for the relevant projects using the R+P model, we will need to determine the funding gap of the relevant project first and complete the relevant procedures for change of land use if necessary before confirming the scale of the relevant property development.

Given that the primary purpose of granting property development right is to bridge the funding gap of a railway project, the R+P sites were generally used for development of private housing in the past to maximise the value of the sites. If the R+P site is used for the construction of Subsidised Sale Flats, it will reduce the profit that can be brought about by the property development. The feasibility of such recommendation depends on whether there are sufficient sites along the proposed railway for public and private housing development while generating sufficient profit to bridge the funding gap. As the TMS Extension is only about 2.4 kilometers in length, the availability of R+P site(s) along the railway alignment is relatively limited. For the 10.7-kilometer long NOL, we will review whether there is room for adopting such recommendation in light of the circumstances of the project.

In fact, the Government has been exploring the development potential of sites adjoining railways to increase public housing supply. For instance, the Government has drawn up the Outline Zoning Plan for the about 30-hectare Siu Ho Wan Depot site. It is expected that this development project would provide about 20 000 units in the medium to long term, of which around half would be public housing which are mainly Subsidised Sale Flats under current planning. In addition, the Government had reserved some sites in the vicinity

of Tung Chung East Station for public housing development when planning the Tung Chung East extension area, which includes around 10 000 public housing units in Tung Chung Areas 99 and 100 currently under construction.

Under the current shortage of the public housing supply, we will make our best endeavour to utilise sites for housing purpose to meet the demand of the grassroots.

Thank you, President.