

Operating arrangements announced for Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link

The Transport and Housing Bureau announced today (August 23) the operating arrangements for the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL). The XRL will be commissioned on September 23 to connect with the national high-speed rail network, offering direct trains to 44 destinations. The service concession of the XRL has been formally granted to the MTR Corporation Limited (MTRCL).

Speaking at a press conference today, the Secretary for Transport and Housing, Mr Frank Chan Fan, said, "The XRL will commence operation on September 23. The commissioning of the XRL is a historic moment for Hong Kong. It will bring not only a brand new, faster and more convenient means of cross-boundary transport to and from the Mainland for people in Hong Kong, but also strengthen links between Hong Kong and the Mainland by connecting the city to the 25,000-kilometre national high-speed rail network. It will foster commercial and cultural exchanges between Hong Kong and Mainland cities and enhance Hong Kong's status as a transport hub. It will also enable Hong Kong to tap into the synergy and opportunities brought about by the development of the Guangdong-Hong Kong-Macao Greater Bay Area. With more and more Hong Kong people working, conducting business, studying and retiring in the Mainland, the commissioning of the XRL can enhance the long-term development opportunities for promoting sustainable growth in trades including tourism, commerce and professional services."

The 44 destinations that the direct XRL trains will reach comprise six short-haul destinations, namely Futian, Shenzhen North, Guangmingcheng, Humen, Qingsheng and Guangzhou South of the Guangzhou-Shenzhen-Hong Kong Passenger Line, and 38 long-haul destinations along the Beijing-Guangzhou Passenger Line, the Hangzhou-Fuzhou-Shenzhen Passenger Line, the Shanghai-Kunming Passenger Line and the Guiyang-Guangzhou Passenger Line, including Beijing, Shanghai, Kunming, Guilin, Guiyang, Shijiazhuang, Zhengzhou, Wuhan, Changsha, Hangzhou, Nanchang, Fuzhou, Xiamen and Shantou.

"The number of destinations that can be reached by XRL trains is far more than the four short-haul destinations and 14 long-haul destinations we announced earlier. High-speed train tickets are always in high demand in the Mainland. We are glad that the XRL can reach 44 destinations upon its commissioning. We have followed a strategic plan in selecting destinations. Taking a short-haul destination as an example, Futian is located at the centre of the financial development area in Shenzhen, and is home to the headquarters of a number of financial corporations as well as the Shenzhen Convention and Exhibition Centre. Regarding the two newly added short-haul destinations, Guangmingcheng is a new administrative region approved by the State Council in May this year, while Qingsheng is located in Nansha New

Area, which is the sixth state-level new zone. Both destinations are new development areas for innovation and technology industries with speedy economic growth and huge development potential. It will take an hour to travel by XRL train to these destinations, which can greatly facilitate commercial and cultural exchange between Hong Kong people and cities in the Bay Area, and is conducive to realising the 'one-hour living circle' in the Bay Area. With the Central Government's new initiative to be implemented in September to allow Hong Kong residents living on the Mainland meeting the relevant criteria to apply for residence permits, this will provide more opportunities for Hong Kong people in the Mainland.

"Many of the other long-haul destinations are popular tourist spots for Hong Kong people. Considering that many Hong Kong people like to travel to the Chaoshan area, we have sought some destinations in the Chaoshan area along the Hangzhou-Fuzhou-Shenzhen Passenger Line, such as Shantou, Shanwei, Lufeng and Chaoyang. Along the northern route from Guangzhou South, we have also sought two tourist spots, Shaoguan and Hengyang, as intermediate destinations. All these connections will bring new opportunities to the Hong Kong travel industry and be conducive to developing multi-destination itineraries, so as to help Hong Kong develop further as a regional tourism brand," Mr Chan said.

Upon the commissioning of the XRL, there will be 114 pairs of short-haul trains daily during peak periods (general holidays of Hong Kong and public holidays in the Mainland and the connecting weekends, summer holidays during July and August, and the Spring Festival travel seasons in the Mainland). As for weekdays and weekends (Friday to Sunday), 70 and 82 train pairs will run daily respectively. Subject to market demand, the train schedule will be suitably adjusted in view of passenger flow. There will also be 13 pairs of direct long-haul trains daily.

As for fares, both the Mainland and Hong Kong sides previously agreed that the fares of the XRL between West Kowloon Station (WKS) and the short-haul destinations should suitably reflect the greater convenience and shorter travelling time of the new cross-boundary high-speed train services, while providing maximum social and economic benefits to the community at large and without undermining the competitiveness of the XRL. The fares for the long-haul destinations will be determined by adding up the existing fares for travelling from these stations to Guangzhou South (for trains of the Beijing-Guangzhou Passenger Line, the Shanghai-Kunming Passenger Line and the Guiyang-Guangzhou High-Speed Railway that pass through Guangzhou South) or Shenzhen North (for trains of the Hangzhou-Fuzhou-Shenzhen Passenger Line that pass through Shenzhen North) and the fares of the XRL from Guangzhou South or Shenzhen North to WKS respectively.

The Second Class fares from WKS to the short-haul destinations will range between RMB68 (around \$78) for Futian to RMB215 (around \$247) for Guangzhou South. For the Second Class fares of long-haul destinations along the Beijing-Guangzhou Passenger Line, the Hangzhou-Fuzhou-Shenzhen Passenger Line, the Shanghai-Kunming Passenger Line and the Guiyang-Guangzhou High-Speed Railway, the highest prices are RMB1,077 (around \$1,239) for Beijing,

RMB349 (around \$401) for Fuzhou, RMB1,008 (around \$1,159) for Shanghai and RMB538 (around \$619) for Guiyang respectively. In actual operation, there may be various promotional and concession fares for the XRL during non-peak periods or low seasons for tourists having regard to market demand so as to enable more passenger groups to experience the XRL services.

The MTRCL plans to adjust the fares of the XRL in Hong Kong dollars on a monthly basis for tickets sold through the Hong Kong ticketing system (via a Hong Kong ticketing website and hotline, at a ticketing office and ticket vending machines at WKS and through local travel agencies). As for the arrangements and service fees for purchasing Mainland journey tickets, the Mainland and Hong Kong sides earlier agreed, as an interim measure, to charge concessionary service fees for people purchasing Mainland journey tickets at the five ticketing counters at the ticketing office of WKS. The new service fees will depend on the fare level – \$10 for a ticket less than RMB200, \$20 for a ticket at or above RMB200 to less than RMB300 and \$30 for a ticket at or above RMB300. As compared with the current service fees for purchasing Mainland journey tickets, the new arrangement greatly reduces the service fees for purchasing Mainland journey tickets at WKS. Meanwhile, the MTRCL and China Railway Corporation (CR) will continue to explore other channels through which Hong Kong passengers may purchase Mainland journey tickets in a more convenient and direct manner. In this connection, CR is in support of the idea of enhancing the Mainland ticketing system (i.e. www.12306.cn) to facilitate online purchase of Mainland journey tickets by Hong Kong passengers. CR is working to overcome the policy and technical challenges with a view to achieving system enhancement. The above discounts on service fees at WKS will be offered until such time when these long-term solutions are available.

As for the concession agreement of the XRL, the Government and the Kowloon-Canton Railway Corporation (KCRC) signed the legal documents for vesting in the land or interests or other rights in respect of land for the operation of the XRL, and assigning the movable assets of the XRL to the KCRC. Under the Supplemental Agreement to the existing Service Concession Agreement, the KCRC will grant the MTRCL a 10-year concession to operate the XRL. The MTRCL needs to pay the KCRC concession payments based on the actual patronage of the XRL. Furthermore, the Government and the MTRCL signed the amendment agreement to the existing Operating Agreement to govern the MTRCL's daily operation and management of the XRL.

The XRL is the first railway project constructed and operated under the concession approach. "With the efforts and co-operation by various parties, the operation of the XRL will be financially healthy based on the current patronage forecast. The KCRC may receive substantial concession payment for the XRL according to the established mechanism. The MTRCL has to pay the KCRC concession payment for the XRL according to an established mechanism. The amount equals 90 per cent of the discounted cash flow of the project. It is estimated that the MTRCL will pay the KCRC a total Additional Concession Payment exceeding the net amount of \$2.7 billion (in money-of-the-day prices) for the 10-year concession period for the XRL even with a prudent patronage forecast adopted," Mr Chan said.

The XRL will connect with the enormous high-speed rail network in the Mainland and provide more cross-boundary transport options for Hong Kong citizens as well as tourists from various Mainland cities. The Government is therefore confident that the commissioning of the XRL can boost the overall cross-boundary passenger flows. Coupled with the competitive fare level for the XRL and a mechanism to adjust fares according to market responses, the XRL will be able to achieve good financial health and stability. Since the XRL will be a brand new cross-boundary transport mode, the Government has adopted a prudent approach to forecast patronage for the XRL in considering the business case of the project. Nevertheless, having regard to commercial considerations as well as the balance of returns and risks, the Government, the KCRC and the MTRCL agree on the two arrangements below:

(a) When the actual patronage of the XRL deviates considerably from the projected patronage, the KCRC and the MTRCL will share the returns or risks arising from such deviation under a fair and symmetric mechanism, which is called a Patronage Cap-and-Collar Mechanism. If the deviation of the actual patronage from the projected patronage is within 15 per cent, the MTRCL will bear all the risk or retain all the return; if the deviation of the actual patronage from the projected patronage is beyond 15 per cent, the MTRCL and the KCRC will bear the risk or share the return according to the ratio of 30 per cent to 70 per cent. In any event, the MTRCL will still need to pay to the KCRC Variable Annual Payments according to the total revenue generated from the operation of KCRC railways (the East Rail Line, the West Rail Line and the Light Rail) and related business according to the mechanism under the Service Concession Agreement; and

(b) The Government expects that the XRL should only have minimal impact on the patronage of the existing MTRCL rail network (in particular the East Rail Line including the Lo Wu and Lok Ma Chau stations). Nevertheless, the KCRC and the MTRCL agree to calculate the actual impact of the XRL on the patronage of the existing rail network over two periods and the total amount will not exceed \$1.5 billion. The estimated Additional Concession Payment to be received by the KCRC (i.e. \$2.7 billion) should be able to offset the effect even if such a circumstance arises.