

Legislative Council Panel on Transport
Subcommittee on matters relating to railways

KOWLOON SOUTHERN LINK
CANTON ROAD STATION

INTRODUCTION

This paper provides Members with more information relating to the commercial discussion between the Kowloon-Canton Railway Corporation (KCRC) and the Wharf Estates Development Limited (Wharf) on the Canton Road (CAR) Station.

DETAILS

2. In July 2004, KCRC and Wharf started to examine the constructability of the Basement Scheme under which the CAR Station would be constructed underneath the existing buildings within the Harbour City. In view of the technical complications and the associated huge risks inherent in the Basement Scheme, both KCRC and Wharf agreed in early September 2004 to drop the Basement Scheme. From then on, KCRC and Wharf focused on examining the Redevelopment Scheme under which the CAR Station would be provided as part of the redevelopment of the Harbour City in the future.

3. For the Redevelopment Scheme, KCRC estimated that the total cost of constructing the CAR Station would be \$1.8 billion. The estimated cost breakdown was as follows -

| <u>Works</u> | <u>\$ million</u> |
|---|-------------------|
| (a) Enabling works including the increase of the bored tunnel diameter from 7.0m to 8.6m, provision of platform and associated ventilation structure inside the tunnel and the provision of ventilation shaft | 520 |

| <u>Works</u> | <u>\$ million</u> |
|---|---|
| (b) Station works including fitting-out, electrical & mechanical services and railway systems | 500 |
| (c) Station box structure and associated works | <u>780</u> |
| Total estimated cost | 1,800 (or \$1.8 billion) |

4. KCRC's final offer to Wharf was that KCRC would be responsible for (a) and (b) and that Wharf would be responsible for (c). In order to ensure that Wharf would go ahead with the re-development, KCRC requested a firm undertaking from Wharf that it would reimburse KCRC the full amount of (a) if Wharf was not able to make the site required for constructing the CAR Station within an agreed time frame. If the Redevelopment Scheme were to go ahead, KCRC would bear \$1.02 billion (or 57% of the total estimated cost) and Wharf \$0.78 billion.

5. After a series of discussions, Wharf informed KCRC in early December 2004 that it would be agreeable to reimbursing KCRC with the cost of (a) if it were unable to make available the site required for constructing the CAR Station by the date to be agreed, subject to the Government's approval of its new general building plans incorporating the CAR Station. As regards (c), Wharf informed KCRC that the works should be KCRC's responsibility. In other words, if a CAR Station were to be constructed under the Redevelopment Scheme, KCRC would be responsible for all the works set out in paragraph 3 above.

6. The press release issued by KCRC on 6 December 2004 is attached for Members' information. Also attached is a map indicating the locations of the railway stations in the Tsim Sha Tsui area and their catchments.

7. Members are invited to note the contents of this paper.

Kowloon-Canton Railway Corporation
December 2004

新聞稿

Press release

Canton Road Station excluded from the Kowloon Southern Link

(Hong Kong, 6 December 2004) The Kowloon-Canton Railway Corporation (KCRC) announced today that the Corporation has decided to proceed with the Kowloon Southern Link (KSL) project without a Canton Road (CAR) Station. This is a decision made after months of discussion with Wharf, with the active participation of the Government.

A KCRC spokesman said, "It is unfortunate that no agreement could be reached between the two sides. We understand the wish of the public and the business community to have a station at Canton Road. Within the constraints placed on the Corporation, we have tried our best to meet their expectation."

The Canton Road (CAR) Station was not included in the original scheme recommended in the Government's Railway Development Strategy 2000. The provision of a station at Canton Road was first included in a preliminary proposal that the KCRC submitted to the Government in July 2001. It was stated in the proposal that the Corporation was considering to construct the station either by open cut methods under Canton Road or by resuming two multi-storey buildings on the east side of Canton Road. With the limited information then available, both the KCRC and the Government considered the open cut option to be the more practical.

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Press release

At that time, the marginal weekday patronage for KSL in 2016 was forecast to be 270,000 with West Kowloon Station (WKN) and CAR Station, and 245,000 if only WKN is to be built. In other words, CAR Station would only bring along an incremental patronage of 25,000. With this level of patronage, the KCRC recognised that the CAR Station could not generate any return and would lower the overall return for the KSL project as a whole, although the project remained financially viable. Nonetheless, taking into consideration the potential benefit that the CAR Station would bring to the community, the Corporation decided to proceed on the basis of providing two stations on KSL.

Subsequently, in undertaking more detailed design and site investigation, insurmountable technical difficulties were found to be associated with building a station either by open cut methods under Canton Road or by resuming buildings on the east side of Canton Road. The Corporation thus decided to drop any immediate plans to provide a station at Canton Road in November 2003. The scheme without a CAR Station was gazetted on 26 March 2004.

In response to the strong views expressed by the public and the business community, echoed in the request from the Legislative Council in June this year, the KCRC undertook a joint study with Wharf and the Government on the feasibility of constructing a station at Canton Road within the Harbour City development. Two schemes were actively explored, namely, a basement scheme whereby a station would be constructed below the existing World Finance Centres, North & South Towers; and a redevelopment scheme which involved an underground station being built as part of a re-development by Wharf of the World Finance Centres. After detailed study, both KCRC and Wharf concluded that the basement scheme presented unacceptably high risks and the only technically viable scheme was the redevelopment scheme.

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As part of the process of examining the technical feasibility of the CAR Station, KCRC took the opportunity to re-visit the patronage projection, especially in light of recent changes in the Government's population planning and GDP growth forecasts, and the patronage levels experienced on West Rail since its opening. Because of the reduction in population growth along the West Rail and KSL alignment, the KSL marginal weekday patronage in 2016 has since been revised downward to 190,000 if only WKN Station is built and to 207,000 if the CAR Station is also provided. As the CAR Station is now forecast to only bring in an incremental patronage of 17,000, the financial viability of the CAR Station has deteriorated yet further from the situation first forecast in 2001, as has the overall KSL project return. Moreover, the KCRC's financial position as a whole has weakened considerably since 2001, due in large part to the cash operating losses following opening of West Rail.

The KCRC Managing Board has debated whether or not to proceed with the CAR Station given the less positive financial picture. Having regard to community aspirations but being conscious of the Corporation's weakened financial position, the Managing Board has decided that a CAR Station could be provided as long as the negative impact of the station on the KSL project return would be no greater in real terms than first forecast in 2001. Given the drop in incremental patronage for the CAR station between the original and latest forecasts, it was recognised that an additional source of funds would need to be found to preserve the 2001 position. The KCRC has thus looked for possible options to fill the gap.

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It was considered that, with Wharf holding the largest property portfolio in that area of Canton Road and with plans for future redevelopment, it would be in Wharf's interest to see the CAR Station constructed.

The KCRC Managing Board decided to invite Wharf to consider cooperating in the construction of the CAR Station project and thereby share in the capital costs.

Unfortunately, the KCRC has been unable to secure a commitment from Wharf to share the cost of the station.

"Being a government-owned corporation, KCRC has to balance social and public community considerations against the requirement in law to act in accordance with prudent commercial principles," the spokesman said. "We therefore cannot proceed alone with a station which would result in a worse impact on the KSL project return than in 2001. Nonetheless, given the views expressed by the public and the business community, we have offered to make a substantial contribution towards the cost of providing a station. That we have been unable to reach an agreement with Wharf is disappointing."

"The East Rail East Tsim Sha Tsui (ETS) Station will be able to meet the needs of passengers travelling to the Harbour City area of Canton Road as, in the absence of being able to provide a CAR Station, the Corporation has committed to spend \$300 million to further extend the existing passenger subway link underneath Middle Road to Peking Road, thus shortening the walking distance from ETS Station to Canton Road to just 10 minutes without the need to cross roads at ground level. For those passengers wishing to travel to location further

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Press release

north on Canton Road, the WKN Station provides a convenient alternative." (see Appendix)

"For over a million residents in the northwest New Territories, the KSL can provide them with an efficient and direct rail link to the urban area. "Without the CAR Station, the strategic importance of KSL will not be lessened with WKN and ETS located nearby and a user-friendly pedestrian subway system," the spokesman added.

Following the gazetting of the KSL scheme on 26 March this year, the Corporation has been working on the amendments to the KSL scheme, taking into consideration the views and concerns from the public. The Government is expected to gazette the amendments under the Railway Ordinance in mid-December for further public consultation.

Linking up the West Rail terminus at Nam Cheong Station with the East Rail ETS Station, construction of the 3.8-km KSL is expected to commence in 2005, with completion targeted in 2009.

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