

# **LEGISLATIVE COUNCIL BRIEF**

## **TUEN MUN SOUTH EXTENSION FINANCIAL ARRANGEMENT**

### **INTRODUCTION**

At the meeting of the Executive Council on 5 September 2023, the Executive Council ADVISED and the Chief Executive ORDERED that approval should be given to grant the MTR Corporation Limited (MTRCL) the property development rights of Tuen Mun Area 16 (the Site) and deduct a fixed lump sum from the full market value (FMV) land premium of the Site assessed on a “with-railway” basis as funding support to MTRCL for bridging the funding gap to implement the Tuen Mun South Extension (TME) project.

### **THE PROJECT**

2. The TME project is one of the seven recommended railway schemes in the Railway Development Strategy 2014. It will extend the Tuen Ma Line (TML) from Tuen Mun Station southwards by about 2.4 kilometres. A new Tuen Mun South (TMS) Station is proposed near Tuen Mun Ferry Pier; and an intermediate station, namely A16 Station, is proposed at Tuen Mun Area 16.

3. The TME largely runs along Tuen Mun River and will improve railway access to the community south of the current Tuen Mun town centre and connectivity to Tuen Mun Ferry Pier. The area near Tuen Mun Ferry Pier is one of the major residential areas in the district, which has approximately 60 000 residents within the 500-metre catchment of the proposed TMS Station, while there are about 49 000 existing residents living within the 500-metre catchment area around the proposed A16 Station. At present, TMS residents intending to use the TML usually travel to Tuen Mun Station by Light Rail or feeder buses. A road journey from TMS to Tuen Mun Station now takes about 10 to 20 minutes during rush hour. With the TME, the same journey by railway is expected to be not more than 5 minutes. The TME with A16 Station will offer an alternative commuting choice to the residents in the vicinity and divert more commuters to rail-based transport, which may help relieve the congestion of the existing roads, thus bringing significant transport benefits by reducing the travelling time for the residents in the area concerned. Four new 8-passenger car trains will be procured under the TME project to cater for the additional patronage arising from the project. The

construction of main works of the TME project will start in the third quarter of 2023 for completion in 2030. Meanwhile, MTRCL has already commenced some advance works in order to ensure timely commissioning of the TME.

4. The existing swimming pool in Tuen Mun Area 16 will be affected by the construction works of the TME and needs to be relocated. The reprovisioned swimming pool will be located at the practice green site of the existing Tuen Mun Golf Centre. Other community facilities affected by the construction works including Hoi Wong Road Garden, Pet Garden and GREEN@Tuen Mun Recycling Station will also be reprovisioned within the district. With a view to minimizing the impact on the local residents, the community facilities concerned will be reprovisioned prior to their demolition.

5. The TME will be an ownership project under the terms of the Operating Agreement between the Government and MTRCL signed in 2007 at the time of the rail merger. Under the ownership approach, MTRCL will be responsible for the financing, design, construction, operation and maintenance of the TME and will own the TME.

6. The TME scheme was gazetted under the Railways Ordinance (Cap. 519) on 28 January 2022. All objections received had been handled according to the stipulated requirements and were withdrawn. The TME scheme was authorised by the then Secretary for Transport and Housing under the Railways Ordinance on 22 June 2022.

7. In 2020, we briefed the Subcommittee on Matters Relating to Railways of the LegCo Panel on Transport that the then estimated capital cost for the TME project was about \$11.4 billion (in December 2015 prices). The TME project would not be financially viable to MTRCL by virtue of the incremental fare and non-fare revenues alone estimated to be generated by the project from the scheduled commissioning date of the two new stations of the TME project in 2030 to the end of the franchise in 2057.

8. Upon completion of the preliminary design, MTRCL updated the estimated project financial estimates, including the initial capital cost, on-going capital cost, operating expenditure and fare and non-fare revenue, in January 2023. The Government commissioned an independent checking consultant (ICC) to check the estimated project costs and incremental revenues of the TME project prepared by MTRCL with reference to the actual expenditures of recent railway projects and prevailing market trends. Based on the checking completed by the ICC in June 2023, the capital cost estimate and the economic internal rate of

return of the TME project is \$15.8 billion (in July 2023 prices) and 0.6% respectively.

### **Financial Arrangement**

9. Similar to the Rail-plus-Property (R+P) financial arrangement adopted by the Tung Chung Line Extension project, funding support to bridge the funding gap of the TME project would take the form of a fixed lump sum amount to be deducted from the FMV land premium of the Site. The fixed lump sum amount has been agreed with MTRCL as \$24,201.38 million (month-of-the-day prices), and the FMV land premium (from which the fixed lump sum amount would be deducted) would be assessed on a “with-railway” basis nearer the time of execution of land grant initiated by MTRCL. This provides sufficient funding support and certainty to MTRCL for taking forward the railway project.

10. The Site<sup>1</sup> is located in immediate vicinity to the proposed A16 Station as shown at **Annex**, with an area of about 6 hectares. The FMV land premium of each phase of the Site will be assessed based on the prevailing market condition at the date of valuation. The fixed lump sum amount will be deducted from the FMV land premium of the Site.

11. In addition to the ICC’s assessment, independent surveying firms have been engaged via the ICC to provide estimates of the FMV land premium of the Site. Based on the land premium valuation<sup>2</sup> provided by the ICC and the independent surveying firms<sup>3</sup>, the FMV land premium of the Site would be sufficient for providing the funding support for the TME project. MTRCL is required to pay land premium (i.e. the FMV land premium less the fixed lump sum amount) to the Government for the development of the Site. In the unlikely event where the FMV premium is insufficient to cover the funding gap, MTRCL will absorb the shortfall in the funding support.

12. We consider the funding support to be provided to MTRCL for

---

Note <sup>(1)</sup> The Site falls within an area zoned “Other Specified Uses” annotated “Commercial/Residential Development with Public Transport Interchange” on the approved Tuen Mun Outline Zoning Plan No. S/TM/37. This zone is primarily intended for integrated development of the area for commercial and residential uses cum railway facilities and public transport interchange with the provision of riverside promenade, open space and Government, institution or community facilities.

Note <sup>(2)</sup> The valuations by the ICC and the independent surveying firms were all conducted according to the Valuation Standards on Properties published by Hong Kong Institute of Surveyors and other relevant statutory regulations.

Note <sup>(3)</sup> The assessments were conducted based on present market conditions, as well as the alternative scenario with assumptions on projected market conditions.

implementing the TME project sufficient and reasonable, with the deduction of the fixed lump sum amount from the FMV land premium payable for the Site. MTRCL has conducted its own separate assessment on the business case of developing the TME project with the Site under the R+P model and is prepared to implement the TME project. MTRCL would bear all the associated commercial risks arising from market fluctuations and rail operations.

## **IMPLICATIONS**

13. The financial and civil service, economic, environmental, sustainability and family implications are as follows –

- (a) The funding gap of the TME project would be bridged by the land premium deduction through granting the property development rights of the Site to MTRCL at FMV land premium on a “with-railway” basis. Additional civil service posts have been secured for the departments concerned to take forward the TME project.
- (b) The TME is a designated project under the Environmental Impact Assessment (EIA) Ordinance (Cap. 499) and an environmental permit (EP) is required for the construction and operation of the TME. The EIA report was approved under the EIA Ordinance on 12 July 2022 and the EP was issued to MTRCL on 18 August 2022. MTRCL will implement all recommended mitigation measures and environmental monitoring and audit programme recommended in the approved EIA report and comply with the conditions in the EP as well as other statutory requirements for environmental protection.
- (c) The Government’s funding support would help make the TME project financially viable. The TME, upon completion, will improve the connectivity and accessibility of the community south of the Tuen Mun town centre, thereby helping unleash the full development potential of the area. The TME would also help strengthen the railway as the backbone of the public transport system in Hong Kong.
- (d) The TME should help improve mobility and air quality in the long term through enabling more commuters to switch from road to rail transport. Suitable mitigation measures will be implemented to alleviate any environmental impacts during the construction and operation stage. The concerns and views of the public, in particular those from various stakeholders, will be handled with care.
- (e) The proposed TMS and A16 Stations of the TME would facilitate residential development opportunities nearby. An increase in housing supply, generally speaking, will have positive family

implications in the sense that more affordable housing may provide incentives to couples to get married and to give birth to, foster or adopt children. Moreover, with the direct railway access by the TMS and A16 Stations, the residents in the south of Tuen Mun town centre will not need to rely on feeder services for access to Tuen Mun Station. At present, TMS residents intending to use the Tuen Ma Line usually travel to the Tuen Mun Station by Light Rail or feeder buses. A road journey from TMS to the Tuen Mun Station now takes about 10 to 20 minutes during rush hour. With the TME, the same journey by railway is expected to be not more than 5 minutes. The TME will thus reduce the travelling time for local residents, thereby increasing, albeit marginally the time that family members can spend together, and enhancing families' ability to balance paid work and family life, as well as networking with the community. In addition, the provision of railway services may provide a more accessible transportation for family members with special needs and facilitate families in taking care for them.

#### **PUBLIC CONSULTATION**

14. The Government and MTRCL have carried out extensive consultation on the TME project in the past few years. Before the commencement of construction works, MTRCL will set up community liaison groups to enable direct dialogue with the local community including affected owners and residents and to handle enquiries and complaints.

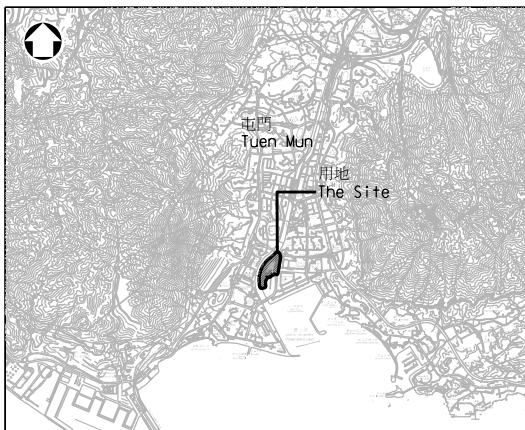
#### **PUBLICITY**

15. A press release will be issued and the Subcommittee on Matters Relating to Railways of the LegCo Panel on Transport will be briefed.

#### **ENQUIRIES**

16. For enquiries on this brief, please contact Mr Eddie LEUNG, Principal Assistant Secretary for Transport and Logistics 7, at 3509 8167.

**September 2023**  
**Transport and Logistics Bureau**



索引圖  
KEY PLAN  
比例  
SCALE 1 : 125,000



屯門南延線  
屯門第16區建議物業發展用地 — 位置圖

Tuen Mun South Extension  
Proposed Property Development Site at Tuen Mun Area 16 - Location Plan