

LEGISLATIVE COUNCIL BRIEF

IMPLEMENTATION FRAMEWORK FOR THE TUNG CHUNG CABLE CAR PROJECT

INTRODUCTION

At the meeting of the Executive Council on 3 April 2001, the Council ADVISED and the Chief Executive ORDERED that –

- Annex A
- (a) the framework, at Annex A to the memorandum, should form the basis for implementing the Tung Chung Cable Car Project; and
 - (b) the Administration should proceed to invite detailed proposals for the finance, design, construction, operation and maintenance of the cable car system based on the framework.

BACKGROUND AND ARGUMENT

2. The Financial Secretary announced in May 1998 that the Administration would proceed with the construction of a cable car system linking Tung Chung and Ngong Ping on Lantau Island both as a tourism attraction and infrastructure. The Government subsequently tasked the Mass Transit Railway Corporation (MTRC) to take the lead in developing a cable car proposal and masterminding the way forward. The MTRC commissioned a feasibility study (the MTRC Study).

The MTRC Study

3. The MTRC Study concluded in March 1999 that the Project

was feasible in both technical and financial terms and would bring about socio-economic benefits to Hong Kong, including tourist visitation, alternative means of access to attractions on Lantau Island, etc.

Annex B

4. The recommended alignment of the cable car system would start from Tung Chung Town Centre, pass through an intermediate station on the south shore of the Airport Island and then rise up to Ngong Ping. The plan at Annex B shows the recommended alignment in the MTRC Study. The location of the Tung Chung Terminal at the Tung Chung Town Centre would be essential for ensuring adequate public transport links for cable car riders. The proposed location of Ngong Ping Terminal has the advantages of being close to the Giant Buddha, a popular tourism spot. The intermediate station, apart from serving as a turning station, would have the potential benefits of creating a synergy with the future commercial development of the Hong Kong International Airport and increasing the choice for air passengers who might have the option of taking a cable car ride, during their brief stop-over in Hong Kong. The feasibility of the alignment was subject to compliance with the town planning, environmental impact assessment and other statutory procedures.

5. As regards the cable car system, the MTRC Study recommended that there were two types of systems which could meet the general specifications. The final system to be selected would be subject to detailed examination of such criteria as capacity, wind resistance, spanning ability, safety, cost, etc. during the stage of detailed design.

6. The MTRC Study also recommended other integrated developments adjacent to the proposed Tung Chung and Ngong Ping Terminal Stations for commercial reasons to increase the investment return and also to serve as leisure attractions complementary to the cable car system. It also estimated that the annual patronage of the cable car system would range from 1.4 million (for a low scenario) to 2.6 million (for a high scenario) in 2006, then rising gradually up to 1.7 million to 3.5 million in 2016.

Invitation for Expressions of Interest

7. Considering that the cable car system is not an integral part or an extension of the existing MTR line and that the Project could yield a commercial rate of return, we consider that the franchise should be awarded through an open process without favour to MTRC. We further consider that a franchise on a Build-Operate-Transfer (BOT) model for developing the system should be adopted.

8. In order to test the market's interest in the Project, we invited in February 2000 expressions of interest (EOI) and preliminary proposals on the basis of –

- (a) the alignment as recommended in the MTRC Study; and
- (b) no additional development rights apart from a commercial site adjacent to the Tung Chung Terminal (TCTL 35 as shown in Annex C).

Annex C

The exclusion of integrated development at the Ngong Ping Terminal is to avoid delay caused by land resumption procedures. This should not, however, prevent the successful bidder from negotiating with the land owners direct. On the other hand, we do not see justifications to include off-site commercial/residential development as part of the Project.

9. We received submissions from four interested parties. This indicates that there would be interest in the market to take the Project forward along the broad framework of a BOT project.

Approach to Implementation

10. In respect of the approach to implementation, we propose to require the successful bidder to undertake detailed design of the cable car system, carry out requisite environmental and technical studies, and complete all the necessary statutory procedures as part of the requisite for the granting of the franchise. Given the wide range of cable car systems available, the choice of the system and also the business plan would

statutory procedures, including the process of environmental impact assessment (EIA). Accordingly, we consider that the Government could only provide the broad parameters within which the development of the cable car system is considered feasible to enable proposals to be made based on such parameters. The successful bidder will then go through detailed design, conduct detailed assessments and take forward the necessary procedures.

11. To minimize the risk associated with such an approach, we have taken a number of measures to further establish details concerning the proposed framework for implementation. These include –

- (a) undertaking a desk-top study (DTS) to establish a “Preliminary Preferred Alignment” (PPA) for the system;
- (b) re-examining the functional requirements of the cable car system to confirm the terminal requirements; and
- (c) consulting the Country and Marine Parks Board (CMPB), the Advisory Council on the Environment (ACE) and the Islands District Council (IDC) to establish the general acceptance of the PPA on environmental grounds, and consulting the Legislative Council Panel on Economic Services (the ES Panel) on the proposal for the grant of a franchise for the development of the Project.

Such work has resulted in refinements to the original framework proposed.

The Proposal

Annex A 12. Details of the proposed framework for implementing the Project is set out at Annex A. Key considerations in drawing up the framework include –

- (a) A 30-year Franchise Period

(a) A 30-year Franchise Period

13. On the basis of independent financial analysis on the commercial viability of the Project, we intend to grant a franchise for a period of 30 years¹.

(b) Preliminary Preferred Alignment

14. The Airport Authority (AA) expressed concern about the initial alignment recommended in the MTRC Study. The proximity of the location of the proposed intermediate station to the fuel tank farm might pose a safety issue and might preclude future expansion of the fuel tank farm. We conducted in December 2000 the DTS to identify other possible alternative locations of the intermediate station and a new alignment option which balances all factors including ecological and environmental impacts, visual impact, technical and safety considerations, and land use compatibility. This resulted in the PPA at Annex B, which broadly met the various criteria, based on the preliminary assessment and findings. The PPA will form the basis for inviting detailed proposals. Within various known constraints, as identified at Annex D, the successful bidder will have flexibility to make adjustments to the PPA on the basis of further detailed assessment and studies in establishing the final alignment.

Annex B

Annex D

(c) Land

15. Government will provide land required for the termini at Tung Chung and Ngong Ping, the intermediate station on the Airport Island, any angle stations which may be required and sites for the pylons. It will also be necessary to create statutory easement for the cables.

16. In respect of the site for the Tung Chung Terminal, we have undertaken an in-depth assessment of the functional requirements of the Terminal. It shows that the MTRC Study had under-estimated the space required for all the functional needs of the Tung Chung Terminal. Taking into account all essential uses and other ancillary facilities, there

¹ Taking into account a question raised during our consultation with the ES Panel on the likely need for system replacement by the end of the franchise period, we propose to allow bidders to submit, in addition, non-conforming proposals (e.g. a different franchise period). Such non-conforming proposals would however only be considered if the bidder's conforming proposal is selected.

is a practical need to make use of an adjacent site, TCTL 35 in order that all the requirements could be met.

17. The use of TCTL 35 as the Tung Chung Terminal has the following implications –

- (a) no alternative site could be made available nearby to compensate for the commercial space displaced which is needed at the Tung Chung Town Centre;
- (b) it is impossible to dispose of any remaining part of TCTL 35 on a stand-alone basis; and
- (c) construction access and building services for the Tung Chung Terminal and any adjoining development cannot be separated.

The only viable option to fulfil the functional needs of the proposed Tung Chung Terminal and cater for the planning intention of TCTL 35 is to allow the horizontal development of commercial space within the Terminal building at TCTL 35.

18. We propose that the franchisee of the Project should be required to develop and manage the commercial space and be granted under the proposed enabling legislation the right to let out the commercial space. The franchisee will be required to pay Government a lump sum at full market value for the commercial space upon signing of the project agreement.

(d) Legal Framework

19. Upon identification of the successful bidder, a provisional agreement will be made between Government and the party to provide reassurance that upon successful completion of the necessary statutory procedures, Government will take all necessary action to put before the Executive Council and if approved the Legislative Council such Bill as to cause the franchise to be granted to the successful bidder. The

provisional agreement will also provide a basis on which the successful bidder begins work on the statutory procedures. It will be expressly provided in the provisional agreement that the successful bidder shall be solely responsible for the costs, expenses and charges of conducting the statutory and other procedures and that under no circumstances will Government be liable for any such costs or other liability of the successful bidder whether or not the enabling legislation is passed or amended by the Legislative Council or whether and on what terms the franchise is granted to the successful bidder.

20. The enabling legislation and a project agreement will provide a legal framework for the grant of the franchise and the construction, operation and maintenance of the cable car system, and to provide for the resumption of land, if necessary. In addition, it will also provide for the right to use commercial space at the termini.

(e) Assessment of detailed proposals received through the Tender

21. We consider it necessary to establish the criteria for the evaluation of proposals from bidders before the issue of the project brief. It is also necessary to set out a framework in the project brief describing the type of information that all bidders would need to include in their detailed proposals for assessments to be made.

22. We will assess the proposals on the basis of two groups of criteria, namely financial and general issues, and technical issues. These will be attached equal weighting. Financial and general criteria include ability to finance the Project, royalty payment, Government support required, if any, and tourism benefits. Technical assessment criteria include the engineering capability and competence, system design, environmental, ecological, planning, land and safety considerations, implementation programme and construction method.

WAY FORWARD

23. We aim to issue the project brief for inviting detailed

proposals on 25 April 2001, and expect to identify the successful bidder before the end of the year. We expect that assessment and statutory procedures will take about 18 months, and detailed design, land clearance and acquisition, and construction will take around another 36 months. The Project is expected to be completed by around 2006. Government is planning to upgrade the sewerage and water supply systems at Ngong Ping to meet the needs of the expected increase in visitors due to the development of the cable car system and other possible developments at the area.

FINANCIAL AND STAFFING IMPLICATIONS

24. The Government will receive a lump sum payment at full market value from the franchisee for the use of the commercial space in the development upon signing of the project agreement. The level of revenue arising from the royalty payment would be subject to the proposal made by the successful bidder.

25. Implementation of the Project will be absorbed largely through existing resources. The successful bidder will be required to reimburse the Mass Transit Railway Corporation Limited for the cost of the MTRC Study. There may be a need to have additional staff in the Economic Services Bureau and Electrical and Mechanical Services Department for managing the franchise, and monitoring technical and safety standards respectively. The additional requirement will be met through the normal resource allocation exercise. Supporting facilities such as sewerage and water supply systems to be provided will be subject to funding approval. There may be a need for clearance of government land, resumption of the land for the intermediate station and compensation for the creation of statutory easement above private land. Details will be assessed and worked out after the successful bidder is identified.

ECONOMIC IMPLICATIONS

26. Based on 1998 figures, the MTRC study estimated that annual patronage for the system would range from 1.4 million (for a low scenario) to 2.6 million (for a high scenario) in 2006, rising gradually up to 1.7 million to 3.5 million in 2016. The MTRC Study also estimated that around 11% of overseas visitors to Hong Kong will ride on the system. Bidders will be required to include in their proposals their own projections about patronage and market share in accordance with the system adopted and their assumptions for business planning. Although it is difficult to quantify the economic benefits of the development of the system, it will add to the range of attractions available to visitors in Hong Kong, in particular, contributing to the creation of a synergy among the various visitor attractions on Lantau. In addition, the cable car system, apart from being a tourism attraction on its own, will also help build up a link between the Airport Island and visitor attractions on Lantau. It will open up opportunities for further tapping into the growing market of transit passengers through the Hong Kong International Airport.

ENVIRONMENTAL IMPLICATIONS

27. The development of the cable car system is a designated project under the Environmental Impact Assessment Ordinance (Cap. 499). The successful bidder of the Project will have to complete an EIA Study in accordance with the statutory requirements of the Ordinance, consult the public and the ACE on the findings, and seek approval under the EIA Ordinance. The successful bidder will have to apply for an environmental permit under the EIA Ordinance for the construction, operation and maintenance of the cable car system.

28. The successful bidder will also need to seek prior consent of the Country and Marine Parks Authority for the part of the cable car route falling within the Lantau Country Park.

PUBLIC CONSULTATION

29. We have consulted the CMPB, the ACE and the IDC to establish the general acceptance of the PPA. We have also consulted the ES Panel which has no objection in general to the proposal for the award of a franchise for the development of the cable car system. Comments received in the consultation process are taken into consideration in bringing forward the Project.

PUBLICITY

30. We will advertise the issue of the project brief for inviting detailed proposals in one Chinese and one English language newspaper, and will issue a press release. In addition, we will also publicize the tender exercise through the Hong Kong Economic and Trade Offices overseas and will also notify consulates in Hong Kong. A line-to-take will be prepared. A spokesman will be available to handle enquiries.

Subject Officer : Mrs Erika Hui
Assistant Commissioner for Tourism
(Tel. no. : 2810 3137)

Tourism Commission
Economic Services Bureau
24 April 2001
(File Ref.: ESB CR 6/2091/98(01) Pt.18)

**Tung Chung Cable Car Project
Framework for Implementation**

I. Franchise

- (i) A franchise of 30 years for the finance, design, construction, operation and maintenance of the cable car system on a Build-Operate-Transfer basis will be granted. The franchisee will be obliged to transfer the ownership of the cable car system to government upon expiry of the franchise period.
- (ii) The franchise will include the right to collect fees over the franchise period. No control of fees will be imposed as the cable car is not an essential transport facility.
- (iii) The franchisee will pay royalty to government. Bidders will be invited to propose in what form and size the royalty will be paid.
- (iv) Financial guarantee to Government will be required to ensure timely completion of the construction of the system and the continual operation of the system, to indemnify Government for any costs incurred in the case of revocation of the franchise, etc.
- (v) The franchisee will be responsible for completing necessary statutory procedures including environmental impact assessment, submissions to the Town Planning Board, etc.

II. Land

- (i) Government will provide land for the termini at Tung Chung and Ngong Ping, the intermediate station on the Airport Island, subject to para. II (iv) below, and any angle station(s), and sites for the pylons. The enabling legislation will create a statutory easement for the franchisee to construct and maintain the cables of the cable car system.
- (ii) The proposed Tung Chung Terminal Building will take up both the site earmarked for the terminal and TCTL 35. The terminal building will combine the functional requirements of the terminal and the commercial space originally planned for TCTL 35.
- (iii) The franchisee will be granted under the enabling legislation the right to use and/or to let out the commercial space at the termini including the fee-paying car park at the proposed Tung Chung Terminal. The franchisee will be required to pay to Government upfront a lump sum payment at full market value for any such right.
- (iv) There has been consultation with the Airport Authority (AA) on the location of the intermediate station on the Airport Island. The exact location and area of the station will be subject to detailed study by the franchisee in consultation with the AA. There would need to be further consultation with AA on the means for making available the site. This could be achieved either through the surrender of the site required for the construction of the intermediate station by AA or through resumption.
- (v) The Ngong Ping Terminal will not include the integrated developments as proposed in the MTRC Study. Nevertheless, we do not rule out the possibility that the franchisee may, on their own, arrange to acquire private land required for such purposes to enhance the overall

attractiveness of the area to visitors.

III. Legislation

- (i) New enabling legislation and a project agreement will provide a legal framework for the grant of the franchise and the construction, operation and maintenance of the cable car system. The enabling legislation will confer on the franchisee a statutory right to occupy land to be provided by the Government, and a statutory easement to construct and maintain the cables of the cable car system. It will also provide for the resumption of land, if necessary, and will provide for the right to use commercial space at the termini.
- (ii) The Aerial Ropeways (Safety) Ordinance (Cap. 211) and its subsidiary legislation apply to mono-cable ropeways with detachable grips (e.g. the aerial ropeways installed in the Ocean Park). Since it is anticipated that a different type of aerial ropeway may be chosen for the Project, the existing legislation needs to be amended to cover also the design, installation, operation, maintenance and safety requirements of the new cable car system.

IV. Tender

- (i) We propose to invite open tender for the franchise.
- (ii) Assessment criteria will include bidders' technical expertise in construction, experience in operating a transport system, merits in the design concept for and the safety standard of the cable car system, environmental performance, ability to meet Government's target completion date (including the proposed schedule for compliance with various statutory procedures), financial strength and financing package for the Project, including the proposed level of royalty payment and government support required, if any. Technical and financial evaluation will be done separately.

- (iii) The successful bidder will be identified before the enabling legislation is enacted. There will be a provisional agreement between Government and the successful bidder such that the successful bidder could carry on detailed design and studies, and take forward all the necessary statutory procedures. The project agreement would be executed after the enactment of the enabling legislation.

19 March 2001