

LEGISLATIVE COUNCIL BRIEF

**TUNG CHUNG CABLE CAR PROJECT AND
PRIVATE TREATY GRANT TO THE FRANCHISEE**

INTRODUCTION

At the meeting of the Executive Council on 18 November 2003, the Council ADVISED and the Chief Executive ORDERED that -

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B

- (a) a Private Treaty Grant (PTG) of about 1.59 hectares of Government land at Ngong Ping as shown on Plan No. ISMO777c at **Annex A**, and based on the basic terms and conditions at **Annex B**, should be granted to the franchisee of the Tung Chung Cable Car Project (the Project) for the development of themed tourist facilities (the Tourist Corridor); and

- (b) the terms of the Project Agreement for the franchise, including the modifications requested by MTR Corporation Limited (MTRCL) to the commercial elements of the cable car terminals, should be noted.

BACKGROUND

2. In June 2002, the Executive Council approved a recommendation that MTRCL should be selected as the successful proponent to take forward the Project in accordance with the agreed implementation framework. The Administration subsequently entered into a Provisional Agreement with the successful proponent and further discussions on the terms of the land grant for the right to develop and operate tourist facilities at Ngong Ping to complement the Cable Car System.

PTG FOR THE TOURIST CORRIDOR

3. There is a need for additional tourist facilities at Ngong Ping to complement the development of the Cable Car System, and to realize the Government's vision for promoting Lantau as one of the major tourism clusters in Hong Kong. In June 2002, we recommended to the Executive Council that the franchisee be granted the right to develop a themed "Tourist Corridor" leading from the Ngong Ping terminal to the piazza at the core area of Ngong Ping where the Tian Tan Buddha Statue and Po Lin Monastery are located. This will enable the work on the Cable Car System and the Tourist Corridor to be integrated having regard to the tight development programme. The "Tourist Corridor" should be granted on terms similar to those governing the commercial gross floor area (GFA) for the Project, including a lease period of 30 years, and land premium payable at full market value upfront. The franchisee will have the right to occupy land for the development of the Cable Car System under the Tung Chung Cable Car Ordinance (Cap. 577) (the Ordinance). There is a need to provide land to the franchisee for the development of the "Tourist Corridor" separately by way of a PTG. The Executive Council endorsed the proposal and agreed that discussions with MTRCL on the terms and conditions of the PTG should be based on these principles.

4. The Tourist Corridor is located in an area zoned "Other Specified Uses" annotated "Tourist Corridor" on the Ngong Ping Outline Zoning Plan No. S/I-NP/2 (the NP/OZP) (**Annex C**). It has an area of 1.34 hectares, and will accommodate a total of 6 000m² of GFA. It will also be the main pedestrian route between the Ngong Ping Terminal and the core area of Ngong Ping.

5. Having regard to the religious setting of Ngong Ping, MTRCL has proposed to develop the "Tourist Corridor" as a Buddhist "Theme Village". To ensure a high quality tourism facility, MTRCL feels it is necessary to widen the "Tourist Corridor" to allow more space for landscaping and circulation. Accordingly, they proposed to modify the configuration of the "Tourist Corridor" by adjusting the boundary of the adjoining Ngong Ping public transport terminus and including some adjacent land zoned "Green Belt" and "Road" in the land grant. The configuration of the "Theme Village" as modified had been submitted to the Town Planning Board and was approved by the Board on 15 August 2003.

6. With the proposed modification, the PTG will cover an area of about 1.59 hectares, but there will be no change to the maximum permissible development

of 6 000m² of GFA and the provision of transport facilities within the public transport terminus. The proposal provides an opportunity to integrate the design of MTRCL's proposed "Theme Village" and the public transport terminus.

A B

7. The boundary of the area to be covered by the land grant is reflected in **Annex A** with the basic terms and conditions at **Annex B**, based on the principles set out at paragraph 3 above.

THE PROJECT

8. The Government and MTRCL executed the Provisional Agreement on 31 July 2002. Since then, MTRCL has developed the detailed design of both the Cable Car System and the Tourist Corridor, and taken forward the necessary statutory procedures, such as those under the Town Planning Ordinance (Cap. 131) and the Environmental Impact Assessment Ordinance (Cap. 499). The work on the detailed design also involved reviewing the business model, determining the type of cable car system to be adopted, and deciding on the mode of operation of the Cable Car System and the Tourist Corridor in future.

9. MTRCL decided in late 2002 to adopt a bi-cable system manufactured by an Italian company, Leitner GmbH, with a capacity of 17 persons per cabin. In parallel, the Government and MTRCL have worked on the drafting of the Project Agreement, and discussed the terms and conditions of the PTG. The Ordinance which provides for the legal framework for the grant of the franchise to MTRCL, was enacted by the Legislative Council on 28 May 2003. The Ordinance and the Project Agreement will come into effect at the same time after MTRCL has completed the detailed design and the requisite statutory submissions.

10. Drafting of the Project Agreement has taken into account the approved project framework, provisions of the Ordinance and the Provisional Agreement, and details of the Cable Car System, including changes made during the process of detailed design. We anticipated that some modifications to the scope and details of the Project might have to be made as MTRCL took forward the detailed design. These changes are generally considered to be necessary and acceptable. MTRCL has now completed all the statutory submissions required to take forward the Project.

11. One of the modifications to the detailed design involves the reduction in commercial development at the terminal buildings. MTRCL informed the Government that after conducting further market testing and reviewing the cost of the Project, they had concluded that they would have to give up most of the 11 000m² of commercial development originally planned for the Tung Chung Terminal, and proposed to have only around 350m² of commercial development at the terminal. They would also reduce the 1 200m² of commercial developments originally proposed at the Ngong Ping Terminal to around 85 m² since there would be sufficient provisions in the Tourist Corridor for food and beverage facilities at Ngong Ping.

12. On the commercial development at Tung Chung, MTRCL indicated that they had explored alternative options but considered that these would be non-viable and would not achieve a commercially acceptable return within the franchise period. They also indicated they had no objection to a third party taking up the originally planned commercial development if the Government was to dispose of part of the site not to be used for the terminal building separately.

13. The primary objective of the Government in pursuing the Project is to promote the development of a major new tourism facility as part of our strategy to promote the development of Hong Kong as the premier tourist destination in the region. The proposed reduction in scope of commercial developments at the Tung Chung Terminal will not compromise this objective. MTRCL has indicated that they remain committed to bringing forward the Cable Car System with complementary tourist facilities at Ngong Ping to provide a high quality experience to visitors. The issue is crucial to the financial viability of the Project as a whole. A reduction in the commercial developments at the terminal would enhance the overall viability of the Project. Without the changes proposed, they will need to reconsider the Project.

14. We have discussed with MTRCL on the basis that MTRCL will develop the terminal with the necessary supporting facilities, while at the same time it will minimize the footprint of the area to be covered by the terminal building and its ancillary facilities. The Government will, in turn, retain the flexibility to get back the rest of the site which is not required for the terminal building for disposal separately should market conditions become favourable at any time during the life of the franchise. Meanwhile, the Government will allow the franchisee to use this remaining portion of the site for the provision of a non-fee-paying coach park as part of the requirements of the Project until such a time when the site is required by the Government for disposal. Relevant arrangements have been reflected in the draft

Project Agreement and relevant land documents.

15. As regards Ngong Ping Terminal, since the Tourist Corridor will include commercial, food and beverage, and other themed tourist facilities, we consider the proposed reduction in commercial GFA in the terminal to be relatively insignificant and are satisfied that it should not compromise the objective of enhancing Ngong Ping as a major tourist attraction in Hong Kong.

PRESENT POSITION

16. As part of the process to bring the Franchise into force, we have entered into the Project Agreement and the PTG with MTRCL. We are now ready to bring the Ordinance into operation at which time these agreements will also take effect. Our target is to table in the Legislative Council (LegCo) on 26 November 2003 the legal notice to bring the Ordinance into operation (the Notice) for negative vetting. Since major issues concerning the Project and the PTG had been addressed during the scrutiny by the LegCo Bills Committee of the Tung Chung Cable Car Bill, and there is no outstanding issue arising from the Bills Committee's deliberation of the legislation, the Notice should not have any controversy. Accordingly, we intend to bring the Ordinance into operation on 24 December 2003, upon expiry of 28 days for negative vetting. This will enable the franchise to commence before the end of the year for constructions works to begin as soon as possible.

17. It has taken slightly longer than intended for MTRCL to complete the detailed design and statutory procedures. Since MTRCL will have 26 months for the construction of the Cable Car System, the target for completion of the System is therefore February 2006. This is around six months behind the original programme. It is necessary to bring the Ordinance into operation on 24 December since part of the constructions works at Ngong Ping has to be completed before the end of the dry season at end March 2004. This is a very tight programme. Any slippage in the works will result in a further delay in the programme for the Project. We have already been in touch with MTRCL to identify ways to condense the construction programme to catch up on the lost time. MTRCL confirmed that they would explore all possible ways to expedite the Project.

IMPLICATIONS OF THE PROPOSAL

18. The proposal is in conformity with the Basic Law, including provisions concerning human rights. Implications of the implementation of the proposal are set out at **Annex D**.

D

PUBLIC CONSULTATION

19. The Planning Department had consulted the Islands District Council (IDC) on the drafts of the outline zoning plans in Tung Chung and Ngong Ping. The IDC supported the Project and the land use proposals reflected in the plans in general. Some of the objections to the draft NP/OZP concerned the Tourist Corridor. The Town Planning Board considered the objections at a hearing on 20 December 2002 and decided not to propose any amendments to the draft. The NP/OZP was subsequently approved by this Council on 1 April 2003.

PUBLICITY

20. As part of the process to bring the franchise into operation, we will publish in the Gazette on 21 November the notice to commence the Ordinance on 24 December. This will be followed by the process of negative vetting of the notice in LegCo. We will issue a LegCo Brief before the gazette notice is published. A line-to-take will be prepared and a spokesman will be available to respond to media enquiries. There will be suitable publicity on the ground-breaking following the commencement of the franchise.

DRAFTING OFFICER

21. Enquiries on this paper may be directed to Mrs. Erika Hui, Assistant Commissioner for Tourism (2) (Tel. no.: 2810 3137).

Tourism Commission
Economic Development and Labour Bureau
20 November 2003