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## **Report on new railway projects in Hong Kong**

### **Introduction**

Mr. Donald Tsang, the Chief Executive of the Hong Kong Government, admitted in his Policy Address 2007 that the government had not put much efforts to promote infrastructure development in the past decade. Given the then huge budgetary surplus, he pledged to push ahead with 10 large-scale infrastructure projects (3 of them would be new railway projects)<sup>1</sup> in his term of office. According to the Hong Kong Government, these infrastructure projects would consolidate the status of Hong Kong as a global city and lay a new foundation for the sustained development in the future.

At the time of an economic downturn triggered by the global financial crisis in 2008, the Hong Kong Government promises to expedite the implementation of infrastructure projects to boost the economy and create employment opportunities.

This report will focus on new railway projects in Hong Kong and business opportunities for Swiss companies working in the relevant sectors.

### **MTR – the only rail operator**

The Mass Transit Railway Corporation (MTR) was established in 1975 to construct and operate an urban metro system in Hong Kong. The sole shareholder was the Hong Kong Government. The government sold 23% of its issued capital to private investors in an Initial Public Offering and its shares were listed on the Stock exchange of HK in 2000. The corporation marked another milestone in 2007 when the operations of the other government-owned rail operator, the Kowloon-Canton Railway Corporation, were merged into the MTR. After the merger, MTR is the only rail operator and operates 9 railway lines plus the Airport Express to HK International Airport and intercity services to Beijing, Shanghai and Guangdong Province in the Mainland China. It now carries an average of 3.4 million passengers every weekday and accounts for about 42% market share of the franchised public transport market. Total route length in Hong Kong reaches about 212 km.

MTR has successfully employed the rail plus property business model (development rights to the properties attached to the rail network) as its foundation business strategy. As a matter of fact, profits from property developments on sites along the railway have been enormous and put MTR in a very strong position. They have consistently operated as a profitable business.

### **New railway projects**

MTR is pursuing 5 new railway projects, namely West Island Line, South Island Line (East), Kwun Tong Line Extension, Shatin to Central Link and Express Rail Link.

#### **1) West Island Line**

The West Island Line is an underground extension of existing MTR Island Line from Sheung Wan to Kennedy Town. Route length will be about 3 km with 3 new stations underground to be built (2 cavern

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<sup>1</sup> South Island Line, the Shatin to Central Link, the Tuen Mun Western Bypass and Tuen Mun-Chek Lap Kok Link, the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, Hong Kong-Shenzhen Airport Co-operation, Hong Kong-Shenzhen Joint Development of the Lok Ma Chau Loop, West Kowloon Cultural District, Kai Tak Development Plan and New Development Areas (NDAs). South Island Line, the Shatin to Central Link and Guangzhou-Shenzhen-Hong Kong Express Rail Link are railway projects.

construction and 1 cut and cover box). It will operate with 8-car trains and 1500v DC power arrangement which is in line with the existing MTR Island Line. Invitations for tenders for civil and structural works started from the 4<sup>th</sup> Quarter of 2008 and contracts will be awarded from the 2<sup>nd</sup> Quarter of 2009 onwards. Invitations for tenders for electrical and mechanical works will start in the 1<sup>st</sup> Quarter of 2010 and contracts will be awarded from the 3<sup>rd</sup> Quarter of 2010 onwards. MTR targets to complete the West Island Line by the 1<sup>st</sup> Quarter of 2014. The estimated project cost is about US\$ 1.4 billion.

## 2) South Island Line

The South Island Line (East) will be a medium capacity system and will run from South Horizons, via Lei Tung, Wong Chuk Hang, Ocean Park to Admiralty. This line serves not only the resident population in the south but also tourists heading to the major existing and future tourist attractions located in the southern part of the Island. It will be 7km long in total consisting of 4 km underground tunnel and 3 km viaduct. 4 new stations (2 underground and 2 elevated) and 1 depot will be built. It will operate with medium capacity 3-car trains and 1500 v DC power arrangement. Detailed design will start in the 2<sup>nd</sup> Quarter of 2009. Invitations for tenders for civil and structural works will start from the 1<sup>st</sup> Quarter of 2010 and contracts will be awarded from the 3<sup>rd</sup> Quarter of 2010 onwards. Invitations for tenders for electrical and mechanical works will start in the 4<sup>th</sup> Quarter of 2010 and contracts will be awarded from the 1<sup>st</sup> Quarter of 2011 onwards. The line is expected to be completed by the 1<sup>st</sup> Quarter of 2015. The estimated project cost is about US\$ 1.4 billion.

## 3) Kwun Tong Line Extension

It is an underground extension of existing Kwun Tong Line from Yau Ma Tei Station, via Ho Man Tin Station to Whampoa. It will be 3 km long underground tunnel with 2 new stations underground to be built. It will operate with 8-car trains and 1500v DC power arrangement which is in line with the existing Kwun Tong Line. Detailed design will start in the 2<sup>nd</sup> Quarter of 2009. Invitations for tenders for civil and structural works will start from the 2<sup>nd</sup> Quarter of 2010 and contracts will be awarded from the 1<sup>st</sup> Quarter of 2011 onwards. Invitations for tenders for electrical and mechanical works will start in the 1<sup>st</sup> Quarter of 2011 and contracts will be awarded from the 3<sup>rd</sup> Quarter of 2011 onwards. The extension is expected to be completed by the 1<sup>st</sup> Quarter of 2015. The estimated project cost is about US\$ 577 million.

## 4) Shatin to Central Link Phase 1 and Phase 2

There will be two phases of development in the Shatin to Central Link: i) the Tai Wai to Hung Hom section (Phase 1) and ii) the cross harbour section (Phase 2). The Tai Wai to Hung Hom section is an extension of the Ma On Shan Line from Tai Wai via Diamond Hill, Kai Tak, To Kwa Wan, Ma Tau Wai, Ho Man Tin to Hung Hom. The cross harbour section will extend from the existing East Rail Line from Hung Hom to Admiralty with one intermediate station at Exhibition. The route of the Shatin to Central Link is mainly underground railway.

For the Phase 1, it will be 11 km long in total consisting of 10.6 km underground tunnel and 0.4 km viaduct. 7 stations (6 underground) and a depot will be built. It will operate with 8-car trains and 25kV AC power arrangement. Detailed design will start in the 3<sup>rd</sup> Quarter of 2009. Invitations for tenders for civil and structural works will start from the 3<sup>rd</sup> Quarter of 2010 and contracts will be awarded from the 4<sup>th</sup> Quarter of 2010 onwards. Invitations for tenders for electrical and mechanical works will start in the 1<sup>st</sup> Quarter of 2011 and contracts will be awarded from the 3<sup>rd</sup> Quarter of 2011 onwards. The extension is expected to be completed by the 4<sup>th</sup> Quarter of 2015. The estimated project cost is about US\$ 3.6 billion.

Regarding the Phase 2, it will be 6 km long all underground tunnel, with 2 km of the tunnels running under the Victoria Harbour. It will operate with 9-car trains and 25kV AC power arrangement. Detailed design will start in the 3<sup>rd</sup> Quarter of 2011. Invitations for tenders for civil and structural works will start from the 3<sup>rd</sup> Quarter of 2012 and contracts will be awarded from the 3<sup>rd</sup> Quarter of 2013 onwards. Invitations for tenders for electrical and mechanical works will start in the 3<sup>rd</sup> Quarter of 2014 and contracts will be awarded from the 3<sup>rd</sup> Quarter of 2015 onwards. The extension is expected to be completed by 2019. The estimated project cost is about US\$ 1.6 billion.

## 5) Express Rail Link

It is a new dedicated line direct from a major terminal station in West Kowloon to the Hong Kong boundary forming part of Guangzhou-Shenzhen-Hong Kong Express Rail Link. The route length in the part of Hong Kong will be about 26 km long with 1 new underground terminus to be built. It is a high speed rail system with trains running up to 200 kph in the Hong Kong section and connects to the National High Speed Rail Network. Currently, intercity passenger train services are available from Hong Kong to Beijing, Shanghai and Guangzhou. It takes about 100 minutes to travel between Hong Kong and Guangzhou on the through train service. The Express Rail Link will cut this to 48 minutes. A rail journey from Hong Kong to Futian in Shenzhen will take only 14 minutes.

Detailed design starts in the 1<sup>st</sup> Quarter of 2009. Advance works tender will be given out in the 3<sup>rd</sup> Quarter of 2009 and the target award date will be in the 4<sup>th</sup> Quarter of the same year. The first tunnel work tender will be given out in the 2<sup>nd</sup> Quarter of 2009 and the target award date will be in the 4<sup>th</sup> Quarter of 2010. The first terminus work tender will be given out in the 1<sup>st</sup> Quarter of 2010 and the target award date will be the 3<sup>rd</sup> Quarter of the same year. Invitations for tenders for electrical and mechanical works will start in the 1<sup>st</sup> Quarter of 2011 and contracts will be awarded from the 3<sup>rd</sup> Quarter of 2011 onwards. This link is expected to be completed by the 3<sup>rd</sup> Quarter of 2015. The estimated project cost is about US\$ 4.9 billion.

### **Business opportunities**

Hong Kong is a free port and there is no tariff on general imports except duty on liquors, tobacco, hydrocarbon oil and methyl alcohol.

The undersigned met Mr. Martin J. Dunn, General Manager, Procurement and Contracts, MTR Corporation and discussed about business opportunities for Swiss companies. Mr. Dunn mentioned that MTR was very open to every quality supplier and contractor across the world. MTR would warmly welcome visits and presentations of Swiss companies or delegation from the rail industry. It would in turn enable MTR to select the best equipment and services available.

As a norm for big infrastructure projects, MTR would require contractors for civil engineering and construction to have local presence<sup>2</sup>, reputable track record and strong financial backing. Mr. Dunn said that it would be easier and more straightforward in general for Swiss companies to focus on offering equipment and technology than civil engineering contracts.

Mr. Dunn added that it would be difficult to shortlist the equipment in demand which was itself a big variety. He strongly advised Swiss interested parties to consult regularly the website of MTR (<http://www.mtr.com.hk/eng/tenders/index.html>). Most of the MTR tenders would be covered by the Agreement on Government Procurement of the World Trade Organization. He also recommended Swiss interested parties to register as suppliers/contractors to MTR at its website (<http://www.hkextender.com/en/Index.asp>). MTR would often use the said registered list as a database to search for potential suppliers of equipment in demand. Furthermore, MTR would keep registered suppliers/contractors informed of its forthcoming tenders.

### **Contact details**

The Consulate General of Switzerland in Hong Kong will be pleased to arrange and co-ordinate visit programmes for Swiss companies working in rail industry to meet procurement officers at MTR.

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<sup>2</sup> Besides domestic companies, local presence also implies to those multi-national companies which have their offices in Hong Kong.

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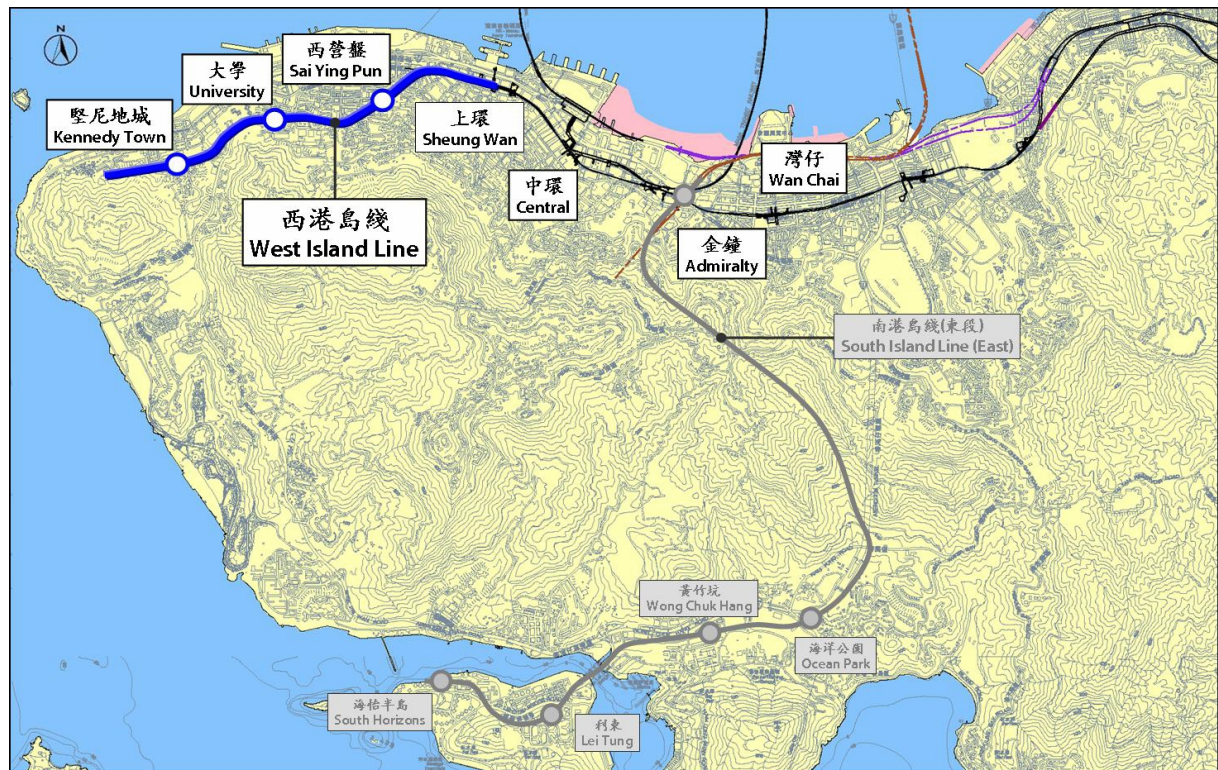
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#### Appendices

1. West Island Line
2. South Island Line
3. Kwun Tong Line Extension
4. Shatin to Central Link Phase 1 and Phase 2
5. Express Rail Link

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## Appendix 1 West Island Line



## Appendix 2 South Island Line





### Appendix 3 Kwun Tong Line Extension



Appendix 4 Shatin to Central Link Phase 1 and Phase 2





## Appendix 5 Guangzhou-Shenzhen-Hong Kong Express Rail Link

