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The Making of the Mass Transit Railway in Hong Kong

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Bus Service in 1950s-60s

- Kowloon Motor Bus Co. (KMB) served in Kowloon and the New Territories; and China Motor Bus in HK Island.
- The KMB drivers were unionised under influence of the People’s Republic of China (PRC).
- Besides ferry to cross the Victoria Harbour and going to and from outlying islands, buses were sole means of transportation to commute from home to workplace, since the labourers couldn’t afford private cars.
- Crowded, sparse frequency and dirty coaches with cockroaches on seats.
  ➔ Commuting was an ordeal and a source of dissatisfaction among the Chinese labour.
Initial Instigation:

Anti-British Uprising in 1966 and 67

- Inspired by the Cultural Revolution in the PRC.
- Triggered by the proposed fare hike of the British-run Star Ferry, connecting Kowloon with HK Island.
- The HK Chinese were mobilised based on their discontent with various aspects of crowded and oppressive urban life (including the condition of public transportation).
- Almost the entire length of the Nathan Road was blocked by the violent uprising, and transport system of HK was paralysed.
- Handwritten banners condemning British Imperialism were stuck onto the gate of Governor’s House.
- After the uprising, the colonial government studied its cause; and took measures to avoid any similar events being repeated in the future.
International knowledge flow:
The Beginning of the MTR Project

• 1965: The colonial government commissioned a British consultant for construction of an underground railway system in HK.
• 1967: The Report of the Consultants came out. The system was to consist of four lines: Island, Kwun Tong, Tsuen Wan and Shatin.
• 1970: The definitive study of urban rapid transit system put forward by the British Consultants, Freeman Fox & Partners. The system consisted of 52.7km and 48 Stations. The cost was estimated at HK$4,391 in 1970 prices.
• 1972: The Mass Transit Steering Group was set up in the government, headed by Financial Secretary Haddon-Cave. This was the plan to build urban mass transit railway in Asia after the Japanese cities, Beijing and Seoul.
• Early 1970s: The colonial government people frequently visited Japan to learn experiences of urban railway in an Asian congested city.
• 1974: The Full Turnkey Contract was officially awarded to Japanese Consortium led by Mitsubishi.
Sir Charles Phillip Haddon-Cave
The ‘founding father’ of the MTR in Hong Kong
Born in 1925 and educated in Hobart, Tasmania, Australia
Served Financial Secretary & Chief Secretary of the HK colonial government
Coined phrase ‘positive non-interventionism’ to characterise HK policies.
Passed away in England in 1999
The Proposed Initial System
Why Japanese Consortium In the British Colony?

- HK British then were in conflict with the London government on devaluation of fiscal reserve deposit. It is believed that the colonial bureaucrats attempted to show their independence from the home government.
- MTR was NOT ‘luxury’ underground system enticing former car drivers into public transportation, but the system to move the masses having suffered from congestion problem → model was not BART in San Francisco Bay Area, but the Tokyo subway.
- Railway technology that successfully put ATO system into practical use for the bullet train (Shinkansen).
- Kakuei Tanaka, the Prime Minister of Japan in early 1970s, wanted to expand the Japanese public works undertakings to East and Southeast Asia.
- Japan agreed to complete the task of constructing the whole ‘initial system’ at fixed price of HK$ 5 billion.
- Jardine, Matheson & Co., the leading trading house of HK acted as the local agent.
Japan in talks on £416m. Hong Kong underground

BY OUR OWN CORRESPONDENT

HONG KONG, Dec. 11

THE JAPANESE ARE now to build the largest single scheme of underground railway in the UK.

UK

This was decided today when the Japanese consortium, represented by the oldest British company, Jardine Matheson and Co., was chosen as the only British company, Jardine Matheson and Co., was chosen by the British government to build the underground railway in Hong Kong.

The news came as a shock to the community, which has always been critical of Japanese involvement in British affairs. The government has always been concerned about the potential loss of British jobs to Japanese companies.

However, the Japanese consortium has been chosen because of their expertise and experience in building underground railways. The government has been looking for a country to build the railway, and the Japanese consortium was judged to be the best choice.

The railway will be a major step forward for Hong Kong, providing much-needed transport infrastructure.

The Japanese consortium is expected to be in Hong Kong within the next few weeks to begin planning the project.
Withdrawal of Japanese Consortium

• Feb. 1974: the Mitsubishi-led JPN Consortium signed the letter of intent (formal acceptance of the offer of the job) at fixed price of HK$ 5 billion.
• Nov. 1974: the JPNC asked informally to raise the price to HK$6 billion, because of ‘increase in cost due to oil crisis’, followed by counter proposal Basic Plan by the JPNC of a system of inferior quality (smaller carriages, without ATO), both of which the colonial government refused.
• Dec. 1974: Japanese Prime Minister Kakuei Tanaka, believed to have promised a financial make-up if the project ran into deficit, was forced to resign due to the Lockheed bribery scandal revealed by the US Congress.
• Jan. 1975: final meeting with the JPNC and the government. The JPNC asked 40% increase in price. Having refused, the JPNC unilaterally annulled the letter of intent, and offered ex-gratia apology money of HK$5 million. The colonial government refused to take the money, and Haddon-Cave accused JPNC of guilty of serious error of judgement’ and ‘in bad faith’.

As a consequence, the Japanese lost confidence as the reliable contractor of urban railway system among governments in Asia. It was unsuccessful in getting any full turnkey contract awards for next 30 years.
The Modified Initial System

- The colonial government announced the plan immediately after the JPNC withdrawal.
- The Modified Initial System (MIS) with 15.6km from the industrial centre of Kwun Tong, running all the way under Nathan Road to Chater (Central).
- The initial cost was HK$5.8 billion. Contracts were divided into
- September 1975: The Mass Transit Railway Corporation, a private company under explicit government control, was established with the colonial government as the sole shareholder. The government contributed HK$800 million.
  - Article 13(1) of the Ordinance stipulated ‘The Corporation shall conduct its business according to prudent commercial principles...’
  - The Chairman of the company: Norman Thompson, formerly an executive of Cunard.
- The project was divided into 35 separate contracts and tenders were invited separately.
  - The Japanese won 29% of the contract, yet mostly on civil engineering works. The carriages, signalling, ticketing, electricity etc. were given to Europe or American companies.
Opponents’ Views

• The plan is money-losing if interest payment is take into account -- Mr. Lo, a Chinese member of Legislative Council of HK colonial government

• There are many other policy agenda that have higher priority -- Dissident British Urban Councillor Ms. Elliott

• Transport problems can be solved by improving its road and introducing a bus system -- Mr. Stjernberg, A Swedish transport specialist attached to the Volvo headquarter

• The project is more of Haddon-Cave’s personal ambition than real need to be achieved with public money -- Mr. Sacklyn, the editor of an exclusive financial newsletter in Hong Kong
Property Sector as a Key factor in the MTR Project

- The MTRC developed Telsford Garden over Kowloon Bay railway depot. The development contained 5,000 flats and a shopping complex.
- The colonial government offered the land of $170 million for the purpose of the car barn itself and HK$165 million for the title to develop the space above for residential and commercial purposes, for free.
- In exchange for this government offer, the MTR Corporation issued equity of the same value and the colonial government accepted it.
- In short, the Telford Garden constituted an equity injection of HK$335 million from the colonial government.
- Property development raised 18.6% of the construction cost to the MTR Corporation for the Modified Initial System.
- Revenue from property development depended, however, much upon the market conditions and therefore rather uncertain.
- The colonial government offered unusually favourable terms for land tenure in releasing the Crown land, especially for the years when property market is in stagnation.
- In all, the MTR Corporation developed 19 projects along the Modified Initial System, Tsuen Wan Extension and Island Line put together.
Telford Garden:
A Big Car Barn underneath this Residential Complex
Additional Measures to Accelerate Construction and Save Costs

• A penalty system to the contractors. Should a contractor fall behind schedule, the company was then liable, as stipulated in a clause in contract, to pay a substantial amount of penalty which is ‘sufficient to make it hurt’.

• Appeasing the stubborn yet economically significant industrialists: raising ex gratia compensation to illegal factories from HK$20 to HK$38/sq. ft, especially when the industrialists contributed significantly to the export-oriented economic growth.

• Hard-line measures for squatters and hawkers: the colonial government, including deployment of anti-riot police force against them.

• Fixed price contract in Local Currency (HK$) for rolling stocks built by Metro Cammell, Birmingham, UK, with Spartan interior and non-upholstered seats (to avoid cockroaches).

• No toilets at any of the stations. No laughing matter...
Initial Model of MTR Rolling Stock (built by Metro Cammell, UK)
Increment Extension of Lines

- October 1979: The first section of the MIS Shek Kip Mei (public housing area) – Kwun Tong (industrial area) (8.4km)
- February 1980: The MIS line extended to Chater (downtown in HK Island)
- May 1982: Tsuen Wan (a large industrial new town) Extension (10.75km)
- May 1985 – May 1986: Island Line (12.5km)
- October 1989: Eastern Harbour Crossing
- July 1998: Airport Express (connecting downtown with the New Hong Kong Int’l Airport) and Tong Chung Line
- August 2002: Tsuen Kwan O Extension
- August 2005: Disneyland Resort Line
MTR grabbed increasing share of the public transportation in HK
Hostility to Trade Unionism and ATO

- The average wage of the MTR workers was HK$3.95 per hour or HK$31.60 per day in 1977, which compares to the manual labourers hired by the government, who received HK$54.8 and female HK$42.3 per day in the same year.
- The ATO made the train driving job into a deskillled labour. The train driving job had been transferred from individual drivers to the MTR Operational Control Centre (MTROCC) in Kowloon Bay.
- 1980: The MTR train drivers organised themselves into a union at long last
- January 1984: After first strike ever, union was officially approved by the management.
- April 1984: on the second strike against roster system, all the drivers having participated in the strike were fired and only drivers loyal to the management were rehired. The leaders were dismissed for good.
- The labour claimed, ‘without us the train won’t run’ VS
- The management boasted that it could train anyone from afresh into a train driver in six weeks, and began recruiting new drivers.

⇒ There is determined intention of the management NOT to repeat what had happened for Kowloon Motor Bus in 1967.
MTR and Changing Nature of New Towns

• Until 1970s, the colonial government built three large new towns, Shatin, Tuen Mun and Tsuen Wan. Initially, they were not connected by rapid transit with downtown, but planned as ‘self-contained spatial unit’, after the British new town planning philosophy. Employment opportunities (mainly labour-intensive light manufacturing) were created within the new town.

• Whereas in Tsuen Kwan O new town, planned in 1980s, MTR had been integrated into the concept from the beginning; the residents were expected to commute to the jobs using MTR. No manufacturing functions were planned within the new town area.
Performance of the MTRC for the First Decade

- Prudent rail operation
  - Steady growth of revenue and operating profit.
  - Efficiency of the rail operation (as indicated by the cost and profit per passenger) was on the steady increase.

- Financing costs put burden on the corporate finance
  - Costs for Financing showed increase especially in the first half of this period.
  - Due to this burden, the final balance of account ended up mostly with deficit.

- Fluctuating Property revenue
  - This is the outcome of fluctuating property market conditions. In 1981-84, the market especially stagnated due to political uncertainty beyond 1997 and concomitant emigration flow.
  - The fluctuating market trend greatly regulated the final profit/loss balance of the MTRC.
General Profit & Loss Account

Year | Total Revenue (HK$ million) | Operating Profit (HK$ million) | Interest and Finance Charges (HK$ million) | Property Development Profit (HK$ million) | Profit/(Loss) (HK$ million)
--- | --- | --- | --- | --- | ---
1980 | 0 | 0 | 0 | 0 | 0
1981 | 0 | 0 | 0 | 0 | 0
1982 | 0 | 0 | 0 | 0 | 0
1983 | 0 | 0 | 0 | 0 | 0
1984 | 0 | 0 | 0 | 0 | 0
1985 | 0 | 0 | 0 | 0 | 0
1986 | 0 | 0 | 0 | 0 | 0
1987 | 0 | 0 | 0 | 0 | 0
1988 | 0 | 0 | 0 | 0 | 0
1989 | 0 | 0 | 0 | 0 | 0
1990 | 0 | 0 | 0 | 0 | 0

Total Revenue (Total Revenue) Operating Profit (Operating Profit) Interest and Finance Charges (Interest and Finance Charges) Property Development Profit (Property Development Profit) Profit/(Loss) (Profit/(Loss))
HK$ per passenger carried

Year

HK$
0 0.5 1 1.5 2 2.5 3 3.5 4 4.5

Fare revenue
Railway operation costs
Railway operation profit
Conclusion

- The MTR functioned as the ultimate solution for the ethnic cum labour strife in colonial Hong Kong from urban spatial integration.
- The colonial government put through this objective under strong initiative, contrary to its ‘non-interventionist’ claim. It sought the knowledge of the MTR from UK Consultants and Japanese Experiences.
- The Japanese however did not realise the urgent need of the MTR on the part of colonial government. They suddenly shifted their position to blatant short-run profit motive and broke the promise.
- They thereby failed to take up the position to be the source of knowledge for rail-based urban transport in China and Southeast Asia.
- With no prior ‘path’ to depend on, the planning and management of the MTR was more neo-liberalist and cost effective than urban railway management elsewhere.
- The prudent yet labour-hostile rail management provided HK with a sustainable rail-based urban transport network as a result.
- The MTR internalised much of externalities that the newly-built railway had generated, through a number of property development projects along the line, yet this exposed the balance-sheet of the MTRC to the mercy of general property market trend.
- The advent of MTR had effect to change former concept of new town from the self-contained into that dependent more on the external economic functions.