

West Island Line to proceed with Government's funding support

The Executive Council has approved funding arrangements for construction of the Mass Transit Railway (MTR) West Island Line (WIL), with a government capital grant of \$12.7 billion (Net Present Value at June 2009) to bridge the funding gap of the project, subject to a claw-back mechanism.

A Transport and Housing Bureau spokesman said today (May 26) that the MTR Corporation Limited (MTRCL) would be asked to proceed with construction of the WIL project, which would involve extension of the existing MTR Island Line from Sheung Wan to Kennedy Town with two intermediate stations at Sai Ying Pun and the University of Hong Kong.

The proposed railway line will provide a fast, convenient and reliable means of public transport between Sheung Wan and Kennedy Town. The extension of the MTR network to Kennedy Town will enable residents in Western District to have direct access to the MTR network, saving time for interchange from road transport to the railway network.

The project also includes community facilities such as high speed lifts from Pok Fu Lam Road and Bonham Road down to the western district, as well as the reprovisioned David Trench Rehabilitation Centre and Kennedy Town Swimming Pool.

With the new railway line, passengers will be able to reach Sheung Wan from Kennedy Town in eight minutes, as compared with 15 to 25 minutes by using road transport during peak hours.

"The WIL project is not financially viable just based on fare revenue. For this particular railway project, the Government will bridge the funding gap by providing a capital grant to the MTRCL at a ceiling of \$12.7 billion," the spokesman said.

"This higher level of funding support from the Government, increased from \$6 billion originally based on January 2006 prices, is a reflection mainly of price escalation and increase in the scope of the works."

"Price escalation accounts for \$4.3 billion of the increase of cost of building the rail, or an increase of 48% over the original project estimate in 2007. We have made reference to the Building Works Tender Price Index compiled by the Architectural Services Department, which actually shows a rise of 96% from the first quarter of 2006 to the third quarter of 2008."

"On the other hand, we have recognised the need to increase the scope of the rail project itself as a result of further detailed planning. Thus, changed construction methods, additional works for compliance with detailed statutory requirements, additional electrical and mechanical works and acquisition of additional rolling stock together will add \$2 billion to the original cost estimates."

"We will also take the opportunity to improve community facilities. The David Trench Rehabilitation Centre will be re-provisioned to the ex-Upper Level Police Station with expanded services through the addition of a new wing and the preservation of the facade and other heritage features. Similarly the relocated swimming pool in Kennedy Town will meet the latest design and maintenance standards. These works will cost another \$200 million."

"To ensure that the funding support provided will be reasonable, a claw-back mechanism will be established with a reassessment of the funding gap to be made within about two years after commencement of operation of the WIL, on the basis of the actual construction prices. The excess of the original funding support over this reassessed amount will be returned to the Government, with interest. If there is a shortfall instead of excess, the MTRCL will be required to bear such

shortfall, and the Government will not provide further financial support. The funding proposal will be submitted to the Finance Committee for approval."

Once approval from the Legco is given, construction work for the WIL will start. The project will create 3,000 jobs during the construction period up to 2014 and another 2,500 jobs during its operation.

"Over the past few years, we have been consulting the Legislative Council, the Central & Western District Council and the public on the WIL through numerous meetings and public forums," the spokesman said. The WIL railway scheme was gazetted on October 26, 2007. and the objections to the scheme were subsequently handled in accordance with the statutory procedures. The scheme with amendments was authorised by the Executive Council on March 10 this year. "We will continue to stay in touch with the District Council and the local community during the construction of the WIL."

Ends/Tuesday, May 26, 2009