

## South Island Line (East) and Kwun Tong Line Extension to commence works soon

\*\*\*\*\*

The Government today (May 18) announced that the necessary statutory, administrative and funding application procedures for the South Island Line (East) (SIL(E)) and Kwun Tong Line Extension (KTE) had been completed. Construction works of the two projects will be commenced as soon as possible with an aim to completing them by 2015.

A spokesman for the Transport and Housing Bureau said that the MTR Corporation Limited (MTRCL) would be responsible for the funding arrangement, design, construction, operation and maintenance of the two railway projects. These railway projects will provide convenient and rapid service to the Southern District on the Hong Kong Island, Hung Hom and Whampoa District, which are presently not connected to the railway network.

The capital costs of the SIL(E) and KTE are \$12.4 billion and \$5.3 billion respectively, the spokesman said. The Government has commissioned an independent consultant to check the estimated cost and revenue for the railway projects prepared by the MTRCL and confirmed that both projects are not financially viable. The funding gaps of SIL(E) and KTE are about \$9.9 billion and \$3.3 billion respectively. The Government needs to provide funding support to the MTRCL.

The Executive Council (ExCo) approved to grant the MTRCL with the property development rights of ex-Wong Chuk Hang Estate site (Wong Chuk Hang site) and ex-Valley Road Estate Phase 1 site (Valley Road Estate site) as a form of financial assistance to the MTRCL to implement the SIL(E) and the KTE projects on May 17.

Based on the independent consultant's estimation, the funding assistance to be generated from the property developments may just be barely able to cover the estimated funding gap due to increases in the construction cost and the latest planning parameters.

The spokesman said, "the Government has been adopting Rail-plus-property funding model for development of new railway projects. We have examined carefully how the sites should be used to ensure that the funding support provided by the Government for the projects is reasonable and fair. To achieve this, we have adopted two measures. Firstly, when considering how the MTRCL should be

allowed to develop the site, we have taken into account relevant planning considerations to ensure that any development should be compatible with the surrounding land uses and public expectation. Secondly, an independent consultant is commissioned to conduct an estimation of the profit of the development. Two independent surveying firms have also been engaged to provide property valuation for the development so as to ensure that the lands to be granted to the MTRCL should not be more than what is required to bridge the funding gap."

Under the Rail-plus-property model, the MTRCL will pay full market premium (on a green field basis) of the sites and bear all development costs for the property developments.

The spokesman explained, "with the granting of the property development rights to the MTRCL, the MTRCL will bear all associated risks from financing for the railways and properties, property market and rail operation. The Government does not have to bear the responsibility.

"As the two railway projects are to commence very soon, the MTRCL needs to arrange funding on its own immediately to support the construction costs. However, given property developments can only start upon completion of the railways in 2015, it is expected that all property units will be sold after around 13 years. Therefore, the MTRCL has to bear all long term risks from the market as the holder of property development rights of the railway projects. In terms of rail operation, the MTRCL has to bear the operation, maintenance and management responsibilities of the two railways for 50 years."

The spokesman added, "in considering the planning parameters of the Wong Chuk Hang site and Valley Road Estate site, the Government has taken fully into account the use of land adjacent to the district and expectations of the residents. When the ExCo decided to proceed with the further planning of the SIL(E) project in 2007, besides reserving the Wong Chuk Hang site, the site to the north of the Ocean Park Station (Ocean Park Site) had also been reserved for property developments. However, after considering the use of land near the Ocean Park Site, the government decided to concentrate property developments at the Wong Chuk Hang site, so as to free up the Ocean Park Site for other purposes which are in more harmony with the district.

"The proposed comprehensive development in the Wong Chuk Hang site will

include a rail station and depot, public transport interchange, shopping mall, social enterprises, social welfare facilities, etc., and this planning concept was supported by the Southern District Council and approved by the Town Planning Board.

"The majority of the proposed property development will be small to medium-sized units having an average size of 76 square metres. In addition, about 20% of the flats will be of about 50 square metres in size to help meet the housing needs of the population in districts nearby."

With regard to the planning of the Valley Road Estate site, the spokesman stated that although the maximum allowable plot ratio for the site is 9, the government has asked the MTRCL to adopt a maximum domestic plot ratio of 5 for the planning and design of the site, and the buildings will be only twenties-storey to address public concerns on possible "wall effect" development. The development will provide flats of sizes ranging from 40 to 200 square metres catering for different demands in the market.

The spokesman added, "the granting of property development right at the Wong Chuk Hang site and the Valley Road Estate site is considered an appropriate way to support the implementation of the SIL(E) and the KTE. It enables public resources to be used properly, so that the construction of the two railway projects, long awaited by the public, can be commenced shortly. Without undermining the prudent commercial principles for rail operation, the MTRCL not only receives the funding support from the Government, but also has to bear long term risks from funding arrangement, operation and market fluctuations in rail and property developments."

SIL(E) is a new rail corridor extending from South to North of Hong Kong Island, starting from South Horizons on Ap Lei Chau to Admiralty via Lei Tung, Wong Chuk Hang and Ocean Park. With the SIL(E), passengers from the Southern District will be able to reach Admiralty in about 10 minutes. KTE is the extension of the existing MTR Kwun Tong Line, running from Yau Ma Tei Station to Whampoa, with two new stations at Ho Man Tin and Whampoa. With the KTE, a journey from Whampoa to Mong Kok, normally taking about 25 minutes on road during peak hours, will be much reduced to about 5 minutes.

Implementation of these two projects will create 3 500 jobs during the construction period and another 2 260 jobs during the operation stage.

Ends/Wednesday, May 18, 2011

Issued at HKT 22:22