

\$10b reclamation key

A BIG reclamation project worth between \$8 billion and \$10 billion and involving dredging, blasting and building sea walls for the Chek Lap Kok airport project is to be undertaken for the Provisional Airport Authority.

The Provisional Airport Authority announced the pre-qualification of six consortiums on October 3, saying tender documents would be available early next month for a target tendering deadline set for next February.

The authority announced that the work was scheduled to begin in May and would last for 30 months, during which time 11.5 kilometres of sea wall would be built to hold the 156 million cubic metres of reclamation material.

The reclamation would create 1,269 hectares of airport land on the island.

Provisional Airport Au-

The most critical aspects of the transport links to be built for the new Chek Lap Kok airport are dependent on the timely completion of the \$10 billion land reclamation project. STUART BECKER examines the schedule of work.

thority spokesman Mr Philip Bruce said: "Between now and November, the pre-qualified consortiums will be given a huge range of technical and other data which will enable them to proceed with the preparation of their tenders."

"The world's most extensive series of cone penetration tests are now underway to establish site conditions," he said.

In response to a barrage of recent inquiries, Mr Bruce said the authority would award the contract, but that the supply of goods, equipment, and services would most probably be procured by the successful tenderer and his subcontractors, rather than by the Pro-

visional Airport Authority itself.

It is envisioned that after the site preparation contract has been running on schedule for 24 months, a phased handover will take place, allowing work to begin on a range of other projects.

This would include excavation and site preparation for construction of the airport terminal and related supporting facilities.

When completed, the runways will be longer than the entire Kowloon Peninsula from the Tate's Cairn Tunnel to the Star Ferry piers in Tsim Sha Tsui.

The work has been detailed by the Greiner-Maunsell Consultancy, which has the contract for

the preparation of the Airport Master Plan.

Greiner-Maunsell is a combination of American airport design specialists, Greiner International, which is headed by Mr Tom Darmody, and the Hong-kong-based reclamation specialists, Maunsell Consultants Asia, headed by chief executive Mr John Downer.

The release of the site preparation contract tender documents was originally scheduled for September 27.

A consortium consisting of Kumagai Gumi Hong-kong, the Dutch HAM group, and the Japanese Maeda construction group is already involved in the \$311 million advance works contract.

According to Kumagai Gumi Hongkong general manager, Mr Derek Slater, the earth-moving part of the project is progressing on schedule for completion in late January next year.

He said that because of changes which had been

made in the airport layout, the location had been changed for the on-site modular buildings.

The company, which is 30 per cent owned by its parent company Kumagai Gumi Japan, is part of the ETA Joint Venture consortium which has been cleared to tender for the site preparation contract.

Expression of interest documents have been received from 33 groups for the architectural and engineering design of the terminal buildings.

The building would be one structure of 450,000 square metres, accommodating two terminals, Mr Bruce said.

"The Provisional Airport Authority is assessing those expressions of interest and, following completion of the pre-qualification exercise, successful firms will be invited to tender.

"It is hoped that the list will emerge by the end of the year," he said.

to project's success

Greiner International, Norman Foster Associates, the designers of the Hongkong Bank, and I M Pei, designers of the Bank of China building are known to have submitted expressions of interest.

The Economic Services Branch is now drafting the Bill that will provide for a fully fledged airport authority.

This is expected to happen by next summer. It is thought the new airport authority will have a charter similar to that of the Mass Transit Railway Corp (MTRC).

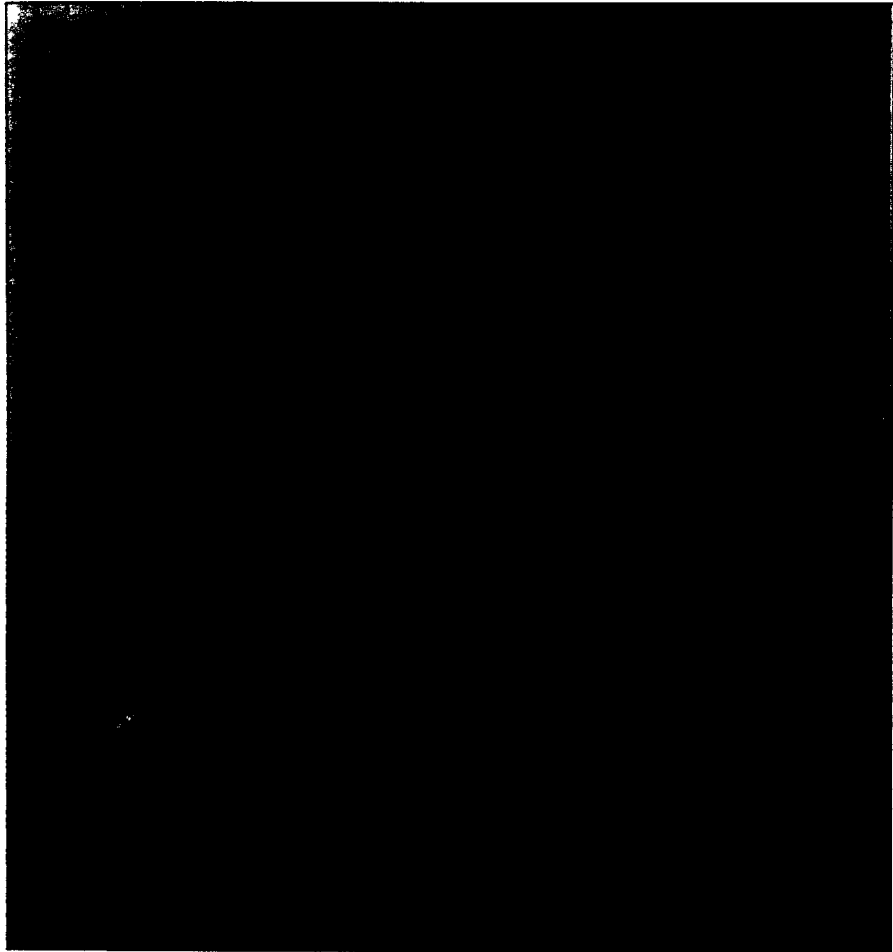
The Finance Committee granted a \$6.5 billion advance to the Provisional Airport Authority in July. The advance should cover the authority's costs until about 1994.

The Economic Services Branch, with the assistance of Wardley Capital Services as financial adviser, has worked out a financing scheme for the Provisional Airport Authority based on dollar values effective last March.

At that rate, the total cost of the new airport itself would be \$43.6 billion.

But that figure assumes worst-case scenarios — \$13.8 billion equity, \$16.5 billion borrowing, \$3.1 billion Government spending on facilities such as air traffic control and \$10.2 billion expected private sector investment on facilities such as air cargo terminals and maintenance facilities.

The Economic Services Branch believes, however, that there will be much less equity required than the \$13.8 billion for which provision is being made, with a higher percentage of borrowing.



Chek Lap Kok island will be transformed by a land reclamation project which will involve building 11.5 kilometres of sea wall and 1,269 hectares of new land.

"We should have no problem getting them to borrow because the project is commercially extremely sound, and the return on equity meets and exceeds our target," said a source.

"We are not asking lenders to do their bit for Hongkong. We are saying it's a very profitable long-term investment. We will not have to fling ourselves at the feet of the bankers," he said.

During the early years of

the MTRC, the Government had to offer a guarantee as an incentive to borrowers. It is hoped that the airport programme will be so financially robust that it will not need any Government guarantee for borrowing.

When the airport is operational, it is expected that two big revenue streams will provide the necessary cash flow to service the airport authority's debt.

One source will be the considerable landing fees and other charges paid by airlines, which are expected to be triple the prices paid at Kai Tak airport.

The second source is expected to be from land revenue, and from concessions.

"There is obvious potential for commercial development, although this has yet to be finalised with the relevant authorities," said a source close to the projects.