

NOTE FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

Supplementary Information on 796TH – Hong Kong – Zhuhai – Macao Bridge – conceptual design and advance technical studies

INTRODUCTION

In considering PWSC(2005-06)20 on “796TH – Hong Kong-Zhuhai-Macao Bridge – conceptual design and advance technical studies” at the PWSC meeting on 8 June 2005, Members requested the Administration to provide information on the financing arrangements for public-private-partnership (PPP) infrastructure projects in the Mainland.

THE ADMINISTRATION’S RESPONSE

2. On the request of Members, we have collected some examples of PPP infrastructure projects in the Mainland viz. the Guangzhou-Shenzhen Superhighway, Beijing Metro Line 4 and Shenzhen Metro Line 4.

3. Guangzhou-Shenzhen Superhighway was constructed on a basis similar to the Build-Operate-Transfer (BOT) approach. Guangdong Provincial Highway Construction Company and Hopewell China Development (Superhighway) Limited completed the necessary studies and obtained the necessary approvals at various stages in accordance with Mainland procedures in respect of infrastructure projects. An Agreement on Co-operation was signed in April 1988, and construction work proceeded at full steam in 1992. The Superhighway started to operate officially in 1997. The total investment for the project was US\$1.34 billion. Hopewell China Development (Superhighway) Limited contributed US\$90 million in registered capital and US\$450 million in shareholder loan, while an international financing syndicate provided the remaining US\$800 million in collateral¹. The term of operation is 30 years².

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¹ Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited. (2000). Available from: <http://gszshy.com.cn/introduce/index.htm> [Accessed 14 June 2005].

² Hopewell Holdings Limited. (2004) *Annual Report 2004*. Available from: http://www.hopewellholdings.com/index_eng.html [Accessed 14 June 2005].

4. On 7 February 2005, Beijing Municipal Government, Beijing Infrastructure Investment Company Limited, Beijing Capital Group and MTR Corporation (MTRC) initialled a Concession Agreement for Beijing Metro Line 4. This project is to be invested, constructed and operated in the form of PPP, and is the first metro project carried out in the PPP approach in Mainland China. The Concession Agreement has a term of 30 years. Its implementation is subject to approval by the National Development and Reform Commission. The total investment for the project is about RMB¥15.3 billion, 70% of which (around RMB¥10.7 billion) will be funded by the Beijing Municipal Government. The PPP project company, with a registered capital of approximately RMB¥1.5 billion, will invest around RMB¥5 billion³.

5. On 26 May 2005, Shenzhen Municipal Government and MTRC initialled a Concession Agreement for Phase 2 of Shenzhen Metro Line 4 on the BOT basis for a term of 30 years. The implementation of the Agreement is subject to approval by the National Development and Reform Commission. According to the Agreement, a project company will be established by MTRC to construct Phase 2 of Shenzhen Metro Line 4 and to operate Line 4⁴. The project also involves the acquisition of property development rights directly from Shenzhen Municipal Government at stations and the depot along Line 4 with an aggregate gross floor area of 2.9 million square metres. The total investment for the project is about RMB¥6 billion, with a registered capital of approximately RMB¥2.4 billion⁵.

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³ MTR Corporation. (2005) *MTR Initials Concession Agreement for Beijing Metro Line 4*. Available from: http://www.mtr.com.hk/eng/corporate/file_rep/PR-05-012-E.pdf [Accessed 14 June 2005].

⁴ Phase 1 of Line 4 commenced service in December 2004 and is now operated by Shenzhen Metro Company Limited. From the date of commencement and operation of Phase 2 of Line 4, the entire Line 4 will be operated by MTR's project company for a term of 30 years.

⁵ MTR Corporation. (2005) *MTR Initials Concession Agreement for Shenzhen Metro Line 4*. Available from: http://www.mtr.com.hk/eng/corporate/file_rep/PR-05-041-E1.pdf [Accessed 14 June 2005].