

NOTE FOR FINANCE COMMITTEE

Quarterly Report on Progress, Financing, Cost Estimate, Funding and Claims of the Airport Core Programme Projects (July to September 1998)

INTRODUCTION

This is the seventeenth quarterly report on the Airport Core Programme (ACP) projects for the Finance Committee. It covers the period July to September 1998. A cost summary is at Enclosure 1 and the ACP claims summary is at Enclosure 2.

Encl. 1
Encl. 2

2. We would be happy to give a more detailed briefing on the report and to answer questions if Members wish.

OVERALL PROGRESS OF THE ACP

3. The 10-project ACP was substantially complete on 6 July 1998 when the new Hong Kong International Airport at Chek Lap Kok commenced operation. The Airport Railway Express Line also came into service on the same day.

4. The relocation of the airport from Kai Tak to Chek Lap Kok was a well planned exercise covering a 90-day period in five phases. It started on 6 May 1998 gradually building up to the Night Move phase held from 5:30 pm on 5 July 1998 to 6:30 am on 6 July 1998. The Night Move involving 808 vehicle movements, eight barge trips and 29 aircraft was completed smoothly in a matter of 13 hours. By dawn, Chek Lap Kok was sufficiently equipped. The first incoming flight landed at the new airport at 6:27 am and the first outgoing flight left shortly after 7:00 am on 6 July 1998. The final phase of the relocation exercise took place after airport opening from 6 July 1998 to 5 August 1998, when items that were not essential for "day one" operations were relocated at a much more gentle pace.

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5. In total, 183 major ACP contracts have been awarded by the Government [93], the Airport Authority (AA) [58], the Mass Transit Railway Corporation (MTRC) [31] and the Western Harbour Crossing franchisee [1], at a total value of \$96,432 million.

6. Operational problems relating to passenger and cargo services were encountered upon airport opening. Some disruption to both passenger and cargo flows resulted, although airport operations remained safe and secure. Causes of the initial airport operation problems are being investigated. However, through the immediate action by AA, Government departments, airlines and ramp handlers, passenger service was brought up to an acceptable level within the first few days after airport opening. As at end September 1998, about 80 percent of flights left within 15 minutes of schedule and last bag delivery of passenger baggage was completed on average within 26 minutes after aircraft landing.

7. Air cargo services also encountered serious disruption on airport opening day because of problems at the Hong Kong Air Cargo Terminal Ltd (HACTL)'s Super Terminal 1. On 9 July 1998, HACTL announced an embargo on all cargoes, except inward perishables, inward and outward news and lifesaving materials and strong room items in order to clear their backlog and rectify the problems. Under a 4-phase recovery plan, HACTL progressively resumed handling of all import and export air cargoes at Super Terminal 1 at Chek Lap Kok as from 24 August 1998. Cargo services continued to improve in September 1998.

COST ESTIMATES AND FUNDING POSITION OF THE ACP

8. The expected outturn cost of the ACP remains within the overall revised estimate of \$155,322 million announced in November 1997. Of this amount, the costs of government ACP works on a net basis, of AA's share of the new airport project and of the Airport Railway (AR) remain within the estimates of \$49,608 million, \$49,787 million and \$34,000 million respectively.

9. The Finance Committee has so far approved a net total of \$49,525 million for government ACP projects. This represents 99.8% of the project estimate. As at 30 September 1998, the Administration committed \$47,105 million, or 95% of the project estimate. Of this, \$46,036 million or 93% of the project estimate had been spent.

10. The Finance Committee has approved an equity commitment of \$36,648 million for the new airport. As at 30 September 1998, the AA committed \$45,655 million, or 92% of the project estimate. Of this, the AA had expended \$47,189 million, or 95% of the project estimate.

11. The Finance Committee has approved an equity commitment of \$23,700 million for the MTRC to construct the AR. As at 30 September 1998, the MTRC committed \$32,594 million, or 96% of the project estimate. Of this, the MTRC had expended \$32,374 million, or 95% of the project estimate.

CLAIMS

12. As at 30 September 1998, the Government, the AA and the MTRC received a total of 26 421 claims against 152 major ACP construction contracts. Of these, 9 853 claims at a cost of \$3,999 million had been resolved against an original claim amount of \$13,564 million. Our current assessment is that there is sufficient contingency to meet the unresolved claims, and that there will be a reasonable balance to meet changes and variation orders for the remaining contract period.

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