



December 6, 2004

Press statement

Wharf Estates Development Limited (Wharf) was advised that KCRC has today concluded not to build the Canton Road Station (CAR) on its planned Kowloon Southern Link (KSL).

KCRC first approached Wharf in mid-2003 to explore the possible facilitation by Wharf to accommodate CAR within Harbour City.

A letter signed by the Chairmen and Vice Chairmen of 12 District Councils to the Chief Executive and Legislative Council on November 18 2004 highlighted the public desire and the mass transport necessity for CAR (Appendix 1).

Without CAR, the distance between the proposed West Kowloon and East Tsim Sha Tsui stations will be 1.7 km (1,700 m). In other metropolitans, including Tokyo, London, Paris and New York, distances between urban stations range between 500 m to 800 m. The prospect that a commuter has to walk up to 13-20 minutes via a combination of pedestrian subway and above ground from East Tsim Sha Tsui to Canton Road, which is the heart of Kowloon, is hardly attractive.

Following the meetings of the Legislative Council's Subcommittee on Railway Development Projects on June 3 and November 19 2004, Wharf and KCRC have had further exchanges on the proposed CAR station.

KCRC maintained that CAR would not be a transport necessity as reflected in KCRC's letter to Wharf dated November 25 2004. Wharf had responded before KCRC's decision to drop the station with a set of tangible offers to facilitate the building of CAR. A letter from Wharf to KCRC dated December 2 2004 is attached to reflect the discussion (Appendix 2).

**N E W S                      R E L E A S E**



In summary -

1. KCRC demanded Wharf to reimburse KCRC the full estimated cost of \$600 million of the enabling works for CAR, should Wharf fail to deliver the site for the station within an agreed time frame. This Wharf has accepted.

KCRC also demanded for Wharf to pay for the cost of building CAR (a public infrastructural facility) estimated by KCRC to be in the tune of \$600 million as a separate item. This Wharf has not accepted.

2. Wharf is prepared to advance its plans to redevelop part of Harbour City by almost 10 years so as to provide KCRC with a clear site and a premise of about 280,000 square feet at a peppercorn rent of \$1 a year, which would otherwise carry a market price of well above \$700 million.

CAR will also make the fallback plan for an underground pedestrian walkway system connecting the East Tsim Sha Tsui station to Canton Road in effect, unnecessary. This would have resulted in a further saving of \$300 million for KCRC.

To accommodate the CAR station, Wharf will incur substantial costs in demolition, rebuilding and rental losses during 4 years of construction. Wharf suggested for KCRC to contribute 50% of its savings described above in this paragraph to partially compensate as a minor portion of Wharf's cost to be incurred.

3. As a compromise, Wharf proposed for both sides to drop cost sharing request to each other, i.e. simply for KCRC to build its railway and station, and Wharf to demolish and rebuild its own buildings.

4. KCRC rejected Wharf's offer and insisted that Wharf must contribute to the building cost of CAR.



As a result, no agreement was reached. No Canton Road station will be built on the KSL.

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## **Appendix 1**

### **Joint Statement by Chairmen and Vice-Chairmen of District Councils Urging the government to reserve space for KSL Canton Road Station**

We are aware that Dr. Sarah Liao Sau-tung, Secretary for the Environment, Transport and Works, has revealed in a media interview that the Kowloon Southern Link (KSL) of Kowloon-Canton Railway Corporation (KCRC) will not include a station at Canton Road, as she believes "The station could not be justified in design, and there would be engineering problems and expensive costs involved and will drag down the return rate of the entire project... Passengers can enjoy convenient access to Canton Road by alighting at the Tsim Sha Tsui East Station."

If the government insists to build the KSL at whatever costs, given that the West Kowloon Cultural District project is estimated to commence in 2007, and only part of the project can be completed in 2010 to 2011 the earliest, while the KSL will enter service in late 2008 or early 2009, there will be a time gap of at least two years before the KSL can support the opening of the neighbouring West Kowloon Cultural District. As such, we believe there is no pressing demand for the construction of the KSL.

In its initial proposal, KCRC intended to build the Canton Road Station as part of the KSL, but the plan was later abandoned due to technical and cost considerations. The revised railway scheme was gazetted in March this year. After that, Wharf Estates Development Limited, the major property owner in the district, offered a counter-proposal for KCRC to build the railway station in its car park. According to the opinion of Dr. Liao, however, the government seems to have made the decision of dropping the Canton Road Station. As stated in the second paragraph of a document issued by the Environment, Transport and Works Bureau in June 2004 (Ref: ETWB(T)CR12/1016/99), 'KCRC held the view that Canton Road Station should best be constructed in conjunction with the redevelopment of the adjacent lots in future.' In light of this, if the Canton Road Station cannot be provided due to technical issues, we believe KCRC should modify the design of the KSL, so that enough space can be reserved in the Canton Road area for broadening the subways and adding more ventilation shafts, which allows the Canton Road Station to be built in the future along with the property redevelopments in the district. Therefore, we request the Environment, Transport and Works Bureau to consider reserving enough space (such as reserving the ventilation shafts at Peking Road and Canton Road) to prepare for the construction of Canton Road Station before the project is gazetted again.

We also note that the surface distance between the KSL West Kowloon Station and Tsim Sha Tsui East Station is approximately 1.7km, compared to the usual distance of no more than 800m between two MTR stations in the urban area. It is therefore against the common railway practice if the Canton Road Station is not provided. As a public corporation, KCRC should take the interest of the general public as one of its top priorities. Therefore, we find it difficult to understand KCRC's decision of building a station in the relatively less populated and more remote West Kowloon area, while ignoring the busy and highly congested Canton Road. In addition, the government plans to remove the bus terminal outside the Star Ferry Pier in 2006 or 2007. If a railway station is unavailable, Canton Road and the neighbouring areas will be faced with a serious lack of transport facilities, which is clearly detrimental to the economic benefits and against the will of the public.

*The Chinese version of this letter has been signed by the chairmen and vice chairmen of 12 district councils.*

**Appendix 2**

2<sup>nd</sup> December, 2004

Mr. Samuel Lai  
Chief Executive Officer (Acting)  
Kowloon-Canton Railway Corporation  
KCRC House  
No. 9 Lok King Street  
Fo Tan  
Shatin

Subject to Contract & Without Prejudice

Dear Sam,

First of all, we are still puzzled by your contention that the CAR station has no transport necessity. One should simply refer to the average distance between urban area underground “mass transit” railway stations in other international major cities. (We already know the average distance between MTR stations in Hong Kong is about 800m). In New York and London, the average distance between urban stations are 700m and 800m respectively. In Tokyo and Paris, it is even shorter at 650m and 550m. To say the bustling, dense and congested Canton Road has no “mass transit” station requirement along the 1.7km distance between the East Tsim Sha Tsui and West Kowloon stations is indefensible. The implication that KCRC came to us last year to find out how much it would cost KCRC to have the station under our building is self revealing.

Secondly, the CAR Station will surely add value to your overall system. We trust that the Corporation will come to the common sense conclusion as the District Councils did (see their joint letter dated 18<sup>th</sup> November) that the construction of CAR is necessary for the community and for KCRC.

If KCRC and the Government maintain that there is no transport necessity to build the CAR station, people can easily interpreted that your efforts in the past months over laborious meetings and studies, as directed by Legislative Council’s request, were indeed not conducted in good faith and thus disappointing the reasonable expectation by all stakeholders.

I now refer to our telephone conversation yesterday and your subsequent letter of the same date, in which you asked Wharf to give you a reply on the following two issues –

(1) Enabling work reimbursement

We previously proposed the firm undertaking to your Corporation in our 12<sup>th</sup> November letter to reimburse the Corporation 25% or HKD125 million, whichever is lower towards the costs of the enabling works should Wharf not make available the required site for the station within an agreeable timeframe.

You said yesterday that KCRC is looking for a full reimbursement on the cost of the enabling works if Wharf does not make available the station site to KCRC by an agreed date. You also said that such reimbursement would be refunded to Wharf upon subsequent or eventual delivery of the site. With our recent further revised plans done this week, we are now prepared to recommend to our board to accept your proposed arrangement subject to government approval on our new general building plans incorporating the CAR Station (which is not in our control) and subject to (2) stated below.

(2) Cost for the station box

You said the Corporation maintains the view that Wharf should pay for the station box construction cost. We have consistently explained why this view is not acceptable to Wharf.

As a matter of fact, the proposed provision of the station site and premises (approximately 280,000 s.f.) to KCRC at a peppercorn rent of \$1 p.a. is indeed a substantial and material contribution by Wharf towards the cost of the CAR station. Not to mention the savings in time and complexity in securing such a urban location, certainly you will have to agree that such premises carry a tangible monetary value (estimated to be well above \$700M) to your Corporation.

Wharf's facilitation also alleviates the planned provision of underground pedestrian walkways connecting from your East Tsim Sha Tsui station to Canton Road. The cost saved is in the region of \$300M.

To accommodate an early construction of the station, our very latest construction plan this week have advanced by almost 10 years for the two buildings (World Commerce Centres North & South) that will house the CAR station in the basement. This means we are assuming premature and considerable commercial risk in the form of demolition and rebuilding costs, rental losses during 4 years of construction and potential rental abatement to adjoining tenants. We are just now able to crystalize these costs to us which would amount to \$3000 plus per square foot. We are just now planning to demolish up to 1.8 million s.f. over eight years and

rebuild with the purpose of maintaining the integrity of Harbour City as a whole while accommodating your station.

Therefore, we believe that it would not be unreasonable for us to ask you to compensate us for accommodating you. 50% of your savings as identified should be contributed to our heavy costs of redevelopment. This is a complex and serious decision for us. Besides the integrity of the overall design of the Harbour City complex we must also satisfy the economic case to our shareholders.

However, given the efforts put in by both sides on this matter and in the spirit of community interests, we are prepared to compromise and propose that both sides drop any cost sharing requests, i.e. KCRC to build its railway and station, Wharf to demolish and rebuild its own buildings.

To close, we noted that this is the final hour and as we are not able to agree to your letter of 1st December, there will be no Canton Road Station. We also noted ETWB's e-mail last evening. Rather than accepting the kind invitation to jointly report to Legco and the media, we respectfully prefer to account to the public by issuing our own press release on the process and the matter. Thank you very much for approaching us with this interesting project.

Yours sincerely,  
Wharf Estates Development Ltd.  
As Agents

Gonzaga W.J. Li  
Senior Deputy Chairman

c.c. Mr. Raymond Wai-fu Ho  
Environment, Transport and Works Bureau