

Speech by STH on "Express Rail Link: The Fast Track to Future Economic Growth" (English only)

Following is the speech by the Secretary for Transport and Housing, Ms Eva Cheng, at the luncheon meeting of the Hong Kong Institute of Directors, "Express Rail Link: The Fast Track to Future Economic Growth", today (December 14) :

Dr (Kelvin) Wong, ladies and gentlemen,

Good afternoon. It is my great pleasure to join you at this luncheon hosted by the Hong Kong Institute of Directors.

Over the years, the Hong Kong Institute of Directors has made significant contributions in maintaining Hong Kong's competitiveness through its great efforts to promote good corporate governance. In this regard your members have helped advance the status of Hong Kong Inc., both in China and internationally. We share this very important mission. The vigorous cross-boundary infrastructure programme that we are currently undertaking also aims at ensuring that Hong Kong stays competitive in the long term.

It is widely recognised that world-class connectivity is the prerequisite for economic advancement, bringing markets closer and making them more accessible. For Hong Kong and the Mainland, cross-boundary infrastructure projects that will serve us for many years to come is essential to achieving this connectivity. Leaders of the business sector have come out unswervingly to support the Government's efforts, including many of you in this room, for which I am most grateful. I am pleased to point out that we have made significant progress. The construction of the Hong Kong-Zhuhai-Macao Bridge will commence tomorrow. It will go a long way to improving the regional highway network and accessibility to the 50 million customer base in the western part of the Pearl River Delta and beyond.

Another cross-boundary project that has caught the public eye is the Guangzhou-Shenzhen-Hong Kong Express Rail Link, or XRL for short. Hong Kong's first high-speed railway that hopefully will come on stream in 2015 will completely change the way we travel and open up vast opportunities for businesses.

The XRL is strategically vital to Hong Kong. It will enable Hong Kong to connect with the 16,000-km national high-speed rail network, set to become the largest and most advanced of its kind in the world. The XRL will provide through train service to some 16 major Mainland cities, bringing Wuhan within five hours of Hong Kong, Xiamen in four hours, Shanghai in eight hours and Beijing within 10 hours. And our terminus is in West Kowloon, so most commercial districts including Central and Tsim Sha Tsui will be accessible within 15 minutes from the terminus by rail or by road. In other words we are building a domestic airport right in the heart of town that will offer a premium railway service (running at 100m per second) to these cities, but without the hassle of air travel. This also means access to cities south of Wuhan within a five hour radius is probably more efficient by high speed rail than by air. This customer base, counting the cities alone, boasts 80 million people.

Many people ask, and it is a legitimate question, what economic and social benefits the XRL will bring. Last Friday I took a group of journalists on the Beijing-Tianjin Intercity High Speed Railway, the first leg of that 16,000 km network I just mentioned. The 120-kilometre journey from Beijing to Tianjin took less than 30 minutes, offering both speed and comfort. The patronage in its first year of operation already reached 18.7 million, exceeding the original forecast. This first ever intercity line offers a good reference for Hong Kong as we ponder the benefits for ourselves. Economically it has stimulated investment and consumption for both cities. Socially it has provided a wider choice - opening

up new options for job locations, leisure trips or even social ties. Environmentally the high speed railway reduces carbon emission by roughly 85% compared with air travel and 75% compared with buses.

The same benefits will be enjoyed by Hong Kong. Simply quantifying passenger time savings, the economic benefits of the XRL over 50 years of operation already amounts to some \$87 billion, representing a very decent economic internal rate of return of 6%.

But we should go beyond just numbers. We believe that enhanced connectivity between Hong Kong and the Mainland will open up a wealth of new business opportunities. The ease and hence increase in contacts of residents of Hong Kong and the Mainland will facilitate the integration of the labour and consumer markets in the Pearl River Delta Region. The greater synergy and complementarity so created will boost the overall productivity in the region, bringing direct benefits to Hong Kong.

The increase in Mainland visitors for our tourism, retail and catering sectors will also bring substantial economic gain and create jobs. It is only natural that there will be more Mainland residents coming to Hong Kong for day or weekend trips with the convenience offered by the XRL. The purchasing power of Mainland visitors has been more than felt in the past few years since the introduction of the Individual Visitors' Scheme. Taking a rough but conservative estimation - by assuming 10% of induced Mainland visitor trips (i.e., people coming to Hong Kong more frequently simply because of the ease of travel) - the additional spending brought about in Hong Kong could amount to \$3 to \$6 billion every year. By the same token, more Mainland customers will be attracted to come to Hong Kong for our wide range of professional services, whether banking, insurance, medical, legal or accounting, services in demand by an increasingly sophisticated and affluent customer base in the Mainland.

At a very practical level, just forget about such high level analysis for the moment, for those of us who have to make business trips to the Mainland, and I doubt if anyone can escape from this routine nowadays, saving travelling time means more time for the family and achieving better work-life balance. That applies to everyone, employer or employee. So it baffles me that some people suggest that the XRL is just for the rich or just for West Kowloon residents. Strategic infrastructure projects serve everyone and all businesses in Hong Kong.

At this point, I cannot help reflecting on the similarity of our XRL project with the Eurostar linking Britain and France in the 1980s. There were then heated discussions regarding the cost/benefit of the project when it was mooted. But the situation in Britain and France today only proves the concerns unfounded. The Eurostar has brought closer ties among the people of not only Britain and France, but also those living on the Continent. Many of us have also taken advantage of the Eurostar to enjoy multi-stop vacations in Europe. It is only reasonable to expect that many of our international guests in future will land at our airport, stay a few days in Hong Kong and proceed to several Mainland cities by the XRL and return to Hong Kong before they head home.

In case you still have any lingering doubts, let me assure you that the XRL is not the most expensive in the world. Like with like, it costs less than the Channel Tunnel, which costs US \$488 million per kilometre at today's price. The cost of the Hong Kong section of the XRL is high because we are building 26km of tunnels so as to avoid many environmental problems. Plus the fact that we are submerging the station below ground level to give back as much open space and greenery to the community.

Ladies and gentlemen, in a few days' time, the Finance Committee of the Legislative Council will discuss our funding

application for the Hong Kong section of the XRL. The project has been discussed for nearly 10 years. There is clear community consensus for its early construction. We cannot afford to wait any more. The Guangzhou section which we will connect to will be completed in phases by 2012.

The Wuhan to Guangzhou section was test run a few days ago and broke the world record by running at 394km per hour. Subject to the funding approval, the construction of the XRL will start this month for completion in 2015. Let's get on with the fast track for future economic growth.

On this forward looking note, let me wish you all good health and a happy festive season ahead. Thank you.

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