

政府總部
運輸及房屋局

運輸科

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Transport and
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18 July 2008

By Fax : 2869 6794

Clerk to the Finance Committee

Legislative Council Building

8 Jackson Road

Central

Hong Kong

(Attn: Miss Becky Yu)

Dear Miss Yu,

Finance Committee

Follow-up to meeting on 8 July 2008

Thank you for your letter of 8 July 2008.

The on-cost payable to the MTR Corporation Ltd (MTRCL) as shown in item (a)(IV) of paragraph 11 of the Public Works Subcommittee paper (Paper No: PWSC(2008-09)22) is for services to be provided by the MTRCL for the management and supervision of the design and site investigation works of the the Guangzhou – Shenzhen – Hong Kong Express Rail Link (XRL) project. It includes, but is not limited to, staff cost for MTRCL's dedicated project management team and the headquarters for providing support for the project; accommodation costs for the dedicated project management team and consultants; and corporation costs (e.g. legal, financial, human resources, public relations, operating support, insurance, corporate governance and other relevant overheads).

At present, the on-cost rate for the XRL has yet to be agreed with

the MTRCL. The determination of a reasonable on-cost rate takes time. We will need to, for example, examine the MTRCL's audited accounts of previous projects and ascertain the actual on-cost apportioned to individual projects, and will also need to further negotiate with the MTRCL. Pending an agreement on the on-cost rate, payment of the on-cost for design and site investigation works to the MTRCL will have to be made on a reimbursement basis according to the actual expenses incurred by the MTRCL for such services. The sum will be off-set in the final on-cost payable to the MTRCL for the design and construction of the whole project. Hence the on-cost of \$330 million is only an indicative figure. Purely for the purpose of providing an estimate, we have adopted a percentage of 16.5% in the cost breakdown. This should not, however, be taken to mean that we would be paying design on-cost to the MTRCL on this basis; nor should it be taken as the Government's agreement to adopting the same percentage as the actual on-cost rate for both design and construction. We will seek independent consultancy advice in assessing the reasonableness of the on-cost rate to be proposed by the MTRCL for the XRL project.

Yours sincerely,



(Ava Chiu)

for Secretary for Transport and Housing

c.c. Hon TAM Yiu-chung, Chairman of FC