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By Fax

3 June 2013

Secretary General
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Attn.: Ms. Annette LAM)

Dear Ms. LAM,

**Legislative Council Public Works Subcommittee (PWSC)
Meeting on 8 May 2013
Supplementary Information about
Tuen Mun-Chek Lap Kok Link (TM-CLKL)**

At the captioned meeting, Members requested the Administration to provide further information on provision for price adjustment of the captioned project. We are pleased to provide the information in ensuing paragraphs for Members' reference:

Calculation Details of Provision for Price Adjustment of \$11,561.7 million:

In accordance with the calculation method for price adjustment for capitals works projects, we first worked out the construction cost of the remaining works of the TM-CLKL at constant price (i.e. \$33,236.7 million estimated at September 2012 price). Based on the estimated progress of works and the phasing of expenditure in each financial year, we worked out the estimated price to the money-of-the-day (MOD) price (i.e. \$44,798.4 million) according to the Government's forecast of price adjustment factors for respective financial years. The amount of provision for price adjustment (i.e. \$11,561.7 million) was then worked out. Details are as follows:

Year	Sep 2012 price (\$ million)	Price adjustment factor	MOD price (\$ million)
2013 – 2014	732.1	1.06225	777.7
2014 – 2015	2,459.2	1.12599	2,769.0
2015 – 2016	3,914.0	1.19354	4,671.5
2016 – 2017	6,004.2	1.26516	7,596.3
2017 – 2018	6,301.7	1.34107	8,451.0
2018 – 2019	5,589.4	1.41147	7,889.3
2019 – 2020	4,400.4	1.48205	6,521.6
2020 – 2021	2,276.4	1.55615	3,542.4
2021 – 2022	1,169.7	1.63396	1,911.2
2022 – 2023	389.6	1.71565	668.4
	33,236.7		44,798.4

Provision for price adjustment: (\$44,798.4 - \$33,236.7) million = \$11,561.7 million.

The information on provision for price adjustment¹ has been included in the discussion paper ref. PWSC(2013-14)3 submitted to the PWSC for Members' reference.

As mentioned above, the amount of provision for price adjustment of \$11,561.7 million is calculated according to the Government's price adjustment factors, and is not related to the judicial review (JR) case regarding the Environmental Impact Assessment (EIA) reports of the Hong Kong-Zhuhai-Macao Bridge (HZMB).

¹ The Administration regularly updates the price adjustment factor used in funding application documents for capital works projects submitted to the Public Works Subcommittee and Finance Committee. Also, Financial Services and the Treasury Bureau regularly submits related documents to the Public Works Subcommittee (the latest price adjustment factor, adopted by the Administration since March 2013, is included in the document ref. PWSCI(2012-13)14).

Regarding the JR case of the HZMB, although the applicant has excluded the EIA Report of the TM-CLKL in the application of the JR², the construction programme of the TM-CLKL has been delayed by about one year due to the JR, since the southern landfall of the TM-CLKL sub-sea tunnel and the reclamation of the HZMB Hong Kong Boundary Crossing Facilities are taken forward under the same contract in the same location at the same time. The construction works for the tunnel and road sections etc. have also been delayed as a result. We have not estimated the impact of the JR on the construction cost. Nevertheless, construction costs were generally on the rise during the time of delay.

Yours sincerely,



(Miss Sheena YAP)
for Secretary for Transport and Housing

c.c.

Commissioner for Transport
Director of Highways

(Attn.: Raymond CHUNG)
(Attn.: Steven SHUM)

² The JR focused on the EIA reports and environmental permits of the HZMB Hong Kong Boundary Crossing Facilities and Hong Kong Link Road.