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19 June 2015

Ms Connie Szeto
Clerk to Establishment Subcommittee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Connie,

**Establishment Subcommittee (ESC) Meeting
on 29 June 2015**

I write to give notice for the agenda for the ESC meeting scheduled for 29 June 2015. The agenda includes the following two items for which the discussion was adjourned at previous ESC meetings –

- (a) EC(2015-16)1 - Proposed creation of three supernumerary posts of one Principal Government Engineer (D3), one Administrative Officer Staff Grade C (D2) and one Chief Engineer (D1) in the Airport Expansion Project Coordination Office (AEPCO), Transport Branch of Transport and Housing Bureau for about three years with immediate effect upon approval of the Finance Committee to 31 March 2018 to head the AEPCO for steering and coordinating the related work in taking forward the Three-Runway System project
- (b) EC(2014-15)21 - Proposed retention of a supernumerary post of Chief Engineer (D1) for a maximum period of four years and six months from 7 July 2015 or with immediate effect upon approval of the Finance Committee (whichever the later) in the Railway Development Office of Highways Department to continue providing dedicated support to and monitoring the completion of the Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link project by the MTR Corporation Limited

2. Discussion of the EC(2015-16)1 and EC(2014-15)21 was adjourned respectively at the ESC meetings of 27 May and 10 June 2015. In view of the importance and urgency of the posts concerned, the Government considers it necessary to resume discussion of both items at the ESC meeting of 29 June 2015 which is the last scheduled meeting before summer recess. Detailed information and justifications for re-submitting the items are set out in Enclosures (1) and (2).

Encls. (1) &
(2)

3. I should be grateful if you could bring this to the attention of the ESC Chairman.

Yours sincerely,



(Mr Alfred Zhi)
for Secretary for Financial Services
and the Treasury

EC(2015-16)1 - Proposed creation of three supernumerary posts of one Principal Government Engineer (D3), one Administrative Officer Staff Grade C (D2) and one Chief Engineer (D1) in the Airport Expansion Project Coordination Office (AEPCO), Transport Branch of Transport and Housing Bureau for about three years with immediate effect upon approval of the Finance Committee to 31 March 2018 to head the AEPCO for steering and coordinating the related work in taking forward the Three-Runway System project

The importance and urgency of the above proposed posts are set out in the ensuing paragraphs.

2. With the affirmation of the Executive Council (ExCo) of the need for the three-runway system (3RS) project given on 17 March, the Airport Authority Hong Kong (AAHK), as the project proponent, is actively taking forward the implementation of the 3RS project. It immediately proceeded with the next stage of work, including the statutory gazettal procedures under the Foreshore & Seabed (Reclamations) Ordinance (Cap. 127) and Town Planning Ordinance (Cap. 131) which have commenced on 8 May 2015; the formulation of the relevant environmental mitigation and conservation plans as required in the 3RS Environmental Permit (EP) which are prerequisites for commencement of the relevant construction works, as well as the review of the 3RS financial arrangement plan with a view to reducing the level of the Airport Construction Fee. Given the sheer size and cost of the project, it is crucial and essential that close and proper monitoring of AAHK's work by the Government through the dedicated Airport Expansion Project Coordination Office (AEPCO) is in place. Such undertaking is also in line with the public's and Legislative Council's (LegCo) expectation of major public infrastructure projects.

3. AEPCO, with the necessary directorate support, will work with AAHK closely to ensure that the implementation of the 3RS project is smooth, compliant with relevant statutory requirements, within budget and with due economy. Without the necessary directorate support, it would be not be possible for AEPCO to carry out its roles effectively and properly. Further, the proposed directorate support is essential for AEPCO to undertake necessary liaison and coordination work with relevant Government bureaux/ departments in assisting AAHK in accomplishing various tasks which are time-critical to the implementation of the 3RS project (e.g. fulfilling the requirements in the EP, accomplishing the statutory gazettal processes, etc). Moreover, with the establishment of the LegCo Subcommittee in overseeing the implementation of

3RS project, the proposed directorate officers in AEPCO would be needed to provide the necessary support and inputs in relation to the operation/business of the Subcommittee.

4. Based on the above, there is a pressing need for resuming the discussion of the subject item at ESC as soon as possible, with a view to minimising the undesirable impact of AAHK having to take forward 3RS-related work under only limited monitoring and support from the Government.

5. We should like to respond to key concerns raised by Members on the 3RS project at the meetings on 12 and 27 May 2015 as follows –

(a) Pearl River Delta (PRD) Region Airspace Management

The Civil Aviation Administration of China (CAAC), the Civil Aviation Department (CAD) of Hong Kong and the Civil Aviation Authority of Macao (CAAM) set up the “PRD Region Air Traffic Management Planning and Implementation Tripartite Working Group (TWG)” in 2004 and drew up the “PRD Region Air Traffic Management Planning and Implementation Plan (Version 2.0)” (the Plan) in 2007. The Plan has clearly set out the short, medium and long-term optimisation targets and measures to be achieved and implemented before 2020, with a view to coping with the sustained growth of demand for air transport services in the PRD region. The Plan has fully taken into account the operational needs of, amongst other, the 3RS at the Hong Kong International Airport. CAD will continue its discussion with the CAAC and the CAAM on the implementation of the measures and the related technical details in the Plan. THB’s earlier response dated 8 June 2015 to ESC on the same matter is at Annex for reference;

Annex

(b) 3RS Financial Arrangement and related Economic Impact

According to AAHK’s proposal, AAHK will finance the 3RS project by making use of internal sources of funds (including raising revenues), external borrowings and charging airport users (including adjusting airport charges payable by the airlines and introducing Airport Construction Fee (ACF) payable by departing local and foreign air passengers). This proposal, which is based on the “joint contribution” principle, is more equitable than direct Government funding out of the general revenue. Under the proposed financial arrangement, no fund allocation, capital injection or loan guarantee from the Government is required.

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In the light of the views of the Government and the general public, AAHK is reviewing the charging level of the proposed ACF, with a view to lessening air passengers' burden. AAHK will announce the findings upon completion of the review.

It should also be noted that according to AAHK, the 3RS can bring additional economic benefits of \$455 billion (in 2012 dollars) over a 50-year period from 2012 to 2061, as compared with the existing two-runway system.

(c) *LegCo's Monitoring*

Notwithstanding that the 3RS project will be implemented by AAHK through self-financing arrangement, both the Government and AAHK acknowledge the need for the LegCo and the community to monitor the implementation of project. The Government and AAHK have undertaken to report to LegCo regularly on the progress of the project, and a high-level consultative committee comprising key stakeholders will be established to advise the Government on issues relating to 3RS implementation. We will also co-operate fully with the LegCo Sub-committee which will be set up to monitor the implementation of the 3RS.

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**Transport and
Housing Bureau
Government Secretariat**

Transport Branch
East Wing, Central Government Offices,
2 Tim Mei Avenue,
Tamar, Hong Kong

本局檔號 Our Ref. THB(T)CR2/952/12

來函檔號 Your Ref. CB1/F/3/6

8 June 2015

Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Attn: Mr Jason KONG)

Dear Mr KONG,

**Follow-up to the Meeting of
the Establishment Subcommittee held on 27 May 2015**

Your letter of 28 May to the Financial Services and the Treasury Bureau setting out a list of follow-up items arising from the said meeting has been passed to the Transport and Housing Bureau. I am now authorised to reply as follows.

To cope with the sustained growth of demand for air transport services and to support the continuous economic development in the region, the Civil Aviation Administration of China (CAAC), the Civil Aviation Department (CAD) of Hong Kong and the Civil Aviation Authority of Macao (CAAM) set up the "Pearl River Delta (PRD) Region Air Traffic Management Planning and Implementation Tripartite Working Group (TWG)" in 2004 to formulate measures to rationalise the airspace structure and air traffic management arrangements in the PRD Region, and to optimise the use of airspace and enhance safety.

After more than ten different meetings, the TWG jointly drew up the "PRD Region Air Traffic Management Planning and Implementation Plan (Version 2.0)" (the Plan) in 2007, which has clearly stipulated the short, medium and

long-term optimisation targets and measures to be achieved and implemented before 2020. The TWG also agreed to optimise the use of the PRD airspace resources through joint airspace planning, use of common standards and harmonised flight procedure design, with a view to supporting the continued development of the civil aviation industry in the region. The air traffic management arrangements and measures in the Plan have been formulated with the practical operational needs of the major airports in the region fully taken into account, including the operational needs of the future three runway system (3RS) of Hong Kong International Airport (HKIA). The arrangements and measures in the Plan have been analysed and studied by technical personnel from the Mainland, Hong Kong and Macao with the use of advanced evaluation techniques, and have incorporated the advice of air traffic control (ATC) experts of the three sides during their formulation. The Plan is a practical and feasible plan for mutual benefits and will achieve a win-win situation for the three sides.

Since the formulation of the Plan in 2007, over 20 meetings of the three sides at different levels have been held in the Mainland, Hong Kong and Macao, with the most recent one held in May this year. A number of air traffic management enhancement measures in the Plan have been implemented, including the establishment of the peripheral flight paths in the PRD Region, addition of ATC handover points and adjustment of the Zhuhai airspace structure, thereby enhancing the efficiency in flight operations and air traffic management in the region.

In response to Members' concern over "air wall", we must point out again that there is no separation by a "wall" between adjacent airspaces as such. The so-called "air wall", generally refers to the boundary between adjacent airspaces, and should be more accurately be referred to as the "transfer of control point". To ensure that aircraft in adjacent airspaces operate concurrently in a safe and efficient manner, an aircraft must reach a designated altitude and fly over specific geographical locations before an ATC unit may transfer its control of that aircraft to another ATC unit thereby avoiding conflicts between aircraft. This kind of "transfer of control point" arrangement seeks to safeguard flight safety, and is commonly applied by busy airports all over the world, including those in London and New York. This arrangement is irrelevant to runway capacity.

Given the close proximity between Shenzhen Airport and HKIA and the fact that the two airports are separately managed by two ATC units in the Mainland and in Hong Kong, an aircraft departing from HKIA must reach the designated handover altitude of 15 700 feet before it can enter the Mainland's airspace, and an aircraft from the Mainland has to fly at the designated handover altitude of over 19 000 feet when it enters the airspace of Hong Kong. After

discussions between the two sides, the handover altitude has been lowered to 12 800 feet for aircraft entering the Mainland airspace during specified non-peak hours at night (i.e. 1 am to 7 am) since 2005.

Tasks relating to the implementation of the Plan are executed and pursued by the CAD. Through the TWG, the CAD will continue discussion with the CAAC and the CAAM on the implementation of the measures and related technical details in the Plan. The CAD will also maintain close liaison with its Mainland counterparts on work relating to the "transfer of control points". The Transport and Housing Bureau supervises CAD's work at the policy level and the Airport Expansion Project Coordination Office will continue to provide analyses and related input in respect of matters relating to the implementation of the 3RS project.

Yours sincerely,



(Miss Pinky WONG)

for Secretary for Transport and Housing

EC(2014-15)21 - Proposed retention of a supernumerary post of Chief Engineer (D1) for a maximum period of four years and six months from 7 July 2015 or with immediate effect upon approval of the Finance Committee (whichever the later) in the Railway Development Office of Highways Department to continue providing dedicated support to and monitoring the completion of the Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link project by the MTR Corporation Limited

The importance and urgency of the above proposed post are set out in the ensuing paragraphs.

2. The Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (“XRL”) is an important cross-boundary transport infrastructure for Hong Kong. The Government has entrusted the construction of the Hong Kong section of the XRL to MTR Corporation Limited (“MTRCL”). Construction works commenced in 2010.

3. In May 2014, MTRCL stated that the new commissioning target would be by the end of 2017. The Highways Department (“HyD”) has continued to monitor closely the progress of the remaining works of the XRL project against this target. In recent months, HyD has expressed its grave concern over the issue of persistent delay of works and whether MTRCL could complete the project in accordance with the Programme to Complete (“PTC”). MTRCL was also urged to strengthen measures to recover the delay. The Administration reported this serious concern on progress of works via the latest quarterly report on the progress and financial situation of the construction of the Hong Kong section of the XRL (LC Paper No.: CB(4)954/14-15(07)) submitted to LegCo Subcommittee on Matters Relating to Railways (“RSC”) for discussion at its meeting on 19 May 2015.

4. At present, the Government’s most important work is to press ahead with the implementation of the XRL project for completion as soon as possible. The revised project programme of the construction of the XRL project, which is being reviewed by MTRCL, is extremely challenging. It is necessary to retain the post of Chief Engineer / Railway Development 2-3 (“CE/RD2-3”) to continue to oversee the implementation, commissioning and finalisation of the

/XRL

XRL construction contracts. To ensure the smooth implementation of the XRL project within the revised project programme, CE/RD2-3 has to carry out intensive monitoring work and take full charge of all professional, technical, contractual and interface issues, administer the entrustment agreements with MTRCL and the related consultancies, steer the timely resolution of matters concerning project implementation and financial control. CE/RD2-3 also has to provide professional advice and support to THB in overseeing the Hong Kong section of the XRL project.

5. In response to a question raised at the ESC Meeting on 27 May, we set out below a number of examples illustrating how CE/RD2-3 has been monitoring the project progress of the Hong Kong section of the XRL, over the past few years, through a dedicated team and with the assistance from the Monitoring and Verification (“M&V”) consultant.

- (i) Review and follow up with MTRCL in 2011 the use of a new construction technique for the effective removal of existing piled foundation in the vicinity of Nam Cheong Station to allow the timely tunnel excavation works by Tunnel Boring Machine;
- (ii) Review and follow up with MTRCL in 2011/12 the implementation of a temporary traffic arrangement in the vicinity of Jordan Road to recover a 6-month delay for the construction of diaphragm walls at West Kowloon Terminus (North); and
- (iii) Assist and facilitate MTRCL and its contractor to obtain the necessary blasting permits for carrying out blasting works at the works site of West Kowloon Terminus with a view to speeding up the rock excavation at West Kowloon Terminus.

6. If FC’s approval for this staff proposal cannot be secured on or before 6 July 2015, the post of CE/RD2-3 will lapse after that day accordingly. HyD will not be able to monitor the project progress of the Hong Kong section of the XRL effectively and protect the interest of Government as the owner of this project. This will cause a substantial impact to the implementation of XRL project.

7. Based on the above, there is a pressing need for resuming discussion of the subject item at ESC as soon as possible to continue to provide dedicated support to and monitor the completion of the Hong Kong section of the XRL project by MTRCL, with a view to ensuring the smooth implementation of the XRL project within the revised project programme.

8. We should like to respond to the key concerns raised by Members have relating to the Hong Kong section of the XRL project at the meetings on 27 May and 10 June 2015 as follows –

(a) *Programme to Complete (“PTC”) and Cost to Complete (“CTC”) of the Hong Kong section of the XRL*

As reported by MTRCL, the overall progress of the Hong Kong section of the XRL was 68.7% as at the end of March 2015, indicating a delay when compared with the planned progress of 73.7% in the PTC. As indicated in the aforementioned latest quarterly XRL report (LC Paper No.: CB(4)954/14-15(07)) submitted to the RSC, the overall delay of works has worsened and reached a very critical state. HyD was highly doubtful on whether MTRCL could achieve the target for commissioning of XRL in end 2017 and considered that there might be further delay.

On 24 July 2014, the Government received a letter from MTRCL informing the Government that the CTC for the Hong Kong section of the XRL was \$71.52 billion. Based on the information provided by MTRCL and with the assistance of the M&V consultant, HyD has completed the assessment of MTRCL’s CTC. In their review, HyD and its M&V consultant identified certain items which had not been included in the CTC or which would need to be reviewed to ensure adequate coverage in the risk allowances. Based upon this review, HyD and its M&V consultant considered MTRCL’s CTC tended to be on the low side for budgeting purpose. HyD also noted the second report of the MTRCL Independent Board Committee (“IBC”) reported a similar conclusion reached by its own appointed experts. HyD urged MTRCL in November 2014 to review again the CTC in view of the reports of the MTRCL IBC and HyD’s review findings, and to advise how the identified items which had not been included in the CTC would be addressed and allowed for.

MTRCL is reviewing again the PTC and CTC, which is expected to be completed in the second quarter of 2015. MTRCL also indicated that the CTC “may be revised significantly upwards”. The Government is very much concerned with MTRCL’s latest estimate of the CTC for the XRL project; a thorough and detailed assessment would be conducted upon formal receipt of the review result from MTRCL.

/(b)

- (b) *The age distribution of staff members in the XRL dedicated team as at 15 June 2015 is as follows –*

Age Band	No. of Staff Members
25 – 30	1
31 – 35	1
36 – 40	3
41 – 45	4
46 – 50	2
51 – 55	3
56 – 60	1
Total	15

The normal retirement age of the above staff members is 60.

- (c) *Initial responses to the recommendations of the Independent Expert Panel (“IEP”)*

With the release of the Report of the IEP, HyD has made initial responses to the recommendations and observations of the IEP, which are set out in Annex 1.

Annex 1

- (d) *Government’s enhanced work*

The Government has strengthened its reporting to the RSC on the latest progress of the Hong Kong section of the XRL project. We are providing reports to the RSC quarterly, instead of half-yearly, on the progress and financial situation of the XRL. We also attend meetings of the RSC to report progress of XRL, including the RSC meetings in November 2014, January 2015 and March 2015. We have provided the RSC with the latest quarterly XRL report in May 2015 (LC Paper No.: CB(4)954/14-15(07)), and attended the RSC meeting on 19 May 2015 to report progress. We will also attend the next RSC meeting on 3 July 2015 to report on the latest development on the Hong Kong section of the XRL.

Apart from the above, HyD has also carried out other enhancement measures; these are summarised at Annex 2.

Annex 2

/(e)

(e) *Co-location of Customs, Immigration and Quarantine (CIQ) Facilities at West Kowloon Terminus*

The primary concern of this issue is how to enable Mainland officers to enforce the Mainland's immigration and clearance procedures and the related Mainland laws at the West Kowloon Terminus under the current constitutional framework. Led by the Secretary for Justice, the Transport and Housing Bureau and the relevant policy bureau and departments are actively studying these and other issues, and discussing them with the relevant Mainland authorities. As the work is very complex, it takes time to deliberate and identify a solution to the legal and constitutional issues involved for implementation of the "co-location" arrangement. Our goal is to strive to implement the co-location arrangement at the West Kowloon Terminus when the Hong Kong section of the XRL is commissioned.

Initial responses to IEP's Recommendations and Observations

In May 2014, the Chief Executive appointed the IEP to investigate the delay of the construction of the Hong Kong section of the XRL. In December 2014, the IEP submitted its *Report of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link Independent Expert Panel* ("the Report") to the Chief Executive. The Government has released the Report in full to the public. The Report offered a number of recommendations. HyD's initial responses to these recommendations are set out below.

Recommendation 1: Improve institutional arrangements for concession agreements – including setting up robust institutional arrangements, introducing incentives and penalties, allowing step-in arrangements to allow the Government to take over the project, and conducting quantitative risk analysis to establish baseline parameters including schedule and cost

Initial response:

2. HyD accepts this recommendation generally. HyD agrees that there is a need to improve the institutional arrangements for concession agreements and to clearly define the obligations, duties, roles and responsibilities of the contracting parties. We consider that before proceeding to another entrustment agreement adopting the concession approach, there is a need to carry out a detailed study probably by engaging a consultant taking into account the experience gained from the implementation of the XRL project, the suggestions recommended by the IEP and the overseas experience.

3. As regards relevant provisions in the Entrustment Agreement for construction and commissioning of the XRL between the Government and MTRCL ("EA"), the Government has followed largely the recommendations of Lloyd's Register Rail (Asia) Limited ("Lloyd's"), a consultancy commissioned by HyD in early 2008 to review the institutional arrangements to ensure implementing the XRL project by MTRCL efficiently. In particular, according to the EA, MTRCL shall discharge its duties and responsibilities relating to the planning and construction of the project with the skill and care reasonably expected of a professional and competent project manager. MTRCL shall use its best endeavours to complete the Entrustment Activities, and to minimize any delay. MTRCL shall act in accordance with MTRCL's management systems and procedures.

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4. On remedies and intervention mechanisms, according to EA, if MTRCL commits a material or persistent breach of any of its material obligations under the entrustment agreement, the Government may terminate the entrustment agreement.

5. HyD agrees that the introduction of appropriate incentives and penalties would better drive the entrustee to meet its obligations under an entrustment agreement. This should be one of the subjects to be reviewed in the future study mentioned above.

Recommendation 2: Adopt internationally recognized best practices for complex projects – including establishing a project controls and oversight function, developing and maintaining an integrated master programme, continued assessment of cost and schedule risk using quantitative risk assessment, and demonstrating the impact of delay recovery measures (“DRMs”) by reference to updated integrated master programme

Initial response:

6. HyD accepts this recommendation generally. HyD agrees that an integrated master programme can easily show the effect of delay of any activities under individual contracts on the project critical path. We will consider its adoption for progress monitoring in complex projects in future.

7. While an integrated master programme has its advantage, the same information can also be obtained by making reference to contract-based master programme coupled with analysis of relevant progress information. For project progress monitoring, MTRCL used Primavera P6 (a software for programming and progress monitoring) to prepare its works programmes and requires the contractors to use the same software to develop the contract programmes for compatibility. MTRCL set up a master programme of the XRL project at high level with key dates and managed the contracts to achieve those key dates. This allows MTRCL to manage the civil works contracts and their interfaces according to those key dates.

8. HyD considers that systematic risk analysis can allow a relatively more systematic review of project risks and hence assessment of the impacts on the project cost and programme. In implementing complex projects in future, HyD will consider the suitable form of risk analysis to be adopted and whether the quantitative form is more appropriate.

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9. In fact, a similar risk management system is required under existing guidelines for public works projects. Environmental, Transport and Works Bureau Technical Circular No. 6/2006 requires that all major capital works projects should implement Systematic Risk Management (“SRM”) from the project planning stage to identify potential risks which may affect the programme of works. Associated management and mitigation measures shall be developed to minimize the potential impacts and to improve the project delivery. SRM shall be regularly reviewed and updated throughout the entire project implementation.

10. For normal-sized projects, the above Circular requires implementation of largely qualitative form of risk management. For complex mega scale projects, quantitative form of risk management is recommended.

11. For the XRL project, HyD noted that MTRCL’s internal Project Integrated Management System (“PIMS”) requires regular review of programme and cost risks. For risk management, MTRCL will conduct cost risk analysis for all awarded contracts on a monthly basis. The cost impacts of foreseeable and unforeseen risks will be reviewed for assessment of the risk allowances required for individual contracts and the project.

12. HyD agrees that DRMs targeted to catch up the delay of critical activities shall be assessed with reference to their impacts on the critical path. In this regard, an integrated master programme can easily show the project critical paths. However, not every DRM is targeted for recovering delay of critical activities. Some DRMs are developed to address delay of non-critical activities with the aim to prevent or minimize the amount of potential claims (prolongation cost) from the contractors.

Recommendation 3: Enhance progress reporting – including the use of appropriate quantified metrics and dashboards in reporting to facilitate clear and ready understanding, and reports should be fit for purpose

Initial response:

13. HyD agrees that the enhanced design for reporting will enable stakeholders, especially at management level, to realize and understand the progress of works and the risks more easily. In the past months, MTRCL, in consultation with HyD, has in its reports included quantitative criteria and simple traffic light indicators (green, amber, pink and red colour to show different level of progress/delay situation). This has enabled stakeholders to understand the progress of works more easily.

14. HyD has followed up with MTRCL and the M&V Consultant on the implementation of the series of recommendations made by MTRCL's IBC and its independent experts (in the reports issued in July and October 2014 respectively) on the enhanced reporting for regular XRL project reports.

Recommendation 4: Suggestions of immediate application to the XRL Project – including reporting against an integrated master programme, performing regular quantitative schedule risk analysis for cost risk assessments, and enhancing the involvement of the M&V Consultant

Initial response:

15. We agree that the “Integrated Master Programme” could show clearly the critical path of the project and reflect the impacts of the delay of certain activities on the overall project completion. We will discuss with MTRCL and the M&V Consultant on ways to refine the existing progress monitoring system along the principle of an integrated master programme, and also the arrangements for carrying out quantitative schedule risk analysis for the remaining works.

16. HyD agrees that the involvement of the M&V Consultant should be strengthened. As a matter of fact, HyD has been making use of the advice and information provided by the M&V Consultant in following up with MTRCL on the project progress and use of funds at various levels of meetings. To further strengthen the involvement of the M&V Consultant, HyD will arrange the M&V Consultant to attend future PSC Meetings.

Recommendation 5: the Government's external scrutiny of its portfolio of infrastructure projects – an independent advisory group

Initial response:

17. HyD considers that there is a need to further review this recommendation taking into account existing policy on the delivery of public works projects.

IEP's observations:

18. Para. 4.11 of the IEP report stated that *‘In July 2013, the M&V Consultant estimated a “potential delay of almost 11 months to the Completion Date” (i.e. July 2016). There is no indication that the HyD acted upon this information to request the MTRCL for an in-depth review on XRL Project progress’*.

/This

This “potential delay” reflected what would happen if MTRCL did not do anything to catch up the delay. In fact, HyD at the time was well aware of the situation of progress delay and MTRCL had been asked to submit an overall project master programme back in January 2013. MTRCL presented a revised programme in May 2013 and at the same time proposed a DRM to speed up the track work. In the minutes of the 37th PSC meeting in July 2013, it was recorded that MTRCL promised to make a presentation on the overall master programme and the revised programme of the West Kowloon Terminus in August 2013 (upon HyD’s request). Subsequent to the RSC meeting in November 2013, HyD had pressed MTRCL at every PSC meeting to submit a revised master programme to address the delay.

19. Para. 4.20 of the IEP report stated that “The IEP has found no evidence of HyD exercising independent insight to plan, programme, forecast, etc. at any time prior to its review in April 2014.” In this respect, HyD actually took proactive co-ordination and facilitative action to manage and to mitigate the effect of the issues which had caused or would likely cause delay. An example was the liaison with relevant Mainland authorities with the aim to speed up arrival of the two tunnel boring machines from Huanggang of Shenzhen. While HyD was monitoring the seriousness of the cumulative delay, it came to the view from its independent assessment that the overall completion of the XRL project could be at risk. HyD therefore asked MTRCL in November 2012 to submit quarterly reports in conjunction with its Mainland counterpart.

Enhancement measures by Highways Department (HyD)

Enhanced involvement of M&V consultant

HyD has asked the M&V consultant to assist in reviewing MTRCL's proposed revised PTC (end-2017) and CTC (\$71.5 billion). MTRCL has been notified of HyD and its M&V consultant's assessment. MTRCL responded that the PTC and its associated risks and the CTC were under review, which was expected to be completed in the second quarter of 2015. HyD has also extended certain service of the M&V consultant to cover the lengthened construction period. Moreover, with effect from February 2015, the M&V consultant has been invited to join the PSC meetings for more direct communication with MTRCL.

Strengthening of HyD's XRL team

2. An additional Senior Engineer has been deployed to the XRL team in HyD since August 2014 to strengthen the support for M&V work. A further addition of one Senior Engineer has been deployed to the XRL team with effect from April 2015. The additional manpower would be tasked to strengthen monitoring of the programming and cost of the XRL project.

Requested MTRCL to enhance reporting

3. In response to HyD's request, MTRCL has enhanced its progress reporting to enable readers of different background to have a clear appreciation of current and forecast project status, e.g. reporting on progress status using a "traffic light" system and a Schedule Performance Index, etc.

Enhanced reporting to THB

4. HyD now provides progress report on major projects (including the XRL project) to THB on a monthly basis for discussion with STH at a dedicated meeting in addition to the regular HoD meeting. The reports give quantified progress in an easy-to-understand "traffic light" system to facilitate understanding of current project status. The reports also cover project cost estimates, risks and mitigation.
