

立法會

Legislative Council

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Panel on Transport

Subcommittee on Matters Relating to Railways

Minutes of meeting on Friday, 3 July 2015, at 10:45 am in Conference Room 1 of the Legislative Council Complex

- Members present :**
- Hon CHAN Han-pan, JP (Chairman)
 - Hon WONG Kwok-hing, BBS, MH (Deputy Chairman)
 - Hon LEE Cheuk-yan
 - Hon James TO Kun-sun
 - Hon CHAN Kam-lam, SBS, JP
 - Hon CHAN Hak-kan, JP
 - Hon Mrs Regina IP LAU Suk-ye, GBS, JP
 - Hon Paul TSE Wai-chun, JP
 - Hon LEUNG Kwok-hung
 - Hon Claudia MO
 - Hon Michael TIEN Puk-sun, BBS, JP
 - Hon Frankie YICK Chi-ming, JP
 - Hon WU Chi-wai, MH
 - Hon Gary FAN Kwok-wai
 - Dr Hon Elizabeth QUAT, JP
 - Hon TANG Ka-piu, JP
 - Ir Dr Hon LO Wai-kwok, SBS, MH, JP
 - Hon Christopher CHUNG Shu-kun, BBS, MH, JP
 - Hon Tony TSE Wai-chuen, BBS
- Members attending :**
- Hon Abraham SHEK Lai-him GBS, JP
 - Hon Albert CHAN Wai-yip
 - Dr Hon KWOK Ka-ki
 - Dr Hon Helena WONG Pik-wan

Member absent : Hon Ronny TONG Ka-wah, SC

Public Officers attending : **Agenda item II**

Professor Anthony CHEUNG, GBS, JP
Secretary for Transport and Housing
Transport and Housing Bureau

Ms Rebecca PUN Ting-ting, JP
Deputy Secretary for Transport and Housing
(Transport)1
Transport and Housing Bureau

Miss Winnie WONG Ming-wai
Principal Assistant Secretary for Transport and
Housing (Transport)3
Transport and Housing Bureau

Mr Peter LAU Ka-keung, JP
Director of Highways
Highways Department

Mr Henry CHAN Chi-yan, JP
Principal Government Engineer/Railway
Development
Highways Department

Agenda item III

Mr YAU Shing-mu, JP
Under Secretary for Transport and Housing
Transport and Housing Bureau

Mr Philip HAR Mung-fei
Principal Assistant Secretary for Transport and
Housing (Transport)4
Transport and Housing Bureau

Attendance by invitation : Agenda item II

Mr Lincoln LEONG
Chief Executive Officer
MTR Corporation Limited

Dr Philco WONG
Projects Director
MTR Corporation Limited

Ms Gillian Elizabeth MELLER
Legal Director & Secretary
MTR Corporation Limited

Mr Simon TANG
General Manager – XRL
MTR Corporation Limited

Ms May WONG
General Manager – Corporate Relations
MTR Corporation Limited

Ms Maggie SO
Deputy General Manager – Projects and
Property Communications
MTR Corporation Limited

Agenda item III

Mr Adi LAU Tin-shing
Deputy Director – Operating
MTR Corporation Limited

Mr Bede Siman TANG
Operations Services Manager
MTR Corporation Limited

Mr Donald YEE Ding-chi
Senior Manager – External Affairs
MTR Corporation Limited

Clerk in attendance : Ms Sophie LAU
Chief Council Secretary (4)6

Staff in attendance : Miss Katherine CHAN
Council Secretary (4)6

Ms Emily LIU
Legislative Assistant (4)6

Action

I. Information papers issued since last meeting

(LC Paper No. CB(4)1020/14-15(01) - Administration's response to the letter from Dr Hon KWOK Ka-ki on water seepage in MTR HKU Station of the West Island Line

LC Paper No. CB(4)1042/14-15(01) - Administration's response to the submission on inadequate barrier-free facilities in MTR stations

LC Paper No. CB(4)1110/14-15(01) - Referral from Members' meeting-cum-luncheon with Yuen Long District Council members on 7 May 2015 about enhancing current train service of the West Rail Line)

Members noted the above papers which had been issued since the last meeting.

II. Progress update on the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link

(LC Paper No. CB(4)1273/14-15(01) - Administration's paper on the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail

Link revised Programme to Complete and Cost to Complete

LC Paper No. CB(4)1228/14-15(01) - The MTR Corporation Limited's paper on the revised estimates of Programme to Complete and Cost to Complete of the Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link

LC Paper No. CB(4)1228/14-15(02) - Paper on the construction of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link prepared by the Legislative Council Secretariat (updated background brief))

2. At the invitation of the Chairman, Secretary for Transport and Housing briefed members on its initial response regarding the MTR Corporation Limited's ("MTRCL") revised Programme to Complete ("PTC") and Cost to Complete ("CTC") of the Hong Kong section ("HKS") of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL"). Chief Executive Officer of MTRCL and Projects Director of MTRCL gave a briefing on the progress update on HKS of XRL and its revised estimates of PTC and CTC of the project which were submitted to the Administration on 30 June 2015. The Subcommittee on Matters Relating to Railways ("the Subcommittee") deliberated (index of proceedings attached at **Annex**).

3. Mr Abraham SHEK declared that he was an independent non-executive director of MTRCL.

Admin / MTRCL 4. After deliberation, Secretary for Transport and Housing and Chief Executive Officer of MTRCL were requested to provide as far as possible the breakdown of the revised CTC of HKS of XRL of \$85.3 billion, including the sum of \$2.1 billion for contingency.

(*Post-meeting note:* The supplementary information provided by the Administration was issued to members on 18 August 2015 vide LC Paper No. CB(4)1416/14-15(01).)

III. Progress update on enhancement of MTR station facilities

(LC Paper No. CB(4)1228/14-15(03) - The MTR Corporation Limited's paper on the progress update on enhancement of MTR station facilities

LC Paper No. CB(4)1228/14-15(04) - Paper on MTR station facilities prepared by the Legislative Council Secretariat (background brief))

5. Due to lack of time, the Chairman proposed and members agreed to defer the discussion of this item to a future meeting.

IV. Any other business

Continuation of work of the Subcommittee on Matters Relating to Railways

(LC Paper No. CB(4)1222/14-15 - Paper on proposed extension of period of work of the Subcommittee prepared by the Legislative Council Secretariat)

6. Members agreed that the Subcommittee should seek for an extension of its work in the 2015-2016 session. Also, they noted that subject to the endorsement of the Panel on Transport at its meeting to be held on 17 July 2015, the Subcommittee would seek the House Committee's endorsement of the extension of its work.

7. There being no other business, the meeting ended at 1:03 pm.

Panel on Transport

Subcommittee on Matters Relating to Railways

**Proceedings of the meeting
on Friday, 3 July 2015, at 10:45 am
in Conference Room 1 of the Legislative Council Complex**

Time marker	Speaker	Subject(s)	Action required
<i>Agenda Item I – Information papers issued since last meeting</i>			
000410 – 000435	Chairman	Information papers issued since the last regular meeting on 19 May 2015.	
<i>Agenda Item II – Progress update on the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link</i>			
000436 – 001218	Chairman Administration	The Administration briefed members on its initial response regarding the MTR Corporation Limited's ("MTRCL") revised Programme to Complete ("PTC") and Cost to Complete ("CTC") of the Hong Kong section ("HKS") of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL").	
001219 – 002109	Chairman MTRCL	With the aid of a powerpoint presentation [LC Paper No. CB(4)1278/14-15(01)], MTRCL gave a briefing on the progress update on HKS of XRL and its revised estimates of PTC and CTC of the project which were submitted to the Administration on 30 June 2015.	
002110 – 002524	Chairman Mr Gary FAN Administration	<p>Given the continuous delay and cost overrun of HKS of XRL, Mr Gary FAN suggested that the Administration should conduct a feasibility study on the economic benefits brought by the project. If HKS of XRL failed to generate substantial economic benefits, which should be greater than CTC of the project, he opined that the Administration should halt the entire project to avoid further loss of public money. Besides, Mr FAN enquired what justifications the Administration would put forth to place the cap on the cost of HKS of XRL project; and what would happen if the Administration did not agree on MTRCL's revised PTC and CTC of the project eventually.</p> <p>In response, the Administration advised that the Highways Department ("HyD"), assisted by its monitoring and verification consultant, would critically scrutinize MTRCL's latest revised PTC and CTC of HKS of XRL project. It was therefore premature for the Administration to provide comments on the way forward before completion of the review. The Administration was also concerned about the direct and indirect economic benefits brought by the project and so it would closely monitor the situation.</p>	

Time marker	Speaker	Subject(s)	Action required
002525 – 002932	Chairman Mr WONG Kwok-hing Administration MTRCL	<p>Mr WONG Kwok-hing opined that the continuous delay and cost overrun of HKS of XRL project should be seriously criticized. Noting that the Administration would enter into concrete discussions with MTRCL as regards PTC and CTC of the project, he enquired how long the discussions would take as well as the amount of the final entrustment cost to be capped. If the Administration was unable to reach an agreement with MTRCL in the aforesaid discussions, he asked whether the Administration would resolve the dispute by way of litigation or arbitration.</p> <p>The Administration explained that it would enter into concrete discussions with MTRCL in the coming week. As they would look into various issues, including the revised PTC and CTC of HKS of XRL project, it would be hard to predict how long the discussions would take at the present moment. The Administration supplemented that it would assess MTRCL's obligations regarding project implementation, works delay and project cost overrun, and would reserve all the rights to pursue the warranties and obligations from the Corporation.</p> <p>In response to Mr WONG's question on why pile removal works at Nam Cheong Station were only being reported at this meeting, MTRCL explained that the works had been reported in one of the progress reports submitted to the Legislative Council on a previous occasion.</p>	
002933 – 003347	Chairman Mr CHAN Kam-lam Administration MTRCL	<p>In respect of MTRCL's initial cost estimate for HKS of XRL project in 2009, Mr CHAN Kam-lam enquired if the estimate of \$65 billion was based on the Corporation's own independent assessment or the publicly available information, such as construction tender price indexes, only. He also asked whether MTRCL's contracts with contractors stipulated how to deal with increases in underlying costs, in particular labour and material costs, over the construction period for the project. Mr CHAN further questioned whether the entrustment cost of the project was only a cost estimate or the actual cost of the project.</p> <p>The Administration responded that after several rounds of deliberations, both parties, the Administration and MTRCL, in 2009 mutually agreed on the entrustment cost of \$65 billion of HKS of XRL project and the project completion date of August 2015. Indeed, the return tender prices for the works contracts in 2010 received by MTRCL were lower than the Corporation's original cost estimates.</p> <p>MTRCL explained that the initial cost estimate of \$65 billion and the initial programme estimate for the project were the outcome of a number of discussions with the Administration</p>	

Time marker	Speaker	Subject(s)	Action required
		and had been reviewed by various experts.	
003348 – 003819	Chairman Mr Frankie YICK MTRCL	<p>Mr Frankie YICK raised concern over the details of MTRCL's revised CTC of HKS of XRL project of \$85.3 billion, e.g. whether it had included the estimated amount of unresolved claims arising from the works contracts; and the expenditure on the provision of the facilities for arrangements for co-location of boundary control facilities ("the co-location arrangements") at the West Kowloon Terminus ("WKT"). Besides, he was worried that the acute labour shortage problem would adversely affect the works progress and subsequently further delay the project.</p> <p>MTRCL advised that the latest revised CTC of HKS of XRL project of \$85.3 billion included a contingency amount of \$2.1 billion and a revised total project cost of \$83.2 billion, which had been compiled using a "bottom up" methodology. In response to Mr YICK's enquiry on processing the contractors' claims, MTRCL explained that the Corporation had a clear and robust mechanism, which it had been using for a number of years, in dealing with claims.</p>	
003820 – 004242	Chairman Mr Albert CHAN Mr LEUNG Kwok-hung Administration	<p>Mr Albert CHAN opined that the continuous delay and cost overrun of HKS of XRL project were caused by several factors, including the wrong choice of West Kowloon as the terminus of the project; and poor ground investigation work during the site investigation process. With a view to better understanding the underlying problems of project delay and cost overrun, Mr CHAN suggested disclosing the Entrustment Agreements signed between the Administration and MTRCL to the public openly or to the Legislative Council Members only on a confidential basis.</p> <p>In response, given that the Entrustment Agreements were confidential in nature and their contents involved sensitive commercial information, the Administration said that it was willing to provide a copy of the documents to the Select Committee to Inquire into the Background of and Reasons for the Delay of the Construction of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("the Select Committee") at closed hearings for members' perusal.</p>	
004243 – 004653	Chairman Mr WU Chi-wai Administration MTRCL	With regard to MTRCL's obligations to oversee HKS of XRL project under the Entrustment Agreement, Mr WU Chi-wai questioned if the Project Management Cost of \$4.59 billion would be the maximum amount to be claimed against MTRCL. Given that the original target completion date of the project was 4 August 2015, he enquired when the entrustment cost of \$65 billion would be used up.	

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		<p>In response, the Administration said that it was seeking legal advice from the Department of Justice on MTRCL's obligations regarding project implementation, works delay and project cost overrun. It had yet to find out whether the amount to be claimed against MTRCL would be capped at the amount of \$4.59 billion, i.e. the Project Management Cost under the Entrustment Agreement.</p> <p>MTRCL advised that as at end-March 2015, around \$45 billion out of the initial cost estimate of \$65 billion had been expended on HKS of XRL project. It was estimated that the remaining \$20 billion would be used up in about a year's time. It was necessary for MTRCL to discuss with the Administration and to give it prior notification when the initial cost estimate was expected to be exceeded.</p>	
004654 – 005100	Chairman Mr LEE Cheuk-yan Administration	<p>Mr LEE Cheuk-yan expressed worry that the intended purpose of HKS of XRL as an express railway might not be realized if the co-location arrangements for Customs, Immigration and Quarantine ("CIQ") at WKT could not be implemented eventually. As such, he suggested halting the entire project to prevent further loss of public money. The site of HKS of XRL might be converted for other uses, say, development of underground shopping malls at WKT, instead.</p> <p>The Administration responded that the most important and primary objective at the current stage was to contain cost and try its best, with the cooperation and the strenuous efforts of MTRCL, to speed up the works of HKS of XRL project. Also, the Administration explained that it was actively studying the implementation of the co-location arrangements and discussing them with the Mainland counterparts. The relevant progress was reasonably smooth.</p>	
005101 – 005506	Chairman Dr Helena WONG Administration	<p>In view of the continuous delay and cost overrun of HKS of XRL project as well as severe labour shortage problem, Dr Helena WONG cast doubt on whether MTRCL's revised PTC, indicating the completion date of the third quarter of 2018, was achievable or not; and whether MTRCL's revised CTC, at \$85.3 billion, would be further increased or not. She also expressed concern that adopting the concession approach for the implementation of HKS of XRL was inappropriate as the Administration was unable to monitor and control directly the works of the project.</p> <p>In response, the Administration explained that HyD at the beginning employed a consultant, Lloyd's Register Rail (Asia) Limited, to commission a study to review the institutional arrangements to ensure efficient implementation</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>of HKS of XRL project by MTRCL. The consultancy study finally recommended the Administration to adopt the monitoring and verification role for the design and construction of the project. On this basis, the monitoring and verification role would effectively be "check the checker", i.e. verifying that MTRCL was implementing its role and duties as specified. The Administration supplemented that with the benefit of hindsight the current approach might not be the best way to construct HKS of XRL.</p>	
005507 – 005910	<p>Chairman Ir Dr LO Wai-ki MTRCL</p>	<p>Owing to a surge in the cost of HKS of XRL project, Ir Dr LO Wai-ki expressed worry that MTRCL, being the entrusted project manager, might cut the management expenditures by means of layoffs. The safety and quality of the project might then be adversely affected. He hoped that in any case, MTRCL should attach great importance to safeguard safety and quality of HKS of XRL. Ir Dr LO also expressed concern about how MTRCL resolved the problem of cost overrun with its contractors and other working partners.</p> <p>MTRCL explained that, currently, there were about 750 persons engaged by the Corporation in engineering, safety and quality areas to oversee HKS of XRL project. Indeed, the Project Management Cost was predominantly used to pay for their salaries and wages. Besides, in view of the revised PTC and CTC, MTRCL had considered contract by contract what additional resources, such as manpower, would be required. The Corporation would try to tackle any problems encountered in association with its contractors according to the relevant contracts. MTRCL would spare no effort to closely monitor and control the cost of the project.</p>	
005911 – 010328	<p>Chairman Dr KWOK Ka-ki Administration MTRCL</p>	<p>Dr KWOK Ka-ki expressed dissatisfaction with the surge in the cost of HKS of XRL project from \$65 billion to \$85.3 billion. Noting that the Administration would reserve all the rights to pursue MTRCL's obligations, Dr KWOK asked what actions would be taken by the Administration if MTRCL was ultimately unwilling to bear the additional costs as a result of project delay.</p> <p>The Administration advised that it would enter into concrete discussions with MTRCL, being the entrusted project manager, on various issues of the project, such as MTRCL's obligations.</p> <p>In response to Dr KWOK's enquiry on MTRCL's initial cost and time estimates of HKS of XRL project, the Corporation explained that those estimates in 2009 were the outcome of a</p>	

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		number of discussions with the Administration and had been reviewed by third party experts.	
010329 – 010740	Chairman Mr Tony TSE MTRCL	<p>Mr Tony TSE enquired when MTRCL delivered other railway projects in the past, whether those projects experienced similar delays and cost overruns as that of HKS of XRL project. He also requested MTRCL to explain in detail how fast-tracked front end for the project programme and design changes led to project delay. Besides, Mr TSE enquired whether the labour and material costs stipulated in the works contracts between MTRCL and its contractors were subject to adjustment or not.</p> <p>In response, MTRCL advised that it had a proven record of delivering many high quality railway projects in Hong Kong on time and within budget. Nevertheless, in view of the acute labour shortage problem, HKS of XRL, as well as the West Island Line, the recently completed railway project, had experienced delays and cost overruns. Besides, MTRCL explained that the revised PTC and CTC of HKS of XRL project were based on the best available information to date. The fast-tracked front end had been explained by the experts appointed by MTRCL's Independent Board Committee ("IBC") in its second IBC report. It was not unusual for a project of the complexity of HKS of XRL to encounter unforeseen ground conditions during construction, resulting in design changes.</p>	
010741 – 011151	Chairman Mr Michael TIEN MTRCL	<p>Concerning the initial cost estimates of HKS of XRL project, Mr Michael TIEN enquired whether MTRCL had made reference to economic forecasts or based on other reasons to sharply decrease the estimates from \$98 billion in April 2009 to \$67 billion in late 2009. Also, he expressed concern about the progress of the implementation of the co-location arrangements for CIQ at WKT as it might affect the completion date of the entire project.</p> <p>In response, MTRCL explained that the aforesaid cost estimates for HKS of XRL project were the outcome of a number of discussions with the Administration and had been reviewed by third party experts. Besides, MTRCL estimated that the works at the space designated for the provision of the facilities for the co-location arrangements for CIQ at WKT would commence in the fourth quarter of 2015.</p>	
011152 – 011601	Chairman Mr LEUNG Kwok-hung Administration	Mr LEUNG Kwok-hung expressed dissatisfaction with the continuous delay and cost overrun of HKS of XRL project. He also did not agree that the underlying cost of materials over the construction period for the project was a major cause for the additional project costs. Mr LEUNG further urged	

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		<p>MTRCL to explain in detail the initial cost estimates for the project and asked the Administration to stop part of the project or even the whole project.</p> <p>The Administration responded that it would not consider halting HKS of XRL project at the present moment. Instead, it would spare no effort to expedite the works of the whole project.</p>	
011602 – 012009	Chairman Mr James TO Administration	<p>Mr James TO enquired whether the design and legal framework of the co-location arrangements for CIQ should be properly put in place before MTRCL could commence the relevant works of the co-location arrangements. Besides, as the Administration might have a conflict of interests with MTRCL, Mr TO suggested conducting a closed meeting with the Administration to further discuss the progress of the project.</p> <p>In response, the Administration explained that there was space designated for the provision of CIQ facilities for the co-location arrangements at WKT. Under the Entrustment Agreement, MTRCL was mainly responsible for planning, design, construction, testing and commissioning of HKS of XRL project, not including the implementation of the co-location arrangements. Indeed, the Administration was discussing the implementation of the co-location arrangements for CIQ with the Mainland counterparts and the progress of relevant discussions would not hinder the works progress of the entire project.</p>	
012010 – 012425	Chairman Ms Claudia MO Administration	<p>Ms Claudia MO was dissatisfied with the continuous delay and cost overrun of HKS of XRL project. As the works of the project had commenced for several years, she considered that a majority of the risks and uncertainties should become clear by now. Besides, the Administration should be more active in resolving the problems incurred by project delay and rising cost. Quoting some experts' suggestions and advice, Ms MO asked the Administration to halt the project and use the underground space available for other purposes.</p> <p>In response, the Administration undertook that it would not evade responsibilities for the problems encountered during implementation of HKS of XRL project. The most important objective at the current stage was to contain cost and try its best, with the cooperation and the strenuous efforts of MTRCL, to speed up the works of the project.</p>	
012426 – 012847	Chairman Mrs Regina IP Administration	Mrs Regina IP urged the Administration to review the approach to be adopted for future railway projects as both the ownership approach and concession approach did not meet	

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	MTRCL	<p>the public's expectation. Besides, Mrs IP enquired if the capped amount of HKS of XRL was commercially sensitive or not; and if the announcement of the capped amount would prejudice the legitimate interests of both the Administration and MTRCL in their dealings with third parties such as contractors, this should be avoided. She also expressed worry that MTRCL might not have used the up-to-date information for the initial cost estimates of HKS of XRL project such that the relevant analysis was not reliable.</p> <p>The Administration explained that HKS of XRL was the first Hong Kong railway project being implemented under the concession approach, under which the Administration would pay the construction and management costs whereas MTRCL would manage the construction of the railway. Also, the Administration would critically scrutinize MTRCL's latest assessment regarding the revised PTC and CTC of the project.</p> <p>MTRCL advised that HKS of XRL as well as other railway projects under construction had encountered similar problems, such as unforeseen ground conditions; and continuous and significant increases in labour and material costs.</p>	
012848 – 013222	Chairman Mr TANG Ka-piu Administration	<p>Mr TANG Ka-piu expressed worry that the entrustment cost of HKS of XRL project would be used up in about a year's time. Without additional funding, the project might have to be stopped. As such, he wondered how long the concrete discussions between the Administration and MTRCL would take. If the Administration failed to reach an agreement with MTRCL in the aforesaid discussions, Mr TANG enquired whether the Administration would resolve the dispute by way of litigation and if yes, how long it would take. Furthermore, he asked what would be the impact on MTRCL relating to the disclosure of the Entrustment Agreements.</p> <p>In response, the Administration explained that owing to time constraint, HyD, assisted by its monitoring and verification consultant, would spare no effort to complete the scrutiny of MTRCL's latest revised PTC and CTC of HKS of XRL project as soon as practicable. Given that the Entrustment Agreements were confidential in nature and their contents involved sensitive commercial information, the Administration said that it was willing to provide a copy of the documents to the Select Committee at closed hearings for members' perusal.</p>	

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013223 – 013640	Chairman Mr Paul TSE Administration	<p>In view of the continuous delay and cost overrun of HKS of XRL project, Mr Paul TSE expressed worry that the revised PTC might not be achievable and the revised CTC might be further increased. He asked the Administration to explain in detail why the initial cost estimates of the project had been sharply decreased in 2009. Mr TSE also enquired if MTRCL fulfilled its fiduciary duty to provide the Administration with all relevant information of the project for the sake of monitoring and verification.</p> <p>The Administration responded that after several rounds of deliberations and collation of third party experts' views, both the Administration and MTRCL in 2009 mutually agreed on the entrustment cost of \$65 billion of HKS of XRL project. The Administration further explained the relevant details by citing paragraph 254 of the Factual Annexure of the Report of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link Independent Expert Panel for members' reference – <i>"We have not had sight of any evidence during this study that indicates Government put pressure on MTRCL to tighten the delivery schedule prior to EA2..."</i></p>	
013641 – 014030	Chairman Administration MTRCL	<p>The Chairman raised concern that adopting concession approach for the implementation of HKS of XRL was inappropriate as the Administration was unable to monitor and control the works of the project directly. He also asked what actions would be taken by the Administration to resolve the problems arising from project delay and cost overrun. In addition, the Chairman enquired how long the Administration would take to scrutinize MTRCL's latest assessment regarding the revised PTC and CTC of the project.</p> <p>The Administration explained that it would enter into concrete discussions with MTRCL with a view to finding a way to solve the problems arising from delay and cost overrun of HKS of XRL project. As regards the scrutiny of MTRCL's revised PTC and CTC of the project, the Administration advised that it was hard to predict how long it would take while HyD, assisted by its monitoring and verification consultant, would spare no effort to complete the review as soon as possible.</p> <p>In response to the Chairman's request, MTRCL said that subject to the permission of the Administration, it would provide the breakdown of the revised CTC of \$85.3 billion, including the sum of \$2.1 billion of contingency, for members' reference.</p>	Administration / MTRCL to provide information / response (paragraph 4 of minutes)

Time marker	Speaker	Subject(s)	Action required
014031 – 014429	Chairman Mr Abraham SHEK	<p>The Chairman suggested that due to time constraints, the agenda item "Progress update on enhancement of MTR station facilities" would be deferred to a future meeting. Members agreed.</p> <p>Mr Abraham SHEK declared that he was an independent non-executive director of MTRCL. He hoped that the Administration, MTRCL and members could be more forward-looking in addressing the problems incurred by delay and cost overrun of HKS of XRL project. Containing cost and striving to complete the works as early as possible should be the primary objective, while at the same time, members could inquire into the background of and reasons for the project delay, such as through the work of the Select Committee. Besides, in spite of the sharp decrease in the initial cost estimates of the project in 2009, Mr SHEK said that the return tender prices for the works contracts received by MTRCL were indeed lower than the Corporation's original cost estimates. It therefore indicated that the Administration did not put pressure on MTRCL to lower the initial cost estimates of the project.</p>	
014430 – 014901	Chairman Mr Michael TIEN Ms Claudia MO Mr Gary FAN Mr Abraham SHEK MTRCL	<p>In respect of the details of MTRCL's revised CTC of HKS of XRL project of \$85.3 billion, Mr Gary FAN enquired whether it included the estimated amount of unresolved claims arising from the works contracts. He expressed that the Administration should not let taxpayers pay for the cost of the Corporation's substandard performance in project management.</p> <p>MTRCL explained that the revised CTC of HKS of XRL project was based on the best available information to date. With regard to processing the contractors' claims, the Corporation had a very clear and robust mechanism which it had been using for years and would continue to use in dealing with claims. Also, MTRCL explained that the Project Management Cost was predominantly used to pay for the salaries and wages of about 750 persons who had been hired by the Corporation to oversee and monitor the project.</p>	
014902 – 015226	Chairman Mr WONG Kwok-hing Administration MTRCL	<p>Concerning the continuous delay and cost overrun of HKS of XRL project, Mr WONG Kwok-hing supported the Administration to pursue MTRCL's responsibility, as well as requested the Corporation to conduct a comprehensive review and make an apology to the public. As regards the concrete discussions between the Administration and MTRCL, Mr WONG hoped that they would report the outcome to members as soon as practicable. If necessary, he suggested holding a special meeting during the summer recess of the Legislative Council.</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>In response, the Administration explained that it would spare no effort to look into various issues on HKS of XRL project with MTRCL during the discussions to be held in the coming week. In tandem, it would critically scrutinize MTRCL's revised PTC and CTC of the project.</p> <p>MTRCL advised that the major causes of the increase in the cost of the project from the original estimate of \$65 billion to \$85.3 billion were set out in its paper [LC Paper No. CB(4)1228/14-15(01)] submitted to members. The major causes included programme extension; unaccounted items; additional project costs; and contingency.</p>	
015227 – 015530	Chairman Mr CHAN Kam-lam	Mr CHAN Kam-lam did not support the suggestion of halting the entire HKS of XRL project as it would adversely affect the reputation of Hong Kong. Instead, he opined that the best and most responsible way to solve the problems was to contain cost and to complete the project as far as possible by both the Administration and MTRCL. Also, he supported the Administration's proposal to find ways to cap the final entrustment cost of the project.	
015531 – 015813	Chairman Mr Frankie YICK MTRCL	<p>Mr Frankie YICK expressed concern about whether MTRCL's latest revised PTC of HKS of XRL project had taken account of the risks and uncertainties arising from the problem of shortage of skilled workers. He also enquired if the revised CTC of \$85.3 billion had included the estimated cost for the provision of CIQ facilities for the co-location arrangements at WKT.</p> <p>MTRCL explained that the revised PTC, which included a 6-month contingency period, had taken into account the known risks and uncertainties, including shortage of labour supply. Notwithstanding this, MTRCL strived to increase the number of workers under the Supplementary Labour Scheme ("SLS") and "first-hire-then-train" project. Besides, there was space already designated for the provision of CIQ facilities for the co-location arrangements at WKT.</p>	
015814 – 020125	Chairman Mr WU Chi-wai Administration MTRCL	Mr WU Chi-wai enquired whether MTRCL's revised CTC of HKS of XRL project of \$85.3 billion included the estimated amount of unresolved claims arising from the works contract. As the Administration did not agree that the amount to be claimed against MTRCL would be capped at \$4.59 billion under the Entrustment Agreement, Mr WU asked whether the Administration would resolve the dispute by way of litigation eventually. If it could be proved that poor underground investigation work had caused project delay, he questioned whether the Administration would pursue MTRCL's responsibility or not.	

Time marker	Speaker	Subject(s)	Action required
		<p>The Administration advised that the Department of Justice was studying the legal issues concerning the Entrustment Agreement. As such, the Administration had reserved its position with regard to MTRCL's views on the Project Management Cost of \$4.59 billion under the Entrustment Agreement. In response to Mr WU's request on provision of the breakdown of the revised CTC of \$85.3 billion, the Administration would revert to the Subcommittee in due course.</p> <p>MTRCL explained that the latest revised CTC of HKS of XRL project of \$85.3 billion had been compiled using a "bottom up" methodology. Also, the Corporation had a robust system to assess and monitor contractors' claims.</p>	<p>Administration to provide information / response (paragraph 4 of minutes)</p>
020126 – 020438	<p>Chairman Dr Helena WONG Administration MTRCL</p>	<p>Noting that MTRCL had successfully imported 50 workers in total under SLS for HKS of XRL project, Dr Helena WONG asked about the number of imported workers to be required to complete the project by the third quarter of 2018 according to the revised PTC. Furthermore, she asked how the Administration would alleviate industry-wide shortage of labour in Hong Kong as the situation was aggravated by various infrastructure projects (e.g. Hong Kong-Zhuhai-Macao Bridge and West Kowloon Cultural District Project) being implemented concurrently.</p> <p>In response, the Administration explained that the labour shortage in construction industry would be eased by various means, like attracting more young persons to join the construction industry.</p> <p>In respect of the labour required for HKS of XRL project, MTRCL estimated that around 1 000 more construction workers were needed. The Corporation hoped that through expediting the application process of SLS, more labourers could be recruited to cope with the labour demand for HKS of XRL project.</p>	
020439 – 020744	<p>Chairman Ir Dr LO Wai-kwok MTRCL</p>	<p>Ir Dr LO Wai-kwok expressed worry about the adverse impact of the delay in infrastructure projects for political reasons on Hong Kong's economic development. In view of significant difficulties encountered by HKS of XRL project, he enquired about the feasibility of the partial opening of the railway lines so that it could be commissioned as early as practicable.</p> <p>In response, MTRCL explained that its current aim was to complete the HKS of XRL project as quickly as possible with a completed station with ten tracks and the completed tunnels according to the revised PTC of the third quarter of 2018.</p>	

Time marker	Speaker	Subject(s)	Action required
020745 – 021100	Chairman Mr Michael TIEN MTRCL	<p>Sharing with Mr Abraham SHEK's view, Mr Michael TIEN agreed that the primary objective was to contain cost and strive to complete the works of HKS of XRL project as early as possible. Besides, he enquired if the details of the co-location arrangements should be finalized by the Administration before MTRCL commenced the relevant construction works at WKT in the fourth quarter of 2015. Mr TIEN also expressed worry that the project might not progress further if the Administration and MTRCL had disputes over the Entrustment Agreement or they failed to seek funding approval from the Legislative Council.</p> <p>In response, MTRCL explained that the works at the space designated for the provision of CIQ facilities for the co-location arrangements at WKT would commence in the fourth quarter of 2015. Also, the Corporation, being the project manager, would perform its role in accordance with the Entrustment Agreements.</p>	
021101 – 021347	Chairman Ms Claudia MO Administration	<p>Referring to some experts' views and advice, Ms Claudia MO suggested that the Administration should halt HKS of XRL project to avoid further loss of public money.</p> <p>The Administration explained that it would critically scrutinize the latest review results submitted by MTRCL regarding the revised PTC and CTC of the project. If necessary, the Administration would apply for additional funding from the Legislative Council.</p>	
021348 – 021709	Chairman Mr LEE Cheuk-yan Administration	<p>Given that the Administration had proposed to place the cap on the cost of HKS of XRL project, Mr LEE Cheuk-yan asked whether such a decision should be agreed by MTRCL; and what would happen if the Corporation disagreed.</p> <p>In response, the Administration explained that it would enter into substantive discussions with MTRCL to look into various issues, like placing the cap on the entrustment cost of HKS of XRL project. As such, it was too early to provide comment on the way forward before the outcome of the relevant discussions.</p>	
021710 – 021846	Chairman Mr Abraham SHEK MTRCL	<p>Mr Abraham SHEK hoped that MTRCL, being a listed company, would make its reply to Mr Michael TIEN's abovementioned question more categorically, e.g. quoting from the Corporation's previous stock exchange announcement on HKS of XRL.</p> <p>MTRCL explained that the stock exchange announcement mentioned by Mr SHEK was publicly made in May of 2014 as well as repeated in subsequent announcements on other</p>	

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		occasions, including the announcement of the Corporation's Annual Results 2014 in March of 2015. As in that announcement, MTRCL stated that the Corporation's liability under the Entrustment Agreement was subject to a cap equal to the fees that the Corporation received under the Entrustment Agreement and certain fees under the preliminary Entrustment Agreement entered into between Government and the MTRCL in relation to HKS of XRL.	
<i>Agenda Item IV – Any other business</i>			
021847 – 021916	Chairman	<p><u>Continuation of work of the Subcommittee on Matters Relating to Railways</u></p> <p>The Chairman consulted members' views on whether the Subcommittee should seek for an extension of its work in the 2015-2016 session. Members agreed and noted that subject to the endorsement of the Panel on Transport at its meeting to be held on 17 July 2015, the Subcommittee would seek the House Committee's endorsement of the extension of its work.</p>	